Evolving UK monetary policy in an evolving world – speech by Huw Pill

Speech at the Institute of Chartered Accountants of England and Wales annual conference *Thriving in Transformation,* London

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Speech

It is a great pleasure to join you this morning for this year's ICAEW annual conference.

Thanks in particular to the Institute's chief economist Suren Thiru for the invitation to speak, and to him and his team for all their constructive engagement with the Bank of England (BoE) over the past year. We find that interaction invaluable.

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While I doubt it was chosen with this in mind, the theme of this year's conference – *Thriving in Transformation* – is particularly apposite for those of us involved in the conduct of monetary policy at the BoE. In light of the recent Bernanke review of the Monetary Policy Committee (MPC)'s forecasting (and other monetary policy) processes,[1] BoE staff are engaged in a comprehensive innovation programme to renew and improve the preparation and communication of monetary policy decisions.[2]

It is perhaps for others to assess whether we are 'thriving' in this regard. But we are certainly 'transforming'.

That transformation is expressed in the *evolution* of our approach to taking monetary policy decisions – as the title of my remarks today flags.

I know there is impatience with this in some circles: in the media, among market participants, in the political world. Outside the BoE, there is a desire for revolution – a 'Big Bang' change to the conduct of monetary policy in response to the Bernanke review.

But there are good reasons to adopt an evolutionary approach.[3]

For one, we are dealing with important issues that deserve careful consideration: *festina lente* (more haste, less speed). For another, the world around us does not stand still. On the contrary, the pace of change in the global economy – and the uncertainties that brings to the UK outlook – seems to be increasing rather than diminishing. We must be sensitive to our rapidly evolving environment – and, as necessary, evolve our approach in parallel. This is not a one-off action.

Most importantly, we should draw lessons from others who are faced with the need to transform their business models in the face of economic change. I am sure there are many of them in this room (and among the clients of those in the room).

In later sessions of this conference, the benefits of information-intensive businesses adopting "continuous innovation" to face a rapidly changing world will be emphasised. You will no doubt be told that 'thriving in transformation' requires businesses to be "agile" and "nimble", seeking "marginal gains" to improve performance. It is all too easy to be cynical about all this 'consultant-speak' – perhaps especially so as an economist. But surely there is much truth in these assertions.

The BoE has been around for more than three centuries. Much of its success has been founded in adherence to the 'conservatism' in central banking and monetary policy that has been widely (and rightly) advocated in the economics literature.[4] Indeed, I was extolling the benefits of conservatism in the definition of the goals of monetary policy just last week, in another talk I gave in Birmingham (while recognising that, within the UK institutional setup, responsibility for establishing the remit for monetary policy lies with the government rather than the BoE itself).[5,6] To paraphrase that message:
price stability – first, last and always.

But it is easy to confuse the desirability of conservatism in defining *what* monetary policy should achieve with the potential costs of conservatism in establishing *how* monetary policy should do so.

It is crucial that the BoE is willing and able to adopt new techniques and methods, incorporate new research results, and organise itself to be as efficient and effective as possible. All this requires a readiness to embrace change. That is what the recommendations arising from the Bernanke review point to: a need to modernise and reinvigorate the preparation of monetary policy decisions to meet new and different challenges.

In sum: we at the BoE need to embrace 'continuous innovation' in the way we approach the pursuit of the 'timeless' (and thereby conservative) goal of price stability.

There are a lot of moving parts here – and some obvious potential tensions among the competing demands of evolution, innovation and timelessness.

Ensuring that we resolve these tensions internally in the BoE's monetary policy preparation is only the start of our challenge. We need to convince external stakeholders – markets, media, politicians, businesses and the public – of the merits of our new approach. If they are to understand our messaging and engage with us constructively, those external stakeholders also need to be open to a change of mindset in thinking about monetary policy. Supporting the required change in mindset among those external constituencies is the reason I am speaking here today.

Describing the evolutionary nature of our efforts to improve the processes underlying monetary policy's pursuit of lasting price stability reveals that this agenda has all the features of what social scientists call a *"wicked problem".*[7] The defining characteristic of such a problem is that it is never completely solved: all one can hope for is to take steps in the right direction, recognising that new challenges – some stemming from steps taken in the past – will always emerge in the future. In the jargon of that literature, there is *"no clear stopping rule".*

So, when asked when the response to Bernanke review will be completed, I am sorely tempted to answer 'never'.

That is not an answer that it is likely to be popular in all circles. But it contains an important truth. To be effective, our response to Prof. Bernanke and his recommendations is not one that ends at a specific date. Rather it is one that builds *capabilities* at the BoE and a *framework* for the MPC that allows for an indefinite and continuous evolutionary improvement in the conduct of monetary policy as new challenges inevitably emerge.

The pursuit of price stability with monetary policy is a never-ending journey.

But that is not to say that there aren't big steps we have taken, we are taking, and we *will* take along that journey. And there are important signposts along the way.

The purpose of my remarks today is two pronged – first, to set out the approach underlying the response to the Bernanke review; and second to highlight (and celebrate) important work produced by my colleagues on the BoE staff that is being published in parallel with this speech. Elements of this work have informed (and will inform) the preparation of monetary policy decisions. And they will increasingly be used to support presentation of those decisions to the public, starting at the November MPC meeting in a few weeks' time.

