

## Market Comment

### Flu fear adds to list of global threats

By Andrew McLaughlin, chief economist, The Royal Bank of Scotland Group

THE possibility of a global flu pandemic has been added to an already long list of concerns for the global economy.

It is the world's developing economies that are likely to suffer most acutely if the outbreak becomes truly widespread.

However, it testifies to the more upbeat mood that the news of the outbreak did not derail markets any further.

Housing market data were in broad agreement for a change.

The Nationwide house price index showed a 0.4 per cent drop in April, after a small rise in March, matching the monthly decline from the Land Registry index which measures actual sale prices for England and Wales.

The number of loans approved for house purchase rose again in March, this time by 4 per cent on the month, to reach 39,000 providing further succour to the housing market optimists.

Re-mortgaging approvals also rose slightly for the first time since October.

High street lenders are stepping in to fill the gap left by the withdrawal of foreign lenders.

Bank of England data shows that an additional £3.2bn was made available for mortgage lending during the first quarter of 2009.

This was despite a net withdrawal of £7.8bn of funds by non-resident lenders.

The gap was filled by £11bn of new lending by the main UK high street banks.

Nonetheless, there are few reasons to expect house prices to rebound any time soon.

Prices are still above their long run average relative to earnings, demand is weak, and household debt to income levels remain one of the highest in the world.

The US recession continued to deepen in Q1.

The economy shrank by 6.1 per cent q/q (annualised) in the first three months of the year, much more than the 4.7 per cent expected by analysts.

Consumer spending was stronger than anticipated, rising at a 2.2 per cent annualised clip, a stunning turnaround from the 4 per cent drops seen in Q3 and Q4.

Practically everything else was weaker, with particularly big drops in business investment. Inventories fell rapidly, accounting for almost half the fall in economic output.

Government spending also fell, due to a decline in defence spending.

Stock markets around the world took the numbers in their stride, reasoning that a cut back in inventories would lead to an increase in production in subsequent quarters. We'll have to wait and see.

Investors were also encouraged by signs of life in the US household sector: the Conference Board's consumer confidence index jumped by more than 12 points in April,

recovering to levels last seen in October.

There were fewer reasons for cheer from the auto sector.

The bankruptcy of Chrysler, while a serious blow to US industry, does not mean the end of the road for the company.

Chapter 11 bankruptcy will allow it to restructure more easily and agree new terms with its various stakeholders.

The company could emerge from bankruptcy in a matter of weeks.

GM has until the end of the month to agree a restructuring deal before it too could face bankruptcy proceedings.

The recession troubles on in the Eurozone.

As the rate of growth of money continues to slow, lending to companies and households in the region declined for the second month in March.

Lower borrowing often goes hand in hand with lower consumer spending and business investment – this time is no exception: the data points to weak growth figures for the first quarter.

Deflation also remains a risk, with consumer price inflation unchanged at just 0.6 per cent in April.

These metrics will all be on the agenda when the ECB meets this week.

It is expected to follow other central banks and embark on a quantitative easing programme (printing money) whilst lowering its headline interest rate another 25bps to 1 per cent.

A rise in consumer and business confidence in the euro area in April came as a pleasant surprise.

It was the first upward movement in 11 months.

The jump in the index of activity in the retail sector was also encouraging.

Unfortunately, rising unemployment will stop any meaningful recovery in sales and confidence.

Across the Eurozone 420,000 people lost their jobs in March to bring the unemployment rate to 8.9 per cent, the highest since November 2005.

The headline rate disguises underlying variation: male unemployment is rising at twice the pace of female unemployment; and the jobless rate in Spain is almost twice the regional average.

The inventory cycle lies behind a bounce in Japanese industrial production.

Although demand for goods and services has fallen sharply, firms have cut back their production levels even more drastically – overall output has declined to levels last seen in the early 1980s.

This meant a very sharp decline in inventories.

