Bank of England

Economic Outlook

Graeme Chaplin

Agency for the West Midlands & Oxfordshire


WELLINGTON
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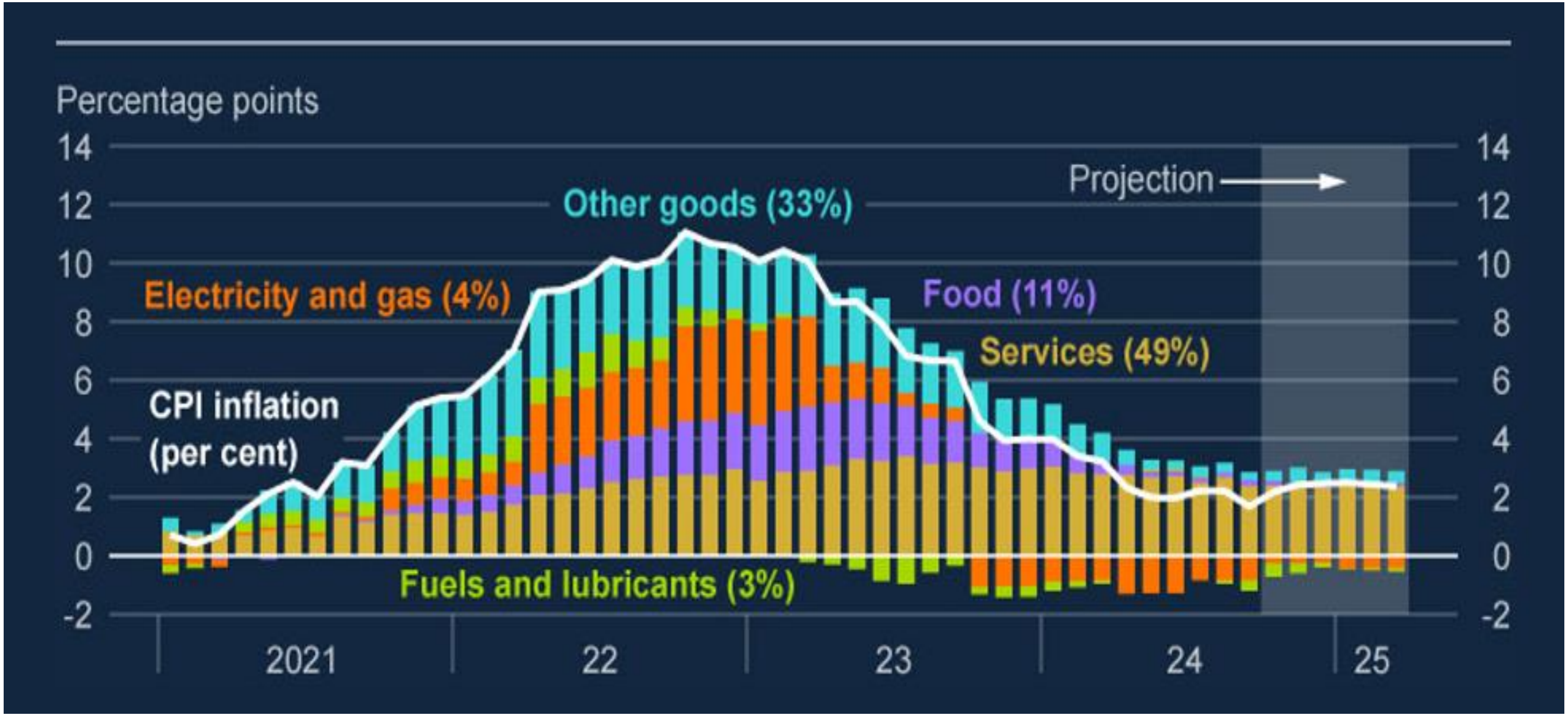
EC3

CPI inflation fell to 1.7% in September…
…but is expected to rise before year-end

