

Report to the Treasury Select Committee

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Voting record since June 2014

Since joining the Monetary Policy Committee on the 1 June 2014, I have voted to maintain Bank rate at 0.5% and the size of the asset purchase programme at £375 billion at every meeting.

During that period, growth in the UK economy has been solid, if not spectacular, roughly at or slightly above trend. This solid growth has been underpinned by the strength of private domestic demand, with both household spending and business investment robust, helped by high levels of consumer and business confidence and accommodative credit conditions.

Although the demand picture overall has been positive, UK growth has been on a gently slowing path over the past 18 months, despite interest rates remaining at exceptionally low levels. In part, that slowing reflects external headwinds, with global growth having also eased gently over the period.

These headwinds to world growth have not come from advanced economies, where activity has been pretty robust. Rather, their source has been a slowing in growth among emerging market economies. These countries benefitted from a large inflow of capital, and a build-up of debt, in the aftermath of the crisis. Those capital flows now appear to have gone into reverse, slowing growth.

I expect this “third phase” of the crisis to be reasonably protracted in its impact on world growth. That is why, in my view, risks to the UK from the external environment are skewed to the downside, as they are in the Bank’s latest *Inflation Report* projections.

The weakness of emerging market demand has in part been caused by, and is also in part a cause of, the large fall in the prices of oil and other commodities over the past 18 months. Oil prices have, for example, fallen by over 50% since I arrived on the Committee. Indeed, this fall in commodity prices has been the single biggest influence on UK, and global, inflation over that period.

The weakness of commodity and food prices, together with the higher level of the sterling exchange rate, account for the lion’s share of the fall in UK CPI inflation since June last year. Over that period, UK CPI inflation has fallen by around 2 percentage points, to around zero. The impact of these external influences on annual inflation rates should begin to abate towards the end of this year, however, causing inflation rates to begin rising.

The evolution of domestic costs, and in particular wages, will then become the key determinant of the trajectory for UK inflation back towards the 2% target. With the labour market having tightened significantly over the past 18 months, there has been a pick-up in wage growth across the economy during this year to around 2.5-3%. This is largely as the Bank had expected a year ago.

Nonetheless, domestic costs remain below the levels consistent with inflation returning to its 2% target. And there is evidence most recently of wage growth if anything slowing down, with shorter-term measures of private sector wage growth falling to 1-1.5% in Q3, from 2.5-3% in Q2. Over the past few years, one of the puzzles of the recovery has been the weakness of wages, both in the UK and in a number of other countries.

One factor holding back wage growth might be the low levels of measured price inflation: household and business measures of inflation expectations, both short and longer-term, have fallen materially over the past few years and are at historically low levels. A second factor might be higher levels of job insecurity in the economy, related to the after-effects of the crisis and the on-going impact of technological change on the nature and quantum of jobs.

These factors are also likely to have added to caution among UK consumers, both in taking on new debt and in spending. That is why overall levels of household credit growth, as well as housing transactions, have remained relatively subdued. And it is why consumers have not been willing to spend fully the “dividend” from the recent sharp falls in petrol, energy and food prices.

This caution is likely also to have affected businesses in their investment. That, too, has remained no more than solid, despite high profitability and easy credit conditions. I would expect that caution, among both households and businesses, to continue to put a cap on growth in the period ahead. It could also elicit a more pronounced precautionary response if a risk – domestic or international – were to materialise.

For these reasons, I see the balance of risks around UK GDP growth and inflation as skewed materially to the downside, more so than embodied in the November 2015 *Inflation Report*. There are of course also risks to the upside, but I consider these to be both more modest in scale and somewhat easier to cope with should they occur.

It is against this backdrop that I have continued to vote to leave rates unchanged. This stance aims to support the on-going recovery, close the remaining degree of slack in the economy and thereby support the firming of price pressures necessary to return inflation to its target.

Given the balance of risks, I have a neutral stance on the future direction of monetary policy. In my view, policy needs to be poised to move in either direction in the period ahead, depending on how the data and risks, domestic and international, play out. When rates do rise, I expect any rises to be both gradual and limited, in line with the Committee’s guidance.

Engagement with External Stakeholders

Since joining the Monetary Policy Committee last year, I have delivered 12 on the record speeches, the majority of which have covered monetary policy. I have undertaken 10 regional visits around the UK. These have involved meeting not only local business people, but also schools, universities, further education colleges, diversity networks, charities, community and consumer-facing groups.

I have also spoken at a large number of off-the-record events and lunches on the economy and monetary policy around the country, typically to business groups and analysts. I have

given half a dozen national TV interviews on monetary policy and a significant number of national and local newspaper and radio interviews.

As Chief Economist, with responsibility for the Bank's research, I have spoken at a large number of academic conferences and universities. I have given 6 on the record speeches on wider research topics to support the new "One Bank Research Agenda". I have extensive liaison with economists in the private and public sectors, both in the UK and internationally.

A selection of my speaking engagements and events is listed in Annex 1.

