

Monetary Policy Report and Interim Financial Stability Report Press Conference

Thursday 7 May 2020

Chris Giles, Financial Times: The MPC has decided not to follow the other central banks and ECB and FED in particular in going for yield curve control instead of going for a quantity target of the assets you are purchasing rather than seeking to fix the price of the yield curve. Can you say why and secondly in the Financial Stability section you are telling banks it's in their own personal interest to keep lending to the economy otherwise you get a wave of bankruptcies and the capital positions and losses will be even larger, capital positions even worse. Isn't this a coordination problem that it's been their collective interest rather than their individual interest and how will you force them to do that.

Andrew Bailey: Okay, let's start with yield curve control. I really wouldn't overdraw the difference in the issue here. I don't think other central banks are targeting Yield curves. We've all obviously substantially increased the stock of purchases during the period. We, as you know, are continuing with the pace of purchases that we set following the March meeting. Fed started at a high level and have come down quite a lot but we're all in essence doing the same things in the sense of pursuing our mandates, so I would just not overdraw that one. We, as we said in the monetary policy summary, think that the current stance of our policy is appropriate but we will take further action to support the economy and ensure a sustained return to an inflation target if we think it's appropriate, and I don't think you would really find any difference in terms of the approach the Fed and the ECB are taking in that sense so I really would not overdraw that one. On the lending point, I mean, that's a really interesting point you raise. There is a very strong message here that, there are two messages, not one. Compared to last year's stress test, the test that we've done today based on the MPR scenario puts the major banks well within last year's stress test, so they've got scope to lend. Secondly, lending is the best way to actually, in our view based on the extensive amount of work we've done in recent weeks, to prevent a more adverse outcome which would affect them more.

Now, you're right that of course you can think about that, 'Well, is the free riding going to take effect here?' I think there are two things I'd say to that, one is, I mean, there's a very strong collective message here. I talk to them almost daily and this message is well-communicated, let me put it like that. Secondly, of course, there are several big reasons for the, in a sense what drives the stress test that we've done this time, one is relative to last year, one is that the monetary policy scenario is quite different, so you've got essentially flat interest rates in this scenario, which is appropriate given where we are. Secondly, of course, you've got substantial fiscal policy government support coming in through the various schemes that the government has introduced which obviously have an effect on impairments and it is important, and it's a point that the chancellor and I have both emphasised very strongly, that the banks take advantage of this. I think the evidence you're seeing, I think you're getting numbers later today or this week, suggest that that is really starting to have an effect. We're certainly seeing it in the evidence we have but we'll keep making that point, Chris, because it's an important one, you're right.

Ed Conway, Sky: Oh, hello. So, scarring, I mean, you know, clearly that's one of the big questions. It doesn't look like there's all that much scarring in this scenario but can you expand on that a little bit because clearly there is a big question mark about what kind of economy we emerge to after lockdown is over and whether that really is actually, you know, going to be scarred or not?

Andrew Bailey: Well, I'll bring Ben in on this but let me just say the opening, Ed, that I think one of the important issues in the judgement we've taken on scarring and there is some limited effect that we've got, you know, if you go to the end point of the scenario that we constructed you did see some

evidence that the economy doesn't return fully. Now, one of the judgements we had to make was does particularly the policies that the government has announced and particularly, you know, the job retention scheme, furloughing scheme, does it work? We think the evidence so far is that it will and that it will smooth the labour market and it will smooth the return of companies into action and economy into action. That was an important judgement behind the stance we took on scarring, there is limited scarring, some and that underpinned it. I'll bring Ben in at this point who may want to say some more on it.

Ben Broadbent: Yes, thanks Andrew. So, limiting scarring is obviously a key if not the key objective of public policy here and, as Andrew said, the support measures from the government are very material in that respect and so albeit to a lesser degree as the monetary policy setting the MPC has decided on. It depends in some ways what you mean by longer term and certainly in the next eighteen months or so and even beyond the formal end of the lockdown that we have in the scenario the economy does not bounce back immediately and there is what you could call some scarring of that on demand and the scenario we have involves quite a degree of voluntary social distancing even beyond the end of the formal lockdown, which means the economy doesn't get back what you might call the longer run potential until the second half of 2021, at least in this scenario. Beyond that there is, as Andrew said, a limited effect, I think just shy of 1.5%, something like that, because of lower investment in the meantime but it is limited we think, and as Andrew explained, by the presence of the various support measures. Thanks.

Faisal Islam, BBC: Hello Mr Governor. Can I just ask one question about the financial report and one question about the sort of more general stuff? The committee I think that it estimates that the UK corporate sector could face a cash flow deficit of £140 billion and that's around, I think, three times the net financing extended. Why do you think the banks can handle that and then just in more general terms is it fair to say that you're more confident about the downward leg of this leg because most of it has already happened and the uncertainty really comes about how fast the upward part of the leg happens?