Contributions to CPI inflation



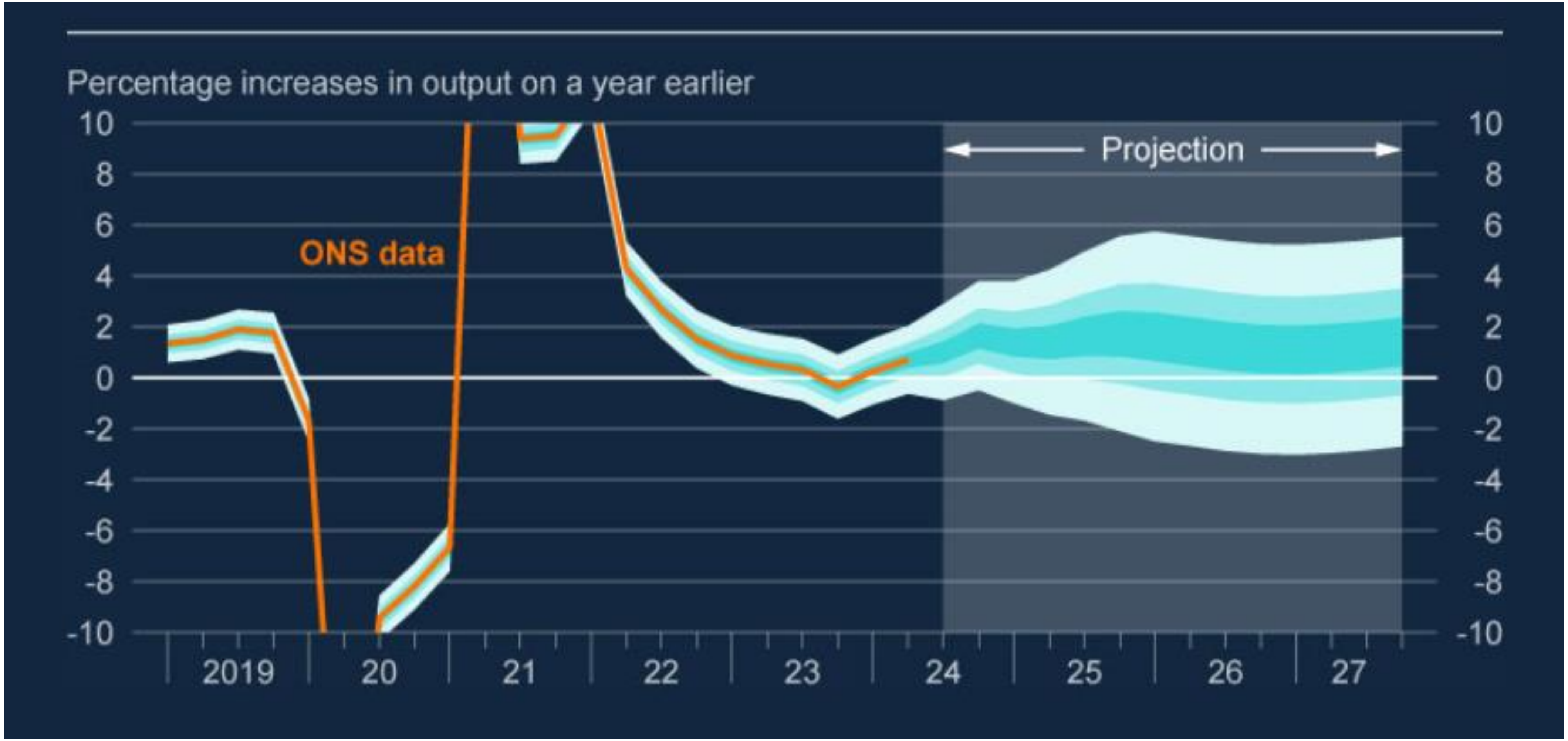
Policies included in the Budget are expected to raise CPI inflation by just under ½ of a percentage point at their peak

Impact of Budget on CPI inflation forecast

November CPI inflation projection[(a)]

(a) based on market interest rate expectations, other policy measures as announced

November GDP growth projection [a]

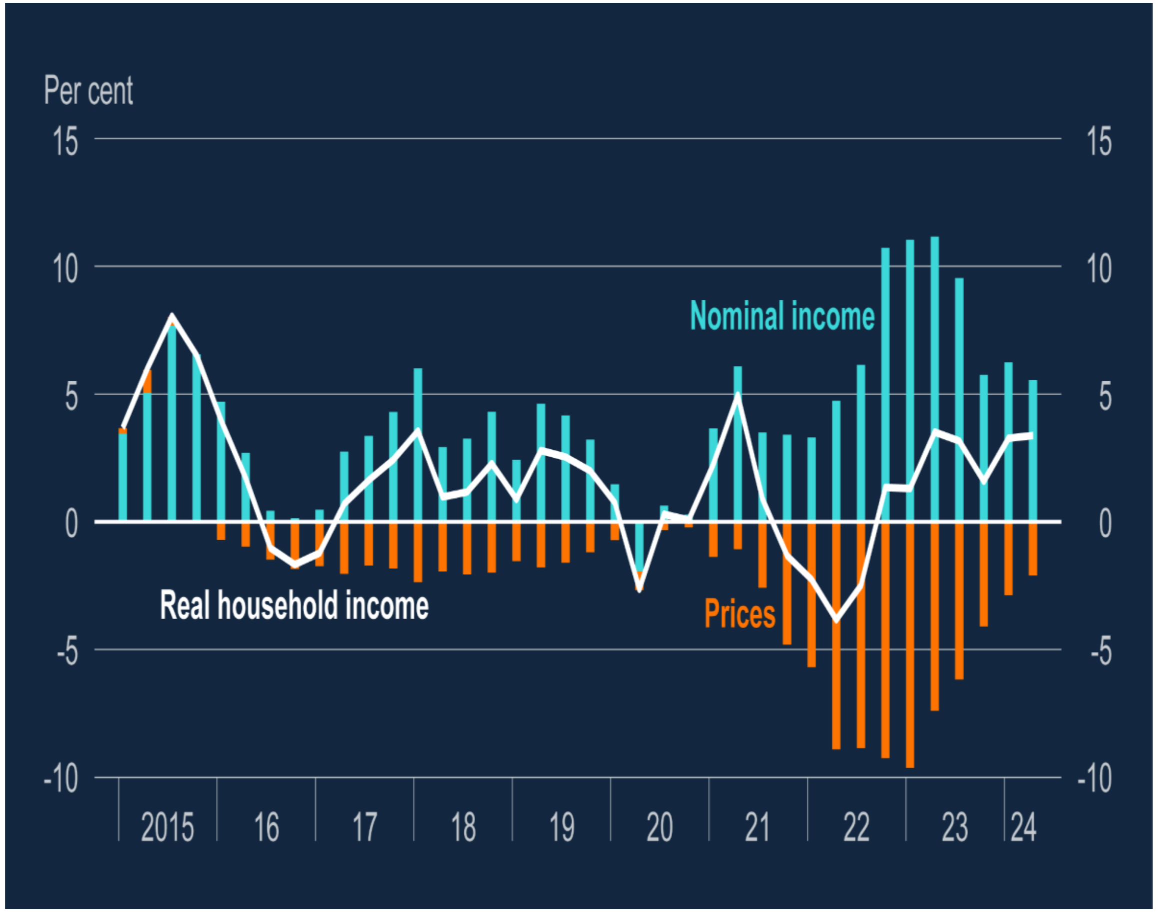


(a) based on market interest rate expectations, other policy measures as announced