But this should not be seen as *the* definitive BoE response to the Bernanke review. It does not mark the end of a process, but rather a contribution to it.

At the risk of sounding overly Churchillian, the analysis contained in these publications and its embodiment in the policy process is *"not the end; it is not even the beginning of the end; but it is, perhaps, the end of the beginning".*[8]

With all that in mind, in the remainder of my remarks I seek to address three issues: first, to review the immediate economic outlook and its implications for monetary policy; second, to review how the framework for monetary policy is evolving in addressing the Bernanke review; and third, to consider some further ideas of how that framework will become more concrete in the future.

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A year ago, I was happy to report to this conference that CPI inflation had fallen to its 2% target in mid-2024 and – albeit with the usual and inevitable bumps along the road – was expected by the MPC to remain there over the medium term.[9]

After the surge in inflation stemming from disruption of global supply chains associated with the Covid pandemic and a large and unexpected rise in global food and energy prices following Russia's invasion of Ukraine, the subsequent disinflation (driven at least in part by the tightening of monetary policy) had created scope for a normalisation of the monetary policy stance. At its August 2024 meeting, the MPC had decided to reduce Bank Rate by 25bp, initiating a "gradual and careful" approach to reducing the degree of policy restriction as underlying inflationary pressures abated.

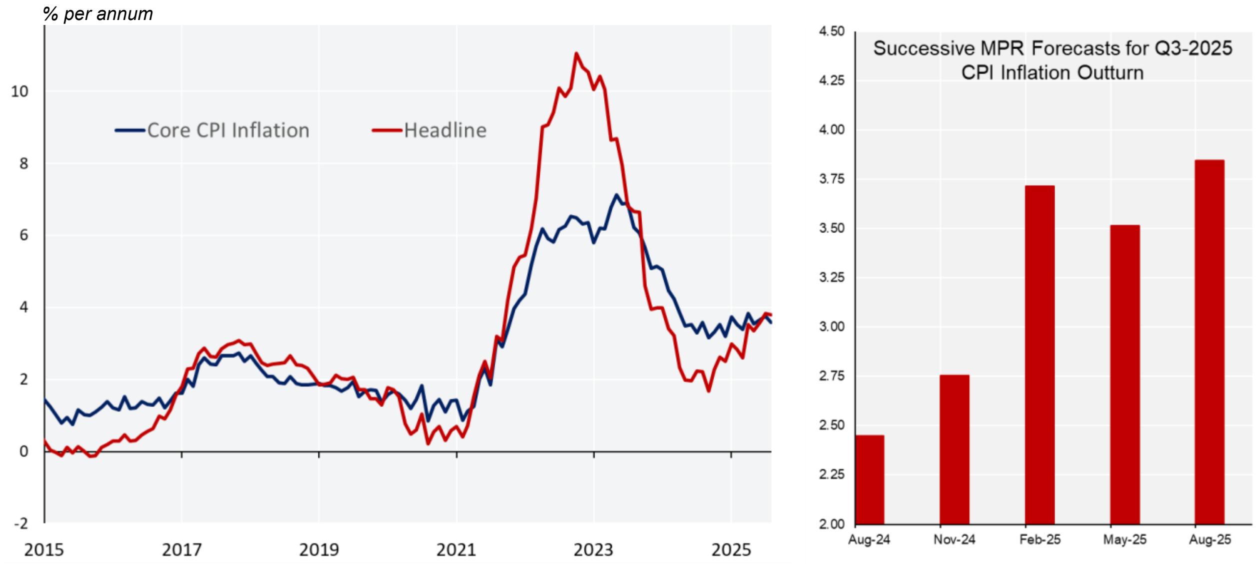
Those of you with good memories will recall that I had dissented from the decision to cut Bank Rate at the August 2024 MPC meeting. As I said at this conference last year, this is not something of great relevance in the bigger picture: it is not all about me. Nonetheless, in the interests of transparency in explaining my own vote and to support my individual accountability to Parliament and the public, I explained how concern about potential changes in the structure of price and wage setting in recent years might have rendered underlying UK inflation more persistent than in the past, which I saw as implying *"ample reason for caution"* in assessing the inflation outlook and pointed to a need to *"guard against the risk of cutting rates either too far or too fast".*

A year on, how have we fared?

Unfortunately, headline CPI inflation has proved stickier than the MPC anticipated (see **Chart 1**). Indeed, it is expected to rise to 4% in September – roughly 1½pp higher than was forecast a year ago.[10] Given our unambiguous commitment to meeting the 2% inflation target, the lack of progress over the past year is obviously disappointing. But from a monetary policy perspective, the key question is – as always – *why* has inflation not followed the expected path? And how should policy respond?

As with any 'wicked problem' you will inevitably be thrown off track. The test of a good policy making regime is how we respond to those challenges.

