

Press Release from the Master Cutler

To South Yorkshire Business, 08.01.2010

AT a meeting with bankers and financiers recently, one remarked: “On the right-hand side of the balance sheet nothing is right; on the left-hand side of the balance sheet there is nothing left.”

A gloomy thought indeed but not one which accurately reflects the situation here in South Yorkshire.

True, our manufacturing plants are a long way from full production and many SMEs are under-financed but the breadth and quality of our manufacturing industry is well known both nationally and internationally. What we need to do now is bend a few southern ears – especially when it comes to accessing finance.

Manufacturing capacity has, because of the credit squeeze, been reduced. People have been laid off, working capital reduced to a bare minimum and equipment mothballed. When the upturn comes – as it surely must – if finance is not available, are companies, which have managed to survive by reducing cash requirements, going to be in a position to meet any increase in demand with sufficient speed to fend off foreign rivals?

It is clear that banks are willing to lend to ‘safe bets’ where they have a water-tight guarantee of a return on their investment or security but they are not willing to lend to businesses with potential, in need of a cash injection based on demand and forward order books.

In many ways this is understandable. Because the banks need to build their balance sheets, their appetite for risk has been substantially reduced. One should therefore question whether they are the right medium by which the more risky economy should be kick-started? By riskier I mean start-ups, new innovations and expansion.

If the banks cannot help these with short-term issues, the alternative strategy would be through regional funds, local investor groups and private equity providers rather than through national institutions, which are clearly reluctant to lend – a point The Cutlers’ Company, together with the South Yorkshire Chambers, the Engineering Employers Federation, Yorkshire Forward and others are hammering home at every opportunity.

With the forthcoming launch of Finance Yorkshire yet another ‘big gun’ is added to the regional armoury. The forces are gathering. We have a solid, viable manufacturing base here in South Yorkshire – what we need now is solid access to finance to realise our full potential.

The Master Cutler
James Newman