The Bank of England's interest rate rise is the surest ...

Published: January 13, 2026, 12:54 am

As I have just tweeted in response to the Bank of England's decision to raise interest rates to 0.75%, announced minutes ago:

It takes some considerable stupidity to see a crisis coming and decide to make it worse. But that's exactly what the Bank of England has just done by raising interest rates to 0.75%. The motto seems to be 'if we're going to make a mess of things let's make it a really good mess'

As I said on Monday, when I suggested that the only reason the Bank might do this was to stop losing face for not doing so:

Pride comes before a fall. Raising rates now will help precipitate a fall. 'Normalisation' [of interest rates] is no more than belief in a dogma that glaringly obviously failed at enormous cost to the world in 2008. But Threadneedle Street has its pride, and we will all pay for it.

To support my argument let's look at fundamentals.

Real wages are falling, again.

The savings ratio is at an all-time low as households are under threat of being unable to make ends meet.

Growth is modest and is not reflected in consumer spending.

The labour market is not tightening.

There is no sign of wage pressure.

Brexit is reducing investment rates. And it is also creating situations of massive economic unease: no one needs to dampen exuberance when there is talk of troops on the street to ensure the maintenance of basic econipimic functions.

All of these suggest there is no reason for a rise now.

In fact the only economic indicator that suggests an interest rate rise is appropriate is the falling value of the pound, but it is declining as rapidly as the UK’s trade prospects are. No interest rate rise will overcome Liam Fox’s failings.

There is, then, no reason to increase rates this week. The most sensible move would be a cut in rates.

I stick by that. This is a mistake. I won't say it's a mistake of epic proportions: 0.25% interest rate changes cannot be so described. But the symbolic suggestion that the Bank thinks either a) the economy is strengthening when it so glaringly obviously isn't, or that b) rates need to rise so that they can be cut when things really go wrong next year, when candidly that will in the face of the Brexit onslaught make no difference to our well being, are signs of desperation in either case. And that's not what we need to indicate that a) the Bank is in control b) central bank independence is a good idea or c) anyone in charge has any real idea what they are going to do next year.

Worry.

That's the best advice I can give.