

BoE Review: June 2025

Summary/Minutes: <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/june-2025>

There was no press conference as this was a non-MPR meeting

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MNI View: One More Dove

Tim Davis, 23 June

The Bank of England left Bank Rate on hold at 4.25% at its June meeting as unanimously had been expected. There was a minor surprise in the vote split with Ramsden joining Dhingra and Taylor in favouring a 25bp cut. Ahead of the meeting despite a 7-2 vote having been expected by the vast majority of market participants, it was a widely perceived risk that one of either Ramsden or Breeden may dissent. Perhaps the most surprising part of the Minutes on reflection is that the "on hold" voters' views were all clumped together as one, rather than being split into groups.

Ramsden returns to voting for sequential cuts

Ramsden's dissent, as noted above and in our preview, was not entirely surprising. He has previously shown form that he is the internal MPC member most sensitive to labour market developments. Indeed, he has been in support of each rate cut delivered through this cycle, dissented in favour of a December cut (but not in favour of a March cut) and also favoured an earlier start to the cycle (voting for cuts in both May and June of last year). One of the factors he has often placed great emphasis on was the labour market, and in particular the Agents' Pay Survey. In speeches towards the end of last year he pointed to expected pay settlements in the 2-4% range (which were revealed in November) but this narrowed to 3-4% by December and the point estimate was 3.7% by the time of the final release in February (towards the top end of the initial estimates). We think that this was enough to shift his view away from sequential cuts and back to quarterly cuts and explained his lack of dissent in March.

However, since then wage data has surprised to the downside, and the Agents' Survey published alongside this month's meeting noted that companies in some sectors are enacting smaller wage rises to those not in receipt of the national living / minimum wages in order to reduce the costs of these increases and also to help absorb some of the costs of the employer NIC increases. Payrolls wage data has also continued to decline – and this was mentioned explicitly in the Minutes. While the level of employment is falling – with the payrolls measure and other survey-based measures indicating that this is happening at an accelerated rate.

Ramsden is due to deliver a speech at the Barclays CEPR Monetary Policy Forum on Tuesday 24 June and we expect him to elaborate on the reasons for his dissent then. We would be very surprised if the speech does not focus heavily on the labour market.

Agents' Survey points to 3.5-4.0% wage settlements; but smaller rises for consumer-facing firms above the NLW

There was an interesting part of the Agents' Survey (which was released alongside the policy decision) which pointed to higher NICs constricting wage growth and consumer-facing firms only delivering pay increases of 1-2% for those whose wages were above the NLW threshold. Indeed, the Agents' Survey also pointed to also reducing headcount or hours amongst the labour measures that were being taken by consumer-facing firms to deal with the increase in employer NICs and the NLW / minimum wage. The Agents' Survey also points to the passthrough of employer NICs being more advanced for goods than services and points to "a small upside risk to the expected easing in consumer prices in 2025 H2." Extracts below:

- "Pay settlements for 2025, based on cumulative Agents' intelligence so far this year, continue to average 3.5%–4%. Most contacts are making lower awards than in 2024, most notably due to higher NICs, but also lower inflation, a looser labour market and affordability concerns. The main upside risk to wage settlements continues to relate to the NLW and the maintenance, or restoration, of differentials for staff whose pay is above it. Some unions are also reported to be pushing for above-inflation pay increases for their members."
- "Consumer-facing firms are seeing a significant upward impact on total labour costs with the combined effect of increased NICs/NLW on their wage bills of around 10%. Firms are using a combination of measures to mitigate the impact. The most common response is to reduce pay awards for those above the NLW by 1–2 percentage points. The next most popular responses are to reduce headcount, reduce hours worked, raise prices, and accept reduced margins. Other strategies include reducing investment, adjusting non-pay benefits and seeking other cost efficiencies. Many contacts are still working through what the policy changes mean for their business, so there is a sense that the full extent of firms' responses is yet to come."
- "Inflation in raw materials and imported finished goods is modestly positive, but there is limited evidence yet of tariffs having an impact on supply chain pricing. The wave of cost increases that arrived on 1 April such as NLW, NICs, and EPR put more pressure on contacts to recover them via output price increases. This pass-through is more advanced in goods, than in consumer services presenting a small upside risk to the expected easing in consumer prices in 2025 H2."

