Inflation Report Press Conference

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Dharshini David: Dharshini David, BBC News. Governor, last May you said that households were over £900 worse off in real terms compared to what you might've expected in May 2016. Now, given the weaker growth profile you've unveiled due to the prolonged uncertainty and that weaker external backdrop, could you update us on those figures? Also, given the sensitivities you've looked at, when you look at the heightened uncertainty, it does suggest potentially quite a big knock on growth this year and next. How could that impact on households, too?

Mark Carney: Okay. Well, the first thing I'll say is that the good news is that household real incomes have been growing. In fact, to the balance of this year, in the latter half of 2018 and we think extending into the first quarter of this year, household real income growth is as strong as it's been since the referendum. Part of that is inflation coming down, but also, in a tight labour market, we've seen wages pick up. Something that's in this report, and I think we should reinforce, is whether it's our surveys of businesses, other surveys, and actual reported data, we have seen a steady pickup in real wage growth, both in the private sector, also in the public sector, and what matters for inflation is we've seen a pickup in unit wage costs, so called. So, what it is relative to productivity. So, households are beginning to move up. They're still in a position, if you look at what might have happened, and, of course, it's conjecture what might've happened, where they are not as well off as they could've been, but it's headed in the right direction. I think, very important, the second part of your question, around sensitivities and uncertainty. So, I think, you know, one of the messages, and it's a pretty obvious message but sometimes it's useful just to state the obvious, this is a time of quite considerable uncertainty about one of the most important issues, the most important issue, facing this economy, facing households, facing businesses. A medium-term issue.

It's important that parliament gets it right and they're taking the time to do that. That uncertainty is affecting the economy at present. We see it across the board in businesses, we're starting to see it creep into the housing market, we're seeing it in household spending, but that is a short-term effect which doesn't tell us a lot about where the economy is going. The key thing about where the economy is going is going to be the nature of the agreement, or one of the most important influences is going to be the nature of the agreement and the time it takes to get there. What we have done in this forecast is recognise the intensification of uncertainty, the bigger impact uncertainty is having on those spending decisions, and we have projected it to last a little longer than we previously had expected. So, recognition that not everything may be tied up in a nice package by the end of March, and that there may still be some uncertainty about the ultimate direction, or, and this is as important, the perceptions of households and businesses about the ultimate direction, that is affecting the economy. So, that's why there's upside here, and I would stress that. There's upside. If there's clarity on the deal sooner, and we know the direction we're headed sooner, and there's a smooth transition to that destination, and, just to give an illustration of that, we provided a sensitivity where uncertainty goes down, we would expect the economy to pick up even more than in this forecast. Then we would adjust policy accordingly.

Chris Giles: Chris Giles from the Financial Times. Governor, in the forecast there's a one in four chance of a recession by the summer. How do you think those odds would change if there was no deal? Are markets and households taking sufficient note of the risks at the moment?

Mark Carney: Well, as I say to Dharshini, households, businesses increasingly taking into account the uncertainty around the deal, and the timing of it, and the path to it, and that's affecting the economy today. I mean, that plus a weaker world are the core reasons why we've taken down growth for 2019 quite substantially. It's the core reason why we think the GDP report next week, for the fourth quarter, will be weaker than it was in the third quarter, and we think something similar-, at least, we're tracking on something similar for the first quarter of this year. When the economy is growing more slowly, the probability of it having a negative quarter or two goes up. I mean, you appreciate that. If there is a shock, which, at least in terms of central expectations of businesses, of households and financial markets, a no deal, no transition Brexit would be, it would be a shock, a negative shock that further increases the possibility of negative quarters. Our core, central expectation is that we'll have higher uncertainty and there will be a path to some sort of arrangement.

Ed Conway: Ed Conway from Sky News. Governor, did you expect the Brexit negotiations to go so much to the wire as they have, clearly? Does that make you nervous, the state that they're in at the moment? Just more broadly, can you give a sense of how much this has actually taken off UK economic growth? You've talked about that in the past, but, you know, what is the cost thus far and how much of that will actually be recouped if there is a smooth transition?

