



MANUFACTURING barometer

SPECIAL FOCUS: COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

NATIONAL REPORT FOR Q1 2020/21

APRIL, MAY AND JUNE 2020 - SURVEYED IN JULY 2020

SWMAS 

IN PARTNERSHIP WITH

 **Manufacturing**
Growth Programme

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NICK GOLDING

Managing Director
SWMAS

INTRODUCTION

Welcome to the Manufacturing Barometer - and thank you once again to all the businesses who participated.

This quarterly survey uncovers business' past performance and future expectations, allowing us to map these core trends over time - each response is incredibly helpful to build an accurate picture of SME manufacturing.

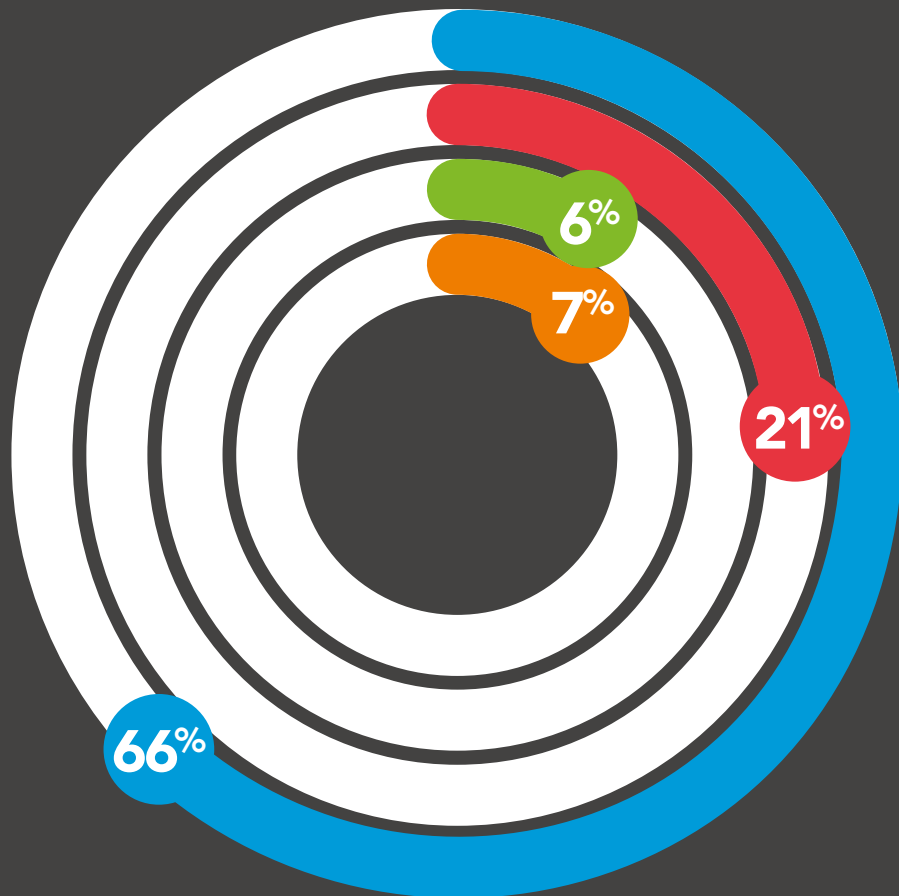
Results are shared with local and national government representatives and provide a critical insight into the SME manufacturing sector, helping to ensure that future support addresses the specific needs highlighted.

This quarters survey shows that, whilst manufacturers are still in negative territory since the COVID-19 crisis began, there has been a marked improvement since the previous Barometer in March, which showed the bleakest outlook in over a decade.

Whilst 48% still expect sales to reduce in the coming months, this has almost halved from the 85% who predicted this in March. However, when surveyed in January prior to the pandemic, only 17% saw a drop in sales on the horizon, showing that, whilst things are indeed improving, the SME manufacturing sector is still not back to its pre COVID-19 position...

