

Why aren't politicians talking about the economic melt...

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This comes from '[Surviving 2023](#)', which I published yesterday. In this section, from Chapter 1, I imagine what will happen if the government does not intervene in the economy to the scale required to deal not just with the household bill crisis, but the crisis that every other sector of the economy faces. It is deeply worrying that no politician seems to understand this as yet:

It is, of course, impossible to predict the future with certainty. But, such is the scale of the current energy price crisis that some things are reasonably predictable.

First, large numbers of UK households are very unlikely to be able to pay their bills as the winter of 2022/23 develops. How many cannot be known for sure, but given that we know most households on average and lower incomes have very few cash savings it is likely that the number who will struggle might exceed 10 million households and could easily reach 15 million homes.

These households will not only have problems with energy bills though. If they try to keep paying for electricity and gas in they will simply shift the problems that they face elsewhere. They will also struggle with water bills, council tax, broadband and phone costs, mortgage and rent payments, car loans and other debt payments, like credit cards.

Talking of credit cards, these will soon be maxed out, as will be overdrafts. The pawn shops will be very busy this winter, feeding off misery as they always do.

So what we face is a very rapidly developing household debt crisis, which none of those involved will have had to experience through any fault of their own.

The immediate consequence will be seen in increased demand for support services. Food banks will be busy, and probably overwhelmed. So too will the NHS as people cannot cope because, for example, they are unable to afford adequate home heating.

My suspicion is that the real crisis will arrive in January. People will struggle on until then, with the desperate desire to have a normal Christmas. Then the debts will really hit.

This pattern always happens every January, but in 2023 this is going to be different. Very large numbers of people will no longer be going out. The hospitality and leisure sectors will be hit, massively, as people simply stop spending money that they have not got. This will also hit a lot of retail business too. The inevitable consequence of that will be a rise in business failures, and increasing unemployment. A serious economic recession is very likely as a result.

But there are also going to be big impacts on those who are not going to be paid what they are owed. Energy companies are going to be bogged down with millions of accounts that will be failing or in dispute. They will not have the staff to deal with this. Some of these companies will try to cut people off as a result. Amazingly, and unlike water companies, they can do this. But the consequences will be severe. People will lose access to heat, light, the ability to cook, access to the internet, their phones, entertainment and more. Lives will be put on hold. Worse, lives will quite literally be put at risk. People will die.

This won't save the energy companies though. They might send the bills out for energy people can't afford to pay for in 2023, but the payments will not come back to them in anything like the sums they might expect because people will be unable to pay through no fault of their own.

And, as we saw in 2021, energy companies can, and do, fail. The actual producers of oil and gas will not. Maybe the electricity generators might not (but it's harder to be sure) but those who actually sell us the energy that comes into our houses can fail. And they are going to do so. This is inevitable. You cannot try to sell most of your product to people who cannot pay for it and expect to stay in business. That just cannot happen. In that case it is not just consumers who should be panicking about the forecast price increases: all of the domestic energy companies should be too. They are at extreme risk in the situation that is developing.

The energy companies will not be the only businesses in trouble though. The water companies will be threatened. When people realise that water can't be cut off water bills will go unpaid at a phenomenal rate. The whole business model of the water companies is likely to fail.

Landlords might also be going unpaid. Expect attempts at eviction to skyrocket in 2023. Many will succeed. We are likely to have a homelessness crisis due to energy price increases.

Banks will also have a big problem with mortgage arrears, which could be very costly for them. It takes time for them to repossess, but don't doubt that their attempts to

recover homes will be a big issue in 2023 as things stand right now. The situation will be made worse by the fact that when the banks try to sell the houses they can no longer make money from house prices are likely to fall, because few will be able to buy, or will want to. That could then trigger a banking crisis since more than 80% of most banks' lending is secured on property, and if its value falls banks make losses as night follows day.

What other activities will be in trouble? No one knows how schools will pay their energy bills in 2023, which are not capped, and which have not been discussed by any politician as yet. Will they have to send children home? And what is the impact of that in the economy?

Similarly, hospitals are already in trouble. Fuel costs will just make everything worse. The chance that effective health care can be provided in what could be the worst-case scenario of cold buildings without power is close to zero.

The social care situation may be even worse. Already at breaking point with staff problems, fuel costs will make many, and maybe most, care homes unprofitable. But who then will care for those living there? Or will they be abandoned?

And I stress none of this is catastrophising. I wish it was, but all if it is a simple and reasonable extrapolation of the issues that are likely to arise as we head through the winter of 2022 and into 2023.