Fast Comment UK

Mortgage approvals better than expected

- Nationwide HPI sees small monthly fall
- Mortgage approvals jump by over 4,000 in February
- House prices have likely "bottomed out"

Nationwide HPI sees small monthly fall

Nationwide's House Price Index for March was published today, showing a small monthly drop in UK house prices of 0.2%. This was slightly worse than expected: markets were projecting there to be a slight improvement m-o-m of 0.3%. UK house prices, according to the Nationwide metric that is based on mortgage approval data, are down by just over 3% in nominal terms compared to their September 2022 peak. The real terms decrease is, of course, far greater given the recent inflationary spike, although it is notable that prices now appear to be stabilising or even seeing signs of moderate growth.

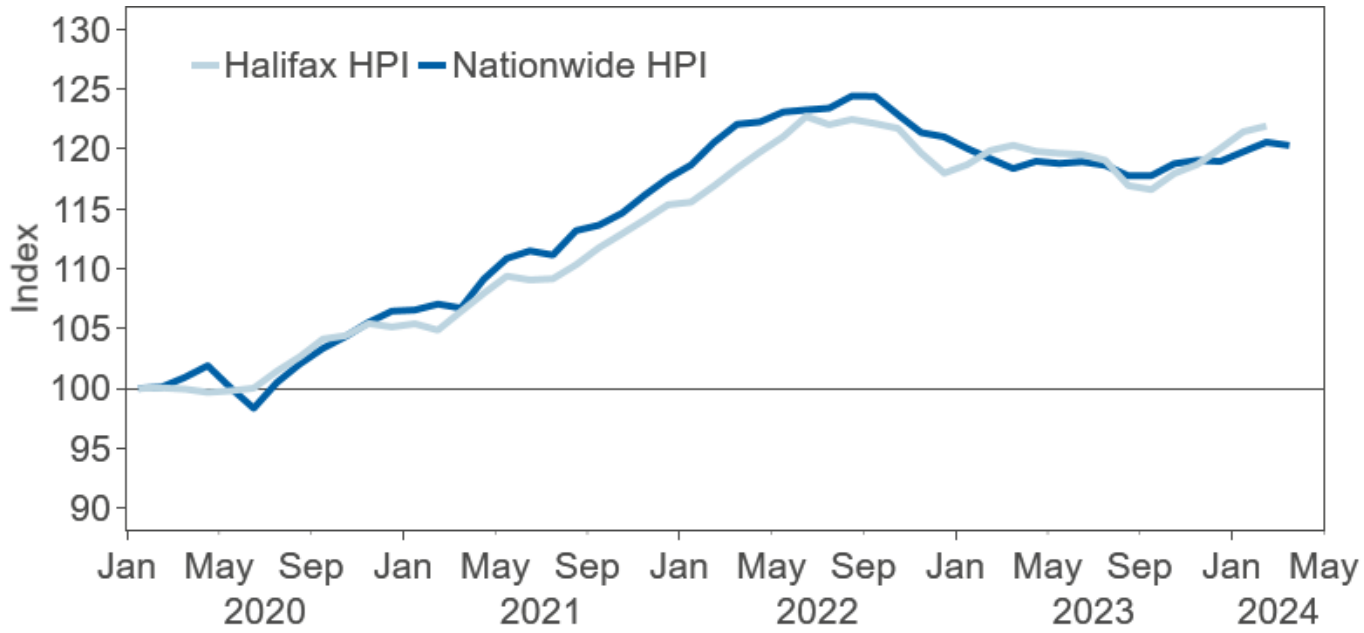
Mortgage approvals jump by over 4,000 in February

The Bank of England's money and credit release this morning would suggest the UK housing market is becoming healthier. Mortgage approvals jumped from 56,100 in January to 60,400 in February, exceeding market expectations of just 56,500. Mortgage approvals are now just ~6,000 shy of their average in the five to six years in the run-up to the pandemic.

House prices have likely "bottomed out"

February's figure for mortgage approvals, a leading indicator, were very robust, and the Halifax and Nationwide House Prices Indexes have seen a mild upward trend in house price growth over the past few months. This would suggest that UK house prices have "bottomed out". A combination of supply constraints, increased demand and moderating mortgage rates (compared to previous peaks in mid-2023) all seem to be combining to putting a floor on UK house prices. As real wage growth is expected to continue to be positive in 2024 and consumer confidence should see modest improvements, it is expected that the recent trend of growing average house prices should continue this year.

UK House Prices (Nationwide and Halifax HPI)



Sources: Macrobond, Nationwide, Lloyds Banking Group and Handelsbanken

Source: Macrobond

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