Week in Review

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Central Banks

BOJ Rate Statement (31.10.23)[2]

The BOJ left rates unchanged at -0.10% as expected and tweaked YCC as leaked beforehand:

- **YCC target** around 0% left unchanged but the bank **increased "the flexibility in the conduct of YCC"** with the **upper bound of 1.0% "as a reference"** (before: will offer to purchase 10y JGBs at 1.0% every day through fixed-rate purchase operations), 8-1 vote
- Strictly capping yields at 1.0% could entail large side effects
- It is **appropriate for to increase the flexibility** of YCC due to extremely high uncertainties around economies and financial markets
- **Will patiently continue with monetary easing** and YCC to support a favourable environment for wage increases
- **Inflation forecast revised higher from the July outlook,** the BOJ expects that CPI will increase gradually towards achieving 2% towards the end of the projection period

~~September 22~~October 31, 2023 Bank of Japan

Statement on Monetary Policy

1. At the Monetary Policy Meeting held today, the Policy Board of the Bank of Japan decided to further increase the flexibility in the conduct of yield curve control. Specifically, while the Bank will maintain the target level of 10-year Japanese government bond (JGB) yields at around zero percent, it will conduct yield curve control with the upper bound of 1.0 percent for these yields as a reference and will control the yields mainly through large-scale JGB purchases and nimble market operations. In this manner, the Bank will patiently continue with monetary easing.

The Bank decided on the following regarding yield curve control and the guidelines for asset purchases.

(1) Yield curve control

a) The Bank decided, by a unanimous vote, to set the following guideline for market operations for the intermeeting period.

The short-term policy interest rate:

The Bank will apply a negative interest rate of minus 0.1 percent to the Policy-Rate

Balances in current accounts held by financial institutions at the Bank.

1 Clickable to navigate within the document

2 https://www.boj.or.jp/en/mopo/mpmdeci/mpr_2023/k231031a.pdf

The long-term interest rate:

The Bank will purchase a necessary amount of J~~apanese government bonds (JGBs)~~ GBs without setting an upper limit~~–~~ so that 10-year JGB yields will remain at around zero percent.

b) Conduct of yield curve control (a ~~unanimous vote)~~

~~The Bank will continue to allow 10-year JGB yields to fluctuate in the range of around plus and minus 0.5 percentage points from the target level, while it will conduct yield curve control with greater flexibility,~~n 8-1 majority vote) [Note]

The Bank will regard~~ing~~ the upper ~~and lower~~ bound~~s of the range as references, not as rigid limits, in its market operations. The Bank will offer to purchase~~ of 1.0 percent for 10-year JGB~~s at 1.0 percent every business day through fixed-rate purchase~~ yields as a reference in its market operations, ~~unless it is highly likely th~~a~~t~~ n~~o bi~~d~~s will be submitted.1 I~~n order to encourage the formation of a yield curve that is consistent with the above guideline for market operations, it~~he Bank~~ will continue with large-scale JGB purchases and make nimble responses for each maturity by, for example, increasing the amount of JGB purchases and conducting fixed-rate purchase operations and the Funds-Supplying Operations against Pooled Collateral.1

(2) Guidelines for asset purchases (a unanimous vote)

With regard to asset purchases other than JGB purchases, the Bank decided to set the following guidelines.

a) The Bank will purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about 12 trillion yen and about 180 billion yen, respectively, on annual paces of increase in their amounts outstanding.

b) The Bank will maintain the amount outstanding of CP at about 2 trillion yen. It will purchase corporate bonds at about the same pace as prior to the COVID-19 pandemic, so that their amount outstanding will gradually return to the pre-pandemic level of about 3 trillion yen. In adjusting the amount outstanding of corporate bonds, the Bank will give due consideration to their issuance conditions.

2. The outlook for Japan's ~~economy has recovered moderately. The pace of recovery in overseas economies has slowed. Although exports and industrial production have been affected by the developments in overseas economies, they have been more or less flat, supported by a waning of the~~inflation rate, measured in terms of the consumer price index (CPI), has been revised upward from the July 2023 Outlook for Economic Activity and Prices. This is mainly due to the prolonged effects of ~~supply-side constraints. With corporate profits being at high levels on the whole, business fixed investment has~~a pass-through to consumer prices of cost increase~~d moderately. The employment and income situation has improved moderately. Private consumption has increased steadily at a moderate pace, despite being affected by price rises. Housing investment has been relatively weak. Public investment has~~s led by the past rise in import prices and the recent rise in crude oil prices. Toward the end of the projection period, the Bank expects that underlying CPI inflation will increase~~d moderately. Financial conditions have been accommodative. On~~ gradually toward achieving the price ~~front, the year-on-year rate of~~stability target of 2 percent, while this increase ~~in the consumer price index (CPI, all items less fresh food) is slower than a while ago, mainly due to the effects of pushing down energy prices from the government's economic measures, but it has been at around 3 percent recently owing to the effects of a pass-through to consumer prices of cost increases led by the past rise in import prices. Inflation expectations have shown some upward movements again.~~

~~3.~~needs to be accompanied by an intensified virtuous cycle between wages and prices. The Bank will patiently continue with monetary easing under Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, aiming to support Japan's econom~~y is likely to continue recovering moderately for the time being, supported by factors such as the materialization of pent-up demand, although it is expected to be under downward pressure stemming from a slowdown in the pace of recovery in overseas economies. Thereafter, as a~~ic activity and thereby facilitate a favorable environment for wage increases. It will continue to closely examine developments in economic activity and prices, including the virtuous cycle ~~from income to spending gradually intensifies, Japan's economy is projected to continue growing at a pace above its potential growth rate. The year-on-year rate of increase in the CPI (all items less fresh food) is likely to decelerate, with a waning of the effects of the pass-through to consumer prices of cost increases led by the past rise in import prices. Thereafter, the rate of~~between wages and prices, from the perspective of sustainable and stable achievement of the price stability target.

