



BANK OF ENGLAND

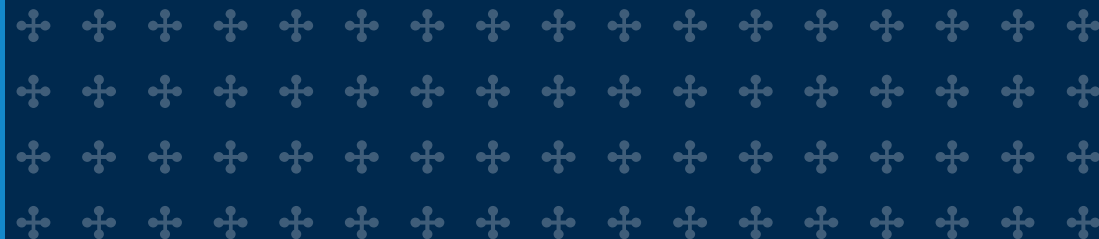


# Sea Change

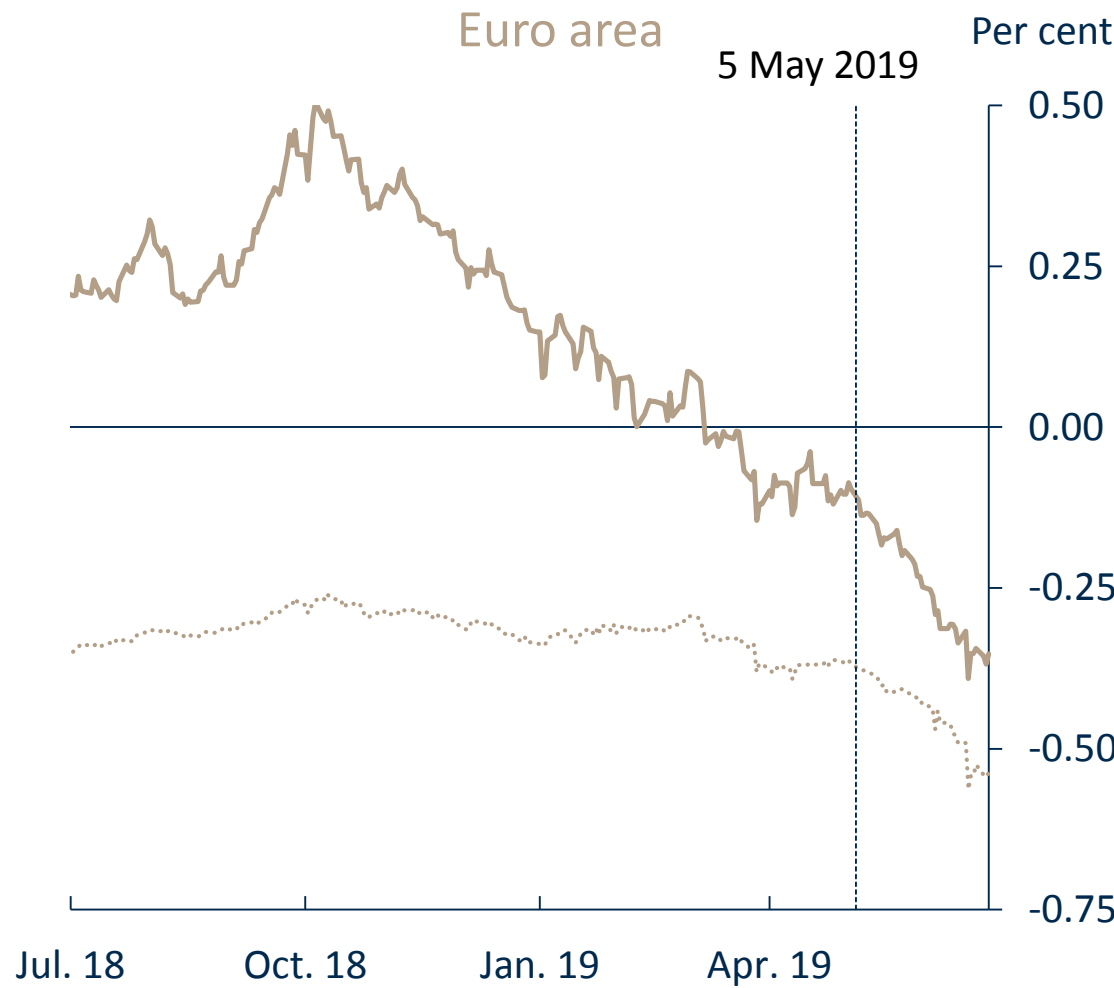
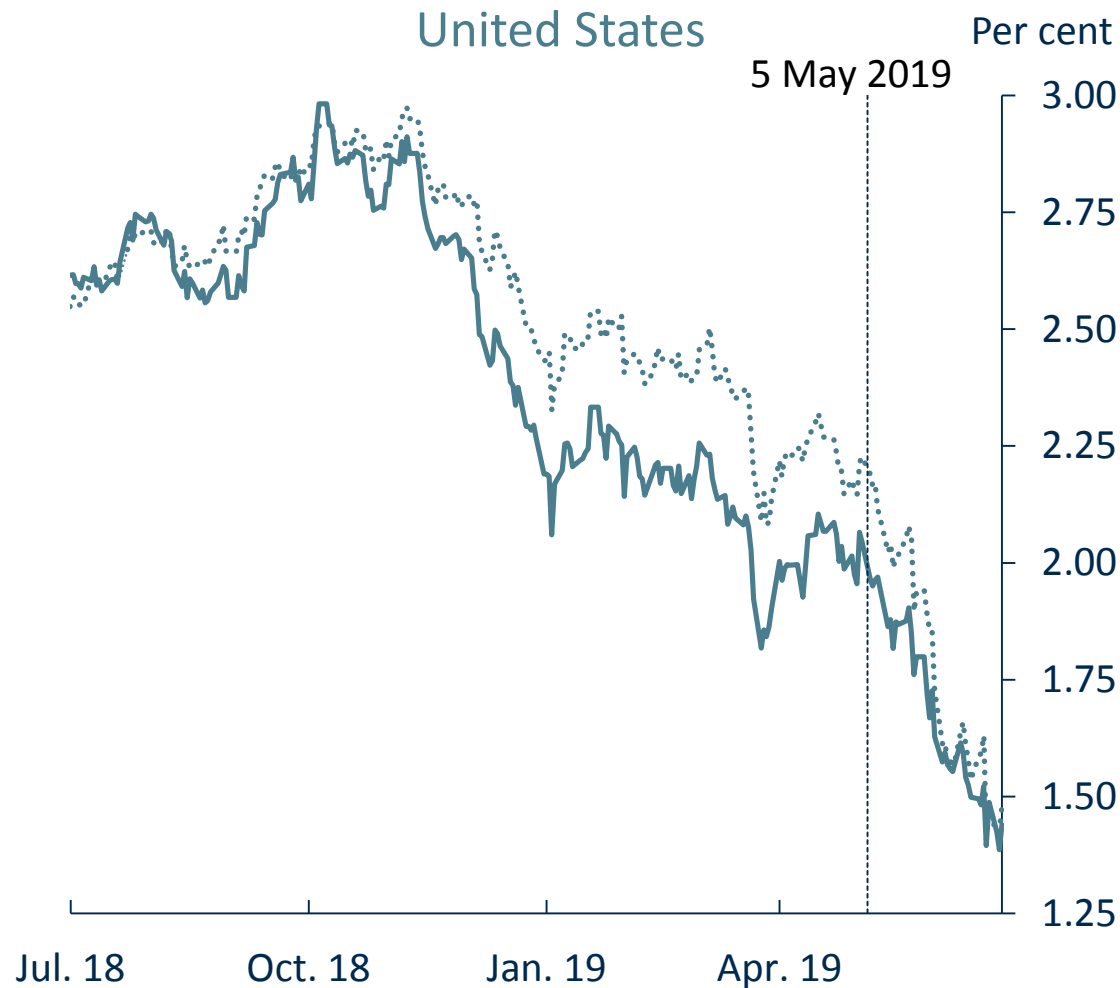
Mark Carney

