

BoE Preview: September 2025

Statement/Minutes release: 12:00BST, Thursday 16 September

There is no press conference or MPR at this non-quarterly meeting

QT Decision the Key But Watch for Any Rate Cut Clues

Tim Davis, 17 September

The outcome for this week's MPC meeting can be boiled down to two discrete topics: the vote surrounding the pace of APF reduction and any updates on communications and the vote surrounding Bank Rate. The biggest uncertainty and market reaction is expected around the former, with much less focus being placed upon the latter – but neither aspect should be ignored.

As [we wrote back in July \(see here for full piece\)](#), there have been main reasons to conduct QT:

1. Reduce excess reserves and move back to an ample reserves system.
2. Reduce interest rate exposure from the BOE.
3. Bring reserves down to a level where QE or above schemes like TFSME could potentially be used as a policy tool once again if needed (with potency).
4. Not impact market conditions adversely and maintain financial stability.

We would argue that objectives 1 and 3 have both almost been met now – and very likely will be met through purely passive roll off over the next year. Starting with these two objectives, we argued back at the beginning of July that we thought that the market was looking at the wrong measure of reserves when discussing the September APF decision: we think that supply-led reserves (i.e. those excluding demand-led facilities such as the STR and ILTR) are much more important than total reserves. And the key thing for us is that supply-led reserves will fall below the top of the preferred minimum range of reserves (PMRR) when taking into account this month's gilt redemption of GBP28.3bln in initial proceeds terms (which completed passive QT for the current period to Sep25) and TFSME repayments (to Oct 25). Indeed, when using the data for the outstanding size of the APF rather than the Bank's loan to the APF (which only updates quarterly), supply-led reserves had already fallen to GBP543.7bln last week – only marginally above the top of the Bank's estimated PMRR range of GBP540bln.

The latest data on the TFSME shows there is still GBP78.7bln outstanding. If we pencil in around GBP35bln will remain outstanding by the end of October when all of the non-bounceback loan holdings will have needed to have been repaid (and which seems to be

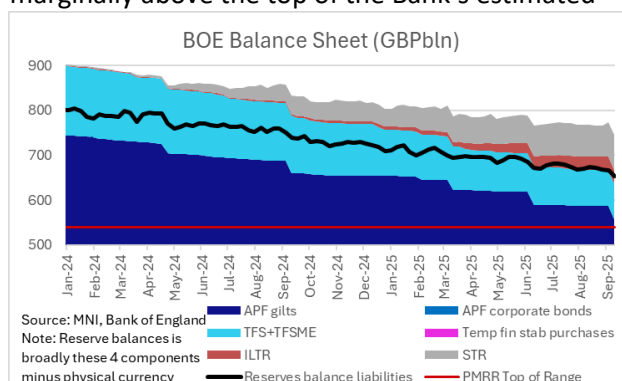
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the high side of estimates) that means that supply-led balances will reduce to GBP500bln by the first week of November.

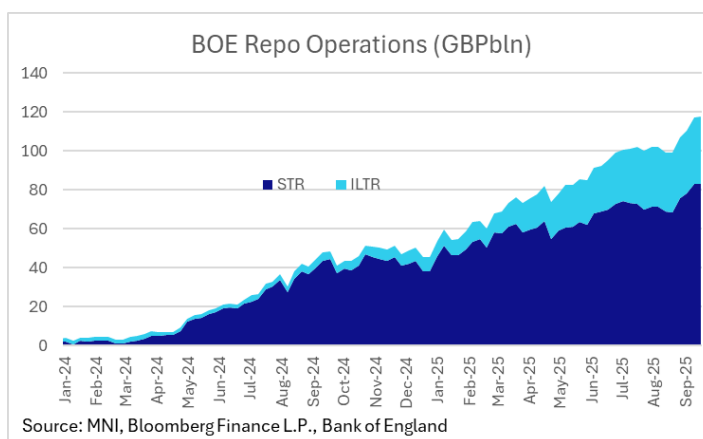
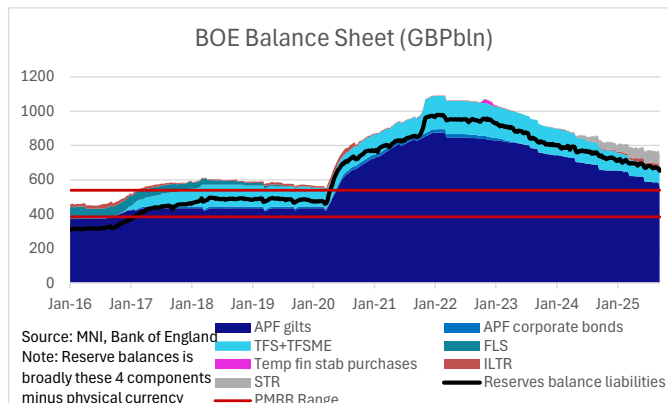
So we wouldn't just nudge slightly underneath it, but rather we would be below the top of the Bank's estimated PMRR range by some margin.

Furthermore there are GBP49.1bln of redemptions in initial proceeds terms (passive QT) that are due to roll off in the upcoming year. These consist of a GBP19.8bln redemption at the end of January 2026 and a GBP29.3bln redemption in July 2026. So this would reduce supply-led balances back to around GBP450bln (or potentially lower if we have overestimated the residual TFSME holdings with our cautious estimate).

To put this into context, supply-led balances troughed at GBP451.8bln in March 2020 and have not been below this level since late-2017 (see chart above). Of course, it would be a natural assumption to assume that the upper bound of PMRR has increased slightly over time – even if purely due to inflation. But it underscores that one of the main objectives of active QT over the past three years will have been achieved: it is the market that will be deciding the ultimate size of the balance sheet through the repo operations, and we will have moved from a period of excess reserves to ample reserves.

As we argued in our July piece, entering a period of ample reserves removes one of the big arguments in favour of continuing QT at a fast pace. It could be argued that the balance sheet has just transitioned to the stage where the size is being repo-led. Indeed, this is evident in the combined size of the STR and ILTR balances which by our calculations are now GBP117.8bln following the ILTR operation on 16 September. However, with demand-led balances having totalled around GBP100bln ahead of the recent gilt redemption of GBP28.3bln, we have not seen a one-to-one increase in STR/ILTR usage, which suggests we have not fully moved out of the excess reserves era. But with TFSME repayments and passive APF redemptions over the next year we will be pretty much there.

