



BANK OF ENGLAND

Panel remarks at the ECB Forum on Central Banking

Sintra

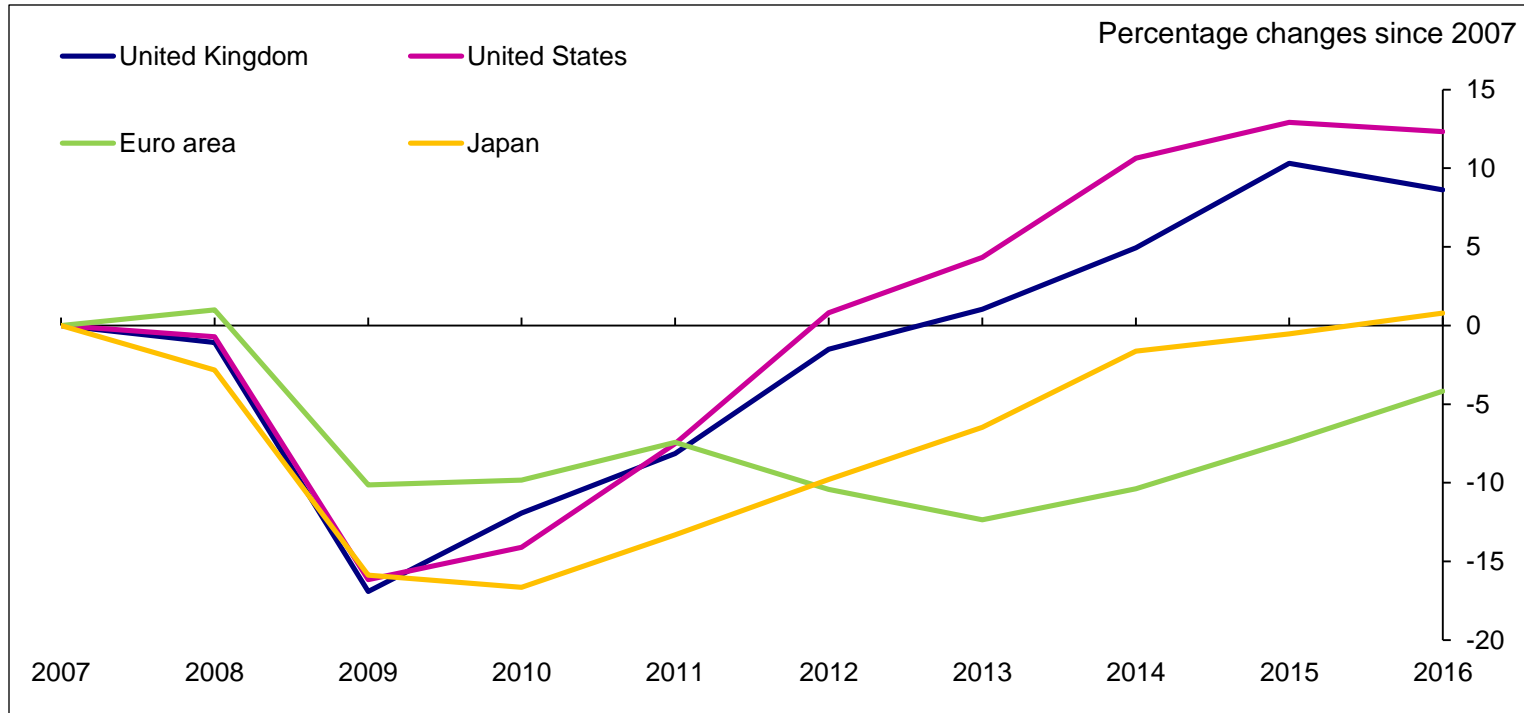


Mark Carney

Governor of the Bank of England

28th June 2017

G4 non-residential investment weak since the crisis

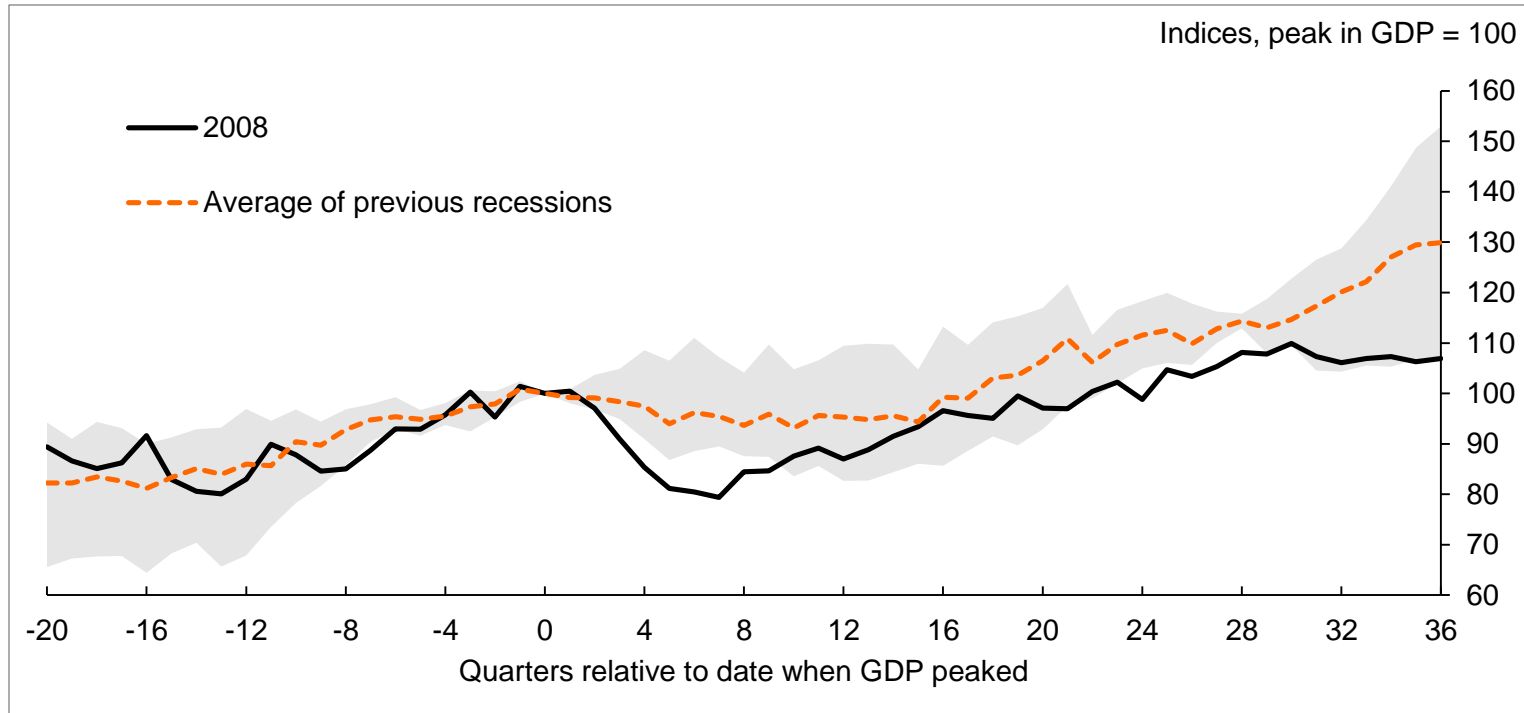


Sources: Eurostat, ONS, OECD and Bank of England calculations.

