Market Participants Survey results – August 2023

Expectations for monetary policy from experts in UK rates markets.

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Overview

This survey forms part of the Bank's quantitative market intelligence gathering. It is formulated by Bank of England staff and enhances policymakers' understanding of market expectations. The questions involve topics that are widely discussed in the public domain, and never presume any particular policy action. Monetary Policy Committee (MPC) members are not involved in the survey's design.

Survey respondents originate from a broad set of market participant firms, selected by the Bank based on a number of criteria, including: (i) relevant market activity in UK rates or money markets; (ii) expertise in UK rates markets and/or UK monetary policy; (iii) willingness to participate regularly in the survey and in the Bank's market intelligence activity; and (iv) membership of one of the Bank's external market committees.

Please contact ✉ **MarketParticipantsSurvey@bankofengland.co.uk** for queries or for further information.

Survey results

The survey was open from 20–21 July 2023 with responses being received from 62 market participants. For most questions, median responses across participants, along with the 25th and 75th percentiles, are reported.[1] For questions that ask respondents to weight different factors or assign probabilities to specific outcomes, the mean weightings and probabilities are reported. For questions that ask respondents to select one option from a given set of possibilities – the respondent count against each option is reported.

Question 1: Expectations for Bank Rate

1a) What do you see as the most likely level of Bank Rate after the following MPC meetings? Bank Rate is currently at 5.00%. (a)

	25th percentile	50th percentile	75th percentile	Number of responses
3 August 2023 MPC	5.25	5.25	5.50	58
21 September 2023 MPC	5.50	5.50	5.75	58
2 November 2023 MPC	5.50	5.75	5.75	58
14 December 2023 MPC	5.50	5.75	5.94	58
1 February 2024 MPC	5.50	5.75	5.75	58
21 March 2024 MPC	5.50	5.63	5.94	58
9 May 2024 MPC	5.25	5.50	5.75	58
20 June 2024 MPC	5.00	5.50	5.75	58
One year ahead (August 2024 MPC)	4.75	5.25	5.50	57
End-2024 Q3	4.50	5.00	5.50	58
End-2024 Q4	4.00	4.50	5.00	57
End-2025 Q1	3.75	4.25	4.75	57
End-2025 Q3	3.00	4.00	4.50	56
End-2026 Q3	3.00	3.50	4.00	55

(a) Numbers in the above table are rounded to 2 decimal places.

1bi) Please indicate the percentage chance that you attach to Bank Rate being at the following levels after the August meeting. Responses should sum to a total weight of 100%. Bank Rate is currently at 5.00%. (a)

	Mean probability (%)	Number of responses
<4.75%	0.1	58
4.75%	0.1	58
5.00%	4.5	58
5.25%	49.9	58
5.50%	44.7	58
5.75%	0.8	58
>5.75%	0.0	58

(a) In the question provided to respondents, the different Bank Rate outcomes spanned <3.75% and >6.25% at the extremes, and all 25 basis points increments in between. Results have been aggregated where the mean probabilities above or below a certain outcome were close to or at zero. Mean probabilities are rounded to 1 decimal place.

1bii) Please indicate the percentage probability you attach to Bank Rate being at the following levels after the September meeting. Responses should sum to a total weight of 100%. (a)

	Mean probability (%)	Number of responses
<4.75%	0.1	58
4.75%	0.2	58
5.00%	2.5	58
5.25%	16.2	58
5.50%	43.7	58
5.75%	32.3	58
6.00%	4.9	58
>6.00%	0.2	58

(a) In the question provided to respondents, the different Bank Rate outcomes spanned <3.75% and >6.25% at the extremes, and all 25 basis points increments in between. Results have been aggregated where the mean probabilities above or below a certain outcome were close to or at zero. Mean probabilities are rounded to 1 decimal place.

