

Small firms 'hit by rising costs'

Rising fuel and materials costs are hitting confidence among the UK's small manufacturers despite a rise in output, business lobby group the CBI says.

A CBI quarterly survey found output had risen by the fastest rate in seven years but many firms were seeing the benefits offset by increasing expenses. The CBI also found spending on innovation, training and retraining is forecast to go up over the next year. However, firms continue to scale back investment in buildings and machinery.

The CBI said companies are looking to the government to lessen the regulatory load and are hoping interest rates will be kept on hold. "Smaller manufacturers are facing an uphill struggle," said Hugh Morgan Williams, chair of the CBI's SME Council. "The manufacturing sector needs a period of long-term stability in the economy." The CBI found some firms managed to increase prices for the first time in nine years - but many said increases failed to keep up the rise in costs. Of the companies surveyed, 30% saw orders rise and 27% saw them fall. The positive balance of plus 3 compared with minus 10 in the previous survey. When firms were questioned on output volume, the survey returned a balance of plus 8 - the highest rate of increase for seven years - and rose to plus 11 when looking ahead to the next three months.