

# A Written Answer from the Treasury

I have received the below written answer from Ministers at the Treasury:

Treasury has provided the following answer to your written parliamentary question (158849):

**Question:**

To ask the Chancellor of the Exchequer, what analysis he has undertaken on the potential impact of recent tax rises on consumer confidence and retail sales. (158849)

I received the following answer. It is extraordinary there is no reply on the huge plunge on consumer confidence and a reassertion of out of date OBR forecasts.

Tabled on: 25 April 2022

**Answer:**

**Lucy Frazer:**

The Office for National Statistics (ONS) publish monthly statistics on retail sales. According to latest data, retail sales volumes in Great Britain decreased by 1.4 per cent on the month in March 2022 but remain 2.2 per cent above February 2020 levels. The ONS does not publish official data on consumer confidence.

The Office for Budget Responsibility (OBR) set out its latest assessment of the impact of tax changes on the economy in the Economic and Fiscal Outlook, published at Spring Statement 2022. In its latest forecast, the OBR expects household consumption to grow by 5.4 per cent in 2022.

Further details can be found in the OBR's latest Economic and Fiscal Outlook published in March 2022:

<https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/>.

The answer was submitted on 28 Apr 2022 at 10:47.

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## The Treasury and Bank will make the economy worse

The Bank and the Treasury have decided to take it out on us because they allowed inflation to go too high. The latest forecasts from The Bank suggests the growth of the economy will slow to zero and unemployment will rise. Both organisations are reaching for their austerity playbooks when they

should be looking to help expand capacity and offset more of the real income falls.

The government needs to wake up and tell them they are wrong. The Chancellor should stop the tax rises and explain to Treasury officials why their debt and deficit based advice is wrong and will make the deficit worse, not better.

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## Russia and China make bad mistakes

The violent invasion of Ukraine by Russia has done great harm to the people and buildings of Ukraine. It has also done grave damage to the country's standing in the international community, hurt its domestic economy and rattled its main ally, China. The democracies are now settled on a path to remove more Russian oil and gas from their imports, end trade in many other products, cease investing, withdrawing businesses from Russia and blocking access to the western payments system. The reluctance of Germany and some eastern European countries to speed the ending of Russian energy purchases owing to their substantial dependence on them makes it possible for Russia to carry on financing her war, but the direction of travel to cut Russia's earnings from these sources is clear. The outlook for Russia with continuing sanctions is not a good one. China may in due course buy more Russian oil and gas but that will require more pipeline capacity to Asia and or more LNG capacity, requiring large investments with delays built in.

China must be most unhappy that President Xi signed a comprehensive pact with President Putin during the winter Olympics in Beijing in February, only to see their best ally and friend launch a military campaign four days after the Olympics which has so far badly miscarried and has awoken the West to the threat from the autocratic regimes in both Russia and China. China sees the Ukraine problem through a lens trained on Taiwan. Any thought of military action against the island must now be more remote. China will have seen how an independently minded people can dig in against what looks like a large military machine and inflict considerable damage on it. They will also have noted the more robust response of the West than expected which would probably be even more true of any attack on Taiwan.

China has compounded this error by sticking to its zero covid policy. As new waves of the disease hit a population with low levels of vaccination so more cases flare up. China responds with draconian lockdowns, forcing people to stay home and sending basic state food and other supplies to keep them going. Those with the disease are removed to isolation facilities they share with many others. This is resulting in more interruptions to Chinese production and transport of goods, hitting world trade. It is creating a Chinese reputation for unreliability after years of creating a good report for timely and affordable products delivered along long supply chains especially by

container ship.

China could still opt for the western approach to covid of encouraging near 100% take up of the vaccines and allowing free movement in the expectation that most who catch the disease after vaccines will get mild versions which can be managed. There is no current sign of President Xi wanting to try this, and reports of vaccine hesitancy by Chinese people. They have been instructed to believe this is a dangerous disease which needs to be eradicated by lockdowns of any area where there are infected people. China will be reporting poor economic figures from this April until zero covid is re established. It's another headwind for world trade and for economic growth more generally. These events force China and Russia closer together with more opposition from the West to their actions. China is not getting the support of a militarily strong and shrewd ally as it hoped. Russia is not getting all the support it needs to dig itself out of the Ukraine tragedy with any success to report.

