

BCC comments on Bank of England's 'Super Thursday'

BCC comments on the inflation report and interest rate decision published by the Bank of England today.

11 May 2017

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 projections point to little change in outlook for the UK economy, compared to their February report, with only a slight downgrade for 2017. Significantly, the central bank see inflation as a greater risk to the UK's growth prospects in the coming months.

"In our view the Bank of England's forecasts are still too optimistic about the UK's near-term growth prospects. We expect that inflation will weaken economic activity by more than the central bank is currently predicting, with wage growth likely to remain persistently below price growth over the next few years. Rising input costs faced by businesses are also likely to weigh more heavily on investment intentions than the Bank of England forecasts currently imply.

"The Bank of England is likely to face a major headache over the next few years as it seeks to strike a balance between managing a period of above target inflation and supporting more subdued economic growth. Longer-term uncertainty over the impact of Brexit on the UK economy is also likely to weigh on UK monetary policy decision-making. Against this backdrop, the most likely scenario is that the MPC will opt for a prolonged period of monetary stability and keep interest rates steady over the near term.

"Is vital that the next government addresses some of the longstanding issues facing the UK economy, including the relentless increases in the up-front cost of doing business in Britain, and investing in critical infrastructure to enable businesses to continue to drive investment, create jobs and boost growth."

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.

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