Grim outlook as danger signals go red and confidence crashes

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HE extent of the financial pain facing millions of Britons was laid bare today with figures showing that business confidence in plunging and financial distress signals for companies and individuals are flashing red.

NatWest said it has already referred more than 2000 people to debt experts at Citizens Advice. Yesterday its arch rival Lloyds told customers in trouble to seek help earlier rather than later.

Insolvency firm Begbies Traynor said the number of companies in distress has jumped 20% in just three months. While business confidence in London fell 20 points during April to 40%, according to the latest barometer from Lloyds Bank Commercial Banking.

With costs spiralling, Covid loan repayments due and staff fighting for pay rises, this year promises to be extremely tough for small firms in particular.

Begbies “Red Flag” report said 1891 firms are in the “critical” category, which means they may not survive.

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Julie Palmer, a partner, said there will be a wave of business failures. “It’s just a case of when the dam holding it back finally bursts,” she said.

Landlords unable to take action against creditors earlier in the pandemic are now free to do so, she noted.

Palmer added: “In a day’s time, the landlords are able to start petitioning, to take legal action against companies. We think the landlords are a very impatient lobby that will swell those figures.”

NatWest reported a 40% jump in first quarter profits to £1.2 billion, but such City-beating returns may not continue.

Chief executive Alison Rose, who saw a new pay deal that could see her make more than £5 million a year approved by shareholders last night, said: ““The world has changed considerably during the last three months. We are also very aware of the challenges and concerns the cost-of-living crisis is causing for many of our customers up and down the country.”

Figures today from the eurozone showed a sharp slowdown in the French economy, while Spain flatlined. Germany grew just 0.2% in the first quarter, while Italy is on the brink of recession. French inflation is at 4.8%, still lower than the UK’s 6.2%.

“Inflation has not peaked yet,” noted ING Economics. “These price increases will continue to put increasing pressure on business costs, which will add to upward pressure on consumer prices.”

While stock markets have so far been relatively calm in the face of dire economic forecasts, that could change.

Capital Economics said today that “markets are too sanguine on interest rates”.

It added: Our new forecasts that inflation will stay higher for longer and that the labour market will remain tight into 2023 suggests that Bank Rate will rise to a peak of 3.00% next year rather than the peak of 2.50% currently priced into the markets.

The already weak pound could fall from $1.26 to $1.22 later this year, predicts Capital.