SURVEY DEMOGRAPHICS

345 RESPONDENTS



87%

OF RESPONDENTS ARE:

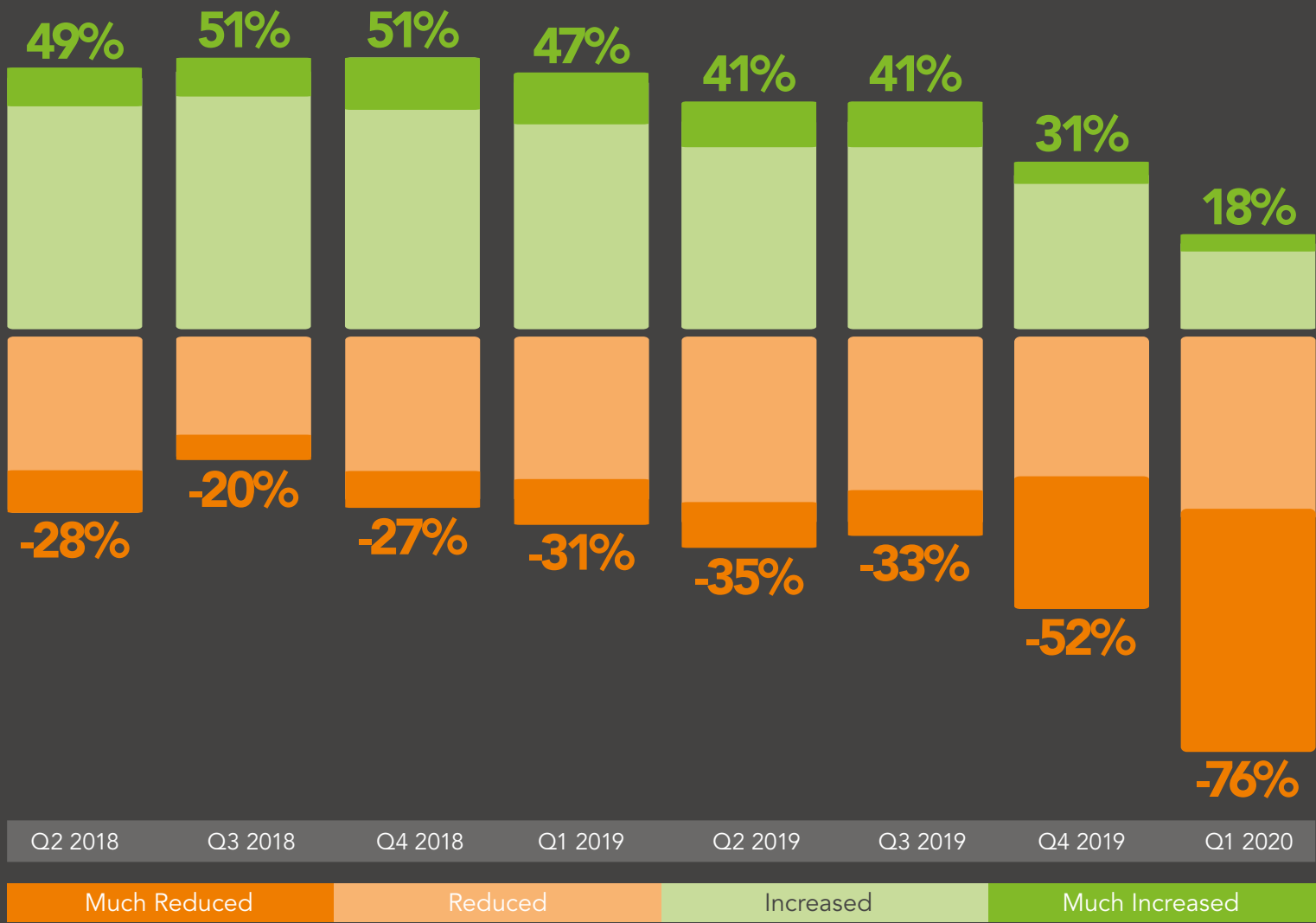
> **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS**

Individuals with the highest level of strategic responsibility across their business.



