



BANK OF ENGLAND

Press Office
Threadneedle Street
London EC2R 8AH
T 020 7601 4411
press@bankofengland.co.uk
www.bankofengland.co.uk

News release

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Financial Policy Committee statement

The Financial Policy Committee (FPC) met on Thursday 9 April to review developments in the financial system related to the outbreak and spread of Covid-19 (Coronavirus).

The Committee noted that, given the severity of the disruption associated with Covid-19, economic activity was reducing very sharply. Consistent with the sharp deterioration in the economic outlook, there have been very significant falls in a range of financial asset prices.

The Committee usually assesses risks to UK financial stability and the resilience of the UK financial system, and publishes that assessment in biannual Financial Stability Reports. Given the material developments in recent weeks, the FPC decided to supplement its normal practice with an additional interim Financial Stability Report. That interim Report will be published on Thursday 7 May, alongside the May Monetary Policy Report issued by the Monetary Policy Committee.

The interim Report will contain the Committee's assessment of the risks to UK financial stability and the resilience of the UK financial system to ongoing economic and market shocks. The Committee's assessment will:

- **Draw on evidence from recent weeks.** The Committee noted that sharp revisions to the economic outlook and associated adjustment in financial markets have not translated to difficulties in the core banking system as they did during the global financial crisis. With Tier 1 capital levels more than three times higher than at the start of the global financial crisis, major UK banks have shown in repeated stress tests their ability to absorb, by using their capital buffers, very severe market shocks and UK and global recessions more severe than the financial crisis.
- **Take into account the economic assessment to be set out in the May Monetary Policy Report.** The path of economic activity associated with the current disruption is likely to differ markedly from previous stress test scenarios. Although activity is likely to decline much more

sharply than in the stress scenario in the near term, it is expected to recover more quickly than the protracted multi-year recession incorporated in the Bank's previous stress tests.

- **Reflect the unprecedented actions taken to help alleviate the severe cash flow problems facing households and corporates over this period.** These measures include fiscal support and credit programmes introduced by the government, as well as the measures the Committee itself has taken along with those of the Bank of England, the Monetary Policy Committee, the Prudential Regulation Authority and the Financial Conduct Authority to support credit provision.

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