

Analysis of Long-run Historical Data at the Bank of England

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ARCHIVAL WORKSHOP

Inflation, Money, Output

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Background

- The United Kingdom benefits from having some extremely long time series for both macroeconomic and financial variables
 - Analyse the interaction of monetary, financial and business cycles across different regimes
 - Links between money and inflation over long horizons
- Bank of England has played an important role in the last three centuries of economic history
 - Unique historical perspective on the analysis of monetary policy and policies affecting the structure of the financial system
 - Archive contains a wealth of information

Historical data and Bank Research

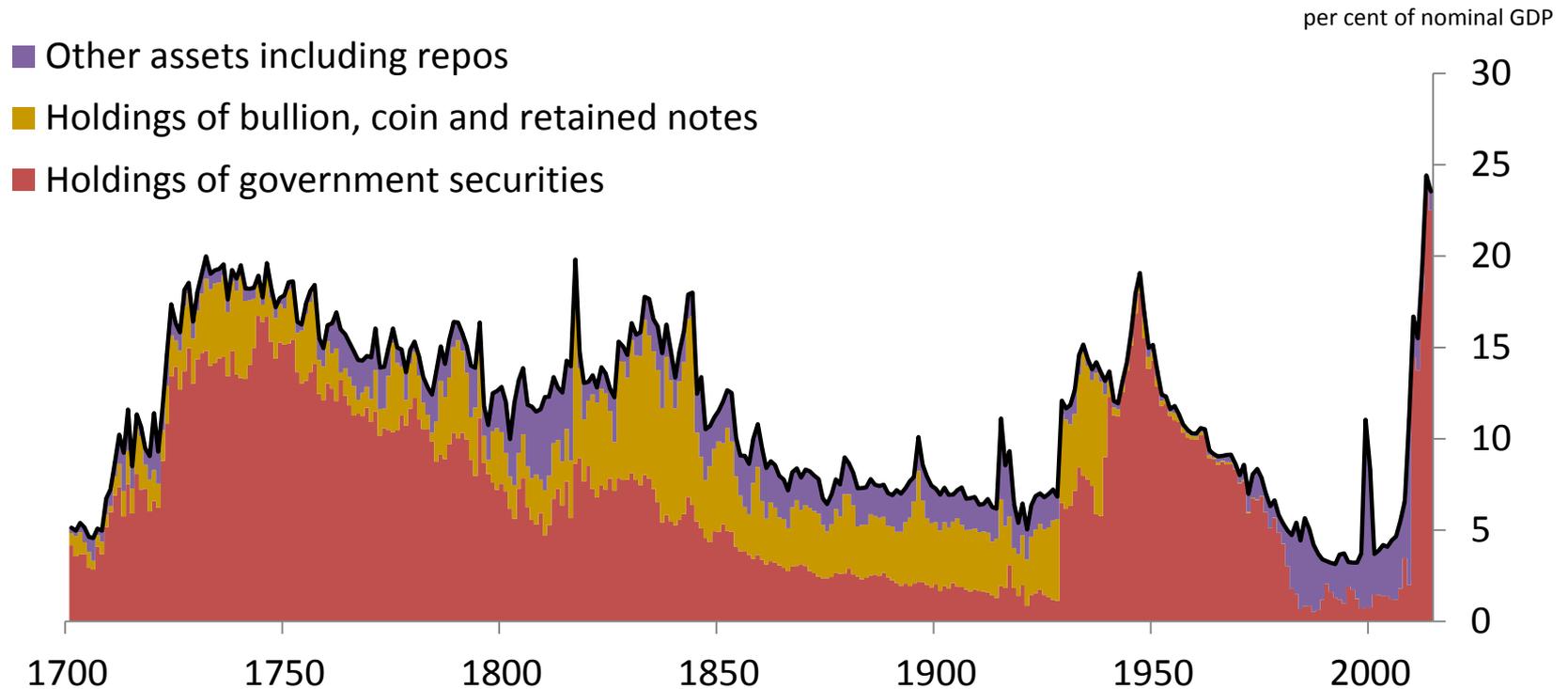
- **One Bank Research Agenda (OBRA)** launched in February
- **Theme 4:** How can historical data and archive information be used to enhance understanding of the economy and the financial system?
 - What are the stylised facts about repeated, but relatively rare, events which help us to understand how the economy and financial system work?
 - How have UK financial and economic cycles interacted in the past and to what extent does this depend on the monetary policy regime and structure of the banking system?
 - How large are the costs of financial crises, what are their sources and how do they depend on crisis management strategies?
 - What lessons can we learn from history about the role and efficacy of both monetary and macroprudential policy in the United Kingdom?

