The voice of steel distribution

News Update

Issue No. 240

NASS Events

NASS Seminar: Credit Issues within the Marketplace
Wednesday, 14th May, 2014

Details of this year's NASS Credit Seminar were released last week, and bookings are being taken to attend this annual event, which will be held at the National Metal Forming Centre, West Bromwich.

Improved communication has been a theme during the last couple of years and this Seminar will build upon that theme, together with Presentations during the morning examining the key issues from both the underwriters' and brokers' perspectives, advice on how to achieve a successful claim and concluding with a session highlighting the increasing number of fraud cases being experienced within the sector.

Don't miss your chance to participate – full details are available by clicking this link:
http://nass.org.uk/Events/event.asp?eid=3345

***** Book Now - only four places remaining *****

NASS Golf Day – Breadsall Priory, Nr. Derby
Thursday, 5th June, 2014

Seventy six golfers have already booked to take part in the NASS 2014 Golf Day at Breadsall Priory on 5th June, when participants will take part in two separate, Four Ball Team Stableford Competitions over 9 holes during the morning. Following lunch, golfers will then compete in an individual Stableford Competition over 18 holes.

Trophies for all the day's Competitions will be awarded during a three course Private Dinner that we will hold at the hotel that evening. ***For further details, or to book the remaining places, please contact Karen Black at NASS or click here to access a Booking Form,*** http://nass.org.uk/Events/event.asp?eid=3077

NASS Race Day – Stratford upon Avon Races and Welcombe Hotel Thursday, 31st July, 2013

Details of this year's NASS Race Day have been released today. **Places are strictly limited**, so book early to ensure your participation in this full day's event, with overnight accommodation at The Welcombe Hotel, Stratford-upon- Avon. An outline Itinerary for the day is as follows:

- Reception and Light Buffet Lunch at The Welcombe Hotel (at 12 Noon)
- Coach transport to the Racecourse
- Entry to the racecourse with a Club ticket, providing access to all areas for an afternoon's Racing
- Coach transport back to The Welcombe
- 8.00 p.m. - Three Course Dinner, in Private Room
- Overnight at The Welcombe Hotel (inclusive of breakfast)

We have negotiated an exceptional package rate cost for this event, and so expect places to disappear quickly. ***Full details accompany this News Update, or click on the link to download your Booking Form:*** http://nass.org.uk/Events/event.asp?eid=3347

NASS Members

Barrett Steel accredited with a trio of landmark awards

Three sites in the [Barrett Steel Group] have been accredited with three landmark awards. Part of company-wide CE marking, environmental and quality initiatives, York based Barrett Precision Tubes, Newark Steel and Preston-based Advanced Steel Services have been awarded a Factory Production Certificate (CE Marking), ISO14001 and ISO9001. The Barrett Steel Group is working towards repeating these successes across its 42 companies operating from 28 UK locations.

"The trio of awards represents a milestone for the company," explains James Barrett, Group Managing Director. "They are so significant that we are working towards CE marking, environmental and quality management across the entire Barrett Group."

The CE Marking award relates to the Construction Products Directive. Barrett Steel companies proved to the SCCS (Steel Construction Certificate Scheme Ltd) that structural steel is processed in accordance with BS EN 1090-1 and were issued with the EC Certificate of Factory Production Control (FPC). This proves that systems and procedures are sufficiently stringent to deliver the required levels of workmanship and traceability of processed steel to CE accredited manufacturer.

The environmental standard ISO 14001:2004 accreditation is an integral part of a company-wide campaign to reduce its carbon footprint, as Mel Bray, Director of Integrated Management Systems, explains: "The ISO 14001 system provides a framework for an effective environmental management system, whilst helping the business to grow.

"The award is part of an Environmental Improvement Strategy, which will see our national and international operations accredited by the end of 2015. The strategy includes a targeted reduction in energy and resource demands, along with a waste management programme to ensure we minimise waste output, increase recycling levels and target for a zero-to-landfill business."

An example of one of the initiatives includes a solar PV project at the Bradford head office, which covers 1240m² of roof space. 728 solar panels will provide the site with clean electricity for decades, saving approximately 80,000 kg of CO_2 annually and resulting in the excess generation of electricity being fed back into the national grid. The company is also installing solar panels across its UK sites.

Barrett Steel, which has recently created a new Energy Products Division to service the global energy markets, has reported an increase in profits as sales rise.

