



BANK OF ENGLAND

Monetary Policy from End to End: Define, Decide, Deliver

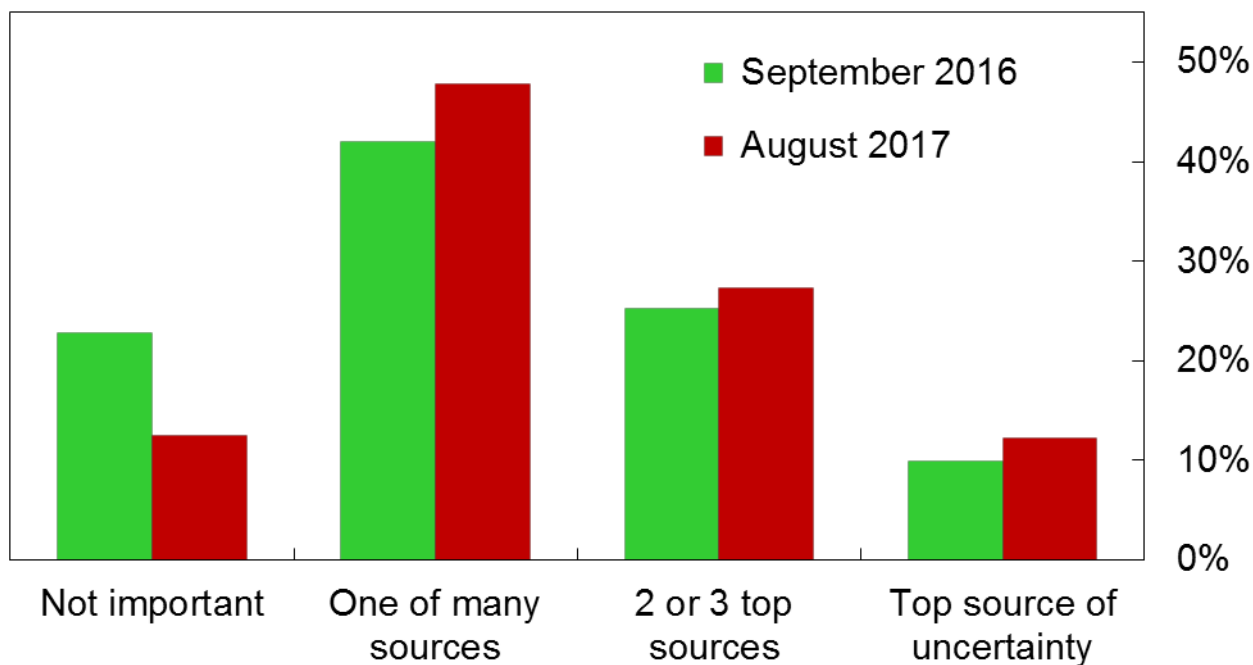
Dave Ramsden

Deputy Governor for Markets and Banking

King's College London

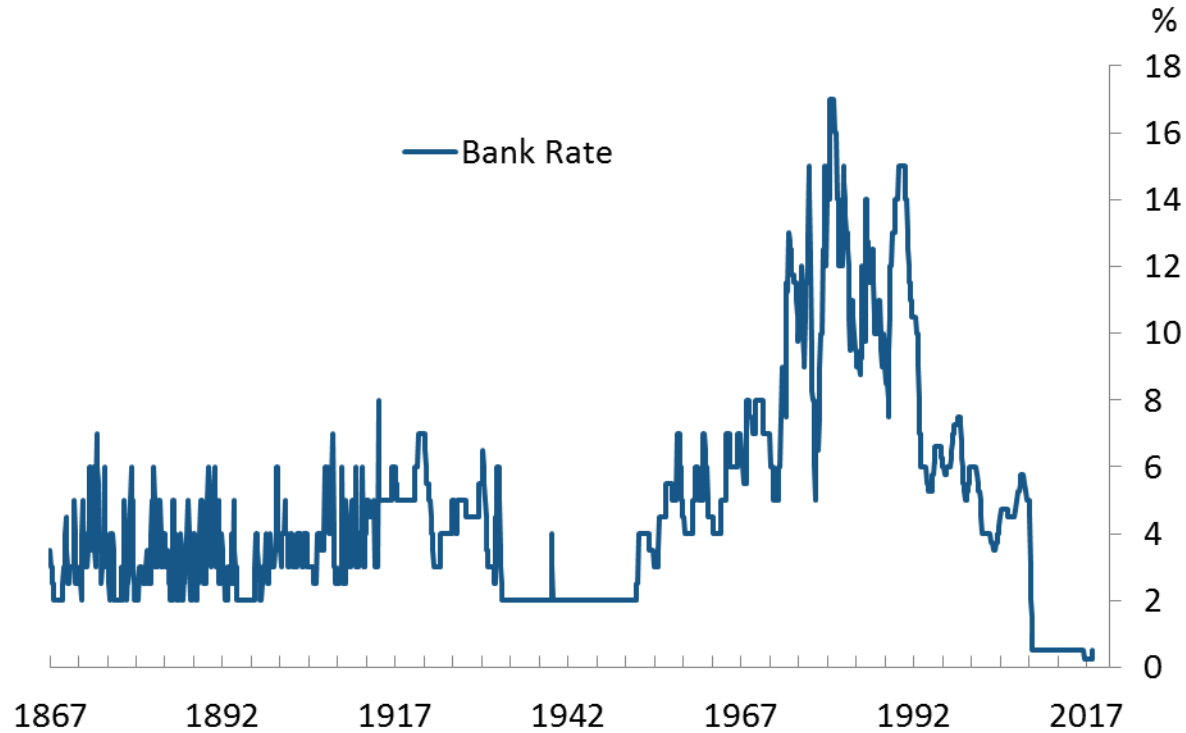
20th November 2017

1. Share of firms in Decision Maker Panel Survey who cite Brexit as a top source of uncertainty is increasing



Results in this chart are based on responses to the following question: "How much has the result of the EU referendum affected the level of uncertainty affecting your business? Is it: i) not important, ii) one of many drivers of uncertainty, iii) one of the top two or three drivers of uncertainty for our business, iv) the largest current source of uncertainty for your business."

