Office for Budget Responsibility (OBR): Coronavirus economic impact scenario analysis
https://obr.uk/coronavirus-reference-scenario/
- In addition to its impact on public health and families’ wellbeing, the spread of the coronavirus will substantially raise public sector net borrowing and debt, primarily because of the associated economic disruption.
- Evidence from past pandemics suggests that the economic impact of the coronavirus will arise much less from people falling ill or dying than from the public health restrictions and social distancing required to limit its spread.
- This will reduce demand for goods and services and the ability of businesses and public sector institutions to supply them. That means lower incomes, less spending and weaker asset prices, all of which reduce tax revenues, while job losses will raise public spending.
- The net effect of the coronavirus impact and the policy response is likely to be a sharp (but largely temporary) increase in government borrowing that will leave public sector net debt permanently higher as a share of GDP.
- However, the longer the period of economic disruption lasts, the more likely it is that the economy’s future potential output will be ‘scarred’ (thanks to business failures, cancelled investments and the unemployed becoming disconnected from the labour market). If that happens, the budget deficit would reverse less of its temporary rise as economic activity recovers, leaving the Government to confront a larger structural deficit and not just higher debt.
- Scenario Estimations:
  - GDP falls by 35% in the second quarter, but bounces back quickly.
  - Unemployment rises by more than 2 million to 10% in the second quarter, but then declines more slowly than GDP recovers. Policy measures support households and companies’ finances through the shock.
  - Corona and its policy responses increase public sector borrowing this year by £218 billion relative to the March Budget forecast (to reach £273 billion or around 14% of GDP).
  - Once the crisis has passed and all the policy interventions have unwound, borrowing falls back relatively quickly to roughly the Budget forecast, but net debt would remain around £260 billion (10% of GDP) higher by 2024-25.
  - Assumption of a sharp V-shaped recovery meaning economy is back on trend in 2021; *no* lasting economic impact.

Resolution Foundation: Job vacancy data estimates (via twitter)
- Total vacancies are down by one-half compared to four weeks ago, while close to half of all vacancies last week were in the health sector (47%) and one-quarter in retail, warehousing and transport (24%).
- Almost 20k non-health and non-retail vacancies on the Find A Job website w/b 8th March - while last week there were just over 4000

YouGov poll (Easter on Sunday) on public attitudes and predicted outcomes:
- 84% of the public believe they face years of economic hardship as a result of the measures.
- 19% have already either lost their job or had to take a cut in pay or hours – predominantly among the younger generation – and a similar proportion say they are worried about their future and even more say they feel increasingly lonely and unhappy.
- 48% believe that the Government was right to have imposed the lockdown conditions.
- 44% believe the Government has not taken a sufficiently tough stance and believe restrictions should be more severe.


  - The economic cost of tackling coronavirus will fall heavily on those of working age especially in terms of redundancies and lost income.
  - Public sector net borrowing could rise above £200bn per year – higher than that seen in the financial crisis.
  - This raises the prospect of “Austerity Round Two”, with years of tax rises and spending cuts as we emerge from the crisis.
  - Unlike Austerity Round One, where the working age population bore the brunt of cuts in spending, especially via the welfare budget, the fiscal costs of this crisis must be fair across all age groups.
  - The working age population faces enormous financial losses in the current crisis, in a lockdown aimed at saving the lives of those at greatest risk, a group that is largely (but not exclusively) made up of older people.
  - The “triple lock” ensuring substantial rises in the Basic State Pension triple should be replaced with a “double lock”, tying increases to earnings or inflation (whichever is higher). This could contribute £20bn to deficit reduction over the next five years. Pensions would still rise, but less quickly, reducing the fiscal burden on the working-age population.

  - The number of adults who are food insecure in the Britain is estimated to have quadrupled under the COVID-19 lockdown.
  - A lack of food in shops alone explained about 40% of food insecurity experiences since the COVID-19 lockdown, but not all households were equally affected: adults with disabilities and adults with children were particularly vulnerable.
  - Groups at risk of poverty are at risk of food insecurity at this time include adults who are unemployed, adults with disabilities, adults with children, and Black and Ethnic Minority groups.
  - Self-isolation and a lack of food in shops has layered on additional risk of food insecurity for these groups.
  - Income losses arising from the COVID-19 crisis have had an immediate impact on food insecurity.
  - All adults reporting income losses of greater than 25% are at significantly heightened risk of food insecurity, including adults with background socio-economic risk of food insecurity as well as those typically found not at risk.
  - Adults with children eligible for free school meals are at heightened risk of food insecurity arising from a lack of money.
  - After accounting for background socio-economic factors, all adults who reported self isolating, whether for 7-14 days or 12 weeks, are at heightened risk of going without food because they cannot go out and do not have other means of acquiring it.
  - Adults who are less than 70 are at particularly heightened risk but the over 70s are also at higher risk compared to those who are not self-isolating.
  - Adults who are under 70 and self-isolating and adults self-isolating for 7-14 days are also at heightened risk of food insecurity arising from a lack of money for food.
  - Vulnerability to food insecurity has worsened for the economically vulnerable under COVID-19 conditions.
COVID-19 has also created new economic vulnerability for people experiencing income losses and self-isolation. In addition to economic vulnerability, self-isolation and a lack of food in shops has created new dimensions of food insecurity in the UK: people being unable to acquire the food they need because they cannot go out and/or because food supplies are not available.

