

The role of the Bank of England Agency in Scotland

SPICe has prepared a short briefing paper on the role of the Bank of England's Agency in Scotland in the context of the Economy, Jobs and Fair Work Committee's inquiry into Scottish economic data.¹

Background

The Bank of England has twelve Agencies based around the UK, each covering a distinct geographic area. The Agency for Scotland is based in Glasgow and comprises one agent and two deputy agents as well as supporting staff. The Agencies are the Bank's "eyes, ears and voice" in the regions, collecting information about trends and developments across the country, and explaining the Bank's policy decisions to local businesses, industry and labour groups.

Agencies' primary role is to collect trends and developments from businesses in their area. This is produced for the Monetary Policy Committee (MPC) (which meets eight times a year to set the interest rate) and used alongside other sources of information to help it better assess and understand current business conditions. Given the Bank's national remit, data is collected with an intention of producing a picture for the UK as a whole – the Bank does not publish any regional level disaggregation of data provided by the Agencies (note the [statistics](#) the Bank produces using information provided to its Prudential Regulatory Authority by financial firms are also produced at a UK level).

To gain insights into trends and developments across the economy, the Bank's Agents maintain regular contact with a broad range of about 6,500 across the UK including about 700 firms across Scotland, as well as representative bodies and public organisations such as Chambers of Commerce, enterprise agencies, trade representatives, Councils, Colleges, tourism agencies, etc. Occasionally, Chambers of Commerce may also ask Agents if they want a particular point to be covered in data the chambers collect.

Collectively, the Agents conduct about 5,500 bilateral meetings each year,² as well as attending numerous business groups. This internal data set covers a broad cross-section of UK companies. Agents also take into account local variation when selecting firms to speak to, for instance, the Scottish sample has a great share of firms from the energy sector compared to other areas. Businesses include those that are economically significant (in terms of number of employees or turnover for instance); but also industry experts even if these are not large businesses. Though small businesses are under-represented on a statistical level, the businesses Agents speak to do include some very small businesses e.g. sole traders, and firms such as accountancy and law firms that provide a view of their clients. One of the unique features of the information collated by Agents is that they speak to both sides of the credit market, speaking to lenders and insurers (banks, building societies, etc.) as well as their potential clients, which is important to understanding local changes in investment conditions and appetite.

Data produced by the Agencies

¹ The Bank of England's Agency for Scotland helpfully provided SPICe with information to compile this paper.

² <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2013/qb130106.pdf>

The intelligence that Agents collect is largely qualitative and often aimed at understanding the drivers of business behaviour, such as their investment or pricing decisions. Discussions with businesses involve face-to-face meetings (often with financial directors) and to a smaller extent the use of surveys aimed at firms, commissioned by the MPC. The Bank has no power to compel businesses to respond to their surveys, and Agents attempt to get responses from at least 25 businesses in their area for each survey – therefore getting a sample of about 300 firms in total across the UK. Agents send out about 6 to 8 surveys a year.

Based on the information Agents gather, as well as and publicly available economic statistics, media and other commentary, Agents compile monthly reports on recent trends and developments in their area. These reports are aggregated to produce a UK-wide picture, set out in a Summary of Business Conditions, published monthly to inform the MPC's work. Much of the Agents' intelligence is qualitative and a key insight these reports provide is around the *narrative* of the evolution of local business conditions.

Agents also make quantitative judgements in the form of macroeconomic scores which are aggregated at a UK-level and published in an annex to the Summary of Business Conditions. Variables include:

- Retail sale values
- Consumer services turnover
- Business services turnover
- Manufacturing output
- Construction output
- UK investment intentions
- Cost of imported finished goods
- Material costs
- Manufacturers' domestic prices
- Retail prices (goods and services)
- Price of business-to-business services
- Pre-tax profitability – manufacturing and services
- Employment Intentions
- Total labour costs
- Recruitment difficulties
- Capacity constraints

Agents also assign “company visit scores” based on information gathered from their meetings with firms.

Scores range from -5 to +5 and go from “rapid contraction” to “rapid growth” for growth variables, and “extremely slack” to “extremely tight” for non-growth variables.

The main added value of these macroeconomic scores for monetary policy is that movements in scores over time can help indicate how economic conditions are evolving.

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