Governor, Bank of England

2 July 2019



# Expected paths of policy rates have shifted sharply downwards



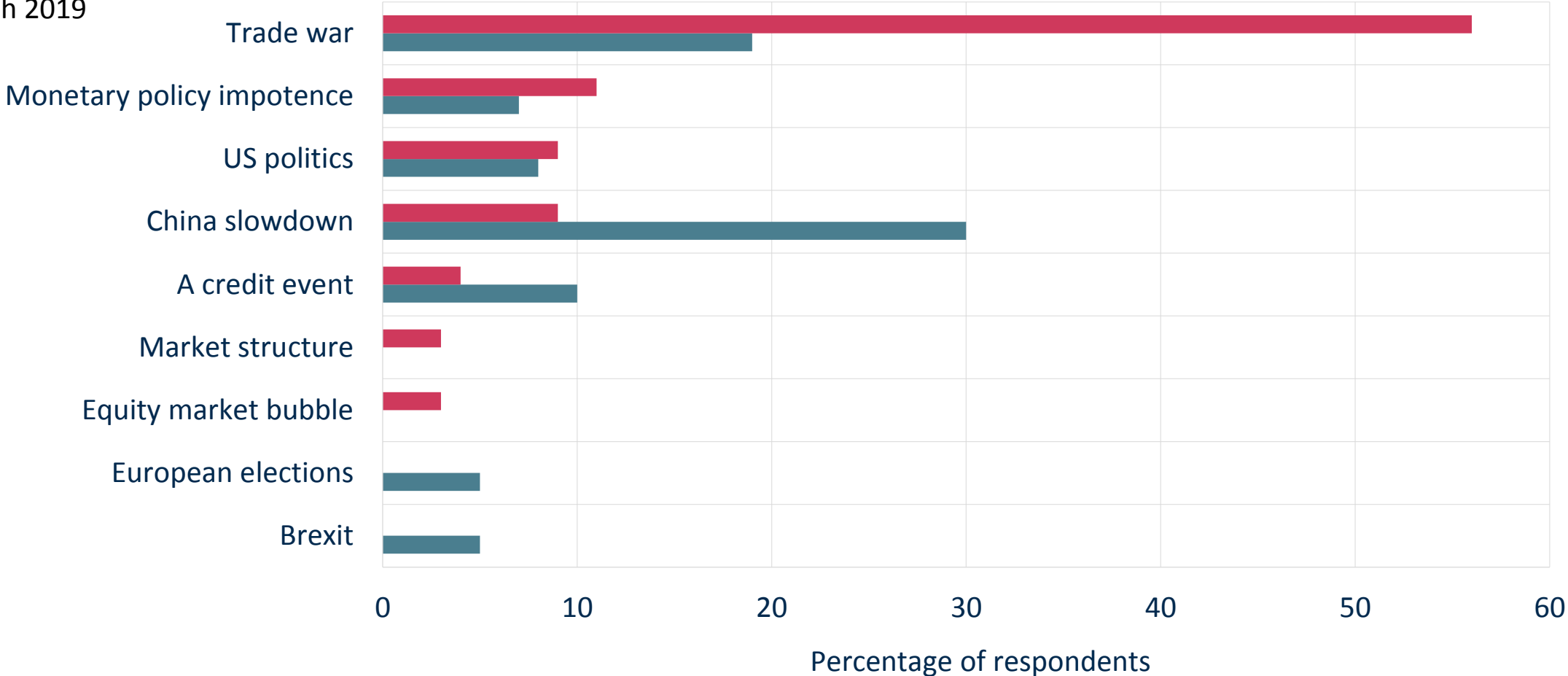
Dotted lines: 1 year forward rates

Solid lines: 3 year forward rates

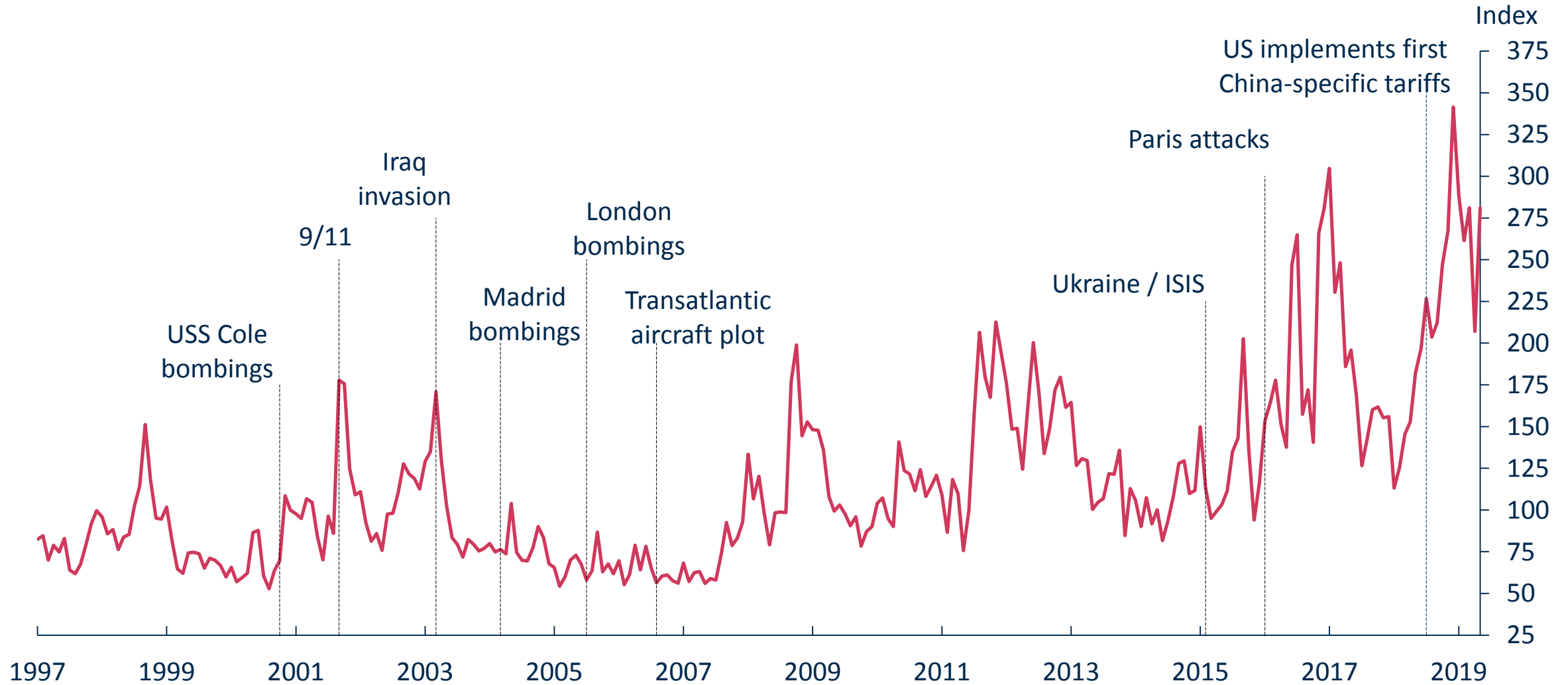
# Investors now see a trade war as the top risk

