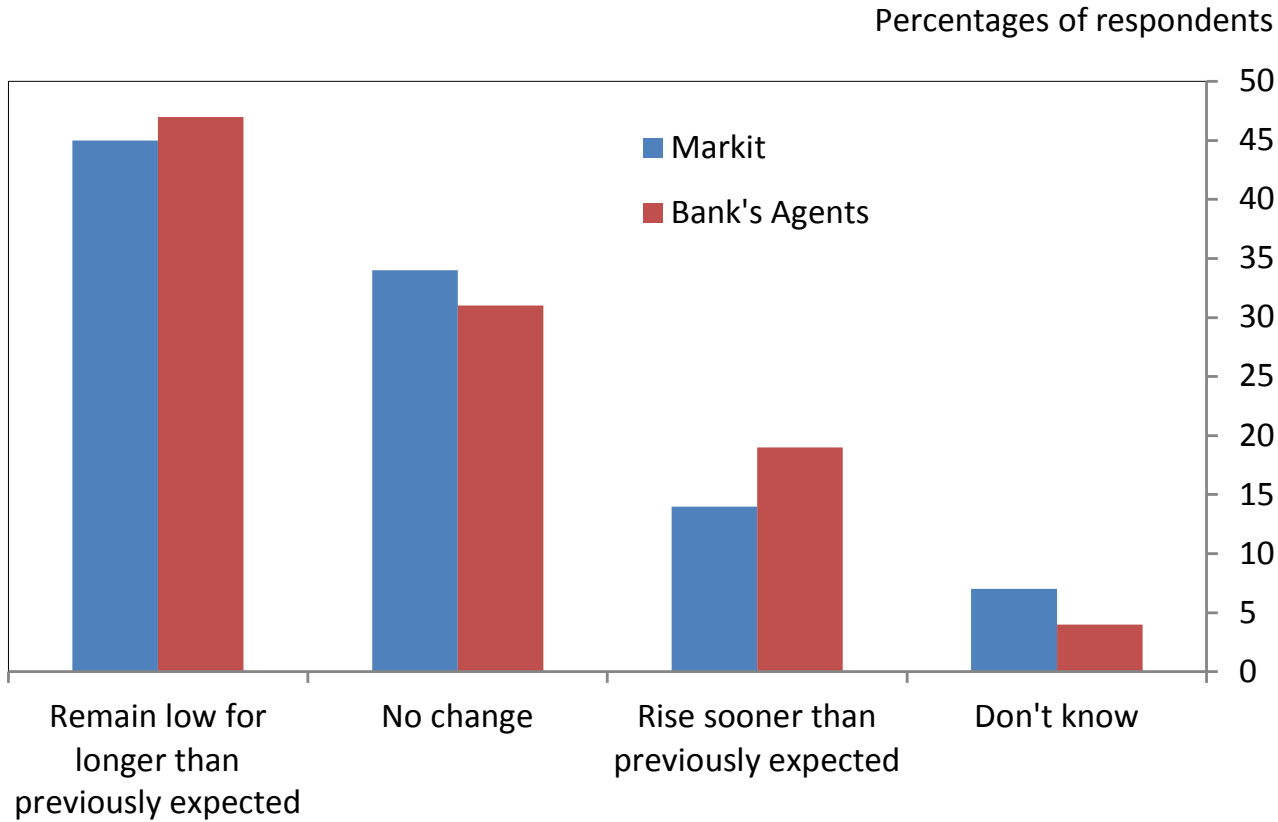BANK OF ENGLAND

Managing the Exit

Conference on Monetary Policy and Financial Markets
Federal Reserve Bank of San Francisco