But with stock levels now so lean, production is starting to stabilise.

Output was up 1.6 per cent m/m in April – the first meaningful increase since May last year, (though it remains 30 per cent below its peak).

# Coaches' Corner – Two business coaches share their expertise

## So, what is a business coach?



Coaches may be able to change the fortunes of a football team, but can business coaches have a similar effect on performance in the office? Business coach **BRANSOM BEAN** explains that coaching is not something restricted to sport, but his approach is a little different from that of Sir Alex Ferguson

SO, just what is a business coach anyway and who needs one? Perhaps there is a hint in the results of a survey of 208 Fortune 1000 CEOs which – according to [www.reputationrx.com](http://www.reputationrx.com) – revealed that 43 per cent admit to being motivated by fear.

Since the mid-1980s coaching might have seemed to be another American export along with Coca Cola, McDonald's and Harley Davidson.

Sports coaches of course have been around since, well...for quite a while and are certainly not uniquely American.

The most recognised form of non-sports coaching is perhaps 'life coaching' which focuses on creating a better future and better life for an individual.

Often confused with training or mentoring and relying on the interdependency of people, coaching was at times dismissed by some as an airy-fairy cross between therapy and yoga.

But coaching, because it works, caught on and even in the unforgiving game of business, a 'coaching management culture' soon replaced the traditional authoritarian/hierarchical corporate ethos.

Indeed, a quick flick through the Yellow

Pages now finds a veritable coaching smorgasbord of life coaches, relationship coaches and wellness coaches.

Coaching is based on openness and trust.

All coaches therefore should be collaborative, ie the coach and client work together to foster change.

But business coaching is different because business coaching is unashamedly about profit.

So, those who consider other types of coaching too airy-fairy and hence unaccountable can rest assured.

A business coach measures success by the client's PROFIT – and you don't get less airy-fairy than profit.

Bottomline, if you'll pardon the pun, a business coach maximises profit by helping the client, usually an entrepreneur or profit-centre manager, identify ways THEY can personally improve the effectiveness of THEIR enterprise.

The relationship between a business coach and the client could be called a partnership of equals where the coach, being detached, is able to be objective while absolutely committed to the goals of the client.

Any manager knows that it can be lonely at the top and, sadly, seldom do business leaders find a sophisticated peer in their organisation whom they can trust and with whom they can be vulnerable.

In fact, in many business cultures, it's actually a sign of weakness to even admit having a problem, challenge or dilemma.

A football coach wouldn't run on to the field in the middle of the game to join the players.

Likewise, business coaches actually do not give advice.

A consultant quite simply provides the contracted deliverables, gets paid and walks away.

So unlike management consultants business coaches help but they don't do.

Above all, business coaches must believe in their clients and believe that they can improve.

Business coaching relationships last for weeks, the duration of business plans or even for whole careers because the process is personal – hence the word 'coach' in business coach.

Profitable or not, it's tough to feel good about yourself when your sales are going through the roof but you can't deliver or there's never enough cash to pay the wages.

