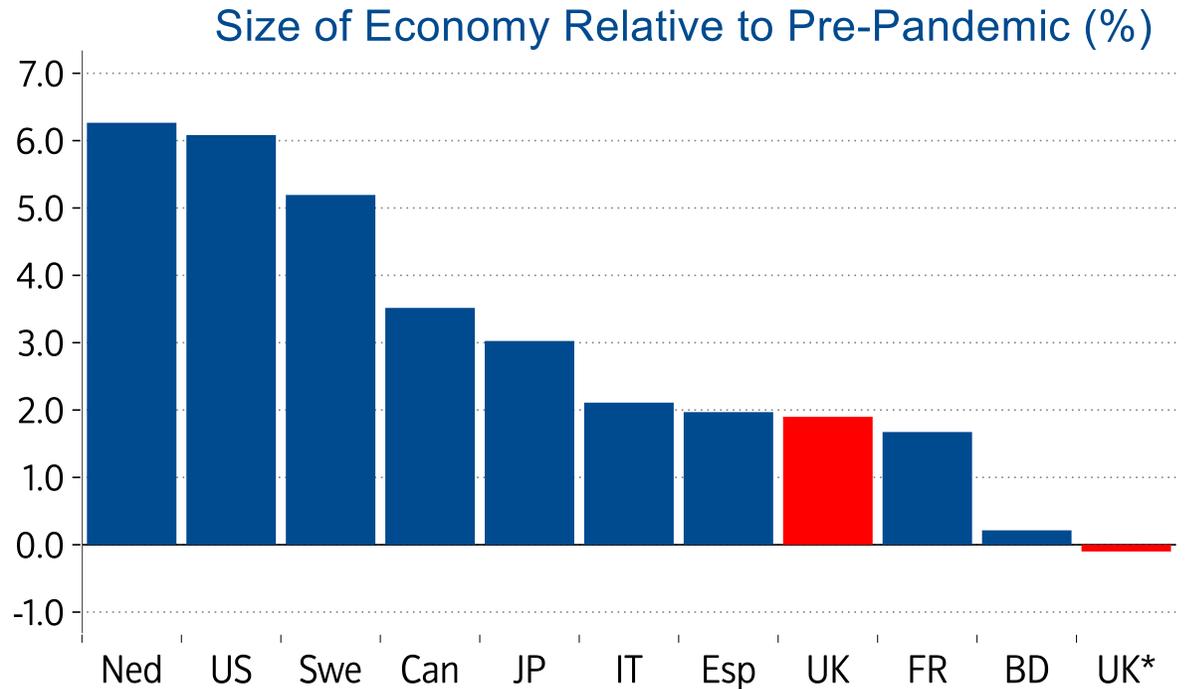
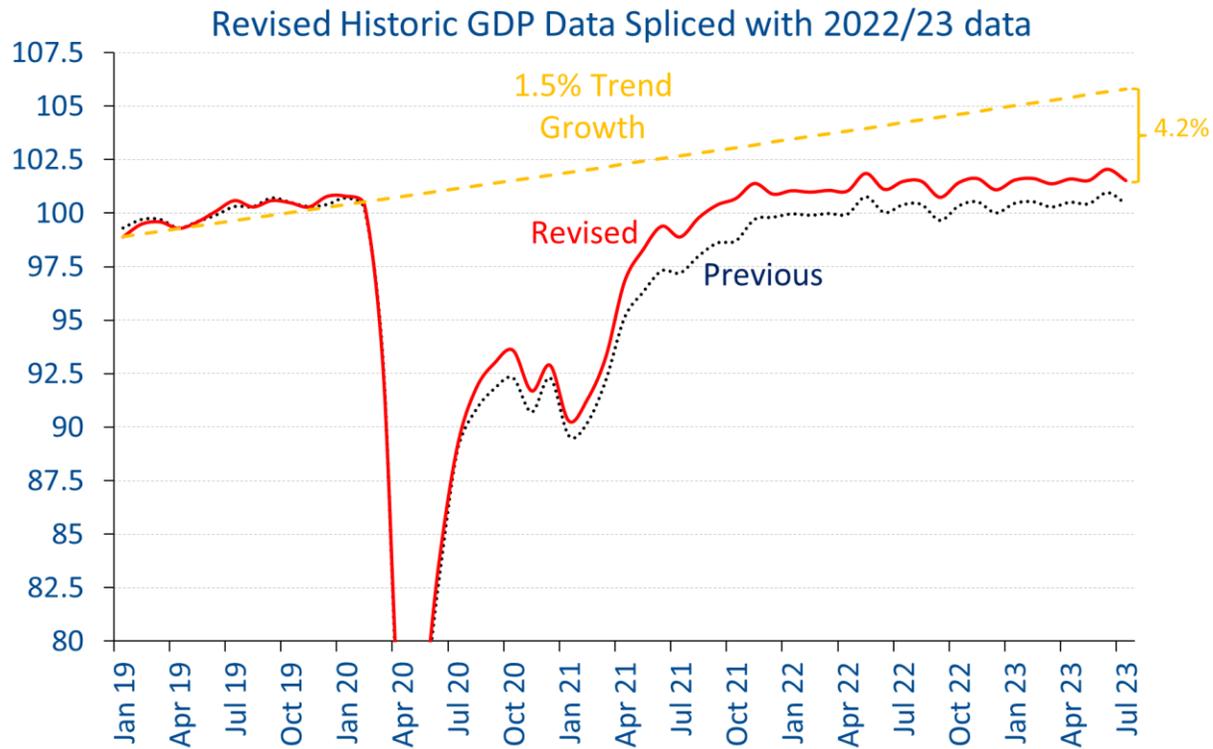


UK Economy and Housing Market: Recent trends and Outlook

Robert Gardner
Chief Economist
October 2023



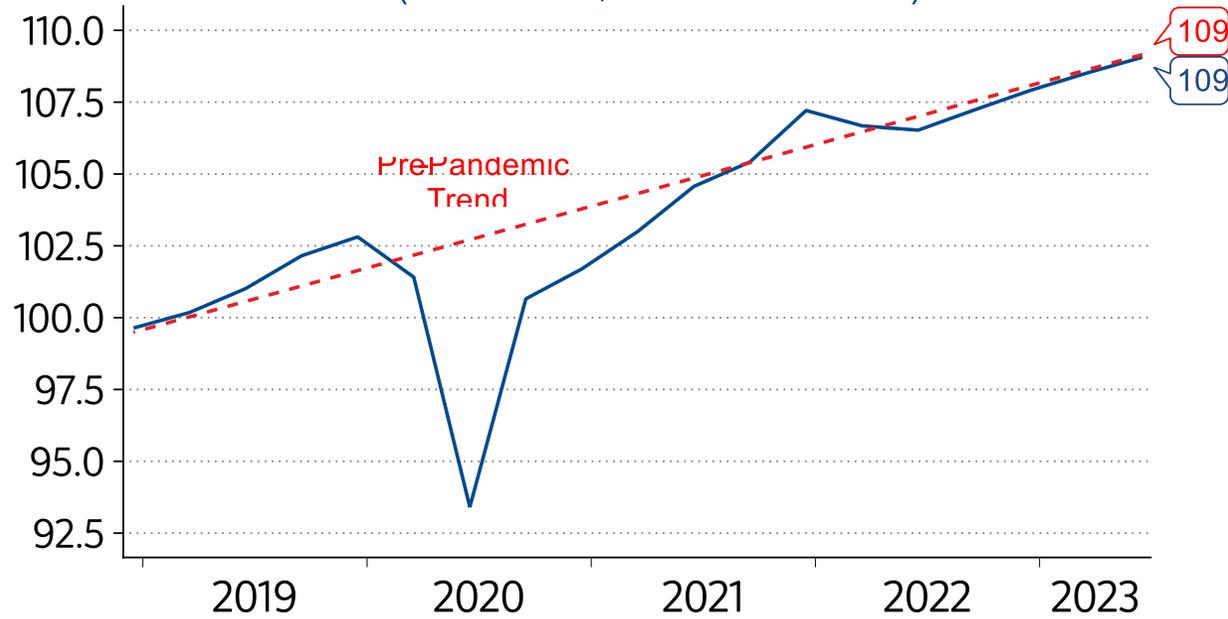
The UK economy has been performing better than expected, but still.....



