Good rate of jobs growth

There has continued to be a good rate of jobs growth in the UK over the course of 2018, despite the monetary squeeze and the tax hits to cars and some housing. Since the referendum vote more than 700,000 jobs have been added. This contrasts starkly with the 500,000 job losses the Treasury forecast for the first couple of years after the announcement of a Leave vote win. Real incomes are also rising again, and are in the UK usefully above the levels reached prior to the banking crash in 2007, as is GDP per head. In contrast several countries in the Euro area including Greece, Portugal, Spain, Italy and France are still below the 2007 levels of real GDP per capita. The banking crash and great recession at the end of the last decade did plenty of damage to jobs and real incomes on both sides of the Atlantic and on both sides of Channel.

The US economy has also shown a good pace of jobs growth in the last year, accelerated by the tax cuts and fiscal boost administered by the Trump administration. Real wages have also done well, with people enjoying more spending power as the tax cut benefits flow through to their bank accounts. The statements made by Jerome Powell, the Chairman of the Federal Reserve Board on Friday were important and reassuring. He said he was listening carefully to markets who are concerned about a global downturn. He confirmed there was no need for early rate rises from here and stressed there was no pre determined path for Fed policy. Prior to this markets took as a guide the suggestion that there could be three more rate rises in 2019.

The UK authorities need to reappraise their approach in the light of recent events and in the light of Mr Powell's welcome statement. We could do with more progress in generating jobs and rising living standards. This has so far been a long lasting recovery from the crash of 2008-9, but also quite a slow one. As Janet Yellen, former Chair of the Fed stated, recoveries do not die of old age. They end when Central Banks make them end. There is no need for them to do so any time soon. Policy has been tighter than it need have been thanks to Quantitative tightening, higher rates and tougher banking guidance. Latest global surveys show more of a problem with orders, not with inflation. Falling commodity prices confirm there is no great inflation threat out there.