Monetary Policy Report Press Conference

Thursday 5 May 2022

Faisal Islam, BBC: This appears to be very close to a recession, I don't know how you define it. How can you justify to households hit by this cost of living crisis, further exacerbating that, in the middle of what looks very much like a recession.

Andrew Bailey: Well, thanks Faisal, as you say, it is a very weak projection, it's a very sharp slow down. There's a technical definition of a recession, it doesn't meet that. But put that to one side, it is a very, obviously, sharp slow down in activity. So, turning to the question, I mean, it's a very good question about why, therefore, should we increase the bank rate at this point in time. And I've come back to this analogy that I used and have used recently, of this narrow path. And the challenge, of course, is that on the other side of the path, is where inflation currently is. But, more particularly, the risks as we've see them going forwards, and I would highlight as we say in the minutes actually, in the statement, that the risks are, if anything, on the upside, we think to inflation, going forwards. And that comes, I think, I would highlight two things. One, and we pointed to it, is that we have a very tight labour market. So, yes, we have unemployment currently at 3.8%, we think it will actually down somewhat, and of course, it's interesting looking back I think over the last two years or so, as to how much we now know, and I would emphasise 'now know,' because there was huge uncertainty through the Covid period on this question, and it's a very important question. But of course, the unemployment path has been very different. And the labour market is very tight. I mean, I spend a lot of time going around the country talking to businesses, I'm sure you do as well, and frankly, the first, second and third thing they want to talk about, quite reasonably, is the tightness of the labour market. The challenges they're having in recruitment and what that means for pay.

The second thing is, I would highlight on this risks point, is that one of the things we've highlighted before is that the Covid period did lead to quite a substantial build up in unexpected saving in the economy. So, the question, of course, continues. And, under this new, if you like, setting, of the state of the economy, is how exactly are those savings going to be used, and are they going to be used to, sort of if you like, buffer demand. But of course, then we have to look at that from the point of view of the risks to inflation. So, the point being is, we are walking this very narrow path now. And to your question, I mean, the approximate reason for raising bank rate at this point is, it's not only the current profile of inflation, and what is to come. And of course what that could mean for inflation expectations. But the risks as well. I would particularly emphasise the risks. Ben, do you want to?

Ben Broadbent: No, I think that summarises it well. A very difficult position, reflecting the nature and the scale of the shocks we're facing. And as the Governor said in his opening remarks, the effects of those on real incomes are unavoidable, unfortunately. They're externally driven and not something that monetary policy is really in a position to offset. And it really is important, I think, to keep in mind they are enormous scale. The Governor gave a

figure for the estimated, or predicted, increase in the Ofgem energy cap this year, an estimate based on where the forward market is at the moment. Of, I think, around £1500 per household, very significant. That comes off, on top of what was, I think, something like £250 or £300 rise last year. If you include the rises driven by a mixture of the pandemic and the Russian invasion in prices of other imported goods, traded goods, you can probably more than double that increase in energy, over that two year period. So, we're talking about a very significant hit to incomes. The rise in mortgage costs as a result of rising interest rates is a fraction of that number. I don't know the number precisely to mind, both are estimates, but I'd be surprised if it was much more than one tenth the rise. So that's the unfortunate position we're in, this cost of living crisis, the hit to incomes is unavoidable. The judgment the committee is having to make is, as Andrew said, between the two-sided effects of this hit. On the one hand high inflation now, could persist for longer if it gets more embedded in domestic prices. On the other hand, significant hit to incomes and thereby spending and domestic demand will push down on inflation over the medium-term. And those are the two things we're trying to balance.

Ed Conway, Sky News: Governor, it's really just to, kind of, follow on from that point. Would you say that, you know, this pain that we, that households will be facing over the next twelve months, 24 months, in higher inflation, fall in the standard of living effectively. Is that necessary? Is that the only way of getting inflation down? Is that the medicine we need to take? Is that what you're suggesting?

