

Our Savings Bulletin provides you with the latest information on interest rates

Few commentators will have been thrown by the Bank of England's decision to hold interest rates steady this month at 5.25%.

It was hard to imagine the Monetary Policy Committee doing anything else in the current climate. Given the acute turmoil on international financial markets – particularly in the UK and the US – many economists felt that a further interest rate rise would have had harmful effects on business confidence and on the economy's growth prospects.

Stock market falls can sometimes appear to dent consumer confidence more effectively than interest rates rises. In a sense, the recent pounding taken by the FTSE 100 – the index has fallen 5% since February, wiping off some £90 billion – takes some of the committee's work off its hands.

The bank has imposed three quarter-point rises in the cost of borrowing since August 2006, the most recent in January. The effects of those rises take time to filter through, and the MPC is still gauging their impact. Famous for this wait and see approach, the MPC's restraint this month shows that committee members are reluctant to over-tighten the screw.

The question of what will happen next is still an open one. Along with stock market turbulence, the bank is responding to a mixed bag of economic data. On the one hand, the housing market looks robust, with prices rising steadily. On the other, consumers have record levels of personal debt already.

Spending on the high street is finally slowing, demonstrating that the three rises so far – and perhaps also public fears about instability in financial markets – are beginning to bite.

Nevertheless, most commentators anticipate that the bank will increase the cost of borrowing by another quarter point in April or May. The MPC still needs to keep a weather eye on inflation and will see a quarter point rise as necessary to bring inflation back on course. Most commentators believe that at 5.5% this will represent the peak of this particular interest rate cycle.

At 2.7%, inflation is still well above the bank's target of 2%, but down from the danger levels of 3% that it reached in January, when the Bank of England governor Mervyn King narrowly avoided the task of having to draft a letter of explanation to Gordon Brown. That embarrassment is triggered if the rate of inflation goes above 3%.

Meanwhile, economists and the MPC will also take note of the rosy picture painted by the International Monetary Fund. The IMF predicts growth of 2.9% for the UK this year.

The big remaining question for the committee's April meeting will be the impact of Gordon Brown's Budget speech – which was probably his last as Chancellor. The committee will want to assess Brown's speech before raising rates again.

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