Two datasets released

- Bank of England Balance Sheet Data
 - Annual breakdown of balance sheet between 1696-2014
- Three centuries of UK data (re) released
 - Originally released in 2010 alongside Hills, Thomas and Dimsdale QB article on UK historical recessions
 - Provisional update in February to 2013/14 alongside One Bank Research Agenda launch – Version 2.1
 - An update planned for later this year to complete 2014 data
 - Input into British Historical Statistics project
- Available here
 - <http://www.bankofengland.co.uk/research/Pages/onebank/datasets.aspx>

Examples

The Bank of England Balance sheet 1700-2014



Two datasets released

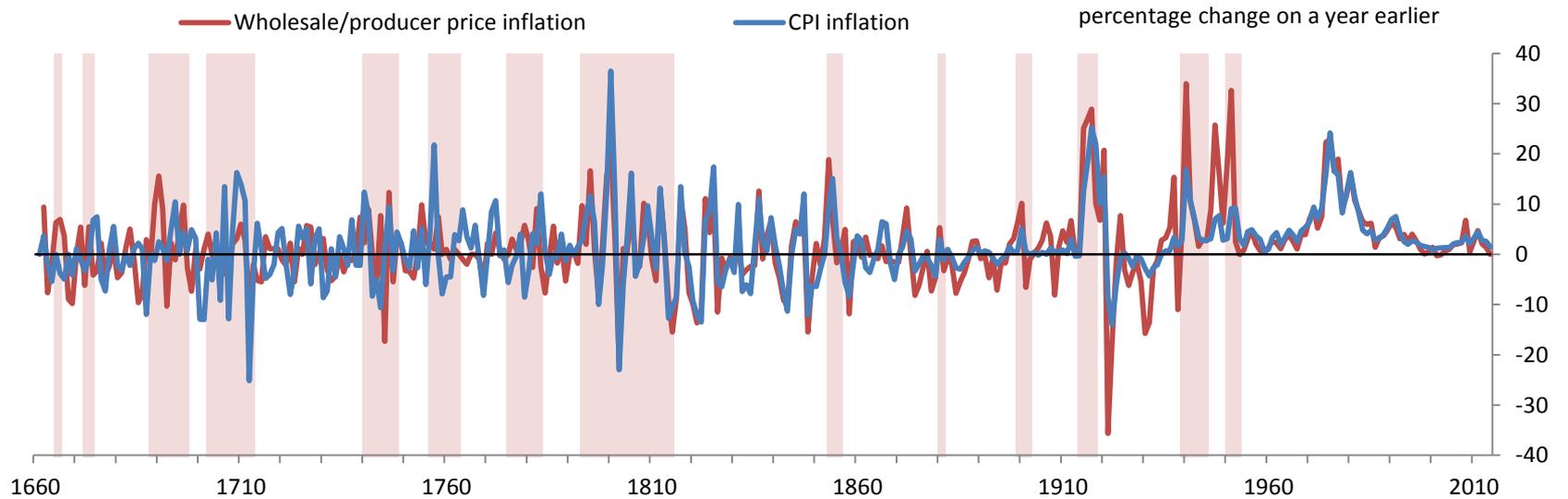
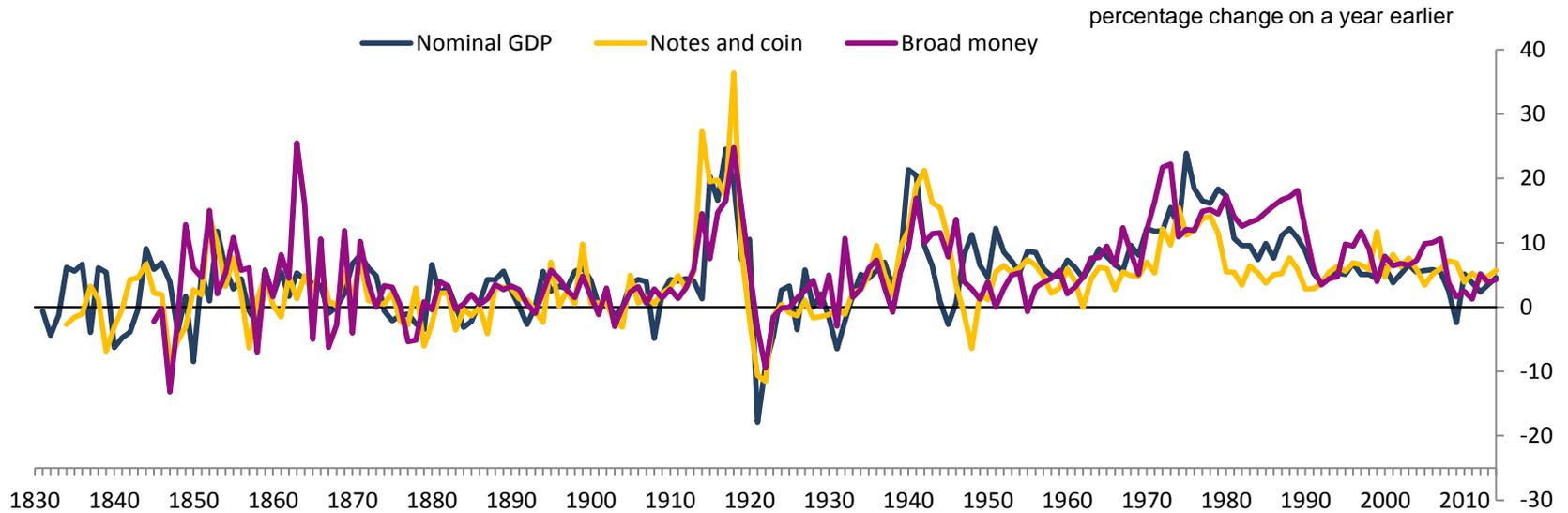
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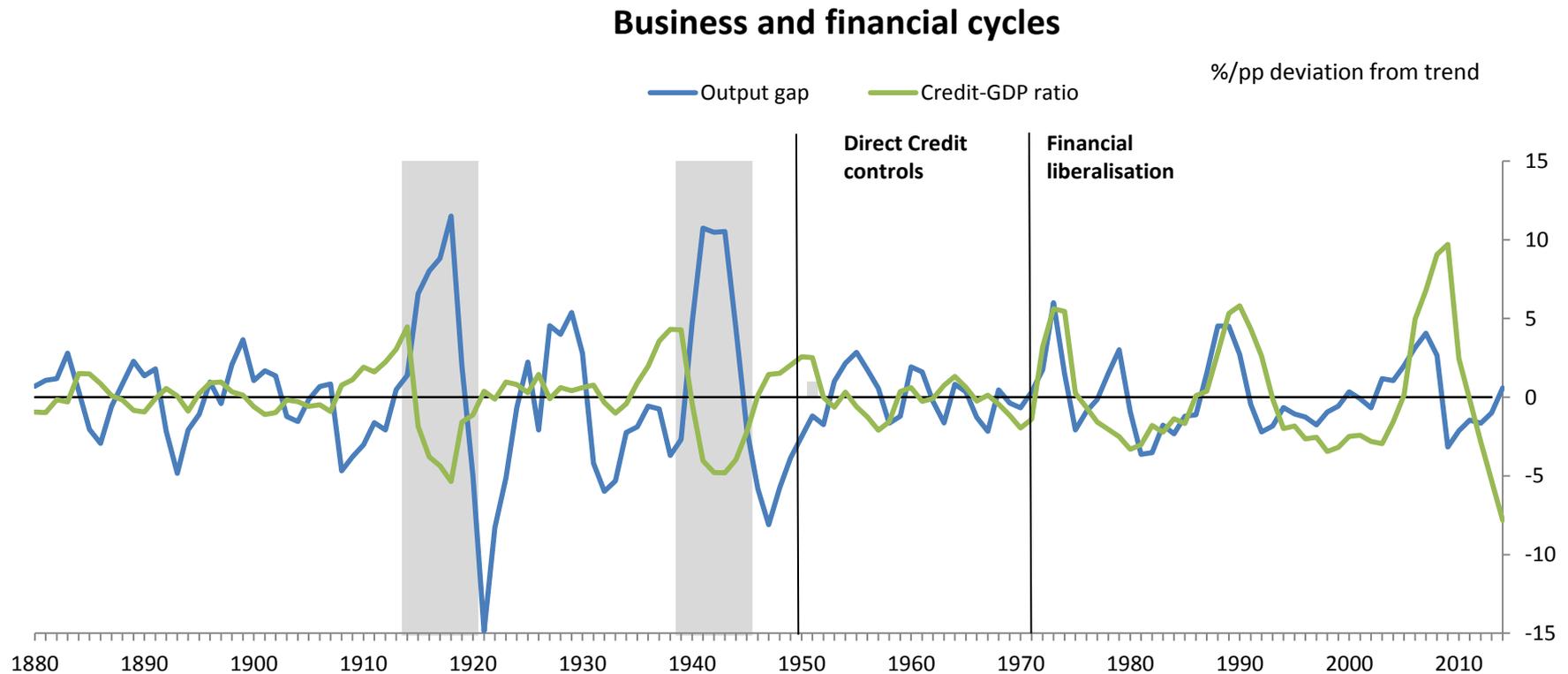
Content