More information is available from Chris Lamb at Barrett Steel, tel: +44 (0)1274 682281, email: chris.lamb@barrettsteel.com, www.barrettsteel.com

KASTO goes from strength to strength

Manufacture of multi-level warehouses for storing and retrieving bar, tube, sheet and other material automatically, and production of the world's most extensive range of sawing machines for cutting the material accurately, are the two specialisms of the German firm, KASTO.

Its UK subsidiary in Milton Keynes, which has been supplying these products to the manufacturing and stockholding sectors for more than a decade, reports buoyant sales on both sides of its business in the last six months. Managing director, Ernst Wagner, has analysed the company's sales and makes some interesting comments on the choices British industry is making regarding where goods are manufactured. He said, "I have seen a marked change in sentiment since 2003, when I joined KASTO. Back then, offshoring of production was in vogue to save costs and improve margins. In some cases this was successful and has been sustained, particularly for less complex work.

"Gradually, however, reshoring of manufacturing has taken place as wages in the Far East and Eastern Europe have risen and eroded the cost benefit. Difficulties with communication, logistics and quality are accelerating the return of work to the UK. So also is the disparity between on the one hand the need to place large orders for bulk delivery when sourcing from overseas suppliers, and on the other hand the fact that customers are looking for ever smaller batch sizes and JIT delivery to reduce inventory costs and space.

"These factors leave British manufacturing in a better place than it has been for some time. More production is coming back to these shores to join the work that never left, notably manufacture involving difficult materials as well as safety-and security-critical components. The aerospace, defence, traditional and renewable energy sectors, motorsport and the high quality end of steel and alloy stockholding have all tended to keep their supply chains local."

Against this backdrop, Mr Wagner considers how KASTO's sales in the UK have developed and believes they mirror the trends he has noticed across industry generally. He has seen a significant increase of late in sales of the company's rigid, vibration-managed KASTOtec carbide tooling-designed bandsawing machines, which are capable of raising productivity and competitiveness by a factor of three or four using tungsten carbide tipped rather than bimetal blades. Recent machine deliveries have taken the total of these top-end saws installed in the UK to 93.

As regards warehousing of material, KASTO's maxims are 3D and CNC. Three-dimensional, high density storage of bar, tube and other long stock as well as sheet, boxes and pallets takes material off the floor and out of conventional racking, saving space, minimising risk to personnel and reducing the chance of damaging the material. Such towers can be interfaced directly with machine tools.

Computer control of the storage means that material can be called up more quickly and reliably, maximising productivity. Inventory control is also more efficient using built-in functionality in the KASTO controller and easy connectivity with MRP systems.

In the area of automated storage, KASTO has seen a positive upward trend over the past decade towards adoption of the technology in the UK, albeit from a low base. Importantly, the uptake is accelerating. There have been several large installations within the last three years and new business is looking healthy.

In November last year, Wolseley UK, a leading distributor of heating and plumbing products in the UK, placed an order for a 3,300-location KASTOunicompact computer-controlled, automated warehouse. Then a special steels stockholder in the Midlands placed a large order via a letter of intent for an automated warehousing system. These will be two of the largest single storage installations that KASTO has ever supplied in the UK and will increase turnover substantially. Another customer has already invested in four separate KASTOunicompact systems each with 2,000 storage locations.

Mr Wagner continued, "Our industrial sector is way behind Europe and the rest of the developed world in the number of operational computer controlled storage systems. Of the 1,450 that our group has installed, just six are in the UK plus around 20 smaller KASTO storage systems. However, UK industry is starting to realise that its manufacturing sector can compete on the world stage if it invests in the right infrastructure and plant. Management needs the vision, courage and commitment to embrace high technology and move their businesses forward to operate competitively in the global marketplace. There is every reason to think that they can – and not only in the very high technology areas in which this country is already successful.

"We are clearly moving fully out of recession now, even if it is still unbalanced and patchy. So now is a good time to review investment strategies and start expanding the manufacturing base in the UK. Government and funding institutions need to play their part too."

More information is available from Ernst Wagner at KASTO Ltd., tel: +44 (0)1908 571590, email: sales@kasto.uk.com www.kasto.uk.com

Download latest Key Employment Rates Sheet

BusinessHR have updated their summaries of the most common statutory employment rates which we hope you may find useful to print off and keep handy. (The A5 version is a shortened one).

