



# On the edge

With economists putting the chances of a double-dip recession at 50-50, **Aoife Hayes** talks to entrepreneurs and experts about their outlook for 2012



**Jonathan Davis, managing director of Jonathan Davis Wealth Management**

We are in a 20 to 30 year depression that started two or three years ago. There is no way economic conditions can improve when the UK has in effect debt of £7 trillion. As

for next year, I think GDP growth will be 1 per cent at best. Economists have said forever that unless you are getting between 2 and 2.5 per cent growth you're going backwards. So it will feel like recession, as it does at the moment.

It looks terrible for SMEs because the banks are technically insolvent – that's the main reason they're not lending. So SMEs are just going to have to work harder and work smarter. They are up against the bully-boys of the corporate world who hold all the strings, so they have to find niches where they can be successful.

Optimism rating: ★★☆☆☆



**John Hawksworth, head of PricewaterhouseCoopers macroeconomics**

The general outlook for 2012 is that we will continue to see very sluggish growth of about 1 per cent, with consumer and government spending both declining.

Whether the Eurozone muddles through or not is important – there is the risk that it could be pushed back into recession, which means the UK may also see a double-dip. However, if countries like Italy and Greece sort themselves out, there could be a rebound in confidence.

Another important factor is that business investment all but stopped in the recession and has not picked up. Larger companies, and some SMEs, are sitting on piles of cash, and if confidence returns, particularly in the Eurozone and US, some of that could be spent in the UK.

Optimism rating: ★★☆☆☆





**John Kent, founder of manufacturing business Traka**

Assuming the economic forecasters are right, and I cannot see them being wrong, there is not going to be significant growth next year. The bottom line is there is just too much debt around.

I think the big organisations have got plenty of cash but they don't know where to invest it. Trading-wise they might be doing ok, but they are probably thinking, 'We don't need to give staff wage increases because no-one else is'. So that money is sucked out of the economy – it doesn't get spent.

If businesses want to get ahead in 2012, they need to help themselves. That means putting more energy into inspiring and training the people that work for us.

Optimism rating: ★★☆☆☆



**Tony Wright, partner and head of restructuring at Baker Tilly**

I don't have many reasons to be optimistic about 2012. Do businesses want to make big investment decisions in such an uncertain climate? I don't think so and I think they would be wise not to. Honest opinion – I

think growth will stay roughly the same. Top end forecasts are about 1 per cent now and I don't see it being higher than that. It is a tough call, but I don't think there will be a double-dip.

The one thing that SMEs have in their favour is that the cost of borrowing is low, and likely to stay low. As a consequence, businesses will continue to bumble along, not really growing but surviving. We are also starting to see inflation come down, which will boost people's real incomes.

Optimism rating: ★★☆☆☆



**Chris Copner, co-founder and director of SOHO Coffee Co**

I think 2012 will be as flat as a pancake – no worse and no better. We are probably spending more time than ever planning for next year – we're trying to focus our investment on our existing stores rather than

going out and renting a whole lot more.

Generally in the UK, I think businesses are looking at their existing portfolio and asking themselves how they make it better, and they're being very selective about the investments they make in it.

Don't forget we have the Olympics, the Queen's diamond jubilee and the Euro football tournament so there are some exciting events in 2012. I think particularly in the second half of the year when these get under way sentiment will improve.

Optimism rating: ★★☆☆☆



**Ted Mott, CEO and co-founder of Oxford Capital Partners**

Next year will be better because we are grappling with problems and when we grapple we inevitably find solutions. Investment is frozen but there is a wall of money around the world and when the thaw comes we

believe a large part of this wall will move into investment – not into the bond markets. There will be a reallocation of assets, resulting in a positive upswing in psychology.

I have travelled a lot recently and I have noticed the general feel in Europe is pessimistic. But if you go to Latin America or China, people have a spring in their step. Equally, some corporations around the world are richer today than any other time in history. There are trillions of dollars of cash on balance sheets all over the world just waiting to be used.

Optimism rating: ★★☆☆☆