# Bank of England Economist Cautious on Interest Rate Cuts Amid Inflation Concerns



**Bank of England's Economist Tempers Interest Rate Cut Expectations Amid Inflation Concerns**

Huw Pill, Chief Economist at the Bank of England, has indicated that while it is "not unreasonable" to consider potential interest rate cuts over the summer, substantial progress is still needed to manage inflation. Speaking at an ICAEW event, Pill emphasized the need to closely monitor upcoming employment and inflation data, particularly April's wage figures, which incorporate a recent 10% increase in the national living wage.

The Bank's Monetary Policy Committee (MPC) maintained the interest rates at 5.25%, a 16-year high, in their latest meeting but will reassess in June and August. Pill highlighted the ongoing challenges posed by wage growth and labor market conditions, noting a recent rise in the UK's unemployment rate to 4.3%. Economists are watching closely, with market predictions showing a 50% chance of a rate cut in June and a 75% chance in August. Bank of England Governor, Andrew Bailey, noted that while a rate cut in June cannot be entirely discounted, it is not guaranteed.

**Biden Announces Strategic Tariffs on Chinese Goods Amidst Trade Tensions**

President Joe Biden has announced new tariffs on Chinese electric vehicles (EVs), medical equipment, and other goods totaling $18 billion. The tariffs aim to protect U.S. jobs and manufacturers while countering Chinese government subsidies that Biden claims unfairly advantage Chinese companies. Key tariffs include a rise from 25% to 100% on Chinese EVs and significant increases on solar cells, steel, aluminum, and EV batteries. These tariffs are set to phase in over the next three years, with full implementation of some delayed until 2026.

The move is expected to heighten U.S.-China trade tensions but is structured to have minimal immediate inflationary impact, according to administration officials. Biden argues the tariffs will ensure fair competition and bolster American manufacturing, particularly in critical future industries like EVs and renewable energy. Chinese officials have criticized the tariffs, accusing the U.S. of obstructing global trade norms.

**Federal Reserve Chairman Cautions Against Immediate Rate Hikes Despite Persistent Inflation**

Federal Reserve Chairman Jerome Powell signaled a reluctance to raise interest rates further despite persistent inflation. Speaking at an event in Amsterdam, Powell acknowledged strong inflation but emphasized the Fed’s current strategy of maintaining existing rates at a two-decade high. He noted that the upcoming data on consumer inflation, expected to show cooling price growth, will be pivotal for future decisions.

Despite hopes for potential rate cuts later this year, Powell stressed the need to stabilize inflation before considering such moves. His reassurance comes amidst ongoing concerns about rising consumer expenses in sectors like auto insurance and entertainment, which continue to drive inflationary pressures.

**Potential Additional Tariffs Loom for Chinese EVs Moving to Mexico**

The Biden administration warned of additional tariffs should Chinese EV manufacturers relocate production to Mexico to circumvent newly announced import taxes. U.S. Trade Representative Katherine Tai mentioned that further tariffs would require a separate process from the current Section 301 review, which has already led to significant tariffs on Chinese imports. This potential move aims to ensure the effectiveness of the tariffs in protecting U.S. industries and addressing unfair trade practices by China.