Andrew Bailey: Well, I think the first thing to say, Ed, and this is really the big difference, in a way, between, as I explained the contrast between the US, the Euro and the UK. The biggest driver downwards of inflation is the shock to real income. This is the point that Ben's just made, really, which is it's not monetary policy, it's the shock to real income. Which, as I said, is, I think, barring one year, is the largest since records began. And that is why, you know, we've been quite careful therefore about calibrating what the appropriate response of monetary policy should be to it. I mean, I would note, that as you can see in the monetary policy report, that the profile that we published for constant interest rates, on the previous setting, it would not bring inflation back to target. And obviously, we looked at that a lot as we tend to do during the process. But I would emphasise this point that in terms of pay, and I'm afraid, Ben has made the point very well. The biggest, in a sense, driver is the real income shock which is coming from the change in the terms of trade. Coming particularly, as we said, from energy prices. And also now, also from some core goods and some food sources.

Ben Broadbent: Yes, in respect of that therefore, I don't think it's right to say it's the medicine. It is its own medicine. The shock that is pushing up prices this year will necessarily reduce real incomes. I mean, in reality in the forecast, the main reason inflation comes down is simply because those global trade of goods prices, most particularly energy, stabilise. I mean, that is by far the biggest reason inflation falls, because it's by far the biggest reason that inflation's gone up. And you simply need to-, the process takes some time, because as the Governor explained, that Ofgem process is, itself, quite protracted. That's the biggest reason. But, in respect of the domestic part of inflation, I wouldn't say it's so much the medicine, but

the very nature of this shock does those two things at once. It pushes up inflation and lowers real income. And that, by the time you get to the end of the forecast, assuming those prices stabilise, that's the bit that in the view of the MPC, is slightly bigger. Which is why you end up with inflation slightly below target, once you get towards the end of the forecast period. But, it's not so much medicine that policymakers are doling out, it's just the nature of the shock itself does both those things.

Larry Elliott, The Guardian: When you say that there's nothing really that the Bank can do to protect people from this hit, aren't you effectively saying, 'Over to you, Chancellor?'

Andrew Bailey: No. I mean, as we know, we don't, in any sense, make predictions, or claims, of what government policy should be. What we are saying, and I think Ben just said it, I've just said it, is, yes-, well, we're going two things. One is we're pointing out the limits of monetary policy in that setting, but also, more than that, I mean, much more than that, pointing out that the biggest effect that's working at the moment is, as Ben has just said, it's a sort of endogenous thing, actually, it's self-correcting in that sense, because of the scale of the real income shock. And that's our task, I'm making no claim, no suggestion, no prediction, or in any other sense, as to what government policy should be. Because, as you know, we take stated government policy into our projections, we don't predict what it might be in the future.

Chris Giles, Financial Times: Governor, you say you recognise the hardship that will be caused. What do you say to households who feel that when they're down, you've just given them another kick.

Andrew Bailey: Well, I think I go back to what I said a few minutes ago, which is, we have been very careful in our response, to calibrate our response, taking into effect the scale of the shock that is hitting the UK economy. And, you know, as you know Chris, I mean, there are people who think we should raise interest rates by a lot more than that, and we don't agree with that. And we don't agree with it precisely for the reason that you suggest. Which is, we have to calibrate these things based on the impact of what is already happening in the economy. So, that's what I would say. Just going back to before, I mean, our response therefore has been fought over a lot and carefully calibrated, bearing in mind that, as I said, there are nonetheless, risks on the upside to inflation. And, particularly, I'd go back to the point about the tightness of the labour market. Because you'll see that we have revised up our view of what we think earnings growth will be this year, based on the tightness of the labour market and the fact that it's tighter now than we thought it would be when we did the last monetary policy report back in February.

