



BANK OF ENGLAND

News release

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Low Inflation and Business

The Bank of England today publishes *Low Inflation and Business*. The pamphlet outlines the benefits of low inflation to business and the wider community and describes how the Bank of England undertakes the task of setting interest rates to meet the Government's inflation target. Publication of the pamphlet is part of the Bank's programme to build public understanding and support for the maintenance of price stability that also includes an economics competition for schools and colleges.

Launching *Low Inflation and Business* at the Scottish Council for Development and Industry in Edinburgh, Mervyn King - Deputy Governor responsible for monetary policy - said, "It is important that we build broad and lasting public support for the objective of maintaining low and stable inflation, as an ingredient in achieving broader economic stability and progress. This is particularly important when inflation has been low and stable over recent years, such that memories of high inflation and accompanying economic instability are now fading".

A principal aim of monetary policy is to remove high and volatile inflation and associated swings in interest rates from the daily business environment. Businesses want to plan ahead and make decisions about their products and services on the basis of their own market conditions rather than be concerned with high inflation and its consequences. Low inflation reduces uncertainty in longer-term planning and the cost of finance for business, and helps to ensure resources are directed to their most profitable uses. These benefits should not be taken for granted, as we become more accustomed to low and stable inflation.

Note to Editors

Printed copies of the pamphlet are available on request from Public Enquiries Group, Bank of England, Threadneedle Street, London, EC2R 8AH, Tel 020 7601 4878, email: enquiries@bankofengland.co.uk

Key Resources

Low Inflation and Business Pamphlet

<http://webarchive.nationalarchives.gov.uk/20100114080129/http://www.bankofengland.co.uk/publications/other/monetary/lowinflation.pdf>