Monetary Policy Report Press Conference

Thursday 1 February 2024

Mehreen Khan, The Times: Given that inflation is falling faster than the bank is expected by keeping rates on hold, you've marginally increased the level of tightening in the economy. How can you justify that given that according to your own forecasts, growth is barely above 0%. There's slack emerging in the economy, and inflation is going to be in the 2 to 3% range. So how can you justify not cutting rates and actually increasing the level of tightening that's going to be coming into the economy by keeping rates on hold?

Andrew Bailey: Well, I'm sure Ben will want to come in on this, but I think the key thing to stress, Mehreen, is that what we look at is the level of the degree of persistence of inflation. So as I said earlier, you're right that inflation is now falling faster than we expected. And as I said, we do expect it to come near to target this spring. And that's of course, it's very good news. But we don't expect that to be to be the sustained level. It's as I said, it's going to rise again somewhat thereafter.

And it's really that thereafter period that we are of most focused on when setting policy. We do have to look through the short run impact that energy prices in particular are having. And as I've emphasized, I'll emphasize again, what we need to see is the evidence that the more persistent elements of inflation, I'll point to services inflation there particularly, are going to ease back and allow that move of inflation back to target and for it to be sustained.

Ben Broadbent: Just a couple of small points on the degree of restrictiveness. I mean, first, if you're looking at real interest rates, I think we would tend to think that it's expected rather than actual inflation. It's ex ante real rates that matter more. So, I think the fall in headline inflation is not the thing one should use. The second thing to say about that is that in particular in the mortgage market, but more generally in the private sector economy, its two-year interest rates that are probably more important than the overnight rate and those two-year interest rates have fallen a lot in the forecast. And as Andrew said in his opening remarks, that's a big reason why the inflation forecast, conditional on the market path, is actually higher now than it was before. So, for those two reasons, I'm not sure it's right to say that the degree of restrictiveness is increasing simply because headline inflation is coming down.

Dave Ramsden: And just to add a little bit of context to Andrew's comment about services inflation, I mean, you're right, that headline inflation down at 4% in December. And as Andrew said, that's good news. And it was it came down further than we were expecting. But within the total services inflation still at 6.4% in September… sorry in December. Core goods coming down faster at 3.1 and then energy making very strong negative contribution as Andrew said. But you know services up at 6.4%. That's one of our key indicators, of persistence. And we need to see, even when inflation is down at 2% briefly in the around 2% briefly in the spring, we still think that services inflation is going to be much stickier and quite a bit higher. If you actually look back at that chart that Andrew showed services inflation more than accounts for the whole of inflation, in Q2. So we've still got that persistence.

Faisal Islam, BBC News: Can you just clarify? The forecast seems to imply that keeping interest rates where they are would risk, a sluggish economy turning into a recession. And can you really justify that to households when inflation is going to hit target? Or do you see that inflation at target in the next coming months as some sort of kind of artifice?

Andrew Bailey: Well, if you're referring Faisal to the constant rate forecast, as the sort of the alternative, I think it is important to remember that how the constant rate forecast works in a sense, because what the constant rate forecast says not it's not about whether we, as we did, take a decision to keep interest rates at their current level this time today, that that projection assumes that we keep interest rates at that level forever, effectively for the horizon. And what that means is that you get obviously all that goes with it. You would in that assumption, you get a very sudden shift in asset prices because people are assumed to take that on board. So it's not about saying the effect of not changing interest rates today is to put us on that path. Actually, it's the opposite. I mean, obviously the market path actually did not assume we would change interest rates today. So, they're consistent. And the market is then obviously conditioned on the curve that's in there, which has cuts in rates in it. So, I really would sort of caution that it needs to be interpreted in that way.

Ed Conway, Sky News: Governor, do you think the next move in interest rates will be a cut or a hike, or are you just completely neutral on that at the moment?

