



BANK OF ENGLAND

News release

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Bank of England Quarterly Bulletin 2010 Q1

The latest 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 global financial markets and the Bank's official operations. The rally in risky asset prices that began in March 2009 was sustained into the first few weeks of 2010, but faltered in mid-January. Despite this recent period of retrenchment, overall market functioning did not materially worsen.
- *Interpreting equity price movements since the start of the financial crisis*. This article introduces an extended dividend discount model to examine movements in equity prices since the start of the financial crisis. Some, but by no means all, of the movements in equity prices appeared to reflect changes in earnings expectations. Heightened uncertainty at the peak of the crisis may have made investors less willing to hold equities. And the abatement of those concerns is likely to have contributed to the subsequent rise in equity prices, in part related to policy actions taken by central banks and governments.
- *The Bank's balance sheet during the crisis*. The policy actions taken by the Bank in the past few years have resulted in a considerable expansion of its balance sheet. This article describes the main components of the Bank's balance sheet both prior to and during the crisis. The expansion of the balance sheet was accompanied by a number of changes to the Bank's operational framework, some of which have been made permanent.
- *Changes in output, employment and wages during recessions in the United Kingdom*. This article examines how the behaviour of the labour market in this recession compares with that in previous downturns. A marked feature of the current recession is that employment to date has not fallen by as much as might have been feared given the falls in output. Structural changes in the UK economy

may have mitigated the fall in employment. But factors specific to the current recession are also likely to have played a role. The labour market is continuing to adjust, however, and the picture might change over time.

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 on the Quarterly Bulletin Page

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