



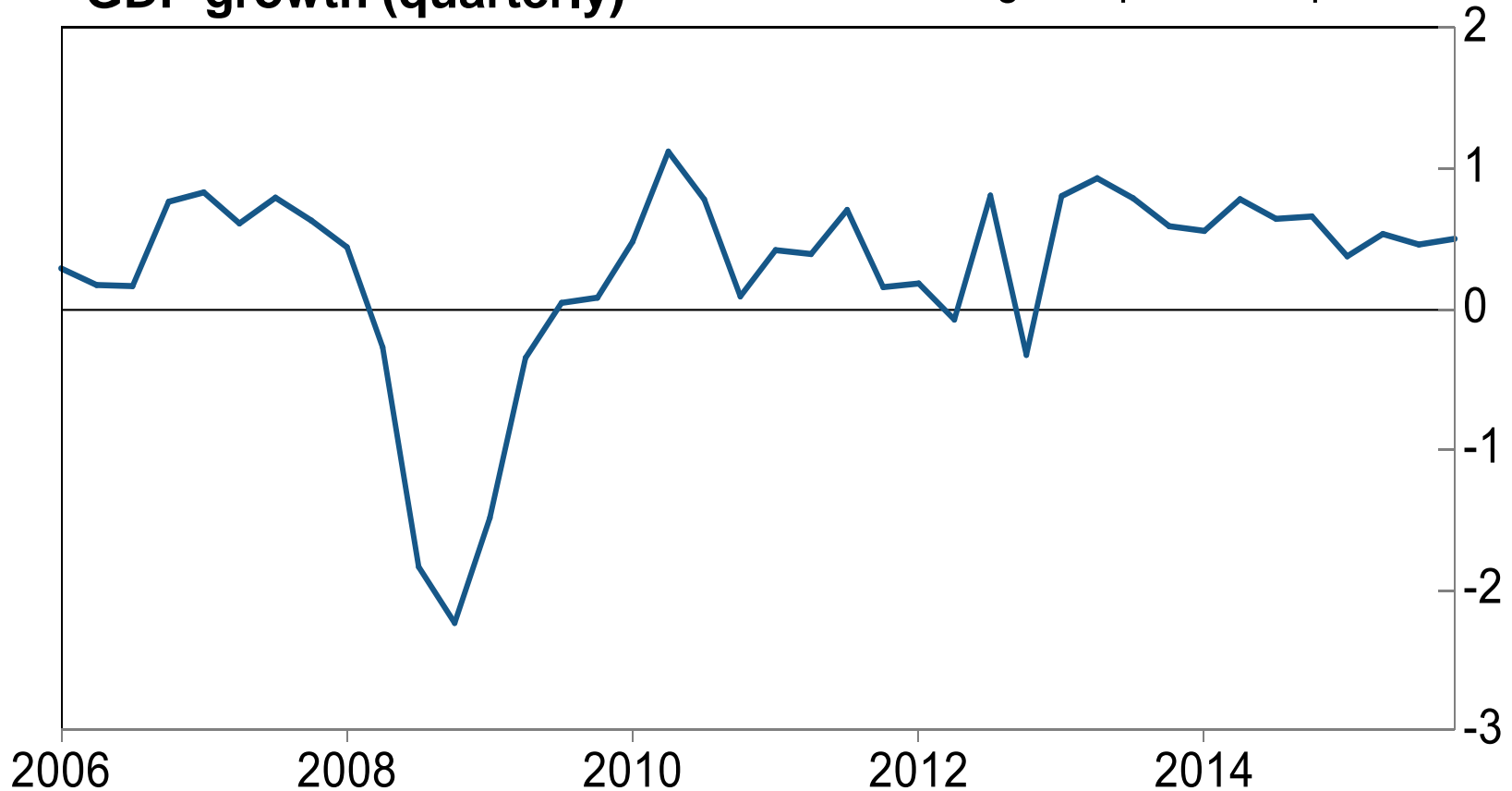
BANK OF ENGLAND

Outlook for the UK Economy

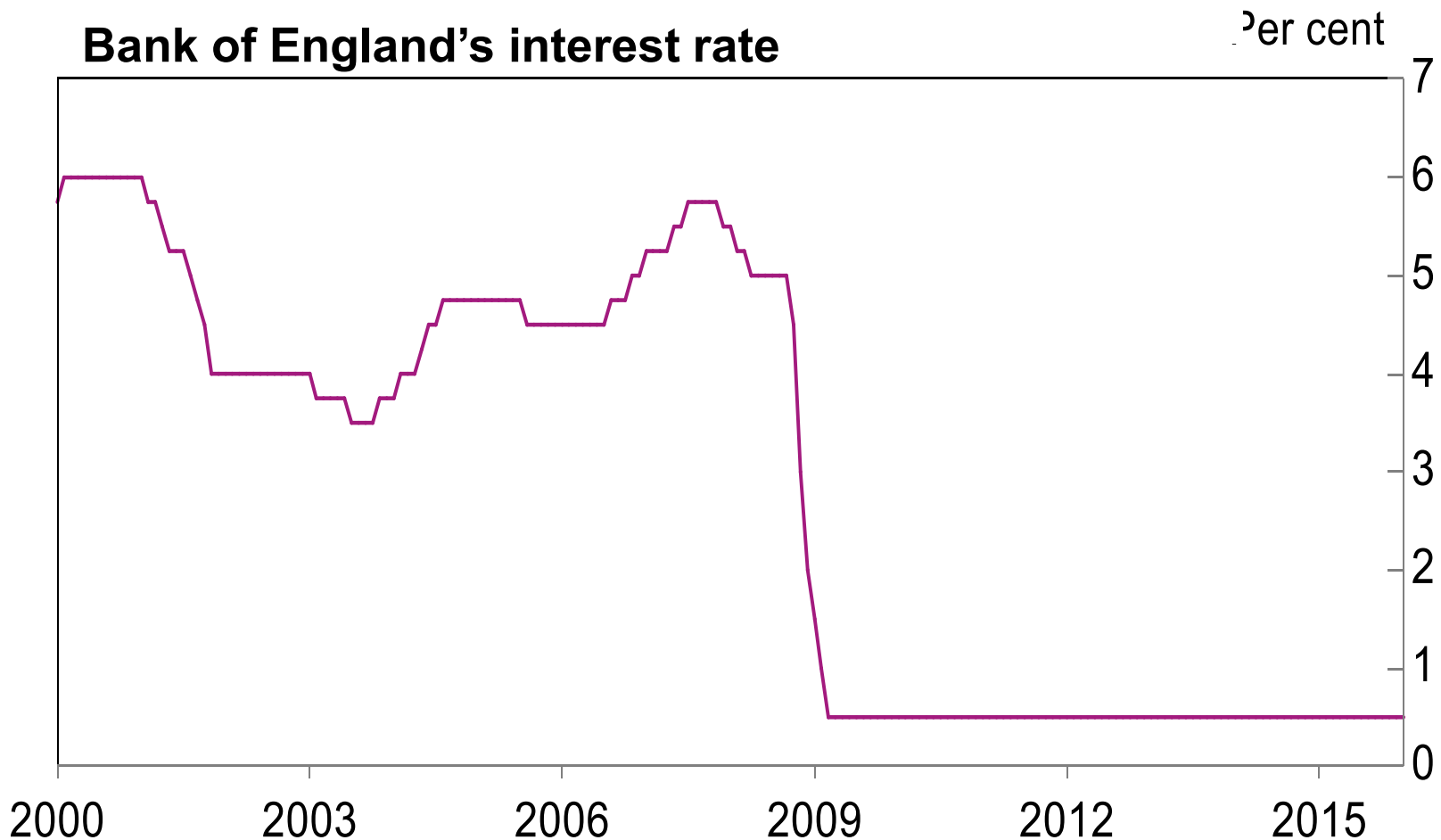
UK has been growing for 3 years

GDP growth (quarterly)

