Diverging fortunes

Analysis of profit warnings

Issued by UK quoted companies

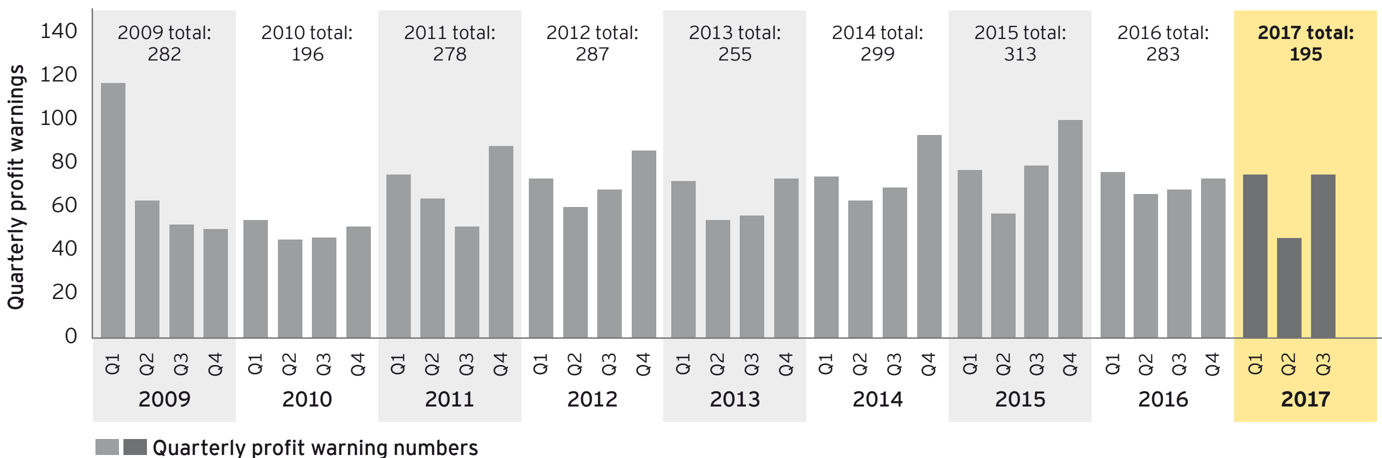
Q3 2017

UK quoted companies issued 75 profit warnings in Q3 2017, significantly above average for the period and well above the 45 issued in the previous quarter. The biggest quarterly rise in profit warnings in almost six years has come directly after one of the biggest falls, reflecting the unpredictable economic climate.

Rising global growth and a weaker pound are still boosting exporters. FTSE Industrial sector warnings are at their lowest for six years. But, many businesses besieged by pricing pressures before Brexit, are also now feeling the brunt of rising domestic uncertainty and increasing costs. Digital disruption adds yet more competitive and investment pressure.

Companies caught on the wrong side of economic, sector and digital trends and those who lack the financial or operational agility to adapt, are struggling to break free. In sectors where it is essential to continually invest and innovate – such as retail and restaurants – this stress is becoming increasingly apparent.

