

Bank of England

Monetary Policy Report March 2025

Kieran Dent

Agent for the South East and East Anglia



We have cut interest rates to 4.5%



Progress in reducing inflationary pressures allows us to cut interest rates again



Inflation is following a bumpy path.
It will increase temporarily this year before falling back to the 2% target



To ensure inflation stays low, we will be careful in deciding by how much and when to cut Bank Rate

Chart 2.2: Global GDP growth is expected to slow slightly in the first half of 2025

Four-quarter UK-weighted world GDP growth with contributions by region^(a)

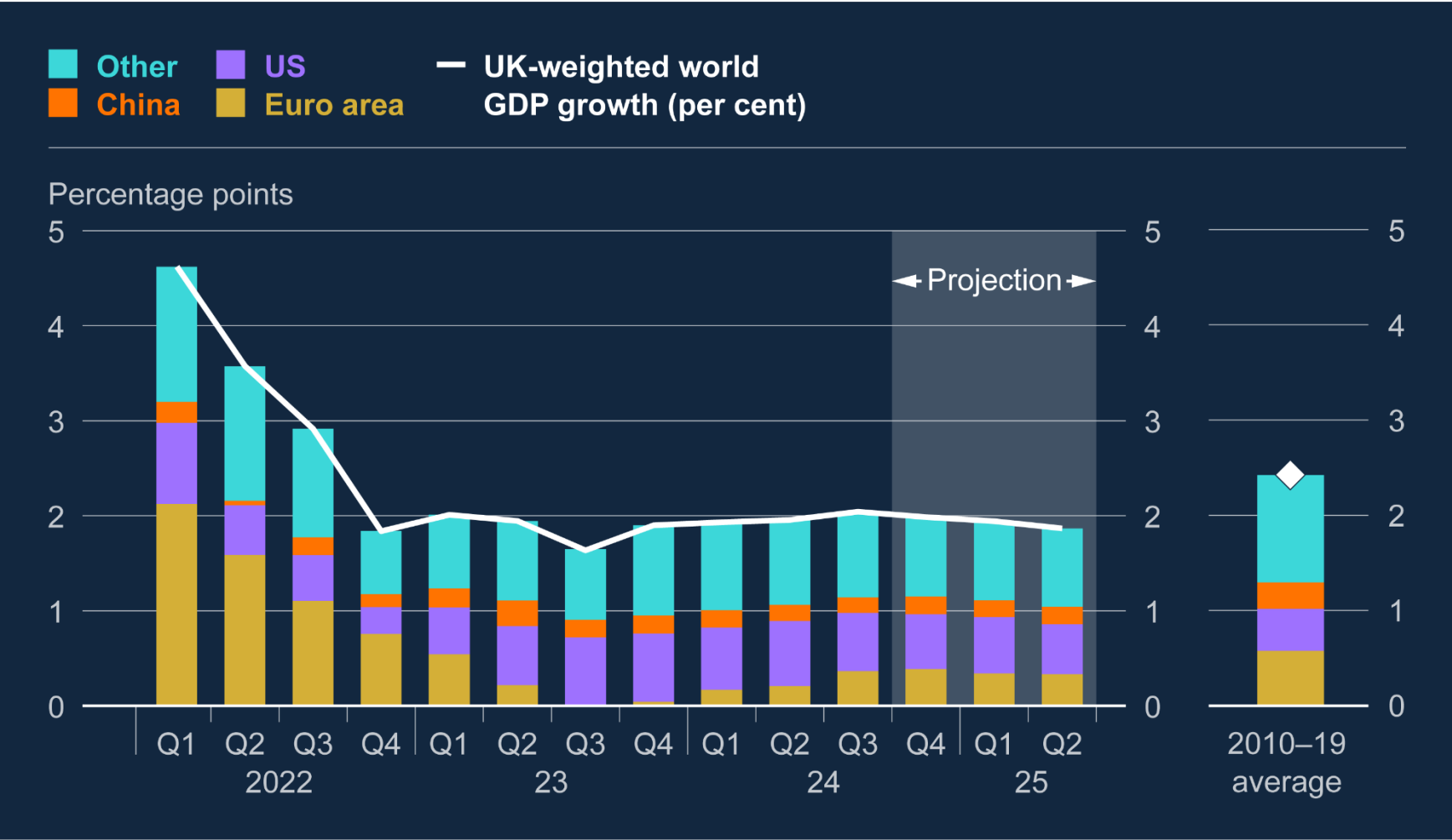


Chart 2.3: Trade policy uncertainty has reached record highs since the US presidential election

Share of articles in selected publications discussing trade policy uncertainty^(a)

