



**BANK OF ENGLAND**

# News release

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## **Bank of England Quarterly Bulletin - 2011 Q4**

Over the past year the recovery in the UK economy appears to have slowed. An article in the Bank of England's Quarterly Bulletin, published today, explains that a key reason for the weakness in UK demand has been falling consumption, reflecting the challenging environment facing households. Evidence drawn from the ninth annual survey of households carried out for the Bank of England by NMG Consulting suggests that most households have experienced an income squeeze over the past year. And around half of households reported that they had been affected by, and had responded to, the fiscal consolidation. For example, by either seeking a new job or working longer hours. But the article says that reported levels of financial distress appear to have been contained by the low level of Bank Rate and some forbearance by lenders. Looking ahead, surveyed households report uncertainty about their future incomes and expect to continue to be influenced by the fiscal tightening.

Another article in the Bulletin discusses the important role that public capital markets play in financing the activities of non-financial companies in the UK, providing them with a key alternative to bank loans and private sources of finance. Although a small number of UK companies issue public bonds and equity, the article notes that those companies account for a relatively large share of domestic investment and employment. Since the start of the financial crisis in 2007, bond and equity issuance is reported to have allowed some large companies to dampen the impact of the contraction in bank lending and the worsening economic outlook on investment and hiring. This leads the authors to suggest that there may be macroeconomic benefits to broadening access to public capital markets. The article says central banks can also play a role in maintaining orderly financial markets to support issuance of public debt or equity. For example, the Bank of England has helped support primary corporate bond issuance at times of impaired secondary market functioning since 2009 through its Corporate Bond Secondary Market Scheme.

The remaining articles in the Bulletin cover: developments in financial markets; the effect of sterling's recent depreciation on UK exports and imports; and the tradeoffs that can arise as a result of the various ways in which OTC derivatives can be traded.

## **Notes to Editors**

Copies of the Quarterly Bulletin are available from:

Publications Group,

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(Tel: 020 7601 4030; Fax 020 7601 3298)

## **Key Resources**

**Quarterly Bulletin 2011 Q4**