

My Question to the Chancellor about the Bank of England's loss on bonds

Treasury has provided the following answer to your written parliamentary question (11535):

Question:

To ask the Chancellor of the Exchequer, what his latest estimate is of the Bank of England's loss on bonds held in the Asset Purchase Facility guaranteed by his Department. (11535)

Tabled on: 01 June 2022

Answer:

John Glen:

To date, £120 billion has been transferred to HM Treasury from the Asset Purchase Facility (APF) which has been used to reduce the government's debt issuance. The size of future cash flows is uncertain and depends on developments in Bank rate, the speed of APF unwind, and the evolution of bond market prices. It is likely that as monetary conditions normalise HM Treasury will make cash transfers to the APF to cover losses.

However, the eventual size of the net payments to or from HMT should not be used as a measure of the success of asset purchases, or of the impact of the scheme on the public sector accounts as a whole. The scheme should instead be judged by the degree to which it helps the Monetary Policy Committee meet its objectives.

In their most recent forecast in March 2022, the Office of Budget Responsibility forecasted net cash transfers from the APF to the Treasury of £3.5bn between 2022-23 and 2026-27.

The answer was submitted on 13 Jun 2022 at 13:35.

Response. This answer seems to imply the recent forecasts were wrong and we are now entering a time when the Bank's losses the bonds it holds requires Treasury transfers. every time the Bank raises interest rates bonds sell off leading to losses on the Bank portfolio.