Notes: The data for the UK, the US and Japan are for private non-residential investment; the data for the euro area include public non-residential investment.



Weakest UK business investment in half a century

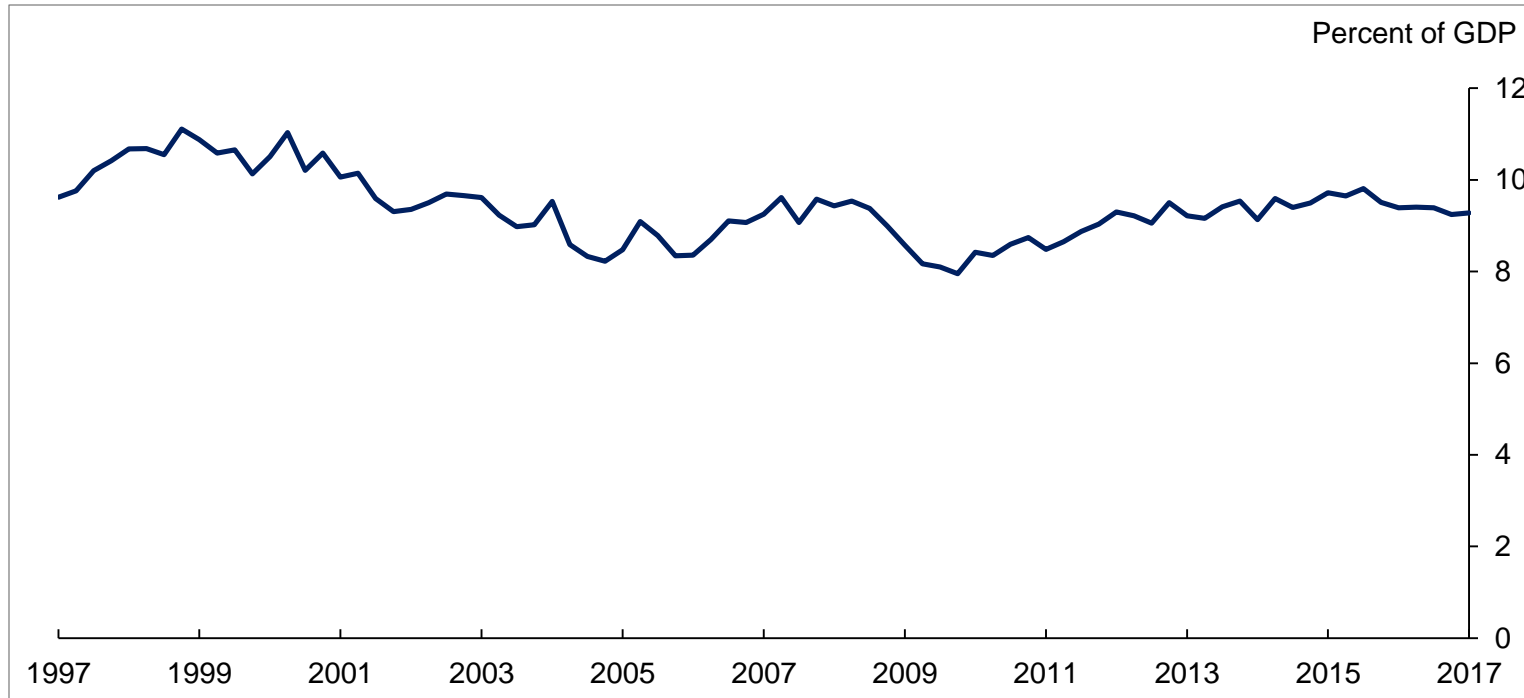


Sources: ONS and Bank calculations.

Notes: The chart plots real business investment. The range includes the recessions of 1973, 1979 and 1990.



