

## 64) INFLATION AND INTEREST RATES - The latest in a series of articles by Iain Gregory of Caithness CAB

If you had visited last night you would have found me lying face down on the path, apparently talking to myself. You might well have considered that all was not well and decided you would perhaps seek advice elsewhere. Actually, there is a perfectly rational explanation – I was talking to some hedgehogs. We decided to create a wildlife area in the middle of the garden and have a couple of huge New Zealand Flax plants, along with a number of shrubs and lots of dense under-planting, surrounded by low walls, and Hedgehogs (and several suicidal frogs) have moved in, which necessitates feeding, and I was happily watching the hoglets eating.

The Hogs have great advantages – they have a free home and food and no living costs at all. We on the other hand have one or two issues on the horizon. I think I mentioned inflation and interest rates in my predictions for 2018 and, sadly, it looks like I was pretty close.

The Bank of England have now announced a rise in the base rate to 0.75% from 0.50%. This means that if you are a homeowner with a mortgage then, unless you are on a fixed rate, your monthly payments will increase, and I do not think that we have seen the last of rate rises by a long way. Sooner or later we will get back to “normal” figures (think low single digits) and we need to be prepared for this over the next few years. It is always a good idea to keep a careful eye on your costs and the type of mortgage deal you have, and a good place to go for impartial guidance is The Money Advice Service <https://www.moneyadviceservice.org.uk> where there are a lot of useful guides and calculators to help you plan and budget. And if you do have mortgage repayment problems then please contact CCAB as soon as you have a problem – the earlier you call us the better and we will help. On the other hand if you are a saver then you might see a small increase in your interest, but I would not bank on it. As an example, NS&I recently cut the rate on their ISA by 0.25% and may or may not increase it again now, and some banks are – shamefully - offering rates as low as 0.05%.

Inflation remains stubbornly high and in June was running at 2.3%, as measured by the CPI (Consumer Price Index) whilst the RPI (Retail Price Index), which I think is far more realistic, was at 3.4%. Inflation is difficult to counter – energy, fuel and food prices seem to rise constantly and, whatever we are told, the average wage or pension increase tends to fall well short of the amount needed to cover the costs. Once again, shopping around for the best deal can pay dividends – on everything from insurance premiums to daily essentials there is still enough competition to attract customers, so never accept the first figure offered. Negotiation can often work wonders. And remember that a good budget is the foundation of financial planning and we can help with this, so please get in touch if you want some guidance, particularly if you have a young family.

And by the way, the hedgehogs’ views about the Brexit situation were confined to exasperated grunts!