



BANK OF ENGLAND

News release

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Bank of England Raises Interest Rates by 0.25 Percentage Points to 4.0%

The Bank of England's Monetary Policy Committee today voted to raise the Bank's repo rate by 0.25 percentage points.

The Committee reviewed monetary and economic developments in the light of its latest quarterly projections for output and inflation, to be published in the February Inflation Report.

The world economic recovery has become more broadly based. In the United Kingdom, output growth in the second half of last year was above trend and business surveys point to a further pickup in the first quarter. Household spending and borrowing have been resilient, and the housing market remains strong.

Although sterling has appreciated, continued growth above trend means that inflationary pressures are likely to pick up gradually over the next couple of years. Against that background, and despite CPI inflation currently below the 2% target, the Committee judged that an increase of 0.25 percentage points in the repo rate to 4.0% was necessary to keep CPI inflation on track to meet the new target in the medium term.

The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 11 February.

The minutes of the meeting will be published at 9.30am on Wednesday 18 February.

Note to Editors

The previous change in interest rates was an increase of 0.25 percentage points to 3.75% on 6 November 2003.