

The Bank's regional Agencies

By John Beverly, the Bank's Agent for the West Midlands.

In this article, John Beverly describes the role of the Bank's Agencies. He first sets out a brief history of the Bank's regional representation; the rest of the article outlines the present work of the Agencies within the new monetary policy framework.

The Bank's early regional representation

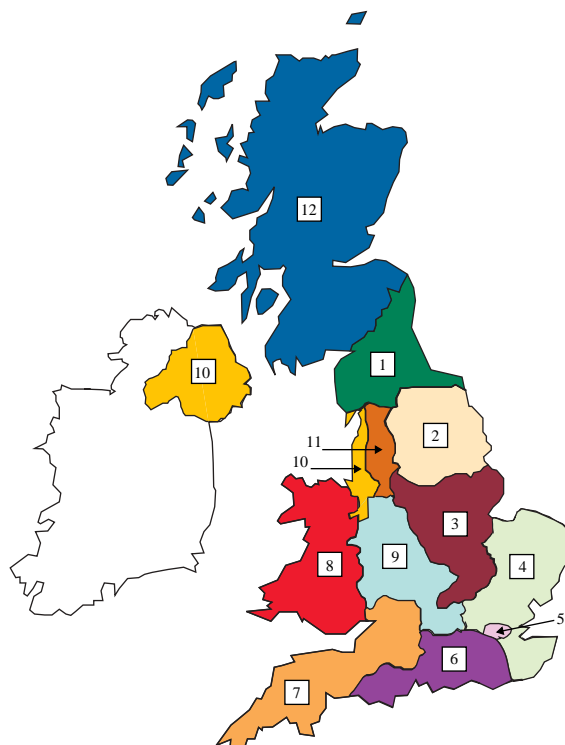
The Bank's regional representation, which has evolved into the current network of Agencies, began when the first Branches were established in 1826–28 to deal with problems caused by the failure of local banknote-issuing banks.⁽¹⁾ The network of Branches grew and changed during the nineteenth century, but their basic responsibilities were still to provide a banking and banknote distribution service in their areas. An Agent and a Sub-Agent, men of private means with position and influence in the local business community, were appointed by the Governors and Directors to liaise with local industry and commerce on the Bank's behalf within each Branch area. From early in the twentieth century, Agents and Sub-Agents were drawn from Bank staff. From 1930 onwards, the Agents were required to send Head Office reports drawn from local industrial and commercial contacts. In recent years these reports and the use to which they are put have developed considerably. The Wilson Committee Report of 1980 led, *inter alia*, to the establishment of the Bank's Industrial Finance Division (now called the Business Finance Division), which was given specific responsibility for the Bank's industrial liaison activities, including those of the Branches. When the Bank was restructured in 1994, the industrial liaison work was integrated with the Monetary Analysis Divisions of the Bank.

During the 1980s the Glasgow Office⁽²⁾ and the Liverpool and Southampton Branches were closed, but in each place an Agent and a small team were left in place to continue the industrial liaison work. After a thorough review of the Bank's regional coverage in 1995–96, it was decided to terminate banking in the remaining five Branches—Birmingham, Bristol, Leeds, Manchester and Newcastle—and to concentrate banknote distribution from London (Head Office and the Printing Works in Debden, Essex) and Leeds. The closure of the Birmingham, Bristol, Manchester and Newcastle Branches was completed at the end of October 1997; each has been replaced with an Agency. Leeds is also now an Agency, with banknote business run as an entirely separate operation.

The present Agencies

The current network of twelve Agencies was completed early this year, when the Agency for the East Midlands based in Nottingham was established. This followed the creation in 1996 of the Agency for Wales based in Cardiff and that for Greater London based in the City of London.

