Bank of England

Inflation Report Q&A
12th May 2016

Kamal Ahmed, BBC News: Your gloomy forecast today comes after a whole host of poor economic data for the UK on manufacturing, on construction. Some people predict that the April growth figure could already be as low as 0.1%. You have said that if Britain votes to leave the European Union, that could lead to materially lower economic growth in the UK. Given the gloominess of your forecast and the data, can you rule out Britain's economy being tipped into recession if we were to leave the European Union?

Mark Carney: Okay, let me distinguish. We've published one forecast today, which as per convention, is based on government policy being followed. We always do that, and we have done it today.

And that forecast is affected in the short term by uncertainty associated with the Referendum. I think we all know that, and we see it in a variety of indicators. And we believe that this uncertainty is influencing the slowdown, is one of the influences for the slowdown in the first quarter and a more marked slowdown, a more marked deceleration this quarter.

But conditioned on that assumption of remaining, those uncertainty effects dissipate in subsequent months. And the actual forecast we have under Remain, I wouldn't describe as gloomy. There are these uncertainty effects; they dissipate by the middle of next year - ultimate effects on the economy dissipate by the middle of next year. And we have growth around trend over the course of the year following the Referendum, and then picking up a bit, and actually puts the economy in a bit of a position of excess demand, which is why inflation is above target.

So yes, short-term effects, but in the fullness of time move out of the way.

Now we have a responsibility when we have a major risk to the forecast to talk about those risks to the forecast, if those risks could manifest over the monetary policy horizon. And quite frankly, if it is an issue that the MPC has discussed, has analysed, has looked at.

And as we've indicated - you see it in the Minutes, you see it in the Monetary Policy Statement - the biggest risks to the forecast concern the Referendum, not just about the fog of uncertainty around the data in the near term, that level of uncertainty, but the judgement that, if there were a vote to leave, that would have material consequences for both growth and inflation and therefore affect the stance of monetary policy.

I would stress that that effect on the stance of monetary policy is not automatic because there are potentially big effects on each of the exchange rate, the supply of the economy and aggregate demand. And it's the sum of the whole of those effects which the MPC would have to consider in setting the stance of policy.

In that scenario, as we've said, we would expect material slowing in growth, a notable rise in inflation, a challenging trade-off. And I think that is what I would take as the important point here, which is that we're providing information as best we can about our potential reaction function in that scenario - the key drivers of where policy would go in that most important risk scenario.

Dispute over number of questions

Kamal Ahmed, BBC News: ….. lower growth. Does that mean negative and possible recession? That's all people want to know, isn't it?

Mark Carney: I'll see if anyone else asks the question then.

Chris Giles, The Financial Times: I think the question really is whether there'll be a recession, so I'll ask that question straight up. I mean, you've given quite a detailed forecast of the remain side. The public want to know from a reasonably independent source, or a very independent and credible source, which the Bank of England is, what is likely to happen if they make choices.

You've given quite an indication in the Report what you think is likely to happen in words, but not in numbers. You've said unemployment is likely to rise, given our productivity. That suggests a recession. Will you use the R word?

Mark Carney: All right. Recap, focusing specifically on Remain because, Kamal, I did want to make clear about the central forecast that we have, which is conditioned on remaining and Chris has focused just on the Leave risk scenarios. So I'll answer that.

Material slowdown in growth, notable increase in inflation. That's the MPC's judgement. It's a judgement not based on a whim, it's a judgement based on rigorous analysis and careful consideration. And it is the judgement of the independent MPC and it's the judgement of all members of the MPC; I'll make that very clear.

Now of course there's a range of possible scenarios around those directions, which could possibly include a technical recession - could possibly include that. We haven't done a formal forecast. The thing that I would stress - again, what's important here from our perspective is to provide information, provide perspective - not just about the major risks to our central forecast, but what it might mean for monetary policy and what are the considerations for the stance of monetary policy. Because what we don't want to do, wouldn't want to do, which wouldn't be fair to the British people, would be to pop up at the start of July and say - oh, by the way, this is what we thought then about the situation now. So this is our best perspective.

