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**MINUTES OF
MONETARY POLICY
COMMITTEE MEETING
9 AND 10 APRIL 2008**

These are the minutes of the Monetary Policy Committee meeting held on 9 and 10 April 2008.

They are also available on the Internet

<http://www.bankofengland.co.uk/publications/minutes/mpc/pdf/2008/mpc0804.pdf>

The Bank of England Act 1998 gives the Bank of England operational responsibility for setting interest rates to meet the Government's inflation target. Operational decisions are taken by the Bank's Monetary Policy Committee. The Committee meets on a regular monthly basis and minutes of its meetings are released on the Wednesday of the second week after the meeting takes place. Accordingly, the minutes of the Committee meeting held on 7 and 8 May will be published on 21 May 2008.



MINUTES OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 9-10 APRIL 2008

1 The Committee noted a letter from the Chancellor (attached as an annex) setting out the remit for the Committee over the following year, in accordance with Section 12 of the Bank of England Act. Before turning to its immediate policy decision, the Committee discussed developments in financial markets; the international economy; credit, demand and output; and supply, costs and prices.

Financial markets

2 Sentiment in financial markets had deteriorated further in the first half of March as banks' estimated losses had risen and efforts by a wide range of financial market participants to reduce leverage had continued. There had been a positive reaction to the co-ordinated announcement of central bank actions on 11 March, designed to relieve liquidity pressures in money markets. But the funding crisis at Bear Stearns in mid-March, leading to a Federal Reserve supported buy-out of the firm by JPMorgan, had temporarily heightened concerns about counterparty credit risk further. The functioning of money markets remained heavily impaired, with interbank lending still concentrated at very short maturities. Term spreads had risen again and market prices suggested that they were expected to remain higher than normal throughout 2008 and beyond – longer than expected at the start of the year.

3 The rise in the spread between three-month Libor and three-month overnight index swap rates was a symptom of the renewed deterioration in conditions in short-term money markets. As credit default swap premia had fallen over the month, it seemed likely that the most recent increase reflected increased liquidity premia, although counterparty credit risk premia remained high. The rise was putting upward pressure on banks' lending rates in the United States and the euro area, as well as the United Kingdom.

4 Estimates of the likely gross reductions of asset values on banks' balance sheets were another indication of the extent of dislocation in the global financial system, as they gave an indication of the

pressures on individual institutions' capital buffers. But it was important to distinguish such estimates from the net losses of banking systems around the world due to defaults by non-bank borrowers. First, many of the assets to which mark-downs would be applied were liabilities of other banks, so that some fraction of gross write-downs would be matched, in principle, by corresponding reductions in liabilities on the balance sheets of other banks. Net losses, consolidated across banking systems, were probably a better gauge of the macroeconomic impact, and so far these had been small relative to total lending to non-bank borrowers. Second, to the extent that mark-to-market losses also reflected increased liquidity premia and risk aversion, mark-downs would exaggerate the true increase in expected default risk.

5 Nevertheless, concerns about asset valuations in general, exacerbated by fears that the macroeconomic outlook was worsening, particularly in the United States, were weighing heavily on market sentiment and were impeding the functioning of interbank markets. Even investors with long holding periods were holding back from buying assets that they considered undervalued, because of the possibility of further price falls in the short term. The economic impact of these losses would be reduced to the extent that banks revealed losses promptly and raised new capital where necessary, rather than relying only on shrinking their balance sheets. In this respect, the level of capital raising and sales of illiquid loan portfolios by some banks offered a degree of reassurance.

6 Expectations of Bank Rate derived from financial markets were broadly unchanged over the past month, with a total reduction of around 75 basis points anticipated by the end of 2008. Both financial commentators and the markets were expecting a reduction of 25 basis points in Bank Rate at this meeting. In the United States, short-term rates had fallen, and a policy rate reduction of at least 25 basis points was expected this month. But short-term rates in the euro area had risen, perhaps reflecting high inflation outturns and the tone of comments from the European Central Bank. Longer-term nominal and real rates had fallen in both the United States and the euro area, but had risen in the United Kingdom.

7 International equity prices had been volatile, falling early in the month but then recovering to end the month a little higher overall largely reflecting movements in the prices of financial-sector stocks. There had been a marked tiering between higher stock prices of higher-rated banks and smaller gains for their lower-rated peers. Investment-grade bond spreads had risen further, and in the United Kingdom were the highest since the mid-1980s. It was unclear to what extent that reflected reduced risk appetite, increased liquidity premia or increases in expected default rates.