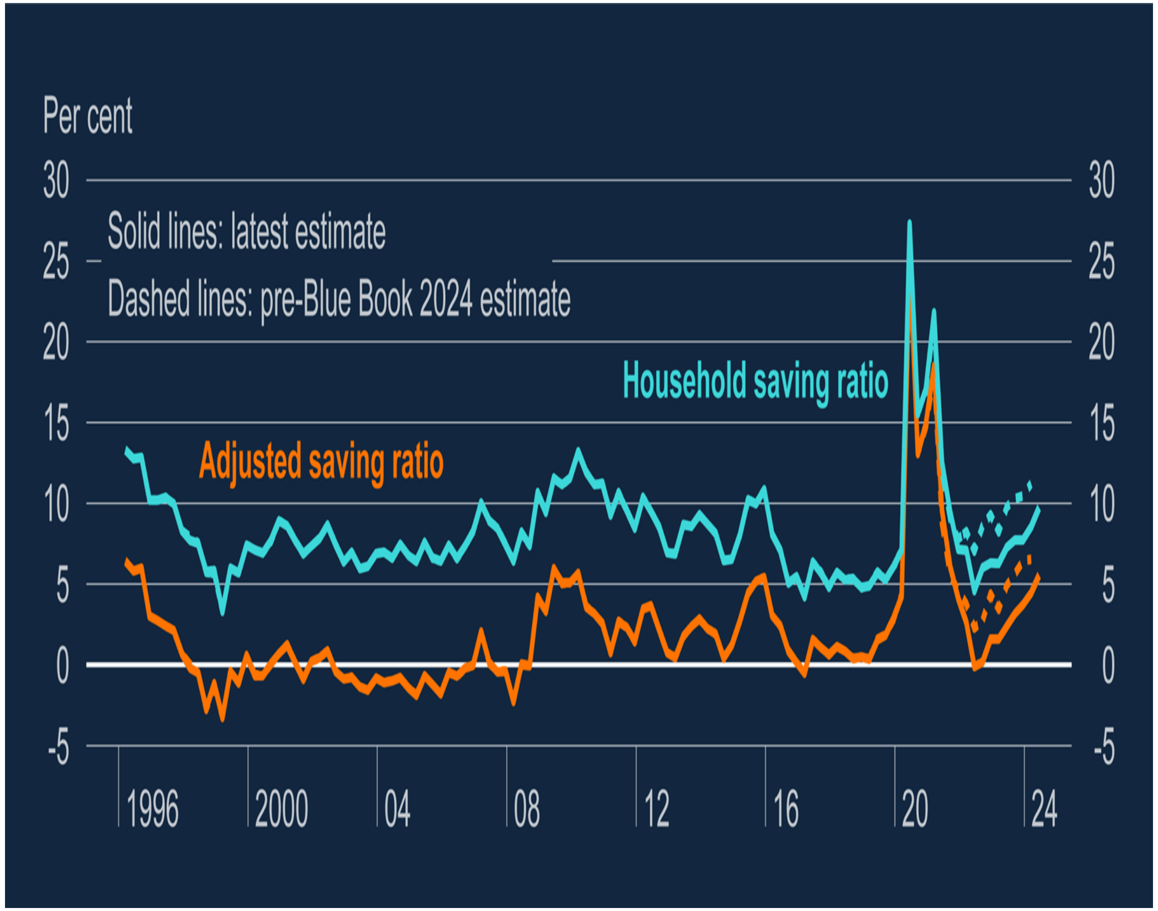
Consumer spending, Business investment and Government spending

Real income growth has picked up as inflation has slowed…
…but the household saving ratio is higher than pre-pandemic

