



BANK OF ENGLAND

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Bank of England Quarterly Bulletin - Autumn 2004

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

How should we think about consumer confidence?

Consumer confidence is generally thought to be closely related to consumption in the United Kingdom. But how much 'news' about the economy does it contain? This article identifies that the standard economic determinants of consumption - such as income, wealth and interest rates - 'explain' a large part of the movements in consumer confidence. It also discusses movements in consumer confidence that are not explained by these standard economic factors, but concludes that such 'unexplained' movements in confidence do not, on average, appear to be closely related to consumer spending. The analysis suggests that it is important to assess why consumer confidence has changed before determining its likely impact on consumption.

Household secured debt

This article analyses the implications of the recent rise in the level of UK household debt and compares households' current positions with the late 1980s. The article concludes that while some characteristics of the current macro economy look similar to the late 1980s - a rapid increase in house price inflation and household debt - others are different, notably unemployment and nominal interest rates, which are low relative to the levels of the past 30 years. The article also observes that the rise in household debt has, in aggregate, been matched by a rise in financial assets.

Housing equity and consumption: insights from the Survey of English Housing

This article examines data from the 2003 Survey of English Housing in order to shed light on the link between gross equity withdrawal and spending. The analysis concludes that the bulk of gross withdrawals is unlikely to be spent in the near term. Of those who do spend equity, financing home improvements rather than purchasing consumer goods appears to be the most important use of funds. This is consistent with the relatively weak relationship between consumption and mortgage equity withdrawal recently observed in aggregate data. The article also examines the incomes of those who withdraw housing equity.

Why has world trade grown faster than world output?

Between 1980 and 2002 world trade has more than tripled, while world output has 'only' doubled. This article attempts to explain the increase in the ratio of world trade to output; it considers what factors might be determining the level of trade in an economy and what data are available to measure the size of the effects of these determinants. The article concludes that the two main causes for the increase in trade over the past 20 years are productivity growth in the tradable goods sector, causing a fall in relative prices, and a fall in tariff rates in most major economies, which has reduced the costs of international trade.

Also in the Autumn 2004 Bulletin:

- a regular commentary on 'Markets and operations'; 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) or from the Bank's Quarterly Bulletin pages.