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News in Review

11 February 2026

"We now think that inflation will fall back to around 2% by the spring"



In its first meeting of the year, the Monetary Policy Committee (MPC) voted to retain Bank Rate at 3.75%. The MPC was split over the decision, with five members opting to hold the rate and four voting to reduce it to 3.5%.

A rate reduction was last made in December 2025, so many analysts were not anticipating a further reduction this month. Andrew Bailey, Governor of the Bank of England (BoE), commented on the decision, *"We now think that inflation will fall back to around 2% by the spring. That's good news. We need to make sure that inflation stays there, so we've held interest rates unchanged at 3.75% today. All going well, there should be scope for some further reduction... this year."*

The BoE expects subdued economic growth in 2026, revising its predictions for UK GDP growth down from 1.2% to 0.9%. Additionally, the unemployment rate is expected to weaken this year due to loosening labour market conditions.

The European Central Bank (ECB) also held interest rates last week. Policymakers for the eurozone have not needed to make cuts since June 2025 due to better-than-expected economic growth and easing inflation. In a press conference, ECB President Christine Lagarde said, *"We are in a broadly balanced situation at the moment."* Lagarde was not concerned about the depreciating dollar; she noted that it has been fluctuating since the summer, so the impact of the foreign exchange rate is incorporated in the baseline.

Average house price ticks above £300,000

Data from Halifax shows that the average UK house price has risen above £300,000 for the first time. In January, property prices increased monthly by 0.7%, following a dip of 0.5% in December. Meanwhile, annual growth increased from 0.4% to 1.0%, bringing the average UK property to £300,077.

Halifax noted that the regional difference in house prices has become more distinct. In northern parts of the UK, demand and house price growth remain strong, but prices have slightly dropped in southern regions where buyers continue to face higher borrowing costs. Head of Mortgages at Halifax, Amanda Bryden, commented, *"Affordability is still a challenge, but stronger wage growth and falling mortgage rates have helped relieve some of the pressure in recent years. We expect that improvement to continue in 2026, meaning that with the right support and advice, home ownership should become a realistic prospect for more would-be buyers."*

UK services sector strengthens

The UK services sector showed strong growth in January, according to S&P Global. The UK services PMI business activity index increased to 54.0 last month, up from 51.4 in December. This is positive news as any reading above 50.0 indicates the sector is growing. It's also the fastest rate of growth since August 2025. The report noted that *'higher levels of business activity were linked to greater confidence among clients, new project starts and a post-Budget improvement in*

investment sentiment. However, there were also many reports that geopolitical uncertainties and fragile consumer demand had weighed on growth in January.'

Business confidence improves

A survey by the Institute of Directors (IoD) found that confidence among businesses improved significantly in January. Optimism about prospects for the UK economy rose to -48 last month; while this is still in negative territory, it is a notable increase from -66 in December 2025. Business leaders' confidence in their own organisation also improved, rising monthly from -4 to +14. Anna Leach, IoD Chief Economist, commented, *"After record weakness last year, January saw a welcome - and fairly chunky - rise in the confidence of business leaders."* She added, *"Overall, there's a sense that, while revenues and general conditions have stabilised, businesses are not yet ready to increase either their capital or labour costs materially."*

Japan markets rally

Japan's stocks surged after Sanae Takaichi secured a historic election victory, boosting investor confidence. Markets reacted positively to expectations of economic continuity and pro-growth policies, with analysts saying the result reduced uncertainty and supported optimism about Japan's financial outlook.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

The value of investments can go down as well as up and you may not get back the full amount you invested.

The past is not a guide to future performance and past performance may not necessarily be repeated.

All details are correct at time of writing (11 February 2026)