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Fed is seen to hold rates steady one last time as inflation fight finale unfolds

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GULF TIMES
BUSINESS

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Bank of England may kick off slow cycle of interest rate cuts

QFC's Digital Assets Lab paves way for development of the sector in Qatar: CEO

The Qatar Financial Centre (QFC)'s pioneering 'Digital Assets Lab' initiative has paved the way for development of a digital assets sector in Qatar, according to its CEO Yousuf Mohamed al-Jaida.

Al-Jaida yesterday highlighted Qatar's strategic focus on digital innovation, particularly in the realm of financial services, and elaborates upon QFC's pioneering 'Digital Assets Lab' initiative that paves the way for the development of a digital assets sector in Qatar, accelerating the nation's transformation into a centre of excellence for financial services and innovation.

He noted Qatar's National Vision aspires to transform the nation into an advanced society by 2030, capable of sustaining its own development.

It recognises innovation and entrepreneurship as fundamental drivers of a competitive and diverse economy. While Qatar has already made great strides in building a conducive and welcoming business environment, it maintains relentless focus on enhancing competitiveness and attracting investments.

Accelerating this vision is Qatar's Digital Agenda 2030 that serves as a catalyst for widespread digital transformation of Qatar, setting the nation up on the path to continued economic growth and prosperity.

A cutting-edge digital infrastructure and thriving digital innovation form two of the six strategic objectives of this ambitious agenda that necessitate ongoing efforts to fuel the adoption and development of cutting-edge technologies across all sectors.

With Qatar ranking 39th in innovation input on the Global Innovation Index 2023 among 132 economies, the commercialisation of digital solutions is also high on the national agenda.

In the financial realm, these priorities have provided the impetus for the Qatar Central Bank's (QCB) Fintech Strategy that encapsulates the nation's ongoing pursuit to diversify its financial products and services and become a centre of financial innovation.

QFC CEO Yousuf Mohamed al-Jaida

Building the fintech foundation and infrastructure is laid out among the foremost priorities with emphasis on enhancing regulatory framework, collaboration between existing financial ecosystem members, and augmenting Qatar's attractiveness as a launchpad for local and global fintechs.

To actively contribute to national ambitions and advance Qatar's fintech journey, QFC established the 'Innovation Dome', powered by QCB, in October last year.

The strategic platform embraces the values of collaboration, creativity, and excellence to create a robust ecosystem for international fintech leaders and entrepreneurs to engage in and benefit from to nurture a culture of innovation and spotlight Qatar's favourable environment for the advancement of financial technologies.

Breaking new ground in Qatar's financial landscape, QFC with the support of QCB, Qatar Development Bank, Qatar FinTech Hub, and other organisations, introduced the Digital Assets Lab as the inaugural initiative under its Innovation Dome.

Designed to spur open innovation, research and development in digital assets and Distributed Ledger Technology (DLT), the lab lays the foundation for the development of a digital assets sector in Qatar.

Predominantly, the initiative feeds into the growing global appetite for digital assets and tokenisation and paves the way for international collaborators to contribute to Qatar's flourishing digital economy.

Digital assets are rapidly gaining prominence in the global financial industry as innovative solutions for payments, investments and asset management. Using the process of tokenisation, real-world assets, including tangible assets such as real estate or commodities as well as intangible assets like equities and bonds, are converted into digital form.

These tokens are generated, recorded and exchanged leveraging DLT technology which ensures transparency, security, and efficiency in transactions.

