

UK borrows another £17.4 billion as national debt hits highest level since the 1960s

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[OVERNMENT](#) borrowing levels fell in November but [City economists](#) are fearful that it may surge again if new [Covid](#) restrictions are ordered.

The latest figures from the [ONS](#) show the government borrowed £17.4 billion last month. While that is the second highest amount for that month on record, it is down £4.9 billion on a year ago.

But it was higher than the £16 billion forecast by a Reuters poll of economists.


The recent rise in [interest rates](#) by the Bank of England adds £4 billion a year to the cost of servicing this [debt](#).

Richard Carter, head of fixed interest research at Quilter Cheviot, said: “We know there could well be an Omicron-shaped black hole in the public finances, we just don’t yet know how big it could be. The Chancellor has so far declined to offer any additional financial support to businesses, despite the advice to avoid as much social contact as possible. This will have to change if further restrictions are introduced, particularly if the new restrictions take the form of a fire-break lockdown.

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“The furlough scheme was one of the largest and most expensive labour market interventions ever in the UK, costing around £70bn. Sunak would have hoped this was in the rear view mirror, but unfortunately it may well just have to come back out of retirement, albeit perhaps in a different form.”

Michal Stelmach, senior economist at KPMG UK, said: “Unlike during previous recoveries, monetary policy will have large fiscal implications as the Bank prepares to withdraw its stimulus. Around a half of total public debt is linked to either inflation or the Bank of England’s interest rate via QE, both of which will put further upward pressure on servicing costs next year.

“Taken together, with three further rate hikes that we expect by the end of 2022-23, they could add as much as £11bn to borrowing that year, eating up over a half of the Chancellor’s current fiscal headroom.”

The total UK government debt has been pushed up to more than £2.3 trillion at the end of November this year – the highest level recorded since the early 1960s.