Treasury grossly inflates debt interest

The Treasury forecast for debt interest this year is £83bn, up from £23.5bn in 2021-21. Trying to scare us all, they do not spin out their forecast of debt interest for 2024-5 as they see it tumbling to £ 46.7bn, a fall of 44% from this year’s estimated number.

They chose to count oranges and apples in their figure. They add to the actual debt interest paid out to savers who hold government bonds the amount by which index linked bonds increase in capital value on eventual repayment. No cash passes to the bond holder alongside the regular interest payments. On repayment of the bond at the enhanced value the government usually rolls over the debt and borrows the new amount. What matters when drawing up the annual budget is the cash cost of paying the interest on the debt, not the eventual capital repayment value of indexed debt.If this matters the government should also credit itself with the fact that the bulk of the debt will be repaid in devalued pounds, a large real saving at current inflation rates.

Strange on their own figures the Treasury do not want to spread the great news debt interest is about to fall off a cliff next year. Why are they playing these games? They seem determined to sandbag the U.K. economy with big tax rises at the same time as the Bank of England sticks up interest rates and the inflation that have created slashes real incomes. They clearly want no growth or a recession.