

## **ISO Congress, 06.06.09**

### **Report on current conditions in the UK Market**

We are still experiencing very difficult trading conditions.

In common with all other economies there has been a considerable downturn in the requirements for both shopfitting installation and for equipment.

I have a very confused and confusing picture to relate to you.

Besides the world-wide recession, the British economy has also been hit by another factor, the weakness of the currency. A large proportion of equipment is imported from either Europe or the Far East and against both the Euro and the Dollar, the British Pound has suffered severe losses. At one stage the Pound had dropped from Euro 1,45 to almost parity (1=1) and from the Dollar from US\$ 2,00 to the Pound down to levels as low as US\$ 1,38 to the Pound. There has in the very recent past been an (unexpected) recovery of Sterling to US\$ 1,60 and Euro 1.15. You should find everything very cheap when in Belfast!!!!

Together with high steel and other raw material price rises in 2008, this has made costs rise, but unfortunately with the weakness of the retail trade it has not been possible in most cases for these dramatic price rises to be imposed on our clients, so there has generally been very great pressure on prices.

This has resulted in a sharp drop in operating margins at a time when the banks have been very reluctant to lend due to the credit crisis, and has resulted in an unprecedented level of business failures

Some have been well publicised. Woolworths, with over 800 stores and operating in the UK for just under 100 years finally closed some months ago. The shock waves are still being felt. Many suppliers, including many in the shopfitting and supply side, were owed hundreds of thousands of pounds and have virtually no hope of getting anything back. Other major failures have been the largest furniture retailer in the UK, MFI, with over 250 stores, and very recently the card retailer Birthdays with around 1,000 outlets.

There have also been notable failures in suppliers of racking and shelving such as Amenco, which closed with the loss of 250 jobs, and other shopfitters have also had to give up trading.

So much for the doom and gloom as we say. The Government, which is hardly faring any better has consistently talked of recovery or 'green shoots' as is often termed here.

There has a great deal of discussion in the press as to whether or not this is happening or not, some economic indicators look quite positive, others are not. The slight strengthening of sterling and the recent rise in the stock exchange has encouraged optimists to suggest that the bottom has been reached, and things can only get better.

Against this, the fact that we have had deflation for the first time in around 50 years and the relentless rise in unemployment and business failures to say nothing of major political problems swirling around the government has given rise to much uncertainty and so confirms the view of the pessimists.

The truth is, no-one really knows.

Many firms are taking the view that this year will remain bad, it is unlikely that there will be any significant changes until well into 2010, and that only in 2011 will a degree of normality return. Most firms have had the policy of keeping their heads down, reducing costs and overheads and hope that by trimming back they can survive the recession and emerge relatively unscathed in better times ahead.

Ronald Cohen 20.5.2009  
SDEA, UK