



**BANK OF ENGLAND**

# Minutes of the Monetary Policy Committee meeting ending 8 July 2015

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These are the minutes of the Monetary Policy Committee meeting ending 8 July 2015.

They are also available on the Internet

<http://www.bankofengland.co.uk/publications/minutes/Pages/mpc/pdf/2015/jul.aspx>

The Bank of England Act 1998 gives the Bank of England operational responsibility for setting monetary policy to meet the Government's inflation target. Operational decisions are taken by the Bank's Monetary Policy Committee. The Committee meets on a regular monthly basis and, from August 2015, minutes of its meetings will be released alongside the policy announcement, the day after the meeting ends. Accordingly, the minutes of the Committee meeting ending 5 August will be published on 6 August 2015.

## Minutes of the Monetary Policy Committee meeting ending on 8 July 2015

1 Before turning to its immediate policy decision, the Committee discussed financial market developments; the international economy; money, credit, demand and output; and supply, costs and prices.

### Financial markets

2 Following developments in Greece, Greek asset prices had fallen, but there had been few signs of material spillovers to other major financial markets and the United Kingdom and only limited spillovers to other euro-area economies.

3 Greek government bond spreads had increased sharply since the Committee's previous meeting, in particular following the decision by the Greek government to suspend negotiations with its creditors, call a referendum on the proposals that had been made by Greece's creditors on 25 June, and make clear that they would campaign for a 'No' vote. Despite this, spreads on other periphery euro-area government bonds had widened only moderately and remained well below the levels seen during the period from 2010 to 2012. The euro effective exchange rate had fluctuated in response to news related to Greece, falling a little over the month. There had also been volatility in equity markets, with equity prices down by up to around 8% in the United Kingdom, United States and euro area. Euro-area bank equity prices had fallen by 10%. Implied volatility in equity markets had risen. Corporate bond spreads had widened slightly but remained well below the elevated levels seen in 2012. Overall, market participants reported that the reaction thus far to developments in Greece had been relatively muted and contained.

4 Long-term interest rates in the United Kingdom, United States and Germany had fallen following the Greek referendum. Looking back, part of the earlier sharp increase in these government bond yields in late April and early June appeared to have reflected, among other factors, a correction to the very sharp decline in yields following the start of the ECB's Public Sector Purchase Programme. In addition, the probability of deflation two years ahead as implied by options prices had fallen since the start of the year, particularly in the euro area, and was now back to levels close to those in the autumn of 2014. This suggested that concerns about low inflation had become less acute. Surveys of private sector economists' expectations of euro-area inflation and GDP growth had also picked up steadily.

5 UK forward short-term interest rates had fallen following the Greek referendum and over the month. The OIS curve now crossed 0.75% in the third quarter of 2016, although a majority of the private sector economists surveyed by Reuters expected Bank Rate to increase in the first quarter of next year. UK forward OIS rates stood at 0.7% at the one-year point, rising to 1.5% at the three-year horizon. This fall had unwound the rise in short-term interest rates that had followed the release of stronger wages data than expected around the middle of the month and subsequent communications from MPC members. After the release of the Federal Open Market Committee's latest projections, short-term interest rates had fallen in the United States and implied expectations of the first increase in official interest rates had been pushed back slightly.

6 The sterling effective exchange rate had risen by close to 3% over the month. Some of the appreciation had occurred in the second half of June, following the release of the labour market data.

7 Looking across these movements in financial markets, the Committee discussed how UK financial conditions had evolved over the past year. Despite the increase in recent months, the level of government bond yields in the advanced economies was considerably lower than a year earlier with the ECB's Public Sector Purchase Programme having been a possible driver. This fall had reduced aggregate borrowing costs facing households and corporates in the United Kingdom. Net finance raised by UK non-financial companies had also been solid over the past year, with positive contributions from bank loans as well as bond and equity issuance. According to a survey by the Federation of Small Businesses, the cost and availability of credit had improved slightly for small companies.

8 Set against these developments, sterling's exchange rate had appreciated markedly over the previous twelve months. The Committee discussed how to weigh these contrasting movements. The loosening in credit conditions would have supported domestic demand. But the appreciation of the exchange rate could have an adverse impact on the balance of growth in the economy and had occurred despite the large current account deficit. It would also put downward pressure on inflation for some time, through its impact on import prices. Nonetheless, taken together it was likely that financial conditions were a little looser than a year earlier.

