Analysis of profit warnings

Issued by UK quoted companies

Q2 2017

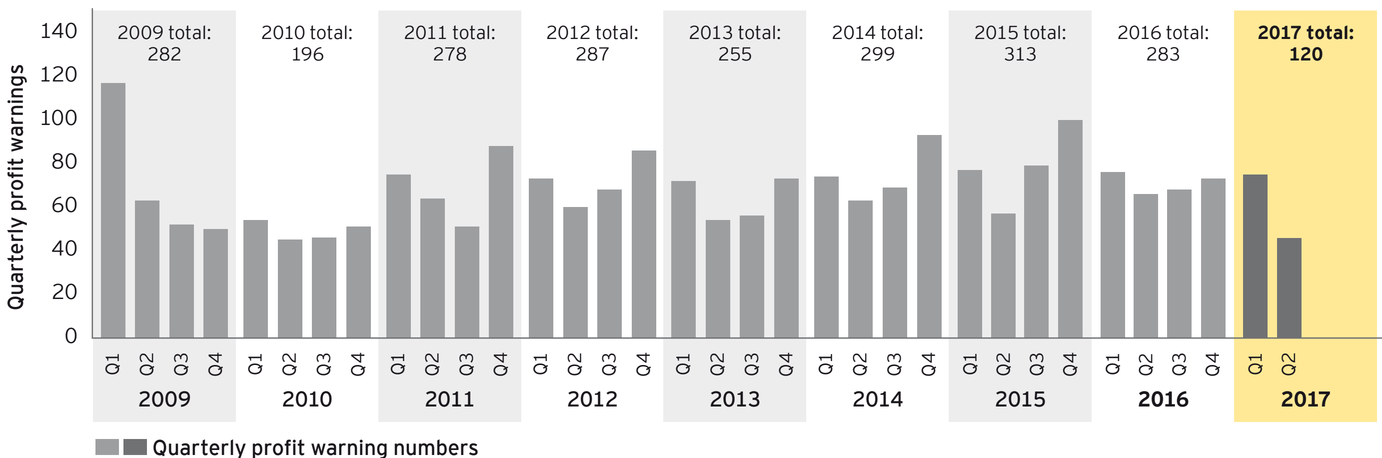
As good as it gets?

UK quoted companies issued 45 profit warnings in Q2 2017, the lowest number for seven years. We cautioned in 2010 against reading too much into a low figure — as we do now. Earnings forecasts have dipped and the economy's relative outperformance has enabled more companies to meet expectations. But, to echo our message from 2010, it gets tougher from here.

A high number of General Retailers' warnings in particular is an ominous sign that reflects weaker consumer confidence and a return to squeezed disposable incomes. Economic and political unknowns are also starting to hit business confidence and decision making. Meanwhile, central banks are signalling a move to a tighter monetary environment — albeit a slow one.

The UK economy has proven itself robust in the last year and will continue to grow at a moderated pace. Growth in the global economy and weaker pound should help exports. But the next 12 months undoubtedly look trickier to navigate. We've spoken frequently here about the need to develop agile structures and flexible plans — we expect to see these put to the test.