So this leaves us with just objectives 2 and 4. Since writing our analysis piece in early July we think that gilt market conditions have become less favourable and this has been seen by the DMO moving further away from long-dated sales (by cancelling a long-dated gilt auction in its most recent calendar update and by choosing to hold a smaller 30-year auction next week).

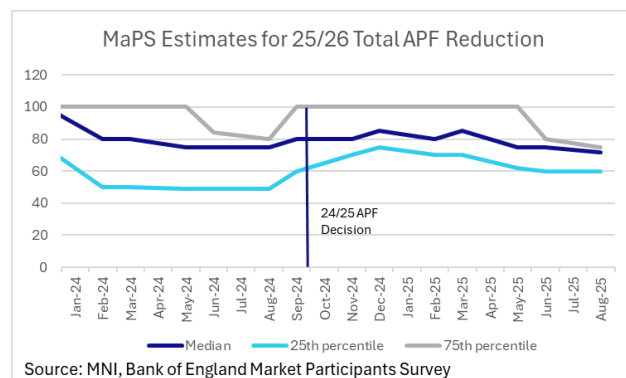


We set out the following options back in July (which have been tweaked a little to take into account current market expectations):

Option 1: Increase the pace of active QT while maintaining the current maturity buckets. This pace seems to fit the consensus view at present (APF target reduction around GBP70bln which implies active gilt sales of around GBP21bln per year), but we would argue is the least efficient. As we note above, objective 4 of not having an adverse market impact would be at risk here in our view. The BOE has already had to postpone one long-dated operation in Q2-25 and increasing the volume of long-dated sales by around 50% would not be prudent in our view.

Option 2: Increase the pace of active QT in line with consensus expectations (50% faster than this year) but with a skew towards shorter-dated gilts / away from longer-dated gilts. The argument here is that the Bank of England has in the past argued that it has conducted its operations equally between maturity buckets so as to be curve neutral. It is quite evident that selling shorter-dated gilts has much less of a market / curve impact than selling at the long-end. It is not clear if there has been a permanent structural change to the market here, but the answer to that is unlikely to be resolved before the Bank makes its decision. We had previously argued this may help liquidity at the long-end of the market, but we think since we initially wrote about the QT decision in July market conditions have changed somewhat and that the DMO has since shown how flexible it can be by holding a two-line PGT (programmatic gilt tenders). If repeated at the long-end this could help avoid any negative market connotations through loss of the BOE's long-dated sales if demand were to return at the long-end.

Option 3: Keep the pace of active QT in line with the 24/25 pace (GBP13bln per year). This would be broadly in line with the 25th percentile response for the MaPS survey which has looked for GBP60-62bln over the last three surveys (May, June, August). This has the advantage of active sales being small enough that if market conditions appear to not favour selling at the long-end in any particular quarter, that operation could be replaced with another short/medium-dated operation without negatively impacting the market for those buckets. This also allows a decent selection of off-the-run gilts to be supplied to the market on a regular basis, too.



Option 4: Stop active gilt sales. We would not completely rule this out. As we argued above, supply-led reserves will be towards the middle of the estimated PMRR range by the summer 2026 even without active gilt sales. As we approach that point the benefits are solely to do with interest rate risk being held by the Bank.

Option 5: Continue with active gilt sales at a pace above the median expected by the market. We note that there are some on the sell side who aren't so concerned about the liquidity side of the market and look for the overall reduction in the gilt APF target to be maintained at GBP100bln (which would see an increase in active gilt sales to GBP51bln). We would argue that this would likely lead to a large sell off in gilts in the short-run even if sales were clearly communicated to be focused

on the short-end. The market would also be concerned that this would mean more DMO gilt sales (in order to finance the Treasury's indemnity to the BOE for the APF programme and to finance the crystallised losses of the APF programme sooner). And also likely leading to the OBR anticipating that higher volumes of active gilt sales will be conducted over the next few years than would otherwise be the case (reducing fiscal headroom and hence requiring tighter fiscal policy).

We favour option 3 with a change to maturity buckets

If the decision was down to us, we would favour option 3 (APF target of GBP60-65bln with active sales in line with this year) but with a change to the maturity buckets to re-align with the DMO. That would see short remaining at 3-7 years, medium to 7-15 years (rather than BOE's 7-20 years) and long 15+ years (rather than 20+ years). This gives ample flexibility, helps provide the market with a steady supply of off-the-run gilts across a variety of maturities and is able to be quickly adapted if market conditions were to sour at all. Aligning the buckets with the DMO also allows 15-20 year gilts to be sold back to the market if there is more demand in that area than in the 20+ year area.

APF implementation decided by the Bank Executive; MPC only decides annual target

One quick note on the process for the decision: The MPC purely makes the decision on the target reduction in the APF over the upcoming year. However, the implementation decision, including the decision on the maturity split of gilts that are to be sold, is made by the Bank Executive rather than the MPC (although there is of course crossover between the internals on the MPC here). The latter will be published in a Market Notice alongside the decision and generally only covers the upcoming quarter. So it may be that in the upcoming quarter the Executive decided that there were adverse conditions and that long-dated gilt sales should be limited, but unless there was clear communication that this was to be a decision that would apply to future quarters, there would be nothing to stop long-dated sales being resumed in later periods if market conditions appeared more benign. The market reaction would maybe not fully take this into account, however, and if long-dated gilt sales were to be paused there would likely be a flattening of the 10s30s curve.

The previous APF reduction decisions have been unanimous and we would be slightly surprised if the upcoming decision did not have the same united support. However, we wouldn't really read much into any dissent as we don't think it would have any real impact on voting outcomes for Bank Rate and the next decision is so far away (with the bar to changing the APF target inter-year incredibly high) that this year's voting pattern would be unlikely to impact next year's outturn.

Bank Rate decision and voting outcome

Consensus remains for the MPC to vote 7-2 for Bank Rate on hold with Taylor and Dhingra both voting for a 25bp cut and we would agree that this is the most likely outcome. Of the members of the committee who voted for Bank Rate on hold in August there is nothing at all that has happened that we could conceivably see them change their view for in a non-quarterly meeting.