Andrew Bailey: Well, I think one thing I would point to is the one change we've made this time is that you will have probably seen that we've removed the language that we had previously in, which had, if you like, a sort of an upside bias to it, which was based on our concerns about persistence and interest rates. And as we were saying a few minutes ago, we've seen a change in that respect. So, where we are today is that I would say, and as I said, I set out what I would call those sort of key questions for the for the MPC. And for me, the key question is moved from how restrictive do we need to be to how long do we need to maintain this position for? That's the key question.

Now what I would recommend is you put those two things I've just said together, if you like. We've taken away the upside, the upside bias. And we've I think the question has moved on to how long do we need to maintain this position? For now, I'm… we are not going to speculate on that. I mean, I think we will be based, as we always are, on the evidence. We go from meeting to meeting, we review exhaustively the evidence at each meeting, and that's the right thing to do, in my view. But I hope that helps because that's the right framework to see the current situation in my view.

Sam Fleming, Financial Times: Let me push you on the same topic. Jay Powell yesterday was able to say that given the positioning of his committee, it was not going to be possible or unlikely to see that they would see a rate reduction as soon as March. Given… could you give us a sense of the debate on the MPC and whether that would lead you to a similar conclusion?

And second question is just on this whole question of the last mile when it comes to getting inflation down. It's something that policymakers around the world have been talking about a lot recently. Given your message on services prices, inflation being sticky, would you say that that is also how you see things and indeed the last mile, the easy part is over in the last mile remains the trickiest.

Andrew Bailey: Well, I'd start on the first question. I mean, I our practice and I think it's important we do stick to this is that I'm not going to speculate on what we do at the next meeting because we're very clear that we take all the evidence into account, by the way, between now and the next meeting, this is the way our timetable works. We will get two sets of both inflation data and Labour market data, and quite a few other bits of data as well. So, we will have plenty more data to work with by the time we next meet. And I do think it's important in the way our system works is that we reserve judgment on that. We will come back to it. But if I go back to the answer, I just gave Ed, within the framework that we've set out, which has changed somewhat, I think that's an important point to make.

On the last mile. I mean, I'll start. I don't think anything's changed in a sense that we are emphasizing this question of persistence, and we're emphasizing the same things that we think are important in terms of indicators of that. Now, I think that the picture has changed somewhat because inflation has come down very rapidly. If you think about and I hope this will be the case, how that feeds through into expectations, how that then feeds through into the real economy and into evidence. I hope that that will obviously be reflected through into the, into the last mile, as it were. But we need to see more evidence on that, as we've said.

Ben Broadbent: Yeah, I'm not sure that I interpret that last mile comment as some absolute thing that intrinsically getting inflation from, say, 4 to 3 is much easier than getting it from 3 to 2. It's more that the shape of this whole episode, where the effects of these huge rises in import prices have dominated the picture. And we always thought at some point those would ebb away. And that's exactly what's happening and will continue to happen. And that leaves the stickier bit. And so that's the sense in which I would view the last mile. And it's that stickier, more domestic component that we've been focused on throughout.

Dave Ramsden: But just to come back, if I may, to Andrew's point of how expectations will also influence this picture, the fact that headline inflation is coming down and is coming down sharply means that, compared to, say, where we were through last year when even last summer, inflation was still significantly higher, that worry about whether you were going to get second round effects from, inflation becoming embedded in price setting and in wage setting. I think compared to where we were then, we have reduced a bit our persistence judgments that we'd put into the forecast to allow for that. We still have some asymmetry, by which I mean we still think the second-round effects will take longer to play out than they did to emerge. But that's why through the forecast and by the end of the forecast, you do see inflation coming back to target.

Helia Ebrahimi, Channel 4 News: Governor, cash strapped homeowners and renters will want to know why you're not acting now. Are you saying that despite the fact that inflation will come down to target in spring, the good news is not that good at all because things are going to get worse again later in the year.

Andrew Bailey: Well, I very much understand the situation that you describe for many households. I think it's important to emphasize again that while inflation is, we think, going to come down to target in the spring, that will not be sustained. We think it will go up somewhat. But let me emphasize somewhat. I mean, I want to make, give two messages here which need to sit together.