Locality: Funding available for charities during the COVID-19 pandemic (updated resource list)

New Economics Foundation blog: “Millions slipping through the cracks”
https://neweconomics.org/2020/04/millions-slipping-through-the-cracks

Up to 5.6 million UK workers at risk of losing their jobs and might not be able to use the government’s income protection schemes. Within this number, 1.6 million workers are at particular risk, as they work in industries that have been directly affected by the government shutdown, such as restaurants and non-food retail shops. Most of these workers will come to rely on Universal Credit for the coming weeks and months — perhaps longer. Given how small UC payments are, this is likely to represent a significant income shock. NEF repeats call for Minimum Income Guarantee (MIG): Rather than seeing their income drop by up to 70%, the average self-employed or minimum wage worker would see a more modest fall of around 30%. By removing all means testing at the point of access and making the payment universally available, the MIG could be implemented quickly without overwhelming delivery systems. Any potential overpayments (when someone ends up with a monthly income above £2,500, either after receiving MIG or who gets later reimbursed through other schemes) would be reclaimed through the tax system in future years.”

JD Portes (KCL Professor) ‘The False Choice Between National Wealth and National Health’

The fall in output is both inevitable and desirable. Just like a holiday, we are collectively choosing to shut down large parts of the economy. The difference is that it’s by necessity – to save lives – rather than by choice, but the consequences aren’t that different. GDP will fall and by a lot. The objective of policy is not to stop this fall, that policy itself has caused, but to ensure that, just as after a holiday, we can restart the economy without having done any permanent damage. The virus does not destroy factories, roads, buildings or software and, while its human toll is dreadful, the impact on the size or composition of the working age population will be insignificant in macroeconomic terms. The UK’s physical and human capital is about £25 trillion; putting that capital to work enables us to produce about £2 trillion of goods and services a year. A fall in output of 30% for three months, is £200 billion – not a small number, but still less than 1% of “national wealth”

Two big worries.

- Businesses will go bust. Unlike annual holidays, businesses haven’t planned and managed their finances to cope with a sudden shutdown and the resulting consequences for their cash flow.
- If people lose their jobs, they are unlikely to get them back immediately after the restrictions end – their former employers may not need them, or may not even exist. Some may never find new jobs at all, or not for a long time; others may have to take a worse job in terms of pay or one that does not match their skill.
- If either or both of these effects are large, then the economic damage will be long-lasting, maybe permanent. A 3% permanent fall in output would cost perhaps five or 10 times as much as the largest plausible estimate of the short-term hit.
- Some firms will go under. But most are likely to be relatively small firms in sectors, such as retail, hospitality and tourism, where turnover is relatively high in normal times. That doesn’t make it a good thing, but it does mean that the damage will fade out relatively quickly.
- The UK labour market is remarkably good at creating new jobs even in hard times. Post-2010 policy – unnecessary and premature austerity and underinvestment – may well have contributed to our abysmal levels of productivity and real wage growth, but jobs did come back.

  - 1 in 4 have cut CEO pay.
  - Most bosses at the 25 companies who have cut pay have reduced their salaries and fees by 20%, the same proportion that furloughed workers are forfeiting.
  - HPC commentary: “figures show that some companies are taking meaningful action in this respect by cancelling bonuses and incentive plans, or making donations to employee funds or the NHS. Too many, however, are making token gestures or doing nothing at all”

  - Old v young - Mortality from Covid-19 is much higher for older people, although there are exceptions where younger people with no underlying conditions have died. But younger people are suffering from the lockdown far more from loss of work and education – and in the future debt burden which the country will carry.
  - Length of lockdown v civic society - groups set up to support some of the most vulnerable in society have seen their funding collapse as they have had to cancel their usual fundraising events and as donors economic security has taken a huge hit. Some charities may not be able to resurrect themselves.
  - Who pays? - If renters are let off their rent for a while, it hits landlords; if mortgage payers are let off loans, it hits banks. Maybe those are not the most popular constituencies – but there is a knock-on effect, reducing property to let or bank capital to lend. If a country suffers a big hit to GDP, the losses have to sit somewhere.
  - Covid v non-Covid patients: many cancer treatments have been suspended, leading cancer specialists to warn of a potential rise in deaths that would have been avoided with earlier treatment. Those patients may well be younger than those most typically suffering badly from coronavirus, something the government needs to weigh up in considering whether it is just trying to avoid Covid-19 deaths, or premature deaths from illness overall, and whether it puts a value on years of remaining life in doing so.
  - Partial lockdown: London v the rest? The capital is not the only hotspot, as flareups in Gwent and the West Midlands show. Applying partial lockdowns to the country may be hard – but may still be preferable to the cost of treating the whole country the same. However, justifying that to a frustrated country seeing its livelihoods ripped up will take some doing.
  - How to withdraw support - Reeling back in will be hard; so will restoring previous incentives to work and invest. The government has essentially been paying workers not to work; the hard decisions will come in considering where to cut off support, when many jobs will have been lost permanently. Equally, the government will not want to prop up indefinitely those businesses that were not going to thrive again, but it will be hard and controversial to distinguish between that category and those that could recover but will need some time to get back on their feet.
  - Civil liberties and privacy v return to normal life - In the absence of a vaccine, testing and tracking of infected people and contacts becomes one of government’s most valuable tools – but only with a degree of intrusion that pre-coronavirus would have been considered unacceptable. Immunity
certificates are unlikely to be workable without an ID card. Yet civil liberties and security officials alike have warned that the terms on which data is held would have to be clear; so would the privacy and security of what might be only lightly anonymised data.