Monetary Policy Report Press Conference

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Faisal Islam, BBC: Thanks, Governor. Are you saying that you can start to see the beginnings of a wage price spiral and how do you communicate that to UK households given the not unique nature but the special nature of the situation that we're in, the terms of trade shock that you talked about, to communicate to households that because their energy bills have pushed up inflation, their mortgage bills might also go up? That's a tricky one. Why don't you have a go at explaining that?

Andrew Bailey: It is tricky, Faisal. Let me say that I'm most decidedly not going to use the phrase 'wage price spiral'. We're not in the territory of that phrase, in my view. What we are saying, and you may have observed I referred a number of times to the survey that our regional agents have done actually very contemporaneously, they finished it literally only a week or two ago, is that we are seeing upward movement in what firms expect to be wage settlements. After adjusting for all the sort of various COVID related effects on the data, I think the underlying rate of wage growth is somewhat higher than we would expect it to be at this point in the cycle. That's something we've observed before but coming onto the main thrust of your question, I mean, you're correct that of course this is a difficult situation. You know, we are we all hope coming out of the COVID period. There is good news in that that the economy has broadly recovered its pre-COVID level of output. I think another very good piece of news is that, you know, let's put our hand up, I think all of us, you know, thought unemployment would be higher than it actually has been and is, and that is very good news. I'll finish by saying and this is a hard message, I know, that we are facing a squeeze on real incomes this year because we've got this combination of high inflation at the terms of trade shock, as I said, the effect of imported prices. We do think that will start to slow demand and it is necessary for us to raise interest, to raise bank rates and therefore to raise interest rates because if we don't do that we think that the effects will be worse because this risk that we get more what I call domestic price pressures coming in, which is in the sense my way of turning round your wage cost spiral point, will get more enhanced. Ben, did you want to comment on that?

Ben Broadbent: Yes, only that, I mean, in our view the main reason for wage growth picking up is actually just the type of labour market, which we've been seeing for a while and we've been seeing the signs and surveys of slightly firmer pay growth for quite a while. It is probable that some of it is a response to the rise in inflation we've seen but in that same agent survey there are many other factors and it's certainly not the main one. The main answer that firms give is there's just difficulty in recruiting staff.

Ed Conway, Sky News: Thanks, Governor. One of the striking numbers in your latest forecast is you are talking about the biggest fall in real post-tax labour income that we have ever seen, at least since 1990 so bigger than we saw after the Financial Crisis, bigger than after Black Wednesday. What does that mean in practice for households around the country who will be looking at their bills trying to work out what they face in the next few months?

Andrew Bailey: Well, I think Ben may want to come in on this question about the record of labour income.

Ben Broadbent: Yes, it's a bit fiddly. It depends on whether you use an actual year or only a calendar year because I just literally I bought in my iPhone so I can get the numbers.

Ed Conway, Sky News: It is big.

Ben Broadbent: No, it's undoubtedly big. I'm just saying it was actually bigger over a single four-quarter period in 2011, so if you only take calendar years then yes.

Ed Conway, Sky News: That was one of the biggest squeezes that we had since Napoleonic times and this-,

Ben Broadbent: Well, no but-,

Ed Conway, Sky News: Depending on how you measure.

Ben Broadbent: Yes. Look, there's no doubt, we can quibble over the data, this is an extremely large rise in cost of living thanks to the big jump in import prices that Andrew was talking about but, I mean, I was just making the point about, you know, comparing like with like.

Ed Conway, Sky News: That was the point about, you know, this feels like a very tough time for households looking at their bills at the moment and trying to ponder how they're going to deal with it.

