UK interest rates an outlier after decision but inflation rises to continue

There has been no change to the UK interest rate despite the US and European central banks all moving to cut in the last week.

The Bank of England has kept the interest rate at 5% as official figures this week showed some **measures of price rises grew**.

It follows the **first cut in more than four years**.

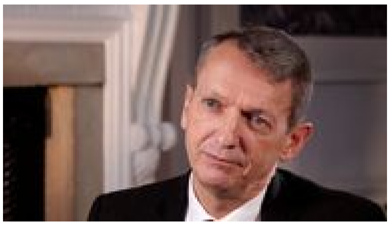
The rate set by the Bank impacts how much lenders charge to borrow money, so it affects how expensive mortgages or credit card bills are.

But there was no consensus on the decision. One of the nine rate decision-makers voted for a cut.

There were signals of the Bank's direction of travel from governor Andrew Bailey.

Where to next?

More on Bank Of England



Chancellor's 'black hole' claim 'unnecessary and unhelpful', says ex Bank of England economist

First £1 coins featuring King Charles enter circulation – with nod to monarch’s passion for conservation

King Charles banknotes sell at auction for more than 11 times face value

Related Topics:

- Bank Of England
- Interest Rates

If the economy continues to progress in line with its expectations “we should be able to reduce rates gradually over time”, he said.

But, he said, “we need to be careful not to cut too fast or by too much”.

Market expectations are currently for a cut at the next meeting in November followed by a further one in December.

The latest forecasts from the Bank are for inflation to rise again, reaching 2.5% by the end of the year.

How did we get here?

Interest rates were brought to a high last seen during the 2008 global financial crash in an effort to bring down spiralling inflation.

More expensive borrowing can choke economic demand and slow price rises.

Please use Chrome browser for a more accessible video player

2:58

Bank of England holds interest rates

The Bank is tasked with bringing inflation down to 2%. It currently stands at 2.2%.

The US central bank, the Federal Reserve, **brought interest rates down** by 0.5 percentage points to 4.75% to 5% on Wednesday and the European Central Bank (ECB) **reduced** borrowing costs last week to 3.5%.

Unlike the UK, the US interest rate is a range to guide lenders rather than a single percentage.

Reaction

Sterling strengthened, following the news and against a weakened dollar a pound bought $1.33, the highest amount in more than two years.