

## **AUTUMN 2009 TRENDS SURVEY RESULTS** **May - November 2009**

The latest industry trends survey from the British Marine Federation (BMF) reports the UK leisure and small commercial marine industry is beginning to show signs of recovery with confidence starting to return. These findings are derived from the BMF's trends survey which is conducted bi-annually. This survey was completed by a representative sample of just under 200 BMF members (40% response rate). This research is published as an aid to the industry in forecasting and planning for future months.

After facing one of the worst trading periods in recent memory, the industry is reporting encouraging signs of improvement. Overall, there has been further uplift on the majority of economic measures since Spring 2009 when the marine industry had picked up very slightly from the large drops witnessed in Autumn 2008.

Over the last six months, there has been increase from Spring 2009 on workload and the value of the order book for both the domestic and overseas markets. UK and overseas markets are now rated at similar levels. The value of the UK based order book has increased for 32% of respondents (+14% from Spring 2009, +18% from Autumn 2008), whilst the value of the overseas order book has increased for 31% of respondents (+9% from Spring 2009, +11% from Autumn 2008).

Quality of earnings have increased for 32% of respondents (+11% from Spring 2009, +17% from Autumn 2008) while investments and the workforce are more likely to be the same with fewer reporting a decrease.

Encouragingly, future prospects have improved, with 35% viewing the next six months as 'Excellent' or 'Good' compared to 28% in Spring 2009 and 16% in Autumn 2008. Only 12% of respondents now say they perceive the future to be 'Poor' (11%) or 'Very Poor' (1%) compared to 23% in Spring 2009 and 38% in Autumn 2008, a noticeable change in people's views.

Rob Stevens, Chief Executive of the British Marine Federation, said:

"The last year has been incredibly difficult for the UK leisure and small commercial marine industry but it is encouraging to see that businesses are starting to feel more confident about the future.

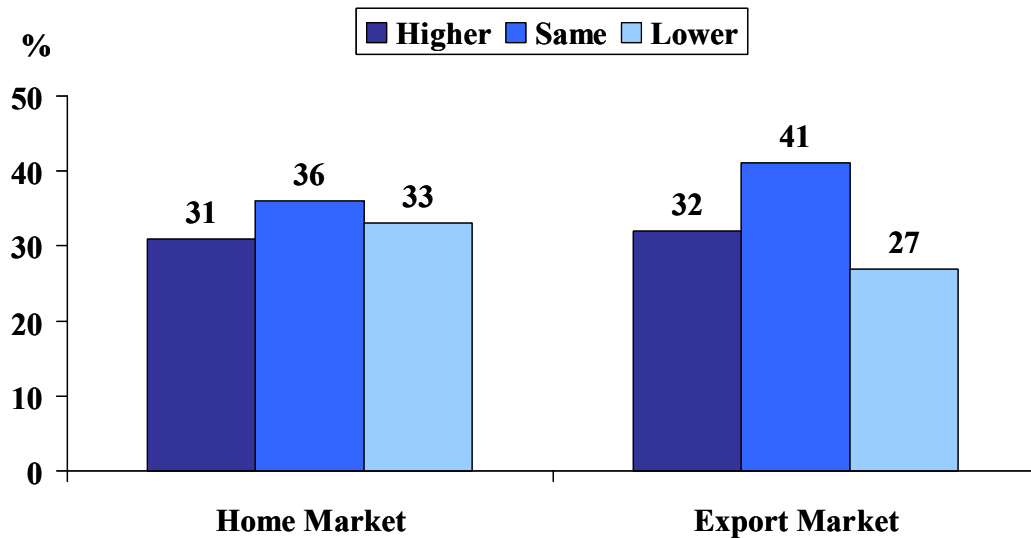
"We know that we cannot be complacent, and for many companies there may still be difficult times ahead, but we must also acknowledge that through hard work and sound business decision making the industry is well-poised to continue to grow in the future. Our industry has shown resilience through these difficult times and we now look forward to 2010 being a year that will bring gradual recovery and growth.

