



BANK OF ENGLAND

News release

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11 November 2005

Target Two Point Zero - It's All About The Economy!

The economy gets headlines all the time, whether about interest rates, mortgages, inflation, jobs, or the many other issues relevant to it. Across the United Kingdom later this month, nearly one thousand school and college students will demonstrate why it receives this attention. The science of economics will come alive when teams compete in the initial round of the sixth annual Bank of England/Times Interest Rate Challenge. Their challenge is to decide what the UK's official interest rate should be to keep inflation low and stable.

Bank of England Governor, Mervyn King, said "For students, the Challenge adds relevance and excitement to their class-work. For the Bank, it is an ideal opportunity to widen understanding of the 2.0% inflation target, the advantages of low and stable inflation, and how the Bank's Monetary Policy Committee sets interest rates to achieve the target. The increase in entries to the Challenge each year also shows its reputation for being both an enjoyable but very practical exercise in testing students' understanding of economics whilst also developing their presentational and public speaking skills."

And the Challenge itself? Like the Monetary Policy Committee each month, the students – in a team of four from each of the competing schools and colleges – consider and assess the wide range of current economic data and other issues, both in the UK and internationally, which will affect the nation's economic and inflation outlook. Each of the 280 or so teams in this year's Challenge, has to weigh up all the factors to decide what interest rate they would set to achieve the inflation target. They need to justify their decision in a brief presentation to a panel of Bank of England judges who then question them on their reasoning and decision.

After the 42 regional heats, which run from 21 November to 2 December, there is little let-up for the winning teams. They must update their presentations to take account of economic developments before taking part in one of the six area finals held around the UK in February 2006.

Then the climax! For the six teams which win through the area finals, the final round is held in March 2006 at the Bank of England's headquarters in the City of London, with the Challenge Trophy and a cheque for £10,000 awaiting the winning team's school, the runners-up receiving £5,000 and the third-placed team

£2,000. Given the enormous effort all the teams have put in the three remaining teams are also recognised with each being awarded £1,000.