

Bank of England halts QE, leaves door open for more

The Bank of England announced on Thursday no increase to its unprecedented 200 Billion GBP asset-buying programme, but left the door open to more so-called quantitative easing if economic conditions deteriorated. It also left UK interest rates at a record low of 0.5 percent, as expected.

Almost all analysts had predicted a pause in the programme after 11 months of pumping newly-created money into the economy but Sterling rose and gilts fell as some traders had positioned for an increase, given the fragility of the economy which has only just come out of recession.

The BoE said that, on balance, the prospects were for a gradual recovery in the level of activity but the high level of spare capacity in the economy after the recession meant inflation would fall below the target for a period. "The Committee will continue to monitor the appropriate scale of the asset purchase programme and further purchases would be made should the outlook warrant them," the Central Bank said in a statement. Analysts said that was probably it for QE but that it would probably be some time before the BoE would think about tightening policy. "Providing the recovery gains momentum, then we think the QE programme will not be expanded any further".

The BoE started buying assets, mostly gilts, last March with newly-created money in an effort to boost the economy -- quantitative easing or QE in the jargon -- but the 200 Billion GBP (\$317.5 billion) it had so far sanctioned was exhausted last week.