

News in Review

7 December 2022

“Even before the recent increases in mortgage rates, affordability was becoming more stretched across the UK”



UK house prices fell by 1.4% month-on-month in November, according to the latest Nationwide House Price Index released last Thursday, the biggest monthly drop since June 2020. At £263,788, the non-seasonally adjusted November average price was 4.4% higher on an annual basis, compared to a yearly growth of 7.2% recorded in October.

Commenting on the findings, Nationwide's Chief Economist Robert Gardner, said, *“The fallout from the mini-budget continued to impact the market, with November seeing a sharp slowdown in annual house price growth... While financial market conditions have stabilised, interest rates for new mortgages remain elevated and the market has lost a significant degree of momentum.”*

“Even before the recent increases in mortgage rates, affordability was becoming more stretched across the UK” he added.

CBI update

The Confederation of British Industry (CBI) projected on Monday that the country's economy is on course to shrink by 0.4% in 2023, as persistently high inflation continues to dampen longer-term growth prospects. This new forecast is a sharp downgrade since the CBI's last update in June, when it predicted growth next year of 1.0%.

Unemployment is expected to peak at 5.0% in late 2023 and early 2024, up from 3.6% currently, while gross domestic product (GDP) is forecast to return to its pre-pandemic level only in mid-2024. CBI

Director-General Tony Danker warned of *“a lost decade of growth if action isn't taken.”*

US rate rises to slow

Last Wednesday, Chair of the Federal Reserve Jerome Powell said in a speech that interest rate rises might be eased as early as this month, with a 50-basis point rate hike now expected at the Fed's December meeting. The previous four meetings have all resulted in the Fed increasing its benchmark interest rate by 0.75% to reach the current target range of 3.75% to 4%, which is the highest level since 2007.

In his speech, Mr Powell hinted that rates could be held at a high level for longer to guard against a recession. *“It makes sense to moderate the pace of our rate increases as we approach the level of restraint that will be sufficient to bring inflation down”*, he said.

Price cap on Russian oil causes price spike

Oil prices rose on Monday in response to the decision by the G7 group of major economies to implement a price cap of \$60 a barrel on Russian oil. The price of Brent Crude Oil climbed almost 2% to \$87.25 a barrel, as fears grew of global supplies being disrupted in the coming months.

Separately, OPEC+, a group of the top oil-producing countries, said on Sunday that it would stick to its policy of reducing output in an effort to prop up global prices.

November sales boost

Total retail sales in the UK jumped by 4.2% in November compared with the same

month a year ago, according to a snapshot from the British Retail Consortium (BRC) released on Tuesday. November's reading was the highest since January, as retailers enjoyed a boost from Black Friday. Colder weather, meanwhile, caused sales of winter coats, hot water bottles and hooded blankets to soar.

Despite the strong monthly showing, Helen Dickinson, Chief Executive of the BRC, cautioned that *“sales growth remained far below current inflation, suggesting volumes continued to be down on last year.”*

Further positive sales news had been provided on Monday by the Society of Motor Manufacturers and Traders (SMMT), with its finding that Britain's new car market grew by 23.5% in November, a fourth consecutive monthly rise. A total of 142,889 units registered last month was the best for November since 2019, though overall registrations are still 8.8% below pre-pandemic levels.

Markets

London stocks ended lower on Tuesday as falls in shares of UK's big utility companies was offset by rises in bank shares. The FTSE 100 closed down 0.61% at 7,521.39 and the FTSE 250 closed down 1.19% at 19,100.08.

Here to help

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.