Profit warning numbers, 2009-2017

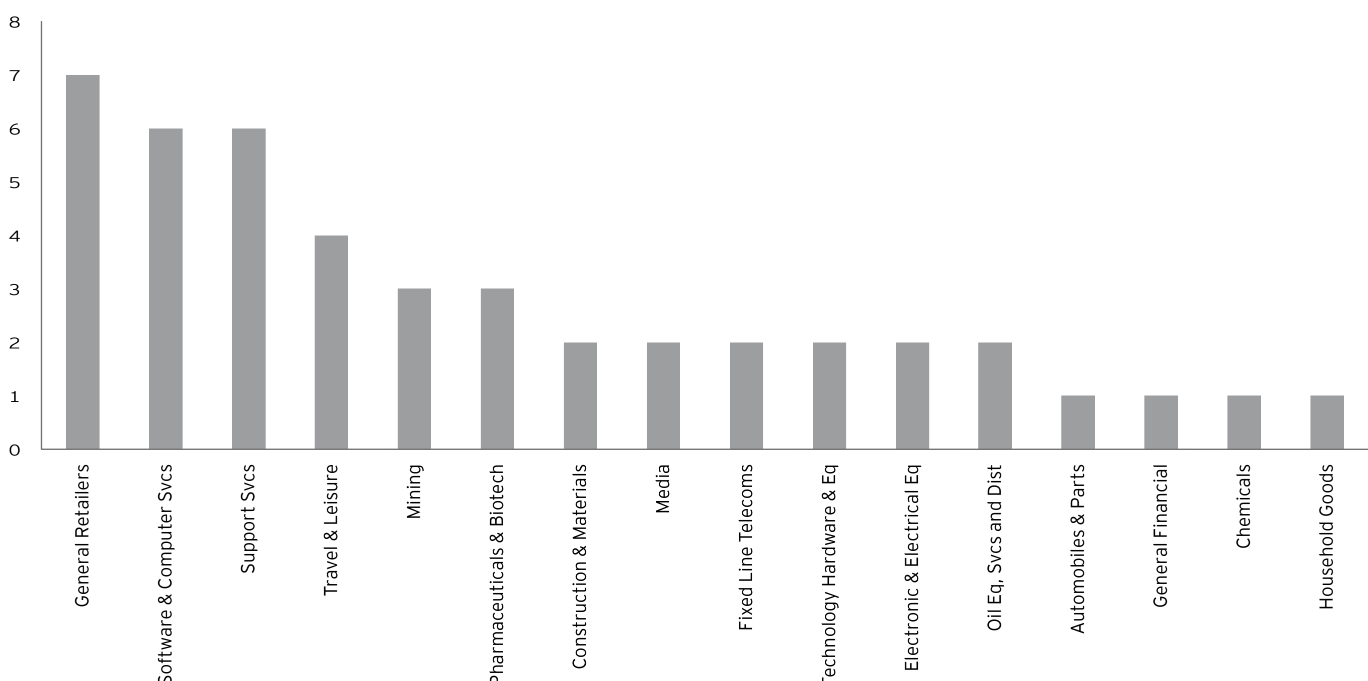


Profit warning highlights

- UK quoted companies issued 45 warnings in Q2 2017, the lowest quarterly total since Q2 2010.
- The number of warnings issued in Q2 2017 fell by 40% on last quarter and by just under a third year-on-year to well below the post-crisis second quarter average of 58.
- This is the biggest single quarterly percentage drop in profit warnings since Q2 2009 and the biggest year-on-year fall since Q1 2010.
- Profit warnings are a measure of performance against expectations: a stronger than expected global economic backdrop and falling forecasts have combined to significantly lower warnings.
- A fifth of warnings cite internal operational problems, with external factors, such as exchange rates and price pressures, slipping down the list as earnings expectations adjust.
- Conditions are still tough in many sectors and high levels of warnings from retailers and business-to-business sectors hint at tougher times ahead.
- The FTSE sectors issuing the most profit warnings in Q2 2017 were: General Retailers (7), Software & Computer Services (6), Support Services (6), and Travel & Leisure (4).
- Warnings from General Retailers equalled the figure set in Q2 2016, the highest second quarter total since 2011. Rising uncertainty and the discretionary income squeeze are hitting consumer spending.
- The automotive sector has enjoyed a long run of global success, but concerns are growing about the sustainability of global growth as competition increases and consumer credit tightens.
- Business confidence has also slipped. A fifth of warnings cited contract delays or cancellations in Q2 2017, primarily focused in FTSE Support Services and FTSE Software & Computer Services sectors.
- Contract issues also loom large in the FTSE Construction & Materials sector. Risk has largely been transferred to contractors and more trying industry conditions are exposing problem contracts.
- A sharp rise in share price falls from AIM and FTSE Small Cap companies on the day of warning has increased the median drop to 12.5%, a reflection of less benign equity markets.
- Profit warnings may not rise dramatically without a shock, given the fall in expectations; but trickier conditions will catch out more companies and expose any weaknesses.

> "Trickier conditions will catch out more companies and expose any weaknesses."

Profit warnings by sector, Q2 2017



Trickier times

The UK economy has come through another eventful year relatively unscathed. But, as we said in our last report, risks are becoming realities and we're seeing the impact now. The return of the disposable income squeeze, political uncertainties hitting business confidence and central banks paving the way for higher interest rates will make for tougher conditions in the rest of 2017. There are still opportunities out there, but companies need to have the capital and operational flexibility in order to grasp them.

All change in the UK

The second quarter of 2017 had enough drama to rival 2016 and the Brexit vote of a year ago. In the UK alone we saw an unexpected general election and result; an irascible start to the Brexit negotiations; a heat-wave; hints that interest rate rises could come sooner than expected; and politicians breaking ranks on a number of topics, most notably austerity. This is a great deal to take in and not unsurprisingly, June's Purchasing Managers Indices showed slower growth in all three sectors: Manufacturing, Construction and Services. Activity in areas that display confidence, i.e., hiring and investment showed particular weakness.