Source: U.K. Office for National Statistics (ONS), French National Institute of Statistics & Economic Studies (INSEE), German Federal Statistical Office (Statistisches Bundesamt), Italian National Institute of Statistics (Istat), U.S. Bureau of Economic Analysis (BEA), Japanese Cabinet Office (CAO), Statistics Netherlands (CBS), Statistics Sweden (SCB), Statistics Canada, Spanish National Statistics Institute (INE)

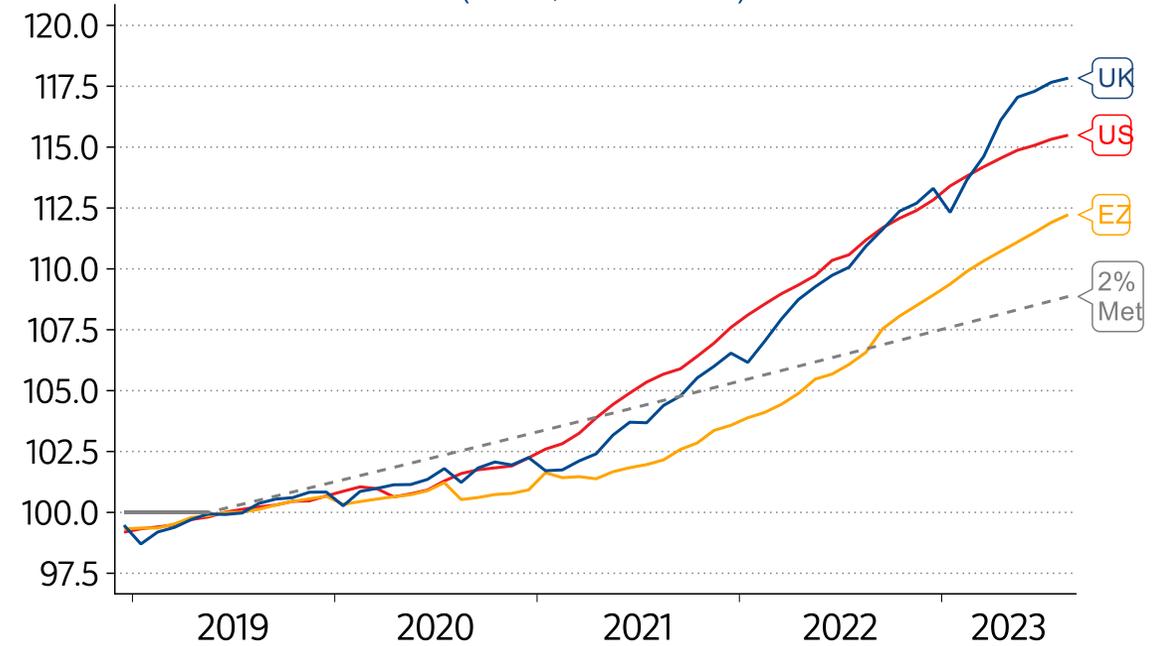
Not all countries have suffered the same fate, and our inflation performance has been noticeably worse....

US Economic Output vs Pre-Pandemic Trend (Real terms, index: 2019=100)



Source: BEA

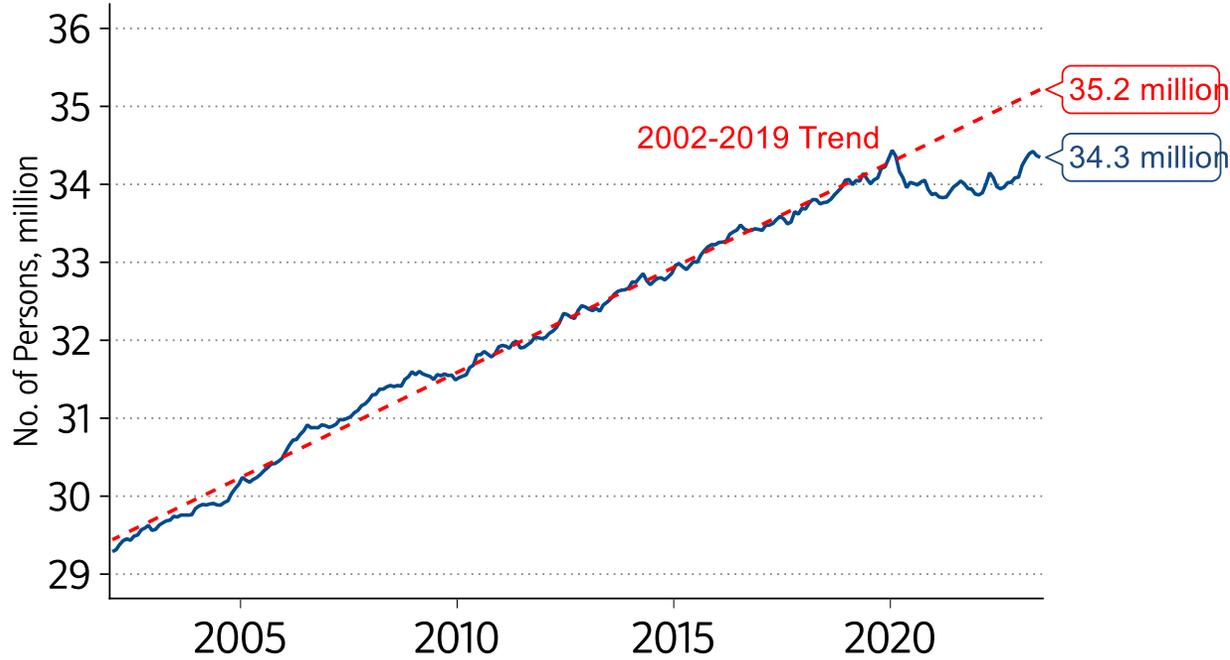
Core Consumer Price Indices in Levels (Index, 2019 = 100)



