City braces for summer jobs cull as new London stock market floats dry up

Bankers are bracing themselves for a summer jobs cull as business dries up and financial firms cut back after over-hiring in a race for talent in the last two years.

The market for new stock flotations, buoyant last year, has almost entirely dried up.

Fund managers are suffering massive outflows of cash as people pull money out of the market. Brokers say they can't even get finance for the most promising new tech firm floats.

While there has been no big job cuts announcements in the City so far, insiders say there is a drip-drip of redundancies and fears of thousands more to follow unless there is a turnaround in markets.

Berenberg has already cut jobs in London and New York. Credit Suisse, Numis, RBC Capital are among those said by City insider to be at least pondering laying people off.

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Numis had no comment. Morgan Stanley has insisted it will "keep hiring good people", taken as code for job cuts in the City.

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City veteran David Buik of Aquis Exchange said: "Markets cope brilliantly with good and bad news; what they cannot deal with is uncertainty and the City of London currently is experiencing it in spades. IPOs are currently an endangered species. Last year there were about 120. This year you could almost count them on the fingers of two hands."

During the worst of Covid, the City came into its own, arranging large numbers of finance deals for clients struggling to get through. That period has ended. One headhunter said he thinks there is an unofficial hiring freeze at many firms.

Russ Mould at AJ Bell said: "These things go in cycles. Markets heat up, there is a lot of activity in mergers and acquisitions, new listings and firms go looking for rainmakers who can bring in the deals and the fees. Markets cool down and then those same firms find themselves with a lot of expensive talent and a lot less revenue than hoped. First the bonus pool shrinks, then fingers are crossed for a bit of natural attrition and – if the deal flow remains too much like a trickle for comfort – then the job cuts come next."

David McCormack at New York search firm DMC Partners told CNBC that a "street-wide RIF [reduction in force] is coming in July." Banks' second quarter revenues will be "ugly" added McCormack: "Banks have a serious revenue problem and will be forced to rip out costs."

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That suggests bonuses for the year-end will be low, a blow to Chancellor Rishi Sunak since City bonuses are taxable.

Research from Coupa Software shows 87% of fast-growing UK businesses delaying IPOs due to current market conditions. Several companies have already confirmed that they're stalling their IPOs, including BrewDog, city law firm Mishcon de Reya, and private equity group CVC. The stagnation in companies floating follows a record breaking 2021 for IPOs in the UK.

The top reasons cited for delaying an IPO are all related to concerns with current market conditions, specifically rising interest rates (31%), supply chain shortages (31%) as well as recent stock market volatility (31%), and rising inflation (23%).

Flotations on the London Stock Exchange raised just £308 million between January and March, compared to £5.6 billion last year, data from EY shows..

UK Finance figures show that there are nearly 500,000 bankers in Britain, the largest chunk of which work in the City. The UK banking sector pays about £40 billion a year in tax to the Exchequer.