Monetary Policy Report Press Conference

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Ed Conway, Sky: Thanks, governor. Ed Conway from Sky News. One of the things you mentioned was that in your annual assessment of the supply side of the economy you've cut your assessment of that long-term noninflationary growth potential for the UK. I mean, in short does that mean that the UK is a weaker economy now than it was, say, before the referendum and if so how much of that is down to Brexit?

Mark Carney: Yes, well so part of the reason we do a once a year assessment of the supply side of the economy, a combination, as you know, of labour, supply and productivity is to bring together all the evidence, all the learnings, all the analysis in one spot and make some of these judgements, and they are judgements. In terms of the rate of growth of productivity, I think it's fair to say that we and others have been persistently disappointed since the financial crisis about the rate of productivity growth. Initially more understandable because of the distress, if I can put it that way, in the financial system and the overhang of the excesses of the pre-crisis period but that is very much in the rear view mirror now and certainly in the time that I've been here, the last six-and-a-half years, there has not been that recovery in productivity. So, part of this is just bringing forward a continuation of a past trend, that's the first thing. The second, we do have to recognise that in the period since the referendum was called business investment has been very weak. It's gone from the strongest in the G7 to the weakest in the G7 and that accumulates over time, it's not just capital investment but it's process investment and on top of that, and there's some evidence on this in the report, that businesses over the course of certainly the past year because of a series of cliff edges in certain sectors have had to devote a lot of time to contingency planning and, you know, there's only 24 hours in a day and the time they spend on that is not time spent on expanding.

That has contributed and there's some payback from that activity over the forecast horizon. Then the third thing is that we are moving more rapidly to the new relationship with the European Union than we had originally modelled. I mean, we didn't know, people didn't know what the horizon was going to be for the adjustment, now it's very clear the intention of the government is that we will move immediately by this time next year to a deep free trade arrangement with the European Union. There are some adjustment costs with that. If I can make one more point though, and you would have caught this but I'll just make sure everyone does, is that the rate of potential growth isn't just about productivity, it's also about the labour supply side and there have been two major positive trends, very positive trends, in the labour market over the course of the post-crisis period. A lot more people have stayed in the labour force, not always for the most positive reasons, initially it was because they had to repay debt for most of them, as it is today participation rate, the number of people in the labour force, is very high and most of them are in work. In fact, 3 million jobs have been created since the recovery started in 2013, 3 million more people are in work since then.

Those levels are now, you know, unemployment is so low, we can think it can go a bit lower but the proportion of the population that are working is so high there's just not that much more of that to happen and so the growth in the labour force, it tends to come more from natural population growth. So, the culmination of those two things mean the speed limit of the economy is much lower than it was a few years ago. Ben.

Ben Broadbent: Yes, just one very quick thing, as you said we'd lowered our estimate of the quite long run potential. We don't forecast the long run, we forecast out to three years so I don't think it's fair to describe it as that. I mean, medium-term maybe and on specifically whatever the effects of

Brexit are, we've generally understood those to be in the level of output, not a permanent effect on the growth rate, which in any case we don't predict. So, I wouldn't use that word to describe what we've done and, as the government says, it's a mixture of these effects of what's happened since the referendum, what might yet happen because of it and just learning from a whole sequence of disappointments in underlying productivity growth.

Faisal Islam, BBC: Faisal Islam, BBC. Governor, the Monetary Policy Report says it's predicated on the achievements of a deep FTA this time next year. The governments since your last meeting have both said that they will not extend any negotiation period beyond the year and also seem to be aiming for less than frictionless trade without alignment. How would not reaching a trade deal impact on these growth and inflation numbers and has the less ambitious alignment options also impacted things?

Mark Carney: Okay. Thanks for the question, it helps clarify aspects of the forecast. So, the assumption in the forecast, I mean, we take government policy as given and it's as you describe it, and importantly it's for an immediate move on December 31st to a new deep free trade arrangement with the EU, so I'll emphasise the point about immediate, so there's not a transition period between where the economy is today and where it will be, where the economic relationships are. We're assuming that that's an orderly transition, okay? So, we're assuming that all the necessary border infrastructure, customs arrangements, EORI numbers, all the types of things we've been thinking about and companies have been thinking about, and governments have been thinking about, that is necessary to move from being part of the European Union to a free trade arrangement, that those are in place. So, that's an assumption, people will work very hard to make sure that that assumption is validated but it's an assumption. The second thing is that what is different about this forecast from the November forecast is that immediacy and there is not a smoothing of the adjustment and the bringing in of some of the customs and other regulatory frictions that would happen with a move to a free trade agreement. So, I'll give you one example which is noted in the report, which is that a number of financial services firms will lose the right to passport, even if equivalence is granted under EU style equivalence.