The changes are due to the increases in the following rates:

- **Statutory sick pay, maternity, adoption and paternity pay** - increase as from 6 April 2014
- **Unfair dismissal compensation, statutory redundancy pay and guarantee pay** - also increase as from 6 April 2014
- **Company car HMRC advisory rates** - for mileage in company vehicles. Note - these changes took effect on 1 March 2014.

Just click on the pictures to download a copy of either the A4, or less detailed A5, version

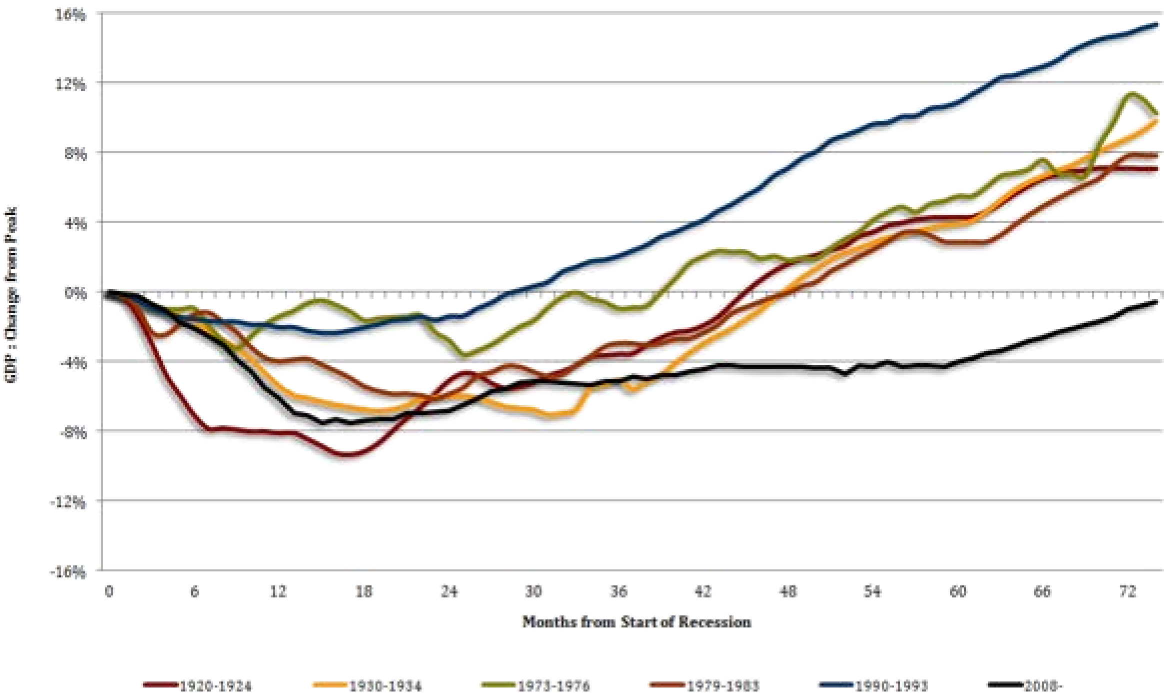
News and Information

NIESR April 2014 GDP Estimate

The National Institute of Economic & Social Research's (NIESR's) monthly estimates of GDP, published this week, suggest that output grew by 0.9% in the three months ending in March after growth of 0.9% in the three months ending in February 2014. This robust growth was relatively broad based. Even though the level of economic output has almost regained its pre-recession peak (January 2008), a sizeable negative output gap remains. With economic recovery still in its infancy, we do not expect the MPC to change monetary policy, via an increase in interest rates, until the middle of 2015.

Note: NIESR's latest quarterly forecast (published 7th February 2014) projects GDP growth of 2.5% per annum in 2014 and 2.1% in 2015.

Figure 1. The profile of recession and recovery



Growth slows from record levels but remains strong

Economic growth slowed in March to an eight-month low after hitting record levels in February, according to the latest **CBI Growth Indicator**.

Despite slowing down, growth remains strong and well above average, as the recovery in the UK economy continues to bed down. All sectors contributed to the slowdown in output growth, although the majority was accounted for by the consumer services, business and professional services and retail sectors.

The outlook for the next quarter is bright however, with growth expected to accelerate again, driven by strength in the service sector.

The survey of 622 respondents across manufacturing, retail and services registered robust growth in output volumes, with a balance of +19%, down from a record +32% in February. Firms are optimistic about the outlook for output growth over the next quarter with the expectations balance at +36%.