Profit warning numbers, 2009-2017

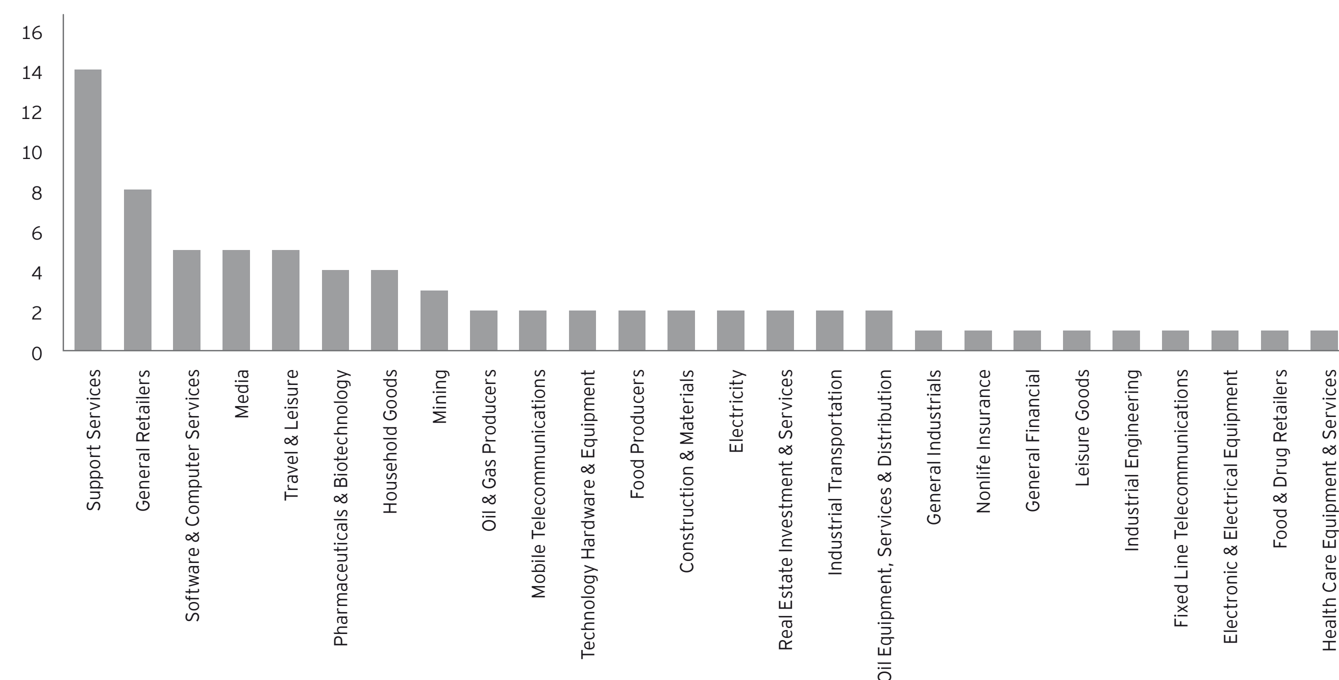


Profit warning highlights

- UK quoted companies issued 75 warnings in Q3 2017, 21% higher than the third-quarter post-financial crisis average of 62.
- The number of warnings issued in Q3 2017 rose by two-thirds compared with the previous quarter, when warnings dipped to a seven-year low.
- Profit warnings rose by 10% year-on-year, with the mix of sectors also changing to reflect the impact of a weaker pound and divergence between global and UK growth.
- The FTSE sectors issuing the most profit warnings in Q3 2017 were: Support Services (14), General Retailers (8), Software & Computer Services (5), and Travel & Leisure (5).
- In the 12 months to the end of Q3 2017, 22% of companies in FTSE Industrials sectors have warned compared to 30% in the 12 months to the end of Q3 2016.
- FTSE General Retailers' warnings hit their highest third quarter total since 2008 in Q3 2017, with 31% of the sector warning in the year-to-date.
- The Home Improvement Retailers sub-sector accounts for almost half of retail warnings in the last six months, an early warning of falling confidence and pressure on discretionary spend.
- Pricing and cost pressures are increasing, featuring in 25% of all profit warnings so far in 2017, compared with 18% in 2016.
- Capacity and cost pressures are especially apparent in the FTSE Travel & Leisure sector, with a fifth of companies warning in the last year, including 27% of quoted Restaurants & Bars.
- Keeping up in competitive and fast moving markets is compounding margin pressures, with 13% of warnings citing unexpected investment costs.
- A rise in multiple warnings reflects the struggle to adapt to changing conditions. In Q3 2017, 42% of companies warned for at least their second time in the last year.
- The median share price drop on the day of warning rose to 14.3% from 12.5% in the previous quarter and the average from 15.9% to 17.3%, a signal that markets have become more risk averse.

"A rise in multiple warnings reflects the struggle of some companies to adapt."

Profit warnings by sector, Q3 2017



Economic and sector overview

Changing fortunes

Summer brought more mixed fortunes for UK plc. The economic fault lines we previously highlighted have opened further, increasing the contrast between accelerating overseas markets and the slowing UK economy. Our yo-yo profit warning data reflects the difficulties faced by companies forecasting in such unpredictable times. Companies with a winning formula will continue to thrive, but that formula keeps changing and it's going to get tougher to keep up.

Autumn chill

The UK economy remains in low gear as households continue to feel the inflationary squeeze. The UK's announcement late in the third quarter that it would seek a transitional Brexit deal initially boosted the pound – as did hints of an upcoming rise in interest rates. But, on-going uncertainty continues to weigh heavily on sterling – and by extension consumers' wallets. The disposable income squeeze tightened as inflation hit 3% in September with average wages only rising by 2.1% in the three-months to August. Employment remains high and retail sales held up over the summer; but an increase in tourist and 'staycationer' numbers boosted the figures and there are hints elsewhere that confidence and discretionary spending are coming under pressure. The fall in car sales and big ticket items we saw this summer often heralds a wider fall in household spending. Consumers always pull out the stops for Christmas, but they're likely to drive an even harder bargain this year.

Exporters are benefiting from the coincidence of the weak pound and improving global growth. The IHS Markit/CIPS purchasing managers' index for September shows manufacturing activity expanding for the 14th month in a row, with growth in new export business close to a six-and-a-half year high. But, for most, the benefit is muted by the increasing cost of imported materials and rising commodity prices. The more dominant service sector also continues to expand, but again rising costs are are a growing issue and confidence in new orders is slipping. Construction activity is also falling. The economy should gain more momentum in the second half of 2018, if the income squeeze eases and and if Brexit talks progress, lifting some of the uncertainty. But it's going to be a tough time getting there. The EY ITEM Club believes UK GDP will grow at 1.7% in 2017 and 1.4% in 2018.

Divergence

Our profit warning data highlights a growing divide between sectors more exposed to domestic pressures and those benefiting from increasing growth in overseas markets. Industrial sectors would seem to be the greatest beneficiary, not just from the currency impact of Brexit but also a steadier oil price.