Now, that's an open question. It would be an assumption whether or not equivalence either would be granted or would be accepted necessarily, it's part of the discussion. Over the course of the next year subsequent MPCs are going to have to adjust these various important assumptions with potential implications for the forecast but we'll see. We'll see what happens with the evolution of the negotiations. Last point I would make, on alignment, obviously we start from a position where we're totally aligned in all sectors and so misalignment, or divergence a better way to put it. Divergence would emerge over time in those sectors and so in the forecast, even though there is not an assumption of alignment we start with alignment and we expect that it would emerge over time. It doesn't have material impact on the two years in the forecast that are governed by the free trade agreement, if you follow.

Chris Giles, Financial Times: Chris Giles from the Financial Times. Governor, in your first and second inflation report press conferences and in 2013 you thought the supply potential of the economy was about 2.8%, 2.9%. You could grow at that level without any rising inflation, now we're at an average of 1.1% over the next three years. What do you think has gone wrong in the UK economy and is the Bank of England in any way to blame?

Mark Carney: I can answer the second part of that question quite readily, no. It's a very good question and one thing which you would appreciate is that in my first-, when I came here we were in a position where a recovery was just beginning, to some extent at least on the measured data. As you recall, the UK had narrowly missed a triple dip recession, some of that has been revised away and the debate though was about how much spare capacity was in the economy. We felt that at the time it was considerable spare capacity there and, as you can appreciate, there is a distinction between cyclical supply, a starting point. You start with a lot of spare capacity and you're going to make some of that up, which is what we looked to do at the time which was to provide not just stimulus but to provide a signal guidance that we were expecting to provide a fair bit of stimulus for a fair bit of time so that supply capacity could be used up, that starting point capacity. Now, what is true, and I don't have the figure to hand, you might, although actually I don't have the figure to hand in part because we didn't used to release it, which is one of the changes we made. Now you know what our supply, as you should, and I think you helped push for this.

You know what our supply assumptions are for the forecast, so I don't have the figure to hand of what we thought the speed limit was of the economy, in other words for those who don't follow as closely, just the rate at which supply growth was going to proceed given the starting point. I suspect it was probably in the range of about 2%.

Ben Broadbent: Yes, I think probably as the governor says, starting from that position-,

Mark Carney: This will be a brief interlude and then I'll come back.

Ben Broadbent: Technical detour. Starting from that position the unemployment rate is a long way above the natural rate, so the economy can grow quite a lot on top of the underlying trend so I'm not sure the 2.8% should be taken as a guide of what we expected to happen in perpetuity but I think probably, yes, it was in the region of 2% or so. It's now in the region of 1% or so and of that 1% drop half is in labour supply and half is in productivity but half a point each roughly. Some of that labour supply and some of those half point drops may have been just because of experience and some of them may well have been, and probably are because of developments in the economy, including the consequences of the referendum.

Mark Carney: So, just to try to bring it together, I think in terms of the Bank of England's contribution, and as you know in terms of monetary policy it's principally about the nominal side as opposed to what's happening on the real side, so the rate of growth of productivity are certainly, well, on the margin we could affect labour supply, certainly in the short-term but the big call we've had to make on monetary policy, or one of the big calls we've had to make in monetary policy, which we made very early on was that equilibrium interest rates were very low and likely to stay low for a very long period of time and that's something, you know, in December 2013 and then codified in the February 2014 monetary policy report we set out why we thought that was the case. Phrases come in around that, limited and gradual at the time then to try to get that point across and help companies and households form expectations about where future interest rates might go and then act accordingly. That helps, in our view that helps both on a cyclical basis to use up that spare capacity but for structural supply, if I can put it that way, or structural potential growth, our principle contribution as an institution is around the financial sector, so a different committee, the financial policy committee. We had to finish the job on the banking sector restoring to health but ensuring that market base finance was as robust as possible.

