

What should the March statement on the economy say?

The government is pleased to report that growth has been considerably stronger this year than the Treasury forecasts. Employment has grown well and unemployment is low. Tax revenues are well up, and the budget deficit was £50bn lower at the half year than forecast, and has beaten forecast a bit more since. The one piece of bad news is inflation is also well above the Bank of England's 2% target, with prices surging further on the supply disruptions caused by the Russian war.

Looking forward the danger is higher prices coupled with the planned tax rises will cut real incomes too sharply, leading to a fall in effective demand and a slowing of the economy. Far from making it easier to get the deficit down more, this will get in the way of progress in reducing the amount of new borrowing by slowing tax revenues. The government therefore proposes to reverse the impact of the tax rises. It will cancel the National Insurance hike. It will remove VAT from domestic fuel and from green products that help people cut their energy bills. It will make a modest reduction in petrol and diesel duty. As costed by the Treasury this will cost £20bn of revenue forgone, under half the amount of the financial improvement so far this financial year. In practice there will be more revenues from more jobs and more activity as these policies limit the damage to growth and output that will otherwise occur.

The government will adopt and reinforce the Bank's 2% inflation target as its own and will take actions to help expand UK domestic capacity in shortage areas where price pressures are most evident. The Bank created too much money for too long last year which helped fuel the inflation. They have now stopped this which will gradually assist in the process of getting inflation back down to more realistic levels. Inflation of 6-8% is corrosive and unhelpful to economic activity and prosperity. The UK needs to tackle more of its bottlenecks and understand the years of relying on cheap imports will no longer always be possible, as we see in the case of energy and Russian goods.

My interventions in the Opposition Day debate on the cost of living

I read that last the U.K. government is encouraging more domestic oil and gas from the North Sea to ease the squeeze, cut CO₂ in gas use and generate a lot more tax revenue. As the exchanges beneath reveal it is still hard work getting Opposition MPs to want us to produce our own with all the obvious

benefits that brings. Why do so many MPs want to stop th3 U.K. prospering?

Rt Hon Sir John Redwood MP (Wokingham) (Con): Most of my constituents still have gas boilers. Renewables will work one day, but the immediate crisis is that we are short of gas. Do we have our own or do we have foreign gas? If we have our own, we get tax revenue.

Stephen Flynn: Shadow SNP Spokesperson (Business, Energy and Industrial Strategy): It is interesting to hear that we are short of gas when I regularly hear the opposite from the Minister for Energy, Clean Growth and Climate Change. That is the important point: Government Members can try to disagree with their own Government on these matters, but in real terms we are self-sufficient. Scotland is self-sufficient when it comes to oil and gas, but we can and must go so much further on renewables. If the right hon. Gentleman wants to hang around, he will hear me speak about that in due course.

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Rt Hon Sir John Redwood MP (Wokingham) (Con): Would the spokesman and his party now agree that we need to get a lot more gas and oil out of the North sea, which would generate tax revenue that the Treasury could use to ease the squeeze, instead of paying huge sums of money to Qatar and Russia for liquefied natural gas?

Stephen Flynn: Shadow SNP Spokesperson (Business, Energy and Industrial Strategy):

The right hon. Gentleman makes an interesting point. Of course, he will be cognisant of the fact that when the oil and gas comes out of the ground it goes into the hands of multinational countries. Do we want to be in a situation in which that gas benefits us here, rather than those abroad? Absolutely. Should we be importing from Russia? Absolutely not, and the Government have been right to take action on that. Nevertheless, what I want to see from his Government, which he should want too, is a turbocharging of investment in renewables. When are they going to come forward with their energy security strategy? I have heard talk about it in the paper, but there has been no clarity whatsoever. I shall come back to that later in my speech.

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Rt Hon Sir John Redwood MP (Wokingham) (Con): Over the last year, the economy has grown a lot faster because the Treasury did not hike tax rates but instead went for growth. That was a great policy, so why reverse it? Is there not a danger that these tax rises and massive increases in energy prices will slow the economy down too much? If that happens, the Government will have a revenue problem.

