

The 'economic grown-ups' at the Bank of England are hea...

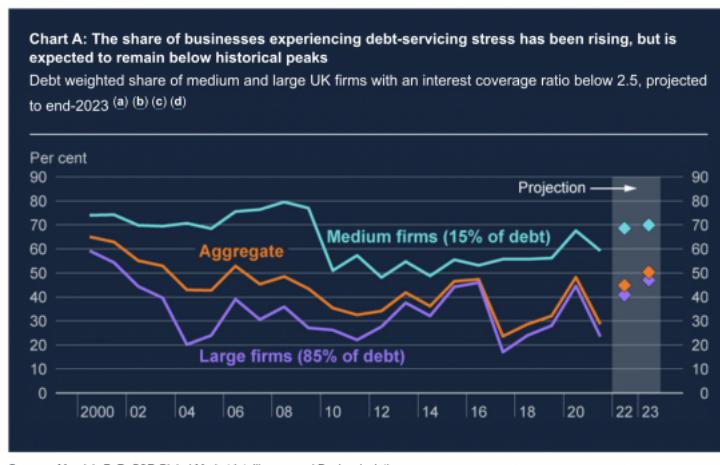
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As the [Bank of England noted in a blog](#) yesterday:

Higher interest rates are putting pressure on indebted corporates through higher debt servicing costs. Such pressure increases the likelihood of defaults on corporates' debt and may lead some firms to reduce investment and employment sharply. Defaults can increase risks to financial stability directly through reducing lender resilience, while sharp reductions in investment and employment can indirectly affect financial stability by amplifying macroeconomic downturns.

This risk is, of course, what the Bank of England has chosen for the UK economy without it ever being able to justify that decision with any identifiable impact on inflation.

The result is the risk identified on the following chart:



After the risks of Covid, corporate debt risk fell in 2021. And since then, as is apparent from the dotted lines, which are described as projections, they have increased considerably.

This is, of course, the consequence of interest rates rising from 0.1% to 5.25% at the

behest of the Bank of England, with the forecast being that they will now peak at 6.1%.

The consequence is that 50% of larger companies and 70% of medium-sized firms face real debt difficulties.

I stress that this does not mean that all these businesses will fail, but it is likely that they will, as the Bank suggests:

- * Reduce investment
- * Cut employment
- * Face banking difficulty and reduced profitability for some time since many loans are negotiated over periods of several years.

And some will fail, leading to banking-related issues when that sector is already facing an ever-rising risk of mortgage defaults.

None of this is surprising, of course. This is exactly what the Bank of England chose for us to have. The outcome is what they want. The risk of destruction is their chosen method of economic management. This is what the supposed 'economic grown-ups' at the Bank think we need.

In 2016 the UK chose to place sanctions on itself by opting for Brexit.

Since 2021 we have opted for a wholly unnecessary economic Armageddon as a result of outsourcing the management of the economy to the Bank of England.

I hope that one day we might do better than this.

Labour is not offering us this prospect. It is committed to Brexit and Bank of England control of the economy. But I have to live in hope.