

Article

Rising business insolvencies and high energy prices

An analysis of rising business insolvencies in the UK at a time of persistently high energy prices.

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1 . Main points

- Total company insolvencies in England and Wales in the second quarter of 2022 reached their highest quarterly level since Quarter 3 (July to Sept) 2009, driven by Creditors' Voluntary Liquidations (CVLs).
- Insolvencies decreased in 2020, when government support to businesses was in place during the coronavirus (COVID-19) pandemic; average quarterly insolvencies since Quarter 1 (Jan to Mar) 2020 are slightly lower than the 2015 to 2019 average.
- More than 1 in 10 UK businesses reported a moderate-to-severe risk of insolvency in August 2022.
- During the same period, 22% of businesses said energy prices were their main concern, which is an increase from 15% in late February 2022; in firms with 10 to 49 employees, the figure was 30%.
- In England and Wales, construction, manufacturing, accommodation and food service activities, and wholesale and retail trade industries together accounted for more than half of total business insolvencies in the first half of 2022.

2 . Rising insolvencies among businesses in England and Wales

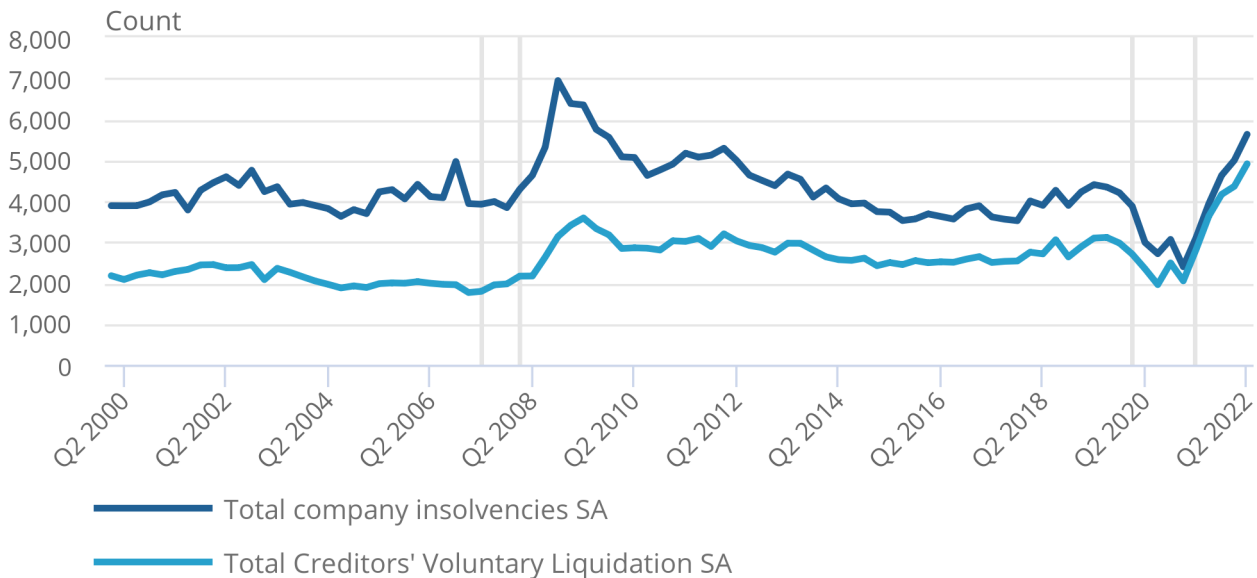
Company insolvencies in England and Wales have been rising since 2021. Total company insolvencies, on a seasonally adjusted basis, in England and Wales attained its highest quarterly level since Quarter 3 (July to Sept) 2009 in the second quarter of 2022, according to [National Statistics by the Insolvency Service](#). Company insolvencies in the second quarter of 2022 amounted to 5,629; however, this was still lower than the peak of 6,943 reached in Quarter 4 (Oct to Dec) 2008 during the global financial crisis.