■ June 2019

■ March 2019

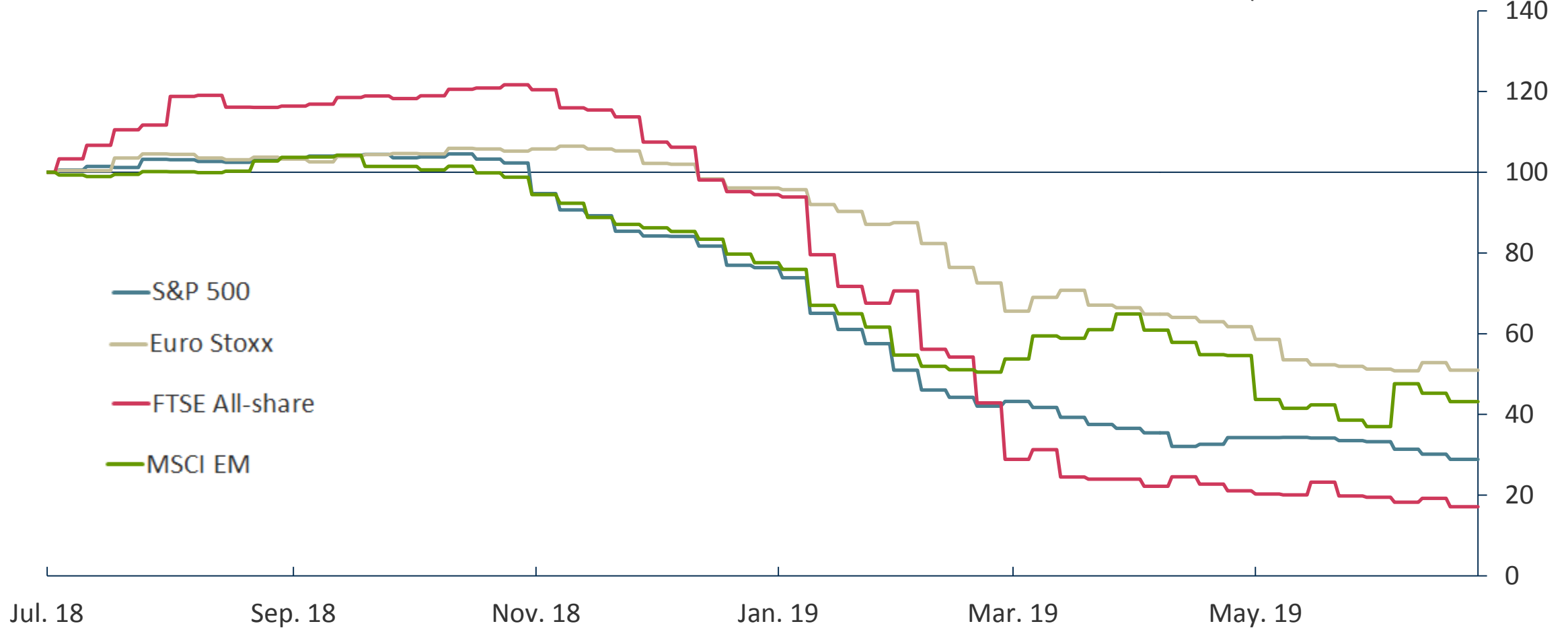


# Global economic policy uncertainty reached record highs

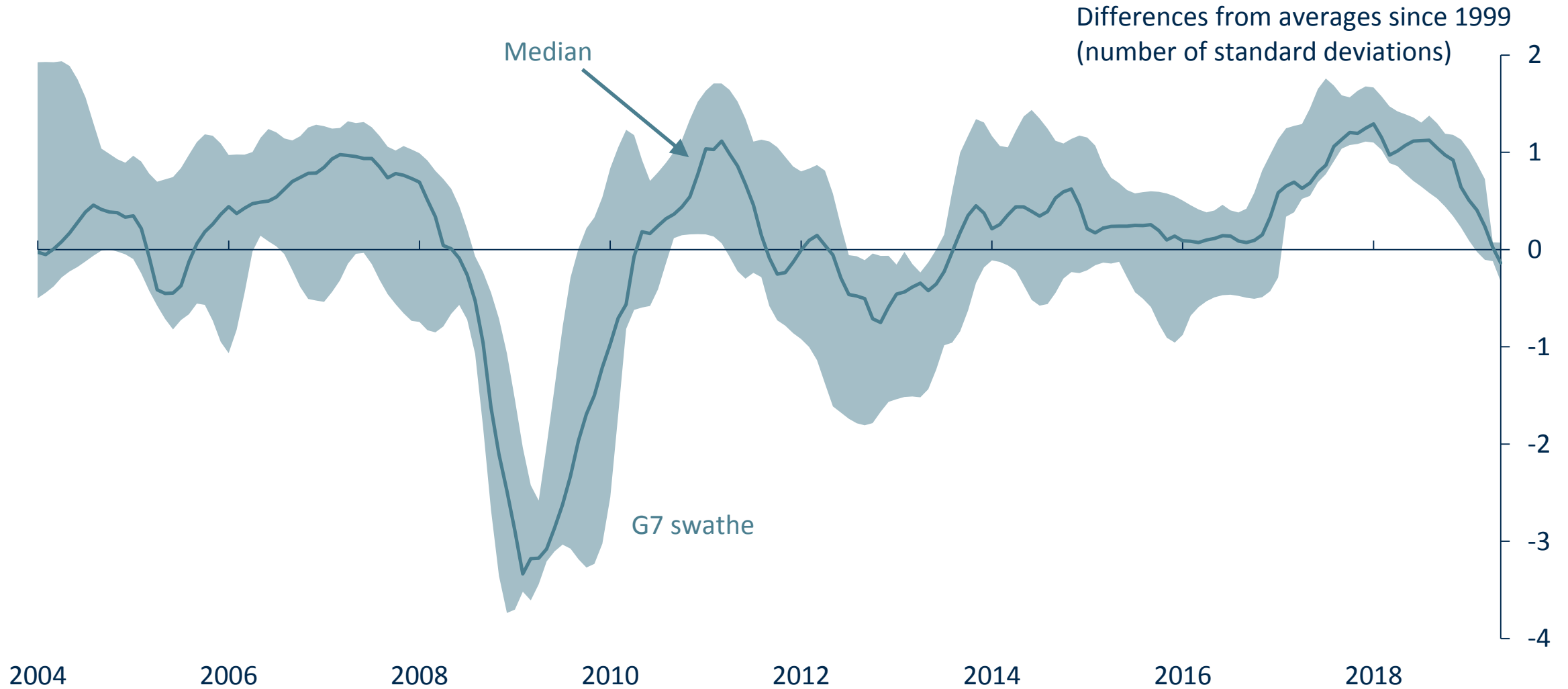


# Corporate earnings expectations sharply lower

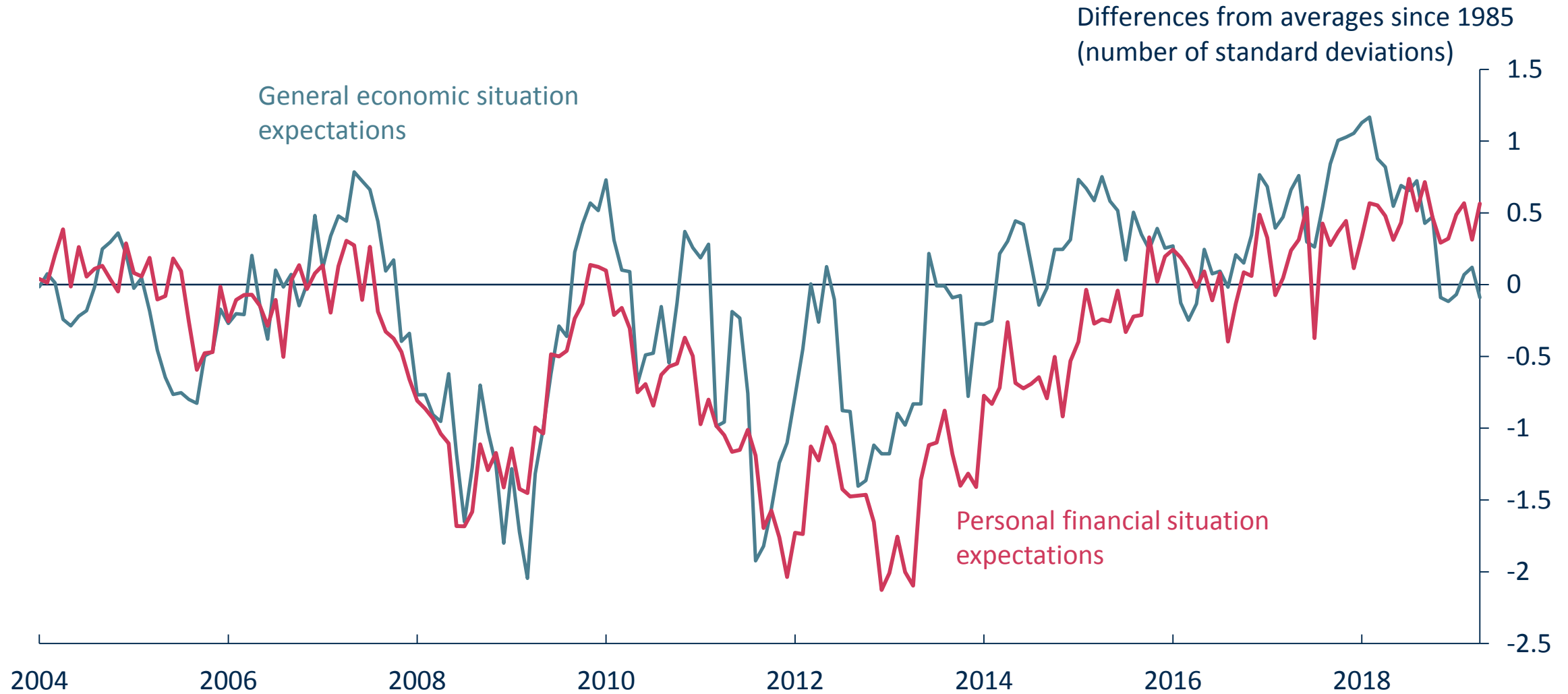
