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UK QUICK TAKE: HALDANE STEPS DOWN AS BOE CHIEF ECONOMIST

Berenberg Macro View

*****Andy Haldane, BoE Chief Economist and influential Monetary Policy Committee member, will leave his various roles at the bank after the June MPC meeting** ([BoE press release](#))***

Sterling as well as gilt yields have dipped slightly – although not significantly – on the news, implying that the market judges a slightly more dovish tilt to the MPC once Haldane's leaves. This assessment is broadly right, in our view.

In recent months, Haldane has sounded more optimistic about the UK's economic prospects than the Bank of England's official forecasts. He has also highlighted potential upside inflation risks. Correctly, markets have judged Haldane's stance as more hawkish than the general MPC consensus.

But one member of the nine member committee cannot drive policy alone. All policy decisions are determined by a majority vote.

The MPC is required by its official remit to target 2% yoy consumer price inflation. Economic conditions thus determine the BoE's policy response more than the influence of individual committee members.

Should Haldane's projections for the economic and inflation outlook prove correct, markets can expect the remaining committee members (plus his replacement) to take a suitably hawkish policy stance if and when the time comes.

The long-run outlook for UK monetary policy thus remains broadly unchanged.

At the margin, with the absence of Haldane, the MPC may now react to any forthcoming inflation risks a little later than it otherwise would – but only by a meeting or two at the most.

During the period between Haldane resigning and the BoE appointing his replacement, the MPC may take a more dovish tilt. But since we do not expect any policy changes for the remainder of 2021, this should not affect any policy outcomes.

Markets will need to reassess the new policy tilt of the committee once the new chief economist takes her or his place.

Our BoE calls remain unchanged. We continue to expect the BoE to complete its asset purchases by year end – in line with latest BoE guidance. In 2022 the BoE is likely to set out an exit strategy from its ultra-easy policy stance before hiking the bank rate in 2023. The potential for upside



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surprises in economic performance and inflation tilts the risks for the first hike towards a hike at the end of 2022.

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