

We're going to be in economic downturn next year. What ...

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

- * Retail sales volumes have fallen by 0.9% in September 2023, following a rise of 0.4% in August 2023 (unrevised from our previous publication).
- * Looking at the quarterly picture, sales volumes fell by 0.8% in the three months to September 2023 when compared with the previous three months.
- * Non-food stores sales volumes fell by 1.9% in September 2023; retailers reported that the fall over the month was because of continuing cost of living pressures, alongside the unseasonably warm weather reducing sales of autumn-wear clothing.

The signs are that interest rate rises, lower pay rises, and the deeply depressing economic outlook as interest rates are forecast to remain high for a long time to come are combining to deliver exactly what the Bank of England has long desired, which is a recession.

More than that, these declines are likely to just be the start of something much bigger. As [the FT noted](#) yesterday:

One of the top executives at Blackstone Group, the world's largest alternative asset manager, has warned that the recent sharp increase in long-term US government bond yields will soon hit consumers and slow the economy.

Jonathan Gray, president of Blackstone, said in an interview with the Financial Times that the jump in 10-year Treasury yields would force consumers to tighten their belts.

I am, of course, aware that this comment refers to the US market, but interest rate trends in the UK are not dissimilar and as a consequence the forecast is entirely translatable.

There is now no obvious reason why this trend should not continue. Pay rises are insufficient. The impact of interest rate rises can only increase as more and more

people have to take new mortgage deals as their old ones end, and the Bank of England is showing no sign of backing down with regard to high interest rates. In that case, recession is very likely.

The question to ask in that case is how will Labour deal with this? It is promising growth and is going to face the exact opposite and a worsening economic trend whenever it comes into office next year. Will it stick to its balanced budget, with no additional spending commitments in that case? Or will it be forced to tear up everything it has said and lose all credibility in the process? We really do need to know.