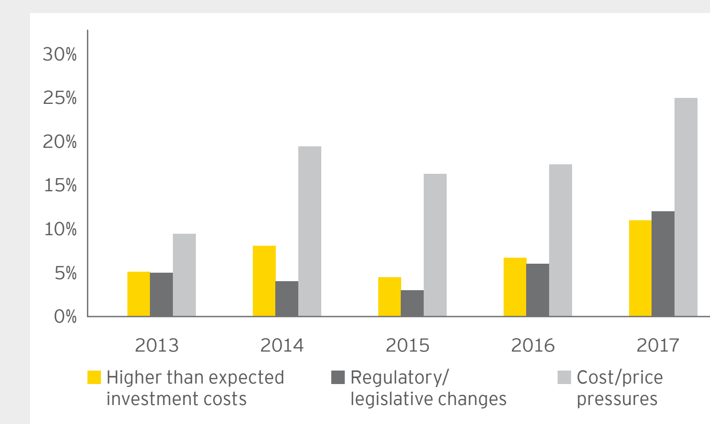
Percentage of companies warning in the last 12 months

	Q3 2017	Q3 2016
FTSE Industrials	**22%**	**30%**
Aerospace & Defence	17%	42%
Construction & Machinery	22%	14%
Electronic & Electrical Engineering	18%	52%
Industrial Machinery	21%	37%
Industrial Transportation	11%	27%
Support Services	26%	27%

The clear outliers amongst industrials are FTSE Support Services and FTSE Construction & Materials, two sectors that we've highlighted previously as having significant domestic contract and pricing pressures. Thus, the divergence we're seeing isn't as simple is consumer vs industrials. The bigger influence seems to be exposure to a domestic margin vice, where companies are caught between rising costs and pricing pressures - often compounded by structural issues.

Selected reasons for warning

Percentage of total warnings by year



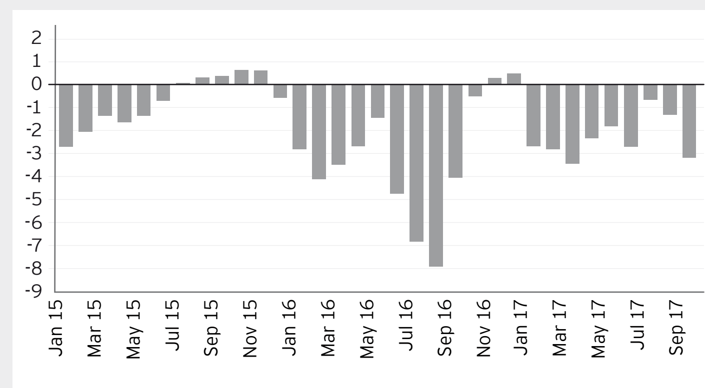
In addition to rising import costs associated with the weaker pound, UK-based companies also face rising wage costs and Brexit-related changes in the labour market. Meanwhile, technology is providing greater transparency for consumers and businesses, adding to the pressure on pricing. This margin vice is tightening, as our profit warning data illustrates. It's most obvious in FTSE General Retailers and FTSE Travel & Leisure, where 39% and 59% of warnings have cited rising cost or price pressures respectively.

Economic and sector overview (continued)

The rise in FTSE General Retailers profit warnings isn't dramatic – 31% have warned in the year to the end of Q3 2017 compared with 27% in the year to Q3 2016. But, this is against a backdrop of falling earnings expectations.

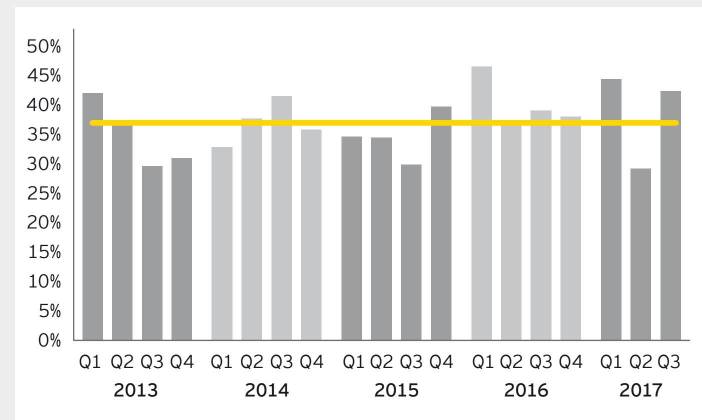
MSCI UK retailing

3m % change in 12m forward earnings expectations



Meanwhile, this margin pressure is compounded by the increasing need to innovate and invest. New figures show investment didn't stall after Brexit and business investment was still growing in Q2 2017. But the 2.5% year-on-year rise recorded in that quarter is still well below par, especially if we consider the need for a post-recession catch-up or the extra companies need to invest to be competitive in the global digital market place. The increase in companies citing unexpectedly high investment costs in their profit warning – doubling in the last five years – suggests businesses are struggling to budget enough for their needs.

Percentage of companies who've already warned in the last 12 months



More companies may be using the M&A rather than the R&D route to investment. But, the question mark remains as to whether businesses are doing enough. UK productivity levels remain worrying low with broad implications for wages, growth and government spending. We're also seeing more companies issue multiple warnings. Even within pressured sectors there's a gap emerging between companies with a winning formula and those who are being left behind without the operational or financial capacity to adapt to rising economic, political and digital changes – what we might also call 'zombie companies'. It's also important to remember that we haven't seen the full impact of Brexit yet, with further implications for trade and labour supply. Companies currently benefiting from rising levels of trade and global growth aren't out of the woods yet.