Figure 1: Company insolvencies in England and Wales reached their highest quarterly level since Quarter 3 (July to Sept) 2009 in the second quarter of 2022, driven by CVLs

Total company insolvencies per quarter, seasonally adjusted, England and Wales

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Total company insolvencies per quarter, seasonally adjusted, England and Wales



Source: Insolvency Service

Notes:

1. CVLs are Creditors' Voluntary Liquidations.

This rise followed a period when reduced numbers of company insolvencies were recorded, especially between Quarter 2 (Apr to June) 2020 and Quarter 1 (Jan to Mar) 2021. This was when government support to businesses was in place during the coronavirus (COVID-19) pandemic. The government has gradually lifted key support measures since Quarter 2 2021. Company insolvencies form a small subset of business deaths as defined by the [Inter-Departmental Business Register](#). For instance, they accounted for less than 5% of total business deaths between Quarter 1 2017 and Quarter 2 2022.

Business insolvencies in England and Wales averaged 3,850 per quarter between 2015 and 2019 but fell to an average of 3,731 between Quarter 1 2020 and Quarter 2 2022. This was a period that showed strong volatility, with low numbers of insolvencies recorded in 2020 likely to have been partly driven by government measures put in place to support businesses during this time.

Insolvencies for the second quarter of 2022 were higher than the average during the pre-coronavirus pandemic period. [Monthly insolvency figures](#) continued to rise in July and August 2022.

The recent rise in company insolvencies has been driven by Creditors' Voluntary Liquidations (CVLs). CVLs accounted for 89% of all company insolvencies in England and Wales between Quarter 1 2021 and Quarter 2 2022. CVLs are the most common company insolvency in England and Wales and are typically used by small businesses going insolvent. A CVL is a type of insolvency whereby shareholders of a company pass a resolution that the company be wound up voluntarily. While CVL numbers are now higher than pre-pandemic levels, numbers for other insolvency procedures, such as compulsory liquidations for companies and bankruptcies for individuals, remain lower.

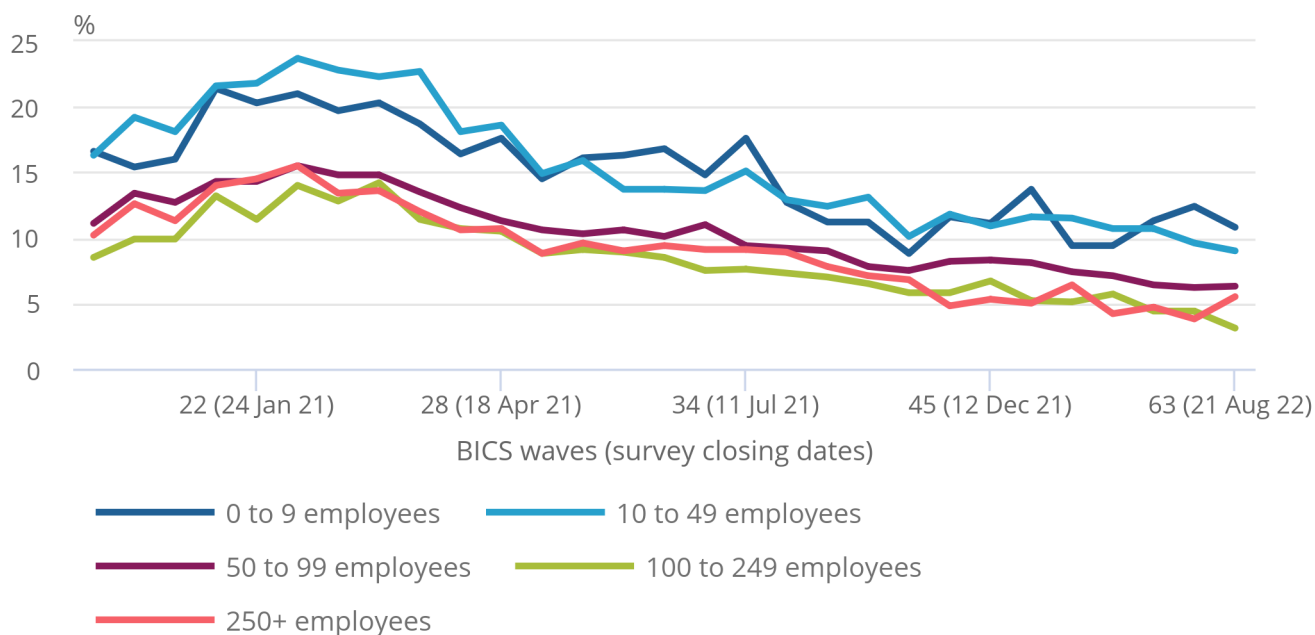
The Office for National Statistics (ONS) [Business Insights and Conditions Survey \(BICS\)](#) asks businesses about their perceived risk of insolvencies. More than 1 in 10 (11%) respondents across the all businesses saw a moderate-to-severe risk of insolvency in the BICS wave 63, spanning a survey period between 8 and 21 August 2022. This is lower than that recorded at the start of 2021, when around 20% of businesses responding to the BICS from this category reported a moderate-to-severe risk. The figure has remained below 15% on average since summer 2021 for the all businesses category. It is worth noting that the BICS reports the perceived risk of insolvencies, and it is not guaranteed that a business highlighting the risk actually goes insolvent.

