

## Will The Bank Of England's Emergency 0.5% Base Rate Cut Bring Widespread Benefit?

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Neil Young, CEO of Property Portfolio Managers, Young Group ([www.younggroup.co.uk](http://www.younggroup.co.uk)) questions whether the 0.5% emergency base rate cut by the Bank of England will have the impact that the Treasury expects.

The Bank of England's surprise announcement to cut the UK's base rate has brought good news to millions of homeowners currently on tracker mortgages – but Neil Young (CEO, Young Group) questions whether the benefit will be widespread.

It was widely predicted that the Bank of England's Monetary Policy Committee (MPC) would cut the base rate this month, but the announcement, made a day ahead of schedule is a signal of the seriousness of the situation.

Neil Young, CEO of Property Portfolio Managers, Young Group, comments; "In recent months, the MPC has been engaged in a delicate balancing act. On the one hand, stagnating financial markets prompted calls for a rate reduction; on the other, inflationary pressure was in danger of racing out of reach of the Government's 2.0% target. The MPC steadfastly held to its inflationary-led remit and since April has kept the base rate at 5.0%."

However, Neil Young comments; "Conditions in the wider economy have changed markedly since April when the 5.0% rate was set. The economy is now at a stage whereby such a rate cut can be made without jeopardising the Government's inflation target. The current general economic slowdown will cool inflation; demonstrated by the price of Oil this week falling to an eight month low, below \$90 a barrel.

"Historically, the MPC has made small, 25 basis point rate adjustments, so today's 50 basis point reduction, coupled with the £50billion bank rescue package is an effort to jolt the economy.

"Whether this dramatic 0.50% reduction in base rate will be reflected in lenders' standard variable rates remains to be seen. But for the millions of homeowners on tracker mortgages who will see immediate benefits, this has been just the good news they've been waiting for."

The 50 basis point reduction in the interest rate, would shave £800 a year off the mortgage repayments of an average priced UK property.