

Philip Hammond will not tell the truth about the UK's d...

Published: January 15, 2026, 10:47 pm

Philip Hammond will not tell the truth about the UK's debt today.

It is likely that he will say that the UK will notionally borrow substantially more than the £55.5 billion that was budgeted by George Osborne for this year.

What he will not say is that £60 billion of government debt has also been cancelled this year. This is because of the Bank of England's QE programme, which will [purchase £60 billion of gilts](#) during the year. And what that means is that the government will have bought £60 billion of its own debts. And [as its own accounts show](#), that cancels the debt in question.

This means that whilst the deficit may be of the scale he will talk about the increase in debt will not be. That will be much, much, smaller. And in the overall consideration it is the debt that matters.

It is debt that requires interest payment, and the £60 billion of gilts repurchased will not be subject to interest payment anymore.

And nor will they ever be repaid: even if they expire they will simply be replaced by new debt and almost no net cost.

So the cost of running a deficit will be vastly smaller than Philip Hammond will imply. Even the inflation risk for this reason is minimal, as the last few years have shown. There is an inflation risk from Brexit, but not from money printing.

So what does this mean? Three things, I suggest.

First, the money is available to invest. All of this sum could have been made available for that purpose, but was not. He need not tinker (as he will) with housing in that case: the government could be out there building.

Second, austerity is unnecessary, but Hammond will say otherwise and will keep a firm commitment to it in his rhetoric.

Third, the state of government funding is vastly better than he will imply.

So the question has to be asked as to why he will not tell the truth, and that answer is crystal clear. He will lie (I use the word advisedly; he knows that he will not be telling the truth) because he does not want to invest, he does want to impose austerity and he does want to diminish the role of government.

Don't doubt that everything said about debt today will be political, because it is.