1c) Please assign probabilities to the peak Bank Rate being realised at the following levels, assuming that the highest probability weighting is assigned to the peak in Bank Rate you provided in question 1a. Responses should sum to a total weight of 100%. (a)

	Mean probability (%)	Number of responses
At the current level of 5.00%	1.8	58
5.25%	8.9	58
5.50%	26.9	58
5.75%	30.6	58
6.00%	19.4	58
6.25%	7.6	58
>6.25%	4.8	58

(a) Mean probabilities are rounded to 1 decimal place.

1d) In the June MPC minutes, the MPC said that 'if there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required'. Please weight the following factors (%) in terms of their importance in informing your perceptions about the prospects for further tightening. Responses should sum to a total of 100%. (a)

	Mean weighting (%)	Number of responses
Tightness of labour market conditions	19.4	58
Wages growth	27.1	58
Services price inflation	26.3	58
Other aspects of headline inflation	10.7	58
Survey and market-based measures of inflation expectations	8.6	58
The MPC's communications on the inflation outlook	7.2	58
Other	0.8	58

(a) Mean weightings are rounded to 1 decimal place.

1e) At this point in time, what probability do you attach to an initial rate cut of any size occurring within the following time frames? Responses should sum to a total of 100%. (a)

	Mean probability (%)	Number of responses
Between now and the end of 2023 Q4	6.0	58
From the start of 2024 Q1 to the end of 2024 Q2	36.5	58
After 2024 Q2	57.5	58

(a) Mean probabilities are rounded to 1 decimal place.

1f) With reference to your answers to question 1a on most likely levels for Bank Rate, how would you describe the balance of risks surrounding your expectations for Bank Rate at the following horizons?

	Count		
	Between now and the one-year point	At the two-year point	At the three-year point
Risks skewed towards a higher path for Bank Rate	30	8	8
Risks to Bank Rate path broadly balanced	20	26	25
Risks skewed towards a lower path for Bank Rate	8	24	24

1g) And where do you see the level of Bank Rate at which monetary policy is neither expansionary nor contractionary (often referred to as the neutral, natural or equilibrium rate) (%)? (a)

25th percentile	50th percentile	75th percentile	Number of responses
2.81	3.38	3.94	54

(a) Numbers in the above table are rounded to 2 decimal places.

Question 2: Macroeconomic outlook

2a) Please provide the annual rate of CPI inflation – conditioned on your Bank Rate expectations (question 1a) – you see as most likely at each of the following time horizons. For reference, the most recent CPI print for June was 7.9%.

	25th percentile	50th percentile	75th percentile	Number of responses
End-2023 Q3	6.30	6.50	6.80	54
End-2023 Q4	4.30	4.65	5.00	54
End-2024 Q1	3.30	3.80	4.40	53
End-2024 Q2	2.00	3.00	4.00	53
One year ahead	2.40	3.00	3.28	54
Two years ahead	2.00	2.30	3.00	53
Three years ahead	2.00	2.20	2.50	53
Five years ahead	2.00	2.00	2.50	50

2bi) Please assign probabilities to the following rates of annual CPI inflation three years ahead. Responses should sum to a total weight of 100%. (a)

	Mean probability (%)	Number of responses
<=1.00%	3.4	53
1.01%–1.40%	4.9	53
1.41%–1.80%	9.8	53
1.81%–2.20%	23.6	53
2.21%–2.60%	25.3	53
2.61%–3.00%	15.2	53
>3.00%	17.7	53

(a) Mean probabilities are rounded to 1 decimal place.

2bii) Please assign probabilities to the following rates of annual CPI inflation on average from five years ahead to 10 years ahead (ie analogous to the five-year five-year forward rate). Responses should sum to a total weight of 100%. (a)

	Mean probability (%)	Number of responses
<=1.00%	2.6	53
1.01%–1.40%	4.4	53
1.41%–1.80%	10.9	53
1.81%–2.20%	30.4	53
2.21%–2.60%	24.6	53
2.61%–3.00%	13.6	53
>3.00%	13.3	53

(a) Mean probabilities are rounded to 1 decimal place.