Mark Carney: Well, I think, looking at the other sides of the Bank, there are reasons for the other sides of the Bank, if I can put it that way, for the FPC and the PRA-, because a lot of what those committees do, and certainly the FPC has been doing, is thinking exactly about what had appeared like a relatively low probability event. How to get prepared for that well in advance, in enough time so that you're actually prepared if it were to materialise. I'll reiterate the conclusion of the FPC, having worked on this over a few years, is that the core of the financial system is ready for whatever form Brexit takes. That's a good thing. That doesn't solve all the other issues related to Brexit. It doesn't necessarily help the half of companies in the country that are not ready for that scenario, but it means that the financial sector will cushion the blow, be part of the solution, as opposed to amplifying a shock and being part of the problem. So, I guess I would say that the part of me, and Ben and Dave, that sits on those committees-, when we're sitting on those committees, we don't assign probabilities to that, so we didn't think a lot about the relatively low probability at the time, seemingly low probability at the time, but more that we just had a job to make sure things were ready. From an MPC perspective, we have long had the view that the most likely scenario, and the fairest representation, would be some sort of transaction, some sort of deal, some sort of arrangement, and a smooth transition to it.

The best way to represent that was to have an average and not try to over specify jumping between the various options, because we just don't know. Now, we arrive where we're sitting here today and we don't know. We do not know what form of arrangement could be struck. There is still almost as wide a range of possibilities as there was the morning after the referendum. What we have seen in the economy, if I can finish and bring it back to the economy, is that that level of uncertainty, and the proximity of the Brexit date, is having a much bigger effect on business decisions, which is cascading down through the economy. It's entirely logical, it's rational and totally understandable, we totally understand why business is doing this, because if they think they're going to have greater clarity in the course of a few weeks, or even a few months, that would be material to an investment decision, it makes sense to wait for that information. That's what's happening and that's having the impact that we're seeing.

Ed Conway: The cost on the economy?

Mark Carney: Well, look, we're tracking about 1.5%, as we said here today, of GDP where we had forecast the economy in May 2016. Various people and organisations have done analysis of this that take into account that the world had been stronger and other things had changed, and so they will get a slightly different range. It tends to be slightly higher. If I just give you forecast from May 2016, where we thought we would be, where we think GDP is right now with the fourth quarter report, it's about 1.5%.

Ben Chu: Thank you. Ben Chu from the Independent. Governor, just to follow up on that and to focus on the difficulty of you doing your job at this moment, Donald Tusk said this week that there might be a special place in Hell reserved for those who promoted Brexit without even a sketch of a plan. As you grapple with these difficulties, do you have a degree of sympathy for those sentiments?

Mark Carney: No. I mean, look, I was surprised by those comments yesterday. You know, if one wants to be theological, do not judge because you too will be judged. I mean, I think what we're all looking for is the principals in these negotiations, and, of course, in the United Kingdom it's parliament, ultimately, to take their time and complete their work diligently, but come to a conclusion of where we're headed and provide that clarity of the new arrangement. So, engagement and discussion is welcome. Look, in saying that, all I'm doing is reflecting back what we hear up and down the country, I'm sure you hear up and down the country, whether it's individuals or businesses, third sector. People want to know where we're going.

Mark Carney: There's a breakdown of social order.

Joel Hills: Special place in Hell for journalists who jump the queue, and for journalists who steal my thunder. Joel Hills from ITV News. Governor, it's interesting, back in November the Bank of England published analysis which showed that in the event of no deal, no transition, Britain would likely be tipped into recession, and yet opinion polls since then have consistently showed that around 30% of the British population would like Britain to leave in March without a deal. What would you say to those people who tell the British people, 'Britain can leave without a deal, without transition, and it will be painless'?

