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Begbies Traynor

Construction sector continues to impact dramatic rise in advanced business distress in Northern Ireland



Businesses in Northern Ireland have once again suffered from increases in the percentage of firms showing advanced signs of financial distress, with the construction industry almost entirely responsible for the marked rise year on year, according to research into the UK's financial health in the third quarter of 2018.

The latest quarterly Red Flag Alert data released today (25 October 2018) by leading business rescue and recovery specialist Begbies Traynor, reveals that in the three months to the end of September, Northern Ireland's businesses across all sectors experienced a 52% rise in the number in 'critical' distress (which refers to businesses that have had winding up petitions or CCJs totalling more than £5,000 against them) compared with the same period the previous year. In contrast, there was a UK-wide increase in 'critical' distress of 33%.

The quarter on quarter rise in 'critical' distress of 5% in the province was also higher than the UK average with a rise of just 1%.

Looking at the sectors, the year on year rise in the number of construction firms in Northern Ireland in 'critical' distress was by far the highest at 500%; followed by industrial transportation and support services (both with a 200% rise) while most other sectors saw falls in percentages of 'critical' distress since 2017 or remained stable.

When compared with the previous quarter, the sectors which saw the largest increases in 'critical' distress were industrial transportation (200%); and general retailers, and media (both with rises of 100%).

Lawrence O'Hara, who leads Begbies Traynor in Northern Ireland, said: "It is extremely worrying to see the percentage of businesses in Northern Ireland showing signs of the more serious 'critical' distress continuing to rise sharply since 2017, and at a much faster rate than the UK average, with the province's construction sector accounting for a large part of this. While these figures only represent a relatively small numbers of companies, it is a concerning trend given the crucial knock-on effect the construction industry has on many other sectors. We're also starting to see mounting problems in retail with the large increase in 'critical' distress since the last quarter echoing reports of falling footfall in Belfast city centre – an unwelcome development ahead of the vital Christmas trading period.

"There's no doubt that the prolonged period of uncertainty since the 2016 referendum, together with the lack of local government here, have had a debilitating effect on businesses which need stability in order to plan and invest for the future. Fortunately, 'significant' distress, which indicates early signs of financial problems, has only shown marginal growth since last year. However, with no clear outcome in sight to the current issues, there could still be some challenging times ahead. "

In Northern Ireland, 'significant' distress (which relates to businesses with minor CCJs against them and those showing a marked deterioration in key financial ratios), affected 6,698 firms, falling by 2% year on year, well below the national figure of 5%. For the third quarter of 2018, there was a fall of 1% in the percentage of businesses in Northern Ireland experiencing 'significant' distress since the previous quarter, the same percentage as across the UK as a whole.

Picture: Laurence O'Hara head of Begbies Traynor Northern Ireland