Meanwhile, with extremely high uncertainties surrounding economies and financial markets at home and abroad, it is appropriate for the Bank to increase ~~is projected to accelerate again moderately as the output gap improves and as medium-~~

~~to~~the flexibility in the conduct of yield curve control, so that long-term in~~flation expectations and wage growth rise, accompanied by changes in factors such as firms' wage- and price-setting behavior.~~

~~4. Concerning risks to the outlook, there are extremely high uncertainties surrounding Japan's economic activity and prices, including developments in overseas economic activity and prices, developments in commodity prices, and domestic firms' wage- and price-setting behavior. Under these circumstances, it is necessary to pay due attention to developments in financial and foreign exchange markets and their impact on Japan's economic activity and prices.~~

~~5~~terest rates will be formed smoothly in financial markets in response to future developments. In this regard, currently, the Bank considers that strictly capping long-term interest rates by fixed-rate purchase operations at 1.0 percent for consecutive days, which it has offered every business day in principle, will have strong positive effects, but could also entail large side effects. Given this, it decided to conduct yield curve control mainly through large-scale JGB purchases and nimble market operations.

3. With extremely high uncertainties surrounding economies and financial markets at home and abroad, the Bank will patiently continue with monetary easing while nimbly responding to developments in economic activity and prices as well as financial conditions. By doing so, it will aim to achieve the price stability target of 2 percent in a sustainable and stable manner, accompanied by wage increases.

The Bank will continue with Q~~uantitative and Qualitative Monetary Easing (Q~~QE~~)~~ with Yield Curve Control, aiming to achieve the price stability target, as long as it is necessary for maintaining that target in a stable manner. It will continue expanding the monetary base until the year-on-year rate of increase in the observed CPI (all items less fresh food) exceeds 2 percent and stays above the target in a stable manner. The Bank will continue to maintain the stability of financing, mainly of firms, and financial markets, and will not hesitate to take additional easing measures if necessary.

[Note] Voting for the action: UEDA Kazuo, HIMINO Ryozo, UCHIDA Shinichi, ADACHI Seiji, NOGUCHI Asahi, NAKAGAWA Junko, TAKATA Hajime, and TAMURA Naoki. Voting against the action: NAKAMURA Toyoaki. While Nakamura Toyoaki was in favor of the idea of further increasing the flexibility in the conduct of yield curve control, he dissented, considering that it was more desirable to increase the flexibility after confirming a rise in firms' earning power from sources such as the Financial Statements Statistics of Corporations by Industry.

1 The Bank will determine the offer rate for fixed-rate purchase operations each time, taking account of market rates and other factors.

From the BOJ's Outlook:

Forecasts of the Majority of the Policy Board Members

y/y % chg.

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
Fiscal 2023	+1.8 to +2.0 [+2.0]	+2.7 to +3.0 [+2.8]	+3.5 to +3.9 [+3.8]
Forecasts made in July 2023	+1.2 to +1.5 [+1.3]	+2.4 to +2.7 [+2.5]	+3.1 to +3.3 [+3.2]
Fiscal 2024	+0.9 to +1.4 [+1.0]	+2.7 to +3.1 [+2.8]	+1.6 to +2.1 [+1.9]
Forecasts made in July 2023	+1.0 to +1.3 [+1.2]	+1.8 to +2.2 [+1.9]	+1.5 to +2.0 [+1.7]
Fiscal 2025	+0.8 to +1.2 [+1.0]	+1.6 to +2.0 [+1.7]	+1.8 to +2.2 [+1.9]
Forecasts made in July 2023	+1.0 to +1.2 [+1.0]	+1.6 to +2.0 [+1.6]	+1.8 to +2.2 [+1.8]

Notes: 1. Figures in brackets indicate the medians of the Policy Board members' forecasts (point estimates).

2. The forecasts of the majority of the Policy Board members are constructed as follows: each Policy Board member's forecast takes the form of a point estimate -- namely, the figure to which they attach the highest probability of realization. These forecasts are then shown as a range, with the highest figure and the lowest figure excluded. The range does not indicate the forecast errors.

3. Each Policy Board member makes their forecasts taking into account the effects of past policy decisions and with reference to views incorporated in financial markets regarding the future conduct of policy.

FOMC Rate Decision (01.11.23)[3]

The statement remains **virtually unchanged** compared to the previous one.

1	September 20, 2023	1	November 01, 2023
2	Federal Reserve issues FOMC statement	2	Federal Reserve issues FOMC statement
3	Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have slowed in recent months but remain strong, and the unemployment rate has remained low. Inflation remains elevated.	3	Recent indicators suggest that economic activity expanded at a strong pace in the third quarter. Job gains have moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation remains elevated.
4	The U.S. banking system is sound and resilient. Tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks.	4	The U.S. banking system is sound and resilient. Tighter financial and credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks.
5	The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. The Committee will continue to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective.	5	The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 5-1/4 to 5-1/2 percent. The Committee will continue to assess additional information and its implications for monetary policy. In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective.
6	In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.	6	In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.
7	Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lisa D. Cook; Austan D. Goolsbee; Patrick Harker; Philip N. Jefferson; Neel Kashkari; Adriana D. Kugler; Lorie K. Logan; and Christopher J. Waller.	7	Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Lisa D. Cook; Austan D. Goolsbee; Patrick Harker; Philip N. Jefferson; Neel Kashkari; Adriana D. Kugler; Lorie K. Logan; and Christopher J. Waller.