Mark Carney: Well, I think it's not so much what I say. I think, Ben, it reminds me that you can look in our report, and you can look at a variety of other surveys, and you can go up and down the country as well and you would hear this, but, in terms of our agent surveys, most recent surveys of businesses and their preparedness, half of them say they're not ready. The half that say they're ready, a substantial proportion of them, 'ready' means, 'We've done all we can.' Now, huge respect for British business, UK business, in that they are working hard under very difficult circumstances, but many of the risks, many of the complications that they see, not we see, they see, of a no deal, no transition arrangement, they are not able to self solve, they're not able to address. What we're focussed on as an institution, as we should be, is, as the MPC, understanding the potential consequences of that uncertainty and how it's affecting the economy today, and how we should set monetary policy. Then, as the FPC and the supervisory arm, is making sure that our banks, our building societies, our insurers, our financial system as a whole, is ready to operate in those circumstances if necessary, so that, as I said earlier, they're part of the solution not part of the problem. So, you know, it's a big country, lot of businesses, it's not that hard to go out and talk to them, find out who's ready, who's not, what the potential implications are.

You know, the decision of where we're going will be made by those who should, made by parliament, and this is a statement of the obvious, I think, but it's important that the transition to that destination is as smooth as possible. They will also, I'm sure, take that into account, those making the decision, how to have as smooth as possible of a transition, so that we get the best possible result for as many people.

Helia Ebrahimi: Helia Ebrahimi, Channel 4 News. Governor, today the Bank delivered the worst forecast for UK growth since the financial crisis. Can you quantify how this uncertainty is taking its toll? Given that, in your forecast, you say there's a one in four chance of a recession in the case of a soft Brexit, should households be preparing for this, given 50 days out we could also have a very hard Brexit?

Mark Carney: Okay. You took various things from the report and cleverly put them together in a package of something we didn't say. You know, our central view, the MPC, is that in a transition to an average outcome, a form of soft Brexit, if you will, that this economy is going to pick up. Firms are going to hire, they're going to invest, productivity's going to pick up, real wages are going to pick up, inflation, which we care about, is going to pick up, and we're going to move forward. So, that's the core. If, you know, you're watching Channel 4 tonight, that's the core thing. That's the expectation, and the monetary policy is set in a position to support that, the financial system is ready to support that, and that's our best judgement of what would happen. At present, the economy has slowed, because of a weaker world, including a weaker Europe, but also because of the uncertainty, because we just don't know exactly where we are headed and businesses are holding off on some decisions. Now, in terms of greater precision on the levels of that uncertainty and the implications, I'll pass over to Ben.

Ben Broadbent: Yes. I mean, we have various ways of trying to measure uncertainty. Generally we reduce them to one particular thing, and we've seen that going up steadily in recent months. In some ways you wouldn't need to compile all these things to know that that has happened, you just need to talk to businesses, and we talk to a lot of them. You can see the effects. In fact, you can see that those effects have been with us, in one form or another, I would say, since the referendum. There are a couple of graphs in the report I'd point you to on what's actually happened to investment spending. There's one at the bottom of page ten which compares how a business investment has behaved relative to other economic recoveries in this country. There's another one a couple of pages later which describes how it's behaved since the referendum relative to investment in other countries. So, this has been with us for a while, it's just that it's intensified in the last few months, and that has material effects on-,

Helia Ebrahimi: Households shouldn't be worried?

Ben Broadbent: Well, it's clearly having an effect on the economy, and our forecasts, conditional, as the Governor says, on having a deal and a transition, which we still think is the most likely outcome and it's the conditioning assumption our forecast, the economy improves. Growth gets stronger. Business investment, precisely because it's being held back by uncertainty now and because, conditional on a deal, that uncertainty begins to ebb away, business investment recovers pretty strongly in this forecast. There's a lot of stuff to catch up on. So, things will get better, conditional on a deal and a transition.

Phil Aldrick: Phil Aldrick at the Times. Governor, with your other hat on, you said that the Bank could help mitigate the effects of no deal by reducing the countercyclical buffer. With your monetary policy hat on, we know that you say that your hands are tied with regard to the interest rate, in terms of cutting the interest rate or you may be forced, as you say, to raise it. Then, is there anything you can do to mitigate against the effects of no deal? There would be a bit of a demand shock, I think. People accept that. There's the term funding scheme, there's QE, there are corporate bonds, there's all sorts of stuff out there.

