

Nearly 40,000 South West companies in 'significant financial distress'

Thousands of companies in the South West found themselves in "significant financial distress" in the second quarter of 2022, new research has revealed.

Some 39,831 firms in the region were struggling between April and June – a similar number (39,775) to the first quarter – according to the latest figures from Begbies Traynor's Red Flag Alert report, which monitors the financial health of British companies.

From a sector perspective, travel and tourism saw a 5% quarterly increase in distressed companies, which was also up 9% on the same period last year.

In Bristol, however, there was a fall in the number of financially struggling businesses. Almost 6,700 companies in the city were in difficulty over the second quarter – a 10% year-on-year decrease on the same period in 2021. However, Bristol's financial services industry saw a 15% rise in struggling firms, while its food and drink sector saw a 9% increase between the first and second quarter.

Paul Wood, partner at Begbies Traynor in Bristol, said: "Having emerged from the pandemic, companies in Bristol were hoping for an economic boom but that has simply fizzled out, as a combination of economic issues have taken their toll, reducing both business and consumer confidence.

"Indeed, rising insolvency rates in key sectors, combined with our own anecdotal evidence from speaking to the directors of distressed companies, highlight the impact of rising costs on businesses."

Mr Wood said many firms were “fighting on”, but the environment would only “get worse, not better” – at least until next year. “I fear that it will be a troublesome autumn as businesses which have struggled for so long are finally overwhelmed,” he added.

Nationally, there were more more than half a million (582,452) businesses in significant financial distress over the period, the Red Flag Alert report said, with companies continuing to be impacted by rising inflation, higher labour, material and energy prices, and faltering consumer and business confidence.

Evidence of the financial distress comes in the form of County Court Judgement (CCJ) data, which revealed 46,235 rulings in the first six months of 2022 – up 5% on the first quarter, as creditors tried to recover debts. This compares with 59,042 CCJs during the entirety of 2021, with this year’s figure to date driven higher as the backlog in the courts clears and debts are pursued.

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