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News in Review

6 March 2024

"The housing market has proved very resilient to higher mortgage rates and cost of living pressures"



House price data released last week from Zoopla highlighted that the number of homes on the market has increased by 21% year-on-year, as pent-up demand provides a boost. Buyer demand has also picked up, with an 11% increase on the year, while sales agreed are 15% higher than this time last year.

The average house price across the UK was noted at £263,600, a reduction of 0.5% year-on-year. The average price in London is now £534,600, more than double the national average. Five English regions are registering annual price falls of up to -2.1%, with the East of England leading the way with the most negative change.

Higher sales in February, with an uptick in buyers and sellers evident, indicates a rebound, despite ongoing cost pressures and elevated rates. Executive Director at Zoopla, Richard Donnell, commented on the findings, *"The housing market has proved very resilient to higher mortgage rates and cost of living pressures. More sales and more sellers show growing confidence amongst households and evidence that 4-5% mortgage rates are not a barrier to improving market conditions."*

He continued, *"The momentum in new sales being agreed has been building for the last five months and the sales market is on track for 1.1 million sales over 2024 supported by new sellers coming to the market."*

The latest Bank of England (BoE) Money and Credit report has outlined that UK mortgage approvals have reached their highest level in over a year, with 55,227

mortgages in January, up from 51,506 in December. This is the highest reading since October 2022.

Spring Budget speculation

Chancellor Jeremy Hunt presents his Spring Budget on 6 March. He will stand up in the House of Commons following Prime Minister's Questions and alongside the latest economic forecasts from the Office for Budget Responsibility (OBR) to announce key tax measures and outline the government's spending commitments for health, schools, police and other public services, for the year ahead. Prime areas of speculation in advance of the day have included a further National Insurance reduction and possible changes to Inheritance Tax.

The case for tax cuts has been described by the Institute for Fiscal Studies (IFS) as *'weak,'* with the think tank adding that any tax cuts *'should wait'* until the Chancellor is able to do a detailed spending review. Carl Emmerson, Deputy Director at IFS commented, *"We don't think we should be implementing certain tax cuts now, essentially that are paid for by uncertain spending cuts that might never be delivered."*

The International Monetary Fund (IMF) have also advised the government about making further tax cuts, suggesting the Treasury's pencilled-in spending cuts were unrealistic.

New FCA campaign

Last week, the Financial Conduct Authority (FCA) launched a new campaign focused on the benefits of switching savings accounts, encouraging consumers to shop

around for a better savings rate and how fast and easy this can be. Running across radio, digital audio and social media, Sheldon Mills, FCA Executive Director of Consumers and Competition commented, *"We know that people can be put off switching for a variety of reasons, but they could be making their money work harder. There are some great rates out there and it could take as little as five minutes to find a better deal."*

Rainy day funds raided in 2023

Data released last week showed that a record £100bn was withdrawn from easy access accounts last year, as people struggled with their finances as cost-of-living issues intensified. This resulted in the most substantial fall in total balances since the global financial crisis in 2008. The stats from Coventry Building Society, based on analysis of BoE data showed that year-on-year, household savings increased by just 2% (£36bn), the lowest level in annual growth in 15 years.

Head of Strategy at Coventry Building Society, Jeremy Cox, commented on the findings, *"The UK lost its savings habit in 2023 after building up a substantial safety net during the pandemic. Money in easy access accounts took a drastic downturn as households drew on their day-to-day funds to support spending and higher price rises."*

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 (6 March 2024)