BANK OF ENGLAND

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 16 September 2020

Publication date: 17 September 2020

These are the minutes of the Monetary Policy Committee meeting ending on 16 September 2020.

They are available at https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2020/september-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 4 November will be published on 5 November 2020.

Monetary Policy Summary, September 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. In that context, its challenge at present is to respond to the economic and financial impact of the Covid-19 pandemic. At its meeting ending on 16 September 2020, the MPC voted unanimously to maintain Bank Rate at 0.1%. The Committee voted unanimously for the Bank of England to continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

The outlook for the economy remains unusually uncertain. The MPC's central projections in the August *Monetary Policy Report* assumed that the direct impact of Covid-19 on the economy would dissipate gradually. They were also conditioned on the assumption of an immediate, orderly move to a comprehensive free trade agreement with the European Union on 1 January 2021. Conditional on those assumptions, UK GDP was projected to continue to recover. Activity was also supported by substantial fiscal and monetary policy actions. Nonetheless, the recovery in demand took time as health concerns were expected to drag on activity. The unemployment rate was projected to rise markedly, consistent with a material degree of spare capacity, before declining gradually. Conditioned on prevailing market yields, CPI inflation was expected to be around 2% in two years' time.

Indicators of global activity have been broadly in line with the Committee's expectations at the time of the August MPC meeting. The sterling exchange rate index has fallen by around 2%, in part reflecting recent Brexit developments.

UK GDP in July was around 18½% above its trough in April and around 11½% below its 2019 Q4 level. High-frequency payments data suggest that consumption has continued to recover during the summer and is now at around its start-of-year level in aggregate, stronger than expected in the August *Report*. Investment intentions have remained very weak and uncertainties among businesses are elevated. For 2020 Q3 as a whole, Bank staff expect GDP to be around 7% below its 2019 Q4 level, less weak than had been expected in the August *Report*. Administrative data suggest that the number of paid employees has fallen by around 700,000 between February and August. The number of furloughed workers has continued to decline; considerable uncertainty remains around the labour market after the government job support schemes unwind.

Twelve-month CPI inflation fell from 1.0% in July to 0.2% in August, consistent with temporary impacts on inflation from the Government's Eat Out to Help Out scheme and the cut in VAT for hospitality, holiday accommodation and attractions. This triggers the exchange of open letters between the Governor and the Chancellor published alongside this monetary policy announcement. CPI inflation is expected to remain below 1% until early 2021, albeit slightly higher than expected at the time of the August *Report*.

The path of growth and inflation will depend on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It will also depend on the responses of households, businesses and financial markets to these developments.

Recent domestic economic data have been a little stronger than the Committee expected at the time of the August *Report*, although, given the risks, it is unclear how informative they are about how the economy will perform further out. The recent increases in Covid-19 cases in some parts of the world, including the United Kingdom, have the potential to weigh further on economic activity, albeit probably on a lesser scale than seen earlier in the year. As in the August *Report*, there remains a risk of a more persistent period of elevated unemployment than in the central projection.

The Committee will continue to monitor the situation closely and stands ready to adjust monetary policy accordingly to meet its remit. The MPC will keep under review the range of actions that could be taken to deliver its objectives. The Committee does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

At this meeting, the Committee judged that the existing stance of monetary policy remains appropriate.

Minutes of the Monetary Policy Committee meeting ending on 16 September 2020

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

The international economy

2 Global activity had rebounded sharply in May and June as Covid-related restrictions had been eased. More recently, the pace of improvement in activity appeared to have slowed. Indicators pointed to a rise in UK-weighted world GDP of around 4¾% in 2020 Q3, broadly in line with expectations at the time of the Committee's August meeting, leaving it around 7¾% below its 2019 Q4 level.

3 Activity indicators in July and August pointed to continued recovery in euro-area GDP, albeit at a slightly slower pace. The composite euro-area PMI had remained above the 50 no-change mark in August, although it had fallen by 3 points since July. Retail sales volumes had fallen by 1.3% in July, to a little below their February 2020 level. Industrial production had risen in July, but at a slower pace than in June and had remained below its February level. There had been a substantial increase in new Covid cases in Europe, and especially in Spain and France, although mortality rates had so far remained low. Overall, Bank staff expected euro-area GDP to rise by around 6½% in 2020 Q3.

