

# North East economy 'under siege' as number of firms in financial distress rockets by 75%

The North East economy is coming "under siege" as the number of firms in the region struggling with financial distress rocketed at the end of last year, new figures suggest.

The research from business advisors Begbies Traynor shows that instances of firms experiencing distress jumped by 75.24% between September and December last year – way ahead of the national increase of 50.17% – compared with the previous quarter.

The Red Flag Alert research showed were also 920 instances of critical distress in the last three months of 2024 – where firms have an outstanding county court judgement of more than £5,000 or face a winding up petition – a 10% increase year on year, compared to a UK average fall of just over 1%.

Nationally, Begbies Traynor said firms operating in the hospitality, retail and sectors were seeing the most distress, and that factors driving the distress include HMRC becoming more aggressive in recovering overdue taxes. The report shows that in the last quarter of 2024, early-stage or 'significant' business distress also rose faster than the UK average, recording 12,261 instances affecting firms in the North East, an increase of more than 28% year-on-year and 5.3% compared with the June to August period.

The business advisors said sectors struggling the most with early 'significant' distress in the North East were financial services, up by 27%, real estate and property services, up 13%, and food and beverage production, which saw an 11%

increase.

Andrew Little, partner for Begbies Traynor in the North East, said: “The latest quarter of data reinforces the challenging headwinds North East businesses are facing. The region’s firms are seeing faster rises than the UK average, which doesn’t bode well for their fortunes in 2025.

“Two periods of growth back to back, and with the prospect of a tough Q1 and Q2 ahead, raises concerns that the economy here will be under siege this year.”

Partner Gillian Sayburn added: “This new data comes hot on the heels of a less than positive Autumn budget for businesses. Employers are about to start feeling increased payroll costs as a result of the higher employers’ National Insurance burden, which is not going to help prospects for the region’s businesses this year.

“We are expecting the whole of the UK to see the impact of these additional overheads, and it’s hard to see how these will be mitigated without raising prices, thus feeding inflation and pushing supply chain costs upwards for the coming year. Boards are working hard to find efficiencies, but the economy and these trends are likely to impact employment levels as firms downsize their teams, or hold off hiring when employees leave roles.”