Anna Leach, CBI Head of Economic Analysis, said: “Although growth has slowed from record levels last month, it remains strong and firms are optimistic it will pick up again in the next quarter. As this year progresses, we expect further increases in business and consumer confidence. Productivity and earnings should also start to recover. However, global developments continue to pose a risk to UK growth, not least the risk of renewed problems in the Eurozone. And although our direct trade and financial links with the Ukraine and Russia are relatively small the crisis could have potential implications for global commodity prices, which may impact inflation in the UK.”

BCC: Strong manufacturing figures confirm economy is gathering pace

- ***Manufacturing output for February 2014: up 1.0% on the month; up 3.8% on the year***
- ***Total industrial production: up 0.9% on the month, up 2.7% on the year***

Commenting on the manufacturing and production figures for February 2014, published this week by the ONS, David Kern, Chief Economist at the British Chambers of Commerce (BCC) said: "These figures support the positive messages conveyed by our new Quarterly Economic Survey, which show six manufacturing balances at all time highs. While the share of manufacturing in the UK economy remains relatively modest, it is hugely important to our economic recovery, so it is pleasing that the sector is growing faster than total GDP.

"To build on these figures, it is important to reinforce efforts to broaden the recovery towards investment and exports. The Bank of England must strive to maintain an environment that boosts investment, with clarity on interest rates and action to keep inflation low. At the same time, the government must continue its efforts to boost access to finance for growing firms."

BCC Quarterly Economic Survey

- ***BCC's Quarterly Economic Survey is the first major economic survey of the quarter, and is closely watched by the Bank of England and the Treasury***
- ***Published during Export Week, the survey shows that exports in the services sector (sales and orders) rose to an all-time high***
- ***Positive Q1 survey suggests that growth will remain strong in the short-term***
- ***Six Q1 key manufacturing balances are at all time highs***

The British Chambers of Commerce's (BCC) Q1 Quarterly Economic Survey published on Tuesday provides further evidence that the UK economy is continuing to grow. Published during Export Week, the results show that both export orders and sales in services are at new all time highs, and many key manufacturing balances are also at record levels, showing that growth is strengthening in the short-term.

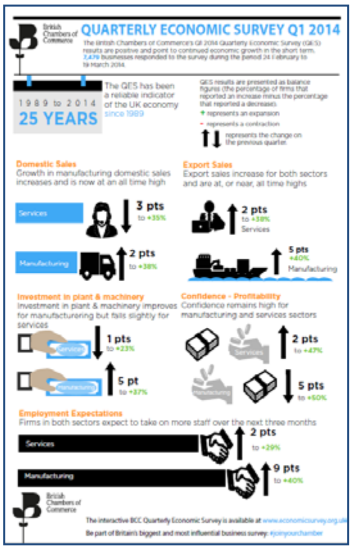

Summary
1st Quarter 2014

However, the BCC believes that the recovery must become more balanced in the months ahead as it is still too reliant on consumer spending. Access to finance remains a critical issue for businesses as they look to expand and meet growing order books, and rectifying this is vital if we are to transform our economy from being merely good, to being truly great.

Key findings in the Q1 2014 Quarterly Economic Survey:

- For both manufacturing and services, all the major Q1 balances are stronger than their long-term averages, and most are higher than their 2007 pre-recession levels.
- Both export balances in the services sector rose in Q1, surpassing their Q4 all-time highs: export sales (+38%) and export orders (+39%).
- Six key manufacturing balances are at all-time highs. This continues a trend seen over the last three quarters where an initial spurt in manufacturing has developed into consistent growth: domestic sales (+38%), domestic orders (+42%), employment expectations (+40%), investment in plant and machinery (+37%), investment in training (+33%), and turnover confidence (+67%).
- Almost all the key balances in the services sector remain above their 2007 pre-recession levels.
- But some concerns still exist. There was a significant drop in the employment balance in the services sector (down 13 to +16%).
- While recent falls in inflation have dampened the concerns of firms, it remains the biggest concern for both manufacturers and service-based companies.

