

Monetary Policy Report - February 2021

 Our quarterly Monetary Policy Report sets out the economic analysis and inflation projections that the Monetary Policy Committee uses to make its interest rate decisions.

Published on 04 February 2021

In a nutshell



Covid is hitting spending, incomes and jobs



Vaccines should help the UK economy recover rapidly later this year



Inflation is below our target



We are keeping interest rates low to support households and businesses

Covid continues to hit spending, incomes and jobs in the UK. It has put a big strain on UK businesses' cash flow, and is threatening the livelihoods of many people.

Our job is to ensure inflation² (the pace of price rises) returns to our 2% target sustainably. Low and stable inflation supports jobs and growth and helps people plan for the future.

In response to the Covid pandemic, we have taken prompt and substantial action to help households and businesses.

We are supporting the economy through low interest rates² and quantitative easing. This keeps the cost of borrowing low to support households and businesses.

Spending in the economy remains well below normal levels and inflation is much lower than our target.

Vaccines should help the UK economy recover rapidly later this year.

And inflation should return to around our 2% target.

We have kept our interest rate at 0.1%, and the amount of quantitative easing at £895 billion.

We stand ready to take further actions if necessary to help the economy recover and ensure that inflation is at our 2% target.

Monetary Policy Report - February 2021

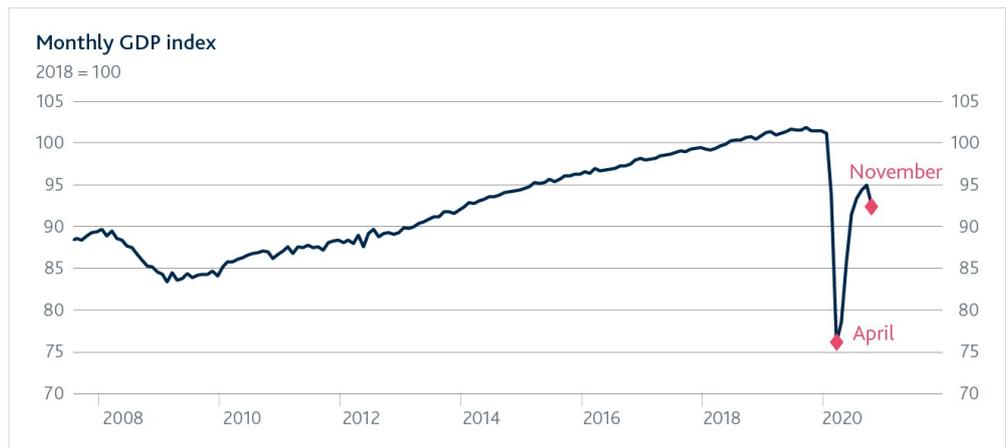
Covid is hitting spending, incomes and jobs.

Since the start of the pandemic, many businesses have sold less of their goods and services. At times, some businesses have been unable to sell at all.

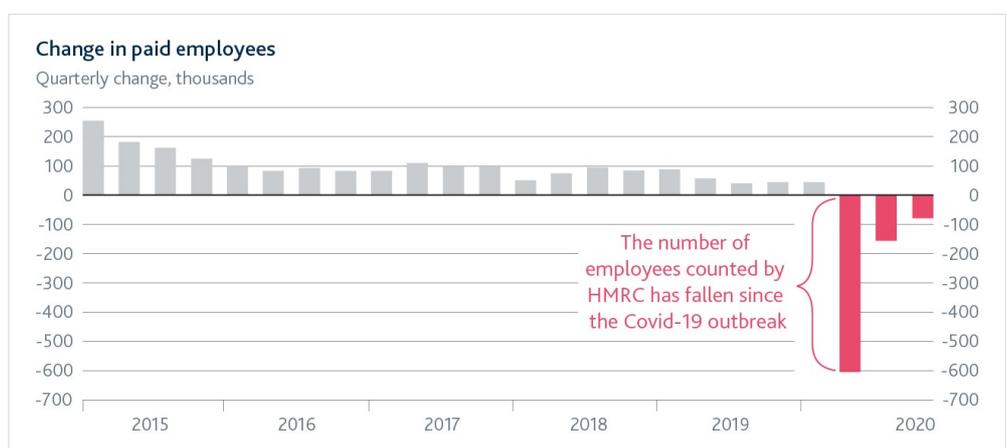
Many households have less money coming in, and some people have lost their jobs.

