

MANUFACTURING barometer

SPECIAL FOCUS:
EXPORT INTENTIONS

SOUTH WEST REPORT SUMMER 2018-19

(April, May and June 2018)

Surveyed in July 2018



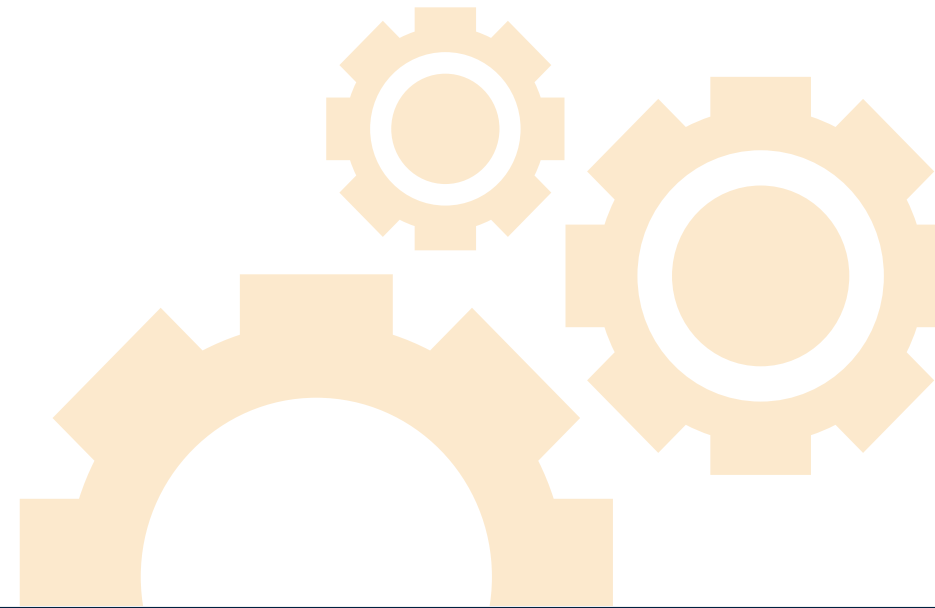
SWMAS

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Introduction.



SIMON HOWES

CEO

Exelin Group Ltd
Delivering SWMAS

Welcome to the SWMAS Summer 2018-19 (Q1) South West Manufacturing Barometer report. It provides a vital snapshot of the region's SME manufacturing performance in the last six months and forecast for the next six months. Nearly 100 decision makers responded to questions on sales, profits, investment in machinery and premises, and job creation.

With concerns over the Brexit effect on export and international trade very much in the news, and manufacturers expressing in last quarter's Barometer their interest in seeking new markets, we also decided to explore the sector's export intentions in our Special Focus. This seems timely as the results in South West show a slide in both past performance and confidence going forwards.

We took a closer look at whether manufacturers believe they can increase export sales, and what needs to happen in their businesses to achieve their growth goals.

THE CORE TRENDS

Last six months: reports of declining profit performance continues along with sales, investment, and employment. Whilst an increase in sales was reported by 57% of respondents, this is the lowest figure we have seen since Q3 2016. Those increasing their investment in new machinery and premises was recorded by 42%, down 7% from the 49% seen last quarter, which had been the highest investment figure seen in the last two years.

Similarly, whilst those recruiting staff holds steady with 44% experiencing an increase in staff recruited (in line with a trend seen over the last 12 months), over a fifth of the region's manufacturers reported a reduction in staff numbers, a level last seen during the middle of the 2016 financial year.

Next six months: the number of South West's SME manufacturers planning to increase their investment in machinery and premises remains flat and in line with lower anticipations for profits and sales in the short term. Both profits and sales figures have followed a downward trend since the leap in confidence we saw in Q3 2017.

Combined with 11% fewer of the region's manufacturers intending to recruit staff (down from 58% last quarter), the figures suggest that SME's in the South West are cautiously open to the opportunities that new equipment and space can offer, while anchoring themselves amidst expectation of a bumpy ride in the immediate future.

The aspirations recorded by South West SME manufacturers reflect concerns over Brexit - the current climate of uncertainty is front of mind, and perhaps a reason for the grit and determination exhibited by some to focus on consolidating their existing position. It is not all gloomy though, with some optimism seemingly fuelled by making the most of this challenging time to invest in capital equipment, staff development and new products. Interesting to note is that while very few manufacturers specifically refer to investing in automation, the majority of respondents who do, from across the national survey, are based in the South West of England. The long-term view of South West manufacturers remains cautiously on growth and increased sales, but there are challenges ahead.

SPECIAL FOCUS: EXPORT INTENTIONS

67% of all respondents currently export, and another 9% have plans to start exporting (some by working with other companies who export their goods). We looked at how these respondents expect to have increased their export sales in 12 months, and what the picture will look like two years from now.

Looking at those who already export alongside those planning to do so, we discovered that South West SME manufacturers expect an average increase in turnover of 1.4% to be generated by export sales in the next 12 months, and they more optimistically anticipate this figure will be close to 10% in 24 months.

