

Recovery Matters

The good, the bad and the ugly

Ian Robert, partner at Kingston Smith & Partners LLP welcomes you to the Winter edition of Recovery Matters.



- **Exports are increasing** due to the weak pound. This is likely to assist bigger businesses but have very little impact on the small to mid-size owner-managed businesses who typically sell within the UK.
- **Unemployment is low** – this is good news, but I would couch this by suggesting that we may not be comparing like with like. There are many more zero hours contract employees, part-time positions and apprenticeships for 16-24 year olds which improve the figures, but may not have the full effect on living standards and output.
- **FTSE is at an all-time high** – what goes up is likely to come down. Those with hefty pension pots have made a paper gain, but it's not something to get too excited about in the long term. If you have a large FTSE100 portfolio, or are about to draw down on your pension, good luck to you.
- **Consumer debt is increasing** – worrying times as we have seen this before and it seems that the average consumer has not learnt their lesson. The banks are getting a bit smarter and are perhaps not giving out credit card credit quite so easily, nor allowing for interest only mortgages without an extra degree of scrutiny, but clearly this isn't stopping the optimistic UK worker spending their money instead of saving it (and earning no interest).
- **Fuel prices are increasing** - the highest in almost two years.
- **Inflation is set to increase** as the costs of imports is increasing - will this lead to higher interest rates? Possibly not as the UK government debt is now thought to be higher than first thought, with little prospect of a reduction any time soon. Simply put, the UK government can't afford to pay higher interest rates on its debt.
- **High Street retail spend was down** this Christmas compared to last - expect a fall out at the March rent day; the retail sector geared up to expect higher sales, for it not to materialise. The March rent day will prove to be a large pinch point for cashflow and we will see how the High Street fares.
- **Brexit** - apart from the huge and complicated knots that need to be untangled, hardly a day goes by without Brexit being mentioned. It's quite dull now...and we will hear a lot more. My concern isn't about dealing with some of the known effects, it's the unknown effects that worry me as no one can prepare for outcomes they weren't able to forecast.
- **Trump** - Some wacky ideas, an insular US - all concerning, but not as concerning as the prospect of Trump either realising he can't hack it or gets bored/frustrated with politics!

Predictions

2016 how did I do?

1) Labour wins the London Mayoral elections

Correct!

2) Murray wins two Grand Slams

Almost Correct (Wimbledon and Olympic title)

3) England crash in Euro 2016

Correct!

4) Prince Harry marries

Not yet, but he's getting there!

2017 predictions

1) A large retailer goes under

2) A major bank leaves the UK

3) Trump resigns, is impeached or assassinated or moves into the Celebrity Big Brother House!

4) Prince Harry marries



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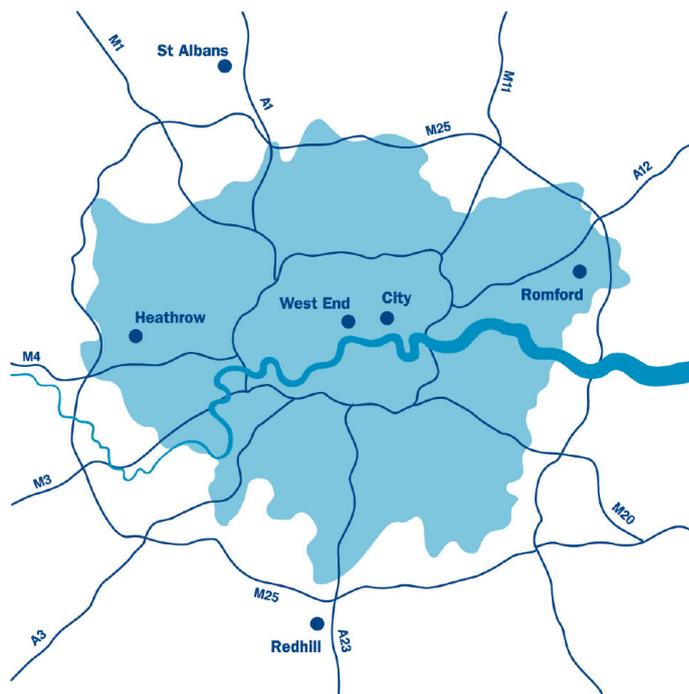
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