

Law Watch



Credit Crunch and its effect on the construction industry

The first quarter of 2008 saw the whole economy affected by the credit crunch arising from the sub-prime markets in America.

The first noticeable effect was on the housing market: sales slowed and mortgage applications dwindled. The effect of the credit crunch, at the end the first quarter, saw house builders being affected with the slow down of many housing projects. Trading conditions were described as very difficult, as a result of a weakness in the housing and commercial construction markets.



Claire Twells
Smith Partnership

The effect then began to trickle into the construction industry, with Cemex-owned concrete firm, Readymix, reporting a £7.6million loss in the first half of the year. Insolvencies of construction companies in the second quarter showed an increase of 50% on the same period in 2007. In the final quarter, the number of receiverships, administrations and company voluntary arrangements, rose to 1,444 across the board, up 65% on the same period on 2007.

In a report commissioned by PricewaterhouseCoopers, indications showed that sub contractors had been hardest hit by the credit crunch, following its effect on the Construction Industry. It is expected that 2,500 Construction Companies could fall victim to the down turn before 2008 is out. This is a sharp rise from the 1,500 declared insolvent in 2007. The dramatic increase in these insolvencies is apportioned to the dual blows of a continuing credit squeeze and depressed demand.

So, with this in mind, Smith Partnership are urging all business connected with the construction industry to be aware and tighten up their credit control systems. It is an easier and more effective way of staying out of the insolvency statistics.

Smith Partnership Solicitor and specialist in Debt Recovery, Claire Twells, says "Keep an eye on cashflow to help you avoid insolvency, and do not allow debts to exceed assets. It is now more important than ever to ensure that debts are dealt with as soon as they begin to become problematic, and before they get out of hand".

For more information on our excellent debt recovery system which gives you 24-hour on-line accessibility to your files, please contact Claire Twells on 01332 225206 or e-mail claire.twells@smithpartnership.co.uk



SMITH PARTNERSHIP

Solicitors

01332 225 225

www.smithpartnership.co.uk

Burton upon Trent
Derby
Leicester
Stoke on Trent
Swadlincote