Andrew Bailey: Yes and what I would say is, I mean, I think if you look at the forecast in the report and the commentary, we've got really in a sense two halves to it. You know, we've got obviously we go into this with a strong labour market, frankly, with the same sort of response to Faisal, you know, quite strong growth in earnings. Unfortunately, we've got a squeeze from energy prices and I've seen the Ofgem announcement this morning and in order to counter the threat and the risk that we see of further pressure coming from the labour market, I'm afraid we do have to raise the bank rates and that will, you're right. You know, this is a lot of pressure on households and, you know, we have to be very clear, a lot of pressure on those households, of course, who are, you know, less able to afford it. I think, yes, the measures as I understand, you know, the government has announced will help in that respect and I think it's important that we separate monetary and fiscal policy here. Fiscal policy can be more targeted obviously and, you know, I leave that to the chancellor but that's important. What we have to do is focus on our objective and say that we've got to get to the point where we can stabilise inflation, we can bring it back down to target and counter the effects of the terms of trade shock. Just to finish, there is an awful lot of uncertainty around at the moment, I mean, you know, you'll observe we only have to look at the volatility of energy prices at the moment to see the nature of the challenge we're dealing with.

Helia Ebrahimi, Channel 4 News: Governor, this is a historic squeeze on household incomes. Your forecasts say they're going negative by 2%, very, very painful for people. People are paying more for food, fuel, energy and their taxes. You said a moment ago that monetary policy can't prevent trade shocks but on top of the squeeze they're experiencing with inflation, the bank is now going to raise interest rates. Aren't you just making a bad situation worse for real people?

Andrew Bailey: Can I respond to that by saying that the reason we have to do this is because if we don't take this action it would be even worse. I mean, this is the problem if we let obviously the shock that we've all already had to inflation be compounded by in a sense what we tend to call the 'second round' effects and particularly through the low pressure in the labour markets. So, it's a hard message. I know it's a hard message. I'm not going to in any sense hide from that but if we don't take this action it'll be worse.

Ben Broadbent: No, I mean, I think it is important to understand that it's not possible for monetary policy to undo the effects on real income of the shocks we've seen and the best thing we can do for the economy, for households, for firms is to do everything we can to meet our mandate, which is to keep inflation stable over the medium term and that is the best contribution we can make to steady growth and a stable economy in the future.

Chris Giles, Financial Times: Governor, could you explain exactly how you think the rise in interest rates is going to effect the economy? Are you effectively when households are down already trying to kick them a little bit harder to squeeze them further or are you trying to change expectations that they don't ask for pay increases? What do you think? How do you think this is actually going to effect the economy?

Andrew Bailey: Well, I would say looking forwards that the expectations point that you highlight is important because it comes back to the point about how particularly bargaining and the labour market is going to emerge. I mean, another thing to say about the labour market is and it sort of follows from what I said about the good news on unemployment, that it is extraordinarily tight now in terms of what I call sort of quantities in the labour market. I mean, I'm sure you all pick it up, when I go around the country talking to businesses, when we all go around the country talking to businesses it's the first, second and third thing that businesses want to talk about, which is pressure in the labour market and the cost of labour. So, to your question, Chris, it is very important and of course it's very important, as you know, with obviously with the lag in the transmissions of monetary policy that, in my view, certainly the expectations element is very important. I mean, Dave and Ben will no doubt want to come in on this as well.

Dave Ramsden: I think the expectations point that Andrew emphasises in which the committee has been flagging for some time is critical here. We've got this agents survey that shows, you know, a very contemporaneous survey showing settlements running at 4.8% this year. Against that backdrop, against the very significant tightness of the labour market that's driving that with unemployment, as Andrew says, lower than I think we expected. That's good news that's forecast to be 3.75% in this quarter, you know, for the MPC as a whole it was clear that in order to manage those risks around expectations and therefore those upside risks around inflation that we tighten policy at this meeting.

Lucy White, Daily Mail: We've spoken about some of the, you know, squeeze that households are already feeling and, you know, are set to feel over the coming months. I mean, even further down the line you've got unemployment rising to 5%, you know, growth slowing. What hope can you give households at any point over the next few years?

Andrew Bailey: Well, I mean, the hope really is that of course we do have a forecast that stabilises inflation and that's important. The other thing I would say and I just want to come back to the uncertainty point again, you rightly say, of course, that the central case has unemployment going up to 5%, so from let's say broadly-, I mean, we think it's going to come a bit under 4% but broadly from just under 4% to 5%. If you look at the alternative projection that we did using market futures prices for energy, actually the increase in unemployment is about half that actually. So, you know, there is a lot in play here, as it were. There's an awful lot of uncertainty in terms of the outlook. There are better outcomes, relatively better outcomes and there are, as you rightly said, you know, relatively less good outcomes. Now, we hope that we'll get the better outcomes, obviously. We really hope that but, as we've said, I have to be honest with you that obviously some of the big underlying drivers of this are not things that monetary policy can influence, and we have so been living through an extraordinarily volatile period in terms of some of these external prices.

