News in Review

13 December 2023

"This balanced proposal provides much-needed predictability and stability to EU car and battery makers at a time of fierce global competitive pressure"

Last week the European Commission proposed a three year postponement on the imposition of tariffs on electric vehicles (EVs) traded between the UK and the EU. Originally agreed as part of the Brexit deal, the tariff exemptions were due to end on 31 December 2023.

Although the European Commission initially rejected notions of a delay to the implementation of the rules, they agreed that a one-off extension until 31 December 2026 was required to support the bloc's car industry, currently grappling with the residual affects of the pandemic, the war in Ukraine and fierce competition from US subsidies.

The plan, which was supported by both UK and European carmakers, is expected to be approved by European Union member state ambassadors this week. Without approval, 10% tariffs will apply to EVs traded across the English Channel.

In a statement, the EU's trade chief Valdis Dombrovskis commented, *"This balanced proposal provides much-needed predictability and stability to EU car and battery makers at a time of fierce global competitive pressure."* He continued, *"It is the result of intense engagement with industry across the entire EV supply chain and with trade unions, which had expressed concern about rules that would have seen tariff barriers hit our EV exports to the UK, our largest export market."*

A spokesperson from the UK government said they have *'listened to the concerns of the sector,'* and have prioritised finding 'a joint solution with the EU on electric vehicle tariffs that works for both sides.' Continuing, *'We have a shared ambition to grow domestic electric vehicle manufacturing and battery supply chains, and this proposal is a positive step towards providing long term certainty to the industry while ensuring it remains globally competitive.'*

Crucially the delay will provide an opportunity for the UK and EU battery industries to increase production.

Cash use on the rise

A new report from the British Retail Consortium (BRC) shows that cash transactions have increased for the first time in a decade, accounting for 19% of all transactions last year, up from 15% in 2021. This rise can be attributed to the fact that cash has allowed households to budget more effectively during the cost-of-living crisis, as well as an organic return following the rise in contactless payments at the peak of the pandemic. Over three quarters (76%) of transactions were made by card, down from 83% in 2021, with debit cards being used for 80% of these transactions. Trade body UK Finance expects the use of cash to decline over the coming years, once cost-of-living pressures have subsided.

Household mortgage borrowing over the longer term

The latest Financial Stability Report from the Bank of England (BoE) has highlighted that fewer households will find it hard to keep up with their mortgage payments than previously estimated, as many households are opting to borrow over longer time periods to manage higher interest rates. Over a tenth (12%) of new mortgages are for terms of over 35 years, with the proportion of new loans extended by over 30 years now topping 28%.

By the end of 2024, nearly half a million households are expected to spend over 70% of their post-tax income on their mortgage, down from the figure of 650,000 households predicted by the BoE in the summer. However, the report does highlight the scale of payment shocks faced by some mortgage holders, with estimates showing just under 900,000 can expect their mortgage payments to increase by over £500 a month because of higher interest rates.

Average mortgage rates fall

Ahead of the Monetary Policy Committee decision on Bank Rate this Thursday, Moneyfacts has revealed that average two and five-year fixed mortgage rates have dropped to 6.04% and 5.65% respectively and now sit at their lowest levels since June 2023. The data also shows that mortgage availability rose for a fifth consecutive month to its highest level in over 15 years, standing at 5,694 products. Providers are competing to attract a smaller pot of new homeowners and to keep hold of existing customers.

Here to help

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