Helen Whately, the Exchequer Secretary: If my right hon. Friend will give me a little time, I will come on to the importance of growth to our economy, which is the right answer for the longer term in ensuring that we improve

people's standard of living.

Pressures on household finances are not generally the consequence of one single price rise; they are typically affected by an amalgam of different factors. Remedying the pressure on households therefore requires taking action on a range of fronts, not just on energy bills. Again and again, that is what this Government have done and are doing. We are acting in dozens of ways to support working families. For instance, over the winter, the £500 million household support fund has helped vulnerable households with the cost of essentials such as food, clothing and utilities. Local authorities in England have allocated the lion's share of that funding to ensuring that it reached those who needed it most, with 50% ring-fenced for households with children. Additional funding was allocated to the devolved Administrations, including the Scottish Government, in the usual way.

We have also reduced the universal credit taper rate and increased universal credit work allowances by £500 to ensure that work pays. This is essentially a £2 billion tax cut for the lowest paid in society. It is helping around 2 million households to keep an average of an extra £1,000 per annum in their pocket. Next month, the national living wage is increasing by 6.6% to £9.50 an hour, again benefiting more than 2 million workers and meaning an increase of over £1,000 in the annual earnings of a full-time worker on the national living wage. And we are committed to going further, so the national living wage will reach two thirds of median earnings for those over 21 by 2024, provided that economic conditions allow. We have supported working families in other ways too: doubling free childcare for eligible parents, which is worth around £5,000 per child every year, and introducing tax-free childcare, which will provide working parents with 20% support on childcare costs up to £10,000.

[The government is a poor shopper](#)

When I go shopping I do not rejoice if I end up spending £75 instead of £60. I concentrate on what I need and aim to buy it at the best prices. If I tell friends and family about what I have bought I do not tell them how much I spent but talk about the great things I purchased and how they can make life better. The only time I might mention cost is where I thought I had found a bargain.

The government does not talk like this. In all the announcements they make about their shopping habits they tell us how much they spent or plan to spend. The opposition always demands they spend more and regularly condemns them for "Tory meanness" as if it was Ministers' own money and on the assumption that more is always better. No Minister ever comes to tell us they got a good deal on price or have taken advantage of special offers. Public procurement systems often conspire to ensure over specification. Over caution

in purchasing can lead to too few bidders or to expensive contracts. The contracts themselves often leave plenty of scope for the suppliers to revisit the price, facilitated by government changing its mind mid contract over what it wants.

It would help control spending and improve value and quality if Ministers insisted on talking about needs and about how you best buy the things the state requires. Bragging about large sums of money invites the Opposition to outbid with imaginary money. Instead of proper consideration of what to buy and how much to pay the debate usually bandies figures across the Despatch Box with an Opposition who still think there is a magic money tree or think a small number of very rich people who already pay a lot of tax will stay if we make them pay even more.

There are plenty of Conservative MPs who think we need to spend more on Defence. They may well be right. Before that is agreed we need to complete two exercises. The first is to decide what additional defence capabilities we need. The second is to root out some waste and bad spending habits with the current budget. Then we can see what top up is needed. We will not be better defended by spending £10bn more. We will be if we concentrate on what we need and acquiring by shopping well.

Inflation

The Bank of England did a great job with the Treasury in creating plenty of money and offering substantial stimulus to the economy to offset the worst effects of the anti virus policies introduced in March 2020. It was right to continue those into 2021, but it failed to rein them in as the recovery accelerated last year. It has been driving whilst looking in the rear view mirror. A year ago they did not see the big inflation coming even though their extra loose monetary policies in the second half of 2021 were bound to fuel it. Now they can see the inflation in full flood they wish to do something about it. We have had the third interest rate rise in quick succession.

