



BANK OF ENGLAND

Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 13 January 2016

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These are the minutes of the Monetary Policy Committee meeting ending on 13 January 2016.

They are available at <http://www.bankofengland.co.uk/publications/Pages/news/2016/001.aspx>

The Bank of England Act 1998 gives the Bank of England operational responsibility for setting monetary policy to meet the Government's inflation target. Operational decisions are taken by the Bank's Monetary Policy Committee. The minutes of the Committee meeting ending on 3 February will be published on 4 February 2016.

Monetary Policy Summary, January 2016

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy in order to meet the 2% inflation target and in a way that helps to sustain growth and employment. At its meeting ending on 13 January 2016, the MPC voted by a majority of 8-1 to maintain Bank Rate at 0.5%. The Committee voted unanimously to maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion, and so to re-invest the £8.4 billion of cash flows associated with the redemption of the January 2016 gilt held in the Asset Purchase Facility.

Twelve-month CPI inflation rose to 0.1% in November and is likely to rise modestly further in the coming months as some of the large falls in energy and food prices a year earlier drop out of the annual comparison. But the 40% decline in dollar oil prices means that the increase in inflation is now expected to be slightly more gradual in the near term than forecast in the Committee's November *Inflation Report* projections. Although a large part of the current deviation of CPI inflation from the 2% target reflects unusually large drags from energy and food prices, core inflation also remains relatively subdued – a consequence of the past appreciation of sterling, weak global inflation and restrained domestic cost growth.

The outlook for inflation in the medium term reflects the balance between the persistence of the dampening influence of factors such as the past appreciation of sterling and subdued world export prices, and prospective further increases in domestic cost growth. The MPC's objective is to return inflation to the target sustainably, without an overshoot once those persistent disinflationary forces have waned. Given that, the MPC intends to set monetary policy to ensure that growth is sufficient to absorb remaining spare capacity in a manner that returns inflation to the target in around two years and keeps it there in the absence of further shocks.

The MPC set out its most recent detailed assessment of the economic outlook in the November 2015 *Inflation Report*. At that time, the Committee's central view was that, if Bank Rate were to follow the gently rising path implied by the prevailing market yields, CPI inflation would slightly exceed the 2% target in two years' time and then rise further above it, reflecting modest excess demand. The MPC judged that the risks to this projection lay a little to the downside in the first two years, reflecting global factors.

Since then, the data regarding international activity have evolved broadly as expected. Recent volatility in financial markets has underlined the downside risks to global growth, primarily emanating from emerging markets. Although the most recent declines in oil prices will depress global inflation in the near term, given they appear primarily to reflect developments on the supply side of the market, these conditions should in time provide net support to spending in the United Kingdom and its major trading partners.

Domestically, the most recent data suggest that, after faster growth over the previous two years, output growth was steady during 2015 at rates a little below pre-crisis norms. Although indicators of private domestic spending appear healthy, business surveys imply that the near-term outlook for aggregate activity is slightly weaker than in the MPC's November central projection. Productivity growth appears to have recovered somewhat over 2015, but the underlying supply capacity of the economy, and therefore the degree of inflationary pressure resulting from a given pace of demand growth, remain difficult to judge. Despite continued reductions in the rate of unemployment, pay growth remains restrained and appears to have dipped slightly in the most recent data. Overall, while domestic cost growth over the past year has been below that necessary for inflation to return sustainably to the 2% target, its pace can be expected to increase over time.

As in previous months, there is a range of views among MPC members about the balance of risks to inflation relative to the target in the medium term. At the Committee's meeting ending on 13 January, eight members judged it appropriate to leave the stance of monetary policy unchanged at present. Ian McCafferty preferred to increase Bank Rate by 25 basis points, given his view that the path of domestic costs was more likely to lead to inflation exceeding the target in the medium term than was embodied in the Committee's collective November projections.

All members agreed that, given the likely persistence of the headwinds weighing on the economy, when Bank Rate does begin to rise, it is expected to do so only gradually and to a level lower than in recent cycles. This guidance is an expectation, not a promise. The actual path that Bank Rate will follow over the next few years will depend on the economic circumstances.

Minutes of the Monetary Policy Committee meeting ending on 13 January 2016

1 Before turning to its immediate policy decision, the Committee discussed financial market developments; the international economy; money, credit, demand and output; and supply, costs and prices.