Andrew Bailey: Well, let me say a few things on both of those and I might bring John in also on the corporate element. I think there's really three things I would say on the corporate element, Faisal, as sort of introductory comments. When you say, 'Can the banks handle it?' I think there are three things going on here actually, one is the capacity of the banks to lend. By the way actually the banks have already demonstrated quite strong capacity to lend, there's very strong lending figures coming through for the earlier part of this year which is consistent actually particularly with larger companies drawing heavily on revolving credit facilities to support them through this, so the banks do have capacity to lend and as I was saying in response to the previous question, sorry it was Chris's question actually, that it is in their interest to use that. Second, the government has setup schemes to support bank lending and of course we operate a scheme in conjunction with the government. We have now advanced I think it's about £19 billion worth of funding through the commercial paper scheme, so these schemes are working. Finally there are companies, I will say this quite frankly, Faisal, that for which the answer is really I think is going to be to raise equity because if you were overleveraged before COVID happened then the answer is not to take more debt on, the answer is to go into the equity markets.

Now, there is evidence that the equity markets are open and, you know, there will be companies that need to do that. John may well comment but let me say you said is all the focus now on the upward leg because of the, sort of, downward leg, well let's be a bit careful there. What we've said, and I think you may have heard me say it in the opening remarks, is I think there is practice to suggest we're approaching the start of the next phase but obviously as we've made a very strong point about the uncertainty at the moment is abnormal, clearly. That's a sort of statement of the obvious and one of the

reasons we included the sensitivity to our scenario was to ask the question, ‘Well, what happens if it’s all slower to happen?’ We are still very much focussed on that question as well. John, do you want to come in on corporate?

Jon Cunliffe: Yes, if I could just come in on those numbers, Faisal. The overall financing deficit that we estimated in this exercise, it is an estimate and subject to assumptions, is £140 billion but the bank lending that we assume over the next two years is £60 billion, of which £55 billion happens in 2020 and of course about £20 billion of that has already happened and there’s a good chart, I think it’s Chart 2.8, which you might want to have a look at in the document. We’re looking to about £55 billion from banks next year of which the bulk would be guaranteed by government schemes and how we get there is we take that £140 billion, as Andrew has said some firms have access to the CCFF, some have access to market based finance, some will draw on the civil scheme, some have cash and we can see in our sample the cash that companies have and when we’ve gone through what’s available for markets, what’s available for CCFF, CBILs, cash, it’s the unmet amount there that produces that £60 billion over two year number and £55 billion this year, as I say including the £20 billion that’s already happened. Then, of course, there’s an assumption, as Andrew has said, that companies that are highly leveraged or have negative cash flow won’t be able to take on more debt and will have to look for equity injections or in some cases fail and that failure rate is consistent with where the desktop stress test gets to on corporate impairments for the banks, which I think is about £19 billion. Thank you.

Bill Schomberg, Thomson Reuters: Yes, hi Governor and Deputy Governor. About the active purchase programme, can you hear me okay? A lot of economists think that you at the current pace will be pretty much done and will have worked your way through the excess of £200 billion by the end of June, early July. How do you feel about going into the summer with that stock being run through and should we really be expecting more action in June on the asset purchase programme?

Andrew Bailey: Well, I’d refer you to what the MPC said at the end of the statement that we put out on covering the meeting that we’ve obviously just completed and just to very briefly summarise it, the stance of monetary policy we think is currently appropriate. We think that, you know, it is consistent with what we see as essentially the state of the economy and the projection for inflation at the moment but if we need to take further action to support the economy and ensure that sustained return to inflation we will do so. What I would summarise that as is saying, you know, as you said, we’ve got quite a bit still to do on the existing programme. It’s an aggressive programme, we’re buying gilts at a pace that we’ve never previously bought them at in any of the QE programmes previous to this one, that’s entirely appropriate given the condition of markets that we found ourselves with in the later part of March. We think it’s appropriate that we’ve actually continued for the moment but we will obviously take stock of that. We’ve got another MPC meeting prior to, as you say, getting anywhere near the completion of this programme and you can see, you know, from both what we said in March and what we said today that there is, you know, clearly a commitment and a determination to take action should we need to do so and I would really leave that strong message with you.

Joel Hills, ITV: Good morning everyone. A couple of questions from me. I’m looking at the assumptions in the scenario, the plausible baseline scenario, as you put it, a lot of them are quite optimistic in terms of no second wave, very limited lasting damage, the rise in unemployment temporary, would it be right to see this as almost a best case scenario? The second question I’ve got is what does the Bank of England intend to do if the government has problems selling its debt? Would the Bank of England step in above and beyond what you’ve already done? Would you be willing to buy different bonds in the primary market?

