Monetary Policy Report Press Conference

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Joel Hills, ITV News: Joel Hills from ITV News. Governor, the bank is assuming that the UK will leave the EU with the deal that's being negotiated. You also seem to be assuming that the net effect of that deal on the economy will be slightly negative. Is that right?

Mark Carney: The first part is right, the second part is wrong. The first part is that we are conditioning our forecast, as has been our longstanding practice on government policy, government policy is this deal, it is an agreement between the UK and the EU. It's passed the second reading in the Houses of Parliament. So, now that we have a deal it's conditioned on that and that's moving from a stylised Brexit assumption to a specific assumption, as you say. The way to look at the impact of that on the economy is to look at where the economy is today versus where it goes. So, the economy, growth has been very weak recently, suffering from weak global growth but also intense Brexit uncertainties. The economy growing less than an annualised rate of 1%, our current estimate is that for the year as a whole growth this year will be about 1%. In every subsequent year in our forecast that we've just released that is conditioned on that deal growth picks up. So, 1.6% next year, 1.8%. In 2021, which is the year of the deal, and to just above 2% in 2022. Now, that growth is helped a bit by fiscal policy, a bit by a stronger world, a world that has stopped weakening and picks up a little bit but three quarters of that rise in growth is driven by domestic factors, the most important of which is a reduction in uncertainty driven by an orderly transition to a new Brexit arrangement.

Now, I'll finish by just noting that that is an expectation, that's an assumption in the forecast that the impact of the transition will be this reduction in uncertainty and will have a knock-on effect particularly on business investment and, of course, events will see whether that transpires. Okay.

Phil Aldrick, The Times: Phil Aldrick at The Times. Previously you said that Theresa May's deal would have been marginally better for the UK economically than the bank's central assumption on Brexit. We have now got Boris Johnson's deal and clearly you stated in the Monetary Policy Report that there are aspects of it which will effectively weigh on growth relative to the model that you have been using. So, is that not a judgement on government policy then, is that not a judgement on Boris Johnson's deal, negative relative to Theresa May's deal?

Mark Carney: The first thing is that what we have with an actual deal, so we never did a forecast with the previous agreement, where you're describing the previous Prime Minister's deal, because what happened was the agreement was struck with Europe and then it was voted down in Parliament in the intervening period between it being struck and our forecast, and then, as you'll recall, there were subsequent attempts in Parliament, each time voted down. So, we never were in a positon where there was a government policy that was fully credible that therefore could be put in, so we don't have an actual comparison of the two. The second thing though, and to understand the dynamics of the forecast, which your question goes to the heart of, is that the big shift between what effectively was a stylised representation of an average of Brexit deals at some point in the future, with a very smooth many year transition to it, to an actual deal that has a clear transition timeline, albeit with some option to extend, is to bring into the forecast horizon some of those transition effects. So, customs procedures are put into effect, there's the first impact potentially of some reduction in passporting, gradual building over time, and this doesn't have a big impact but gradual building over time of potential divergence of product standards.

So, you get actually some of the transition in the forecast period and that's the combination of deal, the biggest impact is deal reducing uncertainty, at a minimum taking off uncertainty about the possibility of no deal. So, if you remember back in August where no deal probabilities on various measures were up around a third, in some cases higher, so those probabilities are substantially down, so that's a big reduction in uncertainty. Then a path for transition balanced a bit by some of the adjustments that take place at the latter part of the forecast. What we don't have-, last point, sorry, is we only do forecasts out for the forecast period, as you know Phil. So, what we don't do is assessments of the long-term impact of this deal or any other deal

Ed Conway, Sky News: Thank you. Ed Conway from Sky News. Governor, we're at the start of an election campaign, a lot is being talked about, extra spending plans, extra borrowing from certainly both of the major parties and some of the other ones as well. Clearly I know that you'll be wary of intervening in anyway in that but I think given that you are one of the few institutions out there still forecasting, still giving us your take on how the economy is doing. What would the implications, looking not necessarily at any particular party, of big spending, big borrowing be for the rest of the economy and potentially for what the MPC would have to do?