"In particular, the increase in exports is a real vote of confidence in British design, manufacturing and services from customers and businesses around the world. We should be proud of our reputation for excellence. Additionally, boating holidays and leisure based tourism has continued to be strong.

## WORKLOAD COMPARED WITH 6 MONTHS AGO

The **home market workload** has increased slightly compared to six months ago and significantly higher than a year ago, to be back to the level of confidence reported in Spring 2008.

The rating of the **exports market workload** has also increased slightly from Spring 2009 and from last year, though it not has not reached levels reported in Spring 2008 (higher 42%). Businesses rate the export market workload less negative than the domestic market.



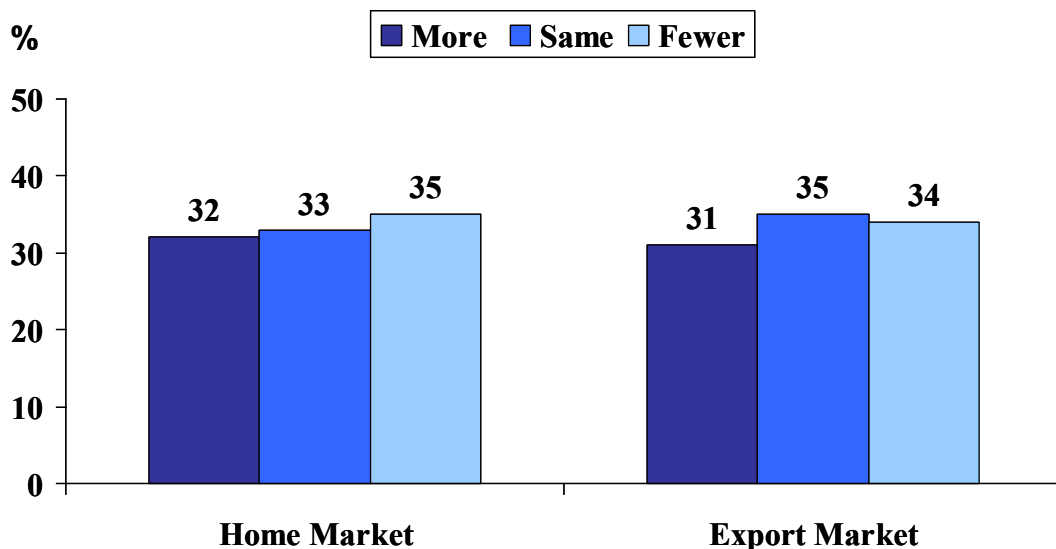
### Previous surveys:

<i>Home market</i>	<i>Spring 2009:</i>	<i>23% higher, 35% same, 42% lower</i>
	<i>Autumn 2008:</i>	<i>14% higher, 30% same, 56% lower</i>
<i>Export market</i>	<i>Spring 2009:</i>	<i>27% higher, 37% same, 36% lower</i>
	<i>Autumn 2008:</i>	<i>25% higher, 33% same, 42% lower</i>

## VALUE OF THE ORDER BOOK COMPARED WITH 6 MONTHS AGO

The **value of the home market order book** has also improved compared to six months ago with a higher uplift in 'more' than the home workload to have both measures now rated similarly and also matches levels reported in Spring 2008.

A similar trend to export workload is also found for the **value of export market order book** in that levels have increased slightly from Spring 2009 and from this time a year ago. Though it is not as positively rated as Spring 2008 when it was fewer for 23%.



Previous surveys:-

Home market	Spring 2009:	18% more, 39% same, 43% fewer
	Autumn 2008:	14% more, 22% same, 63% fewer
Export market	Spring 2009:	22% more, 36% same, 42% fewer
	Autumn 2008:	20% more, 34% same, 46% fewer

## CURRENT OBSTACLES TO BUSINESS

The main obstacles to business are similar to those mentioned in the last survey in Spring 2009 as largely linked to the economic climate; particularly lack of customer confidence / sales, finance and credit and cash flow. Other reasons include the exchange rate, increased costs and competition, including cheap imports.

