



BANK OF ENGLAND

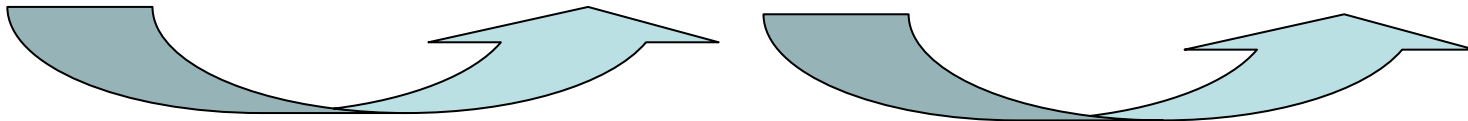
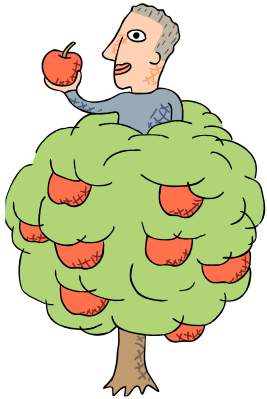
Background to the crunch

Rosie Smith, Deputy Agent for the East Midlands, Bank of England

For EMITA

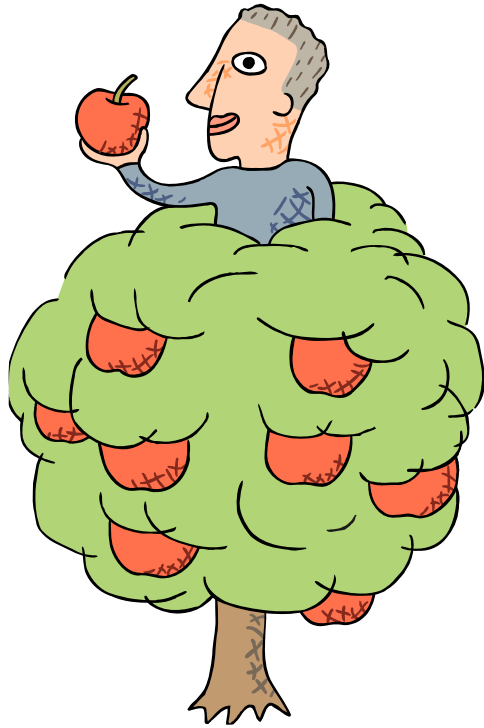
8 May 2009

The next 20 minutes



What happened?.....Where are we now?.....Where next?





What happened?



