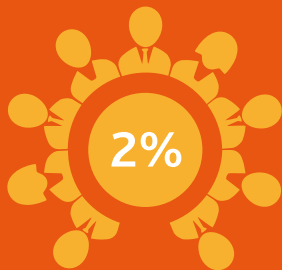




BANK OF ENGLAND



# Forward guidance



Forward guidance is one of the tools the Bank of England's Monetary Policy Committee (MPC) can use **to hit the Government's 2% inflation target.**

It's designed to help people understand how the MPC sets interest rates.

**This means households and businesses can plan their spending and investment with more confidence.**



**Forward guidance was first used in August 2013.**

The MPC said it would leave interest rates unchanged at 0.5% at least until the unemployment rate had fallen to 7%, provided there weren't risks to inflation or financial stability.



By February 2014, unemployment had fallen close to 7%. The MPC said there remained room for growth in the economy before raising interest rates.

**Forward guidance can evolve.**

**And, when they come, increases in interest rates are likely to be gradual and limited.**