

Beat: News

Under fire, Carney to stay extra year at Bank of England

WORLD NEWS

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USPA NEWS - Bank of England Governor Mark Carney said on Monday he will stay in his job for an extra year until the end of June 2019 to help smooth Britain's departure from the European Union, but he will depart two years short of a full term.

Carney, who has come under heavy criticism from pro-Brexit politicians for warning before June's referendum of the economic risks of voting to leave the EU, had the option to stay at the Bank until 2021.

But the Canadian decided against serving the full eight years available to him.

"I would be honoured to extend my time of service as Governor for an additional year to the end of June 2019," he said in a letter to finance minister Philip Hammond, which was published by the Bank.

"By taking my term in office beyond the expected period of the Article 50 process (for Britain to leave the EU), this should help contribute to securing an orderly transition to the UK's new relationship with Europe," he said.

Prime Minister Theresa May, who has tried to dampen the pressure on the central bank chief, welcomed his announcement. Her spokeswoman said it would provide "continuity and stability" while Britain negotiates its EU exit.

Sterling, which has slumped around 20 percent since the Brexit vote on worries about Britain's economic prospects, hit its highest level on Monday at \$1.2240 on the news of Carney's extension. [GBP/]

Elizabeth Martins, an economist with HSBC, said the announcement of a one-year extension appeared to be a "bit of a half-way house" that would help Britain get past the potential volatility of the Brexit negotiations.

"I guess that markets would have liked to see a 2021 extension, and expected it given indications in the media. But this will go down better than an earlier departure," she said.

But Conservative lawmaker and outspoken Carney critic Jacob Rees-Mogg told Reuters: "I think the uncertainty was bad, but I still think he ought to have gone because of his bias over Brexit."

Carney had previously said he would announce by the end of this year whether he would stick to his original departure date of mid-2018, when Britain is likely to be deep in the process of extricating itself from the EU.

Most economists in a Reuters poll expected Carney to agree to stay on beyond 2018.

The 51-year-old is the father of four school-age children and he said last week his decision would be based on personal rather than political considerations.

But the pressure on Carney has echoes for central bank chiefs elsewhere. U.S. Republican presidential candidate Donald Trump has said the Federal Reserve has kept interest rates low because of political pressure from the White House.

And German Chancellor Angel Merkel said in April that it was legitimate for people to question the European Central Bank's record low interest rates.

UNDER PRESSURE

Under the terms of the appointment he took up in 2013, Carney agreed to stay at the Bank for five years with the option to stay for a further three. Around a year ago, he hinted at the possibility of taking up the extension.

But since then, pressure has built on the first foreigner to run the British central bank in its 322-year history.

May took the unusual step of criticising the effects of low interest rates earlier this month and Carney has faced persistent criticism from eurosceptic lawmakers in her Conservative Party, who accused him of compromising the Bank's independence by warning of the economic risks of Brexit

However a spokeswoman for May said on Monday that the prime minister was "clear in her support for the governor". Asked if he was the best man for the job, she said: "Absolutely."

"It is clearly a decision for him, but the PM would certainly be supportive of him going on beyond his five years," the spokeswoman added. "The PM has always had a good working relationship with the governor of the Bank of England and intends to continue that."

Carney met May on Monday for what his office said was a regular meeting.

The career plans of a man once dubbed the "outstanding central banker of his generation" have gripped financial markets. Some of the recent slide in sterling and rise in government bond yields have been attributed by analysts to the prospect of Carney leaving the BoE.

John Redwood, a leading eurosceptic lawmaker, said the Bank had been wrong to cut interest rates to a record low in August and take other stimulus measures as a response to the referendum result. He also criticised Carney for earlier misleading markets by giving steers on when interest rates might rise.

"You need a governor with judgement who studies the numbers carefully and says rather less than the Bank of England have been saying in the last year,

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