

## **ISO AGM, Haarlem, Holland, 26.04.2014**

### **Economic review of the retail environments industry, UK**

Minutes of verbal report by Bob Garton, Glencourt Associates, Executive Recruiters for the shopfitting, POS/POP market. [bob@glencourt.co.uk](mailto:bob@glencourt.co.uk)

### **Positive expectations for retail and shopfitting in a surprisingly good situation in the UK.**

During 2014 the UK economy is expected to grow faster than that for any other G7 country. GDP growth from 20 independent forecasters is an average of 2.9%, with some sources predicting 3.5%. The IMF is forecasting growth of 2.9%, after Olivier Blanchard admitted the IMF had previously under-forecast UK growth.

The unemployment rate is 6.9%, and is expected to drop further to only 6.6%.

An additional 269,000 extra people were in work during the first quarter of 2014, and a record number of people are now in work.

Wage increases in March were 1.7% compared to a 1.6% inflation rate, which means real incomes are now increasing once again. The retail opportunities are booming, the shopfitting industry usually follows, and the general economic situation looks better than in the past 7 years. Retail sales increased in April, which represents six consecutive months of growth, and they are expected to increase robustly in May. As shop rents are generally low, there is also a good opportunity for non UK retailers to enter the market with new store formats.

Looking specifically at the shopfitting market, Glencourt clients report that in Q1, which is usually the quiet period, they have been very busy. However, margins remain under pressure. The increasing employment levels also means there is a lack of good people available, which is becoming a problem and is also driving up salaries.

On the downside, there have recently been a number of fit-out companies failing financially, due to such work now being undertaken by the main contractor, rather than sub-contracting such work. ISO Members will recall the 2009 Congress in Belfast, visiting Pattons, which collapsed into Administration during early 2013. The profit margins here like everywhere are too small, squeezed by the ever expanding retail chains who are making things even worse by delaying payments to more than 90 days!

But all in all, business is good and expectations for 2014 are high. However, a General Election is due in May 2015 and change in government could also bring about a change in economic policy, which could slow down the recent significant economic recovery.

Draft minutes by Preben Bailey, ISO Secretary General, edited and complemented by Bob Garton.