For any queries contact NASS on 0121 200 2288 **or fax**: 0121 236 7444
or email: karen@nass.org.uk. Visit our **website**: www.nass.org.uk



Commenting on the results, John Longworth, Director General of the BCC said: “It is great to see another positive story as we enter the 25th year of our survey. Confidence is high and our members are determined to continue driving the recovery. We are brilliant at services and very successful at exporting our knowledge-based industries all over the world. This includes everything from accountancy and marketing through to literature and the IT sector. In addition, our dynamic, high-value manufacturing sector is once again confounding expectations, and going from strength to strength. But UK firms are ambitious, and more support is needed if we are to place the recovery on a sustainable, broader footing in the medium-term.

“We have witnessed many false dawns during the recovery, and external shocks still loom on the horizon. Given that over the next year or so we face political change at home and abroad, long-term policies that support our businesses as they look to grow and invest are crucial. Access to finance and export support also remain vital if we are to secure a truly great economic recovery. Only by repairing our broken business finance system will viable, growing firms gain access to the capital that will allow them to invest in their staff and machinery, and enter new markets. And despite recent falls, inflation remains a key concern for our businesses, and the Bank of England must strive to maintain an investment-friendly environment, with clarity on forward interest rates and action to keep inflation low.”

David Kern, Chief Economist at the BCC said: “The results of our survey suggest that growth is strengthening in the short-term, and support our recent forecasts that the economic recovery is moving at a solid pace. But challenges persist and despite this progress, the recovery is not yet secure.

“UK growth is still reliant on consumer spending, driven by a resurgent housing market and a declining savings ratio. Given that UK personal debt levels are too high and need to fall, it will be hard to maintain growth levels in the medium-term without significant structural changes to our economy. Our current account deficit is the largest in the G7 and will pose long-term risks unless it is tackled. Investment and exports must play a larger contribution to our economic future, or else there is a risk that our recovery could stall.

“Businesses need a stable environment to plan ahead and invest. So while this period of low inflation and low interest rates cannot last forever, every effort must be made to sustain it for as long as possible.”

Manufacturing remains robust -CBI Survey

Activity in the UK manufacturing sector remained robust in March and overall demand continued to rise, with total orders improving. However, output growth and export orders eased on last month, according to the **latest CBI Industrial Trends Survey**.

The survey of 368 manufacturers found that total order books improved slightly again in the three months to March. This strength was broad based, with above-average results in 14 out of 17 sectors. Export orders fell back, but remained above average in 11 out of 17 sectors.

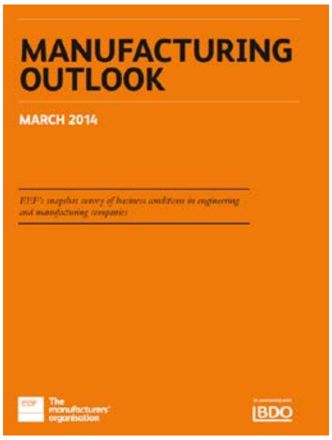
Output growth also slipped to a five-month low, but still remained firmly above average. Growth is expected to edge up over the next three months, albeit at a slower pace than predicted in January and February.

Anna Leach, CBI Head of Economic Analysis, said: “The picture in the manufacturing sector remains positive. Overall, demand continues to rise and output growth is robust. Growth in exports is crucial to rebalancing the economy and ensuring a sustainable recovery. Over the last few surveys, manufacturing export orders have underperformed relative to overall orders as the UK’s domestic recovery has caught hold more quickly than some of our key trading partners – most particularly, the Eurozone. Measures announced in the budget should help businesses to break into new, faster growing markets and underpin an improvement in the UK's export performance."

Key Findings:

- 29% of firms reported that total order books were above normal and 23% said they were below normal, giving a balance of +6%, an improvement on February (+3%) and well above the long-run average (-17%)
- 18% of firms said their export order books were above normal and 27% said they were below normal, giving a rounded balance of -10%
- 36% of firms said the volume of output over the last three months was up and 21% said it was down, giving a balance of +15%, well above average (+2%), but the lowest balance since October (+8%) and down on last month's result (+24%)
- Firms expect output to grow in the coming quarter with 37% predicting growth over the next 3 months and 18% a decline, giving an overall balance of +19%
- Output price expectations moderated (+12%) compared with February (+17%)
- 21% of firms said their present stocks of finished goods were more than adequate and 7% of firms said they were less than adequate, giving a balance of +14%, the highest balance for seven months.