8 The sterling effective exchange rate had depreciated further over the month, to a little below the range it had occupied for most of the past ten years. Relative interest rate movements could account for much of the movement in sterling from the onset of financial market turbulence in August 2007 to the end of the year but not the sharp fall over the past four months.

9 Sterling depreciation appeared to be a symptom of both a change in the perceived risks around the UK economic outlook and the need for some rebalancing of the composition of aggregate demand. In so far as there had been an increase in the risk premium on sterling assets, the real exchange rate would be expected to have fallen temporarily. That would tend to boost net trade and warrant a more pronounced slowdown in domestic demand growth in the near term than otherwise.

The international economy

10 Indicators for the United States suggested that activity had been weak in the first quarter, as the Committee had expected at the time of the February *Inflation Report*. There had been little reported growth in consumption in January and February. The Institute for Supply Management indices had edged up a little in March but had remained below their long-run averages. Non-farm payrolls had fallen by 80,000 in March, and by almost 250,000 in the first quarter as a whole; the unemployment rate for less educated workers had risen significantly. Looking ahead, the Committee expected a pickup in aggregate demand in the second half of the year, reflecting US policy actions, but it was uncertain how large and persistent that recovery would be. The Michigan and Conference Board measures suggested that consumer confidence was at an historically low ebb. Indicators of business and residential investment had been weak, with core shipments of capital goods lower on the month and the number of housing starts and new building permits down again. The Case-Shiller house price index had shown a further sharp fall in January. Inflation had eased a little on the headline consumer price index and the personal consumption expenditure deflator measures, but inflation expectations had picked up sharply in March according to the Michigan survey.

11 There had not been very much news about activity in the euro area. The apparent weakness in consumption in the fourth quarter of 2007 was largely accounted for by the German data. Euro-area retail sales had fallen in February and, although industrial production had risen strongly in January, the Purchasing Managers' Index measures for services and manufacturing had dropped a little in March. There were signs that some euro-area economies were experiencing a significantly sharper slowdown

than others. Nevertheless, indicators were consistent with growth in 2008 Q1 only slightly below its historical average, in line with the Committee's expectations at the time of the February *Inflation Report*. HICP inflation had picked up in March to 3.5%, according to the initial estimate, its highest rate since the introduction of the euro, and headline twelve-month producer price inflation had risen significantly in February.

12 In Japan, nominal export growth had held up, but industrial production had fallen in February and business conditions had weakened in the first quarter, according to the March Tankan survey. In February, annual CPI inflation had reached 1% for the first time in almost a decade. Annual inflation rates had hit new highs elsewhere in Asia, too, with the Chinese rate reaching 8.7%, its highest rate in nearly twelve years. The Chinese authorities had been emphasising their concern about the rise in inflation, which primarily reflected higher food prices.

13 Oil prices had remained high, with the price of Brent crude hitting a record peak early in March. Although the price had subsequently dropped back, it was still over 6% higher in sterling terms than at the time of the previous MPC meeting. But the Economist non-oil commodity price index had fallen to some extent, possibly reflecting the unwinding of speculative positions.

Credit, demand and output

14 There had been an increasing contrast between official measures of recent activity in the United Kingdom and forward-looking indicators of the outlook for the economy. The former suggested that growth had slowed little as yet, but the latter looked less robust.

15 The ONS *Quarterly National Accounts* had reported an unrevised estimate of 0.6% for GDP growth in 2007 Q4. The broad pattern of estimated demand growth had also remained unchanged, with weak growth in final domestic demand offset by stockbuilding and net trade. But it now seemed less likely that an involuntary stock cycle had been triggered. First, part of the slowdown in consumption growth in the fourth quarter had been accounted for by unusual weakness in net spending on tourism, which was known to be poorly measured; consumption of goods and services, excluding tourism spending, was estimated to have grown by 0.4%, supported by slightly above-average growth in real post-tax labour income. Second, business investment was now estimated to have increased by 1.8% in the fourth quarter, whereas the previous estimate had suggested that it had

fallen by 0.5%. Third, a special survey by the Bank's regional Agents had suggested that there had not been a significant unplanned accumulation of inventories.

