



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

5 April 2001

Bank of England Reduces Interest Rates by 0.25% to 5.5%

The Bank of England's Monetary Policy Committee today voted to reduce the Bank's repo rate by 0.25% to 5.5%.

While growth in final domestic demand has remained firm, there are downside risks to UK activity from the slowdown in the global economy, the recent fall in equity markets and, in the short run, from foot and mouth disease. These developments could already have affected demand and output growth and may continue to do so, in particular through their impact on business and consumer confidence.

Inflation is currently somewhat below target, and is expected to remain so for a while. Price and cost pressures continue to be subdued. There is little sign of any easing yet in the labour market but, despite its tightness, settlements and earnings growth have so far remained moderate. In addition, the strength of sterling continues to exert a dampening effect on inflation.

Against this background, the Committee decided that a reduction of 0.25% in the Bank's repo rate was necessary to meet the inflation target looking further ahead. The Committee will continue to monitor the downside risks carefully.

The minutes of the meeting will be published at 9.30am on Wednesday 18 April.

Note for Editors

The previous change in interest rates was a reduction of 0.25% to 5.75% on 8 February 2001.