# European Central Bank Set to Lower Interest Rates, Future of Bank of England Uncertain



Policymakers at the European Central Bank (ECB) are preparing to lower interest rates from a historic high during their meeting next Thursday. This move is expected to increase pressure on the Bank of England, which will have a significant meeting in June to decide whether to reduce the current rate of 5.25%, a 16-year peak. Last week, UK inflation figures showed a sharp decrease to 2.3% in April, prompting Prime Minister Rishi Sunak to express optimism about the economy, stating that inflation rates were 'back to normal.'

UK shop inflation eased to 0.6% in May, down from 0.8% the previous month, driven by falling prices of non-food items such as furniture. The British Retail Consortium (BRC) reported this rate as the lowest since November 2021. The decline was influenced by slowing food inflation and retailers lowering prices due to subdued consumer demand.

In April, the official consumer price inflation dropped to 2.3%, close to the Bank of England's target of 2% but higher than economists had anticipated. Markets had previously expected the Bank of England to begin cutting interest rates in June, but this outlook may now be delayed. The path of inflation and borrowing costs remains a key concern for voters as the UK general election approaches on July 4, with the ruling Conservative Party trailing Labour by about 20 percentage points in polls.