HOUSE OF LORDS Library Briefing

Coronavirus and the Economy
Debate on 4 June 2020

On 4 June 2020, the House of Lords is due to debate a motion moved by Lord Eatwell (Labour) that “the virtual proceedings do consider (1) the economic lessons learned from the Covid-19 pandemic, and (2) the measures necessary to repair the United Kingdom economy”.

The Office for Budget Responsibility (OBR) and the Bank of England have analysed possible economic scenarios taking into account the impact of coronavirus (Covid-19). Both showed falls in the size of the economy. The Chancellor of the Exchequer, Rishi Sunak, has implemented a range of support measures and said that a key issue would be how much long-term productive capacity would be lost from the economy (“scarring”).

The Institute for Fiscal Studies (IFS) has argued that once the worst effects of the virus have passed, “tough decisions” will be needed on fiscal policy. The Institute for Government has called for longer-term reform of the UK tax system, while the Chancellor has stated that higher growth should be prioritised over the repayment of debt. Turning to monetary policy, some commentators have argued that the expansion of quantitative easing could compromise the Bank of England’s independence.

Other issues have been raised about the management of the economy as it recovers from the coronavirus. These include whether the Government should:

- facilitate the reallocation of jobs and capital away from the hardest hit sectors of the economy;
- invest further in schools, post-school education and apprenticeships, in light of perceived damage to the prospects of younger generations;
- continue to increase minimum wages;
- help to manage the debt burden on companies emerging from the pandemic;
- encourage business investment at a time when many companies are financially weakened;
- support mortgage holders and renters if household finances have suffered; and
- seek to extend the Brexit transition period.

Some commentators have also discussed whether the virus will exacerbate inequalities in the UK and, if so, what measures could be taken. This includes possible major reforms of welfare systems. Others have debated whether the recovery is an opportunity to bring about fundamental changes in the economy and society; for example, to build a more environmentally friendly economy.

Chris Smith | 28 May 2020

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1. Economic impact of coronavirus

1.1 Office for Budget Responsibility

On 14 May, the Office for Budget Responsibility (OBR) published updated results of its coronavirus (Covid-19) analysis for the UK economy.[1] The OBR stressed that this was not a forecast, but an illustrative scenario. It was based on the assumption that "people's movements (and thus economic activity) would be heavily restricted for three months and would get back to normal over the subsequent three months". The analysis suggested that:

- Real gross domestic product (GDP) would fall by 35% in the second quarter (Q2) of 2020, then increase by 27% in Q3. For 2020 as a whole, the OBR scenario showed a fall in GDP of 12.8%.
- Unemployment would rise to 10% in Q2, before falling to around 7.3% by the end of 2020. The rate was 3.8% at the end of 2019.[2]
- Public sector borrowing would rise to £298 billion in 2020/21, an increase of £244 billion over the OBR forecast at the time of the March budget.[3] The OBR said that the 2020/21 deficit would be the largest since the second world war.[4]
- Public sector net debt would rise to 96% of GDP 2020/21 and could end the year at 95% of GDP; this compared to a pre-virus forecast of 77%.[5]

1.2 Bank of England

The Bank of England published a "plausible illustrative economic scenario" in its May *Monetary Policy Report*.[6] The Bank said that there had been a "sudden and very marked drop in global activity" and that the "unprecedented situation" made the current outlook "unusually uncertain".

It outlined possible paths for several economic variables, including that:[7]

- UK GDP would fall by "close to 30%" between Q4 2019 and Q2 2020. It would then recover "relatively rapidly". For 2020 as a whole, it suggested a fall in GDP of 14%.
- Inflation would fall to 0.6% in 2020 and 0.5% in 2021.
- The world economy would shrink by 12% in 2020, followed by a recovery of +15% in 2021.
- World trade would fall by around twice as much as world GDP in 2020.