Retailers — who aren't included in the PMI surveys — fared better overall in June, helped by the fine weather. But, food sales took the majority of sales growth and rising prices here left consumers with less to spend elsewhere. Inflation, whilst falling slightly in June, is still rising faster than wages. Consumers were the main driver of the economy in 2016; but with confidence, employment growth and spending power weakening — and savings already stretched — consumer spending growth is now set to fall to 1.9% in 2017 and 1.0% in 2018 from 2.8% in 2016. This leaves GDP growth set to slip according to EY ITEM Club. They expect UK GDP to grow at 1.5% in 2017 and 1.3% in 2018, down from 1.8% in 2016. Rising exports, boosted by the weaker pound and stronger growth elsewhere in the global economy, should help to offset some of the fall. But, as we've seen previously, export volumes don't always move in lock-step with currency and recent growth has been weaker than expected.

More question marks

The last quarter has also created deeper uncertainties for business, especially around the UK's path to Brexit. The practicalities of getting legislation through a hung UK Parliament and devolved bodies means that some compromise will be necessary. The official position of the two main Westminster parties is to enact Brexit, but what this actually means to each party and individual MPs varies and factional interests are now likely to come to the fore. EY ITEM Club believes that the current political situation makes a more "business friendly" Brexit agreement and transitional arrangement more likely, boosting their growth forecast for 2020 and 2021 to 2% and 2.2% respectively.

Nevertheless, there is a potentially tough period ahead before then and several questions still loom large, with concerns over trade, labour and regulation topping corporate agendas. Surveys show business confidence falling under the weight of uncertainty — but with significant sector variations. IHS Markit figures show the "net balance" of UK firms expecting a rise in business activity in the next 12 months falling to +35% in June, down from +52% in February — the lowest reading since October 2011. Within this figure, the service sector recorded a balance of +32, whilst manufacturing firms scored +49%. This divergence tallies with our data showing profit warnings from export-boosted industrial sectors falling dramatically, hitting their lowest level since 2003. Meanwhile, domestically oriented sectors — like retail — are faring less well. But, across all sectors, uncertainty has put question mark over investment. It would seem vital in this environment, but there are signs that many companies are holding back except where this is essential.

Global confidence

It's notable that the global economy does seem to have broken the cycle of mid-year downgrades in 2017. The OECD's June forecast shows global growth rising to 3.5% in 2017 and 3.6% in 2018, with virtually all major economies growing. Falling unemployment, normalising inflation and rising consumption and investment have boosted growth. The Eurozone economy is looking brighter, with the weight of some political risks lifted and growth expected at 1.8% in 2017 and 2018, according to the OECD. Nevertheless, multiple agencies are warning against complacency here and elsewhere. The recent global pick up still leaves growth below its 4% pre-crisis average, this is still being driven by cyclical factors and it isn't yet sufficient to make a material difference to people's everyday lives, according to the OECD.

And there are risks. In the US, there are doubts growing over the ability of the government to enact fiscal stimulus whilst pressure builds in sub-prime auto lending and the retail sector. The OECD has reduced its 2018 US growth forecast from 3% to 2.4% and the dollar has weakened to its pre-election level. Chinese growth remains an enigma. Growth here is still being driven by sectors like real estate, which the government is seeking to cool. And — overarching all of these country level concerns, are concerns about investment, productivity, protectionism and the weight of

debt. The Bank of International Settlements calculates that since 2007, the global ratio of private debt to GDP has increased by 23% to 138% with China's ratio almost doubling and debt increasing by more than 30% in Canada, France, Korea, Poland, Switzerland and Turkey.

Capital changes

All of which leaves the world's major central banks in a dilemma. Low levels of inflation and wage increases provide no imperative to raise interest rates, whilst high debt levels make rises perilous.

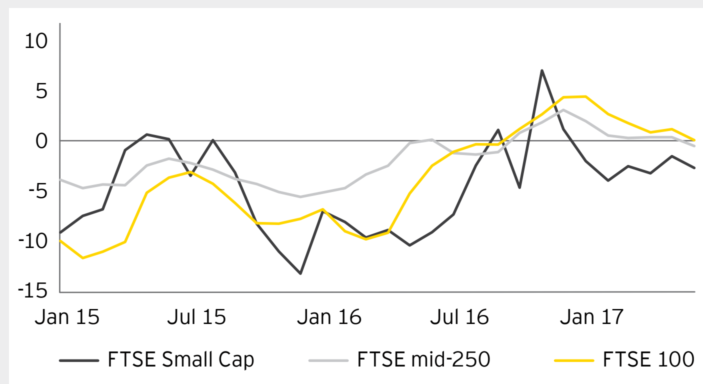
And yet, we've seen major central banks collectively remind us in recent weeks that interest rates may need to rise in 2017 because other concerns are building. There is still a concern that inflation and wages may eventually behave as per the text books, although, there is little sign of this yet, with UK inflation falling in June and possibly putting to bed what always seemed like an unlikely summer interest rate rise. Central banks do need to find some way of capping debt levels in some areas of the economy. The Bank of England is currently engaging in light-touch moves to cool the consumer market. The allocation of capital is also getting more attention. The OECD recently warned about 'zombie companies'.