I would stress, though, that our perspectives, both in terms of the central forecast, conditioned on Remain, and our perspectives around risk, extend out to the monetary policy horizon. It's entirely within our remit. Our remit is two to three years. We're not making a judgement, we're not making a forecast - I know you know this, but it's important to stress it. We're not making a judgement or a forecast or an assessment of the longer term economic consequences of either decision, nor will we make that determination. But we have a responsibility under our remit, it is explicitly in statute and in our remit to talk about the risks and the trade-offs that monetary policy faces so that the British people can better understand the potential paths of monetary policy. Because the one thing we all know is that the path of the economy, the shocks in an economy are uncertain, and it's better if people can anticipate how the Bank, specifically the MPC, would respond if those uncertainties come to pass.

Phil Aldrick, The Times: You talk about the potential path of monetary policy in response to what could be a technical recession. The Monetary Policy Committee did discuss Brexit. At that discussion, what was the range of policy responses that were considered? Was there a rate cut considered? And what would it mean for gradual and limited in terms of rate rises if you judged inflation to be a concern?

Mark Carney: No, I understand the question. Just to be clear, we discussed the economics of that risk scenario to have a richer appreciation of that. So we had a rigorous discussion around that, fulsome discussion around that - supported by analysis. We didn't develop a full projection though, to be absolutely clear. But we had that discussion.

We didn't then translate that into the stance of monetary policy, because the only decision we were making is about the circumstances here and now. What's the appropriate stance of monetary policy as we are today, given our central forecast? And it was clear to all members of the Committee, as you saw with the announcement today - a 9 to 0 vote - that the most appropriate stance was to maintain policy as it is: Bank Rate at half a percent and purchased assets at £375 billion.

Faisal Islam, Sky News: Governor, you've gone further that you went into Scottish Referendum, you've gone further than you have so far on the EU Referendum. Is there not a risk that this institution, centuries old, that people look up to for independent views on the economy, may be being embroiled in deeply controversial politics?

Mark Carney: I would flip it 180°. This is the biggest risk in the judgement of the independent Financial Policy Committee - ten members; it's the biggest risk in the judgement of the independent Monetary Policy Committee - nine members - to the achievement of their remits.

It is our responsibility to analyse those risks, to consider how and if we should mitigate those risks, and then under the standards of transparency in this country, which are appropriately extremely high and are consistent with the enormous responsibilities this Institution has, we have to communicate those.

The political choice is to suppress this type of analysis, these types of discussions, so people can understand. But this is entirely within remit. So let's take a different circumstance. You referenced Scotland.

The issues around Scotland were issues that principally affected financial stability in the short term. Issues around stability of certain financial institutions headquartered in Scotland. They were not issues that - and these were serious issues we took seriously, we had contingency plans, we revealed them after the fact. But they were not issues that, at the time, in the judgement of the MPC - and we were on the MPC at the time - that rose to the level of being the biggest risk to the economic outlook for the UK and for the potential stance of monetary policy.

It's a different situation, and in terms of why are we talking about this today? We're talking about it today because we have a responsibility to produce an inflation forecast, and when we produce that it's not just a point projection, but it gives a sense of the major risks. And what comes with that is responsibilities for transparency - nothing more.

Larry Elliott, The Guardian: You mentioned in the Report and in your letter to the Chancellor that sterling could fall, perhaps sharply, in the event of a Brexit vote. What do you mean by sharply? It's already fallen by 9%; do you mean more than 9%? 20%? Not very specific. And just adding on from that, do you think that fall would be permanent or do you think sterling would bounce back?

Mark Carney: Okay, let me start and then ask Ben to amplify.

It's relatively unusual that we would talk about the currency and the direction of the currency. It's happened in the past, I think in the aftermath of the crisis - understandably because there was a major supply shock that had happened to the economy at the time, and it made sense to give the context.