Global Imbalances



Developing world

- New pool of savings
- Large current account surpluses

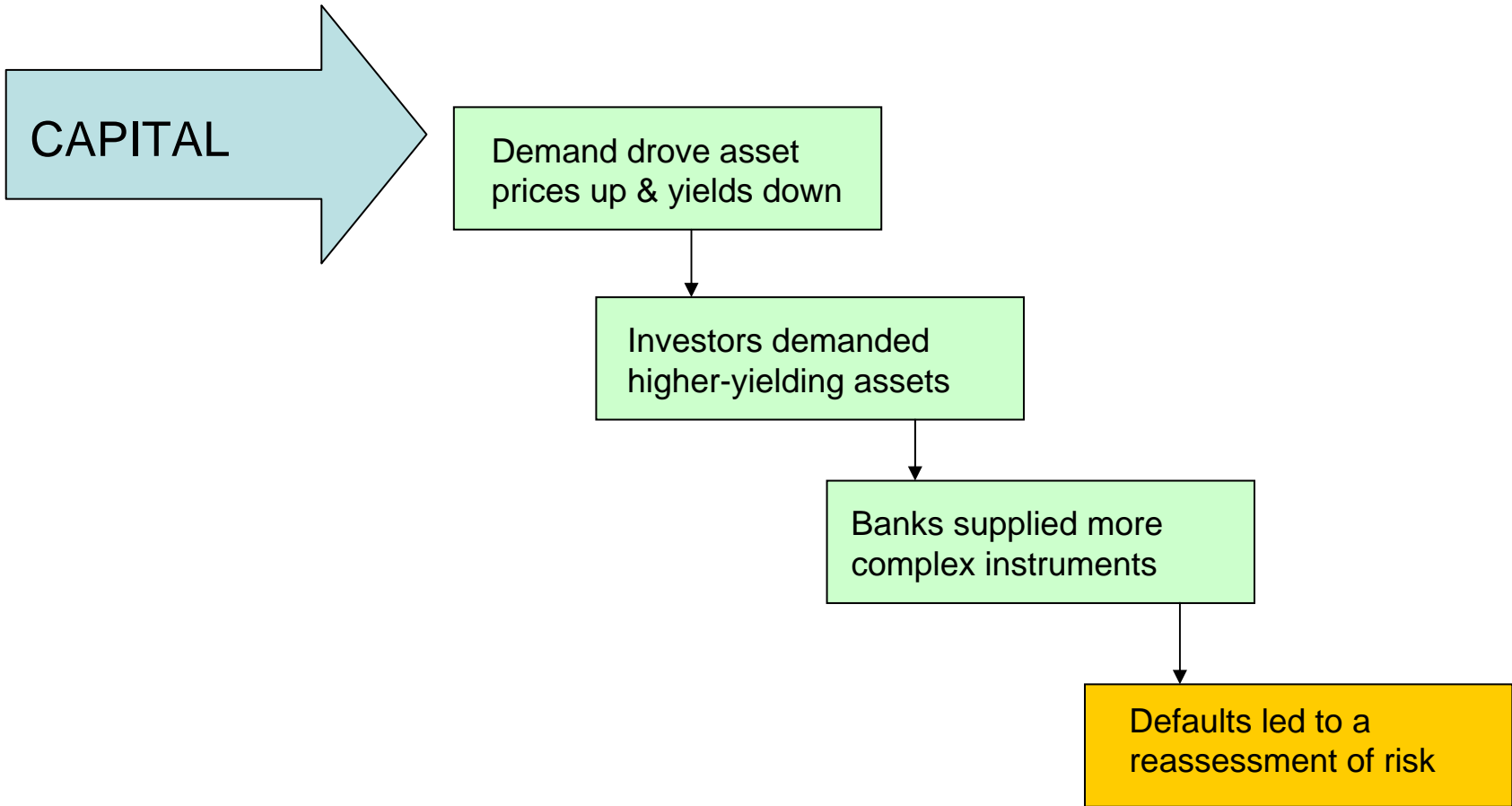
Developed world

- Policies to stimulate domestic demand
- Current account deficits

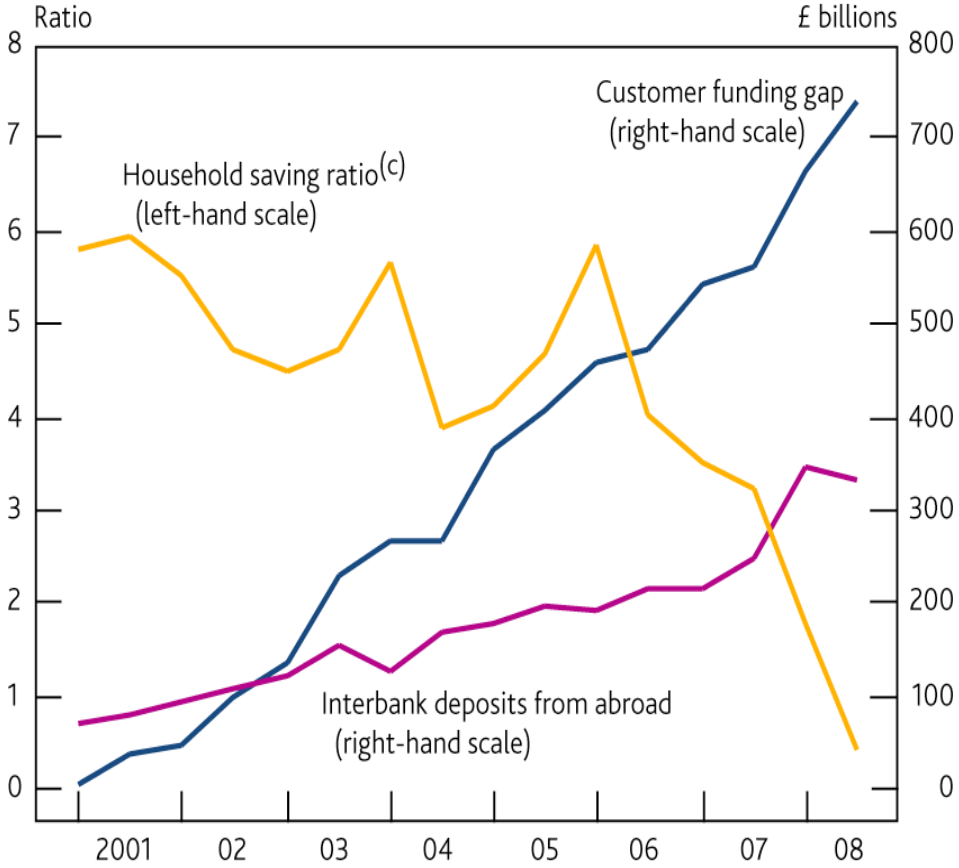