Mark Carney: Yes. Well, there are always developments in government policy, whether there's an election or just a normal course. We take those as given, we adjust our forecast once policy changes and one of the advantages, as you know Ed, of Monetary Policy is it's in many respects much more nimble than fiscal or other policies and therefore we can respond with policy accordingly. There's upsides and downside risk in any forecast, one of the upside risks to this forecast would be around future fiscal policy. That's not uncommon in any particular platform or programme. Again, we would take those into account not as manifestos but as actual government policy, and I'll give the one example, which is notable in here, is that the decisions in the spending round last month adds just under 0.5% to the level of GDP over the forecast. So, that's a set of actual decisions that will have a notable effect on the forecast and following the election there will be a budget at some point and then we will take that into account.

Joumanna Bercetche, CNBC: Joumanna Bercetche from CNBC. A more near-term question. You've talked about trend growth being roughly half what it was a year ago, you've also talked about less pressure on the CPI front. You've even forecasted CPI to hit around 1.2% in spring of next year and you've added a line in the MPC minutes saying that 'Monetary Policy may need to reinforce expected recovery in UK growth and inflation'. Are you gearing households up for a potential interest rates cut in the near future?

Mark Carney: Well, the first is that's just what growth is, that's how growth is performing. It is as you mentioned and as I mentioned in the start, and we mentioned it in the report, it is growing in half the average rate of the previous three years, around 0.2%. Secondly, the biggest driver of the move in inflation are temporary factors, petrol prices are down a bit, sterling is up a bit so you get some pass through from that but then most importantly regulated water and energy prices, decisions that have been taken by Ofgem, or Ofwat and Ofgem, respectively are going to move those inflation down to around 1.25% by the spring. We would look through particularly the last of those, as you would expect. The point about potentially reinforcing the recovery is that in the event that some of the downside risk to the forecasts materialise, given the starting point of the economy that it's in a position of, in the judgement of the committee, some excess supply, so it's not operating at full potential, and given where inflation is, underlying inflation, not those temporary moves. That if we didn't see the expected reduction in uncertainty and therefore the pick-up in activity, or if importantly the global economy weren't to stabilise, as we are projecting that it will, but if those weren't to happen then there

may be a need to provide some reinforcement but that's not pre-committing to anything. It's observing the balance of risk on the forecast.

David Smith, Sunday Times: David Smith, Sunday Times. Governor, it looks very much from your projections, particularly for business investment, that you are assuming that what you describe as a deep free trade agreement will be concluded by the end of 2020. Pretty well every trade expert says it will be impossible to conclude a deep free trade agreement in that time. Is that your assumption and do you think it's realistic?

Mark Carney: So, there are a few flexibilities, as you know David, which one is that there's the core timeline for concluding this arrangement, which is exactly as you just stated, by the end of next year. There is a provision under the Withdrawal Agreement that that negotiating period would be extended by up to two years, that's a mutual decision that, as you know, has to be taken by the middle of next year. There are certain things in the agreement that have been agreed up front, very importantly no tariffs, no fees, no other costs, that is agreed upfront in the combination of Withdrawal Agreement and the Political Declaration between the two sides, so some of the very important basics have been agreed there. I will note that one trade expert, Pascal Lamy, former director general of the WTO, has observed that this is a very different situation given the starting point, particularly on good standards and other aspects, and the degree of integration. He's making that point in a positive sense in terms of potential execution of an agreement. All that said, the thrust of your question is could it potentially take longer? Yes, that's possible. There's flexibility in the agreement that it could take longer and is it possible that there would be some implementation period for the agreement?

Yes, that's possible. Most trade agreements have for some sectors some degree of implementation that takes place. So, what we have done, which is a simplified assumption and is not based on any knowledge of how this could actually transpire, is to assume that there is an orderly transition over the time horizon that customs checks come into effect, that some other impacts of that trading relationship that are likely to happen come into effect, such as some reduction in passporting and financial services, which has an impact. Some other services activity, such as legal services, which can have an impact, and then there's gradual divergence, most of which will happen beyond the forecast horizon, in terms of product standards and other standards, which is to be expected because it's not overnight that either side would instantly change those types of rules. So, they are simplifying assumptions. I have to say that what you can reasonably expect is that in subsequent reports as more information becomes clearer about what's being negotiated, what's on the table and the timelines around both completing those negotiations and any implementation, there will be adjustments that could have an impact on the outer years of the forecast here.