CONCLUSIONS

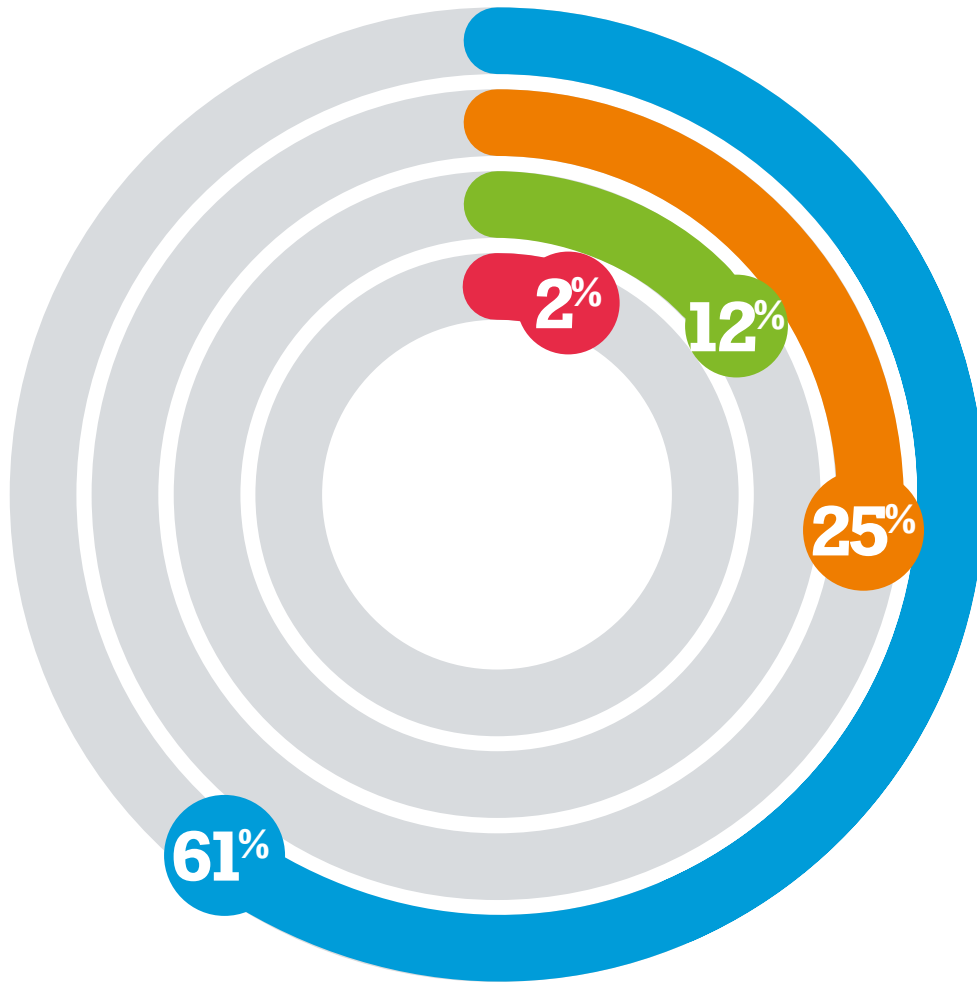
The export growth forecast supports a wider medium to long term view of growth and this is backed by businesses aspirations, which remain cautiously around growth and increased sales.

However, the trends and commentary suggest that, in line with the overall national view, South West SME manufacturers are already facing challenges and expect a bumpy ride as we finalise Brexit negotiations and actually go through the process of leaving the EU. We are therefore not surprised to see manufacturers focusing on stabilising and consolidating their current position, with some also investing in new processes, products and their staff, to help steady and ready themselves ahead of a period of uncertainty.

The region's SME manufacturers are encouraged to actively look for opportunities and support to help them sustain their business and drive for growth through this time. We remain committed to helping businesses in the South West to do this.

Read on for more about the Manufacturing Barometer results...





Over 86%
of respondents are:

- > **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS**
- > **DIRECTORS**

Individuals with the highest level of strategic responsibility within their business



Business Aspirations.

“Short Term: consolidation of current position, fulfilling outstanding orders. Medium/Long Term: reduce in house manufactured variety of configurations, while increasing volumes shipped. Additionally, looking to increase ancillary equipment supplied to current customers.”

“More automation and a new machine, long-term relocation.”

“Very tough trading. Uncertainty with Brexit and customs union (we export and import). Costs rising in raw products monthly.”

CORNWALL

“Becoming more technology based.”

“Increase customer base
- Enter Nuclear sector products.”

“Short term - stem the losses.
Mid and long term - organic growth.”

SOMERSET

“Consolidation after a period of investment and growth followed by another growth phase and increases in capacity & productivity.”

“The next 12 months will be very challenging and our business relies upon greater certainty regarding our customers disposable income... Continued uncertainty is having a negative effect and will lead to job reductions.”

DORSET

“To be innovative in our field.”

“Ever increasing export globally, but at present we are losing turnover in the EU due to rule of origin problem once we leave The Customs Union.”