BoE Rate Decision (02.11.23)[4]

The BoE left the Bank Rate unchanged at 5.25% as expected:

- **Vote split:** 6-3 with three members in favour of a 25 bps hike
- **Guidance:**
  - "Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably" (unchanged)
  - "The MPC's latest projections indicate that monetary policy is likely to need to be restrictive for an extended period of time."
  - "Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures." (unchanged)
- UK **GDP** is expected flat for Q3 (weaker than projected in August), Q4 expected at 0.1%
- **Employment** growth is likely to have softened more than projected over H2 2023

3 https://www.federalreserve.gov/newsevents/pressreleases/monetary20231101a.htm
4 https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/november-2023

- Signs of loosening in the **labour market** seen, pay growth is expected to decline in the coming quarters
- **CPI** fell more than expected but services inflation remains close to 7%, CPI is expected to fall sharply in the coming quarters and to 2% by the end of 2025
- **Inflation risks** are skewed to the upside, second-round effects are expected to take longer to unwind

Bank rate maintained at 5.25% – ~~Sept~~November 2023

The Bank of England's Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target, and in a way that helps to sustain growth and employment. At its meeting ending on ~~20 Sept~~1 November 2023, the MPC voted by a majority of ~~5–4~~6–3 to maintain Bank Rate at 5.25%. ~~Four~~Three members preferred to increase Bank Rate by 0.25 percentage points, to 5.5%.~~–~~

The Committee ~~also voted unanimously to reduce the stock of UK government bond purchases held for monetary policy purposes, and financed by the issuance of central bank reserves, by £100 billion over the next twelve months, to a total of £658 billion.~~

~~In the MPC's August most likely, or modal,~~'s updated projections for activity and inflation are set out in the accompanying November Monetary Policy Report ~~projections,~~. These are conditioned on a market-implied path for Bank Rate that ~~averaged just under 5½% over the three-year forecast period, CPI inflation was expected to return to the 2% target by 2025 Q2. It was then projected to fall below the target in the medium term, as an increasing degree of economic slack was~~remains around 5¼% until 2024 Q3 and then declines gradually to 4¼% by the end of 2026, a lower profile than underpinned the August projections.

Since the MPC's previous meeting, long-term government bond yields have increased across advanced economies. GDP growth has been stronger than expected ~~to reduce domestic~~in the United States. Underlying inflationary pressures~~, alongside declining external cost pressures. The Committee had continued to judge that the risks around the modal inflation forecast were skewed to the upside, albeit by less than in May, reflecting the possibility that the second-round effects of external cost shocks on inflation in wages and domestic prices take longer to unwind than they did to emerge. The mean projection for CPI inflation, which incorporated these risks, was 2.0% and 1.9% at the two and three-year horizons respectively.~~

~~Since the MPC's previous meeting, global growth has evolved broadly in line with the August Report projections, albeit with some differences across regions. Spot oil prices have risen significantly, while underlying inflationary pressures have remained elevated across advanced economies.~~

~~UK GDP is estimated to have declined by 0.5% in July and the S&P Global/CIPS composite output PMI fell in August, although other business survey indicators remain consistent with positive GDP growth. While som~~ in advanced economies remain elevated. Following events in the Middle East, the oil futures curve has risen somewhat while gas futures prices are little changed.

UK GDP is expected to have been flat in 2023 Q3, weaker than projected in the August Report. Some business surveys are pointing to a slight contraction of output in Q4 but others are less pessimistic. GDP is expected to grow by 0.1% in Q4, also weaker than projected previously.

The MPC continues to consider a wide range of data to inform its view on developments in labour market activity, rather than focusing on a single indicator. The increasing uncertainties surrounding the Labour Force Survey underline the importance of this ~~news could prove erratic, Bank staff now expect GDP to rise only slightly in 2023 Q3. Underlying~~approach. Against a backdrop of subdued economic activity, employment growth is likely to have softened over the second half of 2023 ~~is also likely to be weaker~~, and to a greater extent than ~~ex~~projected~~.~~

~~There have been some further signs of~~ in the August Report. Falling vacancies and surveys indicating an easing of recruitment difficulties also point to a loosening in the labour market~~, although it remains tight by historical standards. The vacancies-to-unemployment ratio has continued to decline, reflecting both a steady fall in the number of vacancies and rising unemployment. The Labour Force Survey unemployment rate rose to 4.3% in the three months to July, higher than expected in the August Report. I~~. Contacts of the Bank's Agents have similarly reported an easing in hiring constraints, although persistent skills shortages remain in some sectors.

Pay growth has remained high across a range of indicators~~ of employment have generally softened against the backdrop of subdued activity.~~

~~Annual~~, although the recent rise in the annual rate of growth of private sector regular ~~Average Weekly Earnings (AWE) growth increased to 8.1% in the three months to July, 0.8 percentage points above the August Report projection. The recent path of the AWE is, however, difficult to reconcile with other indicators~~average weekly earnings has not been apparent in other series. There remains uncertainty about the near-term path of pay, but wage growth~~. Most of these have tended to be more stable at rates of growth that ar~~ is nonetheless projected to decline in coming quarters from these elevated ~~but not quite as high as the AWE serie~~levels.

