

A coiled spring?

The Bank of England Chief Economist has chosen a metaphor to reassure us about the economic future. I never mind a bit of optimism but I trust it will not deter policy makers from offering more assistance to the economy. He argues that because many people who have kept their jobs and decent earnings have been saving over the last year they will soon rush out and spend their savings once lockdowns are eased. The economy is a coiled spring, about to spring into life as soon as the controls are eased. I daresay there is some pent up demand for leisure and hospitality when the all clear is sounded.

The figures do indeed show that overall savings are up, but that conceals big differences in experiences of people, There are people like the Bank's senior employees on good salaries that have continued to be paid in full during lockdown who have saved. They have been unable to spend money on foreign holidays, trips to cultural and sporting events and good meals out in restaurants in the way they used to. They have probably allowed some cash to build in their accounts. There are also people who have lost their job and seen their income fall as they go onto benefit. There are people who are furloughed or working only some of the time given the lockdown restrictions whose income has been impaired. Many in hospitality and entertainment and many self employed and small businesses have suffered financially. It is most important they are offered continuing assistance until lockdowns have ended and they are able to earn their full living again. Families have had to spend more on utilities, food and other essentials at home as they and their families work and learn at home which means many have not been able to save.

I expect when they are able to people on decent incomes who have saved a bit will want to book a meal out or a staycation at a hotel. They will want to book events again as soon as that is allowed. The problem for the hospitality and leisure industries is they will not get back the lost cash from cancelled business over the last year. When you return to a favoured local cafe you do not buy two lunches for yourself, you just buy the one now, not the one that was cancelled by lockdown. If you decide this year you can celebrate your birthday at a local restaurant, you do not pay for the celebration last year they had to cancel. Some hotels and entertainment venues have been holding cash from customers who missed out on their previous bookings. They will have to supply service with no new cash from such customers. There could be a bonus for the UK if overseas travel is still restricted or problematic in that more people may take a holiday in the UK, though there will be in all probability be a continuing loss of foreign visitors.

So I agree there will be a recovery, and there are opportunities out there were resilient businesses. I think the authorities should also remember this has been a tough time for many self employed and small business people. it does not all snap back quickly when controls are eased. I want to see a budget for recovery, jobs and the self employed. We need their flexibility, and some of them have not been treated well over the lockdowns.