Let me be frank from the off, doing so despite many not wanting to read what follows, and indeed adamantly rejecting my words as utter nonsense. To wit: I would argue there are many salivating at the prospect the new UK Government, 1. So mishandles economic matters, it engineers a recession. 2. Has ‘inherited’ the seeds of a downturn, 3. Will find a recession soon upon it, ‘down to’ events shocking the UK from beyond it.

By whichever of the three avenues summarised above – and they are not mutually exclusive – I am controversially claiming that there are those who would welcome a UK economic downturn. As to why, well the simple answer is that whenever a new party comes to Parliamentary power, there are those so against it, they wish it ill, and to be as short-lived as possible, even if it means welcoming a recession as a ‘painful means, to a welcome end’.

There is of course the cognitive dissonance amongst those whose political allegiance is such they want to see a recession that will befall others, but will somehow, ‘miss’ them. To these, I say this: Good luck with that then. Moving swiftly on, this is the charged question I wish to address, is: What is the chance such types actually GET their UK recessionary way?

To be clear, it is always folly to dismiss the chance of a UK recession. So much so that rather than failing to predict recessions, the tendency is to overdose; captured in the aphorism, ‘economic ‘pundits’ and markets have predicted 9 of the last 2 UK recessions.’ This accepted, we also have to accept that downturns DO HAPPEN BUT demand a catalyst; one that seriously undermines aggregate demand.

Although macroeconomic shocks can come in a wide variety of viral forms, they can be reduced to three strains. In no particular order these nasty are. 1: A sudden reversal in the labour market that sends unemployment sharply higher, 2: A series of banking shocks that see liquidity rapidly drained from consumers and businesses, lastly 3: Such a marked fall in property values that LTV’s move into the territory of breached covenants (charts 1 & 2). Of course, any one such a failure, will trigger the other two.

Those familiar with my writing will recognise the tripartite recession catalysts outlined above, by way of the analogy of the UK economy being a three-legged stool; a collapse in just one of its legs. being necessary and sufficient to topple us headlong into aggregate recession (yes, there will be a minority of relative ‘winners’). As from whence a shock might come, there is the potential it is from within, or is virally ‘imported’.

Now as hard as I try, I struggle to notice any meaningfully worrying ill omens for the UK economy; yes for the life of me, I honestly cannot see them. For one I cannot sense a meaningfully important sector shedding jobs on such a large scale, and of such a nature, that re-entry to work for those displaced. is much less likely than drawn-out joblessness. For another I cannot see cause for concern over such a scale of distressed selling or abandonment of homes/business premises, that values and rents fall sharply, and loans are made derelict (charts 5 & 6). As for UK banks, well, since the LAST - real economic rather than viral or political pantomime - crisis, these have been regulated in such a way to now be well protected by sizeable capital buffers. On the subject of disruptor-banks these have such substantial deposit bases that not only protect them, but ensure their capital will be lent into UK property markets, where to repeat occupancy remains impressive and covenants are well covered [This IS NOT THE PLACE to comment on the few Real Gormless Lot, that have so badly mismanaged their particular REIT, but blaming ‘the market’ for their ineptitude].

FX’in moving on, one can confidently claim that in relation to the £, one can hardly see a marked drop against a € and $, each facing unique challenges. Moreover, unlike the ‘08 crisis, when UK CRE was beset by short-dated capital lent from outside – most notoriously but not uniquely, Ireland – we can be relieved that now such currency and tenure misaligned carry is absent. What the UK can now boast it enjoys is being home to considerable sticky SWF capital, with more funds arriving by the month; and not put-off by our ‘particular’ politics (map 1).

What then of a shock from without toppling the UK into recession? Well, as much as they may have done so in the past, downturns in the US or Europe no longer have the direct negative gearing to a UK economy that possesses so much domestic drive & is ever more engaged with EM’s, SWF's and behemoth PE's, all increasingly drawn to it.

Let me turn to whether the present Government will do more, or has indeed already done enough - on top of ‘the previous lot’ - to send the UK economy into a self-inflicted tailspin?