Latest EEF/BDO Manufacturing Outlook



The partnership between EEF and BDO continues to grow from strength to strength and their flagship quarterly publication, the Manufacturing Outlook, is testament to their commitment to the industry, bringing up-to-the-minute sector analysis and forecasting. The latest outlook survey shows that Britain's manufacturers are enjoying increasingly strong growth, thanks to a combination of strong UK sales and a boost in overseas trade. What's more, indicators on employment and investment intentions are at the highest level in the history of the survey.

http://www.nass.org.uk/Publications/Publication3402/Manufacturing-Outlook-March-2014.pdf

Economic News in Brief

Latest Data from the Office for National Statistics:

UK Trade:

- UK Trade shows the extent of import and export activity and is a key contributor to the overall economic growth in the UK.
- Seasonally adjusted, the UK's deficit on trade in goods and services was estimated to have been £2.1 billion in February 2014, compared with a deficit of £2.2 billion in January 2014.
- There was a deficit of £9.1 billion on goods, partly offset by an estimated surplus of £7.0 billion on services.
- Due to the impact of erratic commodities on recent monthly trade statistics, it is recommended that users also focus on three month on three month movements. The total trade deficit has almost halved in the three months to February 2014 compared with the previous three months, from £8.7 billion to £4.8 billion, mainly due to a narrowing of the trade in goods deficit.
- In the three months ending February 2014, exports of goods decreased by 2.5% to £72.7 billion, reflecting falls across a range of commodities. Imports of goods decreased by 4.7% to £99.0 billion in the three months to February 2014, reflecting falls in semi-manufactures and oil.

Index of Production:

- Production output increased by 2.7% between February 2013 and February 2014. This reflects increases of 3.8% in manufacturing; 8.5% in water supply, sewerage & waste management and 0.2% in mining & quarrying.
- The only decrease was in electricity, gas, steam & air conditioning output, which decreased by 8.8% between February 2013 and February 2014. This was attributed to the average temperature in February 2014 being warmer than February 2013.
- The main manufacturing components contributing to the increase between February 2013 and February 2014 were the manufacture of rubber & plastic products & other non-metallic mineral products; the manufacture of transport equipment and the manufacture of machinery & equipment not elsewhere classified.
- Total production increased by 0.9% between January 2014 and February 2014. There were upward contributions from three of the main sectors, with manufacturing being the largest contributor increasing by 1.0%, its third consecutive monthly rise.
- The main components contributing to the increase in manufacturing between January 2014 and February 2014 were the manufacture of basic pharmaceutical products & pharmaceutical preparations; the manufacture of transport equipment and the manufacture of food products, beverages & tobacco.

  In this release the earliest period open for revision was January 2014. There is no impact on previously published GDP estimates from revisions reported in this release.

Inflation:

- The rate of inflation faced by households fell to 1.7% in the year to February 2014. The Consumer Prices Index (CPI) – the headline measure of inflation – grew by 1.7% in the year ending February 2014, down from 1.9% in January. Putting the CPI figure into context, a basket of shopping that cost £100.00 in February 2013 would have cost £101.70 in February 2014.
- CPIH, the measure which includes owner occupiers' housing costs, grew by 1.6%, down from 1.8% in January. RPIJ, the improved variant of the Retail Prices Index (RPI) calculated using formulae that meet international standards, grew by 2.0%, down from 2.1%.
- The slowdown in inflation came primarily from the price movements of motor fuels. Petrol prices fell by 0.8 pence per litre between January and February this year compared with a rise of 4.0 pence per litre between the same two months a year ago. Similarly diesel prices fell by 0.8 pence per litre this year compared with a rise of 3.7 pence per litre a year ago.

Other Statistics in Brief:

Business Confidence: Finance chiefs at Britain's biggest companies are at their most bullish for six and a half years, raising hopes that the country is on the threshold of a dramatic take-off in business investment.

Corporate Investment: Small and medium-sized businesses will create more than 660,000 in the next 12 months and invest around £58.6million in machinery and equipment, according to a report by GE Capital. The figure is the equivalent to £58,200 per SME, up from about £52,000 in the previous 12 months.

Help to Buy: Research shows that the government housing scheme is subsidising half of all new home purchases in some areas. Countrywide, Britain's largest listed estate agent said that, overall, one in five new homes built since April had been sold through the Hep to Buy equity loan scheme.

House Lending: Mortgage approvals dropped to a four month low in February as wet weather dampened the housing market.

Mortgages: Northerners, the Scots and Welsh are much more vulnerable to a rise in the interest rate that Southerners because of the type of mortgages they hold, research has suggested.