

# Inflation is now at the highest level it's been for 40 years

## Highest inflation since 1982

Consumer Prices Index

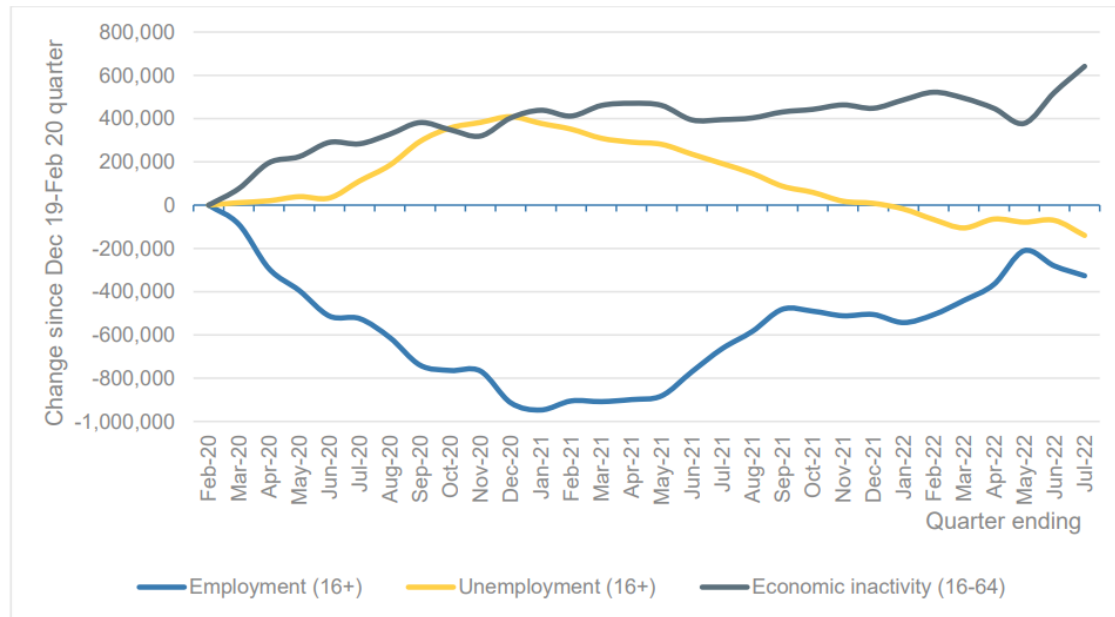


Source: Office for National Statistics



# The labour market has never been so tight

**Figure 2: Change in levels of employment, unemployment and economic inactivity since start of Covid-19 pandemic (December 2019-February 2020 quarter)**