The circumstances at present are that movements in the currency appear - some of the movements, a proportion of the movements in the currency have an identifiable cause, and we were able to do some work in order to estimate that. And then in addition, the stance in markets both in the fact of the way the currency moved with specific events; the tenor of options markets, the skews in options markets and the potential shift in fundamentals all point in one direction for the currency. Now it's a question of dimension, which I wouldn't want to give. But Ben, you might want -

Ben Broadbent: Yes. As the Governor says, we haven't made any numerical forecasts in the event of a leave vote at all. That would include the currency. What is true is that the behaviour of the foreign exchange market over the last six months suggests that the probability of leaving has had a dampening effect on the exchange rate. And there are a range of things that might affect it in that event, some of them more enduring than others. I think the Governor referred to the main categories in his opening statement. If there were any enduring effect on productivity, particularly in tradeable, that would have an enduring effect on the real exchange rate.

Similarly, if there were restrictions on the degree of openness or a less open economy, perhaps including even changes in tariffs, that would have a permanent effect - or at least a more enduring one. And in the short run, if risk premia on sterling assets were to rise, you might expect the exchange rate to overshoot slightly; that effect would dissipate over time.

So there are a range of potential factors. You know, we've not put numbers on anything. It would be particularly in the case of the exchange rate to say anything precise about the numbers at all. And if you look at the average move in sterling between Inflation Reports, it might be of the order of 3 percentage points one direction or the other. I imagine we'd be talking about larger numbers than that, but we're not going to put numbers.

Scott Hamilton, Bloomberg News: You've talked today about these challenging trade-offs that the MPC would face between stabilising prices and the hit to output and employment. Could you elaborate on the potential policy tools that the Bank of England has that they could respond with, and how the MPC sees their associated trade-offs? Might the MPC favour responding initially with liquidity and credit easing measures rather than a loosening of monetary policy to avoid exacerbating this drop in the pound?

Mark Carney: Well, the first thing I'd say is - it depends which way the trade-off falls, because both your examples went in one direction. And that's the point. It's not an automatic response. The direction will depend on the balance of these forces. That's the big message I would take from this at this stage.

The second point, which follows from the first, is that in either direction we're in conventional monetary policy space. Obviously if we needed to tighten policy - a conventional instrument. If we needed to loosen policy, it's the judgement of the MPC that we have room to further lower Bank Rate before we would have to use more unconventional measures.

And then the last thing I'd just re-emphasise is that we have a range of options on the so-called unconventional side, from quantitative easing to credit easing, that would be available.

If people are interested - and I'm going to end my answer here - but if people are interested on the liquidity and other side, I think it would be useful to have Minouche to talk about some of those issues if there's an interest.

Ben Chu, The Independent: Governor, the Chancellor's put out a statement this morning saying that the Bank's views on this suggest that Brexit would create a lose-lose situation for Britain. Either way we'd be poorer. Now there's not many wavering voters who would listen to that and think Brexit was a good idea, so the question is - has he accurately characterised the Bank's view on this or is he putting undue words in your mouth?

Mark Carney: Well, the Chancellor's responsible for his words. Our analysis only relates to the stance of monetary policy. Ultimately our remit is to deliver low, stable, predictable inflation, and to do so in a fashion that avoids undue volatility in employment and in output.

So judgements about the longer term economic implications - or other issues, other issues related to this vote - are for others to make. We're only focused on an important issue - monetary stability - as the MPC, but an issue that's relevant over the course of the next two to three years.

Jason Douglas, Wall Street Journal: Can I ask you please about another risk you mentioned in the Inflation Report? In the account of the discussions between the MPC and the FPC, you describe how a vote in favour of Brexit could lead to major financing difficulties. I assume you're referring here to the current account deficit. What's the MPC's assessment of the risk of a sudden stop that a lot of people seem to be worried about, and how would policy respond to those sort of issues, please? Thank you.

