

**Bank of England**

February 2023

# A whistle-stop tour of the Monetary Policy Report

Jamie Jordan  
Deputy Agent, East Midlands



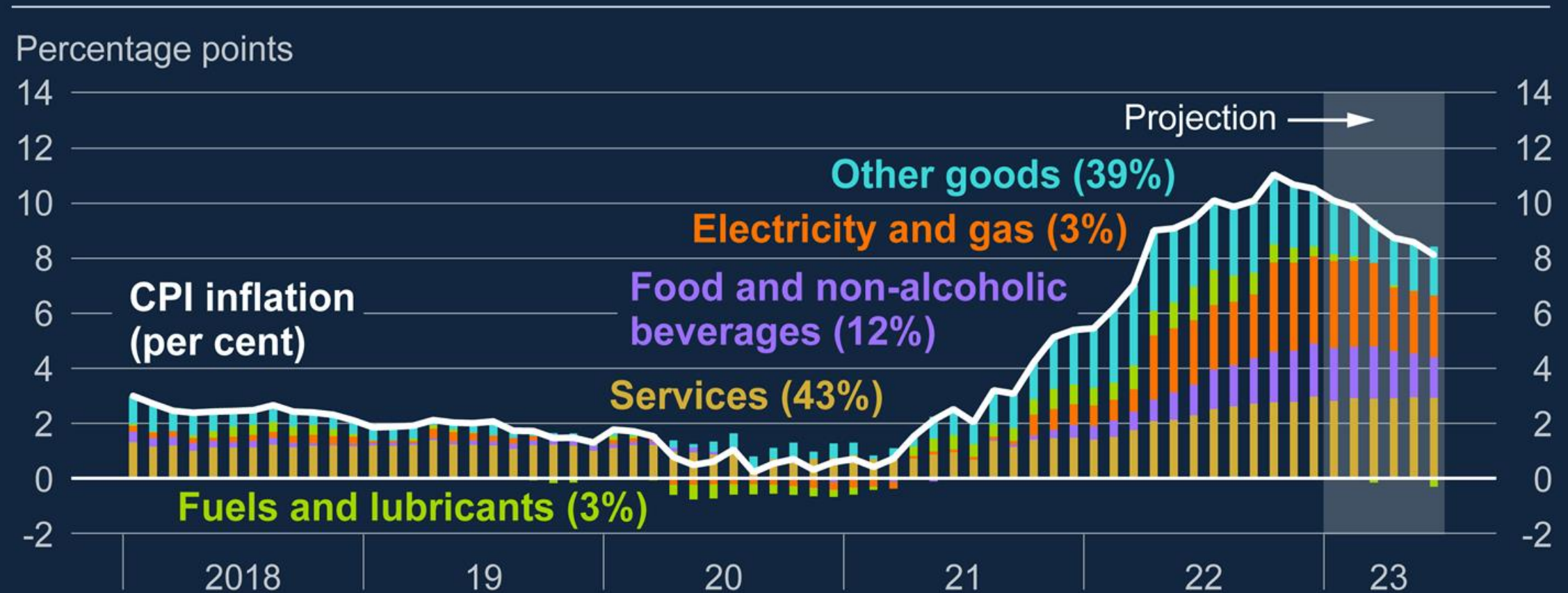


# Inflation outlook

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# Short-term inflation forecast

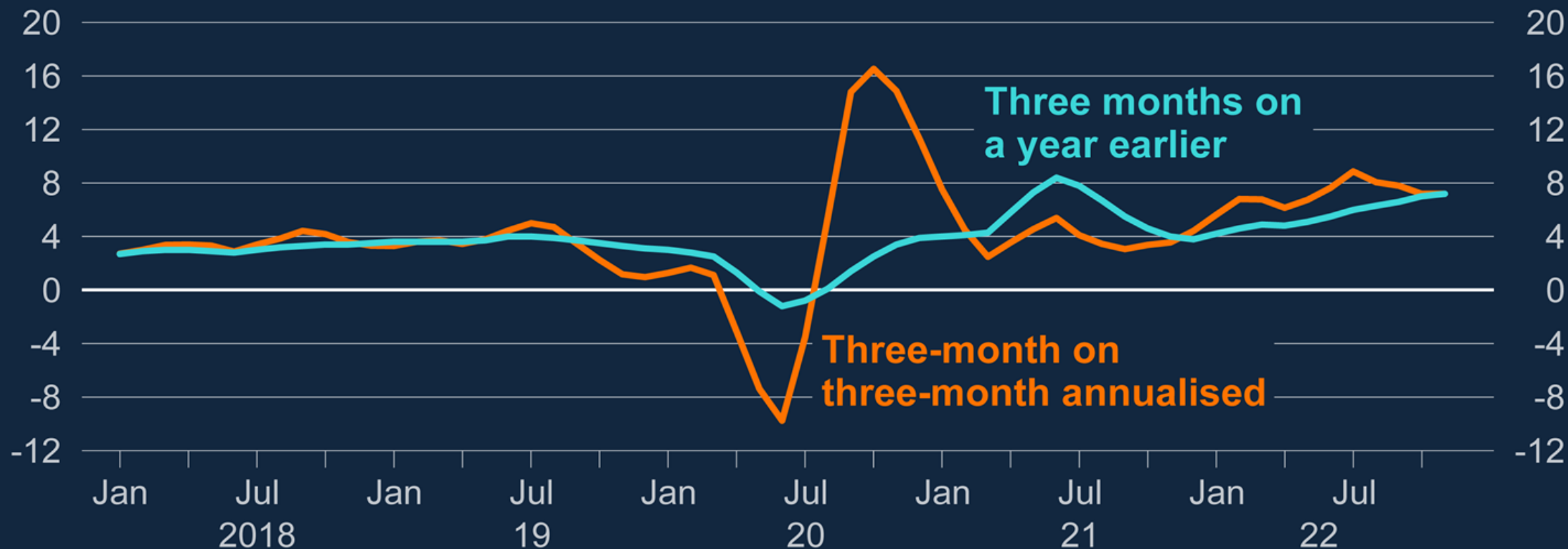
Contributions to CPI inflation (a)



