

## **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 4.5 per cent, Trevor Williams, chief economist, Lloyds TSB Financial Markets, said:

“The base rate decision is always an extremely fine balancing act, but it's no real surprise that this month the MPC has chosen to hold.

“The signs are that the economy is finally turning a corner. The housing market seems to be stabilising, with net mortgage lending and the number of houses changing hands both rising. Beyond that, the services side of the economy is also showing signs of an upturn and the health of the manufacturing sector continues to improve.

“Inflation has remained above target, rising 2.5 per cent year on year in September - a trend that the MPC will want to watch carefully. Moreover, with the effect of rising oil prices starting to seep through into the cost of raw materials and consumer goods, a real worry will have been that consumers are starting to expect inflation to rise. Holding rates will have been seen as the surest way to prevent these expectations becoming a reality.

“With all these factors at play, it's fair to say that this month interest rate cuts would not even have been on the radar. The decision to hold was a wise one.”

**-ends-**

**Notes to editors:**

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

**For more information:**

Emile Abu-Shakra

Lloyds TSB Press Office

Tel: 020 7356 1878

[emile.abu-shakra@lloydstsb.co.uk](mailto:emile.abu-shakra@lloydstsb.co.uk)

[www.mediacentre.lloydstsb.com](http://www.mediacentre.lloydstsb.com)