Mark Carney: Well, so now speaking from the perspective of the FPC, because you've asked it. The reason why the FPC judges that risks around the Referendum are the biggest domestic risk is because of the potential to amplify pre-existing risks, one of which is what you're asking about - the current account. And the issue is, broad brush, is that the current account, as you know, is very large by historical and international standards.

Now if we're going to have a very large current account deficit, this is the one type you want to have. Our liabilities are in sterling and it's not accompanied by rapid private sector borrowing. But it is financed - a substantial proportion of the financing is through foreign direct investment, and it would appear that one of the considerations behind that foreign direct investment, for some of it at least, is the UK's status vis-à-vis the rest of Europe.

So replacing, at least for a period of time, that FDI is likely - all things being equal - likely to result, if not a sudden stop - I wouldn't necessarily go there - but in higher risk premia on a range of sterling assets, higher financing costs. The consequence of that is less of it will come in; people will make decisions around that.

But in terms of market functioning - because you referenced market functioning, I just wonder - Minouche, can I ask you to say a word on - this is not news, but I think it's important to understand that what we're doing as the Bank as a whole is to use everything we can to mitigate any of these factors in and around the Referendum, regardless of outcome. Our job is to try and mitigate. And maybe just say a word if you could.

Minouche Shafik: Sure. I mean, on the sterling side, as you probably know, we've already announced that we'll be doing three additional auctions in June - two before the Referendum and one after, to make sure that sterling liquidity is available. And we also have a very well developed framework in the sterling monetary framework to provide liquidity to firms that need it.

On the foreign currency side, clearly the first line of defence is firms' own management of their resources. And in the course of normal supervision, the Prudential Regulation Authority has made sure that firms are well prepared and have plans in place around the Referendum.

In addition to that, many UK banks - the larger ones - have access to foreign currency through other central banks, through the ECB, through the Fed, through the Swiss National

Bank. And we ourselves of course have the swap lines with the G7 as well as the Swiss Central Bank to provide foreign currency should we need it.

Geoff Cutmore, CNBC: Governor, you focused a lot in this Report about the potential domestic impact of a Brexit vote. Could I ask you for the international context, because in the Report you talk about some improvement in the international context. China, no hard landing perhaps; the commodity markets starting to turn a little higher; America doing okay.

But in this debate we have seen President Obama arrive and threaten to push the UK to the back of the queue over a trade deal and we've heard noises from Brussels that perhaps there would be financial consequences, i.e. a levy placed on the UK should it exit, in the same way that some other states have partnership arrangements for trade, which they pay for.

Can I ask - did you discuss what perhaps some of the implications of those threats might be on the economy as a result of the external international pressures rather than the domestic ones? And if you did have those conversations, what kind of conclusions were drawn?

Mark Carney: I think the first thing to say, just overall context, is that if we had detailed discussions about such issues, we would talk - it would show up in the Minutes. And that's the first thing. The second is to re-emphasise that our forecast, which as you know is conditioned on Remain - government policy, standard convention of the Bank always followed - but our forecast has a three-year horizon. And these types of issues start to become relevant upon exit.

Now the question is how much anticipation of these changes - however they pan out, whatever negotiation is done - how much anticipation of those changes and uncertainty around that starts to affect the path not just of demand but actually of supply in the economy? Think less investment affecting productivity as a consequence of that. And that's part of what plays into this risk scenario and the difficult trade-offs.

On the international dimension, what I would say - I would say two points. I've talked less about the structural aspect of the international dimension, but just observe that - as we do in the Report and the Minutes - there is a possibility of a negative spill-over to global financial conditions because of uncertainty generated in this country. That is a possibility. That shouldn't be a surprise to anybody in this room.

This issue is the number one issue that is raised with me and my colleagues every single time we meet a fellow central bank governor, foreign finance minister, head of major corporation internationally, head of a bank, head of an asset manager and I would say most domestic small and medium size enterprises that we meet. So it is an area of focus and it is a reasonable assumption that the uncertainty around this can have spill-overs internationally for a period of time.

