No interest rate rise until August

BY GEOFF HO

The Bank of England will keep interest rates at 0.5 per cent this week and next, which is how it is behaving in the forecasts, normalising them until late summer, economists say. The reason, it is said, is that the nine members of its Monetary Policy Committee (MPC) voted 7-2 to keep rates on hold, having previously signalled a rise.

Weak economic data, combined with poor growth data in the third quarter of GDP (GDP) growth of 0.1 per cent for the first quarter, is believed to have killed off the chances of a rate hike on Thursday.

The respected EY ITEM Club think-tank, which uses the Treasury’s models to produce its economic forecasts, said that instead of seeing two interest rate rises in 2018, it is likely that there will only be one in August now.

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ITEM Club chief economic adviser Howard Archer said that while the UK should see GDP growth bounce back to 0.7 per cent for the second quarter, the MPC will want to see a sustained run of positive economic data before raising the base rate.

Archer said: “The interest rate outlook has changed significantly as a consequence of the economy slowing more than expected in the first quarter of 2018. GDP growth of just 0.1 per cent quarter on quarter was the weakest performance since the fourth quarter of 2012 and below the most pessimistic of forecasts.

“We suspect that the MPC will again sit tight on June 21 after its meeting. We now expect the Bank to raise interest rates from 0.5 per cent to 0.75 per cent at the August MPC meeting. This is likely to be the only interest rate hike in 2018, but we expect the Bank to raise them twice in 2019, by 25 basis points. This would see interest rates reach 1.25 per cent by the end of 2019.”

Pantheon Macroeconomics chief UK economist Samuel Tombs said: “While it (the MPC) is likely to mention that it expects to raise rates a few times over the next few years, it will probably refrain from giving clear guidance over the timing of the next hike.

“Markets are pricing in a 0.1 per cent chance of an August hike, we broadly agree, and its hard to see why the MPC would want to stir that probability higher when the incoming data remains weak and the political uncertainty is still high.”

Fashionable thinking outside The BOX

FASHION events start-up The BOX is forecasting turnover of £4 million by 2020, thanks to the swish stock and sample sales it holds for designers, writes Maisha Frost.

Founded in January 2017 by Natalie Basrawy, the firm holds weekly sales in its east London showrooms where shoppers can browse catwalk and limited-edition pieces in a comfortable setting akin to high-street stores, complete with changing rooms and mirrors. It manages the sales for designers or provides them with the space if they want to do it themselves.

Sample and stock events can often feel a bit like a jumble sale and Basrawy explained: “I wanted to create an environment for excess stock that does not devalue it. Our concept, which includes being a longer term outlet for clients, appeals because it does not disrupt their full price business. We extend the value and life of stock, clearing it in a sustainable way with reductions of up to 80 per cent.”

Annual growth is running at 30 per cent and the sales it hosts for up-and-coming and established brands attract male and female shoppers. Its next sale is on May 17 and features items from super chic Parisian house Isabel Marant and French brand APC’s tailored staples.

Ashley in House of Fraser legal row

RETAIL mogul Mike Ashley has launched legal action against House of Fraser, the embattled department store group that is fighting for its future.

Ashley’s Sports Direct holds an 11.1 per cent stake in House of Fraser and it is seeking a High Court injunction to force the chain to provide it with a copy of its corporate plans, as it feels that it has been frozen out by management.

House of Fraser last week said that it will close some of its 59 stores and seek rent reductions at others, using an insolvency process called a Company Voluntary Arrangement (CVA) to cut itself out of the group. The chain’s UK arm reported an operating loss of £144m for the period ending 24 January, as it struggled under the weight of restructuring costs.

The restructuring will also see Hamleys toy shop Chinese owner Cinerion become its majority shareholder. KPMG is advising House of Fraser on its restructuring plans, details of which are expected to be finalised in early June.

House of Fraser is currently controlled by Chinese conglomerate Mavesolk and its troubles continued in January, after it suffered a sharp drop in sales over Christmas.

Engineering needs lift to beat skills gap

STUDENTS and school pupils need to be encouraged to take up science, technology, engineering and mathematics in greater numbers to beat Britain’s skills gap. Continuing efforts to inspire more young people to take up STEM subjects and engineering careers, the FTSE 250 electronics engineering group has teamed up with Electronics Weekly on Thursday to hand awards to Britain’s best young engineers.

CW was a 5 per cent rise in the number of people entering the BrightSparks awards this year and that encouragingly, 20 per cent of entrants were women. Only 9 per cent of engineers in the UK are present are female.

“Our aim is to inspire them in order to tackle the STEM skills gap in education, plus show how exciting and creative engineering careers can be,” Ruth said.

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