Monetary Policy Committee decision and minutes of the Monetary Policy Committee meeting ending on 17 June 2020 Press Briefing

Thursday 18 June 2020

Ed Conway, Sky: Can I ask a negative interest rate question. Where are we on that? Are you still thinking about it? Are the constraints any greater than they have been before? Why didn't you go for it? Along those lines.

Andrew Bailey: I really have to start by making the points that I have made before which is that we are accessing the case for negative interest rates in this country. We haven't ruled anything in or we haven't ruled anything out. We are doing that work, it is not a decision, as I have said before, that is on any sense imminent. So I would hope the message from this round is that there was no surprise on that front. There is so much work we need to do, it's a complex issue. We are looking carefully at the experience of other countries that have used it. But also having to take that evidence and apply into the case of this country to really get a sense of the pros and cons of it. We intend to do that and also as I have said before there are 2 other things. We will also then have to address the question of where we to decide, I do emphasise that conditional point, that should we decide that it should be in the frame of decisions we could pursue the important question which is around implementation including systems issues. And there would also be important questions around communications, but all of those are conditional statements.

Larry Elliott, Guardian: You seem to be a bit more upbeat about the state of the economy than you were in May. Can you unpack that a bit? Can you tell us why that is and how confident you are?

Andrew Bailey: We'll I'll kick off but I think Ben may want to come in on that. So I would divide it up into 2 parts. The evidence we have had since May that relates to the period that's passed us, the immediate period, the downturn period, broadly as we set out suggests that it probably wasn't as severe as the scenario that we used to illustrate in the May MPR (Monetary Policy Report) would have indicated. Now just on that first of all it was only a scenario and secondly we are talking about a difference between maybe a fall in the second quarter in the mid 20% range to something in the upper 20% range, so let's not get too carried away about this difference. My third point, just to illustrate that, is that well within my margin of errors because the error bands at the moment are obviously pretty large. The second thing before I hand over to Ben is that I think as you will see, we said in the statement and the minutes however, that we are looking forwards. Obviously the big questions now are obviously forward looking ones really. We do see signs of activity picking up, we also have as you will have seen, quite a strong focus on the labour market where we think signs in the data were quite mixed. There was quite a big sign in terms of job losses but Ben do you want to come in and develop that?

Ben Broadbent: I would, again, emphasise this difference between the news on the output and activity side and the news on the labour market. So as Andrew said, we are now looking at a decline through the first half of the year, cumulating Q2 together, around 20%. We had cumulative decline in the scenario across those 2 quarters in May of around 27%. So that is in normal times a difference of 7 percentage points. Minus 20 is still extraordinary weak. There has been ongoing positive news on activity and so I would say also the risk to the Q3 number in the scenario probably threw upside. However, as Andrew said the news on the labour market are mixed and I think the balance to the unemployment profile will probably move to the upside and notwithstanding the manifest numbers we had for April. We have seen, our best guess is there are more people furloughed during the second quarter than are embedded in the MPR projection and it could be that a mix of the downturn output is

more skewed towards the lower product than through labour intensive sectors than we thought. So we've got this. sort of, difference between the news on output and the news on the labour market but that's our perspective and our feeling is that they are probably moving slightly in different directions and for my part, I think the labour market news is probably the more relevant when it comes to judging medium term inflation risk for the Bank.

Joel Hills, ITV: Can I just pick up on that? Andrew Bailey, if my Google search is accurate, you were born in 1959?

Andrew Bailey: You're right Joel, your very right

Joel Hills ITV: There we go, March 30th. Now, is it in your view based on what we're seeing in the labour market, that we face the worst employment crisis in your lifetime?

Andrew Bailey: Well, that's an interesting one and obviously, you know, I had the privilege of growing up in the 1970s and going into the 1980s. I mean I think there are quite considerable difference between what we're seeing now and what we saw in those days in terms of the economic characteristics of it and so I think the sort of easy comparisons don't go too far. I've no doubt that we're looking at, you know, the steepest trajectory of the rise in unemployment because of the sheer nature of what's happened in this case of the rapid close down of the economy. Whether the endpoint or what the endpoint will look like relative to those days, I think it's still too soon but I'd just reiterate what Ben has just said about the weight we put on the labour market. We do put a large weight on the labour part of the market, looking forwards including for inflation purposes and also just to reiterate what Ben said. I mean the labour market data released this week had some quite, sort of, interesting and puzzlingly contradictory elements to it but we spent quite a lot of time pouring over it, as you might imagine, and I, like Ben, I think the news is on the downside frankly. Although, I just would remind that in the scenario we used in May, I mean we did have unemployment going up to unprecedented, in modern times, at least. I'm not sure and now I'm about to say that I began my life outside of modern times, which would be a gift to you. In modern times, recent times, I'll use that word, it's at a very high level. Ben, did you want to-,