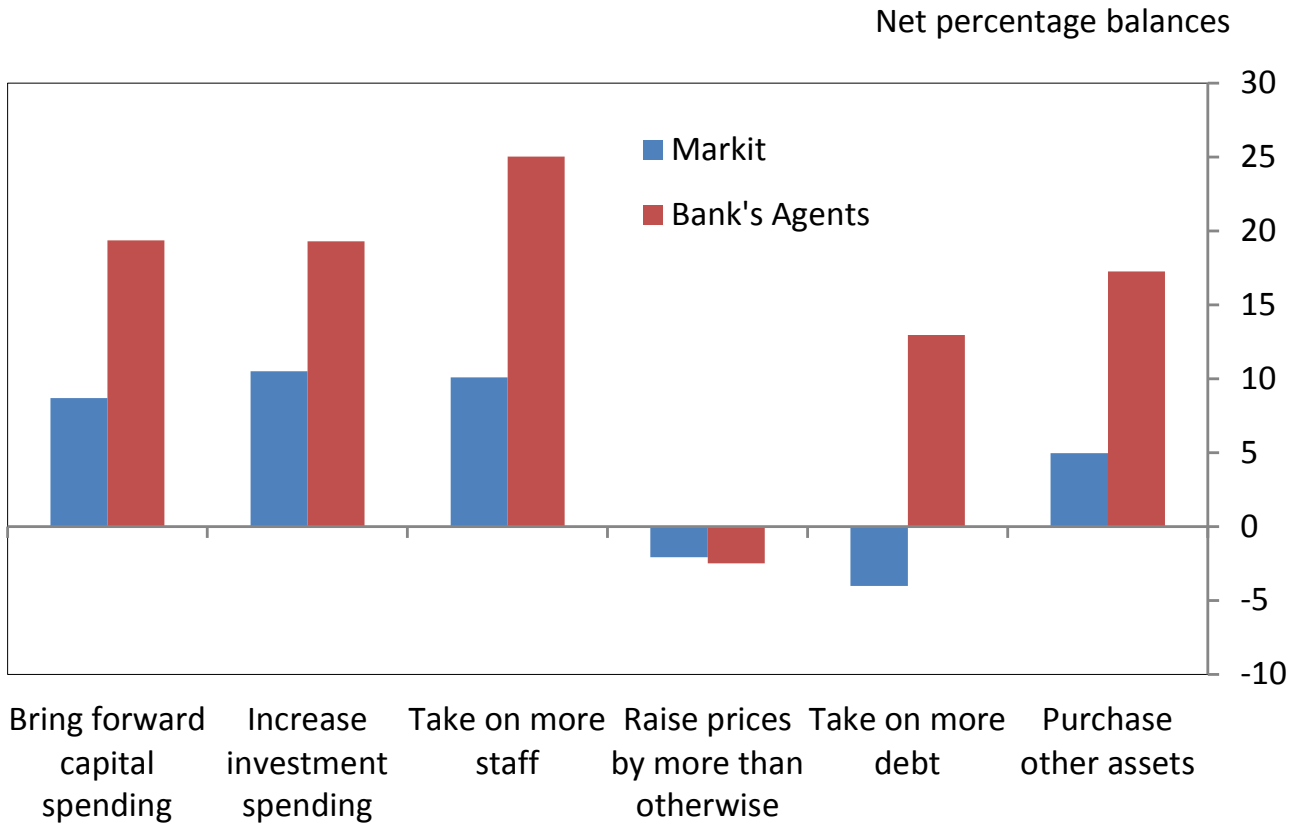Charlie Bean, Deputy Governor Monetary Policy

28 March 2014

Chart 1: Effect of guidance on companies' rate expectations[a]

Percentages of respondents

Legend:
- Markit (blue)
- Bank's Agents (red)

Categories:
- Remain low for longer than previously expected
- No change
- Rise sooner than previously expected
- Don't know

Sources: Bank of England and Markit.

(a) Companies were asked: 'Which of the following best describes how the Bank's policy guidance has changed your view of when Bank Rate (the official interest rate) will next change?'

