

# Funding the Future

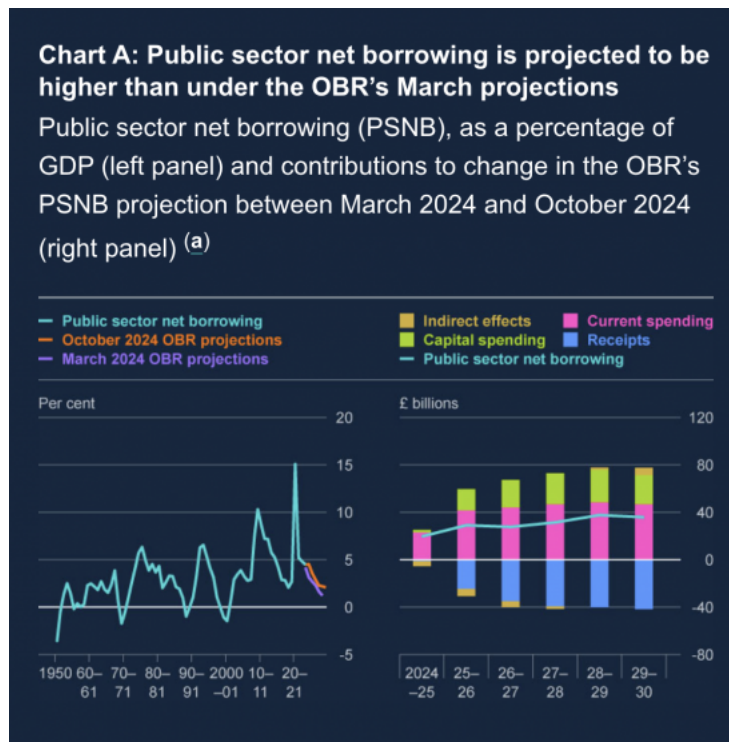
## The Bank of England is going to keep its foot on the br...

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The Bank of England Monetary Policy Committee [reported yesterday](#) on its thinking on inflation when cutting the base interest rate to 4.75 per cent, which, [as I have already noted](#), was too little and too late.

Amongst the issues that the Bank commented on was the Budget. They came to four conclusions.

You could almost hear the tut-tutting as they noted that spending and planned revenues would be higher:



Then, they noted that government investment will be higher:

*Additional public investment would, if sustained, be expected to increase the*

*productive capacity of the economy in the long run.*

They then added, as if with a note of relief:

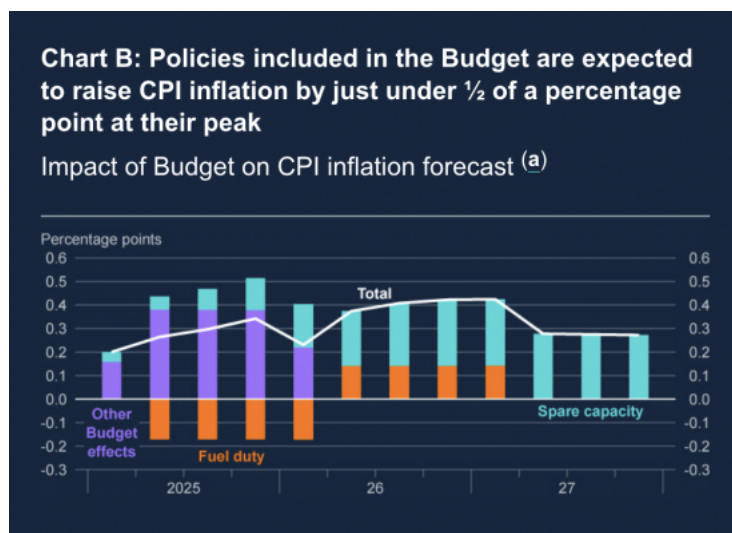
*The impact on potential supply of the public investment announced in the Budget is provisionally expected to be very small over the MPC's forecast period, and to build thereafter*

They did the same on the changes in NIC and minimum ages, noting, cryptically:

*The increase in employer NICs is assumed to lead to a small decrease in potential supply over the forecast period.*

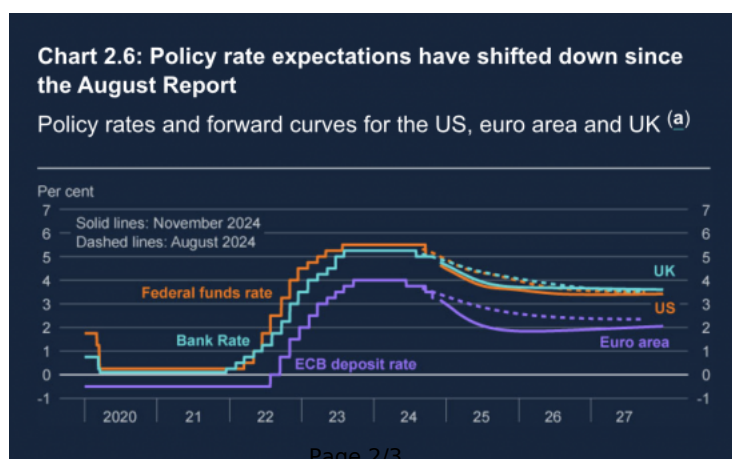
What they mean is unemployment will rise, which is always good news for the Bank of England.

Finally, they noted the impact on inflation:



They claim there will be a 0.5 per cent impact on inflation.

No doubt this helped them in making their forecast that Bank base rates will never fall much below 4 per cent over the years to come:



Net positive real interest rates remain on the cards, then. Labour has provided the Bank with the excuse it needs to continue with its foot on the brakes, whatever labour might wish with regard to growth.

None of this takes Trump into account, of course, or the disruption he might create. I expect nothing to work out as forecast.