A global sweet spot?

One of the most consistent good news stories in 2017 has been global growth. Not only has the global economy finally broken the cycle of mid-year downgrades, but for the first time in a decade major economies are growing in unison. The IMF has slightly raised its outlook for growth in advanced economics to 3.6% and 3.7% for 2017 and 2018 respectively. In emerging markets, the IMF held its forecast for 4.6% for 2017 and upgraded its forecast to 4.9% in 2018. Upward revisions in the Eurozone, Japan, emerging Asia, emerging Europe, and Russia have more than offset downward revisions for the US and the UK.

This growth isn't yet reflected in official export figures, but UK companies maybe using the weaker pound to increase profit rather than sales. As we've noted, industrial surveys in particular have improved and industrial profit warnings have fallen. UK companies have also increased outbound M&A to access growth markets – despite the fall in sterling – although this activity dipped in Q3. This may be a blip or a response to rising risks. Geopolitical risk is arguably at its highest in a decade. There is increasing concern over the impact of populism on policy – including the regulation of deals. The IMF has also sounded the alarm over rising levels of debt, with private debt at pre-crisis levels in the G20 and investors taking greater risks in the search for yield.

Interest rate conundrum

Moreover, markets aren't really reflecting the risk that the sweet spot in global growth, linked to a period of low inflation and accommodative monetary policies, may be coming to an end. For almost a decade, major central banks have been fighting low inflation and unemployment using ultra-low interest rates and quantitative easing. Growth and employment numbers are stronger; but inflation remains low in the US and Eurozone, whilst UK inflation is forecast to drop back in 2018, once sterling's fall works its way out of the numbers. None of which suggests rate rises should be imminent, and yet US and UK central banks have at least been laying the ground work for interest rate rises in Q4, whilst the Eurozone is paving the way for action in 2018.

Why move now? Growth remains a concern, but both the Bank of England and the Federal Reserve are concerned in different ways that their data doesn't reflect the true inflation picture. In the US, there are worries that it's only temporary factors that's dampening prices. In the UK, the Bank of England has indicated that the UK economy's capacity to absorb inflationary forces has fallen. Globalisation and digitalisation have complicated measurements linked to inflation, such as the 'slack' in the economy. Central banks may also be mindful of growing debt levels and 'riskier' behaviour. A recent report from credit ratings agency, Moody's, said that 'cov-lite' was "fast becoming the new normal in Europe".

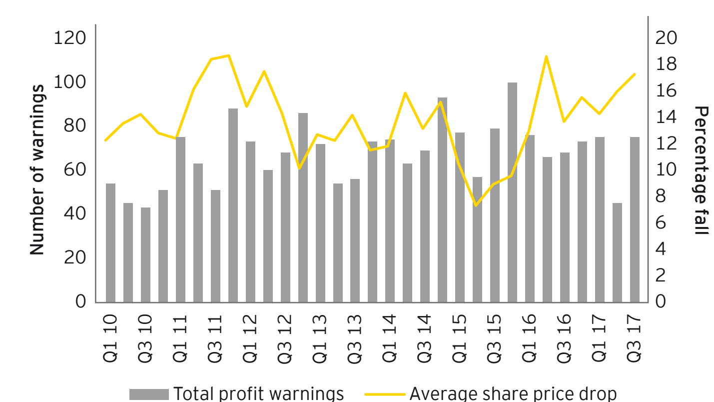
We may see more macro-prudential powers being used to manage the credit cycle if the market continues to heat up – but a rate rise sends out a stronger signal

Scenario forecasting

The Federal Reserve has obviously already started its tightening cycle, but, two major central banks raising rates at the same time would set a different tone in capital markets. There is a potential scenario that sees a very gradual withdrawal of support in conjunction with sustained growth, which would present a relatively benign scenario for the global economy. But, there are obviously a number of geopolitical and financial risks – including Brexit uncertainty – that could make it a bumpier ride for the UK. A widespread increase in UK corporate distress is unlikely whilst interest rates remain low; but as household incomes are squeezed and wage and import costs rise, we expect to see more stress – especially in sectors exposed to the consumer, increasing wages and input costs and contract uncertainty. We're already seeing a stronger focus on cash, an early sign that companies are feeling – or expect to feel – more pressure.

Altogether, it is going to be tougher to forecast in this environment, and we could see profit warnings yo-yo again. To improve their ability to forecast – and flex their plans as scenarios change – companies need a clear understanding of their businesses' key variables and critical assumptions. This should allow them to adapt quickly and to signal a clear and timely change in profit guidance when these variables change. Sometimes companies face events that are beyond the normal - the 'unknown unknowns'; but having processes in place to respond to changes provides a clear structure for companies to follow and to keep investors properly informed.

Average share price fall %



The rise in the average share price fall on the day of warning has moved higher since Brexit, with investors becoming more risk adverse – underlining the importance of getting it right.