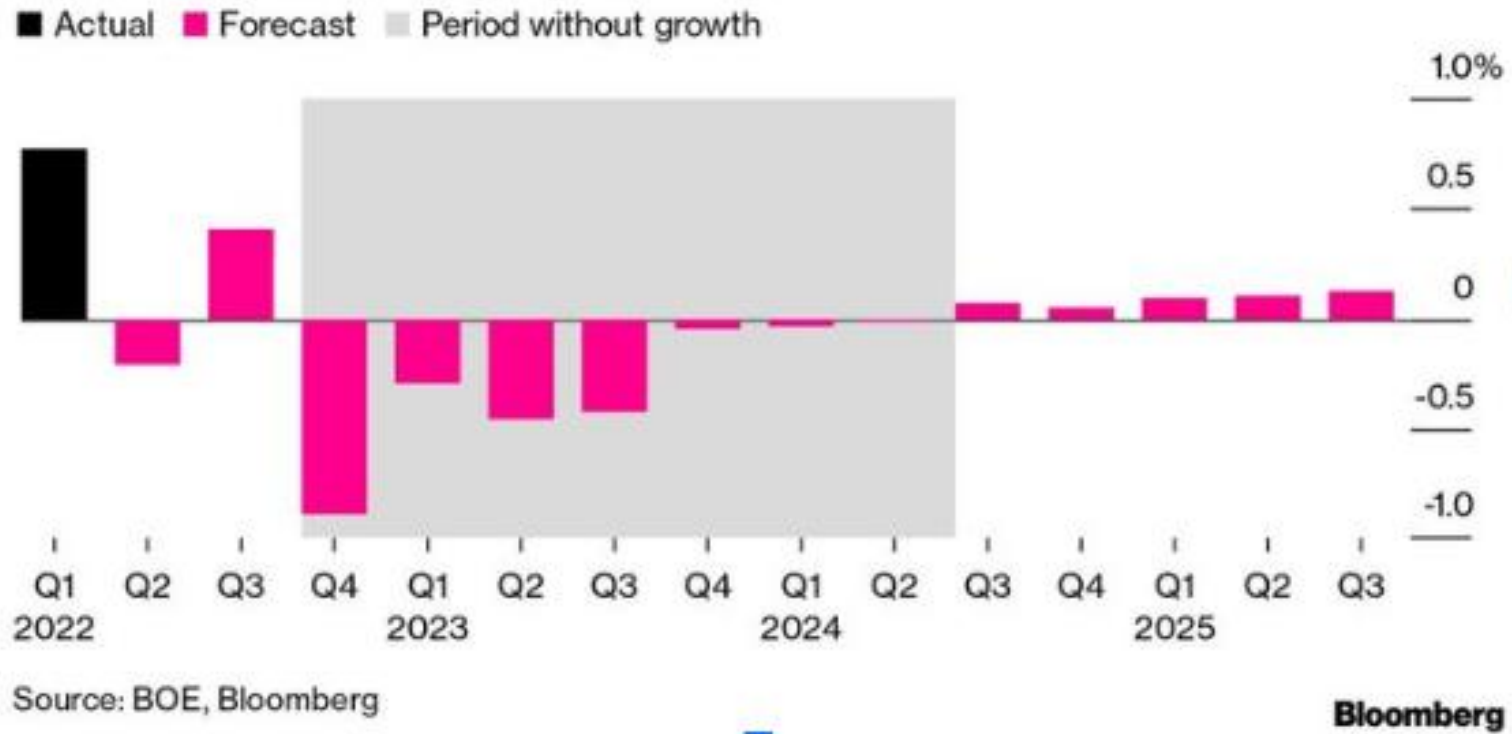
Source: Labour Force Survey

**Figure 8: Unemployed people per vacancy (exc. Agriculture, forestry and fishing)**



Source: ONS Labour Force Survey and Vacancy Survey

# The Bank of England is predicting a recession



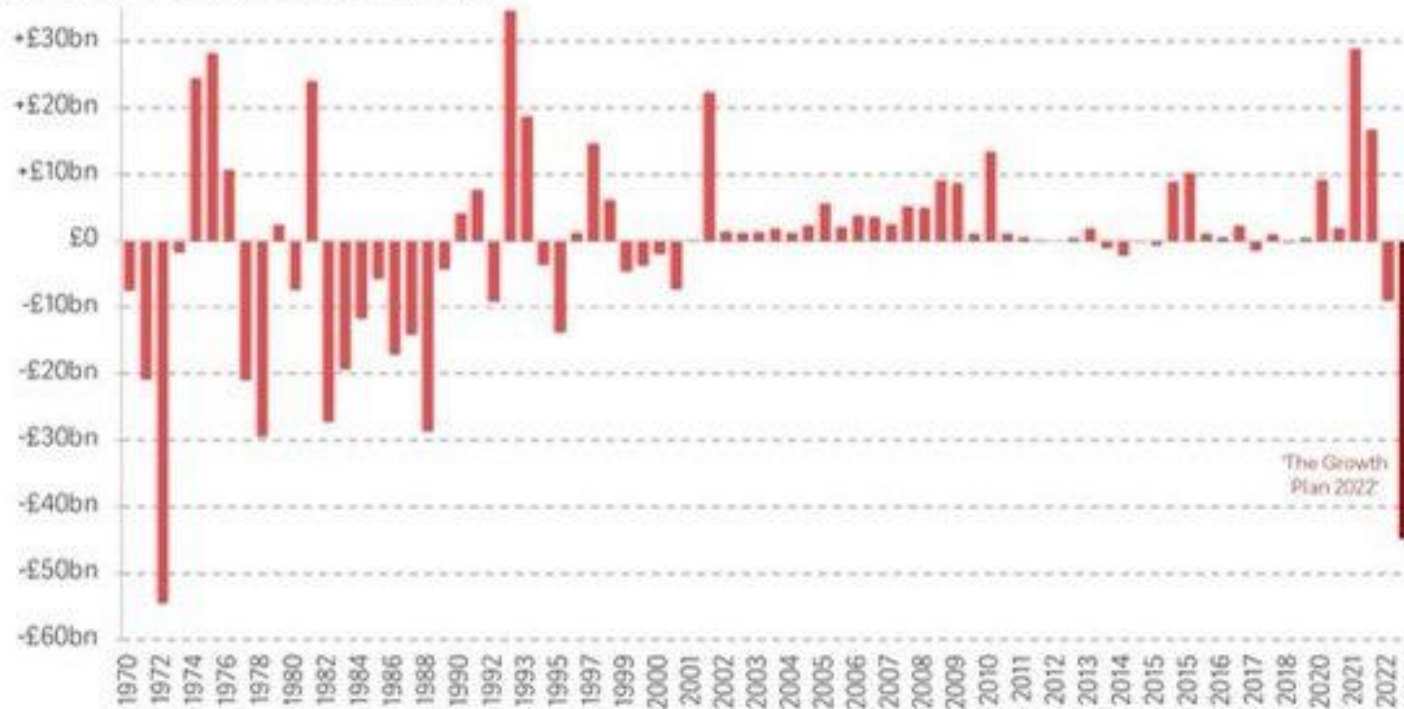
“Bank staff now expect GDP to fall by 0.1% in Q3, below the August Report projection of 0.4% growth and a second successive quarterly decline”

**Minutes of 21 September meeting of Monetary Policy Committee**

# The new government has slashed taxes

Net long-term annual impact of tax policy announcements at each fiscal event, 2026-27 nominal GDP terms: UK

Resolution Foundation



Notes: Based on forecasts from the time of each fiscal event (actual impacts on tax revenue may have differed). Source: RF analysis of OBR, Policy measures database, HM Treasury, The Growth Plan 2022.

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“Lower taxes lead to economic growth, there’s no doubt in my mind about that”

