



INVICTUS
Independent Financial Advice

Invictus IFA
Minster Gardens,
Nottingham,
NG16 2AT

T: 0115 88 00 244
M: 07793 323027
E: info@invictusifa.co.uk
www.invictusifa.co.uk

News in Review

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"Market activity and house prices have remained subdued in recent months"



Last month, UK annual house price growth halved to 0.8%, down from 1.6% in August, according to Nationwide. This is an unexpected slowdown as a Reuters poll of economists had expected to see an increase of 1.3%.

September's growth rate marks the weakest annual pace since December 2025 and is attributed to the ongoing economic uncertainty, including the impact of the conflict in the Middle East. In quarter three, most regions saw a slowdown in annual house price growth, with four recording a small decline. East Anglia was the weakest performing region, with an annual fall of 0.7% in Q3. Northern Ireland remained the strongest performing region with annual growth of 5.9%, followed by the North West of England at 3.9%.

Robert Gardner, Chief Economist at Nationwide, commented, *"Market activity and house prices have remained subdued in recent months, in part reflecting the uncertain economic backdrop."* However, Gardner said the outlook could improve, *"Activity should regain momentum in the quarters ahead providing the energy shock fades and confidence returns - especially if market interest rates fall back to pre-conflict levels."*

Mortgage rates rise in September

Mortgage rates came under renewed pressure during September. Moneyfacts reported that lenders had been increasing mortgage rates amid rising swap rates and inflationary concerns linked to the economic environment. The increase in fixed mortgage rates highlights the fact that mortgage pricing does not move directly in line with the Bank of England's Bank Rate.

Fixed-rate mortgages are more closely influenced by swap rates and lenders' expectations of future borrowing costs.

The latest data shows the number of sub-5% fixed mortgage deals fell by 99% in September, with average fixed mortgage rates reaching their highest levels in three years. The average two-year fixed rate rose to 5.98%, its highest point since December 2023, while the average five-year fixed rate has increased to 6.00%, its highest point since September 2023.

Meanwhile, the number of sub-5% variable rate mortgages remained relatively stable.

GDP growth in Q2

Figures from the Office for National Statistics (ONS) show that the UK economy expanded by 0.5% in quarter two of this year. This growth has been revised up from the previous estimate of 0.4% and follows an increase of 0.6% in quarter one. Growth in Q2 was driven by a 0.8% increase in construction output and 0.6% expansion in the services sector. Across the whole of 2025, UK gross domestic product (GDP) is estimated to have increased by 1.2%, revised down by 0.1% from the previous estimate.

Which UK regions expect economic growth?

A report from Lloyds has found that 82% of businesses expect to see regional economic growth in the next three years. Confidence was highest in the North East, South East and North West, while Scottish firms were the least confident. Businesses believed that supportive local planning would be the key to driving regional growth, along with investment in communities and transport.

Across the regions, there were different levels of satisfaction regarding public investment - 85% of London businesses thought they received a 'fair share,' while only 37% of businesses in Yorkshire and the Humber thought the same. London businesses were the most confident that they would outperform the rest of the UK economy in the next 12 months, compared to only 28% of firms in the East Midlands and South West.

Amanda Murphy, CEO of Lloyds Business and Commercial Banking, said, *"Businesses across the UK are telling us they see opportunities to grow. Turning this ambition into action requires public and private investment working together to create the right environment for growth."*

Bank of England warns of AI risks

Andrew Bailey, Governor of the Bank of England (BoE), has warned that the UK should be prepared for financial market shocks caused by artificial intelligence (AI). Speaking to the BBC, Bailey said that, while AI offers opportunities to strengthen economic growth in the UK, there are also *"substantial risks."* A vast amount of money has been invested into AI firms in recent years in the hope that they will bring significant returns, but the BoE is keeping a close eye on these investments, as Bailey warned that *"not everybody always wins."* He said, *"We are prepared for the fact that there will be, I think, some shocks come along to markets and we have to deal with that."*

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 (07 October 2026)*