Figure 2: Businesses with fewer than 50 employees are more likely to raise a moderate-to-severe risk of insolvency

Percentage of responding businesses perceiving a moderate-to-severe risk of insolvency, UK, November 2020 to August 2022

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Percentage of responding businesses perceiving a moderate-to-severe risk of insolvency, UK, November 2020 to August 2022



Source: Office for National Statistics – Business Insights and Conditions Survey

Notes:

- 1. For presentational purposes, some response options have been excluded.

As Figure 2 shows, businesses with fewer than 50 employees have been more concerned about the risk of insolvencies compared with their larger counterparts, according to the BICS. On average, just over 15% of respondents from the 0 to 9 employees and 10 to 49 employees categories reported a moderate-to-severe risk of business insolvency between the BICS waves 18 and 63, covering a period of mid-November 2020 to late August 2022. It is also worth noting that businesses employing between 10 and 49 individuals have been the most worried about energy prices.

Several factors are likely to have played a role in the recent rise in insolvencies, such as persistently high energy prices, difficulties in meeting debt obligations, rising costs of raw materials, and supply chain disruptions, as [highlighted in the BICS](#). It is also possible that the growth observed since 2021 represents a level of natural adjustment in trends following the dip observed in 2020.

Energy prices represent one of the main and growing concerns raised by businesses in the BICS. The following content will focus on exploring energy consumption and price-related concerns among businesses, alongside further details on insolvencies.

