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CBiBank Research Department: Central banks are believed to be at or near the pinnacle of their interest rate hikes

UNITED STATES, November 8, 2023 /EINPresswire.com/ -- Just last week, the European Central Bank indicated that its council believes rates might have reached their zenith. After extensive discussions on its revised predictions for economic growth and inflation, and their implications for monetary policy, the ECB elevated its primary rate to an unprecedented 4%. While it didn’t completely dismiss potential future hikes, the bank mentioned that the current rate levels, if sustained for an ample period, would significantly help in bringing inflation back to the target.

The immediate forecast for inflation is daunting, poised to severely impact consumers. Current projections for the Eurozone anticipate inflation to average at 5.6% for this year, a slight increase from the previous 5.4% estimation, and 3.2% for the subsequent year, up from the previously estimated 3%. However, the prediction for 2025, a key metric observed for medium-term trends, has been adjusted downward from 2.2% to 2.1%.

Post-announcement, the conversation among economists, including Berenberg's Holger Schmieding, is now centered around the duration for which the rates will stay at this level.

Deutsche Bank analysts predict no rate reductions until at least September 2024, suggesting a year-long stasis at 4%.

However, there are obstacles to this trajectory, one significant concern being the potential surge in oil prices. The recent ascent of crude futures to a high not seen in 10 months might influence the costs of goods and shape inflation expectations, not just in Europe but also in the U.S."

By Billy Jackson from [CBiBank](#) Research Department said that "Central banks from some of the globe's largest economies are believed to be either at, or nearing, the pinnacle of their interest rate hikes.”

Meanwhile, the CBiBank Research Department issued another forecast this week: Another Bank of England Interest Rate Hike Seems Imminent – However, It Could Be the Final One.

The Bank of England appears set to implement its 15th consecutive interest rate hike this week, as the institution's policymakers on Threadneedle Street persist in their efforts to control inflation.

Even with the backdrop of growing unemployment and tepid economic growth, many in the financial sector anticipate that wage growth concerns will prompt the majority of the Bank's nine-member Monetary Policy Committee (MPC) to increase the base borrowing rate by another 0.25 percentage points, bringing it to 5.5%.

While an interest rate hike on Thursday isn't guaranteed, recent statements from MPC members have indicated a consistent trajectory of policy tightening since December 2021.

The Bank has faced criticism for its delayed reaction to post-lockdown inflation spikes but has since been aggressively compensating. The pace of the recent rate hikes has not been seen since the era when then-chancellor Nigel Lawson escalated interest rates from roughly 7.5% to 15% between June 1988 and October 1989.

Statements from the Bank's governor align with comments made by its chief economist, Huw Pill, during an event in Cape Town this past August. Pill likened the anticipated interest rate trajectory to the flat profile of Table Mountain, rather than the sharp peaks of the Matterhorn.

Such remarks were perceived by financial markets as a subtle indication that interest rates, currently at 5.25%, might not rise much further. Instead, they could stabilize at this level until the Bank is confident that inflation is set to realign with the government's target of 2%."

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