

## Reeves is in a mess

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What was important about the Spring Statement from Rachel Reeves was what it did not say - like mortgage rates are going to rise by at least one percent, alongside house prices. We really are in a mess.

<https://www.youtube.com/watch?v=4n2pqFOpz9U?si=0XbzK0hjLIB11tEo>

Please excuse the absence of visuals. I recorded this outside the BBC earlier this afternoon whilst having a coffee, having departed Jeremy Vine's studio.

This is the audio version:

[https://www.podbean.com/player-v2/?i=6arsr-1861f3c-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo\\_link=episode\\_page&btn-skin=c73a3a](https://www.podbean.com/player-v2/?i=6arsr-1861f3c-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a)

This is the transcript:

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Rachel Reeves has made her spring statement, the world has noticed, but has not yet absorbed the consequences of what she had to say.

A great deal of what she said was about numbers, which are, in the grand scheme of things, very small, but which have massive consequences for individuals.

This is very obviously, most especially true for those who are on disability benefits who

might suffer a loss of thousands of pounds a year as a consequence of the £5 billion of cuts that are going to be imposed on them.

And this is also going to have massive consequences for up to 80,000 civil servants who she is planning to cut out of government, which is absolutely crucial if she's going to find the £6 billion of saving that she's going to get from supposedly increasing the efficiency of government departments - although absolutely nobody knows how this is possible, and the Conservatives certainly never managed it despite claiming that this was their objective.

So, for some particular people in the economy, things look very bad.

But what wasn't clear from what was said in the Commons, either by Rachel Reeves or by Mel Stride, who opposed her from the Conservative benches, was just how significant the forecast made by the Office for Budget Responsibility are.

In particular, growth is going to be very weak. They halved their growth forecast for this year, but when you actually look at the growth forecasts when they are adjusted to growth per person rather than growth as a whole, the figures are very weak indeed. In fact, by 2029, which is of course when Labour is hoping to go to the country, having claimed that it has delivered on its promise to make everyone better off by having grown the economy, we are going to discover that actual overall growth is just 1.4% per person, which is not going to be enough to notice any significant difference to wellbeing.

So, Rachel Reeves is already forecast to fail on her fundamental objective of growing the economy, and therefore, she will not be able to deliver everything else that she has talked about with regard to public services.

But things are actually potentially worse than that because when I began to work through the details, some really quite surprising numbers came out.

One in particular shouted at me. That is that the cost of government borrowing is forecast to go up by 1% in interest rate terms over the next year. In other words, the interest rate that the government is going to pay on its borrowing is going to increase from roughly 4% on average to over 5%.

And when I checked through to see whether this was going to have a consequence for mortgage costs, yes it is. It is forecast that the average cost of mortgage borrowing, which is again around 4% for most people at present - and again, that's an average - is going to increase to over 5% over her forecast period between now and 2029, with the biggest increase being seen over the next year or so. So, the cost of mortgages is forecast to rise significantly in this Spring Statement.

At the same time, Rachel Reeves, or rather the Office for Budget Responsibility, are

forecasting that house prices will go up heavily. In fact, they are forecasting that they will increase as much between 2025 and 2029 as they have done between 2019 and now, and that is a real terms increase. So not only is the cost of borrowing to buy a house going to increase, but the cost of buying a house is going to rise as well. And that means that yet more young people are going to be locked into renting forever.

As a result, we are going to see ever-increasing concentrations of home ownership in the country.

Then, when I began to look elsewhere in the forecast, I found other numbers that just do not make sense. For example, the government is, according to this forecast, going to cut its overall level of borrowing quite significantly so that she can meet her fiscal rule.

Well, that has been forecast by the Office for Budget Responsibility in every single forecast that they have put out since 2010, and overall, it's never happened.

But more than that, they are actually suggesting that households are going to dissave over the next few years. In other words, they're going to reduce the amount of money that they have on deposit, so therefore their savings, and so their wealth on average, is going to go down. Now that's quite surprising. That isn't what makes people feel good about themselves. That isn't how you make people feel more prosperous.

So, the consequence is that overall, she's not going to achieve her goal because, in practice, people are going to borrow because they're not going to have enough to live on otherwise.

And that to me is one of the clearest messages that came out from all the budget figures that I've looked at so far.

And finally, she has made her figures balance by presuming that more people from outside the UK are going to save in the UK in sterling than ever before. What explains this sudden enthusiasm for the world at large to pour money into the UK purely for savings purposes - except that exceptional interest rate that we are going to offer - is hard to explain, but I suspect that is the whole reason why she is forecasting, and the Office for Budget Responsibility is forecasting this increase in interest rate. I cannot see any other reason for it.

So, we are literally going to be charging ourselves enormous rates of interest to impoverish younger families with mortgages or those in rented accommodation - because rental accommodation tends to move very much in line with the interest rate in terms of prices charged - massive premiums, because we are going to have to borrow money from abroad to make up for the shortfall in what Rachel Reeve sees is likely in the overall balance of the UK economy because she really has no growth plan.

If you want to look at a recipe for disaster, that is it. She's going to charge us for her

failure, and little is more obvious about this than that one statement.

Rachel Reeves' Spring Statement is a recipe for disaster.

She has no idea how to manage the economy.

She's way out of her depth, and she's resorting to the oldest trick in the book, which is to borrow foreign money to keep the UK going at cost to all the more vulnerable households in the UK.

I really do think that this is beyond a joke.

It is time that Rachel Reeves went. Keir Starmer needs to reshuffle his cabinet very urgently, and as a consequence, we might then get a viable Chancellor of the Exchequer. But right now, Rachel Reeves is not that person.

This was a terrible Statement, offering a terrible forecast for the next five years in the UK.