[1] Office for Budget Responsibility, 'Coronavirus analysis', 14 May 2020.
[2] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 45.
[3] ibid, p 12.
[4] Office for Budget Responsibility, 'Coronavirus analysis', 14 May 2020.
[5] Office for Budget Responsibility, *Economic and Fiscal Outlook*, March 2020, CP 230, p 12.
[6] Bank of England, *Monetary Policy Report*, 7 May 2020, p i.
[7] ibid, pp 2 and 6–7.

1.3 Chancellor of the Exchequer

In evidence to the House of Lords Economic Affairs Committee, the Chancellor of the Exchequer, Rishi Sunak, said that "we are likely to face a severe recession, the likes of which we have not seen".[8] He said that a key question was the likely long-term loss of productive capacity in the economy, which he called "scarring". He referred to estimates of scarring of 0% from the OBR, 1% from the Bank of England and 3% to 4% from the International Monetary Fund (IMF).

2. Government support measures

The Government has put in place a series of measures to support the economy during the pandemic. These include:[9]

- additional spending on health, social care and other public services;
- the coronavirus job retention scheme (the 'furlough' scheme);
- a self-employed income support scheme;
- increased welfare payments, including more generous universal credit and support for smaller employers in paying statutory sick pay;
- direct cash grants to smaller businesses;
- removing the requirement to pay business rates for retail, hospitality and leisure businesses for 2020/21;
- a series of loan schemes which vary by size of business, plus a grants and loans scheme for start-up businesses; and
- the deferral of certain taxes, such as VAT and self-assessed income tax, plus greater use of HM Revenue and Custom's 'time to pay' scheme.

The support package continues to evolve. For example, on 12 May 2020, the Chancellor announced an extension of the coronavirus job retention scheme to the end of October.[10] On 25 May 2020, the BBC reported that the Government is considering further measures to provide "last resort" support to firms that would "disproportionately harm the UK economy" if they failed.[11]

In its April analysis, the OBR stated that although the costs of the Government's support package were high, it was "confident that the cost of inaction would ultimately have been much higher".[12]

3. Fiscal and monetary policy

The pandemic has led to significant changes in fiscal and monetary policy. These are outlined below. This section also refers to discussions about how fiscal and monetary policy might evolve as the UK economy recovers.

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[8] House of Lords Economic Affairs Committee, *Uncorrected Oral Evidence: Chancellor of the Exchequer*, 19 May 2020, Q1.

[9] Office for Budget Responsibility, 'Coronavirus policy monitoring database—14 May 2020', accessed 25 May 2020.

[10] HM Treasury, 'Chancellor extends furlough scheme until October', 12 May 2020.

[11] BBC News, 'Coronavirus: Government draws up plan to rescue key firms', 25 May 2020.

[12] Office for Budget Responsibility, 'Coronavirus reference scenario', 14 April 2020.

3.1 Fiscal policy

Dealing with the government deficit and debt

As section 1 of this briefing described, the government deficit and debt are likely to rise substantially as a result of the pandemic.

The Institute for Fiscal Studies (IFS) has argued that the scale of the "spike" in borrowing in 2020 is less important for fiscal policy than the speed of the economic recovery.[13] Nevertheless, it said that once the worst effects of the virus have passed, "tough decisions will have to be made which are likely to involve tax rises and higher debt for some time to come".[14] It called for a "complete reappraisal of economic policy".

The economist Roger Bootle has argued that the key means of reducing the debt should be promoting economic growth, and restraining increases in state spending to "significantly below the growth of GDP".[15] The Chancellor, similarly, stated that higher growth should be prioritised over the repayment of debt.[16] The *Economist* stated that although debt levels are high, historic low interest rates mean the cost of servicing that debt is, and is likely to remain, low.[17]

Tax reform

The Institute for Government has argued that the current circumstances provide an opportunity for longer-term reform of the UK tax system, as well as increased taxes, both of which it considers to be necessary.[18] Amongst other proposals, the Institute has suggested a tax commission to gather evidence and stimulate discussion.[19]

It has been reported that HM Treasury is considering measures to improve the fiscal position, such as increases in income tax and/or removing the 'triple lock' on the rate of increase of state pensions.[20] Some commentators have argued that increased wealth taxes could help to deal with the fiscal situation while promoting fairness.[21] However, the Adam Smith Institute has previously described wealth taxes as "immoral and counterproductive".[22]

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[13] Carl Emmerson and Isabel Stockton, 'Cash borrowing by the public sector was £89 billion in April 2020, far more than in any previous month on record', Institute for Fiscal Studies, 22 May 2020.