The most recent rise in Covid cases and the restrictions put in place to contain its spread will reduce spending.

View chart: See how spending in the UK has fallen since the start of the pandemic



View chart: See how the number of people working has fallen since Covid spread





Covid is hitting spending, incomes and jobs

Vaccines should help the UK economy recover rapidly later this year

Vaccines should help the UK economy recover rapidly later this year.

As more people are vaccinated, restrictions to control the spread of the virus may be lifted.

People may also become more confident about spending.



Vaccines should help the UK economy recover rapidly later this year

Inflation is below our target

On average, the prices of the things we typically buy increased by 0.6% over the twelve months to December.

That is below our 2% target.

The main factor that has pulled inflation down is the spread of Covid.

Oil and gas prices have fallen since the start of the pandemic, which has reduced utility bills² and petrol prices.

Slower growth in the UK economy has also probably reduced inflation, because when people are not spending as much, firms tend to increase their prices by less.

Inflation should return to around our 2% target later this year, as these effects fade.

View chart: See how inflation is below our 2% target





Inflation is below our target

We are keeping interest rates low to support households and businesses

In response to the Covid pandemic, we have taken prompt and substantial action to help households and businesses.

We have cut interest rates to 0.1%.

Lower interest rates mean cheaper loans for businesses and households. That reduces the costs they face, and encourages companies to employ people and invest.

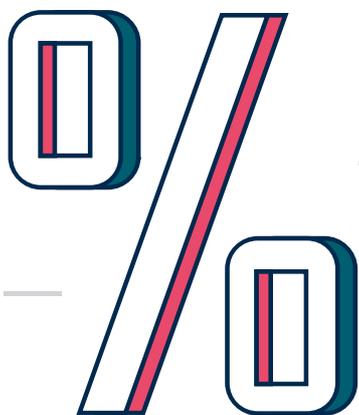
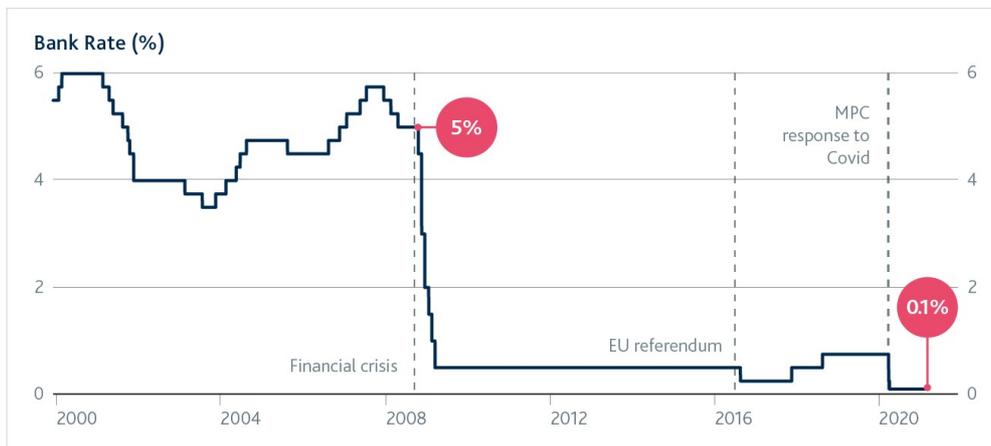
To encourage banks and building societies to lower their interest rates we are offering them long-term funding at very low rates.

We are also supporting the UK economy through quantitative easing. This mainly involves us buying large quantities of government bonds. When we do this, the interest rates on those bonds go down. This helps to keep the interest rates on mortgages and business loans low.

The actions we have taken should increase spending, and help push inflation back to our 2% target.

Whatever the future brings, we will do all we can to support UK households and businesses through this difficult time.

[View chart: See how we have cut interest rates in response to Covid](#)



We are keeping interest rates low to support households and businesses

Press conference

-  [Opening remarks from Andrew Bailey \(PDF 0.5MB\)](#)
-  [Monetary Policy Report Press Conference transcript \(PDF 0.1MB\)](#)

Related documents

-  [Monetary Policy Report - February 2021 \(PDF 4.9MB\)](#)
-  [Monetary Policy Report chart slides and data - February 2021 \(ZIP 10.2MB\)](#)
-  [Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 3 February 2021 \(PDF 0.4MB\)](#)