2. Bank Rate remains very low by historical standards



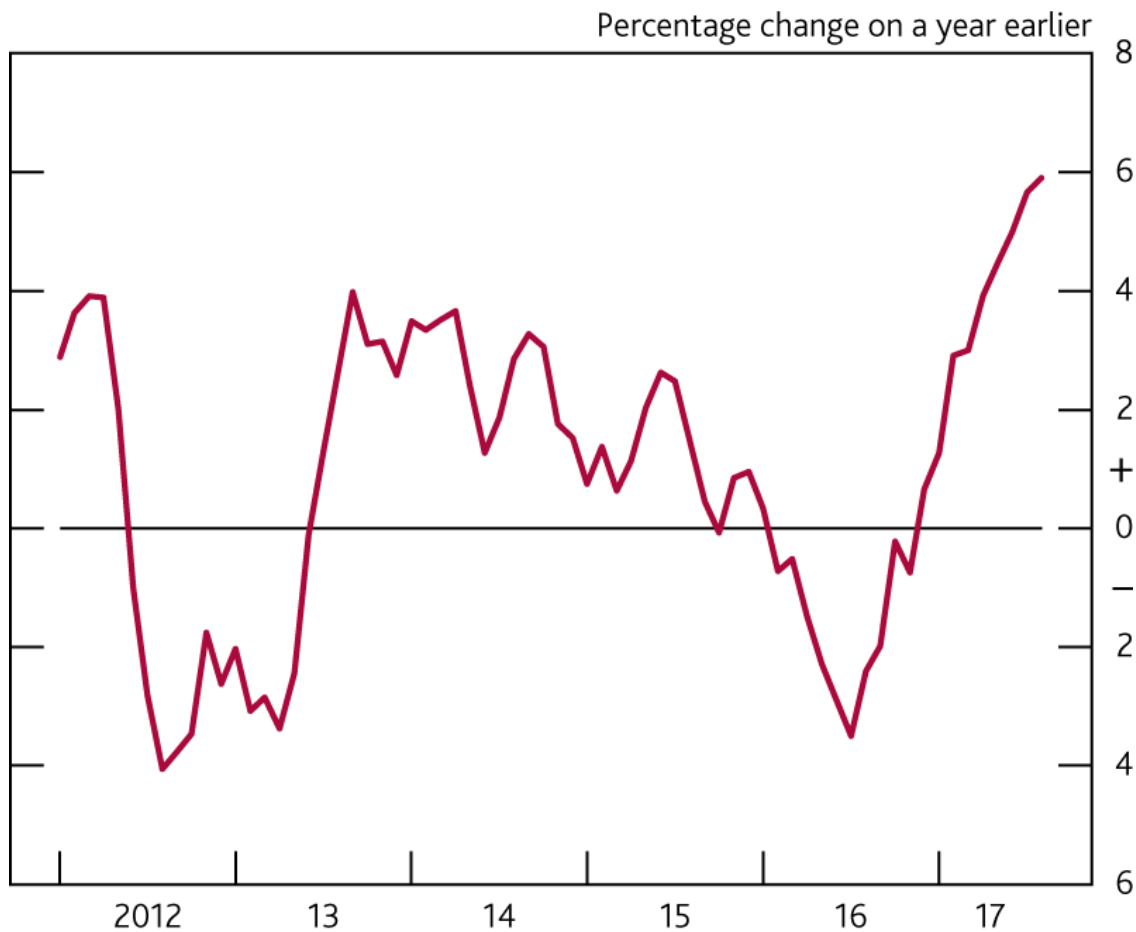
3. News in key variables

News in key variables since EU referendum¹

GDP growth	-0.8pp
Business Investment growth	-5.2pp
Productivity growth	-2.2pp