4 The euro-area unemployment rate had ticked up slightly in July, to 7.9%, but the rise in unemployment had continued to be limited by employment support schemes and lower workforce participation. Extensions to those schemes had been agreed in the largest euro-area countries, until December 2021 in Germany, and December 2020 in France and Italy. This was expected to limit increases in unemployment in 2020 H2.

5 In the United States, high-frequency indicators suggested that the economy had recovered somewhat faster than expected at the time of the August *Monetary Policy Report*. The ISM manufacturing PMI had strengthened a little further in August, to 56.0, while the non-manufacturing PMI had fallen back, to 56.9. Retail sales had risen by 1.2% in July and were a little above their February 2020 level. As in the euro area, industrial production remained well below its February level. The number of new Covid cases, while still elevated, had fallen substantially from its peak in late July and spending had recovered in those states worst affected by new Covid cases. As in Europe, mortality rates had so far remained low. Overall, Bank staff expected US GDP to rise by around 5% in 2020 Q3, a little stronger than expected in August.

6 There had been job gains in the United States over the past few months, including a rise of 1.4 million in non-farm payrolls in August, as businesses had reopened and economic activity had resumed. The unemployment rate had declined further from its April peak of 14.7%, to 8.4% in August, a much larger fall than had been expected. However, increases in non-farm employment since the April trough had only reversed around half of the two-month decline from February to April.

7 Most of the direct fiscal support provided by the CARES Act to US households and small businesses had expired, although President Trump had signed executive orders providing some further support, including the continuation of enhanced unemployment insurance at around half its rate under the CARES Act. Congressional negotiations were continuing on an additional fiscal support package.

8 China's economic recovery had continued to be led by industrial activity and exports, while domestic spending had been slower to recover. That had reflected, at least in part, government measures focusing on the industrial sector and public investment. Annual industrial production growth had increased to 5.6% in August, while annual retail sales growth had turned positive for the first time since January, rising to 0.5%. The recovery in Chinese exports through 2020 Q2 and into Q3 had been broad-based and might have reflected China's industrial sector having reopened earlier than elsewhere.

9 In emerging market economies outside China, there had been tentative signs of a recovery. In particular, the average manufacturing PMI across the largest seven of these economies had risen to 52.8 in August, the first time it had been above 50 since February. However, indicators of mobility and services activity had remained well below their levels at the beginning of the year.

10 There had been some volatility in euro-area inflation. The twelve-month HICP inflation rate had picked up a little to 0.4% in July, before falling to -0.2% in August, according to the flash estimate. That volatility had reflected primarily the timing of summer sales in France and Italy that usually occurred in July but had taken place in August this year. The cut in German VAT that had come into effect on 1 July had weighed on euro-area inflation in July and August as businesses continued to adjust their prices. In the United States, PCE inflation had increased slightly, to 1.0% in July, while core PCE inflation had also risen to 1.3%.

Monetary and financial conditions

11 Movements in major global equity price indices had been mixed since the MPC's August meeting. The S&P 500 had continued to increase but had fallen back more recently. These moves had been accounted for by changes in the equity prices of certain large technology and consumer discretionary firms. Market pricing suggested that the VIX, a measure of equity market implied volatility, was expected to remain at elevated levels over the rest of the year, with a particular focus on the US presidential election. Options prices suggested that investors continued to demand higher-than-usual compensation for the risk of a sharp fall in equity prices over the next six months.

12 The FTSE All-Share had risen slightly since the August MPC meeting, but had underperformed other major indices. This in part had reflected the composition of that UK index, which was skewed towards sectors that had been more affected by the pandemic, such as energy. Market contacts had also reported renewed concerns over recent Brexit developments.

13 Advanced economy government bond yields had risen since the August MPC meeting. Yield curves in the United Kingdom, United States and the euro area had steepened, with long rates having increased by more

than short rates. The rise in US ten-year government bond yields had been accounted for by a recovery in US inflation expectations. This had been associated with Federal Reserve Chair Powell's announcement at the Jackson Hole virtual symposium that the FOMC would move to a flexible form of average inflation targeting. US five-year inflation swap rates, five years forward, had increased by around 20 basis points since the August MPC meeting, to levels seen at around the start of the year. The US effective exchange rate index had depreciated over this period.