3 . Trends in energy price indices

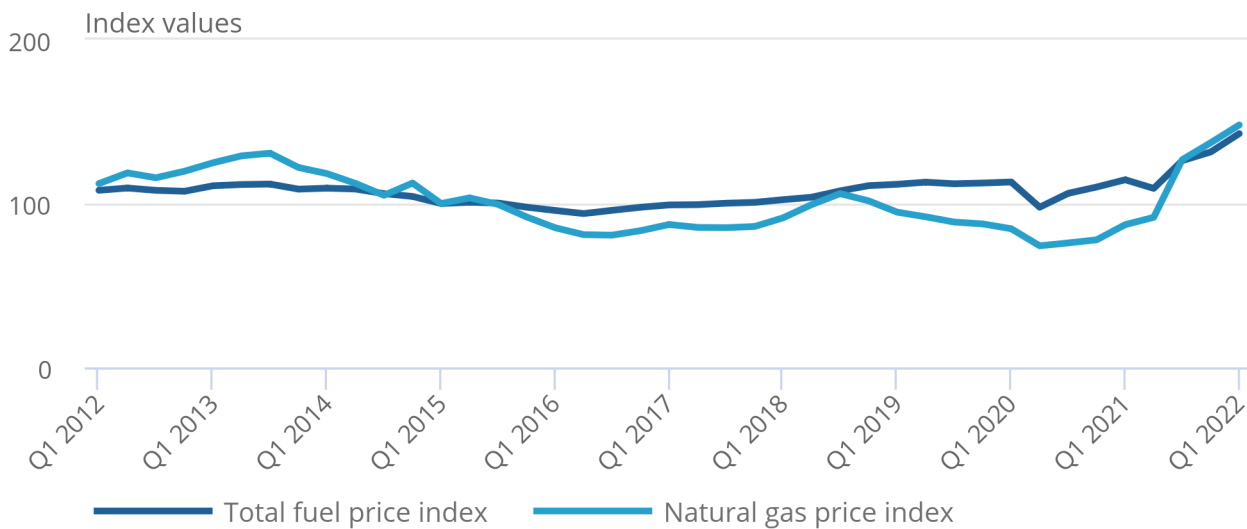
The total fuel and natural gas price indices have risen sharply since early 2021. In particular, the gas price index saw an increase of 70% in Quarter 1 (Jan to Mar) 2022 compared with the same quarter in 2021.

Figure 3: Total fuel and natural gas price indices have risen sharply since the second quarter of 2021

Growth trends in total fuel and natural gas price indices, UK, Quarter 1 (Jan to Mar) 2012 to Quarter 1 2022

Figure 3: Total fuel and natural gas price indices have risen sharply since the second quarter of 2021

Growth trends in total fuel and natural gas price indices, UK, Quarter 1 (Jan to Mar) 2012 to Quarter 1 2022



Source: Department for Business, Energy and Industrial Strategy (BEIS)

Notes:

1. 2015 is the base year for fuel price indices.
2. Fuel prices are relative to the gross domestic product (GDP) deflator, which is published by BEIS, and includes the Climate Change Levy.

Gas dominates the UK's energy mix and the country's power-generation portfolio, thereby having a significant impact on energy spending by businesses. Meanwhile, the total fuel price index is also a useful indicator of fuel-related costs by industries. The index is published by BEIS and combines prices paid by industries for gas, heavy fuel oil, and coal as well as electricity. Hence, we have used both gas and the total fuel price indices in our analysis.

Gas accounted for 43% of the country's inland energy consumption on a primary fuel input basis in 2021. It was also the biggest source of the UK's primary energy consumption in 2010.

Figure 4: Natural gas has been a major constituent of the UK's energy supply mix

Inland energy consumption, primary fuel input basis, UK, 2010 to 2021

Notes:

1. Official statistics by BEIS.

Download the data

[.xlsx](#)

4 . Energy prices a concern for businesses

Rising energy prices are becoming a growing concern for businesses across the UK. Persistently high prices are also feeding into the cost of raw materials and firms are under pressure to pass a part of it on to consumers.

According to [the Business Insights and Conditions Survey \(BICS\)](#), on average, almost 20% of respondents from the all businesses category between waves 51 and 66 – spanning the period between 21 February and 2 October 2022 – said energy prices were the main concern for their business. This number has risen from 15% in late February to around 23% in early October for this category.