Twelve-month CPI inflation fell ~~from 7.9% in June~~ to 6.7% ~~in August, 0.4 percentage points~~both in September and 2023 Q3, below expectations ~~at the time of the Committee's previous meeting, and triggering the exchange of open letters between the Governor and the Chancellor of the Exchequer that is being published alongside this monetary policy announcement. Core goods CPI~~in the August Report. This downside news largely reflects lower-than-expected core goods price inflation. At close to 7%, services inflation has ~~fallen from 6.4% in June to 5.2% in August, much~~been only slightly weaker than expected in ~~the~~ August ~~Report~~. ~~Services~~ CPI inflation r~~ose from 7.2% in June to 7.4% in July but declined to 6.8% in August, 0.3 percentage points lower than~~emains well above the 2% target, but is expected to continue to fall sharply, to 4¾% in 2023 Q4, 4½% in 2024 Q1 and 3¾% in 2024 Q2. This decline is expected ~~in the August Report. Some of those movements are linked to~~to be accounted for by lower energy, core goods and food price inflation and, beyond January, by some fall in services ~~such as airfares and accommodation that tend to be volatile over the summer holiday period. Excluding these travel-related components, services~~inflation.

In the MPC's latest most likely, or modal, projection conditioned on the market-implied path for Bank Rate, CPI inflation returns to the 2% target by the end of 2025. It then falls below the target thereafter, as an increasing degree of economic slack reduces domestic inflation~~has been more stable at~~ary pressures.

The Committee continue~~d high rates, albeit slightly weaker than expected.~~

~~CPI~~s to judge that the risks to its modal inflation ~~is expected to fall significantly further in the near term, reflecting lower annual energy inflation, despite the renewed upward pressure from oil prices, and further declines in food and core goods price~~projection are skewed to the upside. Second-round effects in domestic prices and wages are expected to take longer to unwind than they did to emerge. There are also upside risks to inflation from energy prices given events in the Middle East. Taking account of this skew, the mean projection for CPI inflation~~. Services price inflation, however, is projected to remain elevated in the near term, with some potential month-to-month volatility~~ is 2.2% and 1.9% at the two and three-year horizons respectively. Conditioned on the alternative assumption of constant interest rates at 5.25%, which is a higher profile than the market curve beyond the second half of 2024, mean CPI inflation returns to target in two years' time and falls to 1.6% at the three-year horizon.

The MPC's remit is clear that the inflation target applies at all times, reflecting the primacy of price stability in the UK monetary policy framework. The framework recognises that there will be occasions when inflation will depart from the target as a result of shocks and disturbances. Monetary policy will ensure that CPI inflation returns to the 2% target sustainably in the medium term.

~~Developments in key indicators of inflation persistence have been mixed, with the recent acceleration in the AWE not apparent in other measures of wages and with some downside news on services inflation. There are increasing~~Since the MPC's previous decision, there has been little news in key indicators of UK inflation persistence. There have continued to be signs of some impact of tighter monetary policy on the labour market and on momentum in the real economy more generally. Given the significant increase in Bank Rate since the start of this tightening cycle, the current monetary policy stance is restrictive. At this meeting, the Committee voted to maintain Bank Rate at 5.25%.

The MPC will continue to monitor closely indications of persistent inflationary pressures and resilience in the economy as a whole, including a range of measures of the underlying tightness of labour market conditions~~ and the behaviour of~~, wage growth and services price inflation. Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee's remit. ~~Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures.~~

~~The MPC committed in the minutes of its August 2022 meeting to review the reduction in the Asset Purchase Facility annually and, as part of that, to set an amount for the reduction in the stock of purchased UK government bonds over the subsequent 12-month period. At this meeting, the Committee voted to reduce the stock of UK government bond purchases held for~~The MPC's latest projections indicate that monetary policy is likely to need to be restrictive for an extended period of time. Further tightening in monetary policy ~~purposes, and financed by the issuance of central bank reserves, by £100 billion over the period from October 2023 to September 2024, to a total of £658 billion~~would be required if there were evidence of more persistent inflationary pressures.

Meeting Minutes

- Current policy is restrictive
- Decision to hold rates was finely balanced

19: Given the significant increase in Bank Rate since the start of this tightening cycle, the current monetary policy stance was restrictive. The decision whether to increase or to maintain Bank Rate at this meeting was again finely balanced between the risks of not tightening policy enough when underlying inflationary pressures could prove more persistent, and the risks of tightening policy too much given the impact of policy that was still to come through.

- Reasons for not hiking included the expectation of significantly falling CPI in the coming quarters
- Hiking remains a possibility
- One member emphasised the risk of over tightening

20: Six members judged that maintaining Bank Rate at 5.25% was warranted at this meeting. There had been little news in UK economic data since the previous meeting. GDP growth had weakened and the labour market had continued to loosen. CPI inflation was expected to decline significantly in coming quarters, and the acceleration in AWE, while noteworthy, was not reflected in a broader range of wage growth measures. For most members within this group, the MPC's latest projections indicated that a restrictive monetary policy stance was likely to be warranted for an extended period of time to bring inflation sustainably back to the 2% target. A further rise in Bank Rate remained a possibility. For one member, the risks of overtightening policy had continued to build. Lags in the effects of monetary policy meant that sizeable impacts from past rate increases were still to come through.

- Reasaons discussed around a hike: real household incomes, tight labour market, wage growth, evidence of more persistent inflationary pressures

21: Three members preferred a 0.25 percentage point increase in Bank Rate, to 5.5%, at this meeting. Although there was some weakening in economic activity, real household incomes had continued to rise, and forward-looking indicators of output had remained positive. The labour market was still relatively tight, consistent with a rise in the medium-term equilibrium rate of unemployment and strong labour demand, and the pace of loosening had been slow. Measures of wage growth and services inflation had remained elevated. These members continued to judge that there was evidence of more persistent inflationary pressures. An increase in Bank Rate at this meeting was necessary to address the risks of more deeply embedded inflation persistence and bring inflation back to target sustainably in the medium term.

