



After the Economic storm is confidence returning?

There has been much debate regarding the global economic downturn and the fall in demand in the steel construction sector at the end of 2008. Many can relate to these difficult times and want to know; are we at the bottom? Are we still falling? When will it

turn? In May 2009, West Bromwich based cold roll-formed steel specialist Albion Sections conducted an online market research, providing an insight into industry confidence levels, margins, key purchase factors, market conditions, steel prices and enquiry levels.

Low confidence levels have clearly been apparent over the previous six months. This has been one of many factors which have maintained the feeling that it will be a gloomy second quarter for 2009. When respondents from Albion Section's online survey were asked when they believe confidence levels shall begin to increase, it was encouraging that 19% are already seeing signs. A positive indication since it is a large contributor to the success of any developed economy. Although the majority 53% feel it will be a 6-12 month period before confidence levels return.

The lack of confidence is reflected in the lack of cash flow, overcapacity of supply and little volume of jobs currently available. This has led to profit margins being eroded as the response to Albion's survey suggests. A predominant 91% of businesses are heavily reducing margins to compete. Wide spread across the sector, companies are producing less for smaller margins. This is a major concern and certainly only the fittest may survive, but they will have to battle for a while yet as the survey revealed that 73% believe it shall take 18 months – 2 years before market conditions return to how they were in 2007.

The survey results reveal that companies are changing strategy to remain competitive. For companies who once relied on quality, value and service, price is now the main criteria. Almost 80% feel that price is their customer's highest priority when placing orders or awarding contracts and for 63% of firms, it is their own priority when ordering. Not a healthy position, but what do we do as an industry when the panic button has firmly been pressed? Once one starts to cut prices, the ball quickly moves as everyone fights to protect their existing partnerships and attempt to win new ones to replace the lost volume.

The results 18 or even 12 months ago, I'm sure most would agree that price would not have been the main consideration - important but not the biggest driver. Maybe this has more so highlighted the need to become more efficient and offer cost-effective service by removing every inefficient link in the supply chain, this can be a positive change to improve the sector.

Albion Section's Managing Director, John Jones, comments "currently we are competing by price, as the results would suggest, however, we have not forgotten what made the steel construction industry the preferred choice for construction – lead time, quality and reliability. In the aftermath of this recession, there will certainly be people realising what reliability is worth.

A low price is not worthwhile if it is eaten up with inefficiency." While Albion Sections are accommodating to their customers priority - price, there is still a consideration for future strategy and being ready of the economic upturn when it occurs.

There were mixed responses to potential and confirmed order books over the next 6 - 12 months, 48% reported being 'average' or 'good', while 52% reported their order books to be 'low' or 'of major concern'. With regards to enquiry levels, 70% report being 'very good' or 'average'. On the outset this high percentage is encouraging; however, a low proportion of these enquiries are being converted into live projects.

Albion's survey also revealed that 90% believe steel prices shall remain at a low price if not fall further. Some may believe the steel mills are working hard to convince the industry that price will return/increase in the third quarter of 2009. Is this just a ploy to slow the price fall down or do they genuinely feel increases will be applied even with very little demand?

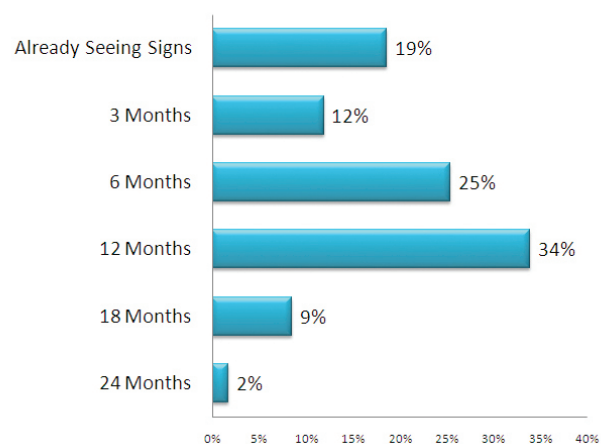
A saying comes to mind 'you're only busy when your friends are busy'. This is particularly true in the current climate; we are all trying to find new friends, but there is no easy solution to finding them. Many have been caught out by the speed of the downturn and the Steel Construction Industry remains in an uncomfortable place. It's sensible to predict that 2009 will still be a recessionary year, however, as Albion's survey has revealed, there are signs that the pace of global economic decline is curbing.