Source: BEA, Eurostat, ONS

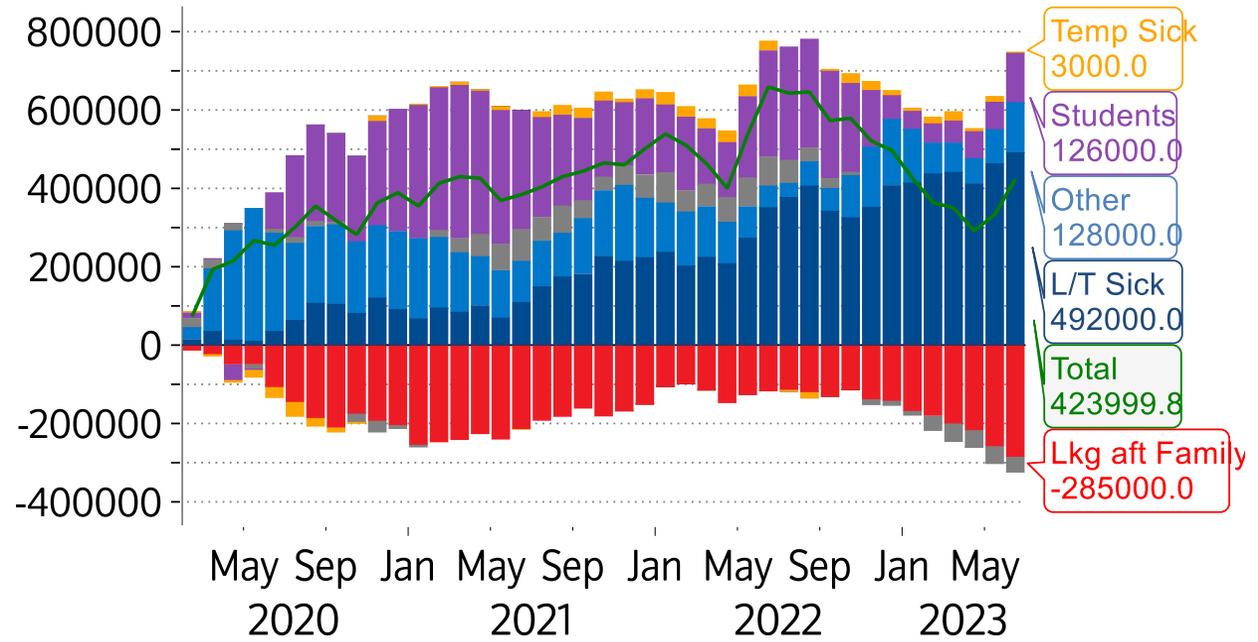
This in part reflects the damage done to the supply side of the UK economy, especially labour supply

UK Labour Force



Source: ONS

Cumulative Change in Inactivity Since Feb 2020 by Reason



Source: ONS

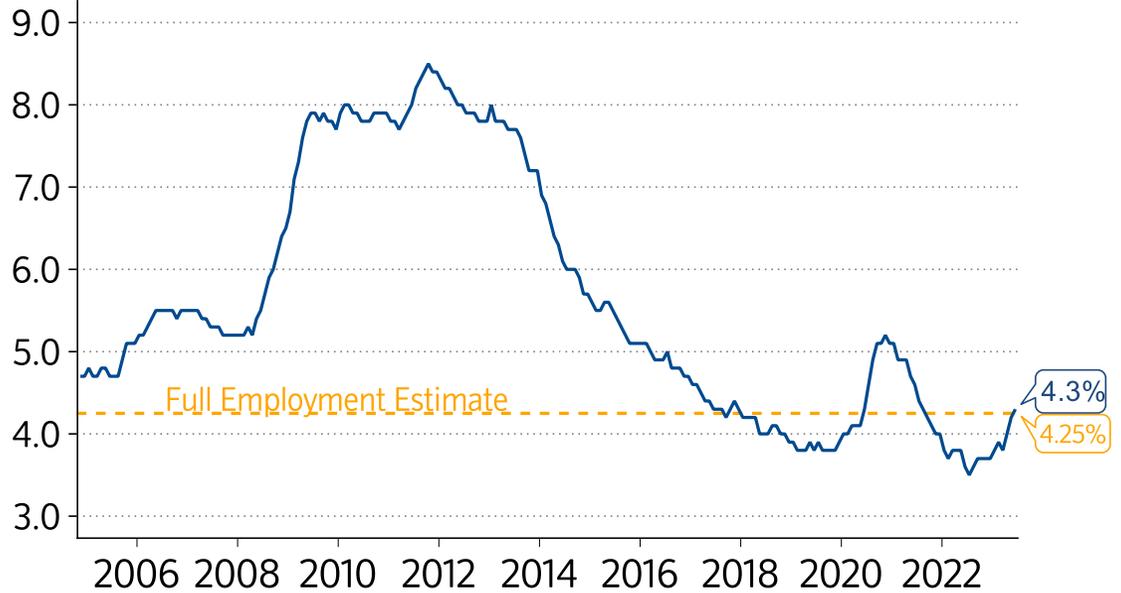
Enormous uncertainty about demand and supply prospects, combined with policy lags are making the MPC's job even more difficult than usual.....have rates peaked?

Market Implied Bank Rate Peak Over Five Year Horizon (%)



Source: Bank of England

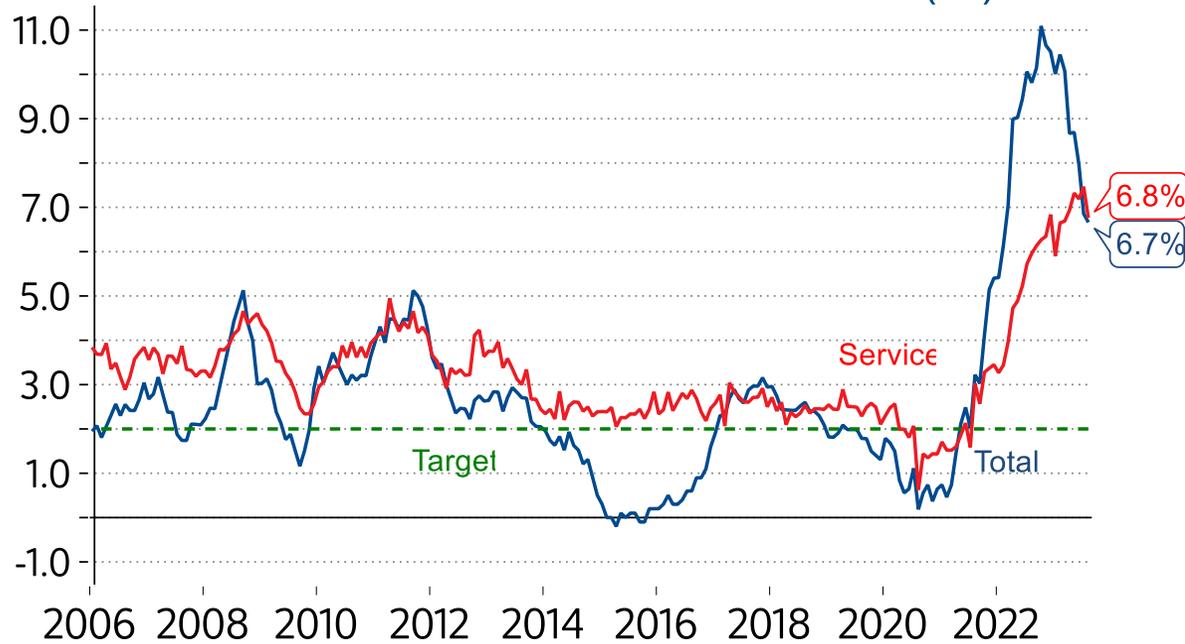
Unemployment Rate (%)



