

Mark Carney, Governor - Speech
28th August 2013

Alastair Cunningham:

Ladies and gentlemen, could I have your attention please. My name is Alastair Cunningham and I am the Bank of England's agent here in the East Midlands. Now my day job is to act as the monetary policymaker's eyes and ears in my region, the East Midlands, travelling the length and the breadth of the patch talking to firms of all shapes and sizes about trading conditions and critically the way you're all responding to them.

But today it is my great pleasure to welcome my new boss, Governor Carney, to Nottingham, to hear at first-hand from some of the agency's contacts and to share some of his thinking with you. And without more ado let me hand over to Governor Carney, welcome to Nottingham Mr Governor.

Applause

Mark Carney:

Thank you very much Alastair and I'd like to thank all of you for taking the time to join Alastair, myself, my colleague Tim Taylor, Nils Blythe from the Bank, spending a good part of your afternoon, you're only about halfway through the afternoon now that you're through lunch and listening to my speech.

But it is a great pleasure for me to be in the East Midlands to deliver my first speech as Governor of the Bank of England. And I have to say it's not by accident. We're here because of the diversity of this economy, with leaders in logistics, in precision engineering, in retail, information services, biosciences, education, the list goes on, manufacturing. This is a real bellwether for the UK economy. And it's in regions such as this and industries such as those that will determine the course of this recovery.

And so we're here - I'm here now to speak, but really we're here to listen. I very much appreciate those of you who spent some time

earlier this morning talking about trading conditions both here, across the country - financial conditions, challenges that businesses are facing, reactions to what the Bank of England is trying to do and providing important advice.

In my years of central banking, I have found that there is no substitute for those types of discussions, for hearing directly from those who deliver economic growth. And what I heard this morning and at lunch and what I've heard elsewhere thus far in the UK, and what my colleagues are hearing elsewhere, is that a renewed recovery is taking hold amidst a rising tide of optimism. There are signs that that recovery is broad based and set to continue and this is obviously welcome and it should be encouraged.

Over the past five years, a pervasive sense of uncertainty has held this economy back. The British people have been through the virtual collapse of the financial system, the worst recession in living memory, large job losses, falls in real wages and an at times harrowing crisis in the euro area, our largest trading partner.

As a consequence households have been worried about their savings, their jobs, their earning power and their homes; and companies have been rightly concerned about the availability of credit, the health of their suppliers, the viability of their markets and the prospects for their investments. That uncertainty has reduced confidence, dampened spending, and slowed growth. And that's something that Peter touched on in his kind opening remarks.

The real cost has been that about a million more people are unemployed today than before the recession. And also at the same time capacity has lain idle in firms and opportunities have gone wanting for lack of finance and confidence. It will take a

period of robust growth to begin to reduce meaningfully this spare capacity in the labour market and in companies.

The Bank of England's task now is to secure this fledgling recovery, to allow it to develop into a period of sustained and robust growth. We aim to get there in part by reducing the uncertainty that has held back growth. And we are using our full suite of policy tools to help rebuild confidence so that we all can move forward in a sustainable manner.

First, we are giving confidence that interest rates won't go up until jobs, incomes and spending are recovering at a sustainable pace. In particular, we will have to see the rate of unemployment, currently 7.8%, fall to at least a threshold of 7% before even beginning to consider raising Bank Rate.

Second, we are building confidence in banks so that they can serve the needs of the real economy by providing credit to those who can put it to work. In particular, we have required banks to repair their balance sheets so that their capital ratios at least reach a threshold of 7% by the turn of the year.

Crossing these two 7% thresholds is necessary to ensure that our economy can withstand the inevitable bumps along the road to recovery. Now we must meet these thresholds in a disciplined way. We will ensure that we bring inflation down as the recovery progresses. And we will use our considerable policy tools to prevent new vulnerabilities, whether in the housing sector or the financial sector, from arising during this critical transition phase.

So today I want to say more about how the Bank will work to help bring the British economy over the threshold into a sustainable recovery and what that means for all of you.

Three weeks ago the Bank's Monetary Policy Committee did something that it has never done before. We gave clear, quantitative guidance about the future path of monetary policy. Specifically, we announced that we do not intend to raise Bank Rate at least until the unemployment rate falls to 7%, provided there are no material threats to either price or financial stability. All nine members of the MPC agreed to set monetary policy in future according to this framework of forward guidance.

