Date: 20 January 2014

Begbies Traynor

Yorkshire business distress growth lower than UK average

Growth in levels of business distress was slower in Yorkshire than in any other part of England in the last three months of 2013, according to the latest quarterly Begbies Traynor Red Flag Alert research, which monitors the financial health of businesses in the UK.

In the fourth quarter of last year the region showed a 2 per cent increase in the number of businesses with financial problems compared with the previous quarter, while across the UK as a whole, levels of early stage ‘significant’ distress increased by 3 per cent in Q4 2013, compared with the previous three months. Year on year, however, cases of ‘significant’ business distress in Yorkshire were up by 18 per cent in Q4 2013 compared with the same quarter in 2012, against a UK average increase of 16 per cent.

Across the UK, 224,579 companies showed instances of ‘significant’ financial problems, according to figures from October, November and December 2013. A total of 13,842 of these are based in Yorkshire.

Yorkshire’s rate of increase in ‘significant’ distress compares favourably with other regions, with London showing the fastest rate of increase at 5 per cent, compared to the previous quarter. Business distress in the North East grew by 4 per cent while the North West, Midlands, South East and South West all saw a 3 per cent increase on the previous three months. Only Scotland, showed a slower rate of increase in distress levels with a growth of 1 per cent compared to the previous quarter.
In Yorkshire, there are some signs that the region’s construction industry is regaining confidence. Rates of ‘significant’ distress among Yorkshire construction firms increased by just 2 per cent in Q4 2013 compared to Q3 and were up 6 percent year on year. Across the UK as a whole, distress in the construction sector fell by 3 per cent year on year and rose by 3 per cent in Q4 of last year compared to Q3.

There were also signs of things picking up for the region’s real estate and property services sector. Despite a yearly increase in ‘significant’ distress levels of 43 per cent for 2013 compared to 2012, levels of financial distress in the sector fell 3 per cent in Q4 2013, compared to Q3.

The leisure sector in Yorkshire has been harder hit. The region’s bars and restaurant saw a 4 per cent rise in distress levels quarter on quarter and an 18 per cent rise year on year. Leisure and culture sector businesses across Yorkshire experienced a hike in distress levels of 30 per cent at the end of last year compared to Q4 2012, while sport and recreation saw a 17 per cent annual increase in distress.

Julian Pitts, regional managing partner for Begbies Traynor in Yorkshire, commented: “This quarter’s Red Flag statistics show a welcome slow down in the rate that distress levels are growing in Yorkshire, compared to the rest of England.”

He added: “While this is encouraging, we cannot overlook the fact that there is still a significant number of businesses in the region, which continue to suffer from earlier stage ‘significant’ distress, resulting from funding, management or accumulated debt issues.

“As is common at this stage of any recovery process, businesses with inexperienced management teams or limited credit availability are simply unprepared to step up a gear and fund and execute the business strategies required to remain competitive in a growing market. Such businesses will need to take urgent action to avoid slipping into more critical distress and to ensure they are well placed to take advantage of the economic recovery.”

Comparing more serious but less prolific ‘critical’ financial problems by region on a yearly basis, almost all regions across the UK experienced a reduction in distress levels while Scotland, Yorkshire and Wales saw levels of ‘critical’ distress increase year on year, rising 65 per cent, 12 per cent and 11 per cent respectively. In Yorkshire a total of 239 companies showed symptoms of ‘critical’ distress in Q4 2013, compared to 214 companies in Q4 2012.

- Ends –

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

For further information contact: Sarah Hone on (01423) 56 99 99 or sarah@appealpr.com
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