Mark Carney: Okay. Well, thanks for the question, because it's useful to clarify what we have said as a committee, and we've said this before, and reiterated it in this decision, this report, in the minutes, which is not that our hands are tied. So, just take that off the table. It's not that our hands are tied. It's that the monetary policy reaction is not automatic in a no deal scenario, because we will have to determine if that comes to pass. Obviously the exchange rate, there will be some exchange rate reaction. Depends on the degree of it and the persistence of that. We will have to determine the potential hit to the supply capacity of the economy, and then, as you say, we would expect some demand hit to the economy. There'll be a demand hit by definition in a no deal scenario because we will lose a lot of demand from our major export market, because a variety of firms will lose access or become less competitive. There'll be some countervailing effect. So, what the MPC will have to do in that scenario is to assess the balance of all those effects and, recognising that we would be in exceptional circumstances, it would be quite an unusual situation to be in, in those circumstances we have an ability to vary the horizon over which we bring inflation back to target. There are limits to that ability, because, in the end, our primary responsibility is to keep inflation low and stable, bring it back to that 2% target.

You have some sense of what those limits might be. They're not set in stone, but some sense of those tolerances, based on the experience following the referendum. So, it depends. 'It depends' is different than giving a sense that our hands are somehow tied. To go to the other side, it is not automatic. It could go either direction. In the end, we are given a responsibility to control inflation. Subject to that, to support jobs and growth. We've used our flexibility in the past, but there are limits to that. What we can't do is sit here-, as nice as it might be, and I can understand why you might ask the question. What we can't do is sit here today and prescribe what exactly the monetary policy response would be, because there are many uncertainties with respect of Brexit. We have a pretty good sense of the direction in a no deal, no transition Brexit. There would be a hit to supply capacity, we would expect demand to go down, and we would expect sterling to depreciate, consistent with the change in our terms of trade, but the exact degree, the relative amounts, the persistence of all of those factors, we can't foresee in advance. Therefore, you know, I can't give you - and I know you're dying to ask the follow-up question, but I'm not going to let you go there, because, you know-,

Phil Aldrick: What about other measures? Would you go for them before rates, possibly?

Mark Carney: Look, the theme of what I was building up to-, maybe I was taking too long, but the theme of what-, it just doesn't make sense to lay out a path of rate increases or rate reductions or other measure that we might take before we would have to. In the end, last point, last time I checked, the intention of the government was to have a deal. The intention of the European Union was to have a deal. The votes in parliament suggested that there was a majority to have a deal. Now, exactly what type of deal, exactly how it was going to be arrived at, exactly the transition was going to get there, and the expectations, as one can divine from financial markets, and including from businesses, is that they expect some form of deal to be had. Now, the uncertainty around those expectations has gone up. So, we're talking about a scenario that is still not the most likely scenario.

Joumanna Bercetche: Joumanna Bercetche from CNBC. Actually, this was a nice layup to my question, which is about the monetary policy response. The language, 'limited and gradual', you haven't changed it, and in the past that's been consistent with one rate hike a year, roughly. You're sticking with that language now and there's only one rate hike priced in over your forecast horizon. Do you not think it's time to perhaps think about modifying the language, given the significant downside risk that you've portrayed today, be it on the growth forecast, on the inflation forecast, the one in four probability of a recession even in a soft Brexit? Do you not think that perhaps the market should start preparing for a scenario of no further rate hikes, or potentially even a rate cut?

