



BANK OF ENGLAND

News release

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Bank of England Raises Bank Rate by 0.25 Percentage Points to 5.25%

The Bank of England's Monetary Policy Committee today voted to raise the official Bank Rate paid on commercial bank reserves by 0.25 percentage points to 5.25%.

In the United Kingdom, output continues to rise at a firm pace. Domestic demand has grown steadily and credit and broad money growth remain rapid. The international economy continues to grow strongly.

Sterling has risen and oil prices have fallen back. But the margin of spare capacity in the economy appears limited, adding to domestic pricing pressures. CPI inflation was 2.7% in November. It is likely that inflation will rise further above the target in the near term, but then fall back as energy and import price inflation abate. Relative to the November Inflation Report, the risks to inflation now appear more to the upside.

Against that background, the Committee judged that an increase in Bank Rate of 0.25 percentage points to 5.25% was necessary to bring CPI inflation back to the target in the medium term.

The minutes of the meeting will be published at 9.30am on Wednesday 24 January.

Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.0% on 9 November 2006.