So, we've done our best given what we know and I'll finish with this, because this is what brings it back to activity over the course of the next few years, is that the extent to which the broad expectation of an orderly transition to some deep free trade agreement is the expectation of businesses and households, then we expect these types of dynamics in the economy. If that is in doubt, or becomes in doubt for whatever reason, or there's fairly profound uncertainties about the end results or timing exactly of either the nature of the agreement or the transition to it, of course that will be pulled forward into activity and we will see less of a reduction in entrenched uncertainty. To go back to the first question, in terms of we'll see less of a pickup in the economy in subsequent years and then that loops back to the predecessor question, which is around what are the implications if there isn't that dissipation of the entrenched uncertainty for Monetary Policy.

Larry Elliott, The Guardian: Larry Elliott of the Guardian. Governor, the sad day of your departure is rapidly approaching and the government is yet to appoint someone to be your successor, perhaps because it's having trouble finding anybody as illustrious. I wonder whether you've been asked whether you would be prepared to stay on after the 31st January, if you have been, and if not would you be prepared if the government came to you at some point between now and then and said, 'There's so much going on, Brexit day is approaching, an election has just happened.' Would you be prepared to stay on if you were asked to do so?

Mark Carney: Well, you almost said all that with a straight face, Larry, at the start. Look, the commitment that I have made has been for a smooth, orderly transition both in terms of around no deal Brexit risk and that has been the work principally of the Financial Policy Committee and the PRA to get the financial system ready for any form of Brexit. Then the second element of that transition has been an orderly transition to my successor and, you know, I'm committed to do what's necessary in both cases to make sure that the hand-offs are appropriate. Look, I think it's entirely understandable that given the priority, the overwhelming priority of the Brexit negotiations and then the political process that is underway that a decision has not been made about my successor. On the other side of the election I'm sure the government, whoever is in the government, will take that decision in an orderly fashion. We'll make sure that the transition is smooth and orderly, just like our assumption in our MPR forecast. Although, I must say the transition to my successor is not relevant to the forecast. Thank you.

Jill Ward, Bloomberg News: Jill Ward, Bloomberg News. Another question on the assumption, I note that you're describing it as an 'orderly transition' now, not 'smooth' like in the previous assumption. What is the reasoning for that change?

Mark Carney: Yes, I mean, it's as much to make the distinction between the two, by which I mean, or what the committee means, is that we had this smooth assumption which, as we've said, was based over many years. So, it was gradual shift from the current relationship to some average over a period, you know, longer than a decade, to be candid, so you just have it gradually fading into the forecast. That became increasingly untenable as an assumption, as you know. By the time we got to August we had two factors, one we're getting closer and closer to an actual Brexit date and so there was going to be some adjustment and then, of course, in August there was also substantial weight in financial markets and business thinking that there might be a no deal Brexit. So, to make a distinction we changed the adjective from 'smooth' to 'orderly' but we are presuming that the, or assuming, that it will be clear what the destination is and there'll be, as we say and as I said to David Smith, there will be an orderly transition to the new trading relationships after the day they begin to take effect. There's a distinction here, as you know, which is there's a distinction between Brexit, which is currently schedule by 31st January, if not sooner, and the point at which those new trading relationships take effect. Once the first has happened that's kind of irrevocable and the second is a more commercial adjustment to those relationships.

Russell Lynch, The Telegraph: Russ Lynch from The Telegraph. Just on your 2021 forecasts, the Q4 ones, in August the adjusted ones were 2.2% and they're down to 1.8% today. I just wondered if you could just unpack that a little. Is that the sort of crystallisation of Brexit risks, transition risks on growth?

Mark Carney: Yes, why don't I start and then I'll hand to Ben to expand a bit? The punchline in terms of the biggest difference between the August forecasts and the current ones is that the world is weaker and asset prices have changed, most notably UK financial conditions have tightened largely

because sterling has appreciated as the last response to Jill Ward, which is just the taking out of the no deal Brexit risk, largely by financial markets. There's very low weight on it at present in financial markets. So, both of those weigh on UK activity and actually that accounts for if you look across that period, the forecast period, it accounts for three quarters of the difference between the two and then what's left is a residual, it's notable but as a residual is the combination of fiscal policy and then this transition but Ben can comment.

