UK economy slowed too much by domestic policy

As forecast here the latest figures for GDP growth show that the combined fiscal and monetary squeeze administered by Mr Hammond and the Bank of England have had their predicted effect. The economy has not been growing for the last quarter and the overall annual growth rate has tumbled towards German and Italian levels.

The USA is still growing considerably faster thanks to big tax cuts, a fiscal stimulus and active encouragement of growth and sensible lending by the Fed, their central bank. Never has UK policy been so much at variance with global policy as today, with the rest of the world's central banks fighting recession and the UK one fostering slowdown.

The delay in the budget until March means the cavalry of some fiscal stimulus does not arrive until April. Meanwhile some Monetary Policy Committee members openly muse about a quarter point cut in interest rates, though with no great sense of urgency. What the Bank should be doing is renewing its old scheme for Funding for lending, reversing its most recent decision about capital buffers for commercial banks, and changing its advice on lending for home and car purchase and for small business lending where there is adequate income and capital cover for the loans.

The Treasury needs to lift the IR35 tax changes which are damaging small contractors. All branches of government need to engage with the need for faster growth and join the international consensus that we need to fight slowdown now.

Housing and planning

The government will legislate to introduce a points based system of migration control. The plan is to reduce numbers coming in to take low paid work, and to ensure anyone entering to work comes to a job that has been identified.

The government has not set out any numbers yet, but presumably the plan is to have fewer migrants in total than we have been experiencing in recent years with EU freedom of movement. This should have a knock on effect to national and local plans, which currently need to cater for a large and continuing expansion of demand for homes from a variety of sources including from strong inward migration.

In Wokingham the Council has responded with a large approved building programme under the current local plan. As we look forward to the successor plan we need to reduce the future numbers of extra homes planned to take account of the large number already allowed. We need green gaps between settlements, protection of woodland and good farmland, and maintenance of flood plain.

Many of the homes now being built are being built on low lying land which creates more drainage problems. There are limits to how much drainage can achieve as it just dumps the water more quickly into the river system which itself is prone to flooding.

We also need to plant more trees and create more woods, not rip them out to concrete over the landscape.

Wokingham Cinema

I visited the new Wokingham Cinema on the edge of Elms Field on Saturday and was shown round.

It is an excellent new facility for the Town, with 3 screens. Each of the rooms have large comfortable seats with plenty of leg room. There is a food and drink service and a large bar area

It is well worth a visit, with a range of up to date film releases available for your entertainment. I wish them well with the venture.

Visit to Berkshire Fire and Rescue

On Friday Berkshire MPs and others were invited to a presentation by the Berkshire Fire service about the planned new Emergency services facility for Theale and about their future budgets. Laura Farris and I were the two MPs who joined the meeting.

We were told that Berkshire Fire service has recently been placed in the lowest quartile for local tax levied to help pay for it, and in the top quartile for performance. I congratulated them on these achievements.

We were asked to support a 7.5% increase in the local tax to pay for the service next year. The government is proposing a 2% cap, with the need for a referendum of taxpayers for a larger rise. We were told that the 7.5% increase would raise an additional £1.7m implying a base budget of £22.7m a year.

We were not given the budget figures or an explanation of what the extra money would buy so I suggested they sent me the details so I could consider it properly. They did say the new Theale facility soon to be built would be more efficient offering savings on budgets like energy which should help keep the tax down.

Mr Carney's speech

This week the outgoing Governor of the Bank of England gave a speech which was read as dovish and temporarily drove the pound down. He set out how despite low interest rates the Bank could if necessary ease money policy more. He did not encompass all of the ways in which the Bank could ease but was right about the possibility and the general magnitude of flexibility left in the system.

There were two glaring omissions from the speech. There was no detailed examination of the worldwide Central Bank moves to ease over the last few months, as practically every other Central Bank has joined the necessary move to stop the global slowdown and stimulate growth. China has lowered commercial bank capital requirements and brought forward local authority borrowing. The Fed has cut interest rates three times and pumped money in at the short end. The ECB has resumed Quantitative easing. Brazil, Turkey, Australia, New Zealand, India and many others have cut rates. The UK has done nothing and has ignored the slowdown.

The second is he did not refer to the substantial tightening the Bank has carried out . Contrary to the global trend the Bank has just doubled the countercyclical buffers restricting commercial bank lending. Its words and actions have until Mr Carney spoke this week helped boost the pound, in itself a monetary tightening.

I ask why the Governor did not comment openly on these moves and explain the different path the UK has taken. I think he should seek to justify the tough policy being followed and tell us how this affects growth. He should understand and explain the FPC and MPC interactions and the significance of balance sheet moves by both the Central bank and the commercial banks to money conditions and to economic growth. It looks as if the Bank has yet again misjudged the situation. He talks too much about alleged Brexit impacts and not enough about the global and domestic policy influences on price and output which are dominant as elsewhere in the world.