Lack of customer confidence / sales	31%
Financial climate / general economy	24%
Lack of Finance / Credit available	15%
Exchange rate	14%
General costs (esp raw materials and marketing)	9%
Regulation / red tape	6%
Cash flow	5%
Competition in UK (including cheap imports)	4%
Lack of skilled / experienced staff	4%
Red diesel	3%
Higher taxes / VAT	2%
Internal constraints (es. space)	2%
None	4%

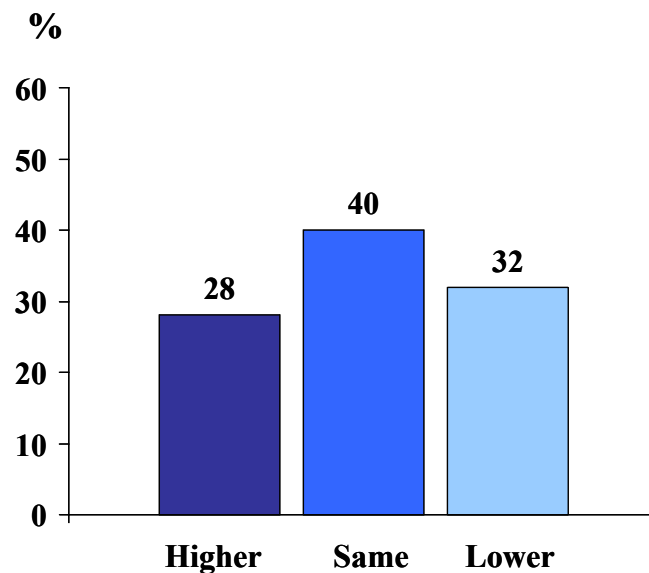
## CURRENT BARRIERS TO GREATER EXPORTS

As with obstacles, the main barrier to greater exports is the general economy which is affecting the finance and sales. Other barriers include finding good suppliers / networks, and the investment required in both time and building expertise.

Financial Climate / Worldwide downturn	12%
Lack of Finance / Cashflow available	8%
Finding good suppliers / networks	8%
General costs (esp. freight and marketing)	7%
Time / Knowledge required to enter new markets	7%
Exchange rate fluctuations	7%
Lack of orders / sales	6%
Legislation / Red tape	5%
Territory restrictions	5%
Competition	3%
Language barrier	2%
None	11%

## QUALITY OF EARNINGS COMPARED WITH 6 MONTHS AGO

Quality of earnings has increased compared with six months ago, with more respondents reporting it was higher than fewer. This rating had uplifted slightly in Spring 2009 from the decline this time a year ago, and has now climbed higher again.