24: Six members (Andrew Bailey, Sarah Breeden, Ben Broadbent, Swati Dhingra, Huw Pill and Dave Ramsden) voted in favour of the proposition. Three members (Megan Greene, Jonathan Haskel and Catherine L Mann) voted against the proposition, preferring to increase Bank Rate by 0.25 percentage points, to 5.5%.

Monetary Policy Report

- GDP projection: lowered from 0.1% to 0.0% for Q4 2024
- CPI projection: upped from 2.5% to 3.1% for Q4 2024

	2023 Q4	2024 Q4	2025 Q4	2026 Q4
GDP (c)	0.6 (0.9)	0 (0.1)	0.4 (0.5)	1.1
Modal CPI inflation (d)	4.6 (4.9)	3.1 (2.5)	1.9 (1.6)	1.5
Mean CPI inflation (d)	4.6 (4.9)	3.4 (2.8)	2.2 (1.9)	1.9
Unemployment rate (e)	4.3 (4.1)	4.7 (4.5)	5 (4.8)	5.1
Excess supply/**Excess demand** (f)	0 (¼)	-¾ (-¾)	-1½ (-1½)	-1½
Bank Rate (g)	5.3 (5.8)	5.1 (5.9)	4.5 (5)	4.2

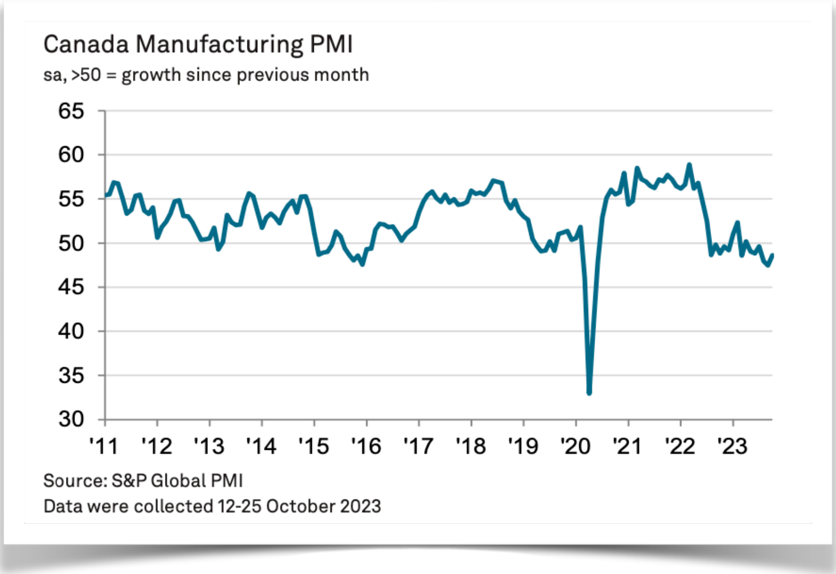
Economic Data

Canadian Manufacturing PMI (01.11.23)[5]

Highlights from the report:

"It was **another disappointing month for the Canadian manufacturing sector,** with **output and new orders continuing to fall** amid reports of **underwhelming market demand.** Sales to both domestic and international customers were again lower, and firms remain engaged in a cycle of destocking, seeking to cut any excess inventory that built up during the pandemic.

Perhaps most worrying is the **pickup in input price inflation since September,** which added to pressure on firms at a time of dwindling demand. Such pipeline pressures only reinforce the potential for interest rates to remain higher for longer, and companies seem aware of this, noting in their survey responses the potential for these factors to lead to an economic recession over the next year."



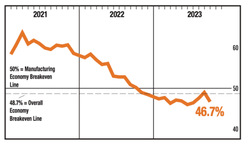
US ISM Manufacturing PMI (01.11.23)[6]

WHAT RESPONDENTS ARE SAYING

- "Markets remain tough, and we have focused more resources on sales and marketing to drive greater sales and new market penetration with our devices. Lots of leadership focus on what we can do in the near term that will also support long-term company goals." [Computer & Electronic Products]
- "Economy absolutely slowing down. Less optimism regarding the first quarter of 2024." [Chemical Products]
- "Backlog is starting to dip a bit. We're hearing of cutbacks in 2024 ordering, but it's still very strong compared to historical averages." [Transportation Equipment]
- "Markets appear to have slightly slowed. Certain commodities remain high." [Food, Beverage & Tobacco Products]
- "Seeing a slowdown on bookings, and our backlog is down to five days from 15 weeks earlier this year." [Machinery]
- "A slow fourth quarter, and we're clearly in a mild industry recession. However, demand is down less than 5 percent, and customer confidence of a recovery in the second half of 2024 is solid. Supplier deliveries are stable, and suppliers are seeking more work. But they're not yet willing to adjust prices to compete for it." [Fabricated Metal Products]
- "Business is decent — not great, but steady and solid. We are meeting our sales and margin goals, but it's definitely hard to guess the future." [Furniture & Related Products]
- "Commercial constructions continue to remain ahead of 2022. We have some concern over 2024 regarding inflation, as well as gas and oil pricing potentially slowing down building." [Nonmetallic Mineral Products]
- "Demand for raw materials/chemicals appears to be stable heading into the fourth quarter." [Petroleum & Coal Products]
- "Orders continue to increase in some sectors. Construction industry-related products/orders are slowing down." [Plastics & Rubber Products]
- "Despite the ongoing United Auto Workers (UAW) strike, there's a firmness and pickup in orders for the rest of the fourth quarter." [Primary Metals]

MANUFACTURING PMI® at 46.7%

The U.S. manufacturing sector contracted in October, as the Manufacturing PMI® registered 46.7 percent, 2.3 percentage points lower than the reading of 49 percent recorded in September. This is the 12th month of contraction. Of the five subindexes that directly factor into the Manufacturing PMI®, only one (the Production Index) is in expansion territory, down from two in September. The New Orders Index logged its 14th month in contraction territory, and at a faster rate in October.



