Andrew Bailey

So with that, Clare, Dave and I will be happy to take your questions. Thank you.

Katie Martin

Let's start with Faisal and then Sam, please.

Faisal Islam

Thanks, governor.

BBC news just on that, those last couple of sentences you said about what's happened just really very recently, are you suggesting that had the crude oil price been where it is today and that been in your forecast that you may not even have done the rate rise you've done today?

Andrew Bailey

No.

Because I'll come back to the point I devoted quite a lot of time to, which is the inflationary pressure that we've got in the pipeline and where we are relative to July.

So, the reason for focusing on the at the end, on the last 48 hours is let's make a number of points. One.

It is illustrative of the volatility of the situation there's no question about that.

Secondly, to the extent that it is a reflection of greater hopes in the market that there will be some form of resolution of the conflict, it underlines the point that the most important thing that can happen, and the most important thing that will shape this outlook and also shape the degree to which there will be second round effects, indirect effects coming through is what happens to energy prices and what happens to this conflict.

So no, I think I would be pretty confident in saying to you, I think, although it's a hypothetical, obviously, that had we known what was going to happen in the last 48 hours, the decision would still be the same.

But it does, of course, have an important bearing on how we look forwards and how we judge the path of rates and the path of inflation going forwards.

Because although, I was somewhat at pains to say the Ofgem price cap for Q1 is largely, is largely there because of the of the observation period.

If we do see a continuation and if we do see a peace process and that will shape the path down from that level, and it will come down, arguably faster, faster, and on a steeper slope.

And of course, that would be a good thing.

Katie Martin

Sam. And then. Helia.

Sam Fleming

Thanks.

Sam Fleming from the FT

My question is a follow on really from Faisal's, which is you implied that if you do now start to see progress towards peace, that would mean that it would be no need to move with a second increase in.

Andrew Bailey

Didn't say that

Sam Fleming

Well, that's the, that's the currency I guess would be helpful to have.

Where does what is the balance of views in.

On the Monetary Policy Committee in terms of whether a second move is needed and what would you personally need to see, in order to remove the need for a second hike?

Andrew Bailey

Yeah. So.

Well, I'm sure I'm sure colleagues, Dave and Claire will come in. I'm sure.

So I was very clear.

I think you could see that in the paragraph.

I wrote that in the absence of a resolution of the conflict, I think that the case for a further.

25 without any, any commitment on when it would come would be quite strong.

Now, as I say, we've seen encouraging news in the last 48 hours, so that is not going to cause me to tell you that, there is no need to to move interest rates up again, because there is a lot that we need to see and observe and understand about this.

But obviously it has an impact on, on my view, certainly of, of where the outlook, where the profile of inflation will go to.

So it will be obviously highly relevant.

And I come back to the point, I think if there is one thing that you can take from all of this in terms of what is the best thing that can happen, it is to resolve the conflict in the Middle East.

There's no question about this.

I've said it at previous press conferences with this type of supply shock.

The best thing that can happen is to deal with it at the source.

Monetary policy is not able to tackle the source of the problem.

But there are other things that can do that.

Katie Martin

And then Maureen.

Helia Ebrahimi

Helia Ebrahimi, Channel 4 news.

Governor, the government's been talking recently a lot about prepping. What should British households do to prepare for their financial well-being.

You've raised interest rates today. You say it's unlikely that you'll be able to avoid raising interest rates again unless the conflict in the Middle East is resolved. In your adverse scenario, you talk about inflation hitting 6%, potentially interest rates hitting 6%.

How worried should British households be this winter?

Andrew Bailey

Well, we are very conscious of the fact that inflation is bad for everybody. As I've said in this room quite a few times in the past. Of course, it is most difficult for those on low incomes and those struggling to find work. We're very conscious of that, and particularly when it's focused on what you might call one of the essentials of life, which energy, of course, is. And that's very important. So we're very conscious of that. We're very conscious of the need to deal with this.

