



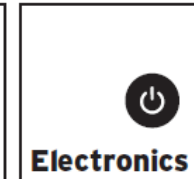
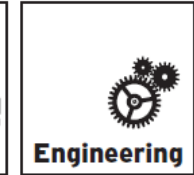
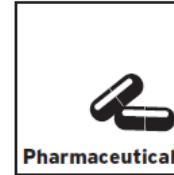
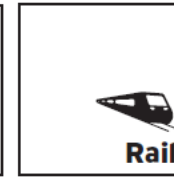
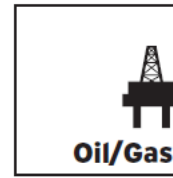
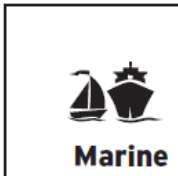
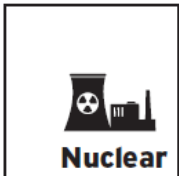
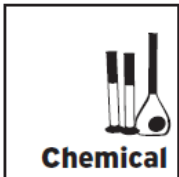
Manufacturing Barometer Results

Quarter 1 2016

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Understanding the Impact of Brexit on UK Manufacturers

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Introduction

Welcome to the latest Manufacturing Barometer collecting the results, views and opinions of manufacturing SME's.

Senior decision makers within small and medium sized manufacturers have revealed how the EU referendum result has affected their business optimism in a survey conducted by South West based consultancy firm, SWMAS Ltd.

Over the next two years, almost twice as many senior managers (41%) feel less optimistic about their business' future as a result of the Brexit vote compared with those who are feeling more optimistic (21%). This result is consistent with the previous survey, which found that the majority of firms (57%) favoured "remain" over "leave" (27%).

However, the picture is reversed when firms are asked about the impact of the referendum result on their long term future. Over the next ten years 38% of firms are more optimistic as a result of the vote, compared with 24% who are less optimistic.

Uncertainty and Business Confidence

Simon Howes, the managing director of SWMAS, said that "the results reflect the considerable uncertainty felt by many businesses regarding the period before we actually leave the European Union and the shape of the eventual trading landscape. The Brexit decision does offer significant opportunity for firms to thrive and export around the world, but the current uncertainty around the eventual trade deals is creating uncertainty that will likely impact on employment and investment in the short term."

This prediction is backed up by data regarding investment and employment intentions gathered as part of the survey. Only 38% of manufacturers expect to increase capital investment in the next six months, compared with 50% that had expected to increase investment in the next six months when asked just before the referendum. Similarly, only 40% of manufacturers expect to increase employment in the next six months, down from 57% in the pre-referendum survey.

Predictions surrounding sales turnover also took a significant knock, with only 55% of firms expecting an increase, down from 72%. Some of these decreases, however, can be explained by the pre-referendum expectation that the UK would vote to remain in the European Union.

Despite the decreased appetite for investment South West manufacturers are already developing strategies to respond to Brexit. Respondents indicated that they planned to increase exports (34%), become more productive (17%), and identify more UK customers (16%).

Commenting on their work with firms to respond to Brexit, Simon Howes stated that "firms are not only focussed on increasing productivity and reducing costs, but they are also interested in new opportunities. Firstly, firms will increasingly be looking to export opportunities outside of the EU. Secondly, they will be renewing their focus on accessing domestic supply chains, doing more business at home, and exploiting new UK opportunities."

In the South West one of the biggest opportunities is likely to be the recently approved Hinkley Point C nuclear plant. However, according to Simon Howes, the opportunity does not stop there. Indeed, "south west firms that successfully supply Hinkley will be at a massive advantage for future planned UK nuclear plants. Success here can also lead to export opportunities, alongside access to other energy markets. Being a successful supplier to the Hinkley Project will provide a major reputational boost to firms and it is great news for our region that it is happening here. We are working hard to support local firms to access the project and expect a busy few years ahead."

There is too much uncertainty at the moment to make any real plans. We are keeping investment and development to a an absolute minimum and waiting to see how things play out. Already we have had to increase prices to cover increased costs.

Continue to improve our quality, delivery, cost, capability and capacity to deliver customer's requirements and continue our current growth pattern. Continue to invest in our Staff, facilities, buildings and equipment to support the investment in our customers.

AE Aerospace

As a wholly owned subsidiary of a German company we are reliant on machines from Germany. Possibly looking at greater localisation.

We hope to continue trading comfortably and grow gradually as we have in past years. We would like to hear less doom and gloom about Brexit and just get on with building up trade relations everywhere.

Silverline UK

We are hoping to continue as we are, offering top quality British made products. We may move to an EU location if Brexit terms seriously disadvantage sales.