Now we would expect that, in the event of - as in our core forecast - this doesn't have an impact because uncertainty dissipates and the result is the result. And our forecast is - for the global economy - the components have changed a bit; you alluded to some of it in your question - but it's pretty much the same forecast as we had in February, and I would characterise it, I think fairly, as downside risks internationally in the short term have gone down, but they are unchanged over the forecast horizon; there are still downside risks to that global forecast.

Hugo Duncan, Daily Mail: Governor, I think at the end of your opening statement you said that monetary policy would not be able to immediately offset the impact of a shock following Brexit. Should the economy head towards recession, in the event of a vote to leave, are you saying that the Bank would effectively be powerless to prevent it from happening?

Mark Carney: Well, look, that's a general statement and there are certain shocks. Monetary policy operates with a lag - long and variable lag, as you know - and if there is a sharp adjustment in demand, in activity, from whatever event, it will take some time for stimulus, if it's provided - if it's appropriate to be provided - for it to course through the economy and offset, to cushion that fall in demand.

At this stage I'd loop back to the judgement at this stage of the Committee in discussing the risk scenario is that those multiple effects, potential effects on demand, supply and the exchange rate, and from our sole focus, our primary focus, I should say, of bringing inflation back sustainably to target over a two to three-year horizon, over the monetary policy horizon, the direction of monetary policy is not automatic.

Helia Ebrahimi, Channel 4 News: You said earlier that your Report is based on rigorous analysis and careful consideration, but a lot of Brexit campaigners would just say this is more Project Fear, not just because the Chancellor was able to conclude the Bank would be forced into a lose-lose policy decision making situation, but also because there's very little detail about any potential upside to the boost in trade caused by the pound, any slacking off of regulation, etc. What has the Bank done to ensure that you don't get caught out politically by people who think you might be just on the side of the Chancellor?

Mark Carney: Well look, first off, Helia, I mean the Chancellor answers for himself in his words so I'm not - I haven't even seen the comments that you're referencing.

We're fully aware of the return to exports and the impact on net exports of a persistent move in the exchange rate. but also I think we might be a little - have a little better appreciation of the potential inflationary consequences of an exchange rate move if - particularly if that exchange rate move is associated with a supply shock, a negative supply shock.

And I'd refer back to, is it the February Report, where we detailed, we went through this and again we summarised extensive analysis in reports. But we've done a lot of work as a Committee and as an institution on exchange rate pass through that has learnt from the experience of the post crisis period.

The fact is that - look, in eight years you're going to get all this under the new Bank of England which is all the transcripts of the discussions and all the relevant analysis is going to come out. And I'm hoping to still be alive in eight years so you can come and say did you just say - but these are risks.

This the independent MPC looking dispassionately at issues in fulfilment of its remit. And I think what's important about this is that this is a possibility, and that in the event that it's the decision of the British people to leave, that there is an understanding of what the economic issues that face the Bank of England and its stance on monetary policy and what it might be. And it is far better to outline those in advance than as I say to pop up and to address them in real time.

And apart from anything else, we have a responsibility if we have done analysis, if it has been top of mind, if it has been a preoccupation of the MPC, if it is in its judgement - which it is - the biggest risk to the forecast, to talk about it. And that's what we've done.

David Smith, Sunday Times: Governor you've said that the monetary policy response to a leave vote could go either way. It's possible that interest rates in the economy would go up even if monetary policy was relaxed, because of a rise in bank funding costs. Do you think the kind of thing you've talked about today on liquidity and so on, you could prevent that from happening or is that something that would just be part of the new era and so interest rates as experienced by ordinary people and businesses would actually be higher in either event?

Mark Carney: Well you're absolutely right; it's possible that bank funding costs and a broader range of corporate borrowing spreads, whether in capital markets or through banks, could increase for a period of time because of uncertainty not least, but also because of financial flows.

