

AUTUMN 2008 TRENDS SURVEY RESULTS

May – November 2008

BMF has conducted the Autumn industry survey for 2008 that bi-annually tracks trends within the marine leisure and small commercial marketplace. This survey is sent to a representative panel of the membership only - 208 members responded (42%).

Results for all measures have decreased significantly in light of the current economic climate for the period between May and November 2008. A decrease had already been evident in Autumn '07 and Spring '08 compared to recent years but has now declined further. A declined rating is most apparent for workload, value of the order book and quality of earnings. The export market is faring slightly better than the domestic market.

Summary of responses:

- The rating of the **value of the order book for the home market** has decreased significantly compared to recent surveys; 15% rate their order book value as 'more' than six months ago and 63% rate it 'fewer'.
- **Current workload for the home market** is reported at a similarly declined rate; 14% state their home market workload is 'higher' than six months ago and 56% found it 'lower'.
- The **value of the order book for the export market** is faring slightly better than home market although still decreasing when compared to recent surveys; 20% rate this order book as 'more' than six months ago and 46% rate it 'fewer'.
- The **workload of the export market** is rated at similar levels; 25% report their export workload is 'higher' than six months ago and it is 'lower' for 42%.
- Rating of **quality of earnings** has also decreased; 12% state their quality of earnings is 'higher' than six months ago and for 50% it is 'lower'.
- **Investments within marine businesses** have remained more consistent compared to other economic measures; 28% rate investments as 'more' than the same period a year ago whilst for 44% they are the 'same' and for 28% investments are 'less'.
- **Turnover and meeting profit forecasts have decreased by c. 10% from the last survey**; turnover compared to this time a year ago is 'higher' for 30% of respondents and 'lower' for 41%; profit forecasts have been exceeded for 9%, attained for 39% and fallen below for 52%.
- **The workforce within the marine industry** has also decreased overall compared to recent surveys; workforce has only 'increased' for 10% over the last six months, stayed the 'same' for 54% and has 'decreased' for 36%.
- **In reflection of the above, business prospects for the next six months are less optimistic than recent surveys**; future prospects are perceived to be 'excellent' for 2% of respondents, 'good' for 14% and 'OK' for 46%, 'poor' for 30% and 'very poor' for 8%.

Unsurprisingly, the general economic climate, both in the UK and internationally, dominates as the main concern to the marine industry.

VALUE OF THE ORDER BOOK

Home market:

The value of the order book for the home market has decreased compared to recent surveys when a decline had already been evident compared to previous years.

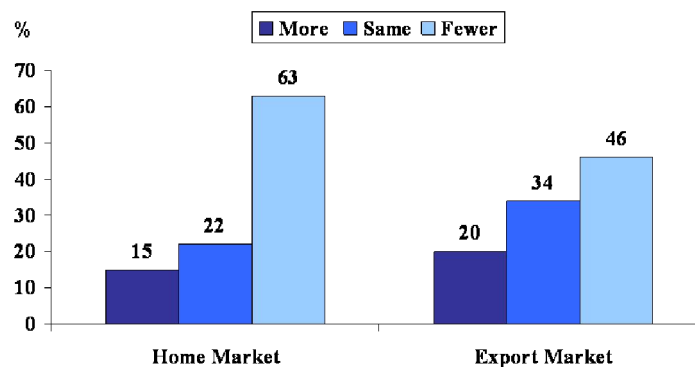
Those rating the value of the home order book as 'more' than six months ago is 14% compared to 25% in Spring '08 and 28% in Autumn '07. However, the majority (63%) are now stating the value of the home order book is 'fewer' than six months ago compared to 34% in Spring '08 and 35% in Autumn '07.

Export market:

Rating of the value of the export market order book is slightly more favorable than the home market given 54% rate it as same / more than six months ago, though it is also decreasing from previous surveys.

The value of the export order book is rated as more for 20% of respondents compared to 35% in Spring '08 and 30% in Autumn '07. Those rating it as fewer has increased as the rating is 46% now compared to 23% in Spring '08 and 19% in Autumn '07.

Value of the Order Book Compared with 6 Months Ago



WORKLOAD

Home market:

The home market workload compared to six months ago has been rated at similar levels to the value of the order book with a significant decrease from recent surveys.

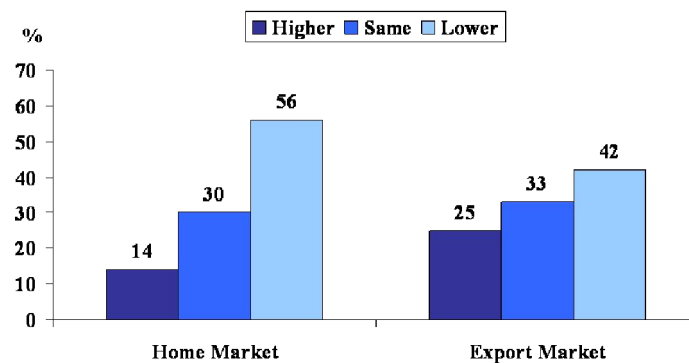
The home workload is rated as higher for 14% which compares to 30% in Spring '08 and 31% in Autumn '07. This workload is now lower for 56% which is an increase from Spring '08 (29%) and Autumn '07 (25%).