BRISTOL

“New product development - R&D is a focus. More automation in assembly systems.”

GLOUCESTERSHIRE

“I am concerned about the future after 5 years of growth. Clients are hesitant about spending money. Brexit uncertainty is a factor.”

“To get on with Brexit and press on and stand up and act like the Great Britain that we are.”

WILTSHIRE

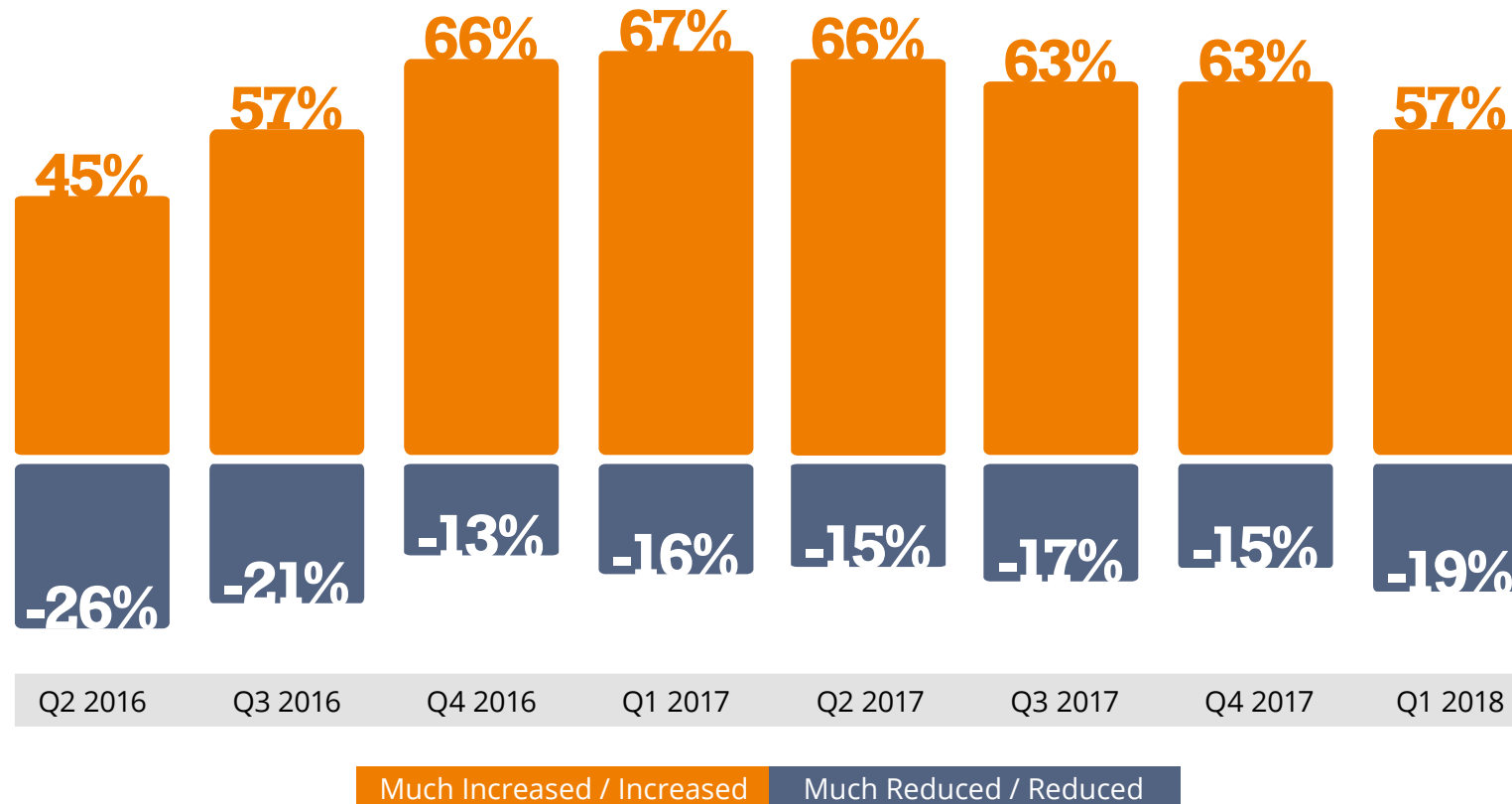
“Consolidate the business in our new premises to implement efficiency savings and improve productivity.”

“I expect to increase across the board although I was hoping we would be trading under WTO terms and not continue with being tied to the EU. So it may be less than we could have expected.”

