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Begbies Traynor

Almost 43,000 Yorkshire firms now in financial difficulty as business distress soars by 40% over year of pandemic



Businesses in Yorkshire and across the UK are experiencing rapidly escalating levels of distress, despite Government support measures designed to avoid mass insolvencies.

According to the latest Red Flag Alert data, published today (22 April 2021) by leading independent business rescue and recovery specialist Begbies Traynor, numbers of businesses showing early-stage, or 'significant', signs of financial distress had risen by 39% since Q1 last year, to affect 42,719 firms in the region. In the last quarter alone 5,400 more Yorkshire business had begun to experience financial problems.

More severe, or 'critical', distress had also increased sharply in the last quarter, with a 21% increase, since Q4 2020, in businesses in Yorkshire with winding up petitions or CCJs totalling more than £5,000 against them.

The picture was reflected across the UK, which saw a 42% rise in symptoms of early distress, compared with the same quarter last year, immediately before the outbreak of the pandemic. 'Significant' distress rose by 15% quarter on quarter to affect 722,551 firms across the UK. There was no UK-wide rise in 'critical' distress however, with the East of England the only region to see a larger increase in severe distress (43%) than Yorkshire.

"It is tremendously worrying that we are seeing both early-stage and more severe distress levels rising so steeply among businesses in Yorkshire, despite the raft of support measures put in place by the Government to stave off widespread business collapse," said Julian Pitts, Begbies Traynor's regional managing partner for Yorkshire.

"Government support will have to be withdrawn at some point, and, coupled with the fact that the courts are still struggling to catch up with a backlog of cases brought against indebted companies, it seems



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inevitable that, unfortunately, what we are seeing in this latest Red Flag data is likely to be the calm before the storm for a very large number of businesses.”

The past 12 months saw early-stage distress rise by more than a quarter across every business sector in Yorkshire. Worst hit has been the construction industry, which now has more than 6,000 firms affected, up by 43% (or almost 2,000 businesses) on Q1 2020. Some 4,700 real estate and property services companies are now experiencing financial difficulties, a 49% year-on-year increase, while general retail saw a 39% hike in distress, with more than 3,000 Yorkshire-based retail firms struggling.

“For small business owners in particular it can seem that there is nowhere to turn in the face of such large-scale financial challenges but seeking professional help should always be the first port of call and can be a meaningful first step towards future-proofing business finances and management systems,” added Mr Pitts.