Now that does not mean that Bank Rate will automatically rise when unemployment falls to 7%, instead the 7% threshold is a staging post along the road to recovery. When unemployment reaches 7% the MPC will reassess the state of the economy and the appropriate stance of monetary policy.

Our forward guidance provides you with the certainty that interest rates will not rise too soon. Exactly how long they stay low will depend on the progress of the recovery and in particular how quickly unemployment comes down. What matters is that rates won't go up until jobs and incomes are really growing. The knowledge that interest rates will stay low until the recovery is well established should give greater confidence to households to spend responsibly and businesses to invest wisely.

Now it may seem that unemployment doesn't have far to fall, from its current level to 7%. The MPC's central view, though, is that this could take some time for three reasons. First, while the outlook for growth has improved considerably in recent months, growth prospects over the next three years are solid, not stellar. And that suggests that spare capacity will be only used up gradually.

Secondly, a great many jobs need to be created to bring unemployment down. A fall in unemployment from its current level to 7% over three years would mean well over three quarters

of a million new jobs created and, given the shrinkage expected in the public sector, over a million new jobs in the private sector.

Third, a recovery in growth does not necessarily mean faster job creation and lower unemployment. More than half of the increase in employment since the recession has been in part-time jobs. Many part-timers would prefer to work full time. If the recovery were fuelled by involuntary part-timers becoming full time workers, nearly half a million fewer jobs would be created.

In addition, there is certainly scope for the economy to grow through an increase in output per hour worked, rather than through new job creation. Productivity growth has been anaemic and, remarkably, the UK is no more productive than it was back in 2005. And to put it in context, that was before Nottingham's own Jake Bugg got his first guitar. Since then, as you know, I know, he's had a number one record and a string of very successful gigs; he's become a lot more productive. And the critical question is how much more and how quickly can productivity improve across the broader economy.

The MPC's central view is that productivity growth is likely to pick up, only slowly in the early phases of the recovery, but there is potential for growth to accelerate, for that productivity growth to accelerate, as the recovery takes hold. The slow pickup initially could mean that unemployment could fall quite rapidly, but fall short of that 7% threshold.

Over the next three years, productivity is expected by the MPC to grow more slowly than its pre-crisis trend. And even that modest level of growth is not assured; it is hardly an aggressive forecast. The MPC's forecast implies that productivity reaches its 2008 level only in 2015. And it means that productivity doesn't catch up any of its 15% shortfall relative to its pre-crisis trend. Were any of

that productivity catch-up to happen, unemployment could take even longer than three years to reach that 7% threshold.

But the point is - the point of all this is that in such a scenario, you would know to expect interest rates to stay lower for longer, encouraging household spending and business investment.

Our forward guidance acts as a stabiliser, securing the scale and duration of the recovery that's needed to bring unemployment down.

Now the prospect that interest rates might stay at their low levels for longer will not be welcome for savers. We have tremendous sympathy for them, after all they have done the right thing, they've set money aside, and now they are earning returns that are substantially below what they would have expected. But raising interest rates now is not the answer; instead what savers need is what we all need: a stronger economy. A stronger economy will mean higher asset prices, and will allow interest rates to return to normal levels in a sustainable way. A strong economy is in all of our interests, as it will deliver better growth prospects and better job prospects for our friends, neighbours, children and grandchildren.

Now let me reassure you that our mandate to deliver price stability has not changed. The MPC's forward guidance is fully consistent with price stability. I can also assure you of my personal commitment to price stability. I certainly have no hesitation raising interest rates when it's necessary and I did that when I was Governor of the Bank of Canada, we raised interest rates several times as the recovery there gathered pace.

But that was the appropriate policy for Canada at that time. The challenges in the UK today are different, and policy must be tailored accordingly.

The Bank of England's remit, confirmed by the Chancellor in the last budget, our remit recognises that, at times, it is appropriate to bring inflation back to target more slowly in order to avoid unnecessary volatility in output. With a depressed level of output and inflation above target due to temporary factors, rather than demand pressures, this is such a time. And the MPC is charting the right path back to its 2% inflation target.

Now, much has been made of the upwards movements in market interest rates since our announcement of forward guidance and I would like to give you my perspective. There's been a generalised upward movement in long term bond yields, across the advanced economies, including the United Kingdom, over the course of the past month. The main common driver is speculation that the US Federal Reserve will soon reduce the pace of its asset purchases. That has, not surprisingly - that speculation, that possibility, has not surprisingly affected yields in other countries because safe, liquid sovereign bonds of the world's largest economies are close substitutes for each other.

