



Monetary Policy Summary for the special Monetary Policy Committee meeting on 19 March 2020

The spread of Covid-19 and the measures being taken to contain the virus will result in an economic shock that could be sharp and large, but should be temporary.

Published on 19 March 2020

The role of the Bank of England is to help to meet the needs of UK businesses and households in dealing with the associated economic disruption.

On 11 March, the Bank of England's three policy committees announced a package of measures to support UK businesses and households through this period. In his Budget on the same day, the Chancellor of the Exchequer announced a number of fiscal measures with the same aim. On 17 March, this combined package of measures was complemented by the announcement by HM Treasury of the Covid 19 Corporate Financing Facility (CCFF), for which the Bank will act as HM Treasury's agent. By purchasing commercial paper, the CCFF will provide funding to non-financial businesses making a material contribution to the UK economy to support them in paying salaries, rents and suppliers while experiencing the likely disruption to cashflows associated with Covid-19.

In light of actions to tackle the spread of the virus, and evidence relating to the global and domestic economy and financial markets, the Monetary Policy Committee (MPC) held an additional special meeting on 19 March. Over recent days, and in common with a number of other advanced economy bond markets, conditions in the UK gilt market have deteriorated as investors have sought shorter-dated instruments that are closer substitutes for highly liquid central bank reserves. As a consequence, UK and global financial conditions have tightened.

At its special meeting on 19 March, the MPC judged that a further package of measures was warranted to meet its statutory objectives. It therefore voted unanimously to increase the Bank of England's holdings of UK government bonds and sterling non-financial investment-grade corporate bonds by £200 billion to a total of £645 billion, financed by the issuance of central bank reserves, and to reduce Bank Rate by 15 basis points to 0.1%. The Committee also voted unanimously that the Bank of England should enlarge the TFSME scheme, financed by the issuance of central bank reserves.

The majority of additional asset purchases will comprise UK government bonds. The purchases announced today will be completed as soon as is operationally possible, consistent with improved market functioning. The Bank will issue further guidance to the market in due course.

The next regularly scheduled MPC meeting will end on 25 March, with the minutes published on 26 March. The minutes of today's special meeting will be released at the same time.



BANK OF ENGLAND