Bank of England

Economic outlook

Autumn 2023

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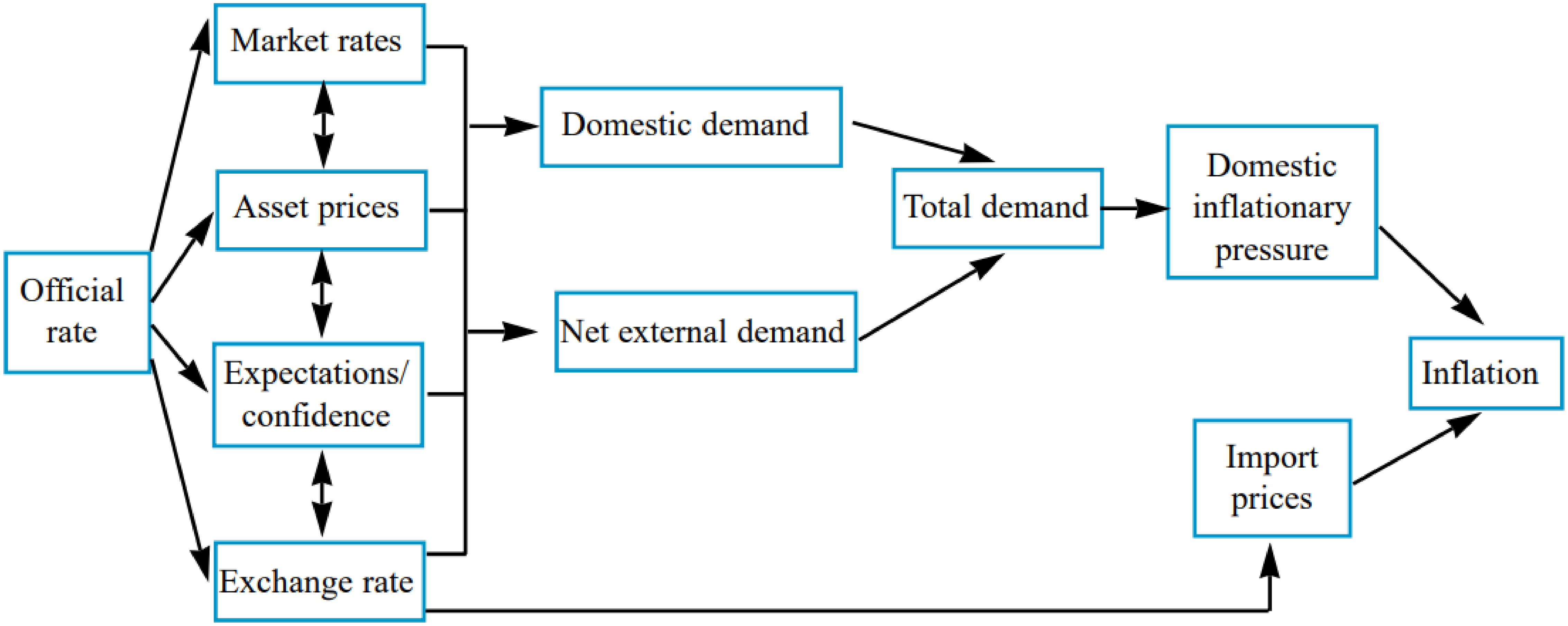
The Role of the Bank of England in the economy

- Our mission is to promote the good of the people of the United Kingdom by maintaining monetary and financial stability.
- That includes things like making sure you can pay for things securely, keeping the cost of living stable, and ensuring you can rely on banking or payment services.