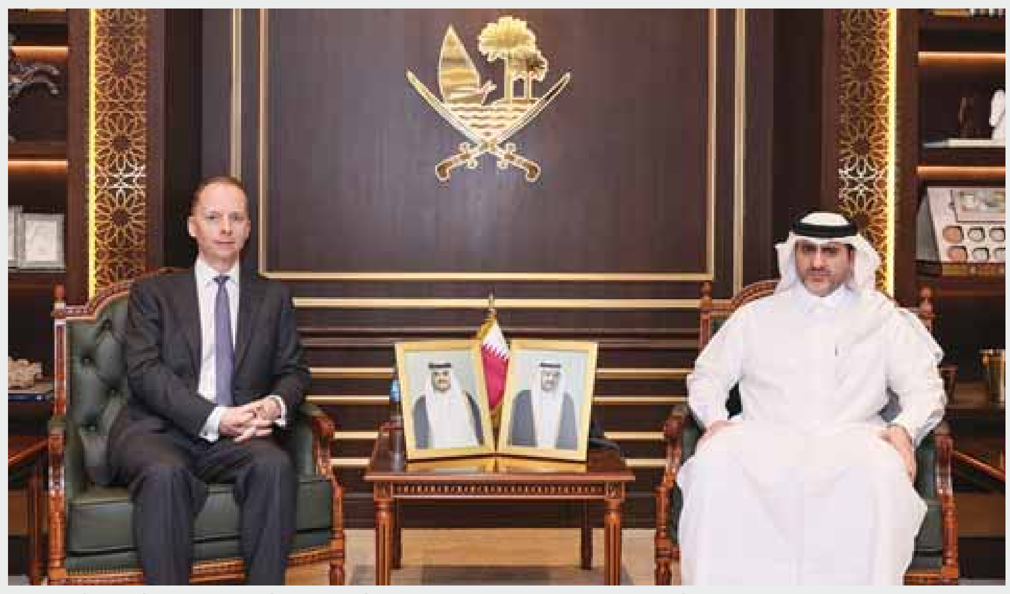
The global digital assets market has been on an upward spiral with the asset tokenisation market alone skyrocketing from $1.5bn in 2018 to $120bn at present. It is expected to reach an estimated $16tn by 2027.

Against this backdrop, QFC envisions the development of this market in Qatar through the Digital Assets Lab that provides a collaborative environment for businesses and researchers to explore, create and validate innovative solutions in the digital assets and DLT technology space.

Beginning this month, the lab will welcome its first cohort of over 20 participants including fintech startups, established financial institutions, technology providers and members of academia.

QFC adopts a rigorous criterion for the selection of participants in the lab that involves an evaluation of their innovative potential, financial and commercial viability of their digital concept, regulatory compliance, and their ability to support Qatar's strategic goals whilst contributing towards the development of the country's digital assets sector.

QCB governor meets HSBC regional CEO



HE the Qatar Central Bank Governor Sheikh Bandar bin Mohamed bin Saoud al-Thani met in Doha yesterday with Stephen Moss, Regional Chief Executive Officer (Middle East, North Africa and Turkiye) at HSBC. During the meeting, they reviewed the latest global developments in banking and finance, the QCB said in a statement.

Barwa Real Estate posts H1 net profit of QR557mn

Barwa Real Estate posted a net profit of QR557mn in the six months of the year until June, the company announced yesterday. In comparison, Barwa Real Estate had earned a net profit of QR553mn during the same period of the previous year. The earnings per share (EPS) amounted to QR0.143 for the six-month period that ended on June 30 this year compared to an EPS of QR0.142 during the same period of the previous year.

Pakistan wants China to 'reprofile' debt to help support reforms

Bloomberg
Islamabad

Pakistan has sought Chinese help to "reprofile" its debts with rollovers and maturity extensions to create more breathing room for economic reforms it's seeking to enact under a new International Monetary Fund's $7bn loan programme.

Discussed with central bank officials during a recent visit to Beijing was a proposal to extend the maturity of debt for nine power plants built by Chinese companies under the multi-billion dollar economic corridor, called CPEC, as well as that for an electricity transmission project, Finance Minister Muhammad Aurangzeb said at a news conference in Islamabad.

Since then there's been a decision by Pakistan to appoint a Chinese adviser to help sort the matter out, Aurangzeb said.

"Each project has a different debt profile and specific issues, so we will have to go project by project," he said. "We have to take both an immediate incompatible tariff as well as structural issues into account together."

Pakistan's government is also demanding the use of locally-mined coal in Chinese-built power plants as a way to slash energy costs, he said.

China has built major infrastructure and energy projects in Pakistan to push President Xi Jinping's Belt & Road vision, leaving the South Asian nation burdened by huge debts.

Prime Minister Shehbaz Sharif's government is now in talks with China, Saudi Arabia and the United Arab Emirates to seek assurances for a three-year financial cover required for final approval of the Washington-based lender's loan, according to the minister.

Aurangzeb gave no estimate of the level of external financing his country needs, but called it a "very manageable" amount.

