

Bank of England

Harriett Baldwin MP
Chair of the Treasury Committee
House of Commons
London
SW1A 0AA

Andrew Bailey
Governor

20 November 2023

Dear Harriett,

I wanted to get back to you with a list of meetings at which the Monetary Policy Committee has discussed previous jumps in energy prices.

As I said at the September hearing on the Bank's Monetary Policy Report, Bank staff do a very large amount of work for the Committee for every MPC round and will use different periods of time to analyse issues according to their judgement. The MPC thus looks at a broad range of indicators covering a range of time periods.

While a comparison with the spikes in energy prices in the 1970s can be informative, it is important to note that the structure in the UK economy is notably different today than it was then. Monetary policy is also very different. The inflation target in the MPC's remit ensures that monetary policy today responds with force to ensure that inflation returns to the 2% target sustainably.

Having said that, a number of meetings and external appearances over the past year have included a discussion of historical energy price jumps dating back to the 1970s.

- Individual MPC members have referenced and contextualised economic trends relative to the 1970s and 1980s in a number of policy meetings over 2022 and 2023 as will be reflected in transcripts from these meetings.
- In September 2022, the Committee discussed household utility bills and expenditure on energy, including analysis of data dating back to 1965.
- This was followed by a discussion in November 2022 on food price inflation since the 1970s, as energy and agricultural commodities make up a sizable share of food production costs.



- Over a similar period, Monetary Policy Reports, for instance from May and November 2022, have included analysis of historical recessions and price jumps, including from the 1970s and 1980s, which was discussed in forecast meetings leading up to the publication of the reports.
- Analyses on historical periods were discussed in MPR press conferences in May, August and November 2022
- MPC members' speeches have also analysed inflationary episodes from the 1970s, in particular Jonathan Haskel's 'Inflation Now and Then' speech from November 2021.

Finally, this evening I am delivering a speech on food price inflation in the United Kingdom, describing how it is affected by cost pressures in the food supply chain. This includes not least spikes in energy prices. I take a long historical perspective and discuss the inflationary episodes of the 20th century in detail, before considering the recent increase in food prices and the role energy prices have played in driving up inflation.

It is important that we learn from these historical episodes. But we should recognise too that much has changed since the 1970s. The MPC will keep interest rates high enough for long enough to bring inflation all the way down to the 2% inflation target.

Yours sincerely,

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a small dot above the 'i' in Bailey.