Taylor thinks wage growth is continuing to decline and that is the most important factor for future inflation persistence. And that the Agents are pointing towards it slowing further. His vote could therefore be altered if there is new evidence from the Agents that 2026 wage settlements could come in higher than previously expected. However, he has also noted that he is voting for rate cuts for risk management purposes and that he sees the neutral rate lower than others on the MPC (2.75-3.00%). And after noting that he would have preferred a 50bp cut in August rather than 25bp

(in the first stage of the MPC's vote) anything other than a vote for another cut would be very surprising to us.

Dhingra's vote is a little less certain given that she has not spoken as recently. We assume she also favours voting for further cuts for risk management purposes but we are not convinced that she holds a more dovish view than Taylor any more. There is the potential for her to surprise here and not vote for a cut – but that would be the first time that she hadn't voted for a cut since 2023. She also did not vote for any hikes in Bank Rate past 3.00% in 2022. Her only votes for hikes were in her first two meetings on the MPC in September and November 2022 when she dovishly dissented in favour of smaller hikes. So for some time, Dhingra has been one of the clear doves on the MPC. Dhingra voting for Bank Rate on hold would we think elicit a hawkish kneejerk response from the market. We would still expect her to vote for a cut at the November meeting (and note that there is still only 5bp priced in for November) but if the long-standing dove cannot be relied upon to be as dovish anymore, then the market will probably overinterpret this as a sign for the rest of the committee.

Ramsden voted for a 25bp cut in the last non-quarterly meeting in June. However, we know that his focus has for some time been very much on the labour market and the June meeting occurred after the HMRC payrolls data appeared to be showing a very steep decline (which was since revised). If Ramsden voted for a cut at this week's meeting it would show that he is still sufficiently concerned about the outlook for the labour market even without the large payrolls contraction. Or it would signal that his confidence that 2026 pay settlements come in at more benign levels had increased. Note that he voted for a non-quarterly cut in December 2024 before switching his vote in the next non-quarterly meeting in March 2025 after the Agents' survey of pay settlements came in higher than he had expected.

Governor Bailey has not signalled anything that would suggest he will vote for a non-quarterly cut while we have not heard from Breeden on monetary policy recently but we would be surprised if she broke ranks here. And looking at the vote split alone, we don't think it has huge predictive power over whether there will be a cut in either November or December. To us, Governor Bailey is the key to the decision as the swing voter.

In terms of the communication, we don't think that there have been sufficient surprises in the data to warrant a change in guidance (with the guidance already changed at the August meeting). Replacing the word "careful" with "cautious" could be a tweak that would signal the probability of a Q4 cut has reduced but our base case would be for guidance to remain unchanged.

Looking through other data since the August meeting labour market quantities data (from both LFS and PAYE payrolls) are probably a little stronger-than-expected but wage growth is still receding at a slightly faster pace than the Bank's projections would have implied. Other survey data (such as DMP and REC) point to continued softening of the labour market. Growth data has been a little better than expected (particularly Q2 GDP data). August CPI data saw headline inflation exactly in line with the BOE's forecast to the hundredth with services and food a little softer but petrol prices higher. Consumer inflation expectations have picked up a little on some measures but dropped back on others. But we don't think overall these data warrant a further change in tone following the guidance update in August.

MNI Instant Answers

- Ahead of each policy meeting the MNI Markets team select a number of questions that should capture the essence of the central bank meeting in questions that can largely be answered either numerically or with a yes or no, and which represent all of the expected tradable possibilities.
- These questions will be published within the Preview document and 15 minutes before the announcement on both MNI Bullets and the interactive chat.
- We aim to publish the answers within a few seconds of the embargo being released via the MNI Bullets and our interactive chat.

Advantages

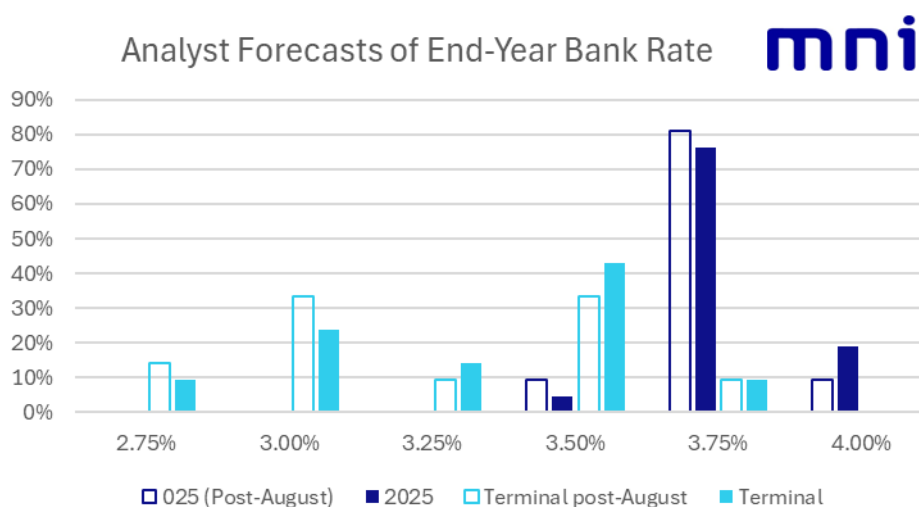
- No need to scroll through 30 newswire headlines.
- All of the tradable info you need delivered concisely straight to your bullet feed or the interactive chat.
- Gives you the confidence that you can quickly trade at the announcement time.

September Questions (for MNI Bullets / Chat)

1. Was the Bank Rate changed, and if so by how much?
2. Number of members voting for unchanged rate?
3. Number of members voting for 25bp cut?
4. Number of members voting for 50bp cut?
NB: On questions 2-4 we will name the dissenters (and the direction / magnitude of dissent)
5. Did the MPC keep reference to a “gradual approach” in its guidance?
6. Did the MPC keep reference to “careful” in its guidance?
7. Did the MPC again say “The restrictiveness of monetary policy has fallen as Bank Rate has been reduced?”
8. Did the MPC again say “The timing and pace of future reductions in the restrictiveness of policy will depend on the extent to which underlying disinflationary pressures continue to ease?”
9. Did the MPC leave its guidance paragraph materially unchanged versus the previous policy statement?
10. What did the MPC say the total target APF reduction will be in upcoming Oct-Sep period (passive plus active)?
11. Was the APF decision unanimous? (If not dissenters named)
12. Did the MPC indicate in the policy statement that active sales would not be evenly split between their previous maturity buckets?

