

Experience tells me I should be worried

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One advantage of being both 57 and a long time observer of particular types of behaviour is that it is increasingly easy to spot patterns. In that case that there is a world economic crisis coming is not hard to spot. Take [this from the FT yesterday](#):

In its twice-yearly global financial stability report, the IMF simulated the effects of the current financial fragilities in emerging economies turning sour from another shock to confidence or a policy mistake.

“Shocks may originate in advanced or emerging markets and, combined with unaddressed system vulnerabilities, could lead to a global asset market disruption and a sudden drying up of market liquidity in many asset classes,” the report warned.

In these circumstances, spending growth would slow sharply in emerging and advanced economies leading to a shortfall in output of 2.4 per cent by 2017 compared with the baseline IMF forecasts.

With those forecasts already weak, it would imply global growth would face the strong possibility of falling below 2 per cent for a year, the standard definition of a global recession, although one that would fall short of another crisis on the scale of 2008.

As they note the report's author saying:

“Our central scenario is not a crisis. The downside scenario is not a global crisis but a situation in which we would have significant losses in terms of GDP,” Mr Viñals said.

My suspicion is that this is an understatement. Add in Syria, major banks in trouble (DeutscheBank, today), serious corporations at risk of failure (VW), commodity price volatility, the risk of EU break up (Brexit) and right wing governments around the world not willing to take action and things look much worse than this isolated exercise on risk suggests.

I've been forecasting this one with increasing confidence for months now. It's not required rocket science to do so. Just look for a market in trouble, check if there has

been an associated credit boom of some magnitude and if the answer is yes then that bubble is going to burst soon and the ripples are going to be big, even if not of tsunami scale, and no one is going to avoid the pain.

The result is that, as I've now seen too many times in my life, the market is going to be delivering recession sometime soon. But that's not the issue I am really writing about. What concerns me here is the political reaction to this near inevitability.

We haven't had the SNP conference yet. The Greens always, and largely correctly, identify a different economic crisis. The LibDems simply don't count any more. So what of Labour and the Conservatives?

Jeremy Corbyn said he saw a downturn coming. It was how he made tangential reference to People's QE in his speech at Brighton. He will come to be very grateful for that comment; it will be the basis on which he will claim a lot of economic credibility over the years to come as the first party leader to acknowledge the developing crisis.

Did anyone at the Conservative Party conference do anything like that? No, not at all. There was a surreal underpinning assumption that all will carry on as normal, which for these purposes means as per the latest Office for Budget Responsibility growth forecast rubber stamping [George Osborne's ludicrously optimistic and untenable forecasts](#).

Age doe then let me predict that we're sleep walking to another economic crisis. Thus time though it will arrive after the slowest economic recovery since 1720 and when many UK households are in no state at all to handle the shock. And this time there is a government in the UK disinclined to intervene. In that case I am worried. Experience tells me I should be.

And that, for me, was the biggest message from the Tory Party conference.