In the UK, these movements have been reinforced by growing expectations of recovery. As we explained at the time of our forward guidance announcement, a rise in the yields on long term bonds is consistent both with our commitment to price stability and supporting the recovery.

Now market interest rates at medium terms, at terms of two to five years, have also risen recently. The date at which markets expect the first increase in Bank Rate has moved from the end of 2015 to around the middle. And one possible explanation is that markets think that unemployment will come down to 7% more quickly than the Bank thinks. And since the aim of our policy is to secure recovery as quickly as possible, that would of course be welcome.

But policy is built not on hope, but on expectation. And we estimate there is only a one in three chance of unemployment coming down that quickly.

Furthermore, thinking unemployment will come down faster than the Bank expects isn't enough to believe that interest rates will rise soon. As I said earlier, the 7% threshold is a staging post to assess the economy. Nobody should assume that it is a trigger for raising interest rates.

Now another possible explanation for those movements in medium term bond yields is, like the moves in longer term yields, they reflect changes in expectations of US monetary policy. But we should remember that the US recovery is much further advanced than that in the UK.

And while, rightly so, much has been made of the special relationship between the United States and the United Kingdom, that relationship is not so special that the possibility of a reduction in the pace of additional monetary stimulus in the United States warrants a current reduction in the degree of monetary stimulus in the United Kingdom.

Movements in long-term market interest rates are certainly relevant, but what matters most to you is what actually happens to Bank Rate, now and in the future. That is because interest rates on 70% of loans to households and more than 50% of loans to businesses are linked directly to Bank Rate, and a further 30% of loans to businesses re-price within a year.

And it is the Bank of England that controls Bank Rate. We do not intend even to consider raising it before unemployment falls to 7%. And again, when unemployment does reach that point, we

will control whether a rise is warranted, taking into account the strength of the recovery and the outlook for inflation.

We're also aware that the upward move in market expectations of where Bank Rate will lead could, at the margin, feed into effective financial conditions facing the real economy. And the MPC will be watching those conditions closely. If they tighten, and the recovery seems to be falling short of the strong growth we need, we will consider carefully whether, and how best, to stimulate the recovery further. Our forward guidance was clear that, although we would not reduce stimulus until the recovery is secure, we would if necessary provide more stimulus.

Now confidence that interest rates will stay low is a necessary step to securing the recovery, but it is not sufficient. The UK also needs a fit and healthy financial sector. To serve the needs of the wider economy by extending credit to where it is needed, banks must command the confidence of their customers and their investors. And that's why a second element of the Bank of England's strategy is to ensure that banks reach a clear threshold of good health.

Now some argue that repair of banks' balance sheets holds back the economic recovery because it causes banks to hold back their lending. The reality is the opposite; where capital has been rebuilt across the world and balance sheets have been repaired, banking systems and economies have prospered. Without an adequate capital base banks are wary of lending and if they do, they'll find themselves needing to turn off the lending taps when the unexpected happens, as it inevitably does. Investors will lack the confidence to fund banks cheaply, raising the costs of credit to the real economy and, most importantly, you'll lack the confidence that credit will be available when you need it.

And for all those reasons the Bank of England has established a threshold for the capital base of the major banks and building societies, after taking into account likely future losses, fines for past misconduct and prudent calculations of risk. That threshold, a capital base of 7% of their risk weighted assets and at least 3% of their total assets, must be crossed if the system is to be able to support and sustain the recovery.

Some of the UK's major banks have already crossed it, and over the summer we made sure that the others have put in place plans to reach it shortly, and none of those plans involve cutting back lending to the real economy.

As a result of the Bank's actions we can relax other requirements to help with the flow of credit. Balance sheet repair will give confidence to depositors and investors who provide funding to banks. And with market funding assured, banks can safely hold fewer liquid assets, such as government bonds, that act - and these are liquid assets that act as a cushion to be sold in the event that investors involved withdraw their funding.

Accordingly, I can confirm today that, for major banks and building societies meeting the 7% capital threshold, the Bank of England will reduce the level of required liquid asset holdings. The effect will be to lower total required holdings by £90 billion, once all eight of the major institutions have met their threshold. That will help underpin the supply of credit, since every pound currently held in liquid assets is a pound that could be lent to the real economy.