Reading the numbers

Why are we treating this fall in warnings with such caution? The first reason is the nature of profit warnings themselves. Companies warn when they expect profits to miss expectations. Thus, any movement needs to be read in the context of both the economic backdrop and those expectations.

Earnings expectations slip again

3m % change in 12m forward earnings expectations

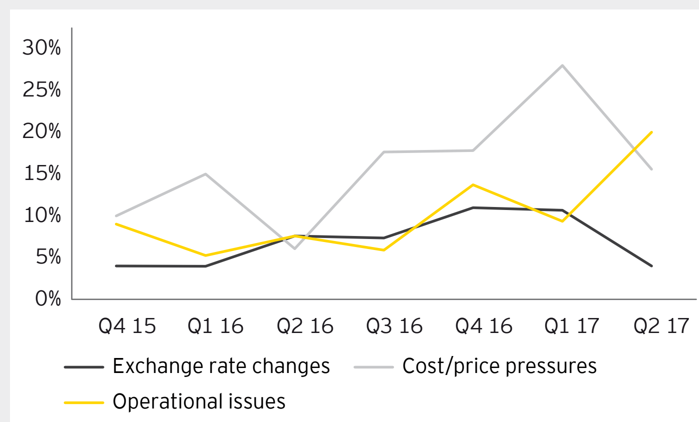


Source: Thomson One

In the last year, we have seen forecasts slip back overall, whilst the global economic backdrop has been better than expected. Companies have had time to adjust to external influences like the fall in sterling and exposed sectors have lowered growth expectations. We can see this adjustment in the reasons given for warning in Q2 2017, with pricing and exchange-rate pressures giving way to operational issues, which were cited in 20% of warnings in Q2 2017 compared with less than 10% in Q2 16. So, when companies warned in Q2, it was more likely than this time last year to be an internal issue rather than an external pressure.

Selected reasons for warning

Percentage of total warnings by quarter



Source: Thomson One

But, that doesn't mean that those external pressures have gone away and there are red flags even within these low numbers. Indeed, our second significant reason for caution is the rise in profit warnings from General Retailers, which suggests that expectations haven't adjusted enough in the all-important area of consumer spending. In addition to this, the second half of 2017 has brought – as discussed in the main text – a number of indications that activity and confidence are slipping and decisions are being delayed. Plus, the pattern of warnings in the last year show that a number of industrial and technology sectors still under pressure from the still low oil price, cost pressures and the relentless march of technology. Almost a tenth of warnings cited additional investment costs in Q2 10. It's not all about Brexit by any means.

If we look back to 2010, when profit warnings were last this low, there are some interesting parallels. Depressed expectations, activity boosted by stimulus, a recent general election and an economy facing a new challenge in 'austerity'. We cautioned that profit warnings could rise if expectation didn't adjust to the changing outlook and this was borne out by a rise to 278 in 2011 from 196 in 2010. There are advantages this time around – such as a better global outlook – but once again, what happens next in profit warnings depends on the ability of companies to adjust.

But, perhaps the most pertinent reason is the very limited amount of policy manoeuvre left should economies meet another crisis.

Nevertheless, any move in interest rates is likely to be slow and small and there is still an unprecedented level of support, with $1.5t of assets bought by central banks in the first half of 2017 alone. We're not back on a path to pre-crisis interest rates and capital market are also structurally different to 2007, with fewer assets available to buy, which should support prices. But it seems that the Rubicon may have been crossed. Markets have woken up to the fact that monetary policy won't be this easy forever. Moreover, whilst there may be potential for more fiscal spending, it can in no way match up to central banks' recent fire power. Bond yields have moved up from record lows and equity markets, becalmed for so long, are showing signs of volatility and discretion. Markets shouldn't move dramatically, but the last taper tantrum came about not because of what was happening but what markets thought would happen.

New challenges

There are many moving parts to this economic and markets picture, and of course, business models are still being disrupted by technology and changes in behaviour. It is hard to predict any major pick up in distress this year given what are still very positive forces in low interest rates and global growth. But, consumer facing businesses are finding themselves at the sharp end of economic and technological change – in the UK and overseas – and we're certainly seeing more stress here. As input and labour prices rise and uncertainty builds and delays decision making, companies are also cutting back on spending. This is keeping the pressure on business service – and other contract reliant businesses.

One of the biggest dilemmas businesses now face is how to find the balance between riding out uncertainty, but also investing and creating a platform for growth. Companies risk being left behind if they fail to keep up with developments in technology, changes to business models and sector consolidation. This is one reason why we have seen M&A at such high levels, despite the uncertain outlook. Agile businesses with the operational and capital flexibility to move and adapt quickly will be best placed to make the most of opportunities that arise in this environment.