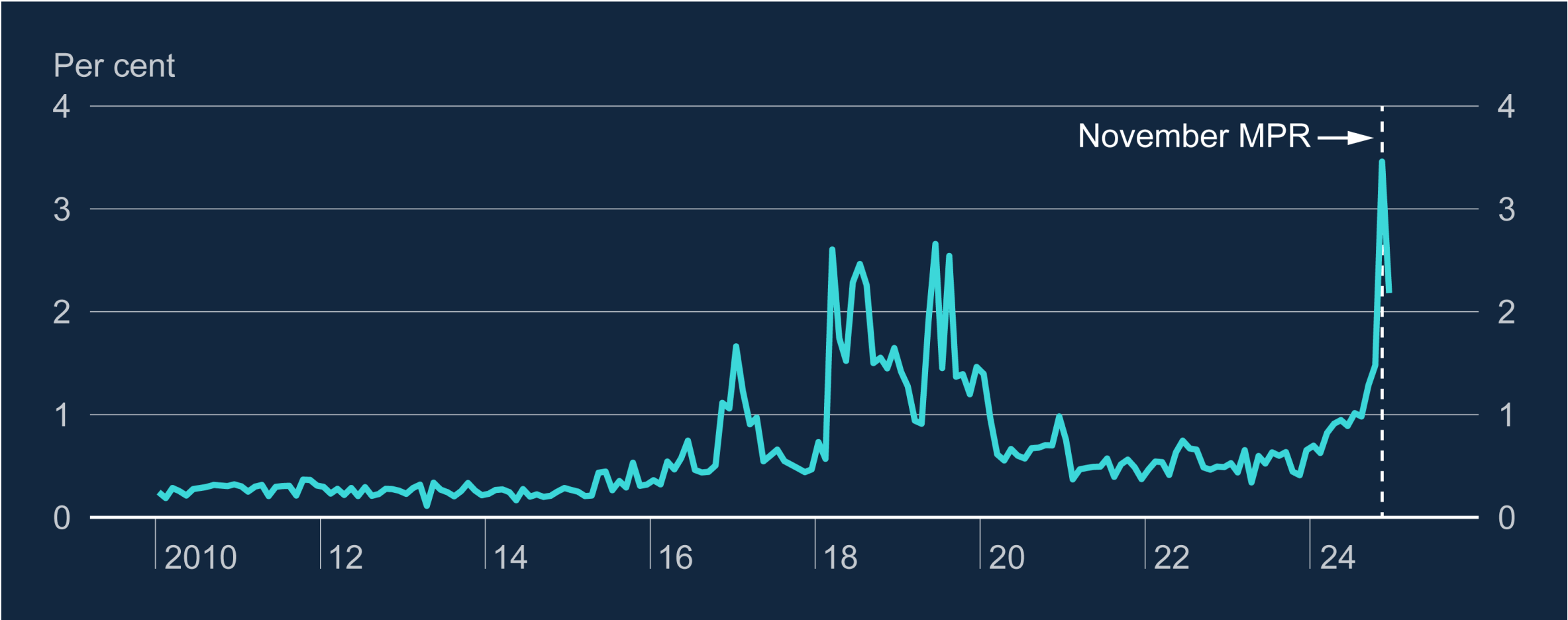


Chart 2.12: GDP growth has slowed over the course of 2024

Three-month on three-month growth in GDP and quarterly GDP growth implied by business surveys^(a)

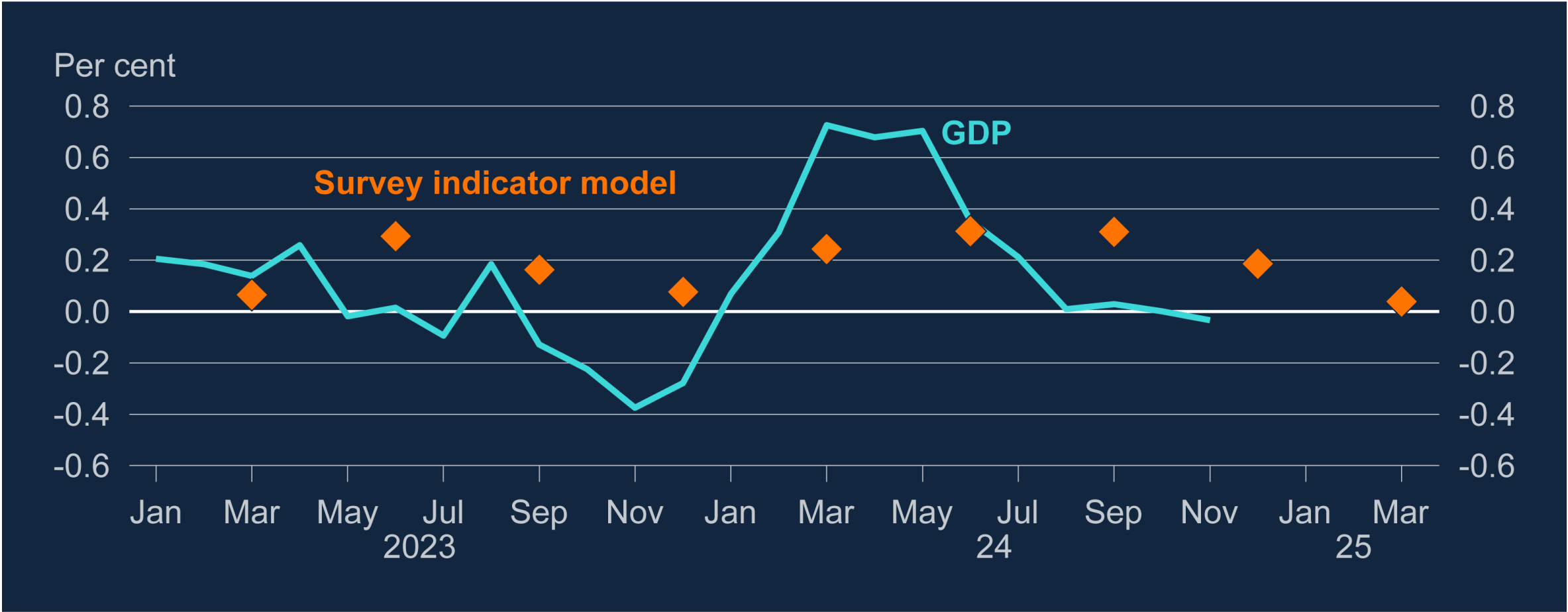


Chart 2.13: Survey measures of consumer confidence remain subdued and business confidence has declined in recent months
Consumer and business confidence indicators^(a)

