



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

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Bank of England Quarterly Bulletin - 2011 Q3

Between March 2009 and January 2010, the Bank of England purchased £200bn of assets with the aim of injecting money into the economy. An article in the Bank of England's Quarterly Bulletin, published today, reviews the evidence for the impact of those asset purchases both on financial markets and more widely on the economy. The aim of that so-called '**Quantitative Easing**' was to boost nominal spending and inflation in order to meet the inflation target in the medium term. The evidence presented in the article suggests that the effects were economically significant. Drawing on a range of different approaches the analysis suggests a **peak effect on the level of real GDP of between 1½ and 2% and a peak effect on annual CPI inflation of between ¾ and 1½ percentage points**. Further analysis suggests that these asset purchases may have had roughly an equivalent impact on inflation as a cut in Bank Rate of between 150 to 300 basis points. But the article cautions that there is considerable uncertainty around these estimates and that the precise impact of asset purchases or sales is likely to vary depending on the circumstances in which they are conducted.

Another article in the Bulletin provides a general overview of the principal objectives and features of a bank resolution regime, drawing in particular on the design of the United Kingdom's Special Resolution Regime. Banks must be allowed to fail, but recovery and resolution plans for banks will be required to ensure that failure does not lead to avoidable disorder in the financial system. The United Kingdom's regime was born out of the difficulties in dealing with the failure of Northern Rock in the autumn of 2007. A bank resolution regime will typically give the resolution authority powers to split the bank into separate parts, transferring to a purchaser those creditors and economic functions that are of systemic importance while leaving the rest to be wound up in insolvency. The article also discusses the arrangements put in place to help protect those creditors left behind and discusses the exceptions to those safeguards.

The remaining articles in the Bulletin cover: developments in financial markets; securities lending; challenges associated with measuring financial services output; the results of a new biannual survey of the sterling money market; and a summary of the main points made by participants at the most recent Monetary Policy Roundtable, hosted by the Bank of England and the Centre for Economic Policy Research, on 24 June.

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 Q3](#)