

## Latest survey shows further decline in CV 19 cases

I am glad the government started to test a sample of the population and to re test regularly to construct a time series of the incidence of the disease.

The latest figures for the period 25 May to 7 June show the figure down to just 11 people having a positive test out of the 19,933 people in the sample or 0.06%. These tests exclude hospitals and care homes to capture the position in households.

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## Big fall in the economy

As feared and predicted, UK GDP fell a massive 20.4% in April on top of the fall in March already reported. There were few surprises. Cars were down 41.6%, and food and beverage 38.8% as you would expect given the lock downs. Retail managed to keep the fall to a very creditable 8.9%, demonstrating the way on line took up some of the slack with an explosion in the digital alternative to a visit to the shops and with heavy demand for food from supermarkets.

What is perhaps more surprising is the large fall in Health, down 11.4%. It underlines the impact of Covid 19 even here on activity. Whilst we are all grateful to the many nurses, doctors and support staff who were working very hard and taking risks to care for very sick patients with the virus, other large sections of the NHS closed down or just dealt with emergencies. Much of the private hospital sector was also taken over for use as part of the NHS plans for Covid 19 and related healthcare.

Education also fell a hefty 18.8% as schools pared back to look after a limited number of children attending in person, and putting on variable amounts of distance learning.

It shows us that the public sector as well as the commercial sector has a job to do to get back to anything like normal. The NHS now has a massive backlog of elective surgery and non urgent treatments to provide, and has to reconnect with seriously ill patients who have kept away from hospitals not wishing to get in the way of pandemic emergencies, or worrying about picking up the infection.

Meanwhile the debate continues about one metre or two for social distancing, which makes a lot of difference to businesses that need to meet their

customers in person. Government needs to communicate some optimism and confidence that we can create safe models of doing business so livelihoods can be restored and the economy can pick up some momentum.

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## Central banks head off a liquidity crisis

We live in amazing times. The graph of US money growth is pointing upwards at an unprecedented rate. The graph of the US budget deficit is almost vertical. The last three months has seen the issue of over \$ 2 trillion of additional Treasury bills, short term loans for the US government. No wonder the financial markets are in melt up.

The Fed's latest figures show annualised M2 money growth at 40% for the last three months, a record level. State debt has surged by \$2.06 trillion between March and May.

Remembering last time when Central banks starved markets of cash and left the banking system and corporates to plunge into financial reconstruction or bankruptcy for want of liquidity, the Central Banks led by the Fed have this time done the opposite. So far so good – companies have borrowed money instead of going bust, and banks have plenty of cash to lend.

The problems this poses come later. There is first that it must be a bridge to recovery, not to insolvency. Delaying bankruptcies would not be much of a success if we end up entering a credit meltdown when too many companies fail to repay their money on time.

There is also the issue of inflation. So far we just have asset price inflation. If more of this money gets into the bank accounts of companies and people who want to spend it rather than invest it in financial assets, that could prove more generally inflationary. Then Central Banks have difficult choices to make. Putting up rates to throttle back credit is the usual response to cut demand and stop overheating. That in turn means triggering the delayed bankruptcies of the over borrowed companies.

The happy answer is for the Fed and Central Banks to gently throttle back now they have stopped a liquidity crunch. The commercial banks have a lot of work to do deciding realistic and sensible schedules for repayment of loans, and working with business on who has a sustainable business model worthy of support and who does not in these new and difficult times.

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## My question during the Urgent Question on Horizon: Sub-Postmaster Convictions, 10 June 2020

**John Redwood (Wokingham) (Con):** Most MPs want the Post Office to apologise to all those it has wronged and pay generous compensation to them in the circumstances. Will the Minister add the Government's voice to that and make it a demand of the Post Office?

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Mr Paul Scully):** The Post Office has acknowledged mistakes in the settlement and the case that we have had. I am glad that both parties to the group litigation were able to reach a settlement.

Other sub-postmasters who suffered a shortfall will be able to take advantage of the historical shortfall scheme that the Post Office has launched. They will be able to come forward and have their case investigated, and hopefully those wrongs will be righted.

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## My question to the Secretary of State for Health & Social Care during the Urgent Question on Covid-19: R Rate and Lockdown Measures, 8 June 2020

**John Redwood (Wokingham) (Con):** Given the Secretary of State's great success in expanding the number of tests, will we soon have more precise and accurate R figures, along with the other information now accumulated, and is there not a danger, in interpreting back trends, that they are unreliable because of differential test rates?

**Secretary of State for Health & Social Care (Matt Hancock):** The answer is yes and yes. Survey testing is the most reliable way of assessing the prevalence of the disease and its downward trajectory, because it takes into account a randomised approach to working out where the disease is—much like the opinion polls that we are familiar with in this House—because as testing has gone up, inevitably more cases have been found. It is a good thing that more cases have been found, but we need to know the prevalence, which is best done by surveys.