14 The Committee discussed the response of inflation expectations to the Covid shock and the resilience of UK inflation expectations over this period compared with other advanced economies. UK five-year inflation swap rates, five years forward, had fallen by less in March than in the United States and the euro area, and had retraced more quickly, returning to January levels by June and having since remained broadly at those levels.

15 Since the August MPC meeting, the UK three-year instantaneous forward Overnight Index Swap (OIS) rate had risen slightly, with the trough of the OIS curve implying a reduction in Bank Rate of just under 20 basis points by the middle of 2022. The MPC was not expected to adjust monetary policy at this meeting.

16 The sterling effective exchange rate index had fallen by around 2% since the August MPC meeting. Sterling had risen earlier in the period, in part driven by the depreciation of the US dollar, but had since fallen back further. That had reflected an appreciation of the euro and a renewed focus on the outcome of negotiations on the future trading relationship between the United Kingdom and the European Union. The sterling-US dollar six-month risk reversal had remained negative and had fallen further since the August MPC meeting, indicating that the risks were skewed to the downside. Measures of uncertainty around the outlook for the exchange rate, such as sterling option-implied volatilities over the next six months, had risen.

17 Since the August MPC meeting, UK wholesale unsecured bank funding spreads had continued to fall, returning to the range observed in 2019. Quoted rates on new fixed-rate mortgages had increased by around 10 basis points at low loan-to-value (LTV) ratios. Higher LTV products had recorded a larger increase, appearing to reflect concerns about credit risk as well as some products having been withdrawn. The rise in mortgage spreads was consistent with some of the responses to the Bank of England's latest Credit Conditions Survey, released ahead of the August meeting, with lenders reporting that they had been expecting to reduce mortgage availability in 2020 Q3, in turn reflecting concerns about the economic environment and a reduction in risk appetite. Contacts had reported recently that the rise in mortgage rates had, in part, also been in response to the high level of demand for mortgage loans. Rates on unsecured household credit had remained broadly unchanged.

Demand, output, money and credit

18 According to the ONS's first quarterly estimate, UK GDP had fallen by around 20% in 2020 Q2 and by around 22% compared with 2019 Q4, broadly in line with the Committee's expectations at the time of the August *Monetary Policy Report*. Household consumption had fallen by around 23% in 2020 Q2, slightly weaker than had been expected at the time of the August *Report*. Spending on tourism, restaurants and hotels, and

transport had been particularly weak. Business investment had declined by around 31% in 2020 Q2, slightly less of a fall than had been expected in the August *Report*.

19 According to the latest monthly estimate, GDP had risen by 6.6% in July, following increases of 8.7% and 2.4% in June and May respectively. That had left the level of monthly GDP around 12% below where it had been in 2019 Q4, up from a trough of -25% in April. There had been a widespread recovery in output in the manufacturing sector, while the pickup in services output had also broadened out in July following increases that had previously been concentrated in the distribution sector. For 2020 Q3 as a whole, Bank staff expected GDP to be around 7% below its 2019 Q4 level, less weak than had been expected in the August *Report*. Agency intelligence was consistent with output continuing to recover gradually, although, in aggregate, it was expected to remain below its 2019 Q4 level until 2021.

20 High-frequency payments data suggested that consumption had continued to recover during the summer and was now at around its start-of-year level in aggregate, above the level that had been expected in the August *Report*. Work-related and social consumption had picked up significantly, though remained below their start-of-year levels. In particular, the Government's Eat Out to Help Out (EOHO) scheme had led to increased restaurant spending in August. Consumption of durable goods and other forms of delayable spending had remained above their start-of-year levels over recent weeks.

21 The strength in durable consumption had been mirrored in housing market developments. Mortgage approvals for house purchase had risen to 66,300 in July. The number of properties listed on Zoopla had remained well above their usual summer levels and sales agreed on Rightmove had been much stronger than normal. House prices on a variety of measures had also picked up notably in recent months. The monthly net flow of consumer credit had risen to around its 2019 levels, although gross lending and repayments had remained somewhat weaker.

22 The Committee discussed whether the recovery in household spending would be sustained over the rest of this year. Since the onset of the pandemic, consumers had been flexible in their patterns of spending across time, method of purchase, and different goods and services. The ongoing strength of spending on durable and other delayable items could reflect both pent-up demand following the earlier period of lockdown and some substitution away from social and work-related spending. The pickup in some forms of social consumption over recent weeks was also notable, although it was unclear how much that had reflected perceptions of reduced health risks at that time and the particular impact of the EOHO scheme. Set against those developments, consumer confidence had remained weak and the perceived risk of job loss elevated.

