

13. June 2025

Bank of England Preview

Steady as she goes

- We expect the Bank of England (BoE) to keep the Bank Rate unchanged at 4.25% on Thursday 19 June in line with consensus and market pricing.
- Data has surprised to the downside since the past meeting with the job market showing more pronounced signs of cooling. We think this will support the notion of further quarterly cuts.
- We expect the reaction in EUR/GBP to be muted. We stay negative on GBP.

We expect the Bank of England to keep the Bank Rate unchanged at 4.25% on Thursday 19 June in line with consensus and market pricing. We expect the vote split to be 7-2 with the majority voting for an unchanged decision and Dhingra and Taylor voting for a 25bp cut. Risks are tilted towards a 6-3 vote split. Note, this meeting will not include updated projections or a press conference following the release of the statement.

Overall, we expect the BoE to stick to its previous guidance repeating that a “*gradual and careful approach to removing monetary policy restraint remains appropriate*”. Since the last meeting in May, data has generally surprised to the downside. Weakness in the labour market has become more pronounced over the past months with payrolls dropping consistently and unfilled vacancies continuing to edge lower. Private sector wage growth has likewise been lower than expected – although it remains at elevated levels. Growth has been weaker than expected at -0.3% m/m in April and poses as a downside risk to the MPC’s projection of 0.1% q/q for Q2 2025. Service inflation remained to the high side at 5.4% y/y in April, but we note that the increase was largely due to the timing of Easter and an overestimation by the ONS of the increase in road tax, which will push the print lower again in May.

BoE call. We expect the BoE to stick to quarterly cuts, leaving the Bank Rate at 3.75% by YE 2025, which is aligned with market pricing. Markets are pricing 50bp for the remainder of the year. However, we highlight that the risk is skewed towards a swifter cutting cycle in 2025 and 2026 given the downside risks to growth.

Market reaction. We expect a muted market reaction as the BoE will refrain from altering its current guidance. More broadly, we stay negative on GBP. An investment environment characterised by elevated uncertainty and a positive correlation to a USD negative environment, in our view, favours a weaker GBP. Tentative signs of a weaker growth outlook for the UK economy also acts as a headwind for GBP. We therefore expect EUR/GBP to move higher towards 0.87 on a 6–12-month horizon.

Chart 1. Cooling labour markets



Source: Macrobond Financial

Chart 2. BoE market pricing

BoE market pricing, bp		
	Acc.	Incr.
07/08/2025	-20	-20
18/09/2025	-25	-5
06/11/2025	-40	-15
18/12/2025	-48	-8
31/12/2025	-48	
31/12/2026	-71	

Source: Danske Bank Macrobond Financial

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None

Date of first publication

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