Per cent change on previous quarter



Bank Rate still at 0.5%



QE held stable since late 2012



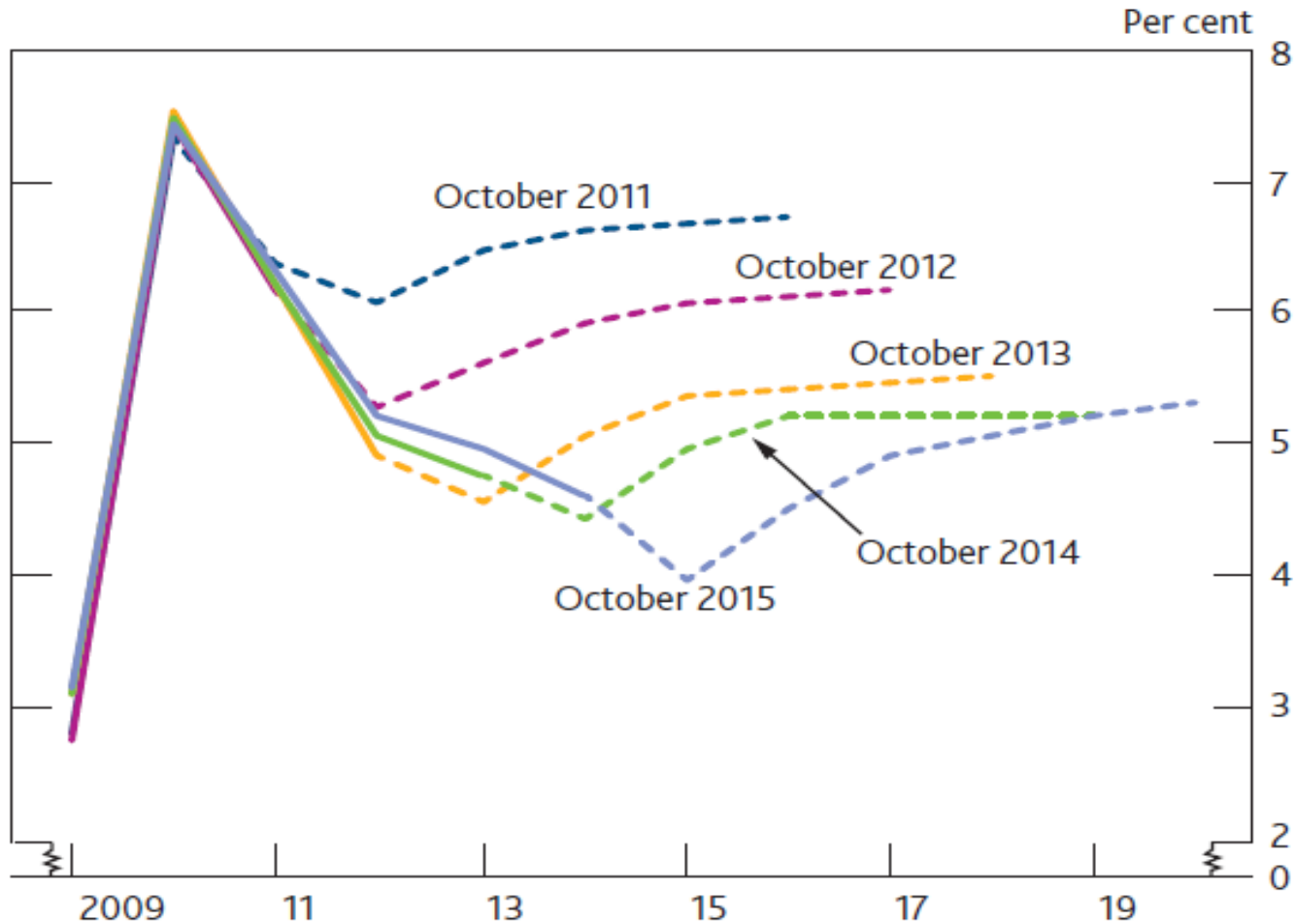
The big policy questions

- How confident are we that the economy will continue growing?
 - How fragile is the international environment?
 - Is the domestic economy still growing strongly?
- How much inflationary pressure is building?
 - Is there still labour market slack?
 - How fast can the economy grow without eroding what slack is left?
 - Why is inflation so low?



Emerging Market Forecasts revised down repeatedly ...