23 According to the Bank's Agents, investment intentions had remained very weak, although the outlook for digital and other forms of investment in technology had picked up. Companies in the August Decision Maker Panel (DMP) had reported a weaker outlook for investment than in July, with spending expected to be around one-third and one-quarter lower than otherwise due to the pandemic in the third and fourth quarters of this year respectively. Covid-induced uncertainty had remained elevated in August according to the DMP, with almost 90% of businesses reporting that Covid-19 was one of their top three sources of uncertainty. Three-quarters of

companies in the August DMP expected this uncertainty to persist until at least April 2021. Just under half of respondents had ranked Brexit as one of the top three sources of uncertainty for their business.

24 Net finance raised by private non-financial corporations had softened in July, returning to levels similar to those recorded in 2019. The flow of lending from government-backed schemes had slowed as demand had eased further.

Supply, costs and prices

25 The LFS unemployment rate had edged up to 4.1% in the three months to July, but it was likely that labour market slack had increased by more than implied by the jobless rate. Quarterly data had shown a record rate of flow out of unemployment and into inactivity in 2020 Q2, consistent with the pandemic and social distancing measures having hindered some people from actively searching for work. Nevertheless, the number of employees reported in the LFS had continued to be broadly flat, with lower self-employment. The slightly timelier HMRC data had instead shown a 706,000 fall in the number of paid employees between February and August.

26 HMRC administrative data had shown that the take-up of the Job Retention Scheme (JRS) had peaked at just under nine million employees in May. A preliminary reweighting of the ONS Business Impact of Covid-19 Survey data, to better reflect UK-wide trends, had subsequently shown that the share of private sector employees who were furloughed had fallen to 16% over the second half of August, equivalent to 3½ million people.

27 The August *Monetary Policy Report* had anticipated that the unemployment rate would increase to 7½% in 2020 Q4. There was limited evidence to alter that assessment materially, not least since the signal from the official unemployment data was hard to interpret currently. The HMRC PAYE employee data had continued to report a sharp fall since February and a greater number of people were still furloughed than had been assumed. Employment survey balances and the stock of job vacancies had remained weak, with online vacancies remaining at around only half of their 2019 levels. In contrast, GDP had recovered slightly more than had been expected, which would support labour demand. Indicators of the flow of new vacancies had been more positive, and the number of notifications of 20 or more redundancies in any particular establishment had also fallen back substantially in August, having spiked up in June and July. Reports from the Bank's Agents indicated that some companies were waiting to see how demand unfolded before deciding whether, and on what scale, to enact any redundancy plans later in the year.

28 Whole-economy total Average Weekly Earnings (AWE) had fallen by 1.0% in the three months to July on a year earlier. The drag associated with employees having been put into the JRS on lower pay had begun to ease as some people were taken off the scheme. The underlying trend had remained weak, however. The Agents had continued to report that many companies had deferred decisions on pay. Where pay settlements had been decided, a relatively high number had kept pay frozen. That had begun to feed through to the twelve-

month median growth measure for private sector pay settlements, which had slowed to 2% in July having been around 3% in July 2019.

29 CPI inflation had fallen from 1.0% in July to 0.2% in August, with those figures somewhat above expectations at the time of the August MPC meeting. As the inflation rate was below 1%, an exchange of letters between the Governor and the Chancellor of the Exchequer would be published alongside these minutes. The fall on the month, in August, had been consistent with a one-off drag from the Government's Eat Out to Help Out (EOHO) scheme and the temporary cut in VAT for hospitality, holiday accommodation and attractions, which had taken effect in mid-July but just after the ONS's price collection date for that month. The latest CPI figure had been 0.5 percentage points higher than expected at the time of the August meeting. The upside news had been related to higher transport fuel prices and apparent lower-than-expected pass-through of the VAT cut, with the remainder spread across a number of other components. CPI inflation was expected to increase in September as the effect of the EOHO scheme unwound, but to remain below 1% over the rest of the year.