The policies we followed in the EU of encouraging us to sacrifice national capacity in a wide range of areas from energy, through energy consuming industry to food and fishing on the grounds we could buy all that from the continent has left us very vulnerable to the supply chain and trade disruptions world politics is creating. Instead of having our own lower domestic gas price like the USA by producing enough of our own we are hitched to ultra high spot European gas prices. Instead of having enough of our own aluminium, steel, ceramics, glass and the rest we need to import ever dearer product at high marginal prices. Instead of growing most of our own temperate and glasshouse food we are over dependent on what can become stretched supply chains with rising prices.

The Bank of England needs to be careful in its new found ardour to control inflation. The big impact of rising domestic heating bills, fuel bills at the pumps, food costs in the supermarkets and rising mortgage rates is going to take a lot of spending power out of the economy. It looks likely as if the Treasury will make the hit worse with its tax rises. The Bank should pause to see what impact the cruelties of April have on growth and activity as many people struggle with their bills. The Bank needs to keep an eye looking ahead out of the windscreen at what comes next as well as checking the rear view mirror. They cannot stop the current inflation they helped create with too much money and credit. They need to worry about the balance between growth and price rises going forward where there are now big headwinds against growth.

Why donating cash rather than goods is better for Ukraine

I have received the enclosed letter from Ministers at the Foreign, Commonwealth and Development Office and the Department for Digital, Culture, Media and Sport:

Dear Colleagues,

Why donating cash rather than goods is better for Ukraine

Firstly, thank you to colleagues who have been in touch over the last few weeks on this matter. It is clear that you and your constituents are making great efforts to support those who have been forced to flee their homes because of the Russian invasion of Ukraine. As President Zelenskyy said when he spoke directly to us last week, “we are looking for help from civilised countries, and we are thankful for this help”.

As such, we wanted to give you an update on the best ways to do this. How Government is supporting Ukraine’s immediate humanitarian needs

As the Foreign Secretary wrote in her letter of Monday 7 March, the UK has now committed £394m in aid, including £220m in humanitarian assistance which will be used to save lives; and protect vulnerable people inside Ukraine and in the wider region.

The government’s focus is on supporting the UN and other humanitarian partners to respond effectively to the deteriorating humanitarian situation; as well as strengthen the effectiveness of the overall international humanitarian response.

Advice for the public and organisations

We welcome the public's eagerness and generosity to support the people of Ukraine at this time of crisis. It is fantastic that the Disasters Emergency Committee's appeal for Ukraine has now reached more than £130m, including £25m in government funding, our largest ever aid-match donation.

Details of the appeal and how to donate can be found on www.DEC.org.uk.

We do however request that organisations and people who would like to help do so by donating cash through trusted charities and aid organisations, rather than by donating goods. The Polish Embassy in London also reiterated this request in their [statement](#) of 01 March.

Cash can easily and safely be transferred quickly to areas where it's needed. Individuals and aid organisations can then use it to buy what's most appropriate at that moment. If your constituents or organisations have excess donated goods they could consider donating these to a charity shop who may, depending on the nature of these items, be able to sell these to raise cash which may support the Ukraine crisis. Alternatively, local fund-raising efforts using donated goods can also raise cash.

Unsolicited donations of goods, although well-meant, can obstruct supply chains and delay more urgent life-saving assistance from getting through given the huge logistical and coordination challenges associated with handling and onward distribution. Goods provided may not be what is most needed and run the risk of not reaching affected populations, including looting and theft or being sold further on informal markets thereby distorting the local economy. Distribution is difficult to control and manage well, particularly in conflict affected contexts – the most vulnerable like women, the elderly, disabled and children often do not receive goods.

If members of the public or organisations would still like to take forward a donation of goods we encourage them to reach out to a charity or organising body based in country to establish what is needed and how to deliver it safely before they begin to collect goods. Some useful links can be found in the attached Annex.

Once this has been done, to help facilitate transportation the Government has removed the requirement to complete unfamiliar customs paperwork. [Guidance](#) is here and an Export Support Service helpline available on 0300 303 8955. Charities can also contact their online [support team](#).

We will continue to update you and keep you abreast of developments as the situation continues to evolve.

With thanks to you and your constituents for their generous offers of help. We have also included a link to more information on what your constituents and local charities [can do to help](#) the people of Ukraine.

Best wishes