The judgement we would take into account as the MPC would be how long is that likely to persist and as you know how does that blend with the overall stance of demand, prospects for supply, exchange rate, etc. and do we need to adjust overall financial conditions by changing bank rate?

Your question on liquidity though is apt because one of the things we can do and would do, and as Minouche has talked about a bit earlier, is ensure that the one thing that doesn't happen is that there is a temporary dislocation in markets, so there's a shortage of liquidity for banks that have lots of collateral but there's just - there's timing issues or other factors that mean that bank funding costs go up unnecessarily.

And so the types of facilities that Minouche has - we preannounced and Minouche has highlighted - I mean these can flex up very rapidly. It's standard collateral that's prepositioned with the Bank of England already, it's readily accessible. In our view actually, when we at some point in the distant future we get out of this extraordinary time where rates are as low as they've ever been and liquidity is otherwise fairly ample in the system, our view is that these types of facilities will become - their use of them will become much more frequent because there will be temporary dislocations in markets because we've pushed liquidity risk into markets.

And so the short answer now to your question on the liquidity side is that that's one of the things that we're looking to mitigate in either scenario if there's any stress, so that these costs aren't unnecessarily passed onto households and businesses, yes.

Harry Daniels, Live Squawk: Good afternoon Governor. As you've stated, as the statements said, forecasting visibility is poor at the moment due to the ongoing uncertainty around the Brexit vote. How soon after the vote either way would the MPC judge to be appropriate to then resume normal viewing of the economy?

Mark Carney: Normal business, yeah.

Harry Daniels, Live Squawk: Yeah, you know and when would things start to crystallise, and we look at this rate rise - the path which you've stated that we're still on, how soon after the actual vote would you deem appropriate?

Mark Carney: Okay well let me - I'll try and give you the headline and I'm going to ask Ben to expand, which is that we have done - our forecast incorporates some significant uncertainty effects. And then we have to make a judgement about how quickly those effects tail off.

And there's a lot of experience with these type of circumstances, there's I think the case history and some of the econometrics goes 30 different examples globally, and so there's a normal time decay to that uncertainty coming off. There's reason to think that that uncertainty would come off more rapidly in this circumstance, but then there's a question of how rapidly and what the effects are.

Ben Broadbent: Yeah and I won't add much. There's a box that describes some work we've done on this, page 14 I think, and there were two distinct points to make about timing. One, as the Governor just said, is that relative to the sort of average duration of these uncertainty shocks, the Committee has made a judgement that that will come away slightly faster than normal because we can see an exact date, conditional on Remain, when that will go away. On the other hand, the effect of a given shock seems to be quite protracted on the economy, so it fades away but actually the forecast is affected to a diminishing extent, but still affected by this shock even in the event of a remain vote actually into next year.

Now of course there is always uncertainty, a Committee always has to face sort of signal plus noise and faces the job of trying to extract one from the other, but there is that little bit more and the effects on the economy will weigh a little bit longer. So probably the answer to your question is - not absolutely straight away, a little bit beyond that.

Szu Chan, The Telegraph: A question on Brexit incomes and unemployment. You talk about the obvious connection between Brexit eroding people's real incomes. Could you talk a little bit about other forces that might affect that? Some economists say that in the long run because the UK economy at least now it has a very flexible labour market, the adjustment will be less in unemployment and more in people's wages being reduced.

And just a clarification. You talk about materially lower growth, a notably higher path of inflation and perhaps rising unemployment. Is the word stagflation too strong?

Mark Carney: You know, in terms of long run, one of the great strengths of this economy is the flexibility of the labour market and the flexibility of the economy as a whole. And it has had many shocks in the past and will in the future and adjusts well to them. We don't have, as you know, and are not going to make, a longer term assessment of a stay or leave - a comparison of stay or leave scenarios, so in that regard I can't give you more than an impressionistic answer to that question and so I'll skip it.