Expected growth in earnings per share in 2019  
(Indices: 02 Jul 2018 = 100)



# Global business confidence down



# Households still optimistic about their own prospects



## Direct effects of tariff increases thus far small

	Change in level of GDP (%)				
	US	China	Euro area	UK	World (PPP-weighted)
Measures taken in previous years	-0.4	-0.3	-0.1	-0.1	-0.1
Additional US-China tariffs implemented in May and June 2019	-0.5	-0.4	-0.2	-0.1	-0.2



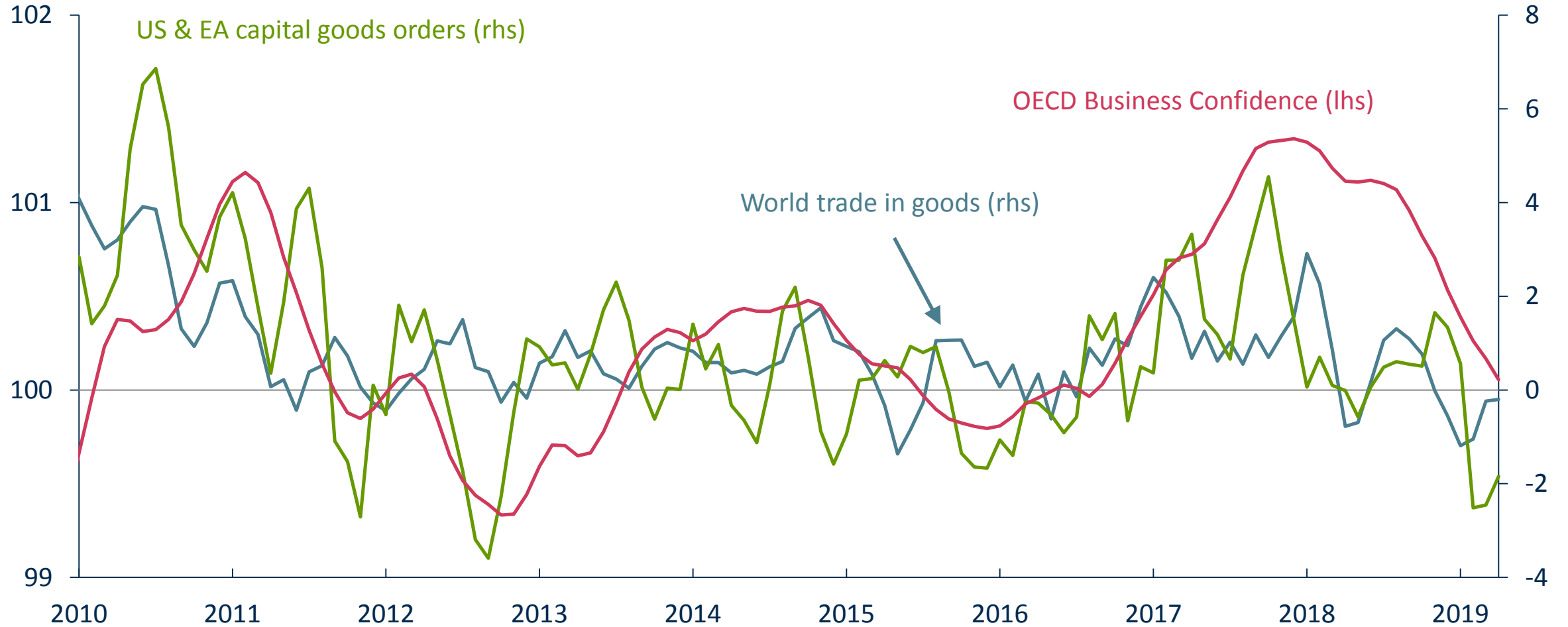
# Additional tariffs threatened would have a greater effect

