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Current Bank Rate – May 2008	5%	Current inflation (Consumer Price Index) - May 2008	3%	Inflation target set by Chancellor of the Exchequer	2%
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Source: Bank of England Publications, 27 May 2008

The Monetary Policy Committee of the Bank of England has found itself in a difficult situation. On 10 April 2008 it made the decision to lower the Bank Rate to 5% from 5.25%. This was welcomed by many UK businesses and homeowners with mortgages, but they are fearful that the Rate will soon be rising again because the current rate of inflation is running above the target set by the Chancellor of the Exchequer. Higher interest rates may well be necessary if inflation is to be brought back down to a level that is at, or near, the 2% target.

Consider the possible effects of high interest rates on businesses in the UK. [9]

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