

UK manufacturers exporting their way to recovery

The latest data from the Chartered Institute of Purchasing and Supply reveals that the manufacturing sector is showing strong signs of recovery.

The institute's Purchasing Managers' Index for the UK rose to 58 in April from an upwardly revised 57.3 in March (a figure above 50 denotes growth). That was well above the forecast and was the highest reading since September 1994, when the UK's economy was also emerging from a recession. Amit Kara, UK economist at the UBS financial services firm, said: "It is another strong performance. This time it appears to be led by exports, which is hardly surprising after similar robust numbers from Europe and the USA and the weaker exchange rate."

New orders rose at their fastest pace in more than six years, helped by the strongest growth in export orders since 1996. In a further sign of the strength of demand, firms reported the first increase in backlogs since 1999. Output growth remained strong, and employment rose for the third time in the past four months.

The North West recorded the fastest rise in output of any of the English regions, outperforming the UK as a whole in terms of output, new business and employment growth. This was despite slightly weaker activity and new work compared with March. However the region experienced "noticeably stronger" price pressures than the wider UK economy.

Rob Dobson — senior economist at Markit, the financial information services group that carried out the survey for the institute — said: "Manufacturers reported a flying start to the second quarter. The feeding through of rapid output growth to job creation is particularly good news, and bodes well for the sustainability of the UK economic recovery."

Mr Dobson cited improved global demand and the on-going weakness of sterling as factors



underpinning the rise in export sales, but added that the weak pound also contributed to a pick-up in price pressures, with input price inflation surging to its highest level since August 2008. "Increased input costs are blamed on widespread raw-material price increases, in many cases reflecting exchange rate or supply-chain factors," he noted.

Mr Dobson said the report pointed to manufacturing output growing by as much as 2% in the second quarter, suggesting that the sector will provide a strong contribution to second-quarter gross domestic product. However, strong readings from the PMI Index have not always been matched by official output data, and some economists say that the survey overstates the true picture.

Scotland celebrates

Meanwhile, a survey this week from the Bank of Scotland shows economic recovery continued to gain ground north of the Border in April, with employment levels, activity and new orders rising. However, the survey pointed out that the rate of expansion had eased since March, indicating that the turn-round in the economy remains fragile. Donald MacRae, the chief Economist at Bank of Scotland, said: "While the Scottish economy is on the right track, as underlined by a rise in overall activity and new orders, rising costs indicate that inflationary pressures have not gone away, and a marked divergence in the performance of the manufacturing and the services sectors remains,

with the latter performing better."

However, the overall rise in staff numbers was actually centred on manufacturing. Survey respondents in the manufacturing sector noted that higher staffing levels had allowed them to work through backlogs. Overall, backlogs decreased for the 32nd straight month. Average input costs rose at the fastest pace since September 2008 in April. Scottish companies cited a number of sources of inflationary pressures, including rising fuel, wage and raw-material costs, the survey stated. Sharp increases in costs led Scottish firms to raise prices at the fastest pace in one-and-a-half years.

Finance Secretary and MSP for North Tayside John Swinney predicted brighter prospects for the Scottish economy in 2010, but he also warned that on-going investment would be crucial to secure a strong recovery from the recession. "We are now starting to see the early signs of recovery in the Scottish economy, and there are reasons to be optimistic for the coming year."

Allez France!

Manufacturing output also rose in France in March. It climbed 0.8% from February, Paris-based national statistics office Insee said in a report on Monday. Exports rose 5.2% in the first quarter, led by sales of raw materials and aircraft. Dominique Barbet, senior economist at BNP Paribas in Paris, said: "France has at least started to benefit from the global recovery. Exports are the motor of growth."

Lack of resources at advisory agencies

A lack of resources at advisory agencies — and at Whitehall's Business Gateway in particular — is hindering small firms trying to get vital support, it has been claimed. Scott Simpson, a Scottish businessman who this week launched Resource for Business, a not-for-profit support group for SMEs, said the services offered by Business Gateway were good, but that the nation-wide agency was under-resourced. Mr Simpson said that small businesses were preparing themselves for cut-backs in government support following the General Election and were looking for ways to help one another by sharing skills and experience.

He said: "We are all too aware that the true state of the UK economy will only become clear during the next parliament and, for many companies, having survived the recession will be only the beginning of the challenges that they face. Business Gateway does a good job, but it doesn't have enough resources, and some businesses have told us that they sometimes have trouble accessing help and support."

Resource, which was launched in Glasgow on Wednesday, is expected to expand throughout the rest of Scotland next year; it will target firms that turn over between £10,000 and £1 million. While the new

organisation has received support from Glasgow City Council and Strathclyde University, Mr Simpson said that no public funding had been made available for the project and that his own firm, marketing agency Voltage Creative, had pumped £30,000 into the project.

A Business Gateway spokesman defended the organisation's record in supporting small firms. He said: "Business Gateway is providing extremely effective business advice and support delivered by local authorities to potential start-up, early-stage and established businesses across all sectors."