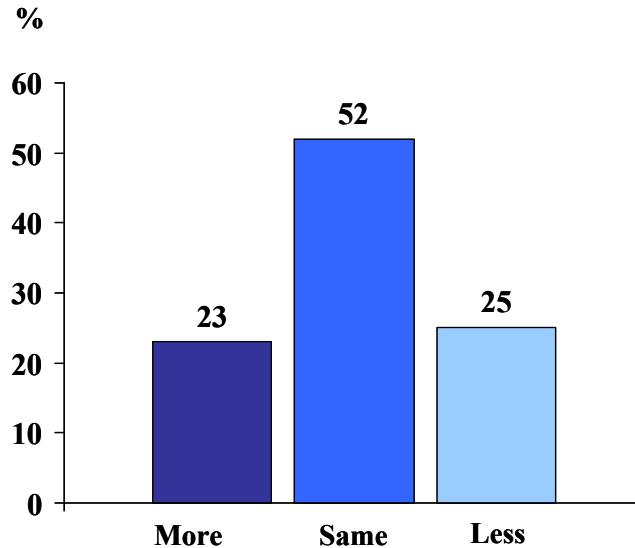
*Previous surveys:*

*Spring 2009: 18% higher, 40% same, 42% lower*

*Autumn 2008: 12% higher, 38% same, 50% lower*

## LEVEL OF INVESTMENTS COMPARED WITH THIS PERIOD LAST YEAR

Rating of investments has improved from the last survey when this measure had decreased from Autumn 2008. Now, three quarters of respondents are investing more or at the same levels as this time a year ago.



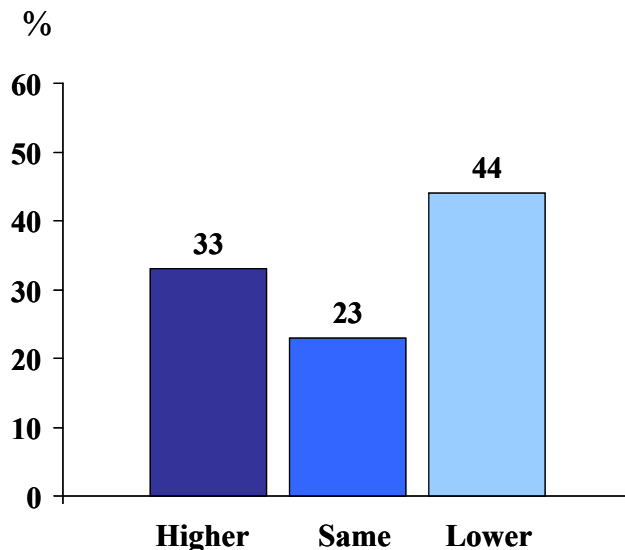
*Previous surveys:*

*Spring 2009: 21% more, 40% same, 39% less*

*Autumn 2008: 28% more, 44% same, 28% less*

## BUSINESS TURNOVER COMPARED WITH THIS PERIOD LAST YEAR

Reflecting the effect of the economic downturn, turnover of businesses is still lower for 44% though overall this is slightly more positive than that reported in Spring 2009.



