**TBP 160 Edited\_Transcription**

[Daniel Hill] (0:05 - 24:11)

Welcome to the Blueprint Podcast. In these episodes, I'm going to share with you my life's work boiled down into simple blueprints that I used to build a 10 million pound portfolio and retire with financial independence at the age of 35. You can listen to these podcasts in any order, and I guarantee you that when you execute them in practice, you will see that success and failure are both very predictable.

Let's get into the next blueprint. The UK is essentially a lethargic, overweight, unexercised body just sitting there waiting to have a heart attack. I said this recently, and some people didn't quite understand exactly what I said.

And then I said an increase to 5% base rate would actually be quite a good idea. And then obviously it happened. So I'm going to do just in this 10 minute or so podcast is just freestyle a bit about economics and I'm going to explain to you what the sort of facts are.

I'm going to explain to you what my view on it is, and I'm going to explain to you why in my view, the UK is a big, lethargic, unexercised, overweight body just waiting to have a heart attack. Over the last few years, we've successfully predicted the first two phases, phase one and phase two, the rescue and the recovery of the pandemic. It enabled us and all of the property entrepreneurs to go out and capitalize at a time when everybody else was by the sidelines.

And the net returns of this were over 4 million pounds over a two year period for our businesses alone. The reason for this is when you can understand economics and you understand that reflexivity is basically, Jules Soros talks about reflexivity and the fact that the economic economy isn't driven by monetary and fiscal policy. It's driven by what's written on the front page of the paper.

You start to understand that the news is not where you want to go for facts. The information that's being pumped around is more reflexivity than it is data and accurate information. And the success as an entrepreneur is to understand the data, interpret what could happen.

Nobody ever knows what will happen, but interpret what could happen and then set your sales, manage your risks and execute accordingly. So let's talk about where the UK economy is now. So it's going to be a couple of weeks after I recorded this, you're listening to it.

So I'll talk in reasonably broad terms. We've come out of the peak. So I wrote a forecast nine months ago for the property entrepreneurs, a model that went up and down and side and side.

If you go back in the podcast, you'd be able to find that. And what I did there was I talked about what we thought would happen through phase one, through phase two. Both of those came true.

And then through phase three, we're now nine months into phase three. And the model that we predicted pretty much spot on is tracking against the model that we predicted go up, peak at the end of winter, come down for inflation, interest rates to rise, level out, drop down property prices to actually rise last summer and then level out, which is what they're doing now. And then GDP to come down marginally, but not even really notice it.

All of those are quite significant calls. You know, they involved everything moving in a certain direction. And the reality is it happened.

But what is actually happening now? Well, inflation has started to come down, but it has not been as slow as it wanted to be. So what this has caused is think about inflation and interest rates.

They run in parallel to each other. They run strategically aligned. So if prices are going up, it means people are buying and spending and demands exceeding or pushing supply.

So prices go up. Everyone wants to buy this high demand and usually because interest rates are low because everyone's got access to cash. They're highly confident property prices are going to double in 10 years and they're outspending.

When you want to bring inflation down, you try and make it harder to spend. So if you increase interest rates, it's more expensive to borrow money, put money on a credit card, get a mortgage, get a loan. People have less money to spend.

If you increase interest rates, businesses tend not to expand as aggressively because debt becomes either less accessible or more expensive. They can't go and recruit. They can't go and borrow more money.

They can't expand. So they create less jobs. And then actually, in some cases where people stop spending because interest rates are more expensive, mortgages go up.

The disposable income comes down. People have less money. Businesses then start to make less revenue.

And then as they make less revenue, it's the same when it goes up and it goes down. Revenue comes down. They're not making as much profit.

They make people redundant. They shrink. More people become unemployed.

There's less money to spend. More people get made. More businesses shrink.

More people get made redundant. There's less money in the economy to spend. GDP comes down.

There's more people made redundant. Businesses shrink. Same as it's going up.

When it's going up, more people have jobs. They make money. They spend money.

More people are spending more money. Businesses borrow money. They expand.

You know, the same as air in a balloon. It goes up and it goes down. It's just exactly how it works.

What's happened most recently, again, depends when you're listening because this stuff will change on a weekly basis at the minute, is we had the Liz Trust chaos where the finance more market basically locked up. Nobody knew what was happening. Into limbo.

No confidence. Stop lending money. Whole thing went into a mess.

Rates spiked, things balanced out, changing government or changing prime minister or changing leadership leveled out, confidence came back, things started to look good again. But then the next shock came is that inflation started coming down, but it didn't come back down as much as expected. Now, the reason that this is is not so much about the statistic.

It's about the sentiment. It's about the fact that it's not come back down as much as they'd hoped. So some of these longer rate, you know, three, five, 10, 20 year loan facilities that have been offered were now less attractive because they didn't have the same confidence that that was going to be the case.