Fitch Ratings this month estimated Pakistan's funding need at $20bn through June, and has warned that any policy missteps from the IMF's track will renew funding stress.

Qatar Chamber discusses investment opportunities in Malaysian Perlis state

QNA
Doha

Qatar Chamber (QC) discussed investment opportunities available in the Regent of Perlis State in Malaysia, and the most prominent incentives Malaysia generally offers to draw foreign investors, in addition to inviting Qatari investors to invest in the Malaysian State.

This came during the meeting of First Vice-Chairman of QC, Mohamed bin Ahmed bin Twar al-Kuwari, with the Crown Prince of the Malaysian Perlis, Tuanku Syed Faizuddin Putra Jamalullail, and his accompanying delegation. Both sides discussed economic and trade co-operation ties between Qatar and Malaysia.

Tuanku Syed Faizuddin Putra said the delegations visit aims to inform the Qatari business community about investment opportunities available in Perlis across various sectors such as tourism, industry, agriculture, mining, logistics, education, and fisheries, inviting Qatari investors and businessmen to visit Malaysia and the state of Perlis to learn about the abundant investment opportunities in these sectors.

First Vice-Chairman of QC, Mohamed bin Ahmed bin Twar al-Kuwari in a meeting with the Crown Prince of the Malaysian Perlis, Tuanku Syed Faizuddin Putra Jamalullail, and his accompanying delegation.

For his part, al-Kuwari commended the commercial and economic relations between both countries, emphasising that there is a shared desire to develop bilateral relations between the two countries to broader horizons.

He underlined the QC's keenness to boost co-operation between the Qatari private sector and its Malaysian counterpart, noting that it encourages Qatari investors to invest in Malaysia, which offers a plenty of opportunities in a variety of sectors.

BARWA REAL ESTATE COMPANY Q.P.S.C.

Barwa Real Estate Company Q.P.S.C. presents below an extract of the interim condensed consolidated financial statements of the Group for the period ended 30 June 2024. Ernst & Young - Qatar has issued a review report, copy of which is presented below, on the interim condensed consolidated financial statements from which extract has been delivered. The completed set of the interim condensed consolidated financial statements and the review report are available on the company's website www.barwa.com.qa

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF BARWA REAL ESTATE COMPANY Q.P.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Barwa Real Estate Company Q.P.S.C. (the 'Company') and its subsidiaries (together referred as the "Group") as at 30 June 2024, comprising of the interim consolidated statement of financial position as at 30 June 2024 and the related interim consolidated statement of profit and loss, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six months period then ended and the related explanatory notes.

The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258
Date: 29 July 2024
Doha

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	30 June 2024 (Reviewed) QR'000	30 June 2023 (Reviewed) QR'000
Rental income	730,081	760,997
Rental operation expenses	(152,141)	(131,137)
Net rental income	577,940	629,860
Income from consultancy and other services	190,171	160,964
Consulting operation and other services expenses	(134,391)	(130,355)
Net consulting and other services income	55,780	30,609
Profit on sale of property and construction services	17,276	651
Net fair value gain on investment properties	192,128	311,323
Share of results of associates	32	(16,229)
Gain from sale of non-current asset held for sale	-	19,119
Gain from deemed disposal of investment in an associate	-	57,355
General and administrative expenses	(98,292)	(101,061)
Net reversal / (impairment) losses	139,263	(9,914)
Other income - net	14,675	14,891
Operating profit before finance cost, depreciation, amortisation and income tax	898,802	936,604
Finance income	85,902	21,207
Finance costs	(407,461)	(389,680)
Net finance cost	(321,559)	(368,473)
Profit before depreciation, amortisation and income tax	577,243	568,131
Depreciation	(6,393)	(6,959)
Amortisation of right-of-use assets	(2,032)	(2,039)
Profit before income tax	568,818	559,133
Income tax expense	(7,997)	(5,465)
Net profit for the period	560,821	553,668
Attributable to:		
Equity holders of the Parent	557,455	552,930
Non-controlling interests	3,366	738
	560,821	553,668
Basic and diluted earnings per share		
Attributable to equity holders of the Parent (expressed in QR per share)	0.143	0.142