I think there's been considerable progress but as we sit here today, and I'll finish on this, we do think that certainly small, medium sized enterprises remain underserved by the financial system and so there are supply opportunities that can be unlocked there and that's part of the future finance work that Dave and others are leading.

Phil Aldrick, The Times: Phil Aldrick at The Times. Markets have been convinced that this was going to be a rate cutting meeting and that was driven by speeches given by yourself and others on the

MPC at the start of the year. Has it turned out it's actually relatively hawkish? You seem to have dropped the limited and gradual language and are suggesting that we're going to have to have some tightening ahead. Just in the context of forward guidance, which obviously you introduced, does this suggest that it hasn't worked and would you recommend that your successor maintain forward guidance?

Mark Carney: Well, so a big question. Let me go from the general to the specific. In terms of forward guidance, it's part of the armoury of every major central bank the world over. It is not the only tool, it's one of the key tools that we at central banks have and it is particularly relevant in the following situations. (1) When equilibrium interest rates are very low, secondly when you are at turning points, either in tightening policy or loosening policy to provide some dimensions around that. I think, you know, the jury is in at least on forward guidance and utility in general. Secondly, I'll just refer back, and I won't repeat it but to part of my comments to Chris Giles which is that where it's relevant here is a couple of big calls that the MPC has made, and it's the MPC. It's not the governor, it's the MPC that has made initially in terms of trying to secure the nascent recovery, providing guidance about rates and moving the market off what was a demand driven reaction function, for good reasons but historically a demand driven reaction function of previous MPCs. Then making a call about the low level of rates for a period of time and then when moving into tightening modes about the degree with which rates might move, which is when limited and gradual was particularly relevant, and remember this is guidance that is in fact predominantly and first aimed at households and businesses so that they have an understanding of this and I think there's considerable evidence that it was effective and continues to be effective in terms of their rate expectations around that.

Now, if you move to the current situation, I think it's pretty clear that the speech I gave at the start of this month underscored a debate within the committee which was flagged in the minutes of the December meeting and also the November but more sharply in the December meeting, which related to whether or not we were going to get a bounce following the election and potentially greater clarity, and whether or not the global economy was going to turn. Literally what I did was repeat what was in the minutes to say there's, you know, there is a debate at the MPC and there was a debate. There was a debate then and there was a debate over the course of this month and you'll have to wait eight years for it but in the course of the actual meetings of the deliberations. A majority of the committee came down on the side of holding policy because, as I said, you know, so far good enough but making it clear that the data needed to fill in or else some additional stimulus would be required-, would likely be required, I should say, to reinforce the recoveries in GDP and inflation. The last thing I'll say is that the premise of your question, as you probably know, is wrong because you had a 45% to 50% probability in the market of what we would do at this meeting.

I'm sure people who were priced on one side you've spoken to who say X but there's a lot of people on the other side, that's what a market is and market can read the data and different people in the market had different views on what the right decision would be or what our decision would be. We're the ones who take the decision and the judgement is laid out and we'll see how the economy evolves consistent with that.

Lucy Meakin, Bloomberg: Governor, could you give us a little more guidance on what we should make of you dropping the limited and gradual guidance? The minutes now say 'some modest tightening might be needed' but the forecast indicates inflation only hits the target with a cut, so how do we reconcile that?

Mark Carney: Yes. Well, you have two things, Lucy. I'm glad you reinforced that. One is that we use a conditioning path, as you know, which gets set in stone a few days prior to the release of the reports, so it's a fifteen day conditioning path that rounds to about 60 basis points, so there is a reduction and then a pick up in the market curve that we have used for the forecast. That, as you would have clocked, that leads to inflation being slightly above target at year three, so not consistent with the remit and we're not in exceptional circumstances at this time. We haven't flagged that, so it isn't consistent with sustainably returning inflation to target. It does get to the point of if the other aspects of the forecast are accurate or if the economy broadly follows that, what's the path of policy that would be consistent with returning? There would be, as said, some modest tightening. It actually is the opposite of what Phil said because-, that's two things that were the opposite of what you said. I mean, limited and gradual, things are gradual if there's multiple. Things are modest if they're not.

