FINANCIAL SOURCE

Hawks & Doves: Bank of England

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CENTRAL BANK	BANK OF ENGLAND

Doves	Neutral	Hawks	N/A
2	6	0	1

Name	Position	Stance	Recent Comments
Andrew Bailey	Governor	Neutral	**• Persistence of COVID means there has not been expected rebalancing of demand between goods and services, pushing inflation higher than expected; Semiconductor shortage has led to shortage of new cars and pushing up second-hand car prices as well in UK; Higher than anticipated inflation underlines persistence of COVID; Overall economic impact of COVID in UK has attenuated; Seeing some short-term levelling off of recovery; Do not think inflation will be persistent; Think it is unlikely commodity prices will continue to rise; Expect supply bottlenecks to sort themselves out; Large concern is getting labour market vacancies filled; End of furlough scheme should help fill vaccines; Has a bit more concern regarding persistence of labour market pressures; Risks on both sides to inflation returning to target over medium term; Market curve does point to some increase in interest rates; MPC members In August were split 4-4 as to whether minimum necessary conditions were met to raise interest rates; Bank thinks the impact of QE comes from the announcement of stock of purchases, not the flow of purchases; If Bank stopped doing QE, would in effect be tightening policy; Guidance is a necessary but not a sufficient condition for raising interest rates; When Bank stops reinvesting Gilts, would want it to have little or no impact on yields; Seeing some flattening-out of the rate of recovery across quite a broad range of indicators; COVID Delta variant is having less economic impact than prior waves of COVID cases, but hard to forecast; thinks minimum conditions for a rate rise have been met, but not sufficient for one; on average, repayment of COVID loans may be easier than Bank had thought but it will vary between sectors; banks are saying rate of repayment of COVID loans is higher than they expected, but it is still early days (SEP 8)**
Ben Broadbent	Deputy Governor	Neutral	**• Seeing big differences in wage growth between sectors; labour market pressure on inflation could persist; Notes latest tax rises are matched by the rise in spending; not a significant tightening of fiscal policy; thinks conditions for a rate rise have been met, but need to focus on medium term (SEP 8)** • Breakeven measures of inflation have been stable, and that is the most important measure of inflation (AUG 5) • Some tightening may be required, and that UK inflation will reach 4% in Q4 21 and Q1 22; Reiterates factors behind inflation will be transitory; COVID shifted demand from services to goods, but BoE expects demand to shift back towards services (AUG 6)
Jon Cunliffe	Deputy Governor	Neutral	• Frames this morning's inflation figures in the context of high inflation as the economy reopens; notes that the question is whether the rise in inflation is persistent (JUL 14) • We have seen "very strong" growth in housing transactions and house prices - with prices supported by structural factors and government support (JUL 13) • BoE seeing a strong bounce back as COVID restrictions ease and he is hearing reports of businesses struggling to deal with a surge in demand (JUNE 4)
Sir David Ramsden	Deputy Governor	Neutral	**• Central expectations is that period of excess demand and above-target inflation is likely to prove transitory; agrees with MPC view that some modest tightening of monetary policy over the forecast period is likely to be necessary; Puts more weight on inflationary than disinflationary scenario; Voted with the majority in August but will be monitoring the data; Labour market could be the source of more inflation, but not the case at the present; stopping short of pre-announced QE would be tightening UK monetary conditions; comfortable continuing current QE programme; tightening priced into UK curve is sufficient to bring inflation back to target in latest forecasts; Would only stop reinvesting GILTS when market functioning well and economy appropriate; Are assuming that there will not be further COVID lockdowns as burden on health service is rising much less than cases; necessary but not sufficient condition for a rate rise have been met (SEP 8)** • The 0.5% threshold for stopping gilt reinvestment is a more automatic threshold than the 1% for selling gilts (AUG 5)
Huw Pill	Bank Chief Economist	N/A	• Economy is going gangbusters; seeing punchy price pressures; could start tightening tap on QE and start to turn QE around; need to keep spending demand in economy strong; need to keep up momentum to get people into work; some pay rises might be needed; risk is that we could overshoot 2% inflation for longer than intended; this is a dangerous time for monetary policy. (JUNE 9) • Uncertainties around the job market remain pretty acute; working from home alterations could have notable implications on the market and productivity (JUNE 8) • In med-long term optimistic on econ prospects for London City centre; price pressures could become embedded in pay demands; BoE should be prepared to reduce stimulus (MAY 28)
Jonathan Haskel	External Member	Dove	• Risk of a pre-emptive monetary tightening curtailing the recovery continues to outweigh the risk of a temporary period of above-target inflation; For the foreseeable future tight policy isn't the right policy; Anticipation of improved supply brings demand forward now and might add to inflationary pressure; In addition the economy is fully not recovered yet and faces two headwinds over the coming months: the highly transmissible Delta variant and a tightening of the fiscal stance; is much more optimistic than he was about scarring from coronavirus; not reinvesting maturing gilts would equate to material tightening; once economy gets tighter, we will have to change our stance (JUL 19)
Michael Saunders	External Member	Neutral	**• GDP level is now probably fairly near pre-pandemic levels; Inflation has picked up faster than expected; No longer need as much stimulus as previously; Is concerned that continuing with asset purchases when CPI is at 4% could lead to medium-term inflation expectations to drift higher and could prompt a more severe policy response later; Best to ease off the accelerator than apply the brakes; If the Base Rate does increase in the next year or so it would be to a relatively limited extent; UK will not face persistent inflation problem; It could be right to think of rates increasing in the next year or so, depending on economic conditions; Quite a lot of the drivers of inflation are transitory (SEP 7)**
Silvana Tenreyro	External Member	Dove	**• Sees some of the recent inflation readings as examples of volatility in the data; says as long as there are no second-round effects, responding to these movements would induce undesirable volatility in output; Her central case is that there will no longer be a sharp increase in unemployment as the furlough scheme ends; Says if the economy evolves in line with her forecasts, she anticipates some tightening will be required; Bank rate remains her preferred tool to affect demand and inflation; With negative rates now available as a**

			loosening instrument, it should be possible to unwind QE earlier; If asset sales are carried out gradually and predictably, impact will be small compared to asset purchases during periods of market dysfunction; does not think guidance conditions for a rate rise have been met (SEP 8) • Expects global financial conditions to remain accommodative for years; Fed to keep easy policy for years; don't expect rates going high; Fed likely see inflation as temporary (MAY 25)
Catherine L Mann	Replaces Vlieghe September 1st	Neutral	• Asset prices provide important information about the transmission of policy; asset prices and their relationship to financial stability is key; Adds effectiveness of unconventional policies, like QE and negative rates, depends on domestic and global growth and policies environments; Forward guidance has improved financial conditions, studies show; On negative rates, says the tool was deployed generally after other tools, so the marginal effect on financial conditions was limited; Says so long as inflation does not spiral, a positive inflation premium on longer-duration securities in consistent with a positive economic climate, not a negative signal for markets; UK recovery is more fragile than it appears; price momentum has come off the top and we see a tapering of energy prices too; many inflation forecasts for 2023 and 2024 show a dramatic fall in the rate of inflation; Most forecasts do not foresee labour market tightness matching GDP growth She; does not see an inflation spiral; We must not be premature with tightening monetary policy; Need to ask what role monetary policy can play in driving investment in response to Brexit, COVID and climate change; When asked about QE says the disconnect between Wall Street and Main Street has only gotten bigger; We do not know enough about how financial volatility from exiting QE might affect the economy (JUL 19)

This week’s updates are in bold.