MPC commentary on the labour market:

In terms of the labour market weakening, the following is in the Monetary Policy Statement:

"The labour market has continued to loosen, leading to clearer signs that a margin of slack has opened up over time. Measures of pay growth have continued to moderate and, as in May, the Committee expects a significant slowing over the rest of the year. The Committee remains vigilant about the extent to which easing pay pressures will feed through to consumer price inflation."

In the Minutes, it states that "Several indicators of labour demand and firms' hiring intentions had softened further in recent months" before discussing the poor payrolls print (and cautioning about revisions to the flash) but notes that similar signals are seen in survey-based measures of employment. It reiterates that the V-U ratio (vacancies-to-unemployment) remains below equilibrium (which was the case in May, too) but that the LFS/vacancy data showed "no strong signs,

as yet, that a more abrupt loosening was underway." Pay data are described as "on track with the May Monetary Policy Report projection for a significant decline in wage growth."

We read this as rather non-committal. It is an acknowledgement that there could be adverse developments in the labour market brewing, but the MPC isn't convinced yet.

The rationale from the remaining six members:

Perhaps the most surprising part of the Minutes on reflection is that the "on hold" voters' views were all clumped together as one, rather than being split into groups.

"Disinflationary progress had continued, but there was not a strong case for a further easing of monetary policy at this meeting." That's not really surprising - and has no forward-looking read attached to it.

"Inflation seemed likely to stay around 3½% over the second half of 2025 before falling back towards the target from next year. There had generally been some greater signs of disinflationary pressures from the labour market, both in terms of quantities and wages, than from developments in domestic prices. Recent global developments had not had a significant impact on this meeting's policy decision." This suggests that the whole of the MPC (including those who hawkishly dissented in May i.e. Pill and Mann) agreed that there were signs of disinflation from the labour market. In isolation this could probably be perceived a little dovishly but...

"The risks around the medium-term path of CPI inflation remained two-sided. Assessing the pace of disinflation would continue to be key for these members in reaching a view on how quickly to remove remaining policy restraint." Two-sided risks doesn't really sound like the language you would expect from any member who was thinking of switching to sequential cuts any time soon...

"That assessment was likely to include a number of elements. Signs of weak demand, for example as a result of continued high saving, could lead to a more rapid opening up of slack in the labour market. In contrast, supply side constraints, such as continued weakness in productivity, or structural change in goods and labour markets could contribute to inflationary pressures." That part seems relatively neutral.

"Inflation persistence could also be generated by higher food prices raising inflation expectations, impacting wage and price setting behaviours." This part has been something we have been repeatedly discussing, but we don't think the market is paying enough attention to. Services prices were the big theme for the MPC in 2024, but in 2025 the MPC has repeatedly tried to move emphasis away from services prices and been noting that their research shows that the prices of the weekly supermarket shop, petrol prices and the cost of utilities bills have an outsized impact on inflation expectations. And it is the non-linear nature of inflation expectations after they move over around 3.5% that the MPC is concerned about.

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 Preview document.
- We aim to publish the answers within a few seconds of the embargo being released via the MNI Bullets and our interactive chat.
- No need to scroll through 30 newswire headlines.
- All of the tradable info you need delivered concisely straight to the your bullet feed or the chat.
- Gives you the confidence that you can quickly trade at the announcement time.

June Questions (and Answers)

