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The U.K. Economy Is Having a Meltdown. The Bank of England Had to Intervene.

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The recent chaotic swings in the British pound and in U.K. government bonds mean traders are at panic stations, forcing the Bank of England to step in to calm things down.

The spectacular drops within the past week were sparked by Prime Minister Liz Truss's dramatic policy decision to borrow billions to cut taxes in the hopes of supercharging economic growth. But markets judged that the plan doesn't have much chance of success.

Bank of England Governor Andrew Bailey was left with few good options after the unexpected reaction. On Wednesday, the BoE started buying longer-dated government bonds to stabilize the market. That's an extraordinary step that it has taken before only in major crises, and it will work for only a limited time. It can't keep it up because the central bank is also trying to tighten policy to rein in the fastest inflation in decades.