	Change in level of GDP (%)				
	US	China	Euro area	UK	World (PPP-weighted)
Measures taken in previous years	-0.4	-0.3	-0.1	-0.1	-0.1
Additional US-China tariffs implemented in May and June 2019	-0.5	-0.4	-0.2	-0.1	-0.2

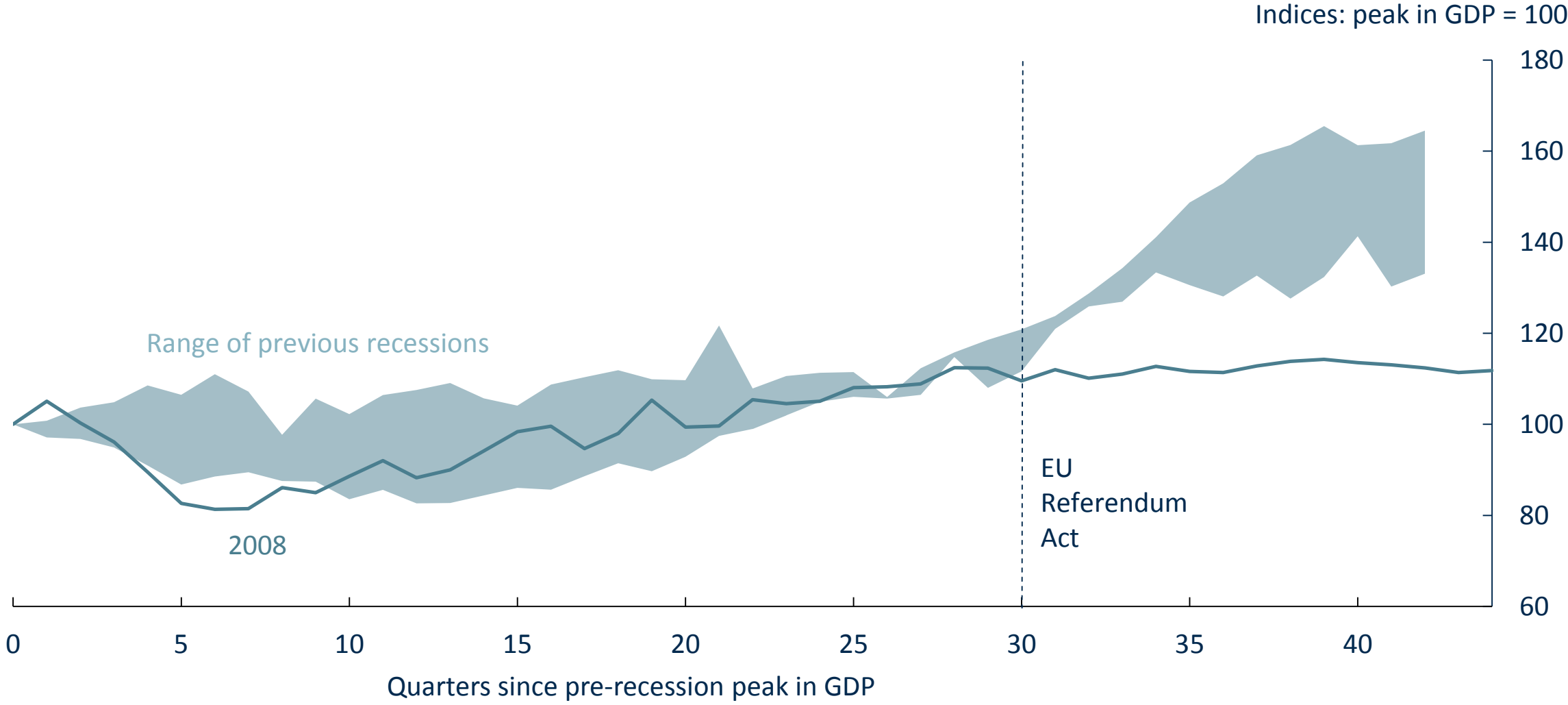
# Growing evidence of a trade-led global slowdown

Index (long-term average=100)