[14] Institute for Fiscal Studies, 'IFS director Paul Johnson responds to the Office for Budget Responsibility (OBR) coronavirus reference scenario publication', 14 April 2020.

[15] Roger Bootle, 'These are the lessons we must learn to save the economy', *Telegraph* (£), 10 May 2020.

[16] House of Lords Economic Affairs Committee, *Uncorrected Oral Evidence: Chancellor of the Exchequer*, 19 May 2020, Q8.

[17] *Economist* (£), 'As debt soars, the cost of servicing it keeps falling', 21 May 2020.

[18] Gemma Tetlow, 'The UK tax system is in need of reform—that requires a different approach from government', Institute for Government guest blog for the Chartered Institute of Taxation, 17 April 2020.

[19] Gemma Tetlow et al, *Overcoming the Barriers to Tax Reform*, Institute for Government, 14 April 2020, p 97. For an extended summary of the Institute's proposals, see: House of Lords Library, 'Reform of the UK tax system', 20 May 2020.

[20] Emma Agyemang, 'Tax: how we will pay for the pandemic measures', *Financial Times* (£), 15 May 2020.

[21] Brian Reading, 'The undeniable case for wealth tax', Official Monetary and Financial Institutions Forum, 2 April 2020.

[22] Eamonn Butler, 'Wealth taxes are immoral and counterproductive', Adam Smith Institute, 29 August 2012.

In evidence to the House of Lords Economic Affairs Committee, the Chancellor declined to comment on possible future changes to tax policy.[23]

3.2 Monetary policy and role of the Bank of England

The Bank of England has coordinated its policy decisions with the Government in response to coronavirus.[24] The Bank's actions include reducing the bank base rate to a historic low of 0.1% and reducing banks' capital requirements to encourage lending. It has also further expanded its purchases of government (and some corporate) debt in the financial markets, known as quantitative easing (QE).

Some commentators have argued that QE, in particular, could blur the line between monetary policy and fiscal policy and could compromise the Bank's independence. The *Financial Times* argued that the governor of the Bank of England, Andrew Bailey, has "accepted that the Bank of England is effectively financing the government's response to the coronavirus crisis".[25] However, Mr Bailey was reported as saying that there was no question of fiscal objectives overriding the Bank's task of controlling inflation. Mr Bailey has also stated that the possibility of moving to negative interest rates is being kept "under active review" in the current situation.[26]

4. Economic issues

Commentators have raised a wide range of issues about the management of the economy as it recovers from the coronavirus. This section summarises a selection of views on these topics.

4.1 Labour market

Changing sectoral employment patterns

The Government has announced a phased approach to recovering from coronavirus.[27] This is likely to mean some sectors and areas of the economy reopen earlier and faster, while others remain closed for longer and reopen gradually.[28]

As a result, a group of economists giving evidence to the House of Commons Treasury Committee agreed that some sectors of the economy, such as hospitality, tourism and entertainment, will be much more affected than others by the virus.[29] In their evidence, Adam Posen and Jagjit Chadha suggested that the Government should consider facilitating the "reallocation of people and capital" away from these sectors, for example by retraining programmes.[30] However, speaking on the same

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[23] House of Lords Economic Affairs Committee, *Uncorrected Oral Evidence: Chancellor of the Exchequer*, 19 May 2020, Q4.

[24] Bank of England, 'Bank of England measures to respond to the economic shock from Covid-19', 11 March 2020.