UK real business investment to GDP ratio is falling

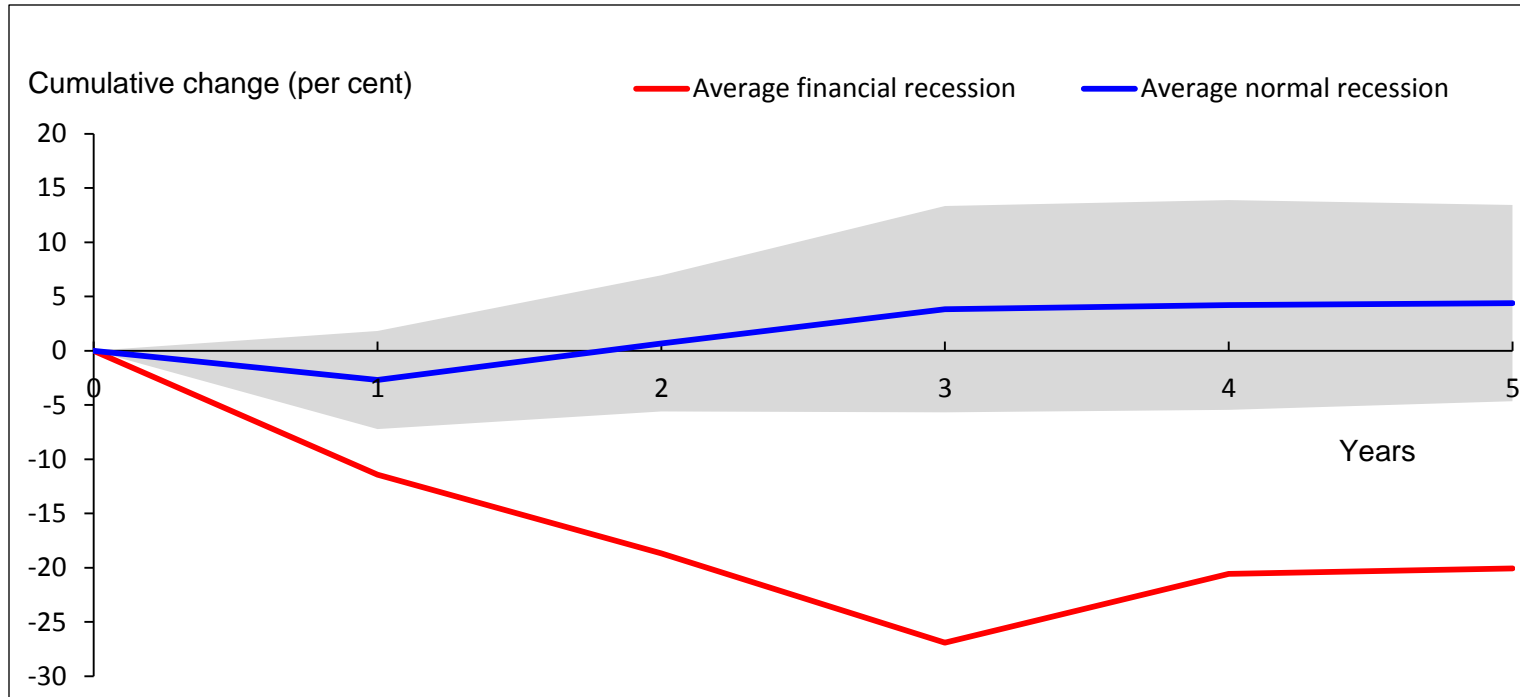


Sources: ONS



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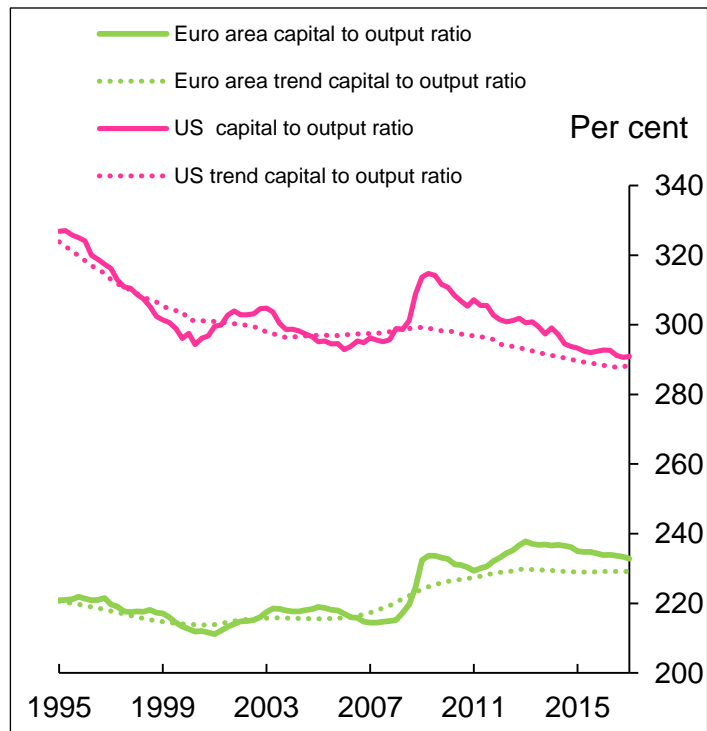
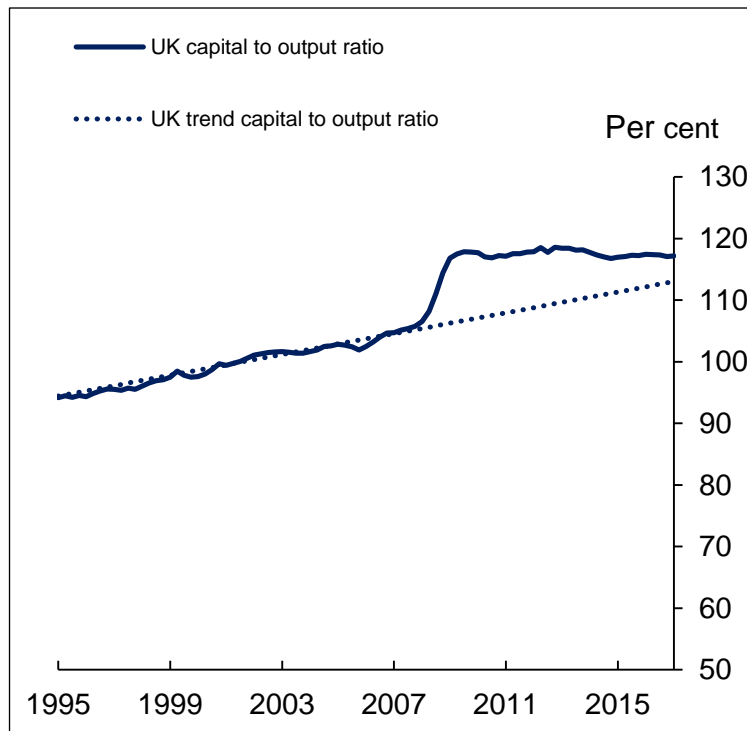
Investment consistently weaker post crises



The chart shows the cumulative change in per capita investment. The grey shaded area shows a 95% confidence interval around the average normal recession. See Jordá, O., Schularick, M. and Taylor, A. (2013)



