



BANK OF ENGLAND

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 29 January 2020

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These are the minutes of the Monetary Policy Committee meeting ending on 29 January 2020.

They are available at <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2020/january-2020>.

The Bank of England Act 1998 gives the Bank of England operational responsibility for setting monetary policy to meet the Government's inflation target. Operational decisions are taken by the Bank's Monetary Policy Committee. The minutes of the Committee meeting ending on 25 March will be published on 26 March 2020.

Monetary Policy Summary, January 2020

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on 29 January 2020, the MPC voted by a majority of 7-2 to maintain Bank Rate at 0.75%. The Committee voted unanimously to maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion. The Committee also voted unanimously to maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

UK GDP growth slowed last year, reflecting weaker global growth and elevated Brexit uncertainties. Output is expected to have been flat in 2019 Q4. Growth in regular pay has fallen back to around 3½%, though unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term. CPI inflation fell to 1.3% in December, core CPI inflation declined to 1.4%, and core services inflation is below its target-consistent range. The unemployment rate has remained low and stable, and employment growth has picked up. Following its annual reassessment of supply-side conditions, the Committee judges that there has been a somewhat greater margin of spare capacity in the economy over recent years, which has been exerting downward pressure on domestically generated inflation.

The most recent indicators suggest that global growth has stabilised, reflecting the partial easing of trade tensions and the significant loosening of monetary policy by many central banks over the past year. Global business confidence and other manufacturing indicators have generally picked up. Domestically, near-term uncertainties facing businesses and households have receded. Surveys of business activity have picked up, quite markedly in some cases, and investment intentions appear to have recovered. Housing market indicators have strengthened and consumer confidence has increased slightly. The Committee will monitor closely the extent to which these early indications of an improved outlook are sustained and follow through to the hard data on domestic activity in coming months.

The Committee's updated projections for activity and inflation are set out in the accompanying January *Monetary Policy Report*. They are based on the assumption of an immediate but orderly move, at the beginning of next year, to a deep free trade agreement between the United Kingdom and the European Union.

UK GDP growth is projected to pick up a little in early 2020. Further ahead, and conditioned on a market path for Bank Rate that falls slightly over the forecast period, the recovery in UK growth is supported by a pickup in global activity, a further decline in Brexit uncertainties and the Government's announced spending measures. Support from these factors is sufficient to boost demand growth above weakened potential supply growth. As a result, slack is eroded gradually over the first part of the forecast period and a margin of excess demand builds thereafter. CPI inflation is projected to remain below the MPC's 2% target throughout this year and much of 2021. Further out, and conditioned on market yields, strengthening domestic price pressures, alongside a waning drag from energy prices, mean that inflation reaches the 2% target by the end of next year and rises slightly above it by the end of the forecast period.

Monetary policy will be set to ensure a sustainable return of inflation to the 2% target. Policy may need to reinforce the expected recovery in UK GDP growth should the more positive signals from recent indicators of global and domestic activity not be sustained or should indicators of domestic prices remain relatively weak. Further ahead, if the economy recovers broadly in line with the MPC's latest projections, some modest tightening of policy may be needed to maintain inflation sustainably at the target.

The MPC judges at this meeting that the existing stance of monetary policy is appropriate.

Minutes of the Monetary Policy Committee meeting ending on 29 January 2020

1 Before turning to its immediate policy decision, and against the backdrop of its latest economic projections, the Committee discussed: monetary and financial conditions; the international economy; demand, output, money and credit; and supply, costs and prices.

Monetary and financial conditions

2 Since the November *Monetary Policy Report*, a stabilisation of the global growth outlook and progress in trade negotiations between the United States and China had prompted an improvement in risk sentiment in financial markets. In the period immediately before the January meeting, however, asset prices had been affected by an outbreak of a new strain of coronavirus. That had been associated with falls in risky asset prices, particularly in Asia, and declines in market interest rates after the data cut-off for the January *Report*.