Phil Aldrick, Bloomberg News: The Chancellor has just unveiled a package of measures to reduce energy bills by about £200. If you have a straight read across to the inflation, peak inflation at 7.25%, how would that affect it? Also, what's happened since November? The average weekly earnings growth forecast then was 1.25% for this year, it's now 3.75%. So, we've seen a trebling since the November forecast, so what have you seen? What has changed so dramatically in the last two months?

Andrew Bailey: Well, I mean, I'll take the first one. I might get Ben to come in on the second one. So, I'm afraid to say we were briefed yesterday on the package of measures that the chancellor has just announced, entirely in line with MPC procedures, that's why we have a Treasury representative on the MPC. We have not been able to put those through the forecast and we don't yet know the impact, one reason why, it's not just the fact that it was little time, it's also the fact that there's I think some important judgements that the ONS have got to come to in terms of how they impact the CPI particularly, which they have not yet reached. So, we will have to wait for those judgements to be made to assess that and obviously the next forecast will have all that in it. Ben, did you want to-,

Ben Broadbent: Yes, just on the wage growth. I'll start with one slightly fiddly point, several points Andrew has referred to something called 'underlying wage growth' because the headline figures had been heavily effected, as you know, and continue to be effected by changes in the mix of employment. Its compositional effects, as we call them. There's a graph at the beginning of Chapter Three on Page 37, if you're interested. We have had those compositional effects and changing effects in the forecast as well but we think they'll diminish at a faster rate and that is contributing to some of the predicted pick-up in headline wage growth. It's not an economically meaningful thing in the sense that it doesn't feed through to inflation but it's worth remembering that the headline figures that you see and the change that you refer to are effected by judgements about these compositional effects. In terms of underlying pay growth, the more meaningful measure, it's true that that measure has picked up and Dave referred to the agents survey, that's always very informative for us. They do one on pay prospects at the beginning of each year. It's not picked up by as much as the headline numbers you refer to but it has gone up in the forecast and in terms of the underlying reason for that, I think it's the same as we discussed at the beginning with Faisal. It's predominantly the continuing tightness in the labour market, which although unemployment is more or less where it was two years ago, our measures of tightness indicate a lot more tightness than would normally be the case with that level of unemployment.

Phil Aldrick, Bloomberg News: That was the case three months ago.

M: No, no but it's tightened further. It's tightened further and unemployment has been lower than we expected. These measures of tightness have gone further and if you look at that agent survey, that is the main reason for the pick-up in wage growth but just to re-emphasise what I said at the start, the numbers you quite exaggerate the revision in the forecast, the meaningful bit of the forecast. Thank you.

Tim Wallace, The Daily Telegraph: Governor, can you explain how serious this sort of cocktail of effects is that we're feeling at the minute? Omicron whacked growth pretty much down to zero, we have rising bills, rising taxes coming up, now rising interest rates as well. Is this a sort of Black Thursday moment for the economy?

Andrew Bailey: Well, so I'll, sort of, separate those things out. So, at the risk of saying, 'Well, you would do this, wouldn't you?' Let me start with the good news, the effect of Omicron is a lot less certainly than I think it was feared it would be when it initially obviously broke and we were all trying to work out what the effect was. I mean, we took a view on that when we had our meeting in December and our initial view then was we thought it would have quite a disruptive effect during the initial, sort of, couple of months, so really, sort of, the remainder of December into January and a little bit of February but we didn't think it would be lasting. We've obviously now been able to come back and take another look at it with the benefit of more evidence, more of the sort of high frequency evidence and we've actually if anything reduced the effect further because the evidence that we've now got coming through suggest that while it will have an effect, and it will certainly, certainly flatten out growth in these months, it will not be lasting and it will not be I think anything like as big as we might have feared it might be when we first heard the news of Omicron. So that's a better piece of news. Meanwhile, as we've been saying, you know, we've had this remarkably volatile period of particularly energy prices, plus obviously within that volatility some very steep increases in energy prices, which obviously you're seeing in the announcement that Ofgem made this morning. The third thing I would point to of course is that there are two parts to this story about what economists tend to call terms of trade shock, energy is one of them and the other one is traded goods in the sense of more finished goods. That's a story which obviously we've been, you know, talking about for some time, so that's not a new piece of the story but it has persisted for longer. And I think the reason it's persisted for longer, well I should pick out two reasons. (1) we've talked before about the effect of COVID in terms of shifting the mix of demand within the economy from services to goods, it fits in all the stories that you write about, you know, we see in terms of what people spend their lives that doing. And that shift back, so we expect that to revert, but to be frank it has taken longer for that to happen, now that you can link I think to the COVID story, that's the first part. And the second part is that obviously in some parts of the world the response has been different, particularly where there are zero COVID policies in place, and there have been some effects again on supply chains.