Bank of England's new Agency network



- 1 The Agency for the North East and Cumbria.
- 2 The Agency for Yorkshire and the Humber.
- 3 The Agency for the East Midlands.
- 4 The Agency for the South East and East Anglia.
- 5 The Agency for Greater London.
- 6 The Agency for Central Southern England.
- 7 The Agency for the South West.
- 8 The Agency for Wales.
- 9 The Agency for the West Midlands.
- 10 The Agency for the North West (Liverpool) and Northern Ireland.
- 11 The Agency for the North West (Manchester).
- 12 The Agency for Scotland.

Each Agency now consists of an Agent, a Deputy Agent and up to two additional team members providing support,

(1) The Branch Banks Committee minuted on 13 January 1826 that the establishment of Bank of England Branches would '... increase the circulation of Bank Notes, give the Bank much more complete control over the whole paper circulation, and protect the Bank against the competition of larger banking Companies'.

(2) Strictly, the Bank's representation in Glasgow was an office, rather than a branch, as it never conducted banking operations. It was involved in exchange control work until 1979.

though the South East and East Anglia and Wales Agencies each have two Deputy Agents. The supporting teams are responsible for making appointments, organising events and maintaining a substantial database of contacts. The Agencies are now all linked to London and to each other by an IT system that for the first time gives them direct access to the Bank's Monetary Analysis database. The system has substantially improved the Agencies' access to information and has helped to integrate them more fully with the Monetary Analysis Divisions, assisting them to discharge their economic analysis and representational work. It has already increased the flow and timeliness of briefing material in both directions.

The precise area covered by each Agency reflects economic and geographic considerations. Some of the Agency areas in England are consistent with the official standard planning regions. Agencies are centred on the principal metropolitan and business centres, and there has been an attempt to ensure a reasonable coverage for each Agency in terms of a proportion of UK GDP. The map shows the areas currently covered by each of the twelve Agencies.

Work of the Agencies

The role of each Agency is to maintain contact with industry and commerce and to report on the economy as seen by those based in its area. In doing this, the Agencies also represent the Bank and explain the Bank's work and policies. The economic intelligence role is developing, not least in the context of the new Monetary Policy Committee, as outlined later in this article. The Agencies play an important part in enabling the Bank to collect 'proper regional and sectoral information for the purpose of monetary policy formation' (as required by the Chancellor's letter to the Governor of 6 May 1997,⁽¹⁾ which sets out the Bank's role in the new monetary policy framework).

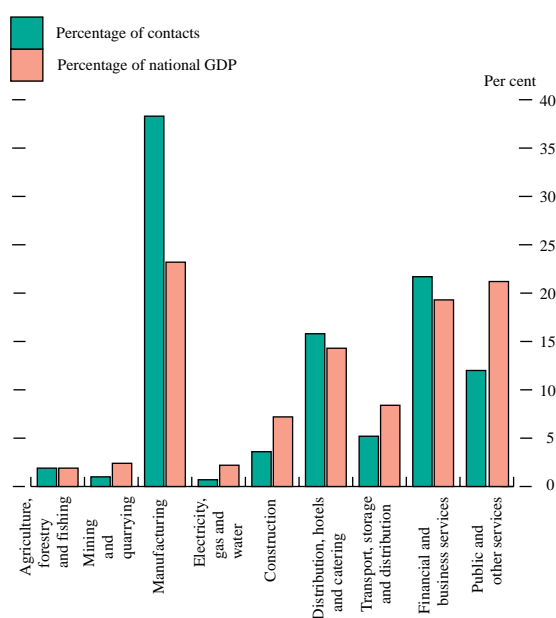
The Agencies report monthly on economic conditions. Their reports are not restricted to regional information, as their contacts' business is often national and international. The Agencies' reports are used by the Monetary Analysis Divisions to provide an up-to-date account of economic activity, complementing information from aggregate statistics and surveys. The reports cover demand, both domestic and export, costs and prices, labour and pay issues and investment and financial matters, and are based on discussions with a wide range of those active in the economy, covering manufacturing and services in both the private and public sectors.

