

A decorative graphic on the left side of the page consisting of three overlapping circles in blue, green, and orange.

Quarterly Economic Outlook for UK Housing Associations

Regular economic monitoring and financial planning in a changing
environment - Q1 2026





Introduction

In an environment of ongoing economic volatility, organisations can no longer rely on static forecasts. Continuous shifts in key macroeconomic parameters such as the CPI, interest rates and construction costs, mean that financial forecasts must be revisited multiple times per year. Without regular updates, financial plans risk becoming disconnected from reality. Adopting a quarterly economic outlook enables housing associations to remain aligned with the latest economic developments and make more informed decisions.

Each quarter, Ortec Finance publishes its Economic Outlook, drawing on the latest market developments and comprehensive research. This outlook is widely used by institutional investors around the world, including pension funds, insurers, and asset managers.

With the launch of our [financial planning tool, WALs](#), for UK housing associations in 2025, we are delighted to share this sector specific outlook for the first time. In this edition, we focus on the key economic parameters most relevant to housing associations, providing insights to support informed decision-making in a rapidly changing environment.

Key takeaways

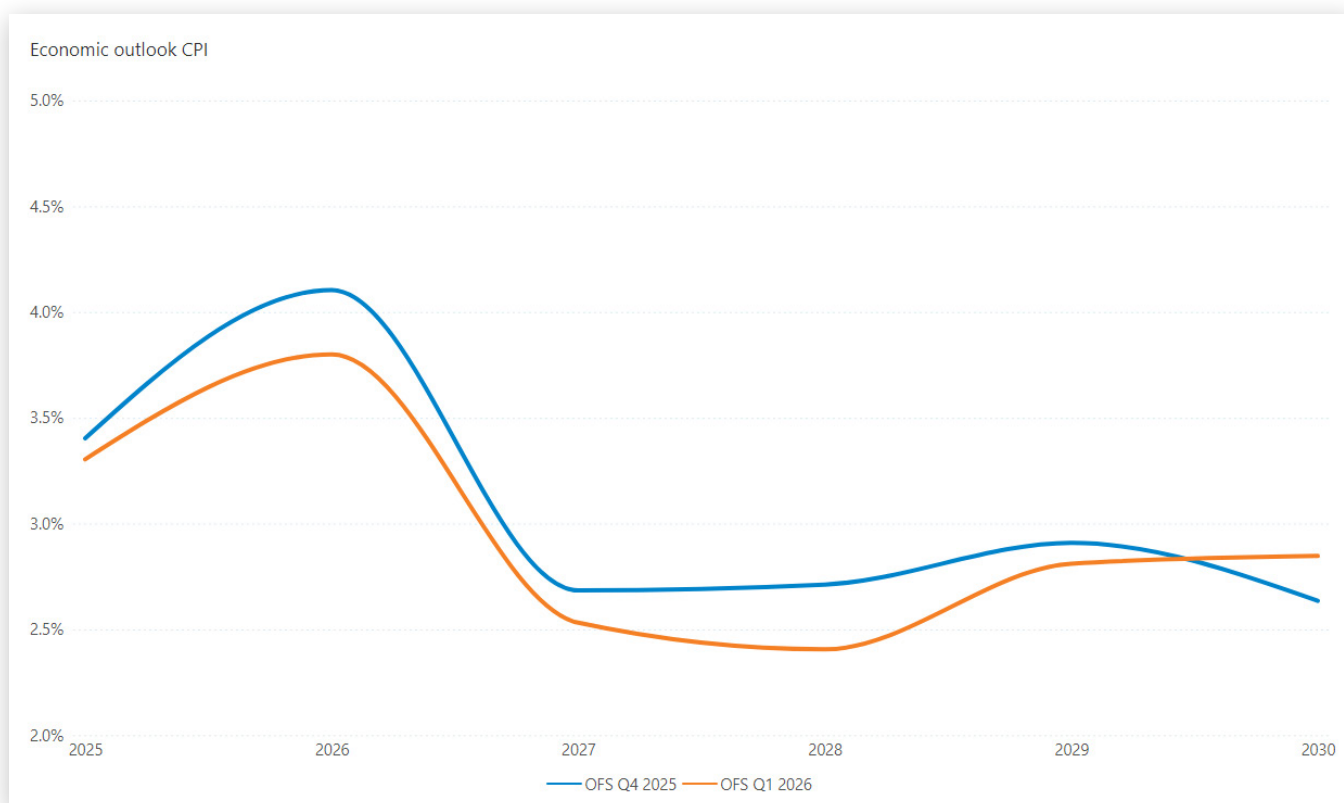
- **Reviewing macroeconomic indicators such as CPI and interest rates on a quarterly basis** ensures financial plans reflect the latest market conditions and remain effective.
- **Using tools like the Economic Scenario Generator**, which incorporates historical trends, cyclical movements, and short-term fluctuations, enables housing associations to anticipate changes and respond proactively to emerging challenges.
- By **regularly updating their economic outlook, housing associations can maintain control over their financial strategies**, avoid unpleasant surprises, and adapt quickly to new risks or opportunities.