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Chart 2: Effect of guidance on company behaviour[a]

Net percentage balances

Legend:
- Markit (blue)
- Bank's Agents (red)

Categories (x-axis):
- Bring forward capital spending
- Increase investment spending
- Take on more staff
- Raise prices by more than otherwise
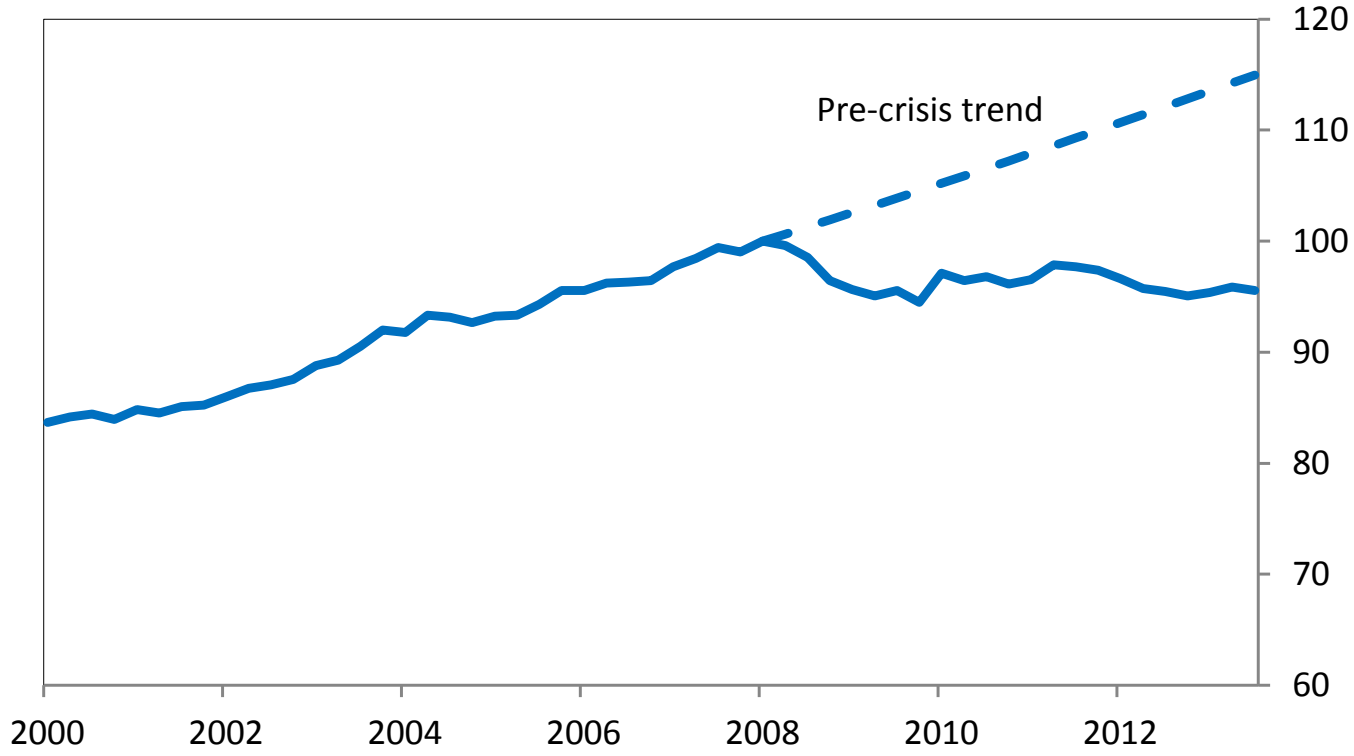- Take on more debt
- Purchase other assets

Sources: Bank of England and Markit.

