



BANK OF ENGLAND

News release

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Bank of England Reduces Interest Rates by 0.25% to 3.5%

The Bank of England's Monetary Policy Committee today voted to reduce the Bank's repo rate by 0.25% to 3.50%.

The global economic recovery has remained hesitant. Although the preconditions for recovery remain in place, the prospect for external demand for UK output is weaker than previously expected. Output growth in the United Kingdom has recently been below trend. Slower consumer demand and subdued private investment have so far offset the impact of higher public spending. Although RPIX inflation is currently above the 2.5% target, this is the result of temporary factors which are expected to unwind in the coming months. Overall pay growth has been muted so far this year. The fall in the sterling effective exchange rate since the start of this year should help underpin growth, but in recent weeks that fall has been partly reversed, reducing the prospective impact on inflation. Against that background, and given the possibility of subdued economic activity continuing in the near term, the Committee judged that a reduction in official interest rates to 3.50% was necessary in order to keep inflation on track to meet the target in the medium term.

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

Note for Editors

The previous change in interest rates was a reduction of 0.25% to 3.75% on 6 February 2003.