

## Rosy outlook for inter-business trade

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If UK manufacturing is heading for a crisis, many of the sector's stalwarts clearly failed to get the memo.

David Roberts, chief executive of Trimite, an Uxbridge-based maker of specialist industrial paint, is among those in the industry who are upbeat about the coming year. "In terms of the factors having a direct impact on Trimite, we are seeing very few signs of a downturn," he says.

Trimite - which employs 360 people - sells coatings that resist corrosion and spillages. These are used on a large range of manufactured products, from construction equipment to cash terminals. Trimite has 4,000 customers across Europe.

"Most of the companies we sell to are not worried about next year. A lot of our larger customers are planning big expansion projects," says Mr Roberts.

Mr Roberts is pencilling in sales of £35m in 2008, against about £30m in 2007. Trimite is also planning to invest £2m in its main production operations in Uxbridge next year - double the figure for the current year.

Geoffrey Lloyd, managing director of the UK operations of Heller, a German machine tool producer, is also positive about 2008. His Redditch-based factory, which employs 230, plans to produce machines worth £80m next year, up from £65m in 2007, helped by a £2m investment programme.

"Some 60 per cent of our output for 2008 - 96 per cent of which we expect to export - is already sold out," says Mr Lloyd.

Significantly, both Mr Roberts and Mr Lloyd run companies that sell exclusively to other manufacturers. That gives them some protection from the most immediate effects of a downturn, which tend to be felt in consumer industries, particularly housing.

"Companies that sell to other businesses are generally less nervous than those concerned directly with the consumer, even though they know they are unlikely to be immune from any big economic slump," says Stephen Radley, chief economist at EEF, the manufacturers' industry body.

The generally positive mood comes after a steady year for many manufacturers. The sector has taken advantage of a level of demand that, until recently, has held firm in most countries as a result of a long run of economic expansion.

According to the Office for National Statistics, manufacturing output in October, the last month for which data are available, was 0.3 per cent above a year earlier. While this may not sound stellar, EEF described trading conditions for the sector as the "strongest for a decade" in a report this month.

However, with new indications of a broad economic downturn appearing almost every day - many linked to the US subprime mortgage crisis - industrial executives would hardly be human if they had no worries about the economic outlook.

Dennis Kent, managing director of Leicester-based Carlton Laser Services, a sub-contractor for engineering industries, says he is basically upbeat about 2008. Even so, he has put off a decision about a £800,000 investment in new machine tools until January, as by then the outlook for the new year will be clearer.

Toyota, Nissan and Honda - the three large Japanese carmakers that between them employ about 15,000 in their UK car and engine factories - all admit to some uncertainties about 2008 even though they are generally optimistic.

Stephen Moon, chief executive of React Installations, which makes shop fittings for the retail sector, says he is "confident" about 2008 - although he reckons he knows of many other manufacturers that are far less so and are already seeing signs of a slowdown.

But for those companies positive about 2008, one reason is the measures they have taken over the past five years, since the last prolonged period of generally weak demand, to strengthen productivity and boost product development.

"I think manufacturers are less dependent on the ups and downs in the economic cycle than they used to be," says Andrew Cook, owner and chairman of William Cook, a Yorkshire-based castings manufacturer that employs 750 people.

In addition, the recent strength of the euro against sterling has boosted UK-based manufacturers that are big exporters to continental Europe, and has offset any difficulties arising from the dollar's weakness in relation to the UK currency.

Giles Birt, finance director of Lowe & Fletcher, a Midlands-based lock producer, says: "If you are a tightly-

managed manufacturer with a good track record, I think the banks are still quite happy to lend money. Looking ahead to 2008, I feel quite relaxed."

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