Source: ONS

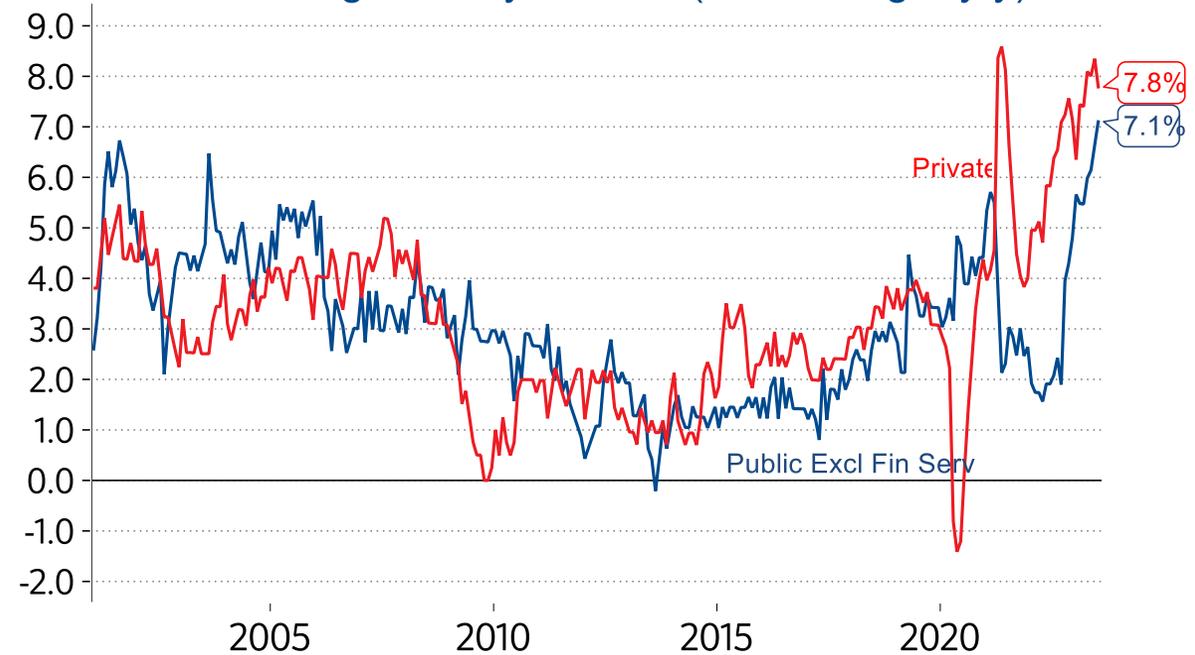
Encouraging signs on the gauges the MPC is watching most closely, but it's not all one-way traffic....

UK Consumer Price Inflation (%)



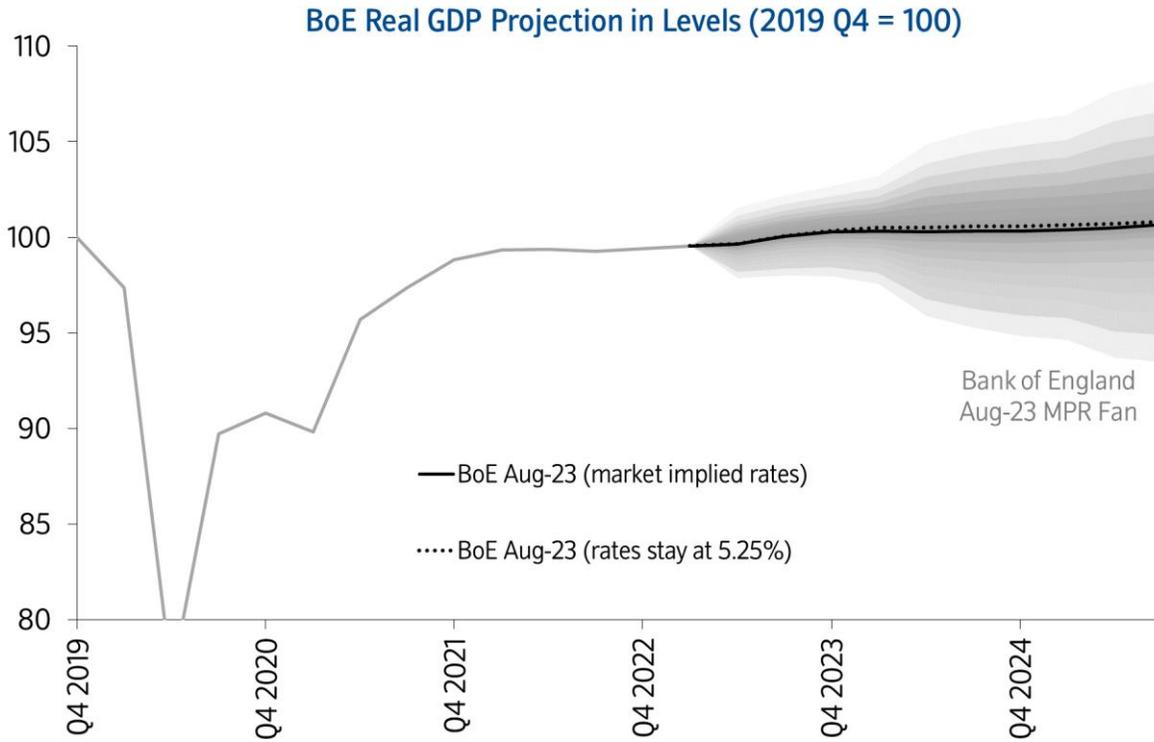
Source: ONS

Regular Pay Growth (3M average, y/y)

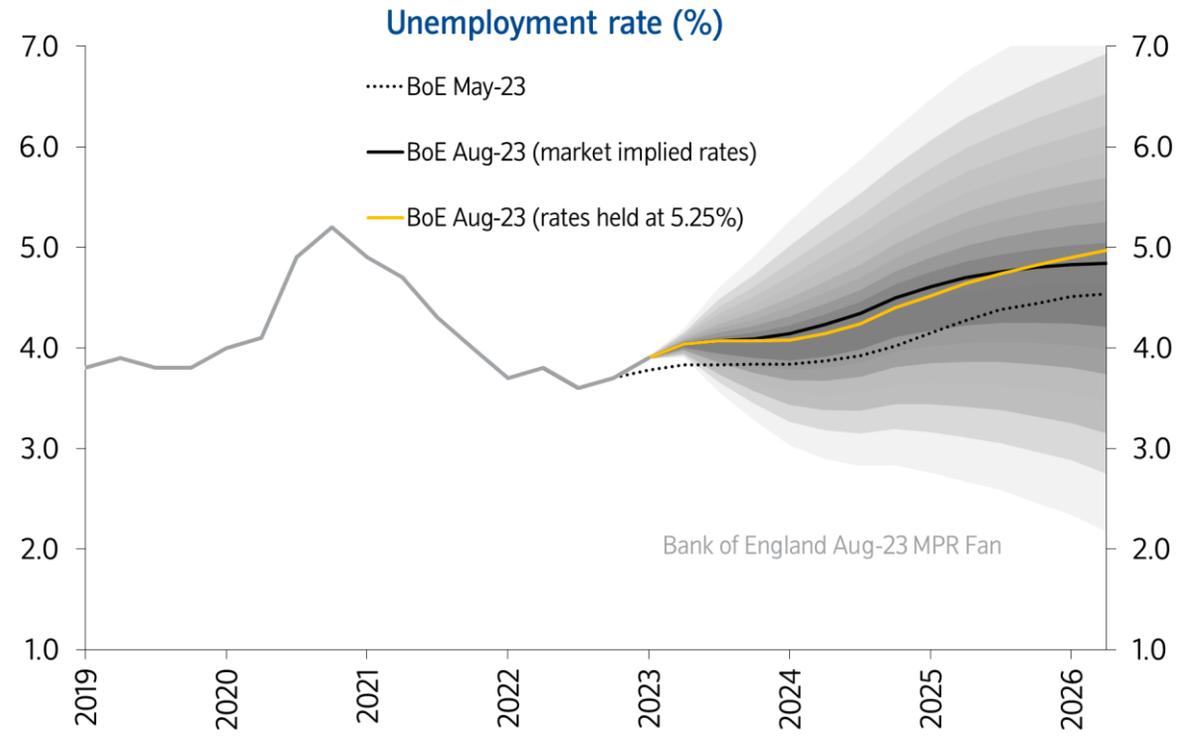


Source: ONS

Where next? Many paths, but relatively soft landing appears the most likely....