Taken together, our actions create not just a more resilient system, but also one more able to support and sustain recovery by serving that real economy.

Now a recovering banking sector, coupled with persistently low interest rates and new government programmes, may lead to concerns that the seeds are being sown for a new cycle in the housing market. The number of mortgage approvals for house purchase is up by 20% on a year ago, while house prices have risen by 5% over the same period, and by more in some parts of the country.

Now those moves need to be kept in some perspective, however. Mortgage approvals themselves are currently running at a little more than half, and transactions a little more than two-thirds, of their pre-crisis levels. Households' debt servicing costs relative to income are below their 20-year average, and houses cost the same - this is across the country - houses cost the same relative to earnings as they did in 2003. Nevertheless, the Bank of England is acutely aware of the risk of unsustainable credit and house price growth and we're monitoring it closely.

The important thing to recognise is that the Bank now has other tools, tools other than interest rates, that can be used to contain risks in the property and financial sectors. These so-called macroprudential tools were not available to us before the crisis but we're now fully prepared to deploy them if they're needed.

The Bank of England is now in a position, for example, to supervise lending to specific sectors more intensively; to make recommendations to banks and building societies to restrict terms on which new credit is provided, or even to raise capital requirements on mortgages or other types of lending. Having these in our toolkit, and if necessary using them, will help us to keep interest rates low to secure recovery without creating risks that make that recovery ultimately unsustainable.

And if that is not enough, a final safeguard is built into our new forward guidance framework. The Bank's independent Financial

Policy Committee has the task of warning publicly if persistently low interest rates are leading to vulnerabilities that can't be contained by other means, and other means that are influenced by that same independent Financial Policy Committee. In short, we are providing stimulus that the economy needs, but we're doing so in a disciplined way to secure price and financial stability.

So let me conclude by drawing together the pieces of this jigsaw. Developments at home and abroad suggest that conditions are in place for growth to be sustained into the medium-term, though at a pace that is likely to be more measured rather than rapid.

Households in the UK have reduced their debt levels and they're now spending out of income. The outlook for the world economy and our major export markets is a bit better. The extreme risks in the euro area have been substantially reduced and the global financial system is being repaired.

Now all that said there will still be bumps in the road ahead. A few of those bumps can be foreseen; others will come as a surprise. Emerging market economies, the engine of global growth in recent years, are now under strain as capital flows back to recovering advanced economies.

A few less well-managed financial institutions still have a long journey ahead to rebuild their balance sheets and are still vulnerable to shocks until they do so.

Progress in the euro area will remain uneven.

Now we can't control all these events. Instead we are focused on doing what we can to reduce uncertainty and build resilience so that the recovery can be sustained despite those inevitable shocks ahead.

We're removing uncertainty with our guidance that interest rates will stay low at least until unemployment has fallen. That will boost demand.

By repairing the balance sheets of banks we are putting them in a position to support the real economy, and that will promote investment. And by standing ready to use the range of other tools at our disposal, we can help avoid sowing the seeds of the next crisis.

In these ways, the Bank of England is helping the British economy over the threshold and into strong, sustainable and balanced growth. Thank you very much for your attention, I'd be happy to take a few questions.

Applause

Alastair Cunningham:

So as Governor Carney said we've got time for a little bit of a question and answer session, and just in terms of the logistics about how we'd like this to work, if you can raise your hand and attract the attention of one of the members of the team with a little paddle like that. And then once they arrive at your table I'll call out the number and if you could just stand up, take the roving mic and then everyone will be able to hear the question that you're going to be asking.

Mark Carney:

And if you could - name and home address, if you can give that ...

Laughter

Alastair Cunningham:

Oh name and home address as well apparently.

Mark Carney:

We've a few of our security people here today.

Stephen Martin, Clugston Group: Hello Governor Carney, you were talking about forward guidance and I'd just like to have some clarity on your view on when unemployment will fall to 7%? And secondly, what's your view on when inflation will hit the 2% target that's been much talked about but not achieved?

Mark Carney: Yeah, well let me say one word of context and I'll answer the questions. I mean the core responsibility of the Bank is to achieve the 2% inflation target, and obviously we're starting from a position where output is very weak and inflation is above target. And the task for the Monetary Policy Committee is to chart the right path to get inflation down while we're supporting output.

