Populist politicians must stop punishing City

CITY COMMENT
STUART FRASER

AT FIRST glance it is hard to see how goings on in the City can have any bearing on the UK's thousands of small and medium-sized enterprises (SMEs).

On one hand you have the huge multi-national banks with which the City is usually associated employing tens of thousands of people globally and issuing multi-million pound bonuses to the highest earners. On the other hand you have new small businesses located well away from central London, struggling to cover start-up costs and grow. And yet this relationship is one of mutual interdependence and benefits.

Financial institutions need to be based in a thriving marketplace – that is how they make their money – and SMEs are vital drivers of the UK economy in terms of job creation and growth as well as their flexibility, capacity for innovation and geographical spread.

On the flip side, the City has a vital role to play in financing new businesses and helping them to grow. Most of the biggest national and international businesses were once SMEs themselves and some were undoubtedly once heavily reliant on the financial services sector.

Providing funding for SMEs is a risky enterprise – even riskier in today's economic climate.

In this feverish pre-election environment lending institutions are being put under extreme pressure to provide more funding to SMEs whilst at the same time being told that they must act in a more prudent manner and hold even greater amounts of capital on their balance sheets.

It is no wonder many SMEs are reporting difficulties in obtaining bank finance.

There is no doubt we need to strengthen our financial system and make it safer but, equally, we must guard against any unintended, or indeed cumulative, consequences that could flow from the vast array of regulatory requirements currently under consideration.

"Populism" demands we punish the banks even more and with every tightening of the regulatory screw politicians and regulators are encouraged to keep piling on the pressure thereby creating a virtuous circle of potential self destruction.

The "populism" about pay is now filtering down to the non-financial sector and, if left unchallenged, could begin to affect the competitive position of many major industries that create the bulk of the UK's employment. Castigating people on pay without having due regard to the value they add is a very dangerous trend.

Stuart Fraser is chairman of the City of London's policy and resources committee.

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More banking roles on offer, says agency

RECRUITMENT

By Emma Sadowski

RECRUITER Michael Page said the UK's financial institutions were back on the hiring trail after indicating it had been asked to fill twice as many banking roles as compared to a year ago.

The London based group said that by the end of 2009 recruitment in the banking sector was showing signs of improvement and that the company was now being asked to fill two times as many vacancies as compared with 2008.

Chief executive Steven Ingram said the group was seeing a recovery in several important markets and geographies.

He said: "Whilst the strength of this recovery is uncertain, we believe that, with a strong sheet position and spare capacity in the business, we are well positioned to improve significantly our performance in 2010."

The news comes as Michael Page announced financial results on Friday. The group saw profits before tax plummet by 85 per cent to £21.1m from £140.1m, while revenue fell by 26 per cent to £716.7m.

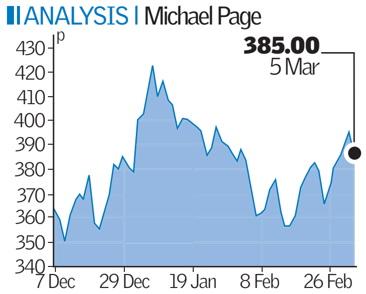
Ingram said that three of the company's four regions reported quarter on quarter improvement.

During 2009, Michael Page saw 68 per cent of its gross profits generated outside of the UK.

The recruitment industry has taken a hit from the global financial crisis, after a raft of recruiters reported significant drops in profit during 2009.

Robert Walters last week said its full-year profits had dropped by 25 per cent to £104m, while revenue had fallen by 11 per cent to £300.4m as the recession took its toll.

ANALYSIS | Michael Page



Networks line up for iPad deal

TELECOMS

NETWORK providers will meet Apple executives this week to tie up contracts to carry the iPad.

The new device from Apple will go on sale in the UK in April and mobile companies including Orange and Vodafone are desperate to provide data coverage.

Early indications suggest the iPad will not be restricted to one carrier, as the iPhone was with O2. Orange and Vodafone were said to be seething at having missed out on the contract and are determined not to get left behind with the latest "must-have" gadget.

Matalan owner in line for payout

RETAIL

JOHN Hargreaves, founder of discount clothing and homeware chain Matalan, could reap a £250m dividend as part of a refinancing deal.

Hargreaves is reported to be looking at a £525m refinancing after the failure of the Lancashire-based company's £1.5bn sale last year.

One of the most substantial for a British retail company, the payout would settle Matalan's existing debts, estimated at £260m, with the remaining funds providing the windfall for Hargreaves. The financing plan includes about £300m of bank loans and a £225m bond issue.