Government borrowing soars to record £22bn in November

G
overnment borrowing surged to £22 billion last month due to higher interest costs and cost-of-living payments to households.

The Office for National Statistics (ONS) said state borrowing leapt £13.9 billion compared with the same month last year.

The reading represented the highest monthly figure for November borrowing since records began in 1993.

It was ahead of forecasts by economists, who had predicted a figure of £21 billion for the month according to a consensus from Pantheon Macroeconomics.

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Chancellor Jeremy Hunt said: "Faced with the twin global emergencies of a pandemic and Putin's war in Ukraine, we have taken significant action to support millions of businesses and families here in the UK.

"We have a clear plan to help halve inflation next year, but that requires some tough decisions to put our public finances back on a sustainable footing."

Total public sector spending struck £98.9 billion for the month while day-to-day central Government expenditure increased by £13.5 billion to £82 billion for November, the ONS said.

It said this included a 50% hike in interest payments to £7.3 billion, driven by debt interest payments linked to Retail Prices Index (RPI) inflation.

Meanwhile, the Government also witnessed a £3.3 billion increase in social assistance costs to £13.2 billion, driven by the second set of cost-of-living payments to working-age benefit claimants.

The Energy Bills Support Scheme – which is paying out £400 to households over a six-month period – cost the Government £1.9 billion in November.

It also confirmed that the Energy Price Guarantee, which has capped energy costs to £2,500 for a typical household, was the main driver of a £4.7 billion year-on-year increase in subsidies.

Public sector receipts – largely tax revenues for the Government – hit £76.9 billion for the month.

The ONS also revealed that public sector net debt grew by £125.9 billion to £2,477.5 billion compared to November last year.

Divya Sridhar, economist at PwC, said: "The latest data on the UK's public finances reflects the fiscal implications of continued energy bills support and higher inflation.

"Looking ahead, continued energy bills support and the ninth consecutive rise in interest rates announced by the Bank of

England last week will continue to squeeze public finances."

November's figure took borrowing for the first eight months of the current fiscal year to £105.4 billion.

Last month, the Office for Budget Responsibility (OBR) predicted that borrowing would strike around £177 billion for the full 2022-23 year.

However, Martin Beck, chief economic adviser to the EY Item Club, said the new data "implies that borrowing is on track to undershoot" the OBR projection.

He added: "But it is almost impossible to be confident about this, given the uncertainty around the future path of energy prices – and, therefore, the cost of the energy price guarantee – and the lack of a monthly OBR forecast to benchmark against."

The latest OBR forecasts were delivered last month after the Chancellor announced a series of spending cuts and tax increases aimed at addressing the growing deficit in his autumn budget.

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In the budget, the Chancellor announced that thresholds on income tax personal allowance and national insurance would both be frozen for a further two years.

He also said tax-free allowances for dividend and capital gains tax are due to be cut next year and in 2024.

There was also confirmation that the windfall tax on oil and gas producers will be extended, alongside a new 45% tax on companies which generate electricity.

Liberal Democrat Treasury spokeswoman Sarah Olney said: "This

Conservative Government has put our economy between a rock and a hard place by failing to get inflation under control and pushing the UK’s borrowing costs even higher with their catastrophic mini-budget.

“It’s an outrage that hard-working families will be picking up the tab for their incompetence for years to come.

“Ministers can’t use these figures as an excuse for hitting households with tax rises and cutting public services, when they caused this crisis in the first place.”