Export market:

As with value of the order book, the export market workload is rated slightly better than the home market workload with the majority stating it is higher or the same though decreasing overall.

A quarter report that their export workload is higher than six months ago which compares to 42% in Spring '08 and 34% in Autumn '07. However, this workload is now lower for 42% which is much more than that reported in Spring '08 (18%) and Autumn '07 (19%).

Current Workload Compared with 6 Months Ago



OBSTACLES TO BUSINESS

Not surprisingly given the current economic situation, the highest perceived obstacle to the success and development of marine businesses is the financial climate and lack of orders which together dominate for the majority (68%). The exchange rate, lack of finance / credit available and general costs are all related factors.

Financial climate / general economy (recession) 48%
Lack of orders / customers 20%
Exchange rate 11%
Lack of Finance / Available Credit 10%
General costs (e.g. marketing, advertising) 8%
Regulation / red tape 6%
Increased cost of fuel 5%
Lack of (skilled) labour 4%
Bad weather 2%
Competition 2%
None 5%

BARRIERS TO EXPORTS

Reflecting the current worldwide financial climate, the highest barrier to exports is the downturn in the economy, followed by the difficulties with managing the fluctuations in the exchange rate.

Financial Climate / Worldwide economic downturn	35%
Exchange rate	24%
~ especially managing fluctuations	
General costs	13%
esp. freight charges	9%
Competition	6%
Finding Good Distribution / Networks	4%
Regulation / red tape	3%
Language barrier	3%
None	17%

QUALITY OF EARNINGS

When rating quality of earnings, 12% state it is higher than six months ago which compares to 21% in Spring '08 and Autumn '07.

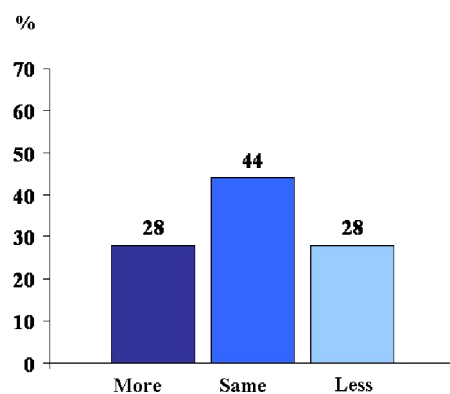
Quality of earnings has declined from recent surveys given half are now rating it as lower than six months ago (50%) which is a decline from Spring '08 and Autumn '07 when it was lower for 28% and 27% respectively.

INVESTMENTS

Investments within marine businesses have remained fairly consistent over recent years and there have not been such a decline as reported for other economic measures.

Investments are rated as more for 28% compared to the same period in 2006/7 whereas 36% in Spring '08 and 38% in Autumn '07. For 28%, investments were reported as less than a year ago which compares to 18% in Spring '08 and 14% in Autumn '07.

Level of Investment Compared with the Same 6 Month Period 06/07

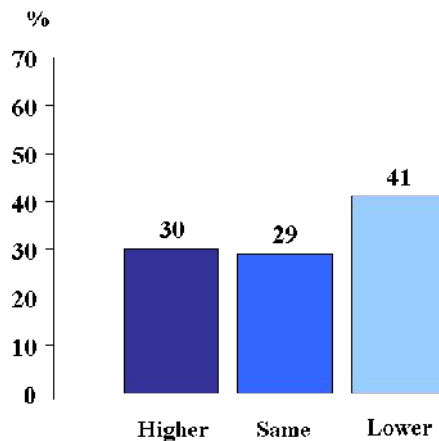


TURNOVER

The beginning of the impact of the current economic climate on turnover was evident in the last survey in Spring '08 however there has been a further decline of c. 10%.

Almost a third of respondents have a higher turnover now (30%) which compares to 39% in Spring '08 and 46% in Autumn '07 and 41% are now reporting a lower turnover compared to 31% in Spring '08 and 25% in Autumn '07.

