



BANK OF ENGLAND

News release

Press Office

Threadneedle Street

London EC2R 8AH

T 020 7601 4411

F 020 7601 5460

press@bankofengland.co.uk

www.bankofengland.co.uk

21 March 2011

Bank of England Quarterly Bulletin - 2011 Q1

The 2011 Q1 issue of the Bank of England Quarterly Bulletin is published today. It contains the following articles and reports:

- Foreword, by Spencer Dale, Chief Economist and Executive Director - Monetary Analysis and Statistics.
- Markets and operations. This regular quarterly commentary discusses recent developments in financial markets, including the Bank's official operations, covering the period between the previous Bulletin and 25 February 2011. Over this period - which preceded the earthquake and tsunami that hit Japan on 11 March 2011 - financial markets continued to be strongly influenced by changes in expectations of future monetary policy developments, and concerns about the sustainability of fiscal positions in certain euro area member countries. Uncertainty in financial markets increased in response to the emergence of political tensions in a number of countries in North Africa and the Middle East.
- Understanding the recent weakness in broad money growth. This article begins by describing the factors that account for the recent weakness of broad money growth: reduced borrowing by households and companies during the recession; and the stabilisation of the banking system, including new equity and debt issuance by banks. The MPC's asset purchases (so called 'quantitative easing') offset weakness from these two factors, by boosting money holdings. The article goes on to discuss recent developments in the 'velocity of circulation' - the rate at which money circulates through the economy to finance the value of transactions. It concludes that there are economic factors pushing up on money velocity relative to its long-run downward trend, and that these are likely to persist in the near term, suggesting that a given rate of growth in nominal spending is likely to be associated with weaker growth in broad money than was typically the case before the crisis. Finally, the article reviews the evidence from the monetary data, which corroborates other information, on the impact of the MPC's programme of asset purchases on asset prices and, ultimately, nominal demand in the economy.

- Understanding labour force participation in the United Kingdom. The UK labour force participation rate has held up better in the recent recession than in past downturns. This article examines the patterns of participation of men and women at different ages through the life cycle, and for different cohorts - that is for groups of people born at different times. Over the next decade or so, the changing age structure of the UK population is likely to push down significantly on the aggregate participation rate. But there are also likely to be behavioural changes, perhaps especially among older workers, that would offset that.
- China's changing growth pattern. Since the start of the financial crisis, a number of reforms and measures have been introduced to rebalance the Chinese economy towards domestic demand and away from net exports. The rebalancing of the Chinese economy will have important implications for the strength and nature of the global recovery. This article discusses China's previous export-orientated growth strategy, its rebalancing since the crisis and whether the nascent rebalancing can be sustained.

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](#)

Key Resources

[Quarterly Bulletin 2011 Q1](#)