

# UK banks to shed light on consumer confidence as cheaper mortgages hit market



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Some of the UK's biggest banks are set to shed light on whether borrowers are benefiting from lower interest rates, as the lenders continue to shake off ongoing economic uncertainty.

[Lloyds Banking Group](#), [Barclays](#) and [NatWest](#) will unveil their third-quarter financial results on Wednesday, Thursday and Friday, respectively.

Experts say the banking sector has been sturdy over recent months with borrowing costs starting to come down from their peak.

“With the Bank of England delivering its first rate cut in July, investors will be keen to see how much of that has been passed on and whether it's triggered any shifting behaviours

from savers,” said Matt Britzman, senior equity analyst for Hargreaves Lansdown.

Lloyds, which also owns Halifax, has seen its income reduce since reporting bumper profits last year, and with competition across the market to offer better mortgage and savings deals heating up.

In July, it said its net interest income – meaning the amount it generates from loans minus what it pays out on savings – fell by a 10th year on year.



Analysts are expecting Lloyds to report lower earnings over the third quarter (Yui Mok/PA)

PA Wire

On Wednesday, the lender is expected to report a pre-tax profit of £1.6 billion for the latest quarter, July to September, which would mark a decline from the £1.9 billion earned a year ago.

Russ Mould, investment director at AJ Bell, said: “Thanks to

the combination of competition, interest rate cuts from the Bank of England and political and public pressure, net interest margins and net interest income look to have peaked, and that is a key reason why analysts think the banks may struggle to grow earnings substantially from here onwards.”

Barclays, on the other hand, is forecast to report a slight improvement in its year-on-year earnings.

Analysts are pencilling in a pre-tax profit of about £2 billion, up from £1.9 billion a year ago.

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The same goes for NatWest Group, which is forecast to report an operating pre-tax profit £1.5 billion, higher than the £1.3 billion generated last year.

Budget uncertainty has cast something of a shadow over the UK economy and this may have led some borrowers to pause for breath

Gary Greenwood, Shore Capital Markets

Gary Greenwood, a research analyst for Shore Capital Markets, said he is expecting the banks to report a “resilient” performance despite a backdrop of falling interest rates, geopolitical tensions putting pressure on oil prices, and uncertainty ahead of the UK [Budget](#) statement.

Lending activity has been showing “tentative signs of improvement”, particularly the number of mortgage approvals for house purchases, due to borrowing costs coming down from their peak.

“However, Budget uncertainty has cast something of a shadow over the UK economy and this may have led some borrowers to pause for breath,” he said.

“That said, we would expect activity to pick up again, once Budget uncertainty has been lifted.”

Chancellor [Rachel Reeves](#) will deliver her first Budget on October 30, with the Government promising not to raise the major taxes on “working people”.