Royston Carr Asset Management Says Cheap Credit Weighs on US Companies

Royston Carr Asset Management - Small businesses struggle to meet debt obligations as interest rate hikes lift borrowing costs.

TAIPEI, TAIWAN, February 8, 2019 /EINPresswire.com/ -- Many US companies that took advantage of easily-available cheap credit with easy terms in the 10 years following the financial crisis are now finding themselves trapped as they are forced to spend a large portion of their earnings paying off debt.

These companies are left without sufficient funds to reinvest in their businesses or hire additional employees.

Analysts at Royston Carr Asset Management say small businesses in the US are beginning to feel the pinch caused by feasting on cheap credit and that this could have a negative impact on employment, consumption and wages as small businesses account for almost half of all US employment.

A decade ago, the number of US companies unable to meet their debt repayments stood at 10 percent. By the end of 2018, this figure had reached 17 percent.

Royston Carr Asset Management analysts have warned that the US could be heading for an economic slowdown as the world's biggest economy faces a cyclical downturn. This, in conjunction with US Federal Reserve's rate hikes last year which made loans more expensive, could place pressure on US small businesses.

Analysts at Royston Carr Asset Management say companies could be forced to shift their focus to that of simply being able to repay debt, leaving little capital to increase employment opportunities.

Royston Carr Asset Management analysts have warned that this problem of small businesses being overburdened with debt could lead to a reduction in capital expenditure and weigh heavily on the US economy.

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