

Experts: Bank will not up rates

BRITAIN'S base rate looks likely to stay on hold at 5.25% for some time. But despite last week's worrying figures for inflation and booming retail sales, analysts have not ruled out a further rate cut if global weakness hits the economy.

Figures last week showed a jump in underlying inflation from 2% to 2.4%, and in average earnings from 5% to 5.2%. Retail sales last month were up by 6.4% on a year earlier, the fastest rise for four years.

But the Bank of England's monetary policy committee (MPC), which cut rates from 5.5% to 5.25% only last month, is unlikely to raise them in the near future. A survey of analysts this weekend by Ideaglobal.com, a research firm, concludes that rates will still be at 5.25% at the end of the year.

Mervyn King, the Bank of England's deputy governor, stressed recently that economic

David Smith

data were likely to be erratic, with the economy buffeted by foot-and-mouth disease and international factors. The MPC is likely to decide last week's figures fall into that category.

Gerard Lyons, head of treasury research at Standard Chartered, the investment bank, said: "The Bank has been right to cut rates and there is no room for further reductions. But it is premature to talk about tightening policy."

On Friday, Credit Suisse First Boston revised down its global growth forecasts on the back of weaker performance in Europe and Japan. It predicted cuts in the third quarter in America's Fed Funds rate to 3.5%, and in the European Central Bank's repo rate to 4.5%.

Economic Outlook, page 4