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

	30 June 2024 (Reviewed) QR'000	30 June 2023 (Reviewed) QR'000
Net profit for the period	560,821	553,668
Other comprehensive income		
Other comprehensive income that will be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	1,115	8,383
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net change in the fair value of financial assets at fair value through other comprehensive loss	(7,226)	6,731
Other reserves	-	851
Other comprehensive (loss) /income for the period	(6,111)	15,965
Total comprehensive income for the period	554,710	569,633
Attributable to:		
Equity holders of the Parent	551,429	568,959
Non-controlling interests	3,281	674
	554,710	569,633

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	30 June 2024 (Reviewed) QR'000	30 June 2023 (Reviewed) QR'000
OPERATING ACTIVITIES		
Profit before tax for the period	568,818	559,133
Adjustments for:		
Finance cost	397,079	376,954
Unwinding of deferred finance cost	10,382	12,726
Finance income	(85,902)	(21,207)
Net fair value gain on investment properties	(192,128)	(311,323)
Depreciation	16,616	16,409
Amortisation of right-of-use assets	2,032	2,039
Share of results of associates	(32)	16,229
Net (reversal) / impairment losses	(139,263)	9,914
Provision for end of service benefit	9,273	10,981
Gain on deemed disposal of an associate	-	(57,355)
Gain from sale of non-current asset held for sale	-	(19,119)
Other income	(14,675)	(14,891)
Operating profit before working capital changes	572,200	580,490
Changes in working capital:		
Change in receivables and prepayments	2,948,253	(97,123)
Change in trading properties	(6)	24
Change in amounts due from and due to related parties	(88,046)	1,530
Change in provisions	(8,496)	(135)
Change in payables and accruals	(208,029)	(146,887)
CASH FLOWS FROM OPERATING ACTIVITIES	3,215,876	337,899
Payment of employees' end of service benefits	(5,178)	(14,026)
Income tax paid	(15,199)	(9,962)
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,195,499	313,911
INVESTING ACTIVITIES		
Finance income received	77,603	18,561
Payments for addition to investment properties	(53,272)	(9,233)
Proceeds from sale of non-current assets held for sale	-	42,100
Advances paid for projects and investments	(5,341)	-
Payments for purchase of property, plant and equipment	(4,680)	(6,227)
Proceeds from sale of property, plant and equipment	10	-
Dividend income received	8,935	7,451
Net proceeds from disposal of financial asset at fair value through other comprehensive income	23,728	-
Proceeds from disposal of financial assets at fair value through profit or loss	19,846	15,678
Payments for purchase of financial assets at fair value through profit or loss	(19,112)	(16,111)
Net movement in short term deposits maturing after three months	(2,231)	23,122
NET CASH FLOWS FROM INVESTING ACTIVITIES	45,486	75,341
FINANCING ACTIVITIES		
Finance cost paid	(314,500)	(572,876)
Proceeds from obligations under Islamic finance contracts	806,725	1,543,275
Payments for obligations under Islamic finance contracts	(1,515,430)	(1,251,545)
Dividend paid to non-controlling interest	-	(7,500)
Dividends paid	(382,904)	(372,736)
Payment of lease liabilities	(8,301)	(933)
Change in restricted bank balances	7,419	(706)
NET CASH USED IN FINANCING ACTIVITIES	(1,406,991)	(663,021)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,833,994	(273,769)
Net foreign exchange difference	4,792	2,032
Cash and cash equivalents at 1 January	879,912	714,499
CASH AND CASH EQUIVALENTS AT 30 JUNE	2,718,698	442,762

