# European Central Bank to Cut Interest Rates Ahead of Bank of England Meeting



Interest rates in Europe are set to be cut next week when the European Central Bank (ECB) meets on Thursday. This move is expected to increase pressure on the Bank of England to follow suit in June. The ECB's planned rate cut of 0.25 percentage points from a record high of 4% comes as core annual inflation in Europe has decreased significantly.

In the UK, official data showed that inflation dropped sharply to 2.3% in April, close to the Bank of England's target of 2%. Prime Minister Rishi Sunak described the inflation rate as "back to normal." Despite this, market expectations for a rate cut by the Bank of England have been postponed, with borrowing rates expected to remain high until autumn.

Retail prices in the UK grew at an annual rate of 0.6% in May, a decline from 0.8% in April, according to the British Retail Consortium (BRC). This is a significant decrease from the peak of 9% in May 2023. The fall in inflation has been attributed to factors such as reduced furniture prices due to low consumer demand and unusually wet weather affecting sales.

The fluctuation in inflation and borrowing costs is a critical issue for voters ahead of the UK general election on July 4. The ruling Conservative party is currently trailing the Labour party by around 20 percentage points in the polls.