Well, as much as some will not want to accept the answer, my reply is unqualified. As for what I mean by unqualified, well it is this. I do not fear/hear the approaching Budget as a clarion, warning of a recession. After all, even IF IT IS AN EVENT OF ‘SIGNIFICANT’ FISCAL TIGHTENING, it will be balanced against a bounty in public sector pay awards. We must also allow for a downwards path in medium to long-term Gilt and mortgage lending rates; these ‘coming-in’ steeper than the slope travelled by the base rate. As for why, well, the explanation lies (*sic*) in the arrival of price cutting mortgage market disruptors for one, and for another, ever more SWF capital entering the UK; neither of these flows put off by THIS PARTICULAR (and doffing my cap to Sir Robin Day) ‘HERE TODAY, GONE TOMORROW’ Government.

Now, none of the above is in any way a wholesale endorsement of the economic management of the past Government, or what we have witnessed thus far, from the present. Now had Corbyn/McDonnell in ‘17 or ‘19 taken up residence on Downing Street, or the Union been split asunder in ‘14, the UK economy we see today would be markedly poorer than it is, and its prospects materially weaker. Moreover, had covid struck before the General Election of ‘19, and/or the UK’s formal exit from the EU the economy we see today would have been shockingly less prosperous. As we know those events did not come to pass, or rather the UK economy passed through them to where we are today. And let’s please be grateful for as much.

PS The “yawning” gap between it coming to office, and its First Budget, has not covered the new Government in any glory. For this unfathomable interval has created a vacuum that has sucked in speculation, uncertainty and, yes panic and paralysis; all so terribly unnecessary.

Anyway, the wait will soon be over and we will have actual fiscal facts to react to and deal with, making decisions to make far easier, than when chasing speculative shadows.

I suppose this Government can use its inauspicious first 100 days, by drawing on the inaugural anthem from when it last swept into parliamentary power, “Things can ONLY get better”. SO repeating the quote from the Great journalist Sir Robin Day some 42 years ago, we have to deal with as best we can with the current crop of, “here today, gone tomorrow” politicians. As for the UK economy, it has suffered from far, far fewer recessions, than it has the number of poor passing “here today, gone tomorrow” Government’s.

PPS I cannot close this short piece without commenting on the UK’s most recent and “most encouraging” headline inflation figure for September of 1.7%.

True, this came in below the 2% central band; the first such instance in three years. No less true is that this involved a marked bifurcation between the consumer price for goods, which recorded a year-on-year decline of 1.4%, & services which saw their prices rise on average by 4.9%. For their part private rents rose by 7.2% (chart 3 & 4). The point I wish to make is this. Quite frankly, the single point average for the UK’s CPI in September has flattered to deceive.

Please be in no doubt, sustainably containing average UK CPI growth to a mere 2% will, quite frankly, not be possible; keeping it below 3% a challenge in itself. The UK’s new (slightly) elevated inflation normal has arrived for a host of reasons. These range from a new higher normal in wage growth, to our ‘admirably’ elevated demands to raise the UK’s ESG scores; which of themselves elevate UK inflation. Yes, the pound rising (if as we are convinced it will), will return disinflationary rewards. The point is that all things considered, targeting 1-3% CPI, has become an anachronism, with 2-4% a far more sensible range. Let’s see if the Chancellor has the good sense to re-set the UK’s monetary navigational systems to this and save the BoE trying to hit a target that is now quite frankly, fanciful.

Table 1 provides what we believe are reasonable forecasts for a slew of monetary and real economic Metriks, for the UK.

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| Table 1: Forecasts for a new normal monetary future - higher YES, alarmingly so, NO |
| A screenshot of a spreadsheet  Description automatically generated |

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| Map 1: 10 of the World’s largest “State-Owned Investor” nations (Figures represent Total AUM) |
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| Chart 1: Don't be afraid of an inverted yield curve & fcsts |  | Chart 2: A war worth welcoming: over the mortgage market & fcsts |
| A graph of a graph showing the value of a currency  Description automatically generated with medium confidence |  |  |

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| Chart 3: CPI of ‘goods’ & ‘staff’ (‘services’), & overall CPI & fcsts |  | Chart 4: Goods and Services weights within CPI & fcsts |
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| Chart 5: Rising wages pushing up rents & fcsts |  | Chart 6: PRS total returns & fcsts |
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