And we're using forward guidance as a tool, with other things that the Bank's doing in order to achieve those goals. But we're also using it as a tool to provide as much clarity to citizens and business people about the expected path of policy.

So the answer on inflation is a little more than two years, so the third quarter of 2015, inflation - bringing it down to that 2% target.

In terms of the question of when exactly does unemployment reach 7%, we can't give a precise answer. I mean I can give you a variety of answers, I can give you a precise answer that a core view in terms of relative probabilities: if interest rates stay at the current level, half a percent for the next three years, it's as likely as not that unemployment will still be a bit above 7% after three years.

I mentioned in the speech that the probability, on that same forecast, that unemployment could come down to 7% in two years' time is about a third, one in three. So it depends on how the economy actually functions.

The core is though that the guidance we're giving to you, as citizens and as business people, is that we're not going to begin to think about adjusting that Bank Rate until we see real growth in jobs and incomes, and you can measure it on one statistic which is the unemployment rate. And it's at that point we begin to consider an adjustment in monetary policy.

And the advantage of that is that an economy where unemployment has come down to that 7% level, is an economy that's created significant additional jobs, where there's real demand, where there starts to be some support for income growth, real income growth, for workers, and it's an economy that has a great ability to support and to function under - under higher interest rates if they're warranted at that point. So you have a sense of what the trading conditions would be like at the point where the MPC begins to reassess the appropriate stance of policy.

Frank Simms,

FA Simms & Partners, Lutterworth: Good afternoon Governor Carney. I'd like your opinion really on the creation of a national bank. We've now got European approval for this, because one of the things that really bothers me is the flow of finance to fledgling and small companies. You can't expect the private sector in banking to lend to these very small companies because they have no security. I mean this works - a friend of mine in Germany, I mean the system works in Germany very well and also in certain of the states in the USA. So what are your views, do you think we - we've got to find a way somehow of putting money into peoples' hands to create businesses and create jobs?

Mark Carney:

Frank thanks for the question, leading me dangerously into the turf of others. But let me make a few comments on that. I mean certainly, yeah we've got to create the conditions to create jobs and growth. And what the Bank of England can do is - I've tried to

outline as clearly as I can in terms of the appropriate stance of monetary policy and getting the banks fixed. And getting the banks - the private banks - to thresholds of capitalisation where they have to go out and work for business, where they have the confidence of deposit investors.

There are different models for small and medium sized finance around the world, the core of a model that can work is that it's largely bank-based, but those banks have to be well capitalised which is what we're trying to focus on. And I know that the model in my home country, Canada, it's largely a bank - SMEs are basically bank-based financed, there's a bit of a national bank but it's not a big, big player in the scheme of things. So that's the core that can work.

It's the judgement of others, who tend to get - you know those who go out and search for votes - or who've already received votes and are in power - to make decisions about whether or not that could be supplemented. But we'll focus on making sure the core of it is there.

And we'll also focus on something I didn't talk about today, but through a broader set of reforms to make sure that the capital market side of the system is working well so that there is appropriate support through markets to broader finance, because that can free up balance sheet from core banks in order to provide lending.

Frank Simms,
FA Simms & Partners, Lutterworth: Thank you.

Mark Carney: Thank you very much Frank.

John Collins, Steetley Dolomite: Governor Carney, as an exporter I'm very keen to hear your views on exchange rates. And if I heard you correctly you talk about a

stronger Eurozone. Now with interest rates being benign for the next few years how do you see respective exchange rates moving?

Mark Carney: John, some are going to up and others are going to do down.

Laughter and applause

Mark Carney: That's a core element of it. I think, you know, it's a territory we don't tread on too often and it's important for you, it's important for a variety of people in the room and across the country. I think the core to recognise is that you know sustainable rebalancing of this economy externally and internally is ultimately going to come through productivity growth, and that's going to come from investment. And investment is going to be - the core of investment - the ideas are going to come from people like yourselves in this room, but you need the conditions in order to make those decisions.

A lot of those decisions which have been held back quite naturally given the uncertainty, and in some cases the availability of finance. And so we'll work on that component, unlocks the investment, supports the productivity and that supports the rebalancing and so hence - and I've just used up my time too. I was going to say something about the currency but now I've run out of time.

Steve Goodman,
Business Breakthrough:

You've mentioned productivity a number of times: not a terribly good track record for the UK from 2005, and you put some fairly modest and cautious ideas forward as to what it can be in the future. Have you formed a view yet as to whether the UK economy really has the innate capability to grow productivity at a reasonable rate in today's competitive world, is it there in the tank to be un-let, or have we got to do better?

