

## UK GDP growth will just increase the Bank of England's ...

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This morning's GDP data from the Office for National Statistics suggests the UK is still heading for deeply troubled times, courtesy of the Bank of England.

### [The ONS data shows:](#)

- \* Monthly real gross domestic product (GDP) is estimated to have grown by 0.2% in April 2023, after a fall of 0.3% in March 2023.
- \* Looking at the broader picture, GDP grew by 0.1% in the three months to April 2023.
- \* The services sector grew by 0.3% in April 2023, following a 0.5% fall in March 2023, and was the main contributor to the growth in monthly GDP in April.
- \* Output in consumer-facing services grew by 1.0% in April 2023, following a fall of 0.8% in March 2023.
- \* Production output fell by 0.3% in April 2023, after growth of 0.7% in March 2023.
- \* The construction sector fell by 0.6% in April 2023, following growth of 0.2% in March 2023.

Most people might think growth is good. Certainly, Rishi Sunak does. He has promised it to the country.

But Sunak's opinion does not matter. All that matters is that of the Bank of England, however mistaken they might be. And on top of [ONS wages data](#) from earlier this week that showed that private sector wages have only fallen in real terms by under 2% in the last year and that state sector wages have in real terms only fallen by a bit over 3%, this new growth data will be triggering alarm bells at the Bank of England.

The reason is easy to explain. The Bank of England has only one job to do. That is to cut inflation. And so far, they are not doing it as well as other countries, like the US, where it is now around 4% and the EU, where it is now around 6%, when it remains over 8% here in the UK.

The Bank also only has one tool to control inflation. That is crashing the economy. I know it is said that the only tool is the bank base rate, but that is no longer true. They can also use quantitative tightening, which means the Bank sells off gilts they own that were bought during the quantitative easing years. This reduces the money supply by reducing the supply of credit to markets, and without credit nothing grows. So, let's summarise their available tool as crashing the economy, whichever way they can.

As markets are aware of the Bank of England's lack of sophistication and small-minded obsession with eliminating any hint of economic well-being, most especially when it comes to those with the audacity to borrow to put a roof over their heads, those markets are expecting the Bank of England to push up interest rates again, soon. This was the 2-year gilt yield chart [first thing this morning](#), as reported by Market Watch:



The market is now forcing two-year gilt rates above those seen after the Truss / Kwarteng fiasco (which was never their fault - much as I hate to say it - because it was actually triggered by the Bank of England announcing £80 billion of quantitative tightening the day before Kwarteng spoke, and that is what spooked the markets - as we know as an immediate dose of quantitative easing thereafter calmed them again).

I suspect this 2-year gilt rate will go higher.

I also suspect the Bank of England base rate to rise, again.

I am sure that this will increase mortgage rates, again.

And I am quite certain this will not have the slightest impression on inflation, which will continue to come down but more slowly than elsewhere because of Brexit and the absence of free movement in UK labour markets.

So this morning's rise in GDP is not good news, at all. It just heralds more misery for borrowers care of Andrew Bailey and his cast of misanthropes in Threadneedle Street,

where the Bank of England appointees to the Monetary Policy Committee (at least) seem to share a dislike for humankind whilst enjoying its suffering in a way that is very hard to understand.

And meanwhile, all the excuses for yet more government austerity will be practised by Jeremy Hunt and Rachel Reeves.

When you're in an economic death spiral like the one the UK is in now, it is hard to see a way out unless someone appears who might break the inevitable decline by cutting interest rates, increasing government spending and revisiting Brexit. With no such person on the horizon, we're in very deep trouble.