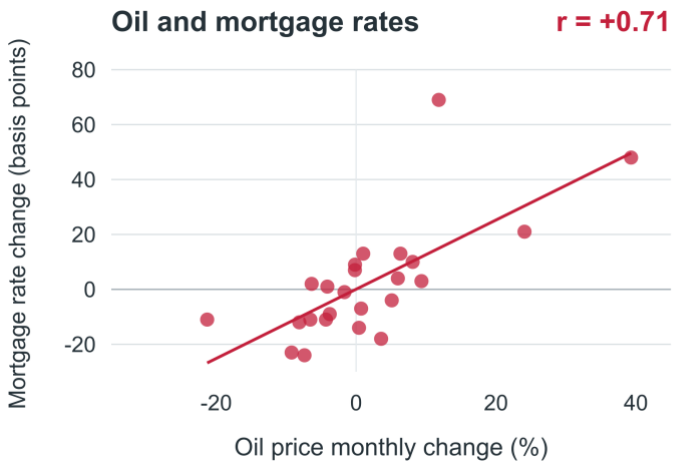
ANALYSIS - NOVEMBER 2026

Oil prices and UK mortgage costs

UK mortgage offers have moved closely with oil prices over the past two years. This is consistent with energy costs feeding into mortgage pricing through inflation and interest-rate expectations.

Between October 2024 and September 2026, monthly oil-price changes and quoted two-year fixed mortgage-rate changes had a strong correlation of +0.71. Pearson's correlation coefficient (r) measures the strength and direction of the linear relationship between two variables, with a value of +0.71 indicating a strong positive correlation, meaning that as one variable increases, the other tends to increase too.

Changes in oil prices and mortgage rates are strongly correlated



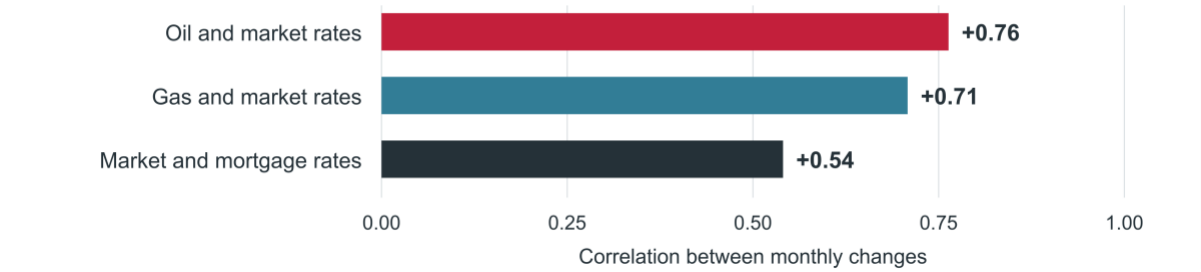
Source: ECIU calculations using sources 1 & 2.
Each dot is one month; lines show the average relationship. A score near +1 means changes move together, not that one causes the other. One basis point is 0.01 percentage points. Energy changes are logarithmic.

Higher mortgage offers affect new borrowers and households refinancing, while existing fixed-rate borrowers keep their contracted rate until their deal ends. The mortgage measure is a quoted two-year fix at 75% loan-to-value, excluding fees. [1]

How energy affects mortgage offers

Higher energy prices can raise expected inflation. Investors may then expect the Bank of England to keep interest rates higher for longer. Market rates respond, and lenders can raise fixed mortgage offers before the inflation fully appears. [5, 7]

Figure 2 Energy prices and market interest rates



October 2024–September 2026; 24 monthly changes. Market rates are fitted two-year SONIA OIS spot yields, not quoted par swap rates. Source: ECIU calculations using sources 1–4.

In 2026, the Middle East conflict increased energy-supply and inflation concerns. By July, the Bank reported that quoted two-year mortgage rates had risen 0.79 percentage points since 27 February, slightly less than the corresponding market rate (OIS) increase. [5, 6, 7]

Method and limits

Daily sterling Brent, wholesale gas and OIS observations are averaged monthly. Energy-price log changes are correlated with rate changes in basis points. These associations do not prove causation. Relationships vary over time: the oil–mortgage changes correlation largely breaks down for long periods if we look back further, with inflation expectations typically shaped by oil prices only episodically.

Sources

1 Bank of England IUMBV34 (2-year fixed mortgage at 75% loan-to-value) mortgage rates available here and defined here

2 EIA and Federal Reserve via FRED Brent DCOILBRENTEU; USD per pound DEXUSUK

3 ONS & National Gas Transmission GB System Average Price of gas

4 Bank of England SONIA OIS yield curves

5 Bank of England Monetary Policy Report July 2026

6 Bank of England Monetary Policy Report May 2025

7 Knight Frank Middle East tensions and mortgage rates (18 September 2026)