And let me finish that by saying I think one of the key things, certainly when I look at the evidence at the moment, you know, I've got a number of things I'm looking at to say how are they going to emerge? And one of the key things is are we beginning to see evidence that those supply chain effects and those goods blockages are now beginning to resolve themselves? And our judgement would be yes we are beginning to see some signs but we need to see a lot more evidence of that to draw conclusions from that. So there is news there but, you know, to coin the phrase the jury it out, and on energy prices I think we've got risks frankly both ways. There's a risk in the best sense of the word that they could come down over time, but let's be honest there's a risk they won't and I'll be quite frank and I'll say if there is any form of military, you know, action around Ukraine that would obviously be a risk the other way, I have to be honest with you. I'm not by the way preaching about what should happen there, it's not for central banks to do but I'm pointing out the risk.

Ben Broadbent: Would you mind if I just add something very quickly to that? I mean rightly Andrew's been emphasising the, as you all have, scale of this increase in energy prices and it is extraordinary, I think, maybe Ed can check the numbers, that this represents the steepest rise in energy costs for household as a share of income in a year, which is the source of your point, that we've ever seen, probably including the seventies, I mean I would have to check that. And underlying that is this huge rise in wholesale energy prices in Europe, so pre-crisis they averaged less than 50p a firm. And in May 2020 they fell to seven, and then just before Christmas they were 415. Now that's since come back quite a bit but they're still four, five times higher than average. And another thing that Andrew mentioned was we've taken what was a pretty cautious view, notwithstanding the upside risks in the near term, about the medium term path of those energy prices, much more cautious than market expectations. And if the market were right, obviously there's huge uncertainty about that, then quite a bit of what we've seen, not all of it, but quite a bit of the increase we've seen will come back. And although we don't spell out the full details of the alternative scenario in which that does happen, it would undoubtedly lead to relatively strong real income growth for households in

2023 and 2024, were that to happen. So there's a question about whether this is permanent, historically swings like this do not last, we'll have to wait and see. I just think it is a fact that relative to the market our forecast takes a relatively pessimistic view of the path of those wholesale energy prices.

Francine Lacqua, Bloomberg: Governor, given the fact that four members actually voted for a 50 basis point hike, do you concede that the Bank of England is behind the curve?

Andrew Bailey: Sorry I couldn't catch the end of it Frances, sorry.

Francine Lacqua, Bloomberg: Is the Bank of England behind the curve?

Andrew Bailey: Are we behind the curve? No. No you should not conclude that from the voting pattern, I think what, and obviously each member can speak for themselves, it was a close call but that's not surprising given the situation we're in. And in my opening marks I said that, you know, it will not be surprising if we see a further increase but please don't get carried away. And there is genuine debate in monetary policy which I think was reflected in the deliberations we've had over the last period in this decision, which is, you know, one route if you like is to take it in steps, take the steps, see what happens, see what evidence comes in and then decide whether to take the next step. There is another, obviously you know which side of the debate I came out on it because you can see, but let me say there's another perfectly legitimate approach which is to say let's observe the risk that we've talked about, let's observe the expectations point that we were talking about earlier and say we should make a larger move now because that will actually send a very strong message. Now that's a very legitimate debate to have, it's been, you know, going on as long as I can remember in monetary policy, it's quite reasonable we have that debate. I'll speak personally now, I think given the uncertainty that we've talked about already, you know, I think there is a strong case in my own view for taking a step, observing what happens, observing what evidence we've got coming in, whether we're seeing a few turning points on things or not, and then we will come back together again and do it all over again. But you can take two views, I don't know Dave do you want to say anything on that point?

