

**The Bank of England's Monetary Policy Committee today voted to maintain the official Bank Rate paid on commercial bank reserves at 5.75%.**

In its August Inflation Report, the Committee's central projection was for inflation to remain close to the 2% target over the forecast period and for output growth to ease, reflecting a slowing in both consumer spending and business investment.

In recent weeks, heightened concerns about a variety of asset-backed securities have led to disruption around the world, not only in markets for those financial instruments but also in money markets more generally. The MPC's mandate is to set interest rates to meet the Government's 2% target for CPI inflation. So the Committee discussed these developments and other economic data in terms of their implications for the outlook for inflation.

CPI inflation fell back to 1.9% in July and may remain around, or a little below, the 2% target for the next few months. Pay pressures remain muted. There are tentative signs of a slowing in consumer spending. But the recent solid pace of output growth has been sustained and the margin of spare capacity appears limited. Indicators of pricing pressure remain somewhat elevated.

It is too soon to tell how far the disruption in financial markets will impair the availability of credit to companies and households. As stated in its August Report, the MPC is monitoring closely the evolution of both credit spreads and the quantities of credit extended, alongside all other data relevant to the outlook for inflation.

Against that background, the Committee judged that no change in Bank Rate was necessary at this meeting to keep inflation on track to meet the target in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 19 September.

Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.75% on 5 July 2007.

[SOURCE: BOE Website]

10:45 09/06 **EGB CLOSING SUMMARY:** EGBs traded mixed on Thursday afternoon, with Bunds paring losses after the ECB left interest rates unchanged and President Trichet delivered a more dovish than expected ECB press statement. We note that the initial debate over ECB rate expectations in August focussed on whether the ECB would choose to tighten policy in September or October. Alongside failing to deliver a rate hike today, President Trichet also failed to indicate intentions to tighten policy in October after suggesting the governing council would "monitor very closely all developments" rather than stressing the need for strong vigilance. EGBs opened lower on position squaring ahead of key interest rate announcements from the BOE and ECB. Bunds fell to session lows following the announcement of the ECB quick 1-day refi tender and poor results for Spanish and French auctions. Spain sold E1.61bln of the 3.90% Oct 2012 Bono issue, covered 1.79 times and France launched the new 4.25% Oct 2017 OAT for E3.910bln, covered 2.33 times.

**BOE Unusually Releases a Statement After Keeping Rates On Hold**  
by Niraj Shah

-- Stone & McCarthy (London) --

The Bank of England kept interest rates on hold at 5.75% in September as widely expected. However, in a highly unusual move, the Bank also issued a statement. The BOE normally only does this after changing interest rates and this is only the third time since independence that a statement has been released when rates have been kept on hold. The previous times were in September 1998 and May 1999 when interest rates were then actually cut in the following months. Whilst we do not expect this to happen this time round, the statement appeared to confirm that the BOE would keep rates on hold in the near-term.