Thermionic Culture

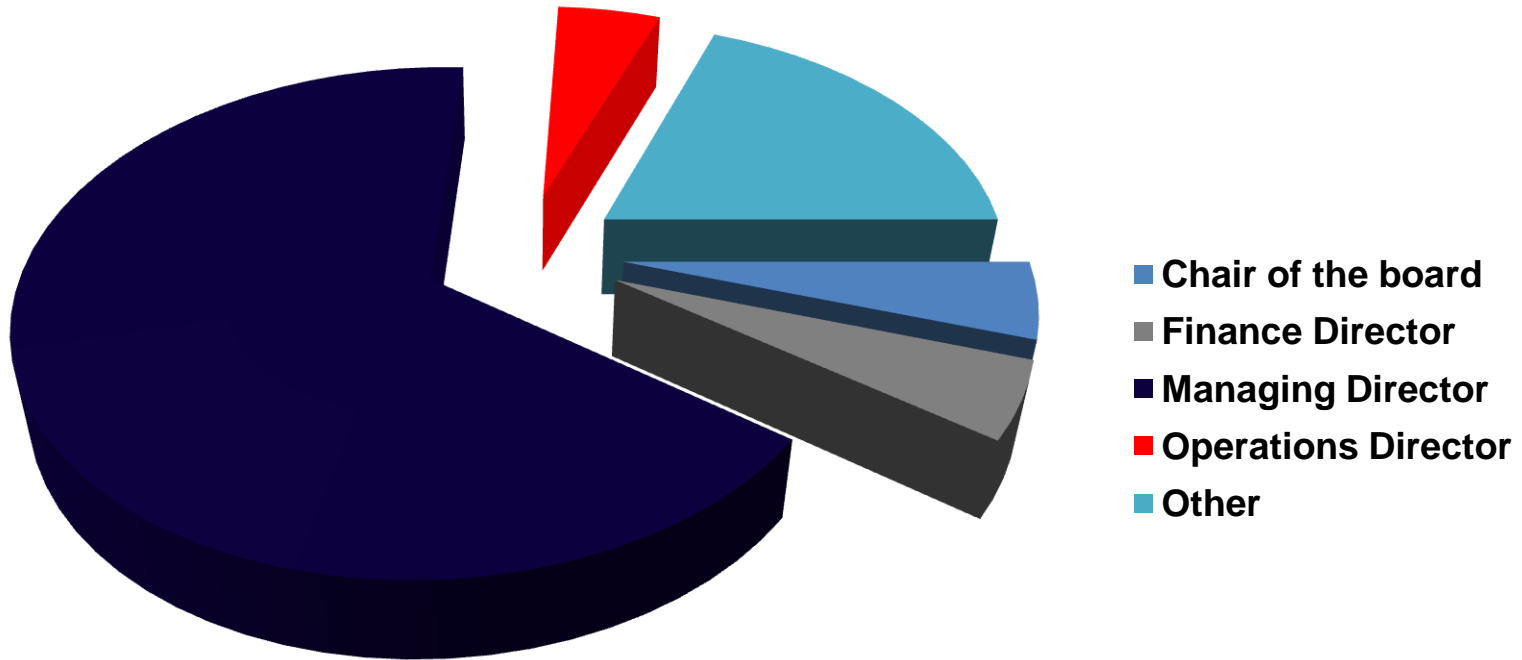
My business sees itself as an EU business. Therefore the business will need to trade and maybe even manufacture in the EU from now on. For example, the trade fair we exhibit at is Techtextil in Frankfurt. We will probably exhibit there next time in May 2017 as a German company, not as a UK company.