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## Local government should remember the interests of the taxpayers

Much of our political debate is about refugees, economic migrants, people on benefits and in poverty. It is about cultural attitudes, the use of language, the abuse of power and the need to reduce inequalities. These are important matters, and most of us want to work away at reducing poverty, alleviating suffering and reducing community conflicts.

It is also important on the eve of local elections to remember that democracy is also the system by which we appoint Councillors to run services for us, to spend taxpayers money wisely and to assist us in our daily lives. Beneath all the sound and fury of national politics, claims of malfeasance and arguments over net zero we do need sometimes to discuss what Councils can achieve to make the lives better for all who pay their own way, work hard for family and community and who seek to do the right thing.

There are three things Councils do that are experienced by all voters. They impose a Council tax on us. They collect our refuse and recycling. They provide a network of roads and paths free at the point of use as monopoly provider. There is too little talk about these.

Keeping the Council Tax down should be a prime aim. This can be done by limiting the number of policies and areas of intervention to the essential. Councils do not need to run leisure, sporting facilities and entertainment in competition with private companies doing the same. They do not need large direct works departments where contractors can do a cheaper and better job. It can be done by driving efficiency and higher quality throughout the main service areas. This is especially necessary where they have a monopoly

over provision. They need to control the size of the overhead.

Providing a first class refuse and recycling service is important. There should be a minimum standard of weekly collection, with shorter gaps in service in large urban areas especially in summer. The more they can do to recycle in a way which cuts landfill costs and adds to revenue from the recycled product or energy generated, the better.

Everyone who goes out daily has regular experience of the roads and pavements. Too many Councils seek to drive the car, delivery lorry and service sector van off the road. We are affronted by a growing array of differential and frequently changing speed limits, light controlled junctions with long built in delays, priority lanes, badly designed intersections and a galaxy of road signs and painted instructions on the carriageway. There are even more restrictions and complications should you wish to park your vehicle other than at home.

They insist on putting main service pipes and cables under the middle of main roads to maximise the inconvenience of repairing and upgrading them by closing all or part of the highway to do so. Bad Councils spend a small fortune on regular and incremental changes to reduce the flow of traffic. Hours of time are lost in jams and slow moving traffic. The single biggest annoyance mainstream voters have with Councils is their collective refusal to improve junctions to smooth flows, to tailor capacity to need and to see that good roads are crucial to getting food to shops, patients to hospitals, fire engines to fires, children to school and many of us to work. We have just witnessed the commuter rebellion against the return to five days a week in the office. This is a protest against the railways and the road system. Good Councils improve roads and recognise the need for less congestion. That improves safety and reduces pollution. Keeping people safe must include having some roads for through traffic that work and do not mix cars with pedestrians.

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## [The Queen's speech – Conservative Home article](#)

Let's have a Conservative Queen's speech

It is a sobering thought that the Queen's speech on 10 May this year provides the government with the last opportunity to lay out a programme of work that can be up and running by the time of the next election. The two year preoccupation with covid took energy and resources that the government would like to have applied to its central agenda. It needs to show how a post Brexit UK can flourish and prosper, and how Conservative policies can offer hope and success to many people who voted for levelling up. Now is the time to be bold and ambitious for the UK, country and people.

Central to the task is to show how Brexit opens up opportunities

and freedoms. We hear there will be legislative space to amend and repeal some of the many rules and laws we have kept from our membership of the EU. At the time they were passed the UK often wanted substantial changes or would have been happier with no EU law at all. We need a strong piece of legislation which shows left to ourselves we can regulate better and legislate less. We want high standards of safety, animal welfare and employment conditions, but we do not need as much economic regulation and limitations on innovation and competition that many prescriptive EU rules entail. Let us have our own data regime, our own system for ensuring medicine safety, our own approach to innovation in farming and the rest that can flow from freedom. The EU Ports regulation, opposed by all UK interested parties, should be repealed.

