At the Treasury Select Committee Inflation Report hearing on 25 November, you asked for some further details on how Agency intelligence is used for monetary policy purposes and on the publication of Agents’ qualitative judgements about the economy.

Agency intelligence and the monetary policy process

The Agents are central to the monetary policy decision making process.

The Agents meet with some 9,000 companies a year. The surveys they undertake on behalf of the Monetary Policy Committee - ‘special topic surveys’ - provide a deep pool of information for the Committee. That information constitutes a timely complement to many official economic statistics, can shed light on specific puzzles facing the Committee, and provides feedback from business contacts on the effectiveness of the MPC’s policies.

The Agents also undertake a range of representational activities around the country. A key part of that is facilitating regional visits by MPC members, providing them with an opportunity both for formal speeches and for informal discussions with business contacts. Like other MPC members, I find these discussions extremely valuable. I am very grateful to contacts for the time and trust that they give the Agents in the interests of improving public policy.

Agents’ intelligence and survey results are collated and synthesised to provide regular briefing to the MPC ahead of its policy meetings. Central to this process is that the Agency network distils the intelligence received into a monthly internal national summary. This summarises the Agents’ qualitative views across business demand, supply and pricing conditions, focusing on key topics that are of interest to policymakers. The results of special topic surveys are also summarised in notes to the MPC.

Drawing on their qualitative judgements, the Agents present their findings to the MPC as part of the regular Pre-MPC meeting at which Bank staff brief the Committee on economic and market developments. Agents also present the results of any special topic surveys, when relevant. For example, in recent months, the Agents’ views on recruitment conditions, exports, and pricing developments have been key features of MPC’s discussions, and have been reflected in the MPC minutes. At the end of each MPC meeting, the Committee discusses topics for which they might commission future Agents’ surveys.

As part of this wider process, the Agents also draw on their quantitative assessments of economic conditions, made across some 25 variables – the Agents’ ‘national scores’. For the most part, these scores go back as far as 1997 and correlate well with data published by the ONS. These scores are informed by Agents’ ‘company visit scores’ – their scoring of individual company visits across a range of comparable variables.
Publication of Agency intelligence

Agency intelligence – both qualitative and quantitative – makes an important contribution to the Inflation Report, but the main vehicle through which Agents’ qualitative judgements are made available externally is through the monthly publication of the Agents’ Summary of business conditions. This publication is comparable to the summary provided internally to MPC, includes summaries of Agents’ special topic surveys, and is published on the Bank’s website at the same time as the MPC minutes. Alongside the Agents’ summary, the Agents’ national scores - around 25 different variables - are also made available on the Bank’s website.

In addition to these regular publications, the Agents contribute to the Bank’s Quarterly Bulletin from time to time, highlighting or explaining aspects of their work. For example, a 2013 Bulletin article highlighted how the Bank uses information from the Agents’ company visit scores. And in 2012, a Bulletin article explained the role of Agents’ special topic surveys in more detail and highlighted some of the findings of surveys undertaken since the start of the financial crisis.

Extending the range of Agency material published

The Agents have been increasing the amount of intelligence gathered and synthesised on behalf of the Bank’s financial stability functions. We are currently considering the best way of making this type of intelligence more widely available. For example, the Agents are well-placed to gather qualitative information on the availability of finance to non-financial companies, and can provide insights into developments in key sectors that have been a source of risk to financial stability in the past, such as property markets. Agents have also been increasing their representational role on behalf of the Bank’s financial stability functions by, for example, presenting the findings of the Financial Stability Report to regional business audiences and hosting regional visits for FPC members.

The Agencies are continually striving to improve their intelligence gathering and reporting processes, including the information that they publish. As part of that work, Agents have been trialling the scoring of corporate credit conditions, as for other economic variables. Some time will be required to assess the time series properties, but we would envisage publishing the new scores alongside other materials in due course.

I hope that this provides you with sufficient detail on the use and publication of Agents’ qualitative intelligence.

Yours sincerely,

[Signature]

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1 For example, Agents’ intelligence was referred to or reported in four out of five sections of the November 2014 Inflation Report.

2 For further details see
http://www.bankofengland.co.uk/publications/Pages/agentssummary/default.aspx

3 The Agents’ national scores may be found at
http://www.bankofengland.co.uk/publications/Documents/agentssummary/agentscores.xls