Ben Broadbent: And also, you've got to bear in mind, the point I made earlier about the relative sizes of these two influences. The effect of our interest rates on mortgage payments will be a small fraction of the unfortunate and unavoidable hits from rises in import costs. And, it's not to say they don't make a difference, clearly. But, I would also bear in mind that last year, mortgage interest payments as a share of household income were, I think, only 2%, which I think is the lowest figure ever. Certainly since we've got up to date data. So, we're

starting from that position, makes a difference, and of course, at the end of the day, the best contribution we can make, the most important, is to ensure that over the medium-term, inflation comes back to target, in a sustainable and stable way. That is the material contribution we can make. We're unfortunately facing a situation where the rise in import costs, which is unavoidable, is very significant indeed.

Andrew Bailey: Chris, I just want to come back in, actually, because it's really interesting to, and I'm not saying this in a critical sense by the way, to contrast this conversation with the one I certainly have with businesses around the country. Who, are really focused on how can they hire enough people, you know, they're really struggling to hire people. So, the conversation with businesses often goes, 'Well, I know you say there's going to be this big downturn in the economy,' but it's not coming from where they see it and their real concern is they just can't hire enough people to meet the demand they have today. So, it's one of the things we've reflected on a lot, obviously, which is it's a very contrasting conversation you can have.

Dave Ramsden: Yes, and just to reinforce that point, I mean, it comes through, and we emphasise this in the MPR. It comes through strikingly when you look at the surveys of businesses and of households, because the surveys of businesses go exactly to what Andrew's saying. They talk about, still a relatively positive outlook, and particularly driven by their assessment of the tightness that's continuing in the labour market. But then, as we set out in detail, I mean, it's in Chart 2.14 of the document, you're already seeing this real income hit coming through in terms of consumer confidence and consumer surveys. So, in a sense, that's, again, what we're trying to balance with our calibrated policy response.

Mehreen Kahn, The Times: A question about your assumption that energy prices will stabilise by the end of the year. Can you explain what that means in the geopolitical context? Is it based on the continuation of the conflict as we see it, or the end? And, do you also factor in any additional sanctions which could be coming through, including the European Union perhaps going ahead with an oil embargo? Is that factored into this assumption? And secondly, you do forecast that inflation will fall back quite quickly once energy prices have stabilised, is that basically a response to some of the comments you made a couple of months ago about people asking for wage restraint? Has that actually been borne out in reality? We see that wage increases will peak around 5.75%, that's nearly half the inflation rate this year. So, did your message that people should be a little bit modest when it comes to asking for pay rises, is that actually working? Thank you.

Andrew Bailey: Sure. Yes, well I'll start with energy prices. As we said, I mean, we have a, sort of, conditioning assumption for energy prices. And we use future's curves going out six months and then project then constant thereafter. We do, I should say, publish a second version of the forecast, which conditions it on the future's curves throughout. And, by the way, I mean, that pushes inflation even further below target at the end point. On your very interesting question about well, what's shaping your view of the rest of this year, and what are you assuming? Well, in a sense, we are assuming what's in the curves. The way I would

interpret that is, that that does not embody, for instance, a very sharp effect from, you know, any decision to, by the way not just in this country of course, it would be elsewhere in Europe because it's a single marker in gas, to stop Russian gas supplies, for instance. I don't think that is particularly priced in at the moment. So that is, I think, a risk.

On the other hand, let me paint the other picture. Because I think there are risks both ways on this. It is interesting that in the last month, the UK wholesale natural gas price has fallen, from the very elevated level that it was, really, from the middle of February, when the Russian invasion started. To about the week before Easter. By the way, that's actually a divergence from the continental European price which hasn't moved as much. Now, why is that? Well, we're all, I suppose, becoming somewhat knowledgeable on the natural gas market. I mean, it does appear that there have been increased liquefied natural gas flows into the UK, and that has eased the supply-demand balance in the UK market. And, what I would draw from that is, that, and I think it is essential, and I look back at the fantastic work that Kate Bingham and her colleagues did on vaccines. That one of the things that I think is important, as I say, it's not really so much that, it's not particularly factored into our forecast, but it's important on the other side, if we're going to get sustained lower prices throughout the winter that we do take these really important actions to ensure that we've got a supply of energy. Particularly gas, particularly as we go into the next winter, because obviously there's a seasonality to it, as well. So, I think there are risks on both sides there. I think the market view, I don't think embodies all of either side of the risk, unsurprisingly.

