The Fed joins in with more monetary loosening

As the world manufacturing downturn intensifies the Fed has joined the Bank of Japan and the European central Bank in trying to ease the situation. The Fed has decided to create money and expand its balance sheet to ease the obvious shortage of cash in the short term lending markets between banks. This is welcome and necessary.

All the main Central Banks of the world with the exception of the Bank of England are now taking belated action to ease, to try to turn round the manufacturing slowdown created by past policy tightness , by other tax and regulatory policies targeting vehicle manufacture in particular, and the impact of new and additional tariffs. I must ask again why is the Bank of England standing out against this trend? Who doesn't it share the analysis and conclusions of other Central Banks?

The Bank of Japan is creating as much money as it takes to buy in government bonds to keep interest rates at zero for 10 year money, and negative rates for shorter terms. The ECB is keeping the official short rate at zero, with negative rates for many government bonds for longer terms. To do so it is now buying in Euro 20bn a month of bonds. The Fed is putting $75bn overnight into money markets to keep the repo or short interbank rate down in line with official rates. The official rate has been cut twice recently and is probably about to be cut again.

Central banks in India, Turkey, Brazil, Australia, New Zealand and elsewhere have been cutting official rates. All this is seeking to offset the negative impacts of higher taxes, tariffs and tighter lending conditions. So far the actions have not turned the corner for manufacturing, though they have prevented a even faster and deeper slump.

As highlighted here before, the UK not only refuses to join in with a general move to assist manufacturing, but the authorities are considering a further restriction on car loans which lies at the heart of part of the problem of insufficient demand for new vehicles. The latest GDP figures which suggest there will be no recession in the second and third quarters of the year continue to show a very weak vehicle manufacturing sector for the reasons forecast here.

The Bank's new £20 note shows the great Turner painting of the Temeraire on the back. It's a curious choice for an institution so concerned about our relations with the EU.

Trade wars

Part of the problem facing the world economy and assisting the global manufacturing recession is the outbreak of tariff and trade wars.

The largest is in the headlines regularly as China and the USA battle out a new basis for trade between them. There are others. There is the South Korea/Japan trade war over historic conflicts and grievances. There is the interruption to trade created in Kashmir by the clash between Pakistan and India. There are the tariffs the US has imposed on the EU following the adverse finding over Airbus subsidies. There is the US attempt to get Iran to change her approach to Middle Eastern politics by imposing a wide range of sanctions on trade with Iran, and now seeking to prevent payments for exports to Iran through the western banking system.

None of these is helpful to world growth, jobs and output. Many of them individually are not significant in their impact on the world economy, but cumulatively they are now having a measurable impact. More importantly they are also damaging confidence, which leads to cancelled investment programmes, less demand and a further slowdown in economic activity.

The US has escalated its dispute with China to include criticisms of China's approach to the Hong Kong protests, and to encompass bans on the sale of US items to Chinese technology firms . The US is critical of China's approach to intellectual property and concerned about the potential use of certain technologies for strategic and political purposes.

The UK's recent tweaking of its proposed tariff schedule for post Brexit trade is a welcome example of an attempt to go the other way. Tariffs will be removed from certain items altogether, so 88% of our trade is tariff free once out of the EU. Economic analysis suggests removing all tariffs would boost consumers more and would benefit the economy over all but would come at a potentially high cost to sectors at risk, mainly in agriculture.

The government has sought to find a balance,. offering some tariff protection to UK farmers but otherwise opting for a freer system. IT is a pity the world as a whole cannot move on from this period of tariff wars, which are adding more downward pressures on growth to the monetary policy and economic policy mistakes of the major players .

Germany insists on the backstop

Germany yesterday we are told asserted herself again as the leader of the EU. In a few harsh words Mrs Merkel effectively said to Mr Johnson he was wasting his time and the time and energy of the UK government in seeking changes to the Irish backstop. As far as she was concerned the EU needed the full backstop, customs union and single market alignment.

I doubt Mrs Merkel had phoned round the other 25 member states and checked their view on this. She does regularly clear things with France. I do not think she was formally speaking for the EU, which has entrusted this to their Negotiator in chief. I do think once again she revealed how the modern EU works. Germany is the leader, and Germany feels she can say these things, safe in the knowledge the others will accept them. There was no sudden outpouring of disagreement or protest at her reported words, nor any official denial.

