

Economic snapshot

by David Fenton, TSB's Chief Economist

The BoE left the UK policy rate on hold at 4.0% in November. This was in line with market expectations though the 5-4 vote was much closer than anticipated. Governor Bailey, who effectively had the casting vote, said further rate cuts were likely, but he would prefer to "wait and see" how economic developments play out this year. There will be two more inflation releases before the BoE's next meeting on 18 December. Governor Bailey said that forward rates give a "reasonable view of a sensible path" for Bank Rate. Markets presently implies that the policy rate will fall to 3.50% by mid-2026.

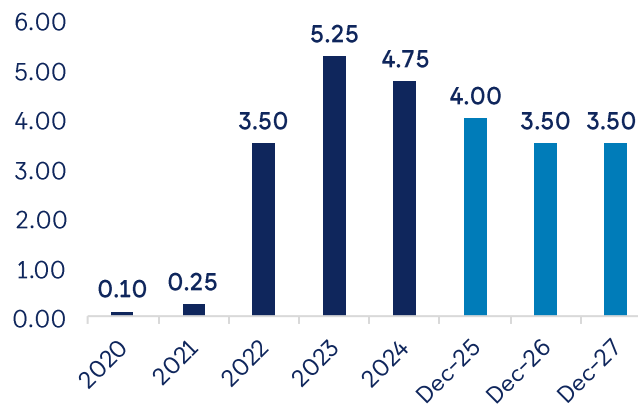


Interest rates

- The BoE voted 5-4 to leave Bank Rate on hold at 4.0% in November. This breaks the pattern of a quarter-point cut every three months, though the BoE was always clear that Bank Rate wasn't on a pre-determined path. Also, Governor Bailey said that with every cut in Bank Rate, how much further to go becomes a closer call.
- Forward rates imply no further rate cuts in 2025 but have two more priced in by mid-2026 (see chart), with an outside chance of a third.

→ 4.00%

Market implied outlook for Bank Rate (year end)



Housing market

- House prices rose by 0.3% in October, to £272k on the Nationwide index. That's 2.4% higher than a year ago, which is slower than wage growth, so the price-to-earnings ratio continued to edge down. Surveyors reported that "subdued momentum" remained evident across the sales market in October. Anecdotally, there are reports of buyer hesitancy ahead of the Budget on 26 November.
- YoY mortgage lending rose to 3.2% in September, which takes the growth rate back to the 3-3.5% range it occupied before the pandemic. As such, the recovery has largely run its course.



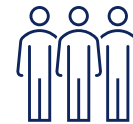
Prices and inflation

- Rising inflation has been one of the defining features of the UK economy in 2025. So, Governor Bailey said it was "encouraging" that the peak in September had been lower than the BoE was expecting (3.8% rather than 4.0%). Even so, he stressed that it is "only one data point". Inflation falls to 3% in H1 2026 in the BoE's central forecast, then declines gradually towards the 2% target after that.
- The BoE's concern is that inflation might prove stickier. This relates to concerns about the interplay between inflation expectations and wage/price-setting behaviour.

3.8%

Jobs and earnings

- There are signs that the decline in payrolled employees is levelling off. The number of jobs fell by 10k in September, but upward revisions to the July and August data mean the overall picture for Q3 was one of stabilisation. The unemployment rate rose to 4.8% in the three months to August, with the BoE expecting it to peak at 5.1% in Q2 2026.
- For wage growth, the BoE tends to focus on a measure of private sector pay that strips out bonus payments. This is expected to fall from 4.4% to 3.0% by mid-2027.



Economic activity

- A closely-watched business survey rebounded in October. The PMI rose to 52.2, from 50.1 in September, when rising gilt yields and Budget uncertainty were weighing heavily on sentiment in the corporate sector. Service sector firms reported "resilient" customer demand, alongside an increase in manufacturing production for the first time on the survey since October 2024.
- The flip side to concerns about sticky inflation is the risk that households and businesses remain cautious about spending and investment, which weighs on job prospects and inflation.



TSB's economics snapshot summarises key data developments in the UK economy including growth, inflation, jobs, house prices and interest rates.

Data sources are BoE, ONS, S&P, RICS and Nationwide. Interest rate outlook represents market forward rates as of 6 November inferred from SONIA via Bloomberg.

TSB's economic snapshot is provided as information for mortgage professionals and is not for onward transmission or publication. It should not be considered advice or used as a substitute for professional advice. TSB and the author are not responsible for any direct or indirect results arising from any reliance placed on its contents and all liability is excluded. Contents based on our assessment as of 6th November 2025.