

GDP figures reveal big decline in public service output and rise in public sector inflation

Two of the biggest sector falls in the economy in the sharp recession last quarter were health and education, owing to the impact of the virus on their ability to work. The ONS decided they delivered 34.4% less education and 27.2% less healthcare. These are bigger falls than the economy as a whole. Because public spending rose sharply the ONS also decided there was a very fast inflation in the public sector. They calculated public sector inflation or the rising cost of government at 32.7% "because the volume of government activity fell whilst at the same time government expenditure increased in nominal terms". The overall deflator "the broadest measure of inflation in the domestic economy" as a result shot upwards.

Restoring health and education output is a very important part of the recovery policies the government is now following. Of course the government needs to ensure safe working for all employees as the schools and surgeries get back to full working and the non Covid work of the hospitals builds up again.