# Bank of England expected to hold interest rates as inflation remains high



The Bank of England is widely expected to keep its key interest rate on hold at 4% when the Monetary Policy Committee (MPC) meets on Thursday. This follows the committee’s previous decision in August to cut the Bank rate from 4.25% to 4%, marking the lowest level in over two years. According to the BBC’s cost of living correspondent Kevin Peachey, the decision to maintain this rate will be announced at noon, after recent data showed that inflation in the UK remains stubbornly elevated, at 3.8% in August — nearly double the Bank’s 2% target. The ongoing high cost of food has been a primary driver behind this persistent inflation.

The Bank rate, which directly influences borrowing costs and savings returns, is the MPC’s principal tool for controlling inflation. Higher interest rates typically make borrowing more expensive, reducing consumer spending and slowing price rises. However, policymakers must balance this against the risk of harming the broader economy by discouraging investment and consumption. The August rate cut came after a rare split vote, highlighting the delicate balance faced by the MPC. Industry analysts now expect Thursday’s vote to be less contentious, with no change predicted due to inflation remaining above target.

While the MPC cut rates in August as a cautious move, they have held the rate steady in subsequent months, including through September, October, and November, with the rate recently raised again to 5.25% at different points earlier in 2023 before the cut. The Bank’s official minutes show the committee has underscored the need for monetary policy to remain restrictive “for a sufficiently long period” to ensure inflation returns sustainably to its target in the medium term. In November, the committee voted 6-3 to keep rates unchanged at 5.25%, despite some members favouring a further increase, reflecting concerns about loosening labour market conditions and softening economic activity.

Mortgage rates are influenced heavily by changes and expectations around the Bank rate, which means homeowners face uncertainty about borrowing costs. Although mortgage rates have dipped slightly since August, experts like Rachel Springall from Moneyfacts note this may be temporary, especially with inflation forecasts keeping pressure on the Bank to maintain higher rates. Additionally, the period of rate cuts has translated into lower returns for savers, with average easy access savings rates falling below 3%. Springall advises savers to review and potentially switch accounts to secure better rates on their deposits.

The UK’s inflation predicament is part of a broader, complex economic landscape. The Bank acknowledges that while there are signs inflation may begin to ease soon, the path remains precarious. Globally, central banks are managing similar challenges, balancing inflation control with safeguarding economic growth. The Bank of England’s cautious approach to keeping rates steady but historically high so far this autumn underlines its intent to avoid stoking inflation while guarding against economic downturn.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://www.bbc.com/news/articles/cge2q7wvyz3o?at_medium=RSS&at_campaign=rss), [[7]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/april-2023)
* Paragraph 2 – [[1]](https://www.bbc.com/news/articles/cge2q7wvyz3o?at_medium=RSS&at_campaign=rss), [[4]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/august-2023)
* Paragraph 3 – [[2]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/november-2023/), [[3]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/september-2023), [[4]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/august-2023), [[5]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/june-2023), [[6]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/may-2023)
* Paragraph 4 – [[1]](https://www.bbc.com/news/articles/cge2q7wvyz3o?at_medium=RSS&at_campaign=rss), [[2]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/november-2023/), [[3]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/september-2023)
* Paragraph 5 – [[1]](https://www.bbc.com/news/articles/cge2q7wvyz3o?at_medium=RSS&at_campaign=rss), [[2]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/november-2023/), [[4]](https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/august-2023)

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## Bibliography

1. <https://www.bbc.com/news/articles/cge2q7wvyz3o?at_medium=RSS&at_campaign=rss> - Please view link - unable to able to access data
2. <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/november-2023/> - In November 2023, the Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 5.25%. The MPC noted that since its last economic projections, inflation had weakened, economic activity had softened, and the labour market had shown signs of loosening. The decision was made with a 6-3 vote, with three members preferring a 25 basis point hike to 5.5%. The MPC emphasized that monetary policy would likely need to stay tight for an extended period to ensure inflation returns to the 2% target sustainably in the medium term.
3. <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/september-2023> - In September 2023, the Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 5.25%. The MPC discussed the factors behind a slowing in GDP growth, including the impact of the significant tightening in monetary policy since the end of 2021. The Committee noted that the current monetary policy stance was restrictive and emphasized the need to ensure the Bank Rate remains sufficiently restrictive for a sufficiently long period to return inflation to the 2% target sustainably in the medium term.
4. <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/august-2023> - In August 2023, the Bank of England's Monetary Policy Committee (MPC) raised the Bank Rate by 25 basis points to 5.25%, marking the 14th consecutive increase. The MPC noted that inflation remained above the 2% target, and the decision was made to ensure inflation returns to the target sustainably in the medium term. The Committee projected that inflation would fall significantly further to around 5% by the end of the year and return to the 2% target by early 2025.
5. <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/june-2023> - In June 2023, the Bank of England's Monetary Policy Committee (MPC) maintained the Bank Rate at 4.25%. The MPC noted that underlying UK GDP growth appeared to have remained weak, and the labour market had continued to loosen, leading to clearer signs that a margin of slack had opened up over time. The Committee emphasized that monetary policy would likely need to stay tight for an extended period to ensure inflation returns to the 2% target sustainably in the medium term.
6. <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/may-2023> - In May 2023, the Bank of England's Monetary Policy Committee (MPC) raised the Bank Rate by 25 basis points to 4.25%. The MPC noted that inflation remained above the 2% target, and the decision was made to ensure inflation returns to the target sustainably in the medium term. The Committee projected that inflation would fall significantly further to around 5% by the end of the year and return to the 2% target by early 2025.
7. <https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2023/april-2023> - In April 2023, the Bank of England's Monetary Policy Committee (MPC) raised the Bank Rate by 25 basis points to 4%. The MPC noted that inflation remained above the 2% target, and the decision was made to ensure inflation returns to the target sustainably in the medium term. The Committee projected that inflation would fall significantly further to around 5% by the end of the year and return to the 2% target by early 2025.