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	30 June 2024 (Reviewed) QR'000	31 December 2023 (Audited) QR'000
ASSETS		
Cash and bank balances	2,864,114	1,032,477
Financial assets at fair value through profit or loss	152,560	159,473
Receivables and prepayments	1,298,593	4,017,702
Trading properties	558,950	621,600
Due from related parties	81,933	74,109
Non-current assets held for sale	164,821	132,280
Financial assets at fair value through other comprehensive income	66,950	97,904
Advances for projects and investments	238,192	268,944
Investment properties	30,663,222	30,464,441
Property, plant and equipment	482,846	508,270
Right-of-use assets	5,801	7,833
Investments in associates	22,001	23,119
Goodwill	126,411	126,411
Deferred tax assets	5,398	4,995
TOTAL ASSETS	36,731,792	37,539,558
LIABILITIES AND EQUITY		
LIABILITIES		
Payables and other liabilities	999,886	1,244,166
Provisions	200,556	209,052
End of service benefits	138,708	134,613
Due to related parties	335,571	100,516
Lease liabilities	236,264	246,393
Obligations under Islamic finance contracts	12,977,170	13,615,406
Deferred tax liabilities	7,034	7,095
TOTAL LIABILITIES	14,895,189	15,557,241
EQUITY		
Share capital	3,891,246	3,891,246
Legal reserve	2,069,055	2,069,055
General reserve	4,639,231	4,639,231
Other reserves	(336,288)	(354,053)
Retained earnings	11,398,085	11,564,845
Total equity attributable to equity holders of the Parent	21,661,329	21,810,324
Non-controlling interests	175,274	171,993
TOTAL EQUITY	21,836,603	21,982,317
TOTAL LIABILITIES AND EQUITY	36,731,792	37,539,558

These interim condensed consolidated financial statements were authorised for issuance by the Board of Directors on 29 July 2024 and signed on their behalf by:

Mr. Hamad Dashin Al-Qahtani
Board Member

Eng. Ahmad Mohammad Al-Tayeb
Group Chief Executive Officer & Board Member

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Equity attributable to owners of the Parent							
	Share Capital QR'000	Legal reserve QR'000	General reserve QR'000	Other reserves QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interest QR'000	Total Equity QR'000
Balance at 31 December 2023 (Audited)	3,891,246	2,069,055	4,639,231	(354,053)	11,564,845	21,810,324	171,993	21,982,317
Net profit for the period	-	-	-	-	557,455	557,455	3,366	560,821
Other comprehensive loss for the period	-	-	-	(6,026)	-	(6,026)	(85)	(6,111)
Total comprehensive (loss) / income for the period	-	-	-	(6,026)	557,455	551,429	3,281	554,710
Reclassification of fair value reserve on disposal of financial assets at fair value through other comprehensive income	-	-	-	23,791	(23,791)	-	-	-
Transactions with shareholders in their capacity as owners:								
Dividends for 2023	-	-	-	-	(700,424)	(700,424)	-	(700,424)
Balance at 30 June 2024 (Reviewed)	3,891,246	2,069,055	4,639,231	(336,288)	11,398,085	21,661,329	175,274	21,836,603

	Equity attributable to owners of the Parent							
	Share Capital QR'000	Legal reserve QR'000	General reserve QR'000	Other reserves QR'000	Retained earnings QR'000	Total QR'000	Non-controlling interest QR'000	Total Equity QR'000
Balance at 31 December 2022 (Audited)	3,891,246	2,034,094	4,639,231	(376,850)	11,099,057	21,286,778	176,375	21,463,153
Net profit for the period	-	-	-	-	552,930	552,930	738	553,668
Other comprehensive income / (loss) for the period	-	-	-	16,029	-	16,029	(64)	15,965
Total comprehensive income for the period	-	-	-	16,029	552,930	568,959	674	569,633
Disposal of financial asset at fair value through other comprehensive income	-	-	-	10,869	(10,869)	-	-	-
Relating to disposal of investment in an associate	-	-	-	3,366	-	3,366	-	3,366
Transactions with shareholders in their capacity as owners:								
Dividends for 2022	-	-	-	-	(680,968)	(680,968)	-	(680,968)
Dividend paid to non-controlling interest	-	-	-	-	-	-	(7,500)	(7,500)
Balance at 30 June 2023 (Reviewed)	3,891,246	2,034,094	4,639,231	(346,586)	10,960,150	21,178,135	169,549	21,347,684

BUILDING THE FUTURE

Fed is expected to hold interest rates steady this week

Reuters
Washington

The Federal Reserve is expected to hold interest rates steady at a two-day policy meeting this week but open the door to interest rate cuts as soon as September by acknowledging inflation has edged nearer to the US central bank's 2% target.