So the whole market then starts to shudder. People pull out. One lender pulls out.

One removes products on a Friday afternoon. And they're all very sensitive. You know, it might seem like a long time ago, but global financial crisis and not overexposing against new mortgage rules.

Lenders just being naturally nervous in a period like this, the smallest thing can throw it off and then the domino effect happens. Everyone gets nervous. So in the economy at the minute, GDP really hasn't gone anywhere.

There's loads of money or there's been too much money. That's why inflation is not coming down. People have still got money.

They're paying more on gas, electric, food, but they've still got cash. They're still spending. Otherwise, we wouldn't be in this inflationary issue.

So GDP, by definition, we're not in a recession in the UK, but it has gone up and down and up and down. So it's hovered around the sort of neutral position, really. It's not really doing anything because the UK is big and solid and unemployment is really low.

Unemployment is still at historic lows, despite the fact we should be facing a recession, cost of living crisis, mortgage rates going up. All of that pressure on spending hasn't been enough to put the brakes on the economy. People have still got cash.

They're still spending. Salary increases. The labour market is so strong that with inflation is coming pay rises and it's just pushing up and up and up.

These things are not good signs to dampen inflation. Actually, you want unemployment to be increasing, not decreasing. The labour market is very tight.

Everyone who wants a job pretty much has got it. And the inflation on salaries is giving them more money to spend. So they're sort of chasing each other.

Interest rates at the time of recording are up at 5% now. And I said the other day, this is probably a good thing. The reason for that is twofold.

One is inflation is interest rates are the brakes on inflation. If you want inflation to come down, you increase interest rates. If you think about inflation, it's the accelerator, people buying.

Interest rates are the brake, it's slowing it down. What we've done there is we've put the brakes on, we've lifted up quite aggressively, so it will now put the brakes on. It's really going to spike those rates, start making things more expensive.

Mortgage costs are going to go up, cost of living is going to go down, disposable income reduced, businesses will stop expanding. It will start to reduce employment or start to increase unemployment, reduce access to finance, curb spending and should bring the brakes down. The second thing is because it was an aggressive step and it wasn't deaf by a thousand cuts, it starts to look like a bold move, taking control, ripping up the handbrake.

Taking these bold moves, it starts to provide confidence, whereas deaf by a thousand cuts with small lifts would have had an impact. Jumping in quickly with two very exciting opportunities for you. The first is after the success of last year's VIP WhatsApp groups through the month of July 2023, we have reopened them for a limited period.

Each group is capped at 20 people, gives you the unique opportunity to network with other high performing entrepreneurs in the UK. You'll get VIP discounts to our summer training events and every week you'll be invited to a private one-to-one mentoring Zoom call where I'll be supporting you personally on your businesses, investments and wealth creation to get you up to being a seven figure entrepreneur with six figure income. If you want to join, message VIPACCESS to the number that's in the show notes.

The second is our annual three day events are now live. If you'd like to have free content through these podcasts, imagine how good our paid training is. If you want to learn the entire property entrepreneur blueprint from start to finish in a five star resort with some of the UK's leading property entrepreneurs over three days, go to www.donttalktotenants.co.uk and see which of the two dates is going to be best for you. Back to the podcast. So the finance market at the minute is in limbo. The last few weeks, again, at the time of recording, I've had commercial deals pulled, buy to let deals pulled.

Lenders are pulling for any reason. One, because they've got a lack of confidence. And the second is because they're on higher rates now.

Now they offered you five months ago at four and a half percent, 4.7%. Their rates are now 6% plus. Any reason they can pull it, they'll pull it. You know, you've got a mark on your credit rating.

The property's in a questionable area. Or the fact you shop at Audi and they don't like that, whatever, they'll find a reason to pull it in many cases. So the market's in limbo.

It's a bit locked up. It's going to have a negative impact. That said, it will balance out because the buy to let market has to keep moving.

The residential market has to keep moving. As soon as it actually starts to come down, prices, transactions, confidence, spending, it will eventually balance out. And the residential and buy to let and construction market is a huge part of the UK economy, all the way from construction to basic maintenance, maintenance, professional services, mortgages, insurances.

It's a huge part of the economy. It needs to keep moving. So what I suspect you'll see happen is as soon as there's a degree of stability, things will start to level out and get more manageable.

And for those who are getting first mover advantage, like us, you'll be able to do deals and make it work in the sort of very short term. And then in the medium term, what will happen is everything will just become sustainable. So either it will start coming down, rates will come down, inflation comes down, and we go back to a level that was more akin to where we were a few weeks or months ago, or the market will balance itself out.

Let's say the rates start sticking at about a base rate sticks at 5%. If that happens at a medium term, the market still has to work. So there'll be other initiatives like on residential properties, the term will get extended.