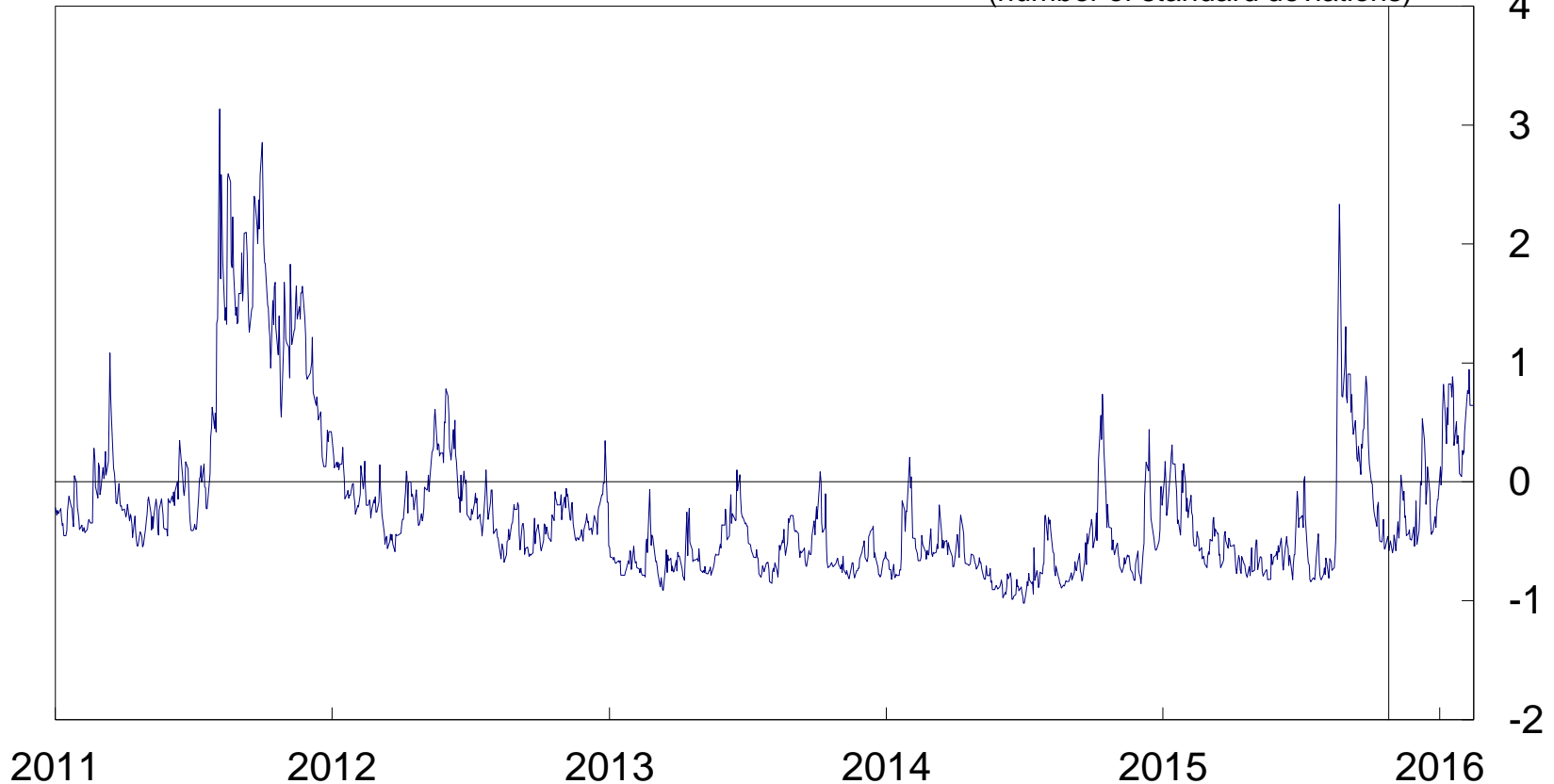
IMF forecasts for growth in EMEs



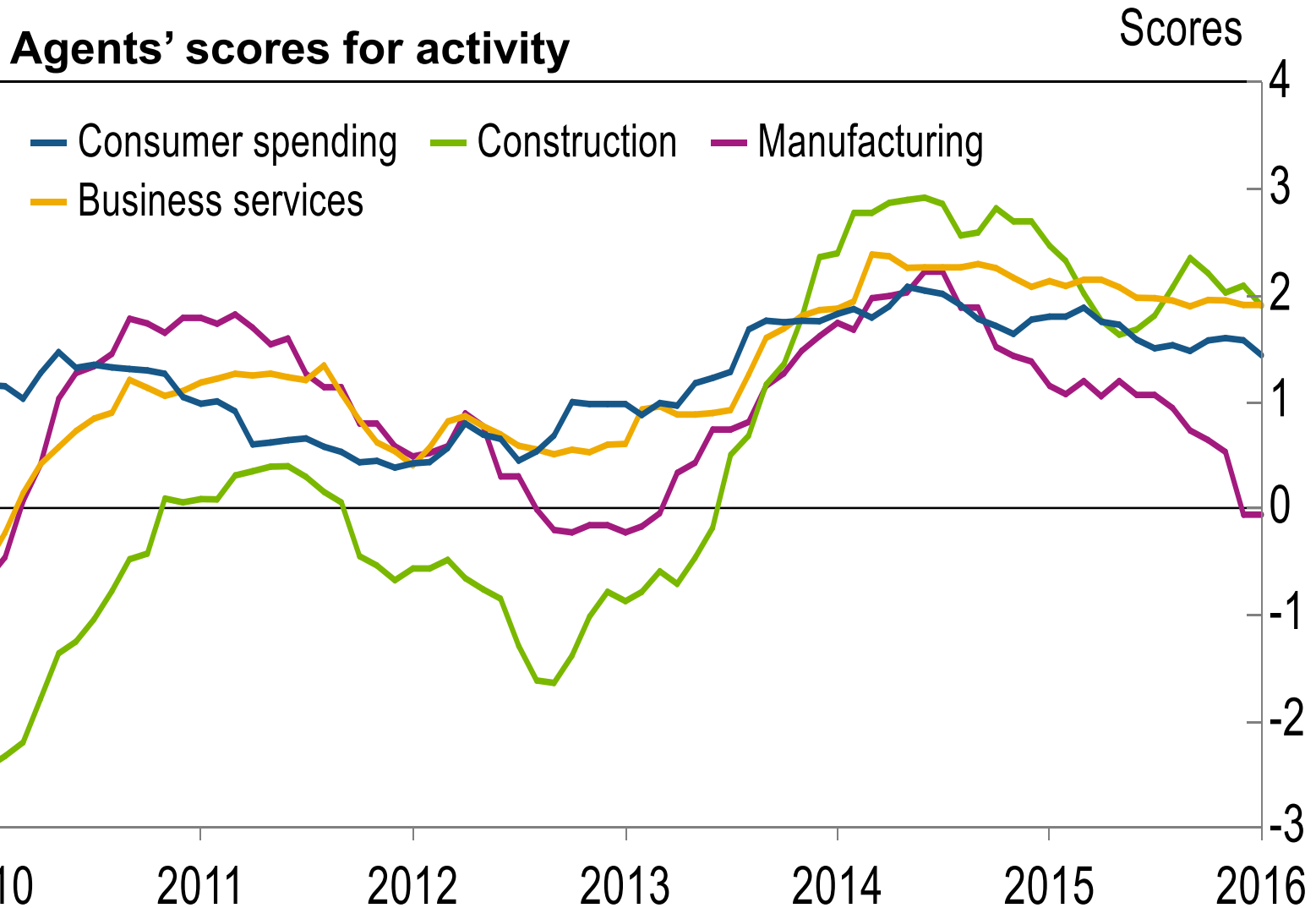
... Global asset prices moved violently

S&P 500 – implied volatility

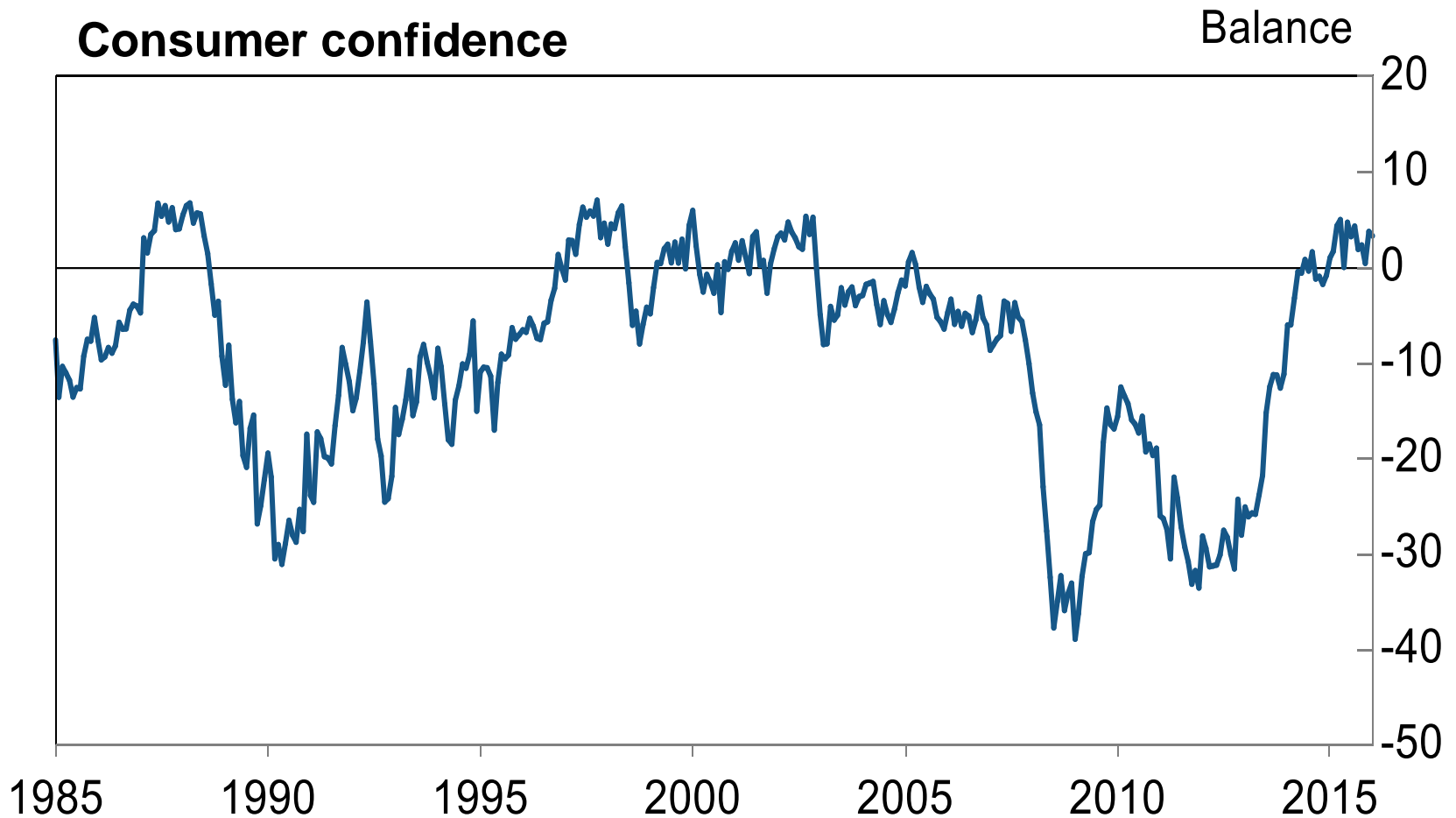
Difference from average since 2003
(number of standard deviations)