On wages, I mean, you'll see that we have, mentioned earlier, we have increased our assumption of pay growth this year. That's based on feedback we're getting, particularly from our agents around the country. And obviously on the picture on inflation as well. Now, as you say, it's still below the rate of inflation. And let me just come back to the comments I made previously. I think what's important is that comment by the way, I was asked a question about wages, it applies just as much to price setting, and therefore to companies margins, that's an important point to make. It is the case that we are worried about second round effects. That's the point I made about the distinction between the UK sits a bit in the middle of the labour market that looks more like the US, and an energy shock that looks more like continental Europe. So, we are worried about second round effects.

But, let me just repeat what I think I said at the Treasury Select Committee, because I think it's very important. The thing that concerns me, and I admit it's stepping somewhat beyond the monetary policy brief, in a sense, is that in, obviously, a competitive labour market, in that process of second round effects, where inflation is rising rapidly. It's those with least bargaining power, and those who are often least well off, who will suffer most in that process, I'm afraid. And I frankly think this is something we should all be very focused on, I think it is a great concern. And I think, you know, when people are thinking about wage increases across the board. And, as I said before, it's particularly high wage increases, it's not any wage increase, it's high wage increase, I would just say, I think it's important as a whole we do think about these effects. Because there are, I'm afraid, distributional effects there, it's

not monetary policy, it's the labour market, if you like, in this particular context, because it is concerning.

Lucy White, Daily Mail: You've been cautious in the past about using the term 'stagflation.' This, surely, is now stagflation, is it not? And how worried should households be about that? And, if I can ask as well, in a sort of related point. Last year, the Chancellor was talking about business investment and wanting to make the UK a high growth business environment post-pandemic. Are you worried that the rapid interest rate rises that we've seen could endanger that?

Andrew Bailey: Well, I'll answer both of them. I'll start on stagflation, but Ben or Dave may want to come in. Actually, to be honest with you, the main reason I don't tend to use the word is that it's not, in my view, very well-defined. That's the main reason. So, I do tend to avoid it simply because it doesn't really have a very good, I know it's quite artful in a sense, but it doesn't have, actually, a very good definition to it. Let me just talk about investment because I think that's a very important point. I think there are two things to note, I would say, on investment, and again, you know, are agents are giving us a lot of feedback. I think two things have happened. One, the continuing elevated level of uncertainty, and here I would highlight the terrible situation in Ukraine and the spill-over from that has kept uncertainty amongst businesses higher than I think it otherwise would have been, and we know that there is a relationship between uncertainty and investment, and it's negative. The second thing that we're picking up is, and I mentioned it in my opening remarks is that the continuing supply chain issues in terms of ability to access goods, and particularly goods coming from, I mean, I'd highlight China as the obvious one that's in the news a lot, also has an effect on investment because much investment does depend on access to goods as part of investment products coming through supply chains. Now, I think, neither of those takes away, I think, as what we see as, sort of, the outlook for investment going forwards. We still think that, you know, the super deduction, for instance, should have a positive effect, but I think it's holding it up, that would be my view.