Financial markets

2 Overseas monetary policy had remained a key theme in financial markets since the Committee's previous meeting, with continuing reaction to the ECB's loosening decision at the start of December, the US FOMC's decision to tighten policy mid-month and perceptions of a shift in China's exchange rate policy. In addition, there had been volatility in market prices related to concerns about the extent of the slowdown in China and the potential impact of lower oil prices.

3 The FOMC had raised the target range for the federal funds rate by 25bps on 16 December. Although this had been widely anticipated, market expectations of what the accompanying FOMC communications might signal about the future path for monetary policy had been more diffuse, and so there had been a risk of a significant market reaction. The Committee noted that the announcement had been met with a positive reaction in US equity markets and, at the same time, a muted immediate reaction in other financial markets. There remained a divergence between the FOMC's modal projections for official rates and the mean of market expectations embodied in the yield curve.

4 The sterling effective exchange rate index (ERI) had fallen by around 3% since the fifteen-day average starting point used in the November *Inflation Report* projections. This appeared in part to be a reaction to the ECB policy decision on 3 December 2015. Since the start of 2016, however, some market contacts had additionally cited the forthcoming UK referendum regarding EU membership as a possible explanation for the depreciation of sterling. Option-implied sterling volatilities had risen and there had been an increase in the price of protection against the risk of sterling depreciation compared with the price of protection against an appreciation.

5 UK short rates had fallen slightly on the month. The three-year instantaneous forward OIS rate stood at 1.1% compared with 1.3% at the time of the Committee's previous meeting, and the fifteen-day average of 1.3% used in the November *Inflation Report*. The majority of economists responding to the latest Reuters poll expected Bank Rate to rise in 2016 Q2, although since that survey had been conducted a number of economists had shifted their expectations to later in the year.

6 The increases in corporate bond spreads that had been evident since the summer had continued. The largest movements had been in US dollar high-yield markets, but there had also been a steady rise in US dollar, euro and sterling investment-grade bond spreads. To some extent, this appeared to reflect the impact of declines in the prices of energy and other commodities on companies operating in those sectors. An additional factor may have been relatively strong investment-grade corporate issuance, particularly at longer maturities,

and perhaps a general reduction in risk appetite. It was too soon to judge the potential significance of these moves, and they warranted continued monitoring.

7 Global equity prices had fallen since the November *Inflation Report*. This had partly reflected the decline in oil prices, with energy stocks falling by more than broader indices. Risk appetite generally appeared to have lessened, in part due to concerns about activity in some emerging market economies and exacerbated by geopolitical tensions in the Middle East. Circuit breakers introduced by the Chinese authorities to contain volatility in their equity markets were tripped twice in their first week of operation, resulting in their suspension. As in summer 2015, the movements in Chinese equity markets appeared to have had knock-on effects to advanced economies' financial markets, with UK, US and European equity indices all falling over the month.

8 The Chinese authorities had published a new trade-weighted Renminbi exchange rate index made up of thirteen currencies, which some market participants had interpreted as the authorities' new target variable for the Renminbi. It had depreciated by around 1.5% over the month, leaving it broadly unchanged from the end of 2014. The recent depreciation appeared to have brought concerns about the underlying strength of the Chinese economy into focus and triggered flows into lower-risk assets. These had pushed down on advanced economy government bond yields, and caused the US dollar and yen to appreciate against emerging market currencies.

The international economy

9 There had been few significant data releases regarding international activity since the Committee's previous meeting, and the outlook for UK-weighted world growth had remained broadly consistent with the assumptions underlying the November *Inflation Report* projections. There had, however, been a further sharp fall in the oil price and, after reviewing the data, it was on this that the Committee focussed its discussion.

10 In the euro area, the estimate of 0.3% GDP growth in Q3 had not been revised in the second release. The composite output purchasing managers' index (PMI) had increased slightly in December. At the national level, the German and Italian PMIs had increased and the French and Spanish measures had fallen. Euro-area industrial production had declined in November. Bank staff continued to expect that euro-area GDP growth in 2015 would exceed that in 2014 by around half a percentage point. Inflation in the euro area had remained weak, however, with both headline and core inflation in the twelve months to December unchanged relative to November at 0.2% and 0.9% respectively according to the flash release.