Warnings as a percentage of FTSE sector, Q3 2017

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Construction & Materials	1	36	3%
Electricity	2	10	20%
Electronic & Electrical Equipment	1	34	3%
Fixed Line Telecommunications	1	8	13%
Food & Drug Retailers	1	11	9%
Food Producers	1	24	4%
General Financial	1	125	1%
General Industrials	1	9	11%
General Retailers	7	55	13%
Health Care Equipment & Services	1	36	3%
Household Goods	3	31	10%
Industrial Engineering	1	33	3%
Industrial Transportation	1	19	5%
Leisure Goods	1	11	9%
Life Insurance	0	9	0%
Media	5	65	8%
Mining	3	93	3%
Mobile Telecommunications	2	8	25%
Nonlife Insurance	1	11	9%
Oil & Gas Producers	2	73	3%
Oil Equipment, Services & Distribution	2	12	17%
Pharmaceuticals & Biotechnology	4	68	6%
Real Estate Investment & Services	2	60	3%
Software & Computer Services	4	109	4%
Support Services	11	131	8%
Technology Hardware & Equipment	2	19	11%
Travel & Leisure	5	68	7%
Total no. companies warning	**66**		

Focus on sectors

FTSE General Retailers

FTSE General Retailers issued eight profit warnings in the third quarter of 2017, one more than in the previous quarter and the sector's highest third quarter total since 2008. In the year-to-date, 31% of the sector has warned. Recent data shows consumers becoming more discriminating in their spending and, as costs rise, the margin vice around the sector is clearly tightening. These pressures are creating a more divergent retail picture, exaggerating the problems of those struggling with rising costs and on the wrong side of sector trends.

The consumer squeeze tightens ...

The EY ITEM Club Autumn Forecast underlines the consumer squeeze. Their data shows some relief this summer, with real household disposable income rising by 1.9% quarter-on-quarter in Q2, helped by growing numbers in employment. Retail sales also rose across Q3. Nevertheless, this improvement in real incomes came after three successive quarterly declines and any respite looks short-lived. CPI inflation moved above 3% in September, outpacing average earnings growth of 2.2%. The anticipated rise in interest rates — combined with an expected tightening in consumer unsecured lending — will only add to this squeeze. As a result, EY ITEM Club expects consumer spending growth to slow from 1.5% in 2017 to just 1.1% in 2018.

Moreover, as the latest British Retail Consortium (BRC) survey notes, most of the increase in retail sales in the last three months is due to price rises in essentials like food and clothing. Food sales increased by 2.5% on a like-for-like basis over the three months to September, while the like-for-like sale of non-food items rose only 0.5%. Kantar data reinforces this picture, with annual grocery inflation at 3.2% in the 12 weeks to 8 October. Food retailers are under pricing pressure, but increased, inflation driven sales appears to be cushioning the impact more than elsewhere. Profit warnings in FTSE Food & Drug retailing stand at just one so far in 2017 against four in the first nine months of 2016.

Meanwhile, FTSE General Retailers profit warnings remain high — especially in discretionary areas. Inflation in essentials, like food, has meant that consumers have less to spend on more discretionary and big ticket items — and their willingness to spend on larger items is also under pressure. The latest GfK survey shows that whilst consumer confidence picked up slightly in September, it remains close its post-Brexit lows and confidence in personal finances is slipping. All of which is reflected in our profit warning data, with Home Improvement Retailers accounting for almost half of all FTSE General Retailers warnings in the past six months and Specialty Retailers accounting for most of the rest.

... as rising costs bite

Therefore, on one side of the 'margin vice' we have pressure on revenues from more subdued and discriminating consumer demand and the related impact of price pressures. And, on the other we have higher import costs, the National Living Wage, rising business rates and the increasing cost of multichannel investment. In 2017, 39% of FTSE General Retailers profit warnings cited rising cost or price pressures, well above the rising average of 25% and last year's total of 14%. There's no sense of these pressures letting up in the near term. The pound remains weak and volatile. Retailers' pre-referendum currency hedges, which at least partly cushioned the impacts of the pound's sharp decline, have all but now expired.

In response, retailers are looking for new approaches, including the use of advanced data analytics to make more informed decisions about pricing, stock control and their store estate — and to improve loyalty. This might seem a slightly old-fashioned concept, given the impact of digital disruption on customer behaviour, for example in price transparency. Our recent survey on the topic shows that just 5% of retailers think their customers remain loyal. But, almost all retailers (87%) believe a loyalty strategy is critical to their business success and 65% believe their loyal customers account for more sales and profit.

FTSE General Retailers

To get it right, retailers need to create offers and experiences that are truly personalised, creating a marketing segment of just one. But, just 30% of retailers in our survey are currently delivering personalized offers, communications and interactions. Therefore, there is significant potential for improvement and this isn't something retailers need to tackle alone. Working with complementary third parties can help to leverage existing data and bring in third party sources. But companies will need to invest and it is here that we see further divergence: between retailers with and without the capital to innovate and compete effectively in these markets.

It's still all about the final countdown!

So, where does all this leave the FTSE General Retailers sector going into the vital fourth quarter? The opportunities and stresses of Christmas tend to exaggerate the gap between the winners and losers. We expect further profit warnings, particularly from those who are struggling to get on the right side of major sector trends or who are struggling to get to grips with rising costs. Half of the retailers issuing a profit warning in the last year have done so more than once. Consumers always find money to spend at Christmas, but they'll be driving a hard bargain.