16 Indicators of output in the first quarter of 2008 pointed to stronger growth than expected at the time of the February *Inflation Report*. Manufacturing output had risen by 0.4% in February and industrial production as a whole by 0.3%. Although the CIPS/NTC activity measures for services and manufacturing had fallen in March, the services measure had been higher on average in the first quarter of 2008 than in the last quarter of 2007.

17 It remained unclear whether consumption was slowing as much as expected at the time of the February *Inflation Report*. The official retail sales data had been much stronger than the indications from the CBI *Distributive Trades Survey*, the British Retail Consortium survey and the Bank's regional Agents. The ONS volume measure had increased by 1.0% in February; the value measure had risen by 1.2%, so price discounting did not seem to be behind the robust volume increase. The low readings from consumer confidence surveys seemed more consistent with the retail activity surveys than with the official data, although the decline in the number of respondents who thought that now was a good time to make a major purchase might be explained by the widespread commentary about the weakness in the housing market. Car sales, however, had been surprisingly strong in March.

18 The housing market had weakened further, with house prices falling about 1½ % (on the average of the lenders' indices) in the first quarter. The Halifax index had fallen 2.5% in March, but this series had a record of being particularly volatile from month to month. The preview of the Royal Institution of Chartered Surveyors (RICS) survey showed that the price balance had reached its lowest level since the series began in 1978; the price expectations balance had dropped as well. The RICS preview suggested that the sales-to-stock ratio was at its lowest level since 1996. The number of mortgage approvals for house purchase and net reservations, as measured by the Home Builders Federation survey balance, had also fallen.

19 Future developments in the housing market and the evolution of domestic demand would be influenced by the terms and availability of credit. According to the Bank's latest *Credit Conditions Survey*, there had been a widespread reduction in the availability of secured credit in the first quarter, with significant further reductions expected in the second quarter. Lenders had been withdrawing 100% mortgage offers and expecting borrowers to provide a larger fraction of equity in exchange for more favourable borrowing terms.

20 The implications of a weakening housing market for consumption were uncertain. Housing equity withdrawal was likely to fall back sharply. But it was unclear how far this would reduce consumer spending rather than resulting in a fall in the net acquisition of financial assets by those who would otherwise have traded down..

21 Tightening credit conditions were also likely to affect corporate investment. The Bank's *Credit Conditions Survey* had reported a significant reduction in the availability of credit to the corporate sector in the first quarter of 2008, with further tightening expected in the second quarter. Investment-grade bond yields had risen, suggesting that the supply of bond finance might also have shifted downwards. But the growth of corporate borrowing had been robust in February, and average interest rates charged appeared to have fallen. That could have reflected firms drawing on pre-existing credit lines and a shift towards lending to lower-risk borrowers. Forward-looking indicators of investment had been mixed. The Bank's Agents' scores for investment intentions had fallen again but the latest CIPS/NTC manufacturing survey had reported a rebound in capital goods orders.

22 A preliminary analysis of the Chancellor's Budget suggested that its implications for the outlook for growth and inflation were limited.

Supply, costs and prices

23 Official statistics were not yet signalling a significant downturn in labour demand. According to the ONS *Labour Force Survey* (LFS), employment had increased by over 150,000 in the three months to January, accompanied by a further fall in unemployment, and there had been a further rise in vacancies in February. However, total hours worked had fallen a little; also, employment had hardly changed in 2007 Q4 according to the Workforce Jobs measure. The CIPS/NTC employment surveys had picked up slightly in March, but still suggested that employment growth would be muted, as did the Recruitment and Employment Confederation (REC) survey and reports from the Bank's Agents. There was considerable uncertainty about the supply of workers from abroad. Some evidence pointed to a decline in net inward migration, but it remained difficult to count workers who moved back and forth between the United Kingdom and their home countries.

24 Nominal pay growth showed no sign of rising. Settlements overall had been coming in below the level of 2007, at close to 3% in both January and February 2008 on the three-month measure. The

Average Earnings Index and Average Weekly Earnings measures for the three months to January had recorded annual earnings growth, including bonuses, of 3.7% and 3.4% respectively. The corresponding figures excluding bonuses had been 3.7% and 4.1%. The measures including bonuses had been lower than in December 2007 while those excluding bonuses had remained unchanged. The annual growth rate of the LFS measure of earnings per hour had fallen in 2007 Q4 and the more up-to-date REC survey also suggested a little slackening in pay pressures for permanent staff. That might to some extent reflect respondents' expectations of a rise in unemployment, as indicated by the drift upwards over the past few months in the balance of expectations about unemployment reported in the regular GfK survey of consumers.