Chart 1: Inflation has proved stickier than the MPC anticipated in Q3-2024



Source: ONS, Bank of England

Broadly speaking, there are two schools of thought in explaining recent developments in inflation. Just to emphasise, these are not mutually exclusive. As ever in taking a monetary policy decision, the crucial question is the balance of risks around the inflation target. Forming a view of this balance – and thus framing the policy decision – inevitably involves an element of judgement.

On one reading, the rise in headline inflation owes to a number of idiosyncratic one-off factors that are likely to soon dissipate. Developments in energy and, in particular, food prices have influenced inflation developments (**Chart 2**) but may be short-lived. Changes in taxes and administered prices have raised headline inflation this year but are unlikely to be repeated next (**Chart 3**). In this context, headline inflation may not reflect the underlying inflationary dynamic more relevant for monetary policy. And in the meantime, the labour market is loosening, which bears down on inflationary pressures in wages, with pay settlements falling towards levels compatible with the 2% CPI inflation target (**Chart 4**). On this basis – and with due regard to data uncertainties (**Chart 5**) – the underlying disinflationary process towards target is intact, justifying a continued “gradual and careful” withdrawal of monetary policy restriction.

Chart 2: Developments in energy and food have influenced inflation

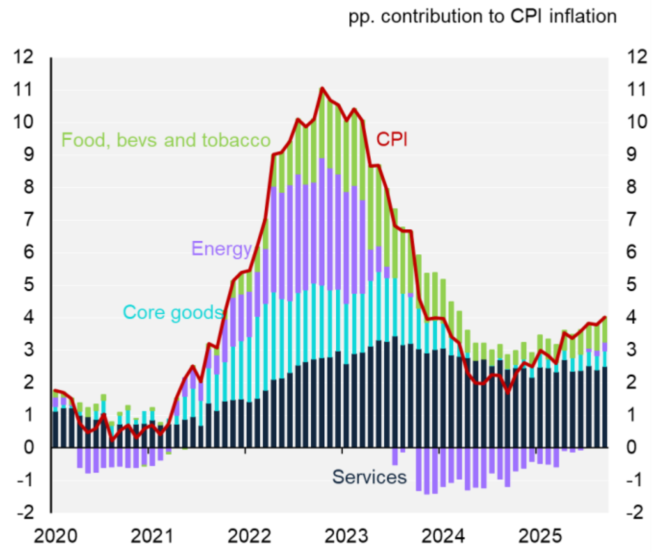
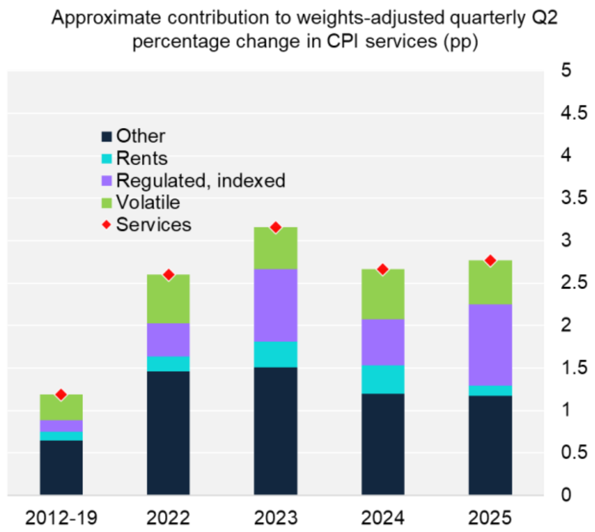


Chart 3: Changes in regulated prices have driven services inflation



Source: Bank of England, ONS

Note: In the right-hand side chart, we show contributions to CPI services inflation for Q2 for each year as regulated and indexed price changes mainly happen in that quarter.

Chart 4: Pay settlements may be consistent with inflation at 2% …

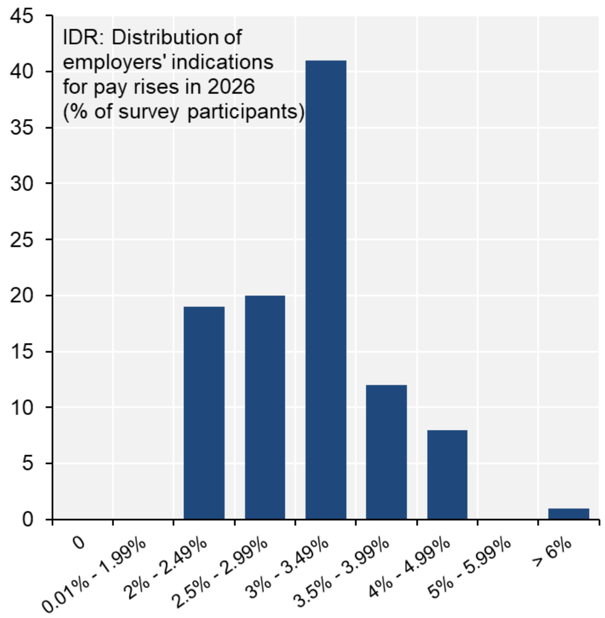
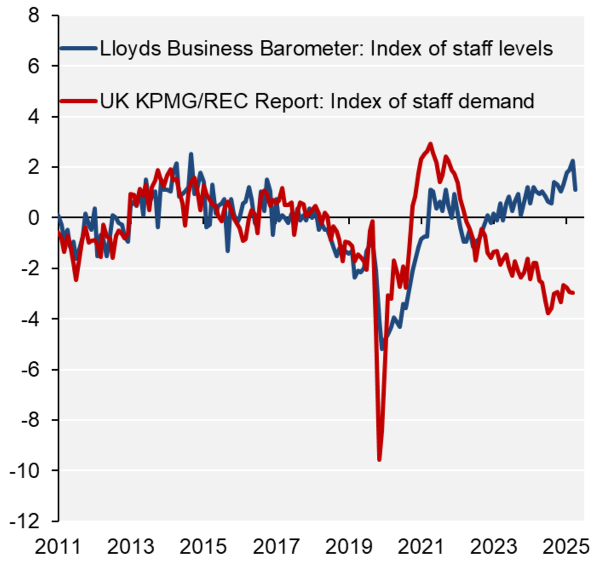