Liz Truss

# As a result, markets now expect interest rates to peak at just below 6%...

## Implied path of Bank of England interest rate from market swaps

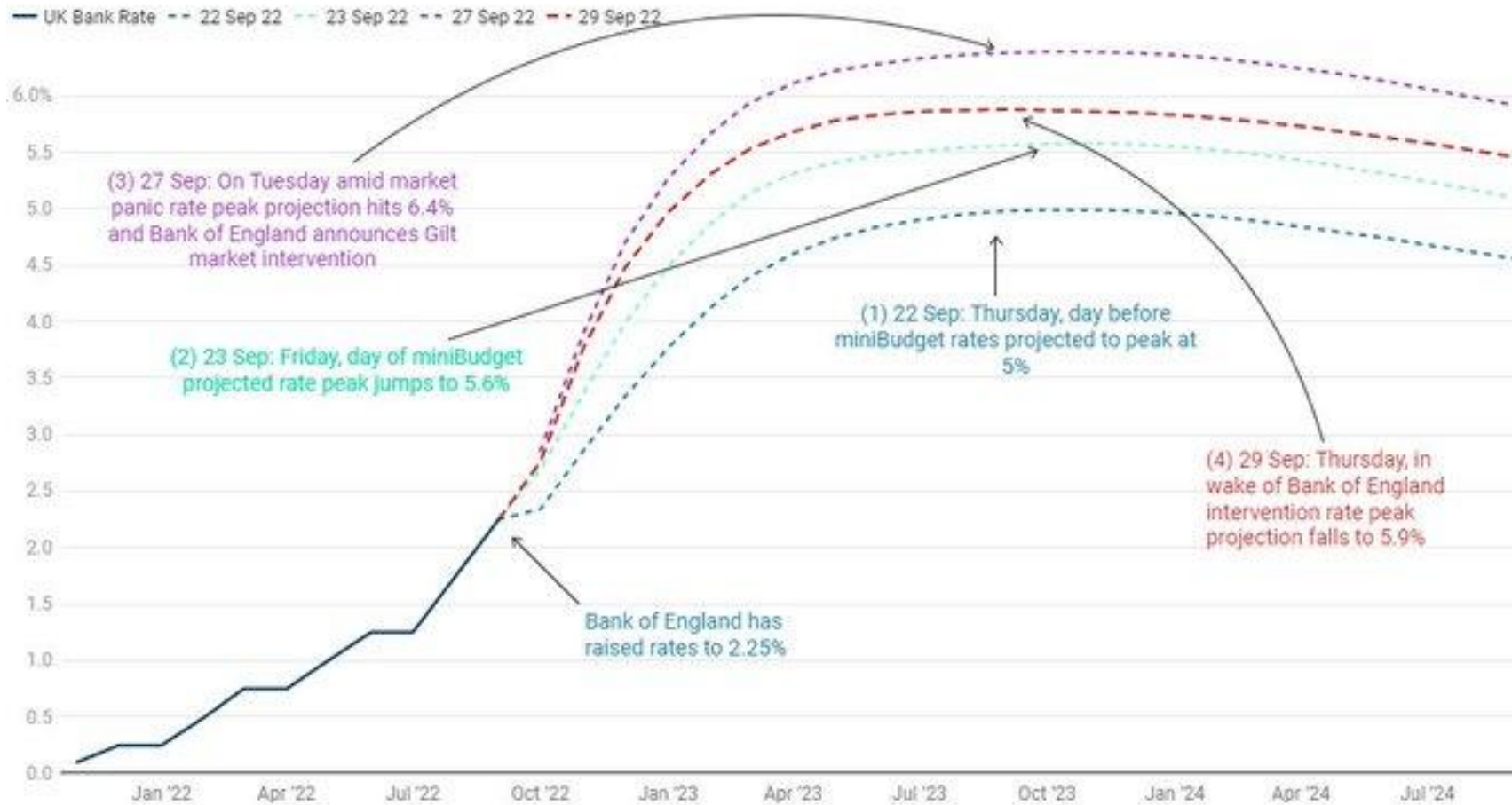
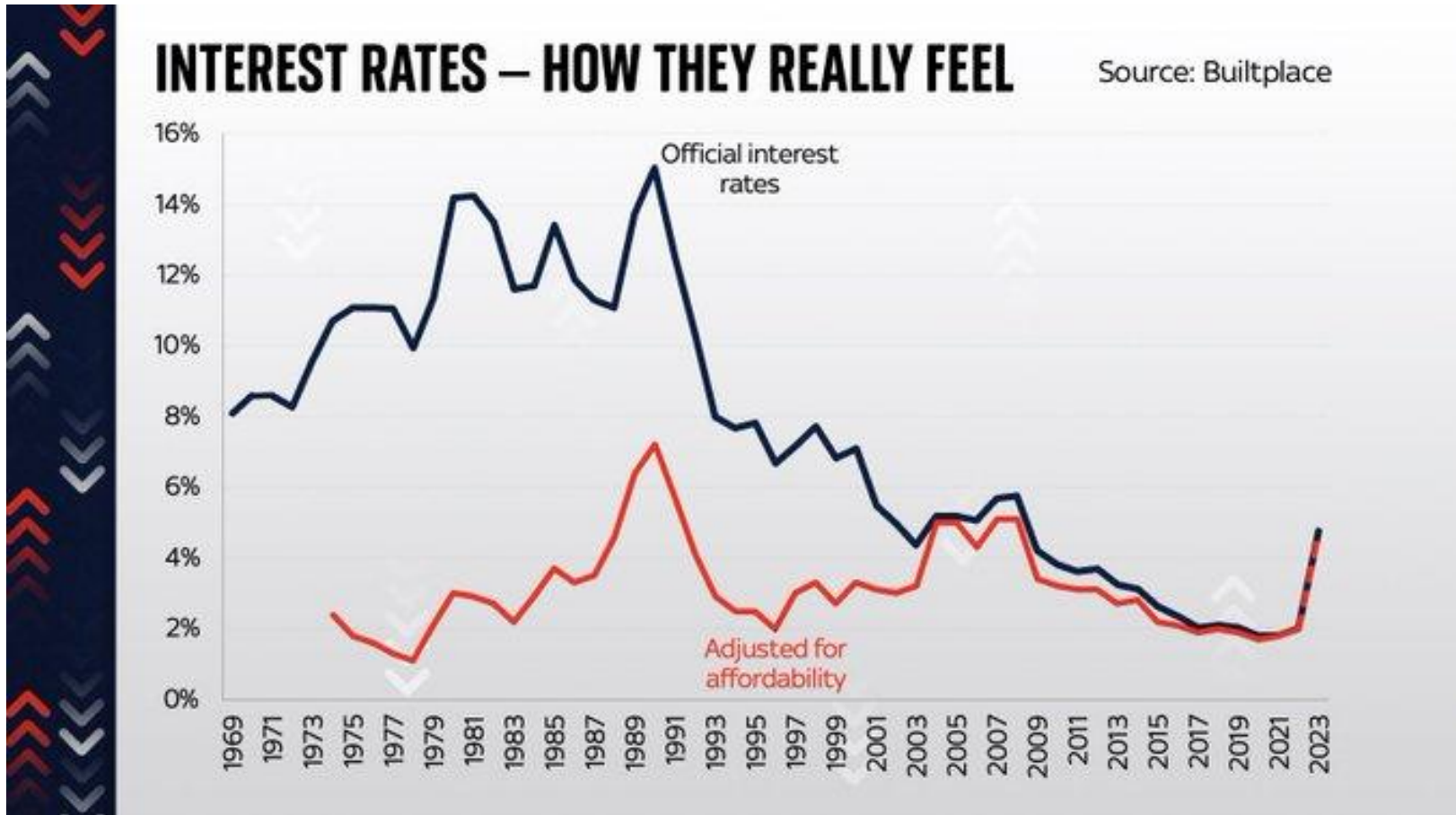