### **The international economy**

9 Indicators for the second quarter so far largely supported the Committee's view that the slowdown in global activity seen in the first quarter would prove to be temporary, and Bank staff's expectation for UK-weighted world GDP growth in Q2 was 0.7%, unchanged from last month's estimate and firmer than the 0.4% rate in Q1. But the near-term global outlook was being overshadowed by developments in Greece and in China, and it was here that the Committee focused the bulk of their discussions.

10 In Greece, the electorate had voted in a referendum to reject the proposals that had been made by the creditors on 25 June. Banks remained closed and withdrawals were being limited to €60 per account per day in most cases. It was unclear whether the Greek government would be in a position to make a €3.5bn bond repayment to the ECB on 20 July. The direct exposures to Greece of the UK economy and financial system were small. But the situation remained fluid and the Committee would continue to monitor developments closely.

11 Elsewhere in the euro area, no data had as yet been released covering the period since the announcement of the referendum. Indicators had on balance continued to point to GDP growth of around 0.5% in the second quarter, in line with expectations at the time of the *May Inflation Report*. But there had been some softening in the European Commission's industrial confidence measures, and in business surveys for France and Germany released by INSEE and IFO respectively. These would need to be watched closely in the period ahead to see if recent events in Greece had caused any further weakening. Relative to the period from 2010 to

2012, however, the euro-area economy was stronger and the authorities had a greater range of policy and regulatory tools at their disposal to reduce the risk of contagion. In particular the ECB was undertaking large-scale purchases of euro-area sovereign bonds as part of its Public Sector Purchase Programme. Euro-area finance ministers had stated their intent to make full use of all the instruments available to preserve the integrity and stability of the euro area. The ECB Governing Council had also stated its determination to use all the instruments available within its mandate.

12 In China, GDP growth had been softer than expected at the start of the year, with imports particularly weak. Part of this weakness was probably temporary, possibly reflecting the timing of the Lunar New Year. But it was also likely that some reflected an underlying slowdown in investment and credit growth, which might prove more persistent. The balance of risks, relative to the authorities' target for growth in 2015 as a whole of around 7%, was probably to the downside. Moreover, weaker Chinese activity had probably played a role in explaining the decline in world trade seen since the start of the year.

13 A key uncertainty was the capacity for Chinese policy to manage the transition to a more balanced and sustainable composition of demand. The authorities had announced a number of measures during the month, including further reductions in official interest rates and reserve requirements for banks, a doubling of quotas for local government debt swaps, and an extension of Pledged Supplementary Lending, a form of long-term funding, to selected policy banks. Equity prices had fallen by more than 30% since the middle of June, although these falls had only partly unwound the large increases of the previous twelve months. In contrast, there was some evidence that house prices had begun to rise, after declines during much of 2014.

14 In the United States, the level of GDP in 2015 Q1 was now estimated not to have changed from 2014 Q4, rather than contracting slightly as the previous estimate had shown. Indicators for the second quarter were consistent with a bounce back in GDP growth, although the level was likely to remain somewhat lower than expected at the beginning of the year. Bank staff's estimate for growth in Q2 was 0.9%, slightly higher than last month. Non-farm payrolls had increased by 223,000 in June, slightly less than Bank staff had expected and the increases initially recorded in April and May had been revised down. Some recent measures of wage growth had also been subdued.

### **Money, credit, demand and output**

15 As expected, the ONS had revised UK GDP growth in 2015 Q1 up slightly, to 0.4%. Upward revisions to previous quarters had been larger, meaning that four-quarter growth to Q1 was now estimated to have been 2.9%, rather than 2.4%. The bulk of the revisions to output had come from the construction sector. On the expenditure side, there had been revisions to a number of components. Consumption growth in Q1 had been revised up to 0.9%, indicating that the boost to real incomes from the past reduction in oil prices might have begun to feed through to spending at the start of the year. Business investment growth had been revised up

to 2.0%. Net trade had detracted from growth by less than in the previous estimate, while the contribution from stockbuilding had been large and positive.

16 Taken together, these revisions had brought the official data a little more into line with signals from the business surveys. In particular, stronger official data on investment better matched the survey evidence.