In conditions that are as uncertain as the ones we facewe cannot give any assurances to people about where are interest rates going to go to. All I would come back to is this is a very firm message. And by the way, it's the same message that the Prime Minister gave yesterday, actually, which I firmly agree with. The focus really must now be on dealing with this conflict, ending this conflict, because this is the thing. It is striking when you've seen this in the charts that I've shown, this is heavily focused on energy.

It's not yet passing through into other sectors of the of the economy. But the risk is that it will. The best thing that we can do is it can be done, is to deal with this conflict and

thereby limit the damage that can be done in terms of passing through to other parts of the economy.

No question about that.

Katie Martin

Maureen.

And then Ed.

Maureen Khan

Hi. Maureen Khan from the times.

Sorry, I have one and a half questions just to follow up on the idea of real progress.

S we have had good news in the last 48 hours, but it's basically been based on anticipation or vibes after the midterms rather than real progress.

So your threshold for real progress is a reopening of choke points to allow the resumption of oil to prewar levels. And it's without that real progress. You will not be deterred from a second interest rate rise.

Am I right in that?

And then just to clarify on on what you think the market is or is not pricing. So currently you're expected perhaps maybe to take the base rate up to 5%. You're saying that at the longer end that is not an expectation of interest rates.

It's the market just trying to price in volatility. So are you just able to say that we are not going to be living in a world where you're going to raise the base rate to 5%.

Andrew Bailey

So let me two questions. I think it was two, not one and a half.

But anyway, on the question of what needs to happen, look, there's no question that resolving this conflict is important. But let me just, it is important to just draw out three parts to this.

So the choke points point of course is course, is at the moment is true in the Gulf, in the Straits of Hormuz, and that will help. But of course there is there is a story about oil and there's a story about natural gas.

And the gas story is partly about the Strait of Hormuz, but it's also obviously about the other conflict, which is the Russia's illegal invasion of Ukraine.

Of course, resolving that would be another very good thing to happen.

It is certainly also because certainly exports of. Sorry, sorry.

That's a point.

I'll come to the third point.

Resolving the gas point in respect of Russia and Ukraine would be important. And we. We are.

The third point I was going to make.

We are, of course, also somewhat dependent on the weather this winter as well in Europe, because European gas stocks are low at the moment.

The third point I was going to come on to is what tends to get called the crack spreads point, which is the increase in spreads of refined products.

And there, of course, again, it's partly a story about the Gulf.

It's partly a story about about Ukraine and Russia.

By the way, I have no criticism whatsoever for Ukraine and what it's doing. The third.

But the third point, I would say on that, of course, is that I think it's true to say that I think China has also stopped exports of refined products.

So there's more things going on there.

On your point about the curve, I think you were saying, well, how much of it do we think is sort of what you might call median expectations and how much of it is risk premium?

Obviously, that's a somewhat imprecise activity to do.

I think the evidence we get from our Map survey suggests that there is a higher risk premium at the moment.

That's not surprising given obviously, the conflict that's going on and the uncertainty.

And I think it's important to draw that point out that there's a certain amount of expectation of of certainly one further increase.

As I say, I've just come back to the point on Sam's question, actually, that that really does depend on how the situation evolves.

And then the other the other part of it appears to be risk premium again, but people judgment on that depends ultimately on the same thing.

It depends on the degree of uncertainty around this conflict.

Dave Ramsden

And just to add and just to flag, if there's a bit more detail in the NPR document on page 27 on what the latest market participant survey is telling us to just underpin what Andrew has said.

The full survey will be out tomorrow, but the median expectation is for bank rate to go up to 4.25.

When we when we walked into the room here, the curve was peaking at 4.75.

So you've got.

And as Andrew says, views will differ on.

precisely how much of that is, how much of that gap can genuinely be described as a difference between expectations and risk premia driven by uncertainty or other things.

And we've got different views across the committee.

But but I think those features are quite interesting around the current market curve.

Ed Conway

And Ed Conway from Sky news.

Are you struck, governor?

By by the extent to which your time as governor has been so defined by what people would have thought of as quite extraordinary events, whether it's Covid, whether it's what happened, happening in Ukraine.

Well, that's another question.

But are you struck by that?