Dave Ramsden: Just to reinforce that, before I pass onto Ben, you know, we've still got growth of business investment this year showing in table 1.C of 11%, so we have got that recovery in investment. It's not quite as strong as we were forecasting in February, but then, as Andrew says, we had the terrible events in Ukraine. We know that uncertainty is a key driver of lower investment. You know, if you're a business, you will think of holding off until that uncertainty subsides. I mean, the other thing I would say about the kind of context for the economy where we're starting from is the resilience of the labour market. I mean, again, we are in the position where we're revising down the short-term path for unemployment where we were forecasting unemployment would be higher than it's turned out to be, and I think that goes to the business environment in a way, because, you know, you hear this a lot. Businesses are very focused on the labour market, thinking about those hiring decisions, but probably at the same time, given the degree of uncertainty, thinking, 'Well, I would prioritise hiring and the need for staff, maybe over making capital investment for now until, hopefully, that uncertainty that's been such a feature of recent years, subsides.'

Ben Broadbent: I was going to say, I mean, as Andrew said, rightly, these words are not well-defined. We don't use them ourselves. It was used often in reference to the 1970s. It is worth bearing in mind again, I'm going to, sort of, bang on about the scale of these effects. There's a good chart, 3.7 which is on page 92 demonstrating quite how big, this is just for energy prices, as I was saying, leaving aside steep rises and other imported goods and, I think I said, in February, it was getting close to twice what we saw in any single year in the 1970s. It's now more than twice in the forecast because of the invasion and the rising gas prices since. So, there's no doubt the shock is, qualitatively, looks a bit like, you know, one of the things that happened in the 1970s is actually bigger. However, having said that, once you go further out, once these prices stabilise, and by the way, as Andrew pointed out in forward markets, they do more than stabilise, they fall. The expectation in financial markets is not that the prices will be held at these high levels, but even if you assume that they will be, that mere stabilisation brings down import prices. You get into the latter half of the forecast, the economy's growing, inflation is falling. So, it is, as Andrew said, very much a forecast of two halves and one shouldn't only look at what is going on in the very near term.

Geoff Cutmore, CNBC: Governor, can I ask you, was 75 basis points ever under consideration by any of the committee? Was it something that was discussed or suggested and given that we've gone from 8,1 to 6,3 and 3 members of the committee wanted at least 50 basis points, does that mean that 50 basis points is still actively on the table and under consideration for the next meeting?

Andrew Bailey: Well, it may help if I, sort of, explain a little bit about the process and how we do it. So, we have, and particularly, well, obviously, the meetings like this one where we produce The Monetary Policy Report, the committee spends a lot of time in each others' company discussing both the current state of the economy and the outlook and the issues. Out of that, one of my jobs is to formulate a proposition for the committee which I, you know, hope and think and take to be representing what I think is a, sort of, a majority view within the committee, and I say that because, it, therefore, isn't the case that we have discussions where people say, 'Well, what about 25 basis points? What about 75 basis-, it doesn't work like that. We discuss, you know, the state of the economy, the forecast, issues around policy, and then out of that, you know, we formulate a proposition, and then the committee votes on that proposition, and of course, as we see, members can support that. The proposition was 25 basis points, as you can probably tell, and out of that, you know, members say, 'Well, I support it,' or actually as happens and happened, they say, 'Well, actually, I prefer something else,' but you can then deduce from that that nobody actually advocated 75 basis points because nobody's voted for it, and I hope that helps. It isn't the case that we stick on the-, 'What about 75 basis points? What about some other number? We don't do it like that. Hopefully that helps.

Arthi Nachiappan, The Times: I wanted to go back to your point about second round effect. You said that you were concerned about second round effects but I can see in the report today that around 80% of the price rises are due to energy prices and tradeable goods and only a small proportion by other factors. Are you saying that we're not yet seeing second round

effects or that's not something that's immediately of concern or, kind of, how far in the forecast are you expecting it to, sort of, be a problem for the economy, or is it an issue of proportion? Because, I know that, Ben, you mentioned that, you know, it's just the energy prices are so much higher that it drowns out some of the other effects. It would be good to get a bit more detail on that.

