



BANK OF ENGLAND

News release

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Bank of England maintains Bank Rate at 0.5% and the size of the Asset Purchase Programme at £375 billion

The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also voted to maintain the stock of asset purchases financed by the issuance of central bank reserves at £375 billion.

Since the May Inflation Report, market interest rates have risen sharply internationally and asset prices have been volatile. In the United Kingdom, there have been further signs that a recovery is in train, although it remains weak by historical standards and a degree of slack is expected to persist for some time.

Twelve-month CPI inflation rose to 2.7% in May and is set to rise further in the near term. Further out, inflation should fall back towards the 2% target as external price pressures fade and a revival in productivity growth curbs domestic cost pressures.

At its meeting today, the Committee noted that the incoming data over the past couple of months had been broadly consistent with the central outlook for output growth and inflation contained in the May Report. The significant upward movement in market interest rates would, however, weigh on that outlook; in the Committee's view, the implied rise in the expected future path of Bank Rate was not warranted by the recent developments in the domestic economy.

The latest remit letter to the MPC from the Chancellor had requested that the Committee provide an assessment, alongside its August Inflation Report, of the case for adopting some form of forward guidance, including the possible use of intermediate thresholds. This analysis would have an important bearing on the Committee's policy discussions in August.

In the light of these considerations, the Committee voted to maintain the size of its programme of asset purchases financed by the issuance of central bank reserves at £375 billion. The Committee also voted to maintain Bank Rate at 0.5%.

The minutes of the meeting will be published at 9.30am on Wednesday 17 July.

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Notes to Editors

The Chancellor's latest remit for the MPC, issued on 20 March 2013, can be found on the Bank of England website at

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/185552/chx_letter_to_boe_monetary_policy_framework_200313.pdf.pdf

The previous change in Bank Rate was a reduction of 0.5 percentage points to 0.5% on 5 March 2009. A programme of asset purchases financed by the issuance of central bank reserves was initiated on 5 March 2009. The previous change in the size of that programme was an increase of £50 billion to a total of £375 billion on 5 July 2012.

Information on the Asset Purchase Facility can be found on the Bank of England website at

<http://www.bankofengland.co.uk/monetarypolicy/Pages/qe/default.aspx>.

The Bank will continue to offer to purchase high-quality private sector assets on behalf of the Treasury, financed by the issue of Treasury bills, in line with the arrangements announced on 29 January 2009 and 29 November 2011.

In order to accommodate the Governor's attendance at the G20 Summit on 5-6 September in St. Petersburg, the MPC's policy meeting scheduled for 4-5 September will take place on 3-4 September. The decision will still be announced at the originally scheduled time of 12.00 on 5 September.