Economic volatility in the UK Economy

The UK economy has faced several challenges in recent years, particularly following the sharp rise in interest rates during 2023-2024. These rate levels reached highs not seen since the 2008 financial crisis, and were a direct response to persistent inflation that remained well above the Bank of England's target. While this tightening cycle cooled the housing market, leading to higher mortgage costs and slowing house price growth, the Bank has since implemented several rate cuts, most recently in December 2025. Despite these adjustments, the impact of the earlier spike continues to influence economic conditions. These trends highlight the need for continuous monitoring and adaptation of financial strategies to navigate the evolving economic landscape.

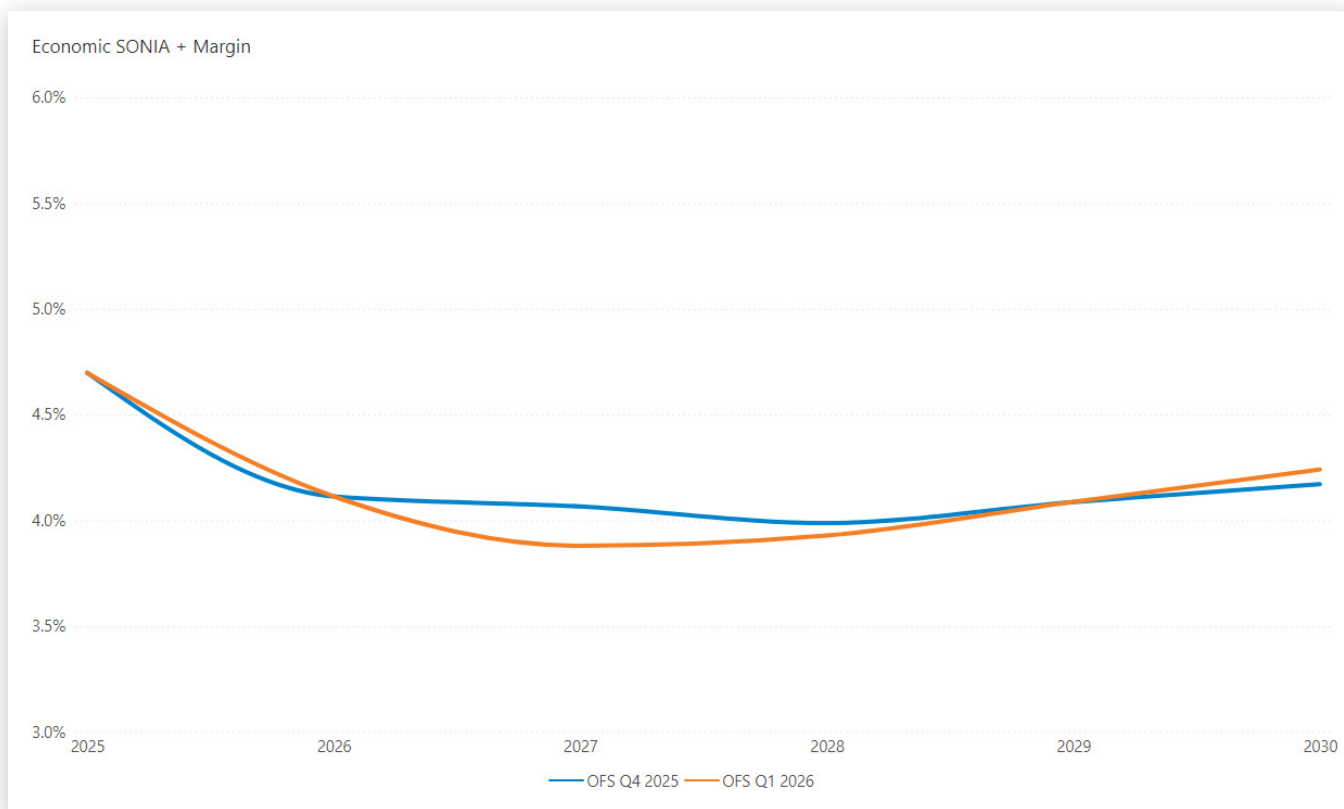
Ortec Finance's Economic Outlook has seen several notable changes in recent quarters. Comparing the Q1 2026 outlook with that of Q4 2025, reveals shifts across a number of parameters. The expectation for CPI has decreased in the short-term, whilst long-term expectations have remained the same. The economic outlook for Q1 2026 forecasts 3.8% | 2.5% | 2.4% for 2026-2028 while the outlook for Q4 2025 showed 4.1% | 2.7% | 2.7% for the same period. This would allow social landlords to raise rents by 4.8% in April 2027.