11 In the United States, the third estimate of Q3 GDP had been revised down slightly reflecting weaker stock building, but it had remained at 0.5% to one decimal place. The US composite PMI output index had been 54.0 in December, lower than in November but above the earlier flash estimate. Bank staff expected 0.3% growth in Q4, weaker than the 0.7% assumed at the time of the November *Inflation Report*, reflecting soft data on inventories and investment. Headline personal consumer expenditure (PCE) inflation in the twelve months to November had been 0.4%, compared with 0.2% in October. Core PCE inflation had remained stable at 1.3%. Employment growth in the US had remained robust: non-farm payrolls had increased by 292,000 and the unemployment rate had been unchanged at 5% in December.

12 Indicators of Chinese economic activity had softened a little in Q4, pointing to quarterly GDP growth of around 1.5%, consistent with the November *Inflation Report* assumptions. Import values had continued to decline, falling around 8% on a year ago in December. Consistent with that, information on advanced economies' exports to China suggested they had weakened. It was unclear to what extent this reflected the rebalancing of the Chinese economy away from manufacturing and towards services, or was associated with a more general reduction in aggregate activity.

13 The oil price had fallen further: the Brent spot price had declined by \$11 per barrel since the Committee's previous meeting and by \$19 per barrel relative to the starting point of the conditioning assumption incorporated in the November *Inflation Report*, falls of 28% and 40% respectively. Looking back over the period since the local peak in oil prices in June 2014, the spot oil price had fallen by three quarters and futures prices for Brent delivery in January 2018 had fallen from \$97 in June 2014 to \$43. The Committee discussed the likely factors behind the latest fall in the oil price. Recent developments had seemed to reflect predominantly news about oil supply and included: the absence of a reduction in the OPEC official production ceiling at the OPEC meeting in early December; and, over the longer period since June 2014, sustained growth in US production and robust OPEC supply. Overall, inventory levels had continued to rise. Demand side factors were, however, also part of the story, particularly in relation to emerging market economies. Although the most recent declines in oil prices would depress global inflation in the near term, given they appeared primarily to reflect developments on the supply side of the market, those conditions should in time provide net support to spending in the United Kingdom and its major trading partners.

Money, credit, demand and output

14 The Quarterly National Accounts data for Q3 had contained downward revisions to GDP over the past two years. The Committee reviewed these revisions and the latest activity indicators before focusing its discussion on credit growth and the housing market.

15 Revisions back to 2014 by the ONS had lowered the level of GDP by 0.3% in 2015 Q3. They reflected a combination of lower estimated construction output during 2014 and weaker services output, particularly financial services, in Q2 and Q3 of 2015. While growth in business-facing services had weakened by more than previously estimated, growth in consumer-facing services had remained steady. Overall, the data suggested that, after faster growth over the previous two years, output growth had been steady during 2015 at rates a little below pre-crisis norms.

16 This month's survey data had painted a mixed picture. While the composite Markit/CIPS output index had been broadly unchanged in December, the expectations series had fallen further below its historical average. The quarterly BCC survey had suggested a slowing across both services and manufacturing in Q4, albeit from elevated levels. The GfK/EC measure of consumer confidence had risen in December, with all the balances in the headline index increasing on the month and remaining well above their historical averages. The Bank's Agents' early discussions with contacts indicated that retail sales over the Christmas period had been stronger than a year earlier in volume terms, if little changed by value. Surveys of investment intentions had remained above average.

17 Reflecting both the revised official data and the latest surveys, and despite the prospective boost to GDP from the latest oil price falls, Bank staff had lowered their central projections for GDP growth in Q4 and Q1 by 0.1 percentage points to 0.5% in each quarter. Taken with the revisions to the data, that implied that the level of GDP was now expected to be around ½% lower in 2016 Q1 than at the time of the November *Inflation Report*. The Committee would consider the full implications of the latest official and survey data during the preparation of its February *Report*.

18 Domestic credit conditions had eased substantially in recent years, with average spreads on new bank borrowing falling by almost 200 basis points since mid-2012 and by 70 basis points over the past two years. Credit growth to households and companies had picked up somewhat but remained below historical averages. The increase in total credit growth had appeared weaker than its historical relationship with interest rates would have suggested. This was likely to reflect a number of factors. For instance, underlying demand for credit by households was probably weaker than before the crisis as households reviewed the levels of debt with which they felt comfortable. And some companies had perhaps become more averse to some forms of external borrowing as a result of having experienced restricted credit availability during the financial crisis. It remained to be seen how persistent these forces would prove.