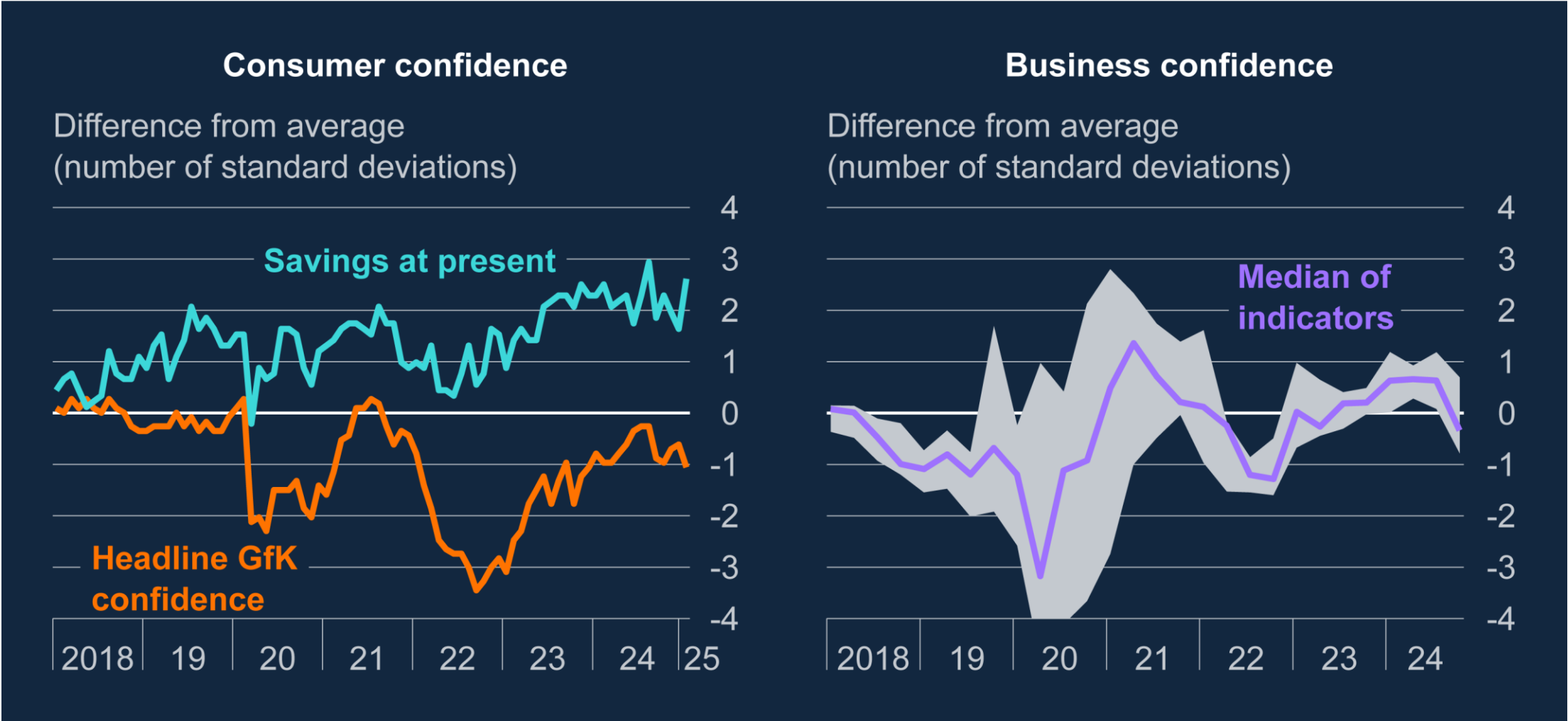


Chart 1.2: GDP growth projection based on market interest rate expectations, other policy measures as announced

