London will lose “to New York, Hong Kong and Shanghai for years to come” warn City bosses

C
ITY figures today warned that London is in danger of becoming a stock market backwater, with big floats now almost certainly heading to rival financial centres such as New York.

There has been concern for months that London shares are unattractive, being shunned by pension funds partly due to unhelpful regulation. A lack of floats has buffeted City revenues.

Alasdair Haynes at Aquis Exchange, a campaigner for reform said: “There is plenty of money waiting in the wings to invest in aspiring and innovative companies. Conditions have to be right. The threat of recession and penal inflation are unattractive to investors. Multi-billion IPOS are likely to be the domain of New York, Hong Kong and Shanghai in the years to come.”

Those fears grew today when figures showed there have been just five new floats this year.

The main market saw just two IPOs (initial public offerings) with AIM taking three, raising just £81 million in all from investors.

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That is down 80% on a year ago according to EY, the latest sign that London shares are being shunned and that companies looking to float increasingly eye up America or Hong Kong.

There was one shot of good news today when a UK investment trust, Ashoka WhiteOak Emerging Markets, said it aimed to raise £100 million from a new float on the London Stock Exchange.

The trust itself shall invest, not in London, but in global emerging market equities, however.

That lack of fresh market activity is putting strain on large banks and smaller City brokers, nearly all of whom have been laying off staff since Christmas.

A bank wobble that saw Silicon Valley Bank need a rescue hardly helped sentiment.

Susannah Streeter at Hargreaves Lansdown said: “The capital had already lost its crown as the top European trading centre, and more companies appear increasingly reluctant to list not just because of recent market volatility but also the perception that it’s harder starting off as a listed entity in London than elsewhere.”

The government is planning a series of measures in the Autumn statement to bolster City competitiveness, but there are fears this may be too-little-too late.

UK shares trade at heavy discounts to those in the US, which leaves bosses thinking it would be far better to float in New York.

Today the FTSE 100 rallied 32 points to 7774, leaving it flat over the last 12 months.

In comparison, the gold price has jumped past $2000 as investor seek a safe-haven from market turmoil.

Bitcoin has also enjoyed a recovery, going past $30,000 for the first time since last June.

Russ Mould at AJ Bell says: “One of a stock market’s primary function is to provide capital that companies can use to invest, grow, expand and hire, so it is an understandable source of concern that London has seen so little listing activity. This will be used as another stick with which to beat the City and further tempt critics to portray the LSE as a 21st century stock exchange with a twentieth-century lead stock index.”

Debbie O’Hanlon at EY said: “Once there is evidence of a more stable market, investor confidence should return, and prominent companies that had postponed IPO plans may restart, albeit with companies needing to accept lower valuations than were being obtained in the 2021 peak.”