

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:

“This decision to keep the Bank of England's repo rate on hold at 4.75% comes as no surprise. Growth in the housing market and consumer spending have slowed in the past month – a combination which raises concern that any rate rise now would slow economic growth unnecessarily.

“There is no need to raise interest rates immediately. Average consumer price inflation was 1.6 per cent year-on-year in February so still well under the 2 per cent inflation target.

“However, a further rate rise still looks possible over the next few months, and possibly in May despite it being an election period. The current rate of UK economic growth – 3% in the year to Q4 2004 – and its expected continuation over the coming year gives concern that a lack of spare capacity will lead to faster wage inflation. This could lead to higher consumer inflation in the medium term. The Bank of England's own forecasts show inflation above the 2% target in 2006.”

-ends-

Notes to editors:

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

For more information:

Vicky Taylor or Simon Walsh
Lloyds TSB Press Office
Tel: 020 7356 2021

vicky.taylor@lloydstsb.co.uk / www.mediacentre.lloydstsb.com