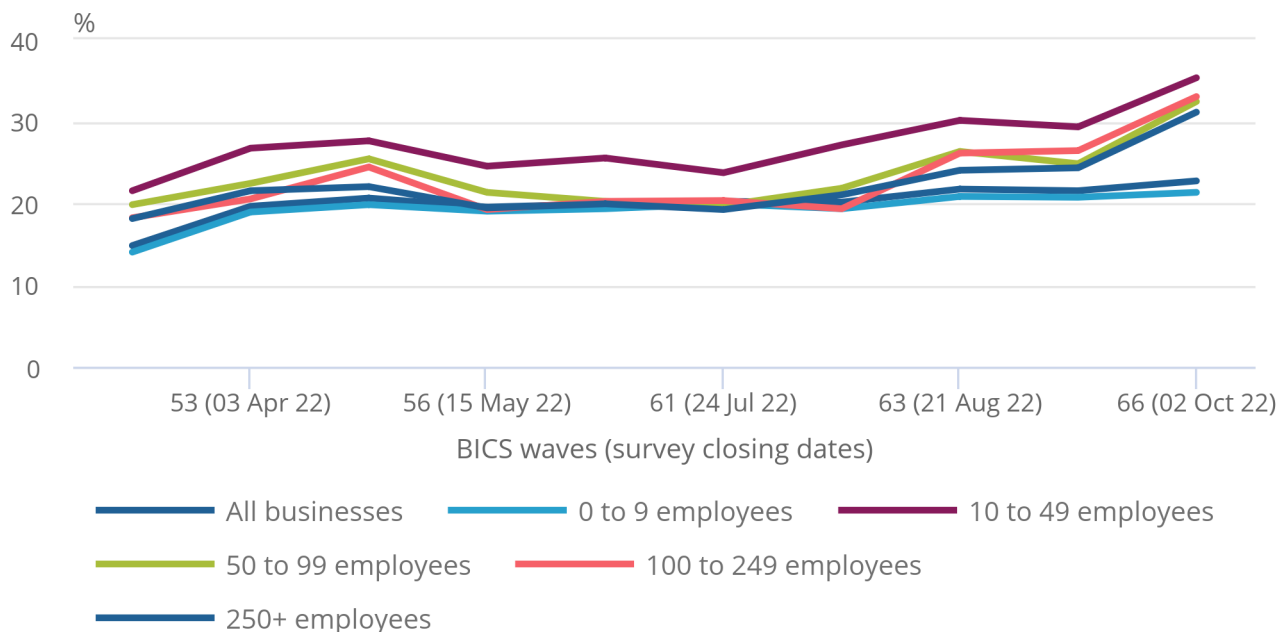
Businesses employing between 10 and 49 employees are the most worried about energy prices. Around 27% of businesses this size perceived this as the primary concern between late February and early October.

Figure 5: Energy prices are becoming a growing concern for UK businesses, especially those employing between 10 and 49 people

Percentage of responding businesses perceiving energy prices as the main concern, UK, March to October 2022

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Percentage of responding businesses perceiving energy prices as the main concern, UK, March to October 2022



Source: Office for National Statistics – Business Insights and Conditions Survey

Energy costs are also the predominant factor resulting in businesses considering raising prices. Almost 46% of currently trading businesses responding to wave 65 – with a live survey period between 5 and 18 September 2022 – said they would consider doing so in October because of energy prices. This is the highest percentage reported since this question was first introduced in April 2022.

The price of energy is likely to remain a key concern for businesses, especially during winter months when energy usage for many businesses increases.

The weekly wholesale forward delivery contracts price for gas, [published by Ofgem](#), averaged 385 pence per therm (p/th) in July 2022 compared with 252 p/th in the previous month and 81 p/th in July 2021. This reflects the average price for several months in advance based on longer-term market changes and traders' estimations of future supply and demand movements.

While the energy unit price cap for businesses announced in September 2022 is expected to reduce pressure on firms, most businesses are set to pay higher energy prices when compared on an annual basis.

5 . Business insolvencies and energy use by industry

The three industries recording the highest number of business insolvencies in the first half of 2022 are construction, wholesale and retail trade, and accommodation and food service activities. We have also included manufacturing in this analysis because it is a major contributor towards insolvencies in the first half of 2022 and is also one of the most diverse industries in its use of hydrocarbon fuels. Together they accounted for 53% of company insolvencies in England and Wales in the first half of 2022.