Dave Ramsden: You set out the position that I and three other members of the committee took very clearly Andrew. I mean para 54 sets out the thinking of the minority and it really does come down to that risk assessment, as Andrew says, against the uncertainties that we've been talking about. I mean when you look at, you know, the risk is clear whether it's from the agents settlements survey or indeed looking from the companies side, our decision maker panel. Which the latest results from that suggest that companies think they are going to be able to pass through some of the cost pressures into higher prices, so this isn't just about labour, I think the whole committee agrees on this, it's not just about labour, it's also what's happening on the companies side. And so for the four of us in a minority, we thought that risk assessment justified voting for a 50 basis point increase at this meeting but the majority went for 25 basis points and that's where we are. And that's a tightening of policy, which, as

Andrew says, I think still sends a clear signal on the commitment of the committee to get inflation sustainably back to target consistent with our mandate.

Phillip Inman, The Guardian: I just wanted to see if you'd explain a bit more as to why you think that this large hit to real incomes is not going to do heavy lifting that you need? And why you think that that's not enough to bring down demand? Why you still need to raise interest rates? And could you also explain a bit more about why you think that your rate rise won't contribute to people demanding higher wages?

Andrew Bailey: Well I'd get Ben to come in but I would point you to the other version of the forecast that we've published, which is the constant rate forecast, which is also in the monetary policy report. In other words, yes the forecast where we don't move rates and what you see is inflation does not come back to target, after three years it is not back to target. So I think that in a sense supports the argument that we do have to take some action, and underlines why it's needed for the reasons we've been discussing earlier. But Ben, did you want to?

Ben Broadbent: Yes it's a very good question and indeed if you look later on in the forecast, towards the tail end, a combination of the effect of that drop in income and spending, and the rises in the yield curve, in the market expectations the bank rate and which the forecast is based, are enough by the third year of the forecast actually to push inflation slightly below target. But as Andrew says there's more in between, we based this on a curve which had more than one hike priced into it. On your second question, I mean it would be a bit odd, and it certainly runs against the grain of all the evidence that putting interest rates actually increased inflation, so we don't think that that effect is significant enough to undo what are normally the effects in the other direction.

Phillip Inman, The Guardian: I meant increasing rates rather than increasing inflation.

Ben Broadbent: No well the evidence doesn't say that. I mean it is the case that the margin, this will slow down demand growth and add a little to slack, and in the medium term slightly lower wage growth than would otherwise have occurred.

Anna Isaac, the Independent: Thank you Governor. It was really interesting to hear you use the word ingrained, and, you know, that being what this is hike is about, you're trying to avoid that. Could you define your bar for ingrained please? Just so we get a sense of what it is you're trying to avoid, this worst case scenario you describe.

Andrew Bailey: Well I think to use the word ingrained would-, it sort of goes back to the point Ben was just making actually that if we found that wage pressure built in the economy, and that of course would also affect companies pricing behaviour. We don't see that coming off in the way that we think it needs to, to get back to the inflation target, then for a longer period of time, and, you know, I can't tell you how long because frankly that's not something we've in any sense tried to quantify, it would be hard to do so, you would see a much longer period of higher inflation. And then the risk is of course that we come back to the expectations point, the risk is then that becomes embedded in people's expectations and it becomes harder to get it out again. Now, I would just add the point that in a sense of course this is added to by the fact that the good news, the good news I said earlier, which is that we've got a tight labour market. Now, you know, there's good news at a tight labour market, we've come through, fingers crossed, COVID with a far stronger, you know, unemployment and employment record than we feared frankly. So we go into this with a tight labour market. And there's a number of things that you can draw out behind that, I mean we look at them a lot. Unemployment now is really, you know, getting back to where it was pre-COVID. Participation rates fallen somewhat, so that's contributing to a tightening labour market. There is more competition for labour, I mean I would observe that public sector employment has risen during the COVID period, so that competition for demand for labour. And of course we're seeing that in what we tend to call the churn rate and also in the vacancies position, so the churn rate is interesting, you know, both of these have risen sharply, so the vacancies to unemployment has risen sharply, the churn rate has risen sharply. And again, I go round the country talking to firms, we all do, you know, there is a lot of talk about competition and people moving for higher wages, and of course that does eventually feed through into the whole economy. So, you know, in terms of the dynamics of this point you rightly raised about ingrained, those are the sort of dynamics, and if those built a lot further then we would I think get a much more serious situation.