Mark Carney: No. Short answer. It serves several purposes, the language. First and foremost it serves a purpose in terms of households and businesses understanding the potential path of interest rates in the country. I mean, lots of things are moving around, there's lots of uncertainty. If they're, you know, watching you or Joel or whoever, Dharshini, and getting a sense of where we think the economy's going to go in the event that there is a deal, then they think what does it mean for them in terms of interest rates or other factors, having a sense that that doesn't mean a sharp adjustment to interest rates is actually quite useful for people, we find. That's our feedback from them. They find it quite useful, and, actually, it helps shape their expectations, in our judgement, appropriately. First point. Second point is that, in the event that there is a deal, the most likely, and subject to all the caveats of it could be different than the average, almost certainly will be different than the average, it's an economy that has inflation rising above target and staying there. So, you know, you can draw your own conclusions from that. A lot is going to have to happen between now and then, and certainly one would expect that other asset prices would adjust if there were a deal, including the exchange rate, and one would have to take all of that into account.

As we said in our report, I repeated in my opening comments, we fully recognise that once greater clarity emerges we're going to sit down, take stock of the assumptions and judgements that underpin this forecast, and update them, because, like everybody else in the country, we will have material new information and more reason to come to our next-, well, let's hope it's at our next forecast that we have that material information. Sorry.

David Smith: Thank you. David Smith, Sunday Times. More Brexit, I'm afraid. You said that a no deal, no transition Brexit was a low probability event. Would you concede that the probability has gone up a bit in recent months? Secondly, when you talked about not everything, perhaps, being tied up by the end of March, do you think an extension of the Article 50 process is becoming more likely?

Mark Carney: I would describe no deal, no transition a few years ago as a low probability event. I'd describe it now as not the central scenario. In other words, to answer directly to your question, yes, the probability has gone up. It has gone up. I mean, we're seven weeks before Brexit date and the range of potential outcomes is very wide. Time is limited. You know, I think it is a statement of the obvious. You see that, to some degree, in asset prices. We're not close enough to the negotiations or the parliamentary timetable to, you know, comment directly on the probability of the time horizon, March 29th date, being extended. I'll observe that, you know, some very senior cabinet members have speculated on that, and there has been some speculation, including by those who would have a very good line of sight on it, that some of the legislative timetable is such that there may need to be additional time. That's apart from the potential time that might be needed to negotiate something. Perhaps I should close by just, on that issue, to note that, you know, the Prime Minister has been adamant about the timetable, and I think reiterated March 29th earlier this week. So, we will see, but all of that-, I mean, again, sometimes it's just stating the obvious.

The fact that you asked the question, and I understand why you asked the question, is one of the illustrations of the type of uncertainty that is affecting businesses and beginning to affect households. I mean, these are pretty fundamental things that are just not known.

Jill Ward: Jill Ward, Bloomberg. Just a few questions on the tweaks to the forecasts. The productivity downgrade, firstly. Was that, kind of, more of a mechanical change, or does it have to do with Brexit? Secondly, on the growth composition, the Bank had previously painted a picture of growth, kind of, switching to investment and trade. Is it fair to say that the UK's now shifting back to, kind of, its old composition of growth being very consumer-led? Are you concerned about that at all, in terms of it being less sustainable?

Mark Carney: Yes, okay. I'll take the second bit. I'll pass to Ben on productivity, except to say that it's more the mechanical. I mean, it's a judgement, but it's more the mechanical, the downgrade on that. You're absolutely right. We had been seeing, a few years ago, the start of a rotation of growth towards investment and trade, which was a positive development. In the end, and there's widespread evidence of this, consumer-, if the contribution to growth from consumption is greater than the sum of all the over components, whether it's housing, net exports, investment, government, it doesn't mean there's an imminent adjustment, but it tends to be a sign that ultimately the expansion is not sustainable. So, it was a welcome rotation. Now, we have to step back and think, well, what were some of the reasons for the end of that rotation, or the pause in that rotation? Maybe that's a better way to put it, 'the pause in that rotation'. I think the first thing I'd highlight is that, actually, what we have seen globally has been this reduction in trade. I shouldn't say reduction, it's still growing, but they're growing at a much slower pace, and there are a variety of potential drivers of that we can get into if others want to ask a question about it, but the UK has been affected by that. The investment side, though, I mean, the investment performance is remarkable.