And, and the extent to which so much economic policy is affected by geopolitics right now, and also just more specifically, are we here in the UK?

Are we particularly sensitive to this?

And is what we're experiencing right now with everyone obviously seeing what's happening to prices, but also seeing that their interest rates are going up as well?

Is the upshot that we're all essentially poorer as a result.

Andrew Bailey

Well, I'm sure Clare wants to come on this.

First of all, yes, I am struck because actually what we've been seeing is of course is much bigger supply shocks.

And obviously particularly negative supply shocks.

And those are very, those are the most difficult because obviously they push prices up and activity down.

Those are harder shocks to deal with than demand shocks.

So, I am.

And of course, as you rightly say, they are sort of geo and geopolitical.

A number of them are in nature.

And yeah, I am struck by the greater incidence of them.

And I, I think it's in the bigger scheme of things, I think it is very important to ask, why is that happening?

I don't I don't think that's necessarily an answer to the question that central bankers can answer, but it is it is an important underlying question.

Clare, did you want to.

Clare Lombardelli

Yeah, I'm happy to add.

as Andrew says, we've we're definitely experiencing more regular, larger shocks than, economic history would suggest.

The supply nature of that is particularly challenging, right?

Because of course, output and inflation, moving kind of opposite directions.

what we have seen, it's interesting over the last couple of quarters, at least, we have seen the economy be more resilient than we expected.

If you look back to the three scenarios we put out at the end of at the at the end of April, actually what we've seen in terms of particularly activity and employment has been has been more robust.

There's an interesting question and a challenge, and you can see it in the scenarios that we're putting out today about actually, what are the drivers of that and how will that continue?

Is that actually about the way in which, the private sector households are becoming better able to cope with these sorts of shocks, or is the alternative hypothesis would be, look, there's a limit to how much resilience.

we see and we hear about it a lot from our the business contacts that our agents have.

Firms are working really hard to control costs and manage cost pressures down, taking pressures into their margins.

as as Andrew said, there will be limits to how far that can go on.

Similarly, we've seen consumers be pretty robust in the short term.

But again, depending on how long this goes on for.

What will we see?

to your point about is the UK uniquely exposed? No.

if you look at what's happening in Europe, look at their inflation data that came out yesterday actually.

similar to us, they're energy importers.

And that that leaves you exposed.

We're not alone.

We are a medium sized open economy.

So that will have a consequence.

We are an economy that is more based around services than goods.

So, these things sort of factor through in different ways.

But but we're certainly not not unique in this.

And as Andrew said at the start of his remarks across the G7, inflation is going up and it is all driven by what we're seeing on energy.

Katie Martin

Lucy and then Phil.

Lucie Lequier

Hi, Lucie from AFP.

We saw that other central banks like the ECB BOG the feds have all raised their rates in the past few months.

Are you not worried about because even your current inflation output perspective sorry is pretty grim.

Are you not worried of criticism that could say that you were late or overly cautious in your approach to curb inflation?

Or are you taking the view that those price pressures were unavoidable?

Andrew Bailey

Well, first of all, I'd say two things.

I say no to that, by the way, but I'd say two things.

First of all, I think we've seen a very big shift up in energy prices in literally in the last, , literally in the last small number of months.

The second thing I know I've said this before, but it's important when you look at financial conditions.

So the best indicator of this is to look across the G7 countries at mortgage rates, with the possible exception of Japan.

The UK has the largest increase in mortgage rates, certainly at the sort of two year point.

And I think the five year point we're pretty much the same as the US.

But the point is.

And why is that?

Well, the important reason was that there were reasonable expectations when we were sitting here this time last year, that there would be some cuts in by us in the course of this year.

Those I think markets were pricing in or they were pricing in cuts at this point.

Those cuts obviously came off the table. Really.

They came off the table in March, actually.

So we if you look at financial conditions, we have tightened policy, tightened conditions.

And that's important in judging the impact on on inflation.

So we we have to take that into consideration.

So my answer your question is no nonsense Phil.

Katie Martin

And then Delphian.

Phil Aldridick

Thanks.

