

MPC April Interest Rate Decision Newcastle Building Society Comment

Steven Marks, lending executive at Newcastle Building Society, says:

"With the continuing impact of the global credit crunch and the slowdown in the housing market, this rate reduction was very much expected, but it is unlikely to have as great a bearing on market conditions as both the MPC and the Government would like."

"The trend in recent weeks has been for lenders to put their mortgage rates up, rather than down, as the money market rates at which they are undertaking their own borrowing are higher than the existing base rate, and it is therefore very unlikely that this latest cut will be passed on to borrowers straight away, which will mean it will have much less of an impact than is hoped for."

"We feel further action will be required to stimulate and build some momentum in the housing market - the urgency of taking such action now overrides any concerns over the inflation rate rising as a result of interest rate cuts, and we would expect to see at least one more rate cut later in the year."

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