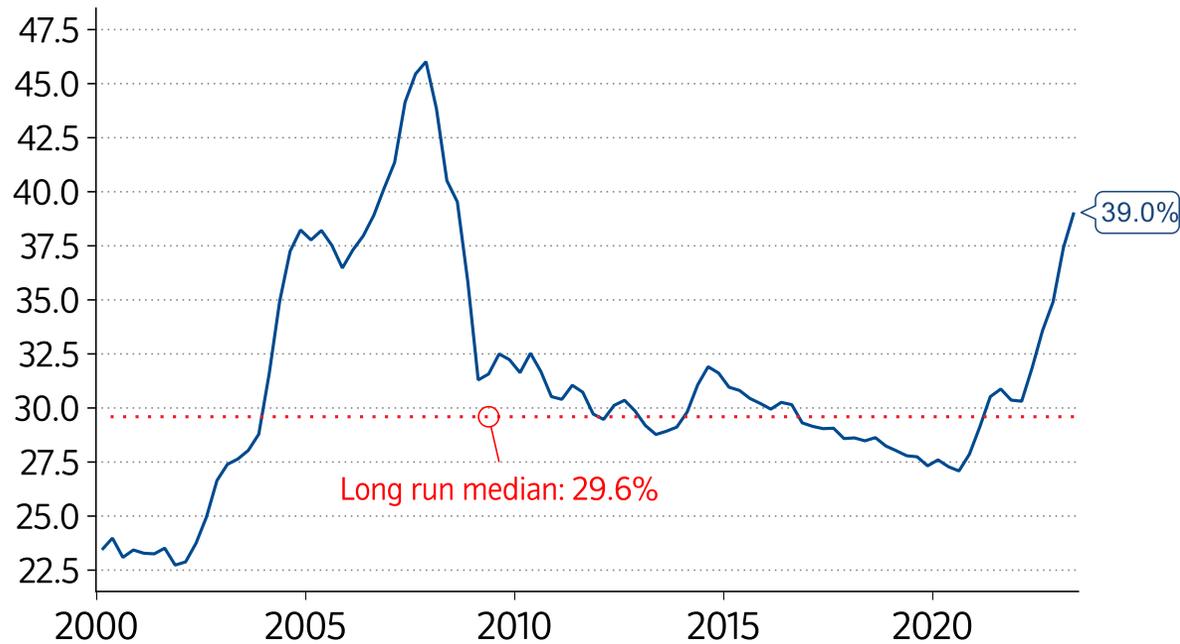


Source: Bank of England



Source: Bank of England

FTB Affordability: Typical Mortgage Payments/Take home P



Source: Nationwide

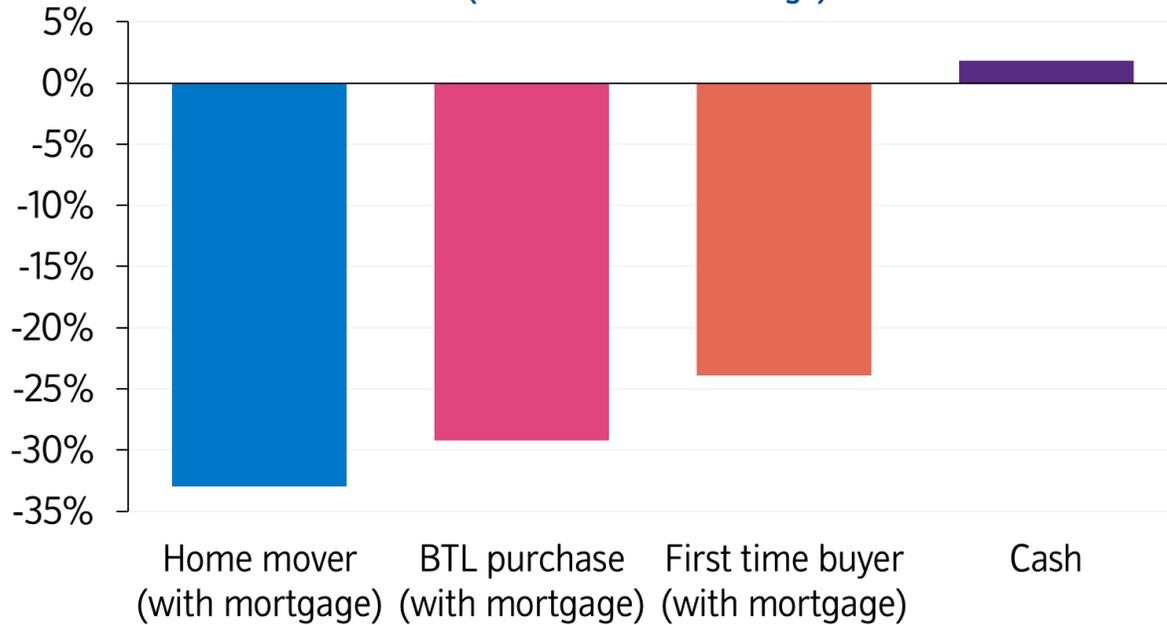
Mortgage Approvals for House Purchase (000's)



Source: BoE

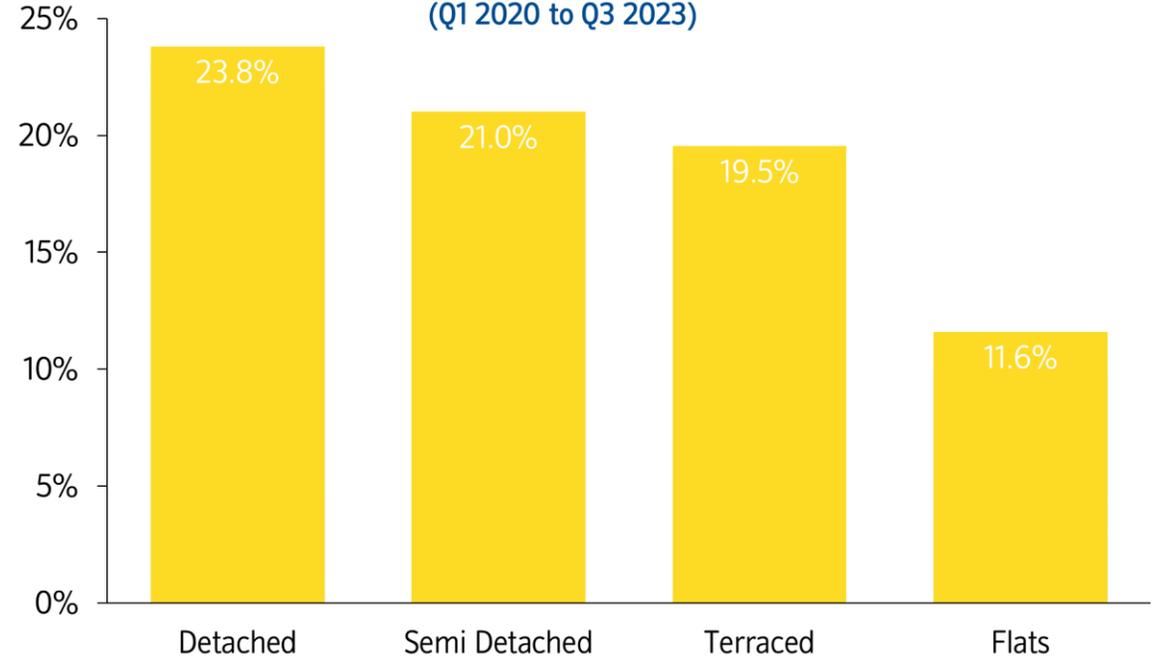
Though not all market segments have been impacted equally