We need to get inflation down to target and keep it there on a sustained basis. It is going to go up somewhat after the spring. We think as I said in my opening remarks possibly 2.75%. this is not back to 10%. Let's be clear. That's why I use the word somewhat very advisedly. But it's important. That's not an acceptable state of affairs as a resting place. And so, it's important that we do the rest of the work.

What we will then see if, if we see that evidence emerging, and it goes back to the answer I gave to Ed earlier. Within that framework, of course, we will be able to start then to consider taking the decisions on where we move rates. And I re-emphasize that framework. We've taken away the upside bias. And I'm very clear that the decision and the question we face now is for how long we have to maintain this stance, and we will not maintain it any longer than we need to do to achieve the objective of inflation being at 2% on a sustained basis. And I'll just finish by making a point I've made many times, but it's a very important one. Of course, having inflation, having price stability and having inflation at 2% is by far the best thing we can do for households.

Dave Ramsden: Can I just add on mortgage rates because and we put this in chart 2.7 on page 38, we are seeing that the… what we've seen since our November forecast, which is falls in market expectations. That's fed through into the reference rates that Ben was talking about, which are the reference rates for the key mortgage products. And so, you are seeing quoted rates on those key mortgage products coming down.

Helia Ebrahimi, Channel 4 News: Are they going to go back up?

Dave Ramsden: I'm not forecasting what's going to happen to mortgage rates. It is the case that when they came down last spring, from the peaks in the autumn of 2022, they did go back up. But I mean, mortgage rates at the moment are on clearly a declining path. And that will be determined by the… what happens to the reference rates. But also, in the data we published on Monday, effective rates for total new mortgages decreased in December. And that's the first fall in those effective rates. So those financial conditions that that certainly mortgage borrowers are experiencing are beginning to ease.

Joel Hill, ITV News: I suppose I'm wondering what our viewers will make of this press conference, which I'm sure they are glued to. Governor. What they're looking for from the bank is as clear a guidance as they can possibly get on what is likely to happen next to interest rates. They can deal with the fact that the world is an uncertain place, and that the future is impossible to predict with any accuracy. So, what should they take away from this? Is the bank signalling today that interest rates have probably peaked, and that the next move is probably down?

And I have a second question. Is it likely, do you think, that the bank will be able to get inflation sustainably back to target without higher unemployment?

Andrew Bailey: So, I think the key messages I would emphasize are that we've had good news. Inflation has come down faster than we thought it would. And that's good news. We need to sustain that. But consistent with that good news, we have removed the… what you might call bias we had before, which is that we thought the next move might be up, more likely than down. And that's gone. We've taken that away because we think that good news has taken that away. Now, just to emphasize, using the framework of the answer I gave to Ed, the question has changed now from not how restrictive do we need to be? But for how long do we need to continue to maintain this stance, bearing in mind we've taken away that upward bias, to ensure that inflation is sustainably at target.

Now. I said we can't… it is too soon to take that decision. We need to see more evidence, particularly on this persistence question. So, we're not in the position where we can, in a sense, take that decision today. So, the right decision today is to hold rates where they are. But I want to emphasize very clearly that the framework we now have is has at its core this question, how long do we need to maintain that before we can move on?

Joel Hill, ITV News: So, let's move down. Just the question of when on unemployment.

Andrew Bailey: Well, the projection we have has some increase in unemployment. It is actually a smaller increase in unemployment than we had in the November projection. We've got a somewhat better profile for GDP growth this time than we had in November. So, I would emphasize that yes, it's got some increase in unemployment, but it's a better looking profile than we had in November.

Ben Broadbent: I think I would say that if you step back and think of this, the effects of these, as I say, massive rises in import prices in 21 and 22, one of the things that does is sort of worsen the trade-off between rate of inflation and the performance of the real side of the economy. Equally as those things come down as they have, that trade-off looks a little better. So, there's no doubt that the rise in unemployment that might be necessary to stabilize inflation is probably lower than it was. I can't guarantee there's none. But as Andrew said, the forecast rise we have is smaller than November. And I would guess a few forecasts before that as well.

