Monetary Policy Report Press Conference

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Chris Giles, Financial Times: The forecasts that the MPC have signed off today, include negative rates. And are more positive than they would be on a constant rate assumption. Can we take that as a view that the MPC sees negative rates as boosting economic activity, and therefore inflation? And just a very quick second question. What is MPC's view on how it's going to vote, when it has three dimensions in future to vote on? Will it be QE, rates and guidance?

Andrew Bailey: Well, let's take the first question, Chris. I'm not sure I quite caught your opening words, but I think I got the sense of them. So, correct me if I didn't, as I go along. I'll bring Ben or Dave in, as well. The market curve, as you say, used in this round had a very small negative number at the bottom of the curve. It's not a very big number, so I think we shouldn't over-interpret what we can read into that. In compiling the forecast, we use very standard interest rates impact analysis to compute that impact. So, there's nothing special in there, particularly. As I say, because it's such a small number, it was not something that we considered warranted, in a sense, its own consideration in that respect. So, it's a pretty standard piece of analysis and not something that I would over-interpret. On the question of voting on three dimensions, I mean, let me say this. Your question's a really interesting one and it follows from the point I made about multidimensionality. There's two parts to that. There's multidimensionality in terms of, obviously, having to take decisions on the toolbox. They're different decisions. Then, there's obviously more dimensionality and of course have been for quite a while, now, about which tools to use for those that are available. Of course, that issue has been around for over a decade, now. So, I think it changes, monetary policy, in the sense that, if we go back to the early days of the MPC, and other central banks as well, it was very much a single dimension, in what you might call those normal times that we can hardly remember these days. Nowadays, we do have to take those decisions and we've, in a sense, evolved the decision-making process. Which means that the committee deliberates, if you like, and out of that comes a proposition on which we can vote. That proposition, as you can see, has more than one part to it. Members have to then express a view on each part. So, we've put a lot of thought into the process of doing that, as I think have other central banks, as well. But it is, you're right to point to that. Ben, did you want to?

Ben Broadbent: Sure, thanks, Andrew. I don't think I have much to add. As you say, we've been voting on many dimensions for a long time, now, and in this meeting, you'll see we voted on three, and had been for quite a while. On the first question, as Andrew says, this has been a process, the effect of changes in the market curve on the forecast in a standard way. We've been doing that, again, for some time, to varying degrees but, actually, we've had slightly less of it this time. There have been negative rates at the front end of the market curve. It's pretty small, so it hasn't made much difference. Nor would it, were one to attenuate that effect, but that's not what we've done. We've just passed them through in an entirely

standard way. Thank you. And I don't think it should be seen as a comment on the MPC's views of the effectiveness, as just a standard approach.

Dave Ramsden: Could I just come in, Andrew, and just to reinforce your points that, as well as voting on a number of propositions as part of this multidimensionality, we also, as a number of us have drawn attention to, it means you can also think in terms of policy overall, as a package. How different measures, whether that's QE, the interest rate decision, forward guidance, can complement each other and, indeed, reinforce each other in terms of the overall impact. So, there's individual dimensions and then there's that kind of 'what do they add up to' aspect. Thanks.

Faisal Islam, BBC: Great. Alright. Hello, Governor. Just a couple of questions. Can you explain to us how much or what impact the vaccination plan has had on the strength, the timing or the certainty of the recovery? In terms of post-Brexit trade, you've described the barriers. Would you describe them as teething problems, or as more than that?

