

## Bank of England Chief Reaffirms Interest Rates Remain on Downward Path

July 2, 2025

— Categories: General News



Bank of England Governor Andrew Bailey has reiterated that interest rates in the UK remain on a downward trajectory, despite the Bank's recent decision to keep the base rate steady at 4.25 percent. Speaking after the latest Monetary Policy Committee meeting, Bailey said that while rates are not yet ready to fall, the overall direction remains toward easing,

providing reassurance to markets and households watching for signs of relief from high borrowing costs.

Bailey acknowledged that inflationary pressures remain stubborn in certain areas, particularly in services and wage growth, but insisted that the central bank continues to see encouraging signs in its key indicators. Consumer price inflation has fallen significantly from the double-digit levels of last year, now standing at 3.4 percent, though still above the Bank's 2 percent target. Bailey stressed that while the battle against inflation is not yet over, progress has been made, and monetary policy will begin to loosen once the Bank is confident that inflation is sustainably falling.

He warned, however, that the timing of any rate cuts would depend entirely on incoming data. "We are on the way, but we're not yet at the point where we can cut rates," Bailey stated. He emphasized that the Bank will continue to evaluate inflation, wage growth, and other economic signals carefully before taking further action. His comments come as financial markets increasingly anticipate rate reductions before the end of the year, with many analysts predicting the first cut could come as early as September if inflation data continues to improve.

Bailey also addressed the pressure that high interest rates are placing on UK households and businesses, acknowledging that many borrowers, particularly mortgage holders, are feeling the strain. However, he defended the Bank's cautious stance, arguing that cutting rates too quickly could risk reversing the progress made in controlling inflation, ultimately doing more harm than good to the economy.

The Governor's message was one of cautious optimism. He made clear that while the era of tightening may be coming to an end, the Bank will not rush to act until it is certain that inflation is under control. With the economy still showing signs of fragility, the Bank of England appears committed to a steady, data-driven approach, balancing the need for growth with the imperative of long-term financial stability.