



BANK OF ENGLAND

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Bank of England Quarterly Bulletin - Autumn 2006

The Autumn issue of the Bank of England Quarterly Bulletin is published today. It contains the following articles and reports:

- Foreword, by Charles Bean, Chief Economist and Executive Director of Monetary Policy, Bank of England.
- Markets and operations. This regular quarterly commentary discusses recent developments in global capital markets.
- The UK international investment position. This article explains how the United Kingdom can generate positive net investment income, despite its overseas asset holdings apparently being less valuable than its liabilities. It highlights two developments: a shift in the composition of UK external assets; and a decline in the yield that the United Kingdom pays on bonds and equities issued to overseas investors, relative to the yield that the United Kingdom earns on its holdings of bonds and equities issued by the rest of the world. Looking ahead, the United Kingdom's accumulation of net debt should eventually correct and that could require an adjustment of the exchange rate. But the article explains that the scale of this adjustment could be smaller than sometimes assumed.
- Costs of sovereign default. A number of emerging market economies have defaulted on sovereign debt over the past quarter of a century. This article provides an overview of the size and types of costs that have been associated with these defaults, and presents new evidence. It concludes with a number of policy suggestions to improve debt crisis prevention and management and the role played by the IMF.
- UK export performance by industry. This article examines the United Kingdom's trade performance. The UK export market share has declined steadily for a number of years. For many exporters, a dominant influence is likely to have been the appreciation of the sterling exchange rate in the latter half of the 1990s. But some industries have been able to exploit non-price advantages, in particular technological intensity, to increase their market shares. As the article explains, such factors are

likely to explain differences in UK export performance across UK industries — and between high and low-tech industries, in particular.

- Summaries of recent Bank of England working papers and speeches.

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 at

<http://www.bankofengland.co.uk/publications/Pages/quarterlybulletin/default.aspx>