Contributions to four-quarter growth in real household disposable income



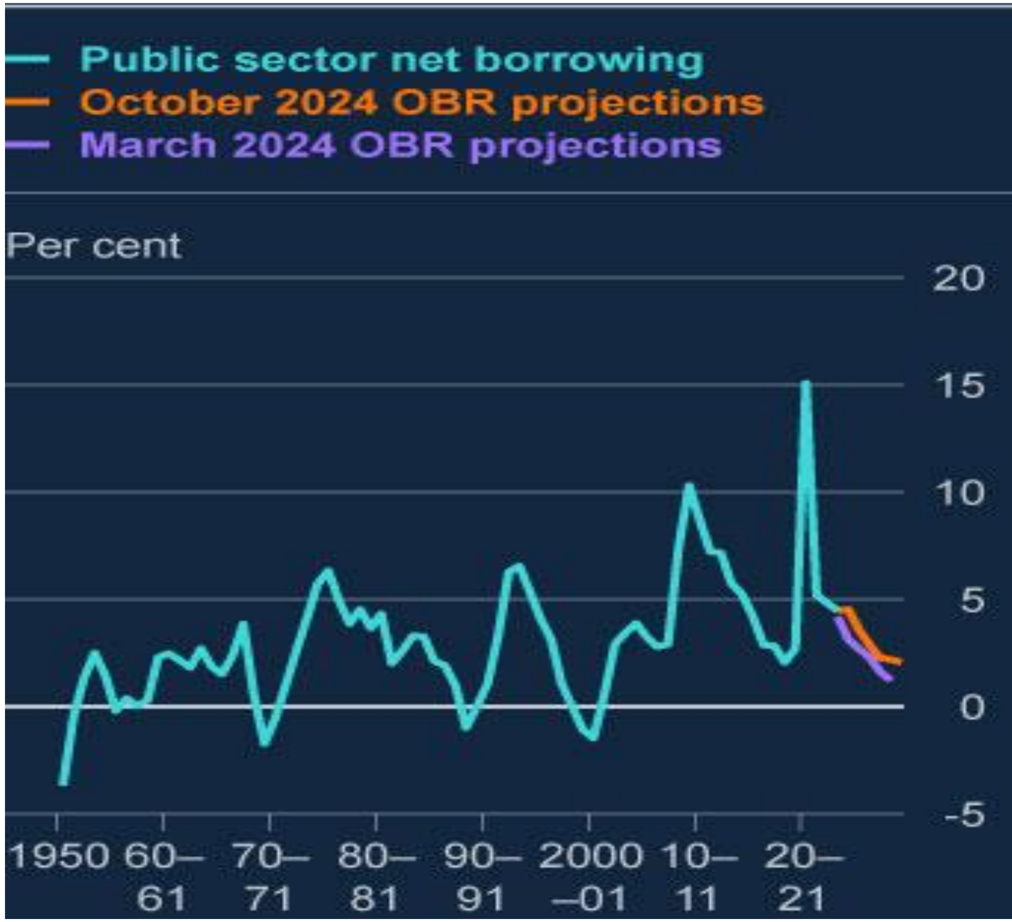
Household saving ratio



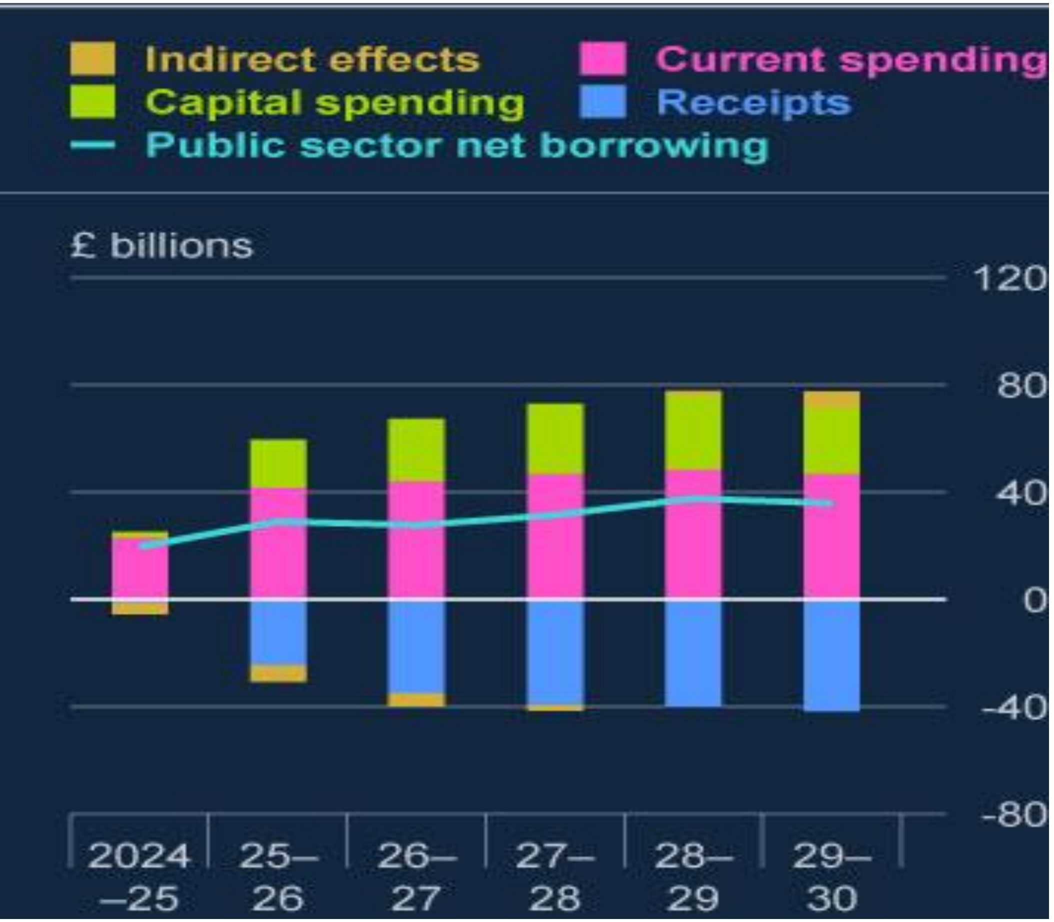
Consumer spending, Business investment and Government spending

