

Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at insolvency@newmanandpartners.co.uk

Businesses face “toxic cocktail” of rising inflation, squeezed margins and spiralling operating costs

An increasing number of British businesses could find themselves facing insolvency in coming months, with many facing a “toxic cocktail” of rising inflation, squeezed margins and spiralling operating costs. Business bodies such as the Institute of Directors (IoD), the Federation of Small Businesses (FSB) and the Confederation of British Industry (CBI) have all voiced concerns.

Research carried out by the CBI has found that businesses themselves are losing confidence, too, after a poll in late February revealed that 42 per cent of companies expect their input costs to rise over the next 3 months, up from just 12 per cent in January. The survey results come at a time when inflation is already beginning to climb – with economists predicting a rate of 3 per cent by the end of 2017.

A separate study carried out by the FSB has revealed that more than half (54 per cent) of businesses are anticipating a significant fall in profits once changes to business rates take effect next month, while one in five told the FSB that they might consider selling their business – or even closing it down – as a result of the increased financial strain their fear is on the horizon.

Richard Lim, chief executive of data analyst Retail Economics, said: “Retailers are facing a toxic cocktail of rising sourcing costs from past falls in sterling and spiralling operating costs from business rates and increases in the National Living Wage (NLW). We’re only seeing the thin end of the wedge in terms of inflation”.

Our team at Newman and Partners can provide help to you if your client is struggling with personal or corporate debt issues. To find out more about our proactive services, please do not hesitate to contact us.



Base rate increase could push thousands of businesses to breaking point

The latest forecast figures from the Insolvency Service (IS) have revealed the frightening prospect that even a very modest increase in the Bank of England's base rate could push thousands of British businesses to breaking point. The predictions, which come at a time of sustained economic and political uncertainty, suggest that an increase of as little as 0.5 per cent would result in an additional 9,700 personal and corporate insolvencies.

Furthermore, the IS has forecast that an increase of one per cent would spell disaster for more than 18,000 businesses by 2020 – 8,100 of which would be likely to go down before the end of 2019. With the base rate currently sitting at a record low of 0.25 per cent, many economists fear that, going forward, the only way is up.

Commenting on the data, an Insolvency Service spokesperson said: "The Insolvency Service makes forecasts of the number of insolvencies for its own business planning needs. It has not specifically made

forecasts of insolvencies resulting from changes in interest rates. However, some of the statistical models which inform these forecasts include interest rates as part of their calculations.

"These statistical models examine the statistical association between the number of insolvencies and a number of economic factors, such as household debt, GDP, interest rates and earnings. These associations, combined with external bodies' forecasts of economic factors, lead to forecasts of insolvencies".

They added that the IS' forecasts included: "bankruptcies, individual voluntary arrangements (IVAs) and debt relief orders (DROs)".

Providing the right advice to your clients during a period of economic uncertainty is crucial, and concerns regarding bankruptcy or insolvency are always best explored sooner rather than later.

To find out more about our proactive services, please do not hesitate to contact us.

Increasing number of UK households under financial pressure

Small and medium-sized enterprises (SMEs) operating in the manufacturing sector fear that they will face financial struggles in 2017, as the costs of importing goods increases and uncertainty looms around trade agreements following rumours of a so-called 'Hard Brexit'.

Several pieces of new research suggest that Britain's households are facing mounting financial pressure. A study of 2,000 homes carried out by consumer magazine Which? has found that around two fifths of households fear that their financial situation will rapidly deteriorate within the next year, and that "millions of working households in the UK are [already] struggling financially".

Which? says that mounting debt, rising mortgage and rental costs and the spiralling cost of living in the UK are all taking their toll on British families. Their study suggests that a fifth of households have turned to credit cards, overdrafts and loans in order to bridge the gap between income and outgoings.

Meanwhile, separate research from insurer Aviva suggests that the 'savings gap'

between low and high income households has grown by a quarter in the past year, and that one in four UK families now has less than £100 stashed away in savings and investments.

Paul Brencher, a managing director at Aviva UK, said: "The gulf between low and high income families is showing signs of widening, in a worrying indication that those less fortunate are finding their finances increasingly stretched".

He added that overall savings across all UK families fell to their lowest level in 18 months this winter, while average monthly incomes hit a two-year low of £2,006. Meanwhile, a poll published at the end of last month by YouGov and the Centre for Economics and Business Research (CEBR) found that

perceptions of job security and the overall outlook for household finances fell significantly in February, with the CEBR's consumer confidence index falling to a new low of 109.4.

Scott Corfe, director at the CEBR, suggested that "with inflation set to rise over the coming months and significant amounts of economic uncertainty", things were likely to get worse.

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