

9 October 2009

CEBR says interest rates will be frozen until 2010



The Bank of England's base rate will not rise throughout 2010, according an independent consultancy.

Speaking ahead of the October meeting of the Monetary Policy Committee, Benjamin Williamson, economist at the Centre for Economic and Business Research, claimed the historic interest rate low of 0.5 per cent is likely to be kept until 2011 at the earliest.

This prediction counters a previous forecast from the Confederation of British Industry, which projected that a level of two per cent would be reached by the end of 2010.

Meanwhile, the Young Group recently found that residential property investors expect the base rate to rise slightly over the next 12 months to just over one per cent.

Mr Williamson said that "for a couple of reasons" the Bank of England will maintain loosened monetary policy over the next year.

He said: "We don't see base rates lifting from 0.5 [per cent] in 2010; partly to counteract the expected sharp fiscal contraction, but also because the recovery does remain weak, so they have got to keep borrowing costs down."

Mr Williamson also added that with the Inflation Report coming out in November, the Bank could look to expand quantitative easing as a stimulus measure.