30 The Committee discussed the risks to the near-term inflation forecast. There had been some evidence of Covid-related costs resulting in higher prices. Increases in some services prices, such as for hairdressing and dentistry, were reportedly due to costs of personal protective equipment and other safety measures being passed on to consumers. Other businesses were also operating at reduced capacity, meaning that there was a limit to how much demand they could meet and the costs of doing so were higher. That had been one factor, reported to the Agents by hospitality firms, behind more limited pass-through of the VAT cut. More generally, businesses had reported a reluctance to alter prices due to uncertainty around demand.

31 Survey indicators of current business prices were weak, but household inflation expectations had remained relatively steady. A range of business surveys had reported weak price pressures, with the Agents' latest scores close to zero and hence consistent with little price movement. Expectations over the year ahead were also generally low, although the August Decision Maker Panel had reported an uplift, taking that inflation series close to its 2019 levels. On the household side, movements in near-term expectations had been modest in the year to date. Five-to-ten year ahead expectations had also been stable according to the Citi/YouGov household survey for August.

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. In that context, its challenge at present was to respond to the economic and financial impact of the Covid-19 pandemic.

33 The outlook for the economy remained unusually uncertain. The MPC's projections in the August *Monetary Policy Report* had assumed that the direct impact of Covid-19 on the economy would dissipate gradually. Conditional on that assumption, UK GDP had been projected to continue to recover. Activity had also been supported by substantial fiscal and monetary policy actions. Nonetheless, the recovery in demand

was expected to take time as health concerns had been expected to drag on activity. The unemployment rate had been projected to rise markedly, consistent with a material degree of spare capacity, before declining gradually. Conditioned on prevailing market yields, CPI inflation had been expected to be around 2% in two years' time.

34 The MPC's latest central projections were also conditioned on the assumption of an immediate, orderly move to a comprehensive free trade agreement with the European Union on 1 January 2021. The Committee would consider economic issues relating to Brexit within the context of its wider forecast discussions ahead of the November MPC meeting.

35 The Committee reviewed recent developments, including the extent to which they had been in line with the projections in the August *Report*.

36 Indicators of global activity had been broadly in line with the MPC's expectations at the time of the August *Report*. The economic news had been broadly in line with expectations in the euro area and China, and slightly positive in the United States. Although there had been increases in new Covid cases in most European countries, mortality rates had so far remained low. Extensions to some employment support schemes had also been announced in the euro area.

37 After having fallen at the start of the pandemic, financial market indicators of inflation expectations had recovered, particularly in the United States recently. The sterling exchange rate index had fallen by around 2% since the previous MPC meeting, in part reflecting recent Brexit developments. UK wholesale unsecured bank funding spreads had returned to the range observed in 2019, but quoted rates on fixed-rate mortgages had increased on the month, including at lower loan-to-value ratios.

38 As of 16 September, the total stock of the Asset Purchase Facility had reached £684 billion, an increase of £239 billion as part of the programmes of asset purchases announced on 19 March and 18 June. Within that increase, £230 billion of UK government bonds, and £9.3 billion of sterling non-financial investment-grade corporate bonds, had been purchased since March.

39 UK GDP in July had been around 18½% above its trough in April and around 11½% below its 2019 Q4 level. For 2020 Q3 as a whole, Bank staff expected GDP to be around 7% below its 2019 Q4 level, less weak than had been expected in the August *Report*.

40 High-frequency payments data suggested that consumption had continued to recover during the summer and was now at around its start-of-year level in aggregate, stronger than expected in the August *Report*. Durable consumption had remained strong and the housing market had shown further signs of picking up. It was unclear for how much longer this strength would persist or to what extent it was due to changes in consumption patterns due to the pandemic. There remained a cumulative shortfall in delayable expenditure relative to the corresponding period last year. The level of social consumption had increased recently, partly reflecting the effects of the Government's Eat Out to Help Out (EOHO) scheme in August. Nevertheless, some restrictions on social interactions had been re-imposed locally and nationally. Spending less on one category of consumption did not necessarily mean a reduction in the total, however. That was consistent with the flexibility

consumers had exhibited in the types of goods and services that they had purchased during the pandemic. Over time, aggregate spending decisions should be more closely related to expectations of, and uncertainty about, future income. Overall disposable income growth had been comparatively strong during this period, supported by recent fiscal and monetary policy actions, although this strength in income growth might not be sustained.