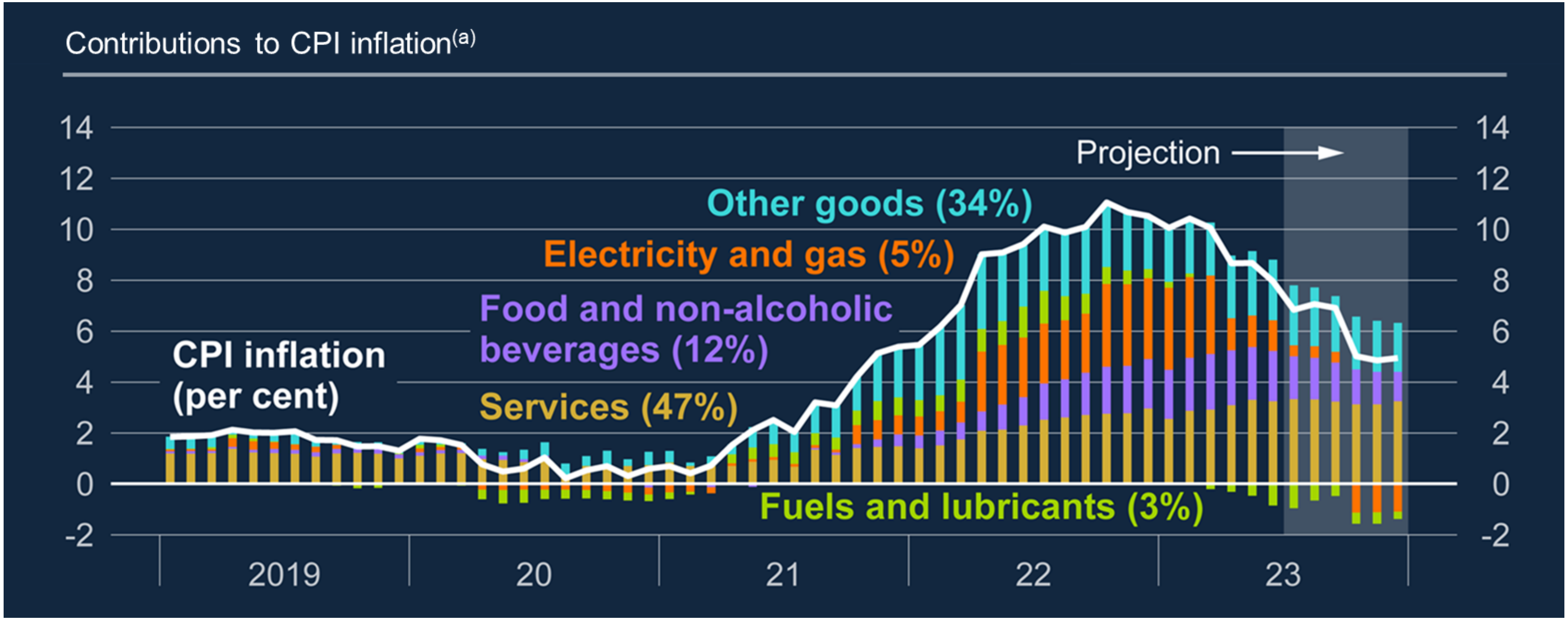
Secure banknotes	Stable prices	Safe and sound banks	A resilient financial system