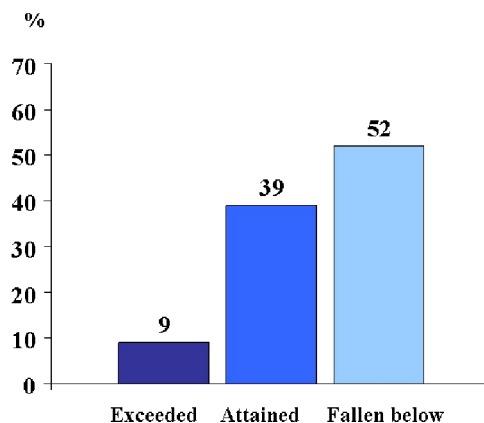
Business Turnover Compared with
the Same Period 06/07



PROFIT FORECAST

The profit forecast for the last six months has also decreased at around the same level as turnover (i.e. c. 10%). Whilst 9% exceeded their profit forecast compared to 8% in Spring '08 and 18% in Autumn '07, around half have now fallen below their forecast which is a greater than in Spring '08 when 41% and Autumn '07 when 36%.

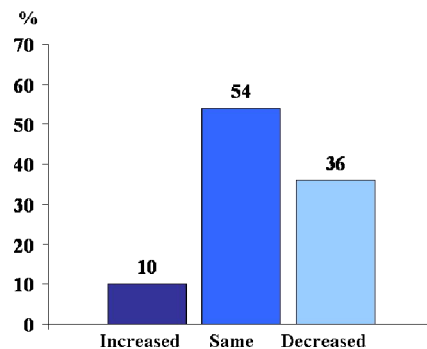
Comparison of Results with Profit Forecasts
for the Last 6 Months



CHANGE IN WORKFORCE

The impact of the economic climate on the workforce is evident given only 10% increased their workforce over the last six months compared to 20% in Spring '08 and 21% in Autumn '07. There has been a decrease in workforce for 36% compared to 21% in Spring '08 and 14% in Autumn '07.

Workforce Changes Over the Last 6 Months



CURRENT VACANCIES

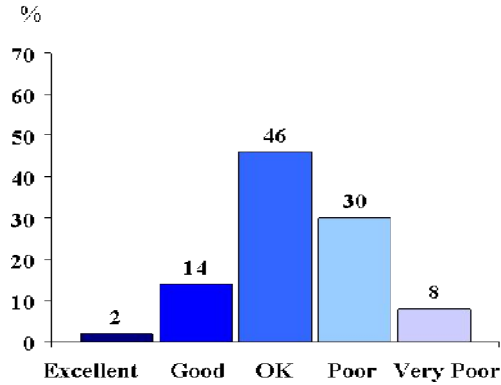
Those facing vacancies which are difficult to fill has halved from the last survey with only 10% facing recruitment issues compared to 20% in Spring '08. The vacancies most difficult to fill are craftsmen / fitters and managers (product and sales)

FUTURE BUSINESS PROSPECTS

Respondents were asked to perceive their future business prospects and 2% rate the next six months as excellent, 14% good and 46% OK. This compares to 6% excellent, 27% good and 51% OK in Spring '08.

However, 38% perceive the next six months to be quite poor (30%) or very poor (8%) which is more negative than the 15% quite poor and 1% very poor as reported in both Spring '08 and Autumn '07.

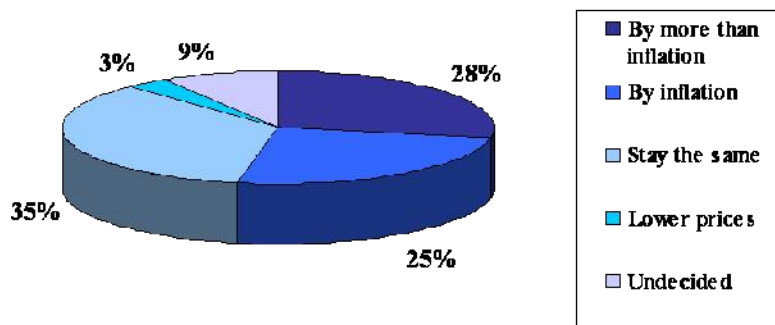
Rating of Business Prospects Over The Next 6 Months



EXPECTATIONS TO RAISE PRICES

There has been no significant change in the expectation to raise prices over the next six months. Just over half will be raising their prices (53%) compared to 59% in Spring '08 and 53% in Autumn '08; 28% will be raising prices by inflation and 25% by more than inflation.

Anticipation of Raising Prices Over the Next 6 Months



MAJOR INDUSTRY CONCERNS

Dominating throughout this report, the economic downturn is the main concern facing both the marine and the wider industry. This is represented throughout the major concern list in terms of general market, lack of orders, lack of finance, concern about the solvency of businesses and increased costs. The recent end of the derogation on red diesel is also a key concern.

General market / economy 23%
Lack of demand / orders 12%
End of red diesel derogation 12%
Lack of Finance / Available Credit %
Solvency of businesses 7%
Increased costs (utilities, materials) 5%
Government support / red tape 5%
High NBS costs 5%
British Waterways 3%
Reduced prices 2%
Exchange rate 2%
Lack of professionalism / standards 2%