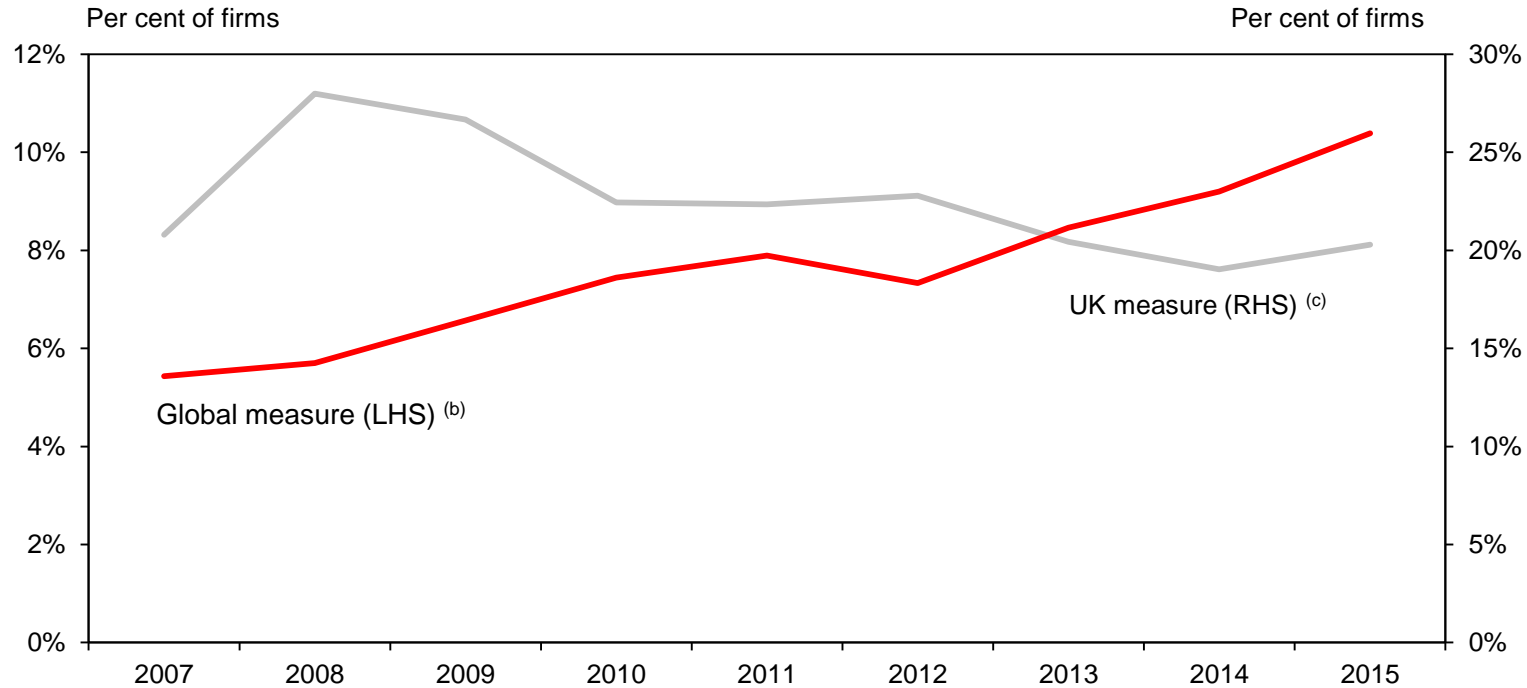
Capital overhangs being worked off



Sources: BEA, OECD, ONS and Bank calculations.



Zombie firms rising in AEs, falling in the UK^(a)



Source: European Commission, AMECO database; IMF, World Economic Outlook; Datastream Worldscope; The Conference Board; BIS calculations; Bureau van Dijk and Bank calculations.

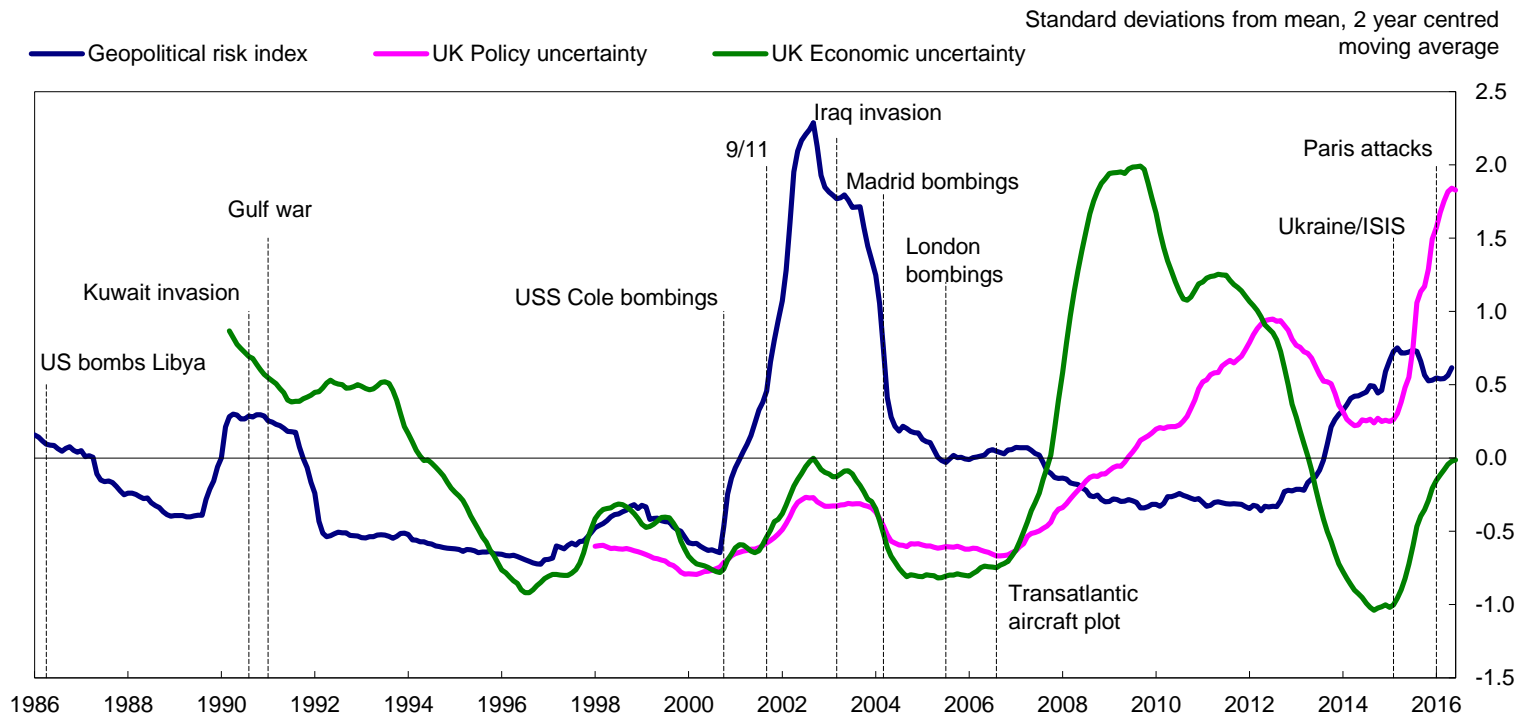
(a) Zombie firms are defined as firms with a ratio of earnings before interest and taxes to interest expenses below one.

(b) Sample includes listed firms aged 10 years or more. Shown is the median share across AU, BE, CA, CH, DE, DK, ES, FR, GB, IT, JP, NL, SE and US.

(c) Sample includes both publicly listed and private UK firms. Only firms whose turnover reached £1 million in one of the past ten years are included. There are around 17,200 firms per year in the sample.