[25] Delphine Strauss, 'Bank of England is financing UK's coronavirus measures, Bailey acknowledges', *Financial Times* (£), 14 May 2020.

[26] UK Parliament Live, 'House of Commons Treasury Committee', 20 May 2020, 14:48:40–14:52:32 (video).

[27] Cabinet Office, *Our Plan to Rebuild: The UK Government's Covid-19 Recovery Strategy*, 12 May 2020, CP 239.

[28] ibid; for example, pp 25 and 30.

[29] House of Commons Treasury Committee, *Oral Evidence: Economic Impact of Coronavirus, HC 271*, 15 May 2020, Q455.

[30] ibid, Q456.

panel, Philip Booth said that the economy should be allowed freedom to adapt to the new circumstances post-lockdown, rather than be subject to "a great deal of planning".[31]

Education, skills and training

Paul Johnson, director of the IFS, has argued that the effects of the recession on new entrants to the labour market, together with school closures, will cause long-term damage to the prospects of younger generations.[32] He also highlighted a fall in available apprenticeships.[33] He said that "investing in the human capital of the young should be central to any economic recovery plan". He called for:

- additional school support, especially for disadvantaged children;
- more government support for apprenticeships; and
- greater investment in post-compulsory education.

Minimum wages

On 1 April, the Government implemented the planned 2020 increases in the national living wage and national minimum wage. It also retained an objective for the national living wage to reach two-thirds of median earnings by 2024.[34]

The IFS suggested that planned increases in the UK minimum wage and national living wage should be reconsidered. The Institute said it was "hard to believe that it remains the right decision, given how many companies are struggling for survival".[35] Similarly, the chair of the Low Pay Commission, which advises the Government on increases to the minimum wage, said that it was considering whether the "emergency brake" should be applied to national living wage increases.[36]

However, some other commentators have suggested that wage floors should be lifted rapidly to provide better and more productive jobs as part of the recovery.[37]

Safe working

The Government has published a series of guides on how workers in different sectors can work, or return to work, safely.[38] For example, it said that all businesses should:

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[31] House of Commons Treasury Committee, *Oral Evidence: Economic Impact of Coronavirus, HC 271*, 15 May 2020, Q456.

[32] Paul Johnson, 'School closures have put an entire generation at a huge disadvantage', *Times* (£), 25 May 2020.

[33] The Institute of Student Employers has said that employers are hiring 32% fewer people onto apprentice or school leaver programmes than planned this year and that internships and placements will fall by 40% (Institute of Student Employers, 'Employers cut entry-level jobs by 23% due to corona crisis', 18 May 2020).

[34] Low Pay Commission, 'The national minimum wage in 2020', 1 April 2020.

[35] Paul Johnson, 'Tough economic decisions will litter the road ahead once coronavirus crisis is over', Institute for Fiscal Studies, 30 March 2020.

[36] Low Pay Commission, 'National living wage increase raises income of low-paid workers', 1 April 2020.

[37] Martin Sandbu, 'Rebuilding better after Covid, part I', *Financial Times* (£), 30 April 2020.

[38] Department for Business, Energy and Industrial Strategy, 'Working safely during coronavirus (Covid-19)', 25 May 2020.

- conduct a coronavirus risk assessment;
- consult with workers or trade unions;
- develop hygiene procedures; and
- maintain social distancing or manage transmission risk.

4.2 Corporate sector

Insolvency

On 20 May, the Government introduced the Corporate Insolvency and Governance Bill, which would change the business insolvency and corporate governance regimes.[39] The Government said these changes were intended to provide businesses with "the flexibility and breathing space they need to continue trading during this difficult time".[40] Measures in the bill include:[41]

- protections against "aggressive creditor action";
- a suspension of wrongful trading rules; and
- a temporary easing of rules on company filing and annual general meetings.

