

Slowing economies

We now see that most of the main western economies slowed in the first quarter of 2018. Part of this is likely to have been bad weather, possibly with insufficient seasonal adjustments in the figures. The UK economy slowed as I predicted, both through the EU slowdown and from the change of domestic policy designed to slow it. This had nothing to do with Brexit. The Bank's decisions to raise rates, withdraw substantial special credit lines from the clearing banks, and ask them to rein in consumer and car loan credit have had an effect as expected. The tax rises on Buy to Let, dearer homes and cars have reduced activity and investment. In the months after the referendum vote car sales and consumer sales generally flourished, with good overall growth, before these policy actions were taken to rein it in some nine months later. Shop prices continue to fall, boosting consumers' effective spending power.

The government should be thinking about what it can do to speed growth up again. Across the Atlantic the Trump tax cuts are having very positive effects on growth and confidence. Consumers have more money to spend. Companies have more money to invest, to grant pay rises and to reward shareholders who in turn can spend more. Many US corporations are busy repatriating cash to the USA, and there have been numerous announcements of pay awards and of increased investment programmes to raise US capacity.

The US has also given itself a big boost by granting more licences to drill for oil and gas, and allowing more pipelines construction to deliver the results. Cheap energy and cheap feedstock for the chemical industry are two important underpinnings of a successful industrial strategy.

It looks as if this year the US is going to grow faster again than the EU, benefitting from a climate that favours enterprise. The US is also capturing more and more of the consumer spending through its highly successful technology based companies. The latest figures from Apple show huge cash generation, whilst Amazon continues to lift turnover from traditional retailers on both sides of the Atlantic.