The transmission mechanism of monetary policy



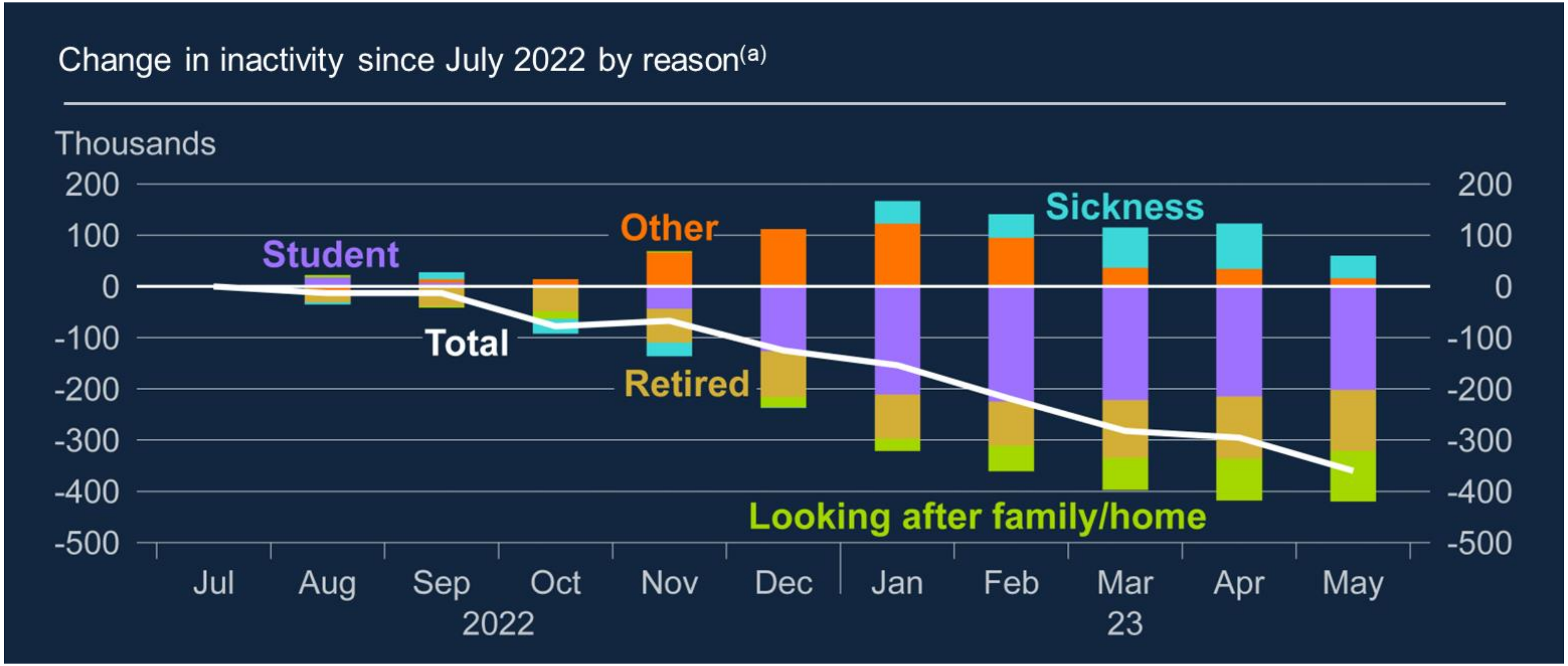
Note: For simplicity, this figure does not show all interactions between variables, but these can be important.

Consumer price inflation has fallen since last year's peak and is projected to fall further as energy prices moderate



