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What do today's inflation data mean for mortgage and property markets? Experts react

by Sue Whitbread | May 24, 2023

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On the surface of it, the inflation data published this morning by the ONS might appear to be good news as the headline number dipped back to single figures. However there are signs that inflation is becoming rather embedded in the UK economy which is not such good news. But what does this latest data mean for the mortgage and property markets in the UK?

Mortgage brokers and other property experts have been sharing their reaction to the news as follows:

Rohit Kohli, director at Romsey-based mortgage broker, The Mortgage Stop: "The latest inflation data shows a fall, but it's essential to remember this still represents a rise in prices, perpetuating the cost of living crisis. Although the drop is less than economists predicted, it's a positive sign. From a mortgage perspective, the Bank of England could hold the base rate at their next meeting, awaiting the further impact of easing energy prices on inflation. This could provide some relief to borrowers, potentially keeping mortgage costs steady in the short term. However, the high inflation rate continues to put pressure on the property market. For savers, the ongoing high inflation erodes real returns, reinforcing the need for strategic financial planning. Sterling and markets could experience mixed reactions given the drop wasn't as high as expected. Lastly, while a decline in inflation is beneficial for the UK economy, the current rate is still high and not really a cause for celebration or a result of any real government interventions."

Riz Malik, director of Southend-on-Sea-based independent mortgage broker, R3 Mortgages: "The drop in UK inflation from 10.1% to 8.7% is a promising sign, potentially preventing further Bank of England rate hikes. If inflation continues to fall, it could offer borrowers relief, support the property market and likely foster a positive reaction in both sentiment and the markets. The UK needed some good news and this certainly is it."

Simon Webb, managing director of capital markets and finance at LiveMore, the mortgage lender for the 50-9-+ age group, commented:"High energy prices have played a big part in soaring inflation but that is now falling as are fuel costs. Hopefully, this is the start of inflation heading downwards towards the 2% target although high food prices may make is a slow journey.

"The big question is whether this fall in inflation is enough to stave off another base rate rise. Two out of the nine members of the Monetary Policy Committee voted for not increasing base rate at the last meeting so there is certainly appetite for no more rises.

"Of course, inflation is not the only consideration for setting base rate as the wider economic situation and cost of living crisis comes into play. Borrowers on tracker rates don't want to see their monthly repayments go up yet again and UK Finance recently reported a rise in arrears and repossessions – clear evidence that more people are struggling."

Samuel Mather-Holgate of Swindon-based advisory firm, Mather & Murray Financial: "Finally we are seeing some good news, and this will be most welcome by those involved or invested in the property market. There will be more, significant falls to come. The Bank of England are ultra cautious on inflation though, and won't start moving on rates until we are near target, so probably not until September. Finally, we are heading in the right direction though."

Graham Cox, founder of the Bristol-based broker, SelfEmployedMortgageHub.com: "Though expected, the first significant drop in inflation since the cost of living crisis began shows a chink of light at the end of the tunnel. However, for people on lower incomes, their personal inflation rate will remain much higher, as they spend disproportionately more on food and energy. Further Bank of England base rate increases are hopefully less likely, which could see Sterling come off its recent gains against the Dollar and Euro."

Justin Moy, founder at Chelmsford-based mortgage broker, EHF Mortgages: "This is what the country has been waiting for. It is great news to see such a sizeable reduction in the inflation rate, and it will hopefully be enough for the MPC to defer any further increases in the base rate. Prices as a whole are still increasing way above the target rate of 2%, but we all want to feel some positivity around the economy and this news will give us some hope."

Gary Bush, financial adviser at the Potters Bar-based MortgageShop.com: "The latest inflation figure at 8.7% is music to our ears and should give a fair reason for the members of the Bank of England Monetary Policy Committee to rest on their laurels and leave the base rate as it is. The mortgage market and property activity have both been good despite the base rate increases of late and so this will inject even more confidence into the market. I'd hope to see Sterling bounce on this news, as in my mind, having also dodged the recession bullet, the UK looks to have a brighter future."

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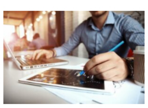

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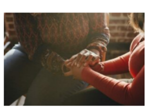

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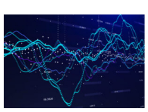

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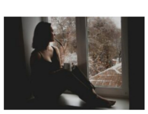

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