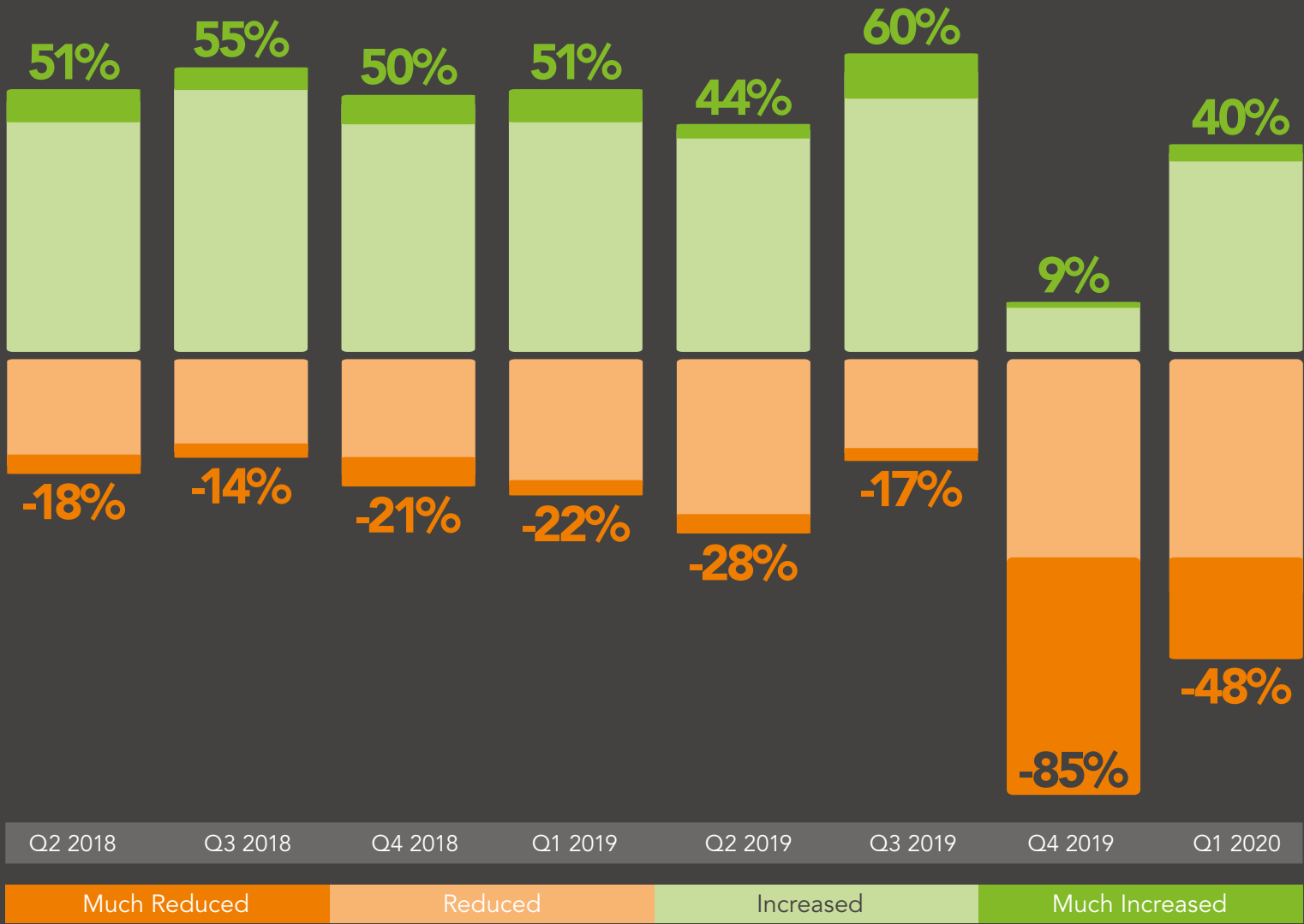
NATIONAL PAST SALES

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