17 Some puzzles remained, however. First, the revisions to the back data had left the slowdown in growth between 2014 Q4 and 2015 Q1 more pronounced, with quarterly growth falling from 0.8% to 0.4%. Second, household income had fallen by 0.8% in Q1,<sup>1</sup> reducing the household savings rate to 4.9%, the lowest level since 2008 and almost 1 percentage point weaker than Bank staff had expected at the time of the *May Inflation Report*. Early vintages of these data were prone to revision as new information became available, however, and the growth in income in Q1 implied by Average Weekly Earnings and LFS employment was considerably stronger.

18 Business surveys continued to suggest solid growth in the second quarter. The CIPS output index had ticked up slightly, while there had been a small fall in the output balance from the BCC survey, but both remained above average levels. On a seasonally adjusted basis, the GfK measure of consumer confidence had shown a bounce back in June, close to its highest level in around a decade, after a decline in May. Set against that, the Bank's Agents had reported a slight easing in the pace of activity growth, and manufacturing indicators were generally consistent with some slowing in that sector. The central expectation of Bank staff was for GDP growth of 0.7% in each of Q2 and Q3.

19 Activity in the housing market had remained considerably weaker than thought likely a year ago but had recently improved modestly. Dwellings investment growth in Q1 had been revised up to 2.4% and mortgage approvals in April and May had, taken together, been stronger than expected at the time of the *May Report*, though still well below pre-crisis averages. House price inflation had picked up in the second quarter of 2015 with the average of the lenders' house price indices rising by 0.7% per month. Consistent with this, there had been some evidence of increased housing demand: new buyer enquiries from the RICS survey and the Bank's Credit Conditions Survey had suggested that households' demand for secured lending had picked up in the second quarter of 2015. This was likely to have reflected, at least in part, the impact of easier credit conditions and lower mortgage rates over the past year. In addition, surveys suggested that the upward impetus to prices might have been accentuated by tightness in secondary housing supply. For instance, those homeowners with particularly favourable mortgage terms might be unwilling to move if it meant an increase in their borrowing costs.

20 During its policy meeting, the Committee had received a briefing from the Treasury representative on the aggregate fiscal plans that had been announced in Budget 2015 on 8 July. On the basis of that initial briefing, it seemed unlikely that the plans would materially alter the outlook for growth and inflation over the next two or

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<sup>1</sup> The version of these *Minutes* originally published erroneously stated that "...household income growth had fallen by 0.8 percentage points in Q1."

three years relative to those that were already captured in the Committee's May *Inflation Report* forecast, which had been based on the previous Government's budget from March. The Committee would analyse the implications of the Budget more fully as a part of the preparation of its August *Report*.

### **Supply, costs and prices**

21 As expected, twelve-month CPI inflation had risen to 0.1% in May from -0.1% in April, partly due to the impact on airfares of the differential timing of the Easter holidays in 2015 and 2014 working through the twelve-month calculation. In accordance with the usual pre-release arrangements, an advance estimate for CPI inflation of 0.0% for June, in line with staff expectations, had been provided via the Governor to the MPC, ahead of publication. Oil prices in dollar terms had fallen by around 10% on the month. Nevertheless, the near-term outlook for inflation remained similar to the one described in the May *Inflation Report* and the accompanying letter from the Governor to the Chancellor of the Exchequer. Bank staff continued to expect inflation to remain close to zero until the autumn. Towards the end of the year, inflation was then likely to pick up notably, as the influence of past movements in the prices of commodities, especially oil, on the twelve-month comparison dissipated.

22 Further ahead, after the influence of past declines in commodity prices had waned, the outlook for inflation would depend upon the evolution of unit labour costs together with any persistent effects of the recent appreciation of sterling. In that context, the main topic of the Committee's discussion was the surprisingly strong pay data that had been released during the month, and whether pay pressures – and so medium-term inflationary pressures – were greater than previously supposed.

23 In the three months to April, whole economy total pay had increased by 2.7% compared with a year earlier, 0.8 percentage points stronger than had been expected at the time of the May *Report*. Private sector pay had increased by 3.3% over the same period, similarly well above expectations. The majority of the news had reflected stronger bonus payments than anticipated. Excluding bonuses, annual whole economy and private sector regular pay growth, at 2.7% and 3.2% respectively, had been 0.2-0.3 percentage points higher than forecast.

