

BCC comments on Bank of England 'Super Thursday'

Commenting on the Bank of England inflation report and interest rate decision published on 'Super Thursday', Suren Thiru, Head of Economics at the British Chambers of Commerce (BCC), said:

"The Bank of England's latest forecasts point to a mild improvement in the central bank's outlook for the UK economy, with upgrades to its UK growth forecasts, compared to their November report.

"The hawkish tone of the latest inflation report and the minutes from the latest MPC meeting will reinforce expectations of at least one rate hike this year, particularly given the stronger than expected GDP growth in the final quarter of last year.

"However, in our view, UK economic conditions will be more subdued over the near term than the Bank of England currently predicts. The contribution of net trade to UK GDP growth is likely to be much more modest than implied by the central bank's latest projections. While UK export growth is forecast to remain solid amid a strengthening global economy, imports are likely to grow at a faster rate than the Bank expects, with little evidence that firms or consumers are switching towards domestic alternatives, despite their relatively higher cost.

"Similarly, business investment is likely to be more sluggish than the Bank of England is currently forecasting, with the cost of doing business in the UK and Brexit uncertainty likely to weigh on investment intentions.

"If UK economic conditions do become more sluggish, we would caution the MPC against raising interest rates in the near term to avoid weakening business and consumer confidence. More also needs to be done to kickstart growth by addressing some of the long-term, structural issues facing the UK economy, including the UK's chronic skills shortage."

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

Media contacts:

Allan Williams – Head of Press and Communications

020 7654 5812 / 0792058338

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812