Phil Aldridge at Bloomberg.

I just wonder if I could characterize your central scenario as two and done.

So two rate rises and done.

And on the just looking at the weaker demand scenario and also I'm considering if the Iran conflict does get resolved.

You do point out in the report that policy is restrictive.

So would that imply that once we're over the hump next year, we would be looking at rate cuts?

Andrew Bailey

Well, I'm not going to sign up to the two and done point for reasons you'll understand.

What I think what I think the central scenario does point to is, and I said earlier that absent, a resolution of the conflict in the Middle East.

And I think I put this in my my commentary in the minutes I could see the case for, for a further.

25 after that, as I said, we were just saying to an earlier question, I think it was very much in the sort of the risk judgment, as it were.

That's the way I would read it now.

That that was very much the position.

as of as when we made the decision, as I said earlier, things have happened in the last 48 hours.

But frankly, the whole situation is so volatile that you really don't want to put much, much weight on on two days, which, frankly, haven't yet been backed by any firm evidence that there is a peace process which is going to lead to something concrete.

I, I'm sure we all hope it is.

I certainly hope it is, but we need to see more evidence of that.

So, that's the judgment.

That's the way I would frame it.

Dave Ramsden

And I think when we talk about a risk premium adding contributing to where the market curve is, I think that reflects the fact that we think risks on inflation remain to the upside.

So these pressures that are in the pipeline, the initial conditions of where the economy is that Andrew's talked about, the fact that, we've seen the resilience in growth that, the labor market is now stabilizing rather than slack opening up.

That's underlying services price inflation, certainly in the very latest data, has stopped that downward trend that we've seen has seems to have slowed or stopped all of these things.

do give you your context for the, for, for where the economy starts from.

So I think your characterization, as Andrew says, the risks.

It doesn't work because the risks on inflation remain to the upside.

But we will we will as each meeting comes along, we'll judge what to do based on our assessment of both the actual position and the risks.

Katie Martin

Delphine and then Szu.

Delphine Strauss

Thank you.

You were pointing, governor, to an emerging split between how the business facing AI exposed bits of the economy are doing and how consumer facing firms are doing well.

So firstly, would you see that split becoming even starker over the next year or so?

And then one other question, if I may.

You've flagged the risks of wage growth flattening out at a level that may be incompatible with the 2% target in the private sector.

Do you see any risks from the strength of wage growth in the public sector?

Andrew Bailey

I'll clouds come in at this point.

I'd just say on the points that you raised about business business services.

I think we've made this point.

we see some evidence now of some evidence of an AI impact.

And I'll say two things on that, which I think are all consistent with the evidence.

First of all, it's not, I think, really very surprising that that's probably coming through first in areas like business services, because I think there are probably areas that are going to be, fastest to actually, see not only implement AI, but probably see the benefits from it in terms of activity.

And the second one is that we also, as we said in the report, we also see it coming through in stronger investment business investment.

That doesn't seem to me also surprising to the extent there's probably something of an AI story in there, because I think the first thing you would expect to see in terms of these general purpose technology innovation cycles is what you might call capital deepening, of the sort that will then hopefully lead to, to broader based productivity growth.

Clare Lombardelli

Sure.

look on business investment, as Andrew says, has been relatively strong on the last couple of quarters.

When you look underneath what is going on there, you do see something particularly strong pickups in business to business and the sectors that Andrew talks about.

we do see and when we talk to businesses around the country and from what our agents say, you see quite a difference across sectors.

There really is quite a strong, dispersion, as you talked about with consumer facing sectors, talking much more about a lack of pricing power and inability to pass past some of those pressures through, we've got a nice chart, a nice table in the in the productivity box D which talks about actually some of these changes that we've seen and what you might expect with the AI in particular, you would expect that to continue and potentially have, a longer term impact potentially growing on consumers, consumer facing sectors.

look, we have a weakening in the economy in our, in our forecast.

You would expect that through the combination of inflation and the work that monetary policy is, is doing.

So, this is a difficult, a difficult and challenging outlook on your question about public sector and public sector wages.