Ben Broadbent: Yes, just to say, remember that in the presence of the JRS, how you measure the health of the labour market. I mean our scenario had a figure for Q2 and Q3 unemployment about nine and a half. I don't think the news has been on the upside on unemployment in the short term because of the scale of the furlough scheme and indeed, you'll remember in the early 90s recession, unemployment, I think, it rose to over eleven. So, it depends how you measure it but clearly the committees thoughts on risks to that profile as and when the JRS is unwound partly on the basis of the (inaudible).

Brian Swint, Bloomberg: You say, Governor Bailey that the pace of QE or QE, I guess, could be picked up for the rest of the year. I'm just wondering, is there a particular fall in yield in which it would trigger your action to do more? Is there a specific yield in mind and for you, have something like yield curve targeting in mind when you set this policy?

Andrew Bailey: No. So, there isn't, we don't have specific triggers for any decision on QE, either on the stock of it or on the pace of it. What you can see from the statement we've made is that obviously we keep, as we do, we keep the situation under review and we're ready to take further action should we decide it's needed. Of course, just to remind of course, the guidance there, as we set out in the statement, is that we have an inflation target and of course linked to that we have a broader framework that we operate under, which obviously links it back to the overall condition of the economy. So, that

is, you know, that is what we will do and no, we're not targeting the yield curve. I can honestly tell you that the MPC has not spent any time discussing how it might target the yield curve. Where the yield curve is, is an outcome of many things, which our policy decisions are only one.

Phil Aldrick, The Times: Yes, hello Andrew. I just wanted to just continue that point. You were buying almost £60 billion of gilt a month. In July, there's going to be about £60 billion of gilt issued again. Are you going to continue until the end of July buying at the previous rate or are you going to drop the rate down to what looks like about, sort of, £15 billion a month immediately?

Andrew Bailey: Obviously, to be clear, it's never been our policy to match with our purchases what was being sold in the primary market. Secondly, obviously as you know, we took the decision going back to March on the current programme of QE, very much based on the conditions that we saw then in markets, which, obviously, were conditions of very substantial instability. We judged at that time that it was necessary to do two things. One, is to have very, you know, substantial stock of QE announced and pursued and the second one was to actually execute the transactions rapidly. Obviously the markets have stabilised very substantially since then and so we considered the conditions and, going back to the discussion we've just had particularly on the economic outlook in the news, that conditions warranted further purchases. The evolution of the news since March also meant that we would not be pursuing the same pace of activity and that then you're right. Now, we will maintain flexibility on the pace that we pursue it at but you're right, Phil, to conclude that it will be a slower pace than we have been pursuing since March. That's obviously, follows logically from the fact that we've said that we expect this programme of purchases to take a length of time to, you know, we'll use the phrase, around the turn of the year.

Tim Wallace, The Telegraph: Hello, yes I'm here. Thanks very much. On the economic recovery, how much more quickly might it happen if social distancing rules are eased? Reduced from two metres to one metre for the hospitality industry, to get schools back and so on?

Andrew Bailey: Well, I'm afraid I don't think we can give you any sort of precise answer to that question. As you may remember from the May Monetary Policy Report, we made an assumption in that report that the restrictions would be lifted over a period of time that extended from around about June through the summer into September. We didn't give any precision because it's not really something we would, I think, feel able to do as to exactly what was done when in terms of particular measures. I think, going back to what Ben and I were saying earlier, if anything the lifting has probably started a little bit earlier than we assumed in that scenario and I think that's consistent with the point Ben made about the distribution of risks. We can't give you a ready reckoner I'm afraid for, you know, two metres versus one metre. Ben, I don't know if you've got anything you want to add on that one?