If you look at investment performance here since the referendum was called, the investment performance relative to other advanced economies, it is an absolute outlier. That has taken a while to come through in the data. We were picking up a lot of that in terms of surveys and conversations, but now it's showing up in the hard data. We can pinpoint the main reason for that, and a lot of the questioning has been around what happens once that uncertainty is taken away. So, to finish on a more positive note, with clarity, particularly clarity about the end state, where we're headed, the deal, it's all the same thing said different ways, we do think business is in a position and is desirous of investing quite heavily, and that we would see a pickup in that, which would give more balance to the expansion. Not just balance to the expansion, but increase the pace of the expansion. There is an element of that in the forecast that you have in front of you. On productivity, though.

Ben Broadbent: Yes, I'll be very quick. This is mainly a reaction to negative news in the actual data. So, a year ago we thought that output per hour would rise 1.25% during the course of 2018, and actually it looks like the number will be 0. It's not the first time we've been disappointed on productivity growth. We continue to forecast some growth, and that rate of growth picks up to close to 1% a year by the last year of the forecast, but the profile is a little bit below that three months ago. If investment had been stronger maybe that number would be higher, but we don't process that news mechanically or think about it in terms of Brexit. It's mainly a reaction just to the actual numbers we've seen in the last two or three months.

Tim Wallace: Thank you. Tim Wallace at the Telegraph. Governor, can you take us through the main risks to the UK economy from different bits of the global economy? Should we be most worried about the eurozone slowdown, the recession in Italy, the financial market implications from that, or is it somewhere else that we should be looking for the main hazards?

Mark Carney: Okay. Thank you, Tim. The first thing to say is that when we made our forecast in November for the global economy there were two characteristics to it. One, we did expect a slowing in the global economy, and the second is we flagged that we felt there was downside risk to that growth, and the downside risk we identified at the time was China. We felt the Chinese economy could slow further and potentially have knock-on effects through trade channels and, potentially, through financial channels. In the event, the global economy has slowed more than we had expected. We think that we were directionally right about China. In fact, we've taken our China forecast down further as they go through a series of adjustments. We do think that some of the reasons why China's slowing-, not the only, but some of the reasons why China's slowing relates to the trade tensions that are there, and that that's part of the cause of some of the adjustment in financial conditions. You know, it's useful to step back sometimes and look at situation where the last time the Federal Reserve was in a tightening cycle, prior to the crisis, emergent economies were about 45% of the global economy. Now they're 60% of the global economy, and since, you know, the dollar and dollar interest rates still have the dominant external influence on other countries' financial conditions, the spillovers and spillbacks can be a bit more material.

Now, working back from China, coming back to the UK from China. So, direct exposure, UK to China, is relatively modest. Indirect exposure via Europe is more material, and one of the important questions at the moment is the extent to which-, there are some idiosyncratic factors that we and others think have caused part of the slowdown in Europe, including particularly in Germany, but we think, as well, that slowing from China through capital goods, transportation, other exports from Germany, to which the UK is exposed by being up the supply chain, has had an impact. So, from the external influences, the big issue that we have felt has been the pace of adjustment in the Chinese economy. One thing that has happened internationally, and to a slightly greater extent here, has been, you know, since November there was a sharp tightening of financial conditions, to a greater extent in the UK than other advanced economies, for reasons you might be able to guess. That has come back. It hasn't come back all the way, but it has come back somewhat. Again, in the theme of finishing on a positive note-, Dave, I don't know if you want to add anything-, but one of the things that has happened in recent months is that there's been either outright easing by some of the major central banks, the People's Bank of China being the most obvious, or market expectations of future tightening have been quite substantially revised for the Federal Reserve.

Market expectations for the Federal Reserve and future tightening, or reduced pace of loosening, if I can put it that way, for the ECB. We think that the combination of those is going to provide some support to the global economy that will help it stabilise around trend, which will be good for the UK. Dave, I don't know if you want to-,

Dave Ramsden: Yes. I mean, we've tried to account for this in the document, and, as the Governor's flagged, expectations for future monetary policy have come down really quite markedly. You see that in chart 1.4 on page two, with the biggest fall for the US, and then the Euro area, and then the UK, that we were discussing earlier, also seeing somewhat of a fall. We've also seen something. Whilst financial conditions did tighten really quite markedly through the latter part of last year, they've come back a little bit, and you see that in chart 1.6. So, that, sort of, trend through last year of a tightening in global financial conditions has eased, and, you know, that reflects monetary policy actions, as well as other things.

