

Bank of England Lowers Interest Rates Following Brexit



London, August 5 (RHC)--The Bank of England has announced the decision to cut interest rates to near nothing, unleashing billions of pounds into the economy, citing the weaker economic outlook after the shock Brexit vote.

The central bank said it projected the economy to stagnate for the remainder of 2016 and suffer weak growth throughout next year, lowering its interest rates for the first time since 2009.

In what one bank dubbed a "sledgehammer stimulus," the Bank of England cut interest rates 25 basis points to 0.25 percent and said it would buy \$79 billion of government bonds with newly created money over the next six months.

"By acting early and comprehensively, the [Bank] can reduce uncertainty, bolster confidence, blunt the slowdown and support the necessary adjustments in the U.K. economy," Bank of England Governor Mark Carney told a news conference.

Sterling fell 1.2 percent against the dollar following the announcement, while British government bond yields hit record lows and the main share index rose by nearly 2 percent.

Carney said he had unveiled an "exceptional package of measures" because the economic outlook had changed markedly following the Brexit vote. Finance Minister Philip Hammond welcomed the rate cut and said he and Carney had "the tools we need to support the economy as we begin this new chapter and address the challenges ahead."

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