CAPITAL



Risk & Return



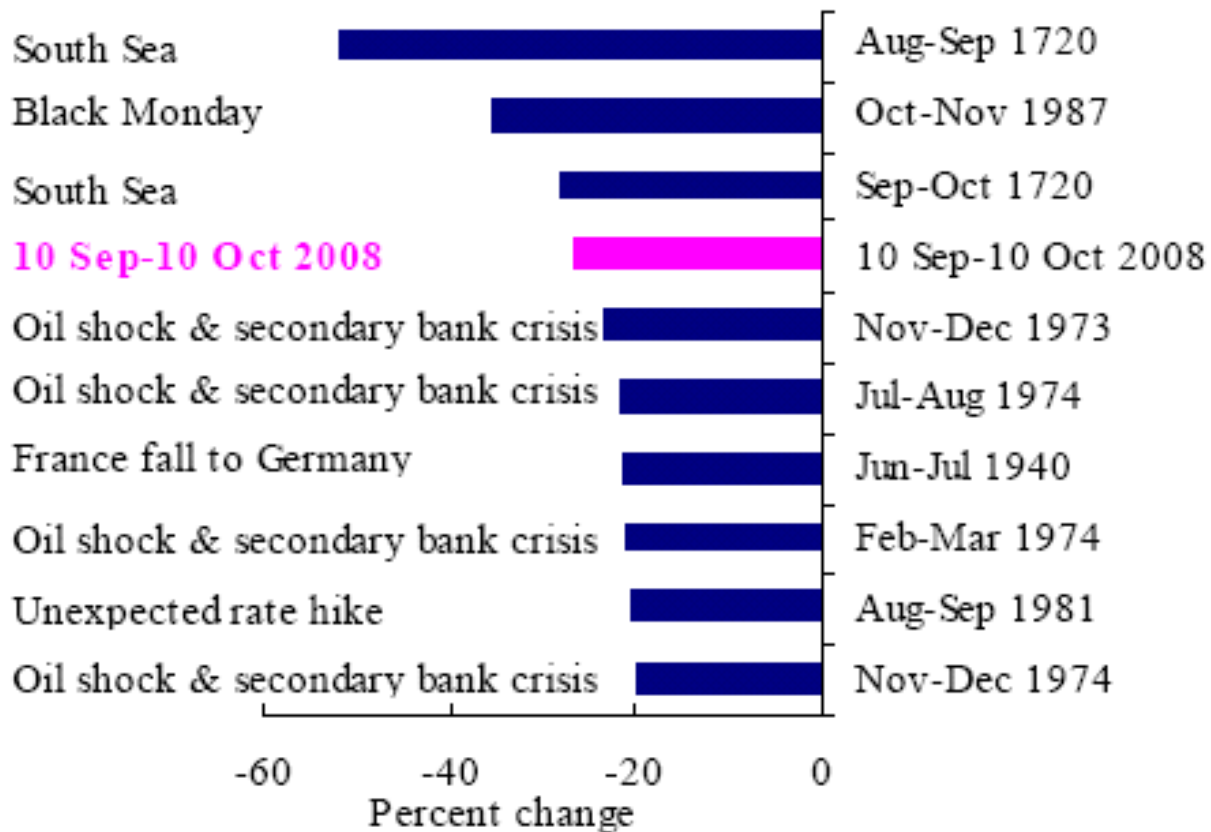
Major UK banks' customer funding gap, household saving ratio & foreign interbank deposits



Sources: Bank of England, Dealogic, ONS, published accounts and Bank calculations.