House purchase transactions by buyer type (H1 2023 vs 2019 average)



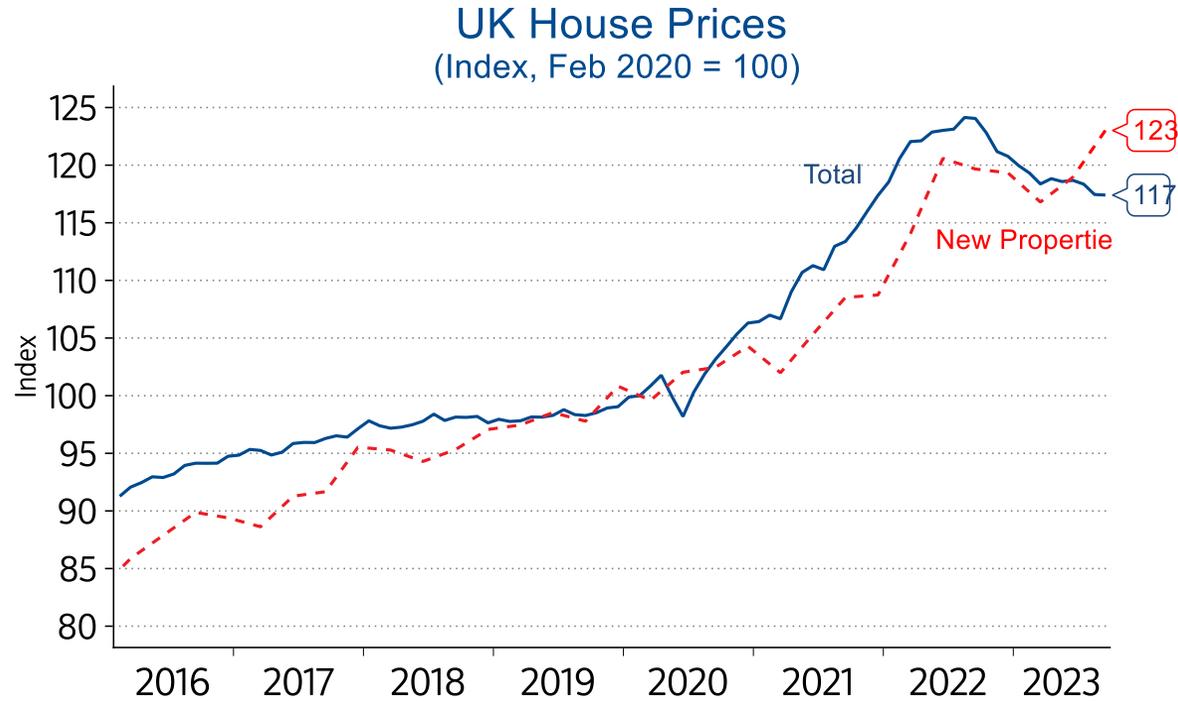
Source: HMRC, UK Finance, Nationwide estimates

% Growth in UK House Prices by Property Type (Q1 2020 to Q3 2023)

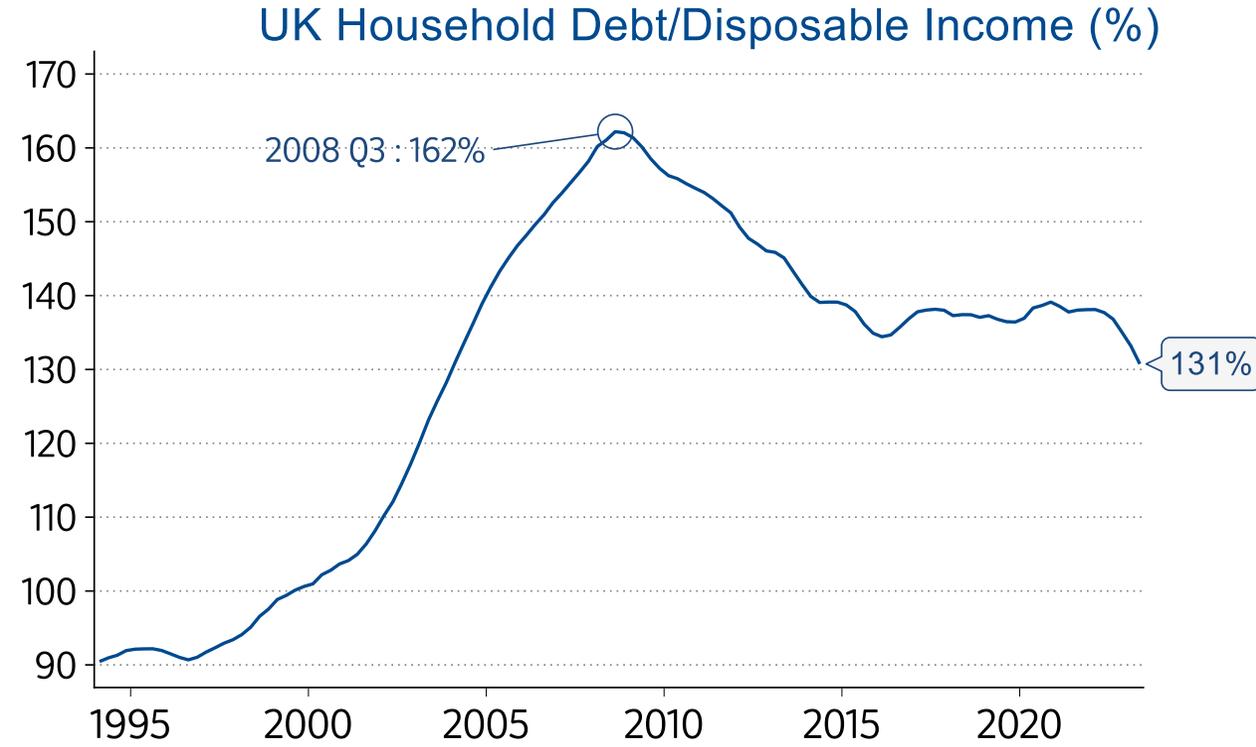


Source: Nationwide

House prices have remained relatively resilient to date, reflecting solid labour market conditions and household balance sheets



