



PREVIEW: BoE rate decision and minutes due Thursday 20th March 2025

- BoE rate decision and minutes due Thursday 20th March 2025 at 12:00GMT/08:00EDT
- MPC is expected to keep the Base Rate at 4.5%, via a 7-2 vote split
- Focus will be on what/if any hints are made over the Bank's future easing plans

OVERVIEW: After cutting rates at the February meeting, the BoE is expected to stand pat on rates as it sticks to its "gradual and careful" approach to policy loosening. The decision to cut rates is expected via a 7-2 vote split, according to consensus. However, there is a range of forecasts across the market on the breakdown of views across the MPC after Mann unexpectedly backed a 50bps reduction last time around. Note, this is not an MPR meeting and therefore there will be no accompanying projections or follow-up press conference.

PRIOR MEETING: As expected, the BoE delivered a 25bps cut. The main source of surprise came via uber-hawk Mann, who not only joined the consensus in voting for a cut but out-did a majority of the board by voting for a 50bps reduction (alongside known dove Dhingra). The majority who voted for 25bps had a range of views, with one being that the disinflation process remained on track if you look through the expected near-term pickup alongside signs of weakening activity and a looser labour market. In terms of the dissenters, one of the two believes a more activist approach at this meeting would provide a clear signal of financial conditions appropriate for the UK. In the accompanying policy statement, the MPC reiterated that policy will be "restrictive for sufficiently long" whilst noting that it will take a "gradual and careful" approach to rate cuts (prev. stated "gradual" approach). Within the MPR, the 1-3yr inflation forecasts were hiked with UK inflation expected to peak at 3.7% in Q3 2025 (prev. saw a peak of 2.8% in Q3), seen returning to target in Q4 2027. On the growth front, the bank cut its 2025 GDP forecast in half to 0.75%. At the follow-up press conference, Governor Bailey refrained from providing any explicit policy signals.

RECENT DATA: Since the prior meeting, UK Y/Y CPI has risen to 3.0% from 2.5%, core picked up to 3.7% from 3.2% and services jumped to 5.0% from 4.4%, albeit this was below the MPC forecast of 5.2%. Jobs metrics are due on the morning of the announcement, however, recent data has been characterised by ongoing upside in the unemployment rate, stubborn wage growth and declining vacancies. From a growth perspective, M/M GDP for January unexpectedly contracted (-0.1% vs. Exp. 0.1%) and slowed from the prior print of 0.4%; it's worth noting that monthly growth data is viewed as volatile. More timely survey data from S&P Global has shown the services metric advanced to 51.0 in February from 50.8 to 51.0, manufacturing slipped to 46.9 from 48.3, leaving the composite at 50.5 vs. prev. 50.6.

RECENT RHETORIC: BoE Governor Bailey commented before the Treasury Select Committee that he expects a pick-up in inflation but it will be nothing like a few years ago, adding that a weakening economy means second-round effects will be less likely. Chief Economist Pill stated that he expects further rate cuts but urged caution on cutting interest rates and said the disinflation process is not yet complete. Deputy Governor Ramsden no longer thinks that risks to hitting the 2% inflation target sustainably in the medium term are to the downside. Instead, he thinks they are two-sided. Dovish dissenter Mann noted that as an 'activist policymaker', she opted for a 50bps cut in February to 1) 'cut through the noise', 2) anchor expectations through the inflation hump, and 3) acknowledge structural impediments and macroeconomic volatility in the longer term. Her fellow 50bps vote, Dhingra noted that everyone on the MPC has a different definition of the pace of rate cuts implied by "gradual". Her definition of gradual rate cuts does not mean 25bps per quarter. External member Greene remarked that "while the disinflationary trend is broadly intact, I believe it is appropriate to maintain a cautious and gradual approach to removing monetary restrictiveness." Finally, external member Taylor noted that he strongly argued for the use of the words "gradual" and "careful", adding that the word "cautious" would have implied one-sided risks.

RATES: Expectations are unanimous that the BoE will stand pat on the Base Rate at 4.5% with markets assigning a 88% chance of such an outcome. The MPC is expected to lean towards focussing on its inflation mandate in a potential 7-2 vote split with Dhingra and Mann to remain the lone dissenters (unclear what magnitude they will back). Albeit, there are a range of views in the market with Morgan Stanley expecting Taylor to join the dissenters, whilst Pantheon Macro thinks Mann will return to the unchanged camp after backing a 50bps move last month. Jefferies expects Taylor, Haskell and Mann will back a 25bps reduction and Dhingra 50bps, leading to a 5-3-1 outcome. As such, the vote split will likely provide some source of price action. In terms of the accompanying statement, policymakers are likely to reaffirm their "gradual and careful" approach to rate cuts (vs. prev. stated "gradual" approach) and that policy will be "restrictive for sufficiently long". Looking beyond the upcoming meeting, the next 25bps cut is not fully priced until June with a total of 54bps of loosening seen by year-end.

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