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Begbies Traynor

Yorkshire sees business distress rise across every sector



Business distress is hitting businesses in Yorkshire increasingly hard, according to research published today (17 January) by Begbies Traynor, with the number of firms suffering from financial problems having escalated both year on year and quarter on quarter by the end of 2017 across every industry sector.

The quarterly Red Flag Alert data, produced by leading business rescue and recovery specialist Begbies Traynor, reveals that in Q4 2017 'significant' distress levels among Yorkshire businesses climbed by 31% compared with the same three months in 2016, affecting 29,744 businesses (compared with 22,675 the previous year). The region also saw a quarterly increase in distress of 9% on Q3 2017.

Across the UK as a whole distress levels are rising even faster, with a year-on-year hike of 36% in Q4 2017, and distress now affecting almost half a million British businesses.

'Significant' distress relates to businesses that are showing what are considered to be the early warning signs of financial difficulties, including those that have had minor CCJs filed against them and those displaying a marked deterioration in key financial ratios. The symptoms are often viewed as a forerunner to more serious or 'critical' distress, which refers to businesses that have had winding up petitions or CCJs of more than £5,000 taken out against them.

Yorkshire's construction industry continued to bear the brunt of regional economic distress with 4,289 businesses suffering from financial difficulties in Q4 2017, a 27% rise on the number affected in the same quarter of 2016. Nationally, the picture looks equally bleak with a 31% year-on-year jump in distressed building firms, and a total of 62,294.

The region's retail sector has also been particularly hard hit, with both general, and food and drug, retailers increasingly succumbing to financial problems. A total of 3,034 Yorkshire businesses are now affected in the sector, up 21% on the figure for Q4 2016.

Double digit increases in significant distress affected almost every business sector in Yorkshire - and every sector without exception across the UK as a whole - in the final quarter of 2017 compared with the final months of 2016. In Yorkshire, sectors which saw the most dramatic year-on-year rises include professional services (55%), leisure and cultural activities (46%) and media businesses (43%).

Julian Pitts, regional managing partner for Begbies Traynor in Yorkshire, said: "There seems to be a relentless rise in the number of businesses that are experiencing the early signs of distress, and the wide spread of those problems, right across the economy, suggests that there are even tougher times ahead. Continuing uncertainty over Brexit, as well as rising interest rates, are taking their toll.

"It's worth noting that these latest figures do not reflect the inevitable negative impact of the Carillion debacle, which looks set to affect the many Yorkshire suppliers and subcontractors involved in regional schemes such as the tram-train project to connect Sheffield, Meadowhall and Rotherham.

"With SMEs particularly vulnerable to economic fluctuations, business owners and directors need to proceed with the utmost caution and keep a very close eye on their cash flow. It is always the best course of action to seek professional advice at the first signs of trouble, so that more serious problems can be avoided."