Ben Broadbent: No, I don't think so. I mean we have tried in the tracking of activity and for those familiar with the May MPR and since, you know, looking much more closely at the bottom-up measures of output and we've divided in that respect, into various buckets but you'll find references, I suppose, both in the May MPR and the minutes, so-called 'social consumption'. We hardly see anything that requires people physically getting together. Also, delayable consumption, largely durables, was hit very hard. That is, you know, a finer level of detail you normally look but it's still much broader than just hospitality. Social consumption would include plenty of other things as well so we haven't actually gone to that fine a level of detail within the economy.

Bill Schomberg, Thomson Reuters: Well, yes. Hello. First of all, just a quick question, just a clarification of something that Deputy Governor Broadbent said earlier because the line wasn't very

clear. If I understand correctly, you're now looking at a possible twenty, two zero, percent decline in GDP over Q1 and Q2 combined as a opposed to a twenty seven percent decline in the May scenario, is that right?

Ben Broadbent: Yes, that's roughly right. I mean this is not, as you know, an MPR month. So, we haven't done it in as much detail as we would at that time and will do for the August report but yes, that's, sort of, a rough estimate of where we think we are now.

Bill Schomberg, Thomson Reuters: Alright. Just on the question on QE, it does represent a pretty significant slowing down of the pace of QE. You say this is largely a reflection of how there's been times that the economy is picking up a little bit. It's more that you've been expecting before and also farming of the markets but I wondered if you could talk us through a little bit more about you weighed up the risk of such a sharp slowdown in the buying government bonds? I know you're not aiming to mop up everything that the government issues but does it have anything to do with the expected likely slowing of issuance over the coming months compared to the last few?

Andrew Bailey: Well, it's a really interesting question because, first of all, I think the implied pace of QE for the rest of this year would still be rapid by the historical standards of QE issued by the Bank of England. That tells you something about the speed that we've been pursuing since March, if you like, I mean that's just how extraordinary it's been. Obviously, I just want to come back though, to make the obvious point again, as to just how absolutely extraordinary the conditions were, you know, from March onwards both in terms of the economy and financial markets. So, it's an interesting perspective you provide, which is, you know, I think we're slowing from a-, I don't know, I'll borrow a phrase from Star Trek for a moment, absolutely, sort of, warp speed to something that by any historical standards still looks fast. Just to put it into context, two things I'd say on that. One is the committee, you know, spend a lot of time on this. I think, you know, felt it was justified by two things. One is the news as to how the economy was, you know, developing and how it looked relative to our expectations back in May, particularly, and even going back to March. Secondly, the state of financial markets, and the fact that the disorder we saw in March has calmed substantially. The other point I'd make, and I make this with a big, sort of, introductory comment, which is, you know, obviously, we don't track other central banks. So, I'm only using this for comparison, nothing more than that.

Don't read anything more into it than that, but, if you look at the Federal Reserve, you will observe they have actually scaled back very substantially since the initial activity that they undertook around about the same time as us. So, it's not, I think, particularly, sort of, unusual or surprising that we're taking that decision.

Ben Broadbent: Andrew, would you mind if I add one other thing.

Andrew Bailey: Yes. Of course. Yes.

Ben Broadbent: Which is that I think it's important to understand that historically and still, the MPC has tended to view the effect of QE in terms of the stock, not the pace, and it would be wrong therefore, I think, to see a slowing in the pace of some sort of tightening of policy. It's not. It's a further loosening, continuing, and we're going to increase the stock. Certainly, you know, any, if you can call it this, model of gilt yields that imagines that they're determined by the issuance of the central government less the buying of the central bank is a very poor model empirically. Certainly, the MPC tends to view its stance, as I say, in terms of the stock, perhaps there's not the flow. Now, the exception to that, as Andrew says, was in March, when the gilts market was highly dysfunctional, and it was very important to complete those purchases as rapidly as we could and other central banks did the same.

But in general, absent these episodes of extreme illiquidity, we tend to view things more in terms of the overall amount of purchases, not the rate at which they are bought in.

Faisal Islam, BBC: Hi. Thanks for doing these press calls much appreciated. Sorry I wasn't there at the top, technical problems. Can I ask you about a couple of details in the minutes, there was a reference, I think Ben just touched on it, to the fear that the prevalence of the virus will increase levels social distancing, but there was also a reference to business surveys suggesting that furloughed workers won't be fully reabsorbed into the workforce. Can you just elaborate on those two things? And could you also just clarify, obviously there was no decision on negative rates, but there is no discussion on negative rates at all, because it's not mentioned at all in the minutes.

