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News in Review

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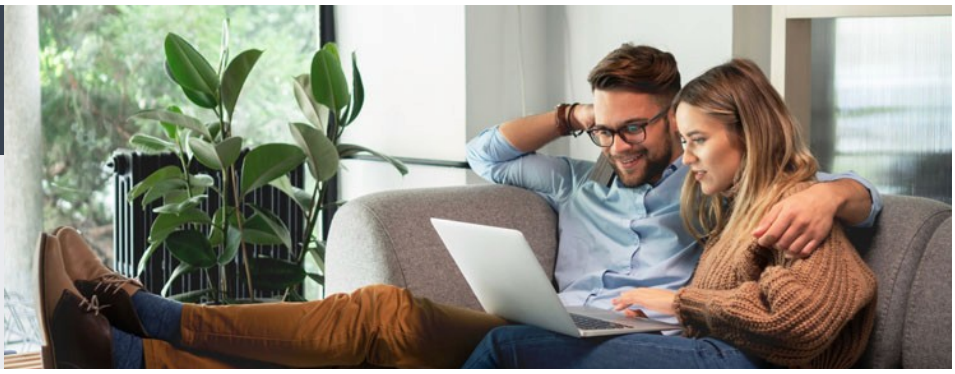
"Buyers have plenty of choice this autumn and will be able to make competitive bids for homes"



The latest House Price Index from Zoopla indicates that buyers are regaining confidence and returning to the housing market. In August, home searches were up 7%, marking the strongest annual increase in 12 months.

Sales agreed were still down 6% annually last month, but the rise in searches suggests more transactions could come in the autumn. For the first time in a year, every region saw a rise in searches, with particularly strong interest recorded in the South East (+8.9%) and the East of England (+8.5%).

Affordability is still a challenge for buyers - in January, mortgage rates were under 4% but they now sit around 4.8%. Zoopla notes that '*a buyer who could afford a £200,000 mortgage at the start of the year can now borrow around £182,000 for the same monthly repayment. That is a 9% reduction in buying power.*'

However, there are currently 5% more homes for sale than last year, thus giving buyers more negotiating power. Richard Donnell, Executive Director at Zoopla, commented, *"Buyers have plenty of choice this autumn and will be able to make competitive bids for homes."* Sellers should therefore think carefully about their asking price to achieve a successful sale. The higher supply of homes will continue to put pressure on house price growth, which slowed to 0.9% in July, down from 1.3% in June.

Meanwhile, data from UK Finance shows that more people are taking out mortgages at an older age. Later life lending rose in quarter two; 37,300 new mortgages were advanced to borrowers aged 55 or over, marking a 13.4% annual increase.

Burnham fuels a boost in business confidence

Business confidence has reportedly risen since Andy Burnham became Prime Minister. According to a survey by trade bodies, 37% of pubs, bars and hotels believe that the new government will benefit the hospitality sector. Before Burnham announced discounted business rates for pubs, clubs and live music venues, only 18% were optimistic about the government. Barclays Business Prosperity Index showed a similar story - 63% of UK business leaders said they have confidence in the strength of the UK economy, which is up from 57% the previous quarter.

In his first speech to MPs on Tuesday, Burnham pledged new devolution deals, stronger public control of essential services and greater local decision-making. These commitments appear to resonate with businesses, with 60% of leaders saying devolution would improve economic opportunities in their area and 34% expecting to benefit from the establishment of No.10 North. However, the speech came as government borrowing costs hit a 28-year high, highlighting the economic challenges facing the new administration.

Over half (56%) of business leaders expect to increase investment over the next 12 months, although Barclays notes that businesses are seeking greater policy certainty before translating optimism into spending.

Meanwhile, Burnham has not ruled out tax rises in the upcoming Budget, saying, *"I won't be unrealistic and people really need to understand that."*

Difficulties in the retail sector

Retail sales volumes fell further last month according to the CBI, with activity falling from a weighted balance of -26% in July to -48% in August. However, the pace of decline is expected to slow to -22% in September. Sentiment among retailers also fell to -29%, having been at -15% in May. Martin Sartorious, Lead Economist at the CBI, commented, *"Retail firms grew more downbeat in August as they grappled with sharply falling sales volumes. These weak trading conditions, which were echoed across the broader distribution sector, continued to weigh on retailers' investment and hiring plans."*

"We have work to do"

At the annual Jackson Hole Economic Policy Symposium last week, Federal Reserve Chairman Kevin Warsh acknowledged that inflation is still too high in the US and hinted that the Fed may have to act - his first indication of a potential interest rate hike in the coming months. During his keynote speech at the event, attended by central bankers, economists and financial policymakers, Warsh said, *"We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do."*

Here to help

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