

**Date:** 15 July 2013

**Begbies Traynor**

## **North East's accelerated recovery leads national improvement in corporate health**



According to the latest Begbies Traynor Red Flag Alert research for Q2 2013 which monitors the financial health of 'corporate UK', levels of 'critical' financial distress among North East business has fallen by 69% compared with the second quarter of 2012, making it the region with the second largest reduction in distress levels, exceeded only by Scotland. This compares with a UK average of a 39% fall; the second highest year on year decrease since the beginning of 2011.

Across all sectors, North East businesses experiencing 'critical' financial problems reduced from 268 in Q2 2012 to 84 in Q2 2013, indicating a significant turnaround in the health of the regional economy. On a quarterly basis, the momentum continued with the North East the seeing the greatest improvement with a 21% reduction from 107 in Q1 2013 to just 84 last quarter.

Nationally, the number of UK businesses experiencing 'significant' levels of financial distress remains high but is improving, albeit at a slower rate, reducing 18% year on year from 216,396 cases in Q2 2012 to 176,677 in Q2 2013, and on a quarterly basis falling 7% from 190,787 in Q1 2013.

Andy Haslam, partner of Begbies Traynor in the North East, commented: "With critical distress levels falling at a record pace, this quarter's improvement appears to be the first real sign that the regional and wider UK economy has turned a corner and is heading towards a sustained recovery.



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“However, we have real fears that there may be a sting in the tail for many SMEs who could face serious financial difficulties at the time they least expect – during a recovery. Our experience has shown time and time again that many SMEs tend to run out of cash during the recovery phase, as there is a real temptation to overtrade.

“Many of these companies at risk have been labelled as ‘zombie’ businesses, with the majority having survived the worst of the recession they are now chronically underfunded, benefiting from low interest rates and improving confidence, but in desperate need of funding and, crucially, guidance to help them take advantage of the economic recovery in an unfamiliar post-crisis market.”

Leading the recovery with significant reductions in ‘critical’ financial distress during the period are the construction, professional services and support services sectors, which decreased by 42%, 86% and 69% respectively year on year in the North East.

The UK’s manufacturing and industrial sectors also experienced considerable improvements in critical distress for the period, thanks to improving domestic and export demand in the quarter. In the North East, food and beverage manufacturing saw a 100% reduction in ‘critical’ distress year-on-year, while automotive reduced by 20% and the print and packaging sector fell by 50%.

Comparing financial problems by region on a yearly basis, of those that experienced a positive shift during Q2 2013, London surprisingly saw the smallest improvement with just a 1% reduction in ‘critical’ levels compared with the first quarter, suggesting that the other regions of the UK are finally catching up with the capital.

Mr Haslam commented: “The latest regional comparisons indicate that while the vibrant London economy continues to grow, fuelled by its burgeoning residential property market, the other UK regions, particularly the North East, seem to have finally turned a corner and are now helping to drive the recovery.”

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**Photo shows:** Andy Haslam, partner of Begbies Traynor in the North East

**Notes to editors:**

**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](http://www.begbies-traynorgroup.com).

**About Red Flag Alert**

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**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.

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](http://www.redflagalert.com)