

The UK should stop the fiscal and monetary tightening

The UK economy has slowed a bit this year. This is the direct result of Treasury and Bank policy, which has been tightening.

In 2016 the then Chancellor decided to slow the housing market by hitting Buy to let hard with new taxes, and by imposing higher Stamp Duties on the high priced end. This policy did indeed slash transactions volume with knock on effects to conveyancers, removal companies, furnishings, decorators and the rest.

In 2017 the current Chancellor decided to hit the dearer end of the car market, at a time when cars were selling well with good growth in the market. His high levels of VED have knocked sales of higher priced cars ever since.

The Bank of England has reinforced these trends by issuing warnings over consumer credit, certain mortgages and car loans. There has been a macro prudential tightening, as messages have been sent to banks and finance houses to rein in credit.

The Chancellor is still out to tighten the fiscal stance, taking a tough line on more spending and revenue.

The Bank has recently been successful in talking up sterling , particularly against the dollar and yen. Whilst this has some desirable effects, it is also a clear monetary tightening.

There is no need for more tightening, and some need for a more balanced policy. The quickest way to get the deficit down faster is to grow faster. Both the Treasury and Bank need to be kinder to enterprise and growth in their approaches.