

## Recession is not coming: it's almost certainly already...

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According to [The Guardian](#) this morning:

*Britain's economy is at growing risk of falling into a summer recession amid the biggest squeeze on household incomes since the mid 1950s, as soaring inflation curtails consumer spending power, forecasters have said.*

They add:

*Economists said the double blow from slowing post-lockdown growth and rising living costs after Russia's invasion of Ukraine could result in a fall in gross domestic product (GDP) for two consecutive quarters, which is the definition of a recession.*

All those they spoke to were working for commercial organisations. Without exception, their comments appear optimistic. Take this for example:

*Thomas Pugh, an economist at the accountancy firm RSM UK, said he expected households would probably need to dip into savings or take on debt to protect themselves from rising inflation.*

This he explained as follows:

*"This is a key reason why we think the UK will avoid a recession this year. However, our forecasts suggest GDP growth will average just 0.1% in each of the remaining three quarters of this year - so it would not take much of a rise in oil prices or a disruption in supply chains to push the UK into recession," he said.*

Politely, this is nonsense. He wholly misses the point as to what will actually cause the recession, which is that people will stop spending because they will be aware that they cannot afford to do so.

As [Danny Blanchflower has noted](#) in Prospect:

How British households have viewed their financial prospects



There is a massive collapse in consumer confidence in the UK. Of course price hikes help create that, but the recession creating mechanism is consumer reaction.

And it is true that those fortunate enough to have them will spend their savings. Others might borrow. But to presume that this will keep the economy going - which is what the forecasts imply - is absurd when millions will have no access to borrowing and have no savings to fall back on as their costs become unmanageable. They will stop spending, because they have no choice.

These economists seem to think this a marginal issue. They really do need to get out a bit more. In the real world the crisis is already happening. And the recession is already coming. The question is how we deal with it?