

# Surprise as 'credit crunch' causes only few casualties

THE building materials sector, including flooring, appears to have cope remarkably well last year despite the tougher borrowing environment and so-called credit crunch, according to a new report on corporate failures in 2007.

Experian reveals that 10 building materials companies went bust in 2007 compared with 40 failures in 2006.

During the last quarter of 2007 one company in this sector shut up shop compared with 10 during the same three-month period in 2006.

Building and construction companies fared worse, however, with 1,732 going to the wall in 2007, compared with 1,689 in 2006.

Figures for the last quarters of 2007 and 2006 were 456 and 416 respectively.

Overall, the majority of industry sectors enjoyed a decent year in 2007 with 8.9% (1,793) fewer failures, compared to 2006.

A total of 4,674 firms went bust in the last quarter, a decline of 20% on the same period in 2006. In fact, Q4 2007 saw the lowest number of

## Building materials sector stands up well

**'Given the widespread debate and speculation on the likely negative impact of the credit crunch on businesses, these figures are somewhat surprising.'**

**'In fact, general concern about the economy could be encouraging increased caution among business managers and owners with regards to cash flow, risk exposure and the customers they choose to deal with.'**

- Tony Pullen, md for Experian's business information division



failures since Q3 2006.

Building and construction (up 2.5%) was one of nine out of 34 sectors which saw an increase in business failures in 2007.

The worst record was in agriculture with a 26.8% rise, largely due to the adverse weather last summer affecting crops, outbreaks of foot-and-mouth and bluetongue disease and administrative problems with EU subsidy payments.

The business services sector had the highest number of

individual failures in 2007 - 3,922 compared with 4,263 in 2006.

Company collapses were notably high in the banking & financial services and property sectors.

In regional terms, 2007 business failures were up in Northern Ireland and Wales, while the East Midlands saw more going bust in the final quarter of the year.

London was the biggest success story with 1,391 fewer firms failing in 2007 and 937 fewer over the last quarter, 30.4% and 53.3% down respectively.

## Business in brief

### Uzin snaps up RZ Chemie

Uzin, supplier of flooring technology and machinery, has taken over the flooring treatment, cleaning and maintenance specialists RZ Chemie and Genial Produkte.

### Kingspan profits are up

Raised access flooring company Kingspan expects a more difficult 2008, despite a 22% jump in its 2007 operating profit to £169m, up from £132m in 2006. Full results for the year ending December 31 will be issued on March 3.

### Screwfix ratchets up sales

Screwfix sales soared by 28.1% to £117m in the 13 weeks to November 3. The company, which had a 2006/2007 turnover of over £300m, opened 12 new trade counters during the quarter, bringing the total to 85 across the UK by December 14.

### Wacker buys partner

Wacker Chemie, of Germany, is to acquire Air Products Polymers and Wacker Polymer Systems, its two joint ventures with Air Products and Chemicals Inc of the US.

### Livesey in administration

Lancashire building contractor Livesey Group has been put in administration after the directors identified imminent cashflow problems and difficulties in securing performance bonds.

### Lord Harris pulls back

Carpetright chief executive Lord Harris has reportedly decided against a £850m deal to takeover the business because the 'credit crunch' had reduced the availability of funding.

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## The party is over, says Construction Products Association survey

THE construction products industry had a relatively good year in 2007, but things are about to change, according to the Construction Products Association (CPA) activity barometer produced in association with Ernst and Young.

The continuing financial turmoil is seen to be casting a lengthening shadow over future prospects. The final quarter of 2007 records a score of 69, the lowest for 2007 as the housing slowdown begins to impact for both light and heavy sides. However this score is still firmly above the 50 'no change' mark, says the CPA.

Dominic McAra, a director in Ernst & Young's building products team says: 'Tougher times appear to be ahead, however.

'We consider that tight supply chain and cash management will be crucial over the next few months in what is likely to be a tougher environment than for the last few years.'

■ The CFA is an associate member of the CPA.

# Industry rocks in 2007, could be rocky in 2008!

Máren Baldauf, economist for the CPA, comments:



**'Although there appears to be plenty of activity across the industry, the prospects looking forward are giving some cause for concern. The sharp downturn in the housing market will constrain sales growth next year'**

