



The pressure is on the private sector to prop up the economy. **Sam Metcalf** assesses the outlook from the region

Confidence is the stumbling block to the economy turning around, said the panellists at our Directors' Forum, held at Nottingham Conference Centre. The 120 attendees first heard from Garry Smith, commercial director at Nottingham Trent University, then talk turned to the economy.

The panellists touched on just how the local economy could start moving forward again after nearly three years of inertia. "We are facing a period of normality after a



prolonged period of growth, and people are struggling to get to grips with that. Once businesses have grasped that, confidence should return," said Alistair Wesson, the East Midlands regional director at RSM Tenon.

Ron Lynch, the East Midlands regional director of the Institute of Directors, added: "There is a definitely a general lack of confidence; then again if we all listened to Robert Peston's reports there would never be any confidence! I think there are pockets of good performance, and there is good news out there. There are also some companies sat on a pile of cash."

The public sector cuts are beginning to be felt, said Malcolm Prowle, professor of business performance at Nottingham Business School. "The cuts to the public sector have brought reduced consumer demand. There are estimates of 500,000 job losses in the public sector, with many millions more afraid for their jobs."

Matthew Hannah, director at Innes England, highlighted consumer confidence: "They say the UK is a nation of shopkeepers, and consumer confidence is definitely down. In property, the availability of cash is the biggest issue. But food retail is doing well."



Mark Bielby, development director at Miller Birch, asked the panel how they viewed the economy over the next two years: are we set for a static period of "bouncing along the bottom", or will there be tangible signs of growth? Wesson said: "A lot depends on how businesses view their long-term future. If we look at manufacturing, some companies are investing in new technology and people, and they'll do well. At the same time, though, there are companies that have been around for 75 years whose management is simply copying the previous generation. They're the ones that will stall because they're not thinking about the future."

Their plight may be worsened by overseas supply chains. "There hasn't yet been a sea change but I know of businesses that have



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struggled as a result of what is happening in countries such as China," said Wesson.

This makes it more important for companies to keep an eye on what is happening in the countries where their suppliers are based. "In China, for example, companies need to be aware that the government is now offering more agricultural subsidies," he added. "This left one business supplying an East Midlands business unable to deliver after workers decided to stay in the fields rather than return to the factory."

Wesson also cited the rising inflation and higher labour costs in many Far Eastern and Asian economies, which may mean overseas suppliers may no longer be as competitive.

Lynch thought the recovery would be "slow and choppy". He said: "We can't do anything about the Japanese earthquake or high commodity prices, but we can be competitive. The government says that 400,000 private sector jobs have been created over the past year and manufacturing output is up by 5 per cent, so there are positive signs."

But as Colin Muir, director of commercial banking at NatWest in Nottingham, said: "We've had ten to 15 years of good times, so any small growth will feel like bumping along the bottom. Our bank is still targeting growth,

"We're going back to good old-fashioned banking. The onus is on businesses to sense-check their organisations before they approach the banks." Alistair Wesson

though. Manufacturing is flavour of the month, but many of the manufacturers that are doing well don't want to shout about it."

Hannah put the economic situation this way: "I'd say we are on Table Top Mountain rather than going up and down Everest. We are still doing deals. You only have to look at the success of No.1 Nottingham Science Park over the past year to see that."

One way to promote growth, said Prowle, is to raise awareness of the benefits of



exporting. "We need to ensure that companies are looking to export their goods," he said. "We need to re-emphasise the important of exports to their bottom line and to the local economy."

For this to happen, Simon Towle from Texplane asked, what needs to change for the banks to start to lend more freely, and did the panel envisage any reduction in the cost of lending in the near future?

"The criteria for lending has changed from 2007 to 2008 because it had to," replied Muir. "Yes, there are fewer transactions now, but 85 per cent of leads are sanctioned by our bank, and everyone is offered a second opinion. We've also lent 41 per cent of Enterprise

Finance Guarantee money in the East Midlands. As for pricing, the cost of capital has increased, but customers are borrowing at an historic low."

Again, confidence is at the heart of these issues. "It's a confidence issue with banks. We've had 15 years of high economic growth when business planning wasn't as good as it should have been," said Prowle.

Wesson agreed: "That's spot on. We're going back to good old-fashioned banking.

THE PANEL

MATTHEW HANNAH

Innes England

COLIN MUIR

NatWest, Nottingham

MALCOLM PROWLE

Nottingham Business School

RON LYNCH

Institute of Directors

ALISTAIR WESSON

RSM Tenon

The onus is on businesses to sense-check their organisations before they approach the banks for funding."

The situation isn't anywhere near as bad as two years ago, said Lynch, when it was "nearly impossible to source funding".

He said that extra costs, such as arrangement fees, were too high but – like it or not – the banks are in business to make money. He also highlighted that the government has made £2.5bn available from taxing the banks and that this fund would last for a lifetime.

The panel were asked how closely businesses are working with universities and whether there should be deeper integration between academia and the private sector. Lynch said: "There is a challenge on both sides, it's a two-way thing. "Education is vital to the economy. We usually offer a graduate placement for a year and we always get so much out of the undergraduate we get in. In all the surveys we do, education and skills are always in the top three issues."

Audience member Alan Hardy of Paragon Interiors responded: "We've approached universities to try and get graduates, but we've had very little take-up. There's undoubtedly a better way for businesses and universities to work closer together."

Smith from Nottingham Trent University replied: "The challenge is for universities to make a case for employers to find out about the services we offer."

