

Why East Midlands entrepreneurs are holding back on launching new businesses

Inflation and the struggling economy are slowing the rate of new start-ups across the East Midlands.

The Midlands branch of insolvency and restructuring trade body R3 said there were almost 2,200 start-ups in the East Midlands in April – 18 per cent down on March and 3 per cent down on February.

It said data from business intelligence provider Creditsafe suggested that [spiralling inflation, a contracting economy and decreasing consumer confidence](#) were making many entrepreneurs think twice about launching new firms.

Eddie Williams, who chairs R3 in the Midlands and is a Midlands partner at PwC said: “The statistics have revealed that, during the first quarter of 2022, there was an overall increase in start-ups in the East Midlands, many of which were led by individuals who were furloughed or made redundant during the pandemic and who used the lockdowns as a springboard to venture out on their own.

“However, with news that prices are now rising at their fastest rate for 40 years and that UK inflation jumped between March and April, it appears that the region’s entrepreneurial spirit has been significantly dampened.

“With the global, national and local economies facing enormous challenge, the majority of start-ups are having to fight hard to survive and grow, particularly as they set up and bed in new operating controls and procedures as well as establish and

build relationships with suppliers, customers, employees and other stakeholders.

“For those new businesses whose directors may be worried about its situation, the sooner professional advice is sought, the more opportunities may be available to support a company’s survival and future success.

“Many R3 members offer a free consultation to those who are looking for such help and want to explore their options.”

It comes after the boss of [East Midlands Chamber accused the Government of failing to help Britain’s businesses](#) deal with the current economic problems.

Scott Knowles said: “Rising costs for energy, raw materials and people are having a huge impact on companies’ bottom line, with our latest Quarterly Economic Survey showing two-thirds of East Midlands firms expected to be forced into increasing their own prices in the first quarter of this year.

“A reduction in VAT to 5 per cent on firms’ energy bills and deferring the increase to national insurance contributions until April next year would directly alleviate some of this pressure to raise prices, giving them the breathing space they need to raise productivity and strengthen the economy.”

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