The Agencies carry out most of their economic intelligence work through face-to-face contact with individual companies, who know that the confidentiality of sensitive information will be protected. The Bank's new independent role in monetary policy has further encouraged contacts to welcome dialogue with Agencies. This contact is supplemented by involvement with a range of business organisations—regional CBI Councils (many Agents attend

meetings), Chambers of Commerce, Training and Enterprise Councils, Business Links—and other sources of information, including universities and the press. Every month each Agency makes direct contact with around 50 firms, either through company visits or at various functions, in addition to numerous telephone calls. Agencies maintain standing panels of business people whose views about the economy are regularly canvassed. These can serve as control groups, whose discussions help to identify changes in trends.

The Agencies aim to maintain a contact base that is broadly representative of the regional economy, working to profiles based on the standard planning regions most relevant to their areas. This is a benchmark rather than a constraint, and the Bank's contacts do not fully mirror the sectoral breakdown of UK economic activity. There is of course interdependence between the various economic sectors; coverage of, for example, manufacturing may provide information about spending on business services. Some of the historical under-representation in the service sector (now being addressed) is attributable to the limited contact that Agencies have had with some of the public services such as public administration and health, which account for around 20% of GDP. (A number of Agencies do have contact with, for example, NHS health trusts.) Many firms in the service sector are multi-establishment businesses, and contact with one establishment or regional office will give effective coverage of a large part of the business, defined in terms of contribution to GDP. Some service sector areas are dominated by very small firms where direct contact is either difficult or impractical and where Agencies seek information from various business groupings.

The Agencies' contact base



A great deal of contact is with large and medium-sized companies. All Agents also have a significant number of contacts with small companies. It is often most efficient to contact small firms via Chambers of Commerce, small-firm

(1) Reprinted in the August 1997 *Quarterly Bulletin*.

associations and enterprise agencies; banks and accounting firms are also a good source of information about small company trends.

The Agencies' confidential monthly reports are based on contact with a cross-section of companies in terms of sector, location and size. The reports set out the Agencies' general assessment of economic conditions, together with points of interest to illustrate or widen understanding of particular topics highlighted by Head Office. The Agencies also provide numerical values for trends in output, export demand, costs and prices etc. In addition to this, Agencies provide ad hoc information (including reports on wage settlements) to assist economic analysis in Head Office. This work has now been developed significantly in the context of the Monetary Policy Committee.

Agencies' surveys

Since the Monetary Policy Committee was established in May 1997, the Agencies have contributed information on particular topics in addition to their monthly reports.

After discussion with the economists in Head Office, a topic of current importance on which the Monetary Policy Committee would welcome detailed information is identified each month. Specific questions are agreed and all the Agencies approach contacts to seek their insights. The questions may be posed as part of planned meetings, special meetings may be arranged, questionnaires may be sent to a number of contacts, or the topic may be discussed on the telephone. Though the numbers vary from survey to survey, well over 100 responses are obtained each month—nearly 150 for the survey on trends in imports. In this way, during a period of a couple of weeks, systematic information is obtained on a national basis. The results are then analysed by one Agent who, accompanied by two other Agents, makes a presentation to the Monetary Policy Committee at the briefing meeting that begins the monthly round. The Agencies rely on co-operation from their contacts and this has been readily given. At the same time, Agencies are conscious of the need not to make excessive demands for information. Surveys to date have covered trends in business margins, in export orders, in investment, in import penetration and in pricing. The topic for the November Monetary Policy Committee is service sector growth.

These arrangements have given the Monetary Policy Committee access to an additional source of regional and sectoral information, and have integrated the Agencies more fully into the process of formulating monetary policy.

Each month, Monetary Analysis produces a confidential Agents' National Summary, which provides an assessment of the real economy based on the twelve Agencies' reports but without identifying contacts. Since 1996, a quarterly Agents' Summary of Business Conditions has also been published,⁽¹⁾ but with any confidential material removed. This document contributes to greater transparency of policy-making and demonstrates to Agency contacts how their information is used.