Warnings as a percentage of FTSE sector, Q2 2017

	Number of companies warning	Number of companies in FTSE sector	% of companies warning
Automobiles & Parts	1	5	20%
Chemicals	1	22	5%
Construction & Materials	2	35	6%
Electronic & Electrical Equipment	2	34	6%
Fixed Line Telecommunications	2	8	25%
Financial Services	1	127	1%
General Retailers	7	53	13%
Household Goods	1	31	3%
Media	2	65	3%
Mining	3	96	3%
Oil Equipment, Services & Distribution	2	11	18%
Pharmaceuticals & Biotechnology	3	67	4%
Software & Computer Services	5	109	5%
Support Services	5	135	4%
Technology Hardware & Equipment	2	19	11%
Travel & Leisure	3	70	4%
Total no. companies warning	**42**		

Focus on sectors

FTSE General Retailers

FTSE General Retailers issued seven profit warnings in the second quarter of 2017, four more than last quarter and equal to 2016's five-year second quarter high. In the year-to-date, 28% of the FTSE sector has warned. So, why are warnings still so high here, when they've dropped elsewhere? The initial impact of Brexit, the fall in sterling and increase in supplier prices should be priced into forecasts; but the second round impacts to consumer spending and confidence have proven greater than expected — a red flag for the rest of the economy. Meanwhile, digital innovation opens up opportunities, but only for those with the time, capital and wherewithal to invest.

Summer's here…

Another yo-yo quarter ended on a brighter note in June with British Retail Consortium (BRC) figures showing like-for-like sales increasing by 1.2%, boosted by Eid and increased clothing sales in the second hottest June on record. The increase in sales across the quarter was also a relatively healthy 2.7%. Good news for the sector as a whole, but excluding food this quarterly rise comes in at just 1.2%. And, even within this figure, online continues to take the "lion's share of growth", according to the BRC.

Thus, we should view this apparently stronger top line with a note of caution, especially given the growing pressures on margins and the challenges ahead. We ended the quarter with inflation outstripping wage growth. Meanwhile, the same inflationary pressures are still cutting into retailers' margins alongside rising structural costs, from legislative-driven increases in wage costs to the continuing expense of adapting to digital change to capture the growth in online sales.

Warnings spike again

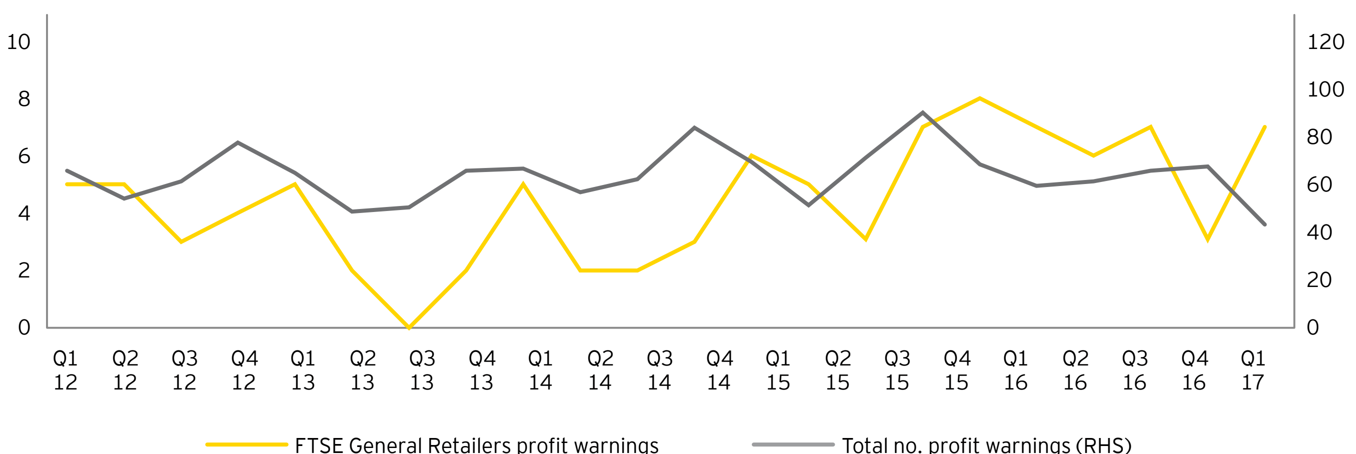
The discretionary squeeze and the sector's divergent fortunes are reflected in profit warnings. The FTSE Food & Drug Retailer sector issued its last warning in Q3 2016 and it continues to broadly benefit from a return to food inflation. Well-behaved weather also helped apparel retailers issue just three warnings in the first half of 2017, against seven in H1 2016. But, this may be a temporary boost, since the pressure on discretionary spend is clearly building. There were three warnings a-piece in Q2 2017 for the home improvement and specialty retailer sub-sectors — with the former also hit by a more sluggish housing market. Research from Visa also shows consumers diverting money to essentials, with a fall in household spending on recreation and culture in June — the first such fall in almost four years.