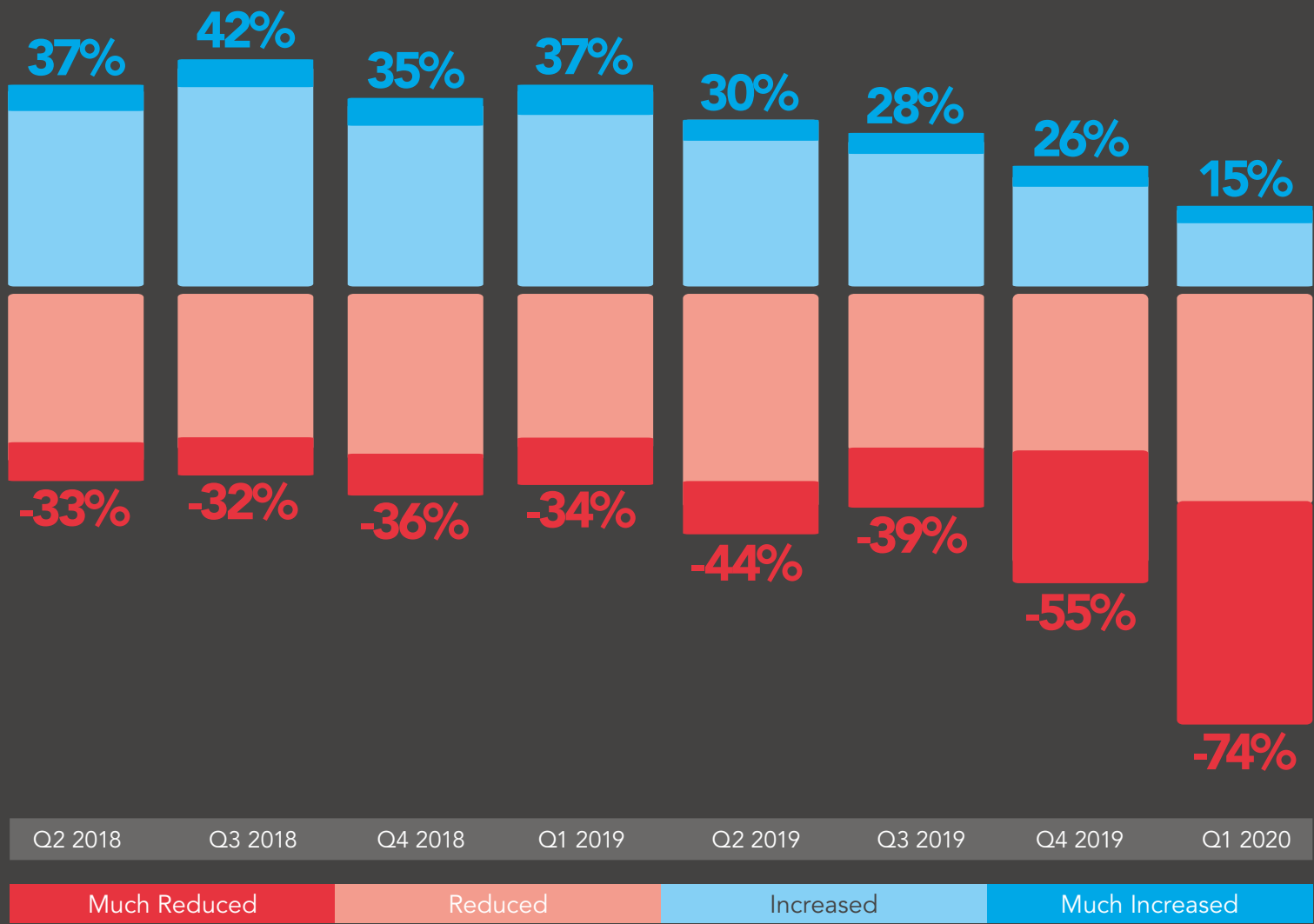
NATIONAL FUTURE SALES

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