Andrew Bailey: Sure. So, I think the way to look the vaccine, to start with, is to start with two things. One, obviously, the first quarter is considerably negatively affected, relative to where we were in November, by the lockdown. But in fact, as you know from previous forecasts, we've used the end of 2019 as the reference-point. The pre-COVID read, if you like. We get back to that point and, pretty much, in this forecast, in pretty much the same elapsed time as we did last time. What that means is that, of course, we do have a more condensed recovery. It's the same recovery, in a sense, but it's in a more condensed period. That is reflecting the vaccination and that does reflect vaccination. So, it is very good news and I want to, obviously, congratulate and pay tribute to everybody who's involved in it. I think it's an excellent story. It is reflected in our forecast. So, that in a sense determines, if you like, the strength, because, obviously, as we were saying earlier, that's related to assumptions about the lifting of the lockdown. Just to be clear, we don't make any precise point in time time assumptions about that, but obviously there's an underlying assumption. But also, importantly, our assumptions about people's risk attitudes and their degree of natural caution because the lockdown is one thing, but people's natural cautiousness in the face of this pandemic is obviously another important factor of that. And so, the underlying assumption is that, again, the vaccination programme assists very positively with both of those. On certainty, I think our way of describing this forecast relative to almost all previous forecasts, except possibly the last one, is we've still got a lot of uncertainty. I mean, the band of uncertainty is still very large. I think it is, though, importantly, a lot more two-sided. In other words, talking about risk, there's risk on the downside, but there is some risk on the upside. Let me just comment on that.

I think the risk on the downside is particularly, obviously, there's potential for the specific form of COVID itself to mutate, and for us to see the evolution of mutated forms of COVID that go outside the range of the vaccines and require vaccine development. A risk on the other side, now, which is newer, is the build up of household savings. To a degree, business savings, but certainly household savings. There's been quite a pronounced build up in

household saving. One of the things we've deliberated on a lot this round is, obviously, the pace at which and the degree to which they will be used in the recovery phase. By the way, I should say that the household savings that have built up are very unevenly distributed. That's important. Not easy to reach any firm view on this because, obviously, fortunately there aren't many global pandemics that we can draw on for past evidence. But we've also looked at evidence from countries like New Zealand and Australia which, obviously, are ahead of everywhere. I think the view is that it's pretty cautious. There is a drawdown on those savings, but it's not a very large one. So, therefore, there is a risk but, obviously, it could be larger. So, there's an upside risk there. On post-Brexit, we assumed in the November forecast that there would be periods of different effects. There would be a longer-term effect from the move to new arrangements, and there would be an adjustment, slash, teething effect. That adjustment, teething effect would, basically, go on over two quarters but would reduce at the time during those two quarters. So far, I think it's fair to say that, obviously, there's a lot of evidence yet to come. We follow very closely, indeed daily. We haven’t seen anything that's caused us to want to change the assumptions we made in November. So, we already assumed a reduction in GDP in the first quarter caused by that. Our judgement was that we haven't seen anything yet to change that view.

Larry Elliott, The Guardian: Hello, Governor. Two questions, really. Quick ones. One was leading on from your statement about the upside risks from the drawdown of consumer savings. I just wondered whether your analysis of Q4, the slightly better performance of the economy in Q4, materially better, was the result of firms becoming better at dealing with the lockdown, or whether it was to do with consumers spending more as the economy unlocked in December? Because if it was the latter, that would probably lead you to think that when the restrictions are lifted this spring, consumption might be stronger than you were anticipating. So, I'd just like your comments on that. The second one is, I just wondered whether you think it's realistic for the markets to be anticipating negative rates sometime next year. Because if you look at your forecast, by the time banks and building societies are ready for negative rates, the economy is going to be growing extremely fast. So, I just wondered how realistic you thought those projections were?

Andrew Bailey: Yes, okay. Let me start, and Ben or Dave may want to come in on this as well. But let me say, on Q4, the interesting thing is that I think many of the numbers on the economy and Q4 have turned out to be stronger than we expected, back in November. Now, we've obviously spent some time asking ourselves the question why. Why we're seeing that. I think there's two broad reasons. One, I think there is a general trend of evidence, and I'm not surprised by this, that we all, essentially, adapt to the world around us. In other words, people have adapted to doing some greater amount of economic activity in the conditions of lockdown. And so, generally, we've seen over the course of the last year now, that the economic effects of lockdowns have attenuated as time has gone on. I don't think it's particularly a story about drawing down savings, but Ben or Dave may want to come in on that. The second thing, obviously, to say about that is, of course, there is substantial policy support in place, both from fiscal policy and monetary policy. On the markets, I would just simply say this. We say at every opportunity, and you'll no doubt have heard us say I don’t