Economic Outlook CPI



In the first years, the outlook for the long-term interest rates remained the same compared with the previous quarter. However, the long-term expectations for these interest rates have increased with 25 bps, due to sustained expansionary fiscal policy. Public spending, particularly on defence and health have risen, while the net interest debt is also rising, increasing the budget deficit. The SONIA follows a similar pattern. This is more in line with values reported by the Bank of England. Investors and analyst also expect this decline to stagnate, with only one or two further cuts anticipated in 2026. The long-term target of 2% is expected to remain out of reach for the near future.

Economic SONIA + Margin



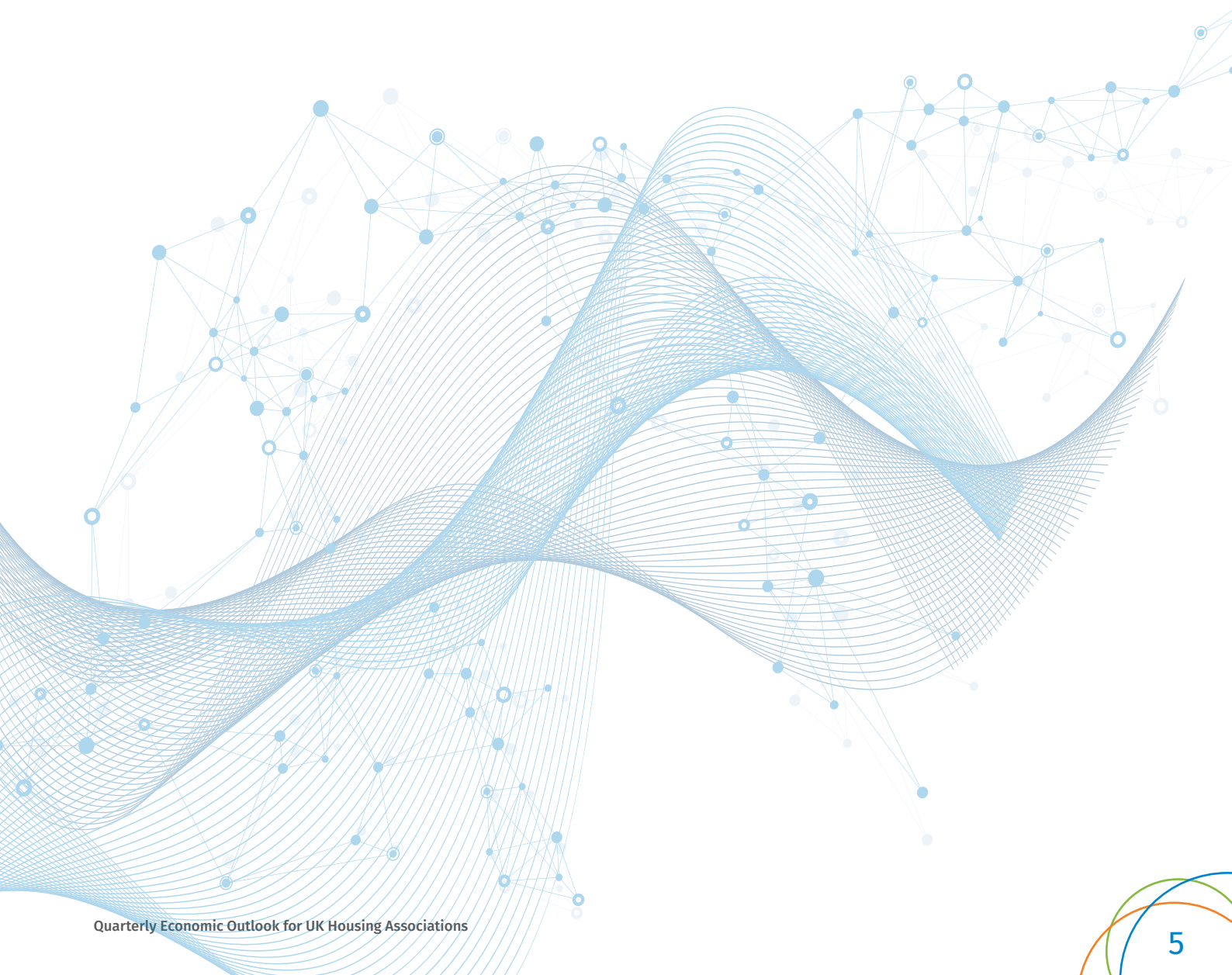


Scenario Generation with the Economic Scenario Generator

The scenarios underpinning our quarterly economic outlook are produced using the [Economic Scenario Generator \(ESG\)](#). This model draws on historical data and constructs scenarios based on three core components:

- **Historical trends:** Long-term developments observed in key economic indicators.
- **Cyclical movements:** Medium-term fluctuations driven by the business cycle.
- **Short-term fluctuations:** Temporary deviations resulting from recent shocks or market events.