24 There was a question over what stronger bonus payments implied about inflationary pressure. On one view, variable bonus payments could be regarded as distributions of profits rather than as labour costs per se. In that light, it was not clear that a higher level of bonus payments now ought materially to affect firms' marginal costs, and therefore their pricing decisions, in the future. Moreover, although there was no specific reason to suppose that the upside news in bonus payments would be reversed in the coming months, bonus payments were generally volatile and so it was unwise to draw too strong a signal from them. On this view, pay excluding bonuses tended to be a better statistical predictor of the future growth of wage costs.

25 On an alternative view, however, bonus payments could be seen as an indicator of the cyclical strength of demand and of current and prospective firm profitability – at least in some sectors – which ought to have some bearing on one's assessment of the degree of inflationary pressures looking ahead. Indeed, in the past, bonus

payments had tended to be more responsive to fluctuations in demand conditions than other elements of pay. In any event, bonus payments, as well as being a component of business costs, were clearly a part of household income and would support consumer spending. Relatedly, increases in bonus payments could reflect labour market tightness, as businesses were forced to pay particular workers more to retain them.

26 As the Committee had noted previously, one could infer from the quarterly LFS micro-data that there had recently been a shift in the composition of employment growth towards employees with less experience and educational attainment, and in occupations that tended to attract lower levels of pay. Previous Bank staff analysis had suggested that, in the year to 2015 Q1, these compositional effects had probably been bearing down on estimates of average pay growth, such as those derived from the Average Weekly Earnings (AWE) survey, by about 0.8 percentage points. It was possible that this month's upside news on wages indicated simply that these compositional effects were unwinding more quickly than assumed and that, as a result, pay growth would pick up a little faster than anticipated. To the extent that compositional effects on pay were also reflected in productivity performance, the impact on unit wage costs and therefore inflationary pressure might be limited. It would be possible to investigate this hypothesis in detail only once the 2015 Q2 LFS micro data had become available in the middle of August. Even then, the fact that AWE data were drawn from different sources from LFS data meant that precise accounting was not possible.

27 Employment growth had softened relative to expectations, and participation had fallen so that the unemployment rate had remained at 5.5% in the three months to April, 0.1 percentage points higher than expected. The implications for the level of slack remaining were unclear. At face value, these data might suggest a weakening in employment demand and therefore somewhat greater slack than anticipated. But it was also possible that the recent slowing in employment growth was a sign of frictions in bringing the long-term unemployed back into employment, while the fall in participation might reflect the pickup in real wages, after a prolonged period of weakness.

28 Slower employment growth, along with the upward revisions to the GDP data over the past year meant that productivity growth had appeared less weak than previously. Bank staff estimated that, after accounting for the anticipated effects of further revisions to the GDP data and the prospective incorporation of recent migration data into the LFS employment estimates, output per hour had risen by 0.8% in the year to 2015 Q1 – 0.5 percentage points stronger than had been anticipated at the time of the *May Inflation Report*. This stronger productivity growth had acted to offset the upside news on pay in terms of its effect on firms' unit wage cost growth. The net of the two effects depended on whether one placed more weight on measures of wages including or excluding bonus payments. Including bonuses, unit wage cost growth in the year to Q1 was around 0.3 percentage points higher than expected in the *May Report*. Excluding bonuses, it was around 0.3 percentage points lower than expected in May. In the private sector, unit wage costs excluding bonuses had risen by around 2% over the past year.

29 Sterling had appreciated by around 3% since the time of the *May Report*, which, all else equal, might be expected to bear down on both activity and CPI inflation and have some dampening influence for some time.

Having said that, however, official data on UK import prices had not recently been as soft as one might have expected given aggregate movements in global trade prices and the sterling exchange rate. It was unclear whether this meant more adjustment in import prices lay in prospect or whether pass-through would be more limited than in the past.

30 Indicators of inflation expectations had been mixed on the month. Measures of inflation expectations derived from financial markets prices five to ten years ahead had changed little. According to the quarterly Barclays Basix survey, inflation expectations of households had fallen at the one, two and five-year horizons in the second quarter of the year. Households participating in the monthly CitiGroup/YouGov survey reported that their expectations of inflation one year ahead had ticked up in June, while the longer-term measure was broadly flat. The proportion of Chief Financial Officers surveyed by Deloitte who expected CPI inflation in two years to be within half a percentage point of the target had risen, while the proportion expecting it to be below 1.5% had fallen slightly. On balance, the Committee judged that inflation expectations remained broadly consistent with the inflation target.