At the Treasury we need a new framework for economic management. The attempt to tweak the Maastricht framework that delivered us austerity with its controls over debt and deficit has so far not produced a good new approach. I propose the government has two targets. It should pledge to 2% inflation and seek average 2% growth. The government needs to adopt the current Bank inflation target as its own. For all those who think the current inflation is the result of capacity shortages particularly in energy and food it is obvious government needs to take some responsibility and put in policies which expand our domestic supply. Those who think money creation has something to do with it want the Treasury bound in because they sign off on the Quantitative easing that prints the extra cash. The Treasury should want a growth target to drive work across Whitehall seeking to raise productivity and investment to raise the rate. 2% is higher than we achieved over the last decade. The Treasury needs a VAT reform bill to take VAT off things that do not deserve it like domestic energy and to simplify its structure.

The Environment Department needs a bill to stop ultra large foreign trawlers taking too many fish and damaging our fishing grounds. The fishing legislation should include a bigger programme to rebuild a UK fishing fleet of sea going trawlers. The aim should be to catch less overall in UK waters but for many more of the fish caught to be landed in the UK by our own industry. The Agriculture section of the department needs a Food self sufficiency bill. The aim should be to restore the lost market share of home grown fruit and vegetables, meat and dairy, and other temperate products. There needs to be appropriate subsidy for food production, with the emphasis on promoting more investment in modern machinery, smart farming and glass and polytunnel acres to extend the growing season. The Environment Department needs to understand that the net zero revolution it wants needs plenty more electrical generating capacity and a range of new electrical products that people think are better than the fossil fuel ones they will replace. It needs to work with the Business department to make this practical and popular.

The Business department needs to major on more domestic energy production. It may need a bill to simplify and clarify current regulatory approaches. The Bill should include all necessary powers to allow landowners and local communities to participate in the turnover or profits of onshore gas, oil and mineral extractions. No-one should be made to have these, but all should be eligible for incentives so we do produce more. The Energy department has revealed that using our own gas brings a big cut in carbon dioxide emissions compared to imported LNG which adds to the case to get on with it. Using our own means more money for local communities and an

avalanche of extra tax revenue for the state. The more we import the more energy tax we send abroad.

The Health department needs to concentrate on getting value for all that extra cash put into it. The NHS needs more doctors, nurses, treatments and appointments, but it needs fewer quangos, chief executives and complex trust structures. It could do with a more precise safety and reporting regime. The social care policy development has concentrated on payment and financial responsibility. We also need to consider the quality of care and the balance of options for those who need it. These matters mainly need better management, following recent legislation. It is likely, however, that the government will need more powers in the jungle of semi independent bodies to try to find a way through. Getting waiting lists down is a central priority. For too many people needing care and treatment but not needing emergency care they face a long wait. A short Bill with essential measures to help create more health capacity and to offer sufficient choices for those in need of long term care may be needed.

The Welfare department has a recently remodelled scheme for the main benefit, Universal Credit. It has had to suspend for one year the promised triple lock for the State retirement pension. It needs to ensure going forward the pension is fair and reflects the pledge, with just the extreme of earnings growth in recovery year smoothed out. For Universal Credit there may need to be further changes to make it even more worthwhile to work, and there may need to be other changes to make it easier for people to get jobs from welfare. There is joint work to be done with Housing to help people where homelessness or poor housing gets in the way of getting a job.

The government believes in the Union. The Northern Ireland Protocol is a threat to both the Union and to the Good Friday Agreement. The government must legislate to instruct our customs officials that goods bound from GB to Northern Ireland will pass with no additional checks under our own domestic system of control. The legislation should assure the Republic and EU that we will police the traders to ensure none of these products are sent on to the Republic.

The Trade department may need legislation to implement the various trade deals that are now being negotiated at pace with places around the world. Our own trade system should be streamlined further to reduce border delays.

Much of the work that needs to be done is in securing better value and more purpose from the huge sums in the budgets. Levelling up will need billions of private sector investment and sufficient freedoms and opportunities for many people who want to get on in the world from modest backgrounds. This requires a low tax pro enterprise society. It needs a can do attitude from government to show everyone what can be done by being positive. Government needs to trust the people more and resort to rule making less. This Queen's speech needs to set that tone.

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