Bank of England

Andrew Bailey
Governor

Lord Bridges of Headley MBE
Economic Affairs Committee
House of Lords
London
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16 December 2022

Dear Lord Bridges,

Thank you for your letter of 2 December, in which you ask for further information about the 22 September 2022 meeting of the Monetary Policy Committee and the governance of the LDI-related gilt market intervention.

22 September Monetary Policy Committee Meeting

Firstly, I would like to clarify the timings of the MPC meetings. The MPC meetings follow the same format each round[1]. The date of each meeting for the September cycle is set out below. For the September round there was a delay to the Second MPC meeting owing to the national period of mourning; this was communicated in an announcement on 9 September[2].

Monetary Policy Committee meetings:	**September MPC meetings:**
We publish the dates the MPC will make announcements on monetary policy in advance. In the week leading up to each announcement the committee meets several times:	The MPC announcement was delayed due to the period of national mourning. The original date is also provided in square brackets.
First meeting: Members discuss the most recent economic data. The meeting is normally held on the Thursday a week before the announcement.	Thursday 8 September

[1] Monetary policy | Bank of England
[2] MPC announcement postponed to 12pm 22 September 2022 | Bank of England

Second meeting: Members debate what monetary policy action to take. The meeting is normally held on the Monday before the announcement.	Friday 16 September [9 September]
Final meeting: The Governor recommends the policy he believes will be supported by the majority of the MPC members and the members vote. The meeting is on Wednesday that week.	Wednesday 21 September [14 September]
MPC announcement: The MPC's decision is published with the minutes of the meetings at 12 noon on Thursday of that week.	Thursday 22 September [15 September]

Turning to the information the Treasury shared with the MPC, an HM Treasury representative gave updates on the Government's plans at the MPC's September meetings on 8 September and 16 September, as is usual practice. The focus of these updates was on the Government's Energy Price Guarantee and its plans for national insurance contributions and corporation taxes. The full scope of the measures to be announced on the 23 September had not settled at this point.

The Office for Budget Responsibility's (OBR's) costings and fiscal forecast are a critical input to the MPC's assessment of the effects of fiscal policy on the economic outlook. Unusually, the Government's fiscal plans were not accompanied by a forecast and a verified set of costings of proposed measures from the OBR. This had a number of implications, as James Bowler, Permanent Secretary of HM Treasury, explained to the House of Commons Treasury Select Committee on 12 December. It meant that costings were not grounded in an updated assessment of the economic outlook and independently verified, and it meant that measures were not pinned down to the usual deadline of more than a week ahead of publication. The Treasury representative was therefore not in a position to brief the MPC with certainty ahead of its policy decision. Nor was an explicit set of figures provided to the MPC in lieu of the OBR forecast and costings.

Therefore, given the absence of figures and a finalised fiscal statement, when the MPC met on 21 September for its final meeting and to vote, the Committee decided to make a full assessment of the impact on demand and inflation, and determine further implications for monetary policy, at its November meeting. This was explained in the minutes of the September meeting.

Governance of the LDI-related gilt market operation

The MPC is responsible for monetary policy. So it votes on all purchases and sales of UK government bonds that are made for monetary policy purposes. It does not vote on matters outside of its monetary policy remit, however.

The Bank's purchases of UK government bonds in response to a deterioration in market conditions in late September were financial stability operations, following a recommendation from the Financial Policy Committee.

As stated in the minutes of the MPC's November meeting, and in line with the Concordat governing the engagement between the Bank's Executive and the MPC, the MPC was informed of these financial stability operations. This briefing took place early in the morning of 28 September. Noting that these operations were targeted and strictly time-limited, the MPC judged that they would not affect the MPC's ability to conduct monetary policy in pursuit of the inflation target. This included both its earlier decision to sell UK government bonds, and its ability to set the appropriate stance of monetary policy at its upcoming November meeting.

In line with MPC procedures, the Bank does not publish separate records of briefings of this kind that fall outside an MPC policy round and at which no monetary policy decision is made. In any event, the briefing of the MPC is fully reflected in the 28 September press notice and paragraph 44 of the minutes of the MPC's subsequent policy meeting, which were published along with the announcement of its November monetary policy decision[3].

I hope these answers help.

Yours sincerely,

Andrew Bailey

[3] Bank of England announces gilt market operation | Bank of England;
Bank Rate increased to 3% - November 2022 | Bank of England