

# The art of doing nothing: Central Banks adopt wait and see approach

Yesterday the European Central Bank sent out a picture of its executive board with president Christine Lagarde front and centre. Behind them were some plants.

A City commentator tweeted: “The plants in the background would make better policy decisions than the people at the front.”

In yesterday’s FT, seasoned economics writer Martin Wolf asked: “Why are central banks finding their job so hard to do? A common view is that this is because they are imbeciles.”

Both Michael Brown of CaxtonFX and the excellently named Mr Wolf are mostly being facetious – they know that central banks are in a tight spot. Today’s PMI figures add to their woes.

They don’t want to put interest rates up while growth is slowing. But they are worried that inflation is running out of control.

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Last night's words from the US Federal Reserve and today's from the Bank of England make that plain.

Their instincts are to start withdrawing made-up money from the support of the economy and to shove interest rates up from nearly zero.

But very little of the actual economic news gives them backing to do this with any confidence, so they are parsing words to make sure markets don't panic.

The Fed thinks interest rates can edge up starting next year, with its \$120 billion a month bond-buying programme eased off from November.

That's fine. The chatter in the City is about which of the major central banks will move first on this. The risk has to be that they all do it at exactly the same time, and before world economies are actually ready for it.

There is a lot to be said for doing nothing. It's under-rated.