Bank of England expected to expand money-printing programme to £225bn

The Bank of England is expected to expand its radical programme of printing money by a further £50bn today as the fight against the deepest downturn for decades is stepped up.

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A £59 note amongst £20 notes Photo: EPA

City economists are on balance forecasting that Mervyn King, the Bank's Governor and the rest of the **Monetary Policy Committee** will extend the total size of the plan, known as **quantitative easing (QE)**, to £225bn - matching the size of the Greek economy.

The unconventional plan, which was first adopted by the MPC in February, has seen the Bank buy billions of banks of UK government bonds, or gilts, from financial institutions in the hope the money spent will be invested in the wider economy.

Experts admit that it's hard to judge whether the policy is working, but with the economy still languishing in **recession** last quarter, most reckon it's worth expanding.

“It is a lot of money, but if it does restart the economy and gets it moving again then it’s worth it,” said George Buckley, an economist at Deutsche Bank. “It’s very difficult to say if quantitative easing is working, but it is doing something.”

The MPC is also expected to keep interest rates at the record low level of 0.5pc in an effort to keep money as cheap as possible. On Wednesday night, **the US central bank, the Federal Reserve,** opted to keep interest rates at between 0pc and 0.25pc and pledged to keep them "exceptionally low" for an extended period.

Should the MPC today vote to expand the money-printing programme, the increase would mean the Bank would soon be holding bonds worth more than 15pc of Britain's entire economy in its balance sheet – unknown territory for any developed world central bank in modern history. Gilt traders and foreign-exchange traders will be watching closely when the decision is announced at noon.

The data from the UK economy had been mixed of late but the **Purchasing Managers' Index (PMI) showed yesterday** that the country's dominant services sector grew at the fastest pace in more than two years in October. The index climbed to 56.9 from 55.3 in September, where anything above 50 indicates growth, beating expectations of a more modest rise to 55.5. It was the highest since August 2007, and the survey's sixth consecutive month above 50.

Michael Saunders, an economist at Citigroup, said that although the economy appeared to be "rebounding rapidly" in the fourth quarter", a £25bn QE extension was likely "as insurance against risks of underlying economic weakness".

The policy of QE has its critics who argue that it's stoking future inflation through injecting more money into the economy, and may also unnerve foreign investors. Others, such as Nouriel Roubini, argue that the very low level of interest rates in America is fuelling a fresh asset bubble as traders borrow cheaply in the US currency to invest for better returns elsewhere.

The MPC's decision comes the day before G20 finance ministers and central bankers gather in St Andrews, Scotland, for the final of three meetings hosted by the UK.

The two-day meeting is expected to provide more detail on how a framework for a strong, balanced and sustainable recovery would work. The framework was established in principle at the Pittsburgh summit of G20 leaders in September, but details have yet to be agreed.

http://www.telegraph.co.uk/finance/financetopics/recession/6503605/Bank-of-England-expected-to-expand-money-printing-programme-to-225bn.html