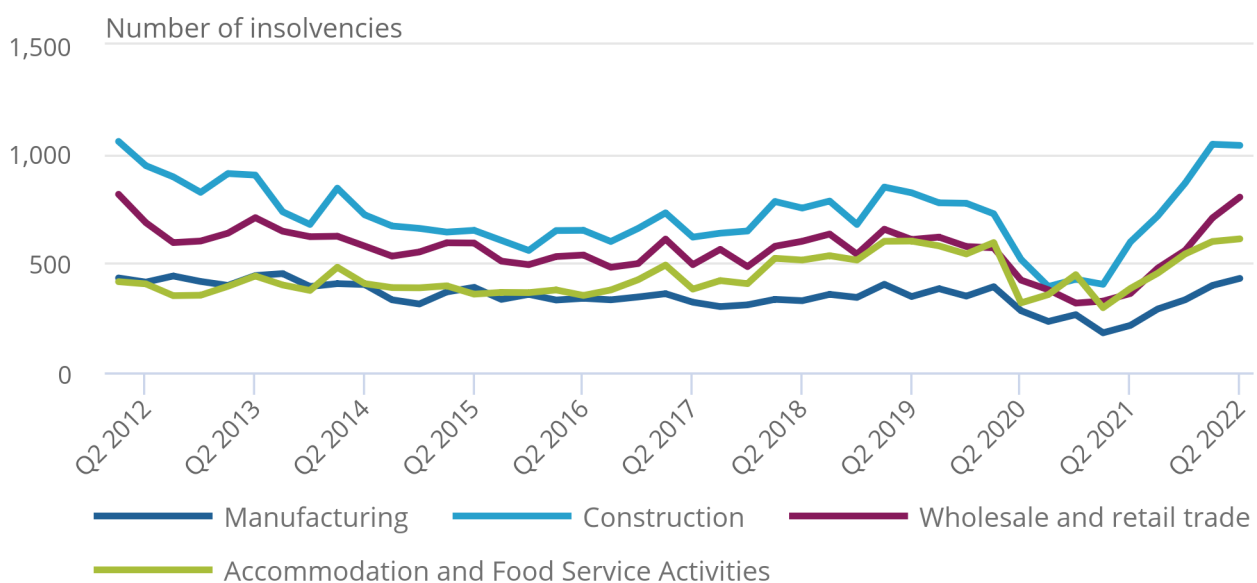
To investigate the severity of business insolvencies in different industries, we have calculated incidence of insolvencies as the proportion between the number of insolvencies in the four quarters to Quarter 1 2022 and the [business count in March 2022](#). Insolvencies accounted for 0.7% of the business count across all industries. The figure was 1.3% for accommodation and food service activities, 1.0% for manufacturing, 0.9% for construction, and 0.6% for wholesale and retail trade.

Figure 6: The construction industry has seen a sharp rise in company insolvencies since 2021

Company insolvency trends in selected industries, England and Wales, Quarter 1 (Jan to Mar) 2012 to Quarter 2 (Apr to June) 2022

Figure 6: The construction industry has seen a sharp rise in company insolvencies since 2021

Company insolvency trends in selected industries, England and Wales, Quarter 1 (Jan to Mar) 2012 to Quarter 2 (Apr to June) 2022



Source: Insolvency Service

In the rest of the article, we will provide a more in-depth coverage of trends in insolvencies and energy consumption for these four industries.

Construction

Construction has provided the largest contribution towards total company insolvencies in England and Wales so far in 2022. The industry registered 2,083 insolvencies in the first half of 2022, accounting for almost 20% of the total. The industry had 1,044 insolvencies in Quarter 1 2022, which marked its highest level since Quarter 1 2012.

On average, just over 12% of Business Insights and Conditions Survey (BICS) respondents from the construction industry perceived energy prices as the main concern for their business between late February and early October. Even though this figure is lower than the average for the all businesses category, for the construction industry it has increased from 7% in late February to around 12% in early October

In this period, almost 41% of respondents saw inflation of goods and services as the primary concern for their business. Construction is a big user of raw materials, such as cement, brick and steel, [costs of which are influenced by energy prices, especially gas](#).

The use of gas in the construction industry has increased since 2012. Gas accounted for around 13% of the industry's hydrocarbon fuel consumption in 2012, and its share increased to just over 18% in 2020.

