NEWS ROUND-UP

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HOUSE PRICES FALL FOR THE SECOND MONTH IN A ROW

House prices fell by 0.4% in April to £261,962, following a 0.2% drop in March.

UK house prices declined for the second consecutive month in April, influenced by uncertainties around interest rates and rising mortgage costs, which impact the traditional spring homebuying season. According to the Nationwide Building Society, April's average house price fell by 0.4% to £261,962, following a 0.2% drop in March. This reduction marks a decrease of £11,700 since August 2022.

Nationwide's index showed that annual house price growth slowed to 0.6% in April from 1.6% in March. This trend placed additional pressure on the Bank of England ahead of its 9 May interest rate announcement. At the beginning of May, major banks such as Barclays, HSBC and NatWest raised their fixed mortgage rates, and Nationwide increased some rates by up to 0.25 percentage points. The average new two-year fixed mortgage rate has risen to 5.91%.

The housing market has shown signs of cooling despite expecting a bank interest rate cut later this year, possibly as early as June but more likely around August or September. However, mortgage approvals peaked in March, reaching a high not seen since September 2022.

A Nationwide survey revealed that 49% of prospective first-time buyers have postponed their purchasing plans in the past year due to high house prices and increased mortgage costs. Additionally, 53% cited high house prices as a deterrent, while rising mortgage expenses hindered 41%. Despite these challenges, 55% of respondents were open to buying in less-expensive regions to afford a bigger home.

Speak to us about your property investments.

UK PREDICTED SLOWEST GROWTH AMONG RICH NATIONS

GDP is expected to rise by only 1% in 2025, below other G7 nations such as Canada, France, Germany, Italy, Japan and the US.

The Organisation for Economic Co-operation and Development (OECD) has forecasted that the UK's gross domestic product (GDP) will increase by only 1% in 2025, placing it below other G7 nations such as Canada, France, Germany, Italy, Japan and the US.

The UK economy is described as "sluggish" by the OECD, primarily due to the residual impacts of multiple interest rate hikes. It predicts a modest 0.4% growth this year, a reduction from a previous estimate of 0.7%. This year, only Germany will have slower economic growth than the UK, placing the UK's expansion rate as the second slowest among the G7 nations.

The OECD attributes ongoing high inflation and the uncertainty surrounding future interest rate adjustments by the Bank of England (BoE) as factors dissuading investment. Despite recent national insurance cuts totalling a 4% reduction, the OECD notes that frozen personal income tax thresholds continue to impose a fiscal drag, where individuals may end up in higher tax brackets as their earnings increase.

Furthermore, a governmental policy enabling full tax deductions for business investments in machinery and equipment is seen as insufficient to offset the rise in corporation tax from 19% to 25%.

The OECD suggests that long-term measures, including the free childcare scheme, could alleviate fiscal pressures. With inflation easing from last year's 40-year peak to 3.2% in April and interest rates steady at 5.25% since last September, the OECD anticipates a reduction in borrowing costs beginning this autumn, potentially reaching 3.75% by the end of next year.

Talk to us about your finances.

SME ENERGY STANDING CHARGES ARE TOO HIGH

Some SMEs' costs have risen by more than 1000%. Nearly two-thirds of these businesses cite utility costs as a key factor driving higher expenses.

Small businesses in the UK are grappling with significant increases in fixed daily utility costs, escalating regardless of usage. Recent data shows that nearly two-thirds of these businesses cite utility costs as a key factor driving higher expenses.

The Federation of Small Businesses (FSB) reports that one small firm saw its daily standing charge soar from £70.94 in July 2021 to £969.64 by September 2023, an increase of 1,266.9%, and amounting to over £3,500 annually. The customer was reportedly unaware of this dramatic rise.

