Will the Bank now relent as the economy slows?

The Bank of England's way of fighting its inflationary mistakes of 2021 is to slow or stall the economy. They want to stop price rises by ensuring people cannot afford to buy so much, and to stop wage rises by increasing unemployment. This is all most unpleasant.

I have often pointed out it ignores two ways of sorting out inflation. The first is to avoid excessive money and credit growth It is true the Bank without saying so has now flipped from monetary excess to monetary tightness. The second is to promote more supply, which the Bank and government working together could and should do.

Yesterday the updated survey of UK business found that the average figure had fallen to 47.9 where 50 is the tipping point from no growth to growth. Services were at 48.7 and manufacturing at 43.3, so both sectors are now in retreat. This mirrored the Euro area whose Central Bank made the same mistakes in 2021. Their overall figure is 47, with services at 48.3 and manufacturing at 43.7.

Euro area interest rates have been held lower than ours and their Bank is not selling bonds off in the market at huge losses. When will the Bank of England get the message that it may now be lurching to too tough? It needs to get better at forecasting inflation and to build a model which reflects the realities of the lag between raising rates and the impact on jobs and activity.

More funny numbers from the OBR

So we learn that UK state borrowing was £11.3 bn less in the first four months of this financial year than the OBR forecast.Spending was up so the main reason for a further large error once again was understating tax revenues. Income tax was up by a massive 13% . the OBR often understates revenue when the economy grows a little.

I renew my question to Ministers. Why do you make the OBR five year forecast of the deficit the key control on your economic choices? As the OBR cannot get within £10 bn for the immediate year why believe the 5 year forecast? If the OBR model regularly understates tax revenue why accept advice to hike tax rates?

The numbers were further distorted by the transfer of £14 bn to the Bank of England to pay losses, taking the total to an astonishing £24 bn in just four months. The Bank's decision to sell bonds at the low prices it has driven them down to instead of holding them to repayment has added to the misery and inflated government ex Bank borrowing and spending.

Spending on benefits was up £11bn, on staff costs £8.2 bn and grants to Councils up £3 bn, making a total increase of £24 bn so far this year. If the government would introduce a freeze on public sector recruiting save for key personnel like medics and uniformed roles the government could start to control some of these outgoings.

Debt interest remains very elevated, More than half the stated costs do not entail any cash payments out or additional borrowing given the way the accounts treat indexation of some bonds.

The government needs to look through these confusing numbers and forecasts. The underlying reality is it could cut the rate of increase in spending, boost public sector productivity and cut some tax rates to grow the economy and revenues more.

[Wokingham gets more money per head than neighbours according to IFS]

I have had a few emails from constituents repeating Lib Dem claims that Wokingham gets little or no government funding and is short of money to spend.

The IFS has recently published a study of spending per head on five main service areas, including local government and schools. This combines government grants and local revenues.

The table beneath shows Wokingham in second place after West Berkshire amongst local areas:

Place	Schools per head	Local government per head	total
West Berkshire	£941	£881	£1822
Wokingham	£892	£844	£1736
Bracknell	£ 879	£783	£1662
Reading	£831	£803	£1634

Hampshire £797 £796
£1593

Windsor and M £873 £682
£1555

These figures show that Wokingham is not treated badly or without money in the way the council has been saying. I have made the case for better funding for social services and schools in Wokingham and am pleased to see the government has increased the financial support it offers.

Some questions on carbon accounting

In order to close the gap with net zero ambitions governments and companies pursuing this agenda need to revise the way they account for it. Here are some questions they need to answer.

1. As China, Russia, India produce more than 40% of the world's CO 2 output and their output is still growing, how do we get to the 2030 and 2035 targets? What actions are being taken to get the largest and fastest growing outputs by these countries to be reined in?

2.Why does the system assume electric vehicles are a win for less CO 2? Will the figures include the fact that many EVs are being recharged with electricity that may come from more fossil fuel than renewable generation? What allowance is made for all the CO 2 produced in mining and smelting the raw materials for an EV and its battery? And for total assembly and delivery? How many miles does an EV have to travel before it generates less CO 2 than carrying on with an older ICE vehicle,assuming it can get 100% renewable electricity or putting in accurate figures for the CO 2 content of the electricity likely to be used.

3. Why does the accounting system credit a country with lower CO2 because it has closed down fossil fuel based activities, only to import the products needed? This will usually raise world CO 2 by the amount of extra transport involved.

4. When attributing success to more renewables shouldn't you need to also factor in the extra costs and extra CO 2 from the standby fossil fuel generation needed to prevent black out when the wind drops?

5. What will be the CO 2 impact of needing to put in so much more grid capacity and cable to allow a major switch from gas to electricity?

6. When calculating the CO 2 impact of rail travel it is important to include connecting travel by road vehicle and do a whole journey calculation. It is also important to use a realistic mix of electric and diesel trains and allow

for times in stations with engines running.

Nationalised roads

Our road system is badly run, delivering a poor service to all the people struggling to get to work, to drop children off at school and getting to the shops. It lets down delivery drivers, large trucks bringing essential supplies and business vehicles carrying people to do work in our homes and commercial premises.

It is a typical nationalised monopoly. It believes in keeping us short of roadspace on the bizarre grounds that if they built more roads we would use them more. Any normal business is delighted to expand when it hits on a popular product or service.

The highways authorities take special delight in making life as difficult as possible for their tax paying customers. They regularly restrict access, narrow lanes, increase junction delays and change rules on road use. They compound this by setting traps to get more fines revenue out of complex and changing regulations.

They fail to maintain the surfaces of many roads, letting potholes grow until more extensive and expensive repairs are needed. The state grossly overcharges for use of the roads, collecting far more in motoring taxes than it defrays in road costs.

They insist on putting cables and pipes under the middle of main road requiring digging up the road every time a repair, replacement or increase of facility is needed.

Why? We depend on the roads for so much of our lifestyle.