



What the experts predict for 2009 and beyond

MCR hosted their second Focus Group meeting in May 2009 with attendees from major banks and asset based lenders to discuss and debate the current credit risk issues and the economic prospects for the UK in 2009 and beyond.

The aim of this economic Focus Group is to elicit views of attendees and gain insight to our expert's predictions for the future twelve months and beyond. The following debating questions were used as prompts in order to consider the views of our attendees from the banking and ABL sectors:

- In what ways does the current recession differ in comparison to the recession in the 90's?
- Where is the road out of recession and how long will it last?
- What is the lending criteria in today's market? - How it has changed and the key issues faced by customers.

The general consensus from the focus group on the 3 points discussed were as follows:



1. What is different about this recession?

It was thought that:

- This recession will be longer than previous recessions;
- That the pace of the recession as compared to the previous one has been driven by enhanced communication mediums such as live news reporting, emails and the internet;
- That the press has been a major contributory in the speed of this recession;
- That unemployment levels are likely to increase more than ever seen before;
- That this recession is less emotive than earlier recessions as there have been less large scale industrialised failures as compared to the 90's;
- That there are increased levels of unsustainable corporate borrowings;
- That this recession has been driven by greed.

2. Views on the road out of recession

Our panel predicted that for 2009 and into 2010 the following:

- That it is at least two years before the UK will be out of recession;
- There was some speculation as to whether the 'recession' will be sustained for at least 4 - 5 quarters continuously;
- That continued reliance on the United States of America will continue to be of significant importance;
- It was acknowledged that similar to the pace of the downturn that the pace of the upturn may follow a similar trend;
- That both commercial and residential property values will decrease further;
- That a decline in asset base values is impacting on recovery strategies.

3. Portfolios and lending criteria

- That the size of risk portfolios have increased and in some cases by up to 50%;
- Growth in portfolios has necessitated growth in teams and that there is mix of various experience levels and expertise in the teams;
- It was acknowledged that lending is actively being encouraged where possible.

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