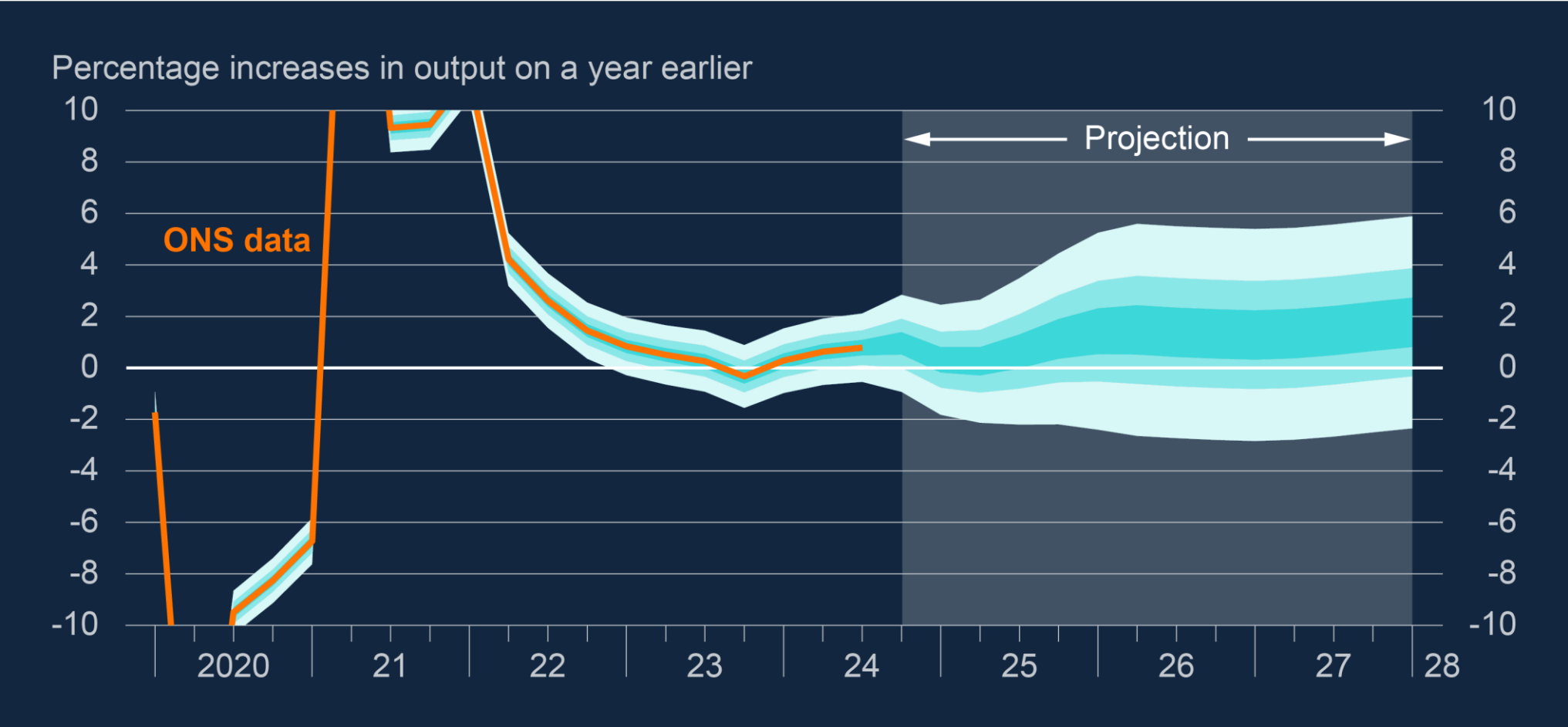


Chart 2.14: Employment growth appears to have softened though the steer from employment indicators is mixed
Measures of employment growth^(a)

