

Mixed messages



THE ECONOMIC PICTURE FOR 2016 IS A CONFUSING AND CONFLICTING ONE, WITH VARYING PREDICTIONS AND FORECASTS FOR THE MONTHS AHEAD. BITA SECRETARY GENERAL **JAMES CLARK** TAKES A LOOK AT WHAT THE COMING YEAR MAY HAVE TO OFFER.

From a materials handling perspective, does it really matter if the materials being handled and transported are UK manufactured or not?



While the overall outlook for the UK economy remains broadly positive, there are rumblings further afield, as well as some closer to home, which have begun to create some disquiet.

China continues to cause concern around its growth slowdown and volatile stock market movements – but it's worth bearing in mind that even the revised lower growth figures for their economy would be the envy of the mature economies of Western Europe – including our own.

The continuing fall in commodity prices, which are often linked to the slowdown in China, is also creating problems. But with the fall in oil prices resulting in diesel and petrol at a pound a litre, this is lowering operating costs for UK businesses – as well as individuals – providing a boost in profitability and spending power, creating economic growth.

So even with these issues, there is a double-edged sword of negative, deflationary impact, versus increased spending power, profitability and growth.

STRONGER MANUFACTURING BASE

Looking specifically at the UK, something which was much mooted a couple

of years back, the rebalancing of the economy to move away from debt-fuelled consumer spending based growth towards a stronger manufacturing base, still looks to be a long way from realisation.

Figures released by the World Bank in November 2015 showed the halving of manufacturing in the last 20 years to constitute just 9.4% of UK output, the lowest level on record.

Just two decades ago, manufacturing's share of UK GDP was 22%, comparing favourably alongside Germany's 23%. But whereas our manufacturing is now at 9.4% of UK output, Germany's is virtually unchanged.

Despite everyone seeming to agree that we need a more balanced economy we have lost around half of the UK's manufacturing capacity in a generation. It is difficult to see how this can be viewed as anything but a long-term trend, not a blip. The question is, what can be done about it?

From a materials handling perspective, does it really matter if the materials being handled and transported are UK manufactured or not? The warehouses in which forklift trucks play such a major role are full of goods being sent to the four corners of the UK as online shopping continues to boom.

The economic report on the fork lift truck market produced for BITA members by Oxford Economics, has pointed to the growing UK distribution sector as providing the foundation for growth. Counterbalance truck sales are more dependent on manufacturing however, but as the improving economy drives new orders and confidence expands in manufacturing, the picture looks encouraging.

So, a very mixed bag indeed! Global concerns creating uncertainty but also, in the case of falling commodity and oil prices, bringing cost savings and improved profitability. There is also the booming eCommerce sector, leading to warehouse growth, but still a need to prioritise manufacturing.

Victorian philosopher and historian Thomas Carlyle famously referred to economics as 'the dismal science'. It does seem that you can get as many different opinions as there are economists, but taking the positives already outlined, and the planned infrastructure and house building programmes in the pipeline, 2016 has the potential to be a good year for UK plc. ■

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DIESEL AND PETROL DOWN TO £1 PER LITRE, WITH OIL PRICES FORECAST TO REMAIN LOW OR FALL FURTHER

REBALANCING OF THE UK ECONOMY REMAINS WORK IN PROGRESS

ONLINE SHOPPING CONTINUES TO BOOM, WITH POSITIVE IMPACT FOR WAREHOUSE FORKLIFT SALES

GROWING ECONOMY SHOULD HELP DRIVE NEW COUNTERBALANCE ORDERS