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WEALTH MANAGEMENT

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News in Review

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"While transactions are lower than pre-pandemic levels across all property types, the biggest decline has been in detached houses"

The latest Nationwide House Price Index (HPI) has highlighted *'further weakness in house prices'* in August, registering a 0.8% fall month on month. Average UK house prices are currently £259,153, 5.3% below the August 2022 peak, an annual reduction of around £14,600.

With higher mortgage rates impacting homebuyers and affordability, Robert Gardner, Chief Economist at Nationwide commented on the HPI data released on 1 September, *"The softening is not surprising, given the extent of the rise in borrowing costs in recent months, which has resulted in activity in the housing market running well below pre-pandemic levels."*

Mortgage approvals are currently around 20% lower versus pre-pandemic (average 2019) levels according to the latest HPI. Although it's likely that activity will remain subdued, Mr Gardner adds, *"A relatively soft landing is still achievable, providing broader economic conditions evolve in line with our (and most other forecasters') expectations."* It is likely that over time more modest house prices should contribute to better affordability for potential buyers. The data shows that the number of first-time buyers is down 25% compared to pre-pandemic levels, with buy-to-let purchases down 30%.

Interestingly, looking at transactions by property type, *"While transactions are lower than pre-pandemic levels across all property types, the biggest decline has been in detached houses,"* according to Mr Gardner, with smaller, more affordable properties seeing a more modest decline in transaction volumes. Since early 2020, detached properties have risen by 23%, while the price of flats has increased by 13%.

Retail price rises moderate

Last week, the British Retail Consortium (BRC) confirmed that price rises have slowed to their lowest rate since last October. Although prices are still high, the new data shows that they rose 6.9% in the year to August, down from 7.6% the previous month. According to the BRC, non-food inflation was unchanged in August at 7.4%, and food inflation reduced to 11.5%, down from 13.4% in July, below the 3-month average rate (13.1%).

Chief Executive of the British Retail Consortium, Helen Dickinson OBE, said that the reduction *"was driven by falling food inflation… these figures would have been lower still had the government not increased alcohol duties earlier this month."*

Looking ahead, although inflation is likely to continue to fall, Mrs Dickinson did cite impending supply chain concerns for retailers following *"Russia's withdrawal from the Black Sea Grain Initiative and its targeting of Ukrainian grain facilities, as well as poor harvests across Europe… could serve as potential roadblocks to lower inflation."* In addition, it's expected that a potential increase in business rates from April could hamper inflation tackling efforts.

Business confidence on the up

Last week, the Business Barometer from Lloyds showed that confidence reached an 18 month high in August, rising by 10 points to 41%. The highest reading since February last year, just before Russia's invasion of Ukraine, this was the largest monthly rise since March.

This can be attributed to *'a more upbeat view of the wider economy,'* and with the August survey conducted in the first two weeks of the month, most respondents completed the survey after the Bank Rate rise. The survey highlighted that half of firms are looking to increase headcount and from a sector perspective, confidence increased in retail, construction and service sectors, with small and medium sized firms more optimistic about prospects.

Stateside labour market news

The US economy added more jobs than expected in August, but the rising unemployment rate (3.8%) and participation rates (highest level in over 3 years), combined with tempering average hourly wage growth, has contributed towards expectations that the Federal Reserve are likely to retain key interest rates at their current level in September.

The latest employment report released last Friday highlighted that 736,000 people entered the job market in August, as mounting worries about an economic slowdown are likely to be encouraging people back to work. Underlying strength in the US labour market was demonstrated by the share of industries adding jobs reaching the highest level in seven months.

Here to help

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