Chart: Ben Chu, BBC Newsnight/Twitter @benchu\_ • [Get the data](#)

...and that will feel nearly as painful as much higher rates in the early 1990s



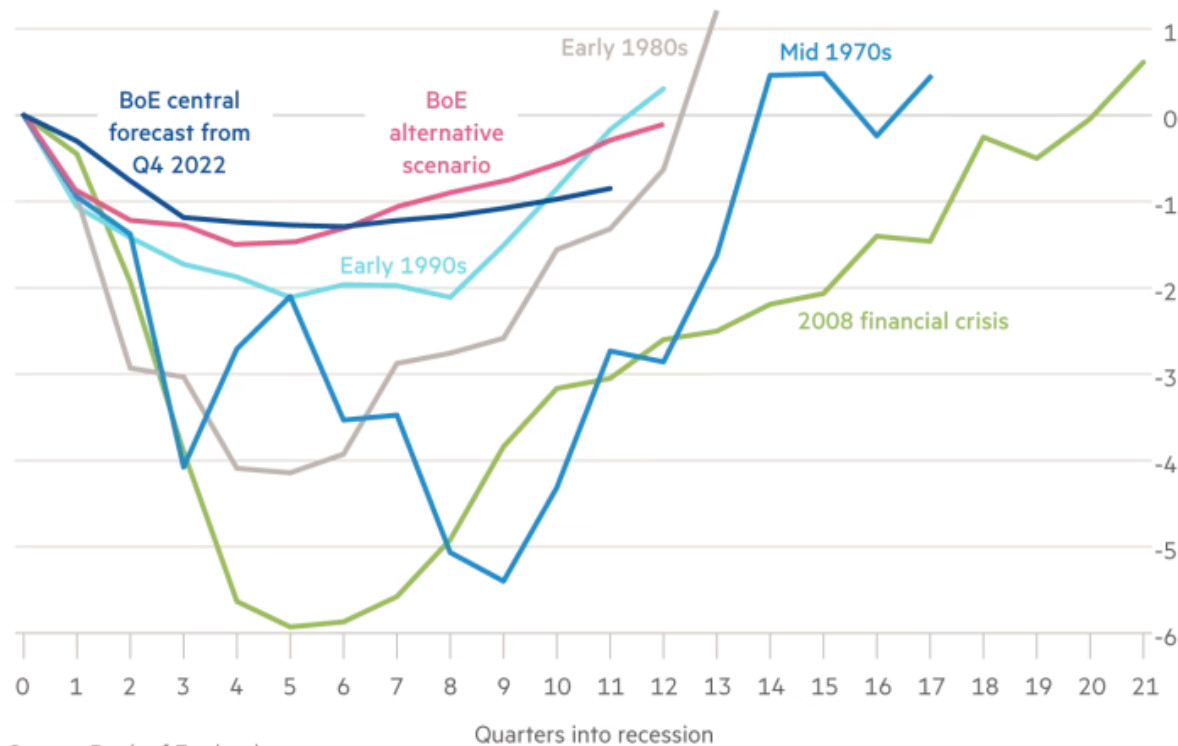
“I’m still not 100% certain the market will crash, but it’s the main assumption now”