An increasing number of retailers are opting out of Black Friday promotions, in order to protect margin, due to the strength of their brand or better management of inventory. In the past, those companies have tended to perform better overall: opting out because they were performing better and performing better because they opted out. But, for many retailers, there is a strong expectation or need to participate and we expect to see an extended discounting period again involving major high street names. A longer discounting period eases the logistical intensity around the main Black Friday weekend and, if companies plan their inventory well, they can profit from a prolonged buying season. But, at the same time, this creates a low price expectation in consumers that's tough to break for individual retailers and the sector as a whole.

FTSE Travel & Leisure

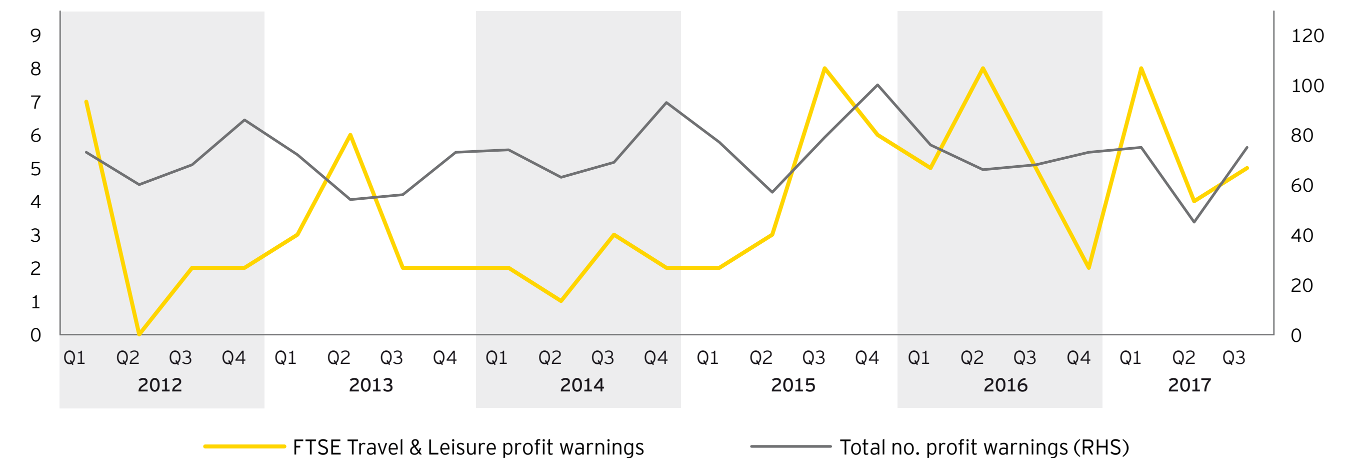
We last featured the FTSE Travel & Leisure sector in Q1 2017, when it issued eight warnings — equalling the post-financial crisis high set in Q2 2016. Since then, the sector as a whole has fared slightly better, with its warnings halving to four in Q2, edging back up to five in Q3. But, all together, one-fifth of all FTSE Travel & Leisure companies have warned in the past year and we've seen a substantial increase in warnings from the Restaurants & Bars sector, whilst airline failures have put the sector back in the spotlight.

In both cases, the biggest issues are the impact of oversupply and rising costs on businesses that are already struggling with thin margins. In 2017, almost 60% of FTSE Travel & Leisure profit warnings have cited rising overheads and pricing pressures — up from 10% in 2016.

Testing resilience

The FTSE Travel & Leisure sector has showed continuing resilience in recent years, continuing to benefit from consumers' tendency to prioritise spending on experiences. But with real incomes squeezed, can this resilience be sustained? The competition for a shrinking pool of disposable income is heating up and the picture across the sector is looking more mixed. The latest Visa Consumer Spending Index shows overall consumer spending on track in 2017 to hit its lowest level in four years. Household expenditure dropped 0.3% year-on-year in September, the fourth month in the last five to see a decline. The good news is that spending at hotels, bars and restaurants is bucking the trend — up 3.5% and bettering last year's growth rate of 2.6% — but spending on recreation and culture declined at its fastest rate since 2013.

FTSE Travel & Leisure



So there is greater pressure on the 'experience economy', but it seems that eating out isn't yet something that UK consumers are prepared to forgo. The sector is also benefiting from the influx of overseas tourists and 'staycationers', the positive flip-side of the falling pound. So, why have two-thirds of FTSE Travel & Leisure profit warnings come from the Restaurants & Bar sub-sector in the last six months? As we've seen in retail, overall demand is only part of the equation.

Glorious food?

The restaurant sector is, at least partially, a victim of its own success. Resilient consumer spending in the casual dining sector in particular has encouraged substantial new investment – particularly from private equity – and provided an incentive for entrants to scale up existing concepts. Thus, the market is facing over-capacity when it's also facing a triple-whammy of cost headwinds. Firstly, due to the increase in wage costs owing to the introduction of the National Living Wage – with the potential for further disruption from Brexit. Secondly, due to the increase in business rates. And thirdly, from the weak pound making imported raw materials more expensive. The increased influence of online delivery services adds further complication – and costs – with businesses typically paying up to and beyond 15% in commission.