# Annual private sector regular pay growth has risen above 7%

Private sector regular pay growth (a)

Per cent

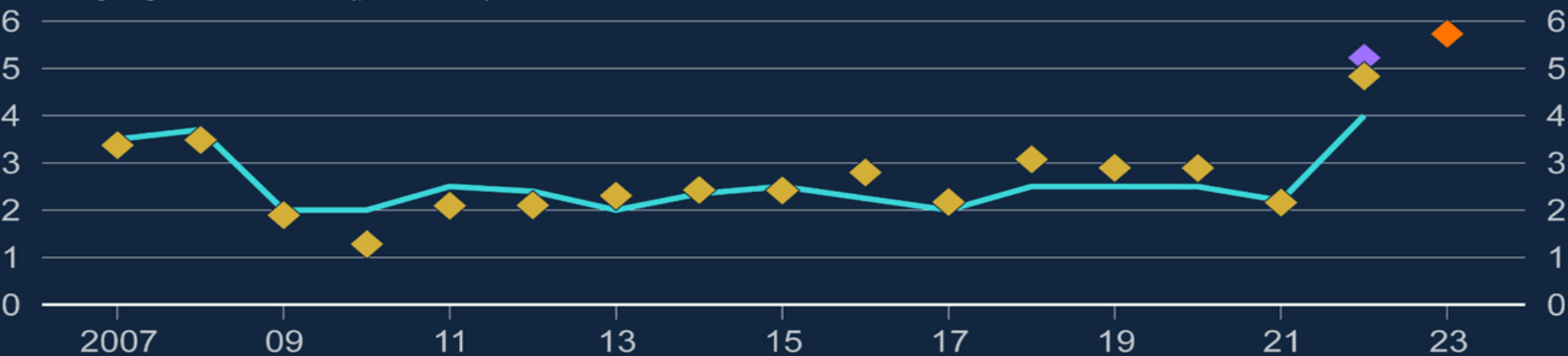


# Respondents to the Agents' pay survey expect pay settlements in 2023 to be broadly similar to 2022

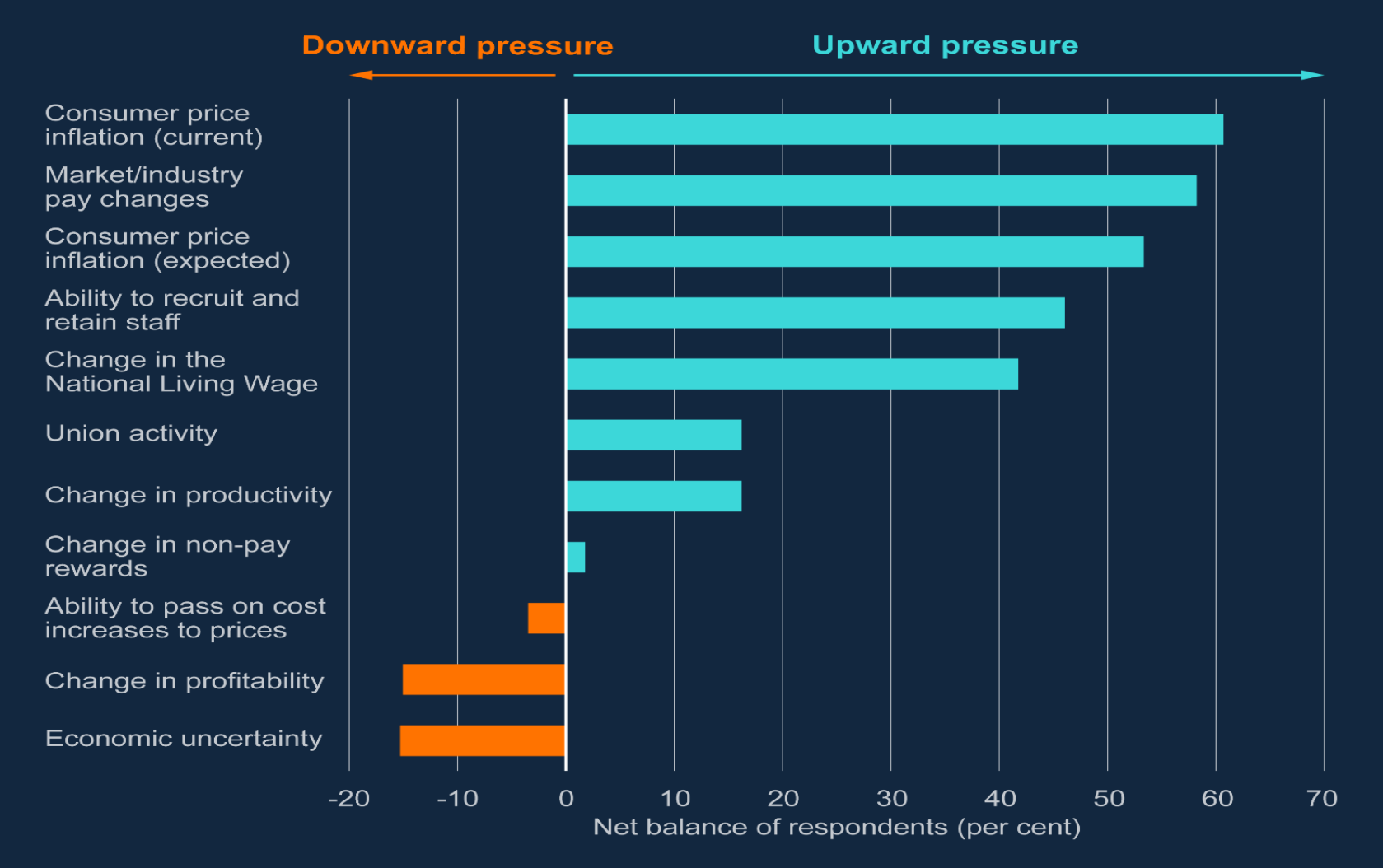
Pay settlements (a)