Domestic economy still growing



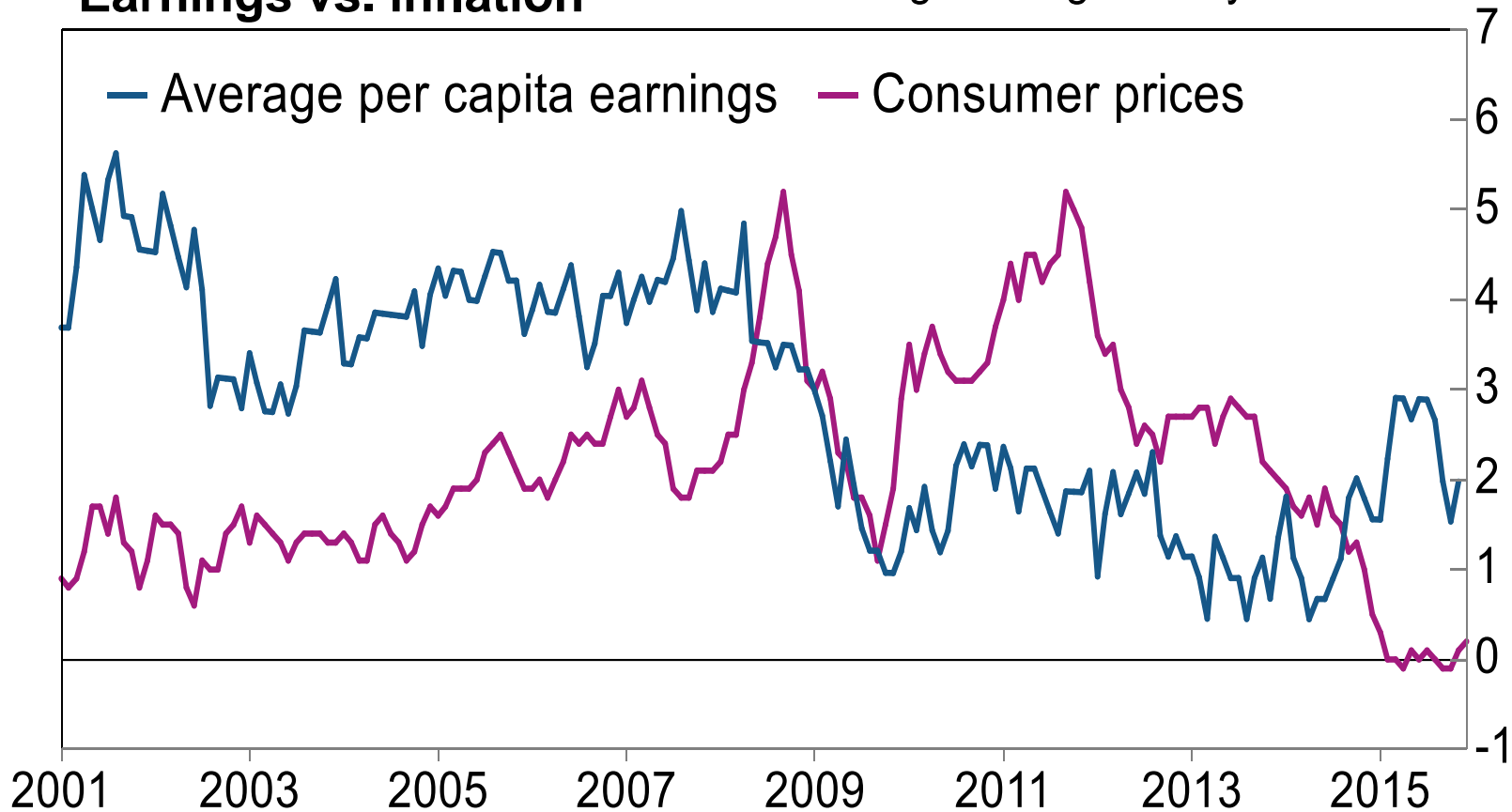
Consumer confidence remains high ...



... and real incomes are growing ...

