



BANK OF ENGLAND

News release

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Stability and Statistics - Speech by Rachel Lomax

Speaking today to the North Wales Business Club, Rachel Lomax, Deputy Governor for Monetary Policy, notes that the past decade has been a time of unparalleled stability for output and inflation, creating a much better climate for business. No wonder the rise in oil prices makes people nervous. What's to prevent low inflation and steady growth slipping away in future as they have in the past?

She argues that much has changed in the past fifteen years. The present approach to setting interest rates provides much better incentives to make the right decisions. Over the past seven years there has been a "remarkable de-coupling of inflation expectations from economic disturbances" such as sharp rises in oil prices. This is encouraging evidence that the new monetary policy framework is "doing its bit to ensure continued economic stability."

But "successful monetary policy depends on having good information... The statistical fog surrounding the true state of the economy has proved a particularly potent breeding ground for policy errors in the past.... Improving the quality of national statistics... may be the best single way of ensuring that the MPC responds effectively to challenging times ahead."

Ms Lomax notes that the MPC needs data that is both reliable and timely. The ONS is the most accurate source of information on economic activity but it takes time to produce reliable estimates. Recent work by the Bank has shown that private sector surveys add value, even when preliminary ONS estimates are available. That is why the MPC believes that overall growth in Q3 was a little higher than the official estimates currently indicate.

She welcomes the recommendations of the Allsopp report, which called for fundamental changes to the way key economic data are put together. Bank staff work very closely with their ONS counterparts both on a day to day basis and in developing their ambitious modernisation programme. Ms Lomax stresses that while "improving the quality of macroeconomic data is a first order issue for monetary policymakers ... it is just as important for the ONS to maintain the quality of its current output during this period of major transition."

Notes to Editors

Ms Lomax's speech to the North Wales Business Club is part of the MPC's regular programme of regional visits. These supplement the activities of its twelve regional Agents, whose monthly reports are an important input to the MPC's assessment of economic developments. A summary of information provided by the Agents is currently published with the quarterly Inflation Report. In her speech Ms Lomax says that the Bank is looking at ways of making this information available on a monthly basis in future.

Key Resources

Stability and Statistics - Full Speech

<http://www.bankofengland.co.uk/archive/Documents/historicpubs/speeches/2004/speech232.pdf>