In terms of materially lower or higher, I'd refer to back to my answer to Chris Giles, if I may, which is that broad brush that's the direction we see. There are scenarios around that and the flexibility of the economy will help, the ability to - what's the best contribution of the Bank, the MPC specifically, in those circumstances, regardless of which scenario? It's to be clear about the trade-off, about the horizon over which we're going to bring inflation back to target from likely above, quite possibly above, and to only do just as much as is necessary in order to do that - no more.

And that's why it's important not to pre-wire policy, if you will, in those circumstances because we don't know the absolute magnitude of what these shocks would be in that scenario, and we would have to see them and see the persistence in order to judge the right range of policy. We do have a judgement and it's the judgement of the independent MPC, all nine members of the MPC, that growth would be materially lower, inflation would be notably higher, and that is a considered judgement.

Mario Blascak, World Business Press Online: Governor, some of the commercial surveys indicated that there is a certain extent of cost side pressure or at producer prices, so what if producers raise prices? To what extent do you reflect that in the black box of forecasting inflation short term?

Mark Carney: You're in charge of the black box, aren't you?

Ben Broadbent: Oh right, yes of course. I'll give you the standard answer which is one of many, many things that affect the forecast. To the extent it affects it at all, those little pricing surveys, it's really much more in the short run I think that they can be informative about that. Further out, which is probably more relevant for monetary policy, looking at inflation 18 months, two, three years ahead, I don't think they're of great relevance and there we rely on our economic model. But certainly it can matter for the near term picture.

Sam Nussey, Nikkei: In terms of the concrete measures the Bank will be taking to support the economy around the referendum, I mean you've touched on the extra auctions and so on, can we expect to see any more concrete information ahead of the Referendum or is this essentially it in terms of what we will be hearing?

And is it a concern that - obviously the number of MPC meetings is actually going down from later on this year - given the rising risks to the British economy, is this a concern that the MPC will actually miss meeting less regularly? Thank you.

Mark Carney: Thank you. In terms of measures, look I mean never say never, but one of the lessons we learnt from the Scottish experience was that it was better to announce potential liquidity facilities earlier to avoid sending a signal. So when we - you get a few weeks in advance of a known event and you announce a liquidity facility. However harmless and prudent and careful that is, some people will interpret it as a signal of potential stress. So by announcing it months in advance, these series of auctions that Minouche talked about, we think we've avoided that and I think we have.

We have the mechanisms in place and we have the benefit of - so broadly my answer is yes, I wouldn't anticipate anything else. We have the benefit of having within the broader Bank of England the supervisory arm, the PRA, and the supervisors are doing their job which is to go out and ask firms about their contingency plans. So we're not directing them what to do, but we're asking them what they are doing. And then the PRA board and the FPC are informed about those, what banks specifically are doing to mitigate any risk that they potentially see. And then that's the system working as it should. And you know the MPC is informed about that as needs be.

Dan Hinge, Central Banking: You mentioned that some of the indicators are getting harder to interpret. Are you having to apply more judgements to your models? What's the kind of relationship between what your models are telling you and how you're adjusting those within your own conditioning assumptions? And is that increasing kind of the risk that you might be wrong about the forecast?

Mark Carney: Well I think the first thing is to say that we have to make a judgement, as I think Ben referred to and it's certainly described in the Report, we have to make a judgement that there's this big increase in uncertainty, looming uncertainty in these various measures. Some of that arguably is beginning to show up or has already showed up in some of the CIPs, the PMIs or some of the confidence indicators, some other hard economic data. So we have to make a judgement about whether - how not to double count that.

So yes, that means that for a period we are adjusting the relationship between - I mean we still check the pure relationship if you will, the historic relationship - between a given survey or other indicator, and what it could be telling us about investment or consumption or growth as a whole. But we're overlaying this, the uncertainty factors, and making judgements around it.