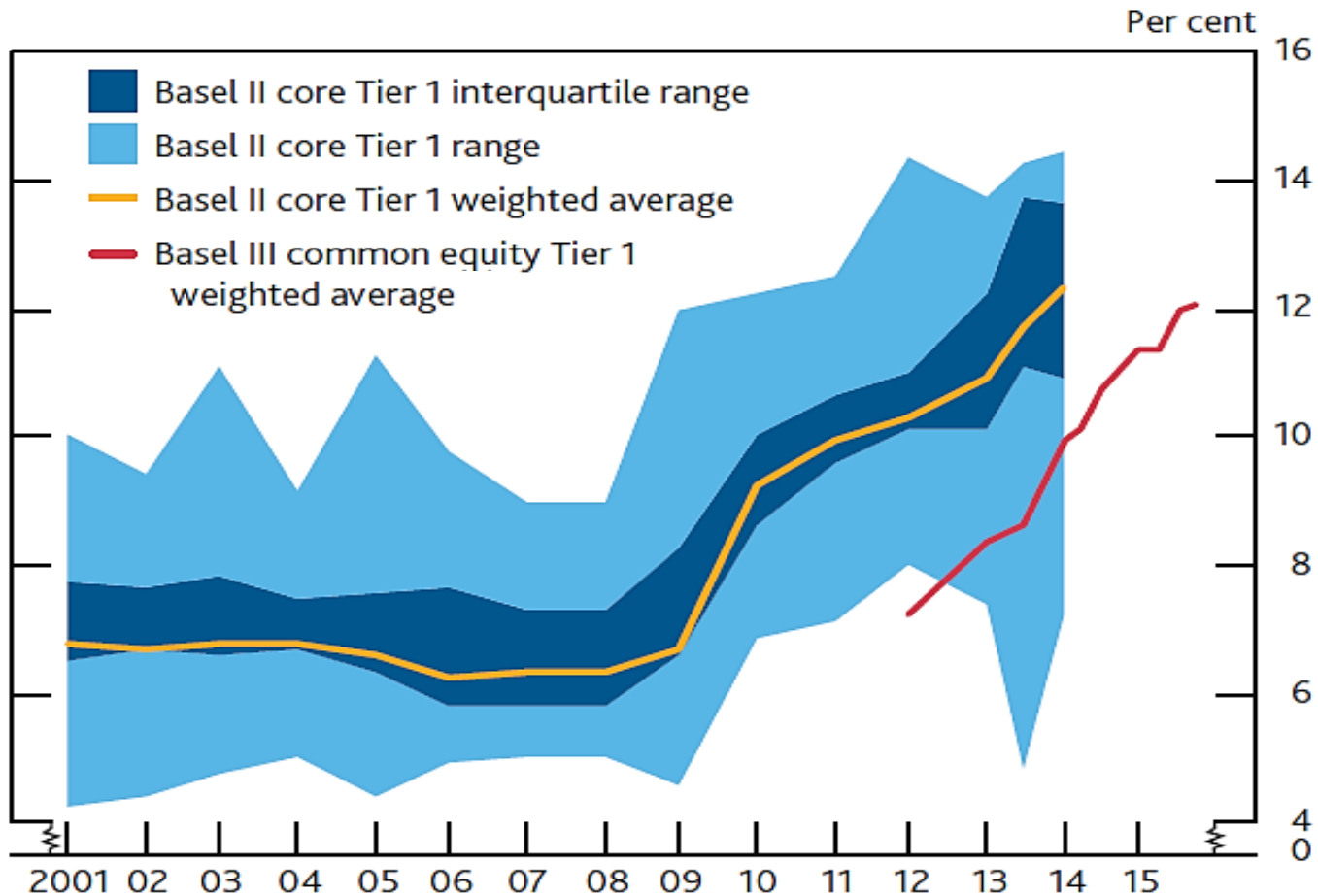
Earnings vs. inflation

Percentage change on a year earlier



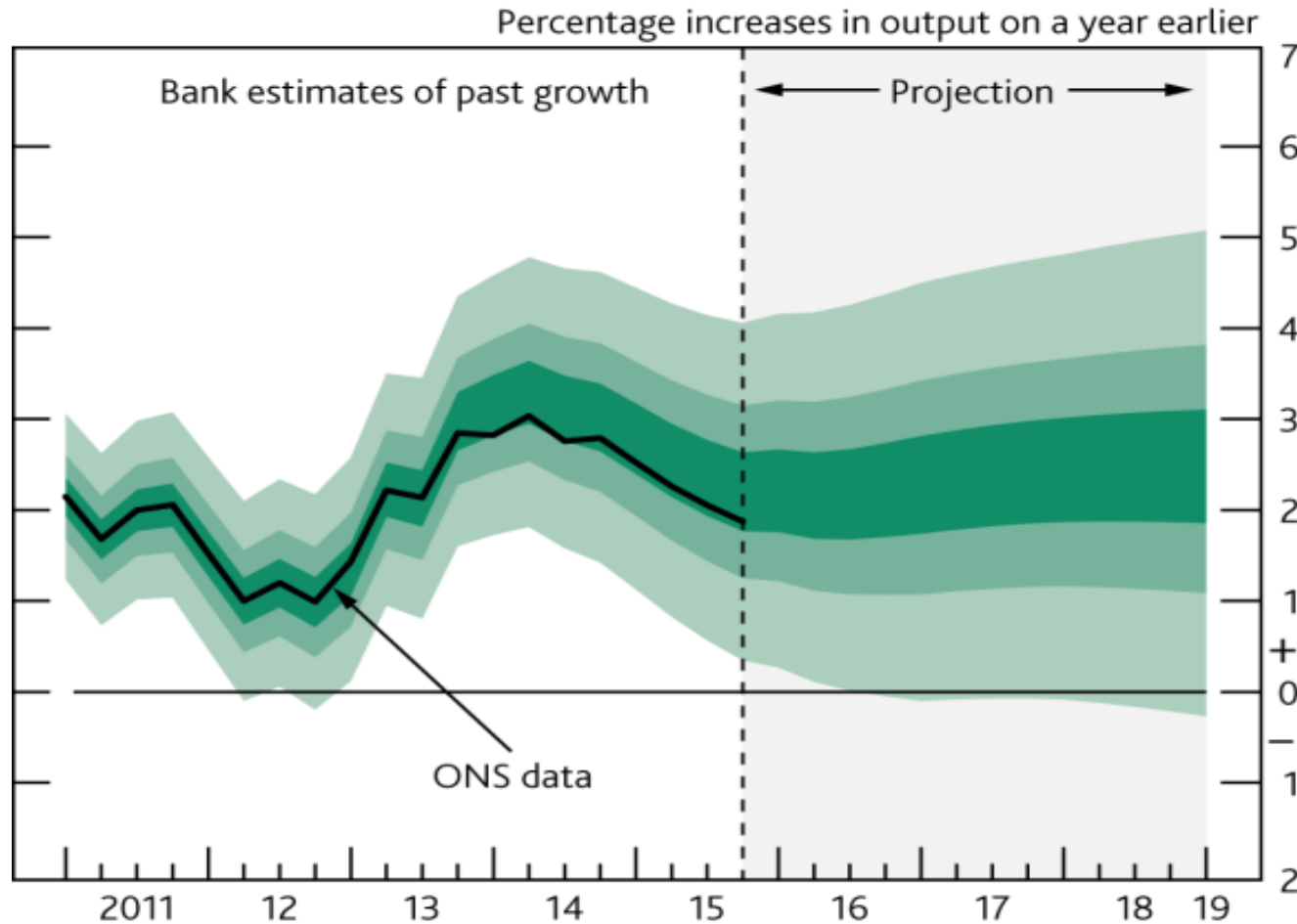
... UK banks adequately capitalised

Major UK banks' capital ratios



Best guess: Economy continues growing modestly

