Will the latest GDP data influence next week's rate rise decision?

Brokers discussed what rate decision they believe the Bank of England will make.

RELATED TOPICS: FINANCE NEWS | ROZI JONES | EDITOR, BARCADIA MEDIA LIMITED | 13TH MARCH 2023

The latest GDP data shows that the economy is estimated to have grown by 0.3% in January 2023, after falling by 0.5% in December 2022.

"It's starting to look like this inflation is stickier than perhaps everyone thought, meaning rates may be higher for longer"

Newspage asked brokers whether this could impact the Bank of England base rate decision next week, and what rate decision they believe the Bank of England will make.

Lewis Shaw, owner and mortgage broker at Riverside Mortgages: "Growth of 0.3% means the economy is still smaller than it was in December. Despite the worsening economic outlook, the Bank of England will have to increase the base rate in response to the Fed's decision, which is set to be another increase. It's starting to look like this inflation is stickier than perhaps everyone thought, meaning rates may be higher for longer. As we've been saying for some time now: this is the new normal and borrowers need to accept that fact."

Graham Cox, director at Self employed mortgage broker SEMH: "Clearly, the inflation figure is all important to the Bank of England's next move. So far it's fallen very slowly, because whilst wholesale energy and fuel prices have decreased, food inflation is still rampant. Most economists seem to think we'll see significant falls in the inflation rate quite soon, so my best guess is there will be no increase in the Bank of England base rate on March 23rd, which will be a welcome relief for anyone looking to buy a property or remortgage."

Samuel Mather-Holgate, independent financial adviser at Mather and Murray Financial: "A 0.25% rise is the most likely scenario from the Bank of England next week. However, the expectation is that this won't be the last hike. There's still 0.5% of increases to come, and they might just be split into two. The GDP figure was expected to have a bump this month as the premier league football season reopened after the World Cup. The overall trend is still gloomy, and the Monetary Policy Committee don't seem interested in the real economy, only the inflation print that is in front of their noses."

Justin Moy, managing director at EHF Mortgages: "A base rate increase of 0.25% is looking more likely at the moment, if only because it gives the Bank of England scope to do the same at the following meeting if required. Flat growth needs some stimulus to change, but with rates across the pond much higher than in the UK, external influences may be more of a threat to our mortgage rates than the GDP data alone. Inflation figures are probably more important than GDP at the moment."

Riz Malik, director at R3 Mortgages: "The economy growing by 0.3% is the equivalent of me going to a Slimming World meeting and being told I've lost an ounce in the past week. The sooner we enter a recession, the sooner the Government and the Bank of England can take action to get us out of this mess. The economy needs stimulation and a base rate increase will certainly not help."

Rob Gill, managing director at Altura Mortgage Finance: "As several MPC members have made clear recently, inflation is the big driver of the Bank of England base rate at the moment. Indeed, the Bank has never had a clear mandate to monitor GDP when setting interest rate policy so, while it certainly forms part of the picture, I expect its laser focus on inflation to remain."

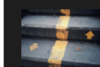
Luke Thompson, director at PAB Wealth Management: "The mood music on the economy seems to have been reasonably positive in the past few weeks. With this in mind, I think the biggest concerns will be around if inflation falls as quickly as had been expected. If it doesn't, I think this will leave the Bank of England in a difficult position as a lot of previous signals had been that most of the interest rate rises had taken place. If the economy performs better than expected and inflation remains stubbornly high, this could cause a rethink on interest rates and there could even be room for them to rise further later in the year. I think for the next MPC meeting a 0.25% rate rise will be the most likely outcome but a lot will depend on the inflation figures. If they are not as positive as hoped, we could be looking at another 0.5% raise."

Gary Bush, financial adviser at MortgageShop.com: "GDP data is positive, and our personal view is that the UK economy will show good signs of recovery this year, as long as politicians demonstrate grown-up thinking, unlike the mini-Budget of last year. As for the Monetary Policy Committee meeting, we hope that they increase by 0.5%, which "should" then leave them the opportunity to rest on their laurels for the 11th May and subsequent meetings to view inflation continuing to decrease, hopefully to a more acceptable level. The knock-on effect of this would be that the money markets will relax a little, post-April, and we should start seeing mid-3% fixes return to the market, if not lower, to allow lenders to compete for market share."

David Robinson, co-founder at Wildcat Law: "If anything, the anaemic growth figures will encourage the Bank of England to continue with their current rate programme. While rate rises have arrested the death slide of Sterling against the US Dollar, it is still trading in the $1.20 range to £1 vs over $1.30 at the start of 2022. This means that imports such as

Related articles

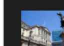
More base rate rises expected as GDP grows 0.2%
14TH JUNE 2023



UK economy grew 0.3% in November but remains on the brink...
12TH JANUARY 2024

UK at risk of recession as GDP falls in Q3 after no...
22ND DECEMBER 2023

Next article



More base expected a 0.2%
14TH JUNE

energy remain, in relative terms, more expensive."

Comments

ADD A NEW COMMENT

Latest CPD Article

Our Latest Events

FINANCIAL REPORTER
ROADSHOW BRISTOL

Wednesday, 6th March 2024
Up to 3 hours CPD available

JOIN THE WAITING LIST

More like this

19TH JANUARY 2024

Financial services company fined £50k for spam text messages

The firm sent more than 31,000 text messages without valid consent.

company fined £50k for spam text messages

The firm sent more than 31,000 text messages without valid consent.

18TH JANUARY 2024

Housing market activity continues to improve as mortgage rates...

Buyer enquiries recorded the least downbeat reading since April 2022.

continues to improve as mortgage rates...

Buyer enquiries recorded the least downbeat reading since April 2022.

FCA launches industry-led sustainability working group for...

17TH JANUARY 2024

Financial Reporter launches 15th annual Awards programme

17TH JANUARY 2024

House prices see largest annual fall since 2011: UK HPI

17TH JANUARY 2024

"Bank of England's battle is far from

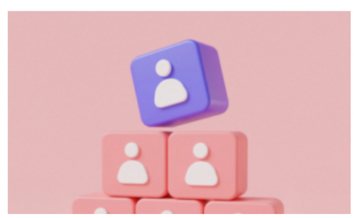
17TH JANUARY 2024

"Bank of England's battle is far from over" as inflation sees...

17TH JANUARY 2024

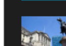
Latest from Property Reporter

Latest from Protection Reporter



Next article

Loads in 28...



More base rate rises expected as GDP grows 0.2%

14TH JUNE 2023