Andrew Bailey: Right, on the assumptions and Ben might want to say something on this. It's a scenario, it's not a forecast, let's be quite clear and certainly the open comments I made, you know, this is an unusual point for a number of reasons but we have not published a forecast so it's probably still a scenario. I think that scenario is broadly consistent with the messaging that, you know, we hear from government and you hear from government about where it might go to and it's broadly, by the way, consistent with what a number of countries who are slightly ahead of in terms of putting into effect but there's huge uncertainty around it. What I would say is a very important point, Joel, is we've obviously got the machinery to do these sorts of scenarios. We're very cautious and realistic about what you can read into them but we are ready to work with the government, well, we do work with the government and the scientific community because if they want to modify some of this and give us some different assumptions we can do that and we can work with them, and we will do that because, as I said many times before, we want to meet the needs of the people of this country and that's one of the things we can do, so we're ready to do that. On government debt financing, we're not buying debt in the primary market, we're buying it in the secondary market and therefore the market prices the debt and that's I think a good thing.

Just to reiterate, the so-called Ways and Means facility, which is actually the government's overdraft facility with the Bank of England, hasn't been used. It's there, as you know the Chancellor and I had an exchange of letters which was a reminder that it's there, that it's ready to action. It's just how we would use it should the government need to use it but that's really for cash management, not debt management. It's short-term but it actually hasn't been used because the government has been issuing debt quite readily into the market, that seems to have been going as they want it to do, which is good obviously, so I don't envisage us having to change our stance at the moment.

Jill Ward, Bloomberg: Just another question on QE. You've all noted in the minutes that the current programme will run out by early July, could you give some more colour on the arguments for waiting to act knowing this and did you consider or discuss an open-ended plan or is that contingent on the length of the pandemic?

Andrew Bailey: Well, obviously we discussed it a lot, as you would imagine, because it's obviously one of the primary focusses of the Monetary Policy Committee's considerations at the moment. As I just said a moment ago, you know, it's a very aggressive purchasing programme by historical standards but that's entirely appropriate given where we are. We've still got, you know, quite a bit of road left on that programme and we will keep going down that road. I think there's a very interesting question which touches on a number of other questions that have been asked as to just how much more information we're going to get in the coming period of time, the next few weeks, about how particularly the lifting of the restrictions process is going to work and how we map that through into the economy and into therefore the government support for the economy and the borrowing requirement. All of that will be material and it seemed to us that it was sensible, you know, before we made any commitment on what we do in the future to see what that information adds up to in the next few weeks, which we will do, so that's how we're viewing it. Just going back to I think Chris Giles made the point, do not overdraw the distinction between what we're doing and any other, sort of, what I might call 'open-ended' commitment. We've made a very clear commitment to do what it takes to support the economy consistent with the inflation target.

I don't really see that as any different from what the Federal Reserve and the ECB are doing and I can tell you, I talked to Jay and Christine very regularly. We're in close contact and, you know, there is a huge amount of common ground between us in terms of what we're doing.

Phil Aldrick, The Times: Yes, morning guys. Is it safe to say given that your scenario does not have a second spike, is it safe to say that all bets might be off if there is a second spike, financial stability concerns could escalate and we could get the scarring? Secondly, is the amount of debt that companies are going to be left with after this crisis going to be, you know, a limiting factor in terms of rate rises, in terms of your own ability to return the economy to normal?

Andrew Bailey: Well, I think in terms of all bets off, let me go back to our cautious description of what this scenario is, this scenario is framed with a set of stylised assumptions. It's a gradual lifting of the restrictions. As you know and you'll see, we published some sensitivities around that so people can do some back of the envelope assessments of what it would look like were it to be different and, as I was just saying, I mean, obviously if events do end up taking a different path we can come back to it and reset it, which of course we would do. That's how I'd frame it but it is deliberately a sort of fairly cautious lifting and just to reiterate Ben's point, it has two phases to it. One is the government lifting the restrictions, the second one, as Ben really importantly set out, we have then also assumed there will be some voluntary choices by people to exercise what I might call 'extended caution'. On the debt point, I mean, I think again you'll see the assumptions we've made and you'll see how we've passed that through into the projections, you know, into the scenario for output and inflation. Of course, yes, it is going to be a weaker position in that sense and that is why you see, you know, inflation gets back just to target but we're not seeing any what I might call what I might call 'aggressive growth' in the economy and we're not seeing any aggressive inflation either, so you're right, you know, the debt point, of course, is relevant in that sense, yes.