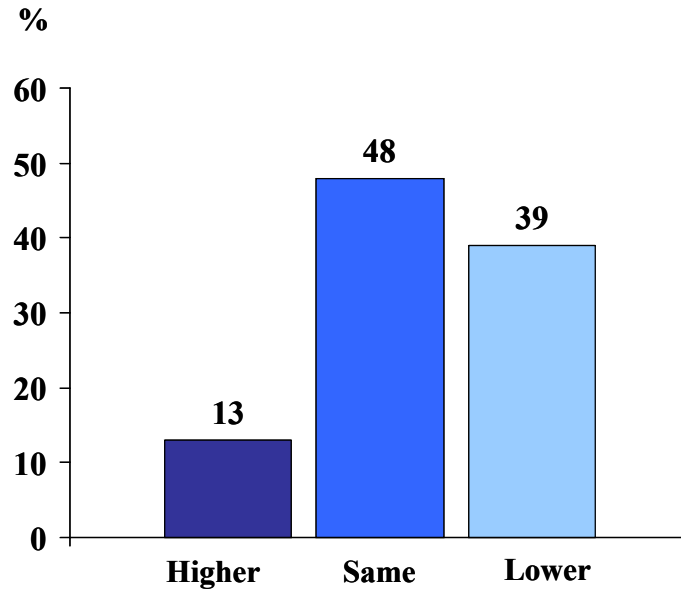
*Previous surveys:*

*Spring 2009: 27% higher, 23% same, 50% lower*

*Autumn 2008: 30% higher, 29% same, 41% lower*

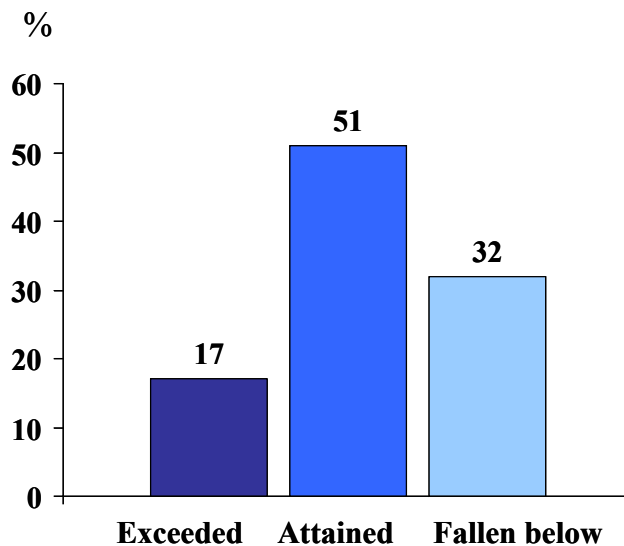
## STOCK LEVELS COMPARED WITH THIS PERIOD LAST YEAR

Asked for the first time in this survey, stock levels were measured compared to this time a year ago, when relevant. Again, reflecting the effect of the economic climate, stock levels are lower for 39% compared to this time last year.



## COMPARISON OF BUSINESS RESULTS WITH PROFIT FORECAST

For 68%, profit forecasts have been attained or exceeded and not fallen below. A similar level have exceeded their forecasts as reported in Spring 2009, however more are likely now to have attained their forecast with less falling below compared to six months ago.



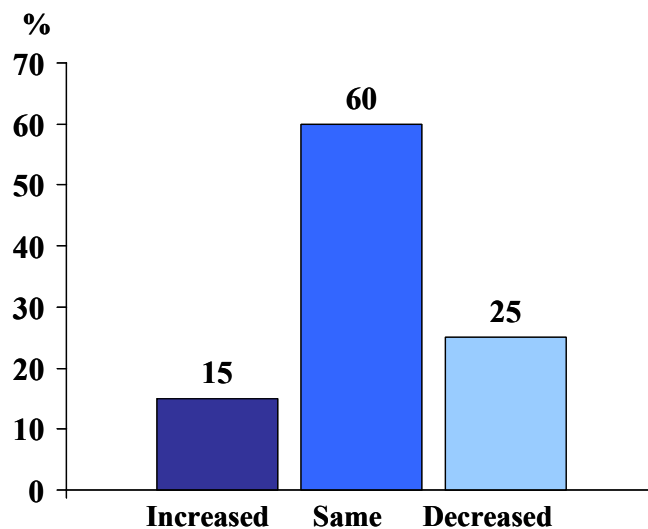
*Previous surveys:*

*Spring 2009: 16% exceeded, 41% attained, 43% fallen below*

*Autumn 2008: 9% exceeded, 39% attained, 52% fallen below*

## WORKFORCE CHANGES OVER LAST SIX MONTHS

Workforce levels are more stable now 60% of respondents report employment has stayed the same and 15% increased. The 25% who have decreased their workforce since Spring 2009 is more positive than reported in the last two surveys.



