

The Bank of England insists on getting it wrong

Headline inflation has come down to 2%. The European Central Bank has made its first cut in interest rates. Suspicious Conservatives think the Bank wanted to deny them a rate cut before the election, to offer up an introductory one in August to the new Labour government all the pollsters and most commentators say we are going to get.

It shows the difficulty for a so called independent Central Bank to keep out of politics. To the main parties this decision was a crucial one. Cut rates and reinforce the Prime Minister's message that we have turned a corner, the economy is on the mend. Leave rates up for a few more weeks and reinforce the Opposition view that it is all a mess.

So let me show balance. The Bank given the ludicrous way it seeks unsuccessfully to keep inflation down followed its own method in deciding on further delay. It could argue that service sector inflation is still elevated and not coming down as quickly as the forecast it made so the Bank needs to be cautious. The Bank also of course yet again needs to thoroughly review how it forecasts inflation as it got it wrong again.

Housing inflation remains elevated within services. Rents keep rising in part because migration still runs hot. Owner occupiers face mortgage hikes thanks to Bank policy. There are "reasons" for the Bank to hang tough.

The disgrace however comes in the key Bank policy most media and politicians refuse to talk about – the Bank's wrong decision to keep selling bonds at huge losses and send the bill to taxpayers. No other Central Bank does this. Even the Fed, cutting its bond portfolio aggressively as bonds mature has reined this in in recent months, realising the damage it can do.

When I was asked to comment yesterday on the lack of rate cut the media would not consider the far more important Bank decision to keep on selling bonds. Why?