Nominal wage growth	-1.5pp
Real wage growth	-2.6pp

¹ News in 4-quarter growth rates in the year to 2017Q2 relative to May 2016 MPC forecast.

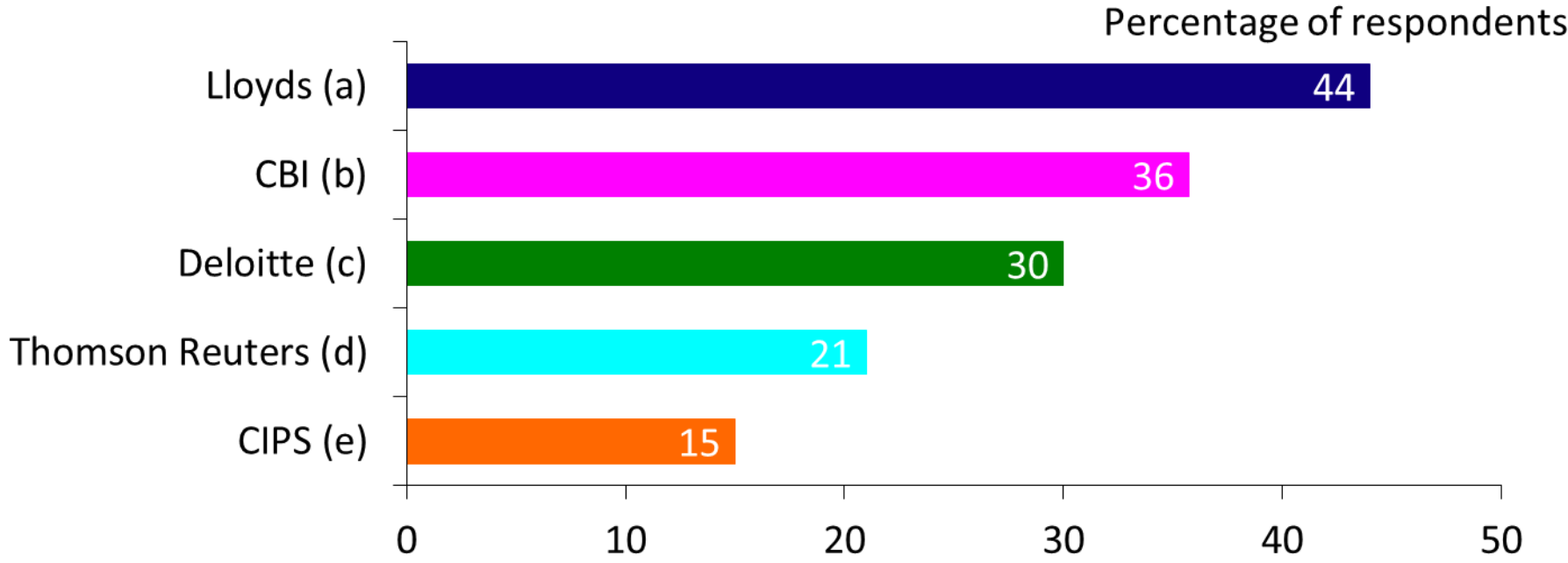
4. Capital Goods orders in the US and euro area have picked up sharply