- Private sector settlements
- ◆ January 2023 survey – 2023 expectations
- ◆ January 2023 survey – 2022 outturn
- ◆ Previous Agents' pay surveys expected settlements

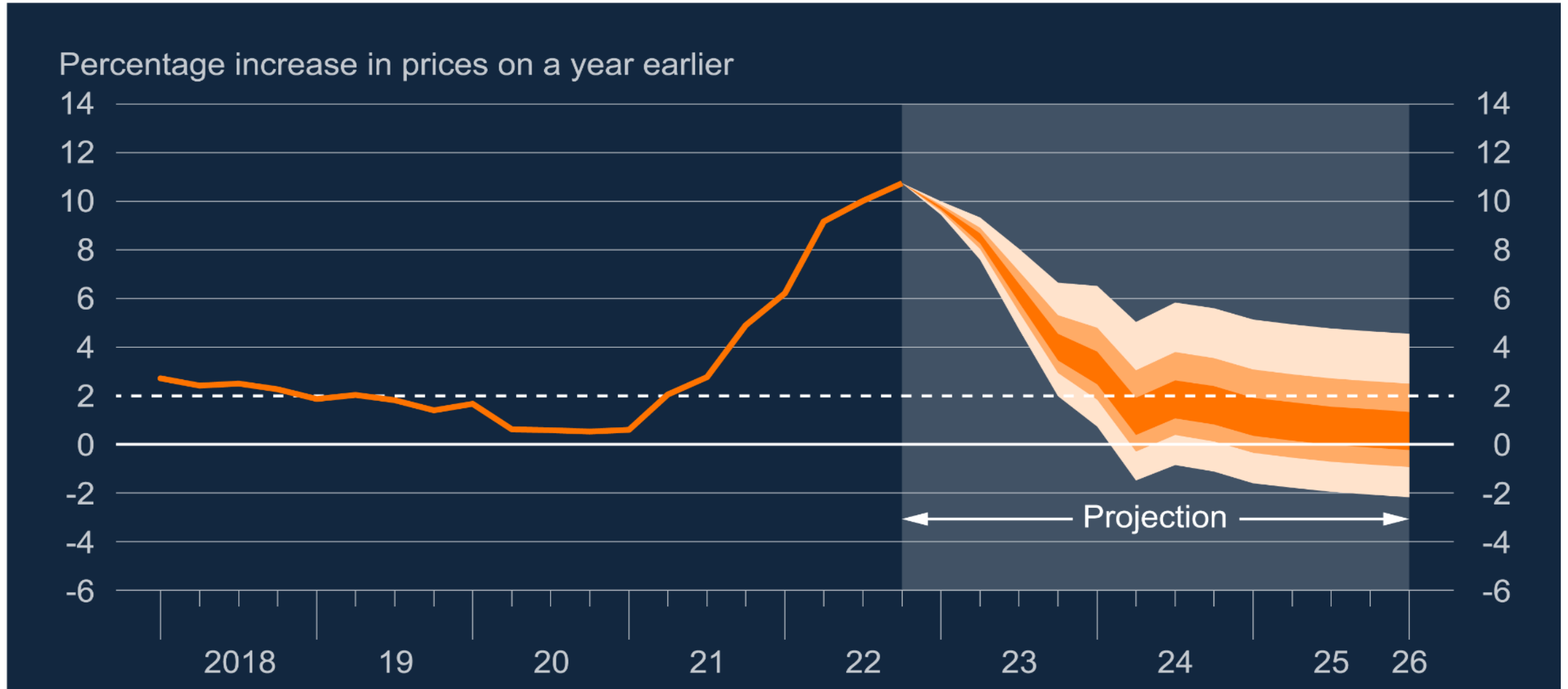
Average growth rates (per cent)