know how many times already, in the first 28 minutes, that there is no signal, in terms of policy-setting, from decisions that we're taking and actions that we're taking on the toolbox. So, my message to the market is, 'You really should not try to read the future behaviour of the MPC from these decisions and these actions we're taking on the toolbox.' We're being very transparent about the toolbox, because I think that's very important and, in any event, to do preparations, Sam and his colleagues have consulted the work of 160 banks, so there's no point trying to hide it. But anyway, that would be wrong. We're very transparent about this, but nobody should take any signal from this. Ben or Dave, did you want to add anything?

Ben Broadbent: Yes, could I? Just a couple of things. One on each, for Larry. I mean, it's true that more businesses were operating or fewer were failing to operate in November than in the first lockdown. There were a couple of other things that contributed to that strength. Estimated output in public services suffered much less than in the first lockdown as well, which has less direct relevance for inflation from our perspective, but there may have been some learning. Equally, the restrictions weren't as widespread in November as last spring, or as indeed as they are now, so we have tried to take into account that adaptation. We nonetheless end up with a prediction for Q1 which is of course a much longer lockdown in November, which is worse in November but clearly a lot better than or less bad than last spring. On the speed of growth, I'll just remind you of something the Governor said earlier, that we're coming from a lower starting point, so what we care about is the extent of spare capacity, and that will have more to do with the level of demand relative to the economic capacity of the economy. So, in some ways the growth rate of GDP at that point is slightly misleading. What you have to think of is the level of demand relative to the economy's capacity supply. We do unfortunately anticipate a rise in unemployment, although we think that will have started to decline before the end of this year. Thanks.

Russell Lynch, The Telegraph: Just a couple of follow-ups on negative rates. The letter from Sam Woods said that-, it talked about the material risks to safety and soundness from a move sooner than six months. I just wondered if you could give us some colour on that, the very particular challenges faced by the banks. Also, I know that this was an operational review about the feasibility of rates, but has the Bank come to any conclusions about things like the reversal rate and how low the rate could go if you indeed chose to use that tool?

Andrew Bailey: Yes, thanks Russell. So, the material risks that Sam was talking about are operational risks. I think, as Sam's letter said, I mean, there's obviously a range of responses to the question of, you know, 'How ready are you to put a negative number into systems?' Not surprising, really. I mean, some systems were probably designed with that thought in mind and some were not, and so the risk to safety and soundness is very much an operational risk, and it's the operational risk of obviously doing changes to systems without doing the rigour of testing, trialling and so on that we expect, and obviously we know that sadly there are some rather well-documented and much-publicised examples of banks doing changes to their systems and getting themselves into quite difficult situations and having outages that are obviously very damaging to the customers and ultimately to the banks themselves. So, we don't want to obviously cause that to happen, so the material risks are all around that, all

around this question of, you know, what the banks need to do for this so-called tactical set of things. We're not obviously asking or expecting banks to, sort of, rip their core systems up and put new ones in, and that's where the judgement that for a sizeable number of firms doing it for another six months would arrive too many of those risks. Reversal rate, no we haven't actually. That's not a subject that we've so far really spent any time on. I mean, obviously it's a well-known phenomenon, it's related to obviously the presence of cash in the economy, but that is not something that we have spent time on. Obviously we've all read the literature. There's an extensive literature out there about that, so-,

Joumanna Bercetche, CNBC: Great. I wanted to ask you about the QE envelope. You increased the size by £150 billion at the November meeting, and if you look at the pace of buying over the last couple of months, you've been averaging purchases of around £4 billion to £5 billion. So, it doesn't seem like you're going to be using the full envelope. Is that the right takeaway?