41 Investment intentions had remained very weak and uncertainties among businesses were elevated. Companies in the August Decision Maker Panel had reported a weaker outlook for investment than in July, although those results were more in line with previous months' expectations and so might not signal a renewed weakening in the outlook. Uncertainty among companies about the future level and pattern of demand, including about whether recent changes in the composition of consumption spending would be sustained, could discourage businesses from making new investment, and potentially also hiring, decisions.

42 The LFS unemployment rate had picked up slightly, to 4.1%, but it remained the case that spare capacity in the labour market was markedly higher than implied by the official jobless rate alone. Administrative data suggested that the number of paid employees had fallen by around 700,000 between February and August, broadly consistent with the assumptions underpinning the projections in the August *Report*. The number of furloughed workers had continued to decline; considerable uncertainty remained around the labour market after the government job support schemes unwind. On the one hand, GDP had recovered by slightly more than had been expected, which would support labour demand. On the other hand, employment survey balances and the stock of job vacancies had remained weak. Given that recent shifts in the pattern of consumption spending had occurred much more quickly than in previous periods of structural change, employment in the worst-affected sectors could fall to a greater extent than envisaged.

43 Twelve-month CPI inflation had fallen from 1.0% in July to 0.2% in August, consistent with temporary impacts on inflation from the EOHO scheme and the cut in VAT for hospitality, holiday accommodation and attractions. This triggered the exchange of open letters between the Governor and the Chancellor published alongside these minutes. CPI inflation was expected to remain below 1% until early 2021, albeit slightly higher than expected at the time of the August *Report*. Recent upside news had been related to higher transport fuel prices and apparent lower-than-expected pass-through of the VAT cut. Some Covid-related increases in business costs had also appeared to have been passed on to consumers. That should be set against the continuing softness in wage growth, however. Other costs for companies, such as commercial rents, were also likely to remain subdued.

44 The MPC was continuing to monitor closely developments in indicators of inflation expectations. Survey indicators of current business prices were weak, but household and UK financial market inflation expectations had remained relatively steady. Overall, the Committee judged that inflation expectations remained well anchored and consistent with inflation close to the 2% target.

45 The Committee turned to its immediate policy decision.

46 The path of growth and inflation would depend on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the

European Union and the United Kingdom. It would also depend on the responses of households, businesses and financial markets to these developments.

47 Recent domestic economic data had been a little stronger than the Committee had expected at the time of the August *Report*, although, given the risks, it was unclear how informative they were about how the economy would perform further out. The recent increases in Covid-19 cases in some parts of the world, including the United Kingdom, had the potential to weigh further on economic activity, albeit probably on a lesser scale than seen earlier in the year. As in the August *Report*, there remained a risk of a more persistent period of elevated unemployment than in the central projection.

48 The Committee would continue to monitor the situation closely and stood ready to adjust monetary policy accordingly to meet its remit. The MPC would keep under review the range of actions that could be taken to deliver its objectives. The Committee did not intend to tighten monetary policy until there was clear evidence that significant progress was being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

49 All members judged that the existing stance of monetary policy remained appropriate at this meeting.

50 The Chair invited the Committee to vote on the propositions that:

Bank Rate should be maintained at 0.1%;

The Bank of England should continue with its existing programmes of UK government bond and sterling non-financial investment-grade corporate bond purchases, financed by the issuance of central bank reserves, maintaining the target for the total stock of these purchases at £745 billion.

The Committee voted unanimously in favour of both propositions.

51 The Committee continued to expect the UK government bond asset purchase programme to be completed, and the total stock of purchases to reach £745 billion, around the turn of the year. With liquidity conditions having stabilised, purchases could now be conducted at a slower pace than during the earlier period of market dysfunction. Should market conditions worsen materially again, however, the Bank stood ready to increase the pace of purchases to ensure the effective transmission of monetary policy.

52 The Committee had discussed its policy toolkit, and the effectiveness of negative policy rates in particular, in the August *Monetary Policy Report*, in light of the decline in global equilibrium interest rates over a number of years. Subsequently, the MPC had been briefed on the Bank of England's plans to explore how a negative Bank Rate could be implemented effectively, should the outlook for inflation and output warrant it at some point during this period of low equilibrium rates. The Bank of England and the Prudential Regulation Authority will begin structured engagement on the operational considerations in 2020 Q4.

53 The following members of the Committee were present:

Andrew Bailey, 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, Anne Glover was present on 11 September, as an observer for the purpose of exercising oversight functions in her role as a member of the Bank's Court of Directors.