Larry Elliott: Larry Elliott of the Guardian. When you first arrived as Governor back in 2013, your intention was that you were going to leave by the summer of 2018. While, of course, we're all absolutely delighted that you didn't stick to that-,

Mark Carney: I don't believe that.

Larry Elliott: Do you ever wake up in the morning thinking, 'I wish I'd stuck to Plan A'?

Mark Carney: I don't wake up in the morning anymore, Larry, I wake up in the middle of the night. No. The reason I extended was-, I mean, it was very clear, it was to remain here during a period that could be more volatile or could involve a slightly more difficult transition. I think, you know, the hope at the time was that was conceptual as opposed to actual. That's still the hope. So, obviously I don't regret it at all, and I underscore that it's a privilege to be doing this role. So, I'll leave it at-, yes.

James Burton: James Burton of the Daily Mail. Obviously a stable banking system is very important for the MPC achieving its objectives. So, with that in mind, do you have any concerns about the potential for disruption at Barclays over the next few months as investors look to decide whether or not they're going to elect activist Ed Bramson to the board?

Mark Carney: Yes. Well, so, it's not-, you know, I try and avoid talking about a specific institution. Look, it's absolutely paramount that the core of the banking system is adequately capitalised, has appropriate liquidity, manages their risk well, and is focussed on earning a sustainable return for their shareholders over the medium-term. You know, the first thing you have to do as a regulative financial institution is meet the expectations of the Prudential Regulatory Authority, your supervisor and the Financial Conduct Agency, because we're working on behalf of UK citizens. All stakeholders in those institutions should be aware of that, and that those standards aren't compromised for anybody. Thank you.

Dan Hinge: Thanks. Dan Hinge, Central Banking. Can you shed any more light on how you might actually determine the balance of supply, demand and the exchange rate if there was a no deal Brexit? I can imagine that process being quite messy and generating, sort of, uncertainty of its own.

Mark Carney: I'll make a couple of comments. Ben can amplify. I think the first thing, and, actually, it's in the report, we put it in for a reason, which is there's a box in there which talks about the main surveys and the type of steers they give when there is heightened uncertainty. You may recall that, around the time of the referendum, the Sipp surveys and other surveys moved quite substantially, particularly in expectation. In the event, and some of it, to use a fancy word, was reflexivity, some of it was the response to the potential slowdown, including of the Bank of England, helped to mitigate that, but they overshot where the economy went. So, we had steered off, but there are reasons to steer off, even more at times of very large moods of heightened uncertainty. So, I mean, survey evidence is incredibly valuable, but you have to use a lot of it and you have to make judgement in terms of the steers you take. So, that's one thing. Obviously, what that's telling you is about demand, first and foremost about demand. On the supply side, you know, it will be challenging to get an assessment of what supply capacity-, I mean, we have some sense, but what supply capacity is becomes, to put it in, sort of, neutral terms, bloodless terms, I guess, uneconomic, and therefore will be taken out, as opposed to that which can be restructured and come back and continue to be productive. So, we'll have to use some judgement, but what is there more in real-time will be labour market data.

One of the interesting things, and I wouldn't put-, you know, just put a bit of weight on it, but in terms of the surveys we've done in advance of whatever happens, including the questions of businesses about what would they do, what do they expect in a no deal, no transition Brexit, is there's quite a sizeable hit to employment, in their expectation in that. So, that's something we would have to take into account and make it a judgement about has a gap opened up?