# Current inflation expected to be the main driver of pay settlements in 2023



# CPI inflation projection based on market interest rate expectations, other policy measures as announced

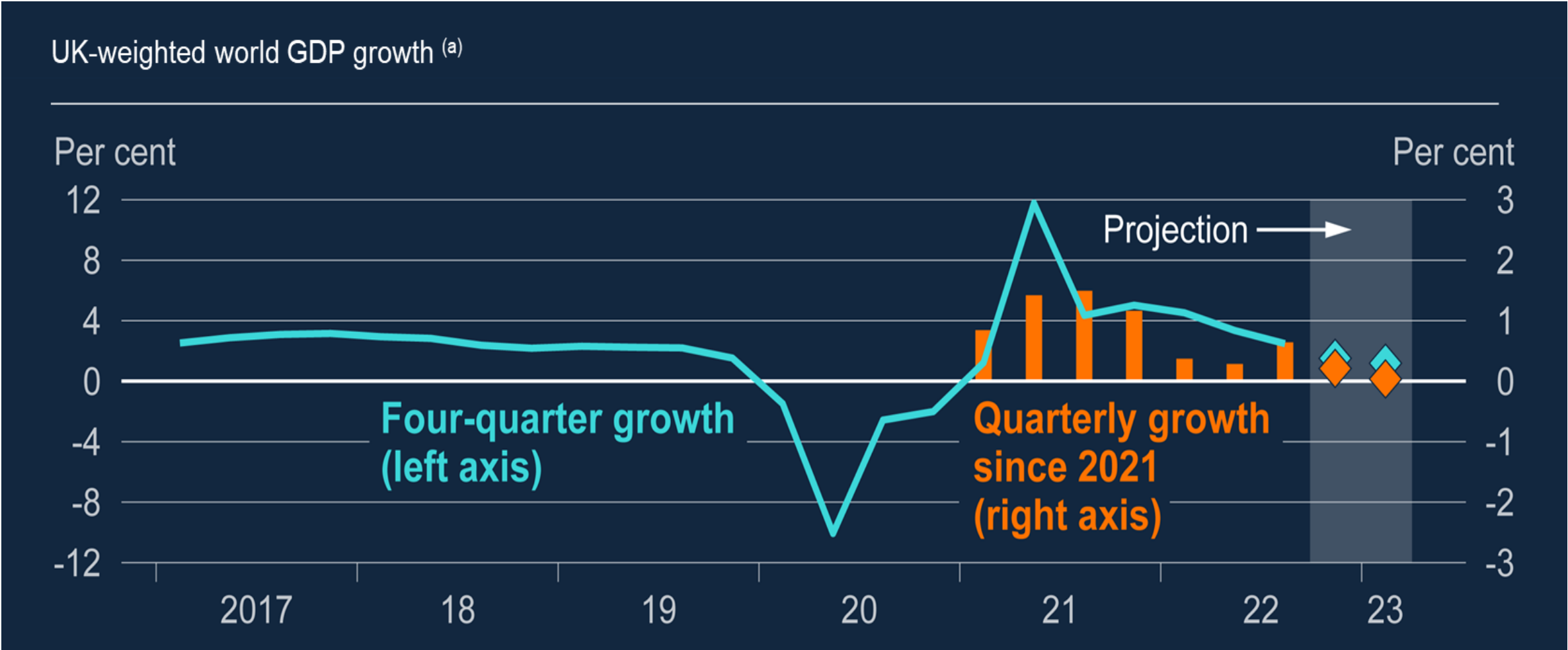




# Growth and unemployment outlook

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# Global GDP growth continues to slow, and is expected to remain weak in 2023 Q1

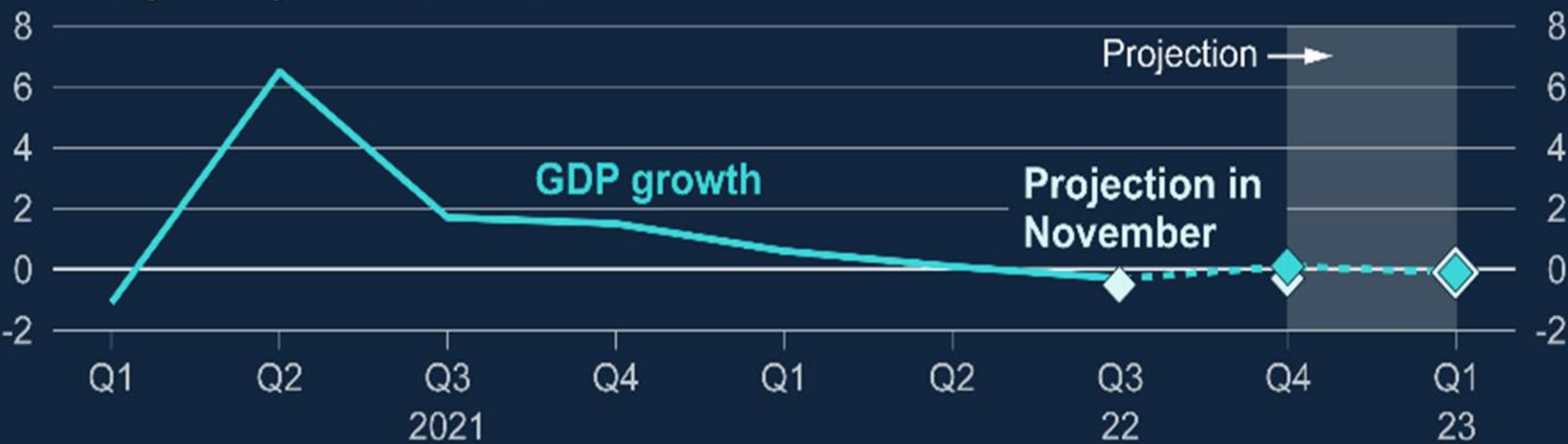


# UK GDP growth is expected be close to zero in Q4 and Q1

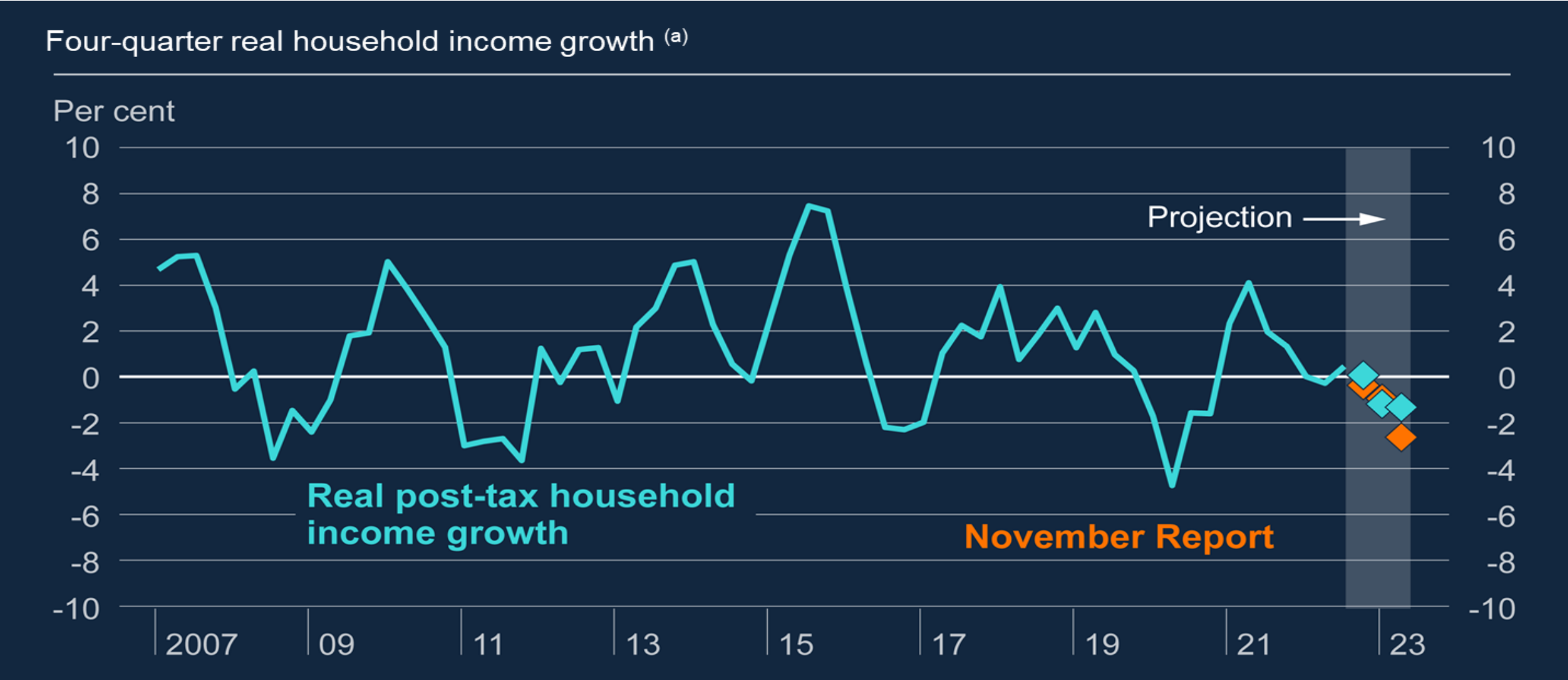
Near-term projections (a)

