

The UK Economy after the Crisis: Monetary policy when it is not so NICE

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Chart 1 150 Years of output and inflation volatility

10-year standard deviations of GDP and RPI

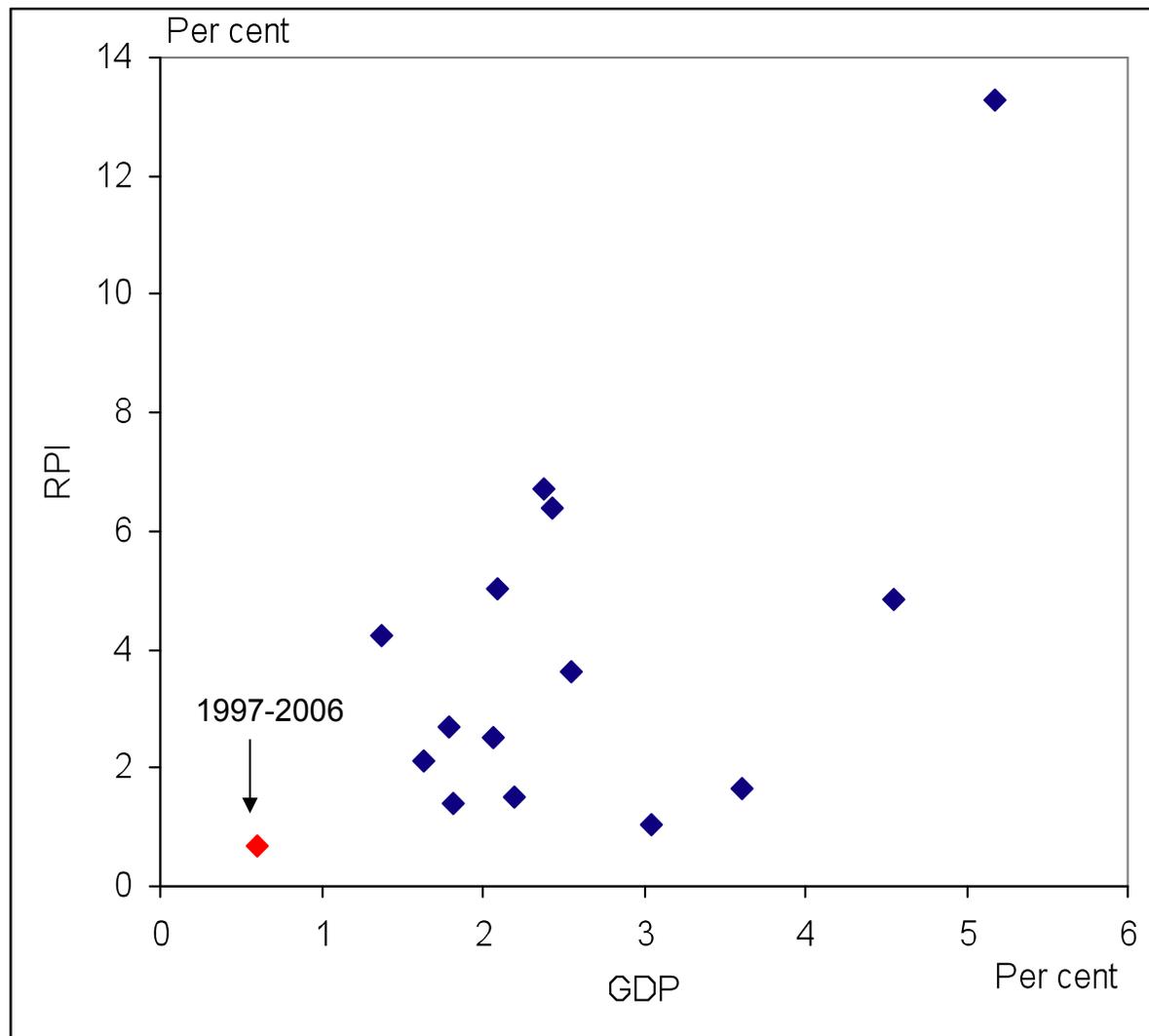
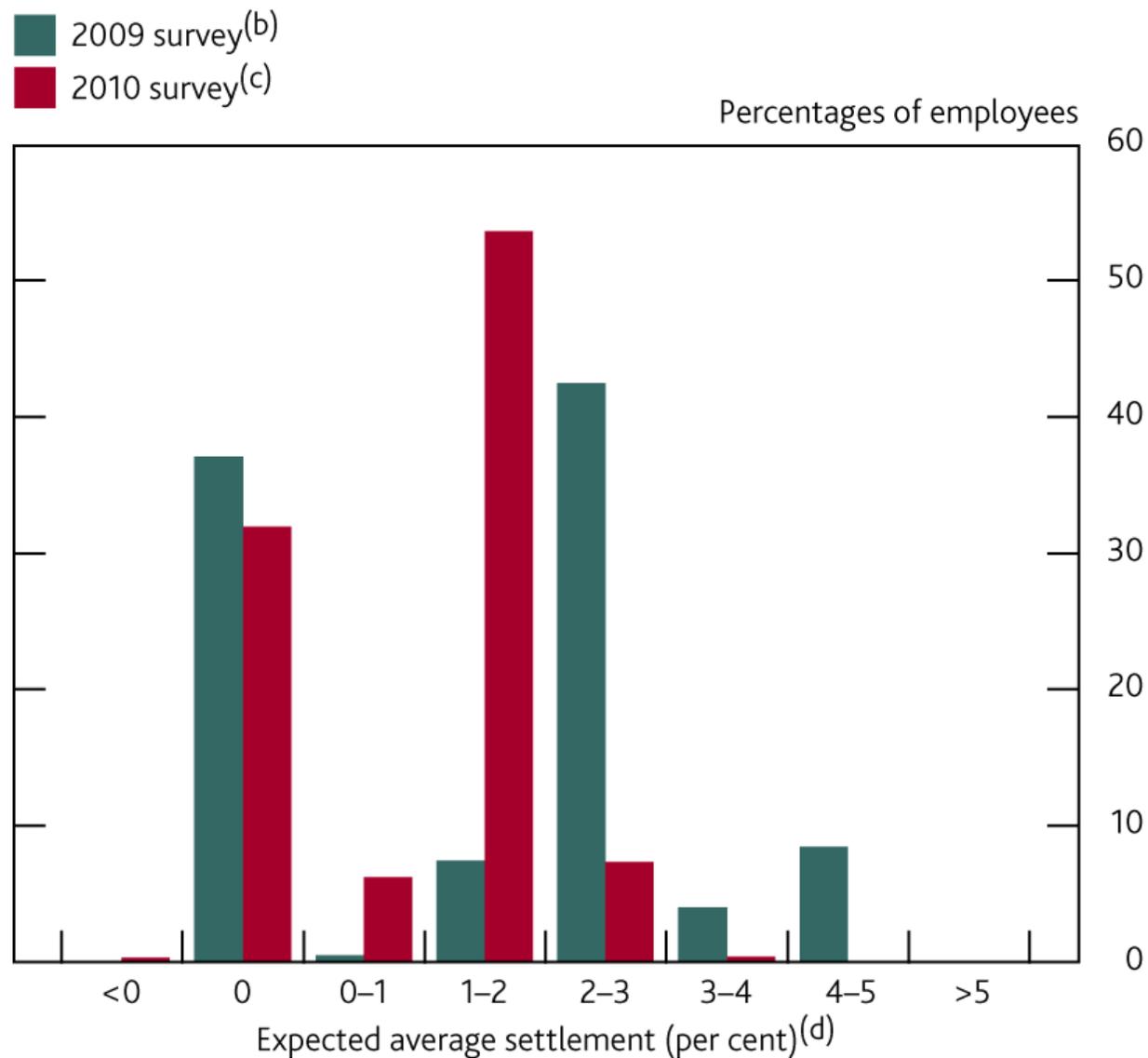