Russell Lynch, The Telegraph: Russ Lynch from the Telegraph. Governor, just a thought. Given your slightly more pessimistic view for the economy supply potential, what you thought you of Chancellor Javid's recent comments about his ambitions to raise growth to 2.6%, 2.8%. Do you think it's achievable?

Mark Carney: I'll say this which is that the chancellor's focus on these issues is very welcome. I mean, it's consistent with the issue, which is that I know he personally, the government in general, people up and down the country are disappointed with the underlying performance of the economy and recognise that some fairly-, potentially, I'll leave it to others to decide what but potentially large structural changes need to be made in order to get that rate of growth of supply up because ultimately that translates into higher real incomes for all of your readers or listeners. The chancellor speaks for himself but would recognise that this is not something you change overnight, it's something that is developed over a period of time. It takes concerted effort, investments or policy changes which have longer paybacks to them but paybacks that keep giving because if they're effective they've actually raised the rate in which the economy improves, people's incomes approve over time. I'll stop here, you know, it's a common issue. We're just calling it like we see it at present in terms of where the economy is likely to go and that gives some guide to where monetary policy would be. For the government, for the chancellor they're looking at addressing some of the underlying issues but we should be judged on a two to three year horizon. I wouldn't judge them in terms of moving the speed limit of the economy over a similar horizon if they're really going to achieve it.

Joumanna Bercetche, CNBC: Joumanna Bercetche from CNBC. I'm surprised to hear you still talk about the potential for monetary tightening, particularly in light of your growth forecast. You still have a forecast of about 75 basis points for this year, very low compared to what you deem as a growth potential, so where do you see the possible growth tailwinds coming from and how likely is it really that you end up in a situation where you end up tightening this year?

Mark Carney: Joumanna, I think the issue, what the committee is flagging and it's related to the questions on the supply side as well, it's that if you have relatively modest supply growth, and that is what our forecast is and is laid out, that if we get this recovery, and that is an if, and the bounce that comes from that, we are starting from a position of some slack but if that's used up and we move into excess demand and at least on the forecast also published is that the economy ends up in about 0.75% excess demand by the end of the forecast. It's not like monetary policy stops at that point, inflation is above target, you've got excess demand, the world moves on and at that point-, well, I shouldn't say 'at that point' but the prospect of some tightening farther out, which is the way we've described it, it's a modest tightening farther out exists. That's how it all ties together.

David Smith, The Sunday Times: David Smith, Sunday Times. Governor, I wanted to look back a little as well. When you took over the bank in 2013 the bank rate was 0.5%. As you leave it's 0.75%.

Mark Carney: 50% higher. 50% higher I believe, yes.

David Smith, The Sunday Times: Notwithstanding what you said about low equilibrium interest rates, if you'd been told back then that the process of normalising rates would be so slow, would you have been surprised?

Mark Carney: I mean, the short answer is yes and you inserted the right caveat though to that, which is that -, I mean, I guess one of the disadvantages but also sometimes advantage of being a governor is everything is on the record, so if you look back at the speeches that the Bank of Canada and the run up to it, you know, talking about living with low for long before I came here. Now, but my view then wouldn't have been that equilibrium rates wouldn't have been as long as they have turned out to be, first point. Secondly, I do think, my view, step back from the committee, although there is an MPC framework which is consistent with what I'm about to say but different members of the committee would have different views on where r-star actually is in the UK. It's that UK r-star has been lower than global r-star, the equilibrium rate in the UK has been lower than global r-star in part because of the uncertainty the economy has been working through and up until very recently because of a sustained fiscal contractor. Consolidation is a better word. Now the latter is going away, shifted with the spending round, so we're in expansion mode. We don't know what's in the budget but, you know, signals are that there may be more fiscal stimulus to come. All things being equal pushes up a bit equilibrium rates in the UK and one of the questions is around uncertainty.

We've seen the bounce in the surveys, it's corroborated with our own agent's work, at least directionally that uncertainty has gone down and investment intention picked up but that's a very short time series on that and I think we're all conscious that, you know, there's less than twelve months to negotiate and implement a new trading arrangement, so we'll see to what extent that is sustained. If we do get that reduction in uncertainty as well, a sustained reduction in uncertainty in the UK, that's another thing that would push up equilibrium rates on the margin. Still, it's relative to history, relative to including what would have been my expectations in 2013 when I came here, still even within that, even with those tailwinds, if you will, to equilibrium interest rates it still would be lower than I would have expected then. The last thing I'll say though is that the revealed outturns on inflation, not just in this economy but globally, I think validate that view that equilibrium rates have moved down quite substantially and there was a lot of noise in 2012, 2013 when a few of us were talking about this that this just couldn't possibly be right but unfortunately it is. Yes, Francine. Sorry.