Andrew Bailey: Well, let me start. Ben or Dave may want to come in on this. I mean, there are two parts to this. There's obviously, price setting and margins, and also, obviously, pay and earnings, and our agents have been, you know, very active on both. On price setting and margins, it's interesting because our agents, you know, have done a particular special piece of work for us on that and I think it's fair to say that companies come back and say that they are expecting to maintain margins. Now, on earnings, again, you know, as we said in February, the agents have done their earnings survey and they thought the average pay for the share was a bit under 5% expected. Now, that number, and again, you know, a lot of helpful evidence from our agents which pushed up to about 5.75%. Now, as Ben was saying earlier, you know, the really very, very difficult thing about this real income shock is that we can't hide it anywhere. It's going to have its effect, but of course, you know, the second round effects mean that, you know, people can try to get ahead of it, if you like. That's the best way of putting it. Get ahead of it, but of course, you know, if everybody tries to get ahead of it, then domestic inflation will push up and that's the second round effects that we watch for very carefully and we'll have to go on watching for. So, you know, we've seen, as I say, some increase in the expected level of pay and we are getting some reports, so our agents are passing back some reports to us that some firms are having to consider special bonuses during the course of the year to, in a sense, one-off increase forms of remuneration and we have to be careful to include those, so we don't miss them, as they were, in standard ways of measuring. So, it's something we're going to have to, you know, watch very carefully. As you say, though, and you're right, at the moment, by far the larger contributor to the inflation story is the external shock.

Ben Broadbent: Yes, that's right. You're right, it does cloud things a bit and as we've said, the number in the report somewhere is a rough guess. 4/5 of the overshoot at the end of this year, the huge overshoot is due to these external factors, but of course, that means that 1/5 is not and, you know, we've got rates of wage growth, domestic price growth that are currently faster than, consistent with target. That's probably the result of a mixture of two things. One, and mainly, the limited spare capacity in the economy, the very tight labour market, but also, maybe, some, quote, 'Second round effects,' as well. In other words, people and firms trying to make up for some of the losses in real income. So, some of that is probably there. It's just that as you rightly said-, and by the way, that's the stuff that, in some sense, is driving the policy judgement because it's likely to be the more persistent influence on inflation, you know, a couple of years or so ahead. It's just that as you say, right now, the numbers are being swamped by these very steep rises in the prices of energy and other imported goods.

Phil Aldrick, Bloomberg: I just want to pick up the 1970s comparison again. You've got double digit inflation and the risk, as you were saying, that it's actually getting worse, and

very weak growth. We have a real wage squeeze which is worse than what happened in the 1970s, so is this tough patch actually comparable, even worse than the 1970s isn’t it? And on storage, you mentioned energy storage, I just wondered, as you said, that we need to make sure we have enough storage for gas in the UK. Are you suggesting that we need to beef up storage capacity, to do something like that?

Andrew Bailey: Well, I might get Ben to come in on the 1970s. I mean, look, again, please we don't advocate government policy. What I do think, and I don't think that I'm saying anything that isn't widely said, is that I think we need to be very focused on the resilience of energy supply, and particularly going into the winter. I mean, it is, obviously, seasonal in that sense. Demand is highly seasonal, so as we look forwards and given the continuing situation in Ukraine and Russia, we need to be, I think, very focused on the supply of energy. Now, I'd say, I think the good news is that, actually, quite a lot has changed in the last few weeks and months, and that's reflected in this interesting, it's like divergence of UK and continental European natural gas prices, interestingly. So, you know, I think it is something that action has been taken on, but we have to be very focused on it, and I think if we have a shining example of recent times of how to go about this, it must be vaccines. I mean, just absolute focus. You know, this is what, I would say, I think, needs to be done. Ben, do you want to answer that?

Ben Broadbent: Yes, I mean, so, you don't need to make comparisons with other periods of time to realise that this is an extremely severe shock, and I said the rise in energy prices alone was more than twice what we experienced in any single year in the 1970s, but I think beyond that, I'm not sure how helpful the comparisons are. Inflation was far higher for far, far longer than we've got in this forecast. I think there are many big, big differences.

