

If Osborne talks Greece and not China today he's lost t...

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George Osborne will talk Greece today.

He'll doubtless say that Greece makes the case for austerity. He'll be wrong in doing so. The Greeks had a problem in 2009. It's austerity that turned it onto a crisis. Any claim made that Greece justifies austerity will be to simply get the cart before the horse, and across the world thousands of economists are willing to say so.

But if George Osborne talks Greece and not China today he'll be putting his head in the sand because China's the big issue for the UK. Osborne wants to cut our deficit. As I've explained many, many times the government can only cut its borrowing (or effectively save) if someone else is willing to borrow instead. That's the way that the double entry of national income works. The Office for Budget Responsibility will, no doubt, today forecast a consumer credit boom as the way in which the equation can be cancelled. The government's borrowing will be replaced by consumer borrowing [in the absence of any likelihood of much real growth](#). But there is a problem. And that is the fact that the rest of the world has been piling its money into the UK - which is another factor in this national accounting equation. And overseas investors putting money in the UK is another source of the saving needed to let the government cut its deficit.

In particular, China has been pouring money into the UK, buying real estate, funding our nuclear power and even HS2. But the [Chinese economy is tanking](#), to put it politely, and the Chinese government is spending a fortune at home to bail out its stock market, most of which money it is unlikely to recover. That's likely to be money not coming our way soon as a result, because those who have bought property overseas on the crest of their Chinese stock market gains will no longer be doing so and the Chinese government is unlikely to be pouring money into the UK economy any time soon as a result of the current domestic situation. So far from saving in the UK, which is what Osborne needs China to do, it is more likely to be pulling money out. Some of those London investment properties are going to be on the market soon as people try to cover their stock market losses at home.

And that means that the boost China has given, on which George Osborne has relied to

make his books look like they will balance, will be disappearing.

That promise of a balanced budget is disappearing East, fast.

But will Osborne say so? I doubt it.

In itself this factor would almost be enough to justify a budget today because the UK economic outlook is so different from March as a result of the Chinese crisis. But I suspect we won't hear a thing about it. But we should. Chinese money has been Osborne's secret weapon. And it's going.