Summary of Analyst Views

- All of the analyst previews that we have read look for Bank Rate to remain on hold in September.
- Guidance is also widely expected to be unchanged with the "gradual" and "careful" buzzwords both likely to remain. Deutsche Bank argues most strongly for a change in the guidance at this meeting (seeing only a 40% probability the guidance remains fully intact), with most other analysts expecting change to wait for a later meeting given the tweaks to the guidance already made in August.
- Just over three quarters (14/18) of analysts expect a 7-2 vote split with both Dhingra and Taylor voting for 25bp cuts. NatWest Markets and RBC both expected a 7-1-1 split (with Taylor voting for 50bp cut). ING's base case is for a 6-3 cut (with Ramsden voting for 25bp) while Barclays looks for 8-1 with only Taylor voting for a cut and with Dhingra voting with the majority.
- Based on the 21 previews that we have read, 16 still have a November cut as their base case (in contrast to market pricing of just 4bp). However, some of these look to review their call either after this week's data or after this week's MPC meeting. And conviction levels don't seem high for most analysts.
- Deutsche Bank's base case is for the next cut in December while Berenberg and Citi both look for February, HSBC looks for April and Santander looks for "mid-2026".
- Only Morgan Stanley looks for two further cuts this year – noting that the possibility does look binary and there is a case for no more cuts this year, too.
- For the APF reduction target (QT) from the 20 estimates we have seen, the median expectation is for a GBP70bln with the mean at GBP69bln. Morgan Stanley and NatWest Markets both look for active sales to end completely (GBP49bln reduction) while HSBC and Nomura look for the GBP100bln pace to continue.
- Around 70% of analysts' base case is for a reduction of between GBP60-75bln.
- Views around whether sales are skewed away from longs are largely dependent upon the size of the active sales programme (and even then there doesn't seem to be a huge conviction).



Summary of Analyst Views (Sorted by Hawkish to Dovish)

Institution	Post-August	Pre-September
Santander	"See inflation optics as too ugly for the BoE to press on and lower Bank Rate below 4.00% this year. So we have removed our November cut and expect Bank Rate to end the year at 4.00%." "We still see Bank Rate getting to 3.50% next year, but by April, rather than February."	7-2 vote. "We expect the stickiness of UK inflation will keep Bank Rate on hold for the foreseeable future, at least until mid-2026, when CPI finally falls back to 3% in our forecasts."
HSBC	"Our base case is that this evidence will come through, allowing the BoE to reduce Bank Rate at a continued 25bps-per-quarter pace, until it gets to 3.00% in Q3 2026. After all, the May vote split opened up the prospect of an August pause too... However, of course, there are risks to that."	Expect 7-2 vote. Look for next cut to only come in April 2026.
Berenberg	"The BoE indicated that there are still more cuts to come, but pauses are likely. That suits our call that the BoE will keep interest rates on hold for the remainder of the year before delivering a two final 25bp reductions to 3.50% in 1H 2026."	"The rise in inflation to 3.8% in July en route to a likely peak of 3.9% in September rules out another interest rate cut until next year." "Next year, as the Bank of England gains confidence that pay growth and inflation are cooling, we expect two further 25bp cuts to 3.50%" in Q1-26 and Q2-26.
Citi	Sequential cuts from Nov25 to Mar26 with final cut in Q2-26	7-2 vote but the two dissents possibly split between 25bp and 50bp cuts. Now see next cut in Feb26. "We still see the trough rate at 2.75%, which we believe will be reached in November 2026."
Deutsche	"The odds of further rate cuts have fallen – particularly in Q4-25. The path for near-term rate cuts has inexplicably narrowed. While the path of Bank Rate remains down, in our view, the next few months mark a murkier path on the scale and pace of tightening." Terminal 3.25% in Q2-25.	7-2 vote with a risk of 8-1. 40% prob of guidance unch, 20% "gradual and cautious", 40% "drop current guidance entirely". Next cut Dec25 when MPC will have more confidence on 2026 pay settlements.
NatWest Markets	"Guidance appears to have evolved from... cuts were on a form of autopilot... to something more conditional and data-dependent... forecast for -25bp in November [with] reduced conviction (~70% probability) and for a 3.75% terminal rate (still with modest downside risks to 3.5% in Q1 2026)."	7-1-1 vote (Dhingra 25bp cut, Taylor 50bp). Formal call remains for final cut to 3.75% in Nov25. Risk that terminal rate is lower. Will reassess Bank Rate forecast following labour market and CPI data.
RBC	"Retain our call for the MPC to deliver one more 25bps cut at the next MPR meeting in November... the balance of risks is that terminal is closer to our call of 3.75% than the current market pricing of around 3.5%."	7-1-1 vote (Dhingra 25bp cut, Taylor 50bp). Look for final cut to 3.75% in Nov25 but risks "are increasingly tilted to the MPC delivering that cut later than we currently envisage, particularly after the announcement of the late Budget date of November 26th."
Nomura	"Raises the bar for further rate cuts, but our view of a loosening labour market and weaker domestically generated inflation should allow... cuts in November and February (3.50% terminal rate)." "Highlighted the risk of less gilt-based QT at next month's meeting... stick with our £100bn view."	7-2 vote. "Much will depend" on this week's data "as to whether our view of two further cuts (25bp in November and February) remain realistic."