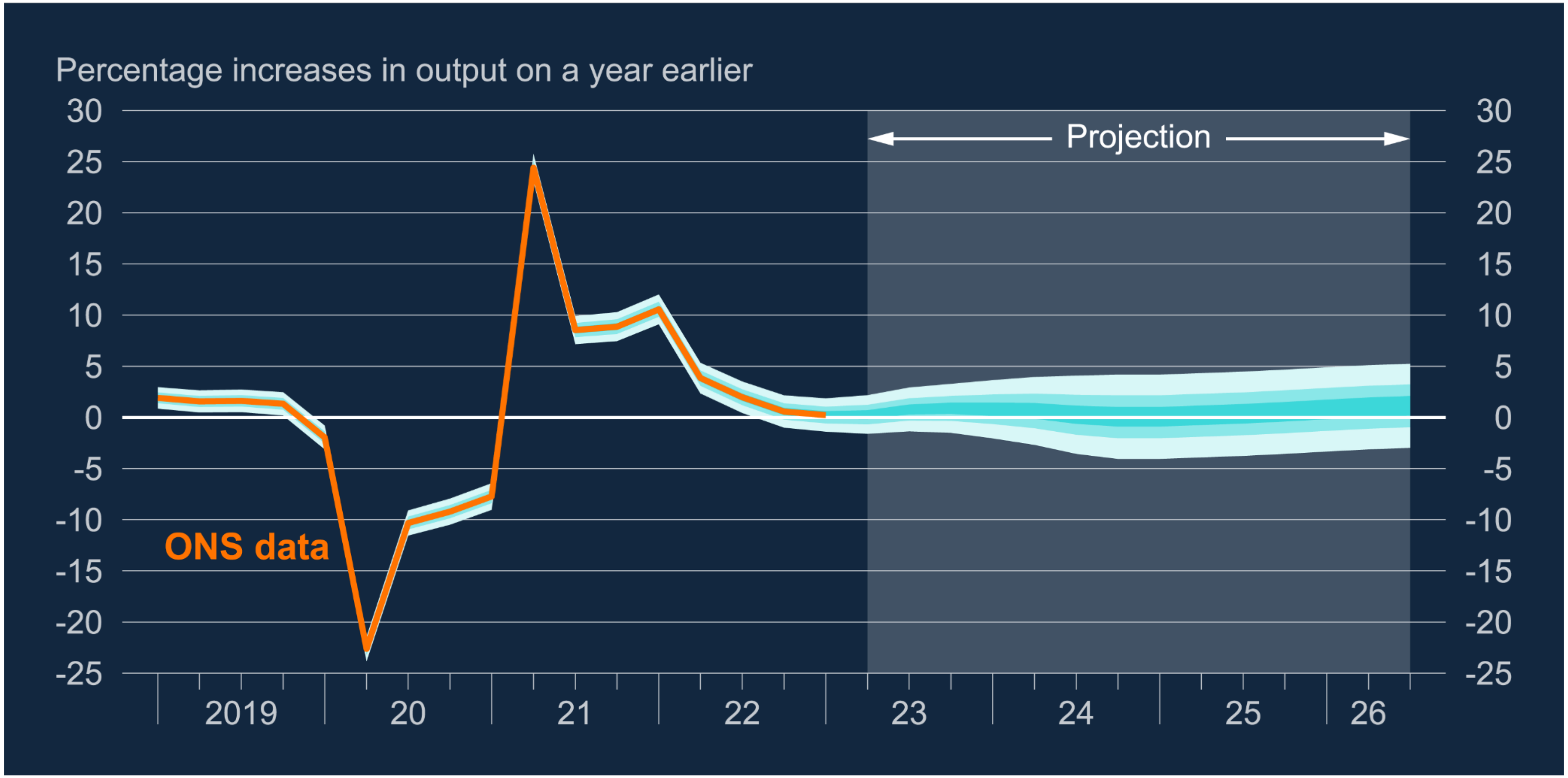
- Annual energy price inflation will turn negative from October, pulling CPI inflation down to around 5% in Q4
- Services price inflation on a steady upward climb since mid-21 and this component is now making the largest contribution to inflation