As someone who thought simply renegotiating the backstop was insufficient given the nature of the rest of the Withdrawal Agreement, it serves to underline just how committed to this draft Treaty the EU is that they will not even countenance changes to one of its worst features. It does not augur well for future talks or imply with some more give and take there might be an agreement. Mrs Merkel has condemned a modest UK proposal to deal with one of the bad features of the Agreement without offering anything back and without implying she is willing to compromise on anything else.

Yesterday the government confirmed it will be leaving the EU on October 31st, deal or no deal. It looks as if the EU wants a no deal result or think they can find a way to stop Brexit altogether. Such is the damage to the UK's negotiating position the Parliamentary opposition to Brexit has now done.

Wokingham Council Local Live Day for Children & Young People with Special Educational Needs & Disabilities

The event will take place on Saturday 12 October at St Crispin's Leisure Centre between 11:00am & 3:00pm.

It is designed for children and young people with SEND and their parents and carers. It will showcase the support, activities and services available throughout the Borough and how to access them. It is also open to all families who are waiting for a diagnosis. Activities for children include a climbing wall, a trampoline, a bouncy castle and face painting. Admission is free.

NEWS RELEASE

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LOCAL OFFER LIVE DAY FOR CHILDREN AND YOUNG PEOPLE WITH SPECIAL EDUCATIONAL NEEDS AND DISABILITIES

Wokingham Borough Council is pleased to announce this year's Local Offer Live Day (previously named CAN Family Fun and Information Day) will take place on Saturday 12 October, between 11am and 3pm at St Crispin's Leisure Centre in Wokingham.

It is specifically designed for children and young people, with any special educational need or disability, aged 0 to 25, and their parents and carers. The day showcases the support, activities and information that are available across the borough and is a chance for families and carers to find out more about the range of services in the local area, and how to access them. This event is also open to all families who are waiting for a diagnosis.

SEND Voices Wokingham organised the event in partnership with Wokingham Borough Council and Places Leisure. It is an opportunity to ask questions, exchange ideas and meet with a network of parents and carers alike. A number of organisations will also be on hand to offer face to face advice, including Wokingham & Bracknell Mencap, Autism Berkshire and SportsAble to name a few.

Attendees, will also be able to enquire about the Children with Additional Needs Network (CAN) Card, which if eligible, permits concessions and discounts at local attractions and leisure facilities.

There will be a whole lot of fun activities available across the day, including a climbing wall, a trampoline, a bouncy castle and even face painting. The event is free to attend and light refreshments will be provided. For more information about the event, and to book your free tickets head to SEND Voices Wokingham's website at www.sendvoiceswokingham.org.uk .

"I'd like to take this opportunity to invite all families of children with additional needs to this wonderful event where they can discover the range of activities, services and help available. I am very proud of our Local Offer and remain committed to providing quality services to families in the borough,"said Cllr UllaKarin Clark, executive member for children's services.

Car loans

I read in the weekend press there are new fears about the volume and size of car loans or lease arrangements for new vehicles. There are concerns about "mis selling" and efforts to dampen down the current volume of these advances.

Of course people should not be pressured into taking out a loan that is too big for them and could end in tears. That is why there are cooling off periods, procedures to explain the terms, and a general duty on regulated personnel to sell responsibly.

There are two important risks in car loans that need managing. One is the risk that the person taking it out is unable to continue to meet the payments. Proper assessment of a person's income and prospects should keep this risk down a small proportion of the total, occurring when someone unexpectedly loses their job, has a serious accident or some other life changing event. Were the authorities to induce a job destroying recession as in 2008-9 then there is more risk of this happening.

The second is the risk to the lending institution if the second hand value of the car handed back when someone can no longer meet the payments is below the amount of the debt outstanding. This can be managed by requiring a sensible level of initial payment or deposit and of subsequent payments, so the lending institution experiences little or no capital loss were the borrower to default.

It is difficult to see that there is a major systemic problem over car loans in the way some suggest, short of the authorities triggering a large general downturn which would hit second hand car prices and cost many people with car loans their jobs. As surely it is the purpose of monetary and fiscal policy to avoid such an eventuality attention should be more directed to that.

As I have forecast for some time, various policies have greatly slowed car sales and led to a big fall in especially in diesel sales. Given the high propensity of UK car buyers to import this is particularly a problem for the German car industry that has sold a lot of cars into the UK and is now in recession. It also has an impact on our domestic industry. Allowing people to renew their vehicles from time to time and choose cars they like is not some kind of crime, and does require a common sense approach to car lending.

I point out that I have no financial interests myself in car lending. I own just one car bought with savings out of income.