Dave Ramsden: Great. Yes. So, when we embarked on this programme back in November, £150 billion programme, MPC wanted to hit that target around the end of this year. We were clear at that point that we would continue with the pace as was, and we've reiterated that again today to take us through to the March meeting, so, as you say, about £4.4 billion a week, but then at some point, and we're reviewing this at each meeting, we do envisage, subject to market conditions allowing, slowing the pace somewhat, which is what we would do in order to hit the £150 billion target increase by the end of the year. So, there's no suggestion that we're coming up short in any sense. We're very much on track to complete this programme at the end of the year. If we continued at the current pace we would actually complete the programme a little bit before the end of the year. We've already done about £15 billion or so, so we do need to slow the pace somewhat at some point, but at the moment we're carrying on at £4.4 billion, and the arithmetic, you know, that we're working to is very much consistent with meeting the full £150 billion at the end of the year. Thanks.

Ben Chu, The Independent: On the question of negative rates, a lot of analysts were suggesting that if the Bank was going to do negative rates it would be a no deal Brexit that would force its hand. I know you don't want to take the prospect off the table, but is it-, would you like to comment on that widespread assumption that the risk of the Bank doing negative rates has diminished because we have got a Brexit deal? Also, earlier you suggested on the question of uncertainty that uncertainty, while it's still high, has receded since the last Bank meeting. Is that correct, and is that solely because of the vaccines, or are there other factors as well?

Andrew Bailey: Yes, thanks Ben. Well, I think on the question of Brexit I would just come back to the point I made earlier, which is that actually our assumptions on the impact of the trade deal, now that we know it, this time are exactly the same as the ones we made in November when we were still waiting for it. So, its role really hasn't changed, the role in terms of the forecast in other words, hasn't changed in that sense. So, honestly, I think that speculation that Brexit was going to be the thing that would force our hands, quote, on

negative rates was always, I mean, interesting, and so I think all I can say on the impact of Brexit is that actually, you know, we haven't changed our assumptions. On the question around uncertainty and has it evolved, I mean, I think it has. I mean, obviously-, let's take one thing. Obviously the degree of uncertainty around the trade agreement has reduced because we obviously do know now what it is, so that's one area where I think we can reasonably say that there is less uncertainty than there was back in November. As I said earlier, I think a path for the forecast is that uncertainty over the path of the forecast now reduces over the path of the forecast, with the assumption being that the vaccine-, obviously the vaccination programme is successful, it's going very well, and that its impact causes a reduction in uncertainty. As I said before, it's not just in terms of things like the lockdown, it's also the uncertainty embedded in people's reactions to it and how that comes out in that precaution, so I think it's reasonable now to see a-, I mean, we're still living in a very uncertain world, don't get me wrong, but it's reasonable to see, over time, a way to reducing path of uncertainty.

Philip Aldrick, The Times: Just two quick inter-related ones. You mentioned the upside risk from the household savings being spent more aggressively than forecast. I wondered what the policy implications of that would be if it is significantly stronger than expected, and what gives you confidence that business investment is going to swing in behind the consumer? Have you seen stuff which is promising there?

Andrew Bailey: I might get Ben to talk about the upside risks on saving. On business investments, and we did say in the forecast, business investment recovers much more slowly, so we have a-, in the early days, as it were, the faster recovery is in household consumption, and if I can just, sort of, step back for a moment and say we've had weak business investment in this country for quite a long time now, let's face it. I do think, and it's a very, very high priority for me, that one of the things that we need to work on and see happen in this country in the coming period is stronger business investment for all sorts of reasons, but obviously that will be an important part of underpinning growth. It's an important part of the Covid recovery. It's an important part of the response to the structural shifts that will, to some degree, happen in the response to Covid, particularly obviously the adjustment of trade powers that we expect with Brexit. Let me say that one of the very important things, and you will have seen this in the FPC's record, but it's obviously relevant to the MPC as well, is the work the Bank is doing with the Treasury and the FCA on so-called productive finance. In other words, doing everything we can to unlock the supply of finance to support business investment, which I think is a very, very high priority going forwards. Ben, did you want to come in on this?

