

Inflation rise is a "disaster for the market"

Brokers have reacted to the latest inflation data



By Jake Carter

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With inflation rising by 0.7% on a monthly basis, according to the latest consumer price inflation (CPI) figures from the Office for National Statistics, Mortgage Introducer sought the views of several brokers to understand what this means for the housing market.

Disaster

Lewis Shaw (pictured), founder of Shaw Financial Services, said [the latest inflation data](#) was a disaster for the market.

"With CPI having stayed the same and core CPI rising, we can expect to see gilt yields spike as investors look for higher returns from government debt," he said.

The knock-on effect of the latest inflation data, Shaw said, was mortgage rates would continue to soar and the pain for households would intensify.

"With mortgage rates already at the most painful level since the 90s, we can expect a slowdown in the property market and house prices are well and truly in the crosshairs," Shaw added.

Find out [what is the lowest mortgage rate ever in the UK](#) by reading this article.

John Choong, an equity and markets analyst at Investing Reviews, said May's inflation print was yet another disaster as the headline figure was left unchanged from last month's 8.7%.

"This comes in higher than what the market had been expecting, 8.4%; this has not been helped by core inflation, which has risen to a high of 7.1%, pushed by air travel, recreational and cultural goods and services, and second-hand cars," Choong added.

Due to the hotter than expected print, Choong said bond yields were now expected to rise to their highest levels since 2008, which would put even more pressure on mortgage rates and an already delicate housing market.

The one bright spot, however, he said was that the price of motor fuel fell in May, while food inflation continued to slow down.

"Even so, the UK economy remains in big trouble as the Bank of England may have no choice but to trigger a recession by hiking rates rapidly, as robust discretionary spending shows no signs of abating," Choong added.

Out of the box solutions

Gary Bush, financial adviser at the Mortgage Shop, said this latest inflation figure was terrible news for us all, and he believed it would start another round of mortgage rate crisis for at least the next month.

"It is clear that the UK appears to be trading well but with this awful inflation rate still troubling us, the Bank of England is going to keep pulling on the rate increase lever," he said.

Bush believed it was time for the government to look out of the box a little and work on other controls that they had within their grasp, as he said beating the UK public over the head with higher interest rates was going to cause some real long-term pain, unless it was careful.

Andrew Montlake, managing director of Coreco, said the latest inflation data was set to upset an awful lot of people, leading to a new set of rates rises that would compound the pain of a cost-of-living crisis on the public.

"A further rise in Bank of England base rate was a nailed-on certainty after the inflation data," Montlake said.

Montlake added that the central bank had one job to do and it was painfully clear that the tool it was currently using was a blunt instrument against inflation, that is now endemic.

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Rather than keep doing the same thing, he believed, the bank should pause for thought and look at a different approach before it inflicted real harm on the economy and on people's livelihoods.

What impact do you expect the latest inflation data to have on the mortgage market? Let us know in the comment section below.

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