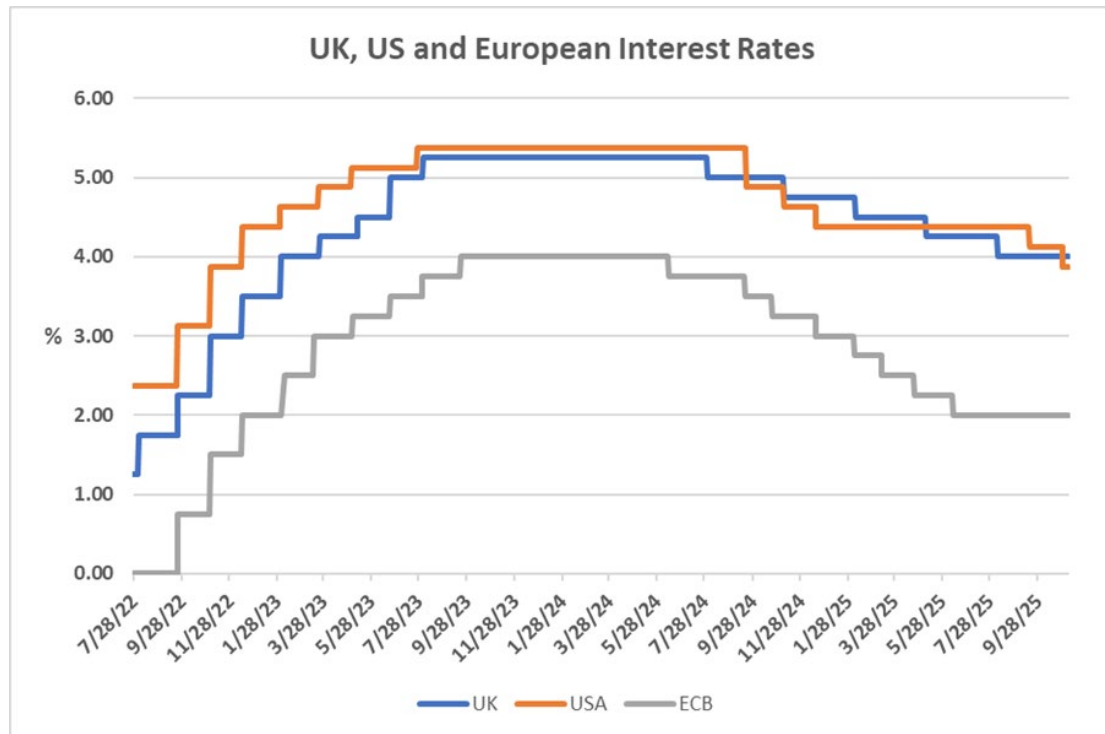


## The Bank of England holds interest rate while the fed cuts

Synopsis: The Bank of England Bank (Base) Rate, which it kept to 4.0%, but it was a knife edge decision.

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Since August last year, the Bank of England has cut its Bank Rate by 0.25% at every other meeting – effectively every three months. In the run up to its meeting on 6 November, there was much debate about whether it would continue with that pattern.

On the one hand, September's 3.8% [inflation](#) number was lower than the Old Lady had expected and the June-August 4.8% [unemployment](#) rate was the highest since May-July 2021.

On the other hand, the Budget is less than three weeks away, giving a good reason to wait and see before making a final rate decision in mid-December. The market started with expectations marginally tilted towards a delay in action until next month.

In the event the decision was as close as possible: 5-4 in favour of no change with Andrew Bailey seen as providing the deciding vote. This comes through in the Monetary Policy Committee (MPC) [minutes](#), which have changed this month to incorporate individual statements from each of the nine members, detailing their outlook.

A UK version of the Federal Reserve's dot plot it is not – the Bank rejected such an approach – but it does provide some interesting insights. Together they suggest that next month may well see the vote tip in favour of a cut.

Ultimately the decision to stay put at 4% was a wait-and-see one. To quote the minutes...

*"Taken together, the recent data suggested that the risk from greater inflation persistence had become less pronounced, and the risk to medium-term inflation from weaker demand more apparent, such that overall the risks were now more balanced. But more evidence was needed on both, and different members placed different weights on these risks."*

### **Comment**

The Bank now expects CPI inflation to slow to 3.2% by next March, with over half of the expected decline reflecting a fall in the contribution of household fuel and energy bills.

That has nothing to do with the latest Budget rumours about removing VAT and some environmental levies. It is simply an effect of year-on-year comparisons, a reminder that if the Chancellor does cut energy costs on 26 November, it will only make a 12 month dent in annual inflation.

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