

Bank of England puts interest rates up from 0.1% to 0.25% as inflation soars

The [Bank of England](#) today put interest [rates](#) up from record lows, surprising many in the [City](#) who expected it to sit tight in the face of soaring [Omicron](#) cases.

Borrowing costs will move from 0.1% to 0.25%, the Bank's Monetary Policy Committee has ruled. The nine strong committee voted 8-1 in favour of the move. It is the first increase in three years.

The Bank said: "Most members of the Committee judged that an immediate, small increase in Bank Rate was warranted."

"The decision at this meeting was finely balanced because of the uncertainty around Covid developments."

It comes one day after it emerged that [inflation is at 5.1%](#), more than double the Bank's 2% target.

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The Bank now warns that it expects inflation to go to 6% in April. It also cut its forecasts for economic growth.

Andrew Pottie at Titan Asset Management said: "This week's stronger than expected inflation data and the confirmation of an uneventful end to the furlough in the unemployment data gave the Monetary Policy Committee the confidence to act after surprising markets last month with no hike.

"However, the record number of COVID cases and the ominous threat of a lockdown will weigh on growth forecasts going forward."

The Bank said: "There was some value in waiting for further information on the degree to which Omicron was likely to escape the protection of current vaccines and on the initial economic effects of this new wave."

Ahead of the meeting, the market had judged there was a 50-50 chance of rates rising.

Shares in commercial banks, which benefit from higher rates, jumped in the wake of the announcement. NatWest was up 4%, Lloyds was up 6%, Barclays up 5%.

The pound also rose, up 0.7% against the dollar to \$1.3356.

Many in the City expected the Bank to raise rates last month. That it has now done so suggests rates will rise several times next year.

Vanessa Hale at Strutt & Parker said: "The rise has been a long time coming, and with inflation now at decade high levels, there really is little alternative."

Banks had [already put up mortgage costs for new borrowers](#) in expectation of a move from the policy makers on Threadneedle Street.

The [cheapest fixed rate mortgages were withdrawn weeks ago.](#)

Rates had been stuck at 0.1% since March last year.