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News in Review

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"Shop prices fell into deflation for the first time in nearly three years"



Fashion retailers trying to shift stock through summer sales helped shop prices to record their first annual fall for nearly three years, according to research from the British Retail Consortium (BRC).

Prices in August were down 0.3% from a year ago, the lowest rate since October 2021. The drop in prices was driven by non-food goods, such as furniture and clothing, with retailers offering discounts as continued cost-of-living pressures and wet weather hit sales.

Helen Dickinson OBE, Chief Executive of BRC, said, *"Shop prices fell into deflation for the first time in nearly three years. This was driven by non-food deflation, with retailers discounting heavily to shift their summer stock, particularly for fashion and household goods. This discounting followed a difficult summer of trading caused by poor weather and the continued cost-of-living crunch impacting many families. Food inflation eased with fresh food prices, especially fruit, meat and fish, seeing the biggest monthly decrease since December 2020 as supplier input costs lessened."*

Looking ahead, she added, *"Retailers will continue to work hard to keep prices down and households will be happy to see that prices of some goods have fallen into deflation. The outlook for commodity prices remains uncertain due to the impact of climate change on harvests domestically and globally, as well as rising geopolitical tensions. As a result, we could see renewed inflationary pressures over the next year."*

UK car production down

Latest data from the Society of Motor Manufacturers and Traders (SMMT)

shows that UK car production fell in July. A total of 65,478 cars rolled off production lines in the month which is 10,973 fewer cars than in the same month last year. SMMT said the decline in output was due predominantly to model changeovers and temporary supply chain challenges. Electrified (battery electric, plug-in hybrid and hybrid) vehicle manufacturing maintained a relatively stable 37.5% share of output, compared with 39.5% in July 2023.

Mike Hawes, SMMT Chief Executive, commented, *"Following significant growth last year, some readjustment in output was to be expected. Indeed, an ongoing degree of volatility is likely as the industry restructures to transition to zero emission vehicle production. As the billions already committed to new models start to deliver a return, volume growth will resume, providing we seize every opportunity to enhance our global competitiveness."*

Rebound in mortgage approvals

According to the latest Money and Credit statistics released by the Bank of England (BoE) last Friday, net mortgage approvals increased to 62,000 in July, the highest since September 2022 (65,100) and up from 60,600 in June. July's approvals are considerably higher (+26.5%) than the 49,015 seen in the same month last year.

Annual house price growth

On Monday, Nationwide's House Price Index revealed that UK house prices fell by 0.2% month-on-month in August, but the annual rate of house price growth continued to edge up. Average prices were up 2.4% year-on-year, up from 2.1% recorded in July and the fastest

pace since December 2022 (2.8%).

This puts the average property price (not seasonally adjusted) at £265,375, according to Nationwide.

Robert Gardner, Nationwide's Chief Economist, commented, *"While house price growth and activity remain subdued by historic standards, they nevertheless present a picture of resilience in the context of the higher interest rate environment and where house prices remain high relative to average earnings (which makes raising a deposit more challenging). Providing the economy continues to recover steadily, as we expect, housing market activity is likely to strengthen gradually as affordability constraints ease through a combination of modestly lower interest rates and earnings outpacing house price growth."*

UK retail sales pick up

Retail figures for August, released on Tuesday, showed that warmer weather lifted retail sales as shoppers spent on barbecues and picnics. The growth was driven by food, with the total amount spent in shops rising by 2.9% in the three months to the end of August, up from 2.6% reported the month before.

Non-food sales fell by 1.7% over the same period, the same pace as July's figure, according to the latest figures from BRC and analysts at KPMG.

Here to help

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

***The value of investments can go down as well as up and you may not get back the full amount you invested.
The past is not a guide to future performance and past performance may not necessarily be repeated.
All details are correct at time of writing (4 September 2024)***