

The Bank of England's Agencies



BANK OF ENGLAND



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The Bank of England

The Bank of England exists to ensure monetary stability and to contribute to financial stability. Monetary stability means stable prices and confidence in the currency. Stable prices provide the right conditions for sustainable output and employment.

The Bank aims to keep the annual rate of inflation at 2% – the inflation target set by the Government. Decisions on interest rates are taken by the Bank's Monetary Policy Committee (MPC).

Our reliance on the financial system means it needs to operate in a safe and reliable way. Working with Government and the FSA – the financial regulator – the Bank's job is to contribute to financial stability by detecting and reducing threats to the financial system. The Bank does this through its surveillance and market intelligence functions, and financial and other operations.

The Bank issues most of the country's banknotes. Confidence in the currency matters to everyone. So does the value of money, which low inflation maintains.

The Monetary Policy Committee

The Bank seeks to meet the inflation target by setting its official interest rate – Bank Rate. This is the interest rate at which the Bank lends cash to the banking system – which in turn influences the interest rates paid and received by households and firms across the economy. MPC decisions affect short-term market interest rates through the Bank's market operations, and its role at the centre of the UK's banking system.

The level of Bank Rate is decided by the MPC. The Committee consists of nine members – five from the Bank of England, and four external members appointed by the Chancellor. The Governor of the Bank of England is the chair of the MPC.

The MPC meets monthly for a two-day meeting, on the Wednesday and Thursday after the first Monday of each month. The meeting draws on exhaustive analysis by Bank staff – including from its Agencies around the UK – of economic conditions and the prospects for inflation.

A change in Bank Rate can take up to two years to have its full effect on inflation. So this month's Bank Rate decision is always based on the outlook for inflation over the next few years.

The MPC has to consider all the factors that might influence the outlook for inflation, centred around an assessment of demand in the economy and the pressure that places on supply capacity. It judges whether inflationary pressure is rising, falling or stable. The level of Bank Rate set by the MPC affects demand in the economy as a whole and so, in turn, inflation.

The Bank's Agencies

The Bank has twelve Agencies based around the UK. Their primary role is to assess economic conditions – local, national and international – affecting businesses in their area.

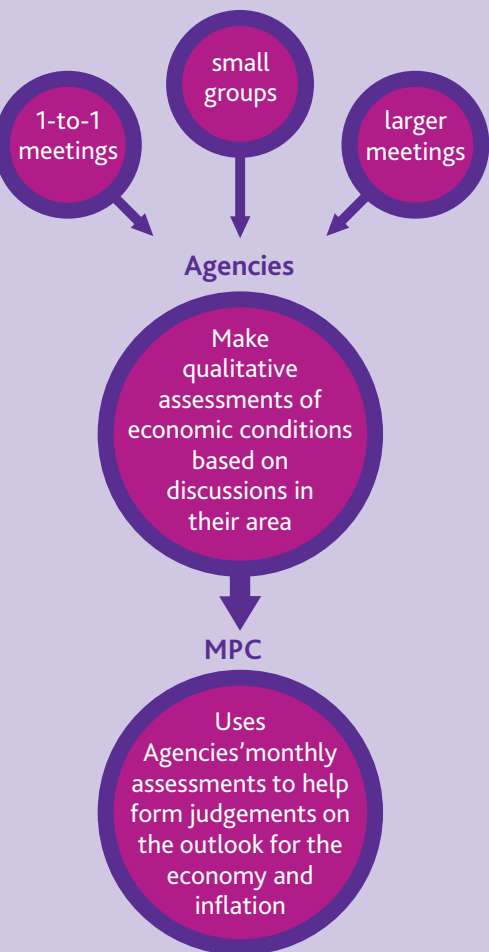
Each month the Agencies hold a series of discussions with businesses – one-to-one meetings with individual firms, small groups of business people and larger meetings – to assess current business conditions and the outlook.

The Agencies are the Bank's 'eyes and ears', providing information about trends and developments affecting demand, costs and prices, employment, investment, exports and imports, based on the experiences of individual businesses.

Each Agency provides a monthly assessment to the MPC about business conditions, helping the MPC form a view on the likely path of the economy and inflation.

These meetings also give the Agents the opportunity to feed back and explain the Bank's views on the economy, and to build

Discussions with businesses



understanding of the monetary policy framework and the case for low inflation.

As well as receiving information from the Bank's Agencies, members of the MPC make regular visits to different parts of the country. These regional visits provide MPC members with first-hand experience of developments in the economy, as well as offering an opportunity to explain their views and interest rate decisions.

Agency contacts

Each Agency has several hundred regular contacts. Contacts can be large or small, and are drawn from all sectors of the economy. The Agencies aim for a representative picture of business conditions across their area.

When businesses speak to the Bank's Agencies, they are speaking to the MPC.

Individual contacts usually receive a visit once or twice a year, supplemented by conversations at other times. The content of discussions about individual businesses is treated as confidential.

The network of Agency contacts is always changing, reflecting the changing nature of the economy as a whole. To ensure that the information gathered remains as representative as possible, new contacts are always welcome.

What the Bank does



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Agency for Central Southern England

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Agency for the South East and East Anglia

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Agency for the South West

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Agency for the West Midlands and Oxfordshire

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Agency for Yorkshire and The Humber

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