2022 Q4: 0.1%    2023 Q1: -0.1%

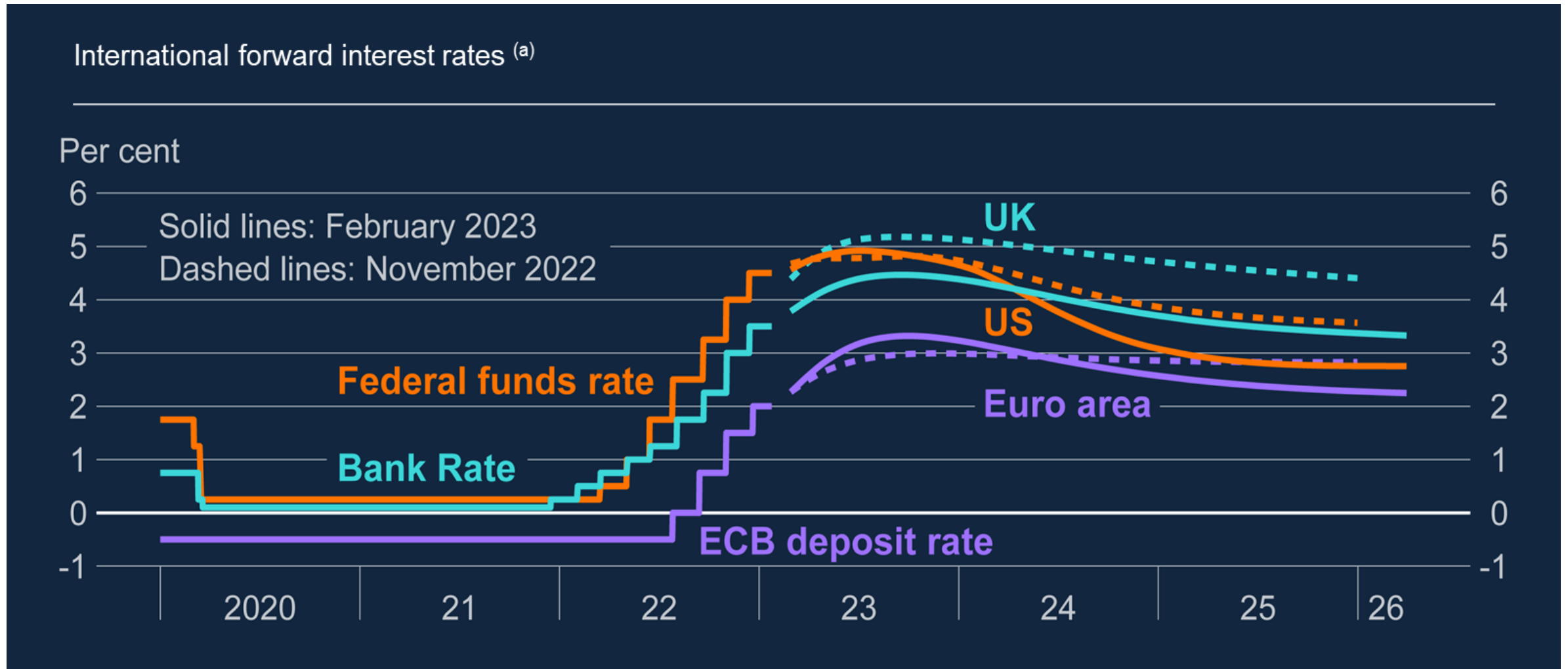
Percentage change on a quarter earlier



# Real household income growth is expected to fall further in the near term, reflecting high energy prices

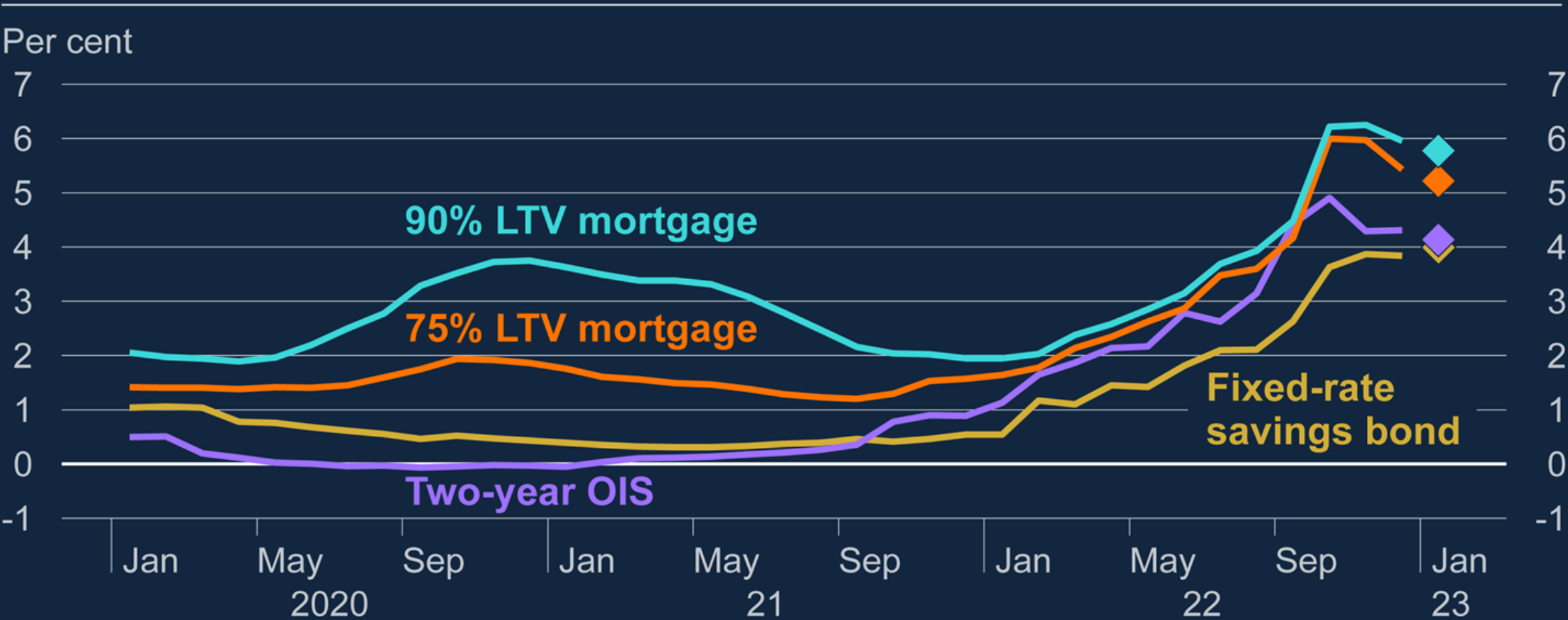