Barclays	"A November cut is still our base case, although probability of a hold has risen." APF discussion "will allow the MPC the freedom to change the overall quantum of QT to £75-80bn, and shift the maturity profile of active sales."	8-1 vote with Taylor preferring 25bp cut. "Minutes "broadly in line" with August but Mann may not agree with "gradual and careful". Base case remains cuts in Nov25 and Feb25 to terminal 3.50%."
JP Morgan	"Stick to our forecast for quarterly cuts but the risks of a hold in November have risen." On QT: the MPR box "presents a case for expecting the pace to slow from £100bn (to around £75bn, in our forecast) and for the BoE to skew some of the sales away from the long end."	7-2 vote with risks in both directions. Base case for guidance unchanged "we don't think the BoE will want to go that far in its September communications."
Danske	"Continue to expect the BoE to deliver the next cut in the Bank Rate in November, followed by quarterly rate cuts next year leaving the Bank Rate at 2.75% by end-2026... the risk is that the cutting cycle will come to an end earlier than previously thought."	Next cut in Nov25 but "inflation will need to cool in August-September data for that to happen and see a substantial risk the next rate cut could be postponed." Base case for final cut in Feb26 to terminal 3.75%.
BNP Paribas	"Supports our long-held view that the MPC will continue to cut at a once-per-quarter tempo until it reaches a terminal rate of 3.50% in Q1 2026 and that the bar to accelerate the pace of cuts is relatively high." "MPC is likely to announce a reduction in the QT envelope in September."	7-2 vote with "some risk" of 6-3. Expect unchanged guidance. "Continue to expect a marginally restrictive terminal rate of 3.50% in Q1 2026... pace ahead has become somewhat less clear with risks now tilted toward a slower, or even shallower, pace of easing."
Bank of America	Continue quarterly 25bp cuts to terminal 3.50%. APF reduction: GBP60bn base case for 25/26.	7-2 vote but risk of 6-3 with Ramsden dovishly dissenting. "Continue to expect cuts in Nov. and Feb. to 3.5% but highlight risks of a delay. We have conviction on terminal of 3.5% but timing is uncertain."
Rabobank	"Our baseline remains unchanged: the MPC reduces its policy rate once per quarter, sticks to MPR meetings, and ends 2025 with Bank Rate at 3.75%... Our terminal rate forecast remains at 3.00%, reached in 2026."	7-2 vote. Base case for cuts in Nov25 and Feb26 to terminal 3.50% but will reassess call following this week's data and MPC meeting.
ING	"Base case has for some time been that the Bank would cut rates again in November and twice more next year... We're sticking to our call, but were the next couple of inflation reports to surprise to the upside, or if the recent falls in private-sector employment start to ease off, then we'll be rethinking"	6-3 vote with unchanged guidance. "Narrowly favour another rate cut in November, though it wouldn't take much to push the next move back into 2026."
TD Securities	"Continue to expect another cut this year, but today's decision opens up uncertainty over whether that comes in Nov vs Dec."	7-2 vote but risk of 8-1. "The risk of postponing the November cut to December is growing and will almost certainly materialise should inflation surprise to the upside of MPR projections between now and the November meeting."
UBS	Communication "implies some risk to our call for a November cut." "Reiterate our call for more cuts in 2026, when we expect the Bank to lower rates three times (Feb/May/Jul) to a terminal rate of 3.0%... timing of cuts might be delayed if we were to see further upside surprises in inflation."	7-2 vote split. Quarterly 25bp cuts from Nov25 to Jul26 terminal 3.00%. "Cuts might be delayed in the event of further upside surprises in inflation ahead of the November meeting."
Daiwa	"Maintain our expectation that Bank Rate will be cut by 25bps in each of November, February and May to settle at 3.25% by next summer. But there are two-sided risks to that view... vote, as well as the BoE's updated projections, suggest that the risks to that rate path are skewed to the upside."	At least 7 to vote for Bank Rate on hold with unchanged guidance. Base case remains for quarterly cuts to 3.25% in Q2-26.
Société Générale	"Maintain our view that the Committee will cut at a quarterly pace until Bank Rate reaches 3%, with the next cut in November. However, after today's meeting, the probability of sequential cuts this year has greatly diminished."	7-2 vote, Nov25 cut now around 50/50. But another 2 months of data should allow MPC to feel comfortable cutting in Dec25. Base case for quarterly cuts to 3.00% by Jul26.
Goldman Sachs	"Maintain our expectation for the next rate cut in November, and we remain comfortable with our forecast for a 3% terminal rate. That said, we now expect quarterly cuts to extend for longer and look for the terminal rate to be reached in April (vs March before)."	7-2 vote with a risk of 6-3. Continue to expect quarterly cuts to 3.0% by April.
Morgan Stanley	"leave our modal (base case) rate path forecast unchanged (3.5% by year-end, 2.75% terminal), but accept that our near-term mean rate expectation has shifted higher."	7-2 vote with "unchanged messaging." Q4 "does look binary" with possibility of cuts in both Nov and Dec or neither. Base case for sequential cuts from Nov25 to terminal 2.75%.

