

The Bank of England announce that, with the approval of the Chancellor of the Exchequer, they have decided to reduce Minimum Lending Rate from 14% to 13%.

NOTE TO EDITORS

There is now increasing evidence that the underlying private sector demand for bank credit is growing more slowly, which will help to moderate the growth of EM3 and the other wider monetary aggregates. At the same time the growth of the narrow monetary aggregates \bar{M}_1 , including the monetary liabilities of the Bank of England, \bar{M}_1 remains subdued, and the evidence of the depressed economy, the strength of the exchange rate, and the continuing sharp reduction in the rate of inflation, all indicate that policy continues to have a strong restraining influence.

Against this background, and in the light of the recent downward movement in market interest rates, it has been decided that a further modest reduction in Minimum Lending Rate would be consistent with maintaining the thrust of the Government's anti-inflationary strategy.

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