



BANK OF ENGLAND

News release

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Bank of England Raises Interest Rates by 0.25 Percentage Points to 4.25%

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

The global economic upswing has been maintained. In the United Kingdom, output growth has been at or above trend and business surveys are consistent with further strengthening. Retail spending continues to be robust, underpinned by income growth and unexpectedly strong house price inflation. Investment prospects have improved.

CPI inflation has been below the 2% target and is likely to remain so in the near term. But earnings growth has picked up and commodity prices have risen sharply. With a small and diminishing margin of spare capacity, inflationary pressures are likely to build despite a higher level of sterling than at the beginning of the year. Against that background, the Committee judged that an increase of 0.25 percentage points in the repo rate to 4.25% was necessary to keep CPI inflation on track to meet the target in the medium term.

The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 12 May.

The minutes of the meeting will be published at 9.30am on Wednesday 19 May.

Note to Editors

The previous change in interest rates was an increase of 0.25 percentage points to 4.0% on 5 February 2004.