

SCDI PRESS RELEASE

SCDI RESPONSE TO MPC ANNOUNCEMENT

07 August 2008

Reacting to the MPC's decision to hold interest rates at 5%, SCDI's Chief Economist Iain Duff said:

"Any change was always unlikely, but it is clear that SCDI members are viewing the economic outlook with some concern. We are fully aware of the inflationary threat which the MPC must contain, but the SCDI certainly does not see any reason for rates to rise and would look to the Committee to provide a boost to consumer and business confidence if the economy slows further.

"However, the real issue for the economy at this time is the reluctance of the financial institutions to lend to one another or to customers that either carry greater risk or are unable to provide a significant deposit, such as first time house buyers. Indeed, with the inter-bank lending rate still well above base rate, there is no guarantee that a base rate cut would have translated into lower rates for customers.

"This lack of liquidity is the problem that has led to a 32 per cent reduction in mortgage lending and the slowdown in the housing market, with a resultant slowdown in the wider economy. This is the real issue that the Bank of England and the Government have to tackle if they are to get the economy moving again."

ENDS

For further information please call Niall Stuart, Press and Government Affairs Manager on 07814 167477