(a) Companies were asked whether they were more or less likely to take the actions listed. Net percentage balances are the differences between the percentages more likely and less likely to take the listed action.
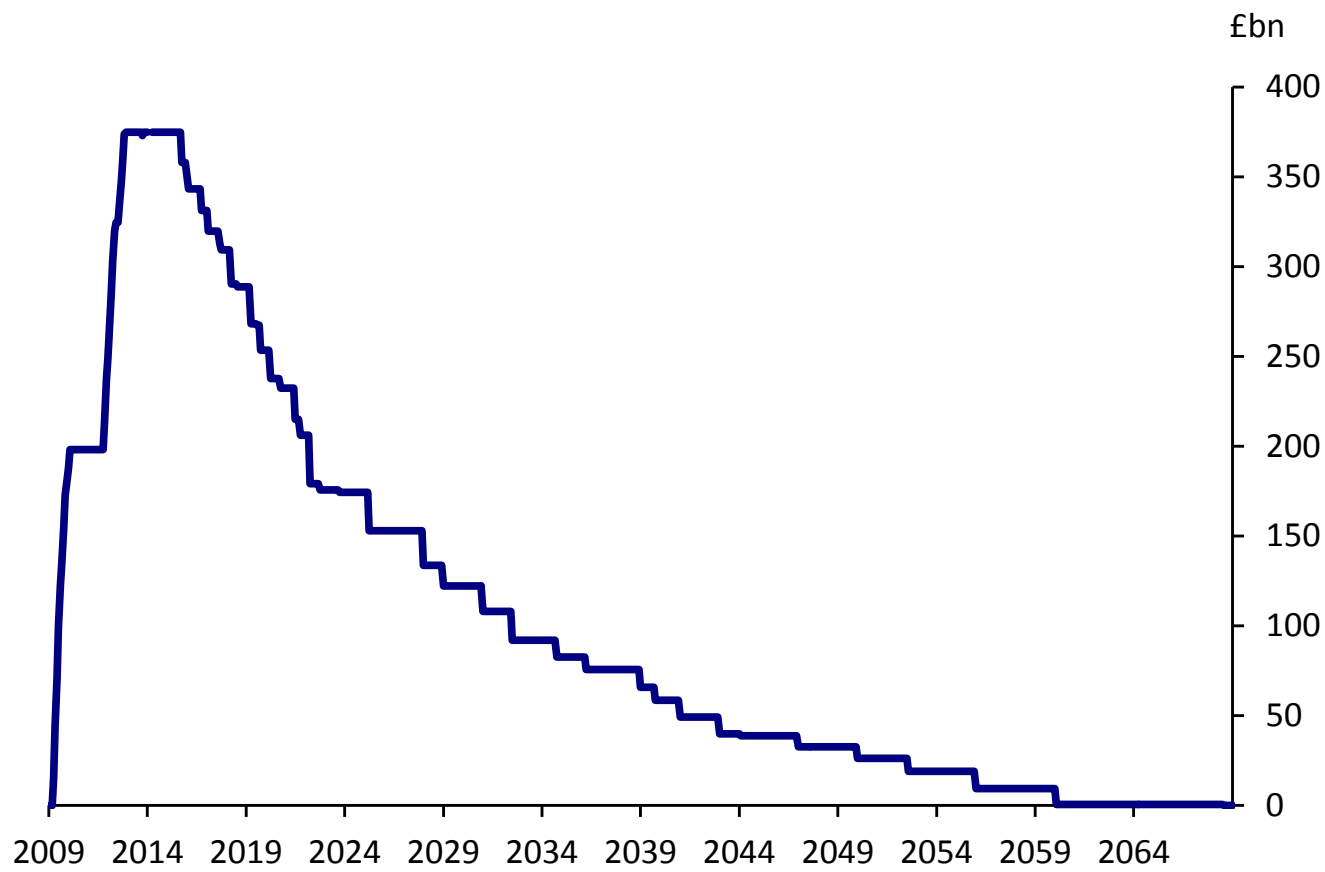
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Chart 3: Whole economy productivity(a)