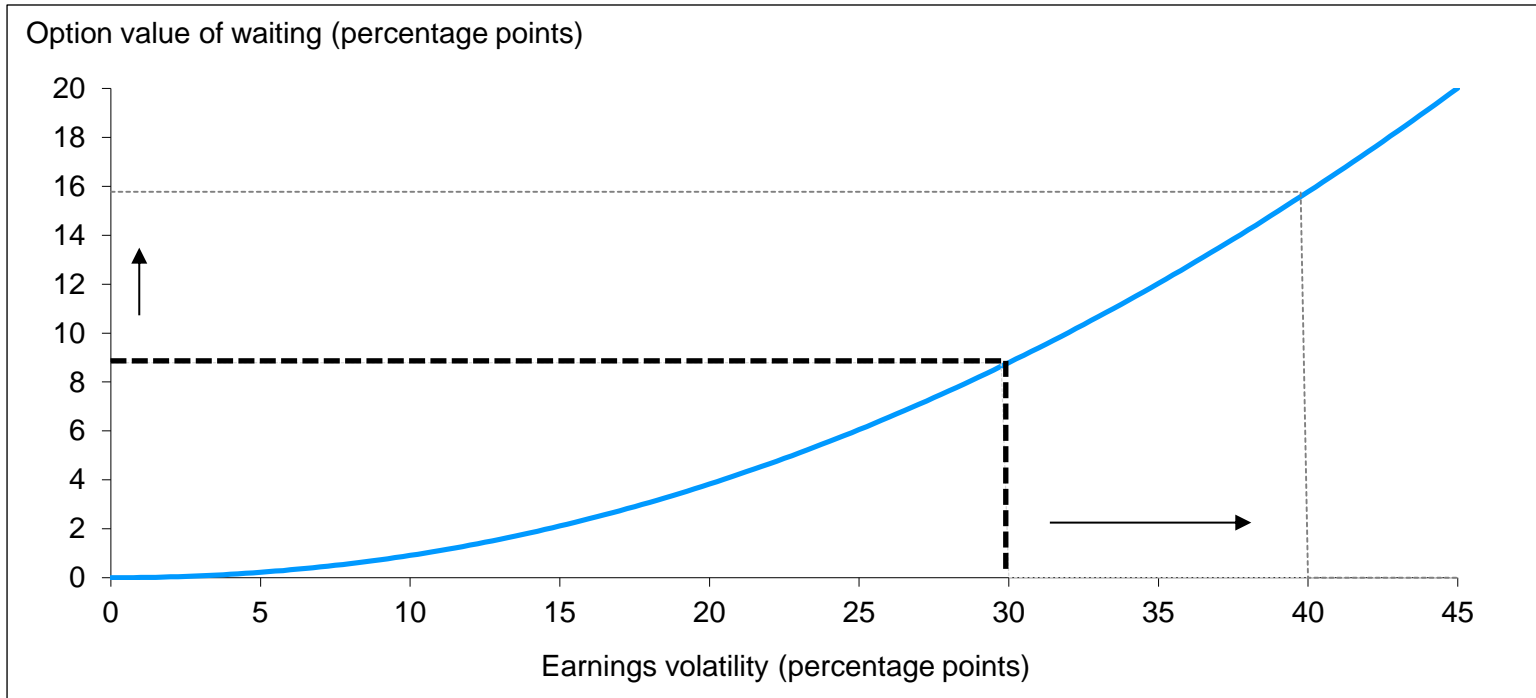
UK companies facing multiple uncertainties



Economic policy and geopolitical uncertainty indices are de-meaned and shown relative to their respective standard deviations. Chart shows two-year centred moving average for each measure. See Uncertainty, the economy and policy - speech by Mark Carney, June 2016 for more details.



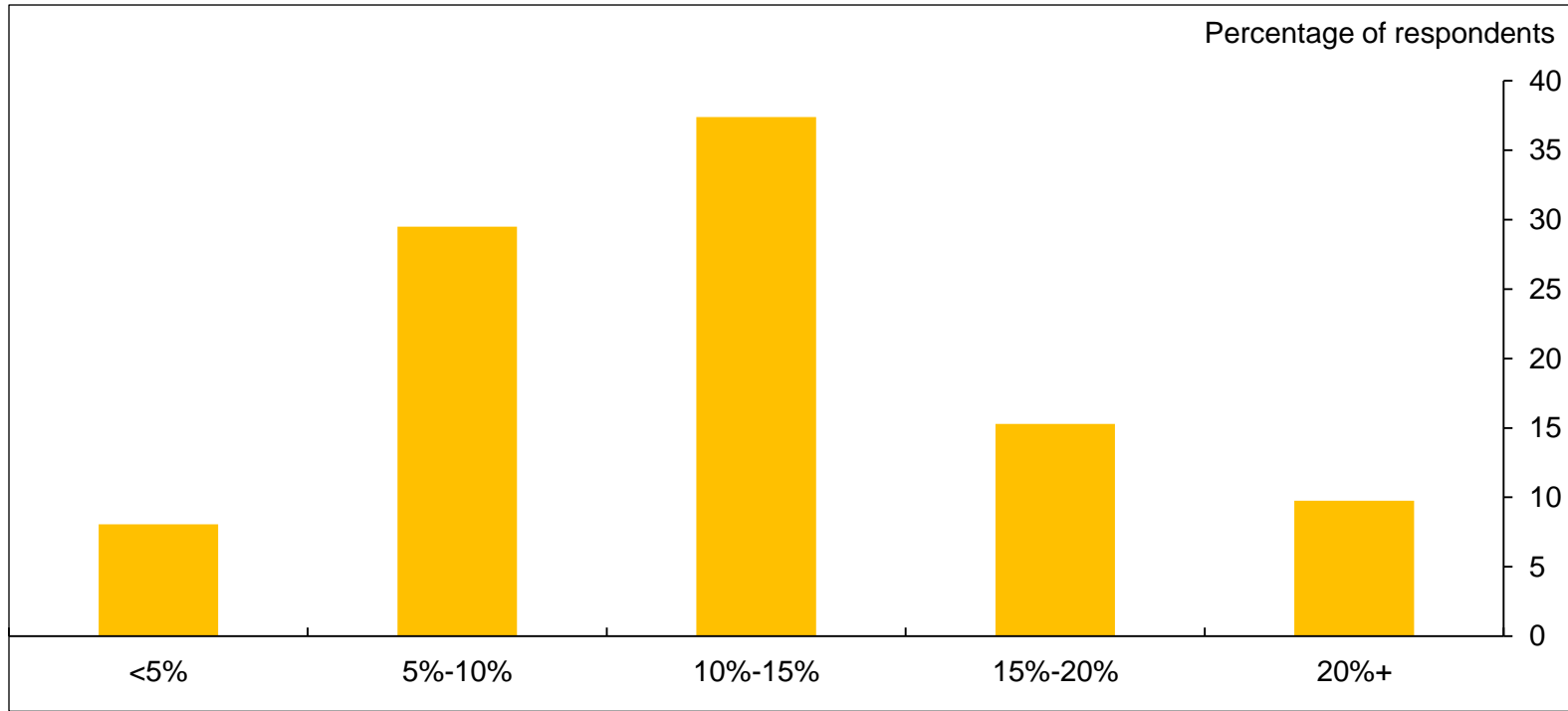
Greater uncertainty drives hurdle rates up



Notes: the chart shows a simple Black-Scholes model of the required hurdle rate given earnings volatility. For individual firms, the standard variation of annual earnings was around 30 percentage points in the period before the crisis. See 'Uncertain times', speech by Ben Broadbent, October 2016.