Accommodation and food service activities

Accommodation and food service activities has also recorded high levels of business insolvencies in recent quarters. It recorded 611 company insolvencies in Quarter 2 (Apr to June) 2022 – its highest level for which industry-level data are publicly available from the Insolvency Service, starting from Quarter 1 2012. Incidence of insolvencies for this industry was 1.3% for the four quarters to Quarter 1 2022, which is higher than the average 0.7% for all industries.

Almost 41% of respondents in the BICS from this industry perceived energy prices as the main concern in the survey that ended in early October 2022, which is higher than the 34% figure in late February 2022. This is also much higher than the 23% from the all businesses category in early October 2022.

Gas has been the main hydrocarbon fuel for the industry. It accounted for 92% of the industry's total hydrocarbon fuel consumption in 2012, and its share increased to just over 96% in 2020.

Food and beverage service activities

Company insolvencies in the food and beverage service activities division have increased since the start of 2021 to 567 in Quarter 1 2022 – its highest level for which division-level data are publicly available from the Insolvency Service, starting from Quarter 1 2012. A division forms a part of a wider industry, which in this case is accommodation and food service activities. This division is also the biggest contributor towards company insolvencies in the accommodation and food service activities industry.

Gas represents the main source of energy consumption in the division, and it has increased its share since the 1990s. It accounted for 76% of the division's total hydrocarbon fuel consumption in 1990, and the fuel's share grew to 95% in 2020.

Figure 7: Natural gas has been the main hydrocarbon fuel for the food and beverage service activities industry division

Food and beverage service activities: hydrocarbon fuel consumption and energy intensity, UK, 1990 to 2020

Notes:

1. Hydrocarbon fuel consumption – million tonnes of oil equivalent (mtoe) and energy intensity (terajoules per million GBP).

Download the data

[.xlsx](#)

Wholesale and retail trade

Business insolvencies have risen in the wholesale and retail trade industry as well. It has been the second biggest industry, after construction, in terms of its contribution towards total business insolvencies. The industry accounted for 14% of total company insolvencies for England and Wales in the first half of 2022. It registered 802 company insolvencies in Quarter 2 2022 – its highest level since Quarter 1 2012.

The share of gas in the industry's hydrocarbon fuel consumption has grown over the years. The fuel accounted for around 27% of the industry's total hydrocarbon fuel consumption in 2012, and its share increased to almost 31% in 2020. Consequently, businesses in the industry have become more susceptible to volatility in gas prices.

Almost 28% of businesses in this category expected energy prices to be their main concern in early October 2022, according to data from the BICS. This is also higher than 23% figure for the all businesses category in early October

Manufacturing

The manufacturing industry has accounted for almost 8% of the total company insolvencies in England and Wales in the first half of 2022. It registered 430 company insolvencies in Quarter 2 2022, marking its highest level since Quarter 3 (July to Sept) 2013.

Energy prices were the biggest concern for businesses from this industry that responded to the BICS survey ending in early October 2022. Only 14% of respondents perceived energy prices as a concern in late February and the figure increased to 29% in early October.

Gas is used as a fuel and a feedstock to make products (such as petrochemicals and fertilisers) in the industry, and manufacturing is also a big consumer of electricity, thereby using gas indirectly. Gas has consolidated its share of hydrocarbon fuel consumption since 2012. The fuel accounted for 42% of the industry's total hydrocarbon fuel consumption in 2012, which rose to just over 50% in 2020.

Printing and reproduction of recorded media

Printing and reproduction of recorded media was responsible for approximately 10% of the manufacturing industry's total business insolvencies in the first half of 2022. The division registered 49 business insolvencies in Quarter 2 2022, marking its highest level since Quarter 3 2013.

The division was the second largest in contributing towards company insolvencies in Quarter 2 2022 from the manufacturing industry after the manufacture of metal products division, which registered 55 insolvencies in Quarter 2 2022. However, it was selected for our analysis because of its higher energy intensity and changes to its hydrocarbon fuel usage.

