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## UK: BoE split.

### February decision more of a compromise?

Surprising most, the minutes from the 8-9 February BoE MPC meeting showed the committee split over the decision to enlarge the asset purchase program a further £ 50 bln. However, rather than dissenting against any enlargement as some had suggested, the two votes against the decision (from MPC members Miles and Posen) were actually in favor of a larger increase (ie of £ 75 bln).

However, not too much should be read into this split. Indeed, comments from Posen in the last few days underscore that his thinking is largely consistent with the BoE outlook as evident in the Inflation Report this month. Admittedly, there was some discussion suggesting more of a split in the committee than the vote would suggest, with some members envisaging somewhat larger upside risks to inflation than in the Inflation Report, something that provided a case for no additional stimulus being provided at all. Most likely, these members may have been concerned about productivity and profit margins, issues that have clearly bothered the MPC for some time. In addition, the slightly better economic signs may have had some impact on overall thinking.

More likely than not therefore the decision to enlarge the asset purchase program by a further £ 50 bln was something of a compromise, with an added rationale being that any larger increase may have surprised markets to a degree that may have led to the impression that the MPC was more concerned about the economy than it actually was.

With this in mind, these minutes offer nothing of major note to the policy outlook, certainly not providing any suggestion of a greater predilection to further stimulus than the even-handed outlook offered by the Inflation Report. Instead, the MPC reaction function remains very much data-driven. Against this backdrop, further stimulus may be on the cards but it may not arrive as soon as the current asset purchase program is completed in May.