Ben Broadbent: Yes. I mean, one of the reasons we put it in those terms is because I think it's reasonable to expect an unusually large disturbance to supply, not just to demand. To those things, monetary policy is not any, sort of, solution. Having said that, we've been living with uncertainty about what's going to happen to productivity, we spoke about it only a moment ago, for quite some time, since the crisis. We've been thinking about how to operate when you're not sure about what's happening to that supply capacity for several years. If you want to read a turgid and workmanlike presentation of how you might think about that, you can go back to a speech I gave five years ago on that topic. In the end, the answer is, a lot of it, in labour market data, but also a range of surveys about capacity use of companies and so forth. So, we can't observe these things directly, but we're not unused to having to try and infer what's happening to underlying supply growth, however imperfect that process is.

Mark Carney: Because we mentioned the Times in the opening statement, yes. It's Times day at the Bank.

Adam Linton: Adam Linton, RANsquawk. So, obviously, today there's a press conference, at your March meeting there won't be, at the May one there will be. So, potentially we could've left the EU without a deal but not much in the way of formal communication from yourself. There also appears to have been quite a lot of drop-off in prepared remarks from different policymakers over the past few months. Have you thought about potentially moving to almost, like, a Fed style communication policy where, even though there won't be the quarterly inflation report, potentially having a press conference to at least communicate your intentions with the market and households?

Mark Carney: Yes. Well, it's a fair question. It's a big question. Let me just say quickly, with respect to households, we're doing a lot in terms of communicating with households. Series of town halls, we are trialling citizens panels, business around virtual fora. Various ways to reach out more broadly too, and more to come, in order to reach-, and get as many perspectives. Obviously it's tough to reach everyone, and we rely on things like this to increase our reach, supplemented in other ways. In terms of communications, we were in a period-, partly it was because of the holidays, partly some purdahs around votes and purdahs around various policy things, and it's just been the confluence of that has meant that it's been, actually, tough for the people you see here to speak. As it turns out, I'm speaking next week, and Jan Vlieghe is speaking next week as well, another member is speaking, and I think there's a few other coming. So, it's, kind of, normal service resumed. London busses, MPC speech. They won't all be turgid and workmanlike. They'll be turgid, but some of them won't be workmanlike. You know, we've got TSC testimonies-, there's a lot of where we're pulled out and questioned and challenged, and that's right. We're not going to drop a press conference in, that's not our intention, into March 20th. If we need to communicate something we can do it relatively quickly.

We will have a formal communication with our next decision, because we'll have our MPS, our Monetary Policy Summary, in the minutes which will communicate that. We can always supplement that with interviews. So, I feel pretty comfortable. The big, big news-, you know, again, let's step back. We are a sideshow, or, you know, a bit player in a much bigger drama. I mean, the big news is the Brexit negotiations and the principals in that, and there are many. You know, they should be out in front, as they are, in terms of press coverage and speaking to people in the country. Time for Phil?

Phil Aldrick: Phil Aldrick at the Times. Thanks for the bonus. Just, Governor, you've mentioned before that it can take four years to sign a trade deal and two years to implement a trade deal. If we get the withdrawal agreement through parliament then you've still got staging posts at the end of 2020, at the end of 2022. Is it not the case that, you know, this uncertainty may not disappear? That the uncertainty, even in a deal, may persist, and, as you said before, it's been worse than you expected.

Mark Carney: Yes. Well, some uncertainty can be expected to continue, as you say. In a world where the focus of a trade arrangement is around goods trade, as opposed to services trade, for example, and there's a transition to that new world-, I'm doing it at the very highest level, and I'm saying trading arrangement, I'm not saying a specific type. If that were the case, then that tells you something, you know, if you're an auto manufacturer, and it also tells you something if you're a bank, about where you may be in 2021, '22, and how you should plan accordingly. You're absolutely right. I mean, the details are important, unless it's an omnibus arrangement that preserves access for certain sectors or certain activities as they are today. I mean, there will be a degree of uncertainty, I accept that. It would be substantially less, obviously, because people would have a sense of the general direction. Merely a withdrawal agreement, with continuing negotiations, I mean, that takes off the immediate transition risk, or cliff risk, if you will, and that's worth something. That's worth a lot, but it means that the uncertainty persists in terms of business investment and longer term until clarity's provided.