

That was the conclusion the Chancellor has come to. Less than a week after the Chancellor unveiled a £12billion package to deal with Covid-19, Rishi Sunak unveiled another MASSIVE financial package (£350bn) on Tuesday and has vowed to do 'Whatever it takes'. This is the famous line Mario Draghi ECB President came out with in summer 2012 to 'save the euro'. Fiscal rules have been thrown out the window. Borrowing and public spending will surge.



It was effectively an 'I see your £12bn and I raise you £20bn'. An additional £20bn was added to mitigate against COVID-19 with a range of cash low support (details follow below).

The main announcement concerned £330bn of loan guarantees so that companies can borrow from banks at attractive rates. The government is acting like an insurer of last resort here. The scale of this is huge and equates to 15 percent of UK GDP. Smaller firms will have access to business interruption loans worth up to £5m with no interest for the first six

months.

Cash is King, though for many firms more debt is not the answer. And for many firms that King is dead. Cash has run out. Demand has stopped. The hospitality locally can attest to this as well as the airline industry globally. This isn't an economic slowdown but an economic stop. The Chancellor did unveil new measures for cash flow support though. Businesses in the most heavily affected sectors (retail, hospitality, leisure) will get a rates holiday for a full 12 months. For Sainsbury's this is reportedly worth £500m. For smaller companies (rateable values <£51k p.a.) they will receive cash grants of up to £25k. But this is all for England only. The devolved regions did get extra money which they can allocate as they see fit.

NI businesses were eagerly waiting to find out how that translates locally. It was a case of show me the Murphy and the money. Northern Ireland SoS Brandon Lewis said the additional funds to Stormont amounted to £640m. The Finance Minister Conor Murphy quickly responded with a rates relief announcement for all businesses. The NI scheme is spread wider but thinner and is only for three months not 12 months; for the time being anyway. This lowers the business rates bill by £100m. More relief for small businesses will follow. We can expect further announcements in the coming days. The problem is firms need cash and income, not cost reductions.

The Chancellor indicated that yesterday's support was a further down payment on a rescue package that will continue to evolve. Measures that were unimaginable a few weeks ago are now being unveiled. But it isn't enough. There will need to be tax bill deferrals, national insurance contributions frozen etc. The endgame is we will see the Mother of All Bailouts (MOAB*) or maybe the Mother of All Backstops. This will be much larger and broader in scope than anything we've seen in peacetime. Deficits and debt soared during World War I and World War II and we're going to see those indicators shoot up at a rate not seen since

the 1940s and the war on coronavirus impacts on public finances around the world. The focus will eventually be on massive income support for households and businesses. A package for households, those who rent homes etc is expected in the coming days. Remember the self-employed have been neglected thus far. Some of their incomes will have stopped or been significantly reduced. They number 136,000 in NI or 15 percent of the workforce.

I cannot stress enough how abnormal conditions are and how radical the Government needs to be. As the Chancellor said: "I am taking a new legal power in the Covid Bill to offer whatever further financial support I decide is necessary". He was effectively taking the approach of Chief Martin Brody from the film Jaws when he said "I can do anything, I'm the Chief of Police". With his "Whatever it Takes" mantra, the Chancellor is inevitably going to need to provide an ever bigger boat, the size of which we could never have imagined. The difference between now and 2012 is that simply saying "whatever it takes" was enough for Draghi to restore confidence and deal with the issue in front of him. For the Chancellor, these words most definitely need to be turned into a whole series of further radical policies. Economist Milton Friedman once talked about a seemingly whacky economic policy called the helicopter money drop. It's effectively a policy of last resort. But we might not be too far away from seeing something like it.

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