Manufacturing at a Glance

INDEX	Oct Index	Sep Index	% Point Change	Direction	Rate of Change	Trend* (months)
Manufacturing PMI®	46.7	49.0	-2.3	Contracting	Faster	12
New Orders	45.5	49.2	-3.7	Contracting	Faster	14
Production	50.4	52.5	-2.1	Growing	Slower	2
Employment	46.8	51.2	-4.4	Contracting	From Growing	1
Supplier Deliveries	47.7	46.4	+1.3	Faster	Slower	13
Inventories	43.3	45.8	-2.5	Contracting	Faster	8
Customers' Inventories	48.6	47.1	+1.5	Too Low	Slower	5
Prices	45.1	43.8	+1.3	Decreasing	Slower	6
Backlog of Orders	42.2	42.4	-0.2	Contracting	Faster	13
New Export Orders	49.4	47.4	+2.0	Contracting	Slower	5
Imports	47.9	48.2	-0.3	Contracting	Faster	12
Overall Economy				**Contracting**	**From Growing**	**1**
Manufacturing Sector				**Contracting**	**Faster**	**12**

*Number of months moving in current direction. Manufacturing ISM® *Report On Business®* data has been seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

[5] https://www.pmi.spglobal.com/Public/Home/PressRelease/325ae0d8a6674f7899ec701989ff13b6

[6] https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/pmi/october/

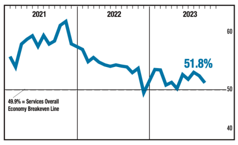
US ISM Manufacturing PMI (03.11.23)[7]

WHAT RESPONDENTS ARE SAYING

- "In general, commodity prices are coming down, but some categories, especially labor, are still elevated and will remain so for the immediate future. Suppliers are citing increased labor costs — wages, salaries and benefits — as the biggest reason for their price increases." [Accommodation & Food Services]
- "Strength in certain construction sectors is leading to continued optimism. Construction equipment and materials are at generally at lower prices and with faster deliveries. However, this is not the case for all materials or equipment; some prices remain high and with long lead (times)." [Construction]
- "Currently, we are continuing as normal. If the economy takes a downturn, that will have a negative effect on our revenue. We are also leery of potential increases in fuel costs due in part to the unrest in the Middle East. If fuel costs rise, it will have a negative impact on our budget as we strive to continue normal operations on our campus." [Educational Services]
- "Labor pressures continue, particularly in areas that are hard to recruit. Filling front-line and lower-skill labor positions has gotten very expensive because of competition from large companies and logistics providers. Also, middle management roles are harder to recruit for than they have been in some years." [Health Care & Social Assistance]
- "With (a supplier's) labor dispute resolved; we're expecting a return to the same delivery speeds before it started in July. We are in our busy season, and it's especially busy this year compared to last fall." [Information]
- "We are taking a cautious approach due to the increase in crude oil prices. Capital projects have been slowed or postponed until oil prices stabilize. We expect this approach to continue through fiscal year 2024." [Management of Companies & Support Services]
- "Due to the Israel-Hamas war, communications with clients in the Middle East are pretty much shut down." [Professional, Scientific & Technical Services]
- "The United Auto Workers (UAW) strike is having no impact so far — our inventory is in good position for now." [Retail Trade]
- "The general outlook for our organization is less positive than anticipated from the beginning of the year. Performance expectations were revised upward after a strong start to the year, and the results are not expected to be as high as the revised projections. Performance is impacted in part by our customers' ability to fill our warehouses with product, and it seems the food manufacturing industry is still working toward increasing output, which has lagged a bit since the pandemic." [Transportation & Warehousing]
- "Business conditions have become murky as of late, but still going strong. However, certain business units are needing to be reevaluated." [Utilities]
- "The UAW strike and potential government shutdown have created risk and caution for our customers who have pulled back on purchases beginning this month." [Wholesale Trade]

SERVICES
PMI® at 51.8%

In October, the Services PMI® registered 51.8 percent, a 1.8-percentage point decrease compared to the September reading of 53.6 percent. A reading above 50 percent indicates the services sector economy is generally expanding; below 50 percent indicates it is generally contracting. A Services PMI® above 49.9 percent, over time, generally indicates an expansion of the overall economy. Therefore, the October Services PMI® indicates the overall economy is growing for the 10th consecutive month after one month of contraction in December 2022.



Services at a Glance

INDEX	Oct Index	Sep Index	% Point Change	Direction	Rate of Change	Trend* (months)
Services PMI®	51.8	53.6	-1.8	Growing	Slower	10
Business Activity	54.1	58.8	-4.7	Growing	Slower	41
New Orders	55.5	51.8	+3.7	Growing	Faster	10
Employment	50.2	53.4	-3.2	Growing	Slower	5
Supplier Deliveries	47.5	50.4	-2.9	Faster	From Slowing	1
Inventories	49.5	54.2	-4.7	Contracting	From Growing	1
Prices	58.6	58.9	-0.3	Increasing	Slower	77
Backlog of Orders	50.9	48.6	+2.3	Growing	From Contracting	1
New Export Orders	48.8	63.7	-14.9	Contracting	From Growing	1
Imports	60.0	50.6	+9.4	Growing	Faster	5
Inventory Sentiment	54.4	54.8	-0.4	Too High	Slower	6
Overall Economy				**Growing**	**Slower**	**10**
Services Sector				**Growing**	**Slower**	**10**

*Number of months moving in current direction. Services ISM® *Report On Business®* data has been seasonally adjusted for the Business Activity, New Orders, Employment and Prices indexes.

