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## **CUTS MUST BE BALANCED BY REGENERATION, SAYS TMA (UK)**

Plans for cuts of up to 40% in the budgets of many Government departments have raised fears of a double-dip recession while economic growth remains critically weak.

Britain's turnaround and recovery management specialists have welcomed Chancellor George Osborne's moves to address the country's structural deficit and his acknowledgement that we can no longer afford to grow our economy on credit. But, says TMA (UK) Director Tyrone Courtman of Leicester-based Cooper Parry, the economy is like a critically ill patient who must be weaned off the steroids without being killed.

Mr Courtman warned the Chancellor that while maintaining Britain's credit rating, controlling inflation, and retaining the confidence of the financial markets, he still had to maintain a delicate balance between public spending cuts and the recovery of the private sector.

Growth remained critically weak thanks to the continuing shortage of credit, he said. Many of the 300,000 businesses who benefitted from HMRC's time to pay arrangements were finding it difficult to adhere to them. "Many businesses are seeing their recovery plans thwarted with threats of bankruptcy and are having to resort to Company Voluntary Arrangements just as they are pulling through, because as increased activity places demands for increased working capital, they have neither the reserves nor their funders the appetite to finance it."

The other major area of risk was in relation to growth expectations, he said. "There has been much talk of Britain and other G20 countries exporting their way out difficulty. And yet 60% of all UK exports go to Europe. The prospects for exports look slim, particularly to countries such as Portugal, Italy, Greece and Spain who themselves have been running significant budget deficits."

Meanwhile the UK domestic economy would continue to shrink thanks to massive public spending cuts, pay freezes, industrial unrest, and increased taxes. "Rising redundancies, employment insecurity, and less discretionary spend can only mean one thing – rising insolvencies," he said.

"If the private sector is to deliver the 2,000,000 new jobs the economy needs then the Chancellor needs to proceed with extreme caution. Cuts of 40% in departmental budgets would have a severe knock-on effect on the private sector, and the Treasury needs to be extremely conscious of the risk of throwing the baby out with the bathwater."

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## continuation sheet

### **Notes to Editors:**

TMA (UK) represents all professionals involved in turnaround, recovery, reconstruction, refinance and change management. Uniquely, TMA (UK) membership embraces professionals from a variety of backgrounds including accountancy, law, banking, insolvency practice, Credit Insurers, Employee representatives, Valuers and change management. TMA (UK) has 13 regions, and members network extensively at both national and regional level, building up essential contacts among different disciplines.