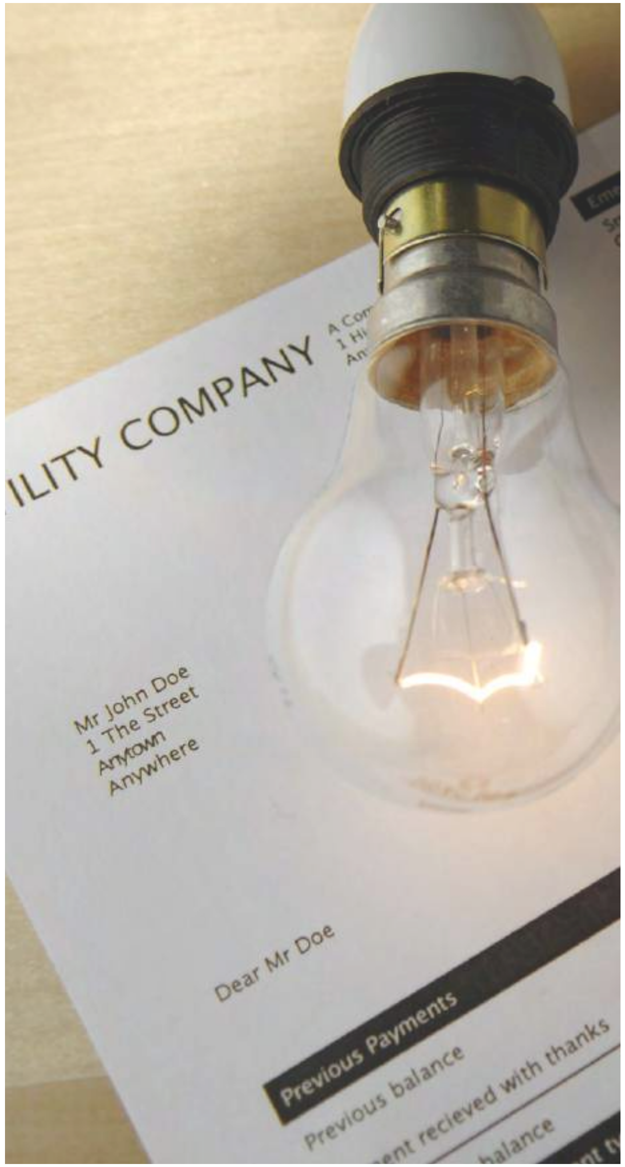
Rural small businesses are particularly affected, highlighting a growing rural-urban divide and hindering efforts to support remote UK areas. Standing charges cover network infrastructure and policy initiatives such as the Warm Home Discount, though their complexity often confounds small business owners.

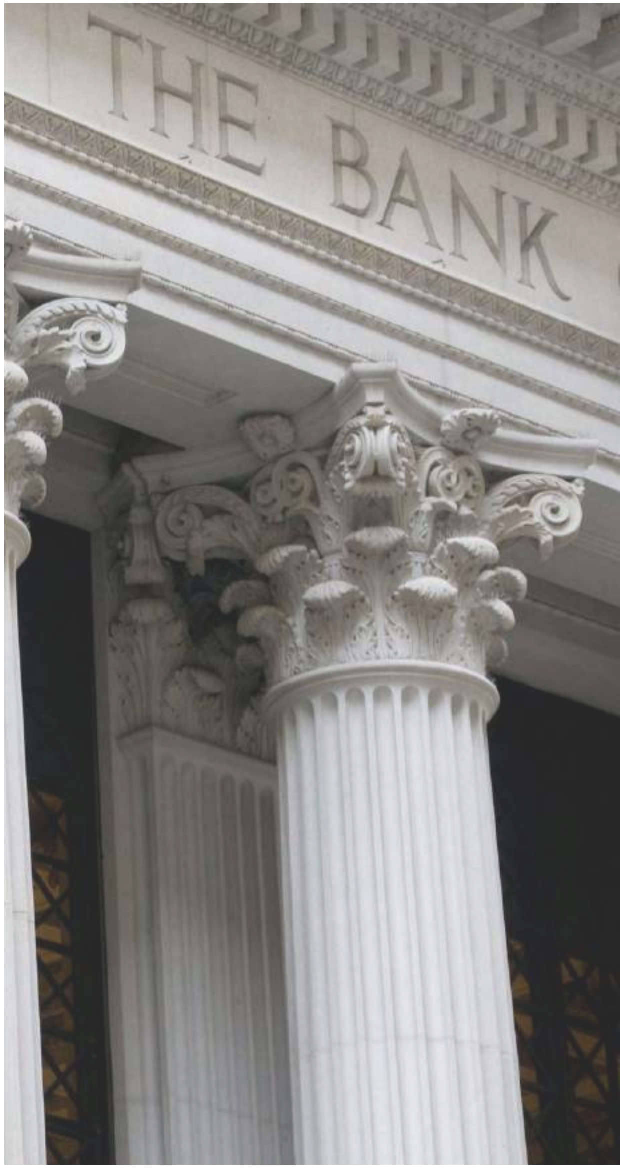
Unlike domestic consumers, these businesses aren't protected by an energy price cap, leading many to believe their costs are unjustly inflated.

The FSB said: "SMEs can choose to limit their energy consumption to avoid paying higher consumption-related bills, but an increase in the standing charge places an inescapable financial burden on businesses merely for being connected to the grid."

"Standing charges, in turn, become a regressive form of billing for small businesses, dampening their growth, confidence and ability to invest."

Seek expert advice on your costs.





MPS WARN UNFAIR BANKING IS HARMING SMALL FIRMS

The Treasury Committee says confidence among SMEs has fallen.

The Treasury Committee has warned about the negative impacts of unfair banking practices and inadequate financial regulation on small and medium-sized enterprises (SMEs). The report, stemming from an inquiry into SME access to finance, highlights the struggles these businesses have faced over the past five years, exacerbated by the global pandemic and energy crisis.