25 Several other cost pressures, however, had intensified. Manufacturers' input prices in February had been almost 20% higher than twelve months earlier, the highest inflation rate since the series began in 1986. Annual imported goods price inflation had reached 8%, its highest rate since 1995. The non-energy component had made a significant contribution, probably reflecting in part the lower sterling exchange rate. Input price inflation had continued to pick up in March, according to the CIPS/NTC surveys for both manufacturing and services. Annual manufacturing output price inflation, excluding duty, although no higher in February than January, had remained at its highest level since the early 1990s. The corresponding CIPS/NTC survey balance had risen further in March. However, the Bank's Agents had reported a sharp decline in expectations of capacity constraints over the next six months, which suggested that one source of cost pressures might abate.

26 CPI inflation itself had risen to 2.5% in February. In line with pre-release arrangements, an advance estimate of CPI inflation of 2.5% in March had been provided to the Governor ahead of publication. Gas and electricity prices accounted for much of the increase since the end of last year, and were set to make a further contribution over the next six months as price cuts in spring 2007 dropped out of the twelve-month comparison and announced tariff rises took effect. The short-term outlook was for a gradual rise in CPI inflation, with a high probability of temporarily reaching or exceeding 3% later in 2008. There were several near-term upside risks. First, domestic energy prices might go up more than expected at the time of the February *Inflation Report*, given the upward movement of the wholesale gas futures curve in the past couple of months. Second, the implied compression of retailers' margins on non-seasonal food over the past year might unwind to some extent. Third, the additional recent depreciation of sterling would increase pressures on prices along the supply pipeline.

27 The upward movement in inflation had been accompanied recently by a rise in inflation expectations on both the one-year-ahead Citigroup measure and the one-year-ahead GfK measure. The Citigroup longer-time-horizon measure had also started to move up.

The immediate policy decision

28 At its March meeting, the Committee had judged that the downside and upside risks around its central projection for CPI inflation had risen relative to the outlook at the time of the February *Inflation Report*. Both had risen further, to varying degrees.

29 Over the past month, there had been a further deterioration in the outlook for the supply of credit by banks, which would tend to constrain spending, increasing spare capacity in the economy and hence bearing down on inflation in the medium term. The pressures on banks and other market participants to reduce leverage, by reducing lending and/or raising more capital, had continued. The Bank's latest *Credit Conditions Survey* suggested that UK lenders would be tightening credit conditions for firms and households by more than had previously been expected.

30 The UK housing market was weakening, with prices falling, so there was an increased downside risk to residential investment and to consumption. But mortgage arrears and possessions still remained low, and employment had been rising. Some fall in the ratio of house prices to earnings was probably warranted, and could come about through varying combinations of house price adjustment and continuing growth in nominal earnings. But it was still unclear how far these housing market developments would amplify the expected slowdown in consumption growth.

31 It would take time for tightening credit conditions to have their full impact on spending. Retail sales data for January and February suggested that consumption growth had been more resilient than the Committee had expected, but more timely survey data and reports from the Bank's regional Agents pointed to some slowing.

32 Some rebalancing of demand seemed to be taking place, facilitated by the depreciation of sterling. But the international outlook had deteriorated somewhat, particularly in the United States. On the output side, UK industrial production appeared to have held up better than expected by outside commentators, and employment had been increasing. But total hours had fallen, wage growth had

been muted and reports from the Bank's Agents suggested that pressures on productive capacity were weakening.

33 As far as the upside risks to inflation were concerned, the further depreciation of sterling would tend to increase import price inflation in the short run. Non-labour cost pressures had already intensified and producer input and output price inflation had been rising. There had been further increases in the sterling price of oil and the wholesale gas futures curve had shifted upwards. All these factors were likely to raise CPI inflation further in the near term, potentially increasing the upside risk to inflation in the medium term from rising inflation expectations.

