



**8 October 2009**

## Interest rates held with no change in QE

Interest rates have been held at 0.5 per cent yet again, the Bank of England has announced.

The monetary policy committee (MPC) also held its quantitative easing programme limit at £175 billion.

Some financial analysts had called for the programme to be increased to £200 billion.

David Kern, chief economist at the British Chambers of Commerce (BCC) earlier warned: "Despite some positive signs that the UK recession may be ending, the very disappointing recent decline in manufacturing output provides a stark reminder that recovery is not guaranteed.

"Large-scale job losses and the persistent weakness in lending to companies remain serious problems that must be resolved. Recent figures show that annual growth in lending to non-financial companies remains negative, and the pace of decline continues to worsen.

"To counter the threat of a relapse, we urge the MPC to increase the quantitative easing stimulus to at least £200 billion, and to consider a lower - or even negative - interest rate on deposits held by commercial banks at the Bank of England. This would penalise banks hoarding cash, and provide an incentive to lend to viable, credit-worthy customers."

Interest rates have been held at 0.5 per cent, a 300-year low, for a number of months now, with experts claiming it may stay at the same level into 2010.

Neil Young, CEO of Young Group, said today's announcement did not come as a surprise.

"[The] 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 programme until after next month's quarterly inflation report."