Ben Broadbent: Sure. First on the savings judgement, I mean, we've treated in the forecast like an increase in household wealth, which it is, and if you look at the estimates of spending out of that wealth, you know, 5% on annual spending is in the middle of that range of estimates. There might be some upside from that because these are generally liquid assets, bank deposits essentially. On the other hand, they're also skewed towards people who probably in general spend less out of increases neither wealth or income. There may be risks in both directions. Obviously were that to occur, were more of it to be spent, then, you know,

the demand forecast would be stronger, but I think the committee's view was that 5% was a reasonable number given the risks on either side. Thanks.

Oscar Williams-Grut, Yahoo Finance: Can you hear me? Fantastic. Slightly different question from me. Obviously over the last week we've seen a lot of exceptional moves in some retail stocks over in the US. There's a report out this week suggesting that about 400,000 Brits got into investing for the first time last year, more likely to be young, furloughed and male. Is this on the Bank's radar at all, the dangers of the possible inflation of, you know, a bubble or bubble-like movement happening for UK investors, be it seeing some of the moves moving across to the UK or UK investors getting exposure to US stocks? More broadly, would you have any sort of message for these people who are stuck at home and starting to get into the stock market? What are the Bank's thoughts?

Andrew Bailey: Yes. Well, I'll be brief. I think it's really more of a Financial Policy Committee question than a Monetary Policy Committee question, but let me just put that hat on for a moment. It's obviously an interesting question which we're watching carefully, and by the way, obviously I'm no longer CEO of the FCA, the lead authority on conduct, but I would say this. From what we can observe from the US trading patterns I'd say a number of things. I mean, it is very striking actually if you look at a chart of trading volumes in US equities over recent years how much they've gone up in the last year, and actually how much they've gone up since the start of the pandemic. Now, I'm not implying causality there, but it is an interesting at least correlation. I think you're right to point to the risks. It appears that there is very high leverage among many, I think, retail investors in the US and maybe around other parts of the world as well, and obviously that is very high-risk and that puts investors at very high risk of losing their money, frankly. I would also point out two other things, which are more market points. One of the things we do have to watch is this whole question about margin calls on retail brokerage platforms. Clearing houses of course have to make margin calls, that's entirely the right thing to do, but the retail brokerage platforms have to be ready for those and have to stress test their own position. Obviously the substantial price volatility and the very high level of volume has caused those margin calls to happen, and as has been well documented, it has caused, you know, retail brokerage platforms to have to raise money themselves at short notice. So, that obviously has the potential to disrupt what I might call the retail infrastructure. The final thing I'd say on it is that I think what we've also seen over recent times has been more concentrated hedge fund positioning. And that's interesting because of course that more concentrated positioning does increase vulnerability to short squeezing. Now, you know, we've got to be careful here about what's going on. And there'll be much more analysis to come. But it is interesting that this activity has come, maybe you're right, it's slightly with the, sort of, change in people's living regimes, as it were, but it's also come in a period of what appears to have been more concentrated hedge fund positioning. I think I wouldn't go further than that because there's a huge amount, no doubt, we're going to learn about this in time to come.

Holly Williams, Press Association: Hi, Governor. First question, just on unemployment actually. It's apparently been better than expected or better than feared so far. But obviously,

it's been cushioned hugely by the furlough scheme. I'd just be really interested in hearing a bit more on the Bank's views on this and the suggestion that, you know, a lot of people on furlough will be able to go back to their jobs once the furlough scheme ends. But, you know, how confident are you on that and what are your thoughts on possibly seeing a real tidal wave of job losses once that ends?