Ben Broadbent: Yes, over the forecast as a whole most of the reduction relative to this adjusted August forecast is the world and that affects us both directly and in terms of export demand but also investment. So, investment has been weak, we think largely over the last three or four years as a whole because of Brexit uncertainty but also more recently because of weakness in world growth and tradeable production manufacturing in particular. That's the principle reason, taking the forecast as a whole on the reduction and the level of GDP by the end of it. That's the main reason why it's lower. The governor a moment ago referred to this difference between smooth and orderly and a sort of more realistic, I should say, assumption about the time of which some of these transition effects come through and that does play a part in the 2021 forecast in particular.

Szu Chan, BBC News: Szu Chan, BBC News. Just following on from Ed's question, I know we wouldn't expect you to comment on potential government policy but given that the Bank of England, like many other central banks around the world, have been doing a lot of the heavy lifting in terms of supporting the economy since the crisis, is more government spending welcome in terms of perhaps giving you guys more room, doing less of that heavy lifting and also in terms of boosting productivity and long-term growth?

Mark Carney: Well, you're exactly right. I'm not going to weigh into the election commitments of any of the parties. I will note that, and it is picked up in the report, that if you look across the G7, and I'll refer you to page seventeen. There has been an easing fiscal policy across advanced economies as a whole. It's notable, it's material, it's part of the global forecast dynamics. Sorry, Sue. I'm just going to repeat, which is what you know, which is that fiscal policy and structural policy for governments, we take those as given and then we will react to them as appropriate.

Adam Linton, RANsquawk: Adam Linton, RANsquawk. So, just in case we go through January 31st and a deal is not passed through Parliament, one of the key phrases in your minutes release is 'entrenched uncertainty'. How would you categorise that at that point and what would you threshold be? Would you potentially take an approach such as the Fed and deliver insurance rate cuts, a more proactive stance or would you potentially be more reactive to the data? What exactly would you be looking for in the data?

Mark Carney: It's a fair question. What matters is what businesses and households, and the economy think and obviously within the context of how financial market prices changes. So, uncertainty is in the eye of the beholder, that has the impact on the economy and in that circumstance we would need to make the judgement about whether to lean against that uncertainty, taking all factors into account in order to return inflation sustainably to target. Of course, what you're asking, you know, is a deep hypothetical and to some extent a tail risk but what we've laid out is a framework in terms of our thinking and what we're watching. Let me just be clear though, there's a variety of ways to measure uncertainty and none of them are perfect and so you have to look at them to some extent in the round, actually uncertainty measures in financial markets have a decent correlation-, maybe you'll want to expand on this. A decent correlation with some underlying business activity. We have survey measures, a variety of survey measures that we produce, the DMP being one of the most useful because

of the scale of its coverage, also directly from our agents as well as PMI and other indicators, which the PMI's have turned out to be the less good about short-term nowcasting or forecasting but, again, taken in a sort of mosaic approach are useful in terms of understanding levels of uncertainty.

Then very importantly on the household side, looking on consumer confidence measures, particularly around personal job prospects because that's where you start to see the behaviour shift in terms of activity but do you want to expand a bit?

Ben Broadbent: Yes. Let me just say a couple of things. The governor referred to various measures of uncertainty, we use quite a few. One is prices of options in financial markets, options around currency risk in particular and that seems to correlate quite well with business investment, and that has come down. It's still elevated relative to other advanced economy currencies but it has definitely come down. The other thing I'd say is that what we think mattered a lot in particular over the last couple of years was the fear of very bad outcomes, of no deal outcomes in particular and that has definitely retreated. So, we will watch all these measures, including their effects on investment intentions in other surveys quite closely. I think it's a reasonable expectation that uncertainty should ebb away given the reduction in that no deal risk but, as the governor said right at the start, it's not an assured thing. It's a reasonable expectation but we will have to wait and see.

Mark Carney: Yes, just to reemphasise that last point and that's part of the new Monetary Policy Report, which I'm enjoying. A beautiful report.

Ben Broadbent: Yes, beautiful. A whole chapter I think.

