

Date: 18 December 2017

R3

Technology sector struggles in Yorkshire and across the UK



The technology sector has seen its relative insolvency risk rise markedly over the last eight months, according to the latest research by insolvency and restructuring trade body R3. In Yorkshire, despite the region's reputation as a successful tech cluster, 40.5% of businesses are deemed to be at higher than normal risk of insolvency this month, slightly above the UK-wide average of 39.8%.

In May 2017, the percentage of Yorkshire technology businesses in the higher risk band was just 32.6%, but since then the region has seen a steady monthly increase, with the sharpest rise of 6.5% between November and December. Of the 11,500 active businesses in the technology sector here, over 4,600 are now considered to be at higher than normal risk.

In fact, looking across the 11 sectors surveyed by R3, all have seen an increase in levels of Yorkshire firms at higher than normal risk since eight months ago, with agriculture, construction and manufacturing all seeing rises of more than 8% over the May to December period. This reflects the national picture; overall 32.9% of businesses across all sectors are now in the negative band, close to the Yorkshire figure of 34%.

Eleanor Temple, chair of R3 in Yorkshire and a barrister at Kings Chambers in Leeds, comments: "With Sky expanding its presence in Leeds, along with many other tech companies basing themselves here, Yorkshire has been steadily building a reputation for its specialism in the field. This was re-enforced last month by the Treasury's announcement that two tech hubs would be created in Leeds and Sheffield to support businesses and skills in the area."

“While it is disappointing to see relatively large numbers of tech businesses at risk both in the region and nationally, we do have to bear in mind that as many are start-ups and often very innovative, there is likely to be a higher likelihood of failure than in many other sectors.

“The fact that levels of risk for businesses in technology, along with most other sectors, have increased over the year is very worrying. As ever, our advice is to seek professional advice at the first signs of financial distress when the most options will be available.”

R3 uses research compiled from Bureau van Dijk’s ‘Fame’ database of company information to track the number of businesses in key regional sectors that have a heightened risk of entering insolvency in the next year.