

Funding the Future

The UK is going to be in recession, by choice

<https://www.taxresearch.org.uk/Blog/2023/01/31/the-uk-is-going-to-be-in-recession-by-choice/>

Published: January 12, 2026, 8:13 pm

The IMF [has issued](#) new growth forecasts for the world. They are better than expected for almost every country, except one, which is the UK:

(real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2022	2023	2024
World Output	3.4	2.9	3.1
Advanced Economies	2.7	1.2	1.4
United States	2.0	1.4	1.0
Euro Area	3.5	0.7	1.6
Germany	1.9	0.1	1.4
France	2.6	0.7	1.6
Italy	3.9	0.6	0.9
Spain	5.2	1.1	2.4
Japan	1.4	1.8	0.9
United Kingdom	4.1	-0.6	0.9
Canada	3.5	1.5	1.5
Other Advanced Economies	2.8	2.0	2.4
Emerging Market and Developing Economies	3.9	4.0	4.2
Emerging and Developing Asia	4.3	5.3	5.2
China	3.0	5.2	4.5
India	6.8	6.1	6.8
Emerging and Developing Europe	0.7	1.5	2.6
Russia	-2.2	0.3	2.1
Latin America and the Caribbean	3.9	1.8	2.1
Brazil	3.1	1.2	1.5
Mexico	3.1	1.7	1.6
Middle East and Central Asia	5.3	3.2	3.7
Saudi Arabia	8.7	2.6	3.4
Sub-Saharan Africa	3.8	3.8	4.1
Nigeria	3.0	3.2	2.9
South Africa	2.6	1.2	1.3

Even Russia is expected to grow more than the UK in 2023.

First, let me acknowledge that growth is far from a perfect measure of wellbeing. I am, for example, quite sure that growth in the Russian armaments sector is not any indication of that. So, we should be wary here.

However, that being said, the fact that the UK's situation is such an outlier is worthy of

comment. What is going on?

There are essentially four aspects to the UK's failure.

The first is that the way in which we price energy, with massive bias to energy companies at cost to all consumers, is a factor in this. The policy of believing monopolies should be allowed to price as if they are competitive enterprises (albeit, ones not ultimately allowed to fail) is the recession we have got. The government engineered this failure.

Second, unlike the eurozone, we are increasing interest rates by too much and for too long. I personally do not approve of any of the rate rises in the last year, but the price of the Bank of England's absurd desire to appear tough on inflation over which it has precisely no control and which will go away despite anything they have and will do has been enormous, with the worst still to come. The government engineered this failure.

Third, the government has chosen austerity as a response. The right response was more spending, because in a downturn counter-cyclical spending is what is required of governments, but ours is cutting instead. The result is that the recession is being exaggerated by government policy. The government engineered this failure.

Fourth, to compound this the government is imposing pay austerity to break public sector workers and destroy public services when if there is 10% inflation and if there were 10% pay rises then all the money needed to make inflation matching pay rises is automatically available to make them. Instead the government is denying such rises, baking recession, declining disposable incomes and continuing stress in the rest of the economy into the system as a result. The government engineered this failure.

Of course we have recession in that case. The government engineered this failure. Other governments appear to be wiser. We need another government.