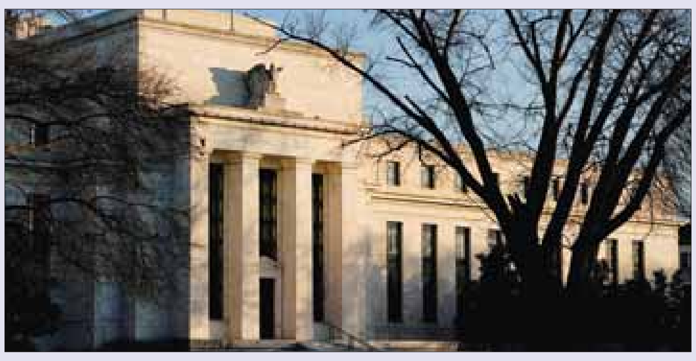
Policymakers in advance of the July 30-31 meeting were reluctant to commit to the timing of a first rate cut, but audibly cheered recent data showing price pressures were easing broadly, with headline inflation moving closer to the Fed's target and evidence from job, housing and other markets suggesting that trend would continue.

Data on Friday showed the Fed's preferred personal consumption expenditures price index, which was accelerating by as much as 7.1% on a year-over-year basis in 2022, rose by 2.5% in June after a 2.6% gain in May. Since March, in fact, the annualized month-to-month changes in the PCE price index show it rising at just 1.5% — half a percentage point below the Fed's target. A companion measure stripping out volatile food and energy prices is trending at 2.3% over that same window — within sight of the 2% goal.

Combined with a broader sense that price pressures are easing, that data may be enough for Fed officials to change their description of inflation as "elevated" in next week's policy statement, and note rising confidence that the pace of price increases will return to 2%. Policymakers have said they should start cutting interest rates before inflation fully returns to their target, and if upcoming data stays in line with recent months they may be running out of time.

The Fed "is only 50 basis points from the target...so it seems that is not very far," said Jim Bullard, the former president of the St Louis Fed and now dean of Purdue University's Mitchell E Daniels Jr School of Business.

"Is it still elevated? Sure. But it is not as elevated as it was," Bullard said. A slight change in the statement, perhaps describing it as "moderately elevated," would "send a major signal to markets that you are taking on board all that disinflation that has occurred over the last year and you think it is for real and you don't think it is going to turn around." The Fed lifted its benchmark interest rate to slow the economy after inflation surged, and has held it steady in the current 5.25-5.50% range since last July, making the current run of tight monetary policy among the longest in recent decades.


The Federal Reserve building in Washington. The Fed is expected to hold interest rates steady at a two-day policy meeting this week but open the door to interest rate cuts as soon as September by acknowledging inflation has edged nearer to the US central bank's 2% target.

Despite warnings last year that such strict financial conditions could trigger a recession, the Fed at least for now appears to have hit a sweet spot. Inflation has fallen, and while the unemployment rate has risen gradually it remains, at 4.1%, around what many Fed officials see as representing full employment.

Some data, including disappointing recent home sales and rising loan delinquencies, may point to weakness. But the most recent report on overall economic output was surprisingly strong, with growth at a 2.8% annualized rate in the second quarter. The Fed regards the economy's underlying potential growth, consistent with stable inflation, at about 1.8%.

"They have had encouraging inflation data... Clearly the economy is slowing. The balance of risks is different than it was four months ago. Full stop," said Nathan Sheets, global chief economist at Citi. "It feels like they want to be a little more certain, so signal in July and cut in September." The US central bank will release its latest policy statement on Wednesday, and Fed Chair Jerome Powell will hold a press conference half an hour later.

Acknowledging that rate reductions are imminent would put the Fed in line with investors who consider it a near certainty that it will deliver at least a quarter-percentage-point cut at the September 17-18 meeting, the first step in reversing the most rapid series of rate increases in four decades.

It would also put the Fed in the spotlight of a tumultuous US presidential race.

Inflation may be less of a centrepiece issue in an election that has included an assassination attempt against former President Donald Trump, the Republican nominee, and the withdrawal from the race of President Joe Biden, who was replaced by Vice-President Kamala Harris as the Democrats' presidential nominee.

Bank of England may kick off slow cycle of rate cuts

Bloomberg
London

The Bank of England (BoE) is likely to warn investors not to expect a string of back-to-back interest rate cuts if its policymakers push ahead with a first reduction in a knife-edge decision this week.

