

UK central bank intervenes in market to halt economic crisis

LONDON (AP) — The Bank of England took emergency action Wednesday to stabilize U.K. financial markets and head off a crisis in the broader economy after the government spooked investors with a program of unfunded tax cuts, sending the pound tumbling and the cost of government debt soaring.

The central bank warned that crumbling confidence in the economy posed a “material risk to U.K. financial stability,” while the International Monetary Fund took the rare step to urge a member of the Group of Seven advanced economies to abandon its plan to cut taxes and increase borrowing to cover the cost.

The Bank of England said it would buy long-term government bonds over the next two weeks to combat a recent slide in British financial assets. The bank’s actions are focused on long-term government debt, where yields have soared in recent days, pushing up government borrowing costs.

“Were dysfunction in this market to continue or worsen, there would be a material risk to U.K. financial stability,” the bank said in a statement. “This would lead to an unwarranted tightening of financing conditions and a reduction of the flow of credit to the real economy.”

The move came five days after Prime Minister Liz Truss’ new government sparked investor concern when it unveiled an economic stimulus program that included 45 billion pounds (\$48 billion) of tax cuts and no spending reductions. It also wants to spend billions to help shield homes and businesses from soaring energy prices, sparking fears of spiraling government debt and higher inflation, which is already running at a nearly 40-year high of 9.9%.

Continue reading [HERE](#)

Source:

<https://apnews.com/article/inflation-economic-growth-international-monetary-fund-b6346608fbee3742ed95275136092b03>

[Disclaimer]