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Interest rates on hold for eighth month in a row

Ashley Seager

Bank of England's monetary policy committee is likely to wait until November to decide whether to extend quantitative easing

The Bank of England today left its main interest rate steady at a record low of 0.5% for the eighth month running and maintained its £175bn programme of quantitative easing (QE).

The monetary policy committee (MPC) made no statement accompanying its announcement except to say that it would complete its £175bn of QE over the next month. But the City had widely expected rates to remain on hold this month because the MPC will be preparing its quarterly economic forecasts for November, and so was always likely to wait until then to decide whether to extend QE.

Stephen Boyle, head of RBS Group Economics: "Next time will be trickier. In an Inflation Report month, the MPC will have to decide whether recent signs of recovery are the first rays of light in a sustained recovery, allowing a suspension of QE, or a false dawn, necessitating further stimulus. There might not be fireworks at the November 5th meeting but the stakes will be higher."

Edward Menashy, chief economist of Charles Stanley, added: "The thrust of the MPC strategy remains expansionary given the frailty of the economy. It recognises that the recent economic improvements have only come about as a result of the deep declines. On the asset front, as best exemplified by stock market indices, there are already signs that the rally may have run its course."

Young Group comments



Today's announcement comes as no surprise. Base rate is unlikely to change until the Bank of England's Quantitative Easing policy has ceased and, as expected, the Monetary Policy Committee has delayed making any decision regarding changes to its Quantitative Easing programme until after next month's quarterly inflation report.

However, we're seeing that residential property investors are mindful that rates will not remain at the current historic low forever. Results from Young Group's latest Young Index investor sentiment survey show that residential property investors expect the base rate to rise over the coming year to stand at just over 1% by Q3 2010.

Our Young Index results show that investors expect to see an upward movement in base rate from the current historic low of 0.5%, but that the uplift will be gradual, as you would perhaps expect when emerging from an economic downturn.

Our latest Young Index summary is here:

<http://www.younggroup.co.uk/research/youngindex.htm>