34 However, although the short-run shocks to costs had been larger than expected, it was not clear how much the upside risk to inflation in the medium term from this source had risen. That would depend on how the inflation expectations of price and wage setters were affected and to what extent the erosion of profit margins and real wages was resisted. Nominal wage growth had so far remained remarkably stable in the face of rises in the cost of living, increases in employment and vacancies, and falls in unemployment. The question was whether the growth of real labour costs would slow sufficiently to outweigh the impact of non-labour input price increases on firms' marginal costs.

35 The increases in a range of measures of inflation expectations might have reflected perceptions that actual inflation had increased, and therefore might fall back once the peak in inflation expected later this year had passed. But there was always the concern that they might not fall back very rapidly, given the extent by which CPI inflation was now likely to remain above target and the likely length of time it would take before inflation started to come down.

36 In considering the upside and downside risks around the inflation outlook, account had to be taken of a number of shocks to the economy, such as changes in financial intermediation and the equilibrium real price of housing. These were relevant to the Committee's policy judgement only in so far as they affected the medium-term outlook for inflation. But there were some differences of view about the implications of recent shocks for inflation expectations and the likely balance of aggregate supply and demand over time, and hence about the inflation outlook and the appropriate level of Bank Rate.

37 For the majority of members, the outlook and the balance of risks around the Committee's central projection for inflation warranted a reduction in Bank Rate of 25 basis points at this meeting.

In order to avoid an excessive increase in the margin of spare capacity and hence undershooting the inflation target in the medium term, it was necessary to offset, partly but not wholly, the current and prospective downward shift in demand arising from the deterioration in global credit conditions and its consequences. A 25 basis point reduction now would be consistent with market expectations of a gradual easing of Bank Rate, which had been informed both by the February *Inflation Report* and by subsequent communications by Committee members. A reduction in Bank Rate now would also reduce the ‘tail’ risk of an unexpectedly sharp slowdown in demand later in the year, which, if it materialised, might then require a more vigorous policy response in order to hit the inflation target further out. For some of these members, the downside risks to inflation in the medium term had increased relative to the upside risks since the February *Inflation Report*. For some, in view of the increase in prospective near-term inflation, the extent of the change in the balance of risks was less clear, but on the basis of the central outlook, it was nevertheless appropriate to implement some of the further easing that was implied by the February projections.

38 For one member, a larger reduction in Bank Rate was warranted. Greater weight should be put on forward-looking survey indicators, which were generally signalling a marked slowdown in domestic activity. Recent US experience showed how such indicators could provide an early warning that shocks to the financial and property sectors were being transmitted to the rest of the economy. Recent developments in the UK labour market suggested that any slowdown in demand growth might well be reflected more in slower nominal pay growth than in quantity adjustments. In the light of the outlook for demand and hence inflation in the medium term, it was appropriate to look through the near-term increase in inflation, which was likely to be short-lived.

39 For some other members, no change in Bank Rate was necessary at this meeting. Consumption and output had slowed but not yet by as much as expected at the time of the February *Inflation Report*. Meanwhile, the past two months had seen a further inflationary impetus from higher oil prices and a weaker pound. Inflationary pressures from rising output costs were spreading beyond the energy and food sectors and there was a danger that higher inflation expectations would persist. There was a risk that a premature cut in Bank Rate might sustain higher inflation expectations by making it appear that the Committee was more focused on offsetting downside news about the housing market, domestic demand or output growth, rather than on hitting the inflation target in the medium term. It was likely that Bank Rate would need to be reduced at a measured pace, but recent economic news did not justify a reduction before all the implications of the data could be re-assessed in the next forecast round; the analysis could then be communicated more fully in the *Inflation Report*.

40 The Governor invited the Committee to vote on the proposition that Bank Rate should be reduced by 25 basis points to 5.0%. Six members of the Committee (the Governor, Rachel Lomax, John Gieve, Kate Barker, Charles Bean and Paul Tucker) voted in favour of the proposition, and three (Tim Besley, David Blanchflower and Andrew Sentance) voted against. Tim Besley and Andrew Sentance preferred to maintain Bank Rate at 5.25%, and David Blanchflower preferred an immediate reduction of 50 basis points to 4.75%.

41 The following members of the Committee were present:

Mervyn King, Governor

Rachel Lomax, Deputy Governor responsible for monetary policy

John Gieve, Deputy Governor responsible for financial stability

Kate Barker

Charles Bean

Tim Besley

David Blanchflower

Andrew Sentance

Paul Tucker

Nicholas Macpherson was present as the Treasury representative.



