

Is the Bank of England trying to undermine Labour's eco...

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Huw Pill, the chief economist at the Bank of England, is reported by brokers Hargreaves Lansdowne to have said something like this yesterday:

Inflation is not expected to veer significantly away from the target of 2% although a slight creeping up of prices is expected towards the end of the year. However, what continues to keep some policymakers at the Bank of England hot under the collar is the tight jobs market, which has meant wage inflation has stayed steamy. Although unemployment has edged up to 4.4%, average wages (excluding bonuses were still rising at 6% in the February to April period). Elevated inactivity rates, partly due to high numbers of long-term illness are partly to blame. The concern is that if this pay pressure continues employers will pass on the cost of higher wage bills and push up the price of goods and services.

For reasons that are hard to explain, his speech is not on the Bank of England website but is reported in the FT [without the detail noted above](#).

What does this mean? Three things.

First, interest rates are not coming down soon, if Pill gets his way. Apparently, inflation at 2% or thereabouts is not enough to justify bringing interest rates down from 5.25%.

Second, the Bank of England is very obviously unhappy that unemployment has not risen enough to remove demands for pay rises, and so they are intent on keeping the misery in the UK economy going for as long as possible until more people are forcibly out of work. People have not suffered enough for the false dogma of Pill and his colleagues at the Bank, as yet.

Third, Pill is determined there should be no growth in the economy, just at the time that the Chancellor is pinning every hope she has on growth.

This last point is, in some ways, the most important if I can, for a moment, ignore all the human misery Pill is intent on imposing.

Recall that in September 2022, the big accusation against Truss and Kwarteng was that they proposed policies that were in direct conflict with those of the Bank of England. This resulted in the appearance that no one was in charge of the economy and that no one knew what was going on. That is what is also happening here.

Pill is demanding more austerity, higher unemployment and lower growth.

Reeves is demanding more growth.

Only one of those two directly contradictory policy goals can be achieved, and someone will end up with egg on their face. Given that Reeves is also determined to uphold the appearance of the Bank of England being independent of her, it would seem very likely that she is the one with the greatest probability of suffering that fate.

My point is that she could avoid this.

First, the Bank of England's independence should end. It is now very obviously (as obviously as when Truss was in office) trying to upend government policy, and that is unacceptable.

Second, in that case, the Treasury would have to take back control of interest rates, quantitative easing, and quantitative tightening, leaving the Bank to continue with its bookkeeping and regulation.

Third, this confusion has to be brought to an end very quickly unless Labour's economic policy (such as it is) is not to go down in flames, with the whole credibility of this government in freefall close behind it.

What a mess.