

by the steel industry which is heavily concentrated in Wales as well as being of strategic significance to the UK economy as a whole.

Given the economic stress that is emerging even while the CJRS and the SEISS remain in place, we are deeply concerned that the worst is yet to come for the labour market were you to implement your plans to taper down, then close the CJRS at the end of October and end SEISS payments in August. Indeed, the Resolution Foundation estimates that one million furloughed workers could lose their jobs.

In the letter I and my colleague the Minister for the Economy and Transport wrote on 4 June (attached for ease of reference) I urged you to continue to monitor the situation, put in place active labour market measures to cope with redundancies, clarify whether you would intend to revive the JRS and SEISS if there is a second peak or local lockdowns and work with Whitehall Departments and the devolved Governments to put in place sectoral employment protection schemes for sectors which continue to be closed or very substantially impacted by Covid measures, notably hospitality and culture. The need for clarity on all these issues has only become more evident over the last month.

Fiscal Policy

Spending

I agree with the Prime Minister that the Government response to the current economic crisis must not be a further period of austerity.

The pandemic has compelled governments across the world to ramp up spending dramatically. I note that UK Government current spending was £64 billion higher in the first two months of the current financial year compared with a year earlier. I welcome the allocation of additional resources to finance new and existing programmes to deal with the crisis. It will be very important for this approach to be sustained and for the appropriate funding and tools to be in place for us to manage the recovery.

The Welsh Government has allocated more than £2.4 billion to date to COVID-19 measures. The funding is drawn from COVID-19 consequential as well as more than £500 million which has been reprioritised within existing Welsh Government budgets and EU funds. Our forecast pressures are close to £1 billion. Pressures stem from a variety of sources. On health they cover a range of interventions including NHS workforce, testing and tracing and field hospitals.

These pressures do not include measures that will be needed to support the economic recovery and respond to further shocks, which cannot be sensibly estimated at this time. Neither do they include higher costs for Welsh Government programmes, like Free School Meals and the Council Tax Reduction Scheme, which will result from increases in unemployment and in families claiming Universal Credit.

Our spending pressure estimates are based on the assumption that no second or third waves of the pandemic materialise. So, the position could be materially worse than outlined above. Clearly additional funding is required at a scale that only the UK Government has the fiscal firepower to deliver. I urge you to use the Summer Economic Update to allocate the necessary funds to allow the Welsh Government to manage the pandemic as effectively as possible in order to protect jobs, services and living standards.