Chart 5: … but there are mixed signals from labour market indicators



Source: Bank of England, IDR, Lloyds, UK KPMG/REC

On the other reading, the stubborn elevation of inflation (including relative to peers (**Chart 6**)), could be associated with stickiness in services price inflation and pay dynamics.[11] In particular, wage growth remains stronger than its usual determinants would normally imply (**Chart 7**), raising the possibility that there has been some change in price and wage setting behaviour that imparts greater persistence to the inflation process.

This interpretation does not necessarily bring into question the view that progress with underlying disinflation continues. But it does raise questions about the pace of that disinflation (**Chart 8**). And, in a context where inflation has been above target for some time, where firms may have become more attentive to inflation developments and where recent headline inflation has been driven by food prices that are particularly salient to households, there is a risk that self-sustaining inflationary dynamics embed in expectations (**Chart 9**).

Chart 6: We are seeing stubborn elevation in inflation relative to peers ...

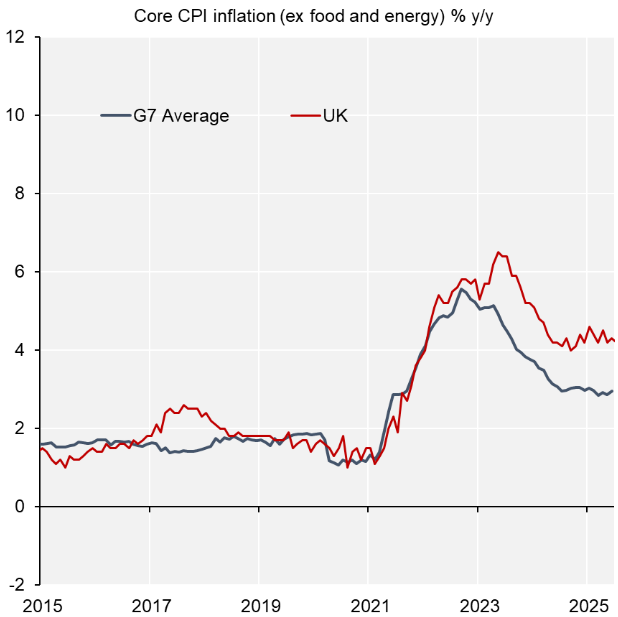
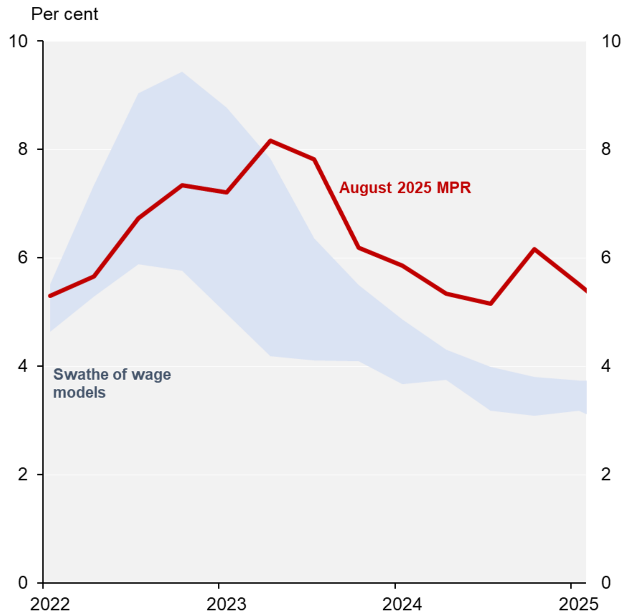


Chart 7: … which could be associated with stronger than anticipated wage growth



Source: OECD, ONS, Bank of England

On balance, the MPC as a whole has tended towards the former interpretation of the rise in headline CPI inflation, which has supported its further cuts in Bank Rate over the course of the past year to the current level of 4%.

Compared with the average of my colleagues on the MPC, I have tended to place relatively more weight on the latter scenario. I explained the reasons for this and the implications for monetary policy decisions in a talk I gave back in May,[12] and I won't repeat them now.

