

High Energy Costs Wreak Havoc on British Economy as Companies Close at Rapid Rate

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High energy costs continue to wreak havoc in Europe, with Britain being no exception to the crisis. British companies are becoming bankrupt at a rapid rate, one not seen since the peak of the Global Financial Crisis (GFC) in 2009. The Europe-wide crisis is mostly attributed to economic problems stemming from their own sanctions against Russia, which as a result has made energy prices skyrocket.

The [most recent quarterly report](#) by the United Kingdom's Office for National Statistics found company closure figures are similar to those reported in 2009 at the peak of the GFC. According to the British agency, 5,629 companies collapsed and became insolvent throughout England and Wales during the second quarter of 2022, a figure not seen since the third quarter of 2009.

Although the figure is still far from the highest peak recorded during the GFC, with a total of 6,943 firms closed, the trend for the following months is not encouraging.

British government statistics from August show that 1 in 10 local businesses face a moderate to severe risk of insolvency. Although the reasons for the insolvency are various, they are all related to the difficulties that the sanctions against Russia have caused for European trade, supply chains and the energy market, whose historical inflation has brought several problems to British authorities.

According to the Office for National Statistics, 22% of the companies that are at moderate risk of closure put the increases in electricity rates as their main concern, 7% more than in February of this year. In small companies (from 10 to 49 employees), the percentage increases to 30%.

Other companies say that their biggest concerns are their inability to pay their debts, the increase in raw material prices, as well as the interruption of the supply chain. According

to the British government, of the more than 5,600 companies that declared themselves insolvent, 20% correspond to construction companies, while 14% are in wholesale and retail market firms.

Asked in an interview published on October 4 by Germany's RND media network on whether EU countries would need disaster relief due to the energy crisis, EU Crisis Management Commissioner Janez Lenarčič responded: "Yes, that is quite possible."

He added that EU member states could face a "black out" due to the energy crisis, but described this as only a "minor incident" despite the fact it would lead to other member states needing to deliver power generators.

Britain is facing a very similar crisis, with the National Grid operator saying people would receive advance notice as electricity cuts will occur in rotations to avoid mass black out.

"This would be necessary to ensure the overall security and integrity of the electricity system," according to its recently published winter outlook [report](#).

This comes as analysts at Deutsche Bank said the British GDP would not return to the level of December 2019, before the COVID-19 pandemic struck, until 2024. This means that there will only be limited economic progress by the time of the next election in January 2025.

According to official figures, the British economy remained 0.2% smaller than pre-Covid levels at the end of June. The Bank of England said the economy is close to recession and on course for limited progress next year, with most of this attributed to soaring energy prices and weaker global growth.

Sanjay Raja, a senior economist at Deutsche, said:

"Household spending and business investment are likely to track a little lower than we previously anticipated, especially with unemployment expected to rise from next year."

He explained that the UK GDP growth was now forecast to slow to 3.5% this year and that the economy is expected to shrink by 0.5% next year before rebounding to 1% growth in 2024. The expert also stressed that stronger growth might not be seen until "the second half of the decade" as it will for now have to settle on 1.25% growth per year, a short cry to Truss's growth target of 2.5% a year.

The British economic decline also coincides with its lowering prestige across the world. Despite its reputation being affected, Britain continues to behave in a hegemonic manner without having the means to enforce it. Take for example that Britain has spent billions of pounds propping up the Kiev regime to fight Russia despite the eventual realisation of Luhansk, Donetsk, Kherson and Zaporozhye being completely liberated from Ukrainian occupation. This money could certainly have been better spent saving British businesses and families from economic ruin.

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