

## The Brexit downturn has arrived

Published: January 15, 2026, 12:46 pm

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One, disastrous, feature of the Remain campaign last year was the claim that if the UK voted leave then the country would require an immediate emergency budget because it would go into immediate recession. This, of course did not happen because Osborne was dumped for saying it. And the downturn did not seem to appear. Until now that is.

As the [FT reported yesterday](#), retail sales excluding food fell in the first quarter of this year. And as the [Guardian reported](#), despite supposed record levels of UK employment (about which claim I am dubious anyway) there was a fall in real wages last month, which is a trend set to continue because of current inflation rates. Now I know that technically this does not create a recession but for most people these are the factors that matter, and as a result economic bad news has arrived, but nine or so months later than George Osborne thought.

Osborne's error was significant. It undermined the credibility of the Remain campaign because no one really thought the roof would fall in on June 24 last year. After all, a small majority were elated by the result and of course they felt good and so went spending. The failed prediction then let Brexiteers suggest that Leave was already a success. That was as untrue as Osborne's claim. Of course Brexit was not proved a success by what happened last summer: Brexit has still not happened.

The error was in basic economics and is telling. It tells us that the Treasury still clings to pure market theory. This says that people are rational and perfectly predict the consequences of the future in their current behaviour. So, the Treasury assumed people would know last June that the decision the UK had made would have poor long term consequences and people would immediately react by stopping spending and investment, so sending the UK into an immediate economic downturn.

Wiser economists, not so taken with a theory that is so obviously far-removed from observable human behaviour, realise that this is not what happens in the real world. People rarely shudder to economic halts. They do instead take time to process and react to new information. In this case at least six months was required to get to the reaction, and now we can see it. The uncertainty of our current situation, coupled with

the reaction to a falling pound, has created lower income and consumer uncertainty. It will take something pretty staggering in economic terms to change either of those situations in the rest of this year.

Brexit may not have happened as yet. It may not happen still. But its economic impact has arrived. If people don't like that life for the Brexiteers is just about together a lot tougher. As Philip Hammond put it, no one voted Brexit to be worse off. But people are just discovering that is what they got. And I'll say with some confidence that many won't like it. May's honeymoon is well and truly over.