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News in Review

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"Housing affordability has improved over the past year, thanks to stabilising property prices, strong wage growth, and easing interest rates"



Buying a home is becoming more affordable relative to income, according to the latest Halifax Affordability Review released last Thursday, as the house price to income ratio continues to fall.

Strong wage growth combined with lower house price inflation has made housing more affordable than a year ago, the research revealed. Since 2023, house prices have risen by 3.8%, while at the same time annual earnings for full-time workers have climbed by 5%. As a result, the house price to income ratio has declined from 6.62 to 6.55.

In summer 2022, with house prices soaring but incomes yet to rise significantly, the ratio reached a record high of 7.24. The Bank of England (BoE) raised interest rates to a 15-year high of 5.25% in August 2023, checking house price growth.

The release also highlighted major regional differences that persist in the house price to income ratio. Unsurprisingly, housing was least affordable in southeast England and in London, with new mortgages costing 39% and 36% of local salaries respectively.

Commenting on the release, Amanda Bryden, Head of Halifax Mortgages, said, *"Housing affordability has improved over the past year, thanks to stabilising property prices, strong wage growth, and easing interest rates. That's great news for first-time buyers and existing homeowners looking to remortgage or move up the property ladder."*

UK car production drops – with electric vehicles down by a third

Car production fell sharply in the UK in

October, according to figures released last Thursday by the Society of Motor Manufacturers and Traders (SMMT), with output of all cars down by more than 15% from a year earlier.

To explain the drop, SMMT pointed to weak demand causing a fall in exports. Leading the decline was the production of electric and hybrid vehicles, which dropped by a third compared with last year. In contrast, sales of electric vehicles (EVs) in the UK have been increasing – in October, EVs made up one out of every five cars registered.

Mike Hawes, SMMT's Chief Executive, commented, *"These are deeply concerning times for the automotive industry, with massive investments in plants and new zero emission products under intense pressure."*

Retailer sentiment nosedives ahead of crucial holiday season

Sentiment among retailers for the next three months declined at its fastest rate for two years, according to the latest quarterly Distributive Trades Survey from the Confederation of British Industry (CBI).

Retailers judged sales to be 'poor' in the year to November, while also expressing concern that volumes will be below the seasonal average in December. The CBI indicated that weak consumer demand was a leading factor in the falling sentiment. Looking ahead, firms declared that they expected to scale back capital expenditure in the next year compared to the previous year.

Confirming the trend, data from the British Retail Consortium (BRC) revealed

that high street footfall had dropped by 3.7% in November. Similar results were observed for footfall in retail parks (down 1.1%) and shopping centres (down 6.1%). After a challenging few weeks, BRC noted the importance of the upcoming festive season to return some optimism to UK retailers.

Commenting on the data, Ben Jones, CBI Lead Economist, said, *"Retailers continue to report disappointing sales, though trading conditions have shown some improvement since the middle of the year. Yet the last time retailers felt this gloomy was back in November 2022, at the peak of the inflation shock. This makes the sharp decline in sentiment this month all the more telling."*

Wealth gap shrinking but still substantial

The average wealth gap between thirty-somethings and sixty-somethings has fallen by £86,000 in five years, according to research by the Resolution Foundation.

Following severe interest rate rises and house price growth slowdown in recent years, the typical household wealth of someone in their 60s in 2018-20 has fallen by 16% over the past five years. Meanwhile, the typical wealth of someone in their 30s in 2018-20 has risen by 17% in the same period.

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 (04 December 2024)***