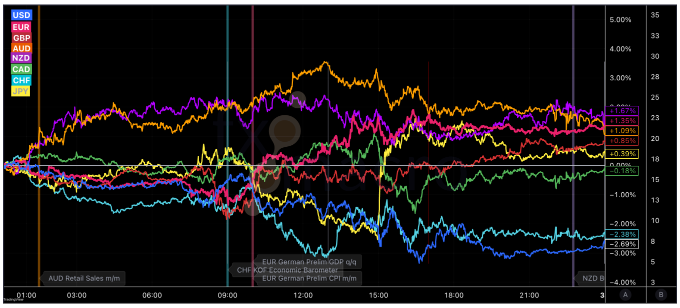
[7] https://www.ismworld.org/supply-management-news-and-reports/reports/ism-report-on-business/services/october/

Complete Week

Monday, 30.10.23

Date	FRA	LON	NYC	Cncy	Data	Act.	Exp.	Prev.	Forecast Range Low	Forecast Range High	Reaction
Mon 30.10.23	**01:30**	00:30	20:30	AUD	Retail Sales m/m	0.9	0.30	0.20			AUD stronger
Mon 30.10.23	**14:00**	13:00	09:00	EUR	German Prelim CPI m/m	0.0	0.20	0.30			EUR stronger
Mon 30.10.23	**09:00**	08:00	04:00	CHF	KOF Economic Barometer	95.8	95.7	95.9			CHF unchanged
Mon 30.10.23	**10:00**	09:00	05:00	EUR	German Prelim GDP q/q	-0.1	-0.2	0.0			EUR stronger
Mon 30.10.23	**22:45**	21:45	17:45	NZD	Building Consents m/m	-4.7		-6.7			NZD weaker

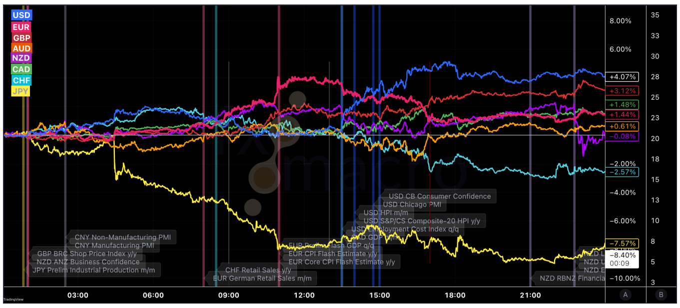
data via forexfactory.com



Tuesday, 31.10.23

Date	FRA	LON	NYC	Cncy	Data	Act.	Exp.	Prev.	Forecast Range Low	Forecast Range High	Reaction
Tue 31.10.23	**00:50**	23:50	19:50	JPY	Prelim Industrial Production m/m	0.2	2.4	-0.7			AUD weaker
Tue 31.10.23	**01:00**	00:00	20:00	NZD	ANZ Business Confidence	23.4		1.5			NZD unchanged
Tue 31.10.23	**01:01**	00:01	20:01	GBP	BRC Shop Price Index y/y	5.2		6.2			GBP unchanged
Tue 31.10.23	**02:30**	01:30	21:30	CNY	Manufacturing PMI	49.5	50.2	50.2			AUD weaker
Tue 31.10.23	**02:30**	01:30	21:30	CNY	Non-Manufacturing PMI	50.6	51.8	51.7			
Tue 31.10.23	**04:28**	03:28	23:28	JPY	BOJ Rate Statement	-0.10	-0.10	-0.10			JPY weaker
Tue 31.10.23	**08:00**	07:00	03:00	EUR	German Retail Sales m/m	-0.8	0.5	-1.2			EUR sideways
Tue 31.10.23	**08:30**	07:30	03:30	CHF	Retail Sales y/y	-0.6	-1.2	-1.8			CHF unchanged
Tue 31.10.23	**11:00**	10:00	06:00	EUR	Core CPI Flash Estimate y/y	4.2	4.2	4.5			EUR stronger
Tue 31.10.23	**11:00**	10:00	06:00	EUR	CPI Flash Estimate y/y	2.9	3.1	4.3			
Tue 31.10.23	**11:00**	10:00	06:00	EUR	Prelim Flash GDP q/q	-0.1	0.0	0.1			
Tue 31.10.23	**13:30**	12:30	08:30	CAD	GDP m/m	0.0	0.1	0.0			CAD stronger
Tue 31.10.23	**13:30**	12:30	08:30	USD	Employment Cost Index q/q	1.1	1.0	1.0			USD stronger
Tue 31.10.23	**14:00**	13:00	09:00	USD	S&P/CS Composite-20 HPI y/y	2.2	1.8	0.1			USD stronger
Tue 31.10.23	**14:00**	13:00	09:00	USD	HPI m/m	0.6	0.5	0.8			
Tue 31.10.23	**14:45**	13:45	09:45	USD	Chicago PMI	44.0	45.4	44.1			USD sideways
Tue 31.10.23	**15:00**	14:00	10:00	USD	CB Consumer Confidence	102.6	100.1	103.0			USD sideways
Tue 31.10.23	**21:00**	20:00	16:00	NZD	RBNZ Financial Stability Report						NZD unchanged
Tue 31.10.23	**22:45**	21:45	17:45	NZD	Employment Change q/q	-0.2	0.4	1.0			NZD weaker
Tue 31.10.23	**22:45**	21:45	17:45	NZD	Unemployment Rate	3.9	3.9	3.6			
Tue 31.10.23	**22:45**	21:45	17:45	NZD	Labor Cost Index q/q	0.8	1.0	1.1			