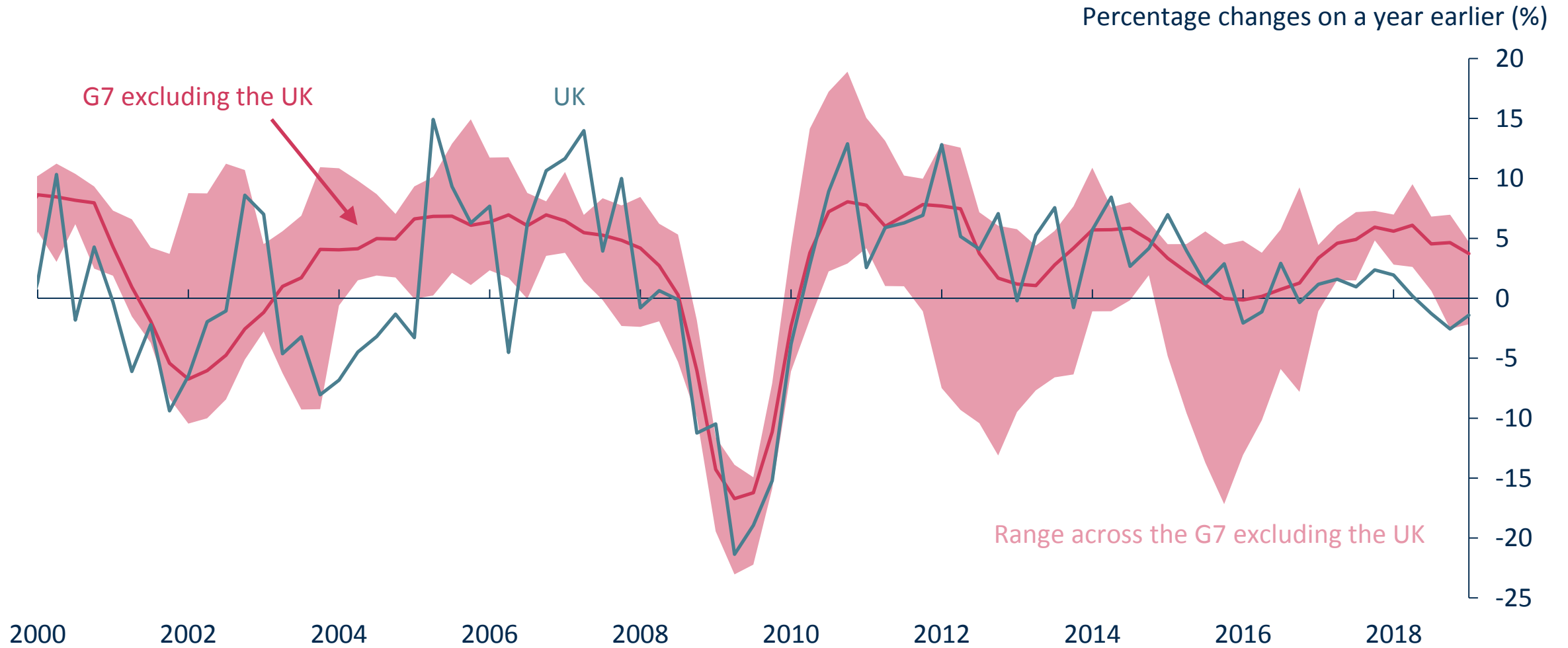
Percentage changes, 3 months on 3 months ago



# UK business investment underperformed previous recoveries...



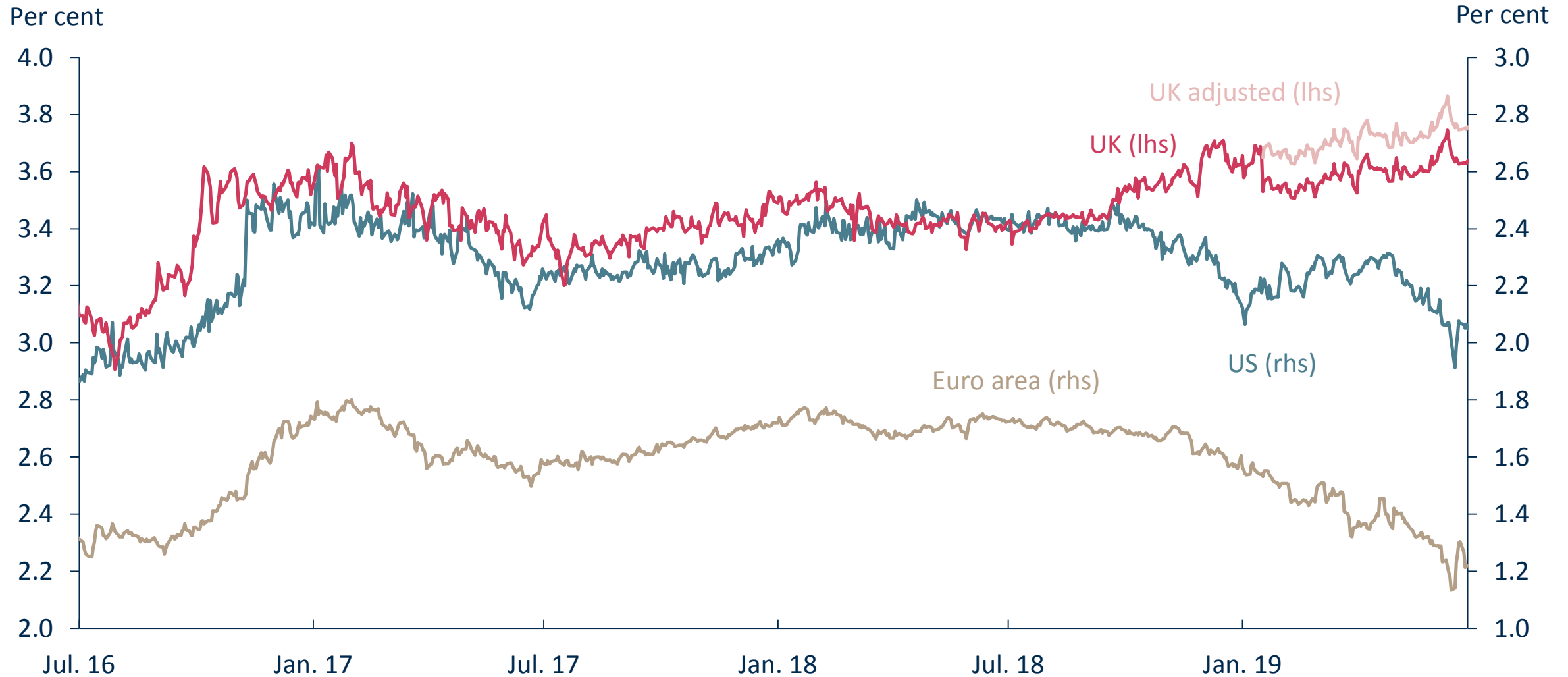
# ...and recent international performance