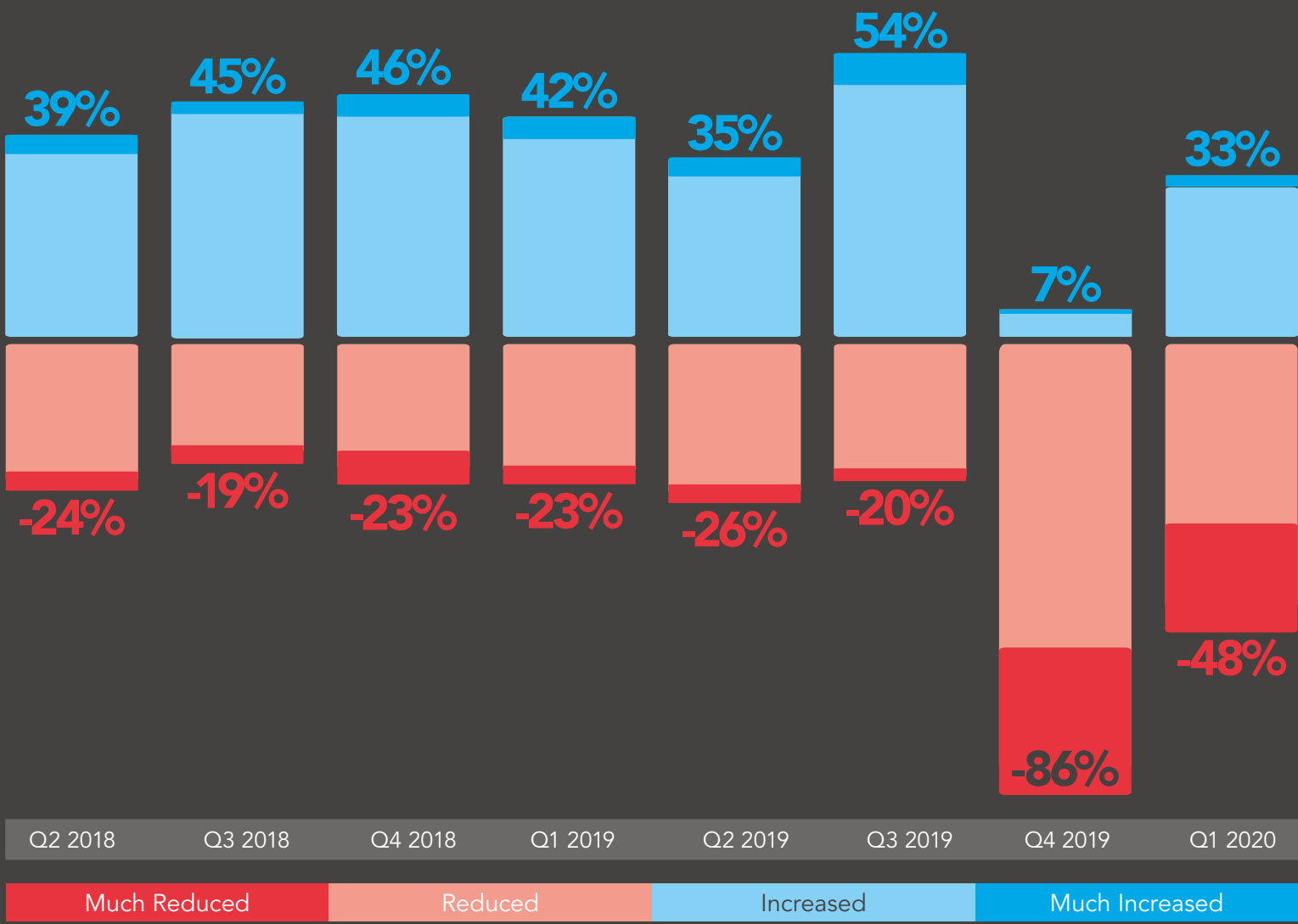
NATIONAL PAST PROFITS

How has your profit changed within the past 6 months?



