



BANK OF ENGLAND

News release

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Target Two Point Zero - The Economy is Centre Stage!

The economy is in the news all the time, whether the stories are about interest rates, mortgages, inflation, employment or the many other issues connected to it. Across the United Kingdom later in November, over a thousand school and college students will show why the economy receives all the attention it does. The science of economics will come alive when teams compete in the initial round - the regional heats - of the seventh annual Bank of England/Times Interest Rate Challenge. The challenge for the students' teams is to decide what the UK's official interest rate - The Bank Rate - should be to keep inflation low and stable.

Bank of England Governor, Mervyn King, said "The Interest Rate Challenge offers a new and exciting dimension to the class-work of students taking part in the competition. For the Bank it offers an excellent opportunity to increase understanding of the advantages of low and stable inflation and how the Monetary Policy Committee actually sets interest rates to achieve the target. Every year we see an increasing number of schools and colleges wanting to enter the competition. The Challenge is a practical exercise in testing students' understanding of economics, an opportunity to develop presentational and public speaking skills, and is also great fun."

What about the Challenge itself? Like the Monetary Policy Committee each month, the teams of four students from each competing school and college consider the range of economic data and associated issues and information, from both the UK and internationally, that affect the nation's economic and inflation outlook. Each of the 280 or so teams in the Challenge this year then assess the data, weighing up all the facts, to determine what interest rate their team would set to achieve the inflation target. Their decision has to be justified in a short presentation to the panel of Bank of England judges, who then question the team on their Bank rate decision and reasoning behind their decision.

The 42 regional heats, which run from 20 November to 1 December, are then followed by six area finals held around the UK in February 2007 for the heat-winning teams. This means the teams need to update their presentations to take account of economic developments before the area finals.

The climax for the six teams that win through the area finals is the National Final that will be held on Friday 23 March 2007 at the Bank of England in the City of London for the Challenge Trophy. In addition, a cheque for £10,000 awaits the winning team's school or college. The runners-up receive £5,000 and the third placed

team, £2,000; in recognition of the enormous effort that all the finalists have put in, the three remaining teams are each awarded £1,000.