

BCC responds to Bank of England's '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 decision to keep interest rates on hold, while unsurprising, was the right decision given the loss of momentum suffered by the UK economy in the first quarter and the downgrade to their 2018 GDP growth forecast. That said, the limited lowering of its GDP growth and inflation forecasts over 2019 and 2020, and the hawkish tone of the minutes from the latest MPC meeting, suggest that the prospect of an interest rate rise this year looks to have been delayed, rather than discarded.

"In our view the Bank of England remains too bullish about the UK's growth prospects over the next few years despite their downgrade to the 2018 forecast, which is now in line with our own outlook. 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 likely to weigh on investment decisions. Similarly, the contribution of net trade to UK GDP growth is likely to be more limited than suggested by the central bank's latest forecast. While UK export growth is likely to remain strong, imports are likely to grow at a faster rate than the bank expects with little evidence of significant import substitution. We currently expect that UK interest rates will rise to 0.75% this year, possibly as early as August.

"With UK economic conditions subdued and inflation weakening however, the case for a rate hike continues to look limited at best. The preferred option would be for the MPC to opt for a sustained period of monetary stability. While interest rates will need to be normalised at some point, it should be done slowly so as not to weaken the UK's growth prospects.

"Instead there should be a greater focus on lifting the UK out of its current low growth trajectory, including incentivising greater business investment and addressing the escalating burden of upfront costs facing UK firms."

Ends

Notes to editors:

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 53 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

The BCC has launched a campaign aimed at eradicating not-spots for mobile voice coverage. Add your not-spot [here](#).

Media contacts:

Allan Williams – Head of Press and Communications

020 7654 5812 / 07920583381

Orla Hennessy – Press and Communications Officer

020 7654 5813 / 07825746812