


Monetary policy

 We set monetary policy to keep inflation low and stable.



BANK OF ENGLAND

What is monetary policy?

Monetary policy is action that a country's central bank or government can take to influence how much money is in the economy and how much it costs to borrow. As the UK's central bank, we use two main monetary policy tools. First, we set the interest rate that we charge banks to borrow money from us – this is [Bank Rate](#).

Second, we can buy bonds to lower the interest rates on savings and loans through [quantitative easing](#) (QE).

What we use monetary policy for

Monetary policy affects how much prices are rising – called the rate of inflation. We set monetary policy to achieve the Government's [target of keeping inflation at 2%](#).

Low and stable inflation is good for the UK's economy and it is our main monetary policy aim.

We also support the Government's other economic aims for growth and employment. Sometimes, in the short term, we need to balance our target of low inflation with supporting economic growth and jobs.

Every year, the Chancellor sets out a framework under which we have to set monetary policy. They send this to our Governor in a [remit letter](#).



Upcoming MPC dates

Current Bank Rate

0.1%

Next due: 5 August 2021

Current inflation rate

2.5%

Target 2.0%

How we decide what action to take

Our Monetary Policy Committee (MPC) decides what monetary policy action to take. The MPC sets and [announces policy](#) eight times a year (roughly once every six weeks).

The MPC has [nine individual members](#). Before they decide what action to take, they hold several meetings to look at how the economy is working.

It can take around two years for monetary policy to have its full effect on the economy. So MPC members need to consider what inflation and growth in the economy are likely to be in the next few years.

We explain the reasons behind our monetary policy decisions (for example to raise or lower interest rates) in our quarterly [Monetary Policy Report](#).

Monetary Policy Committee meetings

Pre-MPC meeting

Members are briefed on the latest data and analysis on the economy by our staff. The briefing includes a report on business conditions around the UK from our [agents](#).

First meeting

Members discuss the most recent economic data. The meeting is normally held on the Thursday a week before the announcement.

Second meeting

Members debate what monetary policy action to take. The meeting is normally held on the Monday before the announcement.

Final meeting

The Governor recommends the policy he believes will be supported by the majority of MPC members and the members vote. The meeting is on Wednesday that week.

The MPC's decision reflects the votes of each individual member, rather than a consensus of the committee. If there is a tie, the Governor casts the deciding vote. Any member in a minority is asked to say what stance of policy they would have preferred.

MPC announcement

We publish the MPC's decision with the minutes of the meetings at 12 noon on Thursday of that week.

We also publish rate announcements directly via our multi-vendor market contribution system to Bloomberg, Reuters and Need-To-Know-News, which is the fastest available route to access this information.

Monetary Policy Committee voting history

You can [download a spreadsheet of the MPC's voting history](#).





Glossary