Agents and Deputy Agents have found that their work of explaining the Bank's policies has grown. The Bank's role in monetary policy changed with the adoption of an inflation target in late 1992, after sterling's withdrawal from the ERM. The Agencies have been responsible for explaining the objectives of the monetary policy actions taken to achieve the target, and their reports and analysis have been used in the process of compiling the quarterly *Inflation Report*, which has become a central part of the monetary policy process. In addition, they have taken on a major role in speaking about the development of the European single currency as part of the Bank's work to inform, explain and stimulate necessary preparation. This representational role is of considerable importance as part of the greater openness and transparency of monetary policy. It also helps to open up new sources of economic information. The Agencies can contribute most effectively to economic intelligence if they are, and are seen to be, significant and active members of their local communities. They have also continued to be involved in issues of industrial finance, particularly but not exclusively those affecting small firms, in support of work undertaken by the Business Finance Division. Agents have been involved in discussions leading to the formation of Regional Development Funds. Their discussions with contacts include coverage of issues relating to corporate finance and governance.

The Agencies' role in monetary policy

The Agencies' links with the Monetary Analysis Divisions of the Bank have helped to integrate their work more fully into the analysis that underlies monetary policy decisions. At the same time, they have ensured that their London colleagues receive a regular flow of information from their contacts about trends in their business ahead of the publication of official statistical evidence, and with insights clarifying, contrasting or contradicting available data. The two-way flow of information is essential to achieving understanding and acceptance of a monetary policy that is informed by a recognition of how business people are responding to economic conditions.

The role of the Agencies has been further enhanced by the establishment in May 1997 of the Bank's Monetary Policy Committee, which decides on the level of short-term interest rates. A few days before each of its meetings, the Committee holds a briefing meeting with Bank staff to review in depth all the available information about the

(1) Published with the *Quarterly Bulletin*.

economy, including material drawn from the Agents' reports. Three of the twelve Agents contribute to each briefing meeting; one of them presents information on a particular topic collected by all the Agencies (see the box opposite). The Agencies have undertaken particular surveys of the impact of sterling's strength on exports and imports, on trends in margins, on investment plans and on developments in the labour market. These exercises, which have been additional to the regular reporting, but which draw on the existing contact base, have materially added to the Bank's insights into particular aspects of economic performance. Clearly the Bank is dependent on its contacts and is anxious not to over-burden them. At the same time, contacts value the opportunity to make their views known to regionally based members of the Bank. The response rate to such Agency surveys is high, reflecting the Agencies' close relationship with their business contacts. In this way, the Committee is able to use up-to-date information in its interest rate policy review and can question the Agents about the economy and the impact of policy on their contacts' business.

Assessment of the Agencies' contribution

The distinctive contribution that the Agencies make comes from their first-hand contact with a wide range of business people. These contacts, carefully fostered over the years,

provide the Bank with a regular flow of up-to-date economic news that complements the published statistics. The Agencies are able to pick up developments of local significance and, by comparing these local reports, Monetary Analysis is able to form a balanced picture of what is happening in the economy as a whole.

The Agencies' work is still evolving and efforts are being made to make reporting ever more useful to the Bank's analysis. A regular assessment of the Agencies' work is undertaken; a recent assessment showed that the Agents have been able to help explain economic trends and have provided additional insights, for example distinguishing between the trends in sales growth for large and small retailers. Improvements in the format of reporting have helped maintain consistency among Agencies. An apparent bias towards manufacturing contacts—which was evident a few years ago—is being addressed through the development of many more contacts in the service sector. This is taking time, but coverage now more closely reflects the weight of service sector activity in the economy. Manufacturing, of course, remains very important. It is clear that the Agencies may also be able to do more to draw out inter-regional comparisons. Comparisons of local trends with the overall national picture are helpful and may become more so in the context of the development of Regional Development Agencies.