

The Bank of England

I think the Bank was right not to raise interest rates this week pending more knowledge of the Labour market and wage rises now the furlough scheme has ended. I am against raising rates all the time the Bank is creating more money to buy bonds to keep rates down. It would be a contradictory policy.

I have called for an end to more money creation. The Bank has created quite enough. Savings are high, so many people could afford to spend more if they wish. Bank liquidity and capital is strong, so banks could lend more if people wanted to borrow more. There is no need to create more money. If people and companies did decide to spend much more of their cash and borrow more to increase their spending inflation would pick up more. No need to stoke the money fires further.

The task of money management is not easy. There is a slowdown underway which will be intensified by the squeeze on real incomes next spring from delayed energy price rises and the tax increase. There is also a steep and predictable rise in inflation which the Bank did not see coming earlier this year but is now forecasting .

I would stop the money increases and watch the Labour market. Only if there is clear evidence of wage settlements generally taking off to embed the temporary price rises will we need higher rates. So far the wage rises are a feature just of a limited number of activities in shortage.

The government is squeezing incomes too much in the year ahead. It should cancel the National Insurance rise planned for April.