•Sources: European Central Bank, Thomson Reuters Datastream, US Bureau of Labor Statistics, US Census Bureau and Bank calculations.

Chart shows growth in US new orders for non-defence capital goods excluding aircraft, deflated by the private capital equipment producer price index, and euro-area volume of new orders for capital goods, weighted together using 2010 US and euro-area manufacturing value-added data. 3-month moving average.

5. Brexit related uncertainty is a factor weighing on business investment



(a) Response to the EU referendum: delaying investment decision-making.

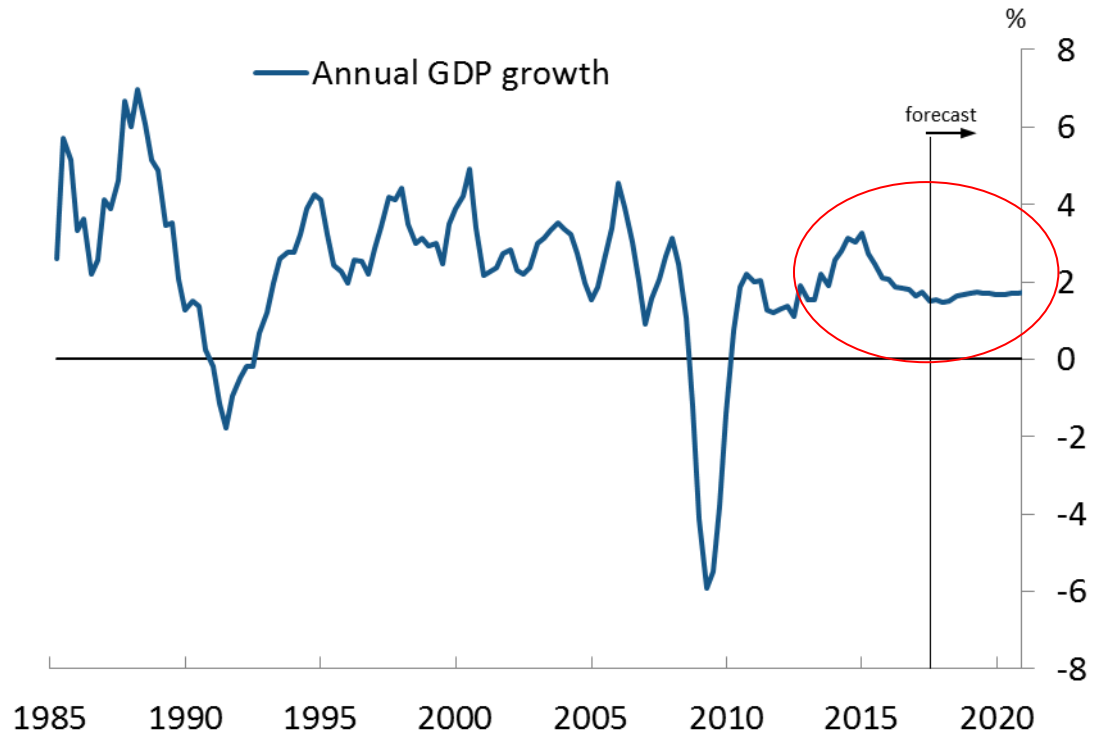
(b) Negative responses to: How has Brexit impacted your organisation's investment decisions?

