

A summary of economic reports from Beacon Boardroom May-July 2009

Beacon companies on the whole are performing well and working hard to maintain their turnover and profits. Businesses have consolidated and now operate on a leaner and more efficient basis.

Companies are proactive and have adopted the following strategies to improve margins.

- Renegotiate with suppliers
- Look for new avenues to market
- Up their game in terms of service, quality and delivery
- Constantly review opportunities for further efficiencies
- Seek best value in supply chain
- Cut overheads

As a result many report profits up on previous years.

- **Sectors.** Manufacturing and engineering remains steady with many businesses reporting growth on previous years. Companies in both general and professional services are operating in a difficult trading environment. An increase in dispute resolution and employment law related matters, has helped some in legal services. In printing and packaging profits are down as the market is hard on businesses with fixed costs. The picture is mixed in the food & drinks sector. Companies with products in the luxury market have seen a dip in the last three months; all are working harder to maintain turnover and profits. Those selling to the retail sector have been hit hard but there are indications of increased spend in this area. The exchange rate has also 'worked in the favour' of some sectors.
- **Staffing.** Many firms report cuts to their permanent staffing levels and others have adjusted employees' hours in response to the slow down. The majority have now completed any changes to personnel. A number of firms have started recruiting as a result of a 'better than expected' performance.
- **Markets.** In a weak UK market a number of companies are now developing opportunities globally – China, Middle East, Australia, New Zealand are all listed. Beacon members also note a slow down in Europe across many sectors although heavy spend on rail infrastructure has helped manufacturers.

BEACON SOUTH WEST

- **Banks and Lending.** A mixed picture. Availability of credit is a concern for some as businesses encounter difficulties with the availability and cost of finance. It is noted that 'the Government money provided to banks is not coming through to businesses and there are lots of barriers and hurdles to overcome when looking for borrowing'. Others feel that the banks appetite for lending is on the increase. For many Beacon companies lending was less of an issue as they have cash reserves and few borrowings. A small number of companies are investing in new premises and looking to acquire new businesses.
- **Debt Management.** Debt is being controlled carefully with good communication with suppliers/customers to ensure on time payments. Some firms are reducing extended credit terms. Litigation and insolvency teams are busy. In one instance people are being brought in to specifically manage debt.
- **Diversification.** Companies are looking to broaden their services. Many are developing bolt on products building on their core competencies. The secure financial position of many Beacon companies allows them to maximise new opportunities.
- **The Future.** Perceptions are varied. Some Beacon members believe that they are through the worst whilst others feel that it will get harder. Those in the defence sector stated that they operate 18 months behind rest so are preparing for 2010. Businesses relying on public sector are also concerned as many purchases are being put on hold and decisions on spend are taking longer.