

IOD Press Release
5th August 2004

Institute of Directors Interest rate comment

Please find below the IoD's reaction to today's interest rate decision
IoD comment if interest rates increase by 0.25% points

The Institute of Directors said that the decision to raise interest rates by a quarter point was sensible given current conditions. Graeme Leach, Chief Economist at the Institute of Directors said:

"The Monetary Policy Committee's decision to raise interest rates by 0.25% was driven by 3 considerations. First, concerns regarding the knock-on effects of house price increases (housing wealth) on household consumption.

Second, concern that measured GDP growth doesn't reflect the real impact of the increases in public spending (because of the difficulty in measuring public sector output). Third, that inflation may be at a turning point as the output gap (spare capacity) disappears and the effects of higher oil prices ripple out across the economy".