*Previous surveys:*

*Spring 2009: 17% increased, 48% same, 35% decreased*

*Autumn 2008: 10% increased, 54% same, 36% decreased*

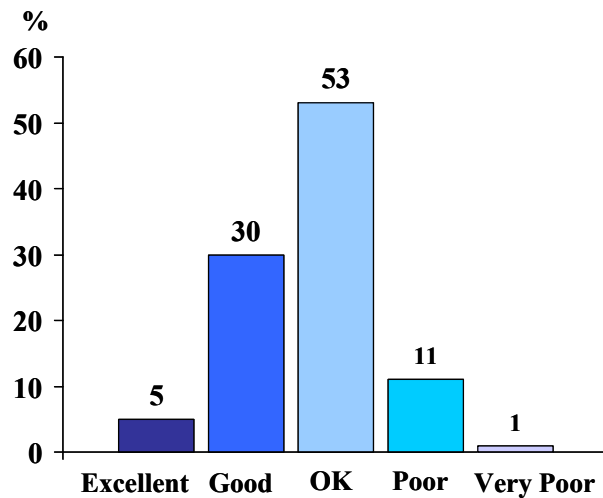
## CURRENT VACANCIES

12% of respondents state their company is currently have difficulties filling company vacancies compared to 8% in Spring 2009 and 10% in Autumn '08. The vacancies found most difficult to fill are engineers/crafts followed by a range of job titles including, sales, admin, project managers and marketing roles.

## RATING OF FUTURE PROSPECTS OVER THE NEXT 6 MONTHS

Encouragingly, there are signs of increasing confidence in the future given perceptions for the next 6 months have further improved from the glimmers of improvement reported in Spring 2009. Now, only 12% are perceiving the future as poor / very poor compared to 23% in Spring 2009 and 38% in Autumn 2008 which is a noticeable change in people's views.

## Rating of Business Prospects Over The Next 6 Months



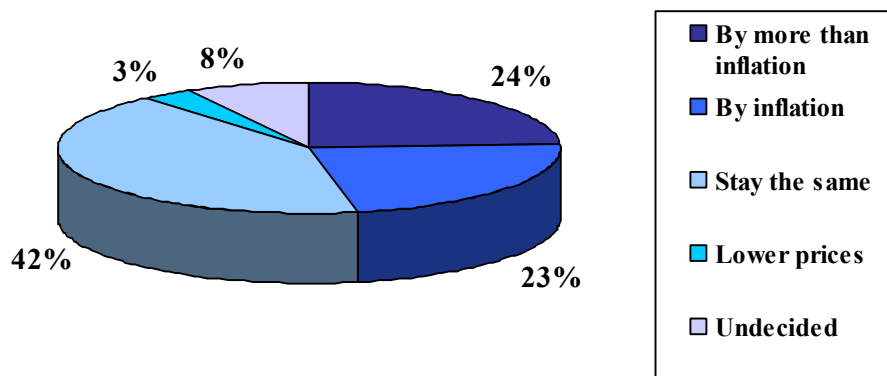
*Previous surveys:*

*Spring 2009:* 4% Excellent, 24% Good, 49% OK, 21% Poor, 2% Very poor

*Autumn 2008:* 2% Excellent, 14% Good, 46% OK, 30% poor, 8% very poor

### EXPECTATION TO RAISE PRICES OVER THE NEXT 6 MONTHS

Pricing strategy has returned to levels reported this time a year ago as there has been a significant increase in the expectation to raise prices from six months ago with 47% now expecting to do so compared to 24 (53% in Autumn 2008). Of those expecting to raise prices, the number reporting they will raise them by inflation or more than inflation is also similar to Autumn 2008.



*Previous surveys:*

*Spring 2009:* 14% more than inflation, 10% by inflation, 59% stay the same, 4% lower prices, 13% Undecided

*Autumn 2008:* 28% more than inflation, 25% by inflation, 35% stay the same, 3% lower prices, 9% Undecided



## MAJOR INDUSTRY CONCERNS

While there is an increase in the ratings for the majority of economic measures and confidence is more positive for the future, the challenge of the recession is still evident which is reflected in the answers provided below.

Lack of demand / orders	16%
Increased costs (esp. raw materials)	10%
Lack of Finance / Available Credit	9%
Boat Shows (growing in number / costs)	9%
Exchange rate	8%
Government support / red tape	8%
British Waterways	6%
General market / economy	5%
Higher taxes	4%
End of red diesel derogation	4%
Lack of (skilled/affordable) labour	4%
None	14%

This survey is conducted twice a year in order to monitor leisure marine industry performance. The next survey will be conducted by BMF in May 2010.