Despite a series of further shocks to the UK economy over the past year – for example, the emergence of threats to the multilateral global trading system[13] – the greater weight have I placed on stronger structural inflation persistence has led me to dissent from the Committee's decision on several occasions, in favour of a slower, more cautious pace of Bank Rate reduction.

Chart 8: It does raise questions about the pace of disinflation …

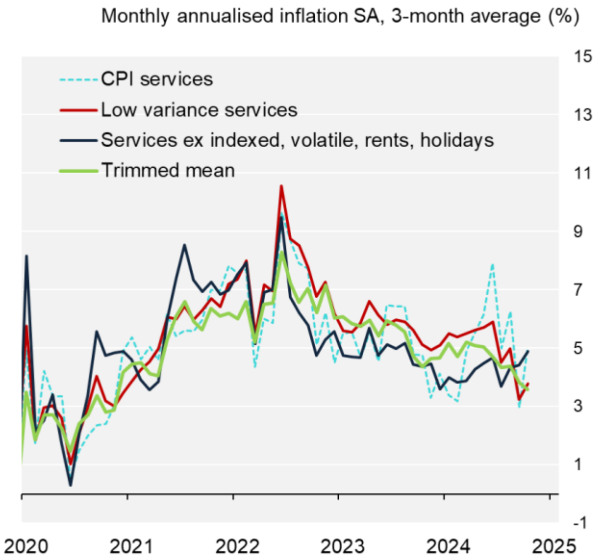
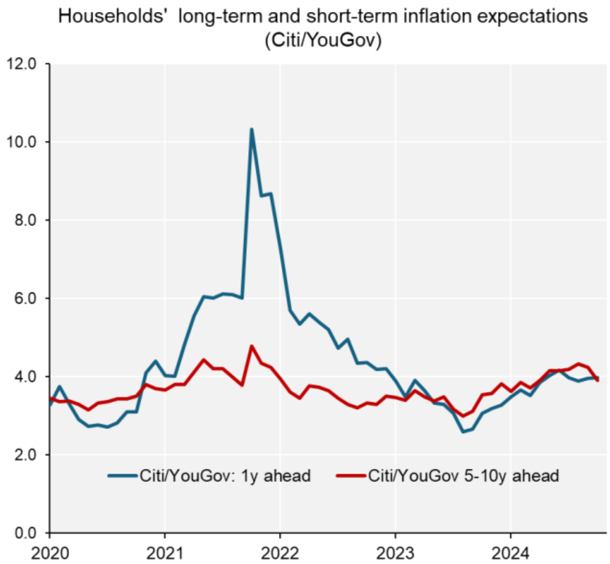


Chart 9: … and high inflation could be salient to expectations formation



Source: ONS, Citi/YouGov, Bank of England

All this supports my view that the MPC should adopt, from this point forward, a more cautious pace in withdrawing monetary policy restriction so as to ensure continuation in disinflation towards the 2% target. As I said in May, I continue to view a decision to keep Bank Rate on hold as a *"skip rather than a halt"* in monetary policy normalisation.[14] But the need to recognise the stubbornness of inflationary pressures is becoming more pressing.

And the MPC will anyway need to remain alert to possible new shocks that imply a change in the monetary policy stance. Around the downward underlying path for Bank Rate validated by ongoing disinflation, these shocks could prompt changes in either direction – slowing or accelerating policy normalisation.

All in all, while I would expect further cuts in Bank Rate over the coming year should the economic and inflation outlook evolve broadly as the MPC expects, it will continue to be important to guard against the risk of cutting rates either too far or too fast.

* * *

Having discussed the conjunctural situation, it is now time for me turn to the Bank of England's response to the Bernanke review. Following the monetary policy challenges posed by the global financial crisis, Brexit, Covid and the invasion of Ukraine, the Court of the Bank of England commissioned Ben Bernanke (former Chair of the Federal Reserve Board and Nobel Prize winner in economics) to conduct *'a review into the Bank's forecasting and related processes during times of significant uncertainty.'*

That is a big question. It deserved (and received) a big answer.

Professor Bernanke's review ran to more than 30,000 words. It offered concrete recommendations for reform of the Bank of England's preparation of its monetary policy decisions. We are currently engaged in a transformation project to implement the Bank's response to these recommendations, over the coming months and years.

Today I am going to step back from the specifics of these recommendations and the measures being taken to address them. Instead, I will address the wider question of how and why monetary policy strategy is evolving in the face of substantial underlying secular changes in the economy.

At a time when uncertainty about many other features of the economy is substantial, it is even more crucial that there is no ambiguity about the objective of monetary policy. As I mentioned earlier, this was one of the main elements of my remarks in Birmingham last week. I won't repeat the arguments offered there today. Rather I will focus on the importance of the strategy embodying a *systematic* approach.

Emphasising the centrality of the inflation target might lead to the conclusion that monetary policy makers can simply establish their objective and commit to do *"whatever it takes"* (to coin a phrase) to achieve that objective.

Ultimately, this *is* precisely what monetary policy makers must do.

But there are advantages to setting out systematically how policy will be set as the state of the economy evolves in order to achieve the price stability objective. A well-deigned monetary policy strategy will describe *how* the objective will be achieved, not just *what* the objective is.

