

Homeowners warned interest rates could rise by further 0.5% next month

Millions of homeowners were warned on Tuesday that the [Bank of England](#)'s monetary policy committee could raise [interest rates](#) by a further 0.5 per cent next month – hiking their [mortgage payments](#).

Economists also stressed that the MPC could increase rates from 1.75 per cent to three per cent in coming months to try to tame runaway [inflation](#).

They were responding to the latest employment and pay figures from the [Office for National Statistics](#).

They showed the number of UK workers on payrolls rose by 73,000 between June and July to 29.7 million.

Regular pay, excluding bonuses, grew by 4.7 per cent over the three months to June.

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Analysts had predicted that wages would increase by 4.5 per cent.

Ruth Gregory, Senior UK economist at Capital Economics, said: "The robust rise in employment in June together with the acceleration in wage growth will heap pressure on the Bank of England to raise interest rates by 50 basis points rather than 25 basis points at the next policy meeting on 15th September."

She added: "With wage growth running well above the rates of 3.0-3.5 per cent that are consistent with the two per cent inflation target, it supports our view that the Bank of England will have to raise interest rates further than most anticipate to three per cent."

Thomas Pugh, economist at audit, tax and consulting firm RSM UK, added: "The leap in regular pay growth to 4.7 per cent in June, which is miles above the 3-3.5 per cent that's consistent with the two per cent inflation target, significantly raises the chances that the Monetary Policy Committee will go for a second 50bps rise in interest rates in September."

Earlier this month, the MPC raised interest rates for the sixth meeting in a row, by 0.5 percentage points to 1.75 per cent. This was the largest single rate rise since 1995.

It was responding to soaring inflation which the BoE is now forecasting could peak at over 13 per cent in October, far above the MPC's two per cent target.