Restaurant demand should remain strong in the long term. Tightly-run businesses that keep their costs under control will be well-placed to ride out this tough spot and benefit from any reduction in capacity. But, sector economics make further restructuring inevitable. Groups with high operating leverage and heavy debts will continue struggle – especially when there is a limited chance of respite or options available for businesses to regroup. Raising prices isn't an option in a competitive market, whilst driving volumes through discounting means giving away already thin margins. Cuts to ingredients or staff risk damaging quality. Property costs are generally fixed and tough to renegotiate. Businesses caught in a bind will find it tough to get out.

Flying through turbulence

Meanwhile, it's also been a mixed 2017 for the travel sector. Domestic groups have broadly benefited from a rise in UK tourism and 'staycations', albeit with this benefit somewhat offset by the cost and wage issues we've seen elsewhere. The London terrorist attacks have also effected businesses in the capital. But, the travel sector feeling the most pressure is undoubtedly airlines, where three warnings in the first quarter were a portent of trouble to come. A number of airlines have since filed for insolvency amid further reports of distress.

Fundamentally, the airline sector is struggling with low margins. Most of the value in the ecosystem goes not to the airlines themselves, but to those owning technology and assets, including those leasing planes, the airports and maintenance companies. Today, airlines' limited share of the pie is being sliced even thinner due to the impact of overcapacity and subsequent pricing pressures, especially on short-haul routes. It's a situation that's been exacerbated by the consolidation of passenger traffic away from North African destinations and Turkey towards Southern Europe, due to security fears there. This has added extra pressure to charter flights, where the competition on Spanish routes is particularly intense. The oil price is still relatively low, but for airlines buying in sterling the weak pound has added an additional cost.

The cancelled fights of the last month have helped to reduce overcapacity and led to a brief surge in business for other airlines as they pick up the rebooked fares. Skyscanner, a comparison site for low-cost air fares, reports an average 23% increase in the price of last-minute flights to Europe in October. It expects to see increased demand for flights – particularly to Spanish airports – to push prices up above seasonal norms until January or February next year. This should ease the short-term pressure. In the longer-term, Brexit remains a continuing concern with airlines positioning in case the UK leaves the EU without a bilateral agreement. But, our main expectation is that regulatory challenges will be resolved and the UK will likely remain an important hub for both short- and long-haul flights.

A bigger slice of the pie

So, it's not all bad news. But, whilst UK consumers intend to keep spending, companies across the sector will need to work harder to capture a diminishing pot of UK disposable income, to control costs as margins are squeezed by increasing overheads and to adapt to changing markets. It's going to be tougher than before. In a turbulent market, companies that manage to tap into consumers' desire for affordable luxury, develop engaging concepts and embrace innovation to connect to customers directly should capture a bigger slice of the pie. This is difficult for companies to achieve, if they are starting from a capital constrained position. Therefore, we also expect to see consolidation pick up as weaker companies fail and stronger companies look to capture market share and reduce costs.

Q3 2017 – by sector, size and region

FTSE sector	Turnover band	London	Midlands/ East Anglia	North West	South East	South West/Wales	Yorkshire/ North East	Scotland and NI	Grand total
Construction & Materials	£201m-£1bn		2						2
Electricity	over £1bn						1	1	2
Electronic & Electrical equipment	under £200m				1				1
Fixed Line Telecommunications	under £200m	1							1
Food & Drug Retailers	under £200m						1		1
Food Producers	under £200m	2							2
General Financial	over £1bn						1		1
General Industrials	under £200m		1						1
General Retailers	under £200m	1					2		3
	£201m-£1bn	1		1			2		4
	over £1bn	1							1
Health Care Equipment & Services	£201m-£1bn	1							1
Household Goods	under £200m		2	1					3
	over £1bn				1				1
Industrial Engineering	under £200m						1		1
Industrial Transportation	£201m-£1bn				2				2
Leisure Goods	under £200m				1				1
Media	under £200m	3		1					4
	over £1bn					1			1
Mining	under £200m	2							2
	£201m-£1bn	1							1
Mobile Telecommunications	under £200m	2							2
Nonlife Insurance	£201m-£1bn	1							1
Oil & Gas Producers	under £200m	1							1
	£201m-£1bn	1							1
Oil Equipment, Services & Distribution	under £200m	1							1
	£201m-£1bn			1					1
Pharmaceuticals & Biotechnology	under £200m		2						2
	£201m-£1bn				1				1
	over £1bn	1							1
Real Estate Investment & Services	under £200m	1			1				2
Software & Computer Services	under £200m				2		2		4
	£201m-£1bn				1				1
Support Services	under £200m	2			1		4		7
	£201m-£1bn				3	1			3
	over £1bn		2		1				3
Technology Hardware & Equipment	under £200m							1	1
	£201m-£1bn	1							1
Travel & Leisure	under £200m	2						1	3
	over £1bn	1			1				2
Grand total		**27**	**9**	**4**	**16**	**2**	**14**	**3**	**75**