19 The housing market was a case in point. Secured borrowing costs had fallen materially over the past two years, especially for higher loan to value (LTV) mortgages. Quoted rates on 90% LTV two-year fixed rate mortgages, for example, had fallen by around 150 basis points. Mortgage credit growth had risen by less than such an improvement in conditions would have suggested in the past. More generally, activity in the housing market had remained relatively subdued compared with historical norms, with mortgage approvals and housing transactions in November at 54% and 68% of their pre-crisis peaks respectively. Higher transaction costs may have been a factor contributing to lower turnover.

20 Against that backdrop, the Committee discussed the possible impact on the housing market of the restrictions on mortgage interest relief for higher-rate taxpayers announced in July, and the three percentage point increase in stamp duty announced in the Autumn Statement. The duty was payable on the purchase of additional properties, such as buy-to-let properties, costing more than £40,000. Both changes were likely to reduce demand for buy-to-let properties, which in the latest data accounted for around 18% of the flow of mortgages extended. The magnitude of the impact on house prices was likely to depend on how far other buyers – including first-time buyers – could to some degree offset reduced housing demand from buy-to-let investors. These measures were likely to exert a dampening effect on the housing market, although its likely extent remained unclear.

Supply, costs and prices

21 Twelve-month CPI inflation had increased from -0.1% in October to 0.1% in November, in line with the expectation of Bank staff. CPI excluding energy, food, beverages and tobacco had risen by 1.2% in the year to November, compared with 1.1% in October. Bank staff's composite measure of core inflation had increased by a similar amount to 1.1%.

22 Since the time of the November *Inflation Report*, the most significant developments influencing the near-term outlook for inflation had been the declines in the prices of oil and wholesale gas. These would moderate the extent to which annual CPI inflation was likely to rise over the coming months as a result of the earlier large declines in energy prices – in late-2014 and early-2015 – dropping out of the annual comparison. Consequently, Bank staff's updated projection was for CPI inflation to increase slightly more gradually than the path described in the November *Report*, rising to ½% or so by the early months of 2016 and remaining around that level for several months. Thereafter, if global energy prices were to remain around current levels, inflation could be expected to pick up materially further in the second half of 2016 and early 2017. In contrast to the recent movements in energy prices, the depreciation of sterling over the previous two months would add somewhat to imported cost pressures relative to the assumptions underpinning the November projections. The Committee would fully assess the outlook for inflation in the medium term, which was of most relevance for setting monetary policy, as a part of the preparation of its February *Inflation Report*.

23 Developments in the labour market remained a key indicator of medium-term inflationary pressure, with different signals being sent by recent data on wages and employment. The annual growth of whole-economy average weekly earnings had declined to 2.4% in the three months to October from 3.0% in the three months to September. Within that, regular pay growth and pay growth within the private sector had also fallen back. A noticeable reduction in annual AWE growth had been expected in the fourth quarter, as an arithmetic consequence of the relatively strong monthly increases in wages in late-summer and early-autumn 2014 falling out of the annual calculation. But the recent easing had been significantly more pronounced than the Committee had anticipated at the time of the November *Inflation Report*. The likely explanations for the moderation of wage growth remained much as they had appeared at the time of the Committee's previous meeting, including the potential impacts of: the decline in the average number of hours worked per week over the past year; shifts in the composition of the workforce towards lower paid roles; and the low level of consumer price inflation, which might have begun feeding into pay negotiations. During the month, the 2015 Q4 Deloitte survey of Chief Financial Officers had shown that just over half of respondents now expected CPI inflation to be less than 1.5% in two years' time. The Citigroup measure of households' expectations of inflation one year ahead had edged up in December and measures of expectations of inflation implied by financial market instruments remained broadly unchanged.

24 The data regarding employment had been more robust than the pay figures. In the three months to October, the LFS unemployment rate had declined to 5.2%, a touch lower than had been expected at the time of the Committee's November projections. Employment growth had recovered strongly since the middle of 2015 and stood at over 200,000 in the three months to October compared with the previous three months, well above estimated growth in the labour force. Business surveys, taken as a whole, had suggested mildly slowing employment growth since the start of 2015, although they remained consistent with relatively robust hiring intentions and, in any event, were poorly correlated with short-term movements in the official employment data. Although the increase in the number of people employed had exceeded the assumptions underlying the November *Inflation Report* projections, the average number of hours worked per week had continued to edge down – notwithstanding a small increase in the most recent data – so that the most recent estimate of the total number of hours worked in the economy had been in line with the Committee's expectation.