Compotex



Business Aspirations

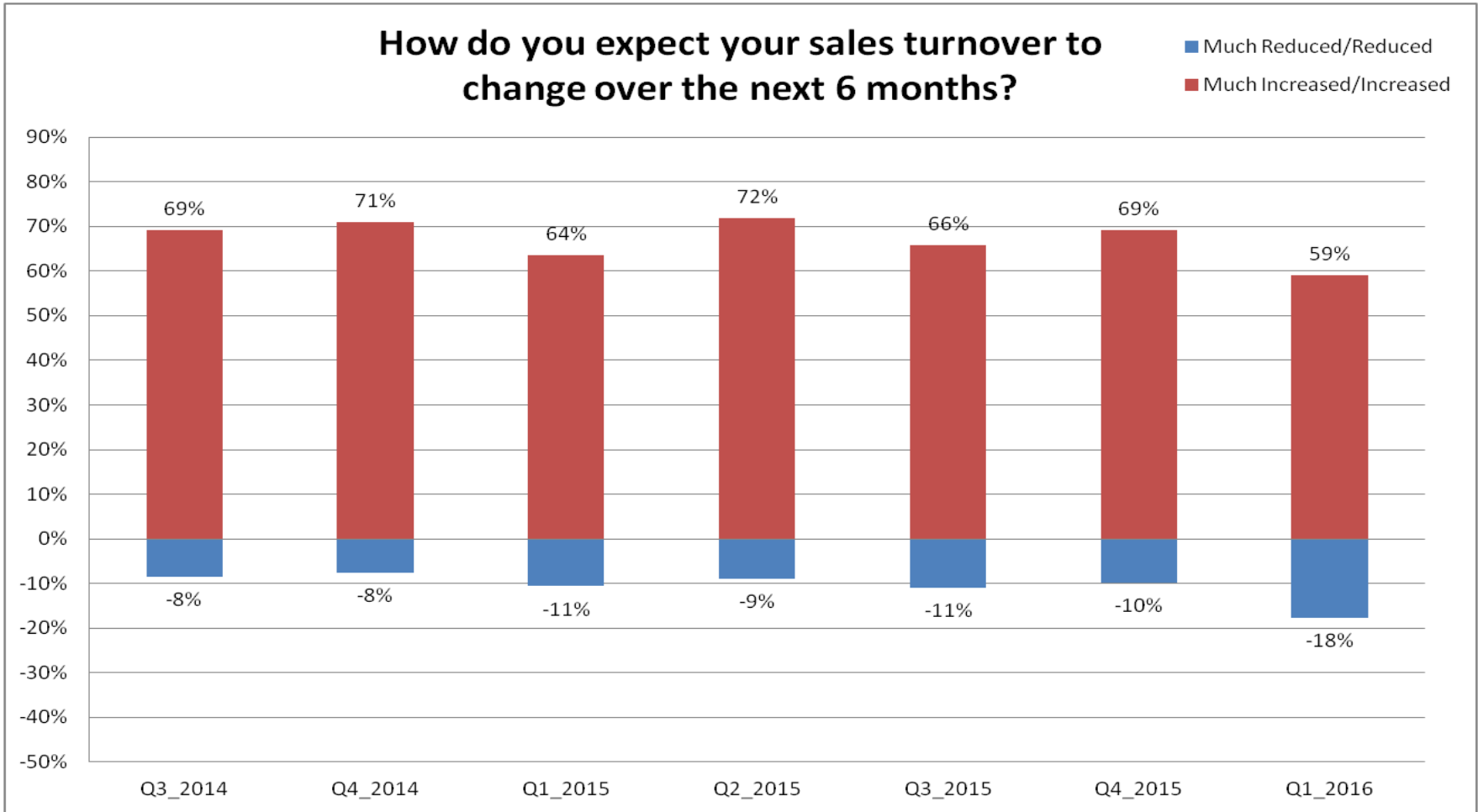
Survey Demographics



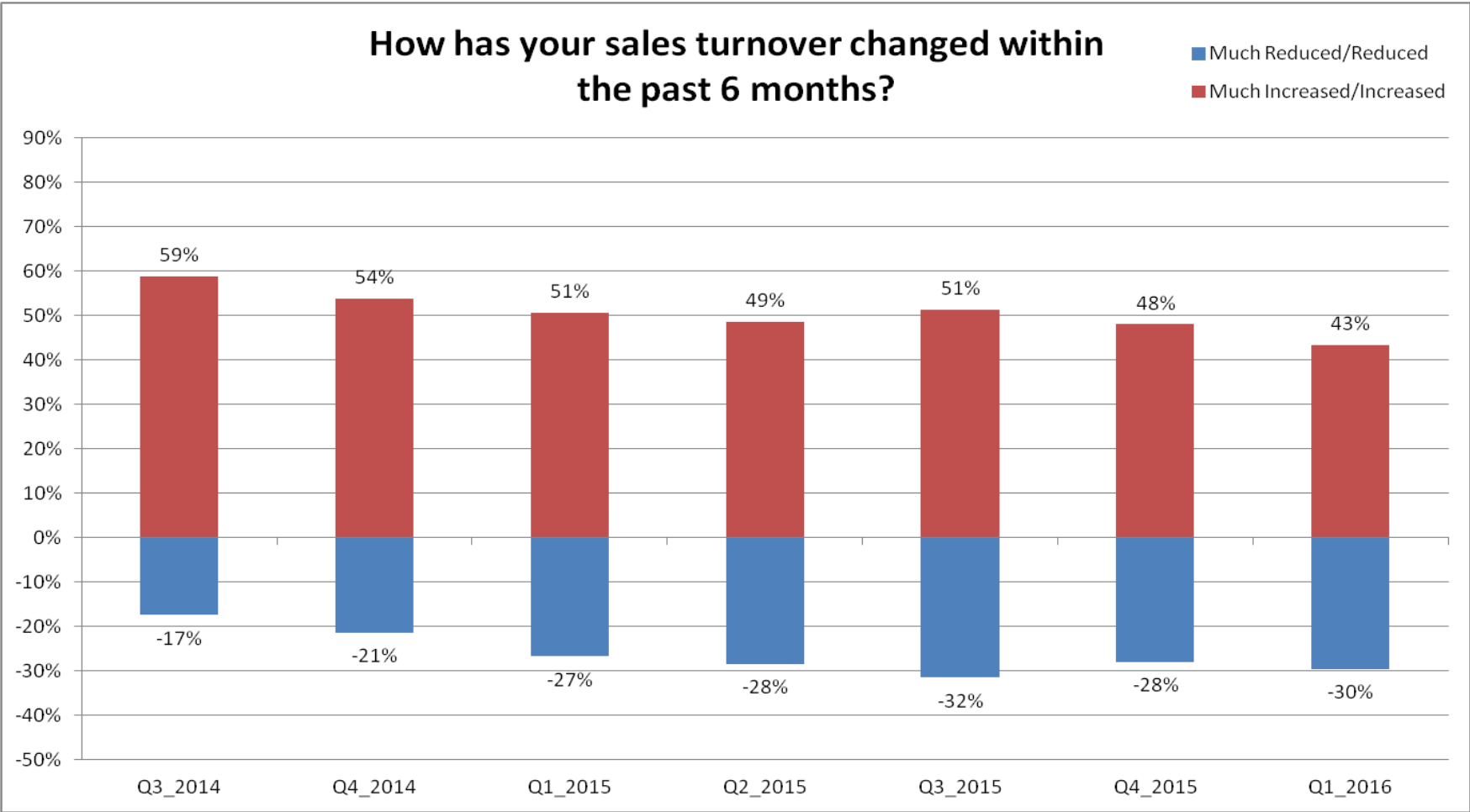
**Over 66% of respondents were managing directors.
Individuals who are in the business, hands-on, running it day-to-day.**

Over 300 survey responses nationally.

