

Heading for a big economic downturn worldwide

The new Governor and the Bank of England have risen to the task in the last few days. They have thrown everything into keeping banks and markets liquid. They are offering huge facilities for banks to lend on to the many individuals and companies that will need credit, and have now signalled they want gilt yields to stabilise. They have announced substantial new buying of government bonds, and operated at scale on Friday to stabilise the market of gilts where prices had been falling. The commercial banks must now show speed and purpose in offering loans to companies that need them, and need to curb their appetite for ultra high rates on the money they advance as overdrafts.

The government last week upped their fiscal response to try to match the challenge. I have always argued the priority is to avoid mass unemployment from widespread redundancies. The new scheme to burden share on wages should go a long way to help businesses keep their teams together while we await an upturn in demand. The business rate holiday for the worst affected sectors and the direct cash grants also help. We still have not seen any decent response for the self employed, who are also an important part of our economy and should be helped.

Some argue that the large sums the government plans to borrow and the huge sums the Bank of England is committing to this task are excessive and dangerous. In a situation where there would be a very large fall in economic output some offsetting action is needed. Millions of people are temporarily banned from working in their jobs or have to stay at home to look after children or to isolate themselves so the government and Bank do need to offset some of this unprecedented hit to jobs, incomes and activity.

As the government has decided to close down a large part of the private sector, banning tourism, leisure, much travel, entertainment and hospitality, it needs to see it has to do more to plan for the consequences. Lots of discretionary spending areas from new homes and cars to clothes and many household appliances and furnishings will also drop sharply or effectively be banned.

Meanwhile there will be a continuing surge in demand for more food, food retail and home delivery. As many people used to have more than 5 out of their 21 meals a week at their place of work or in a restaurant or fast food place there will be a big transfer of food demand to the supermarket as they eat at home. This requires switching food from caterers products to retail products and needs volume changes to the delivery system to households. There will be strong demand for smartphones, laptops and digital services, for home entertainment and for business digital systems. There will be more strain on domestic utilities as families stay home and load the broadband and electricity networks.

The government is busy trying to divert more resources into NHS and social care. It is buying up bed spaces, hiring in more medical staff, offering to buy huge quantities of tests, ventilators, pharmaceuticals and protective clothing to handle a big outbreak. It also needs to help the private sector direct resource to home deliveries for all who have to self isolate, to ensure quick adjustment to the new patterns of food buying and consumption and the delivery of drugs where prescribed..

As the government is discovering, if it disrupts one thing like closing schools it has to help ensure enough people can still get to work in all the areas that do need to continue. As it closes restaurants, school lunches and works canteens it has to ensure all that food can be replaced through supermarket purchases. As it takes out train and tube travel and slashes services, it has to leave enough working for the key workers to get to the hospitals, broadband systems and electricity grid to keep things working.

Flight out of Peru

Following extensive lobbying by many people the FCO has said it hopes Peru will now allow a flight to get UK citizens home who want to soon. They are trying to sort one out.

Letter to Matt Hancock

Dear Matt

When you briefed MPs this week you stressed that the government does not have all the answers and is open to good ideas from colleagues that could alleviate the problems emerging. MPs are well placed to pick up details of what is going wrong or what needs government help or clarification. There are four main areas where I would like to offer some suggestions.

1. The need for volunteers to help where services are overwhelmed. We have the promise that many people in jobs where the business has effectively been closed will be able to keep their jobs pending re-opening thanks to pay mainly from the state. We could ask some of them to spend part of their time helping in the community. Immediately we need more people capable of doing shopping for the elderly or self isolated. Maybe some could be lent to logistics and food companies and food retailers under strain from extra demand. I doubt there would need to be any compulsion, with many companies and individuals in enforced idleness

being willing to help in positive and appropriate ways. There would need to be definition of what should be unpaid volunteer work and what work should be paid for by the temporary alternative employer.

2. The need to match the scheme for the employed in affected areas with a top up income from the Tax and National Insurance system for the self employed. The Tax Authorities know who they are, what they earned last year, and the number of their bank account. The self employed should be able to notify the authorities of the extent of the downturn of their income from turnover loss and get a tax rebate or reimbursement to top their income up to 80% of past levels as long as they were still offering their service and relying on it for their livelihood. Any self declarations that turned out to be false would result in subsequent tough penalties and their publication.
3. Food supply. It looks as if the main problem is aggressive hoarding, with stories of people buying abnormally large quantities and buying up new freezers to store it in. On top will be some genuine increase in supermarket demand as people who before had some of their meals out in a staff canteen or at events and working meals instead eat all those meals at home. This latter does not expand the total demand for food but means diverting food from catering trade wholesalers to supermarket retailers immediately. The government should toughen its advice to supermarkets to impose appropriate controls on volume buying, and state that the police will stand behind the supermarkets in enforcing sensible measures to limit greedy behaviour. If necessary the Bill should grant enforcement powers for temporary supermarket ration rules.
4. Greater conversion to on line and remote solutions to service provision. You have done a great job persuading the NHS to do much more on line or by phone at a time when exposing ill people to others who may have this virus would not be helpful. I would suggest that state education makes a more concerted effort to put educational materials and lessons on line so this generation of GCSE and A level pupils do not miss out on the remaining weeks of their courses and formal revision. There would need to be help for those pupils who lack internet access at home through the loan of machines or opening school IT areas for their attendance with suitable segregation of pupils.

I will set out more detail behind these proposals in letters to the lead secretary of State in each case. I am writing to you in the first instance knowing how central you are to the total policy and responding to your invitation.

Yours ever

John

Help for childminders

Many childminders have written to me asking what help there can be for self employed people. I am asking the government again to put in an Income support scheme for the self employed, and have renewed this request today.

Returning from Peru

I have raised with the FCO the issue of what more they can do to organise exit flights from Peru for UK nationals wishing to return home. I have followed it up again today but have not yet had a reply. Several constituents have asked me about this.