



BANK OF ENGLAND

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Bank of England Quarterly Bulletin - 2010 Q2

The 2010 Q2 issue of the Bank of England Quarterly Bulletin is published today. It contains the following articles:

- *Foreword*, by Spencer Dale, Chief Economist and Executive Director - Monetary Analysis and Statistics.
- *Markets and operations*. This regular quarterly commentary discusses recent developments in sterling financial markets and the Bank's official operations. The financial crisis has entered a new phase over the past three months, with financial markets being influenced by generalised investor nervousness about the fiscal positions of a number of countries. The announcement on 10 May of a euro-area support package, in conjunction with the IMF, alleviated near-term pressures but conditions in financial markets remain volatile.
- *Collateral risk management at the Bank of England*. Throughout the financial crisis, the Bank of England has acted to support the stability of the financial system. In relation to the provision of liquidity insurance, the Bank has broadened the range of collateral that it accepts in its facilities to include certain forms of high-quality private sector assets. This article examines how the Bank manages the risk inherent in its operations, explaining how it builds in the appropriate degree of protection.
- *The impact of the financial crisis on supply*. This article examines the various channels through which the economy's effective supply capacity may have been affected by the financial crisis. Some of the channels through which recessions have adversely affected the economy's supply capacity in the past appear at this stage at least to be weaker than might have been feared. But the financial crisis means that other channels may be more important as companies' access to finance has been constrained. The conclusions of the article are necessarily tentative at this stage and the impact of the crisis on the supply capacity of the economy remains a key question for the Monetary Policy Committee.
- *Public attitudes to inflation and monetary policy*. This article examines how the increase in inflation volatility over the past three years has affected households' attitudes to inflation and to monetary policy more generally. Inflation has increased sharply since the autumn of 2009, in part reflecting the

temporary effects from a number of factors. As these subside, inflation should fall back, consistent with households' longer-term inflation expectations pointing to inflation being around the 2% target.

•A review of the work of the London Foreign Exchange Joint Standing Committee in 2009. This report reviews some of the main themes of the work programmes of the Committee and its subgroups in 2009.

Note to Editors

Copies of the Quarterly Bulletin are available from:

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