Russell Lynch, The Telegraph: Just two questions. When do you think the bond market is going to be big enough to stand on its own two feet again in terms of QE purchases? When will that shift from an actual, sort of, market stability to a monetary policy tool? Also, are you happy with the pace of the loans made so far under the CBILS scheme?

Andrew Bailey: So, I think on market stability, Russell, it's very interesting. I mean, it's a judgement that we have to make regularly and, of course, it's a very hard judgement because we went through an absolutely traumatic phase, as you know, and clearly market conditions are a lot more stable but, we've had some warning signs even in recent weeks. I'll just give you the oil price point as an example because I think it's quite an interesting one actually. I mean, I must say, the evening that I got home and found that the West Texas oil price was negative, I thought, I've seen some things in my career but this one is just, sort of, pretty bizarre. Now, here's the thing, you can tell, of course, all sorts of stories about why that is and you can go all around Cushing, Oklahoma measuring capacity and how the contract works, and all that stuff, and say, 'Well, there's some unique things in there and that explains it.' The only cautionary note I would say is that, you know, I've been around a long time, as you've written, it's often the case that with these what I call things that could turn out, you know, may or may not be canaries in the coal mine but at the time they happen everybody says, 'Oh, no, no. I can explain that,' with some sort of peculiarity of that market and then you find that actually it really is a signal.

So, we are still on very high alert and when things like that happen it reminds you that we're not out of this by any means. We will make that judgement, we will keep making that assessment because it's important and hard but I just caution that we're not, you know, we can't really be overly confident at the moment about what we're seeing.

Sorry, your second question was what on the pace of-

Russell Lynch, The Telegraph: Yes, on the CBILS. The CBILS scheme.

Andrew Bailey: Oh, CBILS. I mean, I think what we're seeing is-, and going back to the point I made about, and Jon was elaborating on, about how much bank lending has happened already that lending to large firms got off to a faster start than lending to small firms. So, the banks, you know, there's a lot of drawdown of revolvers by large firms and also our commercial paper scheme got off to a faster start. Now, I'm not surprised about that and I tell you why because, as you know, because I bear the scars of dealing with the consequences of things that went wrong with small firm lending in the financial crisis and it reminds us again it's an inherently difficult area. You know, I think it's something we should come back to again after this is hopefully all over as to what some of the structural issues are in small firm lending. So, it's required, I think, hard work and some further interventions and I really strongly support and congratulate the chancellor on what he's done. I think this week we're seeing evidence that it really is getting going but it's not surprising to me that it's been harder work because all the history of small firm lending is that it is structurally much more difficult.

Larry Elliott, The Guardian: Hello Andrew. One of the lessons of the last crisis and its aftermath is that the bank was consistently over optimistic about how quickly the economy would recover and productivity would recover and I just wondered aren't you, sort of, one of the last people here still expecting something like a V-shaped recession here and are the risks to your stylised assumptions weighted heavily to the downside? I can't see much upside risk on your assumptions and I just wondered whether you think judging by what's happened in countries like China where social distancing has remained in force voluntarily for much longer and the recovery is much slower. There's a risk here that it could be much more bumpy than you're expecting. The other thing, and it goes back to one of the other questions, is you're not factoring in a second spike in the pandemic, which has happened in previous pandemics quite regularly. What policy tools would you have in the event that there was a second spike and a second lockdown? Wouldn't you be out of ammunition in those circumstances?

Andrew Bailey: Well, I'll get Ben to come in on your point about, sort of, optimism. I would just note that I think if you look at our scenario and let me emphasise again it's a scenario versus outside forecasts. I don't think you'll find we're wildly optimistic relative actually not at all. You can also compare us to the OBR projection but just note obviously that a bit of time has elapsed between the OBR doing its work and the Bank, us doing our work and some things have moved on during that time. So, I'll let Ben come in on-, actually Ben, do you want to come in on that point and I'll come back to the other point?

Ben Broadbent: Sure. Thanks, Andrew. Yes, I think it's not optimistic relative to others. Let me make a sort of broad point and partly repeat something I said earlier, a two-sided point really. The first is that given the nature of what we're going through and because the support policies are preserving the continued existence of many firms that might otherwise have gone under, I do think it's very reasonable to imagine that even if the upside of the V is going to be shallower, and indeed the letter needs to describe this, even if the upswing is shallower and is likely to be shallower than the downswing, there's every reason to think it will be steeper than in any normal cyclical upswing. That said, our scenario does involve a much shallower upturn, as I said, what has happened in the space of less than two months, in the scenario it takes more than eighteen months to be unwound and more than a year even after the formal lockdown has fully ended in the scenario and that is because of these behavioural assumptions we've made. There is more precautionary saving generally and there is also, as Andrew said, voluntary social distancing, if you like, which limits directly consumer spending in some areas. Obviously these things are enormously uncertain, that's why we have chosen not to do a conventional forecast ascribing particular probabilities to particular outcomes. We haven't done that. The MPC has said that it views the risks to growth here as being to the downside but I don't think we are more optimistic than other forecasters in this area. Thanks.