Source: Analyst previews and MNI

Note: Sorted by timing of next cut, then timing of next two subsequent cuts, then end-2025 rate, then terminal rate, then date reached, then balance of risks (if specified).

Summary of Analyst Views (Sorted by Expected APF Reduction)

Institution	APF Reduction
HSBC	GBP100bIn "Sales skewed towards shorter maturities. However, given recent market conditions, there is a big risk that the pace is reduced."
Nomura	GBP100bIn "We are conscious that there are strong arguments for reducing the pace. As a result, and with plenty of options open to the Bank, we see this specific outcome as a relatively low-conviction call."
Barclays	GBP75-80bIn "Risk of the vote not being unanimous." "Expect wording in the minutes, or an associated market notice, that hints towards a shortening of the sales maturity profile, but does not tie the hands of the BoE."
Citi	GBP75bIn Expect "a tweak shorter in the maturity buckets. We expect Longs to be included, which could prompt some knee-jerk steepening, but the sales would be small and the DMO's remit revision on 26 November is likely more consequential."
ING	GBP75bIn "Consistent with a recent survey of market participants, and therefore is unlikely to rock the boat."
JP Morgan	GBP75bIn Stopping sales "would set the BoE back a few years in its objective of having the majority of reserves supplied through repo lending facilities rather than gilts. Restarting sales in the future might also be harder after a complete stop this coming year." Q4 schedule could include no long-dated gilt sales.
Santander	GBP75bIn "There have been calls to follow the DMO's lead and cease long sales, but we disagree." "Nor would we suggest fiddling with the definitions of [the maturity] baskets."
Société Générale	GBP75bIn "Risks are tilted towards a larger envelope because Box B of the August MPR... did not signal any significant changes; the MPC believes that global forces rather than QT have driven up long-dated gilt yields; and we believe the MPC wants to shift the interest rate risk of its balance sheet quickly." Expect "shortening the maturity profile of sales."
Deutsche	GBP70bIn Broad landing zone of GBP65-75bIn. "The case for some active sales remains." Expect MPC to stick to its previous messaging and continue to make decisions quarterly.
Goldman Sachs	GBP70bIn "Think that the maturity split of sales will likely be adjusted, leaving active sales of long-dated gilts roughly unchanged compared to this year."
UBS	GBP70bIn "The risk seems skewed towards a slower pace and we believe that even an end to active gilt sales is possible."
RBC	GBP60-65bIn "Given the slow pace of active QT, we think it reduces the need for the BoE to skew its sales away from the long-end and hence anticipate sales to be conducted evenly across the curve."
TD Securities	GBP60-65bIn "There is less of a requirement for the BoE to continue with active QT sales."
Bank of America	GBP60bIn "Think QT is likely tightening monetary conditions." "Risks that the slowdown in QT is a bit less than our expectation of £60bn."
Berenberg	GBP60bIn "That would both keep the amount of active sales the BoE undertakes broadly steady and decrease the payments HMTreasury (HMT) makes to the BoE to cover its losses, thereby reducing the budget deficit. Slower QT would be a win-win for bond holders."
Daiwa	GBP60bIn "Would not be overly surprised if the BoE were to slow the pace of QT to about £50bn, thereby ending active gilt sales altogether and aligning its strategy more closely with the passive roll-off preferred by the Fed and ECB"
Rabobank	GBP60bIn
BNP Paribas	GBP49bIn Active sales' end "driven by monetary policy and financial stability considerations." "Finely balanced decision for the MPC between a halt to active sales or a reduction in the envelope to GBP60-65bn."
Morgan Stanley	GBP49bIn 55% probability active sales end, 45% probability of GBP65bIn total APF reduction. "See little point, and some practical challenges, in the MPC committing to skewing sales away from the long end."
NatWest Markets	GBP49bIn "Having seemingly signalled some scaling-back, and the early September sentiment wobble fresh in the mind, the MPC is likely to be keen to not 'under-deliver'. The rough balance of risks around our central case centre on a reduction in QT to ~£75bn and £8bn long-end sales."

Source: Analyst previews and MNI

Note: Sorted by timing of next cut, then timing of next two subsequent cuts, then end-2025 rate, then terminal rate, then date reached, then balance of risks (if specified).

Analysts' Key Comments (A-Z)

Bank of America

- 7-2 vote with Dhingra and Taylor voting for 25bp cut but “risks of a more dovish pattern.”
- Ramsden potentially could dissent: “Think the upward revisions to payroll falls, implying that the labour market is softening but not seeing a sharp slowdown, could reduce his concerns and make him vote for a hold in September. But risks are that he votes for a cut.”
- “Risks are tilted to a slightly dovish tone vs. market pricing.”
- “Continue to expect cuts in Nov. and Feb. to 3.5% but highlight risks of a delay. We have conviction on terminal of 3.5% but timing is uncertain.”
- APF stock reduction: GBP60bln as “think QT is likely tightening monetary conditions.”
- “At the margin, the analysis in the MPR showing a modest impact of QT on yields increases risks that the slowdown in QT is a bit less than our expectation of £60bn.”

Barclays

- 8-1 vote with Taylor the sole dovish dissenter.
- “Minutes are likely to frame data flow as broadly in line with the August forecast, although next week's data schedule still leaves significant room for surprise in either direction.”
- “External member Catherine Mann's views no longer seem compatible with “gradual and careful”, so we expect her to separate herself from the rest of the majority in the text.”
- Barclays’ base case remains 25bp cuts in November and February to a terminal 3.50% rate.
- APF stock reduction: GBP75-80bln “but with a risk of the vote not being unanimous.”
- “Expect a sign that the BoE executive will be more flexible with the maturity profile of sales, enabling it to limit sales in the long end as appropriate over the year.”
- “We note that the MPC votes on the combined unwind of the gilt portfolio...and not specifically the extent of sales... we do not see it as consistent that the MPC would vote to hold the level of active sales constant, which would imply an overall unwind of £63bn.”
- “expect wording in the minutes, or an associated market notice, that hints towards a shortening of the sales maturity profile, but does not tie the hands of the BoE. Something to the effect of: *“In undertaking sales, the Bank will coordinate with the Debt Management Office and take account of the structural changes in demand within the gilt market. The precise maturity profile of gilt sales will be kept under review throughout the year.”*”

Berenberg

- “The rise in inflation to 3.8% in July en route to a likely peak of 3.9% in September rules out another interest rate cut until next year, in our view.”
- “Next year, as the Bank of England gains confidence that pay growth and inflation are cooling, we expect two further 25bp cuts to 3.50%” in Q1-26 and Q2-26.
- APF reduction: GBP60bln

- “That would both keep the amount of active sales the BoE undertakes broadly steady and decrease the payments HM Treasury (HMT) makes to the BoE to cover its losses, thereby reducing the budget deficit. Slower QT would be a win-win for bond holders.”

BNP Paribas

- 7-2 vote with Dhingra and Taylor voting for 25bp cut.
- “See some risk that Dave Ramsden joins the vote for a cut but note that his dovish dissent in June was described as a “finely balanced” judgement, unlike that of the other two members.”
- Expect unchanged guidance.
- “Continue to expect a marginally restrictive terminal rate of 3.50% in Q1 2026 (we estimate a nominal neutral rate range of 2.25-3.25%). That said, although further rate cuts remain more likely than not, the pace ahead has become somewhat less clear with risks now tilted toward a slower, or even shallower, pace of easing.”
- AFP: Base case: Expect active sales to end “driven by monetary policy and financial stability considerations.”
- “Will be a finely balanced decision for the MPC between a halt to active sales or a reduction in the envelope to GBP60-65bn.”
- If active sales do continue “think it is less likely that the BoE will announce a skewed maturity profile for the whole year, given it has been firm in selling equally across the curve, reflecting the maturity profile of the APF. As such, while we could see a skew in active sales on a quarterly basis... think it is less likely to be part of the MPC’s announcement.”

Citi

- 7-2 vote with “the two dissenting votes (Taylor and Dhingra) possibly split again between supporting a 25bp and 50bp cut.”
- “The most plausible risk is, in our view, a 6-3 split if MPC member Ramsden joins the dissenters.”
- “Expect little in the way of surprises in the communication.”
- “We remove our call for cuts in November and December and anticipate the next cut in February. At this point, even a more reactive MPC might be satisfied that inflation is again set on a downward trajectory, and the new budget will have been incorporated for the first time into the BoE’s forecasts.”
- “We still see the trough rate at 2.75%, which we believe will be reached in November 2026.”
- APF reduction: GBP75bln
- Expect “a tweak shorter in the maturity buckets. We expect Longs to be included, which could prompt some knee-jerk steepening, but the sales would be small and the DMO’s remit revision on 26 November is likely more consequential.”