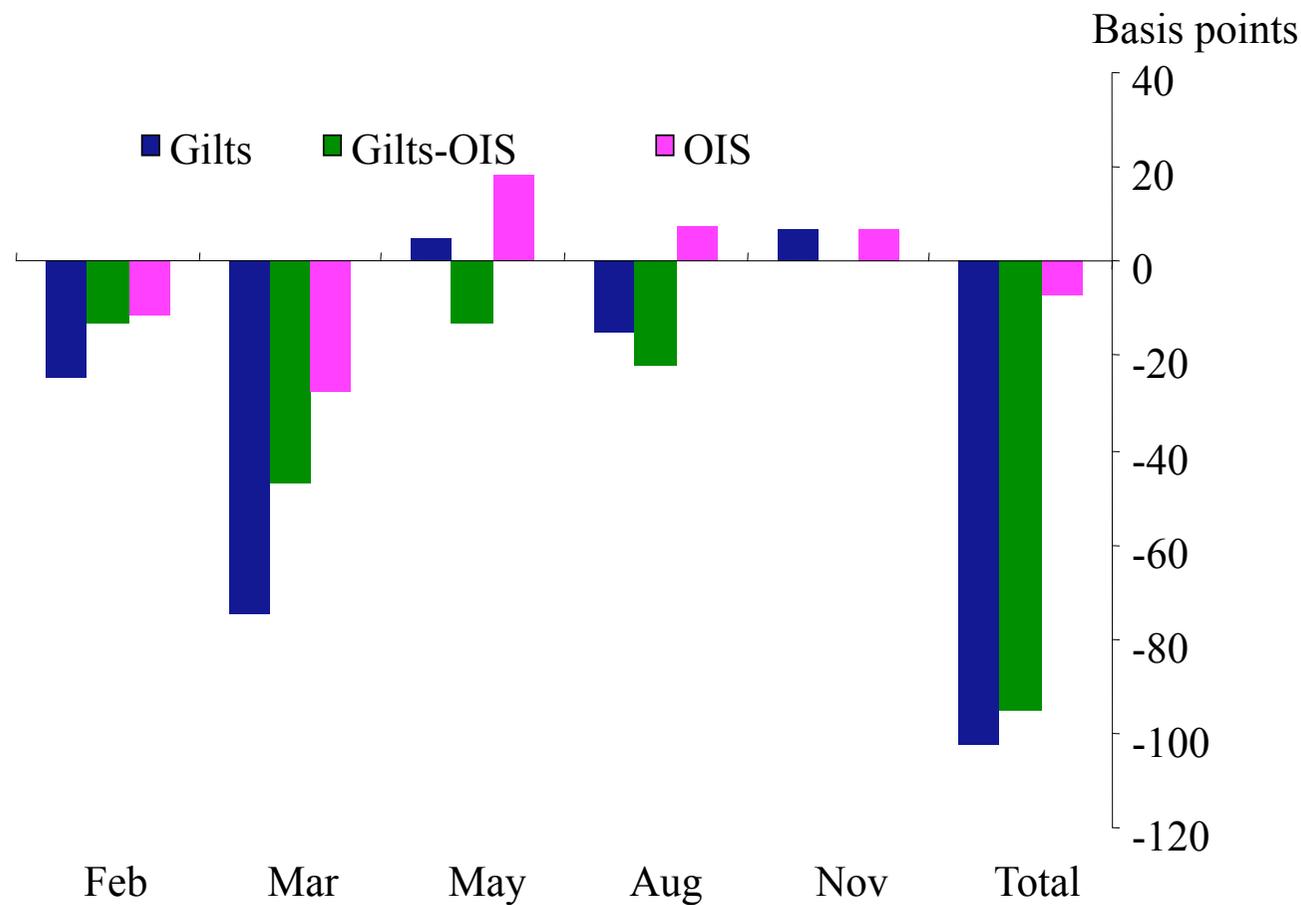
Chart 2 Agents' survey: expected average pay settlement^(a)