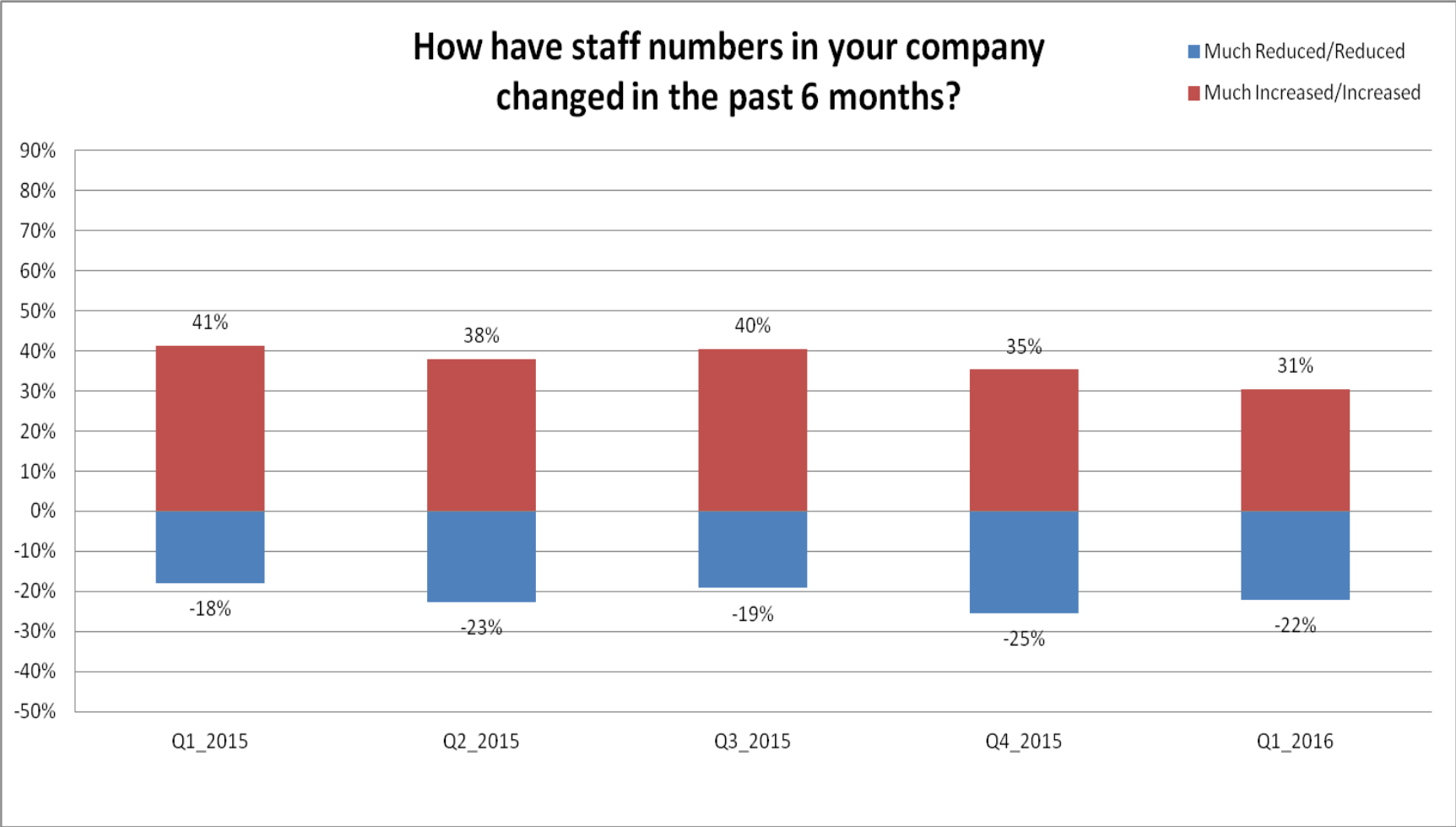
Future Sales



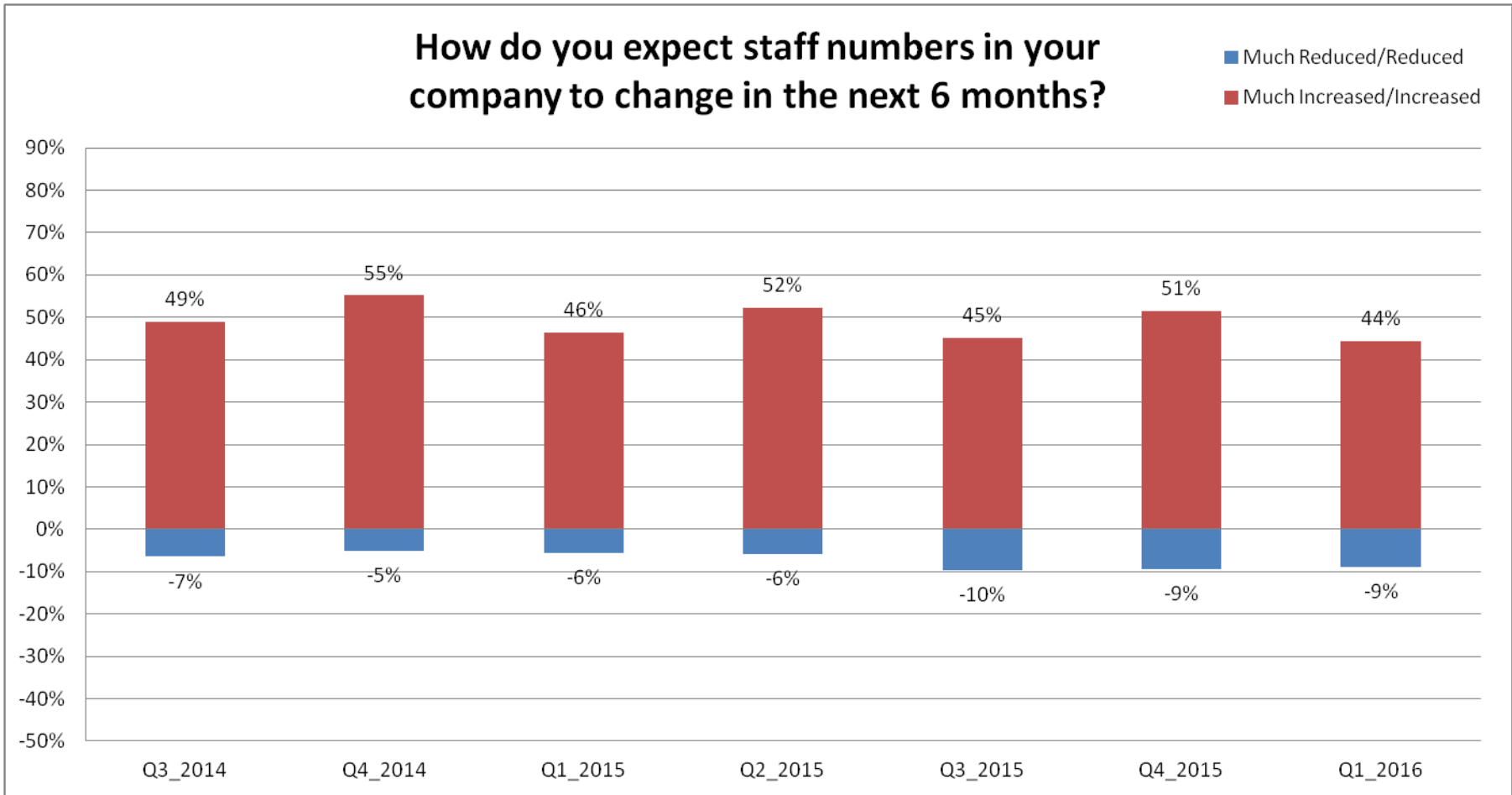
Past Sales



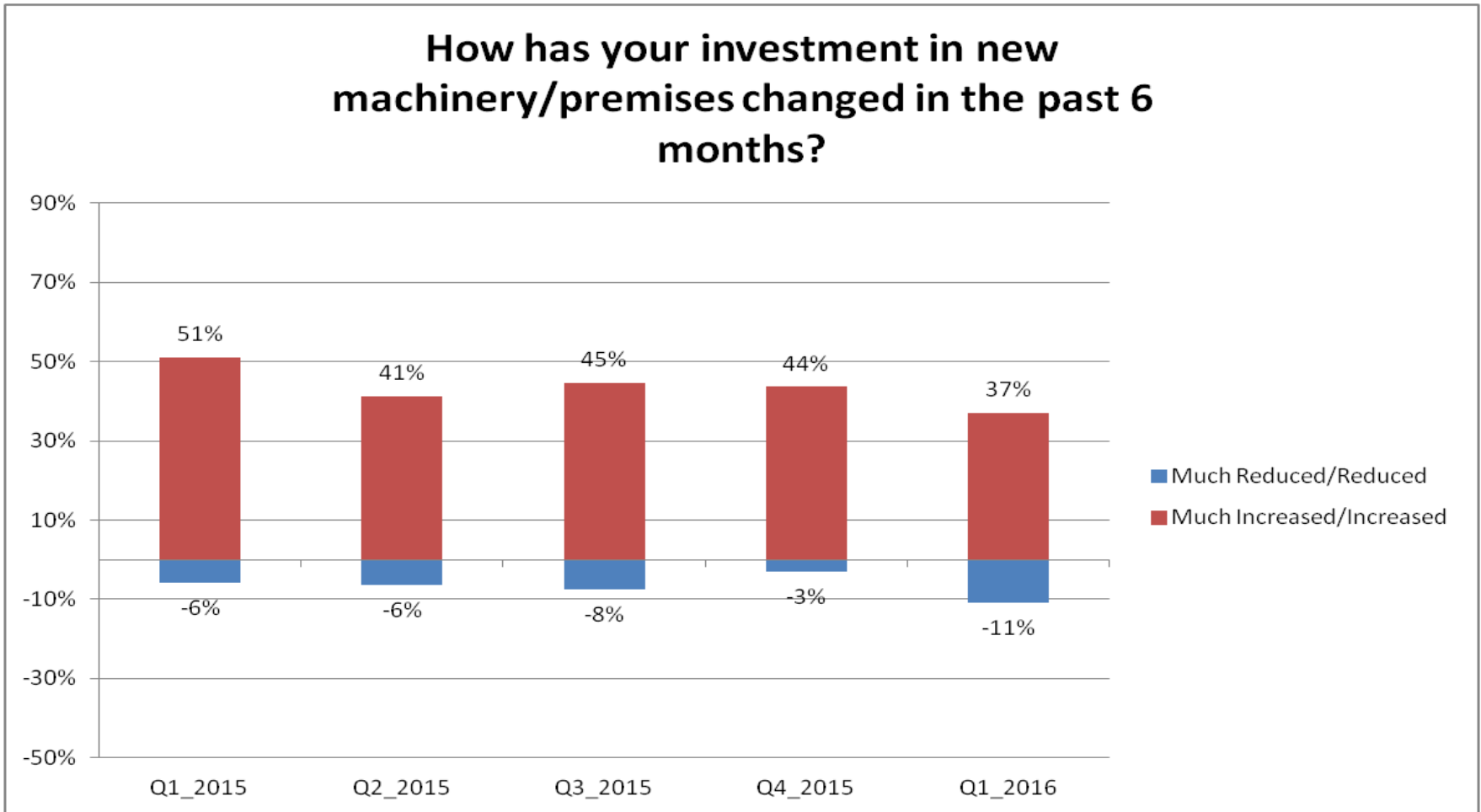
Past Employment



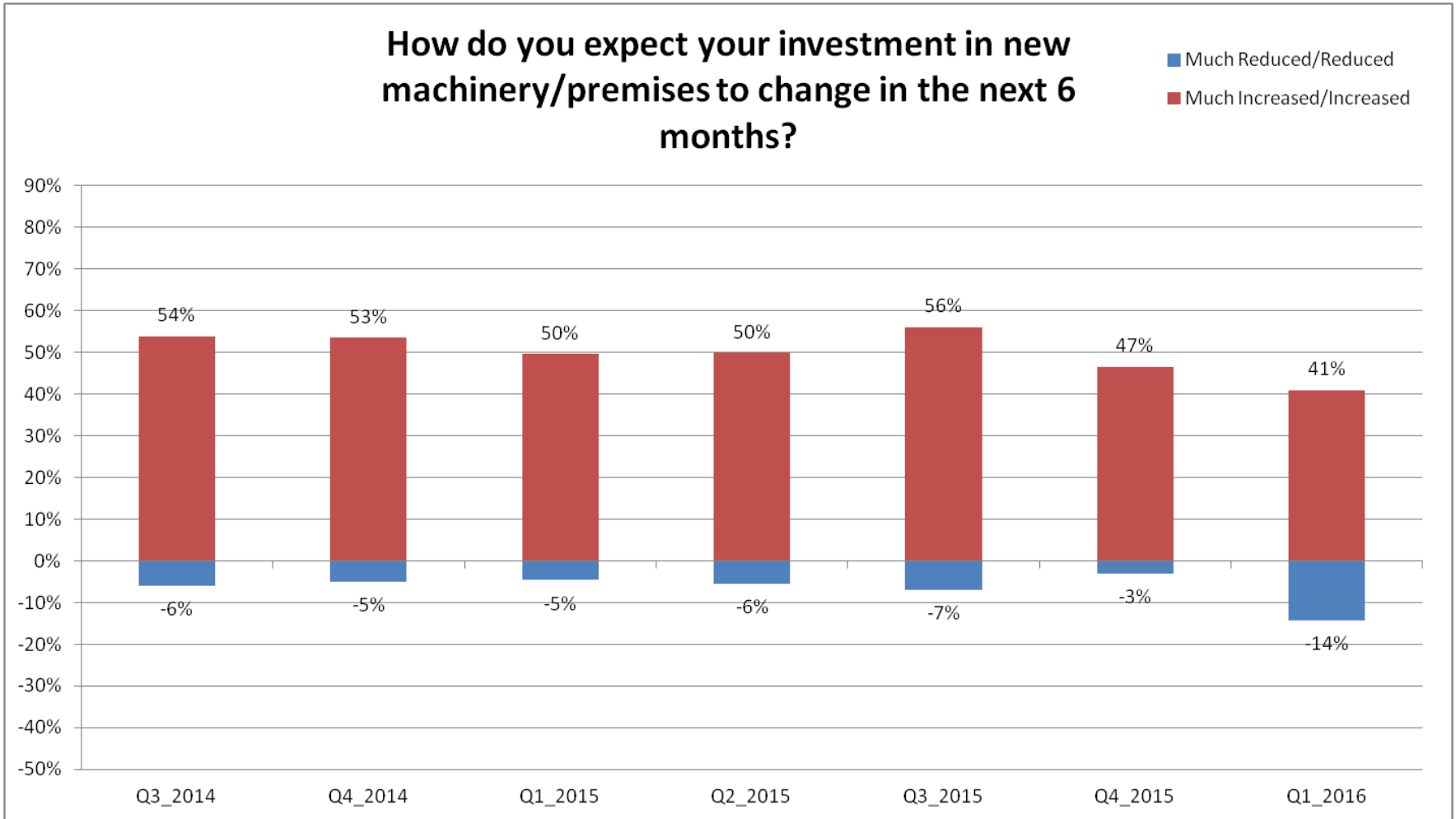
