# [Treasury policies slow the UK economy as planned]

At a time when most of the world is following expansionary policies, the UK has gone cautious. Where the USA is cutting taxes and increasing spending, the UK has been putting through targeted tax rises on cars and homes. Where the Euro area keeps interest rates at zero and carries on printing extra money, the UK is reining in credit, putting up rates and tightening money.

The main policies which have worked to slow the economy include

1. Tax increases on  Buy to let properties, and higher Stamp duties on second homes and expensive properties
2. Increased VED on higher priced  new cars, and threats of more anti diesel action to come
3. Increase in interest rates
4. Removal of lending facilities for commercial banks
5. Warnings about car loans and consumer credit

Two sectors have been specifically targeted. The first is the car industry. Higher Vehicle Excise Duties, anti diesel messages and a reduction of car loans has led to a decline of 37% in the sale of new diesel cars for the year to March 2018 compared to the year to March 2017. Note this has nothing to do with Brexit, as car sales were rising  for the first nine months after the decision to leave.  Overall new car registrations rose 8.4% in the year to March 2017, and fell 15.7% in the following year. This has led directly to lay offs in auto plants.

The second is housing. The higher Stamp duties introduced in April 2016 for expensive homes and all second homes/BTL properties led to a 14% fall in the number of residential property transactions in 2016-17 compared to previous year. The fall was especially sharp before the referendum. The decision to phase out mortgage interest relief for higher rate payers by 2020 has made investing in BTL much less attractive. There has been a general substantial  fall in BTL investing.

This is an interesting change of policy by the Treasury, given their statement in 2010

"The Private Rented Sector plays a critical role within the housing system, helping to meet growing demand and providing a flexible tenure choice….it is important the sector continues to grow".

Given the work that went into attracting more auto investment here, and the encouragement to the BTL market, it might be time to review the need for further slowing.

(PS I own no BTL property and do not buy  a  car dear enough to attract the high VED)