- (a) The 2010 survey asked respondents: 'What is your average pay settlement likely to be in 2010?'. The 2009 survey asked the same question for settlements in 2009. Responses are weighted by respondents' number of employees.
- (b) Based on 272 responses (covering about 550,000 employees) to a survey of companies by the Bank of England's regional Agents in December 2008 and January 2009.
- (c) Based on 262 responses (covering about 550,000 employees) to a survey of companies by the Bank of England's regional Agents in January 2010.
- (d) A settlement that is a round number is classified within the bucket where that round number is the upper bound. For example, a 2% settlement is included within the 1%–2% bucket.

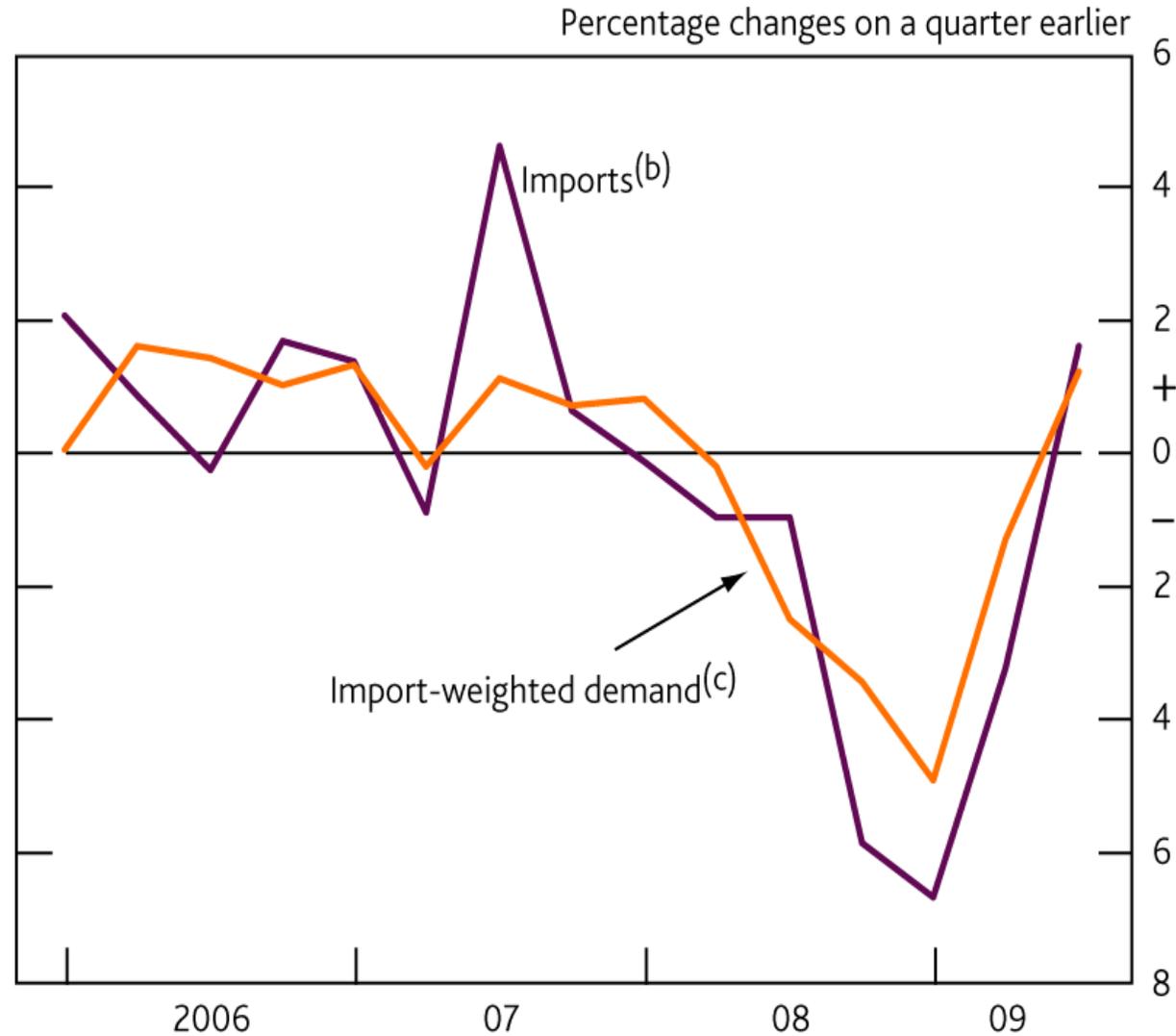
Chart 3 Impact of asset purchases on gilt yields and spreads