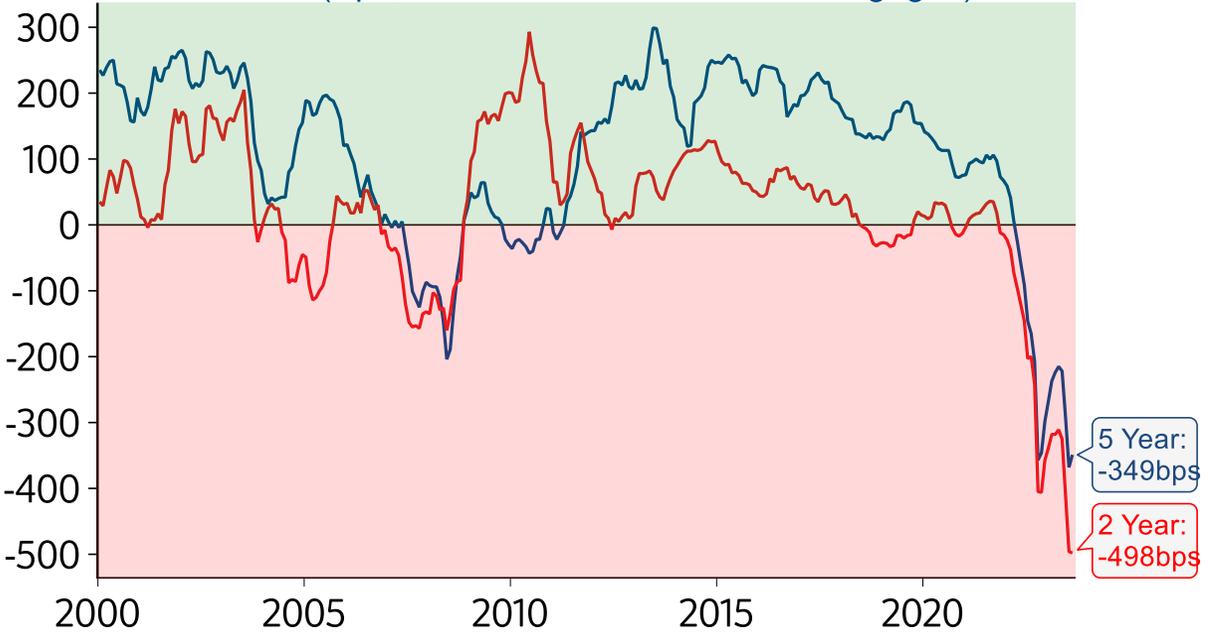
Source: Nationwide



Source: U.K. Office for National Statistics (ONS), Bank of England

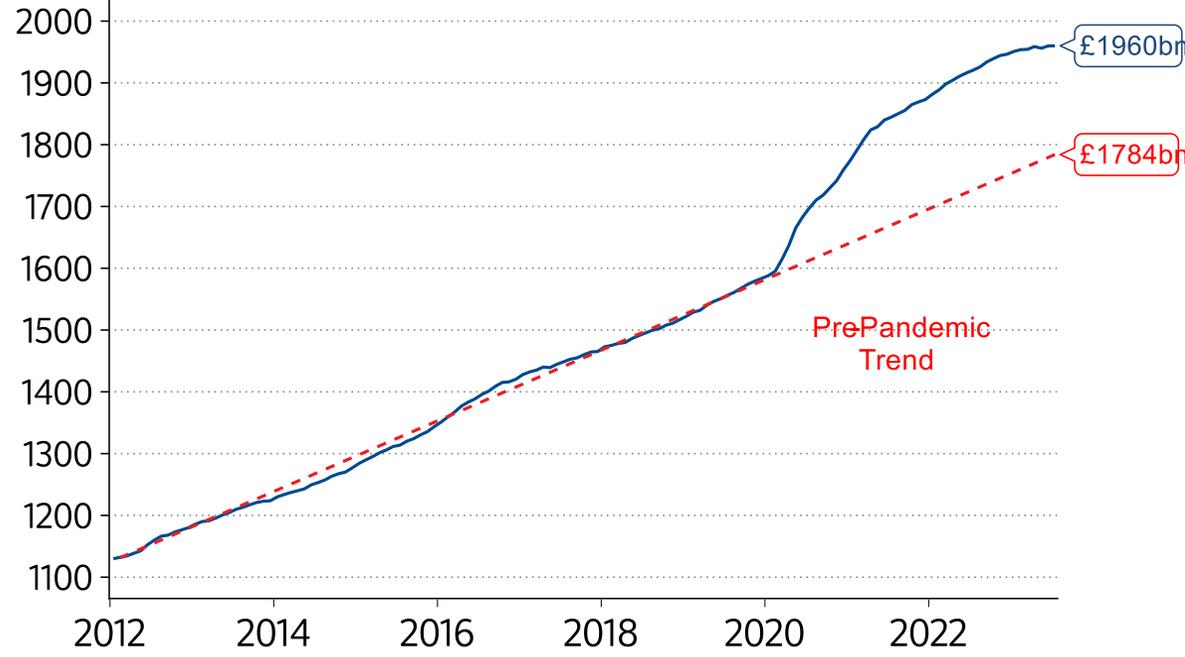
This doesn't mean households aren't being impacted by higher rates, but affordability testing has helped ensure resilience

Illustrative Saving/Cost to Mortgagors Rolling Off Fixed R.
(Bps, Fixed rates for 75% LTV mortgages)



Source: Bank of England

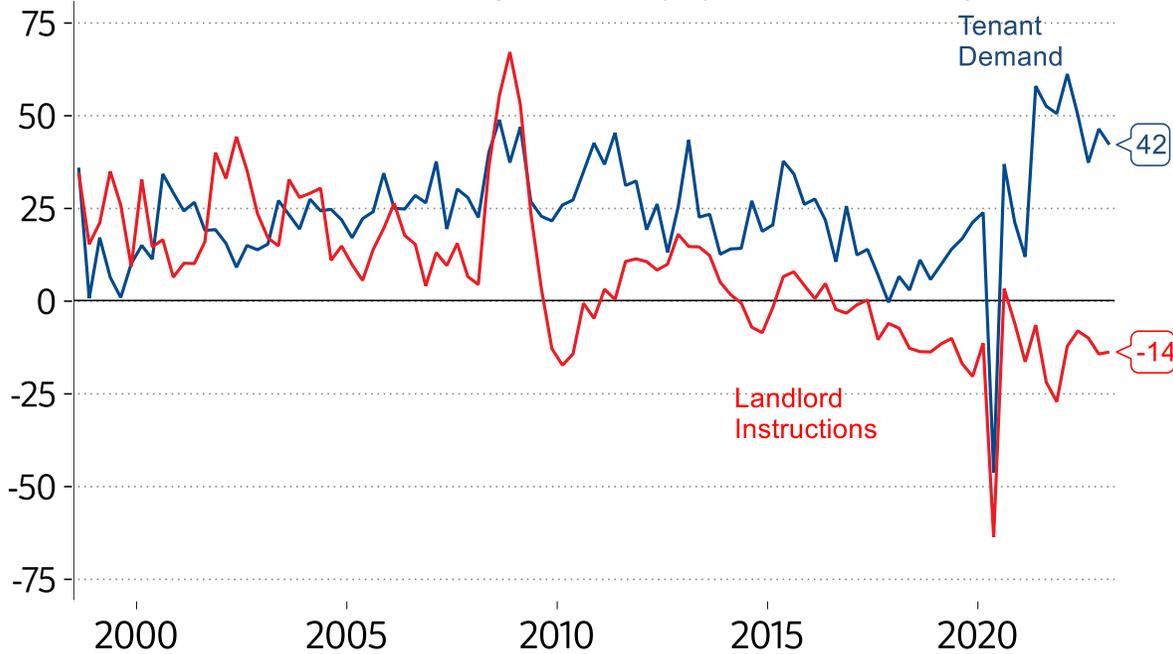
Household Deposits (£bn)



