



Public Policy Initiatives in the UK

Responding to the Credit Crisis

Athens 16 June 2009

Responding to the Credit Crisis

Timeline to the Crisis

- *9-16 August 2007*. ECB pumps €200 bn into European Banking markets. No UK response
- *4 September 2007* – Libor spread >104 bps
- *14 September 2007* – Run on **Northern Rock**
- *19 September* – **Bank of England** injects £10bn

Responding to the Credit Crisis

- *13 December 2007* – Major Central Banks pump \$billions more into markets
- *21 January 2008* – FTSE 100 in freefall
- *17 February 2008* – **Northern Rock** nationalised
- *21 April 2008* – **BoE** £50bn debts for bonds swaps
- *22 April 2008* – **RBS** £12bn rights issue, £6bn write-down
- *21 July 2008* – HBOS rights issue fails

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- *17 September 2008* – **Lloyds** takes over **HBoS**
- *29 September 2008* – **Bradford and Bingley** nationalised

Responding to the Credit Crisis The Fightback

- **October 2008 – UK Government announces:**
 - £50bn of new capital for banks (£37bn for RBS, Lloyds and HBoS)
 - £200bn of short-term loans to banks
 - £250 bn of inter-bank lending guarantees
- **Co-ordinated interest rate cuts**

Responding to the Credit Crisis Recession

- **November 2008 – UK Government:**
 - Interest Rates cut again
 - VAT cut from 17.5% to 15 %
- **FTSE 100 fallen 31.3% in 2008 – biggest ever!**



Responding to the Credit Crisis Real Help for Business

- £1bn from EIB for SME lending
- £20bn portfolio guarantees for SME loans
- New £1.3bn SME loan guarantee programme
- £75m Capital for Enterprise Fund
- Help with employment taxes
- Help with property taxes (5% to 2%)
- Advice and support on cash management
- Help with trade credit insurance

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The Future ??

April 2009 –

- UK output **RISES** 0.3%
- Manufacturing output up 0.2%
- NIESR – UK economy grew in April and May 2009