Begbies Traynor

Business distress levels ‘stable’ in Yorkshire

Yorkshire was the only English region whose levels of business distress did not increase in the first three months of this year, according to the latest quarterly Begbies Traynor Red Flag Alert research, which monitors the financial health of businesses in the UK.

In Yorkshire, the number of businesses showing signs of very serious or ‘critical’ distress, remained stable at a total of 240 companies, in the first three months of 2014, compared to 239 in the final quarter of last year. By comparison, only Scotland and Northern Ireland saw quarter-on-quarter decreases in critical distress, while all other English regions witnessed a rise in distress levels, with the East of England the highest at 12 per cent and the UK average 4 per cent up.

The year-on-year ‘critical’ distress statistics were also encouraging. Yorkshire showed a 3 per cent decrease in the number of distressed businesses, against a UK average drop of 7 per cent.
Yorkshire’s less serious but far more prolific ‘significant’ distress levels also showed only a 1 per cent increase for Q1 of 2014 – affecting almost 14,000 businesses - compared to Q4 of 2013, although year-on-year distress levels increased by 18 per cent (from 12,000 businesses affected in Q1 2013), a rate of increase reflected across all UK regions.

Industry sectors within Yorkshire continued to experience a diversity of fortunes, with some signs that construction is regaining confidence. The industry showed a 15 per cent yearly drop in ‘critical’ distress levels, as well as a 2 per cent quarterly reduction, although it remained the sector most severely affected by distress, representing 23 per cent - the largest proportion - of all cases of ‘critical’ business distress in Yorkshire.

Instances of ‘significant’ distress, however, continued to increase in the construction industry, up 26 per cent year on year in Q1 of 2014, from 881 building companies to 1,106.

Other sectors of the Yorkshire economy also saw hefty increases in levels of ‘significant’ business distress in the first quarter of this year compared to the same three months in 2013. They included real estate and property services, a sector in which levels grew by 42 per cent from 864 to 1,226 companies; and media, where year-on-year distress levels increased by 27 per cent to affect 371 companies.

Julian Pitts, regional managing partner for Begbies Traynor in Yorkshire, commented: “This quarter’s Red Flag statistics show an encouraging and long awaited return to some stability in the growth rates of serious business distress in Yorkshire.”

He added: “Although this is a welcome upturn and a tangible sign of recovery for the region, it is essential that we don’t overlook the substantial number of businesses in Yorkshire that are suffering from earlier stage ‘significant’ distress, which continues to dog our economy as we emerge from the downturn. More often than not, these early stage problems are a direct result of a scarcity of funding, escalating debt or management issues.

“While ‘significant’ distress is far less serious than ‘critical’ problems, the worry is always that if these businesses take their eye of the ball and fail to address the underlying issues with some urgency, they risk edging into ‘critical distress’ from which it is far tougher to return to good business health.”

- Ends -

Photo shows: Julian Pitts regional managing partner for Begbies Traynor in Yorkshire

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About Begbies Traynor Group

Begbies Traynor Group plc is a specialist professional services consultancy providing independent professional advice and solutions to businesses, financial institutions, the accountancy and legal professions and individuals in the areas of recovery, corporate finance, investigations and risk management. It is listed on AIM (Ticker: BEG). Further information can be found at: www.begbies-traynorgroup.com.

About Red Flag Alert

Red Flag Alert measures corporate distress signals through a comprehensive and complex methodology, drawing on factual legal and financial data from a wide range of relevant sources for companies that have been trading for over a year.

The release refers to the numbers of companies experiencing ‘Critical’ problems which are those with CCJs totalling over £5,000 within a three month period or winding-up petitions against them or which have entered Corporate Voluntary Arrangements.

The release also refers to the numbers of companies experiencing ‘Significant’ problems, which are those with minor CCJs (of less than £5k) filed against them or which have been identified by Red Flag’s proprietary credit risk scoring system which screens companies for a sustained or marked deterioration in key financial ratios and indicators including those measuring working capital, contingent liabilities, retained profits and net worth.

Red Flag Alert is commercially available to all businesses, on an annual subscription basis, to help them better understand risk and exposure and help prepare them for the future. Further information about Red Flag Alert can be found at: www.redflagalert.com