Arthi Nachiappan, The Times: Looking a bit further into the longer term, we're looking at after only twice wage growth contracted since 1990, it's set to contract this year and next year even though it's more significant this year and inflation is set to remain above 5% next year according to your forecasts. Do you think households are prepared for the impact of this to last for as long as this is supposed to given that we haven't seen this kind of situation in more than 30 years?

Andrew Bailey: It's a really good question and it's a difficult question to answer because I don't think we have, you know, a direct observation of the thing that you raised, which of course it would be very interesting to have by the way if we could sit households down and say, 'What do you expect in that sense?' I mean I would conjecture that I think, you know, news of the sort that we're obviously having today, and I'd say plural because obviously both the Ofgem announcement and obviously our own rise in bank rates, will obviously affect households thinking about this. I think, you know, it would be hard to think that the news of the last month or two, and the amount you've all written about cost of living which is sensible by the way don't get me wrong, I mean that's what you should be writing about in many ways. But obviously you're part of that, I mean it feeds through into thinking of households. So I would expect that households are adapting their expectations, I mean I was saying a few minutes ago that, you know, in my own position of the take a step on interest rates, observe what happens, one of the things we'll certainly be asking our agents to look at next, certainly from my point of view, is, 'Are we starting to see signs of consumption expenditure by households adjusting down because of the growing concern,' that you rightly point to. And are we observing the evidence and the forecast that the squeeze around incomes is happening.

So yes we'll be watching out, that's a, I think for me anyway, quite a key indicator of what we're going to see next.

Jack Barnett, City AM: Governor, do you think there was an opportunity missed in the second half of last year to begin this rate hike cycle and potentially curb this 7.25% pique inflation you've got forecasting in new forecast.

Andrew Bailey: Well can I say nicely that we do have to avoid hindsight judgement here. So we do have to go back to the context that we faced at the time, and let me make two points, I think Ben may want to come in here as well. So let me go back to one particular point and then make a more general point, the particular point you might point to is obviously back in November, but the issue we faced at the time on which we had to make a judgement was to do with the effects of the ending of the furlough scheme, and the fact that far more jobs were using the furlough scheme right up until its end state than we expected. So that in a sense led to a, sort of, bigger question about what the effect was going to be. Now with the benefit of hindsight, you can barely see that in the labour market data, that's true. I would say, and you may say he would say this wouldn't he, so I'm just going back to a point I made earlier about Omicron, I mean we also had to make a very big call on Omicron back in December when we did the first rising bank rate, when we took a view on its severity and, you know, I think broadly we took the right view. But let me go back, as I say the November judgement was all about the furlough scheme. Let me just start the more broader point but I'm sure Ben will want to come in on this, if you think about the lag in the transmission of monetary policy, and let me of course point again about this is predominantly a terms of trade shock about which monetary policy cannot do much. But let's take that point off the table for a moment, you know, if you subscribed to the view that we should have been raising interest rates, you know, at a point when we can of have affected this, notwithstanding what I've just said, you would have been saying, 'We would have been raising interest rates during the some of the pique periods of COVID.' And I really don't think that's a very, you know, contemporaneously not a view that I think really holds much water. But do you want to?