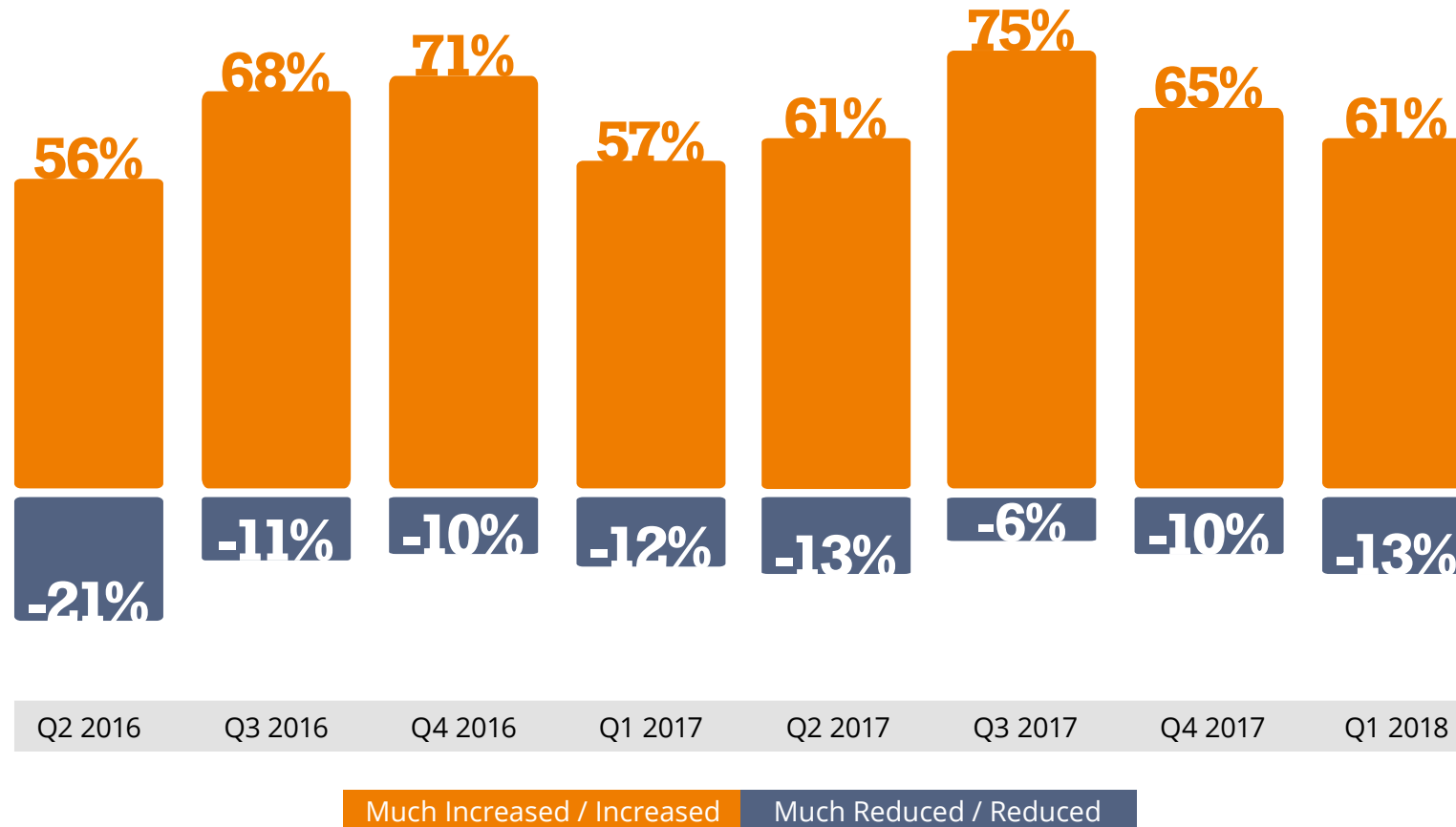
“Short to medium need to improve efficiency and widen customer base.”

DEVON

How has your sales turnover changed within the past 6 months?



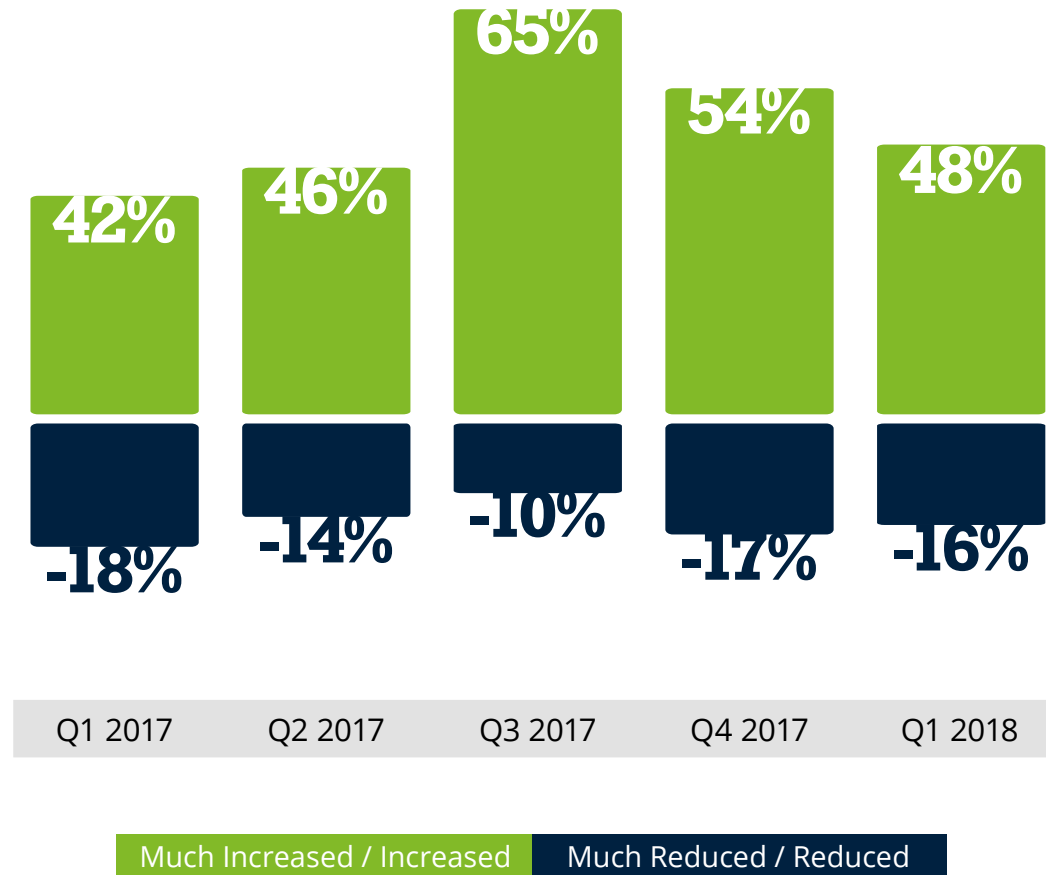
How do you expect your sales turnover to change over the next 6 months?



