

The real economy's dependence on QE is bigger th...

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The [FT notes this morning](#) that:

The latest UK economic data has been significantly better than economists expected, suggesting households and companies have been more resilient to the latest lockdown and Britain will climb international economic performance league tables in the months ahead.

The reports appear to emanate from the Bank of England. Almost all indices are, apparently, moving better than expected. Given that some think I am a doom-monger I thought I should note the fact.

Doing so does not change my opinion on the risks we face. That we are getting better at lockdown is unsurprising. It would be surprising if we were not. And treat me as cynical if you wish, but I rather strongly suspect that the relatively small improvement that is being celebrated could be entirely engineered within the ONS by them simply assuming that large parts of public services, like teaching, remained productive during this lockdown when during the first lockdown it was assumed that they were not. How much has really changed then is hard to tell.

What is surprising is that GDP may, according to these reports, not reduce greatly because of lockdown, and despite a significant increase in the number of people furloughed will bounce back quickly.

This may, of course, be entirely true. I will be pleased if it is. But the reality may be otherwise. GDP has survived because of government support. If that is withdrawn as lockdown ends the potential for things to go wrong remains very high.

I would like to be wrong. But I still think economists have forgotten that cash is king, and it is cash flow that will kill as business fully reopens, furlough ends and loans have to start being repaid. The real economy's dependence on QE is bigger than most think right now, is my suggestion.