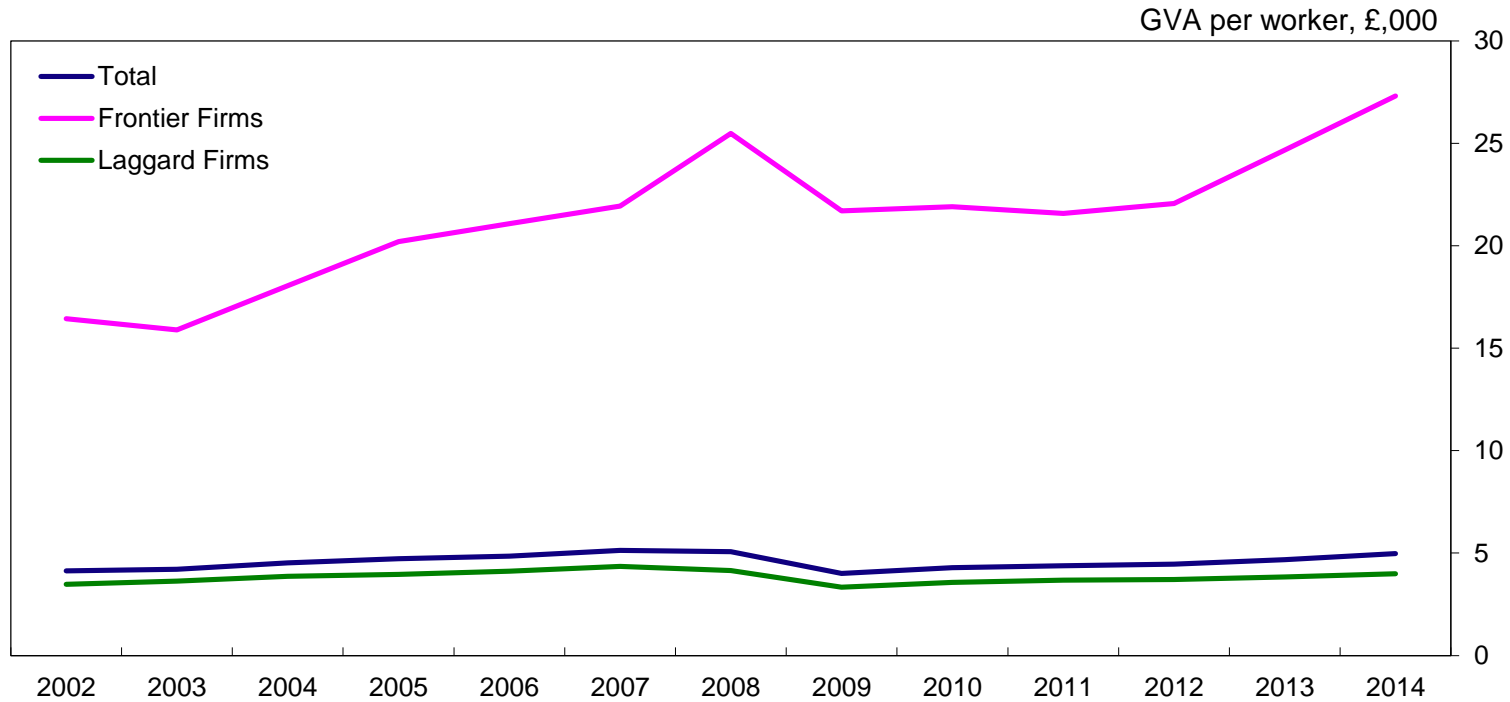
Hurdle rates for UK businesses remain high



Source: Bank of England Finance and Investment Decisions Survey.



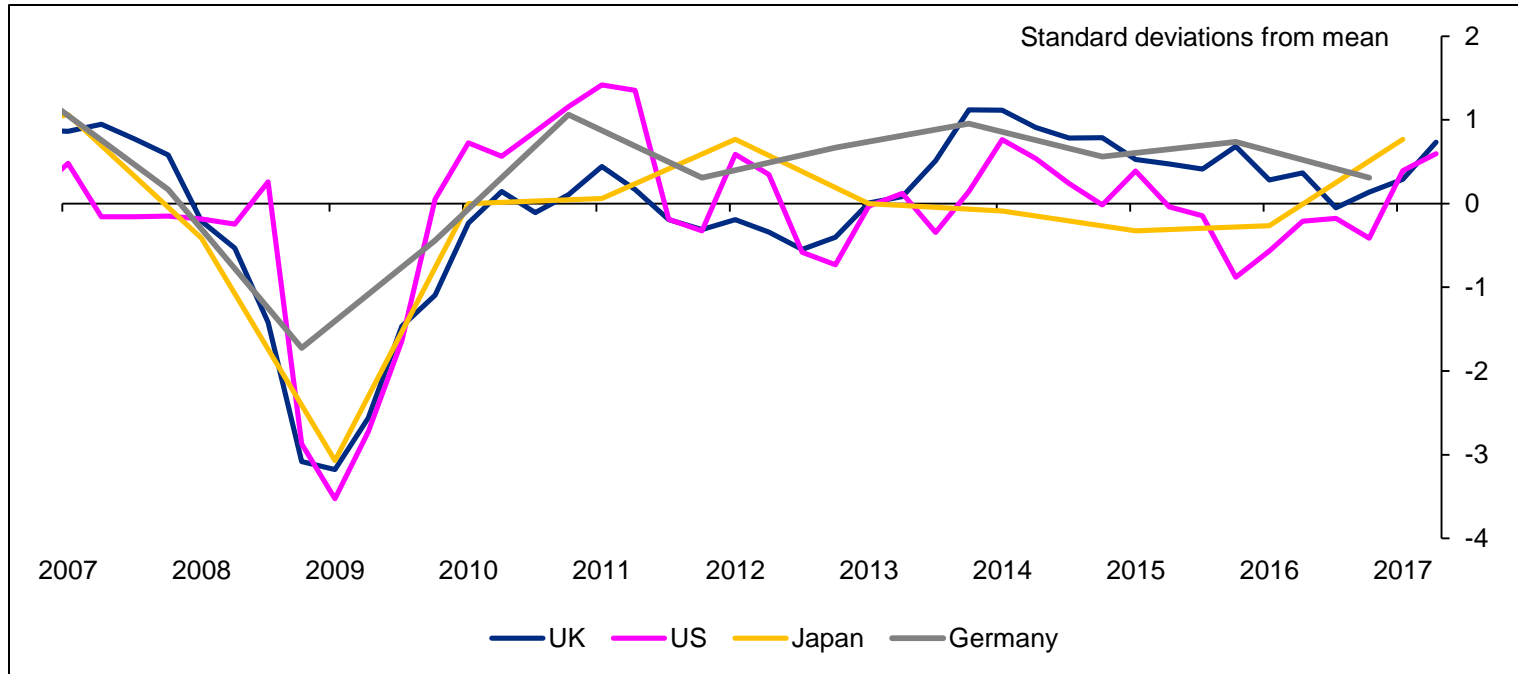
Diffusion of productivity stalling?



