



BANK OF ENGLAND

News release

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Bank of England Quarterly Bulletin - 2010 Q4

The 2010 Q4 50th anniversary edition of the Bank of England Quarterly Bulletin is published today. It contains the following articles and reports:

- *Foreword.* The Governor, Mervyn King, introduces the 50th anniversary edition of the *Quarterly Bulletin*.
- *Markets and operations.* This article provides the regular commentary on developments in sterling financial markets, including the Bank's official operations.
- *The history of the Quarterly Bulletin.* This article reviews the history of the Bulletin and examines some of the insights that can be gleaned from its pages on some of the key central banking issues of the time - from fixed exchange rates to the role of money.
- *The UK recession in context - what do three centuries of data tell us?* This article places the recent UK recession in a long-run historical context by analysing data going back to the 18th century. It shows that the recession of 2008-09 had parallels with recessions in previous centuries involving domestic and overseas financial crises. And there are lessons from the past about the nature of the current recovery, including the role played by real exchange rate depreciations.
- *The Bank's money market framework.* This article describes how central banks can use their money market operations to implement monetary policy and provide liquidity support to banks. It discusses some of the issues that can arise when undertaking operations to achieve these two objectives and the Bank's choices about its own operating framework. The experience of the financial crisis has influenced the Bank's thinking. In particular, it has adopted a framework that more clearly separates monetary policy implementation and the provision of liquidity insurance.
- *Managing the circulation of banknotes.* Issuing banknotes is one of the Bank of England's best known and most recognisable functions. This article explains how the note circulation is managed to maintain confidence in the physical currency. The Bank's role has changed considerably over the past 50 years. Its response to future developments will continue to be consistent with its objective of ensuring the availability of genuine notes of good quality in a balanced mix of denominations.
- *Understanding the weakness of bank lending.* The flow of new bank lending to UK households and businesses fell sharply following the start of the global financial crisis in mid-2007. While it is difficult

to disentangle the effects of shifts in credit demand and supply, this article finds evidence of a substantial and persistent tightening in credit supply conditions from mid-2007. But independently weaker credit demand is also likely to have contributed to the weakness in bank lending.

- *Evolution of the UK banking system.* This article tracks the evolution of the banking sector, describing how technology has transformed the economics of banking and how deregulation in the 1970s and 1980s freed banks to take advantage of new opportunities through globalisation and financial innovation. The result has been the emergence of large, functionally and geographically-diverse, banking groups. Post-crisis, public policy attention has been focused on the costs of a banking sector dominated by large and complex institutions that are seen as too important to fail.
- *The financial position of British households: evidence from the 2010 NMG Consulting Survey.* This article examines evidence from the latest survey carried out in late September 2010. The burden of unsecured debt was higher than in the past and concerns about debt levels had increased, leading some to save more in order to reduce indebtedness. A special set of questions this year showed that households' awareness of the fiscal consolidation measures was quite high, although the majority had yet to take any action in response.
- *The foreign exchange and over-the-counter interest rate derivatives markets in the United Kingdom.* This report outlines the results of the latest triennial survey of turnover in the UK's foreign exchange and over-the-counter interest rate derivatives markets. It then goes on to consider the potential underlying drivers in these markets over the past three years. The Bank published a summary of the UK results on 1 September 2010 available at:
<http://www.bankofengland.co.uk/archive/Documents/historicpubs/news/2010/066.pdf>
- *Global finance after the crisis.* The annual John Flemming Memorial Lecture was this year given by Professor Alan M Taylor of the University of California, Davis.

Note to Editors

Copies of the *Quarterly Bulletin* are available from:

Publications Group, Bank of England, Threadneedle Street, EC2R 8AH

(Tel: 020 7601 4030; fax 020 7601 3298) or our Quarterly Bulletin Pages

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