2c) The May 2023 Monetary Policy Report (MPR) set out the MPC's projections for annual UK GDP growth as: 2023 +0.25%, 2024 +0.75%, 2025 +0.75%. How does your most likely profile for UK GDP growth differ in percentage points from that of the assessment in the May MPR – conditioned on your Bank Rate expectations (question 1a). For example, an answer of +0.1% implies you expect GDP growth to be 0.1% higher than the May MPR projection, an answer of 0.0% implies your expectation aligns with the May MPR and an answer of -0.1% implies you expect GDP growth to be 0.1% lower than the May MPR.

	Count			
	25th percentile	50th percentile	75th percentile	Number of responses
+/- % difference versus MPR: 2023	-0.10	0.00	0.10	49
+/- % difference versus MPR: 2024	-0.50	-0.25	0.00	49
+/- % difference versus MPR: 2025	-0.21	0.00	0.41	48

Question 3: Expectations for the Bank's balance sheet and gilt yields

3a) At its September 2022 meeting the MPC voted to reduce the stock of UK government bonds held for monetary policy purposes by £80 billion over the following 12 months to September 2023 (comprising both maturing gilts, amounting to £35 billion, and gilt sales), to a total of £758 billion. For following years, the MPC stated it intends to set an amount for the reduction in the stock of purchased gilts as part of annual reviews. Beyond September 2023, what is the annual reduction in the stock of purchased gilts, comprising both maturing gilts and sales, that you envisage will take place over the following MPC date reference periods? Responses should reflect expectations for reductions in the stock of asset purchases over each interim period rather than being cumulative. (a)

	25th percentile	50th percentile	75th percentile	Number of responses
From September 2023 until September 2024	80	95	100	53
From September 2024 until September 2025	87	100	120	53
From September 2025 until September 2026	67	80	98	53
From September 2026 until September 2027	50	79	80	53

(a) Respondents were provided with Asset Purchase Facility redemptions (as set out in the run-off profile published in **Results and usage data**) corresponding to each period.

3b) What do you see is the most likely level for the 10-year gilt yield at the following points in the future (%)? Current 10-year gilt yield is 4.21% as of 5pm on 19 July 2023.

	25th percentile	50th percentile	75th percentile	Number of responses
End-September 2023	4.00	4.20	4.40	54
End-December 2023	3.81	4.00	4.50	54
End-March 2024	3.50	3.95	4.30	53
End-June 2024	3.40	3.75	4.00	53
End-September 2024	3.25	3.70	4.00	53

Question 4: Expectations for exchange rates

4a) What do you see is the most likely level for GBPUSD at the following points in the future? The level of GBPUSD as of 5pm on 19 July 2023 was 1.2894.

	25th percentile	50th percentile	75th percentile	Number of responses
End-December 2023	1.2600	1.2800	1.3000	47
End-June 2024	1.2500	1.2600	1.3000	47
End-December 2024	1.2200	1.2500	1.3000	47

4b) What do you see is the most likely level for EURGBP at the following points in the future? The level of EURGBP as of 5pm on 19 July 2023 was 0.8673.

	25th percentile	50th percentile	75th percentile	Number of responses
End-December 2023	0.8500	0.8698	0.8750	48
End-June 2024	0.8600	0.8750	0.8800	48
End-December 2024	0.8500	0.8800	0.8950	47

1. Throughout, the Xth percentile is calculated by ranking the survey responses in ascending order and reporting the response which is ranked in position k where k is (X/100)*(sample size – 1) + 1. For numeric answers, where k is not an integer (ie this position lies between two responses), the result is interpolated by applying the percentile proportional to the distance between them. Discontinuous answers, such as policy meeting dates, are not interpolated. Instead, the first response which covers at least X% of the sample is reported.

Related documents

⤓ Market Participants Survey results – August 2023 (XLSX 0.1MB)