Public sector spending and borrowing is expected to be higher post-Budget

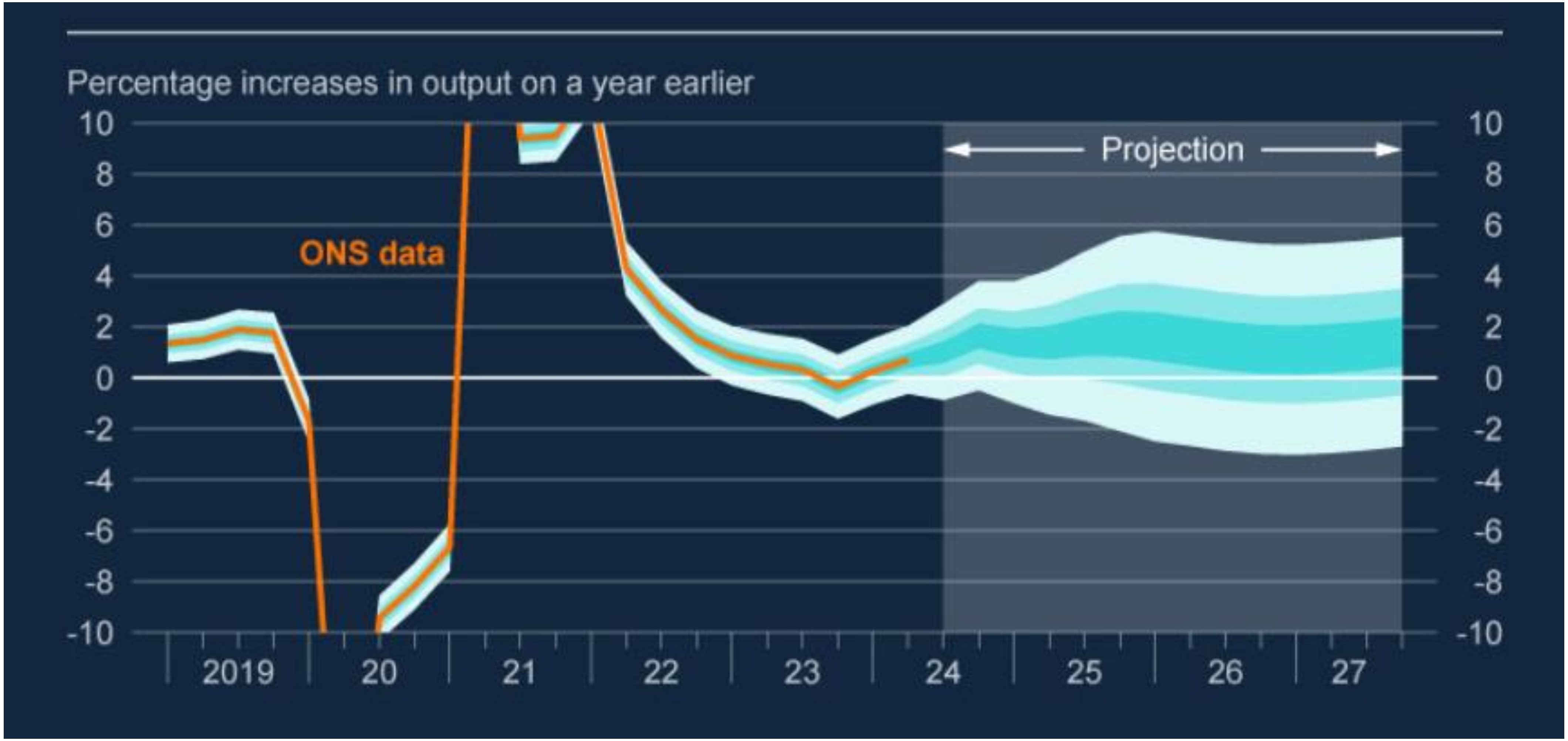
Public sector net borrowing as a per cent of GDP



Contributions to change in the OBR's PSNB projection between March 2024 and October 2024



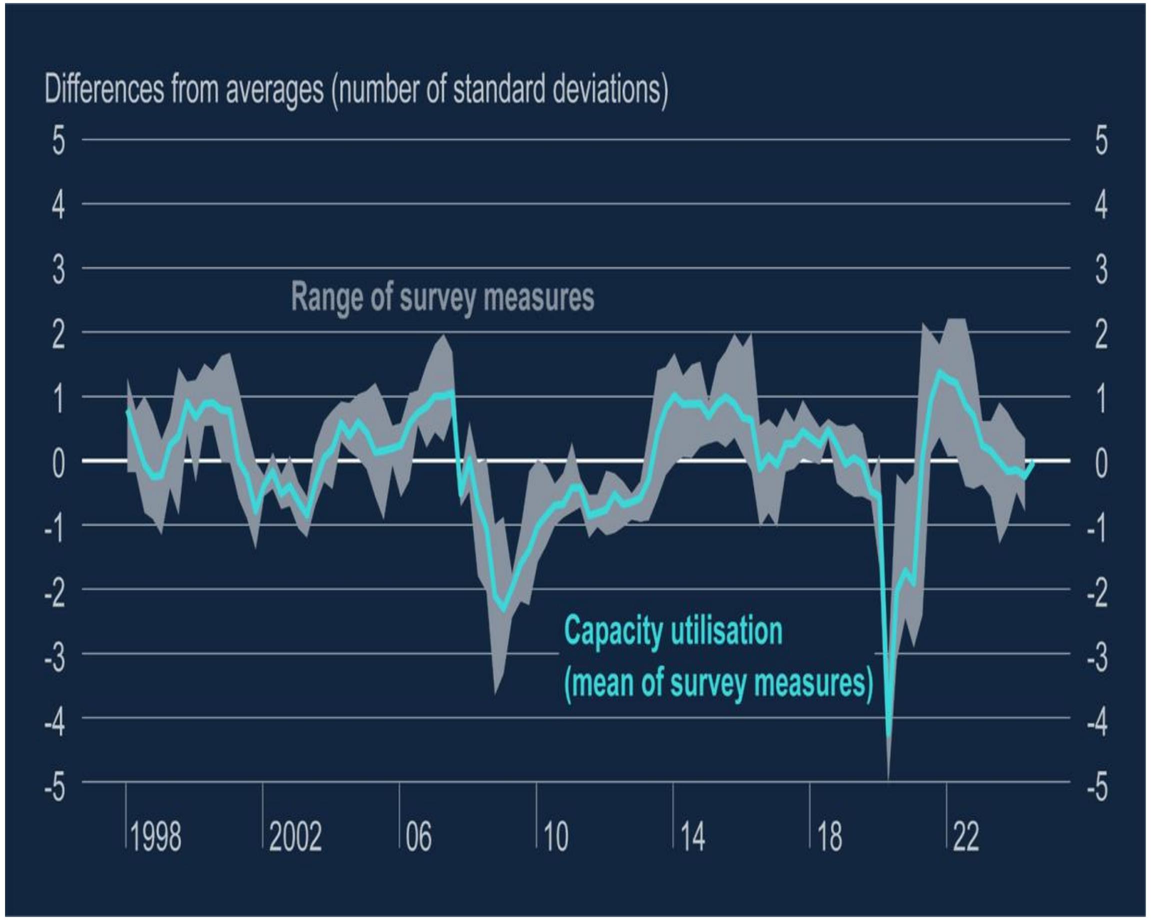
November GDP growth projection [a]