Andrew Bailey: Thanks, Ben. Larry, let me come back to your other question on tools briefly. I mean, I think a couple of things I'd say on that. First of all, you know, obviously we've had to work quite hard to come up with the right appropriate responses to the situation we're in, you know, as you know, where are we? We're in May. So, it's only a couple of months ago that both Mark Carney and I were talking about what we thought was the sort of headroom in monetary policy based on some work the bank had done. You know, we've had to move a long way beyond that, we've had to innovate around the tools, use of QE, CCF, the corporate commercial paper facility has given us more scope to create reserves and also to target the use of those reserves. So, you know, we have to keep on, the Monetary Policy Committee spends a lot of time on this question. I don't think we're out of tools. The only thing I would say on this is, I mean, this obviously is a very unusual situation we're in. It's entirely right that this is being addressed both by monetary policy and fiscal policy. It's entirely right that we're closely coordinated because the phase we're in at the moment, I keep saying, you know, the job of the Chancellor and me, and the Bank is to meet the needs of the people and that's what we're doing. We're all sleeves rolled up doing it. A lot of stuff gets written about monetary financing and risk of hyperinflation.

I mean, honestly, you know, (a) the job is to meet the needs of the people, (b), as you can see, the path of inflation that we foresee doesn't suggest that we're going into that world at all, so we don't have to keep working hard on that on tools but we've managed to, I think, come out with appropriate responses so far and I will expect us to continue to do so.

James Salmon, Daily Mail: Andrew, just a quick question. It was mentioned in the technical briefing earlier that banks not only have a duty to lend but it's in their interest to lend to prevent massive losses for themselves and also to prevent long-term scarring on the economy. I was just wondering if you could spell that out again for us, please.

Andrew Bailey: Yes. It also draws on the question Chris Giles asked as well. So, we've spent a lot of time with the exercise we've done that's in the Financial Stability Report, assessing now only where the stress implied by the scenario that the Monetary Policy Committee has used. Obviously, bear in mind that, you know, one of the reasons, well, a bit reason, why we produced both reports together is that in normal times, I would sort of describe, the Monetary Policy Committee-, well, not describe, it is producing what we might call a central scenario for the evolution of the economy. Then the job in Financial Policy Committee is to look at the tail of the distribution and the stress around that. Of course the thing at the moment is that we are in a stress, so the scenario that the Monetary Policy Committee has used is a stress in that sense because of the situation we're in. So, you know, it's entirely appropriate that the FPC uses that and that it uses it very closely alongside the Monetary Policy Committee. So, that's just by way of background. Now, following on from that, what the FPC did was not only to do the stress test, but also to say, 'Let's use our tools to answer the question, "Are banks better off in terms of the path of impairments if they lend rather than if they don't lend?'".' In other words, are impairments lower going forwards if banks support companies? A lot of this is to do with companies.

I mean, there is a second leg to this, which is the payment holidays that banks are giving to customers, particularly on mortgages. It's interesting that the clear answer that comes out of the work that Bank staff have done is that the better path for the banks is to keep lending. Now, Chris posed a really interesting question about, 'Is there a free-rider problem in there?' You know, the answer for us is that one of the reasons, you know, we are very transparent about what we're doing is that we can keep banging this message home, that, you know, if the system does that, then we'll get a better outcome.

Jason Douglas, Wall Street Journal: Good morning, yes, I'm there. I'd like to go to this question specifically about the second wave or subsequent waves of infection if I may. I suppose my question is, kind of, how the risks of subsequent waves of infection might affect your reaction function, if you like. I mean, presumably, if the economy progresses in the way you expect or possibly even does better, and you're getting to the point where you're thinking about adjusting policy, you don't want to then have to reverse course a little bit later if there is a second wave of infection. So, is this going to have to be something you take into consideration when making your policy judgements? Would you tolerate, you know, a spell of higher inflation if it meant allowing a bit more time for the public health question to be a bit clearer?

Andrew Bailey: Well, I would think it's quite hard to imagine that if there was a second wave, that our biggest concern would be higher inflation because of what it would do to activity in the economy. So, I'd be rather surprised about that. I mean, you look at the inflation path in the scenario we have, and you can see it's, you know, fairly stark in that sense as to what's happened. So, I would be a bit surprised about that. I mean, the answer to that really is that, you know, if this was to come about, and I'm sure we all hope it won't, I mean, we really don't, but what we've learnt is that obviously, you know, we have to react to it in a sense, not only the evolution of COVID but the perfectly sensible evolution of public health policy. We have to react to that and deal with it as best we can, and that's what we would do. We've adopted a fairly cautious lifting of the restrictions scenario on the basis that we think that is, you know, a sensible way to guard against a second wave, but if a second wave were to happen, we would have to respond to it.