- Annual, monthly and quarterly data some as far back as 1661
 - UK/GB data only, largely secondary sources
 - Macroeconomic dataset: National accounts, fiscal data, financial market prices, money and credit
 - Now have 31 worksheets
- Best endeavours basis
 - Not official Bank data, but shared research resource that will build up over time
 - So will be errors and omissions but hopefully rectified as data gets used
- Both raw data and spliced series, formulae are provided
 - Users can create their own series/rectify any errors themselves

Examples: Money and inflation

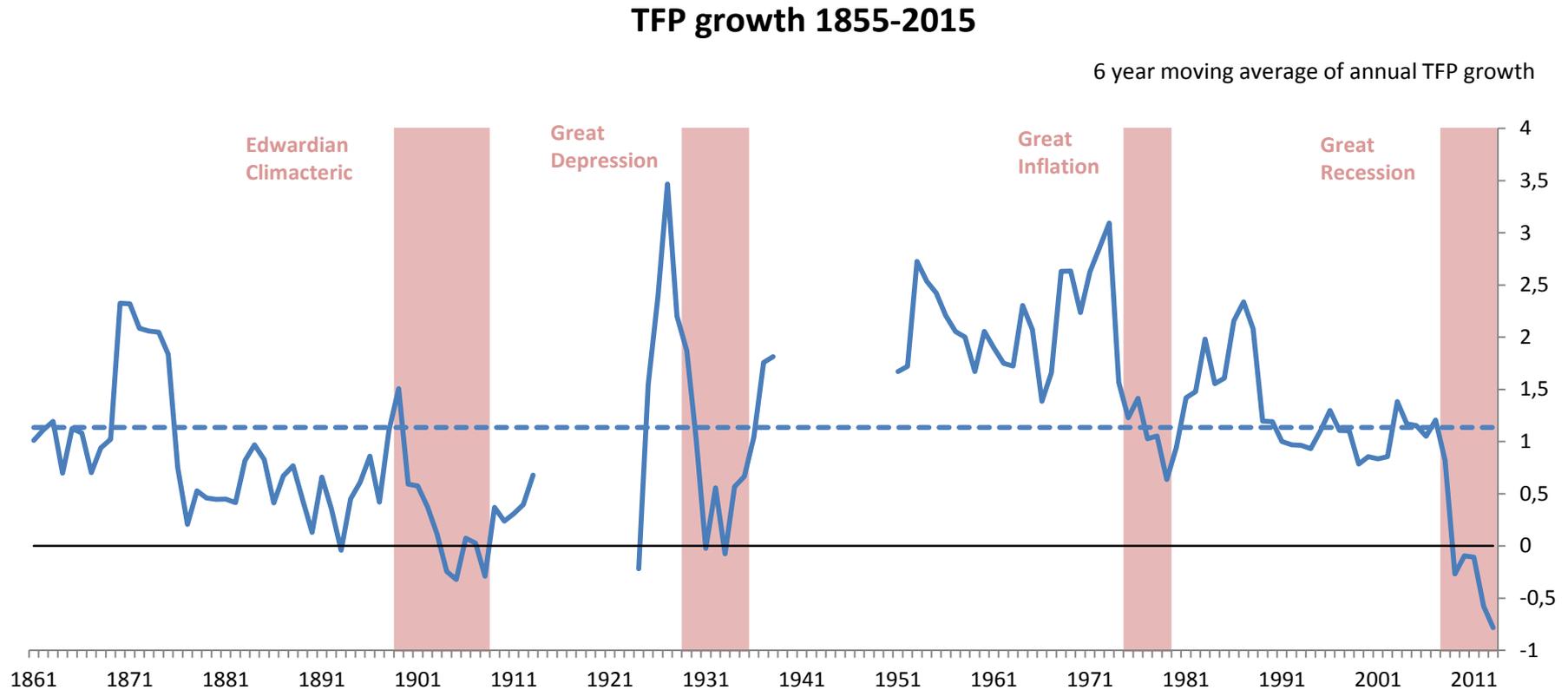


Business and financial cycles



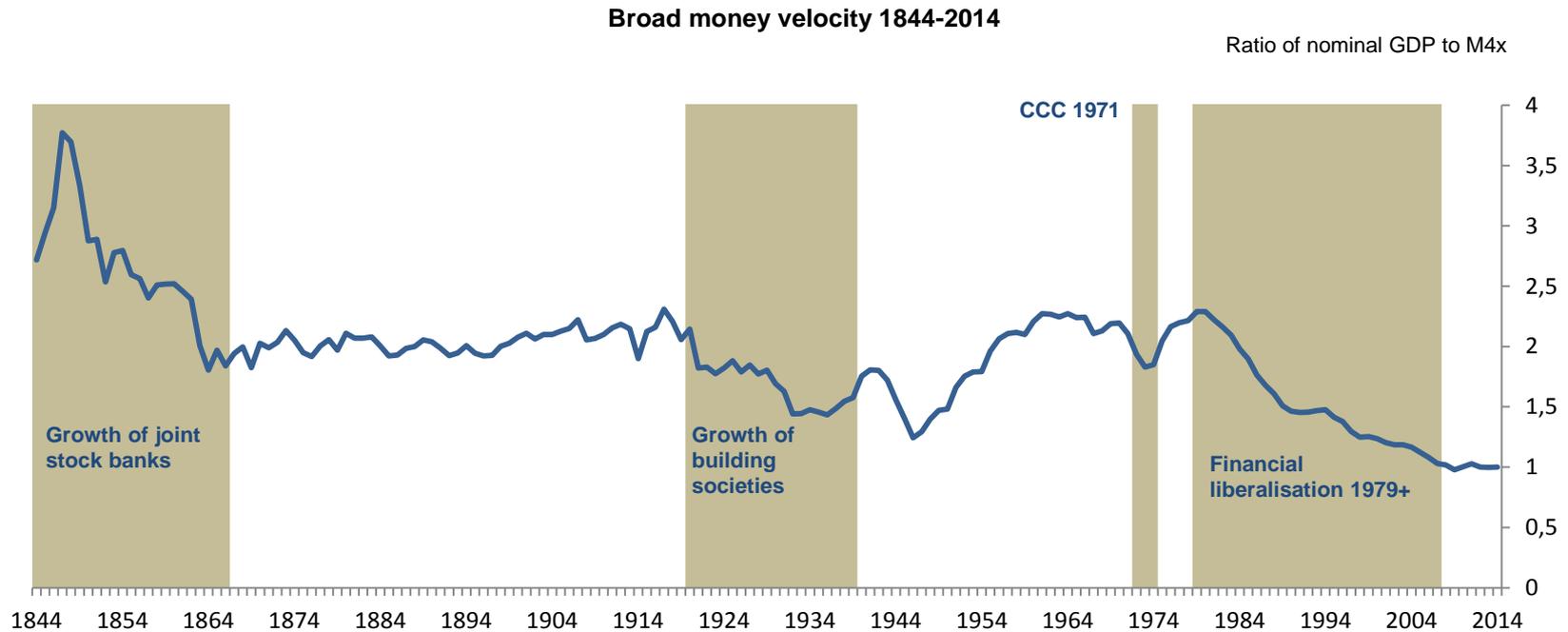
- Simple measures suggest business and credit cycles appear to have lengthened in the period since financial liberalisation....
-and with the credit cycle possibly lagging that of the business cycle