Indices: 2008 Q1 = 100

Pre-crisis trend

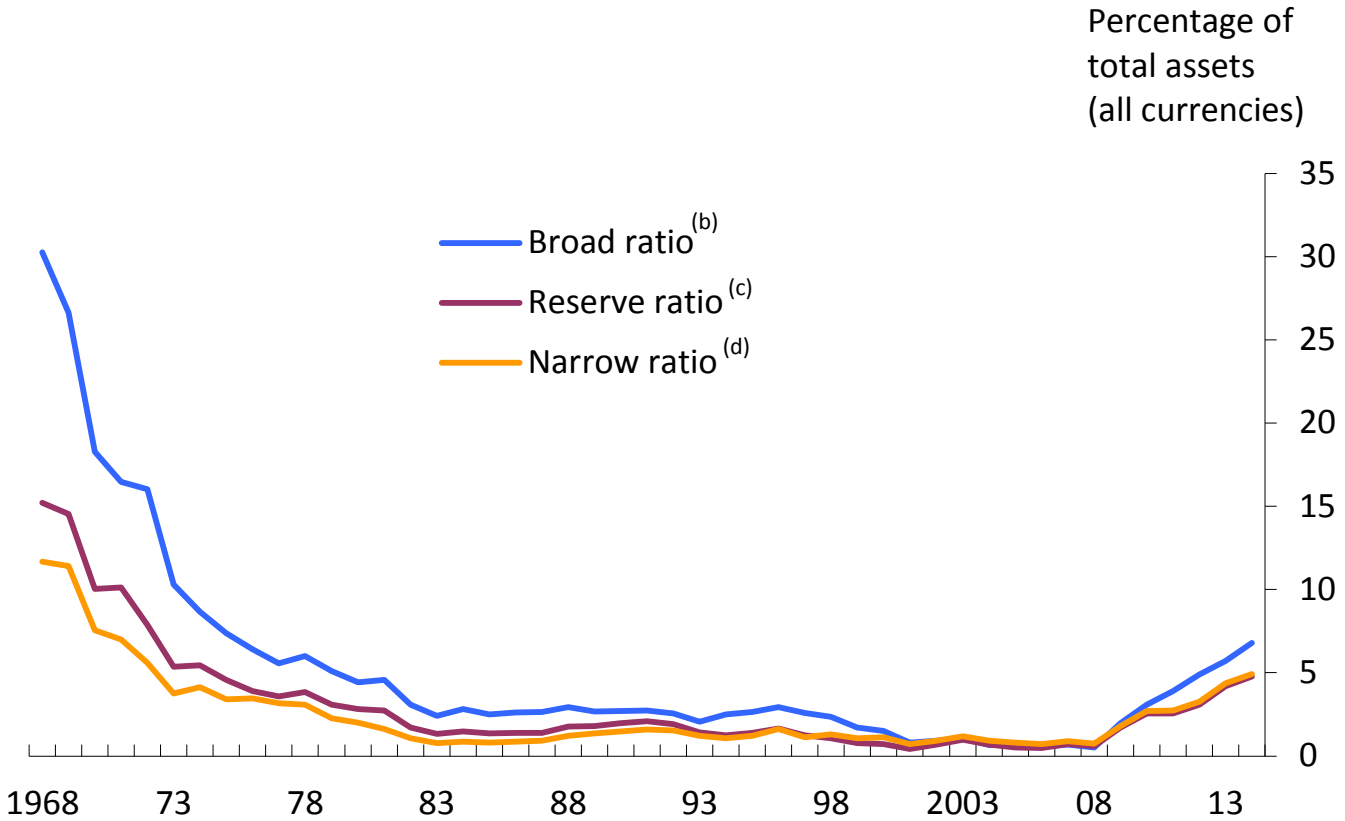(a) Pre-crisis trend is projected using quarterly growth rates between 1999 and 2007.