Effect over two days following QE announcements



The impact is measured by the change over two days in the average 5 to 25 year (zero coupon) spot rate. The event dates are the publication of the February *Inflation Report* and the associated press conference, which was taken to suggest a policy of quantitative easing was imminent; the decision at the March MPC meeting to use the Asset Purchase Facility as a monetary policy tool for initial asset purchases of £75bn; and the subsequent extensions of planned purchases to £125bn in May, to £175bn in August and to £200bn in November.

Chart 4 Imports and import-weighted demand^(a)



Sources: ONS and Bank calculations.

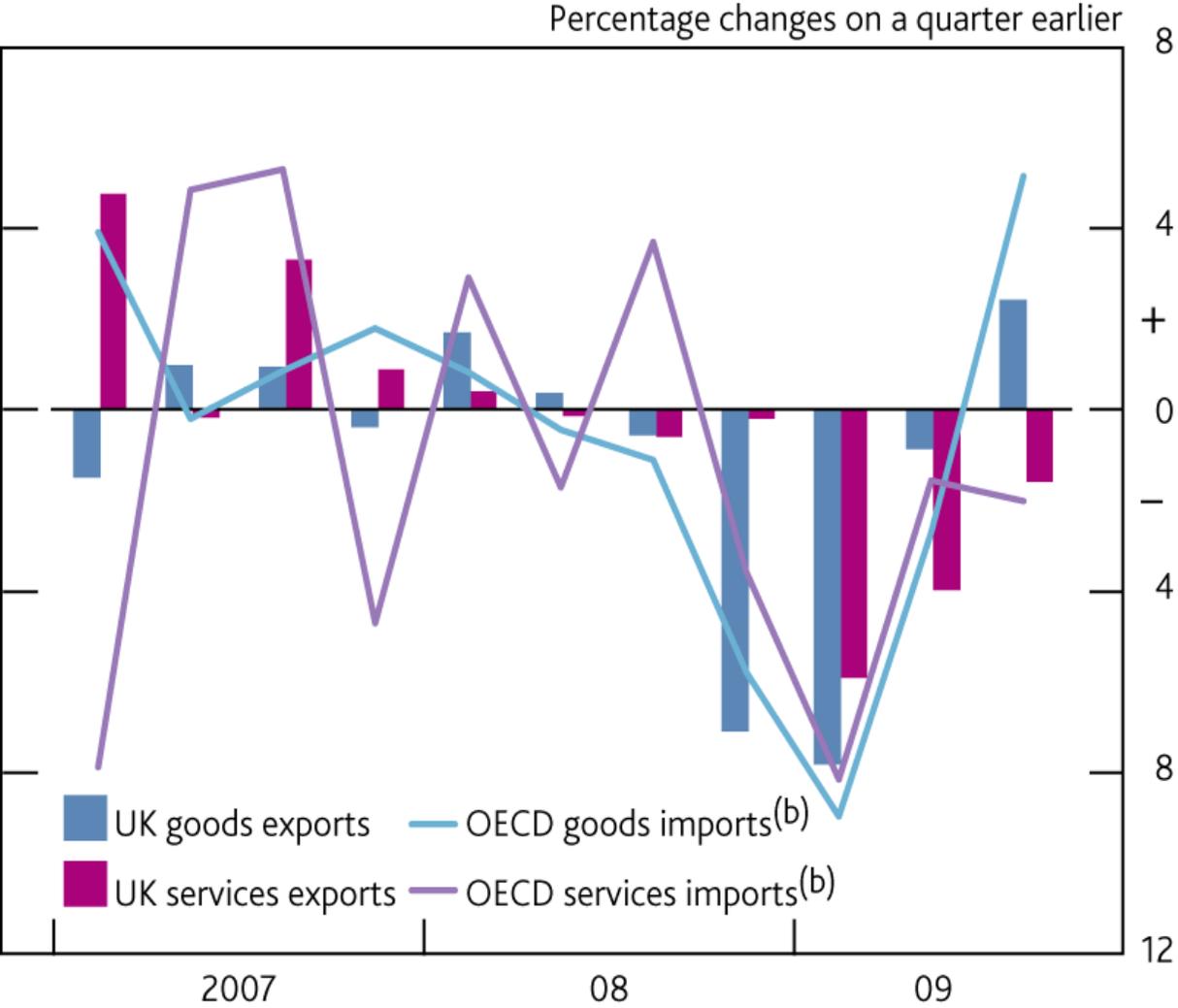
(a) Chained-volume measures.