Andrew Bailey: Well, let me start, I'm sure, Ben or Dave may want to come in. So, I mean, let me say a couple of things. So, the furlough scheme has played a very important role, no question about that. I think it's been a hugely important part of the policy response. The second thing I'd say, as we've said before, I know, and I'll say it again. I mean, the labour market data are the hardest at the moment to interpret. And by the way, the labour market data all round, you know, we spend a lot of time in this round interpreting not only the quantity data, i.e. the employment/unemployment data but actually also the earnings data, which have also been quite strong actually and an interesting question around the role of compositional effects in that. I mean, on the whole, we still think that the underlying or the unemployment rate is higher than the reported one. And we draw that from, particularly the alternative series, the HMRC series, which gives you a read on jobs lost for instance.

So, I do think currently that the rate is higher than it is reported. And that's important because as you'll see from the forecast and the report, we've got a pick-up in unemployment. It doesn't last long but it does pick up as there's a, sort of, an adjustment as the economy starts to get back going. And of course, sadly, some parts don't. I would, however, say one cautionary word that the scale of that pick-up, I would say, has to be calibrated in terms of where we start from. And we probably start from a higher level. But as you said, don't take away from it. The furlough scheme has been a very important part of the policy response. Ben or Dave?

Ben Broadbent: Thanks, Andrew. Yes, just to reiterate Andrew's point about difficulties in measurement. And difficulties indeed in conducting the labour force survey, which is the one that gives you the official unemployment numbers. There's a chart in the report on page 24, I think, showing the contrast between employee numbers, as measured in the LFS and the readings you get from those HMRC sources about how many employees there are. And that's why we think probably the number has been slightly higher than the number of unemployed. And indeed the ONS itself has said that the HMRC series may be a better guide right now to those employee numbers. As far as the forecast is concerned, I think we've had pretty much the same projection for the peak rate of unemployment around 7.75% for the last three MPRs, including this one. So, it hasn't changed in that sense.

It's just moved slightly to the right each time because of the extension of the furlough scheme. But it's a key number in our forecast for inflationary pressure, and as Andrew said, that's why the furlough scheme has been so important.

Dave Ramsden: Could I just add to say that, as Ben was just saying, the peak level of unemployment has been a pretty constant feature and then is in recent forecasts, and then is followed by pretty sharp fall in unemployment over the rest of the forecast horizon as the

economy picks up. And that will be important to ensure that the short-term unemployment doesn't turn into longer-term unemployment. And although that is a forecast judgment and as with previous forecasts, or certainly the last forecast, we do see the risks that there could be slightly more persistent unemployment, not falling quite as sharply. But that will depend on the speed of the recovery and also the ability of people who've unfortunately have lost their jobs to move into different jobs, different parts of the economy as different sectors recover. But it's something that we're incredibly vigilant on on the MPC. Very focused on these labour market developments. Thanks.

Harry Robertson, Business Insider: Hi, Governor. My question's about the bond buying package. Governor, you mentioned last year a couple of times that you would be taking a look at the bond buying package in relation to climate change. And you suggested that that would be something that you'd pick up with the Treasury, who sets the Bank's remit. There's the Budget coming up in March. Will this be something that we'll be seeing talked about in the Budget? And do you expect there to be action on that in the first half of this year?

Andrew Bailey: As you rightly say, we normally expect a remit that's around the time of the Budget. So, we'll have to wait and see what's in that. So, you know, that's just under a month now. So, we'll find out. We are working now on the question of how we would, in a sense, arrange a structure, a bond portfolio, to achieve a climate objective. And I say that because bear in mind, you know, start from where we are today. The corporate bond portfolio we have today is constructed on a strictly neutral basis. I mean, we essentially buy a neutral weighted representative section, a sample of the market for companies that essentially pass credit rating conditions and other associated conditions that we set. But we're neutral. And that’s important. And we would want to be neutral under any, what I might call, public interest objective that we set going forwards. So, the task for us, much like some other central banks, is to define what a workable neutral benchmark would be or neutral measure would be that would work for, in a sense, a bond portfolio which is neutral but is, let's call it, from short-hand climate adjusted.