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Chart 4: Asset Purchase Facility portfolio: Organic run-off[a]

£bn

(a) For expositional purposes only, this exercise assumes that reinvestment ceases at the time that market participants currently expect the first rise in Bank Rate.
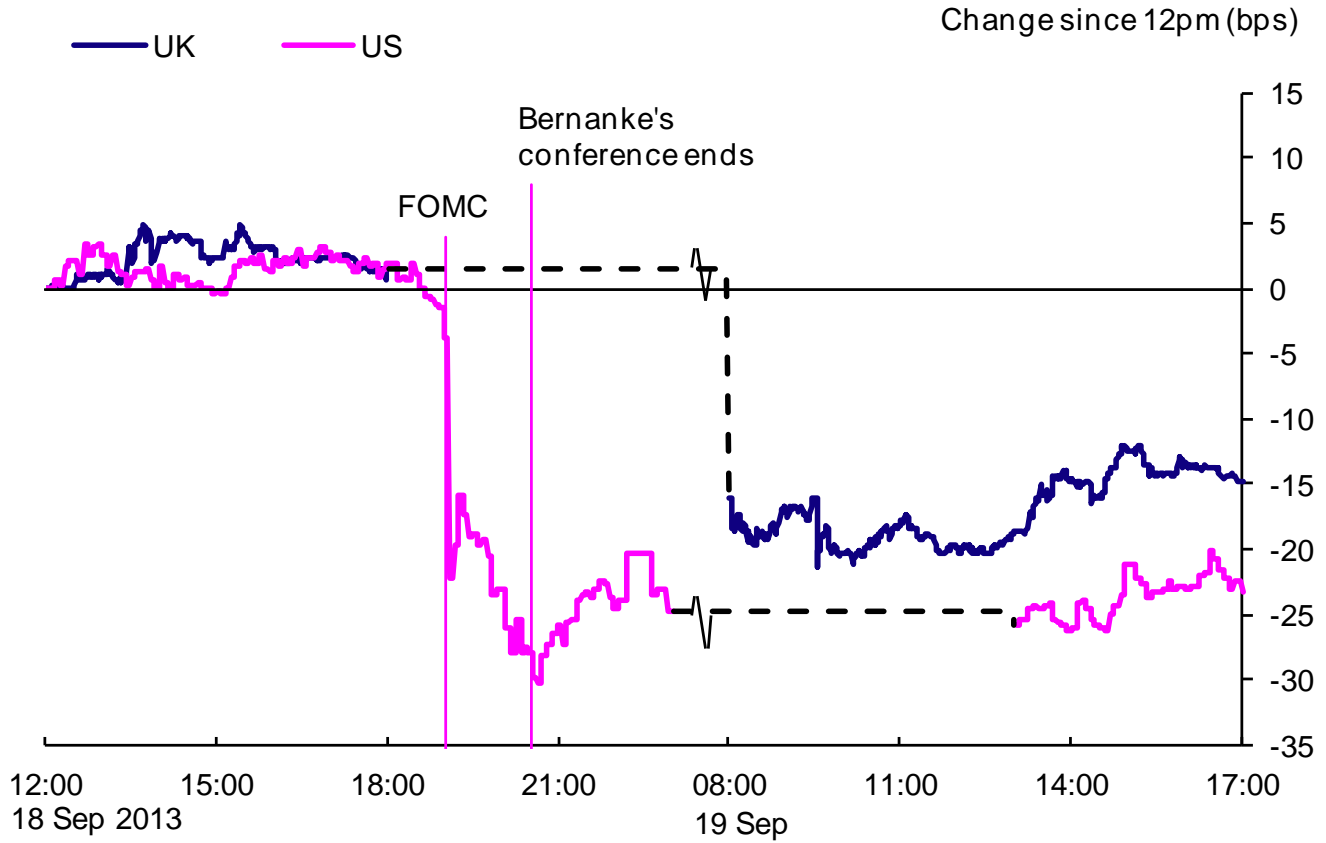
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Chart 5: Sterling liquid assets of UK banking sector[a]

Percentage of
total assets
(all currencies)

Broad ratio[b]

Reserve ratio[c]

Narrow ratio[d]

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Chart 6: Interest rate reaction to FOMC meeting 18/9/2013[a]

UK   US

Change since 12pm (bps)

Bernanke's
conference ends

FOMC

12:00
18 Sep 2013

15:00

18:00

21:00

08:00
19 Sep

11:00

14:00

17:00

15
10
5
0
-5
-10
-15
-20
-25
-30
-35

Source: Bloomberg.