Looking across the reasons behind retail profit warnings, the initial focus on weakened sterling has given way to the impact of inflation on consumers' spending power and weakened consumer confidence. The pickup in consumer sentiment in the post-Brexit period is one of the biggest reasons why the UK economy outperformed expectations in 2016; but it's proving harder for consumers to sustain this optimism in the face of an income squeeze. The GfK Consumer Confidence Index slipped to -10 in June, down from -5 in the previous month, its lowest since last July.

Interesting times

Thus, EY ITEM Club expect UK consumer spending to grow, but for this growth to fall from 2.8% in 2016 to 1.9% in 2017 and to 1% in 2018. In addition to the pressures outlined above, unsecured consumer lending is also set to remain in the spotlight due to its rapid rise in recent years. Thus far, The Bank of England has stopped short of imposing tighter controls on lenders, but it has ordered banks to provide evidence that they are assessing loans against medium-term risks and not just the current benign market conditions. Consequently, whilst downbeat economic data may keep interest rates lower for longer, credit markets could contract in other ways. Retail banks and other lenders told the BoE at the end of the second quarter that they had cut unsecured lending and expected to tighten further.

FTSE General Retailers



This is a tougher economic and structural environment and capital markets are already approaching the sector with greater caution. But, there are still great opportunities for retailers who have the right products and physical and digital profile — and strong balance sheets. We expect to see retailers continuing to transform their business, from acquiring scale or skills to restructuring underperforming businesses and their estate in order to raise the necessary capital to invest. Consumers have arguably never been more demanding, but retailers have never had so many ways to understand and meet those needs. The tools available to collect and leverage data give retailers the opportunity to create truly customer centric experiences. Rising costs also provide a big incentive to think about using new technologies to improve productivity.

Retailers will also need to learn to experiment and take unaccustomed risks — but the biggest risk of all is to stand still

FTSE Construction & Materials

We covered the FTSE Construction & Materials sector six months ago when profit warnings hit a two-year high. Since then three further companies have warned, with a fifth of the sector warning in the year-to-date. Surveys show relatively strong growth until June, but there are signs that political uncertainty is slowing activity and hitting confidence outside of the residential sector. Moreover, although surveys show top line growth, recent profit warnings have once again highlighted the increasing risks carried by contractors as prices rise and bite into already tight margins.

Mixed fortunes

The unexpected nature of the general election limited the usual pre-vote hiatus in activity; but the unexpected result has the potential for greater disruption. In common with the slowdown in growth elsewhere in the UK economy, the IHS Markit/CIPS UK Construction Purchasing Managers' Index (PMI) fell from its 17-month high of 56.0 in May to 54.8 in June, just missing economists' expectations. Any reading above 50 indicates growth, but pertinently, growth expectations for the next 12 months were at their lowest level this year, while new hiring rose at the slowest rate for three months. This is a mixed picture. The slowdown in activity primarily relates to "weaker rises in commercial building and civil engineering activity", whereas residential housebuilding "continued to increase at one of the fastest rates since the end of 2015".

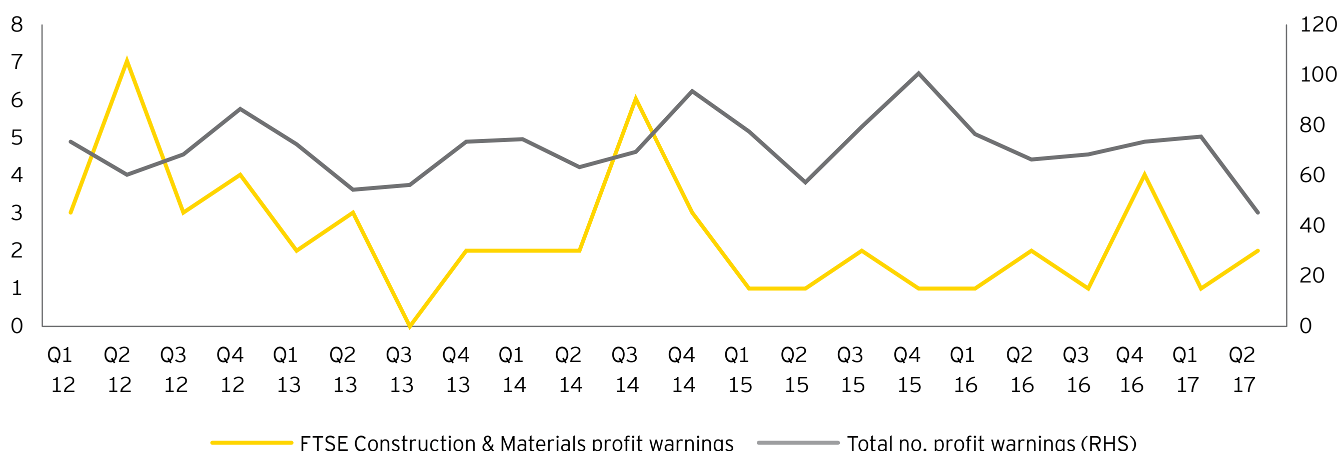
The whole sector is, however, vulnerable to rising labour and material costs and increasing Brexit uncertainties. The potential for tariffs on the sector's 20% of material imports are clearly a concern — with regulation also in the spotlight following the tragic fire at Grenfell Tower. Labour is also a top priority given that just over 10% of construction workers come from overseas — around 50% in London. Construction companies are adapting, for instance by training more domestic workers and modernising processes to improve productivity. But, sector bodies have also called for transitional arrangements while they plug the skills gap and adapt business models developed on the basis of barrier free access to the single market.