Szu Chan, The Telegraph: History suggests that most pay deals are done by April. If, in your own words, you're looking for more evidence on inflation before you decide on what to do with interest rates, does that suggest that you want to see how that plays out before you can make a confident call? And as that also suggests that people should still exercise pay restraint this year. And since Joel snuck in a second question, I thought I'd do to Jerome Powell said yesterday that he didn't believe that working from home boosted productivity. Do you agree?

Andrew Bailey: I'm not sure I'm qualified to answer the second question. As somebody who comes into the office every day because I'm sort of old fashioned, but I think I'll, I'll hold on the second question, because I think you need to know a lot more about that subject than I claim to, but let's, I mean, the first question, I think is important, we do need to put I just put this into the framework of the decisions that we've taken. Yes, we've seen a big drop in inflation. What we are looking at now is, as I said, is the indicators of persistence. I think a key indicator of persistence, as we said, is services inflation. Now of course, services inflation does have a big share of Labour cost in it. That's true. What I will say is this, I mean, we as I've shown in the chart, we've now seen the, the, the AWE, the average weekly earnings index come down. It's come down by more than we've expected. I think you saw from that chart. It's sort of re-joined the pack actually, as it were. Those numbers obviously are… all of those numbers are still high by historical standards and they're high by any level that is consistent with sustained meeting of the inflation target. But I think the important point to make there is not I'm not going to preach at this point. Let's be clear. The important point is and I emphasize what I said earlier, actually inflation is now falling. It's been falling rapidly. I hope and expect. And we are seeing evidence of this, that it will pass through into people's inflation expectations and that will get passed through into the economy as well. That's I think that's the important network. Wages are set in markets, they're set in markets. But what we can do is bring inflation down, get that passed through into expectations, which is what normally happens. That's a process that you can sort of rely on happening normally. And that gets reflected into Labour costs and into services inflation. So, it's not a preaching point at all. It's a that's the sort of mechanism you'd expect to see as inflation comes down. And we will be monitoring that very closely.

Steve Sedgwick, CNBC: Governor, very good to see you. just to follow up on that point, and then I've got my own question. I think it looks like from your statements here that you're saying that actually you may have had the good gains from the average wage, growth declines, i.e., you're saying recent outruns in wage growth have continued to be stronger than standard models. Growth will ease more slowly than the range of forecasts from this suite of models. So have we had, first of all, the easy miles on getting wage growth down. And my other question, of course, you're looking for more evidence, and we're going to have more evidence from the politicians because they have a Budget before you have your next meeting as well. Given that this government is not averse to creating a few heartaches for you with interesting Budgets, how concerned are you that the current government is going to throw the kitchen sink at this in order to try and get re-elected? And as such, that's going to create issues for you at the Bank of England. Thank you.

Andrew Bailey: Okay. Well, I'll take those in reverse order. We always condition our projections on announced fiscal policy. In the report you'll have seen that obviously a change from November to now is that we took the Autumn Statement into this projection. And of course, we will do the same again in May. I'm not going to offer any comment or reflection on, on fiscal policy other than to say we'll take it into account when it comes. And obviously that's an important and I said it in my opening remarks. That's an important conditioning assumption of monetary policy. And that's that.

On wages, I don't really agree with the idea that we've done the easy bit, at all. Actually, I don't think that's the way to interpret it. As I said it, it may or may not be the case that there's been some adjustment in the average weekly earnings to sort of bring it back into the pack, and that may be something to do with the way it's constructed, or it may be really in the data. We don't know, to be honest that but it does seem to be now back in the pack. But I don't think it's right to say that that's sort of the easy bit. And it's harder. We've got a profile for, for wages. I showed the, the chart again which shows where we've sort of come down versus what our equations and models would tell you. We're above it still a bit less above it than we were before. Our agents have done their annual survey. And again, we've covered that in the report as well. They've given us the view. They do it on settlements, by the way, not on pay. But you can there's some mapping of the two obviously. And I would say, you know what you see there and what they tell us is they expect a further lowering of the rate of increase of settlements this year. But it's going to come down gradually as people adjust and say, oh yeah, I do see now that inflation is coming down. And that's the process I would expect.