(a)   1-year OIS rates, 2-years forward.

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Chart 7: Implied volatilities[a]

Legend:
- Pre-crisis
- Crisis
- Feb-Mar 2014

Axis labels (clockwise from top): USDGBP, JPYUSD, USDEUR, FTSE 100, S&P 500, Nikkei 225, UK short rates, UK long rates, US short rates, US long rates, Japan short rates, Japan long rates, EM FX, Oil, Gold

Radial scale: 2.0, 1.0, 0.0, -1.0, -2.0, -3.0
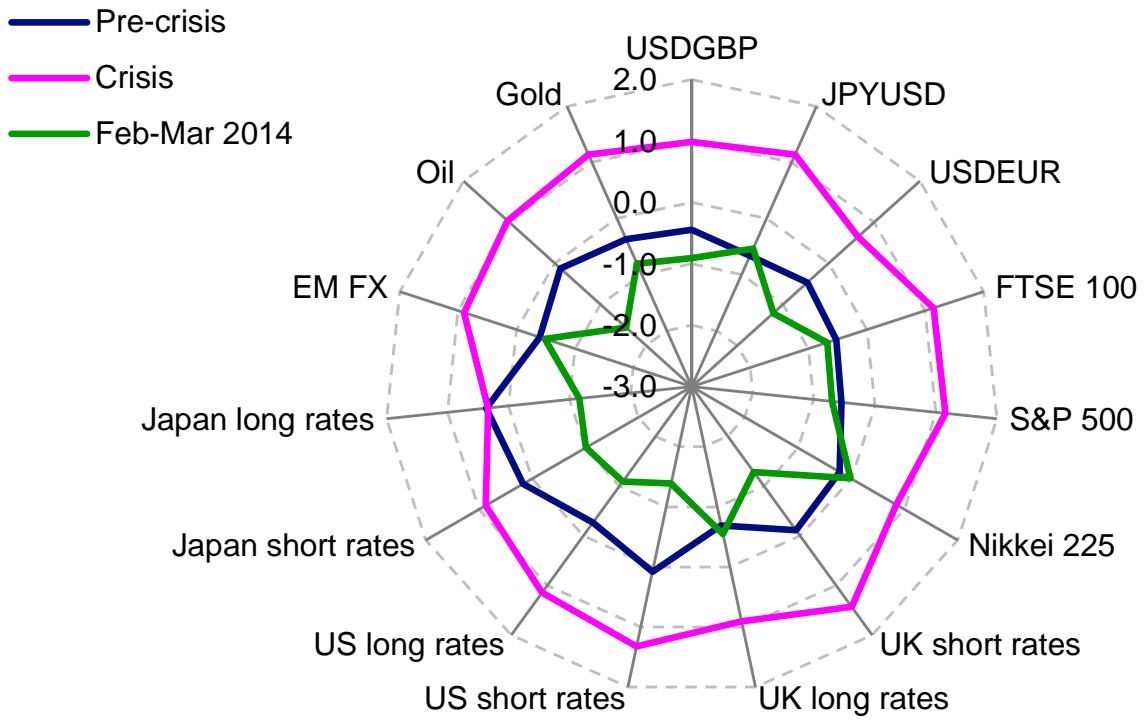
Source: Bloomberg.

(a) Average implied volatilities, normalised by taking away the series mean and dividing by the standard deviation (both since 2003). Data for the Nikkei is only available since 2006. The pre-crisis period refers to January 2003-July 2007 and the crisis period to August 2007 – December 2009.   The most recent data run from 3 February 2014 to 17 March 2014.

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