

ContractorCalculator Market Report February 2010

Contractors face an increasingly bullish 2010, with the UK finally emerging from recession in the final quarter of 2009. Levels of optimism and hiring are on the up, particularly in the key contracting sectors of financial services, in the City of London, and in the manufacturing sector. However, the positive noises are contradicted in part by the latest research by Lloyds TSB, which claims that not everyone is sharing the feel-good factor in 2010.

In this month's ContractorCalculator Market Report:

- o Data from the final quarter of 2009 confirms that the UK has finally emerged from the longest recession in its modern history
- o The Monster Employment Index increases for the fourth consecutive month
- o A survey by the BCC confirms output and confidence in manufacturing is increasing
- o The Lloyds TSB Business Barometer suggests that celebration may be premature
- o The financial sector is bouncing back from its slump, according to the Morgan McKinley London Employment Monitor December 2009.

Increase in output lifts the UK out of recession

Contractors in all sectors can celebrate the UK coming out of recession. As according to the [latest figures from the Office of National Statistics](#) (ONS), the UK's output, measured by Gross Domestic Product (GDP), increased by 0.1% in the fourth quarter of 2009. This welcome news marks the end of the UK economy's longest recession in modern history.

The improving fortunes of UK manufacturing contributed to output growth, a note of cheer for beleaguered technical and engineering contractors. But construction showed zero growth, despite output in the previous quarter increasing by 1.9%.

However, it may be premature to throw a 'good-times-are-here-again party, because the encouraging economic news could be subject to revision in the coming months as more economic data is collated. Plus, with a low level of growth of just 0.1%, the recovery is fragile and there is still the possibility of the UK swinging back into the red to suffer a 'double dip' recession.

Online job recruitment remains buoyant

According to the December figures from the [Monster Employment Index](#), online recruitment has shown its fourth consecutive monthly increase. It has increased by 4 points, or 3%, on the previous month's figures, and is down only 15% year on year.

The biggest increase in online positions available has been in manufacturing, maintenance and repair. Engineering has increased by 2 points and IT by 5 points, demonstrating that both sectors have strong growth potential. This is all positive news for engineering and technical contractors.

According to Julian Acquari, Managing Director at Monster UK and Ireland, increasing demand for HR professionals signifies that many organisations are preparing to recruit to take advantage of the economic recovery. He says many of the positions will be short term contracts, making them ideal for contractors and freelancers.

"Despite a still-struggling economy," says Acquari, "UK job prospects are improving as employers slowly begin to emerge from financial crisis-induced recruitment hibernation."

Recession ends, but results 'disappointing' says BCC

The latest [Quarterly Economic Survey 4th Quarter 2009](#) published by the British Chambers of Commerce (BCC) shows improvements, as you would expect with this being the same time period in which the UK emerged from recession. But the report notes that overall the results are disappointing, although manufacturing is singled out for a positive mention.

Confidence in the manufacturing sector rose 2 points to +38%, the highest since the first quarter of 2008. The services sector saw confidence increasing 10 points to +30%, again the best seen since Q1 2008. That has to be yet more good news for engineering and technical contractors, as well as IT and interim management contractors who operate in the manufacturing sector.

According to the report, the services sector is lagging behind manufacturing in the recovery, with negative balances for home sales and orders, employment in service organisations, cashflow and investment in plant and machinery.

Lloyds TSB confidence survey shows fall

One blot on the contracting landscape is the January [Business Barometer](#) published by Lloyds TSB

“ UK job prospects are improving as employers slowly begin to emerge from financial crisis-induced recruitment hibernation ”

Financial Markets Economic Research. The survey shows that business confidence slumped in December, after 'rising strongly in November'.

Julian Acquari, Monster UK and Ireland

In contrast to the BCC's findings, Lloyds TSB reports that, although manufacturers have improved on their position of -47% in December 2008, December 2009's figure of 0% fell a long way short of November's +55%.

Confidence in the south is ahead of the north and midlands, which showed a drop in confidence of -35% and -26% respectively on the previous month's results. Mid-tier firms with sales turnovers of between £16-25m have also experienced a significant drop in confidence of -64%. Smaller firms with turnovers of £1-£5m and larger firms with £25m+ turnovers saw confidence drop by -13%.

The City bounces back as hiring is forecast to soar

There is more good news for IT contractors as the [Morgan McKinley London Employment Monitor](#) for December 2009 reveals that 82.9% of line and HR managers in City firms believe hiring in the financial sector will increase in 2010, and 90% expect business activity to increase.

However, the monitor warns that "it is now more difficult to find good candidates with the right skills and experience than a year ago", with over half of those surveyed agreeing. This has to be good news for those contractors who have continued to update their skills during the recession. Actual recruitment into City posts fell by 48% on November's figures, but this was cited as an expected and normal result of the festive season.

Interim management and IT contractors could find themselves in greater demand as a result of skills shortages, according to Andrew Evans, Managing Director of Morgan McKinley's financial services division. "Our findings also highlight that over half of those surveyed are already finding it difficult to source professionals with the right skill set," he explains. "This is particularly the case for those who are skilled in change and project management, as businesses plan to place greater emphasis on organisational change this year."

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