

The budget: expect the unravelling to start soon

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I had little doubt that Rishi Sunak's first budget would be a disaster, and it was.

It was a budget in two halves. There was the coronavirus budget, and then the rest. I'll deal with the issues in that order. I stress, this is being written before I can read all the details.

Coronavirus

There were numerous problems.

First, there was almost no help for big business. The assumption is that they are robust. That assumes this crisis is very short term. I do not share that view.

Second, loans apart I think the small business support was £7 billion. There are 5 million businesses in the U.K. That, then is £1,400 each. That will not go far.

True, the cancellation of business rates will help some businesses, I agree, but unless government compensates local government it will impoverish their services.

And £3,000 of grant per very small business is interesting but a) how long will it take to get it b) how much will it cost to get it and c) is it taxable? I suspect this just a token gesture, in other words.

The offer to cover statutory sick pay for small business was not a gesture, but let's be clear that £97 a week does not cover people's costs and the recompense is for 14 days - and anyone who is ill or who has multiple children who might be will be off for much longer than that.

Heaven help those who gave rent to pay. Their plight was ignored.

On coronavirus my conclusion is simple: this was sticking plaster economics with lots of very small gestures that are going to do little to save hundreds of thousands of small businesses and millions of employees from hardship and even insolvency.

The rest

The rest of the budget was as bad as that for coronavirus. There appeared to have been almost no attempt to join these two issues together. So growth was going to be down, but only a very little despite worldwide recession being likely. And despite that the current budget was going to balance every year of this parliament.

I will be candid and say that this is simply fantasy economics. This is not going to happen. The government is going to run major deficits; debt is going to grow as a proportion of GDP despite claims to the contrary and growth is going to disappear for a while. Sunak failed to recognise any of that. He literally spoke about a world that does not exist and an economy that will be nothing like the one he predicts. His whole career will, forever, be blighted by this complete failure.

Worse, he ignored the climate crisis, almost entirely: what he said was greenwash.

And on social issues - like delivering the real transformation for ordinary people who do not want to spend their whole lives sitting in their cars on new roads - there was nothing at all. In that sense, this was a pure neoliberal, running away from the problem unless it concerns big business, budget. He even got in a dig at migrants, who will have to pay more for the NHS.

At its core then this was a Tory budget, but one even more removed from reality and more laden with meaningless gestures than most.

Expect the unravelling to start very soon.

Postscript

It is now clear coronavirus support in total is £12 billion, so my figure per small business of £1,400 looks fair.

And there will be £30 billion of new borrowing for investment - but supposedly not current spending. Both assume growth. Neither is in the slightest realistic.