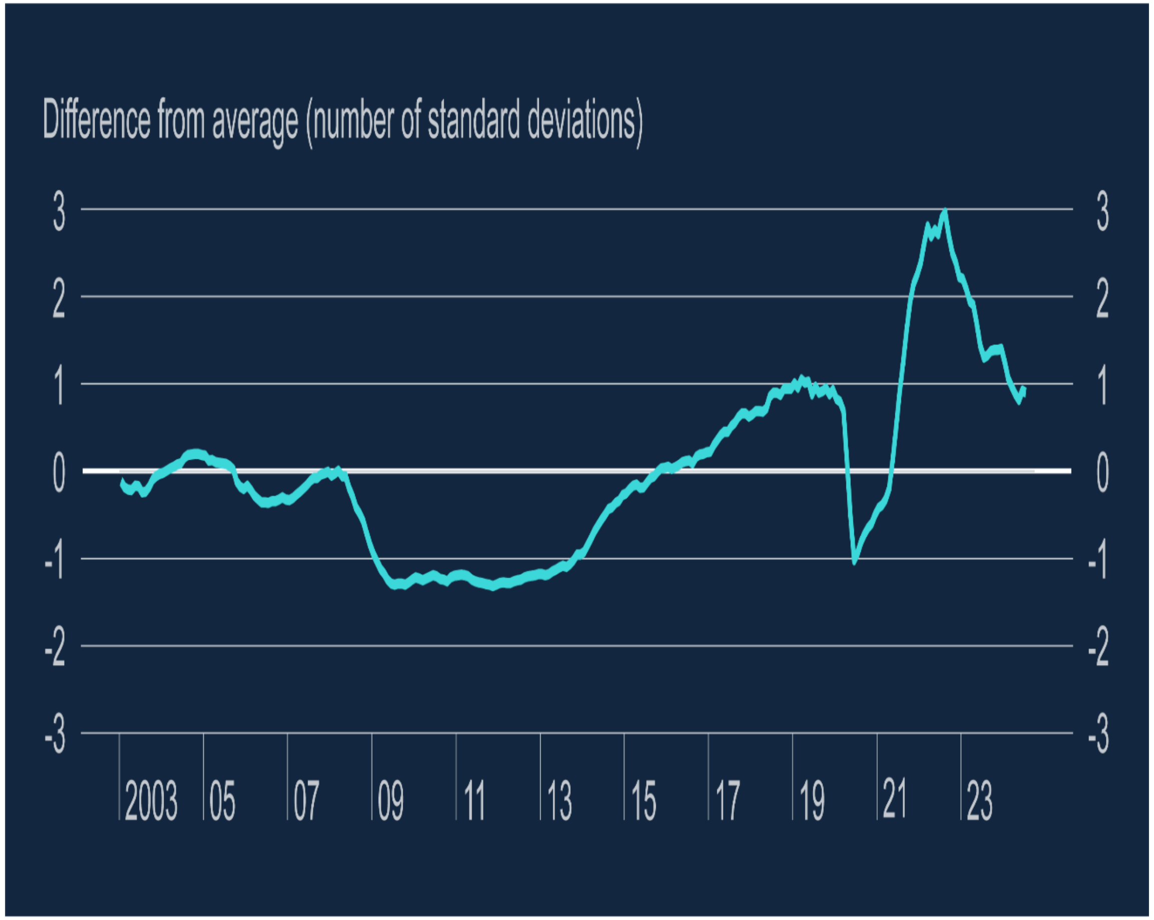
(a) based on market interest rate expectations, other policy measures as announced

Capacity utilisation is close to past average levels…
…and tightness in the labour market continues to ease