Actually, we don't see that as a particular risk.

Obviously, we've had the decision around the living wage that is, our agents tell us in line with what people were expecting or potentially a little below it.

So we don't think that'll be an additional pressure.

But of course, we are looking at, and, focusing on, on the wages, the outlook for wages, as you say, because, obviously that's a key question for us in terms of thinking about in particular, these second round effects that we're monitoring and and whether or not we see these impacts of the energy prices spilling through into the broader economy.

Katie Martin

Szu.

And then, Heather.

Szu Chan

Thank you.

Szu Chan from the Telegraph.

Different members of the MPC seem to be in different places in terms of how quickly you may need to raise interest rates to keep a lid on inflation, given the developments of the last 48 hours.

Do you think there's more merit in waiting to see how that all pans out, and perhaps another hundred pages of this analysis, or do you think it's better to move quickly to get on top of inflation?

And if I may, just to clarify, given the pressures that you said in your opening remarks that were already in the pipeline, is what you're saying?

Are you saying that a squeeze in family finances is inevitable even if the war ends tomorrow?

Andrew Bailey

So I thought the waiting for another 90 pages.

This is a nicely subtle way of sort of is it December or is it February?

I think you're trying to say that I sort of spotted that one, but, so, good try.

Look, we're meeting again in December.

We, we made a, there's a particular point that you'll see in the, in the minutes, and in the summary, the monetary policy summary about, we will judge this at each meeting and that's what we will do.

We will have more.

we will inevitably, of course, have more information by December because we'll get more data releases and so on.

I hope we'll also have more information on where this conflict is going to.

that would be the most important thing where that leads to in terms of judgment.

Well, that's for the meeting in December.

I would say in terms of the your point about about families and households, it is very important.

The point I was seeking to draw out by by particularly by the comments I made on the household energy price is, is, I'm afraid because of the way this works, however much energy prices come down tomorrow.

a lot of that process is actually, is in the works as it were because of the, there's a sensible point to this cap.

It's not I'm not in any sense criticizing it, but there is an observation window.

That window runs until about the middle of this month.

So we're well through the window actually, now.

It's, it's been a window that's been going on for quite a while.

So in purely arithmetic terms, there's not a lot you can do to the, to the, to the average calculation now to, to move it around.

So, we have to say this, that, I hope that that peak will be lower than the number we gave us because obviously, if you take things like pump prices for fuel, they come through much more quickly.

So you could see a difference there.

But I'm afraid quite a bit of what we're what we're what we're pointing to will happen.

And of course, that will affect families. Yes.

Katie Martin

Heather.

And then John. Paul.

Heather Stuart

Heather Stuart from the Guardian.

The government has talked about wanting to open a new conversation about the UK's future relationship with the European Union.

Do you welcome that conversation?

Do you expect to contribute to it?

And is the bank's broad view that a closer relationship with the EU would be positive for growth?

Andrew Bailey

Thanks.

I've spent the last ten years saying that as a public official, I don't take a view on Brexit per se.

And I don't take a view on Brexit per se.

But look, I've also said, because many of you have asked me many times about the sort of the economic effects is standing back from the question of whether it's the EU or anybody else.

I am in favour of trade, trade and openness because it actually is a source of growth in economies.

It is a source of productivity growth.

we learned this from Adam Smith and ever since.

And so, anything that is done to enhance and sort of support the development of sustainable trade and openness is something I would encourage.

Katie Martin

John Paul and then Andy.

John-Paul Ford Rojas

Hello, John-Paul Ford Rojas from the Daily Mail.

A couple of things, please, if I may.

You've sharply downgraded the outlook for living standards.

Real post-tax labour income, -0.1% this year and -0.6% next year.

Can you talk a bit about what's behind that, given the resilience in the wider economy and the upgrades for GDP?

Is it mainly to do with inflation or what?

And just the other thing is, you said before the budget that fiscal policy needed to be directed towards stability and be seen by markets as credible.

That was seen as quite a surprising intervention from you.

Did the Chancellor get the message in your view?

Andrew Bailey

Well, I'll take the second question.