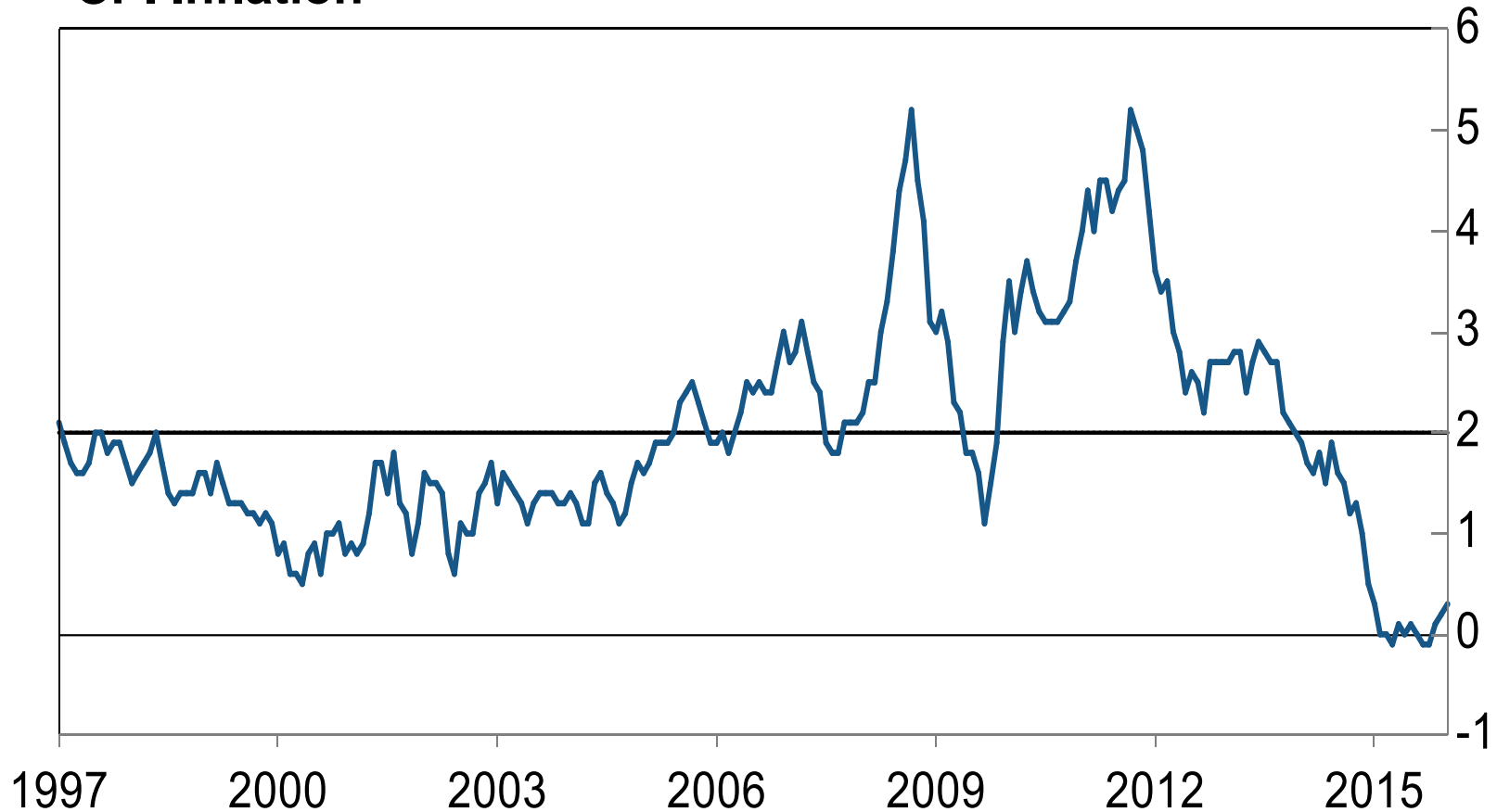
GDP projection



Inflation well below target

CPI Inflation

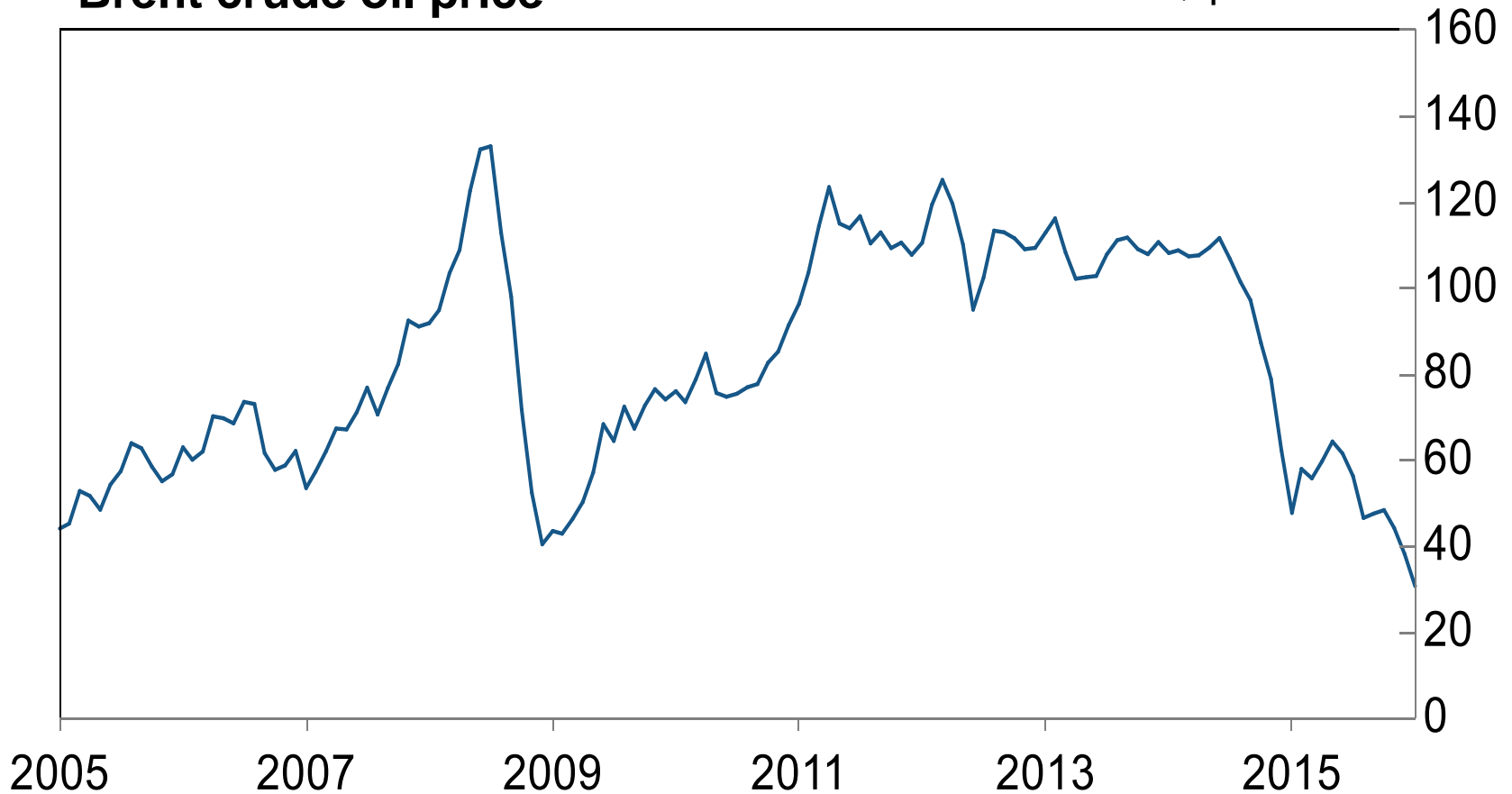
Per cent



... Not surprising given commodity price falls

Brent crude oil price

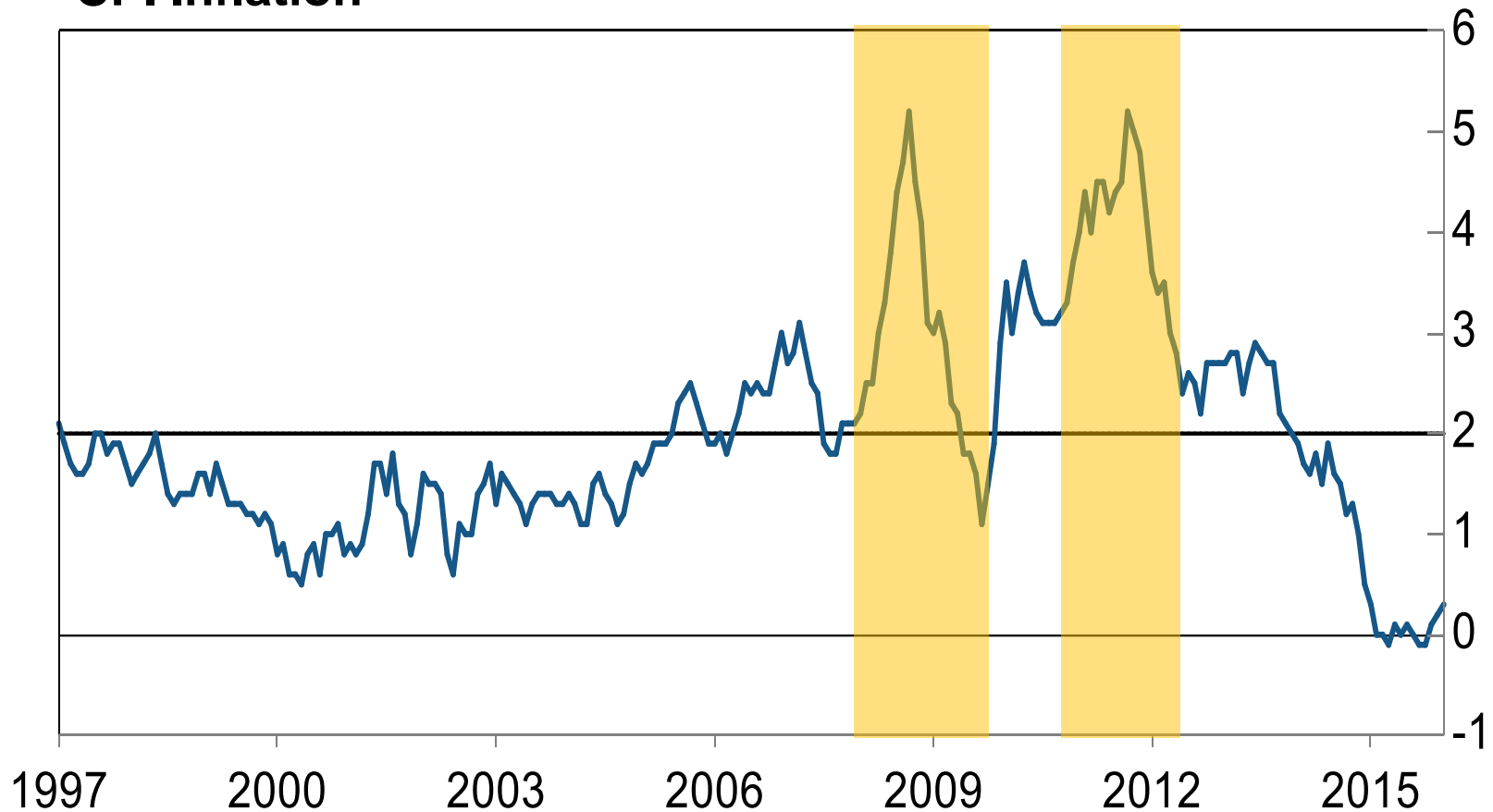
\$ per barrel



