

BoE Policy Outlook

13 September

After the Bank hiked interest rates in August to 0.75%, the highest since 2009, another rate hike is not expected until at least the second half of 2019. As a result, markets will be paying close attention to the latest inflation readings and Brexit developments over the coming months to see whether those expectations could be brought forward or pushed even further back. The latest figures found that headline inflation ticked higher to 2.5% in July, while core inflation was steady at 1.9%. The August readings will be released following this month's policy decision.

Key things to watch at this meeting:

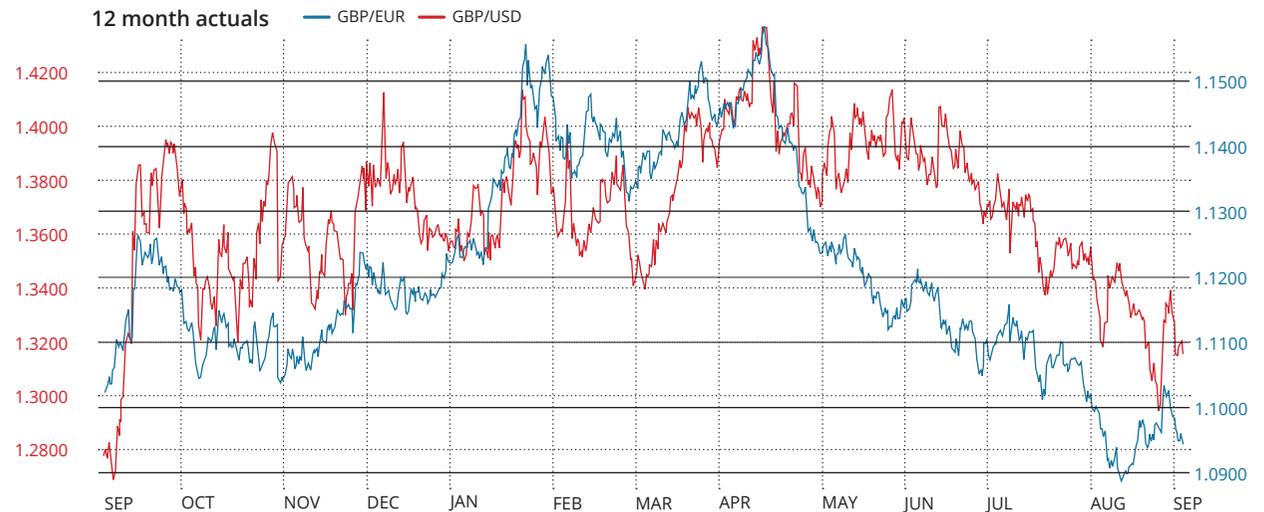
MPC vote breakdown: After last month's decision to hike was unexpectedly a consensus vote, markets will watch to see whether any—and how many—MPC members view another rate hike as appropriate ahead of next year. Any surprises in the vote could lead to sterling volatility.

Inflation outlook: Does the BoE hint at any adjustments to its inflation outlook?

Guidance nuance: The BoE has previously indicated that interest rates are likely to move only gradually and to a limited extent. It will likely reiterate this view, but any language shift would be food for thought for markets.

Next BoE meeting dates: 1 Nov, 20 Dec, 7 Feb

BoE inflation target rate: 2%



GBP/USD

Current Spot Rate: 1.2830*

12M High: 1.4376

12M Low: 1.2666

GBP/EUR

Current Spot Rate: 1.0800*

12M High: 1.1600

12M Low: 1.0827

Key words: (definitions taken/adapted from Investopedia)

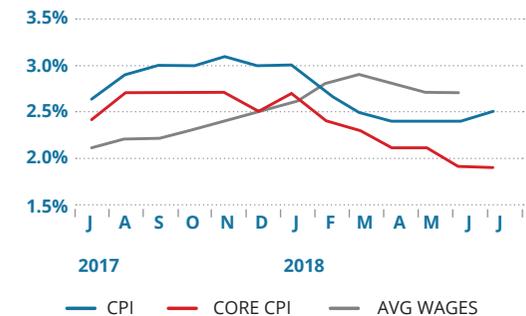
Hawkish/hawk: Policymaker who favours higher interest rates to curb inflation

Dovish/dove: Policymaker who favours low interest rates to encourage economic growth/inflation

The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them.

Inflation has recently outpaced wage growth, leading to negative real wage growth.

INFLATION & WAGES PERFORMANCE 12 MONTHS



* 05.09.2018

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