

Taking stock..... And looking forward to 2011

By TMA (UK) Member, Director & Immediate Past President – Tyrone Courtman

Reflecting on the events of the last 6 months I am pleased to see that we now finally have a government that is prepared to deal with Britain's structural deficit and an acknowledgment that we can no longer afford to grow our economy on credit! But boy have they got a lot of work to do, and it will really test Dave and Nick's newly formed coalition love in. Let's hope it survives their honeymoon.

Any predictions about the future require some reflection on the past. The last 12 months feels surreal, for those of us still in a job at least. Global economic crisis... what crisis? Where are the chilled winds of the global economic downturn? ...we are told the worst since the depression of the 1930's

Sure the labour governments' stimuli have been working. Low interest rates, HMRC time to pay arrangements and banks willingness, in respect of challenged covenants, to amend extend and pretend have all been critical in avoiding an economic disaster...so far. But I remain to be convinced that we have yet to experience the worst effects of this recession.

The economy is rather like a critically ill patient who has been pumped up on life saving steroids. The key challenge now for government is to wean the patient off the steroids without killing him.

Growth remains critically weak. Many of the 300,000 businesses who benefitted from HMRC's time to pay arrangements are increasingly finding it difficult to adhere to them, which are understandably challenging HMRC's patience. We are now seeing many businesses have their recovery plans thwarted with threats of bankruptcy and having to resort to formal Company Voluntary Arrangements, just as they are pulling through. Why? 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 risk is linked to lenders. Historically we see more formal insolvencies coming out of the recession than entering it or drawing it. Why? Because there is little point in lenders crystallising their positions at the bottom of the economic cycle when asset values and bank balance sheets are weak. Why recognise a loss if customers can continue to service the debt, albeit interest only? The key is for business owners to ensure they work their banking relationship like they have never worked it before, keeping lenders fully apprised of their plans and business performance. This is critical to ensure the provision of what is increasingly becoming a scarce commodity – cash!

The other major area of risk is in relation to growth expectations. There has been much talk of Britain and many of the G20 countries exporting their way out difficulty. And yet 60% of all UK exports go to Europe. The prospects for exports look slim, particularly amongst the PIGS (Portugal, Italy, Greece and Spain) who themselves have been running significant budget deficits and against whom budgetary cuts have yet to be felt.

And that brings us to the UK domestic economy. The emergency budget last week set the scene. Massive public spending cuts, pay freezes, industrial unrest, increased Vat and many other taxes will mean one thing. Austerity for us all! Rising redundancies, increasing employment insecurity, less discretionary spend will surely lead to a smaller economy and rising insolvencies, until finally we reach economic reality and begin to make our way again in the Global economy.



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Tyrone is a chartered accountant and a licensed Insolvency Practitioner since 1989. He has been instrumental in some of the East Midlands largest business recovery assignments and has worked in Big 4 practices. Tyrone is one of few Insolvency Practitioners to have experience of working in industry for a listed group of companies with a £350m turnover. He is committed to helping ailing businesses survive and prosper providing a 'hands on' approach to clients in difficulty. Tyrone joined Cooper Parry as a Partner in December 1996. In July 1998, he became service group leader of the business turnaround and recovery team. He is well known in the East Midlands business community, particularly in Leicester and Nottingham. He is currently a board member and Immediate Past President of the Turnaround Management Association UK Limited.