Mark Carney: There's a whole chapter on exactly these dynamics because this is one of the key ones that's driving it, and one of the points that Ben just made, which is that it's short-term cliff edge type uncertainty which has a particularly-, what goes to your question, large effect on economic activity. That's what we've been seeing.

Matei Rosca, Politico: Thank you. Matei Rosca from Politico. Could you please quantify or explain the cost to the economy of not ratifying the deal in October, if there was any cost? Thank you.

Mark Carney: Well, what we expect in the third quarter is that, I mean, our current estimate that's detailed in the report is actually up a bit from our August estimate. So, we think growth around 0.4% on the quarterly basis, in the third quarter and then straddling into October we have it-, 0.2% is the estimate in the report, which I would note is substantially higher than the various survey measures of growth. That's detailed in the report but we think that partly because of the agent expectations, partly because of other information, we do think that growth is still running at a positive trend at the moment. I'm on sounder territory, that's the short-term nowcast. I could just stop there but then I'll just refer as well to say that what the core of the forecast is what happens if this deal continues its process of being implemented, obviously it has to be ratified but then implemented, which is that pickup in growth throughout the forecast. For example, I gave you the headline numbers on growth but in business investment growth by the spring of next year is turning positive in our forecast, that's consistent with the underlined, and then accelerating from there and we start to see the payback from that.

Jason Douglas, Wall Street Journal: Jason Douglas from the Wall Street Journal. You've talked a lot about slowing global growth, can I just ask you directly what weight you'd attach the risk of a global recession?

Mark Carney: Yes, it's a tough question to answer in the sense of there are an unusually large range of definitions of what is a global recession. So, if you take just the simple answer is to say, well, if we're looking for two quarters of negative growth, that's happened once in the past 35 years, we've both lived through it in the just immediate aftermath of the most intense phase of the Global Financial Crisis. So, it's exceedingly rare and we're at 2.9%, even with intensification of trade tensions we don't see that on the prospect. The IMF uses a definition in terms of per capita GDP growth, which getting that down into that being negative, that's, again, we're a long way from that. Quite often thresholds though are used in terms of 2.5% or 3% PPP weighted growth and we're not that far away from 2.5%. I wouldn't use 3%. 3% used to work, that was the old shorthand when the globe was growing at 4.5%, 5% pre-Crisis as a sort of average. Now that we think the trend of global growth is somewhere around 3.5%, so we're well below that trend dipping down to 2.5%. This is where you move from what is a recession defined to what feels like one and certainly if there were another leg down in global growth we will feel that effect. We are feeling, I mean, the UK is one of the most open economies in the world and we have been feeling the effect of that global slowdown.

It has been clouded somewhat by even bigger effects of domestic developments, both positively and negatively. I'll make a final point on the global situation, which is there are two factors that sometimes get underweighted. One is easy to see but it gets maybe less weight than it should, which is that the expansion is increasingly reliant on household spending and normally that doesn't persist for that long without the other drivers of growth, it's hard to drive on one engine. Secondly, and this is a more esoteric point but it's relevant, it's hard to measure but relevant, is that the uncertainties around the nature of the system, the global trading system, is yet another factor that arguably is pulling down on global equilibrium interest rates, which constrain monetary policy space, all things being equal.

Rahul Karunakar, Thomson Reuters: Rahul Karunakar from Reuters. Based on the surprise vote today, would you say the view is leading towards a rate cut next rather than a hike at this point?

Mark Carney: Well, you know, what's relevant is the-, I mean, it's all relevant but the mass of the committee's view is that the current stance of policy is appropriate. The forecast is consistent if the economy follows a trajectory broadly consistent with the forecast, this drop in uncertainty, stabilisation of global growth, pick up from there. Some modest withdrawal of stimulus, limited, extended and at a gradual pace would be appropriate but we'll have to see. You know, these are pretty big tectonic forces operating right now where it is the global economy turning and what is the impact going to be, or what is the trajectory going to be in terms of the implementation of the agreed deal between the UK and the EU?

Hans van Leeuwen, Australian Financial Review: Hello, Hans van Leeuwen from the Australian Financial Review. In the, sort of, back part of the report there's a bit about the global trade and you say protectionism could be pervasive and persistent and quote a Bank of America Merrill Lynch report saying that the US China trade friction could be the new normal. Is that something that you endorse?