I think Claire will want to come in on the first one.

I don't in any sense think there should be a surprising thing for me to observe.

I'm very careful what I say on fiscal policy.

I said nothing on the budget whatsoever.

But can we go to the Bank of England's monetary policy remit for a moment, which is a very long established remit, which obviously has as its primary objective price stability.

And the inflation target is part of that.

But is its secondary objective, says subject to that, to support the the economic policies of the government of the day, whoever they are.

And the fiscal framework is part of the government's economic policies and I do support it.

So there's nothing more to it than that really.

It's not controversial thing to say at all. Really?

Clare Lombardelli

Yeah.

Just on your question about post tax, labor income and what that's doing in, in real terms.

you're right.

Next year we do have that falling by about half a percentage point.

obviously that's incredibly challenging for people.

It is basically because of inflation is the is the main driver.

So inflation over the year, on our forecast is about 4.5%.

The the sort of forecast has a slightly weaker than that outlook for wages.

And so that's the the difference there as you see it recovers slightly in the in the following year in our forecast.

But it's really unfortunately, the consequences of, of the higher energy prices and the sort of assumed impacts of that through indirect and second round effects through our forecast.

Andrew Bailey

And you can see it's.

Dave Ramsden

To reinforce Claire's point.

It's not inconsistent with the resilience in GDP because in that same table, the GDP forecast for next year is actually slightly higher at 1.3%.

So it's inflation doing the damage here.

Katie Martin

Andy. And then. Ryan.

Andy Bruce

Thank you.

It's Andy Bruce from Reuters.

Under your central projection, inflation returns to target in the third quarter of 2028.

And by my reckoning by then it will have been above the 2% target for all but one of the previous seven years.

What does that say about the Bank of England's credibility as an inflation targeting central bank?

And and do you worry about how that will look at the end of the decade?

Andrew Bailey

I think it comes back to Ed's question, actually.

What it tells you is that we've been living in a world of very big supply shocks.

So I think listed them.

We've had well, let me this is a rhetorical question.

I'm not asking you to answer it.

if we go back to, , let's say beginning of 2020, and say, what probability would you attach to living in a world where there is a major war going on in the Middle East and a major war going on in Europe at the same time?

I'm guessing most of us I put myself in as camps.

I'll answer the question for myself if you like the answer, what probability would be very low? Yeah.

And that's exactly what sadly, we're faced with.

And we've had a pandemic.

Sowe have to deal with these things.

the point I would make is that, yes, they have an effect, an effect on inflation.

As I said earlier, negative supply shocks are very difficult to deal with.

But that's why we need inflation targeting more than ever.

it's during this time that it really does its work, frankly.

Katie Martin

Ryan.

And then Maurizio.

Ryan Sabey

Ryan from The Sun.

The report says that firms could provide one off cost of living payments next year.

Can you explain whether this is something you can live with, or something that bosses should try and resist as much as possible?

Andrew Bailey

Oh, I'm not going to preach to what? To what firms and what people in firms should do and shouldn't do. our job is to sort of, in a sense, say what we think might happen. We're not, we're not we're not delivering orders, as it were.

Katie Martin

Maurizio and then Philip I am.

Maurizio Alencar

The Bank of England is now basically saying that inflation will be above target for seven years consistently. how has the Bank of England sort of failed to maintain price stability? Has it been too late to sort of act on, I guess, the inflationary pressures in the pipeline that you speak of?

Andrew Bailey

Well, with respect, I think that's the same question as your neighbour asked. I think it's exactly the same question. And to save time, I'm not going to give all the same answer. we've been hit by very big negative shocks.

But let me just say, inflation targeting regime, I'm afraid, cannot promise you that inflation will be at target every month of the of the period. We have to deal with the shocks that we come our way.

We're living in a world as editor very well, where there are very big shocks happening, very big geopolitical shocks, very big supply shocks happening.

We have to deal with them.

And just to repeat the point I made a minute ago, this is when we need the inflation targeting framework more than ever.

This is when it does.

It's really hard work to bring us back to target.