3 Taking the period from the November *Report* to the January MPC meeting as a whole, risky asset prices had risen. The S&P 500 equity index was up by 9%, the Eurostoxx by 4% and the FTSE All Share by 4%. These moves were estimated to have been accounted for by falls in equity risk premia. Emerging market equity prices had increased by 7% since November, despite having fallen back by 4% in recent days. Investment-grade and high-yield corporate bond spreads in advanced economies had narrowed, and the volume of issuance had been relatively high. Option-implied volatility across a range of asset classes had continued to be relatively low, although the VIX had increased somewhat just prior to the January meeting.

4 In the United States and the euro area, short and longer-term market interest rates had, over the 15-day average period, been a little higher than at the time of the November *Report*, although they had subsequently fallen back. Market pricing implied the expectation of a reduction in the target range for the federal funds rate in 2020. The ECB Governing Council had left policy unchanged at its January meeting and market pricing implied the expectation that policy interest rates would be broadly flat over 2020.

5 The sterling exchange rate index had risen by 1½% between the 15-day averages underpinning the November and January *Reports*. The general election result had reduced near-term uncertainty about both the range of potential options for Brexit and other domestic policies. That had led to a sharp fall in short-term sterling-US dollar option-implied volatility, which was now closer to that of other currency pairs. The fall in implied volatility at longer maturities had been less pronounced, however, and volatility at all maturities remained higher relative to the euro-dollar currency pair.

6 The expected path for Bank Rate on which the January *Report* projections were conditioned had been little changed from November. At the time of the January MPC meeting, however, short-term market-implied rates had been around 10 basis points below that conditioning path. Short-term market interest rates had generally been somewhat more responsive to data in recent weeks. The instantaneous forward OIS curve had indicated that market participants were fully pricing in one 25 basis point cut in Bank Rate by around the middle

of this year. Market contacts judged the January policy decision to be finely balanced between a cut in Bank Rate and no change.

7 Ten-year gilt yields and UK five-year inflation swap rates, five years forward had risen a little between the November and January *Reports*, but had fallen back alongside international equivalents since the data cut-off.

8 Bank funding spreads had been slightly lower since the November *Report*. Household credit conditions continued to be broadly accommodative, and mortgage rates had been flat. There had, however, been some signs of a slight tightening in credit conditions for unsecured household borrowers and some companies.

The international economy

9 Recent official data and other indicators of economic activity had largely been consistent with a stabilisation of global growth. The JP Morgan global composite output PMI had strengthened in December, driven by a rise in services output. The manufacturing new export orders index had risen slightly, but remained below the 50 'no change' level. Advanced economy capital goods orders and world industrial production had also pointed to a small improvement in growth in the final quarter of last year, although they had remained relatively weak.

10 Tensions between the United States and Iran had escalated in early January. That had led to a sharp rise in the oil price, although this had subsequently reversed. The 15-day average of the dollar oil price on which this *Monetary Policy Report* had been conditioned was 10% above the assumption in the November *Report*. Since the data cut-off for the January *Report*, however, oil prices had weakened significantly following the coronavirus outbreak.

11 The signing of the phase one deal between the United States and China would reduce effective bilateral tariff rates by around 5 percentage points relative to what was assumed in the November *Report*. This would provide some boost to world GDP growth over the forecast period, although that boost was small relative to Bank staff estimates that trade tensions had reduced the level of PPP-weighted world GDP by 0.6% so far. No timeline had yet been agreed for phase two negotiations, and broader trade tensions and associated uncertainty remained high.

12 Net trade had accounted for much of the slowdown in euro-area growth in recent years but was projected to support the recovery over the forecast period. Euro-area GDP growth in 2019 Q3 had been revised up to 0.3%, slightly higher than the forecast in the November *Report*. Based on the flash estimate, the euro-area composite PMI output index had remained unchanged in January at 50.9, consistent with the staff's projection that GDP was likely to have continued to have grown at a modest pace around the turn of the year.

