

Bank of England warns of flat growth until 2025 as it maintains interest rate at 5.25%

The British economy is going to be flatlining for the foreseeable future, with next to no economic growth all the way through til early 2025, according to a bleak set of forecasts from the Bank of England.

The forecasts, published alongside the [Bank's](#) latest decision to hold interest rates steady at 5.25%, imply that the coming general election will be fought against a backdrop of economic stagnation.

The Prime Minister will be able to claim victory on his target of halving of inflation this year, on the basis of the Bank's numbers, but Britain will be barely better off – in terms of gross domestic product – in early 2026 than it is today.

[Interest rates latest: All the reaction to the Bank of England's decision](#)

The Bank cut its growth forecasts for this year, next year and 2025, with zero growth now pencilled in for 2024.

It said it expected inflation to come down rapidly in the coming months, dropping below 5% in October (the numbers for which will be released later this month) and towards 3% by the end of next year.

The nine-person Monetary Policy Committee (MPC) voted 6-3 to leave interest rates on hold – the second successive pause after fourteen successive increases in rates.

It signalled in the minutes released alongside the decision

that although the economy is suffering in the face of sharply higher borrowing costs, it is nonetheless unlikely to cut them for some time.

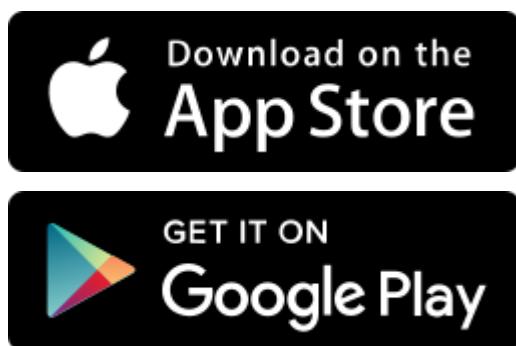
"The MPC's latest projections indicated that monetary policy was likely to need to be restrictive for an extended period of time," read the minutes. "Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures."

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The Bank's analysis suggests that a little more than half of the pain of interest rates has yet to be felt among households, since many are still on lower mortgage rates, and will see their monthly payments increase in the coming months and years as they re-fix their deals.

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However, it said that higher interest rates were nonetheless weighing increasingly heavily on the economy, with investment

down, consumer spending down and housing spending down.

The governor, Andrew Bailey, said: "Higher interest rates are working and inflation is falling.

"But we need to see inflation continuing to fall all the way to our 2% target. We've held rates unchanged this month, but we'll be watching closely to see if further rate increases are needed.

"It's much too early to be thinking about rate cuts."