Mark Carney: Let me put it into our own words, and what I said at the start, which is that there are growing concerns about the reordering of the rules of global commerce, so that those are where tariffs are and it's detailed in the report the sharp increase in the number of protectionist measures relative to liberalising measures that's been going on for about two years now. So, there are tariffs but it's also around questions that are beginning to develop around technology stacks, whether certain supply chains are sustainable given a variety of concerns that have come into place there. So, whether it's concentrated between the two largest economies or as a more generalised point, I think we hesitate to use the term 'endorse' but we recognise that all forms of protectionism are becoming more pervasive,

persistent and more damaging certainly than had been expected a few years ago. We had been flagging for a while that we felt that given what we had seen in the UK, in terms of the knock-on indirect effects on business investment, that that could happen globally and unfortunately that appears to be what we're seeing.

Nejra Cehic, Bloomberg: Nejra Cehic, Bloomberg TV and Radio. Governor, although you've taken great pains to layout the balance of risk both to the upside and the downside, I suspect there may be some in the market who will see the risks more skewed to the downside and start pricing for the next move even more to be a cut rather than a hold from here. How high would you say the bar is to policy easing from the Bank of England, with ten being extremely high and zero being not high at all?

Mark Carney: I'm so clearly not going to answer that question. Look, let's go back, let's look at the two components of it. One is, I mean, the two biggest things and quite naturally the thrust of the questions have been around the Brexit deal and uncertainty, and where it could go, and the world, and to go back to Jason's question about probability of recession. When we look at the global economy we don't see the types of fundamental imbalances that are normally associated with the economy tipping into recession. So, in Dave's world, in financial markets, yes, there's pockets of leverage and things to manage but as a whole in the major economies corporates aren't over levered, households in the major economies, certainly in the UK, the US, others have worked hard and paid down debt, so they've reduced leverage. Inflationary pressures are well-contained and so there's not the usual, as they say, imbalances that normally proceed a recession. What there is is this growing concern about the nature of the system and the knock-on effect on business confidence and eventually over time that can entrench a slowdown without the investment, without the productivity, therefore the wage growth, therefore, etc. and just reducing the global level of supply. Now, we think that given the scale of monetary stimulus and improvement in financial conditions has happened over the course of the last year and it's very hard to make a call on trade policy.

In fact, one is almost guaranteed these days if you have a Monetary Policy press conference that some major trade event will happen either positively or negatively right after that, so maybe we're due for a major positive trade announcement. We can hope for that. If we don't get a material change that stops the deterioration in trade policy, if I can put it that way, the forces are there on balance that we think the world will stabilise and pick up a bit. Domestically others can make their judgements about what they think are the probabilities of the deal being put in place and implemented in an orderly fashion. We have made our judgement on that, which is an objective judgement given that it's government policy and how it would affect the economy in our judgement, provided it is implemented in an orderly way. You put those together and then you can, again, as the economy unfolds, make a judgement about the likely stance of policy.

Delphine Strauss, Financial Times: Thanks. Mr Carney, as you say, fiscal policy is at least at the moment entirely a matter for politicians and manifesto commitments stay in that territory but if Labour were to win a majority they've made it clear that they would see some role for the Bank of England on the fiscal front in providing credit guidance and perhaps on productivity. Is that a role you'd welcome and do you see any scope for redrawing the boundaries?

Mark Carney: Well, the system here, as you know Delphine, is our responsibilities are governed by statute, in fact right down to the level of why we have to have a press conference today is under statute. We have to make these decisions every ten weeks and it falls into this timeline but at a higher level the objectives of the bank are set out in statute and then the remits and the structure of our committees is set out in statute, and then the remits or the interpretation is consistent or the priorities-, 'prioritisation'

maybe is the best way to put it, consistent with the statute is made by the government of the day and a public remit letter which we're then charged to follow. So, it's not for us to determine what Parliament passes, how the government of the day prioritise consistent with that statute. This is what operational independence is, you're given a task and then you as best as you can manage towards that task. You should be given tools in order to also achieve that task as well.