Most economic behaviour – and in particular, the price and wage setting behaviour underpinning inflation dynamics – has a forward-looking component. Policy makers can therefore influence behaviour not just via what they do today, but also by signalling what they will do tomorrow and beyond. And since we do not know what will happen tomorrow, that signalling has a contingent character: it is a *'what if'* exercise. A systematic mapping between economic developments and policy settings not only informs households and firms about what monetary policy will do today but also offers guidance about what will happen in the future conditional on how events pan out.

Knowing that set of systematic responses will influence how forward-looking firms and households behave. Monetary policy makers can influence their behaviour by setting out their strategy and by describing the systematic mapping from data to policy ahead of time. And judicious choices in defining that mapping can mould private behaviour in a manner that supports the policy maker's achievement of their objective.[15]

To offer one well-rehearsed example: Because bond markets anticipate the MPC's reaction to inflationary shocks, they reprice bonds and raise forward and longer-term interest rates in a manner that tightens financial conditions, offsets the inflationary impact of the shock and renders a policy response un- (or at least less) necessary. In this context, a credible commitment to an aggressive monetary policy response, should inflation get out of hand, ensures private sector behaviour that makes it much less likely that inflation will get out of hand. A virtuous, self-reinforcing cycle of stability is created.[16]

But defining a mapping from data to policy decisions is not just useful for the creation and continuation of this virtuous cycle in the private expectations of market participants, firms and households. It can also help impose a discipline and improve policy decisions in the MPC itself.

Policy makers need to be provided with data and analysis in a framework that supports consistency in their approach – both across indicators and over time. Such consistency supports the development of a systematic response to the data, which in turn imposes a valuable discipline on monetary policy decisions that helps shape private expectations and maintains focus on the price stability mandate.

It is not that policy makers should be constrained from forming their own judgements or revising their own interpretation of the recent past when coming to a view about the nature and magnitude of the various economic shocks that pose threats to price stability. Forming such judgements is an inherent part of monetary policy making (as I already suggested when discussing the conjuncture). But policy makers should be aware of – and be willing and able to explain why – such deviations from the systematic strategic response are being made.[17]

Getting the balance right between following systematic rules and allowing flexibility to address change is key when designing a monetary policy strategy. During the halcyon days of BoE inflation targeting during the NICE (Non-Inflationary Continuous Expansion) decade,[18] policy making could be simply and transparently summarised into one sufficient statistic – the inflation forecast.[19] But as the world has become more uncertain and challenging in recent years – entering a NAsTY (Not As Tranquil Years) period[20] – then a broader, more diverse and robust approach has been required.

In particular, it has proved evident that uncertainty about the underlying structure of the economy – when institutions are evolving, shocks are large and economic behaviour is changing – needs to be taken into account. In that context, policymakers and the private sector are unlikely to share a common view of the economy, and the self-stabilising dynamics of the bond market is less likely to hold sway. This places a greater burden on policy makers to stabilise the economy and inflation, often via action rather than by communication alone.

These considerations reflect the recent work of my colleagues Alex Haberis, Rich Harrison, Kate Reinhold and Matt Waldron on monetary policymaking under uncertainty**,** which is being published in parallel with this speech as one of the BoE's new macro technical papers.[21] This is a new series introduced in response to the Bernanke review to offer external stakeholders an insight into policy thinking and tools employed by the BoE staff in preparing MPC decisions, and to get external stakeholders' feedback. It is well worth a read.

Based on these observations, a monetary policy strategy can be viewed as playing two roles …

- An ***internal*** role, within which the MPC can discuss and take policy decisions, subject to the discipline of rationalising them with the systematic framework for responding to data and pursuing the price stability objective; and
- An ***external*** role, centred on providing a framework for communication with stakeholders beyond the MPC, such as financial markets, the general public and the media. Policy decisions should be placed within a consistent and systematic framework, to guide expectations of how policy will evolve into the future.

To be effective and ensure transparency and accountability, consistency between internal and external roles of the monetary policy strategy needs to be maintained.

Thus far, much of the attention given to the Bank of England and MPC's responses to the Bernanke review has fallen on the external role of the monetary policy strategy. This is perhaps inevitable. That external aspect is what stakeholders outside the Bank will see and be able to assess. More generally, focus on the external aspect both feeds and draws upon the impressive, active and rapidly growing academic literature on monetary policy communication.

But efforts to improve the MPC's communication of its policy decisions should not come at the expense of efforts to improve those decisions through better analytical processes. The Bank of England staff are also working on these internal issues, even if this is inevitably less visible to external stakeholders.

Making better policy decisions is central to improving monetary policy communication: as a general rule, good decisions are easier to explain than poor decisions. At any rate, the need for consistency between the internal and external roles of the monetary policy strategy dictates that improvements on the latter rely on improvements in the former (and *vice versa*).

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In the past, the MPC has accorded a central role to its inflation forecast in the formulation and communication of monetary policy decisions. As has been well documented, the MPC has faced significant challenges in forecasting the outlook for UK inflation over recent years, at least when judged by forecast errors.

