

Recession Could Benefit First Time Buyers

While the prospect of two periods of consecutive economic contraction may be feared by many consumers and businesses, first-time buyers have been alerted to the fact that they may benefit if such a scenario does befall the country.

July 16, 2008 (FPRC) -- Commenting recently, David Kuo, head of personal finance at the Motley Fool, has insisted that for a number of people, tumbling house prices may finally afford them the ability to get their foot on the first rung of the housing ladder. His assertions came in response to a recent report by the British Chambers of Commerce which warned of a serious risk of recession. Questioning 5,000 UK businesses of all sizes, the quarterly economic survey found that if current downward trends continue, the country will fall into a technical recession within a quarter of a year. The benchmark for measuring a recession is two consecutive periods of downward economic activity. The results of the study showed that some services and manufacturing sectors were already witnessing historically low financial activity.

Another common indicator of a recession - decreasing consumer demand - was also noted. The group found that businesses in the manufacturing and services industries recorded negative growth in both home sales and orders recorded.

Commenting on this, Mr Kuo noted that in order to bolster demand, businesses will have to slash prices to make their products appealing to cash-strapped consumers. As such, he explained that for those with the money to buy, a recession could allow people to make major purchases at low costs.

“There are a lot of people who have been on their knees praying for a housing recession because they have been waiting to get onto the housing market. This is one opportunity that comes around once every ten years and as far as they are concerned the best thing that can happen would be if house prices fell to a level where they would be able to afford to get onto the housing ladder because these people have been putting away money for this opportunity,” he said.

For those keen to take advantage of falling house prices but unable to scrape together the savings necessary to put down a deposit, taking out one of the many cheap loans available may prove a prudent course of action. Opting for this sort of loan may allow people to make an offer quickly and may also provide the additional finance necessary to cover moving costs as well.

However, Mr Kuo also pointed out that despite small numbers of people benefiting from a property bust, recession can cause havoc for those people who are already in large amounts of debt, possibly due to a failure to keep up with mortgage, credit cards and loans repayments.

Late last month, Equifax warned that the number of people who find themselves in this position could increase in the coming months. The financial advisory group warned that the recent hikes in the costs of living could force many Britons into involuntary credit in the coming months as they become reliant on cards and loans to meet monthly commitments.

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