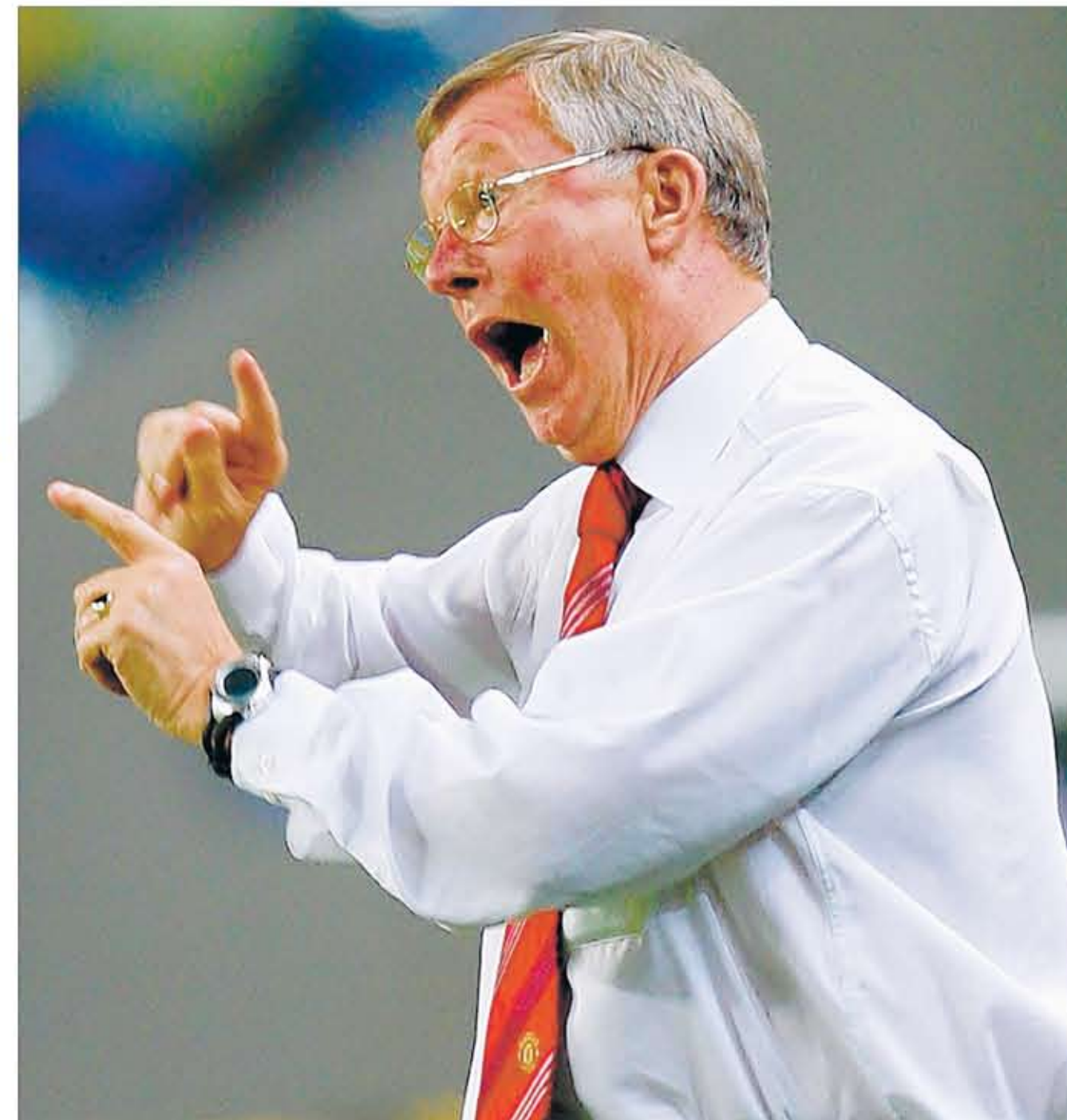
Success in business has its own special challenges too.

Like all good coaches, a business coach must accept that the person being coached probably knows more about their situation than they do.

They know that a client's less-than-perfect solution can result in results superior to the correct answer from the coach.

Needless to say then, a business coach must abandon the basic human need to be right.

So, while quite comfortable with Excel spreadsheets and sensitivity analysis, business coaches add the most value by listening, asking carefully crafted questions to enhance awareness and reflecting. As a result, when in conversation with their clients, good business coaches actually talk only 30 per



IN CHARGE: Football coaches such as Sir Alex Ferguson are never afraid to give orders, but the role of a business coach is a little different as Bransom Bean explains

cent of the time, usually asking questions. Even if the first problem chosen for attention is something objective such as profit margins, the process usually starts with the question: 'So, where do YOU want to be in five years.'

