The Bank of England tightens again

The employment figures last month were good again showing many more full time jobs still being created. The economy however has been slowed by the monetary and fiscal squeeze. Vacancies fell and wage growth reduced as the slowdown starts to reach the jobs market.

The Bank of England has cut itself off from the trends amongst all the main Central banks in the world, who are fighting slowdown and recession by loosening policy. They are cutting rates, pumping liquidity into markets or buying bonds to give things a boost.

The Bank of England instead announces all UK banks meet their stress tests and would survive a deep recession, yet it goes on to demand they increase their capital buffers. This means less lending, less promotion of growth, less support for new investment or for consumers to buy homes and cars.

It's the opposite of what we need, more money taken out of productive use when our banks are fine anyway. The 1% lift in the countercyclical capital buffers may freeze as much money out of the economy as the budget proposals in the Manifesto might put in.