# Financial markets expect further increases in policy rates although rate expectations beyond this year have fallen



# Average quoted rates on new mortgages have risen in 2022

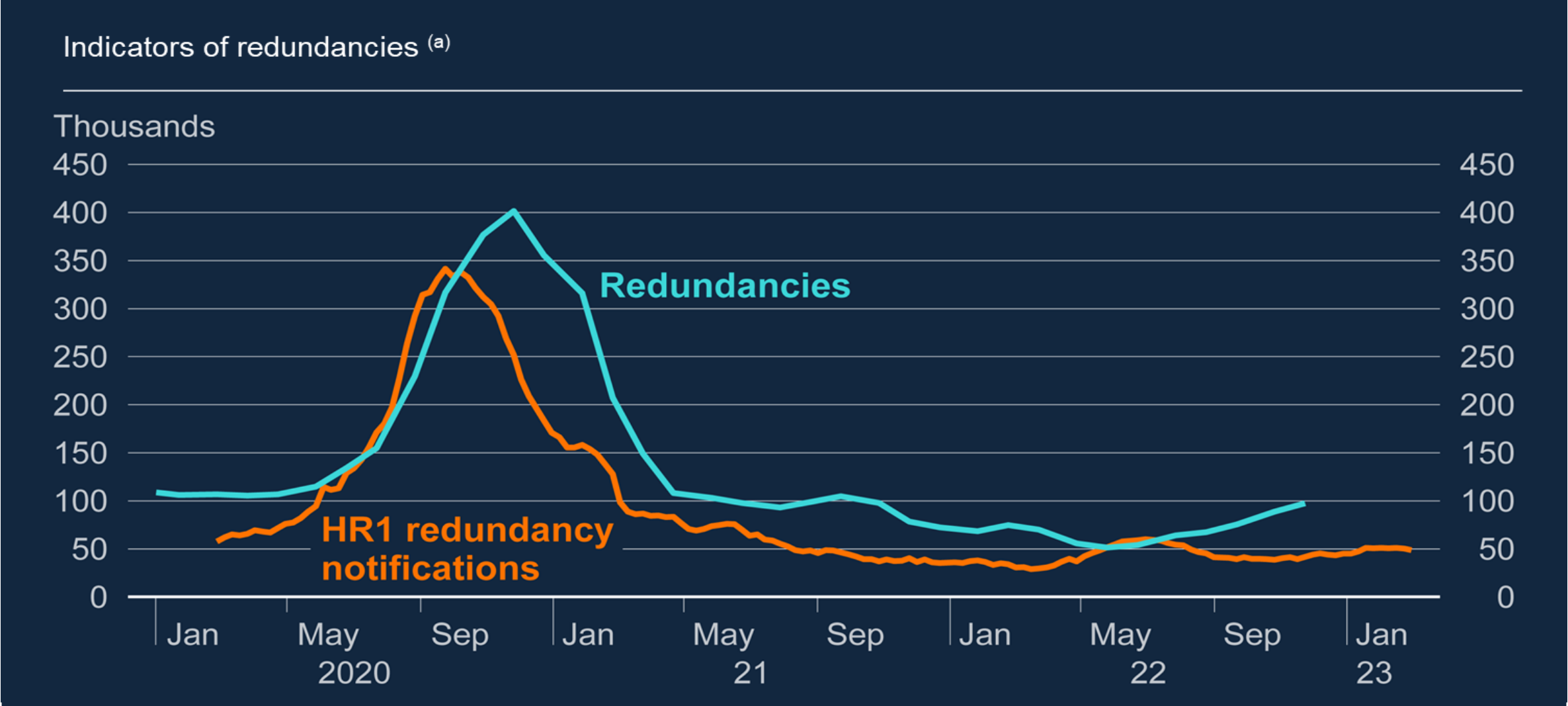
Average quoted rates on two-year fixed-rate mortgages, a two-year fixed-rate savings bond and the two-year OIS rate <sup>(a)</sup>