(c) CFOs who expect capital expenditure by their business to decrease over the next three years as a consequence of Brexit.

(d) Impact of Brexit: holding off from expanding operations in the UK.

(e) Percentage of UK businesses that have postponed or cancelled contracts.

6. Saucer-shaped slowdown in GDP growth



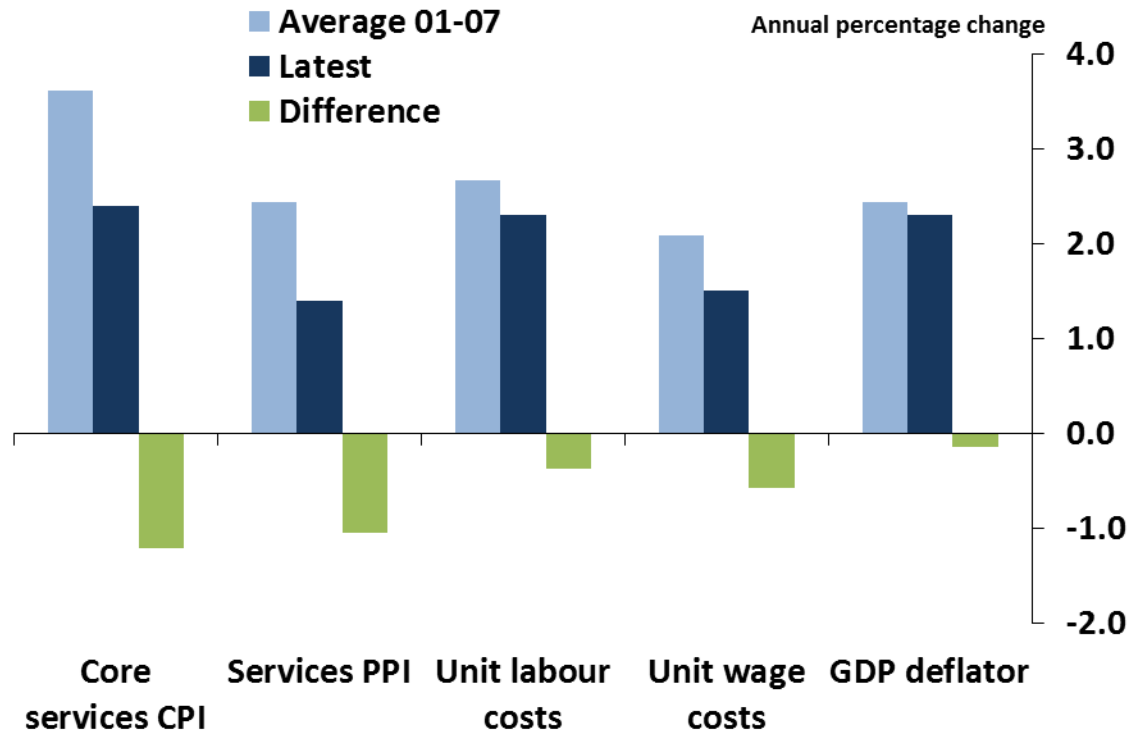
7. News in key variables

News in key variables since EU referendum¹

GDP growth	-0.8pp
Business Investment growth	-5.2pp
Productivity growth	-2.2pp
Nominal wage growth	-1.5pp
Real wage growth	-2.6pp

¹ News in 4-quarter growth rates in the year to 2017Q2 relative to May 2016 MPC forecast.