Ironically, many successful entrepreneurs have never thought about that, although their spouses often have, just before calling a divorce lawyer.

The next question is: 'What is your cash situation, who owes you money and how long could you survive if the new business dried up today?'

The number one cause of small business failure is an inability to manage cash. Eventually comes the question of succession: 'So where will your business be if you get hit by a horse tram?'

Not surprisingly, particularly in the current economic climate, business coaches are often called in because a person's business is perceived to be performing badly, but ironically many business leaders recognise benefits even when their business seems successful.

Business coaches should be mature and skilled in business, but it's not enough

only to be able to do, otherwise consultants and MBAs would be good coaches automatically.

To be successful and create value as a business coach, you must be able to coach.

And while all coaches focus on an individual's situation with a kind of attention and commitment that the individual will rarely experience elsewhere, business coaches do it with the bottom line clearly in mind.

To find out more about business coaching go to [www.finefocusing.com](http://www.finefocusing.com)

## Coping with redundancy



Business coach **ANGELA LAWRENCE** looks at help on offer to those dealing with redundancy

AFTER years of working for the same company you are suddenly out of a job and left in a state of shock wondering what the future may hold.

Being made redundant is something that more and more of us must face up to in these difficult economic times.

Worries about finances, how it may affect your family and concerns over needing to retrain are issues that most people will think of first when the bad news arrives.

But there is help on offer and business coach Angela Lawrence is well placed to offer advice as she has been made redundant three times.

Angela calls herself 'The Cinammon Coach', a reference to her passion for baking.

But she is also a master practitioner in neuro linguistic programming and is a trained hypnotherapist.

She uses these skills and others to offer a range of business coaching services, including a Redundancy Reframe service that helps people who have lost their job.

'Redundancy is a challenging time for everyone, I've been there three times,' says Angela.

'If you are the one suddenly being made redundant you find yourself at a place in your life where you did not expect to be.

'Like me you may experience feelings of grief and panic as the familiar fades away to be replaced with the unknown.'

When someone who has just been made redundant contacts Angela the first step in the process is to talk over how they feel about what has happened to them.

'When someone leaves a company through redundancy it is a loss,' she says.

'It's almost like a bereavement because all of a sudden you are taken away from your job, your work colleagues and the routine of going to the same place every day.

'It does hit people very hard and people tend to take it personally.'

Once they have discussed what has happened Angela tries to get clients to look forward and assess the situation in a practical way.

So she will discuss with the client wants to do with his or her career which may involve a change in direction and retraining.

Working one to one the client will be encouraged to leave behind the more negative feelings they may have and move towards a positive state of mind.

At this stage Angela will ask the client to look at their life balance and assess what is most important to them.

'It is important to consider what it is that you really want from your life, what new opportunities are now open to

you and what your next steps will be towards achieving your new goals,' she adds.

At each stage in the process Angela says she is offering options to the client and trying to get them to think clearly and practically about how to move forward.

This is different from the role a coach may play in a sports team where they will be making demands.

'I always say that if you want someone to tell you what to do then forget it, because that's not what a coach does,' adds Angela.

'A coach helps you explore the possibilities.

'There's a difference between a business coach and a mentor.

'A mentor is somebody to learn from and a coach is somebody to learn with.'

Angela also offers services to employers who are planning to make redundancies and want to help their staff cope with the strain of losing their job.

She says that responsible employers want to help their staff as much as possible.



IN CHARGE: For some work becomes so much part of our identity that redundancy can have a dramatic impact on our emotions. Arthur Miller explored these themes in Death of a Salesman, the movie version of the play starred Dustin Hoffman as the tragic Willy Loman

especially if staff being made redundant have many years of service with the same company.

But there are other reasons for employers helping staff through this difficult time.

'Employers need to take into account the effect that the redundancies will have on those who remain,' says Angela.

'When the good times do return will they want to stay with you?'