Construction is a main driver behind the country's wealth, it will be up to our industry to assist the recovery by adding value to products and assist pulling the economy back around. This shall be achieved once confidence returns and by operating our businesses as effectively and profitably as possible. Once the fear of further job losses disappears from the minds of our country's work force, confidence will start to return and money flow around the system again.

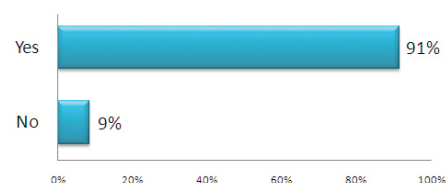
You may find additional details on John Jones Blog at www.albionsections.co.uk and would welcome any feedback and alternative views to the survey results.

Reader Enq. 25

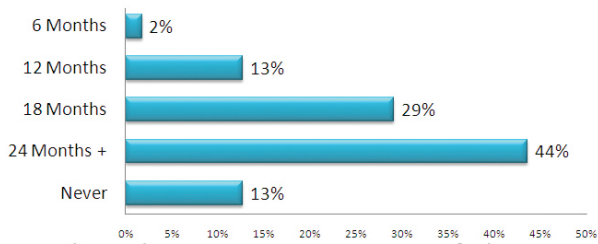
When do you think confidence levels will increase?



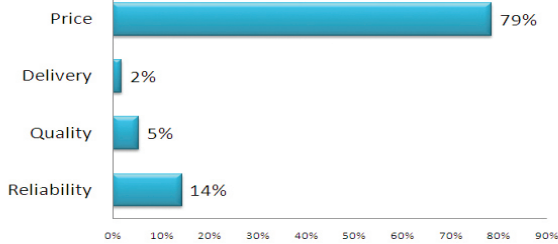
Do you currently have to heavily reduce margins to compete?



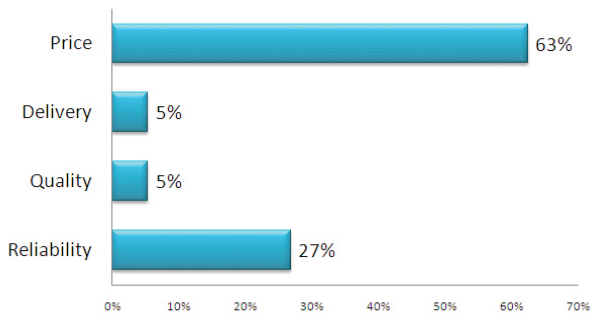
How long do you feel it will take for market conditions to resume to how they were in 2007?



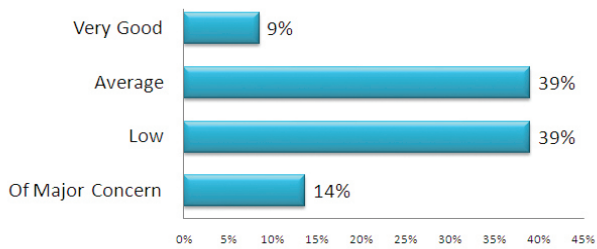
What is the most important aspect you feel your customers consider when placing an order or awarding a contract?



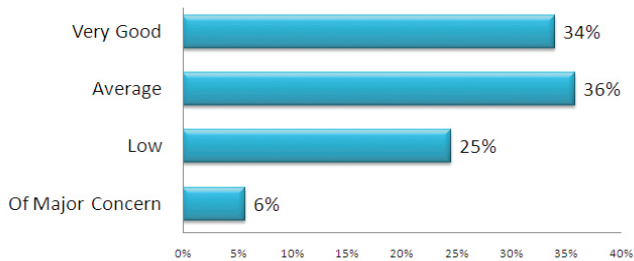
What is the most important aspect considered when you place an order or award a contract?



How is your potential/confirmed order book for the next 6 to 12 months?



How are your enquiry levels?



What do you feel will happen to future steel prices in the next 6 months?