Larry Elliott, The Guardian: What would it actually take for the MPC to cut rates? Is it lower service sector inflation? Is it more slack in the Labour market? Is it a further fall in pay settlements? And I just wanted to follow up on that. Do you require things to get materially better than you’re forecasting or just in line with what you're forecasting to start thinking about cutting rates?

Ben Broadbent: I mean, you've alighted on precisely the set of indicators that have guided us over the last year, and I think those are the very same indicators we will be looking at. As to what precisely is necessary. We don't have exact weights. I mean, I think to answer your question about whether we need to see more than in the forecast, it's worth bearing in mind what Andrew said at the very beginning about these two bookends of the constant rate forecasts and the market rate forecast. If we held interest rates here forever, then given everything else we put into the forecast, we think inflation would fall materially below target. I think that says that we don't need continual downside surprises relative to what we forecast before interest rates can fall. But what we do need is more confidence that that profile is being followed. We have a degree of caution in our forecasts for this domestic disinflation that's reflected in the graph that Andrew showed you right at the beginning about the forecast for wage growth. But as you can see from the vote some people would think there's going to be more persistence than that. So I don't think we yet have sufficient confidence that that profile will be followed, for us to take that decision or think of taking it yet. So I don't think we need to see huge downside surprises relative to the forecast. But we are in a pretty cautious state of mind. And given the uncertainties, we just need more evidence that that path is being followed.

Andrew Bailey: I would emphasise one point to support what Ben just said. Just to be clear, of course we don't need to see inflation back at target sustainably. We need to see it showing very clear evidence that it's heading to. We have a sufficient level of confidence it's going there, that's the point.

Dave Ramsden: The only other minor point I'd add is that, as Andrew flagged in his opening remarks, we do think that in January there might, there's potentially going to be a slight blip up in headline inflation to around 4.1% from 4, and that is something in services like airlines could be what pushes that up. So again we're kind of anticipating that we're looking through that blip as it were. You know we do think that in the various elements that are driving headline inflation are coming down at varying rates. But just to highlight that, that point that Andrew made in his opening remarks.

Phil Aldrick, Bloomberg: Just to follow up on that last point, the markets are expecting the first rate cut in June, and your forecast on the market path is at 2% or just under 2% at the four year horizon, at the three year horizon. at the two year it’s above but at three. So does that implies that the conditioning, the parameters for you to be able to cut rates need to just follow your own forecasts. So if we're going to see a rate cut as early as June, does that mean we just have to see inflation falling in line with what you're projecting? And just on, there's a comment about the Autumn Statement, issues that the tax cuts in the Autumn Statement and their contribution to inflation. You did say that they are slightly inflationary. There's more demand than supply that comes out of those policies. So does that mean tax cuts are inflationary in your opinion?

Andrew Bailey: Well, I'll go back to the response I gave to the earlier question on that. I mean, when we see the Budget, we will obviously factor it into our assessment. And no doubt it won't be the only thing that changes between now and May, as we've seen since November. I mean, on your question about the market path, and what we need to see, I really would just go back to emphasising this point. So, yes, the profile we have today brings us. It has a profile of inflation which stays above just a bit above target through into the third year and then comes down to target. Obviously, we'll keep that under close review. But what I would emphasize is this point that we've said about, if you like, the sort of the persistence element and the underlying elements in there, because that's important. The components are important here. So I'll come back to this fact that what we will be looking at very closely is the, as we have been for some time is these components of inflation, which are more persistent services being say so for key. And then these two elements of the labour market that sit behind it, both the sort of, if you like, the sort of the price and pay elements of the labour market and the quantity side of the labour market.

Chris Giles, Financial Times: Given that we've had, as you say, in 2021 and 2022, very large rises in import prices, which the bank said meant that ultimately people had to take a hit to be consistent with the inflation target. We're now seeing import prices fall pretty rapidly, particularly in energy. How much catch up relative to the pre-pandemic level do you think it's possible to have for wages to be consistent with the 2% target?

