



D1: Interest Rates and Monetary Policy

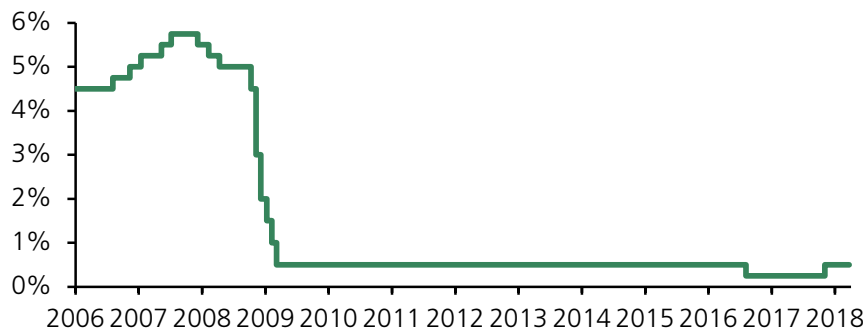
Central banks around the world cut interest rates sharply during the 2007-2009 financial crisis. Rates have stayed at historic lows since then, close to or below 0% in most developed economies.

UK (Bank of England)

The Bank of England's Monetary Policy Committee (MPC) voted 7-2 to leave interest rates unchanged at 0.5% at its March policy meeting. In November, the MPC raised interest rates for the first interest rate increase in more than a decade. Many observers believe there is a good chance that rates will be raised at the next MPC meeting in May.

The MPC left interest rates unchanged at 0.5% following its March [meeting](#)

UK official interest rate



The fall in the value of the pound since early 2016 and, particularly, following the Brexit vote in June 2016, has pushed up inflation to around 3% – above the MPC's 2% target (it was 2.7% in February). Despite relatively subdued economic growth in recent quarters, the MPC believes that there is little spare capacity in the economy. This means that to bring inflation down to its target, the MPC has stated that more rate increases in 2018 are likely.

The MPC's **quantitative easing** (QE) programme, where the Bank creates new money to buy financial assets, remains active and unchanged. QE now totals £445 billion of assets, £435 billion of which are government bonds and £10 billion of commercial debt.

Eurozone (European Central Bank)

At its March 2018 [policy meeting](#), the European Central Bank (ECB) left its main interest rate unchanged at 0.0%. It also left unchanged its quantitative easing programme – whereby it purchases assets (mostly government bonds of Eurozone countries) in an attempt to stimulate the economy – at €30 billion per month until September 2018, or longer "if necessary".

United States (Federal Reserve)

At its two-day policy meeting ending on 21 March, the US Federal Reserve [raised interest rates](#) by 0.25%-points to 1.50-1.75%. 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 ([10 May](#))
ECB ([26 Apr](#))
US ([2 May](#))