As was shown by Prof. Bernanke in his review, many other central banks and forecasters have faced similar challenges, so the MPC is not unique in this regard. However, given the central role accorded the forecast in the MPC's policy framework, this has created a specific set of strategic and communication challenges for the Bank of England. Put very simply: when forecasting inflation becomes more difficult, a monetary policy strategy that places an inflation forecast at its heart (as inflation targeting regimes do) is placed under special stress. That has been the MPC's experience.

So, in the face of substantial institutional and structural change, what practical measures can be taken to improve the framework for monetary policy decision making within the Bank of England and MPC? In particular, how can the MPC improve the robustness of its policy framework in an environment where the prospect of larger, more interrelated and more supply-driven shocks to the UK economy looms larger than in the past few decades?

As I said earlier, these are big questions – too big to cover comprehensively in the remainder of my remarks. At this point, I will simply offer the principles that are guiding ongoing work at the Bank of England on how monetary policy making can be made more robust in the face of substantial uncertainty, institutional innovation and structural change. These principles are informing the work being undertaken by BoE staff to support the MPC, including that which is being published today.

First, policy makers need a diverse set of analyses as inputs to their considerations. Relying on a single framework, a single paradigm, a single model or a single forecast is highly risky once uncertainty intensifies. Conclusions drawn from such analysis are too fragile: they are likely to be sensitive to the assumptions upon which the analysis is based, and not robust to the possibility of those assumptions being falsified by events.[22]

Second, since diverse sources of analysis may offer different signals for monetary policy decisions, it is necessary to design mechanisms that *either* reconcile those signals (say by relying on the expert judgement of MPC members[23]) *or* offer a way to take decisions that reflect policy makers' concerns embodied in the diverse signals (e.g. a 'risk management' approach that seeks policy settings that guard against particularly adverse outcomes[24]). Articulating the latter is likely to involve moving beyond using a "fan chart" around the central inflation forecast as the main vehicle for discussing and presenting monetary policy decisions.

Third, this all points to adopting a multi-model or multi-paradigm approach to the analysis of the data and mechanisms underlying monetary policy decisions. A key challenge will be to make a judicious choice about how extensive the diversity of analysis should be. That will entail managing a trade-off between increasing the robustness of the framework and ensuring its tractability in real time.

Fourth, such considerations reinforce the need for a full-information approach to monetary policy making. But they emphasise that the relevance accorded to individual indicators cannot be determined by their weight in formulating an inflation forecast. Rather, indicators need to be seen in a wider context, since they may help explain or identify structural changes in the economy while having no direct role in the standard inflation forecast machinery.[25]

Fifth, scenario analysis can support the BoE's preparation and presentation of MPC decisions. Before determining the answers to the important practical questions of *who* should design the scenarios, *what* scenarios should be chosen and *how* they should be constructed, a key question that needs to be answered is *why* scenarios are being used at all. As an accompanying *Quarterly Bulletin* article entitled 'Monetary policymaking at the Bank of England in the face of uncertainty' discusses, there are many possible answers to this question.

To illustrate, one use of scenarios might be to build up an inventory or "what if" exercises that describe broadly how the MPC anticipates monetary policy might respond in the face of specific challenges or shocks.[26] An alternative role for scenarios is to explore the robustness of different policy rules or decisions to changes in circumstance or economic structure.

At this stage, there is value in retaining optionality in how we use scenarios, as we learn from experience what is most useful for internal discussion and external presentation.

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Reflecting these principles, at the BoE we are giving consideration to a wider range of perspectives and analytical inputs in preparing monetary policy. These changes are designed to ensure that the MPC's decisions can and will adapt in and to an environment of greater and more profound uncertainty, reflecting larger shocks and rapid structural change.

Concretely, from this point forward …

- The MPC will routinely draw on a wider array of models, data sources, and analytical approaches (including data science techniques and artificial intelligence (AI)). The BoE is making significant investments in modelling capacity and data infrastructure to allow the Committee to do so.

- The MPC's policy deliberations will be more flexible, with the emphasis on different analytical inputs shifting as economic conditions change. The inputs considered – and the weighting of them – will be flexible, adapting to the prevailing economic environment.[27]
- The Bank's processes will continue to evolve, absorbing new ideas and encouraging debate. Recent initiatives include launching a BoE **Macro Technical Paper (MTP)** series (to which I have already referred) and holding an international conference on **Transforming monetary policy**. Seeking feedback from external stakeholders through these channels is central to our approach.
- Starting in November, we are also adapting the MPC's communications to capture the wider range of inputs that are informing monetary policy at each point in time. While this may appear more complex at first reading, it will prove to be more transparent as it better capture the changes being made. Having external stakeholders engage with and invest in the innovation in MPC communication is crucial.
  - We will be updating the content of the quarterly Monetary Policy Report so that it is more flexible and covers the wider range of perspectives and inputs considered by the MPC and clarifies how it has fed into their judgements. The Report will include a number of boxes covering issues most pertinent to the monetary policy decision, as well as a section on risks and scenarios.
  - A new Monetary Policy Overview section will set out how the analytical inputs have informed the MPC's collective policy decision. This will sit alongside the existing Monetary Policy Summary which will serve as a short explanation of the MPC's collective policy decisions.
  - And finally, in addition to a record of MPC discussions, the Minutes will contain space for each member to explain their own policy views.[28]

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To conclude, my remarks today are intended to demonstrate the considerable progress we are making at the BoE in our response to the assessment and recommendations in the Bernanke review. This work is filtering into the MPC's discussions and decisions, and will become more apparent in the published MPC material as we go forward.