National Future Employment



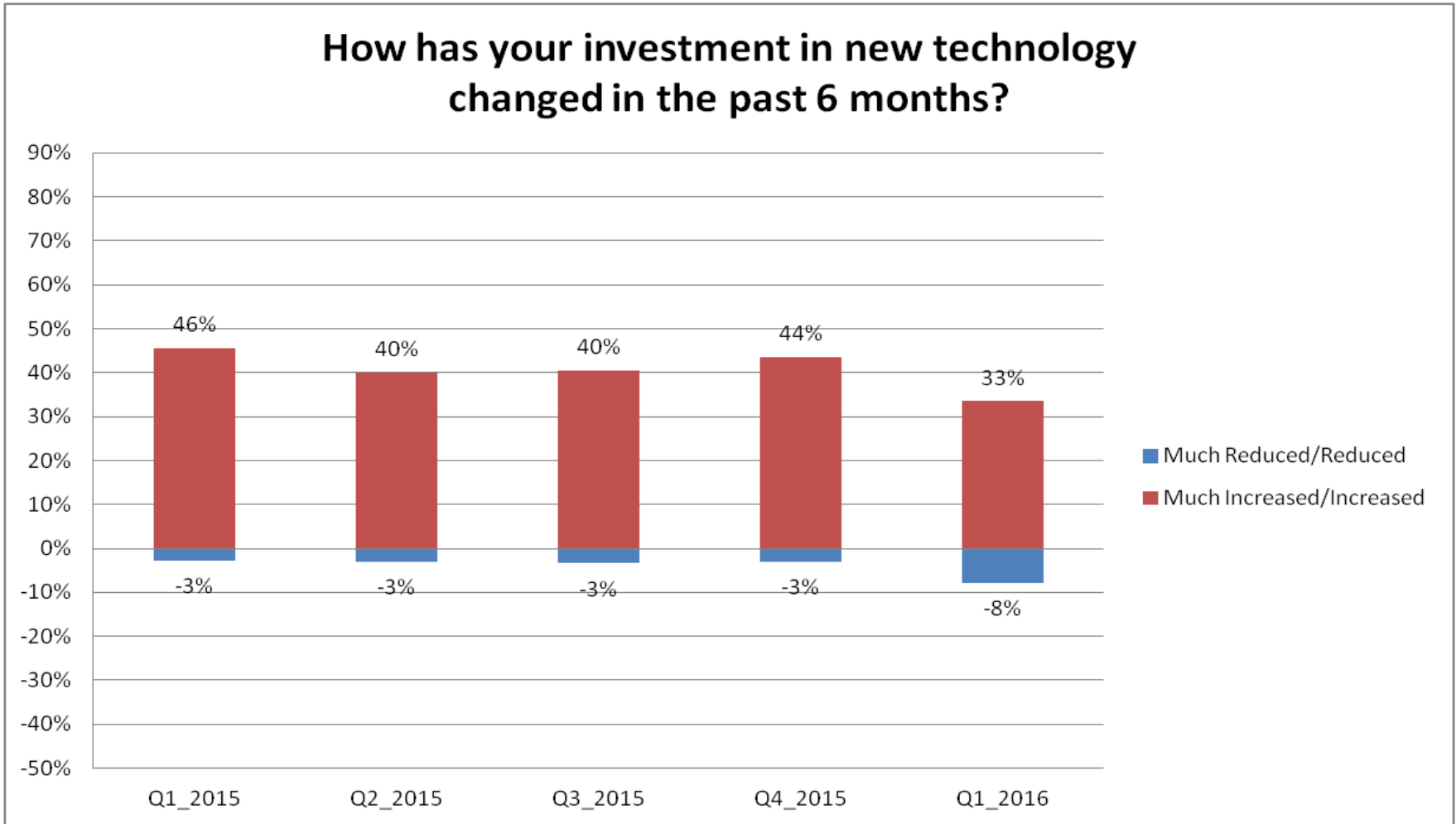
National Past Capital Investment



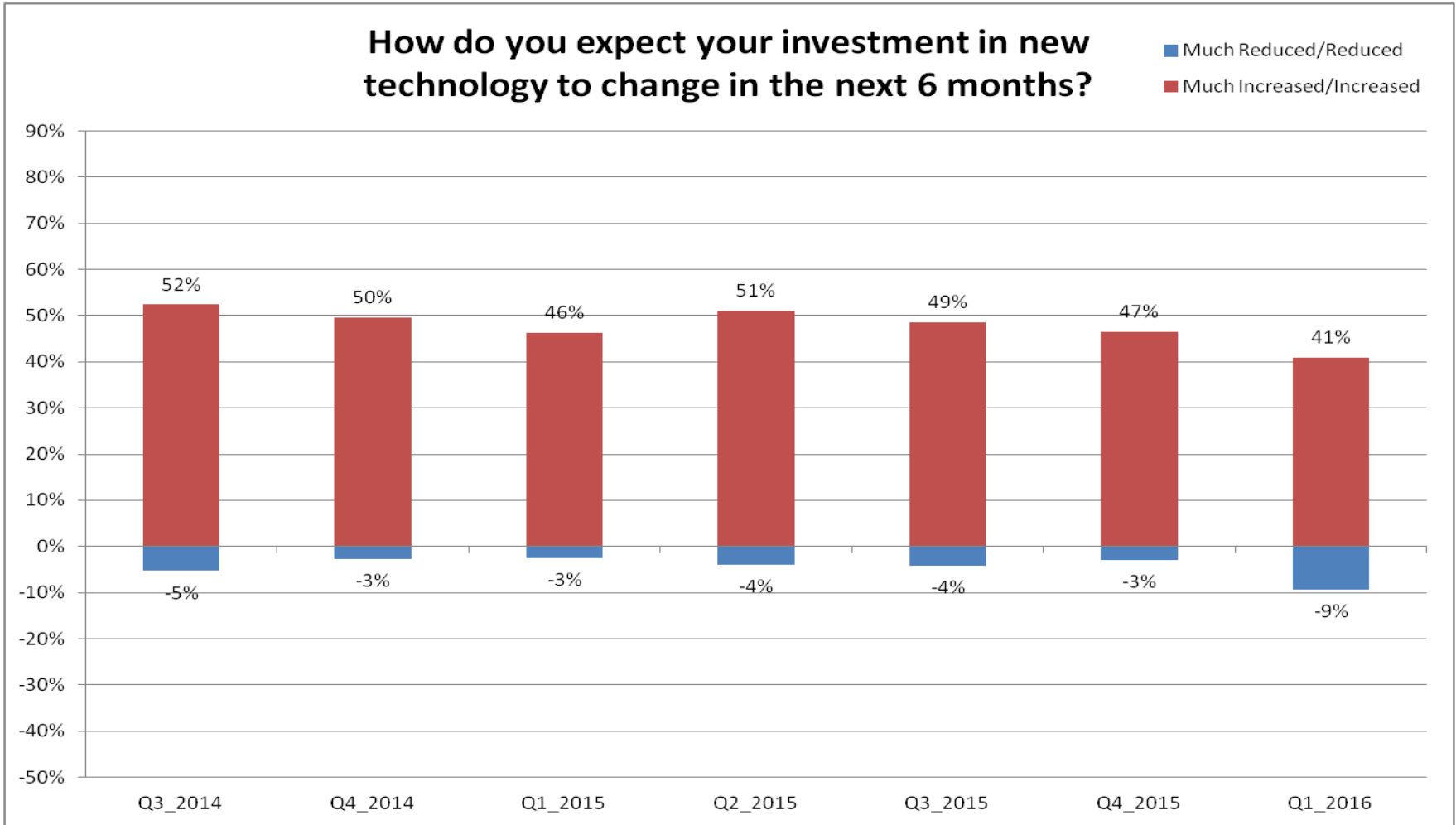
National Past Capital Investment