Ben Broadbent: No I mean that was the main point I was going to make that to suppress the inflation we're getting right now and the pique in April would have meant (a) given the lags to have had the foresight that the wholesale gas price would not stay at seven pence per firm but go up well over 200, eighteen months, two years beforehand. And (b) to have raised interest rates bang in the middle, given the average estimate of those lags, of the first wave of the pandemic and the lockdown. Furthermore because of the unavoidable nature of the consequences for real income, that would not have improved real income now. In order to keep inflation down close to target, even assuming we had that foresight and tightened policy very aggressively in the middle of 2020, the means by which we would have pushed inflation down would have involved much lower wage growth and higher unemployment. So the consequences for real income as it happened would now be worse had we done that, now we'd be meeting the inflation target but one can't pretend either that, you know, putting up interest rates in November or September would have done much to effect inflation. And the only way it could have done, even had we done it earlier, was, because this is the way monetary policy works, by suppressing domestic demand, domestic wage growth and employment.

Andrew Bailey: I would observe an even further, sort of, stand back point on this is that we are of course having to set policy in an era of much bigger shocks. I mean that's the point underlying all of this.

Eshe Nelson, The New York Times: I'm just wondering, are you thinking of this as more COVID scarring? Or is this more like a post-pandemic era in your mind where this impact on inflation that's eventually going to force you to raise rates to the point that it slows the economy? Is this, kind of, still a COVID era, or do you think you're past that?

Andrew Bailey: Well I mean all three of us may have views on this. I don't think it's a story about COVID scarring really. I mean I think, you know, just coming back to the good news, the recovery in employment for instance post COVID is very encouraging. Now I would however make the point because I think you do have to, sort of, bring it back into this point about the rebalancing of the economy because employment arguably-, well not arguably, has recovered in a period where we still don't think demand has rebalanced between goods and services. So you may reasonably come back to me and say, 'It's nice of you to say that employment has recovered, but, you know, what do you think is going to happen when this rebalancing does happen?' You'd expect the economy to work its way through that. So, you know, for me it's not really a scarring story. I don't know, Dave wants to come in.

Dave Ramsden: Yes I think that's right at the aggregate level it's not a scarring story. But as Andrew has emphasised there is a lot of adjustment going on within the economy, you know, we've had sectors opening up at different rates, both globally and domestically, and that has led to some of the supply chain pressures that we're still dealing with. And also some of the factors that Andrew was highlighting that have been driving the labour market tighteners, the fact is that we have seen participation, you know, we're in this position where unemployment has turned out I think quite a bit better than even the most optimistic were thinking but we have got higher public sector employment, particularly in health. We have seen a reduction in participation, so some of that may reflect, you know, some COVID effects still but at the aggregate level that's not really what we're talking about here, we're talking about what's looking like the post-COVID economy. GDP is now back at pretty much the level it was pre-COVID, and know it has been hit by very significant energy price shock on top of that. So I think, you know, back to Andrews point, we dealt with a once in century COVID shock, pandemic shock, now we're dealing with a significant energy price shock. So you have got some big structural factors that we're having to account on.

Ben Broadbent: The only thing I would add is to emphasise that in some ways what we're seeing is, if it's not scarring and aftershock from COVID or more persistent effects, we've talked a lot about this huge rise in the price of trade of goods, energy most visibly but many other things as well. And that I think is an effect globally of COVID, and this switch from service to good demand was a global phenomenon. In the middle of last year, just to give you one very prominent example, consumer spending on durable goods in the United States was a third higher than it had been before the pandemic, now the US economy was nothing like a third higher than it had been but that arose because of this big switch in demand, it was fuelled by the fiscal easing in the US as well, which was itself a response to COVID. And it would have been very hard I think for the global economies suddenly to switch to supplying services roughly to supplying all those goods without some increase in costs, and instead what you have, thanks to COVID, was restrictions on that global supply of goods. And some of those effects are still going, and as Andrew said earlier it's for that reason we think that the rise in these prices has persisted for longer than we expected. Of course the counterpart of that is if these things were to correct, if some of the demand globally switches back, or if supply chains ease, then some of these global trader goods prices, not just energy but others, could fall back. So I wouldn't say it's scarring but globally, sort of, the global economy is still feeling the after effects of COVID.

Matei Rosca, Politico: The 2% hit to household incomes is post-tax, and I wonder if that takes into account the tax increases that are due in April? And if that's the case, could the country actually be better off if those tax increases were cancelled? And sorry a subsidiary question, would it have been impossible to foresee the disastrous increase in energy prices and mitigate it somehow? Thank you.