How has your profit changed within the past 6 months?

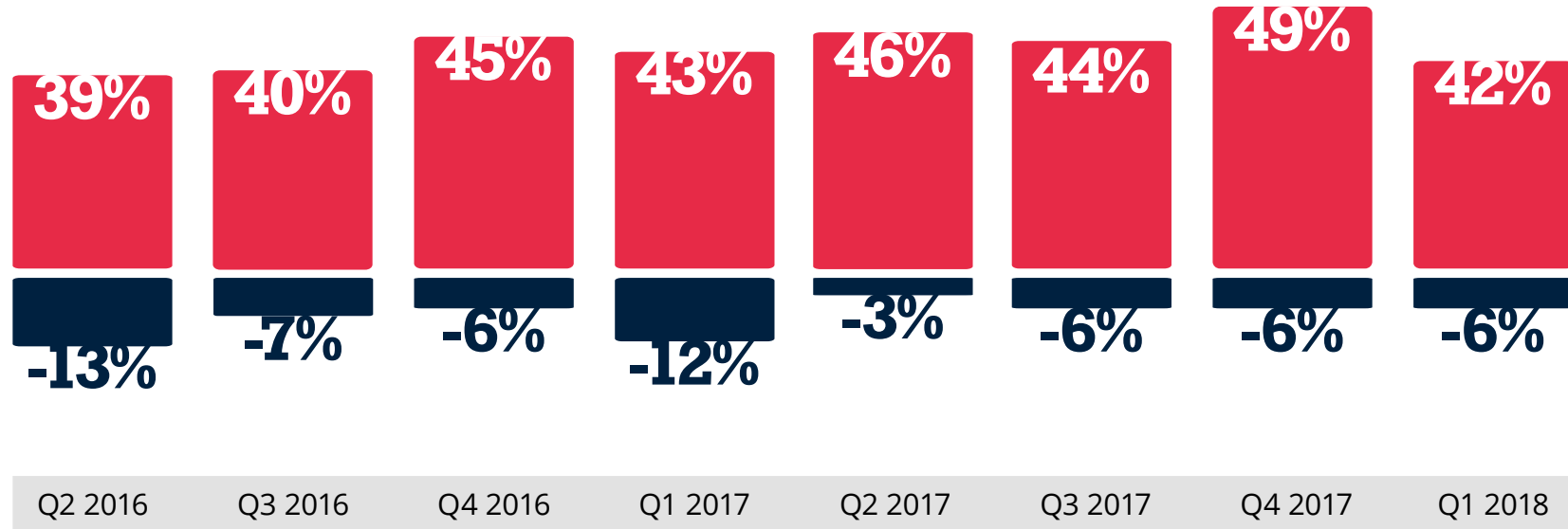


How do you expect your profit to change over the next 6 months?



South West Past Capital Investment.

How has your investment in new machinery/premises changed in the past 6 months?