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

11 March 2008

Mervyn King
Governor
Bank of England
Threadneedle Street
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EC2R 8AH

Dear Mervyn

REMIT FOR THE MONETARY POLICY COMMITTEE

The Bank of England Act (1998) requires that I specify what price stability is taken to consist of and the Government's economic policy objectives at least once in every period of 12 months beginning on the anniversary of the day the Act came into force. Gordon Brown last wrote to you on March 21 2007.

I hereby re-confirm the target as 2 per cent as measured by the 12-month increase in the Consumer Prices Index (CPI). In accordance with the Act, I also confirm that the economic policy of Her Majesty's Government is to achieve high and stable levels of growth and employment by raising the sustainable growth rate and creating economic and employment opportunities for all.

An updated remit is attached.

Given the global challenges we face, it remains as important as ever that the UK's monetary policy framework retains its place at the forefront of international best practice.

As my predecessor as Chancellor said in his response to your open letter of April 2007, the open letter is an integral part of the framework that has delivered low inflation alongside sustained growth.

A handwritten signature in black ink, appearing to read 'Alistair Darling'.

ALISTAIR DARLING

REMIT FOR THE MONETARY POLICY COMMITTEE

The Bank of England Act came into effect on 1 June 1998. The Act states that in relation to monetary policy, the objectives of the Bank of England shall be:

- (a) to maintain price stability; and
- (b) subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment.

In order to comply with the Act, this remit sets out what price stability shall be taken to consist of and what the economic policy of the Government shall be taken to be.

Price stability

I confirm that the operational target for monetary policy remains an underlying inflation rate (measured by the 12-month increase in the CPI) of 2 per cent. The inflation target is 2 per cent at all times: that is the rate which the MPC is required to achieve and for which it is accountable.

Upon coming to office, the Government enshrined in its policy-making system a commitment to consistently low inflation in the long term. This is because the real stability upon which economic prosperity is founded requires that inflation remain low and stable for a long period of time. The framework takes into account that any economy at some point can suffer from external events or temporary difficulties, often beyond its control. The framework is based on the recognition that the actual inflation rate will on occasions depart from its target as a result of shocks and disturbances. Attempts to keep inflation at the inflation target in these circumstances may cause undesirable volatility in output.

But if inflation moves away from the target by more than 1 percentage point in either direction I shall expect you to send an open letter to me, as soon as possible after publication of the CPI data and referring as necessary to the Bank's latest Inflation Report and the forecasts, setting out:

- the reasons why inflation has moved away from the target by more than 1 percentage point;
- the policy action which you are taking to deal with it;
- the period within which you expect inflation to return to the target;
- how this approach meets the Government's monetary policy objectives.

In keeping with the principles underpinning the monetary policy framework, and the practice followed in April 2007, I suggest that you copy your letter to the Chair of the Treasury Select Committee.

You would send a further letter after three months if inflation remained more than 1 percentage point above or below the target. In responding to your letter, I shall, of course, have regard to the circumstances prevailing at the time.

The thresholds do not define a target range. Their function is to define the points at which I shall expect an explanatory letter from you because the actual inflation rate is appreciably away from its target.

Government's economic policy objectives

The Government's central economic policy objective is to achieve high and stable levels of growth and employment. Price stability is a precondition for these high and stable levels of growth and employment, which will in turn help to create the conditions for price stability on a sustainable basis. In the past, instability has contributed to the UK's poor growth performance, not least by holding back the long-term investment that is the foundation for a successful economy.

The monetary policy objectives of the Bank of England are to maintain price stability and subject to that, to support the Government's economic policy, including its objectives for growth and employment.

Accountability

The Monetary Policy Committee is accountable to the Government for the remit set out in this letter. The Committee's performance and procedures will be reviewed by the Court on an ongoing basis (with particular regard to ensuring the Bank is collecting proper regional and sectoral information). The Bank will be accountable to Parliament through regular reports and evidence given to the Treasury Select Committee. Finally, through the publication of the minutes of the Monetary Policy Committee meetings and the Inflation Report, the Bank will be accountable to the public at large.

Restatement of the Remit

The inflation target will be confirmed in each Budget. There is a value in continuity and I will have proper regard to that. But I will also need to consider the case for a revised target at these times on its merits. Any changes to this remit will be set out in the Budget. The Budget will also contain a statement of the Government's economic policy objectives.