25 Softer estimates of recent output growth, along with stronger-than-expected employment figures, implied that productivity growth, measured as the change in output per worker, had probably been a little weaker than anticipated. Indeed, it seemed possible that output per worker would be roughly flat in the fourth quarter and might have risen by only around ½% in 2015 as a whole. To some degree, however, this was not surprising given the decline in the average number of hours worked per week. The increase in hourly productivity over 2015 had been healthier, at around 1½%, and broadly in line with the Committee's forecasting assumption that productivity would over time recover to a little under its historical average rate of around 2% per annum.

26 Weaker-than-expected output per worker would act partly to offset the impact of lower pay growth on firms' unit costs, but still leaving them a little below the level anticipated at the time of the November *Inflation Report*. In the year to 2015 Q3, a measure of total unit labour costs based on the MPC's backcast estimate of GDP had grown by 1.6%. Growth of unit wage costs had been somewhat stronger over the same period, at 2.3%, though both rates were likely to have eased back slightly in the fourth quarter of last year.

27 The Committee had a preliminary discussion of how labour costs, and so inflationary pressure, might evolve in response to the slightly weaker outlook for output that seemed apparent from the recent official data and business surveys. It would depend crucially upon what had caused output growth to moderate. If it were predominantly a result of softening demand, then, in time, employment growth might be expected to weaken and with it pay pressure and inflation. But if it were a result of supply growth being weaker than expected – perhaps because the underlying trend in productivity remained persistently weaker than before the crisis – then labour demand and inflationary pressure might be broadly unaffected. The Committee would monitor employment and productivity growth closely over the coming quarters.

The immediate policy decision

28 The Committee set monetary policy to meet the 2% inflation target, and in a way that helped sustain growth and employment. At 0.1% in November, CPI inflation remained well below the target, primarily as a consequence of unusually low contributions from energy, food, and other imported goods prices, but also reflecting the weakness of domestic cost growth. Measures of core inflation had edged up in the past two months, but remained on average only a little above 1%.

29 In broad terms, the outlook was similar to how it had appeared at the time of the Committee's November *Inflation Report*. As spare capacity had diminished, it was likely that domestic costs would continue to rise. Consequently, inflation was expected to increase to around the target once the persistent impact of lower energy and food prices, subdued world export prices and the past appreciation of sterling had dissipated.

30 The MPC's objective was to return inflation to the target sustainably, without an overshoot once those persistent disinflationary forces had waned. Given that, the MPC intended to set monetary policy to ensure that growth would be sufficient to absorb remaining spare capacity in a manner that returned inflation to the target in around two years and kept it there in the absence of further shocks. In pursuit of that objective, the Committee considered how recent developments had affected the balance of risks to the broad outlook described above.

31 Internationally, dollar oil prices had fallen 40% since the November *Inflation Report*, implying that the expected increase in UK CPI inflation around the turn of the year would probably be a little more modest than previously assumed. Judging with any precision the wider impact of the fall in oil prices, for example on UK and global activity, was more difficult. This was partly because the most obvious recent benchmark – the large decline in oil prices in the second half of 2014 – had been accompanied by a material softening in global growth prospects, making its independent impact on activity though lowering production costs and supporting real wages difficult to identify. Although the most recent declines in oil prices would depress global inflation in the near term, given they appeared primarily to reflect developments on the supply side of the market, these conditions should in time provide some net support to spending in the United Kingdom and its major trading partners.

32 The other main international developments had been in financial markets. There had been some volatility, particularly in equity prices, that appeared linked to concerns about the underlying strength of the Chinese economy. This had triggered flows into lower-risk assets, lowering government bond yields in the advanced economies. The continued increase in corporate bond yields, particularly in the United States, also seemed consistent with some decline in risk appetite, although there were also likely to be other, more idiosyncratic factors at play. For instance, the corporate bond and equity prices of firms in the energy sector had been significantly affected by the reduction in global oil prices. The Committee noted that the widely anticipated increase in official interest rates in the United States had been met with a positive reaction in US equity markets and, at the same time, a muted immediate reaction in other financial markets. While movements in policy rates overseas were not in themselves of direct significance to the setting of UK monetary policy, there had inevitably been a possibility that the first change in US official rates for seven years could have induced a period of market volatility.