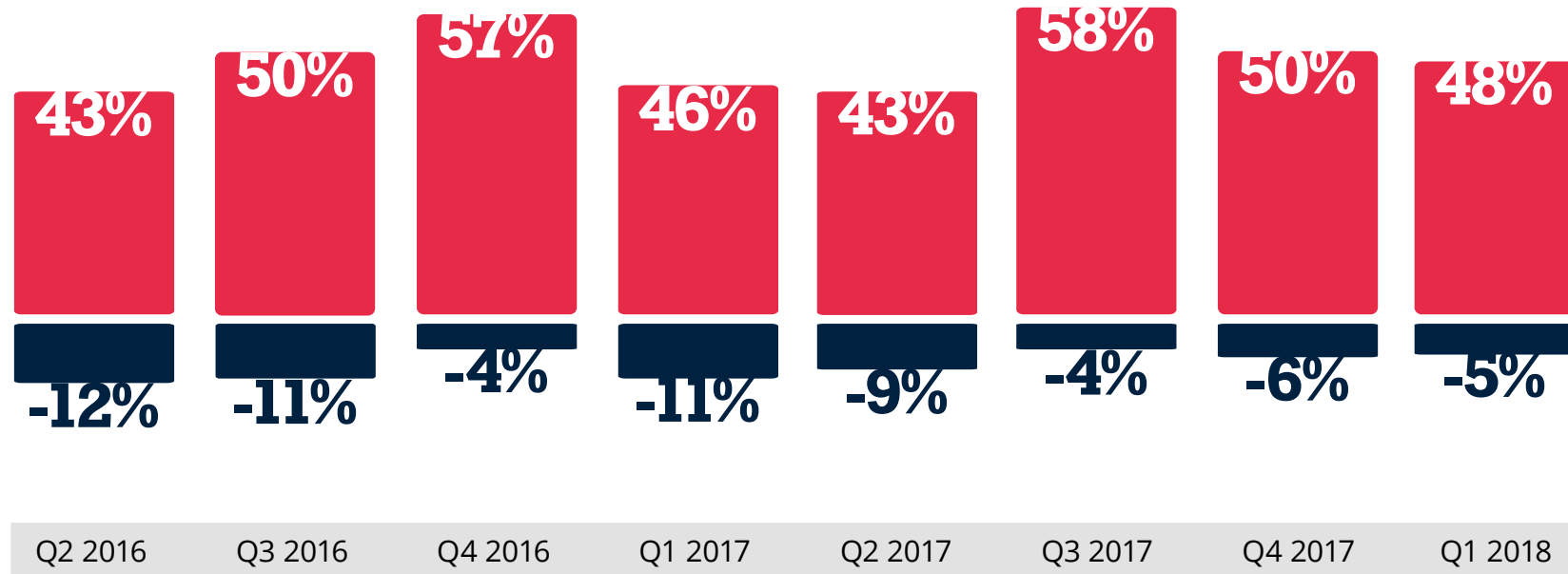
Much Increased / Increased

Much Reduced / Reduced

99 respondents

South West Future Capital Investment.

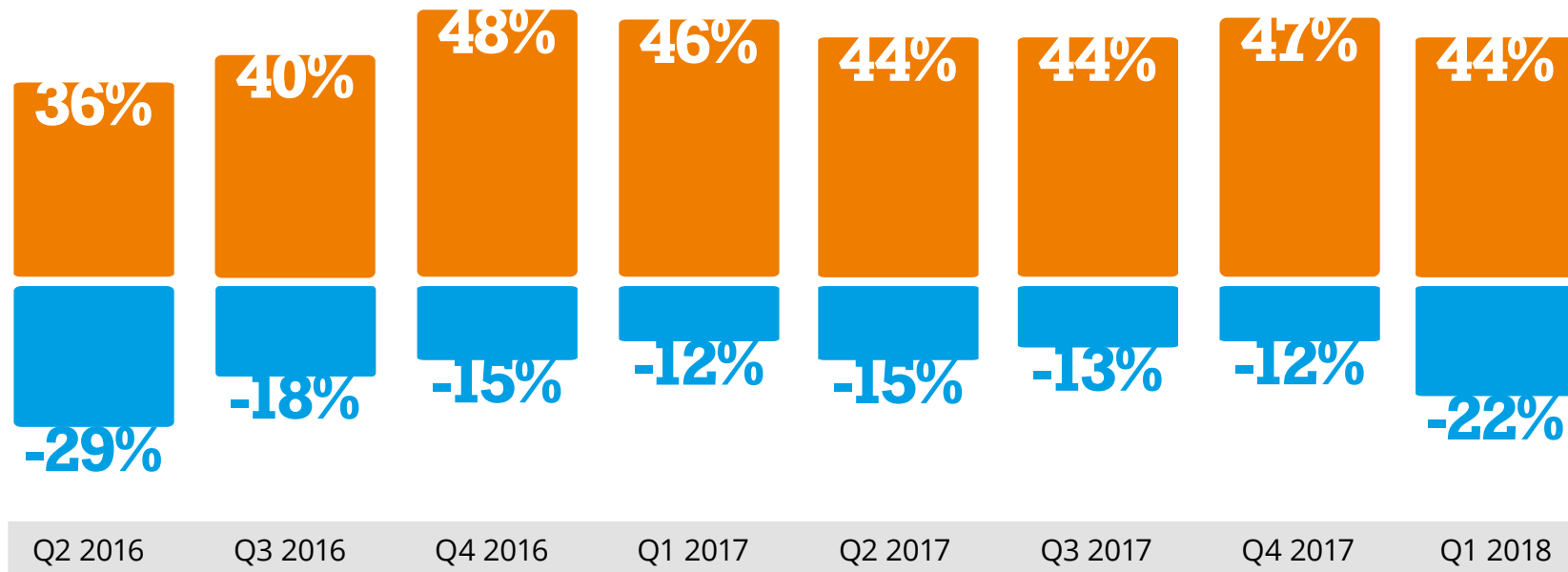
How do you expect your investment in new machinery/premises to change in the next 6 months?



