



**BANK OF ENGLAND**

# News release

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## **Bank of England Reduces Interest Rates by 0.25 Percentage Points to 4.5%**

The Bank of England's Monetary Policy Committee today voted to reduce the Bank's repo rate by 0.25 percentage points to 4.5%.

In the first half of the year, output growth in the United Kingdom was subdued. Household spending and business investment growth have slowed. Although there are some signs of a pickup in consumer spending, downside risks remain in the near term. Looking further ahead, however, the rise in equity prices and the recent fall in the exchange rate should boost activity.

CPI inflation was 2.0% in June. Higher oil prices may raise inflation further in the short term. But, in the Committee's view, the slackening in the pressure of demand on supply capacity should lead to some moderation in inflation. Against that background, the Committee judged that a decrease of 0.25 percentage points in the repo rate to 4.5% was necessary to keep CPI inflation on track to meet the 2% target in the medium term.

The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 10 August.

The minutes of the meeting will be published at 9.30am on Wednesday 17 August.

### **Note to Editors**

The previous change in interest rates was an increase of 0.25 percentage points to 4.75% on 5 August 2004.