13 In the United States, recent data outturns suggested that GDP growth in 2019 Q4 would be 0.6%, 0.2 percentage points higher than anticipated in the November *Report*. That had largely reflected lower imports and stronger residential investment. GDP growth was likely to moderate slightly in 2020 Q1, due in part to the suspension of production of the Boeing 737 Max aircraft.

14 Chinese GDP growth had been 1.5% in 2019 Q4, which meant that calendar year growth for 2019 had been 6.1%, in line with the November *Report*. Several activity indicators, including industrial production growth and retail sales growth, had posted strong gains towards the end of last year. It was likely that activity in Q1 would be held back by the coronavirus outbreak, although it remained to be seen how material that effect would be. Recent data suggested a modestly stronger growth outlook for other emerging market economies, reflecting looser financial conditions and stabilisation in some previously weak economies.

15 In the United States and the euro area, consumer price inflation had remained subdued despite low levels of unemployment. In the United States, while headline and core CPI inflation had been 2.3% in December, these data implied that core PCE inflation had remained below the FOMC's target. Euro-area headline HICP inflation had risen to 1.3% in December from 1.0% in November, while core inflation had remained unchanged at 1.3%.

Demand, output, money and credit

16 UK GDP had fallen in November by 0.3%, and growth on a three-month on three-month basis had fallen to 0.1%. Construction output had recovered from its decline in October, but overall monthly GDP in November had been pulled down by broad-based weakness in services and manufacturing output. The latter had in part been accounted for by a large, but temporary, fall in motor vehicle production, as some manufacturers had scheduled additional shutdowns around the previous Brexit deadline at the end of October. The service sector had grown at its slowest pace since mid-2016 in the three months to November.

17 The latest official data suggested that GDP in 2019 Q4 was likely to have been flat on the quarter, slightly weaker than the 0.1% growth that had been expected at the time of the MPC's previous meeting and the 0.2% growth that had been forecast in the November *Monetary Policy Report*. It was difficult to judge how much of a signal to take from that unexpected weakness.

18 The Committee discussed the extent to which GDP growth was likely to pick up over coming quarters.

19 Recent indicators of uncertainty had fallen broadly in line with the Committee's expectation in the November *Report*. For example, the proportion of respondents to the Decision Maker Panel (DMP) that judged risks related to Brexit were one of their top three current sources of uncertainty had fallen back after the election in December, and further in January, although that proportion remained higher than in much of the post-EU referendum period. A measure of general uncertainty from the latest Deloitte CFO survey suggested that the proportion of respondents who judged that the level of uncertainty was high or very high currently had declined sharply from an elevated level in the previous quarter. The Bank's Agents had reported a notable fall in short-term uncertainty but a persistence of medium-term uncertainties. The latter had been reflected in the DMP, which showed that an increasing number of companies judged that Brexit uncertainty would not be resolved until 2021 and, on average, respondents attached only a 50% probability to the transition period ending in 2020. The probability that the transition period would end without a trade deal having been agreed, either this year or thereafter, was judged by respondents to be just under one third.

20 Post-election business survey indicators of GDP growth had shown improvement, although this was more evident in questions related to companies' expectations than those related to their output. The January IHS/Markit flash composite output PMI had risen to 52.4 from 49.3 in the previous full release, while the composite expectations index had increased even more strongly and to its highest level in three years. The CBI's manufacturing output balance had remained weak in January, although the business optimism balance had risen sharply and to its highest level since 2014. Taken together, the available business surveys pointed to a rebound in activity, although questions related to companies' expectations might contain less of a signal for growth. Overall, GDP was expected to rise by 0.2% in the first quarter of this year, supported by a slightly more positive global backdrop and the reduction in short-term uncertainty observed since the general election.