Francine Lacqua, Bloomberg TV: Francine from Bloomberg TV. Governor, is the Coronavirus actually the biggest risk at the moment to the global economy?

Mark Carney: Let me answer it this way. I mean, I think the first thing we should recognise is the virus, as you know, is effecting a number of people and we should acknowledge the difficulties and the pain for those directly affected and the anxiety for literally, I suppose, hundreds of millions of people now whose lives have been at a minimum disrupted by the risks around this and all of this taking place not just in the world's largest economy but now spreading out to other economies. We need to acknowledge that. It's very early days and we are like others monitoring this quite closely, as you would expect. Like Chair Powell yesterday, I don't want to speculate in terms of orders of magnitude of impact on potentially global activity and the flow back to the UK but it's something that we will be looking at very closely and, yes, it has now moved from something that wasn't there prior to the start of the year. I mean, it was really only identified, as you know, on New Year's Eve. Western New Year's Eve, not China New Year's Eve, December 31st, and so it is fast moving. It's a fast moving issue, yes.

Larry Elliott, The Guardian: Larry Elliott of The Guardian. Governor, you're coming to the end of your term here, so as you look back over the last six-and-a-half years what do you think has been the biggest regret or the biggest mistake in monetary policy in that time? Assuming you think there's been one, of course.

Mark Carney: Biggest regret? I don't have a regret actually is the short answer, rather than give you a clever answer. I don't have a regret on monetary policy.

Jason Douglas, Wall Street Journal: Jason Douglas from the Wall Street Journal. Again a question on the supply side and so on. You mentioned this disappointing productivity growth has been a feature of your tenure, it's not just been in the UK but plenty of other economies as well. I guess my question is looking back or, you know, from what you've learned over the past six-and-a-half years do we feel any closer to figuring out exactly what's going on? Is there a particular explanation or a particular mix of explanations that that especially persuasive?

Mark Carney: Yes. I mean, you're right, Jason, in your question to say there's a mix of explanations and early on there were more immediate and obvious in terms of the scarring from the financial crisis both, you know, and I touched on that a bit earlier. More recently one can see and identify, and it's false precision to try and put a specific number on it but can see some of the impacts of uncertainty and diversion, if you will, or sensible contingency planning for Brexit, we can see some of those aspects that have weighed on some of the pick up. There's a feeling that there's more generalised underlying factors here and I'm tempted a bit but I wouldn't be conclusive about it in that when there are fairly substantial technical changes, technological changes rather, the reorganisation of an economy tends to take a period of time and initially, I mean, it's a famous line but it happens to be true, you know, 'computers were everywhere but in the productivity statistics' until they started showing up in the productivity statistics quite dramatically. There are just a series of adjustments going on from machine learning to Internet of things, to genetics and genomics and beyond.

That just takes a while to flow through into a wholesale reorganisation of how we operate. Even at a cutting edge institution like the Bank of England but if you think about the way we're organised, we have fairly substantially re-organised how we take decision and how we have information flows but we are not at the cutting edge, we're far from the cutting edge in terms of how we use big data and machine learning, you know, the forecasting tools and others that would come out of that. We've just reorganised and sent a bunch of people on that task but the productivity aspects of the new technologies that are out there are not being applied to monetary policy in the way we would want, or other things we would do.

Harry Robertson, City AM: Harry Robertson, City AM. My question is also about productivity. I was just wondering whether you could please talk a little bit about what effect you think Brexit is going to have on productivity and the bank has repeatedly downgraded its growth forecast. If productivity doesn't pick up can we expect that trend to continue?

Mark Carney: Yes, do you want to field that? Thanks, Harry.