Source: 'Productivity Puzzles', speech by Andy Haldane at the London School of Economics, 20 March 2017, available at <http://www.bankofengland.co.uk/publications/Documents/speeches/2017/speech968.pdf>.



Investment intentions picking up globally

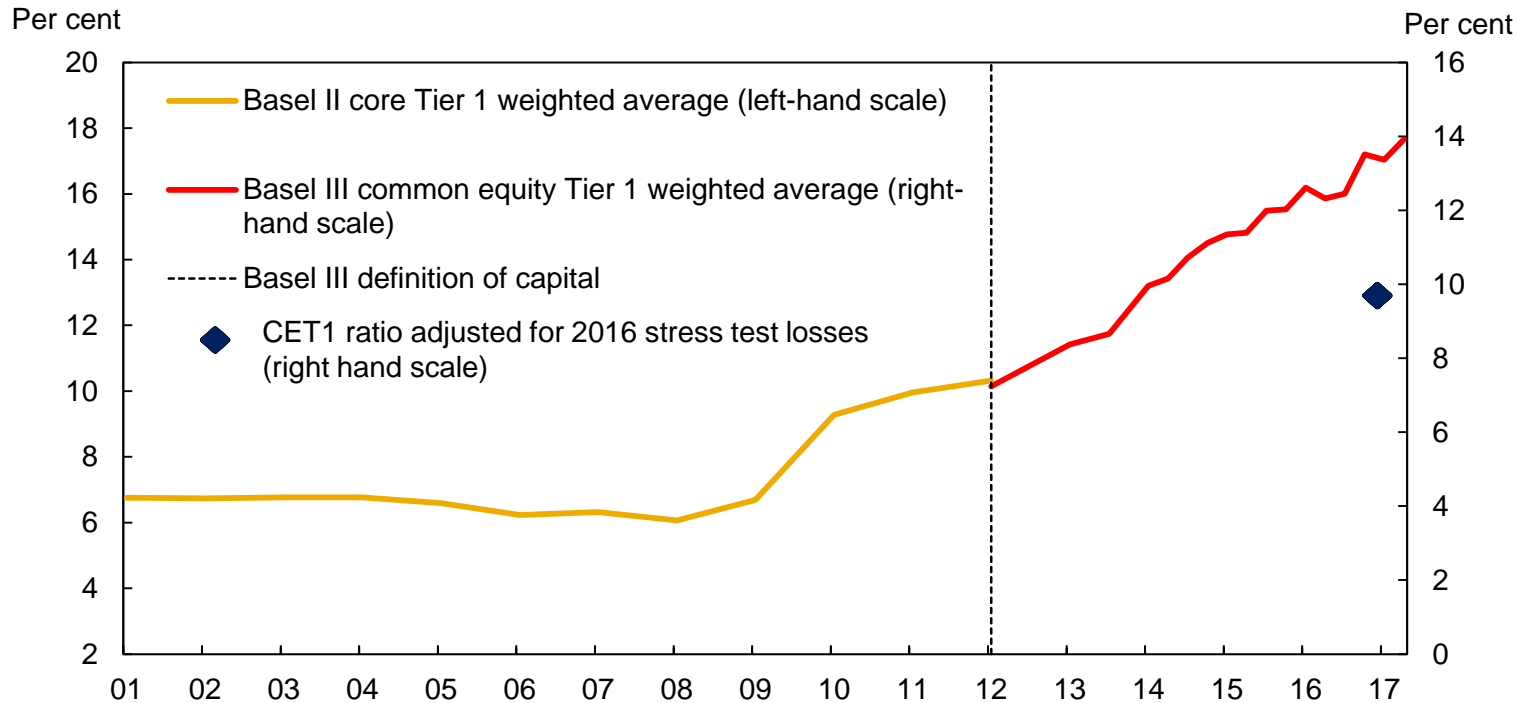


Sources : BCC, Business Roundtable CEO Survey, CBI, Bank of England, European Commission, Markit and Tankan.

Notes: UK and US data are quarterly while the data for Japan and Germany are annual. The data are normalised over the period 2002-17, except for Japan where 2004-17 is used. Investment intentions cover the calendar year for Germany and the fiscal year for Japan. US data cover the next 6 months. The line for the UK shows the average of the BCC, CBI, CIPS and Bank of England Agents' survey measures of investment intentions. The CBI and the Bank Agents' survey are intentions over the next 12 months, BCC data are changes to investment plans over the past 3 months and Markit/CIPS data are changes in investment goods orders compared with the previous month.