### **The immediate policy decision**

31 The Committee set monetary policy to meet the 2% inflation target in the medium term, and in a way that helped to sustain growth and employment. In that context, it remained essential to distinguish between the near-term influences on inflation that were temporarily holding it well below the target rate, and those influences that would determine the path of inflation thereafter.

32 As expected, twelve-month CPI inflation had increased a little to 0.1% in May and fallen back to 0.0% in June. The Committee's central assessment remained that around three-quarters – or 1½ percentage points – of the deviation of inflation from the target could be attributed to unusually low contributions from energy, food and other imported goods prices. As had been the case for several months, the Committee expected the inflation rate to remain around zero for a period before picking up notably towards the end of the year as the impact of the declines in oil and other commodity prices during the second half of 2014 dropped out of the annual comparison. The remaining quarter – or ½ percentage point – of the deviation of the current rate of inflation from the 2% target reflected weak growth in domestic costs, especially wages. It was the evolution of these domestic costs, and how they would be balanced alongside any persistent influence of external price pressures – for instance resulting from past or prospective movements in the exchange rate – that would determine the outlook for inflation in the medium term and therefore the appropriate stance of monetary policy.

33 Against that backdrop, events during the month had sharpened the contrast between developments in the domestic economy on the one hand, and risks from the international economy on the other. Domestically, the news had generally been positive, with upward revisions to GDP growth and evidence of relatively robust private-sector spending and sentiment. On the basis of the range of available indicators, the central expectation of Bank staff was for growth of 0.7% in both the second and third quarters.

34 Although the Committee would analyse the full details of the new Government's Budget as a part of the preparation of its August *Inflation Report*, the briefing it had received from HM Treasury indicated that the updated fiscal stance was unlikely to result in more of a drag on activity growth over the next three years than had already been assumed by the Committee on the basis of the previous March Budget plans.

35 Employment growth had fallen back somewhat over the past couple of months and had been softer than the profile underlying the Committee's May *Inflation Report* projections. One interpretation of these data was that the pace at which slack in the labour market was being re-absorbed had slowed and therefore that the remaining degree of spare capacity was a little greater than had been expected. An alternative interpretation was that such a slowing was inevitable as the economy approached normal levels of capacity, and that the data simply implied that the margin of economic slack created during the recession was now close to having been eliminated.

36 Wage growth had surprised to the upside in the April data. Most, although not all, of that news had been a result of the unexpected strength of bonus payments, and so there were questions as to how far this represented both a durable rise in pay growth and a genuine increase in the marginal costs of employment that was relevant for the assessment of inflationary pressure. On top of that, it was unclear to what extent the increase in both total and regular pay growth had simply represented an unwinding of the impact of the shifts in the composition of employment growth that had recently acted to depress pay and, probably, productivity growth in much the same way. If that were the explanation, then the impact of higher pay growth on the outlook for firms' costs and inflation would be limited. But to the extent that pay was picking up relative to productivity, then inflationary pressure would be greater. The recent slowdown in employment growth alongside upward revisions to the output data painted a somewhat healthier looking picture of productivity over the past year than had seemed the case at the time of the May *Inflation Report*, and this had acted to offset the impact on firms' labour costs of the pickup in wage growth seen in recent months. Taking a slightly longer view, however, unit wage costs had grown more rapidly than the Committee's central projections from a year ago.

37 Overall, Committee members agreed that the domestic economy had continued to strengthen over the past year, that the margin of spare capacity had continued to shrink, and that domestic cost pressures had increased. Moreover, recent developments had diminished the risk that low rates of current inflation would feed through into wage settlements, thereby prolonging the period for which inflation would remain below the target. There were, however, differences of view as to how significant the increases in domestic cost pressures had been. For some, they were no more than a part of the increase that would be necessary in order for inflation to rise sufficiently to meet the 2% target after the commodity-related factors that were temporarily depressing it had waned. For others, it appeared as though domestic cost pressures had risen more quickly than expected which, combined with the view that spare capacity in the labour market was close to being exhausted, raised the possibility that inflation might reach the 2% target sooner than anticipated. In any event, all members agreed that these domestic developments needed to be set against those in the external environment.

