The Bank of England wants to slow the UK economy some more

Mr Haldane's decision to vote for an immediate interest rate rise this week shows the Bank remains split and uncertain about its forecasts. They are still trying to get over their hopeless forecasts of recession in 2016-17 which was never likely. As Chief Economist he should understand that the tough actions of the FPC of the Bank have slowed credit and activity substantially over the last year. Money growth is very sluggish.
The car market has been brought down by withholding perfectly safe car loans from potential buyers. The decisions they took to cancel commercial bank facilities, to raise rates by 0.25%, to restrict consumer credit, and to toughen mortgage criteria have all played their part in slowing the UK to just 0.1% growth in Quarter 1. Quarter 2 will doubtless be a bit better, but they should not be thinking of more monetary tightening until quarterly growth gets back up to 0.6% or more. There is no likelihood of overheating given current levels of growth and sluggish money and credit. The slow performance in Q1 was not just weather related but points to the effects of policy actions taken. The Treasury has reinforced these problems with their tax attack on Buy to Let and higher priced properties in the 2016 budget and their tax attack on dearer cars in the 2017 budget, along with the general policy moves against diesels.

Some say there is a bit of wage inflation around. It is true the government has boosted low end wages through its Living Wage policy. It is to be hoped that low end wages will rise a bit more as employers compete for labour. It is also be hoped that firms invest a bit more so the people they employ can be more productive, earn higher wages, and see machines do more of the routine work. The Business department who spend a lot of time agonising over what might go wrong for the car industry when we leave the EU should get on with the day job, defending the car industry against domestic policy changes that clearly damage output whilst we are still fully in the EU. Why have they not spoken out about the bid drop in diesel sales?