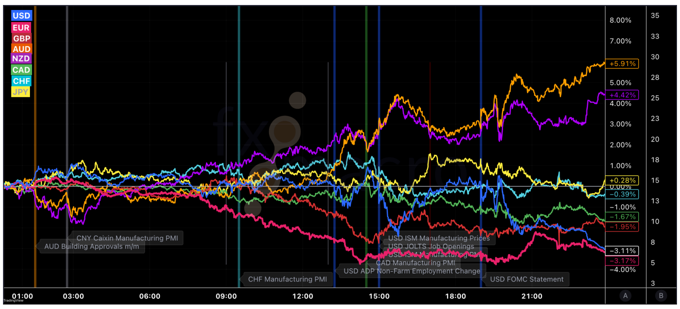
data via forexfactory.com



Wednesday, 01.11.23

Date	FRA	LON	NYC	Cncy	Data	Act.	Exp.	Prev.	Forecast Range Low	Forecast Range High	Reaction
Wed 01.11.23	**01:30**	00:30	20:30	AUD	Building Approvals m/m	-4.6	2.6	7.0			AUD lower
Wed 01.11.23	**02:45**	01:45	21:45	CNY	Caixin Manufacturing PMI	49.5	50.8	50.6			AUD lower
Wed 01.11.23	**09:30**	08:30	04:30	CHF	Manufacturing PMI	40.6	45.0	44.9			CHF lower
Wed 01.11.23	**13:15**	12:15	08:15	USD	ADP Non-Farm Employment Ch	113	149	89			USD weaker
Wed 01.11.23	**14:30**	13:30	09:30	CAD	Manufacturing PMI	48.6		47.5			CAD lower
Wed 01.11.23	**15:00**	14:00	10:00	USD	ISM Manufacturing PMI	46.7	49.0	49.0			USD weaker
Wed 01.11.23	**15:00**	14:00	10:00	USD	JOLTS Job Openings	9.55	9.34	9.61			
Wed 01.11.23	**15:00**	14:00	10:00	USD	ISM Manufacturing Prices	45.1	46.2	43.8			
Wed 01.11.23	**19:00**	18:00	14:00	USD	FOMC Statement	5.50	5.50	5.50			USD weaker

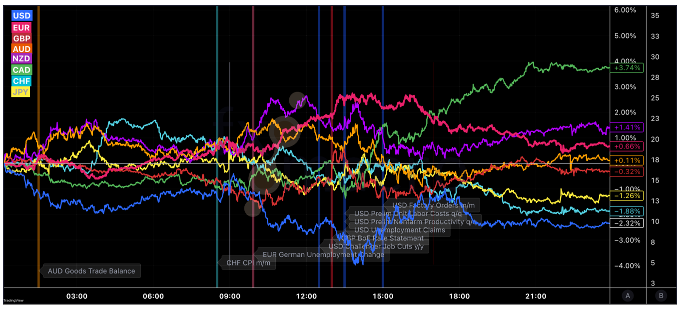
data via forexfactory.com



Thursday, 02.11.23

Date	FRA	LON	NYC	Cncy	Data	Act.	Exp.	Prev.	Forecast Range Low	Forecast Range High	Reaction
Thu 02.11.23	**01:30**	00:30	20:30	AUD	Goods Trade Balance	6.79	9.55	9.64			AUD unchanged
Thu 02.11.23	**08:30**	07:30	03:30	CHF	CPI m/m	0.1	0.1	-0.1			CHF lower
Thu 02.11.23	**09:55**	08:55	04:55	EUR	German Unemployment Change	30	14	10			EUR sideways
Thu 02.11.23	**12:30**	11:30	07:30	USD	Challenger Job Cuts y/y	8.8		58.2			USD sideways
Thu 02.11.23	**13:00**	12:00	08:00	GBP	BoE Rate Statement	5.25	5.25	5.25			GBP initially higher
Thu 02.11.23	**13:30**	12:30	08:30	USD	Unemployment Claims	217	210	210			USD weaker
Thu 02.11.23	**13:30**	12:30	08:30	USD	Prelim Unit Labor Costs q/q	-0.8	0.4	2.2			
Thu 02.11.23	**15:00**	14:00	10:00	USD	Factory Orders m/m	2.8	2.2	1.2			USD stronger

data via forexfactory.com



Friday, 03.11.23

Date	FRA	LON	NYC	Cncy	Data	Act.	Exp.	Prev.	Forecast Range Low	Forecast Range High	Reaction
Fri 03.11.23	**02:45**	01:45	21:45	CNY	Caixin Services PMI	50.4	51.2	50.2			AUD stronger
Fri 03.11.23	**08:00**	07:00	03:00	EUR	German Trade Balance	16.5	16.3	16.6			EUR sideways
Fri 03.11.23	**11:00**	10:00	06:00	EUR	Unemployment Rate	6.5	6.4	6.4			EUR sideways
Fri 03.11.23	**13:30**	12:30	08:30	CAD	Employment Change	17.5	25.7	63.8			CAD lower
Fri 03.11.23	**13:30**	12:30	08:30	CAD	Unemployment Rate	5.7	5.6	5.5			
Fri 03.11.23	**13:30**	12:30	08:30	USD	Average Hourly Earnings m/m	0.2	0.3	0.2			USD sharply lower
Fri 03.11.23	**13:30**	12:30	08:30	USD	Non-Farm Employment Change	150	178	336			
Fri 03.11.23	**13:30**	12:30	08:30	USD	Unemployment Rate	3.9	3.8	3.8			
Fri 03.11.23	**15:00**	14:00	10:00	USD	ISM Services PMI	51.8	53.2	53.6			USD higher

data via forexfactory.com