# A significant trade-induced shock to business confidence could lower US GDP by 1½%

	Change in GDP (%)				
	US	China	Euro area	UK	World (PPP-weighted)
Severe shock to business confidence in the US and China	-1.8	-1.8	-0.7	-0.7	-0.9

# Market measures of long-term inflation expectations drifting down in US and euro area

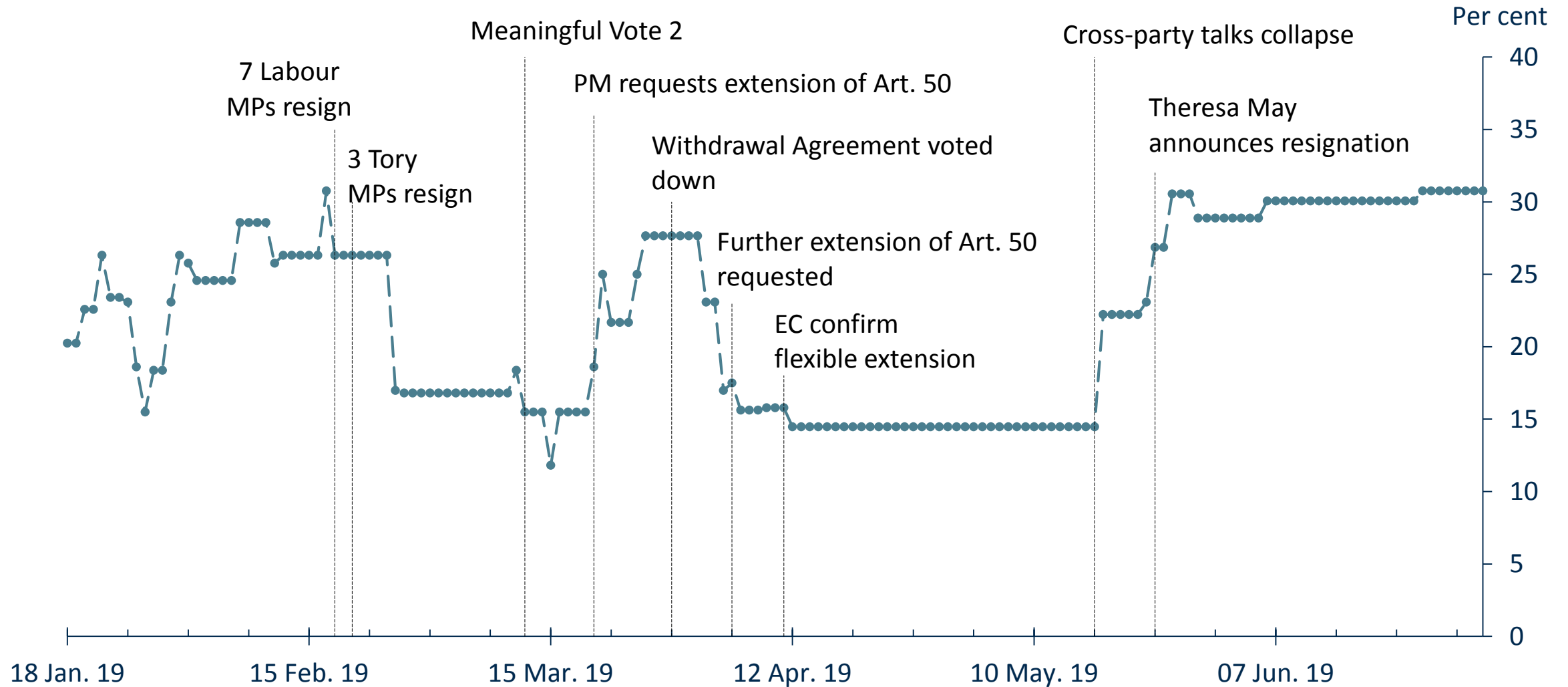


The UK series has been adjusted higher to account for the fall in inflation swap rates that took place on 17 January following publication of the House of Lords Economic Affairs Committee Inquiry into the use of RPI.

# A significant trade-induced shock to business confidence could lower US GDP by 1½%

	Change in GDP (%)				
	US	China	Euro area	UK	World (PPP-weighted)
Severe shock to business confidence in the US and China	-1.8	-1.8	-0.7	-0.7	-0.9
Direct trade effects if all measures are implemented	-2.1	-1.2	-0.6	-0.4	-0.8
Total	-3.9	-3.0	-1.3	-1.1	-1.7

# Perceived probability of No Deal Brexit up again







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