Risky business

Thus, whilst activity might track the economic cycle, there are more reasons than ever to look beyond it. As we've discussed here before, contract issues loom large across the sector — even in the good times — due to tight margins and the challenge of managing complex contracts open to a high number of risks. This governance issue has become more acute for contractors, since more contract risk is falling upon them. The impact is clear in our profit warning data, with four out of five heavy construction companies citing contract issues in their profit warning in the last year.

To some extent, improvement needs to come from both sides. More collaborative models would help to put the focus back onto value, rather than cost. This happens on some large scale infrastructure projects or long-term delivery, but adversarial competitive tendering is overwhelming the norm. It is therefore vital that companies practice good contract governance to avoid

FTSE Construction & Materials



overexposure and under bidding and to uncover and resolve any problems early. Delivery failure is due in many cases to a lack of internal transparency, heightened by poor IT and lack of internal audit controls. Poor visibility means problems aren't spotted and addressed before they escalate. These issues contribute to negative feedback loops, limiting investment in training and research, thus hindering efforts to improve profitability. The frequency of insolvencies and financial failure– especially amongst contractors — has a detrimental impact across projects, hitting client and companies up and down the supply chain. Failure also reflects badly on the sector as whole.

Mitigating risk

We have seen a number of construction companies moving into services in order to gain access to provide more stable revenues and higher margins. But, much of what we've discussed here on contracts also resonates across the FTSE Support Services sector, which has similar concerns around cost pressure and access to labour post-Brexit. For both sectors, the issue is vital to get right as any increase in economic stress will undoubtedly put the pressure on and expose more problem contracts. Thus diversification is no panacea for better governance. Neither is consolidation; but, we expect the sector's problems to encourage new ways of thinking on this topic, with the top 15 potentially becoming the top five by 2020.

FTSE Automobiles & Parts

The UK FTSE Automobile & Parts sector consists of just a handful of companies, but its high level of warnings reflects more troubling times for the global sector. The automotive industry has been undergoing structural change for some time, but this transformation is now occurring at a time of increasing cyclical pressures creating a more potent mix that also has implications for the financial sector.

Structural and cyclical challenges collide

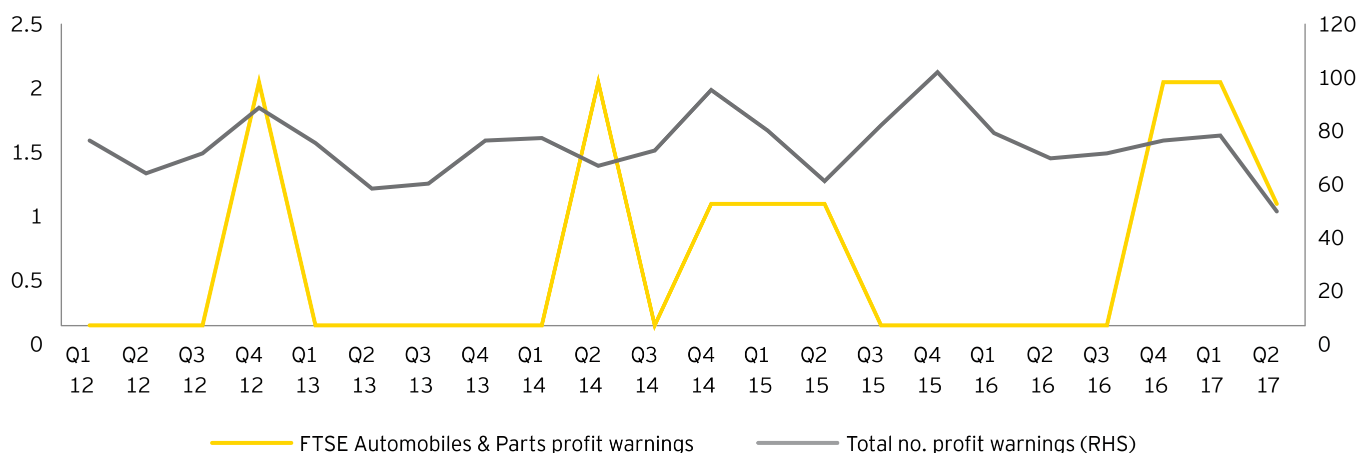
These are exciting and challenging times. Some of the automotive sector's significant barriers to entry are tumbling, whilst the fast pace and array of technological developments makes it impossible for even the largest companies to cover the value chain from end-to-end. In response automakers are collaborating at multiple levels with suppliers, competitors and companies outside of the sector. This in turn is challenging established industry principles, from value propositions to cost drivers and product life cycles. Meanwhile, the ownership model is facing a growing challenge from "mobility solutions providers".