Ben Broadbent: Well, on the last point, for what it's worth, we now basically no longer expect much of a pick up, so if it doesn't pick up our forecast will be right or at least if it stays where it is. If you look there's a table at the top of six where we break it down and that row three from the bottom tells you about underlying productivity growth and we've got it now running at 0.5% a year over the forecast period compared with an average of pretty close to that over the last ten, whereas previously we've been always expecting some recovery in a growth rate which historically might have been somewhere between 1.5% and 2%, just to put it in context, the last ten years. I don't know if I can give you precise breakdowns of those effects, you know, the effect of Brexit in the forecast. Part of this downgrading is that a given estimate of moving to a new trade relationship, which does have some of these effects. More of that is now in the three-year forecast period, so just by virtue of rolling forward over time that number will have come down on its own. Part of it is taking account of what looks to be and what is assumed to be in the forecast now a more abrupt, more immediate move, which the governor explained earlier and then some of it is just learning from experience. Even some of that experience of the last two or three years may itself have reflected, as the governor explained, the effects of some of the preparations for Brexit.

It's very difficult to give a precise breakdown of the extent to which a reduction in that half point from, as I explained to Chris, maybe 1% two or three years ago is due to Brexit. I don't think I can give you a precise number.

Matei Rosca, Politico: Matei Rosca from Politico. I want to ask about the financials that in the assumed transition to free trade agreement next year, how would that effect the provision of financial services from the UK to the EU and how important that would be to the economy, how big an impact? Thank you.

Mark Carney: How important is it to the EU economy? It's important to the EU economy I might add. Certainly an abrupt cessation of financial services from the UK to the EU economy would be notable. From what we have in our forecast is we do assume that automatic passporting rights are lost and that is part of the adjustment in productivity and supply. It's in the growth numbers, if I can put it that way, and that's assumed to start January 1st of 2021. There's also some effect on some legal services and other service sectors, principally on the legal side, that are there. It is in the forecast though that EU style equivalence is granted, which mitigates-, it's important to recognise that equivalence doesn't cover all of the sectors and that is why you both can have equivalence but also lose passporting, as you can appreciate. So, if that equivalence weren't granted then it would have a bigger impact. I don't have a number I'm about to give you. It would also though have consequences for-, and I'll give you a number on this which is that, for example, one of the issues in EU equivalence, as I'm sure you're aware but it's been a while since we've talked about it, is whether equivalence is granted for central counterparties, central clearing of interest rate derivatives. In essence, if it's not granted and there has to be repatriation of clearing of euro denominated interest rate derivatives between EU-based counterparties, that's about 13% of the overall market.

You pull that slice out of the overall market, it doesn't make that much of a difference to the economics of what's left, the other 87%. It makes a huge difference to the economics of what's been taken out and each basis point of differential is worth €20 billion a year of cost, okay? If you look at Japan, which has an on-shore off-shore clearing market, which has this issue, it fluctuates somewhere between one and five basis points depending on the time of year. Those are big numbers and those are numbers that are borne by ultimately European corporates, pension funds, ultimately European. So, there is an assumption of equivalence. This will be determined by a negotiation on both sides but there are also economic incentives for some of it to be in place.

Nejra Cehic, Bloomberg TV: Nejra Cehic, Bloomberg TV. Governor, you suggested earlier that the market over interpreted your January speech but the market also did reprice quite aggressively following a lot of the survey data that you mentioned in your opening statement, the PMI, the CBI manufacturing optimism and also overnight the Lloyds business sentiment survey. You've previously said that in times of extreme uncertainty PMI data can be a little bit misleading. Now that the withdrawal agreement is out the way, are we entering a period of less extreme uncertainty which means that the MPC will put more weight on the forward looking survey data, in particular the PMIs?

Mark Carney: Yes, it's a good question. Yes, the market moved up with partly framing of the debate, subsequent comments from colleagues, backward looking data that showed the economy weaker than people had expected prior to the election, something I mentioned in my remarks, and then gave up some of that as the survey data and the most recent vintages of the surveys have been amongst the strongest. So, second part of your question is will we put more weight on these surveys because there has been a wedge, particularly on the expectations element of the surveys have been less reliable guides and have tended to over-predict in terms of growth. It's a joint question really because it depends on whether uncertainty also remains low and we'll see the performance of it. I guess I wouldn't want to tie the hands of the MPC. I mean, the future MPC, they will be looking at a range of data. One of the things we did point out in the report, I just can't remember what page it's on but it just actually maps from the various surveys and the vintages in terms of what it implies for growth in the first quarter. Thanks.