Restructuring

Restructuring experts Jay Alix and Richard Gitlin have argued that the levels of corporate debt built up before the pandemic, and added to by the business support programmes, will require careful management as the economy is rebuilt.[42] They suggested that governments will need to continue to invest in companies, but "only as part of a commercially sensible restructuring of both the balance sheet and the business". They proposed a new temporary government agency to oversee the restructuring work, operating alongside the bankruptcy system.

Business support

A survey by the manufacturers' organisation Make UK found that over a third of manufacturing companies believed it will take more than 12 months to return to normal trading.[43] Make UK said that all options would need to be considered to ensure that the economy is sustained once the existing support structures are removed.

Investment and business financing

At a House of Lords Economic Affairs Committee evidence session in May, the Chancellor agreed

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[39] UK Parliament, Corporate Insolvency and Governance Bill 2019–21, accessed 22 May 2020.

[40] Explanatory Notes, p 4.

[41] ibid, pp 4 and 7. For a further explanation of the proposed changes, as announced on 28 March, see: House of Commons Library, *Coronavirus: Changes to Insolvency Rules to Help Businesses*, 31 March 2020.

[42] Jay Alix and Richard Gitlin, 'Why a restructuring strategy is needed to save jobs and growth', *Financial Times* (£), 20 May 2020.

[43] Make UK, 'Industry fears long road back to normal trading conditions', 15 May 2020.

that there were particular risks about low levels of business investment as firms emerged weaker from the crisis.[44] He said that this came on top of "a long-standing issue with investment in this country". He referred to increased tax allowances for investment in the spring budget, but also stated that "there might well be an argument for looking at things in the shorter term to help to drive the recovery".

In the *Financial Times*, Martin Sandbu argued that financing for companies after the pandemic should have the characteristics of equity rather than debt.[45] He believed this would make the economy, as a whole, more stable. He suggested it could be encouraged by changes to the tax and financial regulation regimes for company investments, as well as by introducing "sovereign equity" alongside government debt.

4.3 Household sector

Mortgage holders

On 22 May, the Chancellor announced that the package of mortgage support measures for homeowners, including a mortgage payment holiday, would be extended to 31 October 2020.[46] The chief executive of the Financial Conduct Authority, Chris Woolard, was reported as calling for more free debt advice for mortgage holders at the point that the package expired.[47]

Renters

In the private and social rental sector, the Coronavirus Act 2020 contained provisions that extend the notice period for evictions to at least three months.[48] The Government has also called on landlords to "offer support and understanding to tenants—and any guarantor—who may see their income fluctuate".[49] Writing for the *Financial Times*, James Pickford suggested that landlords too will be facing a period of economic uncertainty.[50]

4.4 Banking sector

The Bank of England conducts tests on the financial stability of banks under hypothetical stressed conditions. On 7 May, it said that banks' capital reserves are "more than sufficient to absorb the losses" under the Bank's illustrative scenario, as described in section 1.2 above.[51] This, the Bank stated, was despite expecting the banks to suffer "significant credit losses". In addition, it said that the banks were strong enough to continue lending to the corporate sector, with the support of the Government's lending guarantee schemes.

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[44] House of Lords Economic Affairs Committee, *Uncorrected Oral Evidence: Chancellor of the Exchequer*, 19 May 2020, Q9.

[45] Martin Sandbu, 'Rebuilding better after Covid-19, part 2', *Financial Times* (£), 7 May 2020.

[46] HM Treasury, 'Help with mortgages to continue for homeowners affected by coronavirus', 22 May 2020.

[47] Jim Pickard et al, 'UK mortgage payment holiday set to be extended', *Financial Times* (£), 20 May 2020.

[48] Christina Kartali, '"Stay at home": the Coronavirus Act 2020 and protection from eviction', University of Oxford Faculty of Law, 27 April 2020.

[49] House of Commons, 'Written Question: Rented Housing: Coronavirus', 11 May 2020, 41177.