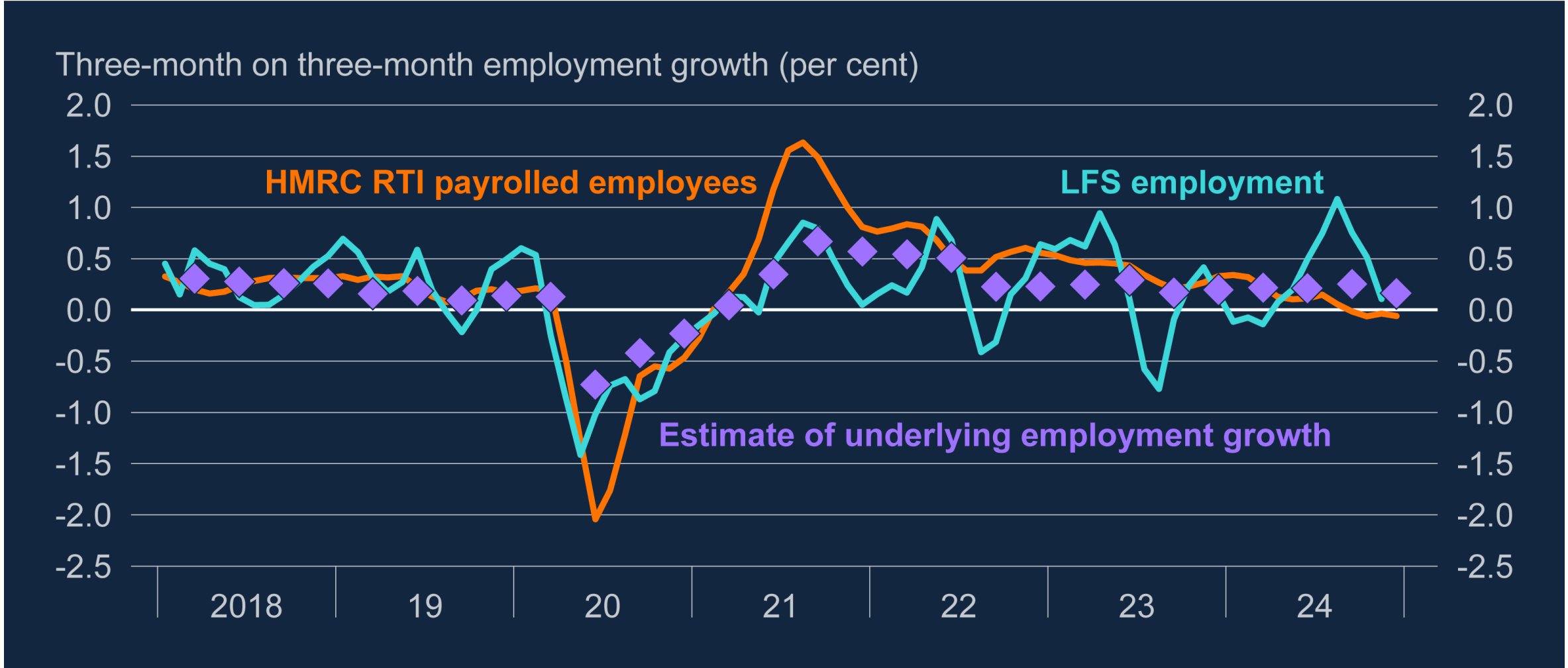


Chart 2.16: Tightness in the labour market has continued to ease and the market is judged to be broadly in balance

Vacancies to unemployment ratio and estimated equilibrium values^(a)

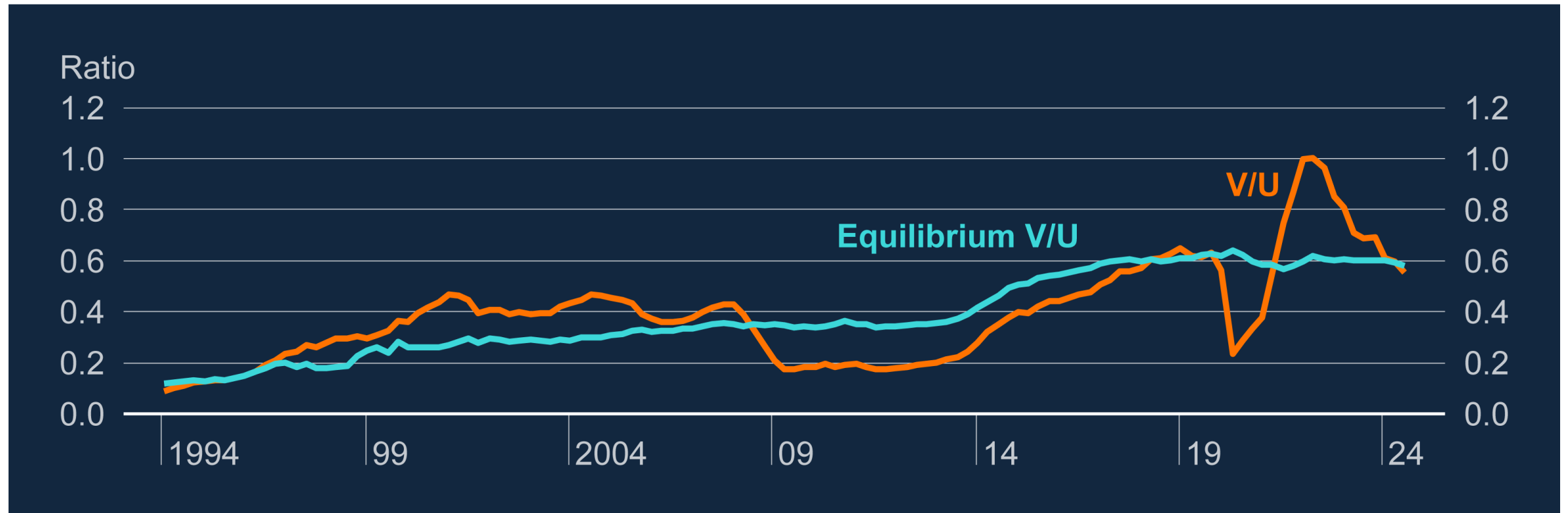


Chart 2.22: Official AWE growth has picked up in recent months, but is expected to moderate over the coming year