(b) Excluding the estimated impact of MTIC fraud.

(c) Import-weighted demand is calculated by weighting household consumption (including non-profit institutions serving households), whole-economy investment (excluding valuables), government spending, stockbuilding (excluding the alignment adjustment) and exports by their respective import intensities.

The import intensities are estimated using the 1995 ONS Input-Output Analytical Tables.

Chart 5 OECD imports and UK exports^(a)

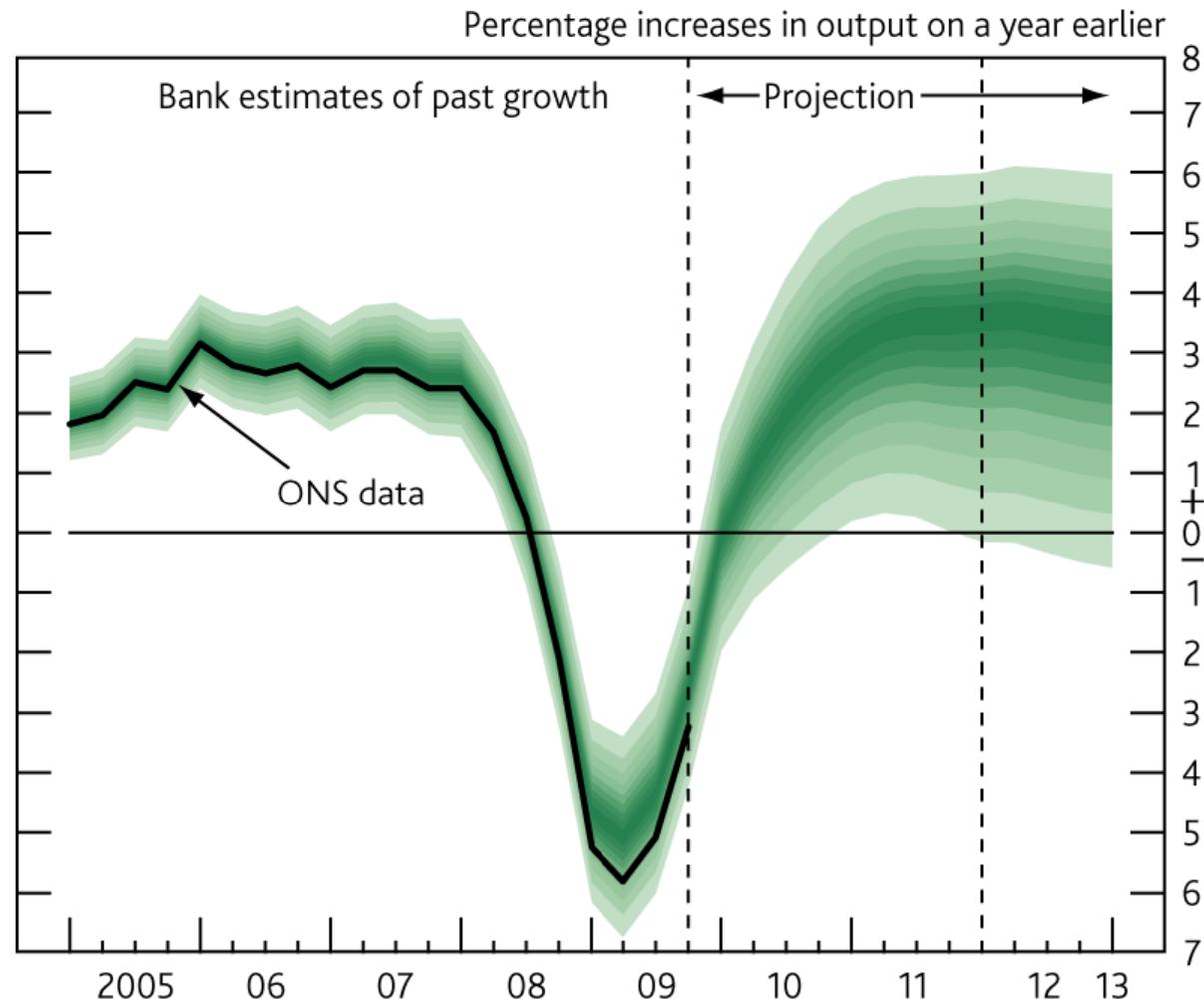


Sources: OECD and ONS.

(a) Volume measures.

