

The EU confirms it is ready for UK exit in October without the Withdrawal treaty

In the run up to our exit planned for 29 March 2019 the EU passed a number of measures to ensure continuity if the UK left without signing the Withdrawal Treaty. Measures included an aviation agreement to ensure the planes fly, a haulage agreement to allow road transport to continue, a rail agreement, "legal certainty for ship operators", compensation for EU fishing businesses if they lose access to UK waters, continuity for students currently in the Erasmus programme, and more time for the Peace and Interreg programmes for Ireland and Northern Ireland.

In the update produced for the recent EU Council they also noted that rights of UK citizens currently legally settled in the rest of the EU will be protected. They are ensuring medicines and Reach approved chemicals can continue to be traded, and have increased customs capacity at UK facing ports and transport centres to handle any need to introduce tariffs.

This of course all goes largely unreported by the Remain facing UK media, who carry on with silly scare stories based on an imaginary exit with none of these agreements in place.

The Bank of England gets it wrong again

The Monetary Policy Committee is struggling. It perseveres with an out of date notion of national capacity, thinks it can judge where we are against it, and then threatens us with interest rate rises and more monetary tightening if it thinks we are at or near capacity. They have been saying for some time that we will get too close to capacity within the next two years and that therefore they need to tighten money to avoid too large an increase in wages and prices. They point towards a further 25bp rate rise after the two so far since the low point.

This month they accept that they have slowed the economy more than their previous forecast, and they accept we may stay below their idea of capacity going forward. Despite this they say they want to tighten consumer credit more, and think the next change in rates will be upwards. This comes at a time of world slowdown, with a nasty manufacturing recession on the continent and elsewhere. The Fed, the ECB and the Chinese Central Bank are all talking of relaxation or additional stimulus owing to the world slowdown and car

industry meltdown.

The old Bank of England forecast said they wanted “an ongoing tightening of monetary policy over the forecast period”. The slightly lower forecast of growth this time round makes that less clear. Core inflation was just 1.7% in May, below the symmetric 2% target. They have halved the rate of consumer credit growth since 2016 by FPC action, hitting car loans hard and now wanting to curb credit card debt more as well. They now say 2019 growth could be “a little below its potential” yet want to do nothing to correct that.

It appears the Bank is out of step with the rest of the world and the reality of the world economy and markets. The Bank says it stands ready to move rates either way in the event of a kind of Brexit it does not expect. None of this is quantified or precise and seems to be another case of the Bank adopting a stance from a pro Remain standpoint, like all those wildly too pessimistic forecasts it made for 2016 – 18 prior to the referendum vote.

UK capacity is augmented daily by big imports of things we cannot make or grow for ourselves, and our workforce is constantly being increased by inward migration. The Bank’s forecasting model needs to take better account of that. Many in the markets do not believe the UK can hike rates when the rest of the advanced world is going the other way. The Fed had a row with the market view that rates had to come down late last year, and lost.

Gatt 24 and free trade

The Governor of the Bank of England tells us we cannot escape tariffs by offering to negotiate a free trade agreement. If the EU agrees to free trade talks as we leave the EU then we can.

Gatt is a Treaty designed to promote ever freer trade. Article 24 allows members of Gatt – now the WTO – to negotiate free trade agreements with each other that go further than the trade liberalisation and tariff reduction offered to all other members by the states concerned. The two states must not seek to raise barriers with others as a result of proposing a Free Trade Agreement between themselves. The aim “should be to facilitate trade between the constituent territories and not to raise barriers to the trade of other contracting parties with such countries”

The only requirement to gain GATT approval for having no tariffs on each other’s trade whilst in negotiation is that the two states or customs unions must agree “a plan and a schedule for the foundation of such a free trade area within a reasonable length of time”.

Boris Johnson speaks in the Wokingham constituency

On Thursday night Boris came to dinner with Conservatives in the mid Berkshire area at a function organised by Reading West Conservatives and held in the Wokingham constituency.

He gave a wide ranging speech full of positives for our future once out of the EU which was well received by the Conservative members present from several local constituencies. He is keen to see better education from higher per pupil funding, faster broadband and better roads and railway investments.

The Governor of the Bank is wrong on GATT and on UK money policy

I have tweeted about this today and will write a considered piece for tomorrow.