Measures of annual private sector wage growth^{(a)(b)}

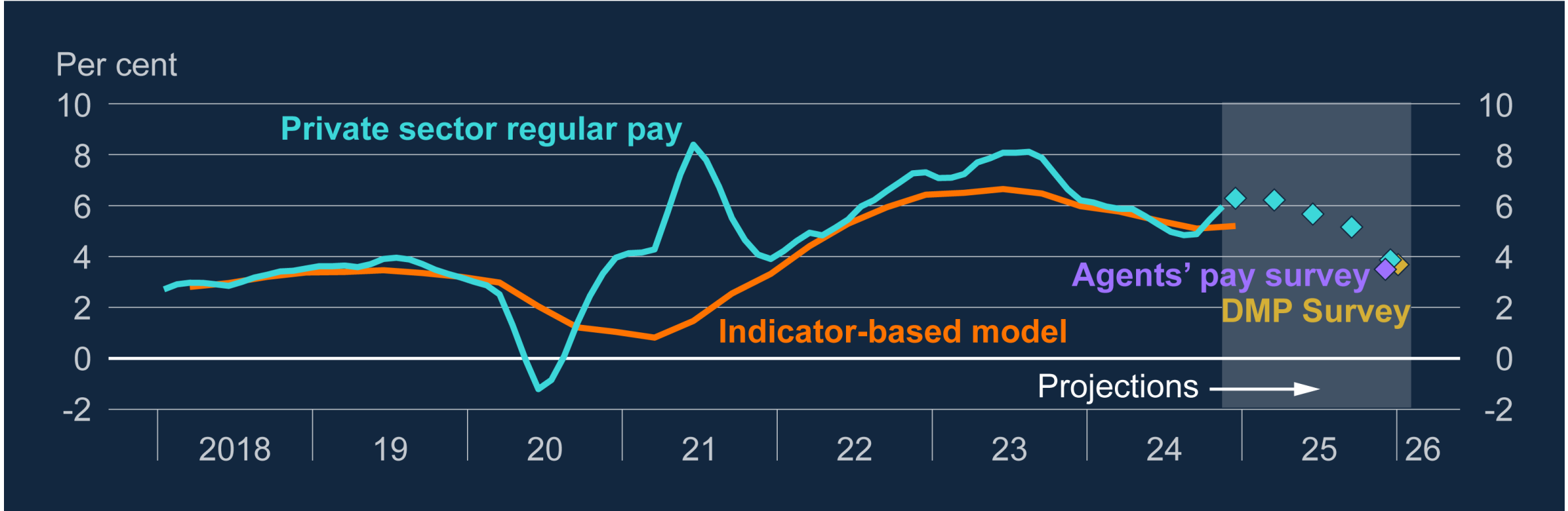


Chart 1.3: Unemployment rate projection based on market interest rate expectations, other policy measures as announced

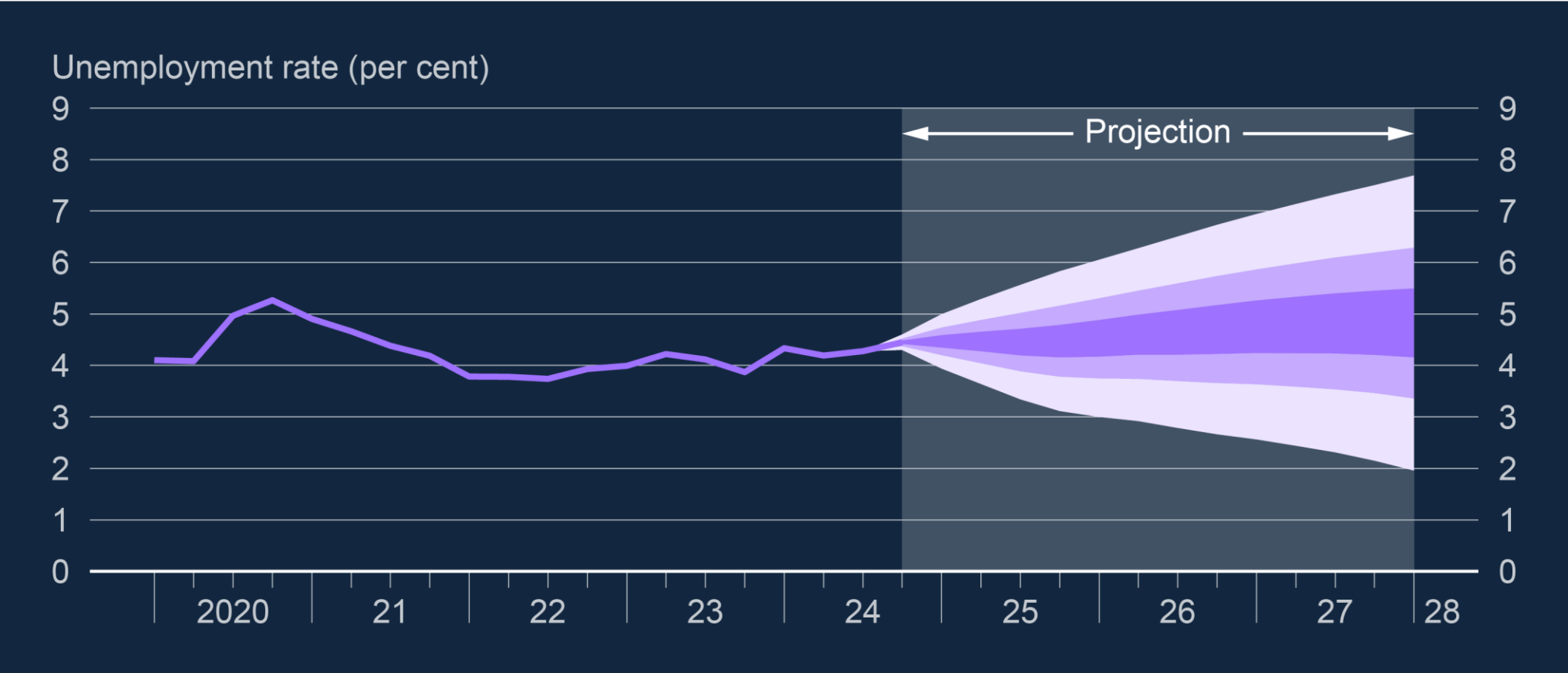


Chart 2.18: CPI inflation was 2.5% in December, and is expected to rise over the first half of 2025

Contributions to CPI inflation^(a)