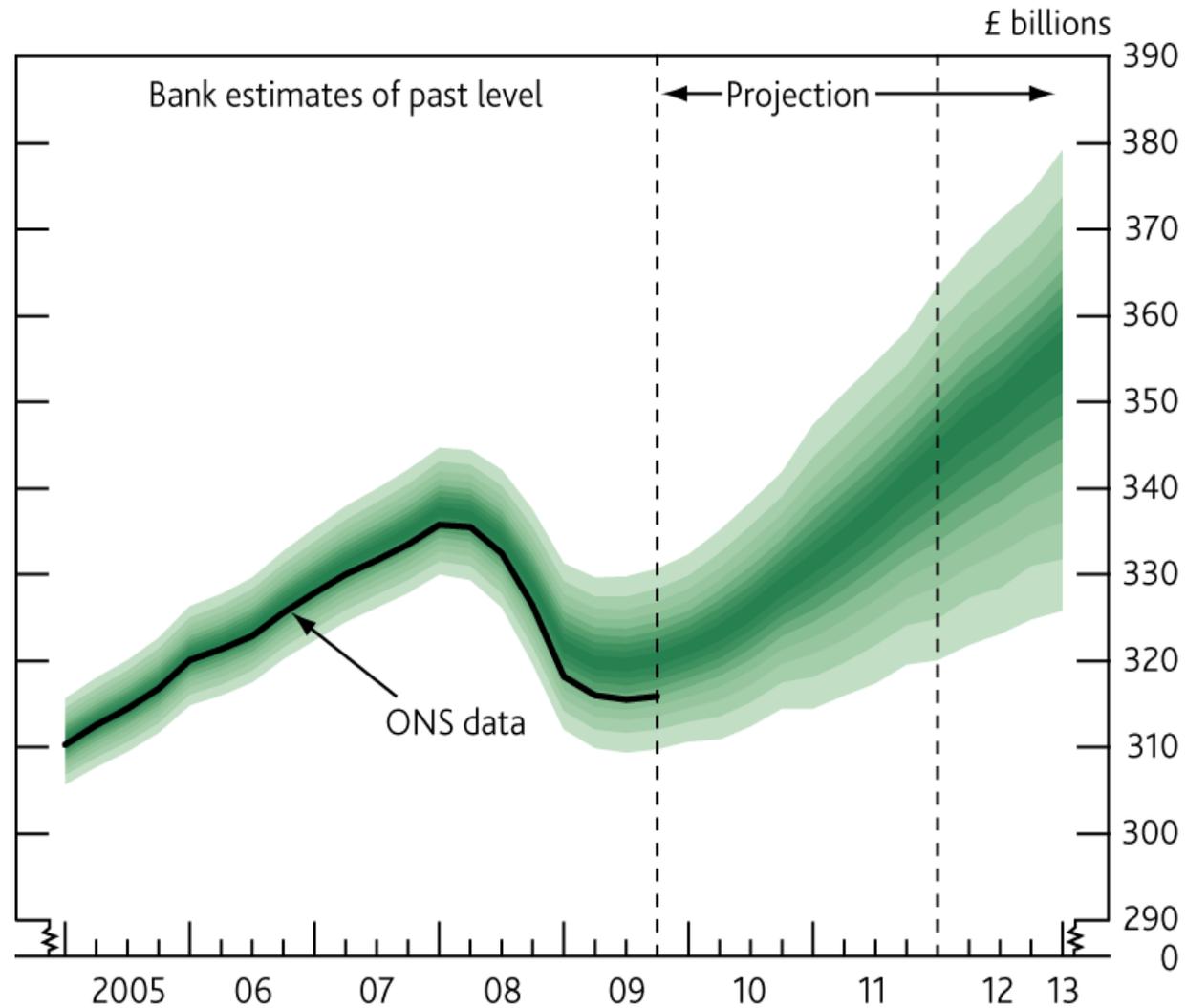
(b) Contains data for all 30 OECD countries, converted from national currencies into US dollars. Services imports are calculated as the difference between total imports and goods imports.

Chart 6 GDP growth projection based on market interest rate expectations and £200 billion asset purchases



