A GREAT CESSATION of BUSINESS and NOT A NATURAL RECESSION – BRITISH ECONOMIC OPTIMISM but the Government is still BLIND.

WM

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A useful article for BORIS BREXIT
Roger

" THANKS TO RODNEY ATKINSON @ info@freenations.net. http://freenations.net/a-cessation-not-a-recession-british-economic-optimism/

A CESSATION NOT A RECESSION – BRITISH ECONOMIC OPTIMISM

Posted By: Rodney Atkinson on: August 24, 2020 In: News Print Email

The decision to close down the social and business activity of most of the world's economies was a deliberate (and highly questionable) political decision, not the result of a banking crisis or a collapse in business confidence or a Government currency or debt crisis. It was not a recession. We should call it the Great Cessation. The relative health of the British economy before lockdown should mean a Great Recovery now.

As I predicted at the outset of the crisis the patterns of infections and deaths would not be affected by political lockdowns. Sweden which did not lock down has had a better outcome (in deaths per million-population) than the UK. The USA which had varied (by State) levels of lockdown has had far fewer deaths per million population than the UK.

UK ECONOMY BEFORE THE LOCKDOWN

In the UK before the shut down £82bn of house sales were in the process of completion, there was record employment, the CPI measure of inflation was only 1.5%, house prices were 1% up year on year, wages and salaries were up 3.6% in 2019 and Low-paid workers received a 6.2% pay **rise** with a new National Living Wage of £8.72 per hour, the **biggest cash increase ever** – resulting in an increase of £930 over the year for a full-time worker on the National Living Wage.

State sector debt at the end of March 2020 was £1,804.0 billion (or 79.7% of GDP) a decrease of 1.0 percentage point compared with March 2019. And this was better than the indebtedness of most other major economies:

Japan 225%

Italy 120%

USA 80%

Germany 62%

France 98%

Spain 97%

All of which have since added COVID19 debt for the same reasons as the UK. It is estimated that countries in general will add some 35% more debt due to COVID19. In the UK it looks more like 10 or 15%.

THE COST OF CESSATION

Then came the Government decision to close down the economy and stop social interaction on an unprecedented scale, closing shops, cafes, cinemas, theatres, offices and manufacturing facilities and most construction sites.

To compensate for this the Government bore the huge cost of grants and subsidies to businesses, the furlough scheme which paid 80% of salaries to most workers and eventually a scheme to offer a similar payment to the self employed – based on the previous 3 years of earnings. Companies were able to take out Government guaranteed loans.

Many fell between the cracks. Those who had not been self employed long enough, landlords (commercial and residential) whose tenants were relieved by the Government of their legal obligation to pay rent – but were offered no compensation themselves, directors of companies who were paid through dividends and those workers and entrepreneurs who earned much more than £2,500 a month. But 9.3m workers were on the furlough scheme at its height.

All this – and the fall in tax take – is estimated to have increased Government borrowing by some £300bn this year and the UK's national debt has now risen past £2 trillion for the first time – which is not far short of 100% of estimated GDP.

GROUNDS FOR OPTIMISM

BUT Interest rates are so low that Gvt borrowing costs are in fact lower than before the covid crisis struck and the UK Deficit for June was £6bn lower than estimated because of bigger tax and NI contributions. And this was despite companies and individuals being able to postpone VAT payments during the lockdown. Those payments will come in between June 2020 and March next year, helping to reduce the deficit.

Not only is there no such structural problem today but the UK entered the lockdown in reasonable health and the additional monetary stimulus applied by the Government in the last few months will find its way into consumer demand, house sales, businesss opportunities, a stock market recovery and increased trade.

For instance the US Federal Reserve, the ECB and the Bank of Japan have increased their combined balance sheet by one third in 5 months which amounts to $5,000bn

(15% of their combined economy). The Baltic Dry index which signals international trade activity has risen from 500 to 1600 and the big Maersk shipping corporation has actually seen profits rise, partly due to lower oil prices.

The UK has benefited from the cessation of international tourism (as a country with an annual tourism deficit of £22bn) and from a big fall in the oil price (as a big oil importer).

- The FTSE 100 is up 20% since March.

- The Pound/dollar rate is up from 1.14 in March to $1.31 today

- UK Retail sales saw a 3.6% rise in July on June *and up on a year earlier*

- The UK Purchasing Managers Index in August stands at 60.3 – up from 57 in July

- growth in 12 of the 14 UK industrial sectors are above the global average

- **There were almost 126,000 new job adverts in the first week in August, the highest weekly number since the Covid crisis began, said the Recruitment & Employment Confederation.**

- There are signs that the UK's perennial productivity crisis may be ending as businesses raise prices and cut excess staff (higher profitability will re-employ them elsewhere).

- New UK car registrations went up in July for the first time this year, according to the motor industry. Some 174,887 cars were registered in July, an 11.3% rise on the same month in 2019

This all contrasts with the Eurozone index of production which fell to 51.6 in Aug from 54.9 in July. And the most dangerous banking crisis is in the Eurozone (Deutsche Bank, Societe Generale and Credit Agricole "all trading a a fraction of their "book value" indicating the market views them as doomed" (Liam Halligan ST)

Andy Haldane of the Bank of England has predicted a rapid bounce back for the UK economy, predicting a more than 20% expansion in the second half of the year. In fact expansion from the trough of April was growth of 2.4 per cent in May and 8.7 per cent in June.

An Office of National Statistcs report showed 48 per cent of people commuted to work in the first week of August up from just 29 per cent towards the end of May. It also showed that 23 per cent worked solely from home, down from a peak of 38 per cent in mid-June while just 3 per cent of workers said they were furloughed, down from 15 per cent in May.

BUT GOVERNMENT MUST SUPPORT THE BUSINESSES IT RESTRICTS

Nevertheless the Government has turned a blind eye to so many suffering businesses as they got back to work – severely restricting the operation of personal service enterprises like cafes, hairdressers and chiropracters as well as landlords while offering little or no compensation. If unjustified fear is to rule Government Ministers then *they* must pay for that fear and not hogtie businesses just as they are struggling to recover"

THIS IS GOOD INFORMATION
EDITOR

http://www.briefingsforfreedom.co.uk/

Begin forwarded message:

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