Since the financial crisis the automotive sector largely has been able to face these structural changes against a backdrop of strong global sales growth. Now it faces a new challenge, with new car sales reaching their post-crisis peak — most notably in its biggest market. According to JD Power, the pace of US car sales fell to its lowest point since 2014 over the first six months of 2017, and traffic at dealerships — measured by retail sales — fell to a five-year low in June. To some extent, the market may have been hit by changing behaviours, but the biggest driver of the fall seems to be the end of the post-crisis rebound in car sales and the tightening of the loose credit markets that have funded this. In the US auto credit data has shown a marked deterioration in recent quarters — to levels not seen since the depths of the global financial crisis.

Financial worries

In the UK, car sales have also slowed in the last quarter. Regulators are also showing increasing concern following a 15% annual rise in car credit, making it the fastest growing component of an already hot consumer finance market. The Finance and Leasing Association calculates that in the year to March, 86.5% per cent of new cars were bought in the UK using credit, adding up to £18.6b of borrowing. A further £14b of borrowing went to buy used cars. Around 80% of car buying is now through personal contract purchase plans or PCP. There is growing concern that some of the resale values in these plans are too optimistic — especially given the strong demand for new cars in recent years, which is likely to depress prices in the used car market.

FTSE Automobiles & Parts



The Bank of England has stress tested the UK market, using a fall in used car values of 30% and a substantial increase in PCP buyers returning cars. This only took 0.1% off the capital ratios of British banks. But, even if systemic risk appears small in the UK — or in the US, where car credit is a small part of consumer finance — there are risks to individual providers and the market as a whole as interest rates normalise. According to the Federal Reserve, newly "delinquent", or 30 days overdue, US auto loans reached $23b in Q4 2016 and new "seriously delinquent" loans (90 days overdue) exceeded $8b — both at their highest levels since the global financial crisis. Falling used car prices will also hit new car prices and the entire supply chain that is already operating with tight margins and increasing costs of production and regulatory standards.

Uncertainty

The sector isn't driving off a cliff, but these are tougher times than it has been used to for some time. In the UK, Brexit adds another element of uncertainty. Investment fell by 30% to £1.66b in 2016 as companies delayed non-essential decisions. This figure fell to £322m in the first half of 2017. At a time when the sector need to be investing in the latest technology to keep up with the latest developments and improve productivity, these numbers will raise additional concerns.

Q2 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
Automobiles & Parts	under £200m			1					1
Chemicals	under £200m	1							1
Construction & Materials	under £200m	1						1	2
Electronic & Electrical Equipment	under £200m				2				2
Financial Services	over £1bn						1		1
Fixed Line Telecommunications	over £1bn	2							2
General Retailers	under £200m			1					1
	over £1bn		1						1
	£201m-£1bn			2	2		1		5
Household Goods	over £1bn				1				1
Media	under £200m	2							2
Mining	under £200m	1				1			2
	£201m-£1bn					1			1
Oil Equipment, Services & Distribution	under £200m	1							1
	over £1bn							1	1
Pharmaceuticals & Biotechnology	under £200m			1		1			2
	over £1bn	1							1
Software & Computer Services	under £200m	1		3			1		5
	£201m-£1bn				1				1
Support Services	under £200m				1	2	1		4
	£201m-£1bn				1		1		2
Technology Hardware & Equipment	under £200m			1	1				2
Travel & Leisure	under £200m	2		1		1			4
Grand total		**12**	**1**	**10**	**9**	**6**	**5**	**2**	**45**

Number and percentage of warning companies by turnover and region, 2011–Q2 2017

Number and percentage of warning companies by turnover, 2011–Q2 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	57%
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%
4-year average	41	57%	17	23%	14	19%	72	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-Q2 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%
4-year average	24	33%	9	12%	6	8%	5	6%	16	22%	7	10%	6	9%	72	100%

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