Latest news

UK growth figures revised upwards

Some good news for the government came when official figures revised up statistics on the growth of the UK economy. The Office for National Statistics (ONS) said economic growth in the first quarter of 2010 was quicker than expected and revised the figure to 0.3%, up from 0.2%. Year-on-year output was still down 0.2% and growth was still lower than the 0.4% seen in the last quarter of 2009, giving cause for concern.

Lai Wah Co, CBI Head of Economic Analysis, said: "The modest upward revision to UK GDP growth over the first quarter of this year was widely expected. The manufacturing sector is leading the economic recovery, helped by strong overseas demand and weak sterling dwindling rates of destocking are helping to provide a short-term boost to growth, and with business investment starting to rise again, there are more signs that the private sector is gradually recovering.

"Recent economic indicators overall point to somewhat faster UK GDP growth in the second quarter, but all eyes will be on the latter half of the year, when households and businesses will have a better idea about the government's plans for fiscal consolidation."

Partnerships key to future of UK manufacturing

Collaboration is the key to developing a strong future for manufacturing in the UK, according to a line-up of speakers at the recent National Manufacturing Debate, organised by Cranfield University.

The debate, which included high profile speakers from organisations such as Rolls-Royce and BAE Systems, the Technology Strategy Board (TSB), Engineering and Physical Sciences Research Council (EPSRC), European Factories of the Future Research Association (EFFRA) and EEF, brought together delegates from a range of manufacturing organisations to discuss manufacturing for the recovery.

The message that businesses need to innovate and work together in order to survive and benefit from the economic recovery was evident throughout the debate. Manufacturing organisations are increasingly recognising the benefits of collaborating with universities such as Cranfield to develop their ideas at reduced risk, and cost, to the organisation. Universities can provide ready-made environments for testing and research. Businesses are able to gain an insight into current research that will lead future developments in manufacturing. Universities benefit from stronger links with industry to enhance the provision of teaching for developing the engineers and leaders of tomorrow's businesses.

Regulation costs business £80 billion a year

The Institute of Directors (IoD) has renewed its call to all political parties to take the issue of over-regulation of business seriously. If we want UK companies to remain competitive, it says, government needs to step out of the way, and give businesses the freedom to operate. Achieving this requires a culture change in government.

Using a new approach to measure the cost of regulation, based on the experiences of real people running real businesses, the IoD believes that the cost to business of Government regulation is now running at more than £80 billion a year. This equates to 5.7% of the UK's GDP. Instead of building up their businesses and creating new jobs, the IoD has found that directors are spending over a month each year handling government red tape.

While the government claims that the estimated burden of regulation is £13 billion a year, the IoD takes a different approach to costing, which factors in all the hours spent form filling, reading guidance, taking advice and performing other administrative duties associated with regulation. And the IoD's £80 billion figure doesn't even include the cost to companies of having to adapt their behaviour to comply with regulation.

Commenting, Miles Templeman, IoD Director General, said: "£80bn is effectively being taken out of the UK economy each year due to regulatory paperwork.

*To read the IoD's latest report on regulation, visit **www.iod.com/intershoproot/eCS/Store/en/pdfs/policy_paper_regulation_reckoner_10.pdf***

European machine tool industry turns the corner

Machine Tool Orders turned around in the fourth quarter of 2009 in CECIMO countries, after dropping by over 50% in the first quarter of 2009 (in comparison with the same period one year before) as a consequence of the financial crisis. But CECIMO comments that since order backlogs are still very low, it will take a few more weeks before the turnaround is clearly observed in sales.

Recovery in the European machine tool industry is driven by an increased consumption in the emerging markets, and notably from China. Despite the severe crisis in the sector in 2009, the global market share of machine tools exported from CECIMO countries rose from 55% to 61%. This proves the competitiveness of the European sector in global markets. CECIMO expects this trend to continue in 2010.

It will take more time for European consumption to recover, since capital investment in the traditional end-user industries is still low, capacity utilisation is below average and credit is still difficult to get, especially for the smallest companies. The current financial instability associated with the sovereign debts of some European countries may also hinder the necessary cash flow that is required by industry to invest in modern and energy efficient production equipment. The geographical shift of the machine tool consumption towards the emerging markets of Asia and Latin America makes it imperative for the European machine tool industry to obtain fair and non-discriminatory access to those markets.

Aggregates Levy – the final nail in the coffin?

BDS Marketing Research has issued an independent analysis of trends in aggregates market since 1990, and the effects of the Landfill Tax and the Aggregates Levy (AGL). It concludes that the AGL did not have a discernible effect in decreasing primary aggregate use, but it has created serious market distortions.

UK pre-cast concrete manufacturing has been put at a competitive disadvantage by imported concrete products which have more than quadrupled since the Levy was introduced. Although imported aggregates have to pay the Levy the aggregates within imported concrete products do not. There is also evidence of increased road miles for Levy exempt aggregates – with an increased carbon footprint – and growing stockpiles of quarry by-products which can no longer compete in a skewed market.

The BDS study also highlights the low earning potential of the Levy as the public sector uses over half of all aggregates consumed.

Small firms can show Whitehall how to do more with less, says Forum

Government departments could learn from SMEs when trying to manage shrinking budgets, according to the Forum of Private Business. Reacting to the newly announced spending cuts, the Forum called for Whitehall to look at how recession-hit smaller businesses have managed to cut costs without sacrificing the quality of their goods and services.

Many Forum members have seen severe reductions in their revenue streams since the economic downturn took hold, but have managed to weather the storm through a combination of flexibility, efficiency and good relations with employees. The Forum believes government bodies could follow the example set by smaller firms when coming to terms with significantly reduced budgets.

The Forum's Head of Policy, Matthew Goodman, said: "The cuts announced by the Government are regrettable and many smaller businesses will be affected in one way or another. The £836 million reduction earmarked for the Department for Business, Innovation and Skills could potentially mean that business support will be one of the worst casualties of the cutbacks. This, of course, is a cause for concern.

"However, the impact of the cuts can be mitigated by greater efficiency and use of resources at grass roots level, rather than traditional top-down approaches such as indiscriminate redundancy programmes and blanket spending cuts in certain areas. We believe that smaller businesses are expert at doing more with less – many of our members have been put under a huge amount of pressure over the past two years or so, but their dedication and attention to detail ensured that their business survived. We believe the public sector can learn some valuable lessons from their experiences."

Goodman added: "Perhaps it would be useful if senior managers in the public sector spent some time visiting successful SMEs so they can see first-hand how organisations can provide more value for money with enough determination and hard work."