

## D1: Interest Rates and Monetary Policy

Major central banks around the world cut interest rates and expanded quantitative easing in response to the coronavirus pandemic.

### UK (Bank of England)

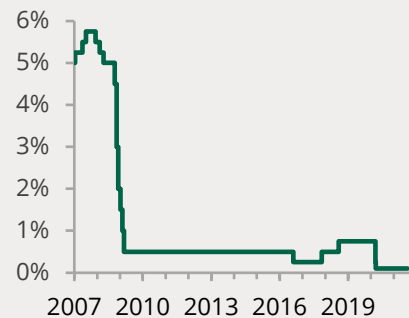
On 23 September, the Bank of England's Monetary Policy Committee (MPC) announced it had [left interest rates unchanged](#) at 0.1% and kept the total size of its bond-buying programme (known as [quantitative easing](#), QE) unchanged at £895bn (to be completed by the end of 2021).

In March 2020 the Bank introduced measures in response to Covid-19.

**Interest rates were cut in two stages to 0.1%** - the lowest they have ever been. On [11 March](#) they were cut from 0.75% to 0.25% and then again to 0.1% on 19 March 2020, where they have since remained. The MPC has also **expanded its quantitative easing (QE) programme by £450bn** since the pandemic began, taking the [total value of assets](#) it can own to £895bn.

The MPC has also [introduced a number of other schemes](#) during the pandemic, including to support banks' lending capacity. For more, see section 4.2 of the Library briefing paper, [Coronavirus: Economic impact](#).

UK official interest rate



QE consists of central banks creating new money electronically and then using it to purchase financial assets, mostly government bonds.

### United States (Federal Reserve)

[Policy was left unchanged](#) at the Fed policy meeting ending 22 September. Interest rates are at a range of 0-0.25% and every month the Fed is buying \$80bn of government debt and \$40bn of mortgage debt, as part of its QE programme. Responding to the pandemic, the Fed had by 15 March 2020 [cut interest rates](#) to its current range of close to 0% from 1.5%-1.75% [prior to the pandemic](#). On 23 March 2020, the Fed announced a [wide range of measures](#) designed to support the economy. This [included](#) buying debt from the government, corporations and purchasing other securities (such as those backed by mortgages and other assets).

### Eurozone (European Central Bank)

At its 9 September [meeting](#), the ECB left its main interest rates unchanged at 0.0%, and -0.5% (for overnight deposits from banks), but slowed the pace of its [bond purchases](#) in its pandemic-relative quantitative easing programme "to a moderately lower pace". This programme is planned to reach €1.85 trillion in purchases by March 2022 (plus €3.2 trillion to date in [non-pandemic QE](#)). The ECB [launched](#) its pandemic response on 12 March 2020 and expanded it significantly on [18 March](#) and [4 June](#).

#### Subject Specialist

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#### Updates – next scheduled monetary policy meetings

UK ([4 Nov](#))

US ([3 Nov](#))

ECB ([28 Oct](#))