National Past New Technology

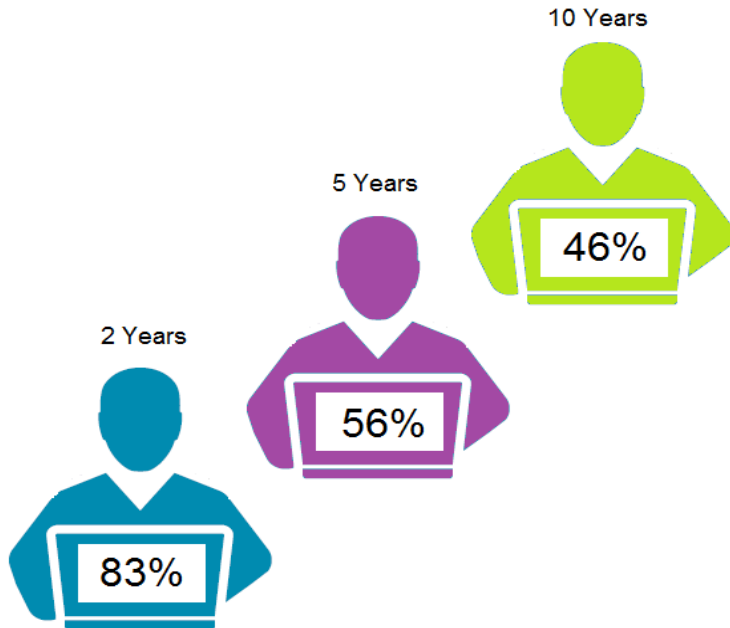


National Future New Technology



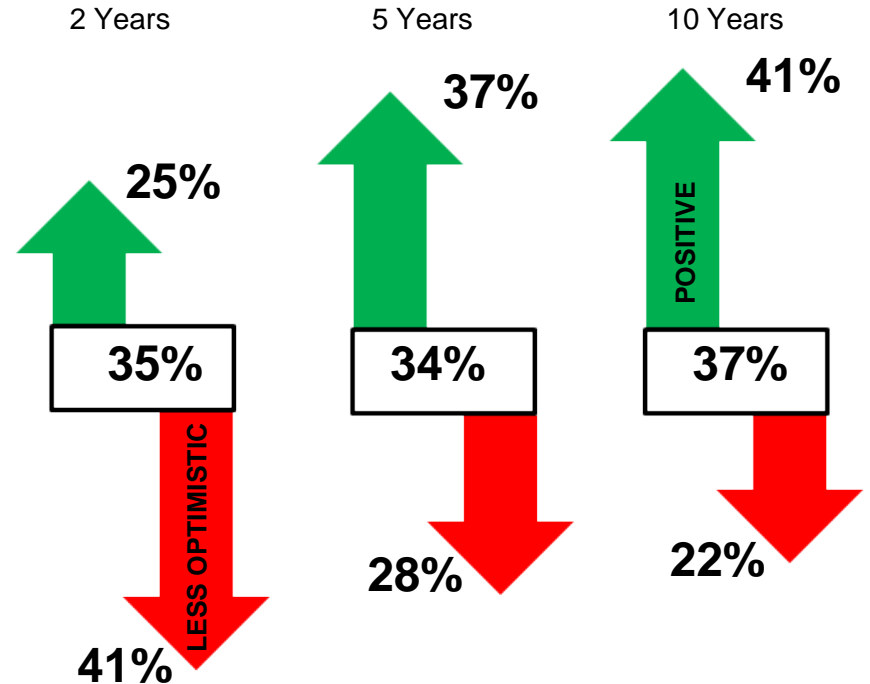
Special Focus – Brexit and Impact on Manufacturers

Labour Availability



83 % of business leaders believe that there will be no impact or an improvement in labour availability over the next 2 years. This figure drops 56% when reviewed over a 5 year time period.

