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Capital punishment for local businesses?

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South East businesses are being forced to put the brakes on growth plans, as 97% of companies admit difficulty in accessing capital is impacting their business.

According to BDO LLP's bi-monthly Economic Engine survey of 500 mid-market businesses, one in five regional companies are struggling to finance expansion plans, with 30% finding it difficult to invest in the technology or software they need to improve the business. Nearly a quarter (23%) admit that a shortage of funding means they're struggling to recruit new staff with the right skills and experience.

The survey by the accountancy and business advisory firm, also highlighted the ongoing challenges facing South East businesses. Over the next six months, increased operating costs will continue to blight regional companies, with a third (33%) saying rising energy bills, rent, and the cost of recruitment are some of their top concerns. Supply chain disruption, including delayed deliveries, stock shortages and cost increases, also continues to dominate for a third of South East companies (33%).

As businesses in the region contend with a growing list of problems, the task of upskilling and retaining their existing workforce is one of the top business priorities for almost half of regional companies (43%), with a further 30% also looking to invest in research and development and new technologies. In addition, more than a quarter (27%) intend to raise new finance from existing sources of funding, such as loans and re-mortgaging property, as South East companies look to take action over the next six months.

Phil Cliftlands, Regional Managing Partner at BDO in the South East, commented: "As a result of the tough economic conditions that continue to hamper regional businesses, companies are facing a real and immediate need to raise funds within the next 12 months, in order to kick-start their growth plans.

"Against a challenging backdrop, South East businesses are having to explore every option when it comes to raising additional finance, with many struggling to access the capital they need. For a third, the equity capital markets are the most appealing source of funding, with private equity and investment trusts also high up on the list."

Mid-sized companies, which employ eight million people and provide around a quarter of UK jobs according to further research,[1] are now calling on the Government to support them with rising costs and improve access to capital to make the UK a more appealing place to do business.

Cliftlands added: "So far, mid-market businesses in the South East have shown real grit and determination to fend off the challenges that continue to rain down on them.

"However, many are reaching tipping point. The need for greater capital is critical for a significant proportion of businesses, not just to finance growth plans, but also to address key issues such as investing in staff retention, repaying debts, improving salaries and, importantly, recruiting new employees with the right skills and experience.

"South East businesses cannot tackle these challenges in isolation. Business leaders in the region believe more can be done to address their concerns, to help to drive growth, and to ensure the UK remains an attractive place to do business."

Emma Ordridge

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