Impact of Lehman's failure on stockmarket

1. Ten largest monthly falls in UK equity prices





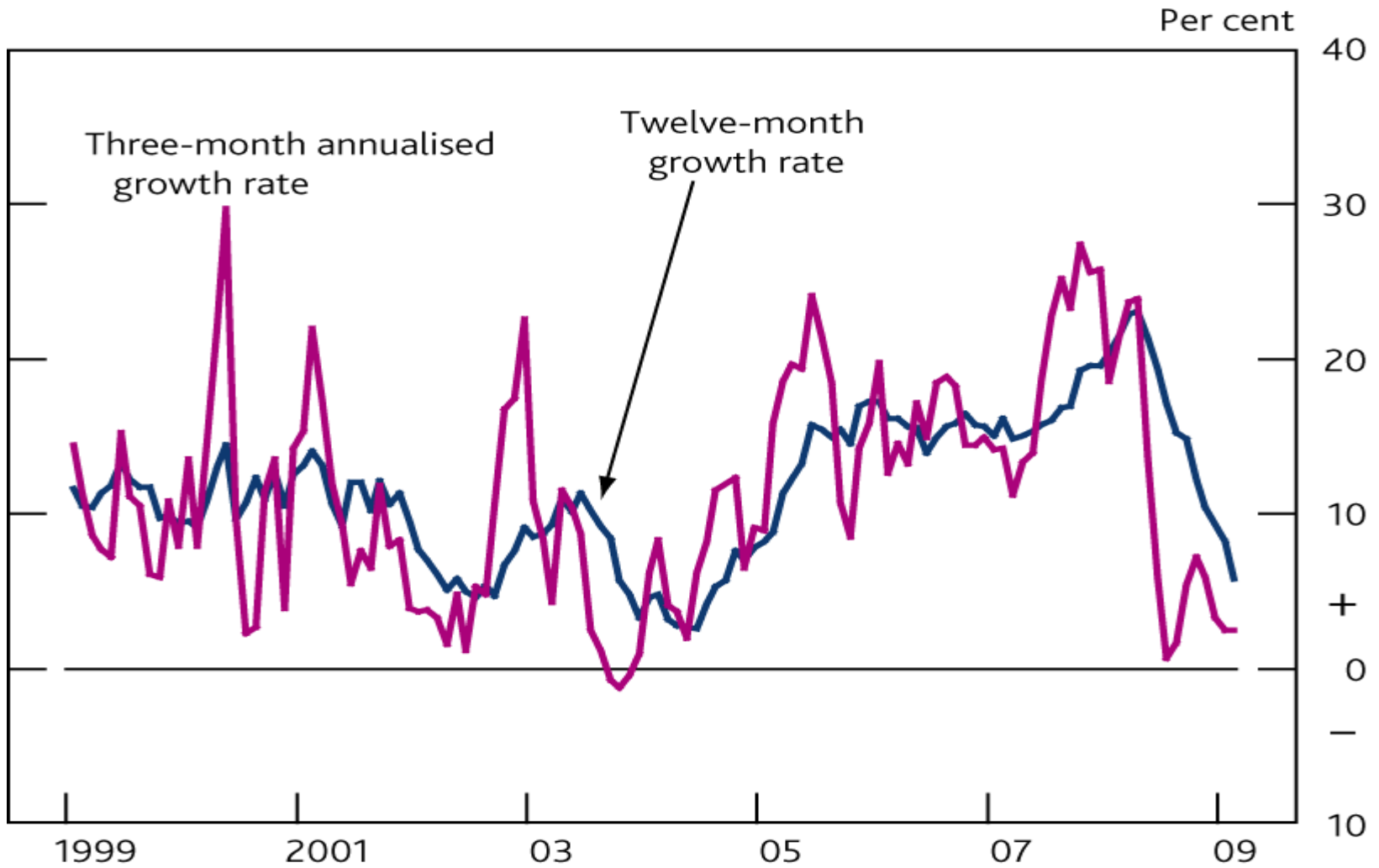
Where are we now?