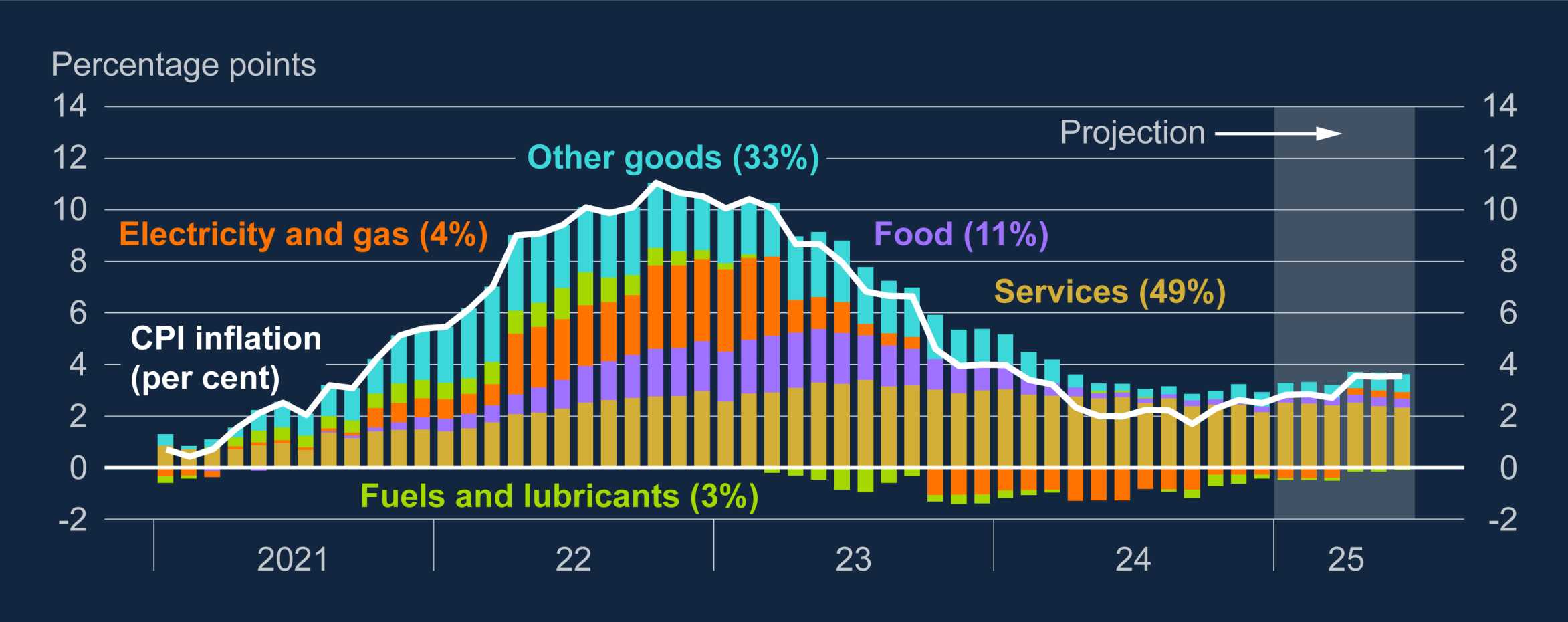


Chart 1.1: CPI inflation and CPI inflation excluding energy^(a)