Daiwa

- “Expect at least seven of the nine rate-setters to favour holding Bank Rate at 4.00%, with question marks only about whether the dovish external member Taylor, and perhaps also Dhingra, will dissent again in favour of less restrictive policy.”
- Daiwa’s base case remains for quarterly cuts to 3.25% in Q2-26.
- Expect unchanged guidance.
- APF reduction: GBP60bn
- “We would not be overly surprised if the BoE were to slow the pace of QT to about £50bn, thereby ending active gilt sales altogether and aligning its strategy more closely with the passive roll-off preferred by the Fed and ECB”

Danske Bank

- “Expect the BoE to cut rates again in November... acknowledge that inflation will need to cool in August-September data for that to happen and see a substantial risk the next rate cut could be postponed.”
- “With the economy holding up better than expected and inflation still quite sticky above target, we revise our expectations for the bank rate next year and now expect one more cut in February leaving the Bank Rate at 3.50%.”
- Danske Bank had previously looked for quarterly cuts to continue through 2026 to 2.75% by year-end.

Deutsche Bank

- Expect 7-2 vote with Dhingra and Taylor voting for 25bp cut due to “risk management considerations to offset against a subdued demand outlook, particularly with survey data still pointing to lingering labour market weakness.”
- Risk of 8-1 with Taylor the sole dissenter.
- Guidance: Assign 40/20/40 probabilities to: “one, stick to its current guidance of ‘gradual and careful’ rate cuts, two, tweak its current guidance to ‘gradual and cautious’ rate cuts, or three, simply, drop the current guidance entirely.”
- Expect next cut in December when MPC will have “more confidence” “that private sector pay settlements are pulling lower to a target-consistent level of around 3%.”
- “See two conditions that would cause us to reassess our outlook: one, if our 2026 CPI projections pushed to nearer 3% (currently 2.6% y-o-y); and two, if wage disinflation stalled, with the BoE Agents reporting a 3-4% pay settlement range in December.”
- APF reduction: “GBP 70bn with a broad landing zone of GBP 65-75bn.”
- “Expect the MPC to stick to its previous message [regarding setting sizes quarterly]... while not pre-committing to abandoning long sales altogether.”
- “We don’t think [ending active sales] is likely... the BoE continues to see the impact of QT as minimal on financial conditions... And with the Bank transitioning to a demand-led reserves framework, the case for some active sales remains.”

Goldman Sachs

- “Expect a 7-2 vote split, with Taylor and Dhingra dissenting in favour of a 25bp cut.”
- “View Ramsden’s vote as more uncertain than Taylor’s or Dhingra’s, and so the risks around our baseline are skewed towards a 6-3 split.”
- “Think that the MPC’s signalling on the path ahead is likely to be little changed.”
- APF reduction: GBP70bn
- “Think that the maturity split of sales will likely be adjusted, leaving active sales of long-dated gilts roughly unchanged compared to this year.”

HSBC

- Expect 7-2 vote with Dhingra and Taylor voting for a 25bp cut.
- “We recently revised our forecast for Bank Rate, such that we now see a pause in November and February, and a resumption of easing in April.”
- APF reduction: “Central case is that it will continue to shrink the gilt portfolio by GBP100bn over the coming year, with sales skewed towards shorter maturities. However, given recent market conditions, there is a big risk that the pace is reduced.”

ING

- 6-3 vote with Dhingra, Ramsden and Taylor favouring cuts.
- On guidance: “We doubt any of this will change at September’s meeting.”
- “We still narrowly favour another rate cut in November, though it wouldn’t take much to push the next move back into 2026.”
- “If the next set of inflation data is particularly hot, we’d be tempted to push back our call for the next cut into 2026.”
- APF reduction: “A reduction in the annual gilt reduction target to £75bn would be consistent with a recent survey of market participants, and therefore is unlikely to rock the boat.”

JP Morgan

- 7-2 vote with Dhingra and Taylor dissenting “There are risks in both directions around this expectation, but we assume Ramsden will drop his prior call for sequential easing due to the optics of a 4% peak in inflation.”
- Guidance: If “gradual and careful” language was “removed or significantly watered down, it would probably be read as a signal of no further cuts at all this year and perhaps for the foreseeable future. While the odds of that scenario playing out may have risen, we don’t think the BoE will want to go that far in its September communications.”
- APF reduction to “around £75bn”.
- “We continue to think that stopping sales is unlikely. It would set the BoE back a few years in its objective of having the majority of reserves supplied through repo lending facilities rather than gilts. Restarting sales in the future might also be harder after a complete stop this coming year.”

- “The BoE doesn’t have to pre-commit to an auction calendar for the entirety of the coming year, but it could begin with a 4Q schedule that shows no long-term sales, and then assess the situation in three months time after observing how market conditions evolve.”

Morgan Stanley

- Expect 7-2 vote “with Taylor and Dhingra dissenting, and with unchanged messaging.”
- “Dhingra’s vote is less certain than Taylor’s... [but] think her view of the economy does still line up with Taylor’s.”
- “On balance we see Deputy Governor Ramsden on hold.”
- “Think that only growth data would push the MPC – or rather, its median member, Governor Bailey – to cut in November. We are expecting a sustained rise in the jobless rate, and a reversal in the August PMIs strength this month. With that, we keep the November cut as our base case, albeit with low conviction.”
- “Our call is for consecutive cuts from then... 4Q does look binary: two cuts are possible on a mix of data and the Budget... Alternatively, if the growth data hold up, and disinflation is slower than we assume, even with the fiscal tightening in the Budget, we would see a December move as unlikely.”
- “Our view of the terminal rate is a call for pay growth to settle around 3%. If we are wrong about that – pay-settlement data will provide a good guide, and we are encouraged by the likely 4% hike in the NLW – our 2.75% call for the terminal rate would have to be severely adjusted. If the Budget brings spot inflationary tax hikes, the path to that terminal rate could be much longer.”
- APF reduction: Base case is that active sales end (with 55% probability).
- “See little point, and some practical challenges, in the MPC committing to skewing sales away from the long end, as our understanding is that the mechanics of sales are ultimately the BoE Markets team’s decision. We place... 45% on the £65 billion envelope.”
- Longer-term “it is very likely that reserves are underpinned by a mix of repo and a structural portfolio of longer-dated gilts.”

