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# Industry reacts to slow UK economic growth

Tom Belger, Bridging & Commercial Thursday 3rd May 2018

**Bridging & Commercial has asked key members of the specialist finance industry whether the recent slowdown in the UK's economic growth is likely to impact the commercial finance market.**

Last week, the Office for National Statistics (ONS) revealed that the preliminary estimate for UK GDP growth during Q1 2018 (0.1%) was the slowest since Q4 2012.

Construction was highlighted as the largest downward pull on GDP, falling by 3.3%.

What has caused this economic slowdown?

"The weakness in the latest GDP figures is largely driven by a decline in the construction sector," said Steffan Goold, head of lending at CapitalRise.

"This in part can be attributed to the snowfall experienced across the country."

However, the ONS was quick to dismiss the impact of the UK's poor weather during the first three months of 2018.

It said: "...The effects [of the snow] were generally small, with very little impact observed in other areas of the economy."

Chris Whitney, head of specialist lending at Enness Commercial, claimed the ONS preliminary results were a little premature, stating: "While the ONS [said] the bad weather was not a big factor, its is interesting to note that the National House Building Council said that new house registrations were down 14% for the first three months of 2018.

"[It] said that up to a month of construction time was lost because of snow and ice, which it described as 'exceptional'.

"I think this has had a bigger impact than the ONS assumes."

Gerard Morgan Jackson, head of structured finance at United Trust Bank, said the fall in UK economic growth was disappointing, but not entirely unexpected.

“Uncertainty surrounding Brexit combined with speculation of several interest rate rises have taken their toll on business confidence.

“Considering these figures cover the first three months of 2018, laying the blame on the weather feels like a diversionary tactic to draw attention away from the underlying issues.”

Could lenders become more cautious?

“There is some concern that these latest statistics may impact lending decisions with high street lenders perhaps wary of funding schemes involving retail,” claimed Jonathan Sealey, CEO at Hope Capital.

Meanwhile, Gerard added: “Many of our clients are already seeing lenders becoming increasingly cautious, on both new proposals and existing facilities which are reaching maturity.

“Brokers who’ve been used to having a plethora of lenders to choose from are now finding their funding options limited.

“A widening group of funders seem to be taking defensive positions while waiting to see what develops over the rest of this year.”

However, Steffan said that, in the short term, it’s not going to lead to any major changes.

“The market has already adopted a negative outlook for speculative commercial property development and I do not see that changing in the near future.

“Until we have a greater understanding of [the] final agreement on trade between the UK and Europe, the market will continue to err on the side of caution.”

Paresh Raja, CEO at Market Financial Solutions, added: “These figures should be no cause for alarm.

"Instead, lenders and brokers need to ensure they are offering tailored commercial loan solutions suited to the needs of the individual businesses that apply for them.

"Rising wage growth and employment serve as a reflection of a strong private sector, and there is no reason for lenders to drastically change their approach towards the commercial finance market."

Jack Coombs, director at Aspen Bridging, said the figures would not impact its product offering.

"[We] have no intention of any knee-jerk reaction to a slowing of GDP growth and, as we are deploying our own funds, we are not under external pressure to do so."

Meanwhile, Stuart Law, CEO at Assetz Capital, added: "We don't think one quarter's figures will make much difference, especially considering the 'Beast from the East' [one]-off influence.

"If it [doesn't] rebound next quarter, then perhaps there may be some notice taken."

Ludo Mackenzie, head of commercial property at Octopus Property, felt that there would be virtually no direct response to these statistics.

"There are endless periodic economic updates issued from numerous sources, which generally have no impact on the market."

An opportunity for lenders?

Matthew Wyles, CEO at Hampshire Trust Bank, said that despite the slowdown in growth, it was more positive about the medium term, stating that 51% of small businesses felt confident about their long-term economic prospects.

"What's important is how we help businesses harness this opportunity to succeed in the year ahead and for us, as a specialist bank, this means helping to ensure smaller businesses in the sectors in which we operate have access to finance at a sensible price which works for them.

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"Our report forecasts that SMEs will contribute £241bn to the UK economy by 2025 and it is vital these firms continue to invest and grow.

"We intend to help."

Stephen Brennan, director of credit at ActivTrades, said that an uncertain slowdown in the economy could be an opportunity for the short-term lending market.

"...Bridging loan transactions tend to increase during a spike in the economy, either up or down."

"Generally, there is a sense of caution as it is widely expected that there is a housing correction looming," Stephen claimed.

"However, the entry of substantial new lenders to the market has insured that there is still a supply in the short-term market of fresh capital."

Concluding, Michael Dean, Principal at Avamore Capital, claimed: "In truth, within our segment of the market, there's so much focus on growing market share that many lenders will deploy a degree of 'wilful blindness' to the realities of market conditions."

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