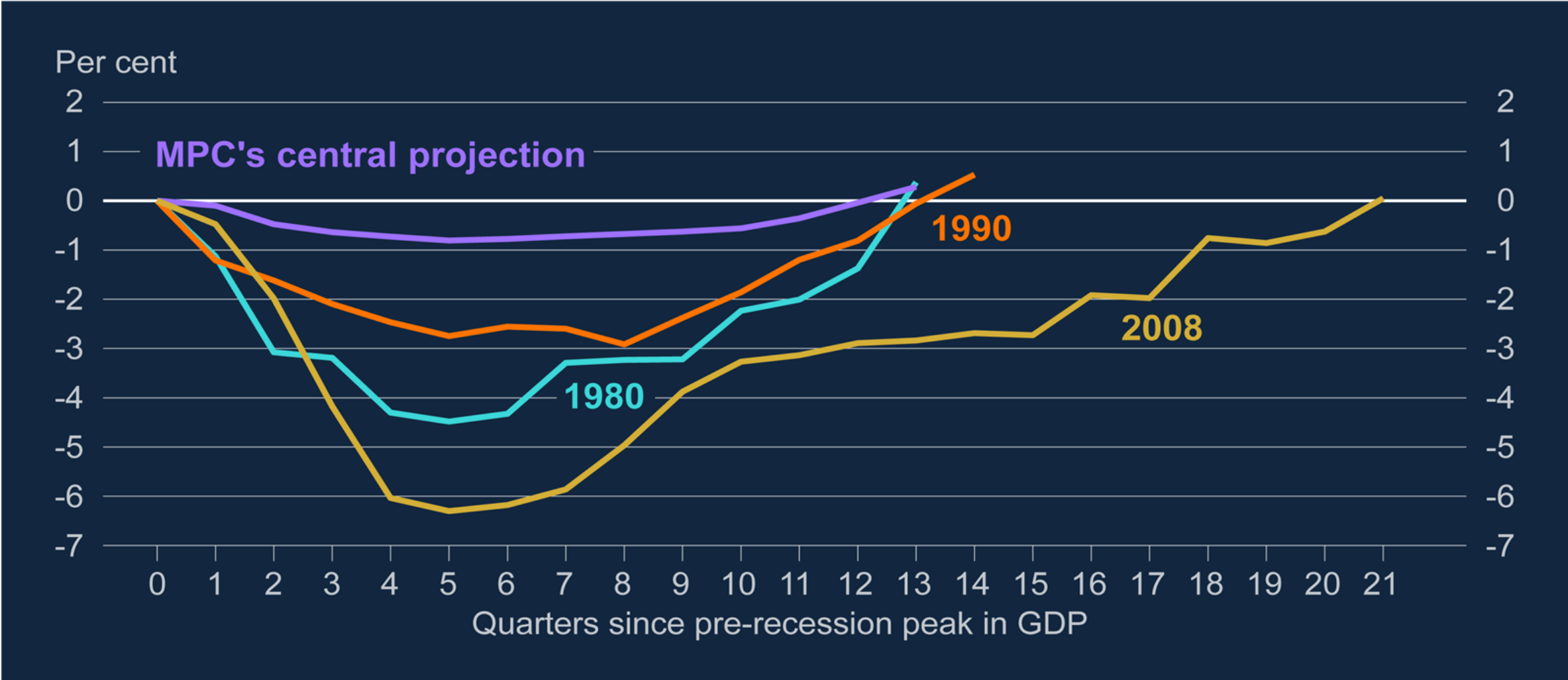
# Unemployment is projected to remain very low



