# Impact of Uncertain Interest Rate Cuts on Global Economy Amid Rising Inflation



Interest rates have once again become a focal point in economic discussions, overshadowing even significant political events. Recent reports indicate that the prospect of a slower reduction in interest rates has impacted markets considerably. The exact timing and frequency of potential rate cuts by central banks remain uncertain, with discussions centered on whether cuts will occur in June or September and if there will be two or three reductions this year.

Political changes, while crucial in the long term, do not exert the immediate influence on economic conditions that interest rates do. For example, in the UK, market reforms led by Margaret Thatcher had prolonged effects on economic performance but the negative impacts of certain policies became evident only over decades. In contrast, the central banks' insufficient response to rising inflation in early 2021 resulted in significant and rapid global economic consequences.

Globally, there is a consensus that inflation remains a concern, with figures rising more than expected in both Europe and the UK. The UK, US, and Eurozone have all experienced peak inflation rates significantly higher than targeted, complicating efforts to bring inflation under control. Consequently, central banks are cautious about cutting interest rates precipitously, as the economic environment remains unstable with rising commodity prices and geopolitical uncertainties, including the ongoing conflict in Ukraine and potential political changes in the US and Europe.

Central banks' hesitance to reduce rates is shared globally, reflecting widespread economic volatility and the need for cautious monetary policy. Despite the optimism surrounding a possible economic recovery, the current focus remains on managing inflation and stabilizing the economy in a rapidly changing global landscape.