

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

UK manufacturers, retailers and construction firms facing increased insolvency risk

New research suggests that many businesses in the UK manufacturing, retail and construction sectors are facing a high risk of entering into insolvency by next year. This is according to the latest figures from insolvency trade body R3, which has found that firms in these three sectors in certain parts of the country are grappling with business instability – particularly in the South East and North of England.

R3's September data has revealed that manufacturing firms in South East England are currently facing a greater insolvency risk than manufacturers in any other region of the UK, with more than a quarter (25.6 per cent) of firms identified as 'high risk' by the trade body. This is comparable with an average of 23.7 per cent of businesses in regions such as the West Midlands and North West England.

Despite this, the Yorkshire region outperformed the UK average in September in terms of manufacturing businesses, but did not fare so well in the construction sector. Meanwhile, all across the country, the construction sector was unfortunate enough to welcome a five per cent increase in the number of firms thought to be at risk of insolvency. The UK average grew to 29.3 per cent of firms, but this figure was sadly exceeded in various regions – as was the percentage for British retailers.

A spokesperson on behalf of R3 said that it was "concerning" that the number of manufacturing and construction firms facing financial distress appeared to be on the rise across the UK. He also expressed surprise at the group's figures, which contradict the most recent Purchasing Managers Index (PMI) tracker, which in August suggested that the UK manufacturing sector was growing.

Fellow R3 spokesperson Neil Harold, however, suggested that an uptick in



insolvency risk in the retail sector was no surprise. He said: "Competition from online retailers, rising rental and staff costs, and the current period of general economic uncertainty are combining to create tough conditions on the High Street."

Our team at Newman and Partners can provide help to you if your client is at risk of insolvency or struggling with debt issues.

To find out more about our services, please contact us.

Almost a quarter of SMEs 'at risk of closure' due to escalating late payments crisis

The latest data appears to suggest that an ever-increasing number of UK small and medium-sized enterprises (SMEs) are running the risk of closure, due to their ongoing issues with late payments. Research from fintech firm Tungsten Network suggests that almost a quarter (23 per cent) of SMEs believe that their late payment woes have put them at risk of insolvency at least once, while separate studies suggest that the UK's so-called 'late payments crisis' is not getting any better.

In a recent international survey of businesses, a shocking 90 per cent of British respondents said that they had encountered issues with late payments. Meanwhile, research from the Asset Based Finance Association (ABFA) has previously found that smaller UK firms with an annual turnover of between £1 million and £10 million are now waiting anywhere up to 53-54 days later than agreed payment terms before invoices are paid.

Insolvency trade body R3 recently said that around one in five corporate insolvencies can be linked back to late

payment woes – a figure which appears only likely to increase as time goes on.

Meanwhile, the finance arm of multinational conglomerate Siemens has warned that UK SMEs are missing out on more than £250 billion of liquid cash flow every single year due to late payments. In a recent article for SMEweb.com, Ian Cole of Siemens warned of the far-reaching impact unpaid invoices can have on smaller firms and for the wider economy.

He said: "Delayed payments from

customers can threaten SMEs' ability to trade, stifle appetite for growth and recruitment and, in the worst cases, lead to insolvencies. As a consequence, leaving SMEs to cope with the problem is harming the economy as a whole."

Our team at Newman and Partners can provide help to you if your client is struggling with debt issues or facing insolvency. Such concerns are always best explored at the earliest possible opportunity. To find out more about our debt management services, please contact us.

Farming and agricultural debt a growing problem across the UK

Farmers and agricultural business owners are battling a rising tide of debt across the UK. The latest data from the Bank of England has revealed that the UK agricultural, hunting and forestry sector is facing an outstanding debt bubble of approximately £18.5 billion – up by more than half (57 per cent) since the year 2010.

Separate data published by the Scottish Government recently has revealed that the problem is not exclusively limited to England and Wales. Its figures reveal that outstanding loans to Scottish farms rose to more than £2.3 billion earlier this year – £1.1 billion of which is thought to relate to non-traditional or non-bank lending.

The likes of hire purchase, family loans and alternative lending appear to have grown increasingly popular across the whole of the UK, and the farming and agricultural centre is now inching closer and closer into financial distress.

In fact, recent data from insolvency trade body R3 found that farming ranked alongside one of the key UK sectors likely to encounter a rise in the number of insolvencies over the coming year. Figures released by the trade body in August found that estate agency and

farming were at that point the two main UK sectors deemed to be 'at risk' of insolvency, particularly in South East England.

R3's data revealed that, in August, agricultural businesses in the South East of England were facing the highest risk of entering into an insolvency procedure since August the previous year. However, the report also noted that financial distress in the sector was "a nationwide problem."

One R3 council member voiced concerns that pressure on the UK supply chain was weighing heavily on British agricultural businesses ahead of Brexit. He added that suppliers had been unable to pass on inflationary prices because of supermarkets' 'price wars' – and that this had 'cascaded' down the supply chain, amplifying the other issues posed for farmers and agricultural businesses by the referendum result.



Providing the right advice to your clients during a period of political uncertainty and financial difficulty is crucial, and concerns regarding insolvency are always best explored sooner rather than later. To find out more about our proactive services, please contact us.

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