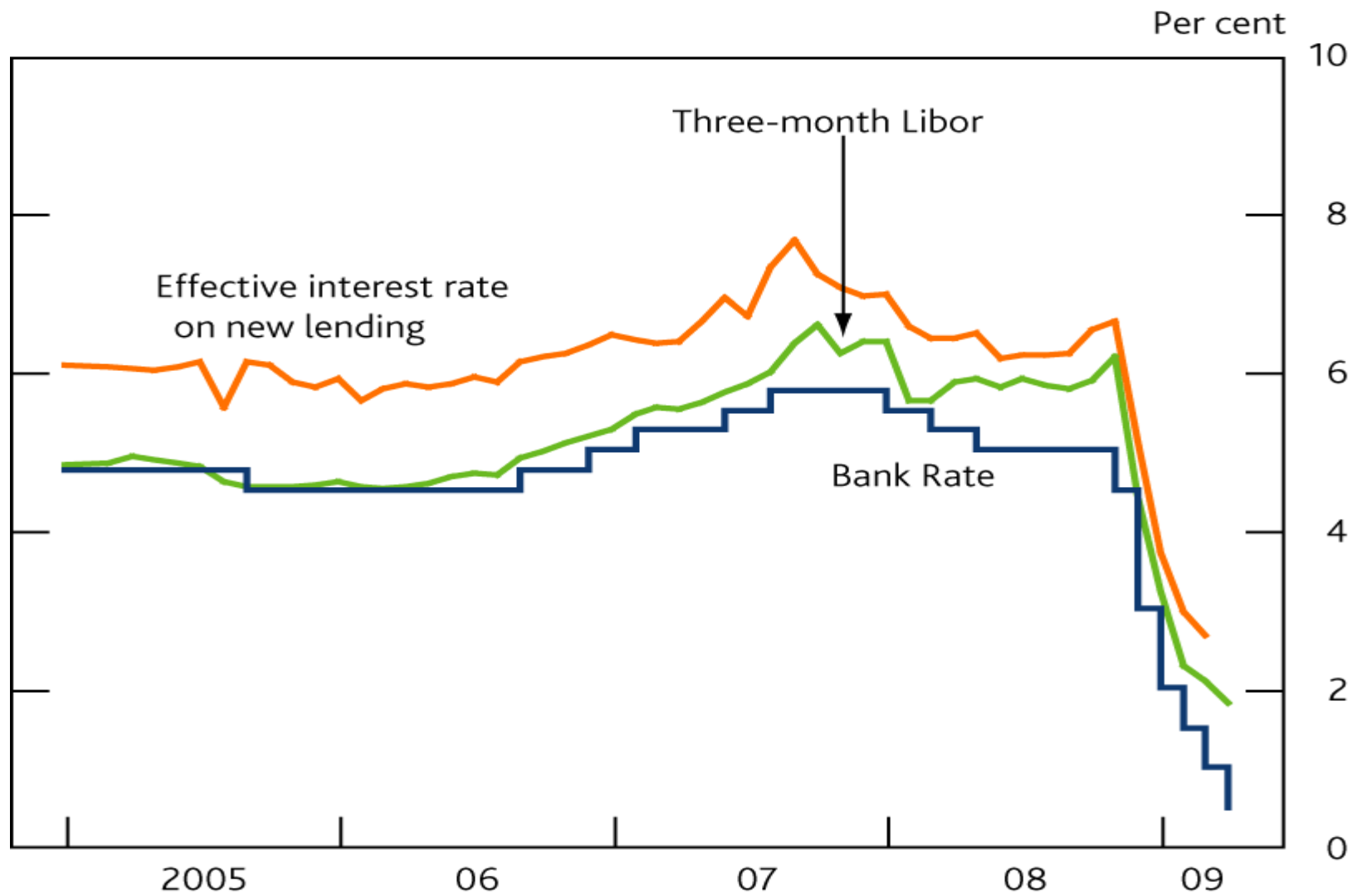
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Agency**