Nomura

- 7-2 vote “with Taylor expected to vote for a 25bp cut and Dhingra probably joining him.”
- “Much will depend on [this] week’s key data... as to whether our view of two further cuts (25bp in November and February) remain realistic.”
- “The late budget... is not helpful to a November rate cut view because it means the Bank will not be able to incorporate the economic effects of likely fiscal tightening into its forecast round.”
- APF reduction: GBP100bln.
- “We are conscious that there are strong arguments for reducing the pace. As a result, and with plenty of options open to the Bank, we see this specific outcome as a relatively low-conviction call.”

NatWest Markets

- Expect 7-1-1 vote with Dhingra voting for 25bp cut and Taylor favouring 50bp cut.
- “We do not expect any fundamental changes to the MPC’s policy guidance, though there may be more emphasis on data-dependency and, therefore, a clearer signal that the pace of easing will slow and the terminal rate will settle at a higher level.”
- “The NatWest forecast remains for a final 25bp reduction in Bank Rate to a 3.75% terminal rate. The risks around our forecast remain tilted to the downside, but only moderately (3.5%), and have shifted significantly towards the next cut coming in February 2026 rather than November – we will wait for the next round of labour market and CPI data before formally changing our call.”
- APF: Expect end to active sales.
- “Financial stability fears about greatly reduced demand for long-end bonds at a time of heavy supply and a fragile balance between nominal growth and funding costs appear sufficient to see the MPC stop active QT sales.”
- “Having seemingly signalled some scaling-back, and the early September sentiment wobble fresh in the mind, the MPC is likely to be keen to not ‘under-deliver’. The rough balance of risks around our central case centre on a reduction in QT to ~£75bn and £8bn long-end sales, which looks the market consensus.”

Rabobank

- 7-2 vote with “Dhingra and Taylor likely to advocate for a 25bp cut.”
- “A 25bp cut in November remains our base case, but our conviction is slipping.” Rabobank then sees a further 25bp cut in February to 3.50%.
- “We are not very comfortable with our view, and we may therefore adjust our forecast after next week’s meeting.”
- APF reduction: GBP60bln

RBC

- 7-1-1 vote with Dhingra voting for 25bp cut and Taylor voting for a 50bp cut.
- Expect guidance to be retained.
- “We have retained our call for the MPC to deliver one more 25bps in the current easing cycle at the next MPR meeting in November. The risks to that call, however, are increasingly tilted to the MPC delivering that cut later than we currently envisage, particularly after the announcement of the late Budget date of November 26th.”
- APF reduction: GBP60-65bln
- “Given the slow pace of active QT, we think it reduces the need for the BoE to skew its sales away from the long-end and hence anticipate sales to be conducted evenly across the curve.”
- “With the DMO continuing to skew its issuance ever shorter, we think the risks towards the Bank skewing its APF sales towards shorts and mediums have increased.”

Santander

- 7-2 vote with Dhingra and Taylor voting for cuts.
- Communication: “Expect a cautious message balancing “ugly” CPI optics against labour market softening. Official guidance will stress that further evidence of disinflation is required before cutting again. We also look for a harder edge around inflation persistence risks.”
- “We expect the stickiness of UK inflation will keep Bank Rate on hold for the foreseeable future, at least until mid-2026, when CPI finally falls back to 3% in our forecasts.”
- APF reduction: GBP70-75bn. “We have been calling for £75bn but would not be at all surprised by £70bn.”
- “There have been calls to follow the DMO’s lead and cease long sales, but we disagree: the governor often invokes the exceptionally long maturity profile of the BoE’s gilts as a key reason why it is selling while its peers rely on redemptions; if the focus moves to <7y, why not just wait for passive QT to do the job?”
- “Nor would we suggest fiddling with the definitions of these baskets.”

Societe Generale

- 7-2 vote with Dhingra and Taylor voting for 25bp cut.
- Guidance “likely to be maintained.”
- “Our base case is that the MPC maintains its quarterly pace of easing until Bank Rate reaches 3%, meaning cuts in November, February, April, and July.”
- “However, the probability of a cut in November is now close to 50-50.”
- “If the MPC doesn’t cut in November, then another two months’ worth of data published ahead of the December meeting should show enough disinflation to allow the MPC to feel comfortable cutting again at that meeting. December has the added benefit of occurring after the Autumn Budget, which is likely to contain modest fiscal tightening.”
- APF reduction: GBP75bn
- “Risks are tilted towards a larger envelope because Box B of the August MPR... did not signal any significant changes; the MPC believes that global forces rather than QT have driven up long-dated gilt yields; and we believe the MPC wants to shift the interest rate risk of its balance sheet quickly.”
- Expect “shortening the maturity profile of sales.”

TD Securities

- 7-2 vote with Dhingra and Taylor voting for a cut but “with a risk that one of the two doves also flips to the majority camp.”
- “The statement should still focus on sticky inflation given the upticks in recent releases, and will continue to highlight data dependency and not commit to a future path.”
- “We still believe that there is room for a cut this year given medium-term disinflation path, which would leave BoE at 3.75% at the end of 2025. Admittedly, the risk of postponing the November cut to December is growing and will almost certainly materialise should inflation surprise to the upside of MPR projections between now and the November meeting.”
- APF reduction: GBP60-65bn

- “There is less of a requirement for the BoE to continue with active QT sales.”

UBS

- 7-2 vote with Dhingra and Taylor favouring 25bp cut.
- No change in guidance.
- UBS still forecasts a November cut but notes that “While we think that improving underlying services inflation should allow the BoE to continue with its gradual approach to easing, cuts might be delayed in the event of further upside surprises in inflation ahead of the November meeting.”
- “For 2026, we continue to expect three 25bp rate cuts (Feb/Apr/Jul) to 3% by July 2026.”
- APF reduction: GBP70bln
- “The risk seems skewed towards a slower pace and we believe that even an end to active gilt sales is possible.”

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