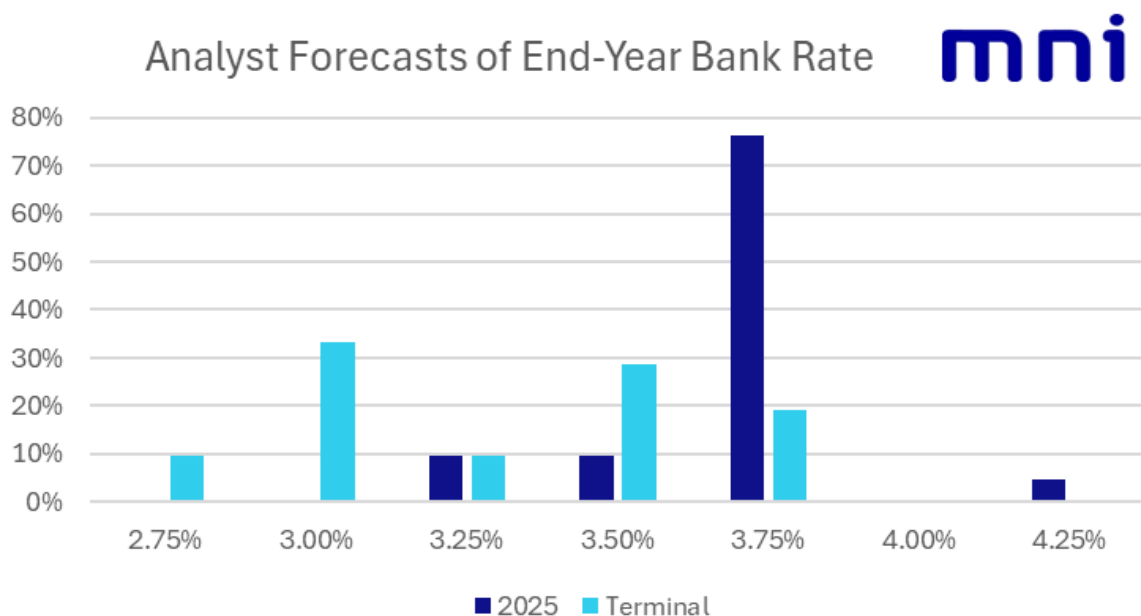
1. Was the Bank Rate changed, and if so by how much? **No- hold at 4.25%**
2. Number of members unchanged Bank Rate? **6**
3. Number of members voting for 25bp cut? **3 – Dhingra, Ramsden, Taylor**
4. Number of members voting for 50bp cut? **0**
5. Number of members voting for other rate decision? **0**
NB: On questions 2-5 we will name the dissenters (and the direction / magnitude of dissent)
6. Did the MPC drop reference to a “gradual approach” from its guidance? **No**
7. Did the MPC drop reference to “careful” in the guidance? **No - "a gradual and careful approach to the further withdrawal of monetary policy restraint remains appropriate"**
8. Did the MPC drop reference to “restrictive” from its guidance? **No - Policy "will need to continue to remain restrictive for sufficiently long"**
9. Did the MPC again say it will “decide the appropriate degree of monetary policy restrictiveness at each meeting”? **Yes**
10. Did the MPC leave its guidance paragraph materially unchanged versus the May policy statement? **Yes**

Governor Bailey press comment provided to reporters in the lock-up: "Interest rates remain on a gradual downward path, although we've left them on hold today. The world is highly unpredictable. In the UK we are seeing signs of softening in the labour market. We will be looking carefully at the extent to which those signs feed through to consumer price inflation"

From the Monetary Policy Minutes: "Slack was continuing to emerge in the labour market but there were no strong signs, as yet, that a more abrupt loosening was underway".

Summary of Analyst Views

- None of the analyst reviews that we have read changed their base case versus their expectations ahead of the meeting.
- 20/21 analysts (95%) look for the next cut in August with Berenberg expecting the next cut in Q3-26 after a prolonged pause.
- In terms of 2025 outlook, over 70% of analysts (16/21) expect a further 50bp of cuts in H2 to 3.75% at year-end. Only Berenberg (which looks for no further cuts this year) looks for fewer than 50bp of cuts in the remainder of the year. 4/22 (18%) analysts look for faster than quarterly cuts with 2/22 (9%) looking for 3.50% while Goldman Sachs and Morgan Stanley look for 3.25%.
- In terms of terminal rate, the analysts' base cases are all within a 2.75-3.75% range.



Summary of Analyst Views (Sorted by Hawkish to Dovish)