And the only thing I would add to that is a point I may have made before, but I'll take the opportunity to make it again. In setting that structure, my view is that we want to create the incentives for companies to meet the targets and to meet the investment targets, to meet the requirements on transparency. So, I very much hope that we will see PCFV adopted and become a requirement. So, we will work on constructing a census, a benchmark, if you like, which has the characteristics that it meets the public interests on climate change and sets the right incentives for companies to meet it. Because we don't just want to say we've got to meet it today because unfortunately, any companies that are on a journey, quite understandably. And we want them to encourage that journey because that's the way it will achieve the overall objective and target.

Ed Conway, Sky: Hiya. Can I ask a slightly pointed question on interest rates? So, last year, obviously, you cut interest rates down to 0.1%. But rather than falling, mortgage rates, as you will have seen, have risen. Most types of mortgage rates, at the moment, have risen since

them. So, I suppose the question is, to what extent has that unsettled you? I mean, I'm sure you'll say, 'Well, they would have risen higher were it not for us to cut the rates.' But to what extent has it unsettled you, the fact that that question of the transmission mechanism and the power of bank rate? And then, what bearing does that have on negative interest rates? If you're not able to get interest rates down as much when they're still in positive territory, then what's to say that you're not going to have exactly the same problem when they go into, or if they were to going to negative territory?

Andrew Bailey: Well, no, that's a really good question. I mean, what we've seen over the last year. So, it's not a generalised rise in mortgage interest rates. It's actually quite a mixed pattern. But you're right, that particularly for the higher loan-to-value mortgage interest rates, we saw two things. We saw quite a strong withdrawal of product from the market. That's actually been-, there are pretty clear signs that's reversing now. And we also saw an increase in rates for those products that stayed in the market. Now, I've got to be honest. I mean, what's that telling us? It's telling us, of course, that the lenders have changed their view of the risk premium, if you like, on that sort of lending. That's not, I think, usually surprising in many ways because certainly in the early days, and that's going back to before the Stamp Duty measure, but the Stamp Duty measure is, of course, obviously temporary and it's coming towards the end.

Given the scale of the downturn, you know, it was not unreasonable for a lender to think that there was a much greater downside risk on house prices. And for that to naturally feed through to high loan-to-value mortgage rates, both the availability of the mortgage and the pricing. So, I don't see that as a failure of monetary policy. I think it was a natural, if you like, product of an environment in which there was (a) a big downturn, (b) so much downside risk and (c) so much uncertainty. I think we follow it obviously very closely. We're beginning now to see an evidence of product coming back into the market and I would expect that then to be reflected into pricing. So, I think the story is around perceptions and therefore, actuality of the risk premium and in high LTV mortgage lending. And you can tell, I think, a pretty consistent story around why it happens.

William Schomberg, Thomson Reuters: The minutes had a paragraph about the committee asking the Bank staff to start working on reconsidering the previous guidance for the appropriate strategy for tightening monetary policies should that be required in the future, end quotes. Why the need for new guidance and does this reflect the approach of a time for tightening?

Andrew Bailey: Right, so as with negative interest rates, there is no signal here. This is another toolbox issue. The simple point I'd make is this that the last time the committee considered this question if my memory serves me right, it was in 2018. The world's changed a lot since 2018. The Bank of England balance sheet has changed a lot since 2018. Obviously, we've had to use QE more than we've ever done. And as I say, with no signal whatsoever, I think that it is important that we now start to consider the issues that that gives rise to. It doesn't mean that we will change the view that we reached in 2018 but it does mean

that there's so much has happened that it is something that we appropriately need to start to give consideration to. So, that's what lies behind it. And again, monetary policy has, in a way, become more multidimensional as I said in my opening remarks. We have to consider these so-called toolbox issues. I think we need to be transparent about them. But we also have to be very clear, there is no signal in them.

ENDS