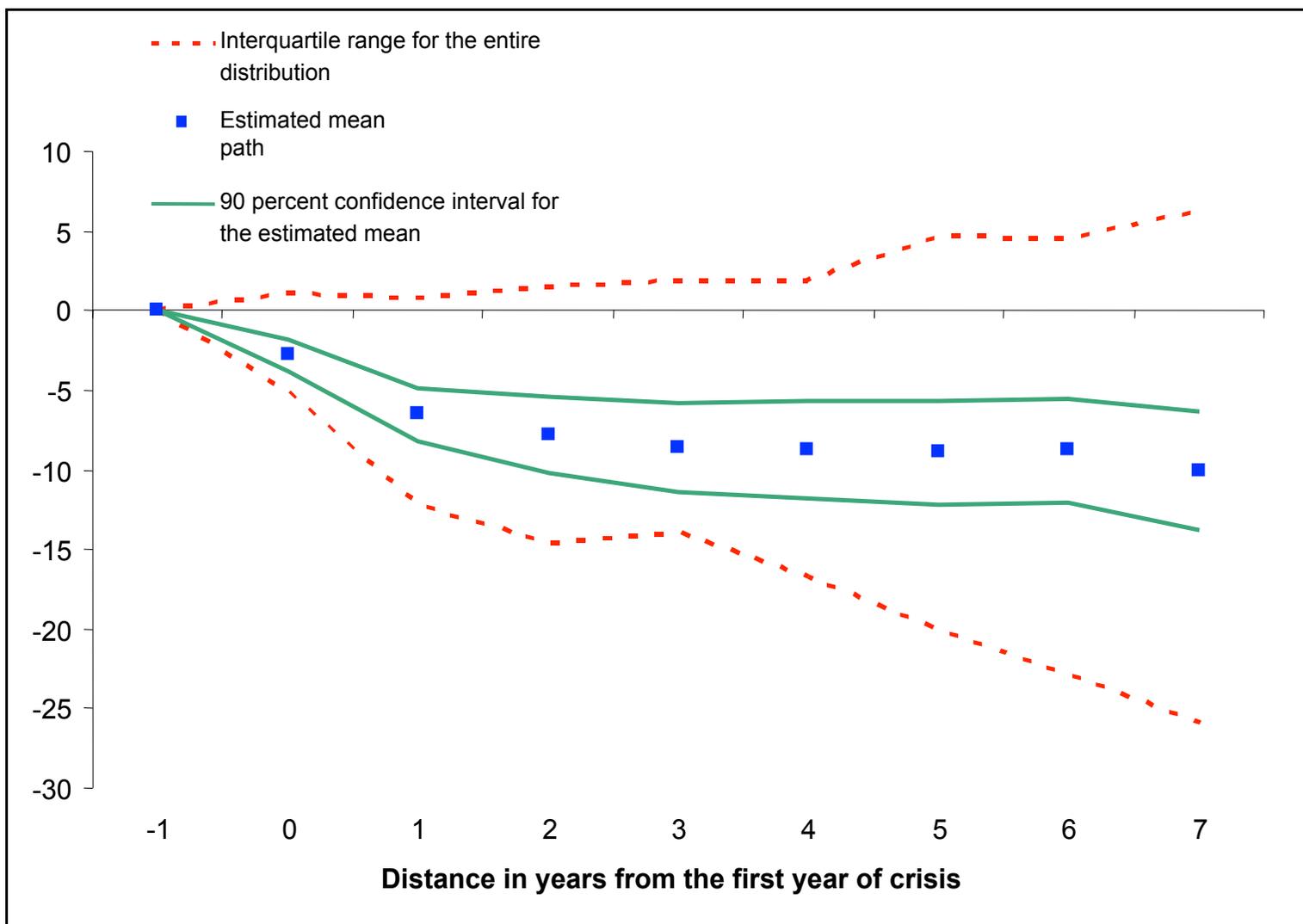
Source : February 2010 *Inflation Report*

Chart 7 Projection of level of GDP based on market interest rate expectations and £200 billion asset purchases



Source : February 2010 *Inflation Report*

Chart 8 Output per capita after banking crises



Source: IMF *World Economic Outlook*, October 2009

Chart 9 CPI inflation projection based on market interest rate expectations and £200 billion asset purchases