21 The decline in near-term uncertainty was also expected to provide some boost to prospects for business investment, which, although revised up since the November *Report*, had remained weak in recent official data. Investment intentions in the CBI Industrial Trends and Deloitte CFO surveys had rebounded notably in January, with the balance in the former relating to companies investing to expand capacity having reached a record high. Signs of improvement in the latest DMP had been less pronounced, although there was tentative evidence of rising investment intentions for those companies who had been more uncertain about Brexit. New results from the DMP suggested that the majority of companies reviewed their investment decisions at least once a quarter or more frequently, although a majority also took over one quarter to implement any change in plans.

22 Household consumption had risen by 0.3% in 2019 Q3. The household saving ratio had been revised down over recent quarters such that it was again estimated to have been broadly flat, although labour income growth had continued to outstrip consumer spending growth over that period. Recent indicators of consumption had been mixed. Retail sales volumes had fallen by 1% in 2019 Q4 and retail surveys had remained weak. Growth in consumer credit had slowed further in November and that had been particularly visible in credit card spending. EC/GfK consumer confidence had picked up slightly further in December, however. Housing market indicators had also strengthened. Bank staff now expected the UK House Price Index to have risen quite strongly in both 2019 Q4 and 2020 Q1, based in part on the steer from more timely indicators such as the RICS survey and Rightmove asking prices.

23 The Committee noted that the Budget had been scheduled for 11 March 2020.

Supply, costs and prices

24 The Committee reviewed recent data on the labour market and inflation, against the backdrop of the annual reassessment of supply-side conditions that it had conducted during the January forecast round.

25 The labour market had remained tight. The unemployment rate had remained low at 3.8% in the three months to November, unchanged on the previous month. Employment growth had picked up sharply in the three months to November, to 0.6%, with the increase concentrated in full-time employees and the number of part-time employees having fallen slightly. Compared with pre-crisis levels, both vacancies and the vacancies-to-unemployment ratio had remained high.

26 The Committee discussed slowing pay growth in the context of broader labour market trends. In the three months to November, private sector regular average weekly earnings had risen by 3.4%, down from a growth rate of 4.0% in 2019 Q2. That Q2 figure appeared to have been erratic. Respondents to the Agents' annual pay survey had suggested that pay settlements were expected to be unchanged at 2.9% in 2020, with the ability to recruit and retain staff, and the National Living Wage, cited as key factors pushing up total labour cost growth relative to the previous year. Given that productivity growth had also fallen, unit labour cost growth had remained robust and slightly above the top of its target-consistent range.

27 The Committee judged that the equilibrium unemployment rate remained at around 4¼%. As unemployment was projected to remain below its equilibrium rate over the forecast period, that was expected to exert upward pressure on wage growth. The extent of upward pressure might be reduced by the current composition of unemployment. The drop in unemployment since mid-2018 had been accounted for by a continuing decline in long term unemployment, which tended to have less impact on pay growth.

28 Twelve-month CPI inflation and core CPI inflation had fallen in December, to 1.3% and 1.4% respectively. Both were 0.3 percentage points weaker than expected by staff immediately before the data release, and 0.1 percentage points weaker than expected at the time of the November *Monetary Policy Report*.

29 Price-based measures of domestically generated inflation had weakened further. Core services inflation had fallen to 2.1% in December, 0.6 percentage points below the bottom of the range consistent with meeting the inflation target in the medium term. Although weak rents inflation had continued to weigh on core services inflation, that measure excluding rents had fallen in December, to 2.4%. That was around a quarter of a percentage point below the bottom of its target-consistent range. The median inflation rate of around 190 services items, which should be robust to volatility in specific components, had been unchanged in December at 2.5%, down slightly from rates of around 2¾% through the spring and summer.