Phil Aldrick, Bloomberg: (inaudible)

Ben Broadbent: No, no, I've said, over that year, but I think, then, to generalise, that everything else is the same, that would be wrong. So, in respect of the severity and rising, by the way, if you look at that graph, you will, for what it's worth, see that the share of energy payments or the energy bills as a share of income for households, so the level as opposed to the change, is not actually as high as it was in the 70s. It's really is the rate of the increase that is so striking.

Dave Ramsden: Just two things to add. So, first one, to build on Ben's point, you know, we haven't got persistence in inflation even with an inflation forecast, you know, using our usual conditioning assumptions. So, we take The Futures Curve for the next six months for gas and then we keep it flat. We've got inflation coming back to 2.1% two years out and it would be, you know, lower than that if it was-, and we present a scenario that shows it being lower than that if it was actually, you know, fully conditioned on the futures curve, and I guess, the other big thing to say is, you know, and this goes back to the answer to the previous question, the MPC is acting to ensure that we don't see that persistence in inflation to ensure that long-run inflation expectations are anchored at the 2% target. You know, we've put up rates in four

successive meetings to 1%, very much focusing on that aspect of inflation that, you know, we are doing something about to get inflation back to target. So, you know, you've got that monetary policy framework which is completely different from however policy was operating in the 1970s.

Jack Barnett, City A.M: Just based on the market implied 2.5% rate path, you're forecasting quite a marked slow down in growth, whereas on the current rate path, so on 1%, the economy seems to be avoiding this, so-called, recession. Given you've signalled that the MPC thinks that further tightening will be possible in the coming months, how much head room does the bank have to raise rates without tipping the economy into quite a severe slump?

Andrew Bailey: I don't think we think about it as head room because head room's only a judgement you can make today, and today we've taken the decision which we think is appropriate for best meeting our objective of price stability, putting it into the context of, obviously, medium-term price stability and avoiding excessive and unwarranted variability in output, so that's what we're doing. Now, I don't look at it and say, 'Well, you know what, we've got X head room for next time,' because next time, we'll have more data, more information and we'll just go back round the table and have to, you know, take our view again, but it's not a view which incorporates head room. I think the second thing I'd say is that, of course, we do condition our forecast on the market path of interest rates, but as I think we've said many, many times before, it doesn't mean we're a slavish follower of it.

Ben Broadbent: Can I just say, I mean, I wouldn't exaggerate the position in either of those forecasts. You know, we've got growth next year close to zero. That's not a slump. That's on the market path, which, as you say, rises, and equally, nor would I describe the path based on constant interest rates as some sort of boom. I mean, it is still the case, even where rates just stay where they are, that growth slows and that unemployment beyond this year starts to rise and that is because of the point I made earlier that the big moving parts here are not policy. The big moving parts in these forecasts are the extreme jump in these import prices this year and there stabilisation. That is the story of the forecast and there is this contrast between the constant rate and market rates one, but relative to that, the effects of that big jump and then stabilisation, they're small.

Holly Williams, PA News Agency: Governor, we're in the middle of the company AGM season and investors are already showing their dissatisfaction on chief executive pay. Given the cost of living crisis and the hardship faced by many, particularly those on low incomes, I'm interested on what your view is, on what you're message is to firms on executive pay, please?

Andrew Bailey: Well, let me say two things. First of all, I mean, it is, of course, for firms to determine their own pay, and of course, for all chief executives, there is always a sort of governance process for that, and a board governance process for that, and that's important. I mean, I just come back to the point I made earlier on, the general approach, and just putting

into context what I've said before, and, you know, to be very clear, I'm not advocating any level, any number, any approach. I just think that in the situation we're in, which is very difficult, you know, for lower income households, and it's particularly difficult when inflation is concentrated in things like energy and food because those are the things-, well yes, when you look at the consumption baskets of different income groups in this country, those essential things take up a larger proportion of the consumption basket of the lower paid groups in the country than the higher paid groups, because they are essential things for living, and going back to the point I made about second round effects, I just think it's important to bear that in mind. I'm not saying more than that. I think it's important to bear that in mind when thinking about this because, you know, there is, otherwise, I would say, a sort of, broader distributional outcome. That's the thing, because it's people who have the least bargaining power in this labour market that will find it most difficult.