Survey indicators of capacity utilisation

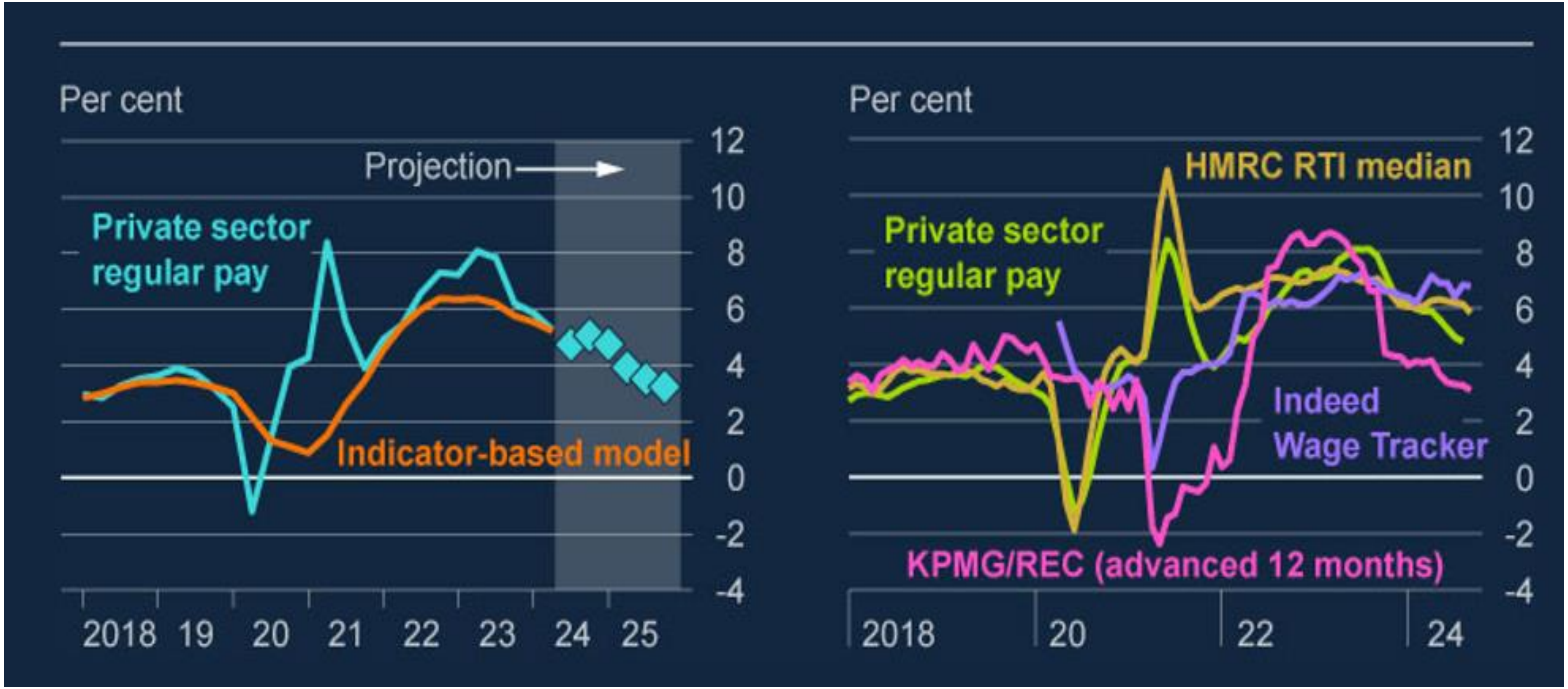


Vacancies to unemployment ratio



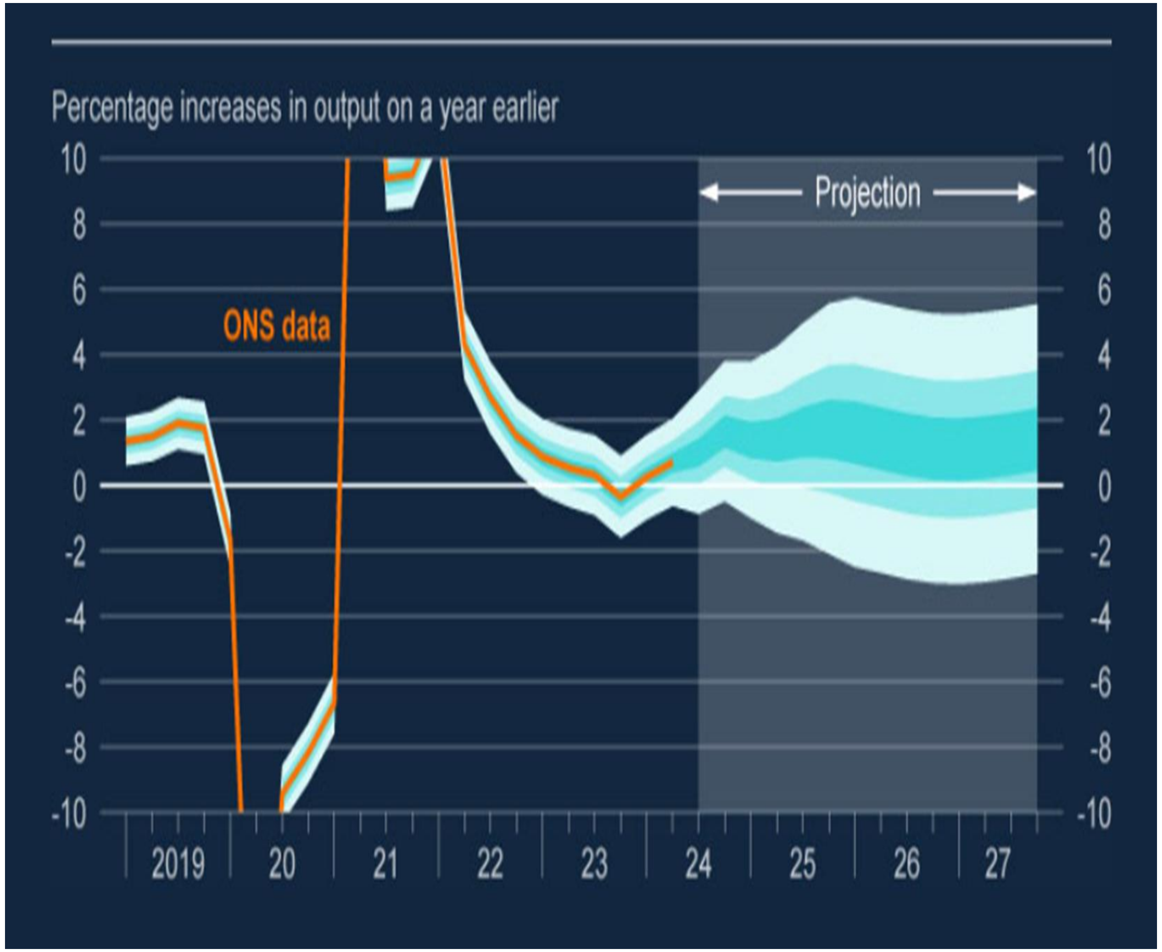
Most indicators of wage growth have moderated recently

