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Manufacturing and retail administrations down: calm before the storm?



Latest analysis of administration figures by business advisory firm Deloitte show a significant drop in the number of administrations in Yorkshire and Humberside during the first three months of the year, down by more than 13 per cent to 85, compared with the same period in 2007 when the total was 98.

In the North East the figure is up by 26.7 per cent to 19 and in the North West by a staggering 44.1 per cent to 147.

Overall, the manufacturing industries suffered continuing pain with 107 appointments but, nevertheless, nearly 40 per cent lower than a year ago at 175.

The property, construction and electrical installation and plumbing sector saw a rise of 59 appointments to 168, a 54.1 per cent increase. Appointments in retailing were down from 98 to 56,

Ian Brown, reorganisation services partner at Deloitte in Leeds said: "The sectors which are having trouble are obviously property and construction as well as anything which tangents on property. No doubt, in the fullness of time, retail will be affected by the negative sentiment generated by falling house prices and the fact that people feel less well off."

He added: "Given the current economic climate, it is surprising to see a 43 per cent fall in the number of retail businesses that went into administration this year, compared with the year before. In the manufacturing sector, we have seen nearly a 40 per cent drop in administrations from the previous year. While the credit crunch bites hard in the City,

with lenders all but closed for business at the larger end of the market, the pain has yet to be felt as severely in the manufacturing and retail industries.

“The data demonstrates that it takes some time for shifts in the economic cycle to impact profits, administrations, unemployment levels. It also suggests that the downturn may be felt for some time to come. It is unlikely that these relatively positive administration levels will continue throughout this year.

“While the overall retail figures are down, in April we have seen a rise in household related retailers (selling furniture, carpets and electrical goods) going into administration. When consumers start to feel the pinch, discretionary expenditure, including improving the house, is one of the first items to be struck off the shopping list. The rise in administrations in the construction industry is another indicator that both consumers and developers are preparing for a harsher financial climate.”

Mr Brown went on: “The drop in manufacturing administrations this year suggests the sector may be in reasonable health compared with other industries. While the devalued pound may not be having the gold-rush effect some had predicted, the UK manufacturing industry may be buoyed by its evolution from an expensive mass-producer to a world-leading developer of innovative products. There have been recent reports, however, of a slow down in output in the sector, so it may be that a less positive story lies ahead. Food manufacturing and, in particular, bakeries are one group of manufacturers who have been hit hard by the rise in cost of foodstuff raw materials.”

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