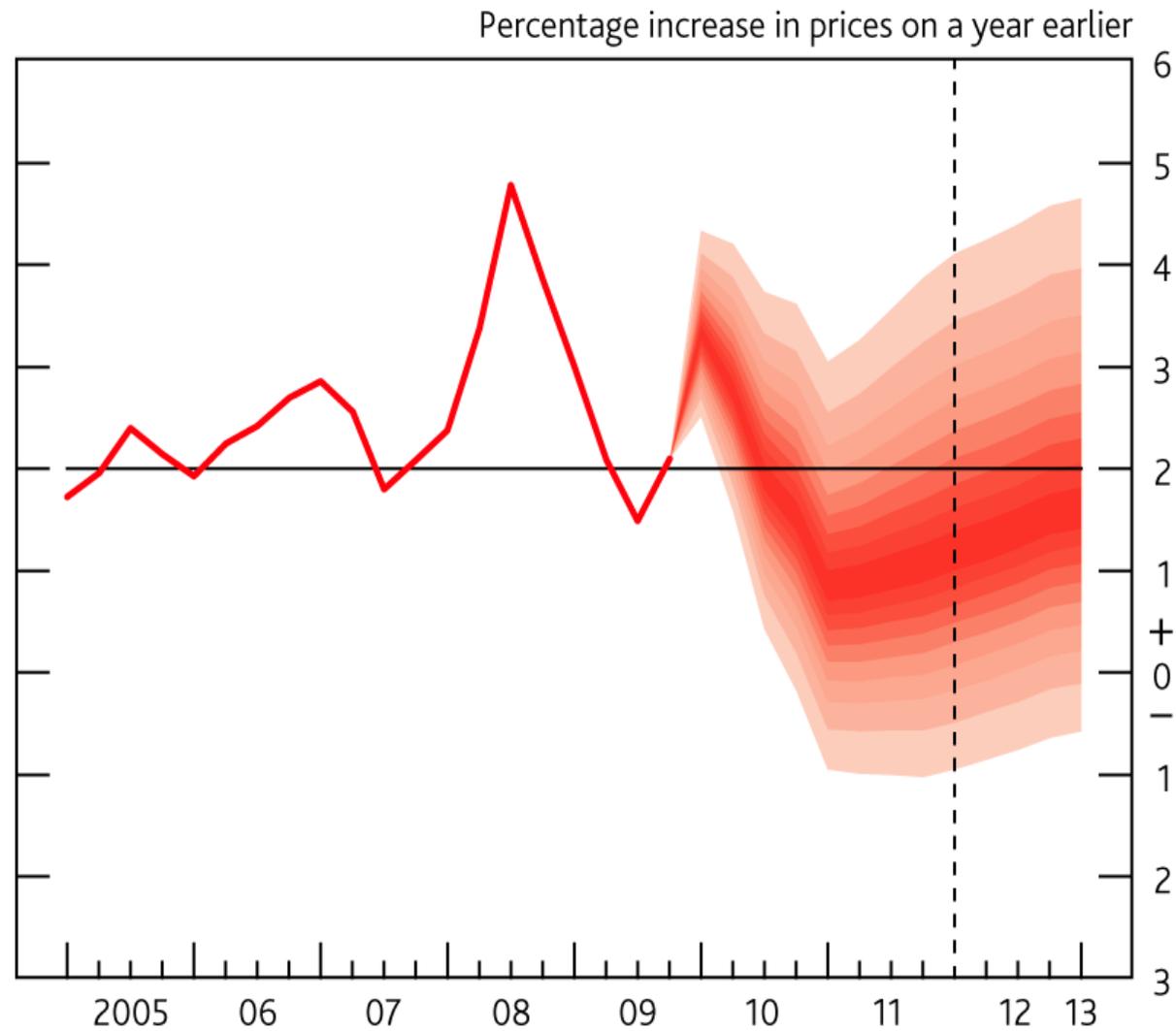
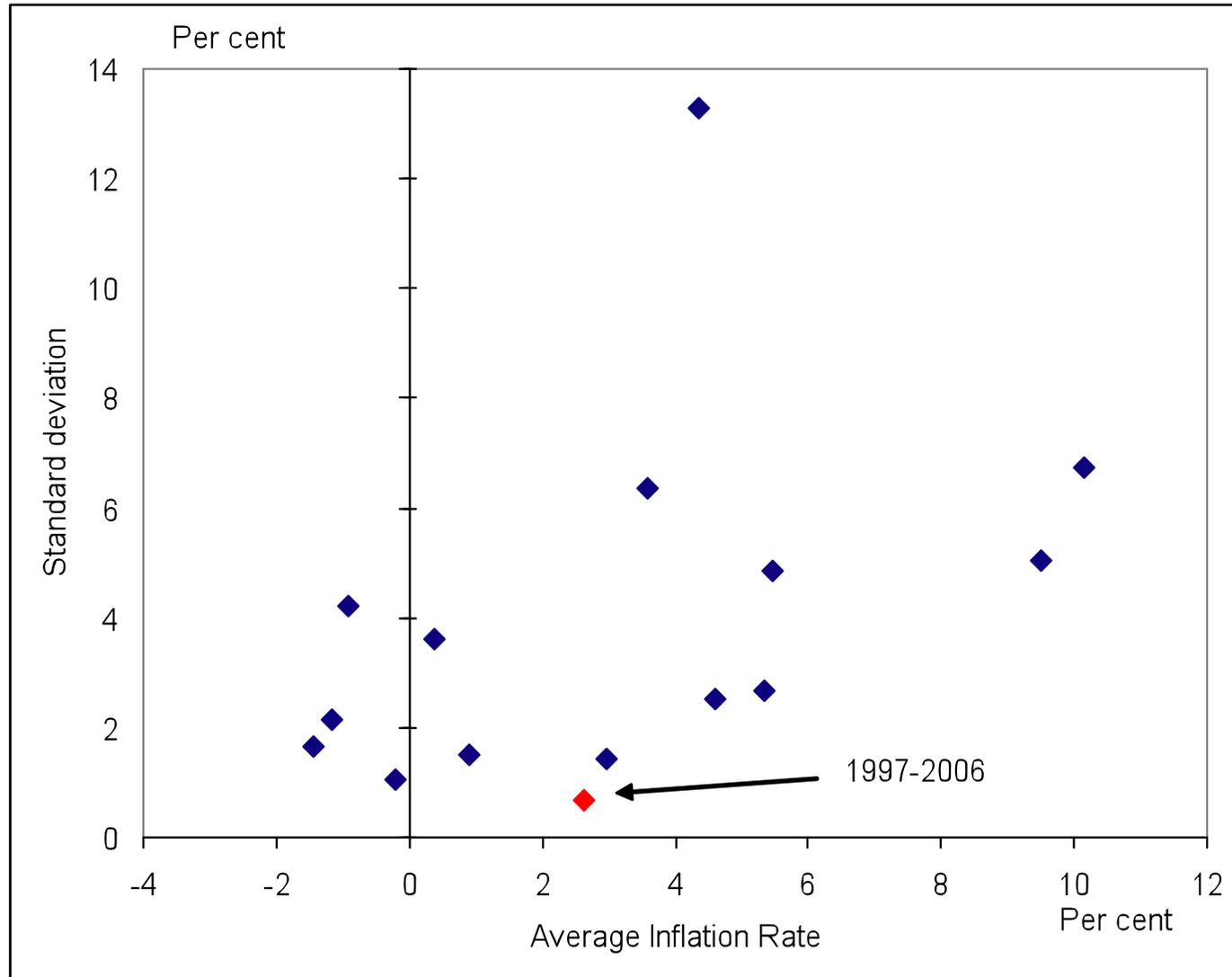


Chart 10 150 years of inflation and inflation volatility

10-year averages and standard deviations of RPI



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THE END



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