Number and percentage of warning companies by turnover and region, 2011–Q3 2017

Number and percentage of warning companies by turnover, 2011–Q3 2017

	Turnover band							
	Under £200mn		£201mn–£1bn		Over £1bn		Total	
2011								
Q1	45	60%	18	24%	12	16%	75	100%
Q2	40	63%	9	14%	15	23%	64	100%
Q3	37	73%	11	22%	3	6%	51	100%
Q4	53	60%	24	27%	11	13%	88	100%
2012								
Q1	39	53%	19	26%	15	21%	73	100%
Q2	37	62%	16	27%	7	12%	60	100%
Q3	35	51%	21	31%	12	18%	68	100%
Q4	42	49%	28	33%	16	19%	86	100%
2013								
Q1	43	60%	19	26%	10	14%	72	100%
Q2	33	63%	12	20%	9	17%	54	100%
Q3	42	77%	8	13%	6	11%	56	100%
Q4	35	48%	20	27%	18	25%	73	100%
2014								
Q1	34	46%	22	30%	18	24%	74	100%
Q2	41	65%	11	17%	11	17%	63	100%
Q3	39	57%	13	19%	17	25%	69	100%
Q4	59	63%	15	16%	19	20%	93	100%
2015								
Q1	43	56%	22	29%	12	16%	77	100%
Q2	38	67%	13	23%	6	11%	57	100%
Q3	42	53%	22	28%	15	19%	79	100%
Q4	49	49%	28	28%	23	23%	100	100%
2016								
Q1	43	56%	22	29%	12	21%	76	100%
Q2	38	58%	15	23%	13	20%	66	100%
Q3	45	66%	16	24%	7	10%	68	100%
Q4	37	51%	20	27%	16	22%	73	100%
2017								
Q1	40	53%	14	19%	21	28%	75	100%
Q2	29	64%	9	20%	7	16%	45	100%
Q3	43	57%	19	25%	13	17%	75	100%
4-year average	41	57%	17	24%	14	20%	73	100%

N.B.: Figures are to the nearest whole number. Totals may add up to slightly above or below 100%.

Number and percentage of warning companies by region, 2011–Q3 2017

	Region															
	London		Midlands/ East Anglia		North West		Scotland and NI		South East		South West/ Wales		Yorkshire/ North East		Total	
2011																
Q1	22	29%	10	13%	8	11%	2	3%	24	32%	2	3%	7	9%	75	100%
Q2	15	23%	4	6%	6	9%	2	3%	15	23%	11	17%	11	17%	64	100%
Q3	21	41%	5	10%	2	4%	2	4%	10	20%	5	10%	6	12%	51	100%
Q4	20	23%	9	22%	8	9%	1	1%	18	20%	9	10%	13	15%	88	100%
2012																
Q1	21	29%	3	18%	5	7%	5	7%	17	23%	5	7%	7	10%	73	100%
Q2	13	22%	7	12%	7	12%	5	8%	15	25%	3	5%	10	17%	60	100%
Q3	20	29%	12	18%	8	12%	4	6%	14	21%	5	7%	5	7%	68	100%
Q4	34	40%	10	12%	7	8%	5	6%	18	21%	8	9%	4	5%	86	100%
2013																
Q1	22	31%	11	15%	10	14%	2	3%	11	15%	7	10%	9	13%	72	100%
Q2	16	30%	5	9%	4	7%	7	13%	16	30%	2	4%	4	7%	54	100%
Q3	19	34%	10	18%	2	4%	3	5%	10	18%	5	9%	7	13%	56	100%
Q4	19	26%	6	8%	4	5%	8	11%	22	30%	9	12%	5	7%	73	100%
2014																
Q1	26	35%	9	12%	5	7%	3	4%	13	18%	9	12%	9	12%	74	100%
Q2	17	27%	8	13%	4	6%	3	5%	14	22%	6	10%	11	17%	63	100%
Q3	26	38%	9	13%	1	1%	5	7%	18	26%	7	10%	3	4%	69	100%
Q4	29	31%	12	13%	7	8%	4	4%	23	25%	11	12%	7	8%	93	100%
2015																
Q1	31	40%	6	8%	8	10%	3	4%	16	21%	7	9%	6	8%	77	100%
Q2	21	37%	9	16%	6	11%	4	7%	10	18%	3	5%	4	7%	57	100%
Q3	26	33%	9	11%	3	4%	6	8%	18	23%	11	14%	6	8%	79	100%
Q4	35	35%	11	11%	5	5%	7	7%	21	21%	10	10%	11	11%	100	100%
2016																
Q1	23	37%	16	21%	5	7%	9	12%	9	12%	4	5%	5	7%	76	100%
Q2	22	33%	6	9%	4	6%	2	3%	21	32%	4	6%	7	11%	66	100%
Q3	20	29%	7	10%	8	12%	3	4%	18	26%	4	6%	8	12%	68	100%
Q4	23	32%	10	14%	11	15%	5	7%	14	19%	6	8%	4	5%	73	100%
2017																
Q1	23	31%	12	16%	11	15%	5	7%	13	17%	9	12%	2	3%	75	100%
Q2	12	27%	1	2%	10	22%	2	4%	8	18%	7	16%	5	11%	45	100%
Q3	27	36%	9	12%	4	5%	3	4%	16	21%	2	3%	14	19%	75	100%
4-year average	24	36%	9	12%	6	5%	5	4%	16	20%	7	4%	7	19%	73	100%

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