Ben Broadbent: I mean, there's a sort of short term answer to that question and maybe a longer term one. If you look at the actual forecasts, I think we have real Labour income by memory growing quite a lot this year, 24 on 23 in total, as it were. Calendar year averages by 2%. Over the medium term once all these global shocks have settled down, they're neither rising terribly quickly nor falling terribly quickly. It will rely on productivity growth. And that's the answer.

Chris Giles, Financial Times: And that's a change.

Ben Broadbent: Well, the levels will depend on the level of productivity ultimately. I mean, there's nothing we can do about the warrant. The real wage in the economy, the level of it will depend on the level of productivity. And that's not something that's amenable to productivity. I mean, if you're asking for any other influences, there may be times when the share of Labour income and national income is relatively low, in which case you might expect a faster increase. Or equally, when it's relatively high, you might expect a slower one. That's not been the case through this episode. The shares of profits and wages have been pretty stable. So I think that would be the answer. In other words, one way of answering that question is that we've not seen, as it were, labour take a bigger hit than, than capital. So I think my answer would still be just productivity, both the level and the growth rate over time.

Andrew Bailey: I'd just supplement that. I mean, I actually we drew this out in the Financial Stability Report in terms of looking at the household financial situation. And two points I mean, Ben's right. I mean, indeed, it was the case last year that we saw positive growth in household real income. And the second thing is that unemployment has risen by a lot less than actually we have assumed it would. And Ben made the point earlier about the relationship between demand and unemployment. And of course, both of those things have supported household income, as you rightly say, Chris. So I think both of those things have been operating in that sense. More so than I think we should say, more so than we expected them to. And that's obviously helpful.

Dave Ramsden: Just to add to those, those points. As Ben was saying, and you'll see this in table one D. We've got a 2% rise in post-tax real post-tax labour income. This year. I mean, just probably I would in terms of productivity. We've done our annual supply stocktake. So we've updated our assessment of the potential supply growth capacity of the economy, if you like, the amount the economy can grow at without triggering, inflation. And that's all set out in section three. But within we've got potential supply growth picking up from the kind of Covid period 20 then to 23 of 0.6%. We've got it rising by the end of the forecast to 1.3%. And potential productivity growth within that is about 0.8 on our estimates. And those are very much judgments. But then if you convert that into wages space, we have got wage growth now coming back I think to about 3% by the end of the forecast, which is consistent with inflation on target.

John-Paul Ford Rojas, Daily Mail: When and if inflation, as you expect temporarily, though it may be, falls to 2% in the spring, as you expect. there'll be plenty of people who declare victory in the battle against inflation. And I just wondered if you think that they would be wrong to do so. It sounds like you do think that, just one other question as well, please. Central banks in the eurozone and the US have more or less told everyone that interest rates are going to come down in some cases by how many times they'll come down this year. We don't do that here. Do we have the wrong model? Do they have the wrong model? Do you sometimes think that we ought to start telling people a bit more about where rates are going to go?

Andrew Bailey: Well, on the first question, our objective, as given to us quite rightly, is price stability and price stability is defined by inflation being at the 2% target on a sustained basis. As you can see from the forecast, it does come down to target, but it doesn't stay at target in the spring. So that's not sustained in that sense. And so as I said earlier consistent with our objective, we look beyond that. Now don't get me wrong, of course, it's good news, I don't want for a moment to suggest, because I said it in my opening remarks, that it is good news that it comes down to target, but we do have to see it on a sustained basis.

On the second question, I mean, central banks do have differing ways of presenting their decisions and what they're going to do next. I wouldn't want to over draw this distinction, but I think our position is and what I subscribe to is that we take a decision at each meeting. We'll be meeting again in 6 or 7 weeks in March. We will review all the evidence then. And I think it is important to keep that decision, as it were, live. I'm not giving any steers on that decision, because we will come back to the table with all the new evidence and go round this again. And I think that's what people really should expect us to do. Now, I think there are varying ways of whether you then apply guidance or not. My own view is that I think it's important. I'll go back to the answer to Ed's question here, to set the framework and the framework, as I said to in response to Ed's question, is that I think we've now moved on from the question of how restrictive to for how long. But I think it is important not to constrain that question for how long.

