



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

10 May 2001

Bank of England Reduces Interest Rates by 0.25% to 5.25%

The Bank of England's Monetary Policy Committee today voted to reduce the Bank's repo rate by 0.25% to 5.25%.

The world economic prospect has on balance continued to weaken. The extent and duration of the slowdown remain uncertain. In the UK, final domestic demand has so far remained firm, but output growth in Q1 was slower than expected and there has been some weakening in business confidence. The labour market remains tight. While the latest data showed faster earnings growth, this was largely the result of temporary factors, and settlements remain broadly stable. More generally, price and cost pressures are subdued. As the Committee noted a month ago, inflation is currently somewhat below target, and is expected to remain so for a while.

Against this background, the Committee decided that this further reduction of 0.25% in the Bank's repo rate was necessary to meet the 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 16 May.

The minutes of the meeting will be published at 9.30am on Wednesday 23 May.

Note for Editors

The previous change in interest rates was a reduction of 0.25% to 5.5% on 5 April 2001.