The Fed eases policy

We are living through a world manufacturing recession. The Fed, Bank of England, Bank of China and the European Central Bank all tightened policy too much in the second half of last year. They spooked the markets and hit borrowing for investment. Several governments, led by the UK, hit their car markets hard with higher taxes, fewer car loans and an attack on diesels.

The Fed has now changed policy. It has ended its rate rises and slashed its Quantitative tightening programme. It has now announced a rethink of its whole approach to rate setting and balance sheet management.The ECB has been slow to respond, ending its Quantitative easing just in time for the industrial collapse. The Bank of China has set out new ways of getting credit into new sectors and ventures to offset the slowdown its balance sheet clean up of commercial banks has triggered. Only the Bank of England has failed to respond despite tightening substantially with its advice to reduce car loans and mortgages, and two rate rises from the low.

We should avoid a global advanced country general recession. Inflation remains very subdued with plenty of spare capacity and competitive forces. The Bank of England should be more attentive to the state of the real economy and get more into line with action being taken to avoid a downturn. The UK needs to end its attack on the car industry.