It just means that in real time yes things are a little less informative and there's two-way - I think the important thing, there's two-way risk around that. We could be overestimating the effects of uncertainty and the underlying economy therefore could be slowing of its own accord more than we think, or we could be overplaying it a bit and the opposite is going to happen. And so the question goes back to Harry's question I think which is that when we get out from the other side of June 23rd and into subsequent meetings, then we make a decision.

I'm sorry I didn't answer one of the questions there which was about frequency of meetings. And just to be clear on that we will be meeting every six weeks as opposed to every four weeks so let's be realistic in terms of the gaps in time. And then secondly, we can meet any time. We can meet tomorrow if we wanted to and make a decision. We can meet this afternoon actually if we wanted to, we could meet right now, we come in here and you guys could watch. And at some point that's where central bank transparency will end up, and then after a few of those meetings no one will show up again to watch this stuff.

Jamie Robertson, BBC: You mention about trading relationships and about in a post-Brexit world that trading relationships with other countries will take some time to renegotiate. Can you expand on that at all? And how serious a risk or how much of a problem would that prove to be if it was a prolonged period of time?

Mark Carney: Well, two things. I think it's commonly acknowledged that it's an uncertain period of time to renegotiate these agreements. And there is some uncertainty about - if it were a vote to leave - what the relationship particularly with the European Union would be, both for trade and investment.

And for the monetary policy horizon what's relevant are two things. For most of it for the next two years, assuming a negotiation begins. Assumption: assuming a negotiation begins quickly. For the next two years what's relevant is the uncertainty around what the actual agreements are, and do businesses invest and do people spend on the basis of certain assumptions or do they wait? Experience, common sense tells you that people wait a bit. But econometrically you can see that people wait and businesses wait to a degree in anticipation of clarity, and that's one of the reasons why growth would be expected to slow.

Once the arrangements are in place, yes it matters. It matters for - at least for a period of time because it means that the economy has to adjust to those new relationships unless they're exactly the same as they were before. There will be some capital that is stranded; there will be some jobs and capital that needs to be reallocated to different sectors. It will have some impact for some period of time on the productive potential of the economy. But that's - for the purposes that we care about as the Monetary Policy Committee, you only see the first bits of that in year three if you will of our forecast, and then our forecast stops.

So we don't make a judgement and we're not going to make a judgment or a forecast of that longer term scenario, the equilibrium if you will once everything is in place in a post-Brexit world. That's for others; many others are doing analyses of that and they can debate it out.

The reason we make a forecast, just to be absolutely clear, is we need one in order to conduct monetary policy. We reveal it in order to explain it. And we talk and reveal about the major risk in order for people to understand that you know a forecast isn't a guarantee and how we would react if certain major events were to transpire.

Jenny Scott: We're almost out of time. Is there anyone who hasn't had a question yet who would like to ask one?

Question: I just want to clarify one thing. You told me that the biggest risk for both the MPC and FPC was now Brexit, but at the Treasury Select Committee you said it was the biggest domestic risk, that's just a point of clarity.

And in general at the TSC you warned about the impact specifically of leaving the single market. That is now the established policy position of the head of Vote Leave, has that raised further concerns for you about risks particularly to the financial sector?

Mark Carney: Judgement at the FPC, I thought I said domestic risk for FPC. Biggest risk to the forecast for the MPC, why we're here today, risk concerning the Referendum which include a sort of fog of uncertainty around current data and forecasting under a Remain, and the issues that we've been discussing in some of these questions. From the FPC's perspective, judgement of its most recent meeting and Report is that the biggest domestic risk put risks around China over the medium term as higher.

In terms of the implications of a WTO type relationship if you will for the financial sector, yeah from a financial stability perspective, it's not clear to me that that changes the severity of the risk to financial stability, it would arguably and quite realistically have implications for the level of activity in financial services in this country, but that is a different issue. And I'll leave it at that.

Jenny Scott: Okay, we're out of time. Thank you very much, everyone.

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