Now your mortgage will no longer be 30 years. It might be 50 years, or it might be, they might start introducing multi-generational policies like you have overseas, where actually your family inherit the property and the mortgage. You know, there'll be a way to absorb it.

If it sticks, buy to let, rents will go up. Landlords are leaving the market, costs of running portfolios getting more expensive. They will have to make money.

Rents will just continue to go up and up and up, or more likely a combination of the two. It will come down a bit. It will go up a bit and we'll find a new sort of new sort of sweet spot.

As far as like cliff edges, you know, what are the big, it's quite likely we do a black swan. A black swan is like something you didn't see coming. COVID-19, global financial crisis.

We're looking for, we're overdue a recession. Probably there's lots of reasons why in a period of time, the property prices in the UK, the going from a base rate of 0.1% to 5% in a small amount of time, lots of reasons why there could be a black swan event, hope for the best. Let's hope there isn't, expect the worst.

Let's assume there is. And we don't want to catch a cold at worst. We don't want to catch a cold at best.

We want to be ready to do deals. Um, there could be a black swan event on the way. Where could it be?

We don't really know, but having lots of, uh, institutional funds backed against previous medium, long-term low rate finance products, mortgage products could be one. The cliff edge of fixed rate residential. So this month alone, there's 113,000 people coming off fixed rate mortgages in, um, 2023 alone, there's over a million people coming off fixed rate.

There's going to be a big cliff edge where those people fall off the fixed rate, spike up onto either a variable or a new fixed rate, and that's really going to condense that, um, affordability. So what, what it's going to do is there's going to be a shock factor. Repossessions are unlikely to start moving.

People still have access to cash. They're still getting jobs. They're still getting pay rises.

They're going to be okay. But that could be the cliff edge that sort of really dampens enthusiasm. And then the front page of the paper say, everyone's going to get repossessed.

The world's going to end. The economy is going to crash nerves fall in, and then we over correct. And we end up in a cliff edge of lack of confidence.

Then the government have to, um, subsidize, they have to stimulate, they have to put initiative initiatives, start injecting back into the balloon or back into the economy to get it going again. There's a few cliff edges to sort of be aware of, but for as long as employment is as strong as it is, hopefully this happens gradually. Hopefully the 5% rise calms things down.

Inflation comes down. We settle at a new level of confidence, and then we move to a position of sustainability. Either either rents go up and mortgage terms change or rates come down.

Inflation comes down. It's somewhere in the, somewhere in the middle, but I can't see property prices crashing unless there is a black Swan, a cliff edge, something like that. For as long as everyone's got a job, mortgages are probably going to be, be okay.

And then the future, I suppose this is what, what needs to happen. Well, economically, we need to stable the ship. The plan at the minute is to stable the ship, get control on interest rates, control on inflation, stable the ship.

Then what we need to do is balance the books. Now get government debt under control at 5%. It's always going to be expensive.

Needs to figure a way to, to bring that down, close the deficit, get the economy back into at least a stable position. If not start to tick up in GDP and start balancing the books and pushing back into growth. So economically, that's what we need to do.

Um, socially the danger is the economy, UK economy is now getting, it's sort of resting on its laurels. If you think about other economies that are just smashing it, like, uh, think about China over the last 10 years has been like the sports star that goes out at 2am in the morning, running in the snow, you know, they're bringing people in from the rice fields. They're borrowing money.

They're doing rapid expansion. They're taking people out of poverty. Everyone's working five, six, seven days a week.

Absolutely driven. The UK is like the other end of the spectrum now, where for the last 50 to a hundred years, especially the last decade, everything's been free. It's been easy.

You can have 200 flavors of sausages. You can have whatever you want from China for a penny. We've been living a good life.

We've had loads of money, bottomless brunches, porn star martinis, whatever you want. Fill your boots. The reality is we've got lazy.

We've got lethargic. There's so many people out of work. You don't want to work anymore.

People want to work from home. They want to go exploring rather than have careers. We've become this really lethargic, comfortable, confident, overweight body that has a very limited drive to do anything.

If you're an entrepreneur, there's restrictions, there's limitations, there's taxations. It's like, it's just become this very mature, developed, stale position. And over the last 50 years, we've just carved ourselves away from that.

You know, we used to be a global power over the last 50 to a hundred years. The great British empire. We used to have territories in other countries.

We used to have one of the most powerful economies in the world, but bit by bit, we've released those leases on countries. We've moved away from the European block and had Brexit. We've in the last two years, last year, fallen out of the top five economies by value in the world.

So the UK has fallen out of the top five economies in the world. You know, we used to be one of the top five. Remember, we're a tiny little island, but that's starting to sort of edge off.