Business Optimism



23 % of business leaders are more optimistic about their business prospects in the next 2 years. This figure increase to 37% when reviewed over a 5 year time period and increases further to 41% over a 10 year horizon.

Special Focus – Brexit and Impact on Manufacturers

Supply Chain Rail Double Local British Competitors

Industry Shortage Market Tax Growth

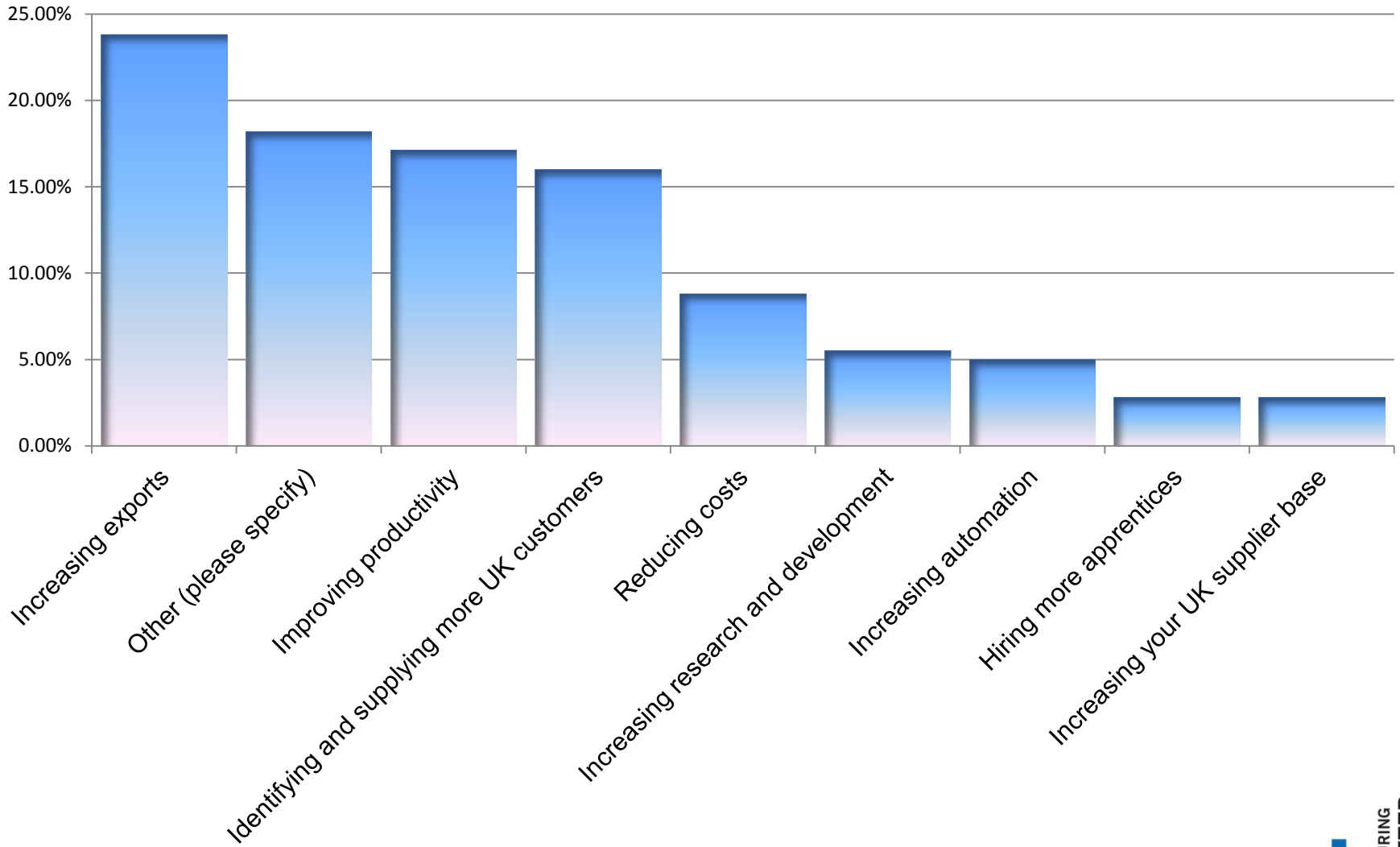
Young People **Business** German Company

Grow Supplier of Choice Products Term

Increase Alternative Expand Following Staff

Machinery **Leader** Survival Margin

Strategy for responding to Brexit



About the Manufacturing Barometer

The Manufacturing Barometer is a quarterly survey that charts the experiences of English SME manufacturers. It is the largest survey of its kind and has informed both government industrial strategy and the national debate on manufacturing. It regularly features in both national and regional media.

Run by SWMAS since 2009 in the South West of England, the Manufacturing Barometer records trends in employment, turnover and investment. Each quarter, a 'special focus' explores an issue in greater depth. In the past this has included issues such as productivity, overseas production and energy efficiency.

From March 2012 to March 2016 the Manufacturing Barometer has covered the whole of England, and produced a report in partnership with the Manufacturing Advisory Service, which became part of the Business Growth Service. Companies are able to use this to compare themselves against other firms within their sector or region.

For more information please contact:

info@swmas.co.uk

0845 608 3838

