

Rishi Sunak 'set to cut defence spending in real terms' as inflation soars

Rishi Sunak is said to be preparing to cut defence spending in real terms as planned budget hikes are dwarfed by soaring inflation.

The allowance for all departments, including the [Ministry of Defence](#) (MoD), will rise in line with the 2021 spending review, representing a cash boost, according to reports.

But it has been suggested this will be devalued by inflation, which is currently at 10%.

The Chancellor has warned of a "tough road ahead" for the UK, with GDP contracting by 0.2%.

[Jeremy Hunt](#) said on Friday he will be working to make a possible recession "shallower and quicker" in his highly anticipated autumn budget, which he will unveil on Thursday.

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Sticking with the 2021 spending review would see the MoD

budget increase in cash terms from £47.9 billion this year to £48 billion in 2023 and then £48.6 billion in 2024.

Meanwhile, CPI inflation is expected to have risen further last month after hitting a 40-year high of 10.1% in September.

The Conservative manifesto in 2019 pledged to “increase the budget by at least 0.5% above inflation every year of the new Parliament”, suggesting failing to add to the planned rise could constitute a breach.

But the Telegraph reported ministers will argue the promise can be met by taking the average annual increase across the five-year period as a whole.

A Treasury source said they would not comment on speculation.

General Lord Richard Dannatt, the former head of the army, told the newspaper a real terms cut would seem “incredible” given the situation in Ukraine.

“The [Government](#) has to cut public expenditure in order to balance the books as it is reluctant to raise taxes, but it does seem incredible that with a land war in Europe it feels it can cut the defence budget,” he said.

“Given that we have had 2.5% and 3% waved under defence planners’ noses, now to be cutting it to 2% or under, it makes you wonder how on earth you can plan anything sensible for the future.”

The Chancellor has suggested next week’s autumn statement will show the UK can “pay our way” as the country learns the lesson of the disastrous mini-budget.

He made the comments on Friday after his predecessor [Kwasi Kwarteng](#) used his first interview since his dramatic exit from Government to argue that the Prime Minister and Chancellor cannot put the blame for the massive black hole in the

nation's finances on Liz Truss.

Mr Kwarteng, speaking to TalkTV on Thursday, refused to apologise for the financial turmoil unleashed by the mini-budget, but acknowledged it had caused "turbulence".

"The only thing that they could possibly blame us for is the interest rates and interest rates have come down and the gilt rates have come down," he said.

"It wasn't that the national debt was created by Liz Truss's 44 days in government."

On September 23, Mr Kwarteng announced the biggest raft of tax cuts for half a century.

Using more than £70 billion of increased borrowing, he set out a package which included abolishing the top rate of income tax for the highest earners and axing the cap on bankers' bonuses, on top of a massively expensive energy support package.

This triggered turbulence in the financial markets, sparking an economic and political crisis that eventually led to Ms Truss's resignation as prime minister.

Mr Hunt said: "When we produced a fiscal statement that didn't show how we were going to bring our debts down over the medium term, the markets reacted very badly and so we have learned that you can't fund either spending or borrowing without showing how you are going to pay for it and that is what I will do."