The committee criticised the widespread use of personal guarantees, which often require borrowers to secure loans against personal assets, such as their homes. It also raised concerns about "debanking", noting that in 2023 alone, banks closed around 140,000 SME accounts, frequently without sufficient explanation.

The report condemned the current mechanisms for resolving disputes between SMEs and banks as inadequate. The Financial Ombudsman Service lacks the resources and expertise for complex SME cases, while the Business Banking Resolution Service (BBRS) has been ineffective and is recommended for closure. Despite costing over £40m, the BBRS has resolved only 58 cases.

The committee has made several recommendations to enhance transparency and fairness in banking for SMEs. These include urging the Financial Conduct Authority (FCA) to enforce greater transparency in account closures and to amend regulations regarding the use of personal guarantees. Furthermore, it suggests expanding the scope of the Financial Ombudsman Service and calls on the Treasury to develop a new, independent system to support SMEs outside the Ombudsman's current remit.

Talk to us about your small business.

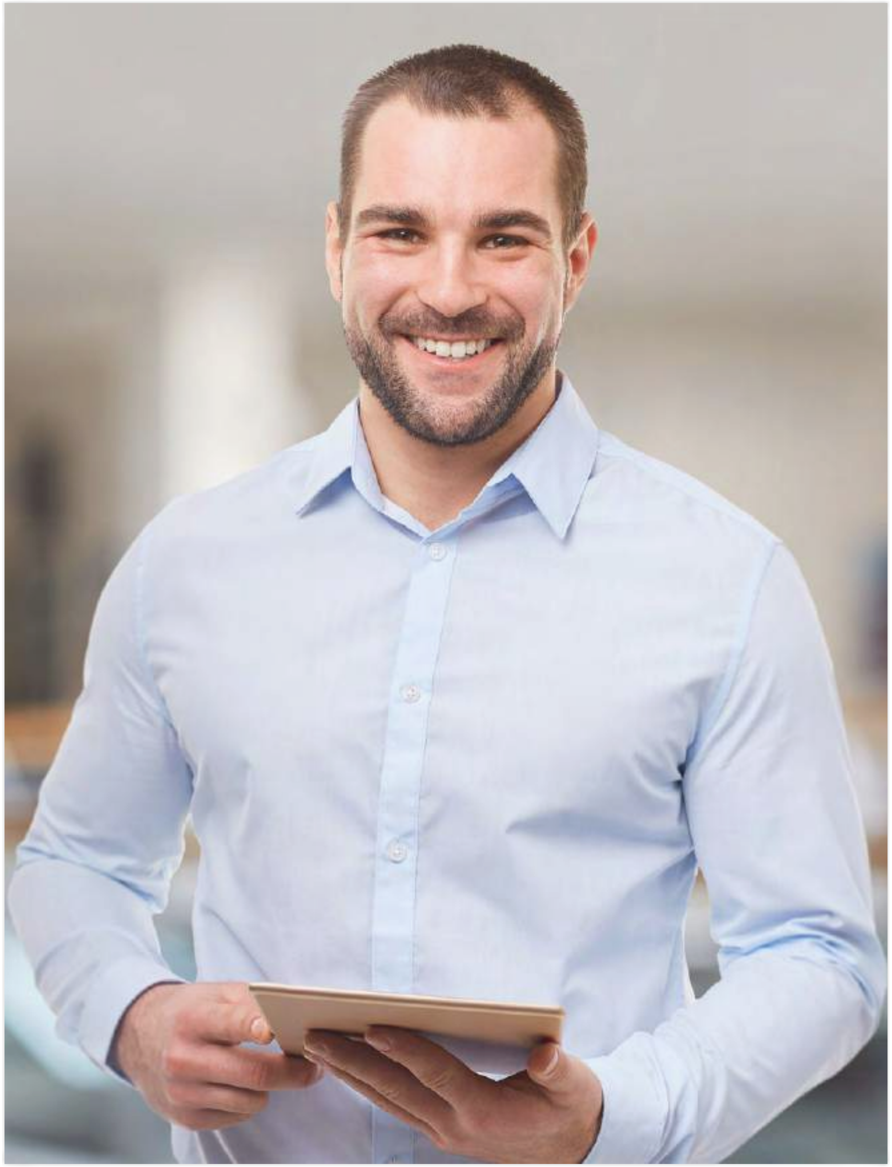
WANT TO TALK TO AN EXPERT?

If you've found the topics covered in this report to be of interest or you would like to delve deeper into any of them, we welcome the opportunity to engage in a more detailed discussion with you. Our team of experts is always keen to share insights, and we're confident that a conversation with us can provide valuable perspective.

We are also well-positioned to update you on the latest trends, opportunities and challenges in the business world. As we all know, staying ahead of the curve is vital in today's fast-paced business landscape, and we're here to help you navigate it successfully.

If you're considering getting extra support, we invite you to explore the comprehensive solutions we offer.

To schedule a meeting or to get more information, please don't hesitate to contact us.



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