Harry Robertson CityAM: Hi, thanks. Governor, I'd just like to go back to market stability. The FTSE 100 has climbed something like 17% since 23rd March. A lot of people say that's out of line with where the economy is and where it's heading. Does that worry you?

Andrew Bailey: Well, Dave will probably want to come in on that. I think it's obviously been interesting. I'm not terribly surprised, in one sense, about the market reaction because there was a very, very big response, as you can tell, from the authorities, I mean, from the central banks. I think the market took notice of that. We do watch very carefully because, you know, one of the things that could happen obviously is that we get another, sort of what I might call, disconnect, but I'm not surprised. I think the scale of the response by the authorities was such that I wasn't, in a way, that surprised that the markets reacted how they did. Dave, do you want to add something to that?

Dave Ramsden: Yes, thanks, Andrew. I mean, in the MPR, we set out, in some detail, just how, you know, much markets' volatility measures, such as the VIX, spiked in that period back in March, and how far asset prices fell alongside that. I mean, what we had that was really striking back then, when we saw what we've termed in both the MPR and the FSR, this dash for cash, particularly dollars. We saw this fall in asset prices alongside a rise in bond yields, which, as Andrew was saying earlier, was, you know-, I mean that kind of correlation is extremely unusual, and showed just how dysfunctional markets were then. Things have calmed down a lot but we remain incredibly vigilant. As Andrew was just saying, you know, you see things like what happened in the oil market recently. Yes, there were idiosyncrasies but also there was a kind of underlying driver from the weakness of the global economy. So, we keep very vigilant to, you know, renewed spikes in volatility in any markets, what that might imply for the functioning of markets therefore for monetary stability, but also obviously for financial stability.

Holly Williams, Press Association: Good morning, I've got a couple of questions. Firstly, you said previously that, you know, banks would be taken to task and have no excuse if they don't behave responsibly in the current crisis. Do you think they've acted as they should have done with the CBILS

scheme? The second question is, it's on the consumer spending scenario. Obviously, you're factoring in the risk that there will be some voluntary social distancing and this is going to impact demand. With rates already at 0.1% and, you know, not much further room for them to go lower, wondering what action the bank can take to help offset that?

Andrew Bailey: Well, I'll get Ben to come in on the second one. Let me talk about the CBILS for a moment. I think we've had two things going on and I think this week, we're seeing very encouraging-, and I think we're now seeing real signs of progress. Two things of this, they're not that hard to see, in a way. (1) As I was saying earlier, I think, to a question, there are some inherently difficult things about small firm lending, which I'd say I've learnt, you know, the hard way, from dealing with the problems caused by the financial crisis, and I am, you know, very keen, and the Chancellor is very keen, that obviously we avoid those sorts of things happening again. I think that's, you know, why I think some of the aspects of the structure of the scheme have had to be refined as we went along and saw the experiences. I think the second thing I would say, obviously, is, you know, operationally, we're all having to deal with operating in an unusual way and at high scale, in a working environment that is obviously very different to normal. So, you know, again, I think that the banks have had to adjust to lending in an environment where, you know, they're not working as normal. They're having to obviously, you know-, a lot of their staff are working from home and so on, and, you know, obviously I'm a strong encourager of, 'Look, you've got to do this. You've got to adjust. You've got to find ways to do it.'

I think, and I think we'll see this starting to come through, that it is coming through. So, you know, it's taken a while. We've kept at it. Great credit to the Chancellor, he's really stuck at it, you know, he's determined that these schemes work, and he has my full support for that, I can tell you, and I think we are seeing it happening.

Ben Chu, The Independent: Hello, just, Governor, following up on that, I mean, the US has a system where some of these loans that small businesses are getting are converted to grants under certain circumstances. If we do get further blockages in these loans going out, was that something that perhaps the government should explore? On the quantitative easing split from the MPC, you were obviously against more asset purchases, could you just give us a sense of what the arguments are against doing more now? Is it the risk of overdoing things? Just give us your thoughts.