Mark Carney:

Well there's two questions in there, or elements in there - several elements in there. One is do we need to be better and the answer - obviously yes, we need to do better. We clearly need to do better, no progress since 2005 - you know that's not very ambitious and it's not very realistic.

But I think the question, you know, from our - and to some extent in my core responsibility as a member of the Monetary Policy Committee we're at the easy stage of this discussion because there hasn't been that growth, number one.

Number two, if you looked at UK productivity was growing in the run up to the crisis; you'd know this I'm sure - 2.4 or 2.5%, averaged about 2.4%. Now some of that was in the energy sector, North Sea, and so you adjust for that. The trend was really 2.2% let's say.

Some of that might have been a little spurious because it was in the financial sector, it was a lot less productive than it thought it was, and so you can adjust off of that. But in our forecast, in the MPC's forecast, productivity growth, even though the level of productivity is a full 15% down from where it would have been on an old trend, productivity growth is only running at 1.8%. That's not very aggressive. And I don't see - I didn't see from afar and I haven't seen anything from up close, which suggests to me that there's been a sort of Soviet style collapse in productivity in the United Kingdom.

What there has been is a lot of uncertainty which has held back investment, understood. There has been issues with access to finance which has prevented reallocation of capital, the natural creative destruction, prevented good ideas being put to work, we're working on that.

And our view is that as those elements that were holding things back start to be removed, the easy bit of the productivity pick-up becomes more likely. And the easy bit is, in part, just using existing capacity, low hanging fruit. The tougher bits of productivity which, are and everyone here is well seized with them, you know skills, development, infrastructure, R&D, innovation, new market, all that, that takes a longer tale. But we're at the easier phase of a productivity pick-up right now is my personal view, and that's consistent with our forecast.

Michael Saunders, Citigroup: Governor, thank you for your speech. My question is you said that if market rate expectations reach a level that threatens growth, then the MPC would debate whether to add further stimulus. Do you think we're at that point or would that only come into play if yields rise significantly further? And if you do decide to add more stimulus would your preference be for a lower Bank Rate or asset purchases, or something else?

Mark Carney: Have you moved up here, Michael?

Michael Saunders, Citigroup: Of course.

Mark Carney: First time in Nottingham. If anyone is looking for some small, medium sized enterprise finance Citi is here to provide it.

Laughter

Mark Carney: Michael's got a large briefcase. All good questions. All questions that will get answered in the fullness of time by the MPC, in the fullness of time. It's not making a monetary policy recommendation today.

Mike Kapur,
Signum Corporate Communications & CBI: You very eloquently have set out how you believe a strong, stable banking sector is for SME lending. But if the Bank of

England were minded to, what would it do to increase the number of players and products available in the SME lending space?

Mark Carney:

It is a very good question. We obviously don't have that remit, as you know. I mean we don't have the specific mandate; it's a subject of debate actually in the Lords right now in the Banking Bill about - in discharging our prudential responsibilities having regard to competition in the sector. And the legislators will decide that. We wouldn't have the principal responsibility; we might have some responsibility for that, supporting it. We'll see.

So the question really gets into structural issues. I think the question, one of the things that's being analysed pretty intensively in the eurozone by the ECB, and others have raised it here so I'll mention it, is the potential role of securitisation in SME finance. And I think that lots of - we give a lot of thought to securitisation markets, development of securitisation markets. I think one has to be a little careful about SME loans for securitisation just because the nature of them, I referenced it but obliquely referenced it, they tend to be floating rate, they tend to be short term, people know that. And that doesn't work well moving that - sorry to be technical but moving that into a securitisation package. So it's not necessarily the right solution.

But on the other hand a securitisation - a well-functioning securitisation market - does mean more efficient balance sheets for the financial sector as a whole which frees up capacity, which then can have a knock on effect.

But we have a lot of responsibilities at the Bank, and we'll try to keep focused on our core responsibilities without drifting into those of others. But on the margin, in terms of making markets work better, thinking about how regulation interplays with how well certain products in certain sectors are served, we'll think that through and make adjustments as necessary. So thanks.

Alastair Cunningham:

Well thank you very much indeed for your questions. I think it's about time we wrapped up and got going through next door. So thanks again.

Mark Carney:

Great. Thank you very much.

Applause

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