Andrew Bailey: Well I afraid I'm going to start by saying of course we do not comment on fiscal policy, on other Government policies, we condition the forecast on announced Government policies. And by the way, as I said earlier, that's announced, you know, at the point when we close to the forecast so just to be clear again not on what the Chancellor announced this morning. And I don't make any comment on fiscal policy at all. On the point about, you know, would it have been possible to foresee energy prices, I mean I think Ben has obviously just spoken about that quite extensively. It's really very interesting to look at what's going on with energy prices, and I think you can tell a number of stories, what I think is much more challenging is give, if you like, weights to those stories, you know, give them relative contributions. I mean if I had to tell stories about energy prices, I think you can point to a number of supply disruptions, particularly in terms of the gas infrastructure. You can obviously point to the tension on the Russian, Ukrainian border and the significance of Ukraine in terms of the gas infrastructure and the supply. You can then point, going back to Ben's point about a point I made earlier about the goods services mix because goods are more intensive, the production of goods is more intensive in terms of the consumption of energy. So there is a demand story in there and we see that particularly in parts of Asia. And the final one I'd give, which is much more conjectural actually I have to be honest, but it's important, and it's important going forward, is, you know, are we now beginning to see a switch in the mix of energy demand reflecting the response to climate change concerns, rightly? Are we beginning to see a switch for instance out of more carbon intensive energy sources, coal, into still carbon intensive but relatively less so, so in other words increasing the demand for gas?

And I say that because again I can't give you any sense of a weight of that proposition, but I think it's very important as we go forwards with what is obviously a very long transition, necessarily so, to net zero that we understand the implications of the adjustment path here. And we understand the implications for the demand for conventional energy sources and how those are switching because otherwise, you know, we could get more shocks. And absolutely to your point Matei about can we foresee those, well we should be able to have a go at modelling at least some of those switching effects I think over time, it will make it a little bit less challenging, it's not going to solve the problem but it's important to do.

Holly Williams, PA News Agency: I'd like to go back to an earlier question if I may about whether the bank acted soon enough to raise rates in December. So this is the first back to back rise since 2004 and looks like there may be more on the cards, is there a danger that you're now having to move faster and maybe further to raise rates and that's going to be adding to the shock on households than if you had perhaps acted in November or even earlier?

Andrew Bailey: Sorry I didn't catch the last part, that we've had-, the risk of because of-, sorry I didn't catch that.

Holly Williams, PA News Agency: Are you now having to move further and faster on raising rates because you didn't act soon enough?

Andrew Bailey: Sorry because we didn't earlier?

Holly Williams, PA News Agency: Yes.

Andrew Bailey: No I don't think so, and I think it comes back to some of the points we were making earlier about hindsight judgement. I mean it is interesting actually that if you look at the path of market rates over the last few months, going back to the autumn. I'm not going to comment on the response to today's move because, of course, we've been in this room for a while. The path of the assumed rate at the end of this year hasn't shifted that much. Now, you know, as I said I'm not going to comment on what's happened this morning. And I think that it's important, going back to what I said earlier, to remember that, you know, this point about, in my view, moving in steps, being able to observe the effects of those steps, and the key point I make on this question is it's particularly important because we've really got two parts to the forecast. We've got a first half if you like which has strong inflation, risks to the upside as we've said, and then we've got a second half where inflation is coming off, that's the good news, but we've got risks going the other way because demand is reducing, and there's a clear risk that we can go under target. And I think, you know, there is merit in being able to observe quite carefully how those risks are evolving as we make policy step by step, that's my view. Now, to make the point, a lot of that comes down to how you respond to uncertainty, and particularly given the situation we're in at the moment, how you respond to elevated levels of uncertainty. And as I said earlier to another question, there are two ways of looking at that, I fully recognise. My own view is I think it's important that we take these steps, we're prepared to act, and by the way the Bank of England has now, you know, acted more times than other central banks I would say, I'm not criticising other central banks I'm just making that as an observation, and I think it's important.

But, you know, let me leave with this balanced message. I think there will, you know, most likely, as the forecast says we've not come to the end, but please, I would say to everybody, don't get carried away about that message implies because there is a downside to this forecast which would end up with less action being taken than I think certainly some of us think will be needed.