Szu Chan, BBC: Szu Chan, BBC News. Just following on from that, in your opening remarks I think you said it's less a case of so far so good as so far good enough in terms of the expected UK bounce back. Does that suggest that relatively few downside surprises would lead to a rate cut?

Mark Carney: Well, the next meeting is March 26th. There will be a lot of data between now and then, a fair bit of hard data, you know, if you go actually back to the question which was just asked which was, 'Okay, you've got the surveys, you put some weight on that but does it fill in?' The committee will be looking very closely at whether that is the case. Also one can expect some, I mean, there will be a budget so we'll find out what's in the budget, or they will find out what's in the budget. There may be, or not, progress on the negotiations.

Jack Dutton, The National: Thanks. Jack Dutton, The National. Governor, my question is on your announcement last month about climate change stress tests and you've obviously asked for industry feedback. I was wondering what the feedback has been like so far and what do you want to achieve with these stress tests, what kind of impact do you want given your next role is going to be to do with climate change at the UN?

Mark Carney: Okay. Well, I mean, the feedback is ongoing. I would say in general the banks, major banks, major insurers in the UK who are going to be part of these stress tests are very engaged with the issue and I think it's important to emphasise that these are not, sort of, gotcha stress tests. They're not stress tests that lead to a change in the capital ratios of the banks or the risk weighted assets of the institutions but they're really stress tests about the strategy of these institutions given rising physical consequences of climate change and also the so-called transition risks of opportunities that come from that transition from where we are today to a low and ultimately net-zero carbon economy. So, it's as much about strategy and that's what one is looking to get out of it. I will say that this is entirely related to the prudential and macroprudential responsibilities of the Bank of England and we expect and know that a number of other central banks are going to conduct similar exercises in their own way to make sure that their systems have strategies that are resilient to what in many cases is the law of the land, which is that the economies would transition to net zero. Thanks.

Mikako Yokoyama, Mainichi Newspapers: Mikako Yokoyama from Mainichi Newspapers. I have a follow-up question, his follow-up question. After Brexit the UK have to start to negotiate with the EU and what is the important thing for the financial sector, how the financial sector relations, negotiate, harmonise or flexibility. Thank you.

Mark Carney: Yes. Well, these are decisions for the government in terms of their negotiating strategy and priorities. Really what I can do though is refer to the comments of the financial policy committee, so the committee responsible for financial stability, promoting financial stability in the UK, that have underscored the importance of being able to maintain the very high standards, prudential standards in the UK, which in many cases exceed international standards, in most cases exceed international standards and underscore the unique nature of the financial system here. It's the most international, it's arguably the most complex financial system in the world. It's certainly the superlatives extend to the relative size of that financial sector, you know, relative to UK GDP, as a sector it's ten times GDP and clearly outsourcing the rule making or the supervision of that sector to other jurisdictions, however competent those jurisdictions are doesn't seem like a very good idea. So, there are reasons why we're big fans of equivalence but we're fans of equivalence that are based on outcomes as opposed to cutting and pasting the rules of other jurisdictions. Okay? Alright, that's it. You've had your chance. Now that you've had your chance I just want to say a couple words, if I may. I do actually want to thank all of you, a number of you have been here through all these long press conferences and my answers, which extend beyond the press conferences.

I appreciate your challenge and your insights while I've been governor and I have to say one of the things, you know, you think about things you've learned in these roles. One of the things that has come, I think, home to me here, well in the UK, is just how tough your jobs actually are. You probably don't get told that your jobs are tough but you recognise that all the time, you're in a 24/7 news cycle, you're in a continuous time social media cycle that you've been injected into. You probably don't have unlimited financial resources, I think that's safe to say, and sometimes difficult operating environments. You come here, we lock you in the vault, we give you bacon butties of uncertain vintage. I think we do. Actually, do we not do that? They always tell me we do that. Okay.

Mark Carney: Okay, well we give you bacon butties that's when it's really bad and then you have to sit through this and then you have to explain very complex subjects to diverse audiences. So, you know, it may not look like it all the time, we carefully prepare for these press conferences because you're insightful, you know what you're talking about, you're challenging and you care about these issues and you're incredibly important for us getting our message out but I think collectively we all do serve the people of this country and because it's the UK other countries, so thank you very much.