33 Sterling had depreciated by around 3% since the time of the November *Inflation Report*. The Committee's best collective judgement at that time had been that protracted pass-through of lower import prices was likely to result in a drag to CPI inflation throughout much of the forecast period. The recent depreciation of sterling, if sustained, would lessen that drag to some degree.

34 Domestically, the most recent data suggested that, after faster growth over the previous two years, output growth had been steady during 2015 at rates a little below pre-crisis norms. Continued quarterly growth at rates of around ½% were likely around the turn of the year, a little weaker than the near-term outlook described in the Committee's November *Inflation Report*. Most indicators regarding private domestic demand – for instance the official consumer spending and business investment data, along with survey evidence on firms' investment intentions and household confidence – had remained healthy.

35 Whether the more restrained outlook for activity growth in the near term implied a weakening of inflationary pressure was unclear. That would depend on how demand evolved relative to the economy's supply capacity, including whether productivity growth would remain persistently lower than before the crisis – notwithstanding encouraging improvements in UK output per hour worked over the past year. The unemployment rate, an indicator of the amount of spare capacity in the economy, had fallen by a little more than expected by the Committee in November, and several other metrics were consistent with a degree of tightness

in the labour market comparable to the pre-crisis period. Against that, it was notable that wage growth appeared to have dipped somewhat in the most recent months' AWE data. Annual regular pay growth in the private sector had increased from around 1% in mid-2014 to over 3% in spring 2015, but had moderated to 2.3% in the latest data for the three months to October. It was possible that this had been related to a decline in the average number of hours worked per week over the past year, shifts in the composition of employment growth towards lower paid roles, and the influence of the current low level of consumer price inflation on wage setting. Overall, while domestic cost growth over the past year had been below that necessary for inflation to return sustainably to the 2% target, it remained likely to increase over time.

36 As in previous months, there remained a range of views among MPC members about the balance of risks to inflation relative to the target in the medium term, stemming from the outlook for both the external environment as well as the prospective strength of UK output and domestic cost growth. The Committee would undertake a detailed assessment of the outlook for activity and inflation at home and abroad in the preparation of its February *Inflation Report* over the next few weeks.

37 At this meeting, eight members of the Committee continued to judge that leaving the stance of monetary policy unchanged would best balance the risks around achieving the MPC's objective of returning inflation sustainably to the target in around two years' time. For one member, however, the risks to domestic cost growth remained to the upside, and, given the recent depreciation of sterling, were less likely to be offset by the drag from earlier sterling appreciation. Together, these were sufficient to justify an immediate increase in Bank Rate. As well as reducing the risk of inflation exceeding the target, this member believed that an immediate start to policy normalisation would facilitate a more gradual path for policy tightening over time, a desirable policy aim in itself.

38 All members agreed that the likely persistence of the headwinds restraining economic growth following the financial crisis meant that, when Bank Rate did begin to rise, it was expected to do so only gradually and to a level lower than in recent cycles. Such guidance, however, was an expectation and not a promise: the path that Bank Rate would actually follow over the next few years would depend on the economic circumstances.

39 The Governor invited the Committee to vote on the propositions that:

Bank Rate should be maintained at 0.5%;

The Bank of England should maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

Regarding Bank Rate, eight members of the Committee (the Governor, Ben Broadbent, Jon Cunliffe, Nemat Shafik, Kristin Forbes, Andrew Haldane, Gertjan Vlieghe and Martin Weale) voted in favour of the proposition. Ian McCafferty voted against the proposition, preferring to increase Bank Rate by 25 basis points.

Regarding the stock of purchased assets, the Committee voted unanimously in favour of the proposition.

40 Consistent with the Committee's forward guidance, and as described in a market notice accompanying these minutes, the Committee agreed to re-invest the £8.4 billion of cash flows associated with the redemption of the January 2016 gilt held by the asset purchase facility.

41 The following members of the Committee were present:

Mark Carney, Governor
Ben Broadbent, Deputy Governor responsible for monetary policy
Jon Cunliffe, Deputy Governor responsible for financial stability
Nemat Shafik, Deputy Governor responsible for markets and banking
Kristin Forbes
Andrew Haldane
Ian McCafferty
Gertjan Vlieghe
Martin Weale

Dave Ramsden was present as the Treasury representative.

As permitted under the Bank of England Act 1998, as amended by the Financial Services Act 2012, Anthony Habgood was also present as an observer in his role as a member of the Oversight Committee of Court.