Ben Broadbent: You said that the other central banks tell us quotes where interest rates are going to go. They never say that. They say given the outlook, it's always a conditional statement. So it's not so very different from the way we talk about policy and the risks around future policy. It's always given the current outlook and accepting that that outlook can change as the evidence comes in. So I don't think any of them do or should be seen as pre-committing to any particular date for interest rates moves.

Francine Lacqua, Bloomberg TV: Governor, would the Bank of England feel comfortable in holding rates for longer, even if the ECB and the fed cut?

Andrew Bailey: Well, we I mean, we each make decisions based on our economies, and based on the situation in our economies. So it follows that whatever decisions we take, they will reflect each of our assessments of our own economies, so we will justify them. I'm sure each of us will justify them as we always do in that context. And so we will in your words, we will be comfortable with that justification.

Dave Ramsden: It is worth looking, I think, at the comparison that we put in one of the slides in the MPR on services inflation. So, as we were discussing earlier, we're still up at just over 6%. If you look at, I think it's chart 2.5, the US and the euro area services inflation in both those areas has come down. Both those countries come down to more like 4%. Didn't go as high as us. And has now come down to four. Ours is now on the way down and that's, that's encouraging. But that is the difference between the three areas.

Geoffrey Smith, Politico: The US bank wobbles are back and the fed has withdrawn the BTFP safety net. Are you ready for about of financial instability? And what would be your first lines of defense? And secondly, if I may, you've been very clear and consistently clear about the risks that crypto poses. What do you feel when you see not one, but two former Chancellors of the exchequer being paid by the crypto industry, ostensibly to give it a foothold in this country?

Andrew Bailey: So the first question is on the recent news in the US banking system. Yeah. Well, look, I think we follow it very closely and we followed very closely yesterday's news. but I would say that we had events last March, which we all had to deal with. But I think the system as a whole came through in a very robust condition, actually. And I would emphasize this. I think we had some failures. We had quite a lot of a lot of events in March last year. But when you look at the whole period and I certainly, we certainly spent a lot of time, obviously, as a regulator looking at the banks that we regulate. I think the system has come through in a very strong situation, and I think it is a very strong endorsement of the reforms that we put in place post the crisis. Now, of course, we're looking at the lessons. It's obviously the right thing to do to look at the lessons, to be learned from that. But I don't think that we're seeing a fundamental question mark over the stability of the banking system at the moment, I really don't.

On crypto. can I, by the way, draw a distinction? I think it's important when we talk about crypto to just draw a distinction between two things. One is what I tend to call unbacked crypto of the bitcoin variety, and the other is Stablecoins. I think they're different animals. In that sense, I'm afraid I continue to think that unbacked crypto, is essentially has no intrinsic value. It may have value to people who want to own bits of it, but it doesn't have an intrinsic value. And it is a highly volatile, volatile investment. I think it should be regulated appropriately with that in mind. But I think we have to always get the message across. That is a highly volatile instrument to hold. Now, you may want to hold it, but please understand what you've got. And it's not money. And it is not in any sense money.

Stablecoins purport to be money. they purport to be used in payments. You'll have seen that we've put out, we've got legislation now in this country which sets out the regulatory framework for Stablecoins, which is important. And we in the Bank of England for systemic, so-called systemic Stablecoins, those that would be used more widely will put in place the rules around that now, because they purport to be money and because that is their intended use, they will have to be held to a higher standard. With unbacked crypto. It's not money. Nobody should, I think, be under any illusions with Stablecoins purporting to be money, they will have to maintain the standards of money. I think the public has a right to expect they hold their value. And so that's what we will be aiming for.