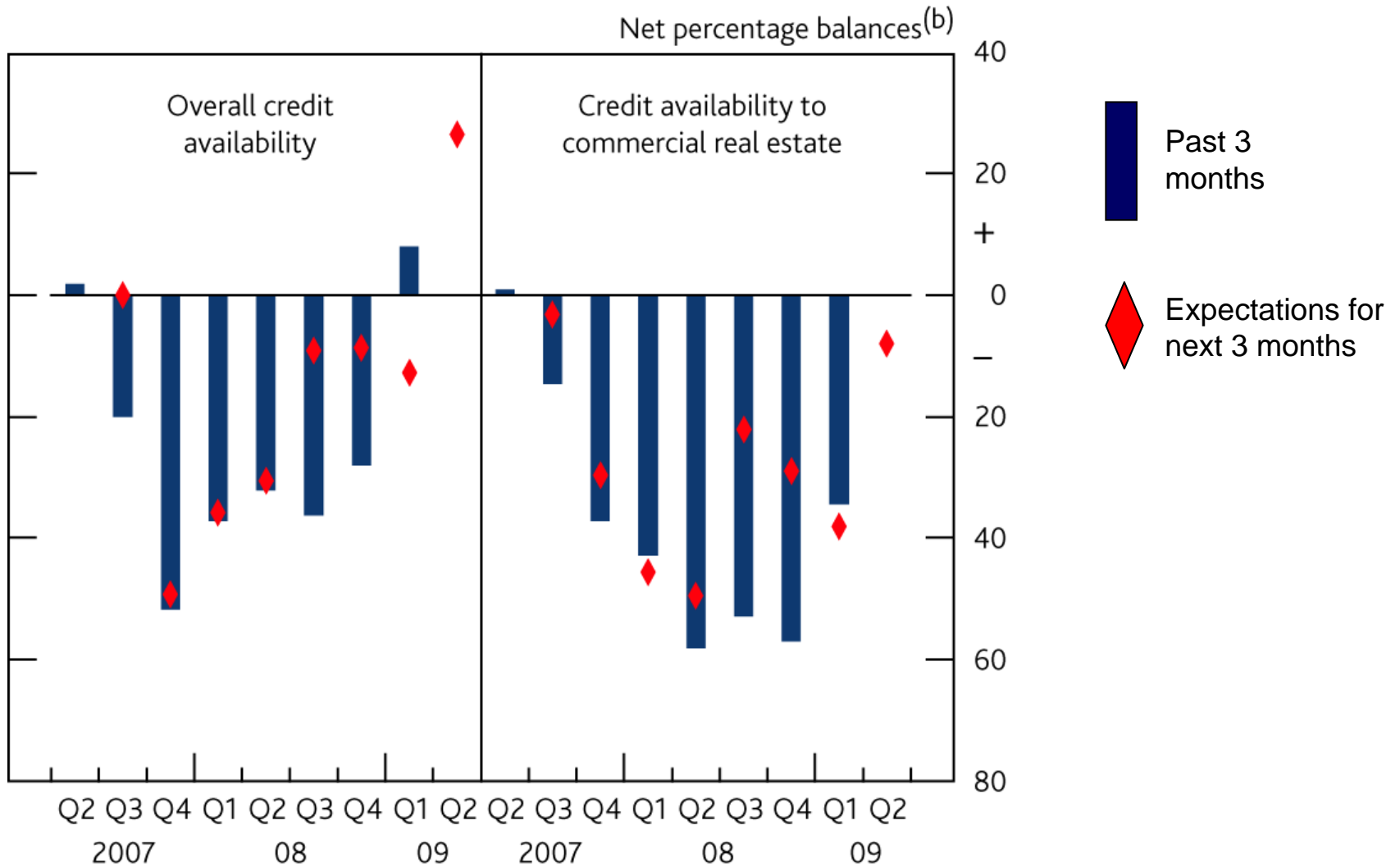
Lending to UK businesses



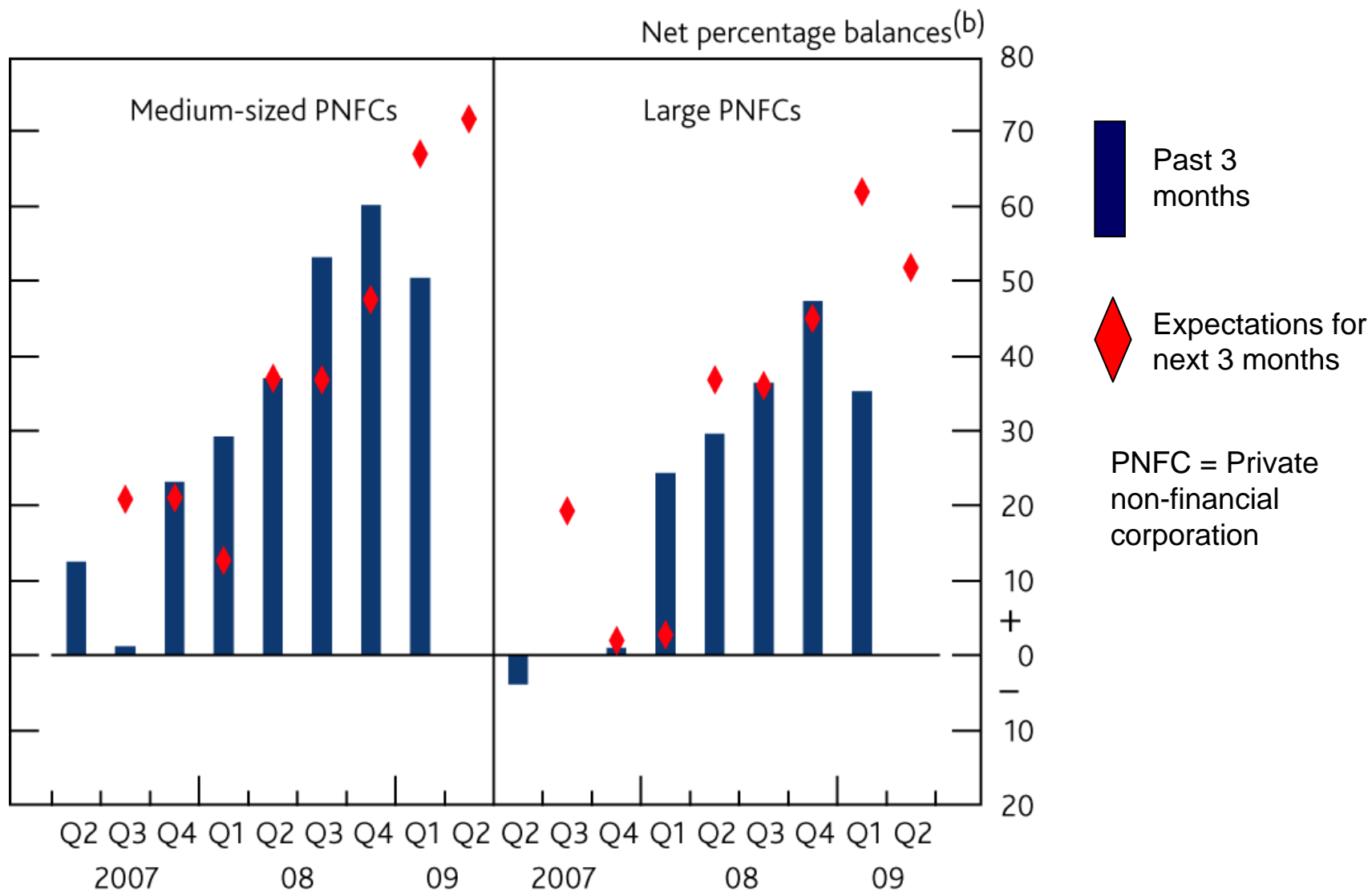
Lending rates



More credit available in 2009



Default rates on corporate debt





Where next?



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Macroeconomic measures

- Restore confidence
- Macroeconomic stimulus
- *Longer term* More consistent global macroeconomic strategies



Financial System measures

- Stabilise banking system
- Establish exit route from official support
- *Longer term* Policy instruments to control financial system better



Thank you for listening