Andrew Bailey: Well, I think I'll get Ben to do the first two. I'll just repeat, you may not have heard what I said at the start on Ed Conway's question, no, negative rates did not feature in the policy discussion. We are, as I've said before, doing work actively at the moment to assess negative rates as a tool, and to assess them in the context both of, you know, the experience of other countries with them, but also how that experience and, you know, our assessment of them would translate into the context in this country. Also, of course, the context, not just the context in a normal time, but the context, you know, that we might find ourselves in. All that work is going on, but I can tell you that it is not work that is being used in the active, what you might call the active policy discussion, because it is still very much, sort of, formative-analysis stage. So, I'll draw a distinction between those two, but I look to Ben on the first two.

Ben Broadbent: Thanks, Andrew. Yes. There are a few surveys that we mentioned in the minutes on this question of the furlough scheme. There are a couple of employers, one from the Agents and one from the Decision Makers Panel, and another on the employees in our NMG survey. They all suggest there's a risk that not every furloughed employee will be reemployed when it's undone. I should say that I think all of them, certainly in the DMP survey, were taken before we had some of the upside comprised risk. They may, in this very fast-moving environment, be slightly out of date. In that respect, we will continue obviously to monitor all those surveys, doing them as frequently as we can, but I think that it does pose something of an upside risk, as I said, not necessarily in the near term to the profile of unemployment we had in May, but, you know, through the course of next year, and that's something we will be watching very closely.

Faisal Islam, BBC: Just sorry, can I just come back on this issue of the virus, there's also a reference to a, kind of, they didn't say, 'Second wave,' but the idea that Covid infections might go up is a consideration in terms of risk management. Is that a result of your interactions with epidemiologists and things like that. How does that factor? I mean, I do understand why, but could you just elaborate on that, please?

Andrew Bailey: Well, I think it's an interesting question. I mean, I think there's been, obviously, a lot of talk about, you know, 'What if there was a second wave,' in some rather, sort of, big sense of a second wave. That would be, obviously, very difficult for many reasons. I think there's also the possibility of, you know, what I might call, sort of, localised outbreaks, and that might be more likely if the test, track and trace approach is working, but obviously, you could easily get localised outbreaks, which can be more easily controlled. So, yes, when we think about it, we're thinking about, all of those things. Now, I mean, I would say, I think we've said before, that obviously, yes, there's no easy way to map those sorts of things into economic activity. We talk a lot to epidemiologists, and it's very useful to do that, and very helpful, but ultimately, I'm afraid, you know, we're all, and no criticism intended here whatsoever, I mean, we're all operating in unknown territory in terms of the sort of modelling aspect of it. I think it's sensible that we've got this, sort of, you know, range of possible future

outcomes and scenarios in our mind as we go forward. You know, it's not surprising that those will develop and evolve as the thing goes on, and as we see different, obviously, different techniques being used on the, sort of, public health end.

Holly Williams, Press Association: Hello. Governor, in the minutes today, it mentions that the recovery in demand and output has been occurring sooner and materially faster than expected in the last MPC meeting. Just wondering, the V-shaped recovery was obviously, by all accounts, dead in the water. Does this mean that this might be back in play?

Andrew Bailey: Well, I'll kick off. I'm sure Ben will want to come in. I think Ben described it as. I will say, we don't use letters to describe these things, but we do respond to the questions on it. I think Ben, you used the term 'the most lopsided V you'd ever come across' in one of the comments – I don't know if it's in Treasury Select Committee, I can't remember. So, the idea that the V was on, was off – I'm not sure we, sort of, you know, we're not spending any time on that really. I think what we were saying is that, going back to what Ben was saying, first of all, as partial lifting of the measures takes place, we do see signs of, you know, some activity returning. Now, we don't want to get too carried away by this. I mean, let's be clear, I mean, we're still living in very unusual times, but I've said before, I don't find this – this is the piece of the, sort of, picture, when people challenge the so-called V, which I thought was a little bit surprising, because this is an unusual, it's a highly unusual situation we're in. It will follow that as restrictions are lifted, obviously people will start doing things. I mean, that's in the nature of it. It's what should happen. We will see signs of economic activity returning, and that's what we are seeing. You know, we can see it in the housing market, for instance. So, you know, I don't think we're surprised at that, but of course, it still leaves, as Ben was saying earlier, very big questions outstanding about how this thing is going to evolve.