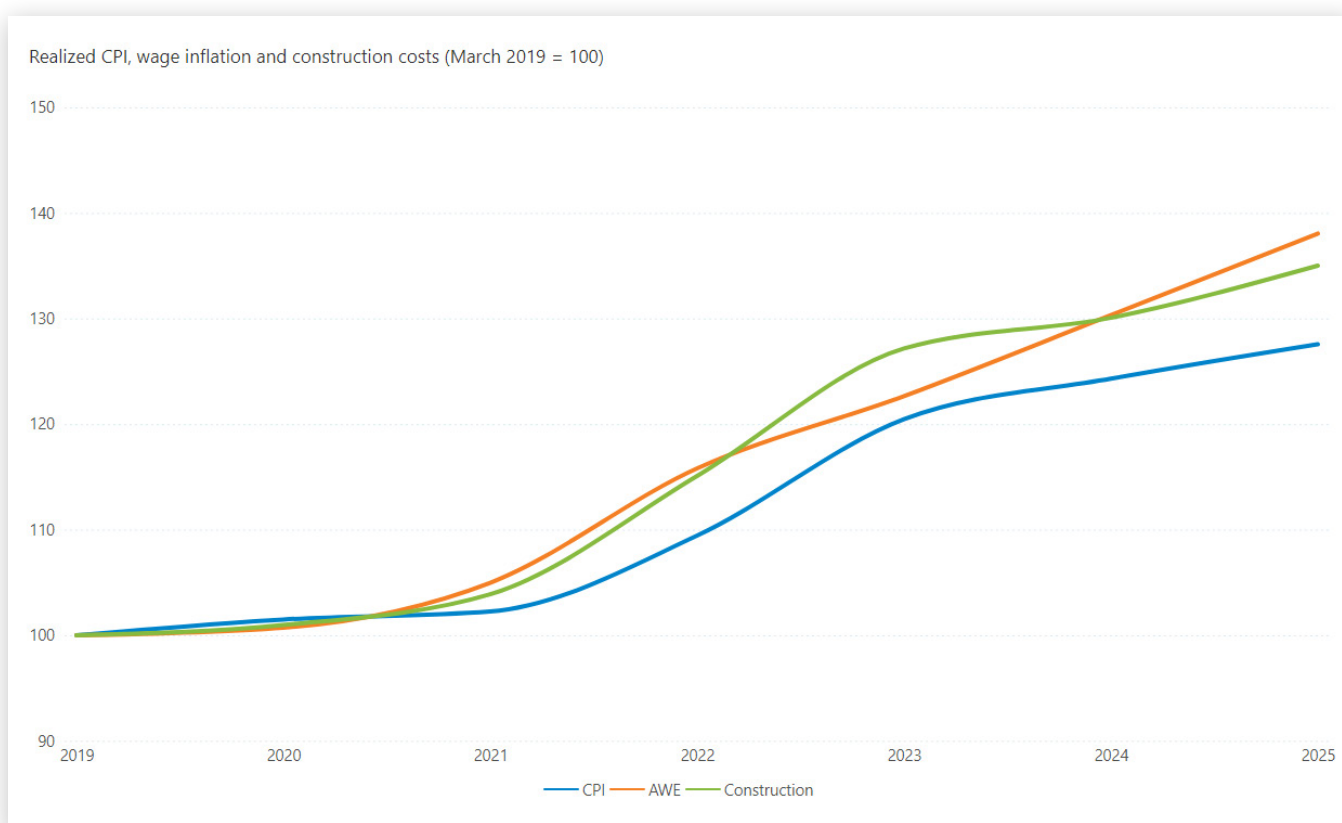
The ESG also accounts for correlations between parameters that are consistently observed in historical data, known as “stylized facts”. In exceptional cases, the model may be manually adjusted to incorporate expert views, particularly when there is broad consensus that specific developments will significantly impact economic expectations. This ensures that the scenarios generated are both accurate and reflective of current economic realities.



UK vs Dutch Market Practices

One key difference between Dutch and UK housing associations is how cost inflation is treated in long-term financial plans. In the UK, many associations assume CPI is the primary macro-economic driver for both rent increases and cost inflation. In the Netherlands, cost inflation is typically modelled using more specific drivers, most notably wage growth and construction material costs. This is a reasonable assumption, given that wage growth and construction material costs have consistently outpaced CPI over the past five years.

Realized CPI, wage inflations and construction costs (March 2019 = 100)



Using differentiated indices leads to more accurate plans and a closer match to real cost pressures. It allows housing associations to reflect rising labour and material costs, as well as regulatory changes that affect expenditure over time. For that reason, our quarterly economic outlook goes beyond CPI and interest rates. It also includes forecasts for inflation of salaries, construction costs, maintenance costs, and sales values.

Questions and more information?

If you have any questions or comments about this article, or if you would like further information regarding opportunities for UK housing associations, please get in touch with Thomas or David using the contact details below. They will be pleased to assist you.



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