30 The news in headline CPI relative to immediately before the release had been mostly concentrated in relatively volatile components of the CPI basket. That had included clothing and footwear and audio-visual goods, both of which may have been affected by seasonal discounting, and transport fares that were often affected by the exact timing of demand and price collection around the Christmas period. The staff's updated short-term inflation forecast assumed that the majority of the downside news on the month did not persist going forwards. Taken with the rise in sterling oil prices, and some upside news on import price data, headline CPI inflation over the next six months was projected to be slightly higher than expected at the time of the November *Report*.

31 CPI inflation was projected to rise a little over the coming months before falling back to around 1¼% in 2020 Q2. This volatile pattern was driven in part by utility price inflation and past changes to Ofgem's energy price cap. CPI inflation would be boosted in 2020 Q1 as the January 2019 price cap cut dropped out of the annual comparison. Conversely, the April 2019 price cap rise would fall out of the annual calculation in 2020 Q2 and pull down inflation. Changes to water bills were also expected to contribute to the drop in inflation in Q2 as a result of action by Ofwat. Overall core inflation was expected to be stable over this period but at a relatively subdued level.

The immediate policy decision

32 The MPC sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment.

33 The Committee's updated projections for activity and inflation were set out in the accompanying January *Monetary Policy Report*. They were conditioned on a market path for Bank Rate that fell slightly over the forecast period. The Committee reviewed recent developments against that backdrop, and against its previous guidance that monetary policy might need to reinforce the expected recovery in UK growth and inflation if, among other factors, global growth failed to stabilise or Brexit uncertainties remained entrenched.

34 The latest data suggested that global growth had stabilised, reflecting the partial easing of trade tensions and the significant loosening of monetary policy by many central banks over the past year. Global business confidence and other manufacturing indicators had generally picked up. The Committee's forecast for UK-weighted global GDP growth in 2019 Q4 had been revised up slightly, from 0.4% to 0.5%, and growth was expected to remain at that slightly higher rate at the start of this year. Global financial conditions had also been more supportive, although, most recently, asset prices had responded significantly to an outbreak of a new strain of coronavirus. It remained to be seen how materially this affected global growth prospects.

35 In the January *Report* forecasts, world growth was projected to pick up towards potential rates over 2020. The recovery was supported by past policy measures and while trade protectionism continued to weigh on global activity over the forecast period, its effect on growth gradually waned. Weighted by UK export shares, world GDP growth was expected to pick up from 1¾% in 2019, to 2% in 2020 and to 2¼% in 2021 and 2022.

36 The Committee's January projections were based on the assumption of an immediate but orderly move, at the beginning of next year, to a deep free trade agreement between the United Kingdom and the European Union. As a result, some frictions on UK-EU trade, particularly customs checks, were assumed to come into place at that point. The MPC's projections assumed that uncertainty faded gradually over the forecast period, as more details about the new trading relationship emerged and companies assessed how those affected their business.

37 Indicators of uncertainty covering the post-election period had fallen broadly in line with the Committee's expectation in the November *Report*. In financial markets, the general election had led to a sharp fall in short-term sterling option-implied volatility. The sterling exchange rate index had risen by 1½% between the 15-day averages underpinning the November and January *Reports*.

38 Near-term uncertainties facing households and businesses had also receded. Housing market indicators had strengthened further and consumer confidence had increased slightly. Fewer respondents to the Decision Maker Panel judged that risks related to Brexit were one of their top three sources of uncertainty, while respondents to the Deloitte CFO survey and contacts of the Bank's Agents had also reported lower uncertainty. Investment intentions appeared to have recovered, although to varying degrees across surveys.

39 Although movements in uncertainty were important to monitor, what mattered ultimately was the extent to which they affected output and expenditure.

40 Smoothing through Brexit-related volatility, UK GDP growth had slowed last year, reflecting elevated Brexit uncertainties and weaker global growth. The latest official data suggested that output in 2019 Q4 was likely to have been flat on the quarter, slightly lower than expected previously.

41 UK GDP growth was projected to pick up a little in early 2020. Surveys of business activity had risen in January, quite markedly in some cases. This had been more evident in questions related to companies' expectations than those related to their output, although the former might contain less of a signal for growth.