You know, we were very clear in the MPR that there were two stages beyond this question about the reaction to the lifting. One of which was, but, how cautious would people be of their own choice, as it were, even once the government lifted measures. And secondly, the whole question of the so-called scarring, which is, you know, what longer-term damage would be done by what's happened.

Ben Broadbent: Yes. Andrew, I do want to follow up quickly, as Andrew said, we never really, if you have to choose a letter, we never really saw May as, quote, a V. It was when we were in front of the Treasury Committee that I used the word, you know, if you had to use a description at all, I would be a pretty lopsided V, because even in the May scenario, it took eighteen months, closer to two years, and over two in the case of output, and over two years in the case of employment, to undo what would have been done in the space of barely a month or two. So, I don't think V was ever the right description, but our feeling then was, we felt pretty confident that there were parts of activity that were directly constrained by the lockdown. We had every reason therefore to think that a recovery, at least early on, would be sharper than in a normal cyclical upturn. I think we're now seeing evidence of that. Equally, there are reasons to think that there will be some bits of demand, as Andrew said, out of caution that will remain depressed even after the lockdown is lifted, for, you know, hangs on people's own caution, their confidence in their ability to go out and particularly with respect to this, sort of, social consumption. Then, as Andrew said, the question of longer-term effects on supply as well demand the further out we go. And those are still uncertain.

Chris Giles, Financial Times: I have. Thank you. I'm sorry I missed the first couple of minutes. I'm almost certainly being really thick here, but I'm a bit confused, it has got to be said. When we're talking about the stock and flow question on QE, we remember 2013, when the Fed reduced the flow and it created the taper tantrum. Lots of people do see the flow as what matters, even if you see the stock that matters. If you are concentrating on the stock, and you increase the stock, so this is a big

loosening at a time when you say the economy is performing better than you expected, it doesn't seem to make a huge amount of sense. Whereas if the flow matters, when you say the economy's performed better than you expected, then, I'm not clear what message you're really putting out at the moment. I'm sorry.

Andrew Bailey: Okay. Ben, do you want to?

Ben Broadbent: Yes. Look, let me first say, with respect to the Fed in 2013, you'll remember that they didn't specify the stock. I don't think that's a clean experiment, because they were having open-ended purchases. So, if you reduce the flow, you also reduce the eventual stock. I know that was one of the things that happened in the expected future stocks, should we say, because it hadn't been entirely specified. So, I think that's not a clean experiment of the difference between flow and stock. This is a loosening, an increase in the stock, and it's a loosening, as we discussed earlier, partly because I think the committee overall places more weight on the slightly negative news on the risks to the labour market than they do on the faster recovery. So, I don't think there should be any confusion there, really. As I say, we still very much see it in terms of the stock. The exception would be during bouts of big illiquidity, where very clearly that was part of the picture in 2009, and again, on an extraordinary scale in March of this year. And on those occasions, we went out of our way to say not only we're increasing the stock, we want that extra stock to be completed as fast as possible. But that market dysfunction has now calmed down, and that is why we feel able to complete this round of purchases at a slower-than-record pace.

Andrew Bailey: Can I just add, Chris, on that, just to reinforce, I think it's important to go back to May briefly. I think in May, and I think we did convey this message, I think we did in the MPR and the May minutes, that I think many of us in May thought that probably in our best guess of what we would have to do in the future was that we would have to increase the stock, but that we thought it was sensible to, and indeed we have the space, to have wait to take that decision until now, so that we could judge the evidence that evolved. That's particularly important in today's conditions, because of just the extreme uncertainty that exists around us. So, I think the value, there's a lot of value in the news we get at the moment because of uncertainty. It solves-, you know, it starts to settle, sort of, you know, what is otherwise extreme uncertainty over the news. That's important. I mean, obviously, in May, two members of the committee voted for the extra stock, and, you know, it'd be fair to say, as the minutes convey, quite a few others thought that it was more likely than not that we'd have to do that, but actually preferred to wait to judge that on this occasion. So, I think that's an important-, you know, some of the comments I've seen on this suggest that we, sort of, have a completely blank mind about the future. I don't think that's the case. So, I think we do have to judge it through that lens, as well.

