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R3

Rising cost of fuel biggest obstacles to growth



Over a third (38%) of businesses in Yorkshire and the Humber state that the rising costs of fuel and utilities is the biggest problem they face, slightly higher than the national average of 32%. This is followed by reduced consumer spending, identified by 34% of respondents in the region and 26% across the UK.

The survey of over 500 businesses carried out by insolvency trade body R3, also revealed that only 7% of businesses in the region (5% nationally) identified an inability to secure further credit or a bank loan as a main problem.

Robert Adamson, chair of R3 in Yorkshire and northern head of restructuring services at Mazars, comments: "Concerns over utility bills and revenue show that businesses still feel they are being squeezed on both sides. Businesses depend on utilities to operate, making it hard to cut costs. With consumers unwilling to spend, businesses will be increasingly concerned about their margin. At least access to credit has slipped away as an issue, perhaps businesses are deleveraging where possible and getting used to life with reduced access to credit."

However, the number of businesses in Yorkshire and the Humber reporting that they regularly used their maximum overdraft rose from 3% in November to 6% in the latest survey; and 36% in the region have seen reduction in sales volume, an increase of 17%. This contrasts with the national picture which shows both of these distress indicators improving.



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The number of businesses reporting growth indicators has fallen since November 2012 from 51% to 47% nationally. For example, in Yorkshire and the Humber, businesses reporting investment in new equipment fell from 47% in November to 22% in the latest survey.

Mr Adamson says: “Business growth is still very hesitant. Although so few businesses said that access to bank lending was a problem, this could also indicate that many businesses are not even bothering to go to banks for funding. While things aren’t getting worse, they aren’t improving either.

“Decreasing numbers of businesses ‘in distress’ will not automatically lead to economic growth. Recent data from Experian identified the growth of ‘gazelle’ businesses, those mid-sized businesses with significant growth over the past three years, but these cases are still relatively small. Their numbers will have to increase to overtake the zombie numbers which we estimate are still much higher.”

R3’s April 2013 **Business Distress Index** found that all key indicators of business distress across the UK fell from November 2012, and are significantly down on March 2012’s Business Distress Index:

- The number of businesses reporting redundancies fell from 10% in November 2012 to 5% in the latest survey– the equivalent of 81,000 businesses
 - The number of businesses reporting decreasing profits fell from 33% in November to 27% in the latest survey
 - Only 12% of businesses reported seeing a fall in market share in the latest survey, compared to 17% in November
 - The number of businesses reporting declining sales fell from 31% in November to 20% in the latest survey
- ENDS -

Photo shows: Robert Adamson, chair of R3 in Yorkshire and northern head of restructuring services at Mazars

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Methodology

BDRC Continental conducted 501 telephone interviews with small, medium and large business owners and Financial Directors between 4th-14th March 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.

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Notes to editors:

- 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