

MPC Keeps Interest Rates Same

The base rate of interest has been left unchanged, it has been announced.

May 11, 2008 (FPRC) -- In its monthly meeting, the Bank of England's monetary policy committee (MPC) has chosen to keep interest rates at five per cent. The announcement means it is the third time the committee has decided to maintain the rate this year and follows cuts of 0.25 percentage points which were actioned in both April and February.

Following on from the MPC's decision, it is possible that consumers find the pressures which their finances are under does not worsen. And during the current period of economic uncertainty, homeowners may find that their monthly mortgage repayments remain the same. In addition, people could discover that their capacity to manage other monetary demands - such as credit and store cards, personal loans and utility bills - is not put under additional strain.

Commenting on today's decision, Henk Potts, equity strategist for Barclays Stockbrokers, said: "The monetary policy committee is caught between a slow growth rock and a high inflation hard place. UK economic growth is clearly moderating; consensus forecasts are for growth of just 1.6 per cent this year compared to the three per cent expansion recorded in 2007. However, outside the housing market and survey data, there is little hard evidence of a marked slowdown in UK aggregate demand."

He added that headline inflation is set to "remain elevated" for much of the remainder of 2008, while the consumer price index inflation is predicted to move above the current rate of 2.4 per cent. Mr Potts attributed the increase in the latter towards rising energy prices and continuing depreciation of the pound. However, he pointed out that the Bank of England is set to carry out a series of decreases to the base rate of interest, with this predicted to stand at 4.25 per cent by the end of this year.

Meanwhile, Michael Coogan, director general at the Council of Mortgage Lenders (CML), claimed that although the MPC was required to strike a balance between slowing economic growth and rising inflationary pressures when making its decision, it is "disappointing" that a chance to cut the base rate has not been taken. He went on to report that although the housing and mortgage markets are to face challenges over the remainder of 2008, most homeowners appear to be "coping well".

However, Mr Coogan advised those consumers who are experiencing difficulties in managing their money or are concerned that they may soon develop problems to get in touch with their loan lender or a debt advisory service as soon as possible.

For people who are concerned about their capacity to manage their money as 2008 progresses now might be an ideal time to take out a personal loan. By selecting this type of loan, it is possible that borrowers are able to supplement their spending effectively and make major purchases.

Research carried out by the CML last month indicated that an increasing number of homeowners are looking for mortgage products which follow any changes to the base rate of interest. In February some 35 per cent of consumers were shown to be taking out tracker rate mortgages, a rise from the 14 per cent recorded during the same month in 2007.

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