Andrew Bailey: Yes, on grants, I mean, that's really a question for the government and the Chancellor as to how they structure the support. It's really not for the Bank of England to say how fiscal policy should be structured. You know, the Chancellor and I keep in very close contact on it, but those are decisions for him to take, and he does. On QE, look, I don't want to overdraw this section. One of the great things about the Monetary Policy Committee is that we have very open discussions, and, you know, reasonable people can come to different views. I think the difference is, you know, is best described as-, it really goes back to some of the earlier questions actually. We've got quite a lot of road to go, but it doesn't go beyond early July at the current pace. You know, really there was a strong debate, 'Should we signal something now, or should we wait, see really what evolves, you know, potentially quite quickly in terms of announcements to come, what it adds up to in terms of the economy?' What we see then as the path of the economy, and that will obviously include, therefore, the path of the role the government has to play in the economy. As I say, you know, reasonable people can take different views on that. That's one of the strengths of the Monetary Policy Committee, and you see that reflected in the minutes. Particularly, I'd encourage reading the last part of the minutes because it sets that debate out, I think, quite succinctly but effectively.

Yes, of course, but please, you know, what I would caution is, I think you slightly overstated it at the beginning to say there's a bunch of us who will never do any more, and there's a couple of people who will, and that's not the case. This is a debate about, you know, what is the appropriate response and what information and news do we think we're going to get in the quite, sort of, near future.

Pan Pylas, Associated Press: Yes, hello, good morning. I hope you can hear me okay.

Andrew Bailey: Yes, I can.

Pan Pylas, Associated Press: Just one thing, if you add in the furloughed workers, what would the unemployment rise to a peak in this scenario? I'm wondering what sort of regional differences the bank's data has been picking up on. Can you provide an indication as to which regions are being hardest hit, and which the least? Could you please explain those variations?

Andrew Bailey: Ben, do you want to come in on those two?

Ben Broadbent: Okay, well, furloughed workers are not unemployed. I mean, that's the point. We have, I think, a forecasting for this quarter of peak unemployment rate of 9% or so, and I think our scenario involves an average across the second quarter for furloughed employees, of around 6 million. We haven't, as yet, seen anything in the data on applications that's inconsistent with that. These are not unemployed people and, you know, that's pretty important, certainly pretty important for the path, both of output and of inflation in the scenario. On the agents, we don't have any particular intelligence on regional differences. There are, understandably, some big differences across sectors, and, you know, understandably, some have been much, much harder hit than others, and there's some colour in that on a box, I think it's around the mid-40s in terms of pages, in the MPR, from the agents, there's a box on the agents' report. So, I think what they're focussed on more are these sector differences rather than anything regional.

Andrew Bailey: Yes, just to reinforce that, I mean, one of the things, and of course, in its way, it stands to reason, given the shock that we're facing, is that the more labour-intensive sectors of the economy are obviously more affected because of the restrictions that are in place. Certainly when I talk to the agents and we talk to agents, you do get that message reinforced quite strongly.

Stanley Reed, New York Times: Hi, could you give any more colour on how your discussions with the other central banks go, how often you talk to them and that sort of thing?

Andrew Bailey: Oh, we talk, you know several times a week, often, and they're very important conversations, and we talk sometimes collectively and sometimes, you know, bilaterally. We're all comparing notes on what we're observing in our economies. We're comparing notes on the tools that we're using, the effectiveness of those tools, how we're designing tools. Although, obviously, we're all different in terms of some of the precise details, if you look at the broad nature of the responses the central banks are making, there's quite a lot in common. So, you know, we learn a lot from what each other is experiencing in that respect. I find, as I know my predecessors have, I mean, I find those discussions enormously valuable in that sense as to how we're each experiencing and going through those problems. So, there's a lot of common ground.

Dave Robinson, Market News International: Just to go back to Chris Giles's question about yield curve control, one definition of yield curve control would be you aim for a numerical target, and that was the Bank of Japan's way. I think Jan Vlieghe said he was opposed to that. Can you say, are you

opposed to that, rather than just this answer of downplaying the difference between what you do and what yield curve control is?

Andrew Bailey: Well, I would say there's absolutely no evidence that the Bank of England is targeting any level of the yield curve. So, you know, Jan was correct in that response, in that respect. That's not Bank of England policy. Yes, frankly, if that was the MPC's policy, you'd have seen it in the minutes. You'd see it in the Monetary Policy Report. You'd see it in the statements. We're not doing that. Obviously, there are consequences for the yield curve of what we do but we're not targeting it.

Matei Rosca, Politico: Hello, thanks very much. Just one question, you got a lot of intelligence from cities, from the country, I wonder if you had any problems because of social distancing in gathering this information? I wonder if you can detail how the lockdown has affected the work of the Bank of England, thank you.

