



## July 2010

Each month brings its particular milestone. The 1<sup>st</sup> of July is the beginning of the second half of the year and already the days are gradually becoming imperceptibly shorter. Since writing our last Newsletter at the beginning of June the Government have presented the emergency or, as some have called it, the summer, budget. Accountancy firms and others have dutifully published their reviews; countless hours of television analysis have been presented. One cannot help, when listening to some of the commentaries concerning the budget, recalling to mind Mark Twain's quip "Are you going to hang him *anyhow* – and try him afterward? We live in interesting and unusual times. Looking at the markets today this is certainly a year where the old adage "Sell in May and go away" might well apply. The FTSE-100 which was brushing 5,500 in June is now at a dismal 4,800 and it does seem a long way to St Crispin's day... And to cap it all England are no longer playing in the World Cup. What a milestone!

Clearly events in the stratosphere of trade and commerce will eventually have an impact on the day-to-day life of more modest operations. The saddening reports concerning the spate of suicides in factories in China seemed, when one initially read them, very far removed from the comfortable surrounds of rural Britain yet the effect of the pecuniary adjustments managers have made as a result of these incidents will eventually flow through to the high streets and the factories at home. Apple may well have sold three million iPads in eighty days will it sell another three million in the next eighty days? Recent reports, for example, have raised fears in some circles that the global recovery is, after all, faltering. Indeed manufacturing output growth in China, hugely dependent on exports, has weakened. Another view is that growth in China is merely moderating. In any event the picture is mixed and other Asian economies are reporting increased levels of confidence. On the other side of the world US companies are reportedly finding difficulties filling posts with skilled workers despite the huge pool of unemployed (some two million laid off since 2007). The reason for this skills shortage is believed to be the increasing use of more sophisticated manufacturing methods and machinery while replacing the lower skilled work-force by exporting certain operations overseas.

British firms we have been speaking to however are generally more optimistic than not; they have, in their own words, "climbed out of the trough". Some have traded very satisfactorily through the recession. Electronics firms that we have spoken to certainly have a rather positive view and even engineering companies that "bash metal" have reported more than satisfactory results. Indeed one continental Private Equity house to which we spoke this month regarding an engineering opportunity in Britain found their results "absolutely remarkable in the current climate" as indeed they are. Insofar as the electronics firms are concerned those which seem to have succeeded best, in our experience, are those which have separated the volume from the highly skilled work.

Meanwhile Bureau van Dijk's Zephyr database reports, for the first half of this year, a markedly reduced level of M&A work with total deals at about the levels reported in the second half of 2004. Activity at this level encompasses the large deals such as the Korea National Oil Corp's recent bid for the UK-listed Dana Petroleum and, who knows, perhaps may soon include a move by Exxon for BP? Faltering levels of M&A at this level do not directly translate to faltering levels at the family business level but certainly can affect that indefinable and elusive element "business confidence".

In difficult times like this prospective vendors should speak with Chesham; we have been around for nearly 50 years and have weathered many difficult moments. Our collective corporate memory provides a reservoir of experience – remember, you only sell your business once.