

The Bank gets it wrong again

The Bank of England forecast inflation at 2% when it was going on to hit 11%. So clearly it does not understand inflation and has little ability to forecast it accurately as it is required to do. It tells us the inflation was caused by the Ukraine war and energy prices which it could not predict. So how come inflation was already 3 times target before the invasion? That main part of the inflation was not caused by the war. How come Japan and China kept inflation down to around 2% despite having to import much dearer energy as a result of the war?

Now we are told they cannot risk lower rates because there could be more trouble in the Red Sea. Freight rates and insurance rates are already well up and much shipping has been diverted to the long route, so markets know all about that pressure on prices. Meanwhile the money supply has been squeezed, credit is dear and scarcer, mortgage demand has fallen and the Bank ignores all these obvious signs that inflation will come down.

Worst of all is the gross distortion of its balance sheet. They bought far too many bonds at crazy prices in 2021 only now to want to sell them at huge losses and send the taxpayer the bill. Why? The ECB that made the same inflationary mistake is not doubling the error by selling bonds in the market. The Fed is not getting reimbursement from its Treasury. Only the Bank insists on double austerity with squeezed money and less public spending or tax cuts as the taxpayer picks up the bill of the UK's uniquely bad bond investor, the Bank of England. Never has the Bank lost so much money so quickly for no good purpose.

We need an urgent change of Bank policy, Stop selling the bonds. Cut the base rate by 25 bp. Switzerland, Poland, Hungary, Brazil, China have started cutting their rates.