



BANK OF ENGLAND

News release

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19 December 2003

Bank of England Quarterly Bulletin - Winter 2003

The winter issue of the Bank of England Quarterly Bulletin is published today. Among the articles it contains are:

The distribution of unsecured debt in the United Kingdom: survey evidence

This article summarises the main results of a Bank-commissioned survey asking people about their unsecured borrowing (a brief summary was reported in the Bank's Financial Stability Review, December 2003). At the time of the survey, 34% of respondents had some form of unsecured debt. The evidence suggests that the proportion of people with some debt has not changed since at least the late 1980s.

The average amount owed was around £3,500. Although the average amount borrowed by debtors has increased, since 2000 the extra borrowing has been concentrated among those with household incomes above £17,500. And despite the rise in average debt levels, the proportion of people who consider their debt not to be a burden has increased. But the amount borrowed and the share of unsecured debt accounted for by those who consider it a heavy burden have both increased, reflecting a rise in the unsecured debt to income ratio for this group.

The macroeconomic impact of revitalising the Japanese banking sector

Long-standing difficulties in the Japanese banking system are widely perceived to have contributed to markedly weaker growth in the Japanese economy over recent years. This article assesses the macroeconomic effects of proposals, including the Programme for Financial Revival, to revitalise the banking system in Japan. The analysis is supported by a theoretical model that incorporates various interactions between the banking sector and the wider economy. The article concludes that the Programme has the potential to secure an improved long-run performance in the Japanese banking system, and therefore in the wider economy, although the model suggests there may be some negative short-run macroeconomic impact as credit growth is reduced.

Innovations in retail payments: e-payments

Ways to make retail payments using the internet and mobile phones are proliferating, although few have reached critical mass and none have displaced existing payment methods. However, the prospect that these new services could be widely used raises some policy questions. Central banks are interested in any potential effects on financial stability, for example, through any change in risk and usage of existing payment systems and, in the longer term, whether such innovation might have monetary policy implications. The article concludes that e-payments represent only a small fraction of all transactions at present, but the potential for rapid growth means that central banks will continue to monitor this developing area.

Understanding and modelling swap spreads

Volumes of interest rate swap agreements have grown rapidly in recent years. This article explains what swaps are; what information might be extracted from them; and what appear to have been the main drivers of swap spreads in recent years. Some quantitative relationships are explored using ten-year swap spreads in the United States and the United Kingdom; the differences between the two markets are found to be quite significant.

Also in the Winter 2003 Bulletin:

- a regular commentary on 'Markets and operations';
- a report on financial stability and the United Kingdom's external balance sheet; and
- summaries of recent Bank of England working papers and speeches from the Bank.

Note to Editors

Copies of the Quarterly Bulletin are available from the Publications Group, Bank of England, Threadneedle Street, EC2R 8AH (Tel: 020 7601 4030; fax 020 7601 3298).