[The Bank of England forecasts a modestly faster rate of growth for 2021-22]

The latest Inflation Report from the Bank expects Uk growth to improve in the second half of its three year forecast period from now, reaching a bit above 2% after a period at lower levels. The Bank thinks supply and demand is currently in balance in the Uk economy, that it will slow a bit this year leading to a small amount of surplus capacity, followed by a tightening.

As the Governor himself has explained in a past lecture, this concept of domestic capacity has its limitations as a way of estimating what will happen next to prices. Given the open nature of the UK economy, capable of importing goods and services from around the world that are in short supply at home, a lack of capacity does not automatically translate into higher prices. Given the enthusiasm of UK companies to welcome employees from overseas there is also a countervailing pressure on wages as the local jobs market tightens up through substantial job creation. Despite this the Bank thinks it will need to toughen monetary policy as they approach the second half of the forecast period, which will in itself slow things a bit.

The Bank's figures show that the UK this decade has grown faster than the Eurozone, and the Bank sees the sharp slowdown in Eurozone growth in the second half of last year as a factor slowing our economy. They recognise that the bigger slowdown in residential property prices in London resulted from being "disproportionately affected by regulatory and tax changes" often commented on here. The by to let and Stamp Duty tax changes hit turnover and prices of the expensive London properties. They see a modest slowdown in the world economy as a whole, and do not see any major inflationary threat in global markets.

They mention Brexit frequently, saying they might respond either way depending on when and how it occurs. There is no sign of a recession in either their world or their UK forecast, though they acknowledge the recessions now stalking some of the continental countries. It would be good to have more analysis of why this is happening in the Euro area and what knock on effects it will have on our exporters. They remind us that the European single currency area accounts for 38% of our current exports. Presumably the slowdown or recessions in continental countries could mean some favourable downward pressure on our import prices, where we import many more goods and food than we export to them.

The UK economy has held up well at a time of negative growth in Italy and Germany and slowdown in France. This has happened against a background of UK policies that have led to a large reduction in new car sales, and a slowdown in housing transactions. Buy to let investment by individuals has been reduced substantially by tax rises, and new car sales hit by policies against diesels along with higher VED particularly for dearer cars.