



BANK OF ENGLAND

# News release

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## Articles in the Bank of England Quarterly Bulletin, Summer 2001

**Over-the-counter interest rate options.** The Bank's Monetary Policy Committee uses market expectations of future interest rates to inform its policy decisions. Interest rate expectations can be inferred from a range of financial instruments, including interest rate options. This article surveys the over-the-counter interest rate option market. (Page 172)

**Explaining the difference between the growth of M4 deposits and M4 lending: implications of recent developments in public finances.** The growth of sterling lending by UK monetary financial institutions to the UK private sector has substantially exceeded the growth of UK private sector sterling deposits over the past two years. This article considers the possible influence on this differential of the unexpected extent of the Government's cash surplus and the assumption by the Debt Management Office of responsibility for Government cash management. (Page 183)

**Using surveys of investment intentions.** Business investment is an important component of aggregate demand in the UK economy. But it is volatile and difficult to predict. Surveys of investment intentions provide a timely and useful source of information on future investment plans, and can be used to forecast changes in business investment. This article describes a model that uses surveys of investment intentions to forecast business investment, and compares its forecast performance with the business investment equation in the Bank of England's macroeconomic model. (Page 189)

**Can differences in industrial structure explain divergences in regional economic growth?** During the early to mid-1990s, the pace of economic growth in the South was broadly comparable with that in the rest of the United Kingdom. During 1996-98, however, the pace of activity in the South strengthened considerably relative to the rest of the country. This article investigates one possible explanation of divergences in growth between the two regions - namely differences in the relative importance of the manufacturing and service sectors. The results suggest that such differences in industrial structure do not account for the majority of the regional divergences in growth. Rather, it appears that they are explained mostly by a pick-up in population growth and stronger service sector activity in the South relative to that in the rest of the country over the period. (Page 195)

**Has there been a structural improvement in US productivity?** Annual labour productivity growth in the United States has averaged 2.8% a year since 1996, compared with an average rate of 1.6% during the preceding 25 years. This marked increase in productivity growth has been a key component of what many commentators have suggested is a 'new economy'. Given the US slowdown since the second half of 2000, a key question is the extent to which these gains reflect structural improvements, rather than cyclical factors. The evidence so far points towards a large role for structural improvements in productivity. If these gains prove to be more cyclical, however, this would have important implications for corporate performance, financial markets and, ultimately, output and inflation. (Page 203)

### **Note to Editors**

Copies of the Quarterly Bulletin are available from the Publications Group, Bank of England, EC2R 8AH (Tel: 020 7601 4030; Fax 020 7601 3298) or from the Bank's website.

### **Key Resources**

Quarterly Bulletin, Summer 2001

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/qb/2001/qb0102.pdf>