Andrew Bailey: Well, I'll say a little bit about that. I mean, Ben may want to come in on, sort of-, although it's not for us, it's for the Office of National Statistics, on data and things we're going to be having to look at and deal with in that respect. I mean, first of all, let me say about the operations of the Bank of England, and then I'll come on to, sort of, gathering intelligence. I mean, you know, as you know, well, you don't know, I'm my eighth week of my term, although, you know, I'm coming up to 35 years since I started at the Bank of England. I mean, I am incredibly impressed by the operation of the Bank of England. You know, we are down to, most days, we've probably got just over 100 staff on our sites, you know. We are effectively working remotely. As I said at the beginning, you've got two very substantial pieces of work we've published today. We've never published two reports at the same time in this nature. All that has been done by staff working remotely. It's all been done by two, well actually three, committees, because the Prudential Regulation Committee's been involved as well, all of the members of which are working remotely. I'm incredibly impressed. I'm incredibly impressed by the way the Bank of England has adapted what our staff are doing. I can say that, and all the members of committees, I mean, I'm incredibly impressed by what the staff have done. So, you know, it's been a huge response.

We are doing things remotely that I don't think the Bank of England probably really imagined it could do remotely, but we are and it's being done successfully. In terms of gathering intelligence, I mean, I think the agents, going back to the agents, as Ben was saying, would tell you, 'Okay, none of us are actually physically getting out and about,' and obviously, I regret that because one of the important parts of the Bank of England is that, you know, my predecessors have done, is that we get out and about. We're not stuck in London, but we're having to adapt to that and I think we're doing it well. The agents are providing us with, you know, very extensive coverage. Ben, do you want to say something on data?

Ben Broadbent: Sure, yes. The distancing is affecting collection of official data. As the ONS has explained, probably in several areas, getting the labour force survey up, for example, and also in the collection of the data for the CPI. There are two different issues there. One is how many visits you can make to supermarkets, for example, to measure prices. Another is that in several areas, in the more affected parts of consumer spending, there simply aren't the number of prices available to begin with. So, the ONS has had to come up with several solutions, which are not qualitatively new, but are probably larger in scale than we've had before. The only other thing I'd say is that while the official data may be hard to collect, we, like other bodies, have paid a lot of attention to all sorts of new alternative indicators, some of which you'll find in the Monetary Policy Report. There's a couple of graphs about consumer spending, where we've looking at things like travel statistics, Google searches

for hotels, footfall, retail footfall. All these things are, you know, quite helpful in assessing what's going on right now. So, we're sort of scouring all the possible sources of useful data to supplement what we usually look at.

Elliot Smith, CNBC: Hi there. So, I just wanted to ask, and rightly so, at the moment, policy on outlook's very focussed on the Coronavirus situation and mitigating the economic fallout. In the background, we have the deadline for requesting a Brexit extension rolling around on 30th June, which is not a great deal of time in negotiating terms. Is that something that is, sort of, being factored in, bubbling away in the background, when considering your outlook at the moment? Or is it a case that that's kind of being put by the wayside for now?

Andrew Bailey: Well, I'll get John to come in on that. I'll just remind, the convention is that we adopt government policy. So, you know, we have framed the Brexit element of that, our sort of thinking and our projections, around what the state of government policy is. John, you may want to come in on that?

Jon Cunliffe: Yes, I think I'll just echo that. So, this scenario is built on the January MPR, and that assumed that there would be no extension because the government has been quite clear that its policy is not to have an extension, and it assumed that a trade deal would be signed by the end of the year. So, that's the basis on which we're working. As Andrew says, that's consistent with the establishment that we've adopted right throughout the Brexit process, of we're working on the basis of announced government policy, as we do in other areas. That assumption of no extension has been in our forecasts for, I think, for some time now.

Ouida Taaffe, Financial World: Yes, hi, morning everyone. I just wanted to ask really quickly if the bank has any guidelines for lenders on avoiding supporting zombie companies. I can see that there will be a fine line to tread but are there any rules on that?

Andrew Bailey: Sam, would you like to come in on that one? By the way, the term 'zombie company' is not one that the bank regularly uses at all in public, but I think we know what you mean, but anyway, Sam, over to you.

Sam Woods: Yes, I'll just come in briefly, thank you. We have put out some guidance from the PRA on this specific question of financial projections because one of the issues we have, particularly for small firms, it's obviously very difficult indeed to make financial projections with any degree of certainty in the current environment. Because our analysis discusses very clearly, as to the HRP 14, that both the economy and the banks will be stronger if they do lend, we have relaxed the normal criteria we have around requiring things like those projections. So, that's the way we've approached it.

Ouida Taaffe, Financial World: How do the banks respond to that? I mean, surely there's a risk in that?

Sam Woods: Well, they've taken it on board, but I'll come back to the point raised by several other questioners during the conversation. I really think it's worth thinking, with HRP 14, our analysis shows very, very clearly that the benefits to banks of lending massively outweigh the risks, and that is very largely due to the government guarantees that are, sort of, unusual to have in place in this situation.