We've seen one-off shocks in the recent past

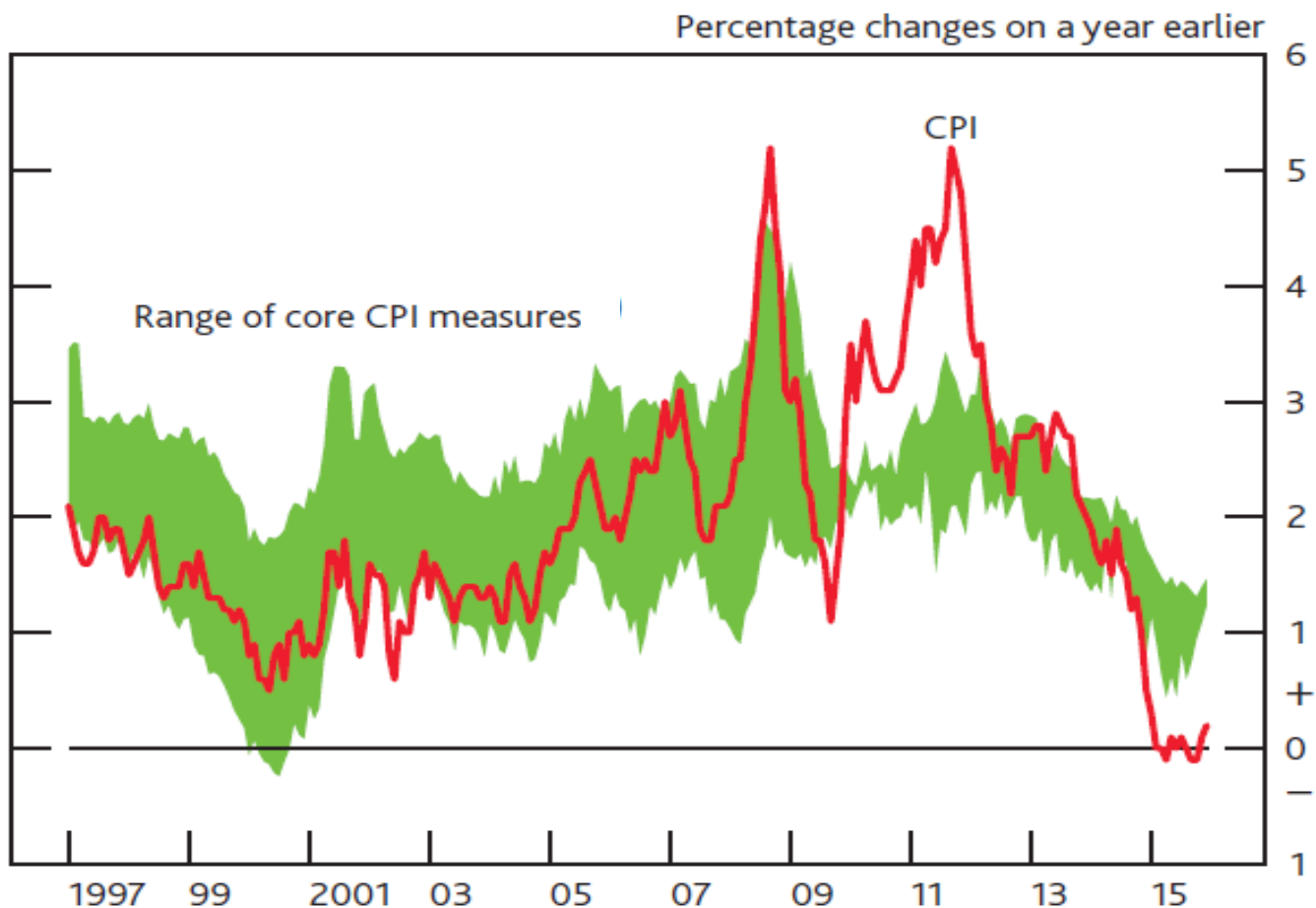
CPI Inflation

Per cent



Domestically generated inflation still muted ... where next?

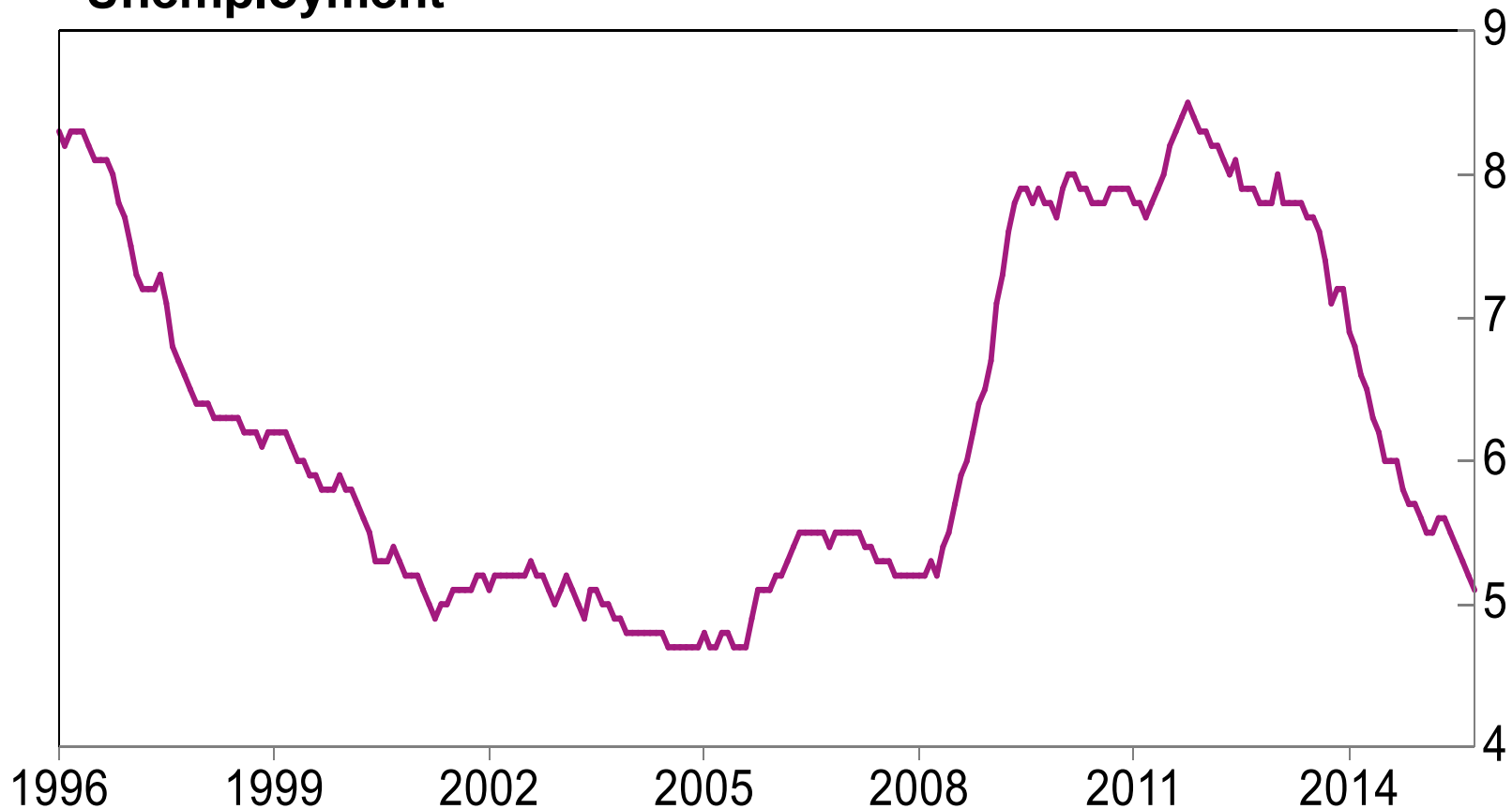
CPI inflation and measures of core CPI inflation