Institution	Pre-June	Post-June
Berenberg	7-2 vote (Dhingra and Taylor voting for cut). "Expect cost-push inflation to force the BoE to keep bank rate at 4.25% until the end of the year." 25bp cuts in Q3-26 and Q4-26 to terminal 3.75%.	"We stick with our forecast that the BoE will hold bank rate at 4.25% until end-2025 before reducing it by 50bp in 2026 but will be wary of demand and firms pricing power turning out weaker than we expect. If so, a cut in August would be justified."
RBC	7-2 vote with Dhingra and Taylor voting for 25bp cuts. Unch guidance. Continue to expect 25bp cuts in Aug25 and Nov25.	"The vote split increases our confidence, therefore, that the MPC will deliver a further 25bps rate cut at its August meeting as per our existing call... with another cut at the November meeting."
Jefferies	"Still expect the BoE to deliver two more cuts this year, in August and November, bringing Bank Rate to 3.75% by end-2025."	"We continue to see the BoE cutting again in August and November this year, alongside fresh forecasts. Delivering 50bps of cuts this year, bringing rates to 3.75% by end-2025."
NatWest Markets	7-2 vote with Dhingra and Taylor voting for 50bp cuts. Unch guidance. Continue to expect 25bp cuts in Aug25 and Nov25 to terminal 3.75%. "The risks are tilted towards greater easing – more likely ongoing gradual easing in H1 2026 rather than accelerated cuts in H2 2025."	Forecast "25bp cuts in Bank Rate in August and November to a 3.75% terminal rate. The risks are tilted towards greater easing – more likely ongoing gradual easing in H1 2026 rather than accelerated cuts in H2 2025 – in response to any ongoing, attritional weakness in the labour market."
Nomura	7-2 vote (Dhingra and Taylor voting for 25bp cut). Unch guidance. "We continue to see weaker growth and slowing inflation allowing the Bank to cut rates to 3.50% by early 2026." Think 3.50% is the upper end of the neutral range.	"the fact that we now go into the August meeting with three members wanting a cut makes a 25bp move next month very likely. We think the Bank cuts a total of three times more: in August, November and February, for 3.50% terminal rates by early 2026."
BNP Paribas	7-2 vote with Dhingra and Taylor voting for 25bp (or potentially 50bp) cut. Guidance unchanged. Continue to expect quarterly cuts to 3.50% by Feb26.	"Reinforces our long-held expectation for a quarterly pace of rate cuts, consistent with a "gradual and careful" approach to easing, and a terminal rate of 3.50% in Q1 2026... view risks around the monetary policy outlook as broadly balanced."
JP Morgan	7-2 vote with unchanged guidance; Breeden most likely to join the dovish dissenters. Statement to "characterise some parts of the data more dovishly." Removed Sep25 cut after mid-May tariff changes to look for quarterly cuts to 3.50% by Feb26.	Guidance "signals an intent to continue with a quarterly pace of easing, and points towards a 25bp cut in August as per our forecast (which also continues to see a 3.5% terminal rate by 1Q26)."
Santander	7-2 vote; risk others vote for cut e.g. Ramsden. "Gradual and careful" to remain. Base case for quarterly cuts to 3.50% in Feb26. Risk of Sep25 cut if labour market loosens decisively. Risks also skewed towards more easing in 2026.	"Firmly believe that the softening in the labour market will continue at a fast enough pace to underpin an August cut, taking Bank Rate to 4.00%... labour market evidence will underpin a November cut... but our revised inflation forecasts this week reduced our conviction." Terminal 3.50% in Q1-26.
Barclays	6-3 vote (Dhingra, Taylor, Ramsden dissent) with risk of 3 more internals voting for a cut in a decision to cut to 4.00%. Minutes to acknowledge softer labour market. Base case quarterly cuts to 3.50% by Feb26 but risk of pivot to more front-loaded easing in H2-25.	Guidance "still points to quarterly 0.25pp rate cuts." "We think the majority of the committee remain in a 3-3.5% range [for neutral] and so we are confident they can cut at least three more times before they judge themselves to be at neutral."
ING	At a minimum Dhingra, Taylor to dissent. Vote "may well be 6-3". Guidance unch. More optimistic about the inflation outlook than BOE expect cuts in Aug26, Nov26 and two in 2026 to terminal 3.25%.	"Despite weaker jobs numbers, the Bank of England is showing little sign that it's about to pick up the pace of easing." "our base case is that the BoE cuts rates in August and November, and twice more in 2026."
