



**BANK OF ENGLAND**

# News release

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## **Bank of England Reduces Interest Rates by 0.25% to 5.0%**

The Bank of England's Monetary Policy Committee today voted to reduce the Bank's repo rate by 0.25% to 5.0%.

The Committee reviewed monetary and economic developments in the context of the projections to be published in the August Inflation Report. Indicators of world economic activity have been weaker than expected over the past few months. This and the persistent strength of sterling are adding to the pressures on the externally exposed sectors of the UK economy, and at the same time there are signs of weakening investment growth. By contrast, retail spending, household borrowing and the housing market are still robust, partly supported by recent reductions in interest rates. On balance, the outlook, although highly uncertain, is for aggregate demand and output growth to be weaker than previously projected.

Although RPIX inflation has picked up in recent months, that partly reflects erratic factors, and underlying price and cost pressures are expected to remain subdued. Monetary policy needs to balance the weaker external environment by sustaining domestic demand growth.

The Committee decided to reduce interest rates by 0.25% in order to keep inflation on track to meet the 2½% inflation target in the medium term. The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 8 August.

The minutes of the meeting will be published at 9.30am on Wednesday 15 August.

### **Note for Editors**

The previous change in interest rates was a reduction of 0.25% to 5.25% on 10 May 2001.