Labour force "inactivity" continues to fall back



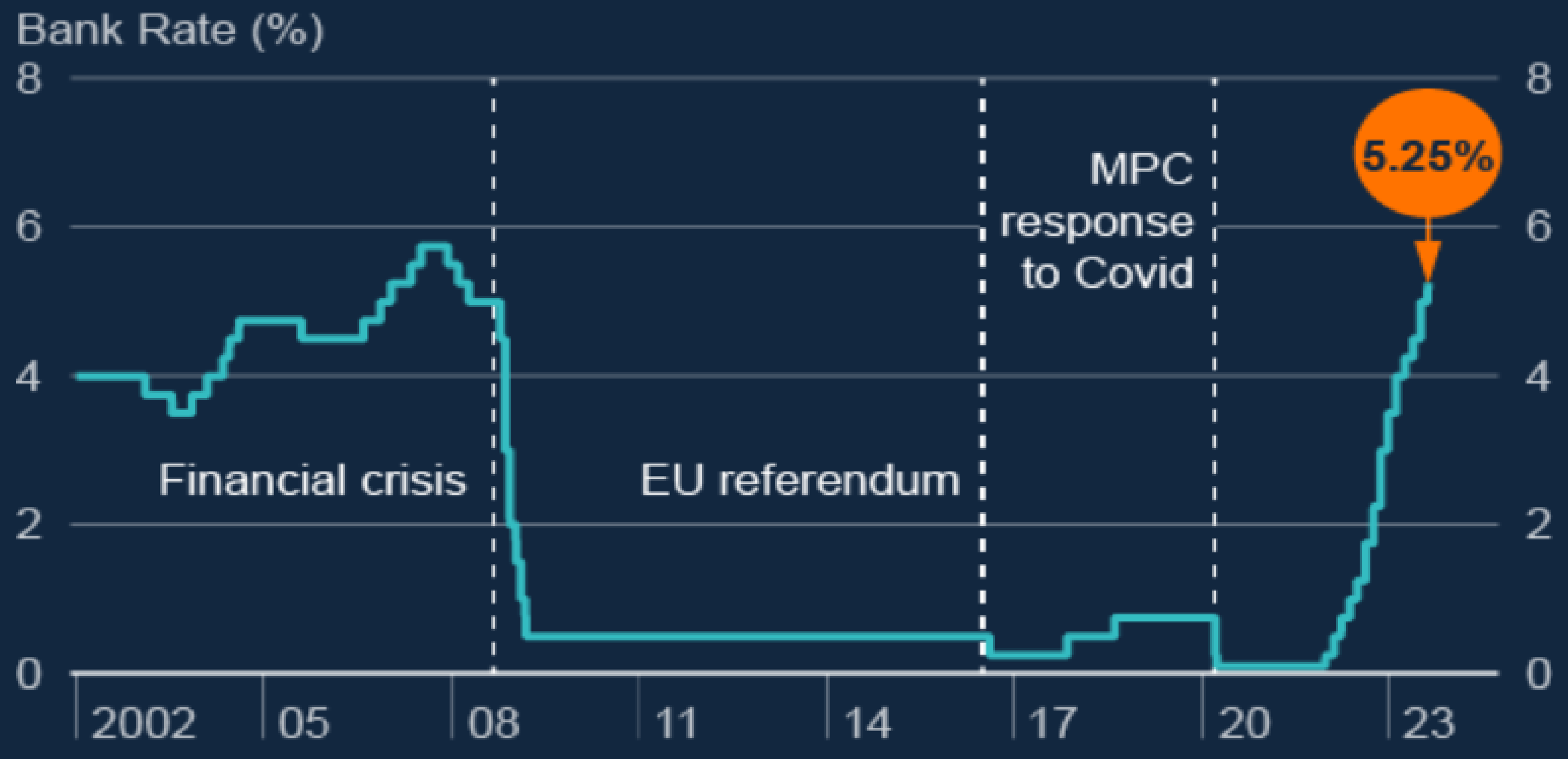
- Employment growth has been helped by further unwinding of pandemic-driven rise in inactivity. Students in particular are returning to the labour force.
- But those inactive because of long-term sickness continue to increase

GDP growth projection based on market interest rate expectations, other policy measures as announced



- Weak outlook for GDP over the forecast period of around ½% per year…
- …leading to slack opening up in the economy from the beginning of next year

We have raised interest rates to help inflation return to our 2% target



MPC perspective and policy

- Given the significant increase in Bank Rate since the start of this tightening cycle, the current monetary policy stance is restrictive.

- The MPC will continue to monitor closely indications of persistent inflationary pressures and resilience in the economy as a whole, including the tightness of labour market conditions and the behaviour of wage growth and services price inflation.

- The MPC will ensure that Bank Rate is sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with its remit.