[50] James Pickford, 'The future of buy-to-let in a shrinking economy', *Financial Times* (£), 22 May 2020.

[51] Bank of England, *Interim Financial Stability Report*, 7 May 2020, p ii.

However, some commentators have suggested that banks should be seeking to raise equity to strengthen their balance sheets.[52]

4.5 Inequality and welfare reform

The IFS has argued that the virus will exacerbate inequalities in the UK.[53] For example, it said that younger people and low earners will be economically disadvantaged because they are more likely to work in sectors that have closed and are less likely to be able to work from home.[54] The IFS suggested that women may be more affected than men, and that children in state schools may be more affected than those in private schools. It called for a reassessment of "the value of mutual insurance, an effective welfare system and collective economic security".

The Trades Union Congress (TUC) has argued that the virus has exposed the "discrimination and insecurity" in British working conditions.[55] It said that women, disabled people and black, Asian and minority ethnic (BAME) workers were more likely to be economically affected by the virus, "because they are disproportionately stuck in insecure jobs on low pay". The TUC called for:[56]

- "a proper pay rise" for working people;
- a move away from insecure jobs;
- new rules to support collective bargaining;
- a stronger voice for unions; and
- more generous welfare payments.

The Chancellor acknowledged that it was "critical" to get younger and lower-paid workers back to work.[57] He said the Government was working with industry task forces to achieve this aim.

Writing about previous pandemics, the historian Walter Scheidel said that inequalities reduced; for example, because labour became scarce enough to drive up real wages.[58] Despite this, he suggested coronavirus will not have the same effect because it is smaller in scale and less destructive of working age populations. However, he believed it may prompt further fundamental thinking on the economic system. Scheidel concluded that the virus "could prompt redistributive reforms akin to those triggered by the Great Depression and World War II, unless entrenched interests prove too powerful to overcome".

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[52] Patrick Jenkins, 'Why banks should raise equity to get through this stress', *Financial Times* (£), 18 May 2020.

[53] Paul Johnson, 'We may be in this together, but that doesn't mean we are in this equally', Institute for Fiscal Studies, 27 April 2020.

[54] For a further discussion on the disadvantages suffered by the young, see: Maja Gustafsson, 'Young workers in the coronavirus crisis', Resolution Foundation, 18 May 2020.

[55] Janet Williamson, 'A better recovery—learning the lessons of coronavirus to create a stronger, fairer economy', Trades Union Congress, 20 May 2020.

[56] ibid.

[57] House of Lords Economic Affairs Committee, *Uncorrected Oral Evidence: Chancellor of the Exchequer*, 19 May 2020, Q5.

[58] Walter Scheidel, 'Why the wealthy fear pandemics', *New York Times* (£), 9 April 2020.

The Institute for Economic Affairs has also argued that coronavirus is very likely to lead to a "radical reconstruction of the welfare system".[59] Amongst other measures, it suggested that the UK should consider introducing a universal basic income scheme to "guarantee" financial security for everyone. However, it said that "this will not be uncontested, to put it mildly".[60]

4.6 Economic geography

In the *Times*, the economist Yael Selfin argued that city centres could be fundamentally altered by the pandemic.[61] She said that there would be reduced demand for traditional office space, and there would also be stresses on city centre businesses such as sandwich shops, gyms and office catering firms. However, she suggested that businesses in suburbs and small towns might thrive as a result of reduced commuting to large cities. Ms Selfin also listed other possible benefits, such as increased capacity for cultural venues in cities and better managed environmentally friendly transport.

She called for investment in broadband services to ensure that remote services such as GP consultations, adult education and working from home could function effectively.

5. Economic regeneration

Some commentators have suggested that the pandemic could lead to fundamental changes to the economy and society. For example, writing in the *Times*, the Archbishop of Canterbury, Justin Welby, said:

> There must not be a short-term fix and then simply a return to normal. We need a vision for the psychological, emotional, social and financial consequences. We must see the hope of a new way of living together.[62]

Tommaso Valletti, a professor at Imperial College London, has said that the virus has exposed underlying economic problems, such as a "very fragile value chain" and excessive market concentration.[63] He called for a "productive ecosystem" involving measures such as sustained public investment, trade rules that prohibit dumping, and restrictions on the activities of private equity firms.