'Will they feel you treated their former colleagues carelessly?'

'If so they may just vote with their feet and push off elsewhere.'

For more information go to [www.thecinammoncoach.com](http://www.thecinammoncoach.com)

**'A football coach wouldn't run onto the field in the middle of the game to join the players. Likewise, business coaches actually do not give advice' – business coach Bransom Bean**

### THE WEEK AHEAD IN THE MARKETS

#### MONDAY MAY 18

Finals: Sterling Energy, Cranswick, Daejan Holdings, Mitie Group, Robert Wiseman Dairies, Renewable Power & Light, Booker Group  
Interims: ITE Group  
Economics: Rightmove House Prices (MoM), Rightmove House Prices (YoY)

#### TUESDAY MAY 19

Finals: Burberry Group, Northern Rock, Northern Petroleum, Marks & Spencer Group, Titan Europe/Worcestershire, Big Yellow Group, Eredene Capital, Vodafone Group, ICAP, Homeserve, Great Portland Estates, D1 Oils, Dairy Crest Group, SSL International, Vectura Group  
Interims: Renovo Group, TUI Travel, Carluccios, Paragon Group of Cos

#### WEDNESDAY MAY 20

Finals: Yell Group, Mothercare, London Stock Exchange Group, Telecom Plus, De La Rue, Torotrak  
Interims: Britvic, Romag Holdings, Optos, Local Shopping REIT, Care UK, Future, Grainger, GW Pharmaceuticals  
Economics: Bank of England Minutes, UK CBI May Industrial Trends Total Orders

#### THURSDAY MAY 21

Finals: Cable & Wireless, British Land Co, Business Post Group, JJB Sports, Scottish & Southern Energy, Investec

Economics: CPI (MoM), CPI (YoY), Core CPI (YoY), Retail Price Index, RPI (MoM), RPI (YoY), RPI Ex Mort Int Payments (YoY)

#### FRIDAY MAY 22

Finals: British Airways, Minster Pharmaceuticals  
Interims: Chrysalis Group, Marston's  
Economics: GDP (QoQ), GDP (YoY), Private Consumption, Government Spending, Gross Fixed Capital Formation, Exports, Imports, Index of Services (3mth/3mth)

QinetiQ Group  
Interims: Mitchells & Butlers, Daily Mail & General Trust, Intec Telecom Systems  
Economics: Total Business Investment (QoQ), Total Business Investment (YoY), Retail Sales (MoM), Retail Sales (YoY), M4 Money Supply (MoM), M4 Money Supply (YoY), Public Finances (PSNCR), Public Sector Net Borrowing

#### MONDAY MAY 25

Finals: British Airways, Minster Pharmaceuticals  
Interims: Chrysalis Group, Marston's  
Economics: GDP (QoQ), GDP (YoY), Private Consumption, Government Spending, Gross Fixed Capital Formation, Exports, Imports, Index of Services (3mth/3mth)

Isle of Man Share Prices as at 6 May 2009			
	NO PRICE	UPPER PRICE	YIELD
<b>FOOD &amp; BEVERAGE</b>			
Cherry Pie PLC	45	25	5.80%
<b>LOCAL GOVERNMENT</b>			
Local Councils	510	100	2.70%
Cherry Pie PLC	105	115	1.80%
Cherry Pie PLC	70.25	60.25	4.60%
<b>PLUM MARKET</b>			
Howard Global PLC	130	137.75	7.6%
<b>ASH LISTING</b>			
Arpion Investment PLC	12	15	0%
Castler Financial Group PLC	7	9	0%
Imperial PLC	0.15	0.4	0%
Meridian Financial PLC	0.1	0.27	0%
Meridian Energy Holdings PLC	34.3	37	0%
Meridian Energy PLC	0.1	0.5	0%
White Holdings PLC	1.5	1.5	0%
<b>PLUM MARKET</b>			
Sefton Group PLC	7	9	0%

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