

BCC comments on interest rate decision

BCC comments on the Monetary Policy Committee's interest rate decision.

16th March 2017

Commenting on today's interest rate decision by the Bank of England's Monetary Policy Committee, Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

"While the Bank of England's decision to keep interest rates on hold was widely expected, there was a surprising shift in the committee's voting pattern, with one member voting for a rate rise. This partly reflects the fact that the Monetary Policy Committee are facing a more challenging period, with inflation likely to move materially above the 2% target in the coming months. Furthermore, if US monetary policy continues to tighten as expected, it may weigh on UK rate decisions by increasing the downward pressure on Sterling, pushing UK price growth higher.

"However, with UK economic conditions likely to become more subdued over the near term, and little evidence that higher inflation is becoming entrenched in stronger pay growth, the MPC has sufficient leeway to tolerate a prolonged period of above target inflation. Therefore, while the next move in interest rates is likely to be upwards, we don't expect this to happen until the end of 2018.

"With the MPC close to exhausting the monetary policy tools available to them, the government must do more to support business confidence and incentivise investment, particularly by tackling the rising input costs faced by businesses."

Ends

Notes to editors:

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