

Why interest rate rises are very unlikely

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The world seemed surprised that the Bank of England did not increase bank rate yesterday. It should not have been. Nothing suggested that was appropriate.

The government is sucking money out of the economy as fast as it can by trying to balance its budgets.

As a direct result growth is suffering since government spending is a component of GDP.

Investment is tanking in the face of Brexit uncertainty.

Inflation is reducing as, entirely predictably, the impact of the Brexit rate change works through the system (simple maths makes this totally predictable).

And house prices are falling as the attraction of the UK as a location goes into rapid decline meaning overseas demand is falling and taking heat out of system.

Underneath all that consumption is reducing.

There are no reasons for interest rates to rise.

There could be grounds for a cut.

And there is massive reason for a fiscal policy intervention by boosting government spending, although giving lifetime visas to bricklayers might be necessary to achieve that as they are in cripplingly short supply (absurdly).

That a rate rise was even thought possible is how absurd some economic thinking is. Interest rate rises would make no sense in the foreseeable future.