# Redundancies remain low



# Changes in GDP since pre-recession peak in past recessions and the MPC's February 2023 projection

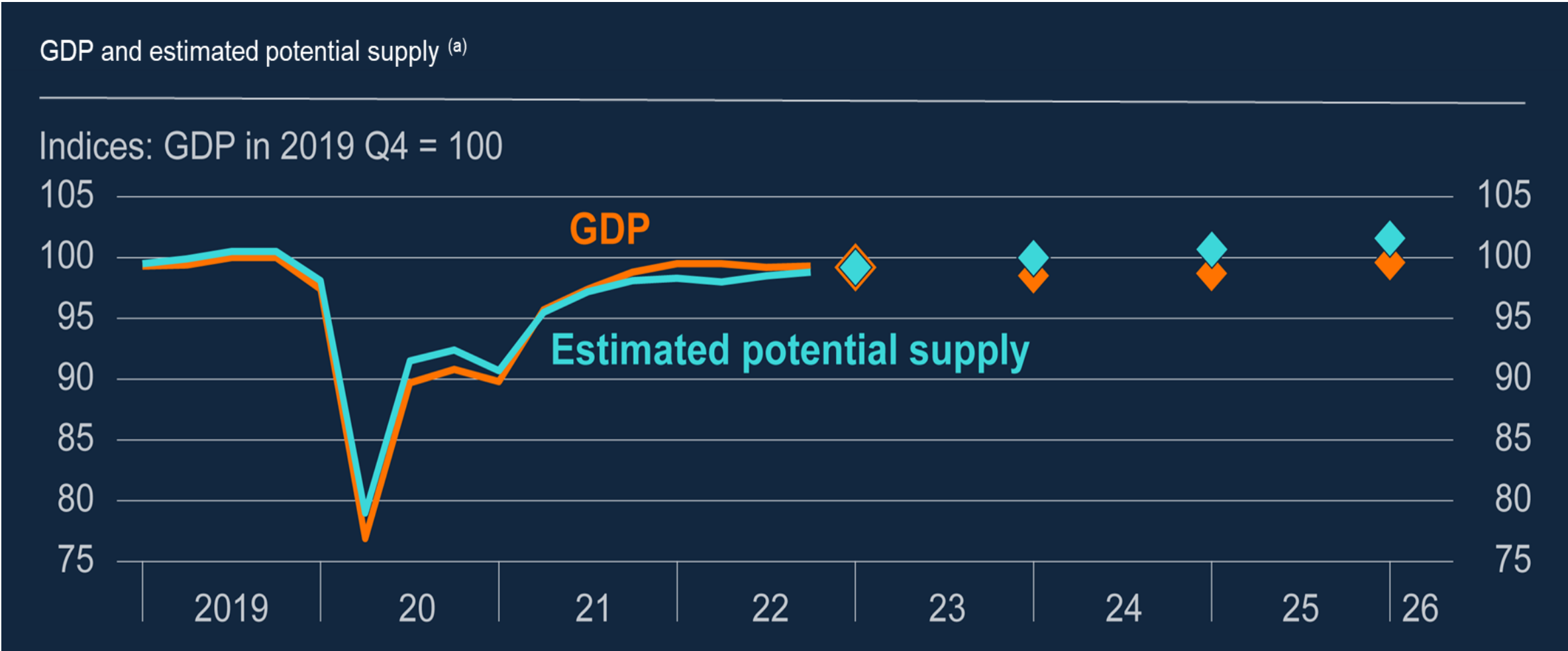




# Supply outlook

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# The level of supply remains weaker than its pre-pandemic level and is only expected to recover gradually

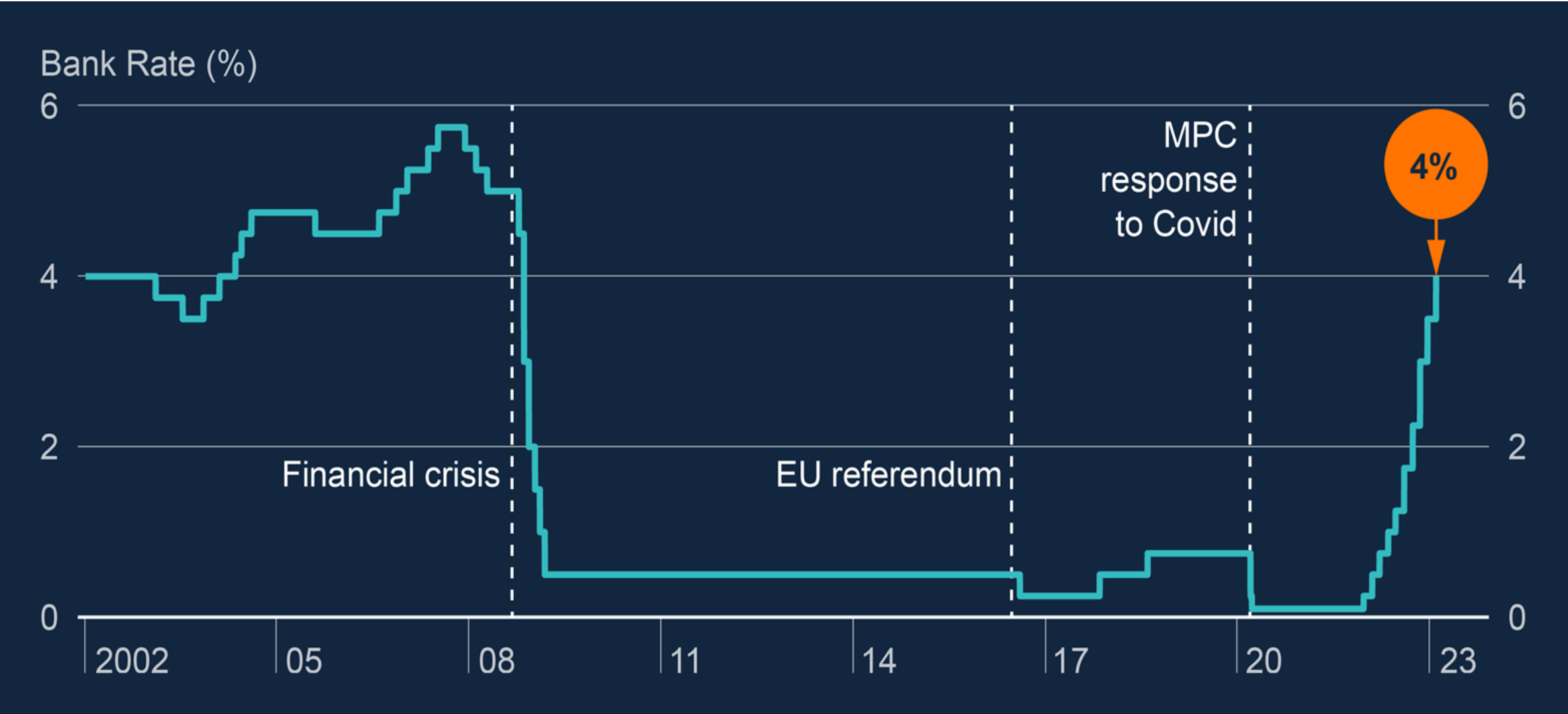




MPC perspective and policy decision

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# Bank Rate increased by 0.5pp, 7-2 split in MPC vote



## Extract from the February Monetary Policy Summary

- *“The extent to which domestic inflationary pressures ease will depend on the evolution of the economy, including the **impact of the significant increases in Bank Rate so far**. There are considerable uncertainties around the outlook.*
  - *The MPC will continue to **monitor closely indications of persistent inflationary pressures**, including the **tightness of labour market conditions** and the **behaviour of wage growth and services inflation**. If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required.*
  - *Looking further ahead, the MPC will adjust Bank Rate as necessary to return inflation to the 2% target sustainably in the medium term, in line with its remit.”*
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