



**BANK OF ENGLAND**

# News release

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## **The New Bank of England Quarterly Model**

The Bank of England is today publishing an article about its new quarterly macroeconomic model, which has been developed to help prepare the Monetary Policy Committee's quarterly economic projections. The model was used to an increasing extent during the second half of 2003 and is now the main tool in the suite of models employed by the staff and the MPC in the construction of the projections contained in the quarterly Inflation Report.

The new model does not represent a change in the Committee's view of how the economy works or the role of monetary policy. Since the MPC's projections are not the mechanical output of any model, it should not be associated with a change in the MPC's assessment of the prospects for inflation and growth. Rather, the Bank's model has been developed to bring it closer to 'best practice' and to provide a better tool to assist the MPC in their forecast deliberations. The new model is more flexible and has a more clearly specified and coherent economic structure than previous models used by the Committee.

The article explains the motivation for the new model and provides an overview of the modelling approaches underlying it and some simple simulations to illustrate its properties. The sensitivity of output and inflation to temporary changes in interest rates is broadly similar to that in existing models used at the Bank.

The detailed technical specification of the model will be published later this year in a further update of 'Economic Models at the Bank of England'.

### **Notes to Editors**

Copies of the article are available from the Publications Group, Bank of England, Threadneedle Street, EC2R 8AH (Tel: 020 7601 4030; fax 020 7601 3298) or from the Monetary Policy Publications page.

This article was also published in the Summer issue of the Bank of England Quarterly Bulletin on 18 June 2004.