38 Internationally, data releases had generally corroborated the Committee's view that the second quarter's data would show a modest bounce back from what had appeared to have been a temporary slowdown in global activity in 2015 Q1. But these data developments had been overshadowed by events in Greece and China and the risks that they appeared to present to the outlook. In China, the slowing growth of activity had been accompanied by sharp swings in asset prices. The authorities had announced a number of supportive measures during the month although it was as yet unclear what impact these would prove to have. In Greece, the referendum on 5 July had resulted in a rejection of the proposals made by the creditors on 25 June. Banks had remained closed, and it was unclear whether the Greek Government would be in a position to make a €3.5bn bond repayment to the ECB on 20 July. So far, the response in financial markets to these developments had been relatively muted and orderly. The Committee noted the FPC's assessment that the institutional changes and development of policy tools in the euro area since 2012, alongside economic recovery, the reduction in fiscal deficits in a number of other euro-area Member States and strengthening of banking systems, had all contributed to a reduced risk of contagion. The Committee also noted statements by the ECB and euro-area Finance Ministers of their determination to make use of all policy instruments available as appropriate. Nevertheless, the situation remained fluid and there was a possibility that a deepening of the crisis could prompt a broader reassessment of risk in financial markets or dampen growth in the euro area with knock-on consequences for asset prices and activity.

39 The recent appreciation of sterling would be expected to have a direct effect on inflation, bearing down on the CPI relative to the outlook described in the Committee's May forecast, although the speed and degree of pass-through from movements in sterling was uncertain. Amid the developments on the month, global oil prices had also declined, particularly in the days leading up to the Committee's meeting, and stood around 10% lower than a month earlier. If it persisted, this would be likely to increase the expected near term deviation of inflation from the target.

40 There was a range of views among Committee members on the significance and scale of the news regarding domestic costs, external price pressures and the balance between them. It was evident that domestic cost growth was recovering. But there were questions regarding: whether the increase in wages relative to productivity would be sustained in light of the risks to global and UK activity emanating from developments overseas; and whether or not, even absent those risks, increases in domestic costs were occurring sufficiently rapidly to offset the probable drag on CPI from the appreciation of sterling and so return inflation to the target within two years.

41 In light of recent developments, all members thought it appropriate to leave the stance of monetary policy unchanged at this meeting. For a number of members, the balance of risks to medium-term inflation relative to the 2% target was becoming more skewed to the upside at the current level of Bank Rate. For these members, the uncertainty caused by recent developments in Greece was a very material factor in their decisions: absent that uncertainty, the decision between holding Bank Rate at its current level versus a small increase was becoming more finely balanced. For most members, even before accounting for the recent increase in uncertainty in the external environment, the current stance of monetary policy remained appropriate to balance

the risks of inflation around the target in the medium term. For all members, the policy decision this month was clear cut.

42 For all members of the Committee, the central message of the guidance that it had given in its February 2014 *Inflation Report* remained relevant: given the likely persistence of the headwinds weighing on the economy, when Bank rate did begin to rise, it was expected to do so more gradually than in previous cycles. Moreover, the persistence of those headwinds, together with the legacy of the financial crisis, meant that Bank Rate was expected to remain below average historical levels for some time to come. The actual path that Bank Rate would follow over the next few years was uncertain, and would depend on the economic circumstances. The Committee's guidance on the likely pace and extent of interest rate rises was an expectation, not a promise.

43 The Governor invited the Committee to vote on the propositions that:

Bank Rate should be maintained at 0.5%;

The Bank of England should maintain the stock of purchased assets financed by the issuance of central bank reserves at £375 billion.

Regarding Bank Rate, the Committee voted unanimously in favour of the proposition.

Regarding the stock of purchased assets, the Committee voted unanimously in favour of the proposition.

44 The following members of the Committee were present:

Mark Carney, Governor  
Ben Broadbent, Deputy Governor responsible for monetary policy  
Jon Cunliffe, Deputy Governor responsible for financial stability  
Nemat Shafik, Deputy Governor responsible for markets and banking  
Kristin Forbes  
Andrew Haldane  
Ian McCafferty  
David Miles  
Martin Weale

Dave Ramsden was present as the Treasury representative.

As permitted under the Bank of England Act 1998, as amended by the Financial Services Act 2012, Dorothy Thompson was also present as an observer in her role as a member of the Oversight Committee of Court.