

The UK is still heading for recession

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As the [Office for National Statistics](#) has announced this morning:

- * Monthly real gross domestic product (GDP) is estimated to have grown by 0.2% in August 2023, following a fall of 0.6% in July 2023, revised down from a 0.5% fall in our previous publication.
- * Looking at the broader picture, GDP increased by 0.3% in the three months to August 2023, with growth in all sectors.
- * Services output rose by 0.4% in August 2023 and was the main contributor to the growth in GDP.
- * Output in consumer-facing services fell by 0.6% in August 2023 after a fall of 0.2% in July 2023, revised down from no growth in our previous publication.
- * Production output fell by 0.7% in August 2023 after falling by 1.1% in July 2023, revised down from a 0.7% fall in our previous publication.
- * The construction sector fell by 0.5% in August 2023 after a fall of 0.4% in July 2023, revised up from a 0.5% fall in our previous publication.

Overall, in July and August, the UK economy declined, just as the Bank of England would wish that it did.

There is little sign that this pattern will change in the rest of this year: there is nothing within the economy that suggests that growth is going to suddenly start happening, whatever the Labour Party might like to think.

As a result, it is reasonable to expect a decline in GDP over the rest of the year, which would deliver a technical recession.

In reality, many households are, of course, already facing this situation. Aggregates do not reveal that across the spectrum of the UK economy, where some (mainly the wealthy, whose investment income is rising rapidly, and those without mortgages and

who do not pay rent, who are mainly more elderly homeowners) are doing very well whilst others (younger renters and those forced to remortgage) are doing very badly indeed.

I report none of this with pleasure, not least because none of this is necessary. The interest rate rises that are the primary cause of this situation were unnecessary and are doing nothing to beat inflation. However, Labour is saying nothing about bringing them down. In that case, where it thinks growth is going to come from is hard to work out: unless the drain that interest is now imposing on the UK economy is removed the prospects of any significant growth for some time to come is something that only those who also believe in fairies might anticipate.