Much Increased / Increased Much Reduced / Reduced

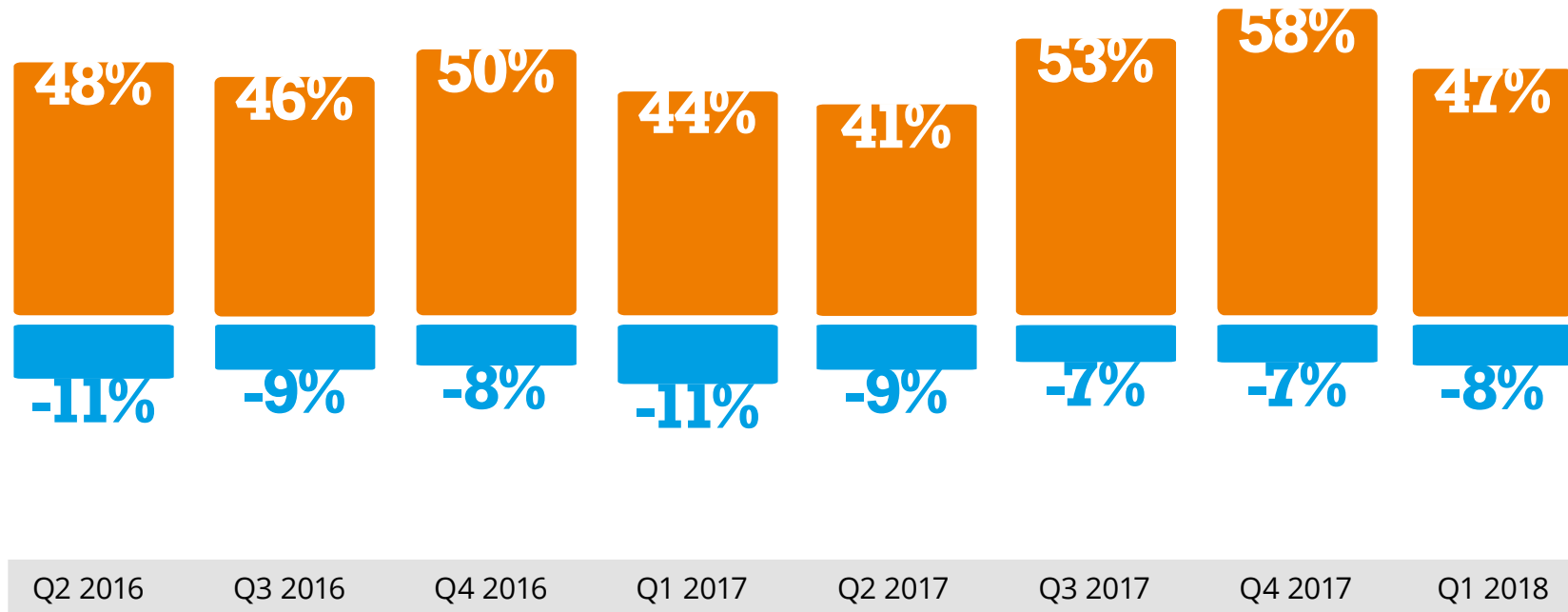
99 respondents

How have staff numbers in your company changed in the past 6 months?



Much Increased / Increased Much Reduced / Reduced

How do you expect staff numbers in your company to change in the next 6 months?



Much Increased / Increased Much Reduced / Reduced

What statement best describes your company?