Source: BoE

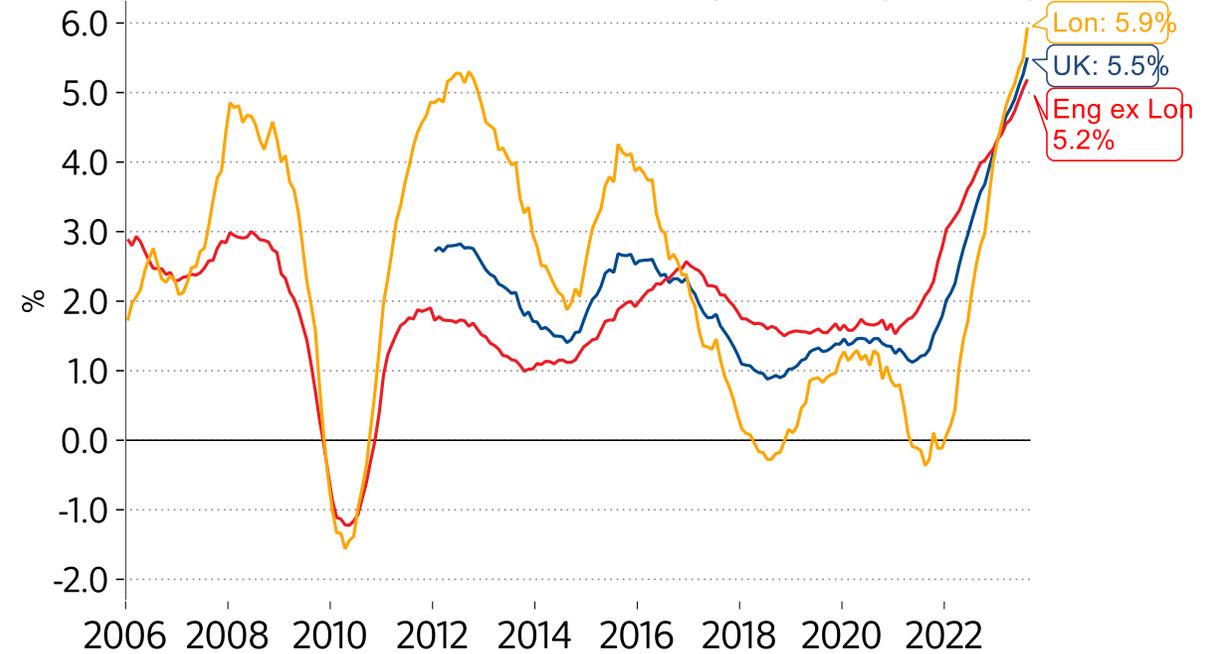
Buy to let has slowed even more than the owner occupier mortgage market, though tenant demand remains robust and rental growth is running at record highs

UK Lettings Survey (Net balances)



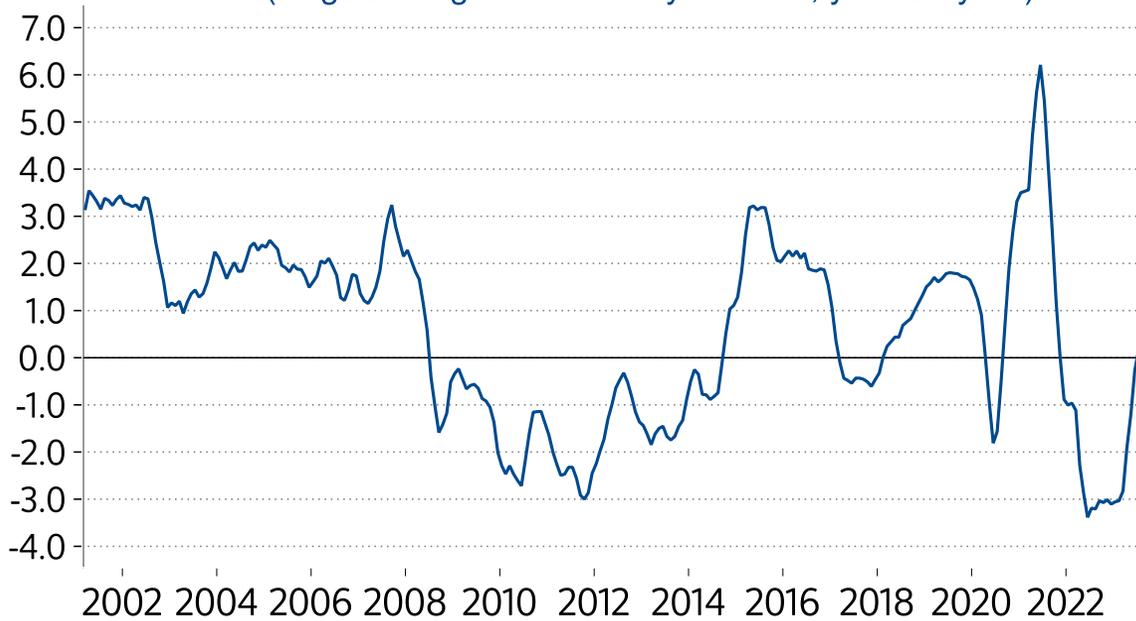
Source: RICS

Private Rental Growth (Year on year, %)



Source: ONS

Private Sector Real Wage Growth (Regular wages deflated by CPI - %, year-on-year)



Source: ONS

Total Consumer Confidence Index (Normalised, 2000-present)



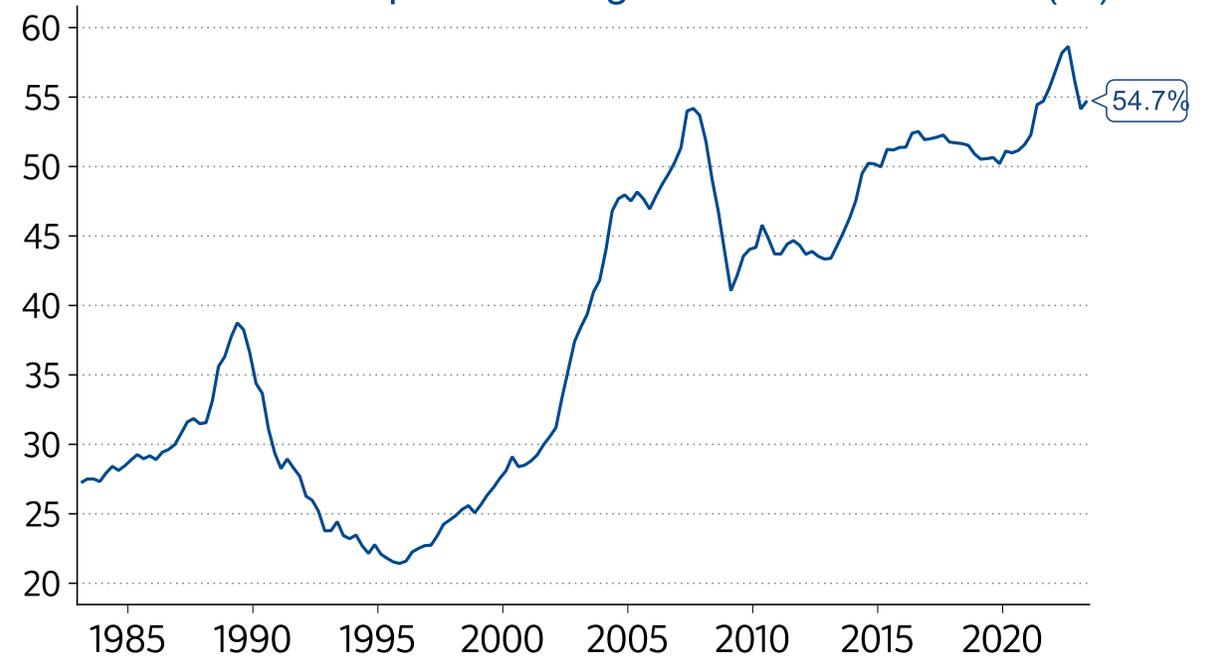
Source: GfK

Swap Rates (%)



Source: ICAP

10% Deposit/Average FTB Gross Income (%)



Source: Nationwide

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