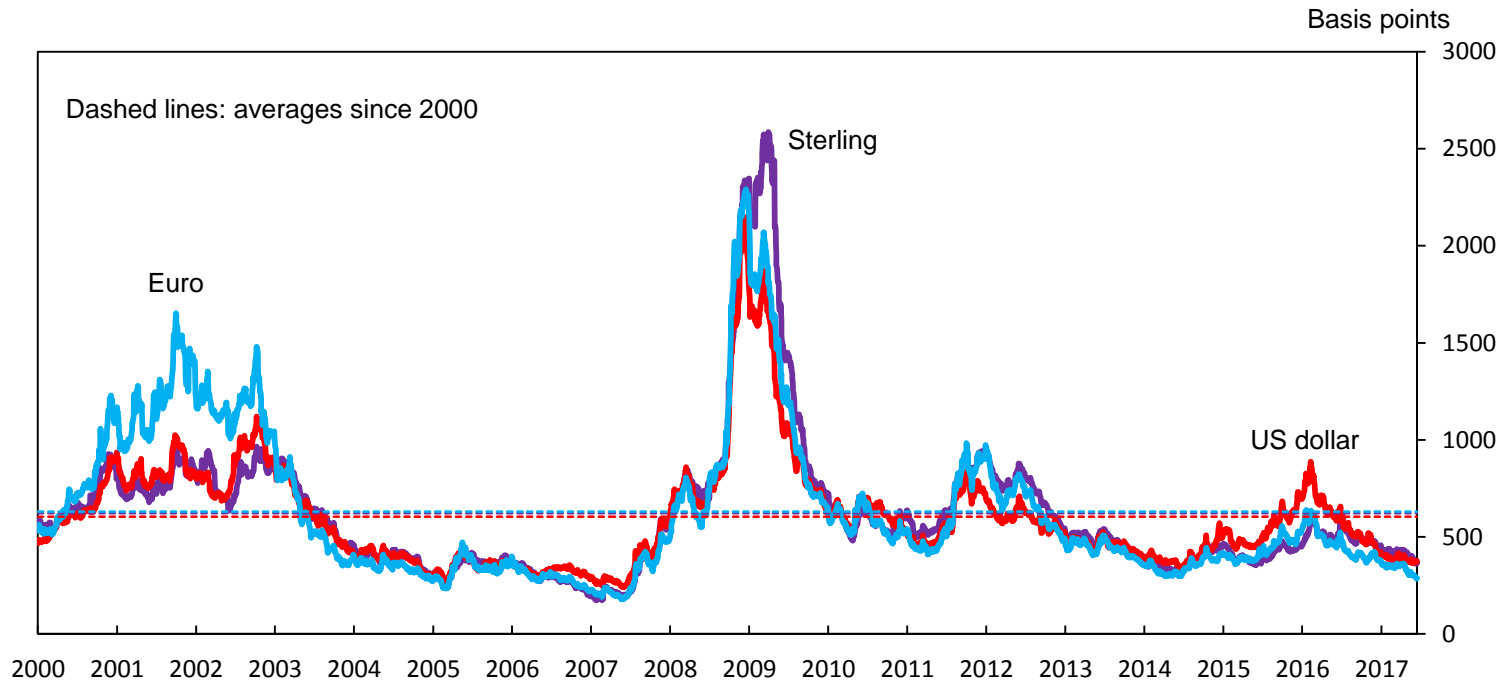
UK financial system much more resilient



Sources: PRA regulatory returns, published accounts and Bank calculations. See June 2017 Financial Stability Report for details.
Notes: The chart shows major UK banks' capital ratios as a percentage of their risk-weighted assets.



Corporate bond spreads below historic averages

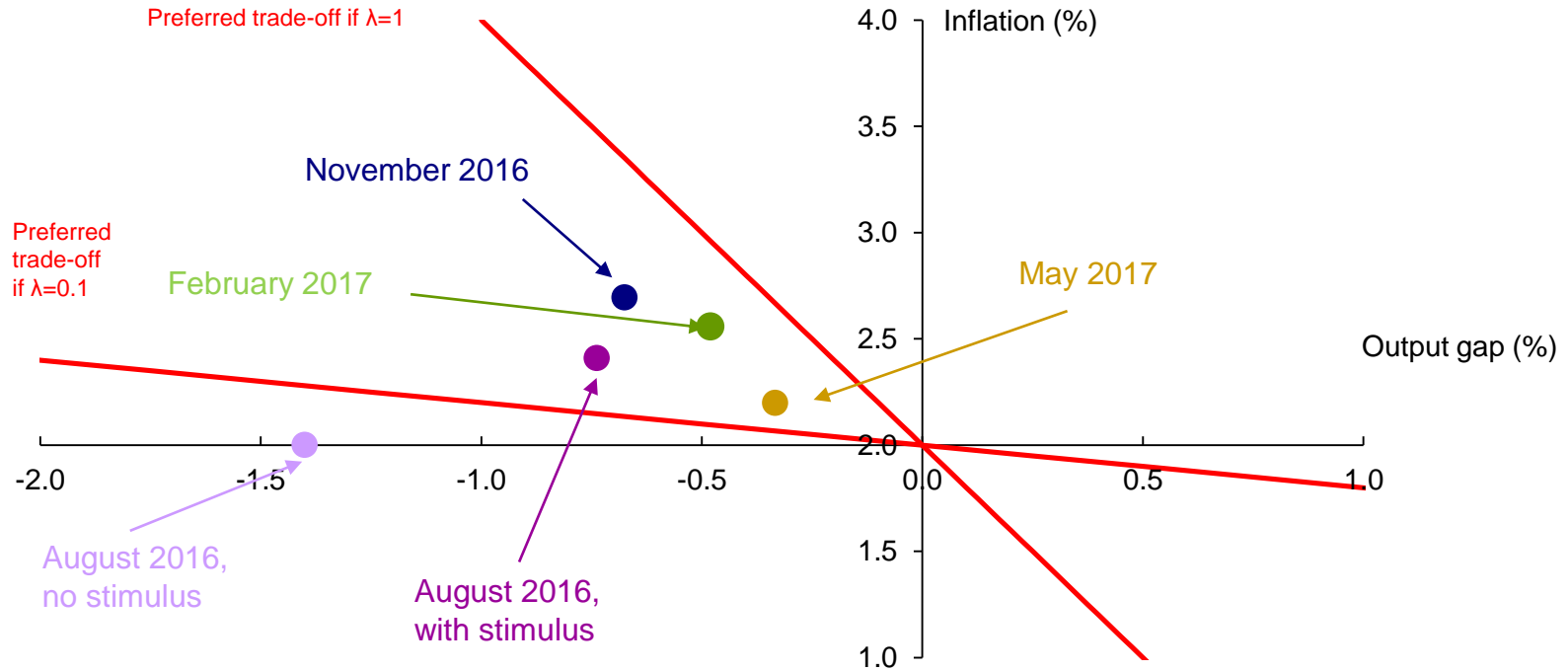


Sources: Bank of America Merrill Lynch Global Research and Bank calculations.

Notes: Option-adjusted spreads. The US dollar series refers to US dollar-denominated bonds issued in the US domestic market, while the sterling and euro series refer to bonds issued in domestic or eurobond markets in the respective currencies.



UK monetary policy trade-off lessening





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