8. Measures of domestically generated inflation generally below levels consistent with inflation at target in medium term



9. A historic rise in Bank Rate

theguardian

Bank of England raises UK interest rates
for first time since 2007



**BBC
NEWS**

**UK interest rates rise for first time in 10
years**

Tighter Times

The Bank of England's decision to raise interest rates is justified after nearly a decade of unprecedented stimulus but the economy faces stiff headwinds

FINANCIAL TIMES

**BoE lifts rates for first time in a
decade and signals more to come**

◆ MPC clear it is not a 'one and done' decision ◆ Additional rises needed to control inflation

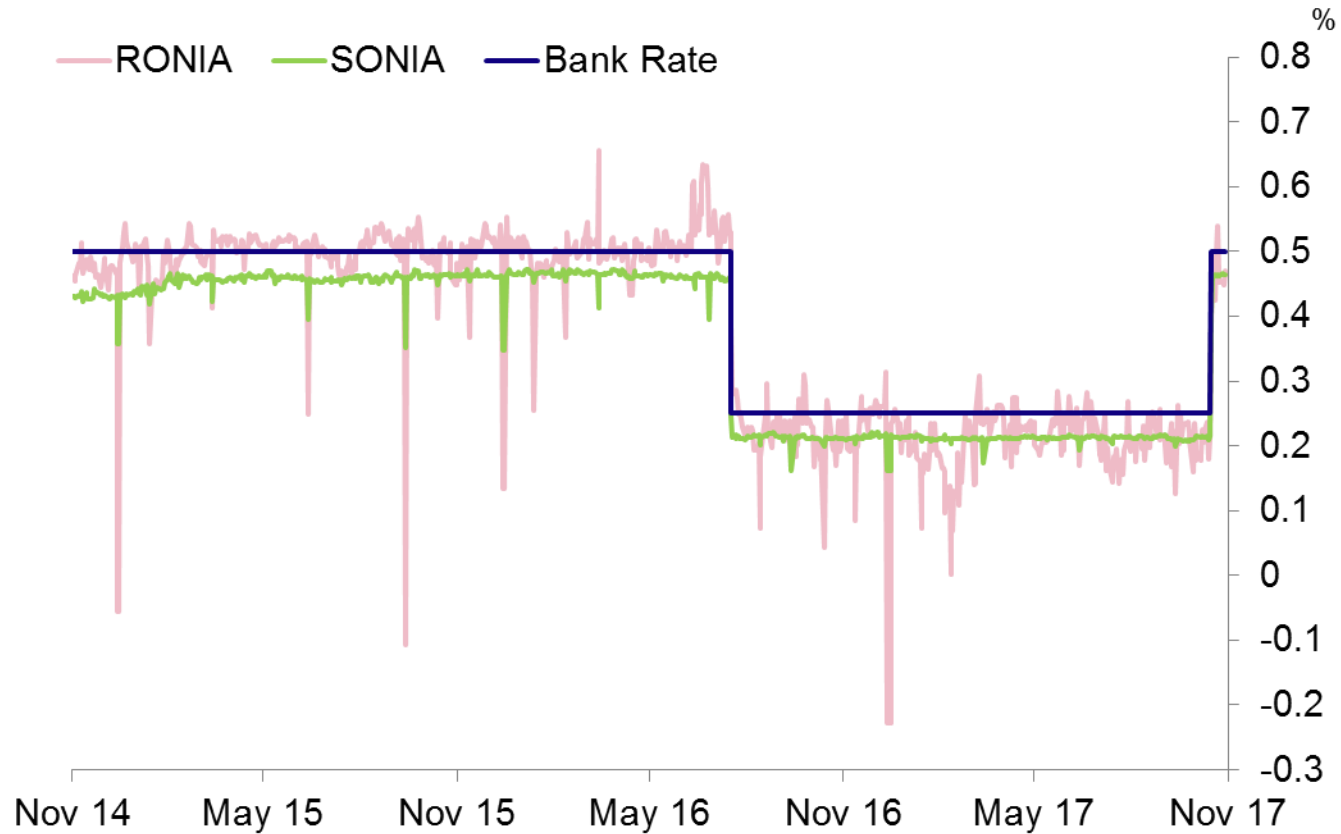
**London
Evening
Standard**

Thursday 2 November 2017 **FREE** standard.co.uk

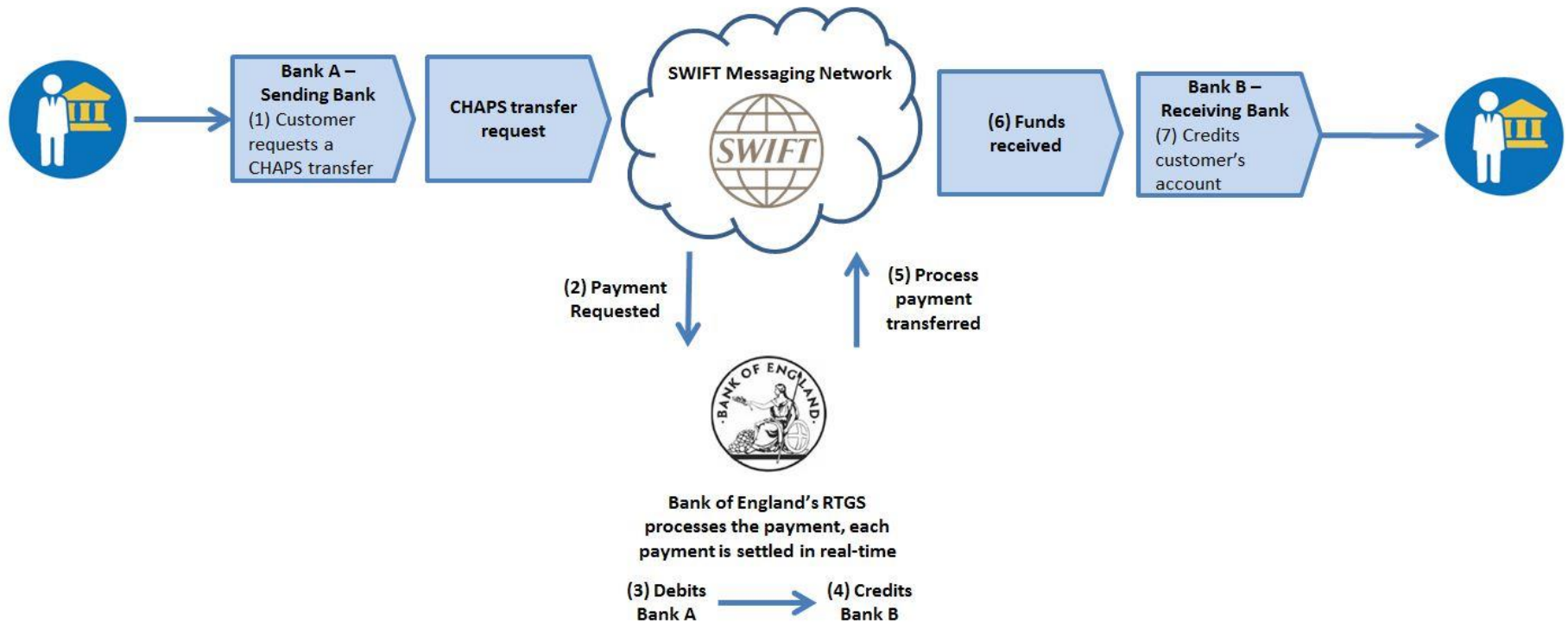
WEST END FINAL EXTRA

**OUCH! FIRST RATE
RISE FOR 10 YEARS**

10. SONIA and RONIA have been on average 25bps higher since the change in Bank Rate



11. CHAPS High Value Payment System





BANK OF ENGLAND

Monetary Policy from End to End: Define, Decide, Deliver

Dave Ramsden

Deputy Governor for Markets and Banking

King's College London

20th November 2017