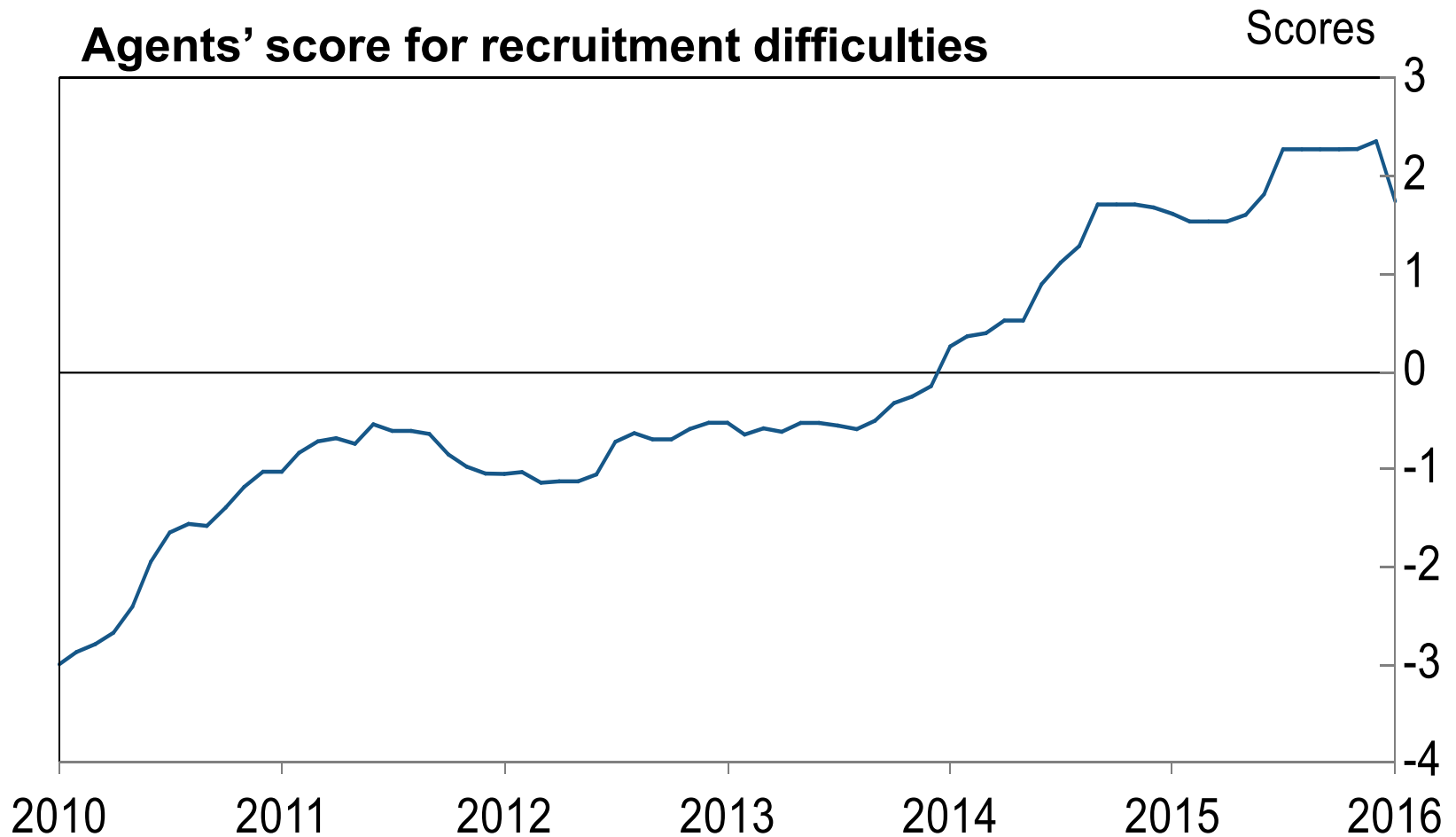
Unemployment fell fast early in the recovery ...

Unemployment

Per cent



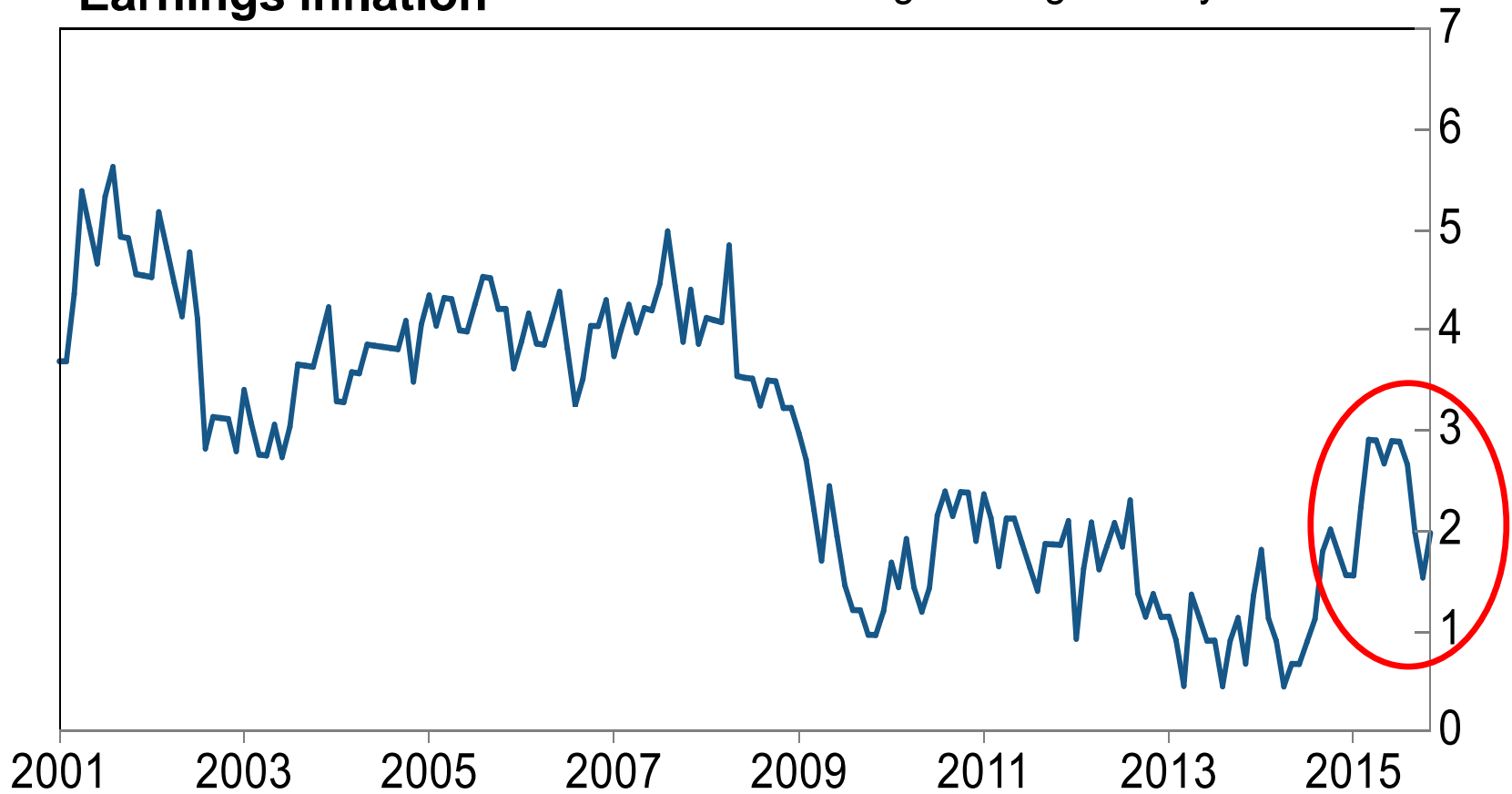
... and labour markets became tighter



Earnings inflation not accelerating away

Earnings inflation

Percentage change on a year earlier



Best guess: Inflation picks up slowly

Inflation projection

