

In the epicentre of the recession

What began a good year ago as a crisis in the American property and financial markets has since become a global recession with impacts on virtually all industrial sectors and spheres of life. Roto Inside spoke with Chris Dimou, Roto market director North America, about the current situation in the American property market.



Chris Dimou, market director North America

RI: The experts have not reached a consensus on the precise effects of the global recession. Undisputed however is the fact that the 'shockwaves' had their origin in the American property market and the related finance sector. How are things at the 'epicentre' today?

Chris Dimou: As of quite recently, American economic experts have been talking about the third stage of the crisis in the housing market. While stock-exchange speculators and homeowners were affected by toxic debt, the crisis has now affected even those who a year ago could still pay off their loans. The main reason for this is the increasing number of people losing their jobs: the unemployment rate in the USA is now around ten percent. Every month an average of 665,000 people become unemployed. The government under Barack Obama has already recognised the urgency of the situation. A rescue package introduced in March 2009 demands that banks and credit institutes negotiate credits with debtors again. New proposals for easing the burden on insolvent homeowners are being discussed in the Senate with some urgency.

RI: What role do the banks play in the current phase?

Chris Dimou: According to an investigation by the US Federal Reserve Bank, in the past few months the credit institutes in the USA have considerably tightened the terms for loans to consumers and companies. The quarterly 'Senior Loan Officer Opinion Survey' undertaken by the FED central bank of banks and insurance companies found that the surveyed banks increased the interest on credit in net terms by 70 percent over their own financing costs in the first quarter. This shows that the banks are still treating the credit business very cautiously after the collapse of the market in the discredited 'subprime' mortgages. But at the same time they are skimming off part of the interest-rate reductions of the federal bank.

RI: What effect is this crisis having on the renovation market?

Chris Dimou: This is the good news: the renovation market sector is defying the crisis. With a market share of approximately 70 percent, refurbishment is a relatively robust market that cushions the negative effects of the smaller new-build market. At the same time, politi-

RI: What can an industrial concern such as Roto do to emerge strengthened out of the crisis? Or is one condemned to sitting tight?

Chris Dimou: No, I view defensively sitting tight as the worst of all options. The crisis has of course not passed Roto Frank of America by. Our new strategic direction is focusing. We want to and must con-



Photo: Dryvit Systems, Inc., Warwick, RI

Is the American property market stabilising? Chris Dimou sees the first signs of recovery.

cians have the opportunity to effectively tackle the market weakness with subsidy programmes for residential housing, for example for energy-saving measures or for renewable energies. In the USA we can speak of some 128 million properties in need of renovation. The average age of the existing buildings in America is 32 years.

RI: Even though forecasting is currently difficult to make, with which developments are you personally reckoning on in the next 12 months?

Chris Dimou: The US property market is and remains the economic pointer worldwide, because of its size if nothing else. Where the financial crisis started could also be where the first glimmer of hope is found. When the price decline in the US market comes to an end, this will certainly have a signal effect on other economic sectors. I personally believe that an upswing can be expected in the first half of 2010, especially since the position in the 'frozen' credit markets will improve.

RI: What effects has the crisis had for American window fabricators, for Roto customers? How are they coping with the recession?

Chris Dimou: Most American window fabricators have first-hand experience of the crisis. The market decline of 40 percent is reflected par for par among the large players in the industry in particular. This has resulted not only in large-scale redundancies, but also in stock levels being drastically reduced, resulting in major changes in ordering behaviour. Many companies are now attempting to diversify themselves by focusing on new market segments (like the renovation sector) or new product groups (for example European products).

centrate on the essential elements in order to continue building the strengths of the company. That extends through all business divisions. To be precise, the focus is on sales and in particular on the strengthening of the sales team in the USA and Canada as well as the professionalisation of all sales activities. Also important to us is the consistent stock reduction and the adjustment of the cost structures in the sense of 'right-sizing'. Last but not least, the above-mentioned points will be flanked through the transformation of the company from a product-focused to a market and customer-orientated company. For 2010 we will be well-positioned and thus make our contribution to the end of the crisis.