Dave Ramsden: The only thing I was going to add to that, Andrew, was just some of the underlying technologies, particularly around distributed ledger technology, blockchain, they're obviously of interest. We're experimenting, with them, just as a lot of other central banks are. The financial sector is doing a huge amount of experimentation to see if the use cases where they could be relevant…

Andrew Bailey: That's the technology, not the crypto.

Dave Ramsden: Yeah, but it's the technology that often gets emphasised as being, why people are getting involved in them. So but that's certainly why we're interested in their potential use cases, the technology to stress.

Eshe Nelson, New York Times: Can you quantify at all how much of the impact of past tightening you think there is still to be felt in the real economy through households and businesses? Because on the one hand, you note that financial conditions have loosened a lot since we were last here in November. But we've talked also in the past a lot about those long lags of tightening with them being about a year. So kind of where would you say we are with our households?

Andrew Bailey: Our staff spend a lot of time on this question and then they we spend a lot of time on this question during the round that we've just been through, because it's important. And we have included something in the monetary policy report on this. So, the summary figure or a couple of figures I would give you is that I think back in November, we said that we thought about half the effect had come through and therefore half were still to come through. Our view now is that probably about 30% is still to come through. Now let me just explain the reason for that change. Well, there's two reasons. One is of course more time has passed. And so we've got more transmission of the rate of the increases that we've done. But the second point, which is important, is that because the curve has lowered since November, that actually reduces the amount that will come through because obviously it's calibrated in good part on the forward curve. So with the forward curve lower the effect of the past tightenings is therefore less. Therefore, as a proportion more of it has come through because it's obviously it's a straightforward calculation at that point. So the simplest way to describe it is that 50 to 30% number.

David Milliken, Thomson Reuters: Governor just got a question around where you see sort of the balance of risks around the timing of sort of rate cuts and whether you think there's a risk of sort of more harm to the economy by going sort of too late or going too early, because you could make the case that the Bank of England can afford to wait quite a long period of time, because when it cuts rates, it can potentially do so quite rapidly. Equally, you could say that the cost of going relatively early isn't necessarily sort of that high, because even if you start cutting rates, rates will still be in pretty restrictive territory.

Andrew Bailey: Well, I mean, look, this is a judgment that as I said before, we obviously come to at each meeting and we will look at that question at each meeting. And we are very conscious of both, as you rightly say, we're very conscious of both sides of the argument, as it were. And we will have that balance of risks, in mind. I just pick up a point you made at the end, which I think actually is a very important point you rightly make at the end about restrictiveness. This is important because, of course, and we've got a box on this, by the way, in the monetary policy report, which I would recommend. Of course we could cut interest rates and policy would still be restrictive. I mean, these are degrees of restriction, obviously. And that is a question that we spend quite a bit of time on as well. So just to emphasise that it's not binary in that sense, there are obviously degrees of it, and that's the right framework to look at it in. So what I'd say to you is, look, we will obviously come back to this question at each meeting as to this balance of risks, because it's an important it's an important question. So I can assure you we've taken the decision today. Next time we will come back to this question afresh.

Anna Wise, Press Association: We know that 2.3 million fixed rate residential mortgage holders are still going to face higher costs this year, and about 1.3 million facing a rise of more than 300 pounds a month. So I'm just checking. Do you think that these people are going to be in a better position to afford this, where inflation is now? And also, do you think that mortgage rates on the market are where they should be? You mentioned in the report that it's a bit more competitive now. So do you think that they're where they should be at the moment?

Andrew Bailey: Well, obviously we again, are very much cognisant. And it sort of goes back to the question on the transmission mechanism, obviously, because an important part of that transmission mechanism, is the mortgage market in that sense and how mortgage rates come through. And you're right. I mean, the numbers of households that we expect to have their mortgages reset this year as Dave was saying earlier, of course. Now the benefits, in a sense, are already coming through in the sense that of course, you've seen the curve come down. And as Dave was saying, you've seen mortgage rates come down so that that is already taking an effect in that sense. I think that is something that obviously we will continue to monitor very closely as the period goes on and meeting to meeting, because it comes back to this important question about the transmission mechanism.