

Funding the Future

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An FT email says this morning I that:

Janet Yellen, the Fed chair, has warned that the US risks a “nasty surprise” if it waits too long to continue raising interest rates.

The US and UK economies are not the same, of course, but interest rate movements are infectious. The U.K. has a weak currency, buoyant financial markets, house price inflation and debt driven growth. All are signs the we too will have rate rises.

In theory there is nothing surprising about rate rises, but we have not had them for more than eight years - a third of the life of an average mortgage. Large numbers of mortgage holders do not now know what they might mean for them. That creates real risk: their reactions, economically and politically, are unknown.

All sorts of things might trigger disillusionment with a government. I would put this one high on the list this year. A lot of people are going to experience a shock they have never known before.