

Reasons to be hopeful about the economy

Where does the [economy](#) go from here? Events can quickly make the guesses of [economists](#) and [journalists](#) alike look foolish, but here is my take: we are going the right way, but a bit slower between now and Christmas than we might want.


Today's [retail sales](#), down 2.5% in July, point to that slowdown. There was a splurge in spending post lockdown as Brits got giddy at the mere idea of buying a new shirt and visiting a pub – the football helped.

Now there is a bit of a retrenchment as we notice that Afghanistan is on fire and the [stock market](#) jittery, but that's reasonable caution rather than a cause for alarm.

At £10 billion, [government](#) borrowing for July might look topky.

Since July is when corporation tax receipts get paid, it, along with January, is supposed to be a “good” month.

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For context, between 2010 and 2019 average government borrowing for July was £1.4 billion. Sometimes it even ran a

surplus.

The government is unlikely to turn a profit any month soon, but the key point is that borrowing is falling quickly.

That's without spending cuts, which suggests the quickest way to reduce the deficit might be to carry on borrowing until we are truly out of the mess Covid caused.

If you like big scary numbers, the total government [debt](#) is now £2.2 trillion.

That's an amount to put you off your cornflakes if you think about it too long. But it's manageable as long as the economy keeps growing and the [Bank](#) of England keeps inflation, and therefore interest rates, in check.

There are reasons to be, if not cheerful, then at least hopeful. If we just hold our nerve, we'll be ok.