

The UK economy will be a wasteland by this summer

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There are some words you say that you never regret. When Jeremy Vine asked me what I thought of Rishi Sunak's budget on March 11 I said it was 'a disaster'. I said he had completely underestimated the impact of coronavirus.

I thought he would be back and revisiting his decisions very soon.

I was right: he was.

But now all his decisions taken during March look to be providing disastrous, as I admit I predicted each one would be.

As the Guardian reports this morning in an email:

Millions of self-employed people across Britain risk falling through gaps in the coronavirus wage subsidy plan and benefits system, according to the IFS and Resolution Foundation thinktanks. Many earn either too little or too much, or only started working for themselves in the past year, or pay themselves in dividends rather than salary — all factors that can [disqualify them from receiving the assistance](#).

Their elaboration on this is:

Highlighting sizeable gaps in the government plan to pay [80% of employees' salaries](#) and [self-employed workers' profits](#) as the crisis mounts, the IFS warns that 2 million people who work for themselves would not be protected because: they do not earn enough from self-employment to be eligible; earn more than the £50,000 threshold; or only started out working for themselves within the past year and therefore missing the threshold to prove their past income to receive wage subsidies.

A further 2 million more people who run their own company will also slip through gaps in the safety net deployed last week by the chancellor, [Rishi Sunak](#), because they pay themselves much of their income in dividends, and less through a salary. A salary can be paid partially by the government, while dividends are excluded.

Amongst those impacted there will be several million households that will be out of cash soon - and where starvation will be the issue to be faced as April progresses.

But the issue is bigger than the failure of support for the self-employed. As the Guardian also reports:

Business leaders have warned that British companies are running out of time to stay afloat amid the coronavirus outbreak, after a survey showed a majority of firms had just three months of cash or less in reserve.

The British Chambers of Commerce (BCC) said companies across the country were suffering from a sharp and significant fall in domestic and overseas sales as lockdown measures brought many firms close to collapse, threatening widespread job losses.

In a survey of about 600 BCC members, 62% warned they had no more than three months of cash left to cover running costs. Conducted in the final days of March when Britain entered lockdown, the BCC warned the findings of the survey were expected to worsen over coming weeks.

Almost 1m small businesses across Britain are feared to be [at risk of collapsing within the next month](#) as they struggle to secure emergency cash, despite the government's efforts to cushion the economic blow and the Bank of England lowering interest rates to provide cheap financing.

And given that coronavirus has hardly begun to hit us yet, this is going to happen. The UK small business sector is being wiped out.

In its version of this story [the FT notes](#):

So far almost no [small businesses] had been able to take advantage of government schemes designed to bail out struggling businesses. The survey conducted last week - several days after its start - showed that only 1 per cent had received help from the government-backed loan scheme for smaller businesses. This offers interest and fee-free loans of up to £5m for up to a year.

Bank executives have said that their systems have struggled to meet the high levels of demand for the package, which has caused delays.

The FT notes that the Business Secretary blames the banks:

Alok Sharma, the business secretary, said on Wednesday that it was "completely unacceptable" if banks were unfairly "refusing funds to good businesses in financial difficulties".

He added that the taxpayer had bailed out the banking sector in the 2008 financial

crash, and it was time for banks to “repay that favour”.

This is a comment that takes crassness into the realms of stupidity. I have [already noted](#) this morning that I am not a fan of banks. But what Sunak and Sharma are asking banks to do is take the risk on 20% of these loans to businesses that are in effect bust, guaranteeing that in due course the banks will follow them into the abyss. Bankrupting banks is not doing us a favour: it's just asking for another, and bigger bailout.

And the scale of the impact of all this on government finances has been grossly underestimated by the Chancellor. As the [FT notes](#), 1 million people have now applied for universal credit as a result of the coronavirus downturn.

And as [they also noted](#):

About half of UK companies are planning to furlough many of their staff because of coronavirus, according to surveys that threaten a much higher cost to the Treasury than expected.

The prospect of a higher than expected take-up of the furloughed workers programme comes as the government seeks to improve the terms of the loan scheme to help banks lend to more companies.

The reality is that the British economy is going to look like a wasteland by the time the summer arrives. There is a real chance that most small businesses will have failed by then. If they don't [they will as they try to recover](#).

The scale of support now required for the economy is vastly bigger than anyone has ever imagined before.

The UK government has got its management of coronavirus horribly wrong. It could try to get management of the recovery from it right. But I am not optimistic on that score either. Unless something as big (at least) as the Marshall Plan is in the pipeline we're not going to come out of this for a very, very long time.