



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

10 May 2007

Bank of England Raises Bank Rate by 0.25 Percentage Points to 5.5%

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 5.5%.

In the United Kingdom, output growth has remained firm. Business investment has been stronger than expected and, although indicators of consumer spending have been volatile, the underlying picture is one of steady growth. Credit and broad money continue to grow rapidly. The pace of expansion of the international economy remains robust.

CPI inflation picked up to 3.1% in March. Lower gas and electricity prices and weaker import price inflation mean that CPI inflation is likely to fall back to around the 2% target in the course of this year. But the margin of spare capacity in firms appears limited and there are signs that businesses are more able to push through price increases. Relative to the 2% target, the risks to the outlook for inflation in the medium term consequently remain tilted to the upside.

Against that background, the Committee judged that a further increase in Bank Rate of 0.25 percentage points to 5.5% was necessary to meet the 2% target for CPI inflation in the medium term.

The Committee's latest inflation and output projections will appear in the Inflation Report to be published on Wednesday 16 May.

The minutes of the meeting will be published at 9.30am on Wednesday 23 May.

Note to Editors

The previous change in Bank Rate was an increase of 0.25 percentage points to 5.25% on 11 January 2007.