David Robinson, Market News: As the banks had many years, many conferences to think about quantitative tightening, why are we only having a gilt sales framework review now and can we also be clear, does what you said today mean there will be no gilt sales until after August? Thank you.

Andrew Bailey: Well, the second question is easy. That's correct. I mean, we’re not planning to sell gilts before August. We have not made any decision to sell gilts yet, I should say, as I said in my opening remarks. So, that's important. You know, the bank can't sell any gilts at the moment, because the MPC hasn't taken a decision either way on that question. What we've asked the staff to do is to do the work, to do the evaluation that we said we were most-, you know, we thought we would take the decision, certainly, on doing, and most likely to do when bank rate reaches 1%, and that's what we will ask the staff to do. So, they will be in close touch, you know, with market contacts and particularly in the gilt market, and can I just emphasise, I mean, if it goes ahead, this will be the first gilt sale process by the bank. So, you know, obviously, it's an important thing to get right if we do it. There is a lot to be done, you know, to plan it, and we're asking the staff now to do the work to prepare it. The other thing I would say, I've been very clear, and I've said this in previous interviews, that even if we decide we are going to go ahead, we'll obviously have to take into consideration the context. You know, both the economic context and the market context when we come to that decision, and we will do that.

Dave Ramsden: I was just going to say, it is worth stressing, you know, as Andrew was saying, we've been doing quantitative easing since 2009, pretty much up until the end of last year, and never started quantitative tightening in that period. We have now started quantitative tightening. We didn't, you know, reinvest the proceeds of the gilt that matured in March. That's taken the APF down from £885 billion to £867 billion, so we have started that, and we've now set out in a very deliberate fashion, building on the strategy that we set out for the first time last August, the next step that could take us towards gilt sales, which would, obviously, given our maturity schedule, would obviously augment not reinvesting the proceeds of maturing gilts, but that's the first part of quantitative tightening, and then you'd have the potential for gilt sales, that as Andrew says, won't start before August. We'll revisit

these questions in August, but given the issues, as we've stressed consistently, that we want to ensure that any gilt sales programme is consistent with effective market functioning with no disruption. You know, from my part, with the kind of operational responsibilities for this, that, in the bank, that's very much the right approach.

Ben Broadbent: Can I just say very quickly. I mean, you say we've been talking about it for years, and that's true and years ago we set out a framework and we updated it last August in which we said we would only begin to consider this once bank rate had reached a particular level. That's the reason we're beginning to think about it only now, and the reason for that is we want bank rate to be the primary marginal instrument of policy, and that means that should we ever, in future, be hit by negative shock, we would want to respond, first, by lowering bank rate, and that's why we want bank rate to rise to particular level before it. That's been the basic approach for many years and that is the main reason why, although we've been talking about it for many years, the decision is only arriving now.

Tim Wallace, Daily Telegraph: Mortgage rates have been mentioned a couple of times here today, what do you expect the effect of your interest rate changes, and also with inflations draining households spending power, might be on the housing market and on house prices in the near future, and what might that mean, in turn, for the economic outlook? Obviously, so far, we've had quite robust house price growth in recent times.

Ben Broadbent: I mean, the house prices have some bearing on the forecast. There's debate about the extent to which they should really count as household wealth, but they certainly had some bearing on demand, but the effects of monetary policy on demand, and thereby, inflation, are much, much wider than that. So, yes, we tend to think about the, so-called, transmission from policy to the economy much more broadly because it is much more broader than just house prices. I think that's all. I don't know if you want to add anything, Dave. That's all I had to say.