Dave Ramsden

And just on the the specifics, Andrew emphasized the Russia's illegal invasion of Ukraine.

We put up interest rates to 5.25%, up from where they had been after Covid.

And if you then fast forward to the start of this year before the Middle East conflict started, I think on most people's forecasts, including ours, inflation was forecast in relatively short order to come back to target and to stay there.

And we had actually started to cut interest rates, given that more supportive environment, then we're hit by this shock.

So and these are all supply shocks.

So to, Claire's emphasize that supply shocks are very, very difficult for economies to deal with and for central banks to deal with, because they push down on on growth and real on activity and real living standards, and they push up on inflation.

Katie Martin

Philipp.

And then Anna.

Phillip Inman

Phillip Inman from the Guardian.

I want to take you back to second round effects and why your analysis is so different to the OBR's.

So the OBR was in Parliament yesterday, and they were explaining that inflation will probably only peak at 3.75.

That growth will be low and businesses are in real trouble.

So one of the reasons that they said businesses are in trouble was because they've had their profit margins have been really damaged over the last few years.

And they have no impetus to give wage rises.

They can't afford to.

They've also been hit by high taxes.

So it's interesting to know from you exactly why you think there is this pricing power that businesses have going forward over the next year or two, particularly when the government is also going to have very tight budgets in 28 and 29.

Andrew Bailey

Well, I think look, on the point about the difference between us and the OBR, there is some difference in the timing of the of the projections.

So ours is a more contemporary one.

There'll be no criticism of OBR.

They do it for a different purpose.

The second thing I'd go back to what I think Claire and I were saying earlier, I think we have got quite a heterogeneous picture across the economy and quite a heterogeneous picture across the business community at the moment.

So as we were saying, there are there are clearly, one of the reasons when I think I get when I go around the country, our agents get is one of the reasons we're not seeing possibly a stronger second round effects, but it's still early days is because firms talk to us a lot about reducing costs and about margins, margin squeeze going on.

And that of course is, is Preventing some of the increase in prices that would otherwise happen.

On the other hand, as we were saying, we were saying there are sectors of the economy where investment is growing strongly and we are seeing stronger growth in the economy.

So I think you're seeing a bit of a diversion.

I think the answer to your question really is you're seeing a bit of a diverse picture opening up in the economy at the moment.

I think that helps to explain sort of what you would otherwise say is a bit of a puzzle.

Clare Lombardelli

The only the other thing I would add on that is, this is an uncertain outlook.

And we've got scenarios that basically capture two different possible ways, ways forward here.

you're right about this point about firms feeling incredibly squeezed and have taken a lot of this into their margins and to this point about how much of that can continue.

if you talk to the food sector, for example, whether it's manufacturers, wholesalers, retailers, they will tell you that they don't face strong pricing power.

Quite the opposite.

And that's why we've had less indirect effects than we expected already through this process.

That's a mix of things.

It's also hedging behavior.

It's also less supply disruption.

But, it is part of that has been their inability to pass that on because of the demand point.

You talk about, if you take our weaker demand scenario, that is a scenario in which actually you're more in the world that you talked about, where actually that resilience means that, doesn't translate into price rises.

It translates into action on activity.

Our adverse scenario is more in the world where actually you reach the end of that and you pass the prices on what you're, we're probably going to see a mix.

We'll see a mix across, particularly across sectors, I suspect.

And that's exactly the sort of thing that we're monitoring really carefully in this question about second round effects.

How much will be passed on.

we have got in our central forecast some second round effects being being passed through.

that is what you'd expect.

We use the kind of Bernanke Blanchard type model to do that.

But it is uncertain and it will differ across the economy.

Katie Martin

And then Josiah.

Clare Anna

And Anna wise Press Association.

Anna Wise

And governor, you mentioned at the beginning that lower paid and those struggling to find work will be hit the hardest.

So we know there is a neat crisis going on.

So how mindful are you of that?

And also, are you confident that the action that you've taken today on interest rates will be able to limit that impact?

