

LLOYDS TSB RESPONDS TO BASE RATE DECISION

Commenting on today's decision by the Bank of England Monetary Policy Committee (MPC) to keep interest rates on hold at 4.75 per cent, Trevor Williams, chief economist, Lloyds TSB Financial Markets, said:

“There have been a number of factors influencing today's decision, not least that the housing market has responded to previous rises and appears to be slowing.

“With the continuing fall in manufacturing output and signs of weakness in surveys of consumer and business sentiment the MPC appears to have felt confident enough in the results of their previous actions to leave base rate unchanged. What's more, the UK's GDP figures in quarter three were a lot weaker than in quarter two showing a rise of 0.4% after 0.9% previously.

“However, there has been a great deal of speculation as to whether the base rate has peaked. It is important to remember that the MPC may well be taking a step back to assess the full effect of the rises they have already made before deciding which way to go in the future. The global rise in oil prices has not yet fed through to consumer prices and the seemingly unstoppable growth in consumer spending may well lead them to consider a further rise.”

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Notes to editors:

- Trevor Williams, chief economist, Lloyds TSB Financial Markets, is available for interview.

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