Daiwa	7-2 vote with majority of the MPC waiting to Aug to decide whether to cut again. Base case for quarterly cuts to 3.25% by Q2-26 with a further 25bp cut in 2027 to 3.00%.	"Continue to interpret that guidance as signalling that cuts of 25bps each quarter through to mid-2026 represent the most plausible path ahead for Bank Rate."
HSBC	Expect 7-2 vote with Dhingra and Taylor voting for 25bp cuts.	"We think data surprises need to be to the upside from here to prompt a hold" in Aug25. Look for hold in Sep25 and then following cut in Nov25.
Rabobank	7-2 vote with Dhingra and Taylor voting for 25bp cuts. Unch guidance. Continue to expect 25bp cuts in Aug25 and Nov25 with 3.00% terminal rate in 2026.	"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."
TD Securities	7-2 vote with unchanged guidance. Base case for quarterly cuts to 3.00% by Jul26. Downside surprises to services inflation and wage growth not enough for sequential cuts (due to high levels). Global uncertainty "could shift future sentiment dovish."	"The addition of Ramsden to the doves' camp, as well as the softer-than-expected data releases since the last meeting, suggests that the quarterly pace the BoE has been on thus far is likely to continue. This places more certainty on the August cut, and we expect an additional one in November."
Société Générale	7-2 vote (Dhingra and Taylor for 25bp cut - possibly 50bp but that "doesn't matter". "Risk that either Ramsden or Breeden could also vote for a 25bp cut." Continue to look for quarterly cuts to 3.00% in Jul26.	"Our more pessimistic view on growth and the labour market relative to the BoE should lead the MPC to stick to a quarterly pace of cuts, with the risk of more aggressive cuts later this year, possibly as early as the September meeting."
UBS	Expect 7-2 vote with Dhingra and Taylor voting for 25bp cuts. Baseline for quarterly cuts to 3.00% by Jul26. "Uncertainty about the damage from US tariffs implies uncertainty for our GDP and BoE rate projections."	"Expect the Bank to resume cutting on 7 August (-25bp), followed by another 25bp rate cut on 6 November... see two-sided risks around the inflation outlook... In 2026, we expect the Bank to cut rates three times (Feb/May/Jul) to a terminal rate of 3.0%."
Danske	7-2 vote with risks tilted to 6-3 and unch guidance. Continue to expect quarterly cuts to 3.25% 12-months ahead (end of forecast horizon but previously noted 2.75% end-2026 Bank Rate).	"Communication today supports our call of a continuous gradual approach to the cutting cycle... Expect the BoE to stick to quarterly cuts... risk is skewed towards a swifter cutting cycle in 2025 and 2026 given the downside risks to growth and the labour market."
Deutsche	7-2 with Dhingra and Taylor for 25bp cut (Taylor potentially 50bp) and risk of a third dissenter (most likely Ramsden). Guidance unchanged. Some MPC members to talk up vigilance re labour market. 25bp cuts Aug25, Nov25, Dec25, Feb25 to terminal 3.25%; risks skewed dovishly.	"There's nothing here to change our longstanding call. We expect the MPC to dial down restrictive policy again in August. And we see Bank Rate coming down twice more this year to 3.5% before dropping to a terminal rate of 3.25% in early 2026."
Bank of America	7-2 vote with unchanged guidance but Minutes emphasising progress in underlying inflation is continuing. Base case cuts in Aug25, Sep25, Nov25 to terminal 3.50%. Domestic inflation puts Sep25 cut at risk, but bar is high to cutting at a slower than quarterly pace.	"Scope for inflation to be lower than the BoE's estimates and expect cuts in August, September and November with a dovish pivot in H2...elevated inflation, gradual guidance and rising energy/food prices put our call for September cut at risk, but we think the bar to cut less than quarterly is high."
Goldman Sachs	7-2 vote (Dhingra and Taylor for 25bp cut). Unch guidance. Expect sequential cuts to a terminal of 3% in Feb26.	"Communications support our view that the Committee is likely to cut Bank Rate in August given recent downside surprises in pay growth and further evidence of labour market loosening."
Morgan Stanley	6-3 vote with Breeden more likely than Ramsden to join Taylor and Dhingra. Unch guidance but dovish Minutes. Base case sequential cuts Aug-Dec25 with terminal 2.75%. If don't see "dovish tilt" in Minutes "would be minded to rethink our near-term Bank Rate forecasts."	"Base case remains for sequential cuts from August into December... But we accept that the BoE seems deeply ingrained in gradualism." "If our assumptions are not accurate, we would have to alter our near-term call." "As long as pay growth is softening" bar to skip quarterlies "elevated".

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).

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