And you've got other countries like Dubai who are like income tax free, very entrepreneurial, zero crime rate, great standard of living, amazing quality of life, facilities for kids, young families, parents, businesses. They want to, it's taken them however many years to get to where they are. And they want to double in the next five years.

You know, they're on this, they're out running in the snow. They're on this growth curve. There's a danger that the UK economy, you know, we don't want to do anything anymore.

Nobody wants to work. Everyone wants an easy life. Anyone who does want to work, you know, there's more and more taxation.

We're paying off debts and issues of generations before. We used to be like one of the world's leading finance areas. And we used to have world-class services.

We used to be a big manufacturing place. All of these things seem to be losing drive, losing momentum. We need to find that new stronghold in this country to drive it forward.

The good thing is there is opportunity. There absolutely is. You've got precision engineering.

You know, we still have things like a Rolls Royce. We have tech, AI. We have some amazing creative spaces and tech areas and free ports to drive certain things.

Education, you know, we are one of the world's leading spots for education, but then we have issues with, you know, what are the immigration rules? What other countries, India, what other countries do we want to be pulling these high-talented, valued people into the country to get the education? There's loads of opportunity, but it's just not part of the plan at the minute.

It doesn't seem to be part of the priority. At the minute, we're still trying to recover from this, this position we found ourselves in. The opportunity is endless.

You know, we can go back to the top five. We can take it to the next level. We can get on this next level up strategy, which we've heard from the government since the last manifesto.

The danger is at the minute, what the conservative government are doing strategically makes a lot of sense. Some of the things they're doing, like removing asylum seekers, taking them off, off the border, out of hotels, financially closes the deficit. Good things to do, whether it's the prime minister's strategy or the chancellor's budget.

They all make sense to get the books balanced. The problem is that's what works in business. Now in business, it's being strategic, playing the long game, reducing your costs, just doing what you need to do to be a profitable business and a sustainable economy.

That's what it takes to win business. The danger is that's not what wins in politics. In politics, it's about manifestos and pledges and promises and popular and kissing babies' heads.

It's a very different game in politics. And the next election is only around the corner. The danger is we end up with a Labour government or we end up with a hung parliament, both very possible.

And then we end up in a period of stagnation, limbo, and we don't really go anywhere. We sort of slosh around in this survival mode where really, think about fighting. Mike Tyson at the end of his career, he was the best in the world, went running in the snow, got knocked out and it was embarrassing, it was upsetting.

He couldn't fight anymore. He didn't have that killer instinct. He wasn't driven.

He was like the UK economy, overweight, lethargic, waiting to get ill. He was just getting knocked out after getting knocked out. That was the end of his career.

Is this the end of the career for the UK economy? Or is it like Tyson Fury, who in the last round got knocked out by Deontay Wilder, out for the count, but then he came around on count seven or eight, stood up and went back and won the fight? What are we going to do as an economy?

And this is really what it's going to be. Is it going to be the rebirth, the rebuild, the level up of the UK economy? Or is it going to be death by a thousand cuts?

We've had the good old days. Our labor force and our troops are just lethargic, have it too easy. We've created a culture of whether it's easy life for the young generations coming up who want Ubers and holidays and life experiences, because we're in that privileged part of the world, or the nanny state, the social benefits, asylum seekers who come in and can live off benefits.

Obviously some people need benefits, but this nanny state where we make it too easy for people to not work when they need to, if they can, there's a huge part of the workforce between half a million and a million who are out of work, out of choice, early retirement, don't want to work, do we bring in some initiatives to drive them, motivate them, incentivize them to do what they need to do. So there's a bit of an, that was complete freestyle. There's a bit of a insight into what's going on in the economy.

I think, I don't think there's any grave dangers. I don't think there's any major risks unless that black swan comes swimming in. I think we're going to see these aggressive things going on at the minute, level out, which will be great.

And then it's a case of in the medium term, what do we do? Do we lay on the mat as an economy and it's the end of our career and it's death by a thousand cuts, or do we get up, level up, step up to the fight and whatever we do, tech, AI, pharmaceuticals, precision engineering, global finance, whatever we do, education, we take it to the next level. We encourage the entrepreneurs.

We drive the economy. Which one's it going to be? We don't know.

I'll keep you posted. The good thing is the only difference is going to happen is the wealth you'll get wealthier, the poorer will actually go into poverty and the mass market will just tread water. Less porn star martinis, less bottomless brunches, more money on fuel, money on mortgages and money putting food in the fridge.

So that is why the UK is a fat, lethargic, overweight economy. And fingers crossed is not the way it's going to stay. How you enjoyed that.

Stay tuned. Further updates on the next episodes. Thank you for joining us for another episode of the Blueprint podcast.

These are released every Tuesday and I do not want you to miss these blueprints. It's my life's work boiled down into simple, easy to use and free blueprints that you can get every Tuesday. Do not miss another episode.

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