Jason Douglas, Wall Street Journal: I would just like to advance with the same line of questions. I just feel we're not really quite understanding, why you increased QE this month given that lot of the-, all the economic data was definitely (inaudible).

Andrew Bailey: Well, I think-, I mean, I'll start. I think I just need to emphasise what we were saying, and what we've said over a few answers. So, first of all, it was a balance, as Ben said earlier, of the news we've had on activity and the news we've had on labour market. Just to emphasise the point Ben made I think earlier on, that I think the news on the labour market is significant in this respect. Obviously, the news on the labour market, you know, we think on balance-, there are some puzzles, I know I said earlier, but on balance, we think it is negative news. So, that reinforces the judgement that we've reached, and I put that back into the context I said earlier that, you know, I think quite a few of us, we go back to May, were minded that we would have to take this decision, but we waited-, you know, we thought we could wait to see the evidence on that, and we have seen this evidence on labour

market in the intervening period. Can I just-, I mean, one of the points I would make, because we haven't mentioned it so far, actually, but we should do, is of course that we have, you know, a trajectory of inflation that is again evolving pretty consistently actually with the view we had in mind back in May, and that is, you know-, the trajectory is to take inflation down to very low levels. We're well below target now. In fact, we will obviously write the open letter to the Chancellor, as is required, and we have to, you know, obviously, bear that in mind, because that's our target.

Ben Broadbent: Yes. I'll just reiterate, if I may, Jason, one-, again, this difference between news of output and news on labour market. The reason that matters is because we tend to see labour market, particularly when you're very uncertain about productivity, as the better of the two indicators as to the pressures on future inflation. If you have a situation where therefore the near-term output news is positive, that the risks around medium-term growth are, for the labour market, weaker, I think the committee generally places more weight on the latter. It remains to be seen whether the, you know, up turn in demand is (a) sustained and (b) what implications it has for employment. One of the many extraordinary things about this episode is the skew in the hit to activity and demand. It has been, very strongly we suspect, skewed towards labour-intensive, lower productivity perspectives. You know, I think that's material big differences between the two profiles.

Ben Chu, The Independent: Hello, Andrew and Ben. I've got a question about the, sort of, channels you envisage extra QE supporting the economy. The minutes talk about loosening monetary policy, the role to play in supporting demand. I was just wondering, what-, is that through household demand, business investment demand? How big is that support, the demand that QE provides this? Is it perhaps anticipated as being bigger as the economy emerges from lockdown?

Andrew Bailey: Ben, do you want to start off on that one?

Ben Broadbent: Sure. I mean, one of the difficulties here is those effects vary probably according to the condition of the economy and that's, you know, suggested there could be such effects and certainly in March in those rare positions of extreme instability QE is pretty powerful and if you were to think about it in crude monetarist terms that episode of liquidity involved a steep increase in the demand for safe assets and-, well, fundamentally the safest asset of all of them is central bank reserves. So, it's very important to supply those reserves quickly and in that environment QE has quite powerful effects. In more normal liquidity conditions it probably has less powerful effect. There were main channels through which it worked it keeps safe financial conditions that are more accommodative for any prospective monetary policy and in that respect, you know, very broadly speaking it works in the same way as, you know, Bank rate broadly speaking. As to whether it's more powerful when you are in recovery I wouldn't venture to say. I think the most noticeable difference is when you have these illiquidity conditions and when you do not. Thanks.

Anna Menin, CityAM: I just wanted to touch on the issue of a second wave. In the event of a second national lockdown have there been discussions about how the MPC would respond?

Andrew Bailey: No, we haven't had discussions about how we would respond because we would have to judge that much more widely and the circumstances in which it took place. So, you know, we've discussed the context of the risks around the outlook, as I was saying earlier. We've already, sort of, discussed two elements to it. One is a broader lockdown, as you suggest, or a broad return to restrictions, that's putting it as you suggested, the other is a more localised, sort of, more limited version of it but we have not gone beyond that because it would be, I think, very much dependent on the circumstances in which it happened. By the way, of course, let me just emphasise not just in this country but actually what is going on internationally as well.

Dave Robinson, Market News: Term Funding Scheme, some signs that usage has eased or is not accelerating. Is there a case for cutting rates on the Term Funding Scheme?

