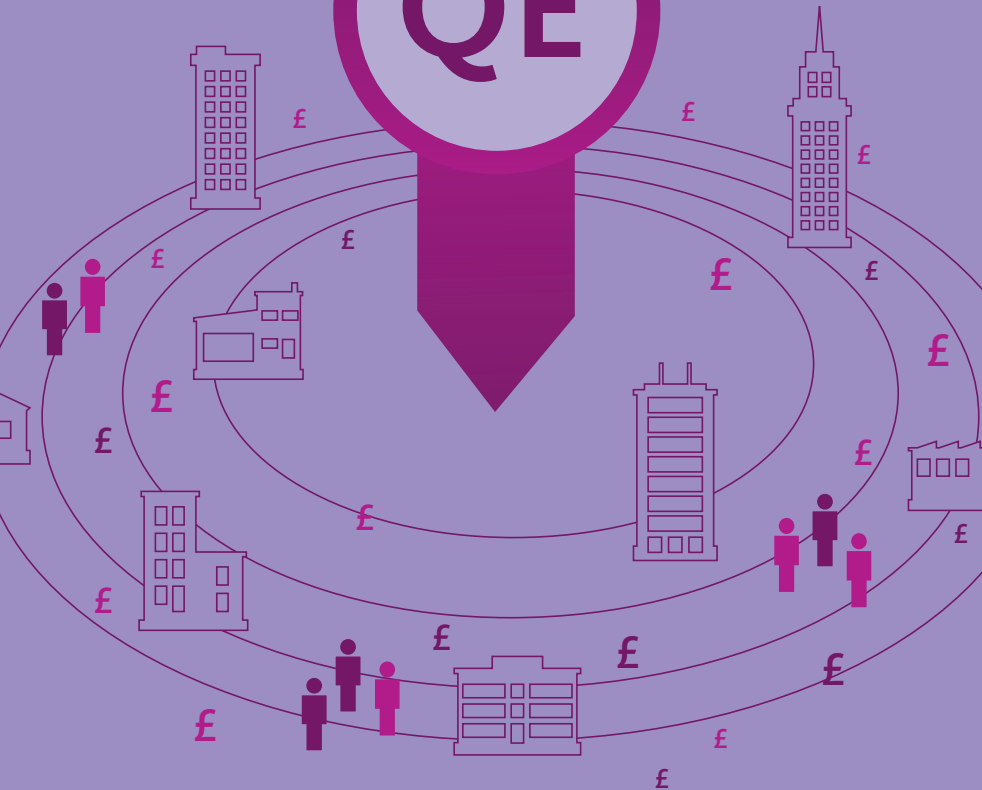




BANK OF ENGLAND



QUANTITATIVE EASING (QE) – INJECTING MONEY INTO THE ECONOMY

# Quantitative Easing (QE) – injecting money into the economy



If interest rates are very low and the Bank's Monetary Policy Committee expects inflation to fall below the Government's 2% target, it can inject money directly into the economy to boost spending. This is **quantitative easing**.



The Bank of England creates **new money** electronically to buy financial assets like government bonds. This cash injection lowers the cost of borrowing and boosts asset prices to support spending and get inflation back to target.



If inflation looks like being too high, the Bank of England can **sell these assets** to reduce the amount of money and spending in the economy.



The Monetary Policy Committee continues to set interest rates each month, and the objective of monetary policy is unchanged – to meet the Government's **2% inflation target**. Quantitative easing was first used in the UK in March 2009.