UK Inflation Hits BoE Target of 2%, Stirring Rate Cut Speculation

The United Kingdom's inflation rate has hit a long-term target the Bank of England (BoE) set at 2% for the first time in almost three years. This milestone has sparked speculation about possible interest rate cuts by the BoE later this year, with major implications for the growing cryptocurrency market.

This inflation drop is particularly noteworthy, given that the UK saw the highest inflation rate in October 2022, and it was 11.1%, the highest since the year 1981. Notably, the Bank of England has been steadily raising interest rates since December 2021. They reached a peak of 5.25%, to tackle this surge.

Despite the recent decrease in inflation, many expect the Bank of England to hold current interest rates. But there is growing chatter that a rate cut might be in the cards, possibly as soon as August, in the case that inflation keeps slowing down.

Market investors and analysts have welcomed the possibility of lower interest rates. Lower rates can stimulate economic activity, reduce borrowing costs, and lead to bigger investment incomes. This development is promising not only for traditional banks and institutions but also for the dynamic cryptocurrency sector.

The UK’s crypto market has seen significant growth in recent years, with more people turning to digital currencies for investment, transactions, and even gambling. Crypto and gambling expert Kane Pepi notes that the popularity of crypto for gambling is particularly noteworthy. According to his Insidebitcoins’ guide, many online platforms now accept cryptocurrencies, offering faster transactions and enhanced privacy compared to traditional fiat currencies.

On the other hand, offshore casinos, which frequently accept cryptocurrencies, have gained popularity for offering more flexible gaming options and greater privacy compared to local platforms. Many players are drawn to these casinos because they face fewer regulations and provide a wider variety of games.

A potential Bank of England rate cut might have great positive effects on the cryptocurrency market. So far, cryptocurrencies such as Bitcoin (BTC) have been sensitive to macroeconomic circumstances, especially interest rate changes. Lower interest rates frequently bring fiat currency depreciation, prompting investors to seek alternative assets like cryptocurrencies for higher returns.

Also, lower borrowing costs might increase market liquidity, which would allow more money to pass into high-reward, highrisk assets such as cryptocurrencies. This escalated liquidity often results in aggressive moves in the cryptocurrency market as investors spread their investments across different assets and protect themselves against the possible decline in the value of fiat currency. A similar occurrence happened when the European Central Bank cut interest rates by 0.25%, leading to a rally in Bitcoin. If the BoE follows this trend, a powerful rebound in the market could be anticipated.

This trend is expected to continue, especially if the BoE decides to cut interest rates. Lower interest rates could attract new investors to the crypto market, driving up prices and fostering greater adoption. As cryptocurrencies become more mainstream, the potential for growth in this sector remains substantial.

Recent data revealed that the Consumer Price Index (CPI) of the UK increased by 2.0% annually in May this year, which was in April down from 2.3%. This shows the slowest inflation rate since July 2021, raising aspirations that the central bank might consider lowering interest rates soon. Every month, the CPI in May rose by 0.3%, slightly below the expected 0.4%.

The biggest factor in lowering the monthly inflation rate was the drop in food prices, which had increased during the same time last year, according to the Office for National Statistics. Motor fuels exerted the largest pressure, with prices rising a bit this year in contrast to a fall last year. Core inflation, which excludes volatile items like energy, food, tobacco, and alcohol, went down to 3.5% annually from 3.9%, meeting market expectations.