Andrew Bailey: No, I think what we've seen is an initial use of it. I think we may well expect to see some further use of it but I'm not surprised, obviously given the way firms have to manage their balance sheets that you will get some initial use and then you may get use further down as funding conditions and balance sheets evolve but I'd be frankly pretty surprised if the whole thing was taken up initially. That would be quite interesting so, no, I'm not surprised by what we've seen.

Graham Hiscott, Mirror: Just turning back to the labour market, the ONS data this week showed there's a big increase in the claimant count in certain areas, many former industrial areas and inner city areas. Have you got concerns that as this job market, you know, the increasing unemployment continues over the next few months that those areas will fare far worse than other areas, and particularly perhaps in any recovery as well?

Andrew Bailey: Well, I'd go back to something Ben said a few minutes ago and perhaps bringing him at this point because Ben made the very correct point that, of course, the nature of COVID means that it affects certain sectors of the economy more than others because they're the ones that are most affected, including obviously by the restrictions on the lockdown measures and that is tending to affect obviously some particularly labour intensive service sectors. So, you are getting obviously very different patterns of effects in that sense across the economy and that will obviously then have some effects not only in distribution across sectors but also in distribution across areas of the economy geographically, regionally somewhat. Ben, I don't know whether you want to come in on that?

Ben Broadbent: No, I think that's right. We tend to, you know, we obviously are ultimately measured in terms of inflation across the whole economy and we are more than usually interested in the sectoral patterns of demand because they have to use different locations, so the labour market and the profile of unemployment. We don't pay any particular attention to the regional developments, I don't think, independently of what I've said they affect our view of the profile and the risks for inflation, although clearly because there are differences in the pattern of production across regions then sectoral differences may well have region implications as well.

Elliot Smith, CNBC: Great. Thanks so much for taking the time out, I appreciate that. So, I just wanted to ask, there seems to be a couple of suggestions come in and the analyst's reaction that this might temporarily put paid to the talk of negative interest rates but there's still some speculation about possible evolution of funding schemes for the banks to support lending throughout possibly later in the year. Is that something that has been discussed as well?

Andrew Bailey: Well, on negative interest rates, let me just come back to the points I made earlier because it's a sort of interesting comment but it's somewhat at odds with where we are. As I explained before, we are doing the assessing, doing the assessment of the case, you know, for bringing them in as a tool, so not necessarily lead to a decision to use them but would be something in a tool box because obviously where we are in the current context, you know, it's sensible to assess all the possible tools we might have. But the argument we've somehow walked back from an immediate decision on negative interest rates is really quite wide of the mark. I mean, that's not what we said in the past. I was very careful with what I said, and I said it originally at a Treasury Select Committee, I think, which is don't rule anything out as a matter of principle, we don't rule them in either at this stage. We're doing the assessment work and the committee is engaged in that but it's not part of what I might call the current decision set. On funding schemes I think it's, sort of, slightly follows from what I said a

moment or two ago is that we're not, you know, we're looking currently at how the one we've put into place is evolving. It's got quite a lot of room left in it so that's not an immediate issue in my view.

Edmund Heaphy, Yahoo Finance: Okay, sure. I was just referencing a part in the statement about how some members of the committee envision the role for monetary policy in mitigating more adverse economic scenarios, such as one involving a second wave of coronavirus infections. How would the monetary policy stance differ if that was to be put into effect and what kind of steps will be taken?

Andrew Bailey: Oh, right. Well, I think I would come back to what I said previously which is, I think it would be very dependent on what the circumstances of the evolution of the second wave would be. So, you're right to say, I mean, there was a statement in the minutes which says, you know, monetary policy, envisaged a role for monetary policy to mitigate the potential impacts. Now, of course you can split that up into two parts in a way. You can say there's the impact of the second wave itself, which of course we would only know when it happened but you can then also say that it was the impact of people's current concerns that there might be a second wave. Now, I think that brings us back to the point Ben and I made earlier and going back to the May scenario about factoring in people's what I might call 'natural caution' in their willingness to go out and participate in the economy even after the measures are lifted. You can imagine that that natural caution, which obviously is a behavioural thing, would have some relationship to their concerns of a second wave and their concerns about being caught up in a second wave. So, in so far as that is being factored into people's expectations, you know, constantly and should I say a continuous evolving basis then that is relevant to our consideration ofmonetary policy because it's relevant to the forward-looking evolution of the economy.