Annex 1: List of external engagement since June 2014

Monetary Policy Speeches

- [“The Corridor of Uncertainty”](#) – Scarborough Business Ambassadors Dinner, 18 June 2014
- [“Twin Peaks”](#) – Kenilworth Chamber of Trade Business Breakfast, 17 October 2014
- [“Drag and Drop”](#) – BizClub Lunch, Rutland, 19 March 2015
- [“Stuck”](#) – Open University, Milton Keynes, 30 June 2015
- [“How low can you go?”](#) - Portadown Chamber of Commerce, Northern Ireland, 18 September 2015
- [“Labour’s Share”](#) – Trades Union Congress, 12 November 2015

Wider Research Speeches

- [“In giving, how much do we receive?”](#) – Pro Bono Economics Lecture at Society of Business Economists, 9 September 2014
- [“Managing global finance as a system”](#) – Maxwell Fry Annual Global Finance Lecture, 29 October 2014
- [“Central Bank Psychology”](#) – Leadership: Stress and Hubris conference, 17 November 2014
- [“Growing Fast and Slow”](#) – University of East Anglia, 17 February 2015
- [“On microscopes and telescopes”](#) - Lorentz centre workshop on socio-economic complexity, Leiden, 27 March 2015
- [“Who owns a company?”](#) – University of Edinburgh Corporate Finance Conference, 22 May 2015

Regional Visits

- Yorkshire & Humberside – 18-19 June 2014
- West Midlands – 17 October 2014
- South West – 20-21 November 2014
- Wales – 21-22 January 2014
- North East – 16-17 April 2015
- Scotland – 21-22 May 2015
- East Midlands – 30 June 2015
- Northern Ireland – 17-18 September 2015
- Yorkshire & Humberside – 9 October 2015
- East Midlands – 19 November 2015

Business Group Meetings

- Confederation of British Industry (CBI) South West Economic Dinner – 20 November 2014
- Annual 1900 Club Lunch – 9 December 2014

- Hertford College Conversation – 13 February 2015
- Department for Education Talk – 19 February 2015
- Purposeful Company Launch – Big Innovation Centre, 26 February 2015
- Centre for the Study of Financial Innovation (CSFI) Roundtable Discussion – 18 March 2015
- Panmore Gordon Roundtable – 14 May 2015
- Department for Communities and Local Government Seminar – 21 July 2015
- Ernst & Young Board Briefing – 23 September 2015
- King & Wood Discussion Lunch – 23 September 2015
- Goldman Sachs Discussion Lunch – 25 September 2015
- Deloitte's Chairman's Lunch – 16 October 2015
- Devonshire Network Dinner – 20 October 2015
- Winton Capital Management Talk – 27 October 2015

School Visits, Charity and Third Sector Meetings

- Eton College Keynes Society Talk – 2 October 2014
- Astley High Talk – 17 April 2015
- Bohunt School Talk – 29 April 2015
- Changing Chemistry Talk – 21 May 2015
- Epsom College Talk – 14 September 2015
- Northern Ireland Council for Voluntary Action (NICVA) Talk, 17 September
- Belfast Royal Academy, 17 September
- King Egbert School – 9 October 2015
- Launch event for Reach Skills – 13 October 2015
- Long Eaton School – 19 November 2015

A Selection of Research Conferences and University Talks

- Financial Times Camp Alphaville Debate – 2 July 2014
- Mission Orientated Finance Panel on Short-termism - 22 July 2014
- St Paul's Institute Debate – 17 September 2014
- International Journal of Central Banking (IJCB) Conference on Policies for Macroeconomic and Financial Stability – 26-27 September 2014
- Bank of England and Cambridge University Workshop on Systemic Risk and Network Analysis – 13 October 2014
- Joint Bank of England and Federal Reserve Bank of Chicago 17 Annual International Banking Conference - 7 November 2014
- Cambridge and Institute for New Economic Thinking (INET) Discussion on Managing Global Finance as a System – 26 November 2014
- University of Sheffield Talk on Institutions and Innovation – 11 December 2014
- University of Warwick Talk on Institutions and Innovation – 27 January 2015
- One Bank Research Agenda Launch Conference – 25 February 2015
- New York Macro-financial Modelling Group Conference – 13 March 2015
- Economic Networks and Curriculum Conference – 17 March 2015
- Centre for European Policy Studies (CEPS) Workshop on QE – 11 June 2015
- Barcelona Graduate School of Economics (GSE) Summer Forum – 20 June 2015

- Sveriges Riksbank Macroprudential Conference – 23 June 2015
- Bank of England Centre for Central Bank Studies (CCBS) Chief Economists Workshop – 29 June 2015
- African Central Bank Governors Meeting – 29 June 2015
- New York Fed and Oxford Monetary Economics Conference – 22 September 2015
- University of Surrey Talk – 14 October 2015
- US Office for Financial Research (OFR) Conference – 23 October 2015

Interviews and articles

- “There was once an ugly duckling” - Daily Telegraph, 17 June 2014
- “What do you think about when you think about a market?” – Show me the money, 30 June 2014
- “Halfway up the stairs” – Central Banking Journal, 5 August 2014
- ITV Interview on the economy – 17 October 2014
- “Buried Treasure”, Financial News Op Ed – 12 November 2014
- “The Tale of Two Workers”, CBI Magazine – 23 December 2014
- Sky News Interview – 27 December 2014
- “The State of Economics”, Prospect – January 2015
- “Financial Stability Requires Global Collaboration on Data Standards”, FT Op Ed – 14 January 2015
- “We’re crowdsourcing economics” – Interview, New Scientist, 26 February 2015
- “Sackcloth and ashes on Threadneedle Street” – Interview, New Scientist, 28 March 2015
- “The U.K’s Subversive Central Banker” – Interview, Bloomberg, 23 July 2015
- BBC Newsnight Interview on Corporate Governance – 25 July 2015