Andrew Bailey

Well, so we're very conscious that there is a section of the population that has low pay, and as a section of population that isn't able to find work and they have lower incomes, both of those lead to lower incomes.

And we're very conscious of the impact that inflation, particularly energy price inflation or inflation that originates in energy prices, has.

So we are very conscious of that.

I think the question about what policy measures are taken in that precise area is obviously one for the government, not for us.

So I be very clear on that.

Katie Martin

Right there.

Oh, you got it.

Yasha Popovich Central Banking.

Governor, in your opening remarks, you said that oil prices and gas prices are above the thresholds that were identified in the adverse scenarios, both in July and this month.

And so just I'm curious from your perspective whether that means that we're at the beginning of what would be considered an adverse scenario as, as identified in the reports.

Andrew Bailey

Well, this of course is where, it's a moving picture, as it were.

So the adverse scenarios, as we said earlier, is really a scenario, as I described it, where there is not a peace process.

that's basically what lies behind it.

It is a profile that is stronger than the upper scenario we had in July.

Looks a bit more like the one we had in May actually. Now said.

In the last 48 hours, we've seen particularly more in oil than gas, but we've seen prices come off.

If you look at the oil price for a moment as of well, certainly when we walked into this room, the oil price, if you map it into the adverse scenario, in the adverse scenario, I don't think you get to this level of oil prices in terms of how far it comes down until about 2030.

So that gives you a little bit of a feel of where we are relative to that.

But I'd say, look, this is just very volatile.

It could be anywhere in another 48 hours time.

And that's the world we're dealing with.

Katie Martin

Tim.

And then just behind.

Tim Wallace

Thank you.

Tim Wallace at the Daily Telegraph.

Governor, the Chancellor wrote to you last week, he sent you two letters, and in one of them he said you should look at improving access to home ownership, particularly looking at the LTI rules, is that something you are looking at?

How might you do that?

And is a loosening of those rules compatible with the tightening of your monetary policy at the same time?

Andrew Bailey

So look, this is an FPC question, not an MPC question. Fair enough.

You asked him.

I'm not saying don't ask it now, but it is an FPC question.

And under the FPC remit that it's a different point to the way it works in the MPC remit.

The Chancellor can write to me with with views on things.

And he did.

And that's absolutely fine.

That's that's part of the framework.

We review the this is the the mortgage loan to income ratio regime.

And it's one that we review at a higher frequency than really any other part of the framework for the very important and good reason, I would say that it has a direct effect, obviously, on people's ability to, to get into the housing market and to, and to buy in the housing market.

It's there for good reasons.

I would say that one of the things that I think we can say in this country is that we've had going to the questions others have asked.

We've had very big shocks over the last, years.

And we have not had some of the things we've seen in the past of people, going into mortgage arrears in the way that was the case.

Historically, we have not had people having their houses repossessed in the way that historically was the case in this country.

And that is surely a very good thing.

But look, we will we will review the regime anyway.

So I'm very happy to receive the Chancellor's views.

It's something we do regularly.

We did actually make a change to the regime about a year ago actually.

In order to open up, encourage firms to, to take advantage of more of the headroom that existed in the regime.

And we monitor that very closely and we will be monitoring in the FPC again, so you can be assured that will be done.

Katie Martin

Last question.

Hannah Brennan

Thank you.

Hannah Brennan from Politico.

You mentioned, that the best thing that can happen is, is to resolve the conflict in the Middle East and the events of the last 48 hours.

Would you make that plea kind of directly to US President Donald Trump or the Republican Party?

For the sake of the UK economy or global economy? It's time.

Andrew Bailey

To.

I think I think actually, the right way for that to happen is actually what's actually also happened in the last 24 hours.

I think the Prime Minister put it as well as I could put it.

He put it very clearly, I think, when he was at the Commonwealth Heads of Government meeting, that this must be the focus.

he also made the same point about Russia's illegal invasion of Ukraine.

this this this is absolutely critically important.

So I would very much, I'm very much speaking in the same vein and very much support what he said.

This really must be a focus. Yes.

Katie Martin

Thanks very much, everyone.

Andrew Bailey

Thank you.