Kevin Trublet, AFP: Kevin Trublet for Agence France-Presse. If uncertainty continues and if a rate cut is needed before the Brexit is done, will the Bank of England have still enough ammunitions to deal with a disorderly Brexit or with prolonged uncertainty? Thank you.

Mark Carney: Well, I think the second part is not in our forecast, it's not our expectation. In terms of the preparations that the Bank of England has been making have been concentrated on the financial sector and making sure that it's ready for whatever form Brexit could take, including what is now a less likely scenario, a tail risk scenario very much of a no deal Brexit and the system is ready for that. The core of the system is ready for that and it will remain ready for that. We'll ensure that. In terms of ammunition, so to speak, the MPC has, in terms of monetary ammunition, it has considerable, again, to use your term, it has considerable policy flexibility but also ammunition, if you want to term it that way, but it would be guided by achieving the inflation target. The last thing actually I should reinforce, again, in that scenario, as in all Brexit scenarios, we're governed by what the form of Brexit means for the exchange rate, for supply and demand in the economy and the sum of that.

Ed Conway, Sky News: Apologies if I'm being dense here. I know that we've kind of gone over this territory a couple of times.

Mark Carney: Let's do one more time, that'll be good.

Ed Conway, Sky News: This is the first time the bank has actually, you know, looked at a specific deal in its forecast round so you're in a better position now to know what this means for UK economic growth than ever previously in this process. So, is the economy going to be growing faster under this deal than had we not voted to leave or not?

Mark Carney: You know, it's not a question that the MPC needs to answer. The question the MPC needs to answer in order to do our job is where is the economy today, where do we think the economy is going and, of course, the deal, how it's implemented or whether it's implemented, transition to it is relevant for how the economy is going to perform over the next three years. We don't have the remit for it, the mandate for it or the luxury of comparing that to some other parallel situation or alternative situation of a different deal.

Ed Conway, Sky News: You do have forecasts though, previous to that?

Mark Carney: Well, yes and no. Look, we have one forecast which we agree as a committee and once we have a forecast then we publish that forecast as the central expectation of the committee, which is published in the Monetary Policy Report. Governments, you know, treasury and others can do forecasts on longer term implications of various arrangements.

Joel Hills, ITV News: I'm going to have another go too.

Mark Carney: Okay.

Joel Hills, ITV News: People at home will want to get some sort of clarity on this. The Bank of England is assuming that Brexit will happen, the outcome of the election is highly uncertain, what will happen to these growth forecasts if the UK ends up staying in the EU?

Mark Carney: They'll change. I mean, they will change. I'm not being glib, obviously they will change if there's a fundamental difference in terms of the path that the country takes. We're not going to be drawn on which direction or by how much, nope.

Joel Hills, ITV News: Perhaps it will be bigger at that point?

Mark Carney: It's not for us to say. I think it's important, you know, in setting monetary policy whether it's about fiscal stance of the government or what happens in the global economy, it's we have to take things as they are, make judgements about where they're going in the most likely scenario and then set policy on a forward-looking basis accordingly. In something as fundamental as this it's what is government policy, this is government policy, consistent with this in a few other factors we see the economy picking up each year over the course of the next three years and ultimately inflationary pressure is building. Not immediately because of the various factors we've talked about this afternoon but building overtime and then the policy adjusting accordingly. Phil has the microphone.

Phil Aldrick, The Times: Sticking to Brexit, on July 1st we have a deadline for extending the transition period. Under the forecast that you've currently produced, if we get to January 1st and we have not triggered that extension, will Brexit uncertainties rise relative to your current set of forecasts?

Mark Carney: We'll have to see how businesses respond. I mean, one of the things, Phil, is that the nature of the surveys and other information, we have some information that is based on conversations post the actual agreement of a deal, not just the meeting between the Prime Minister and the t-shock but after the agreement of the deal but not much. So, it's only in subsequent surveys we'll get a better sense of how uncertainty evolves. We'll have to see and then adjust accordingly. It is the case, and it will depend of course importantly on how much progress is made in subsequent months on specifying the deep free trade agreement that is the intention of the two sides. It is the case, as detailed in the report that uncertainty can rise as we approach these key decision points in the Brexit process, and that can have an impact on activity but we'll have to see.