

Law Watch



Are we really out of the recession?

Eighteen months ago Britain fell into a recession; this recession was the deepest since the Thirties. On the 27th January 2010 it was declared to officially be over, but are we really out of the recession?



Claire Twells
Smith Partnership

Following six consecutive quarters in which the British Economy contracted, it was officially announced at the end of January 2010 that the economy had seen growth, which ended the recession. The growth in the economy in the last quarter of 2009 was a mere 0.1%, falling short of the figure of 0.4% suggested by some Economists. The fear of many Economists is that due to the recent cold snap the country has lost production capability which could see any growth once again turning negative.

The construction industry, which was one of the first and worst affected victims of the recession, saw a growth in the final quarter of 2009. This is a position which has surprised many within the industry, who state that work of any kind is still hard to find. Certainly the Federation of Master Builders believes that the construction industry is mired in recession.

It was only days after the announcement that Britain had cleared the no-growth bar, that the Office for National Statistic published the figures that Britain's public finances had deteriorated. The Government's net borrowing was 4.3 Billion in January 2010, a significant increase from 2009. January is usually the month which sees seasonal surplus due to an upsurge in revenue from income tax and corporation tax at the start of the year. Such figures are deeply worrying, and any security that may be taken from Britain emerging from recession may be retracted if the budget deficit continues through to the end of the first quarter of 2010.

Thousands of jobs have been lost in the last few months, and an unexpected jump in the number of people claiming jobless benefits in January 2010 raised real fears that the Economy may experience a double dip into recession in the first quarter of 2010. Full time unemployment has fallen but long term unemployment has increased. It has been suggested that even if Britain continues to come out of the recession in the first quarter of 2010, then it is likely that unemployment will continue to rise well after the recession has ended.

It seems that although Britain saw its first signs of growth, the Economy will not be back to where it was for many years to come, and certainly the effects of the recession may well be long lasting. No sector has fully recovered and it is fair to say that many sectors are still struggling. Nevertheless, it is right to be encouraged about the growth of the Economy but we should be cautious about the future prospects. It may be that we "bump along the bottom" for a few quarters.

In order to protect your business in the following months when the Economy will be at its most vulnerable and liable to slip back into recession, businesses must be vigilant and ensure that cash flow and credit control is at the top of the list of priorities.

For more information on debt recovery, 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