

# Thousands of Welsh firms in significant financial distress

Almost 17,000 Welsh businesses have reported trading in significant financial distress. According to the latest Red Flag Alert research from insolvency firm Begbies Traynor the number of firms struggling over the second quarter of this year held steady at 16,818 – although this was 13% lower than the same period in 2021.

There were increases in levels of ‘significant’ financial distress in the two largest cities in South Wales and certain sectors. Swansea saw a 2% quarterly rise with the construction sector registering a 10% increase. In Cardiff financial distress among retailers and bars and restaurants was up by 4%.

For Wales as a whole the industrial sector experienced the biggest quarterly increase with the number of companies in difficulty up by 6%. This was followed by bars and restaurants, which were up by 2%.

Across the UK, the latest Red Flag Alert research reported 582,452 businesses in significant distress with companies continuing to be impacted by rising inflation, higher labour, material, fuel and energy prices, and faltering consumer and business confidence.

Evidence of this financial distress comes in the form of County Court Judgement (CCJ) data, arguably an early warning sign of future insolvency, which revealed 46,235 rulings in the UK 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.

Huw Powell, managing partner at Begbies Traynor in South Wales, said: “Having emerged from the pandemic, companies in Wales 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, combined with our own anecdotal evidence from speaking to the directors of distressed companies, highlight the impact of rising costs on businesses.

“Many distressed businesses are fighting on, but with no end in sight for the war in Ukraine, energy prices and interest rates forecast to rise further still, and now political uncertainty in Westminster it seems inevitable that the environment is only going to 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 may finally become overwhelmed, particularly if the forbearance that has been shown by lenders and other major creditors begins to wane.”

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