42 Beyond the first part of this year, and conditioned on a market path for Bank Rate that fell slightly over the forecast period, the recovery in UK growth projected in the January *Report* was supported by a pickup in global activity, a further decline in Brexit uncertainties and the Government's announced spending measures. Business investment growth was projected to recover gradually, while household consumption growth also picked up. Net trade was expected to detract from GDP growth in 2021 and 2022.

43 The Committee judged that the risks to GDP growth were broadly balanced. On the one hand, consumption could be supported to a greater degree by the strength of household labour incomes, the recovery in the housing market, and the continuing backdrop of low unemployment and low interest rates. The upcoming Budget may be expansionary. On the other hand, weak investment could persist if companies remained unsure about the exact nature of the UK's future trading relationships and the impact on their business.

44 The labour market had remained tight. Employment growth had rebounded at the end of last year, and the unemployment rate had remained low and stable. While the unemployment rate was projected in the January *Report* to be broadly unchanged in the near term, it was expected to fall to 3½% by the end of the forecast period.

45 Following its annual reassessment of supply-side conditions, the Committee judged that there had been a somewhat greater margin of spare capacity in the economy over recent years, which had been exerting downward pressure on domestically generated inflation.

46 In addition, the MPC judged that UK potential supply growth was likely to remain weak over the forecast period. Productivity growth might pick up a little from current rates, but was expected to remain subdued. That reflected how persistently weak productivity growth had been since the financial crisis, the consequences of the recent weakness in investment and the adjustments necessitated by Brexit. Over the forecast period, support from the factors boosting activity were judged to be sufficient to raise demand growth above weakened potential supply growth. As a result, slack was eroded gradually over the first part of the forecast period and a margin of excess demand built thereafter.

47 Growth in regular pay had fallen back to around 3½% towards the end of last year, unwinding the effects of some temporary factors. Consistent with the Agents' pay survey, earnings growth was likely to be broadly flat this year, in a 3 to 3½% range, before picking up over the remainder of the forecast period. Given the ongoing

weakness of productivity growth, unit labour costs had continued to grow at rates above those consistent with meeting the inflation target in the medium term.

48 CPI inflation had fallen to 1.3% in December, core CPI inflation had declined to 1.4%, and core services inflation was below its target-consistent range. CPI inflation was projected to remain below the MPC's 2% target throughout this year and much of 2021. Further out, and conditioned on market yields, strengthening domestic price pressures, alongside a waning drag from energy prices, meant that inflation was expected to reach the 2% target by the end of next year and to rise slightly above it by the end of the forecast period.

49 The Committee discussed the factors that could lie behind the experience of the past couple of years, in which prices had tended to increase more slowly than had been expected given developments in unit wage costs and import prices. Consumer-facing companies' mark-ups of prices over costs appeared to have declined. One possibility was that there might be limited scope for further compression in margins, although weak demand could lead companies to continue to raise prices by less than the increase in their costs. An alternative view was that profit margins could be on a downward trend, reflecting structural and technological changes in the retail and other consumer-facing sectors. Another possibility was that overall cost pressures were weaker than implied by trends in unit labour costs and import prices. For example, commercial real estate rental price inflation had slowed since 2016, in part reflecting spare capacity in the retail sector. It was possible that weakness in these other costs could continue to exert downward pressure on inflation.

50 The Committee would explore these issues further over coming months. Recent developments in the United Kingdom should also be considered in the wider context of relatively subdued inflationary pressures, but strong labour markets, globally. It was possible that there were common factors across economies. Identifying particular factors driving recent trends could have implications for the extent to which monetary policy might need to respond in order to return inflation sustainably to the target.

51 The Committee discussed the appropriate policy to ensure the expected recovery in UK GDP growth and to return inflation sustainably to target.