TFP growth



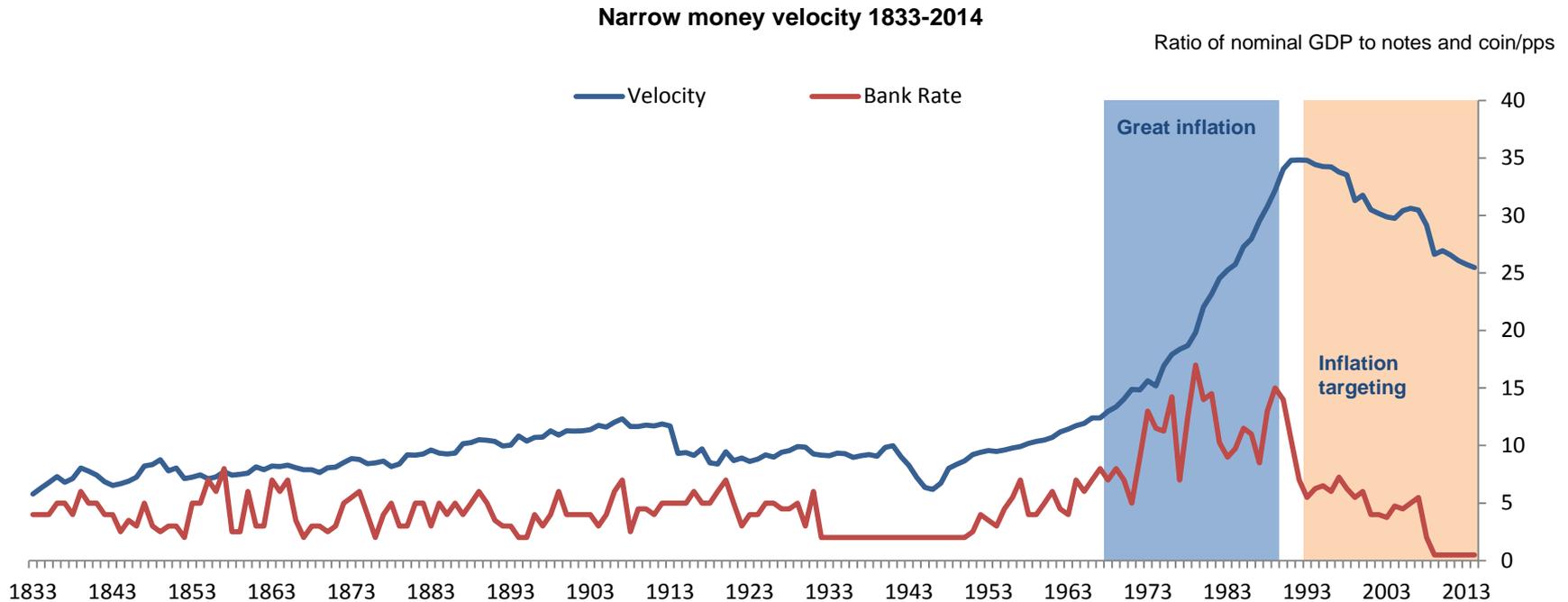
- TFP growth during the Great Recession has fallen by an unprecedented amount

Velocity and financial liberalisation



- Has the decline in broad money velocity over the past 40 years been ended ?
- Will broad money now grow more in line with nominal GDP in the future

Velocity and interest rates



- Will the decline in narrow money velocity continue given a low interest rate world
- So is the demise of cash greatly exaggerated ?

Next steps

- Weekly BoE balance sheet data 1844+
 - To allow analysis of financial crises

- Three centuries data to be expanded
 - Monthly price data
 - Monthly exchange rates back to C18th
 - Expanded section on UK trade
 - Improved monetary aggregates
 - Banking system balance sheets
 - Financial balances, sector balance sheets and accounts 1948+

Research Collaboration

- The Bank of England is keen to engage with external researchers on OBRA, with the link to practicalities for doing so here (<http://www.bankofengland.co.uk/research/Pages/onebank/externaleng.aspx>)
- Competitions launched back in late-February at the OBRA launch conference
<http://www.bankofengland.co.uk/research/Pages/onebank/competition.aspx>
- You can also access the Bank's Archive – via the following link:
<http://www.bankofengland.co.uk/archive/Pages/visit.aspx>