Measures of annual private sector wage growth

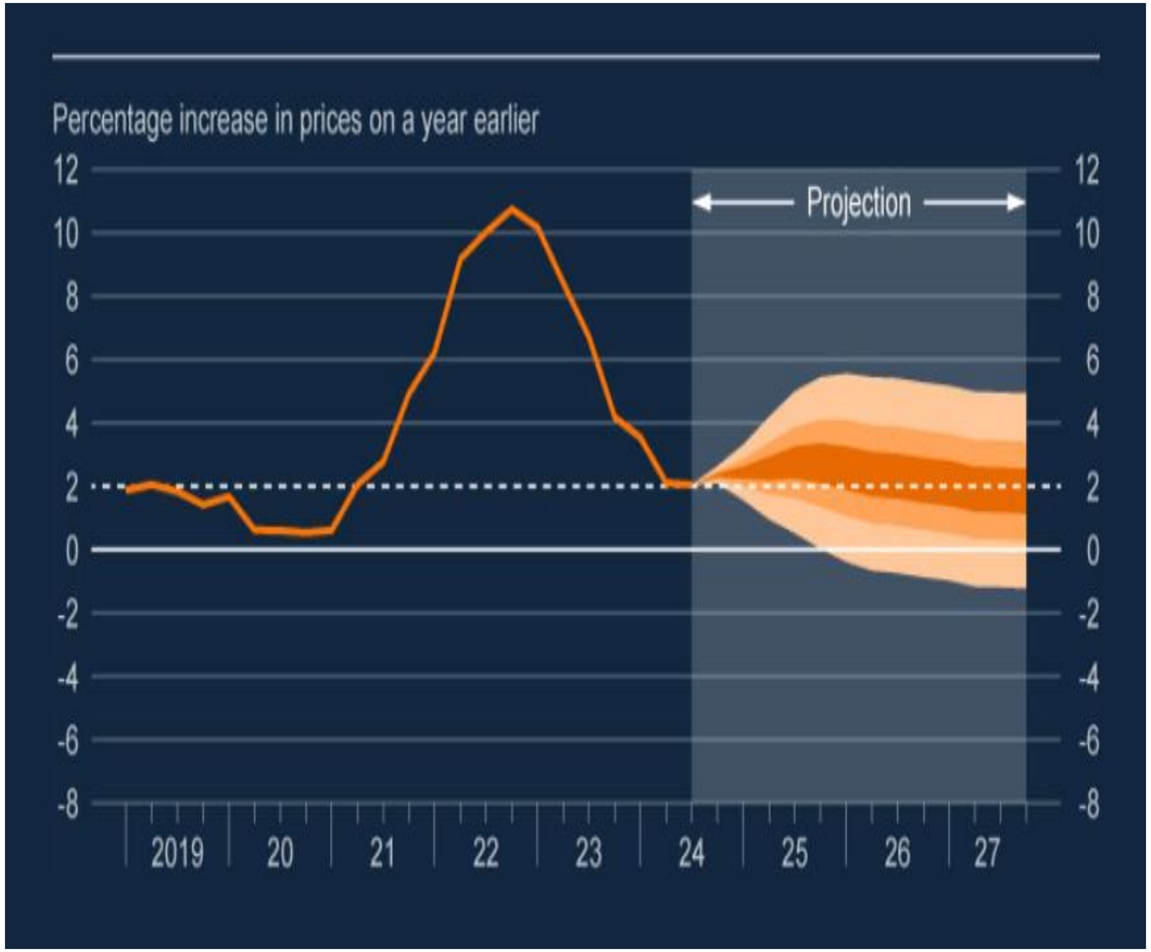


November projections [a]

GDP



CPI



(a) based on market interest rate expectations, other policy measures as announced

Summary

At its November meeting, the MPC voted to reduce Bank Rate to 4.75%, reflecting continued progress in disinflation.

Based on the evolving evidence, a gradual approach to removing policy restraint remains appropriate.

Monetary policy will need to remain restrictive for sufficiently long to return inflation sustainably to the 2% target in the medium term.

The MPC continues to monitor closely the risks of inflation persistence.

The best and most sustainable contribution monetary policy can make to growth and prosperity is to ensure low and stable inflation.