52 For the majority of members of the Committee, the existing stance of monetary policy was appropriate at this meeting. The MPC's previous policy guidance had highlighted the importance of developments in global growth and domestic uncertainty. Since the December meeting, international developments had been positive and the most recent UK data supported the forecast of a near-term recovery in growth. The Committee would monitor closely the extent to which these early indications of an improved outlook were sustained and followed through to the hard data on domestic activity in coming months. Reduced Brexit uncertainties, and the easier stance of fiscal policy, might also be pushing up on UK equilibrium interest rates, making the existing policy setting more accommodative, all else equal. Although the labour market had remained tight and unit labour costs had continued to grow at above target-consistent rates, price-based measures of domestically generated inflation had softened and had been below their target-consistent rates for a sustained period. Different members placed different weights on the extent to which these various indicators provided the better guide to inflationary pressures in the medium term.

53 Two members preferred a loosening of policy at this meeting. With weak GDP growth and slowing core inflation, the economy had a modest but rising margin of spare capacity. Surveys showed a significant rise in companies' expectations, but those expectation indicators had not provided a close guide to economic growth in recent years. Survey readings on output growth had remained subdued. Downside risks remained to the MPC's projections from Brexit uncertainties and a weaker world outlook. With a low neutral rate and limited monetary policy space, risk management considerations favoured a prompt response to downside risks at present in order to ensure a sustained return of inflation to the target.

54 Monetary policy would be set to ensure a sustainable return of inflation to the 2% target. Policy might need to reinforce the expected recovery in UK GDP growth should the more positive signals from recent indicators of global and domestic activity not be sustained or should indicators of domestic prices remain relatively weak. Further ahead, if the economy recovered broadly in line with the MPC's latest projections, some modest tightening of policy might be needed to maintain inflation sustainably at the target.

55 The Governor invited the Committee to vote on the propositions that:

Bank Rate should be maintained at 0.75%;

The Bank of England should maintain the stock of sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, at £10 billion;

The Bank of England should maintain the stock of UK government bond purchases, financed by the issuance of central bank reserves, at £435 billion.

Regarding Bank Rate, seven members of the Committee (Mark Carney, Ben Broadbent, Jon Cunliffe, Andrew Haldane, Dave Ramsden, Silvana Tenreyro and Gertjan Vlieghe) voted in favour of the proposition. Two members (Jonathan Haskel and Michael Saunders) voted against the proposition, preferring to reduce Bank Rate by 25 basis points.

Regarding the stock of purchased assets, the Committee voted unanimously in favour of the second and third propositions.

56 Consistent with the Committee's previous guidance, and as described in the Market Notice accompanying these minutes, the Committee agreed to reinvest £17.5 billion of cash flows associated with the redemption of the March 2020 gilt held by the Asset Purchase Facility.

57 On the occasion of the Governor's final MPC meeting, Ben Broadbent, on behalf of members of the Committee past and present, thanked Mark Carney for his enormous contribution to the Bank and its mission, and to the Monetary Policy Committee in particular. Clare Lombardelli expressed the Treasury's appreciation of Mark Carney's contribution to monetary policy and his wider stewardship of the Bank of England, as well as the Government's gratitude that he will continue to play a role in UK public service as part of his new responsibilities for the climate agenda. Mark Carney expressed his deep appreciation to members of the Committee and colleagues at the Bank for their professionalism, intellectual rigour and dedication.

58 The following members of the Committee were present:

Mark Carney, Chair
Ben Broadbent
Jon Cunliffe
Andrew Haldane
Jonathan Haskel
Dave Ramsden
Michael Saunders
Silvana Tenreyro
Gertjan Vlieghe

Clare Lombardelli was present as the Treasury representative.

As permitted under the Bank of England Act 1998, as amended by the Bank of England and Financial Services Act 2016, Diana Noble was present on 20 January, as an observer for the purpose of exercising oversight functions in her role as a member of the Bank's Court of Directors.