Edmund Heaphy, Yahoo Finance: Okay, yes but would you say that the current monetary policy stance, is envisioning potential to mitigate more adverse impact?

Andrew Bailey: I think in the spirit of the minutes and, I mean, what you should take from that comment in the minutes is that some members of the committee put more importance on that issue. They thought that possibly people's expectations and concerns, if you like, and the natural caution that might follow from that was a bigger issue and that monetary policy could play a larger role in a sense in seeking to, in a sense, counteract that-, 'mitigate' actually was the verb they used. So, you know, that was a relevant consideration for, as it says, some members and that's fair enough and the spirit of the minutes is to reflect those sort of considerations.

Matei Rosca, Politico: Hello. Thanks for taking the question. Can you please give us a description of the private sector demand for government bonds in the UK at the moment? How much of the issuance does the Bank of England end up owning these days and how do you forecast the market going in the coming weeks and months? Thank you.

Andrew Bailey: Well, I'm not sure the Bank of England is the place to forecast the gilt market. I think there are many people in the market and indeed the debt management office who devote themselves to doing that. I mean, what I would say just to reiterate a point I made I think very early on is that what we have seen, and I'm very pleased we've seen it frankly, is a stabilisation of market conditions or financial market conditions since the very turbulent conditions of March. As Ben said and I said earlier, one of the major reasons for the, particularly as Ben said, the pace of QE was that the pace is relevant when you're considering financial market conditions and financial instability and as I said we were. The fact that the gilt market has stabilised and the other government bond markets and generally other markets have stabilised obviously is a good thing and one thing we were looking for. We don't have in mind any, I could tell you, any particular pricing on the gilt market, it goes back to the question asked

earlier about yield curve control. That's not what we're doing but the stability of the market is important because it has much wider implications and much wider implications to the economy.

Ben Broadbent: Yes, Andrew, can I just reiterate that point? I'm looking right now at a plot of the ten year gilt yield and the gyrations in early March were extraordinary. The yield went from around twenty basis points having fallen from 60 over a couple of weeks back up to 80 basis points in a couple of days. That was to do with a huge amount of news financial markets were having to report and various technical factors in markets which drove up the demand for cash. Those conditions are now very different, which is the important part of the picture on the question of pace. On overall demand I'll make only one point, it's a global point, which is in environments of, you know, rising risk aversion and uncertainty you would expect to see a higher demand and indeed higher prices for safe assets like government bonds and that's what we've seen. Just to link it back up to the question of pace, something that Andrew said earlier that the US Fed stepped down enormously its pace of purchases with no material impact on yields, so far as I can see. I think again I would reiterate something I said earlier, I think it's wrong to view the yield as determined solely or even importantly by the net flow of new supply of gilts. There's a deeper underlying picture here about the degree of risk aversion globally. Thank you.

Fiona Maxwell, MLex: Thank you for taking the time for this. Could you talk perhaps a little bit about if you have any updated views on companies that might be unable to repay the bounce back loans, CBILS , CLBILS.

Obviously there's been a lot of talk about this. I wonder if you have an updated view on what the way forward should be?

Andrew Bailey: Well, I don't have an updated view in terms of the nature of the potential need in the corporate sector from what we published in May and the interim Financial Stability Report and we did a very big piece of work to look across the corporate sector. We haven't updated that. By the way, if I can put a plug in for next time, we will be updating that work. We are in early August going to publish the next Monetary Policy Report and the Financial Stability Report at the same time, so we will produce some updates I expect of that work at that time. I don't have any more to say on that. What I just will finish by saying is that, consistent with that work, consistent with reporting, a number of you have done in recent weeks, I do think it's important that we are ready in different ways clearly because the needs of the corporate sector will be different. I think it's important that we are ready to address the question of the need for equity capital and as part of the recapitalisation where it's needed. It won't be needed everywhere but where it's needed it will take different forms. It will need different approaches, clearly there's not a homogenous sector by any meansbut I think that the terms of not only the corporate sector per se but also answering the important questions about and talking about when we come back to the scarring question, for instance.

Where it's appropriate, where the company has a viable future in what we hope will be a successful post-COVID world then it's important to address the question of, where appropriate, companies can be re-capitalised with equity and that's important. You know, I'm therefore, as a number of you reported, a keen sponsor of work, an encourager of work to make sure that the market is able to meet that need as best can be done because in the current situation that's important.