Figure 8: The printing and reproduction of recorded media industry division is energy intensive, despite its consumption of hydrocarbon fuels sharply declining since 2005

Printing and reproduction of recorded media: hydrocarbon fuel consumption and energy intensity, UK, 1990 to 2020

Download the data

[.xlsx](#)

The composition of fuel use in this division has changed significantly since 1990. The division's use of hydrocarbon fuels is only a fraction of what it was in 2005; however, it remains reasonably energy intensive.

Gas has maintained its dominance in printing and reproduction of recorded media, making businesses within the division vulnerable to a period of persistently high gas prices; the remaining energy consumption for the division is primarily accounted for by diesel.

6 . Rising business insolvencies and high energy prices data

[Company Insolvency Statistics](#)

Dataset | Last updated 2 August 2022

The Insolvency Service publishes monthly and quarterly National Statistics on new company insolvencies in England and Wales, and related statistics for Scotland and Northern Ireland.

[Industrial energy price indices](#)

Dataset | Last updated 29 September 2022

The Department for Business, Energy and Industrial Strategy (BEIS) publishes quarterly and annual price indices for industrial fuels, in real and current terms, including and excluding the Climate Change Levy (CCL).

[Business insights and impact on the UK economy](#)

Dataset | Released 6 October 2022

Weighted estimates from the voluntary fortnightly business survey (BICS) about financial performance, workforce, prices, trade, and business resilience.

7 . Glossary

Company insolvency

Companies that are unable to pay debts and enter liquidation, or enter administration or another company rescue process.

Liquidation

Liquidation is a legal process in which a liquidator is appointed to "wind up" the affairs of a limited company. The purpose of liquidation is to sell the company's assets and distribute the proceeds to its creditors. At the end of the process, the company is dissolved – it ceases to exist.

Creditors' Voluntary Liquidation (CVL)

A CVL is a type of insolvency where shareholders of a company can themselves pass a resolution that the company be wound up voluntarily.

Administration

The objective of administration is the rescue of the company as a going concern or, if this is not possible, to obtain a better result for creditors than would be likely if the company were to be wound up. A licensed insolvency practitioner, "the administrator", is appointed to manage a company's affairs, business and property for the benefit of the creditors.

8 . Data sources and quality

Insolvency Service

We have used monthly and quarterly statistics on company insolvencies by the Insolvency Service.

The Insolvency Service publishes National Statistics on new company insolvencies in England and Wales, and related statistics for Scotland and Northern Ireland.

Business insights and conditions survey

Part of the analysis presented in this article is based on responses from Waves 18 to 66 of the Business Insights and Conditions Survey (BICS) conducted by the Office for National Statistics (ONS).

The BICS is a voluntary, fortnightly survey that captures businesses' responses on how their financial performance, workforce, prices, trade, and business resilience have been affected, over a reference period. For more detailed information on the survey, including a description of the weighting methodology, please see our published [BICS QMI](#).

Department for Business, Energy and Industrial Strategy

We have used energy price indices published by the Department for Business, Energy and Industrial Strategy (BEIS) in our analysis.

BEIS publishes quarterly and annual price indices for industrial fuels, in real and current terms, including and excluding the Climate Change Levy (CCL).

9 . Future developments

There is scope to analyse factors that could have played a role in the recent rise in insolvencies, such as persistently high energy prices, difficulties in meeting debt obligations, rising costs of raw materials, and supply chain disruptions, as highlighted in the BICS. More generally, study could also move in the direction of formal causation analysis.

We could also look at establishing leading indicators of business insolvencies based on data from the Insolvency Service and the BICS.

10 . Related links

[Commentary - Company Insolvency Statistics April to June 2022](#) Article | Released 2 August 2022
Commentary on the latest quarterly data of company insolvency in the UK, presenting the numbers of companies who have entered a formal insolvency procedure after being unable to pay their debts.

11 . Cite this article

Office for National Statistics (ONS), released 7 October 2022, ONS website, article, [Rising business insolvencies and high energy prices](#)