



# D1: Interest Rates and Monetary Policy

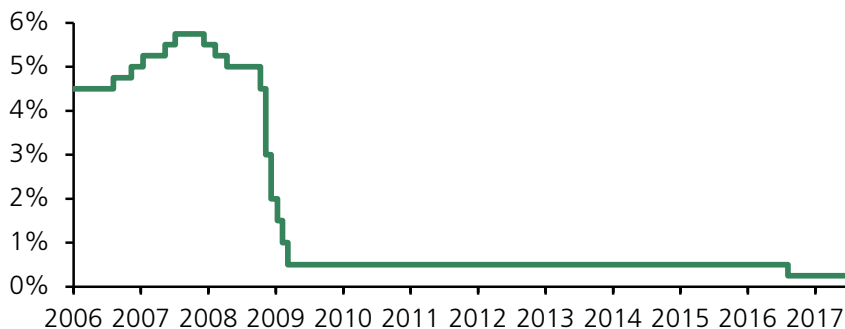
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates have stayed at historic lows since then, close to or below 0% in most developed economies.

## UK (Bank of England)

The Bank of England's Monetary Policy Committee (MPC) [cut its main interest rate](#) (the Base Rate) from 0.5% to 0.25% on 4 August 2016, the first change since March 2009, and the lowest since the Bank was founded in 1694. The MPC cited the weaker outlook for the economy following the vote to leave the EU as its main reason for cutting rates.

Monetary policy was left unchanged at the MPC's [15 June meeting](#).

## UK official interest rate



As well as cutting interest rates, the MPC agreed other measures designed to boost the economy, including expanding its **quantitative easing** (QE) programme, where the Bank creates new money to buy financial assets, by £70bn (£60bn of government debt and £10bn of corporate debt). Planned QE now totals £445 billion.

Since then, the MPC has left interest rates and policy unchanged, including at its latest [June meeting](#). However, the vote to keep rates unchanged in June was closer than most observers expected; the MPC voted 5-3 in favour of keeping policy unchanged. Three MPC members were concerned by inflation rising faster than it had anticipated, to 2.9% in May, above the Bank's 2% target, and voted to raise rates.

## Eurozone (European Central Bank)

The European Central Bank (ECB) [lowered its main interest rate](#) for the Eurozone to 0.0% and the deposit rate to -0.4% in March 2016. The ECB is also conducting a QE programme, intended to stimulate the economy, whereby it buys €80bn worth of assets (mostly government bonds of Eurozone countries) a month. On 8 December 2016, [the ECB announced](#) it will reduce QE purchases to €60bn per month starting from April, which it did. Policy was left [unchanged](#) in July 2017.

## United States (Federal Reserve)

At its latest July 25-26 policy meeting, the US Federal Reserve [left interest rates unchanged](#) at 1.0-1.25%. Rates have been increased gradually from 0-0.25% since December 2015 against a backdrop of jobs growth and steady economic growth.

## Subject Specialist

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## Updates – next monetary policy meetings

UK ([3 Aug](#))  
ECB ([7 Sep](#))  
US ([20 Sep](#))