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R3

Businesses in the region feel the economy is moving out of danger



Half of businesses in Yorkshire and the Humber agree with the Chancellor's statement that the economy has moved 'from rescue to recovery', according to the latest Business Distress Index from R3, the insolvency trade body.

Fifty per cent of businesses in the region agreed with the Chancellor, compared with the 43% that disagreed with him*. The figures for Yorkshire and the Humber paint a slightly more optimistic picture than the national picture of only 42% agreeing and 49% disagreeing**.

Nationally, opposition to the Chancellor's assessment of the state of the economy was strongest amongst small businesses***, of which 51% did not believe the economy had moved into the recovery phase. On the other hand, 55% of large businesses*** agreed with the Chancellor, while only 35% disagreed.

William Ballmann, chair of R3 in Yorkshire and partner at Gateley LLP, says: “There has been plenty of positive economic news recently, but it’s important that we don’t forget that a lot of businesses, small businesses in particular, still feel they have significant hurdles to overcome. Now isn’t the time for complacency.

“Larger businesses may well be confident that they can ride out any remaining bumps on the road to recovery, but small businesses still face significant pressures, whether it’s access to finance or simply the pressures of growing demand.

“It is easily forgotten that one of the most dangerous times for a business is immediately after a recession, when a lack of investment as a result of recessionary cutbacks and the stress of servicing growing demand take their toll. While it might look like economic recovery is taking place, it may not feel that way for businesses on the frontline just yet.”

Despite businesses’ caution, R3’s latest Business Distress Index finds the UK’s business community in increasingly robust shape.

In Yorkshire and the Humber, 25% of businesses report at least one key sign of business distress – decreased profits, decreased sales volumes, regularly using the maximum overdraft, falling market share, redundancies – however, this is significantly lower than the national figure of 35%.

At the same time, 69% of businesses in the region are reporting at least one sign of growth – investing in new equipment, business expansion, increased sales, increased market share, increased profits – this is again more positive than the national average of 53%.

However, the picture is rosier for larger businesses than small: 70% of large businesses across the UK reported at least one sign of growth, while 51% of small businesses were in the same position.

Optimism about the economy has also surged since the last index, with 53% of businesses nationally reporting being more optimistic about the health of the economy – the highest level since this was first measured in 2011 – compared to 39% in March.

Mr Ballmann continues: “The falling levels of business distress are very encouraging, although we still have to play the waiting game on the growth indicators. These indicators may be up on where they were at the beginning of the year, but they are actually lower than they were a year ago. If economic growth is to be sustained, we will need to see improvement in the growth indicators in the coming months.

“There is a slight disconnect between businesses’ optimism about the economy and their optimism regarding their own situation.

“While over half of businesses are optimistic about the economy, the number of businesses who believe their own activity will increase over the next year has yet to break through this 50% barrier.”

Across the UK, 43% of businesses expect their business activity to increase in the next 12 months, up from 37% in March. However, 50% of businesses expect activity to remain the same.



media relations and profile

Mr Ballmann adds: “There have been false-starts and phantom green shoots before, so it is not surprising that while businesses’ general outlooks are positive, they’re still cautious about translating this optimism to their own prospects.”

* 7% don’t know

** 9% don’t know

*** Small businesses: turnover £50k-£1m; Large businesses: turnover £1m+

- Ends -

Photo shows: William Ballmann, chair of R3 in Yorkshire and partner at Gateley LLP

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About R3

- R3 is the trade body for Insolvency Professionals, and is made up of 97% of the UK’s Insolvency Practitioners.
- R3 promotes best practice for professionals working with financially troubled individuals and businesses; all R3 members are regulated by one of nine recognised professional bodies.
- R3 stands for ‘Rescue, Recovery, and Renewal’ and is also known as the Association of Business Recovery Professionals. Website www.r3.org.uk
- BDRC Continental conducted 501 telephone interviews with small, medium and large business owners and Financial Directors between 1st-5th July 2013. Strict quotas are set by size, region and sector and the data weighted to be representative of the ONS profile of UK businesses, each with an annual turnover above £50,000. The respondent in each case is a senior financial decision maker.