Several writers have argued that recovery from the virus provides the opportunity to build a more environmentally-friendly economy.[64] The *Financial Times* editorial board said that while the "immediate priority" was economic stability, "governments should use their spending power to help stimulate a recovery […] that does not lock in a fossil-fuelled economy".[65] It also advocated carbon border taxes and the removal of fossil fuel subsidies.

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59 Stephen Davies, *Covid-19: Redefining the State of Welfare?*, Institute of Economic Affairs, 26 May 2020, p 4.
60 ibid, p 12.
61 Yael Selfin, 'City centres, deserted during the pandemic, may never be the same', *Times* (£), 25 May 2020.
62 Justin Welby, 'Archbishop of Canterbury: let the Covid legacy be a society that heals itself', *Times* (£), 24 May 2020.
63 Imperial College London, 'The economic impact of coronavirus: analysis from Imperial experts', 13 May 2020.
64 *Guardian*, 'Letters: Our blueprint for a post-coronavirus future', 24 May 2020.
65 *Financial Times*, 'The virus fight opens up a climate opportunity', *Financial Times* (£), 15 May 2020.

The United Nations Secretary-General, António Guterres, called the recovery a "profound opportunity".[66] He called for a "just and green transition", and international cooperation to fight coronavirus and climate change.

Martin Sandbu highlighted a counterargument to major reforms, that "we cannot now think about anything that makes it harder for businesses to get back on their feet. Any "nice-to-haves" such as environmental and social reform that would have been costly to business before must be out of the question now".[67] Ultimately though, he concluded that some "large and disruptive" changes were desirable, given that "much of the cost of shifting economic activities away from business as usual has already been paid".

6. Brexit

There have been calls for the Government to extend the Brexit transition period because of coronavirus.[68] However, the Chancellor of the Exchequer stated that coronavirus and Brexit were "somewhat separate things", and has made clear that the Government does not intend to seek an extension.[69] The Government has recently published updates on the trade talks with the EU and on its intended tariff regime once the UK has left.[70]

The Bank of England said that its economic scenario analysis depends on a "comprehensive free trade agreement" with the EU.[71]

7. Innovation in economic statistics

Most of the official data on the UK economy is produced with a lag, making it difficult to assess the current economic impact of the virus accurately. As a result, the Office for National Statistics has adapted its output, including generating a new set of economic statistics on a weekly basis.[72] These include results from business and household surveys.

Other countries, and other commentators, have explored further innovations which might produce more timely and responsive indicators of economic developments.[73]

8. Further information

- House of Commons Library, *Coronavirus: Effect on the Economy and Public Finances*, 22 May 2020

[66] United Nations, 'Parallel threats of Covid-19, climate change, require "brave, visionary and collaborative leadership": UN chief', 28 April 2020.

[67] Martin Sandbu, 'The biggest question for the post-lockdown world', *Financial Times* (£), 23 April 2020.

[68] ITV News, 'Opposition MPs write to EU negotiator to seek Brexit talks extension', 17 May 2020.

[69] House of Lords Economic Affairs Committee, *Uncorrected Oral Evidence: Chancellor of the Exchequer*, 19 May 2020, Q3.

[70] Prime Minister's Office, 'Our approach to the future relationship with the EU'; and Department for International Trade and HM Treasury, 'UK global tariff backs UK businesses and consumers', 19 May 2020.

[71] Bank of England, *Monetary Policy Report*, 7 May 2020, p 6.

[72] Office for National Statistics, 'Coronavirus and the latest indicators for the UK economy and society', 21 May 2020.

[73] House of Lords Library, 'Coronavirus: how do we measure its economic impact?', 16 April 2020.