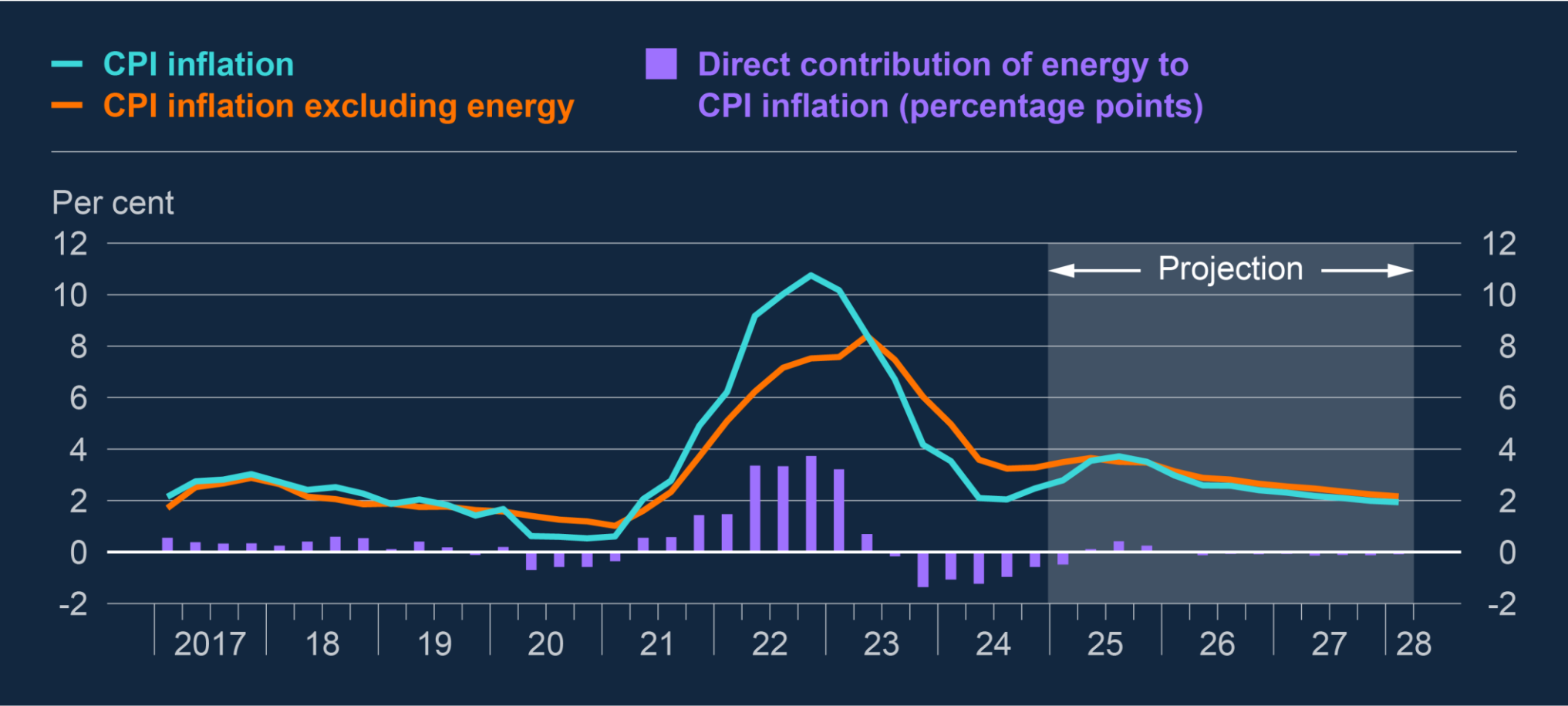
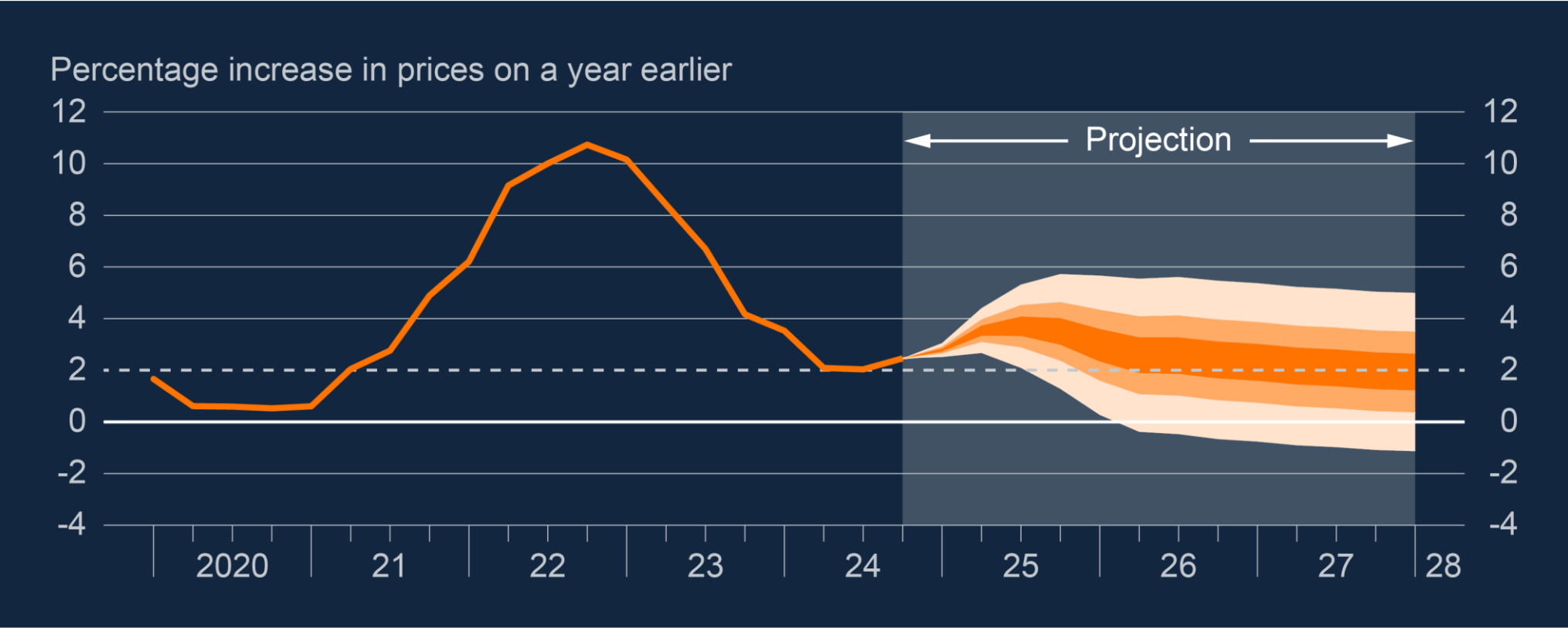


Chart 1.4: CPI inflation projection based on market interest rate expectations, other policy measures as announced



Policy

- At its February meeting, our Monetary Policy Committee (MPC) voted by a majority of 7-2 to reduce Bank Rate from 4.75% to 4.50%. Two members voted to reduce it to 4.25%.
 - In support of returning inflation sustainably to the 2% target, the Committee judges that there has been sufficient progress on disinflation in domestic prices and wages to reduce Bank Rate to 4.5% at this meeting.
 - Based on the Committee's evolving view of the medium-term outlook for inflation, a gradual and careful approach to the further withdrawal of monetary policy restraint is appropriate.
-