Most economists expect the UK central bank to reduce rates for the first time since the start of the pandemic on August 1, according to a Bloomberg survey. Many predicted a close vote and investors are even less certain, betting the chances of a quarter-point move lower at this meeting are only 45%.

Unlike previous cycles of monetary easing, the UK economy is expected to pick up momentum this year and next, leaving the risk of inflationary pressures. BoE Governor Andrew Bailey's silence since May has left analysts guessing how the nine-member Monetary Policy Committee will balance concerns about wages and prices against the risk that the highest rates in 16 years strangle growth.

"The BoE is unlikely to give clear guidance on the future rate path or signal the start of a sustained cutting cycle," said Sonali Punhani, UK economist at Bank of America. "It would keep the focus on the data to determine the timing of the next move."

Even if the BoE cuts at this meeting, neither markets nor analysts expect a quick lowering in the benchmark rate. Investors have only priced in two quarter-point cuts this year, with the central bank noting that a loosening on Thursday would still leave rates in restrictive territory.

The MPC also appears divided over how to act, with some economists expecting a 5-to-4 split for a cut. Some officials, notably Chief Economist Huw Pill, Jonathan Haskel and Catherine Mann, have pointed out lingering price pressures, particularly in services inflation and wage growth. New forecasts on inflation will accompany the decision. A cautious approach towards future cuts in the UK would echo the European Central Bank's remarks, which earlier this month left its deposit rate on hold after beginning to loosen policy in June. Traders are leaning toward another reduction in borrowing costs in the eurozone in September.

Markets and economists have had particular difficulty predicting what will happen in the UK on Thursday. A cut threatens to reverse the pound's rally in recent months.

Confidence in the decision has been decreased by a number of key swing voters on the MPC staying silent in recent months, largely because of a communications blackout during the election campaign.

"The Bank of England's August policy decision is on a knife edge. It's hard to have a strong conviction about the outcome of the August meeting but, on balance, we think a cut is more likely than a hold," say Dan Hanson and Ana Andrade, Bloomberg Economics.

While it is speculated that Bailey is part of a group who were close to cutting rates in June, the Governor has not spoken publicly since before the election was called in May, except for a short statement released with last month's decision.


Commuters pass the Bank of England building in the City of London. The BoE is likely to warn investors not to expect a string of back-to-back interest rate cuts if its policymakers push ahead with a first reduction in a knife-edge decision this week.

Global economy's growing resilience at odds with rate cut expectations

Reuters
London

Optimism about global growth prospects this year and next is building among hundreds of economists polled by Reuters, with risks still tilted toward higher inflation even as they cling on to their forecasts for interest rate cuts.

While most major central banks were successful last year in taming sky-rocketing inflation rates with rapid rate hikes, a resilient global economy with strong employment and wage growth has kept alive risks of price pressures surging again.

In all, a 56% majority of economists — 114 of 202 who responded to a question about inflation in the global poll covering nearly 50 top economies taken July 8-25 — said it was more likely to be higher than they forecast for the remainder of the year than lower. So too with rates.

The global economy was forecast to grow 3.1% this year and next, an upgrade from the 2.9% and 3.0% forecast in an April poll and roughly in line with the International Monetary Fund's latest prediction.

But even with that upgrade, many central banks are still expected to cut rates at least twice by year-end.

"I think the big story here is that growth globally has managed to keep grinding ahead... the global economy has managed to hang in there in the face of a lot of stresses and strains and of course the major tightening cycle of the past two years," Douglas Porter, chief economist at BMO Capital Markets, said.

"It's still growing a little faster than 3% despite a wide variety of challenges... Our call is for growth to hang in there in the neighbourhood of 3% through the second half."

That optimism stands in contrast to worries earlier this year whether the US economy would be able to absorb such an aggressive season of monetary tightening without a downturn, even though concerns about the No 2 economy, China, remain.

Growth rates for 24 of the 48 top economies surveyed were upgraded from three months ago, with 13 of those from developed economies, where there had been concerns about flagging demand, and the remaining 11 in emerging ones.

Eighteen economies saw a downgrade and six were left unchanged. Still, among major central banks, economists expect the Federal Reserve and the Bank of England to cut rates twice this year, and the European Central Bank three, the survey showed.

Forecasters have held to a more consistent view than financial traders and investors.