**Neal Hudson,  
Henley Business  
School**

# Silver lining #1: if the economy does go into recession, it's unlikely to be a deep one

How the predicted UK recession compares with previous downturns

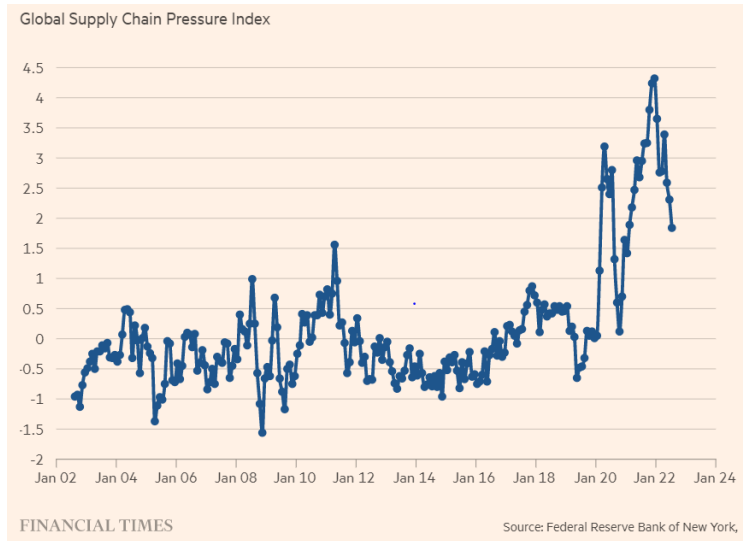
Cumulative % change in GDP from pre-recession peak



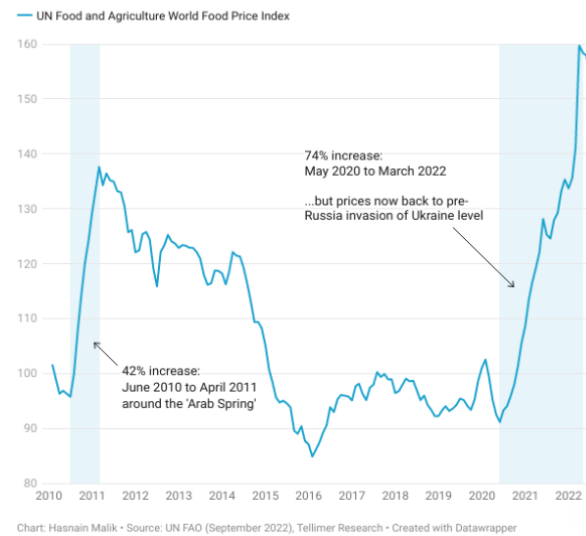
Source: Bank of England  
© FT

# Silver lining #2: there are *tentative* signs some inflationary pressure is easing

## Supply chain pressures are easing



## Food prices are falling



## The price of European gas is also falling



Source: [Tradingeconomics](#)