

Tiverton U3A Economics Group

13th May 2020

Online Meeting

Examples of Inflation

| | Cost | Year | Reason for Difference | 2019 Predicted | 2019 Actual |
|-----------------|-------|------|--------------------------------------|----------------|-------------|
| Penguin Book | 2s6p | 1960 | 1 st Edition rarity value | £2.90 | £6.39 |
| Postage | 4d | 1965 | Commercial Operation | £0.32 | £0.76 |
| Pint of Beer | 1s0d | 1965 | People will pay the price ! | £0.95 | £3.00 |
| Graduate Salary | £360 | 1962 | | £7700 | £44k |
| Bungalow | £2000 | 1962 | | £43k | £270k |
| Small Holding | £9000 | 1980 | Plot sold for development | £39k | £1m |
| Loaf of Bread | £0.21 | 1973 | Production more efficient | £2.55 | £1.00 |
| Ch. Latour wine | £70 | 1970 | Undrinkable now! | £1091 | £522 |

- House Prices don't follow normal rules & also show very large regional variations
- Productivity has increased markedly in areas such as food & produced lower prices
- Value for Money of Technology e.g. Computers, Phones has improved dramatically
- <https://www.hillarys.co.uk/back-in-my-day/> allows to look back at average prices
- <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator> shows CPI effects over time

Breakdown of Government Expenses 2019/20

Estimates of COVID-19 Impact in 2020/21

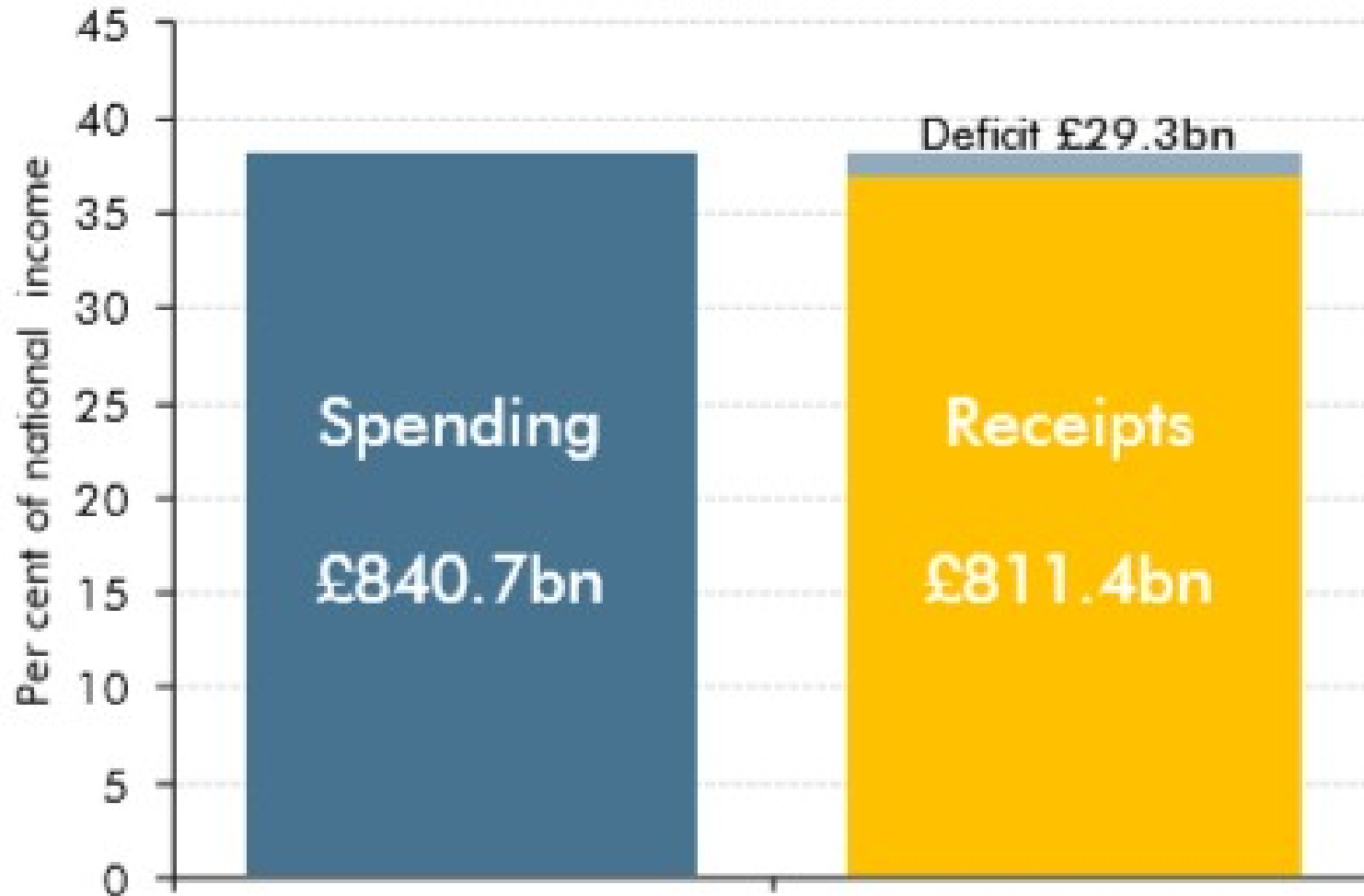
Sources: mostly OBR

- **£100bn to £200bn extra**
- **Some are costs:**
 - **Response Fund (£16b)**
 - **Furlough scheme (£100b 7 months)**
 - **Cash grants to Small Bus. (£12b)**
- **Many are reduced Income**
 - **VAT deferrals (£30b)**
 - **Self Assessment deferrals (£13b)**
 - **Business Rates holiday (£11b)**
- **2nd Qtr GDP -35%**
- **2020/21 GDP -15%**
- **7.5m Employees in Furlough Scheme**

OBR Estimates for Government 2019/20

No similar data available for 2020/21

Spending and receipts in 2019-20



Government estimate of £200bn needs to be seen against “normal” spending & receipts

Outlook for 2021

- Income Tax Increases
- Higher Unemployment
- Inflation if no Government investments (e.g. Infrastructure)
- Lots more empty shops
- Universal Income
- Changes for the better in society
- Pensions will protect most people of our age from severe issues