**ALREADY
EXPORT**

67%

**PLAN TO
EXPORT**

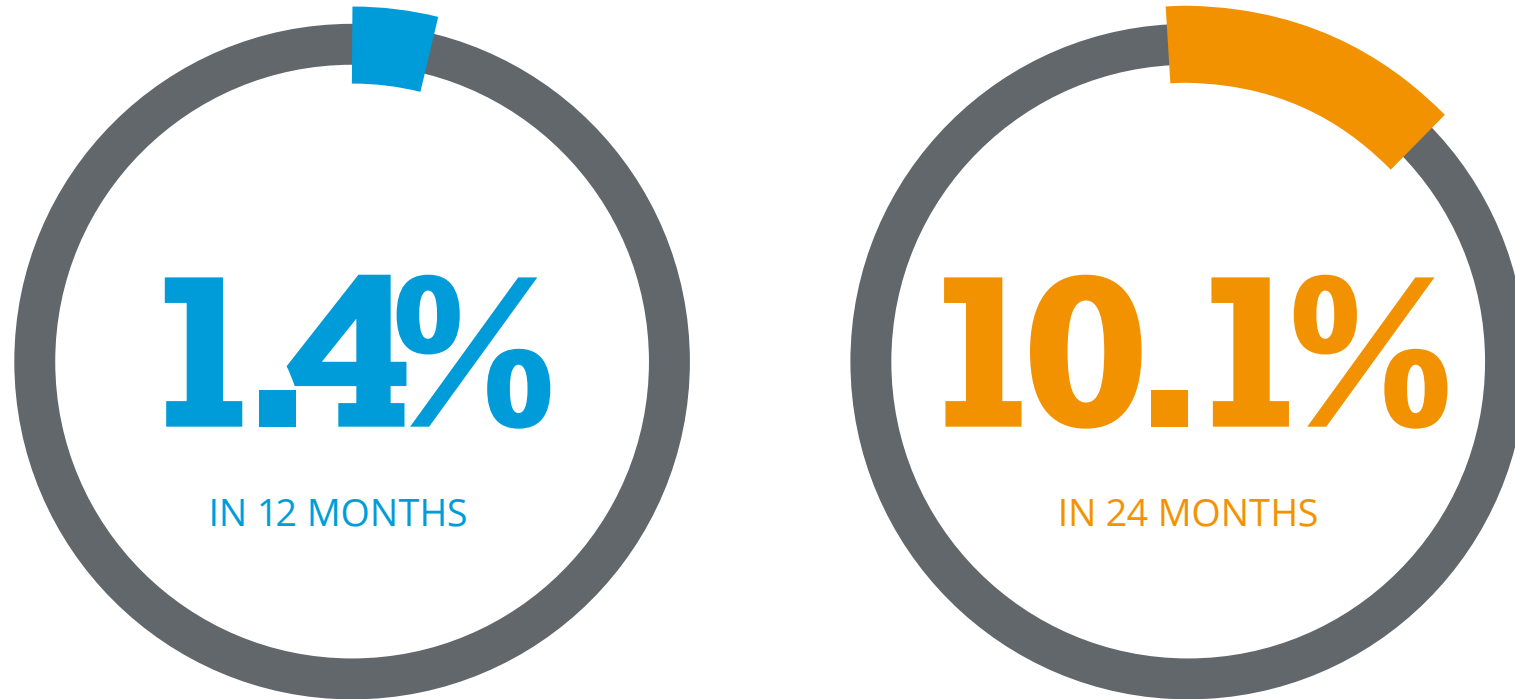
9%

**DECIDED NOT
OR NO OPTION
TO EXPORT**

19%

OTHER: 5%

Average anticipated growth in turnover as generated by export sales*



*using figures provided by respondents who export already and those planning to export.

About the Manufacturing Barometer.

MANUFACTURING barometer

The Manufacturing Barometer is a quarterly survey that charts the experiences of SME manufacturers across the UK. It is the largest survey of its kind and has informed both government industrial strategy and the national debate on manufacturing.

This South West focused report is generated using the input of businesses from Gloucestershire, Bristol, Somerset, Devon, Cornwall, Dorset and Wiltshire.

Run by SWMAS, part of the Exelin Group, the Manufacturing Barometer has its roots in the South West of England. It launched here in 2009, before extending to represent the view of SME manufacturers across the UK in 2012.

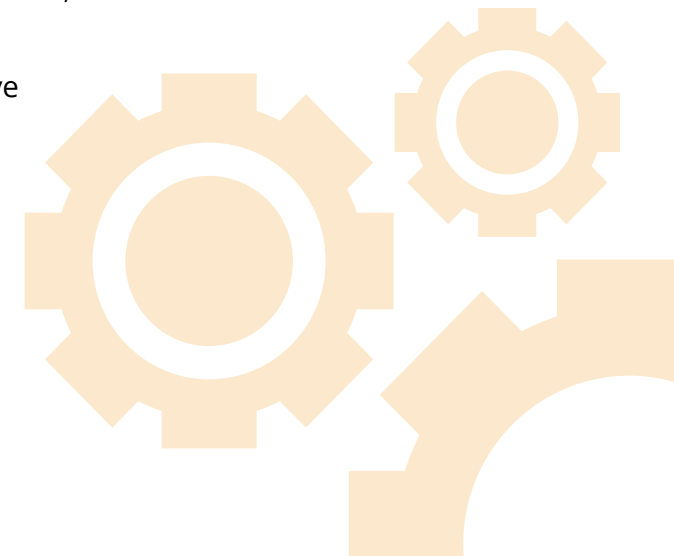
The Manufacturing Barometer records core trends in employment, turnover and investment and each quarter has a 'special focus' that explores an issue in greater depth. The special focus tests current thinking in the sector, and delves into issues such as productivity, overseas production, and energy efficiency.

Thank you to the survey respondents for taking the time to contribute and helping to form this collective voice of the sector. We will use the results to help raise the profile of, and inform the future of business support for, the UK SME manufacturing sector. For manufacturers, the Barometer can inspire a wider view of business, help to benchmark, or act as a catalyst for increasing capability and capacity.

If you would like to talk to one of our team about the challenges and opportunities in your business, to receive a personal invitation to contribute to the next Manufacturing Barometer, or more information about this report, please contact:

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www.swmas.co.uk/knowledge/manufacturing-barometer



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