There is much more to do. For sure, our progress thus far is not the final word. And as circumstances change and new challenges emerge – as they inevitably will – additions will be made to an already long 'to do' list.

As I have said, good monetary policy making involves travelling on a never-ending and sometime arduous journey. But the benefits of doing – lasting and credible achievement of price stability – are substantial.

With that, I welcome your questions.

Acknowledgements

The views expressed in these remarks are not necessarily those of the Bank of England or the Monetary Policy Committee.

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Opinions (and all remaining errors and omissions) are my own.

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Notes

[1] Bernanke (2024).

[2] Bailey (2025); Lombardelli (2024, 2025).

[3] As Bernanke (2024) notes in his review: "A phased approach to implementing changes proposed in this report, focused first on improving the forecasting infrastructure, while moving cautiously in adopting changes to policymaking and communications, is likely to be necessary."

[4] Rogoff (1985); Waller (1992).

[5] Pill (2025a.)

[6] The UK inflation target of 2% for the consumer price index (CPI) is established in an annual remit letter sent from the Chancellor of the Exchequer to the Governor of the Bank.

[7] Pill (2023).

[8] Winston Churchill offered this memorable quotation in his speech at Masion House in the aftermath of the Battle of Alemain in the second world war.

[9] Pill (2024a).

[10] Since the MPC forecasts published in the Committee's Monetary Policy Reports are made on the basis of conditioning assumptions (notably that Bank Rate follows a forward path consistent with market pricing), forecast performance needs to be evaluated carefully (as discussed in Kanngiesser and Willems (2024)).

[11] Mann (2025).

[12] Pill (2025b).

[13] Taylor (2025).

[14] Greene (2025).

[15] Pill (2024b).

[16] King (2005) discusses this, drawing a metaphor with Maradona's famous second goal against England in the quarter final of the 1986 FIFA World Cup.

[17] As I have said on previous occasions (Pill (2024c)), a systematic policy should be "rule-based but not rule-bound: governed by clear principles that ensure decisions are taken to support the price stability objective, but not mechanically determined by some simple automatic algorithm that fails to recognise changes in the economic environment sufficiently". Adopting such an approach imposes discipline on the policy making process without sacrificing the flexibility needed to confront an uncertain and changing world.

[18] King, M.A. (2003). Speech at the East Midlands Development Agency, Leicester, 14 October 2003.

[19] This is not to suggest that there was no analysis beyond the published inflation forecast underpinning MPC monetary policy decisions e.g. the MPC Inflation Reports in the early 2000s included a much broader assessment of the data, including surveys, financial markets and money and credit.

[20] Broadbent (2024).

[21] Haberis et al. (2025).

[22] Within the standard framework New Keynesian framework for discussing monetary policy employed by many central banks, it is necessary to assess the implications of uncertainty and structural change for key variables and mechanisms that define the resting place of the economy, including but not just limited to

the so-called ‘starred variables’: e.g. the neutral real rate of interest R-star; the productive potential of the economy, Y-star; the natural rate of unemployment, U-star – as discussed in Orphanides (2001).

[23] One approach would be to employ Bayesian methods that assign subjective probabilities across the various possible outcomes, models or regimes. However, there are some scenarios that may be difficult to associate with probabilities, owing to the existence of Knightian uncertainty (cf. Kay and King (2020)).

[24] Two such approaches are risk management (Evans et al. (2015)) and robust control (Onatski and Stock (2002)).They reflect considerations on robustness discussed by McCallum (1988).

[25] This may re-open a role for monetary indicators and encourage more emphasis to be placed on surveys of private expectations or intentions. Such data can be difficult to subsume into traditional inflation forecasts in a consistent way but may contain important (but underappreciated) signals about the state of the economy that can improve the quality of monetary policy decisions and judgements.

[26] One approach to these ‘what if’ exercises is to explore what model-based analysis would imply for the path of Bank Rate should new shocks occur. This line of inquiry require the monetary policy response to be endogenized in a stylised way through the use of (inter alia) optimal projections or simple policy rules, as discussed in Alati, et al. (2025).

[27] For example, in stable times, the central projection might be assigned more weight than otherwise, while in periods of high uncertainty or unusual shocks (such as the Covid pandemic), a broader set of inputs will be explored.

[28] Giving more weight in the minutes to individual views reflects a distinctive feature of the UK monetary policy framework, where the votes of MPC members are published and they are individually accountable to Parliament for those votes. This is also reflected in the periodic appearance of all MPC members before the House of Commons Treasury Select Committee. Providing more information on individual member views is a natural counterpart to the greater emphasis being placed on the collective Committee decision in the Monetary Policy Summary.