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Eurozone weighs on hiring and investment plans of London firms

The eurozone crisis is having a negative influence on the recruitment and investment plans of London's businesses, according to a survey.

More than half (51 per cent) of firms have frozen their hiring plans, up from 23 per cent six months ago, the latest CBI/KPMG London Business Survey of 264 companies found.

Some 54 per cent of firms said they were hiring as normal when questioned in December, but this figure has now dropped to 16 per cent, the lowest it has been for 18 months.

However, London firms are more optimistic about the prospects for the economy than they were at the end of last year, while they also have a sunnier outlook for their own companies.

Four in 10 (41 per cent) of respondents declared themselves more optimistic about the economy's prospects over the coming six months, up from 13 per cent in December.

London companies are also more optimistic about their own fortunes over the next six months, with 47 per cent saying they feel more positive compared to 31 per cent last December.

London Chairman of KPMG Richard Reid said: "Generally businesses are happier with transport in London, improvements on the Tube are very welcome and many large rail projects are already underway - which will all enhance the ability to do business in our domestic markets.

"However, it is very apparent that in the battle to do business with international markets our lack of air capacity in the South East is likely to seriously undermine our position as a leading global centre."

A higher proportion of companies now believe London is a good place to do business, up to 86 per cent from 83 per cent in December.

The perception of the capital as a good place to do business among SMEs has increased from 74 per cent to 81 per cent in the latest survey.

Jonathan Davis of Jonathan Davis Wealth Management said: "The survey implies that there has been a reduction in those who are less optimistic and an increase in those who are more optimistic. That would surprise me.

"It's not because of the sun because there has not been much of that, so could it be because of the Diamond Jubilee?"

“It is unrealistic. The simple fact is countries are going bust and that is having an effect on the City of London. The City is going to experience severe diminution in its profits and business levels and this will affect the wider business community in London.”

The proportion of businesspeople who believe London’s position as a good place to do business will remain the same or improve over the next five years has gone up from 78 per cent to 83 per cent, the survey found.