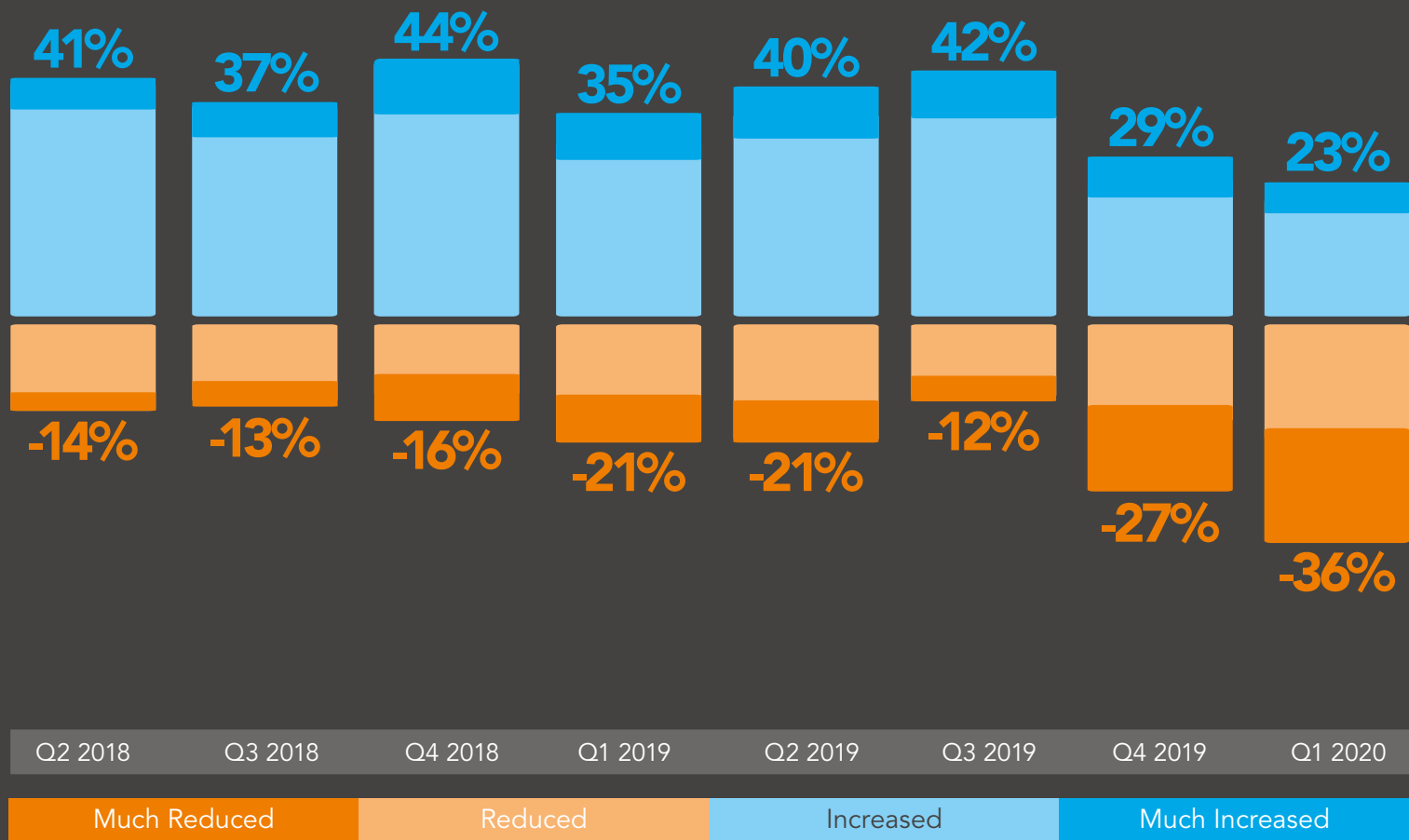
NATIONAL FUTURE PROFITS

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



NATIONAL PAST CAPITAL INVESTMENT

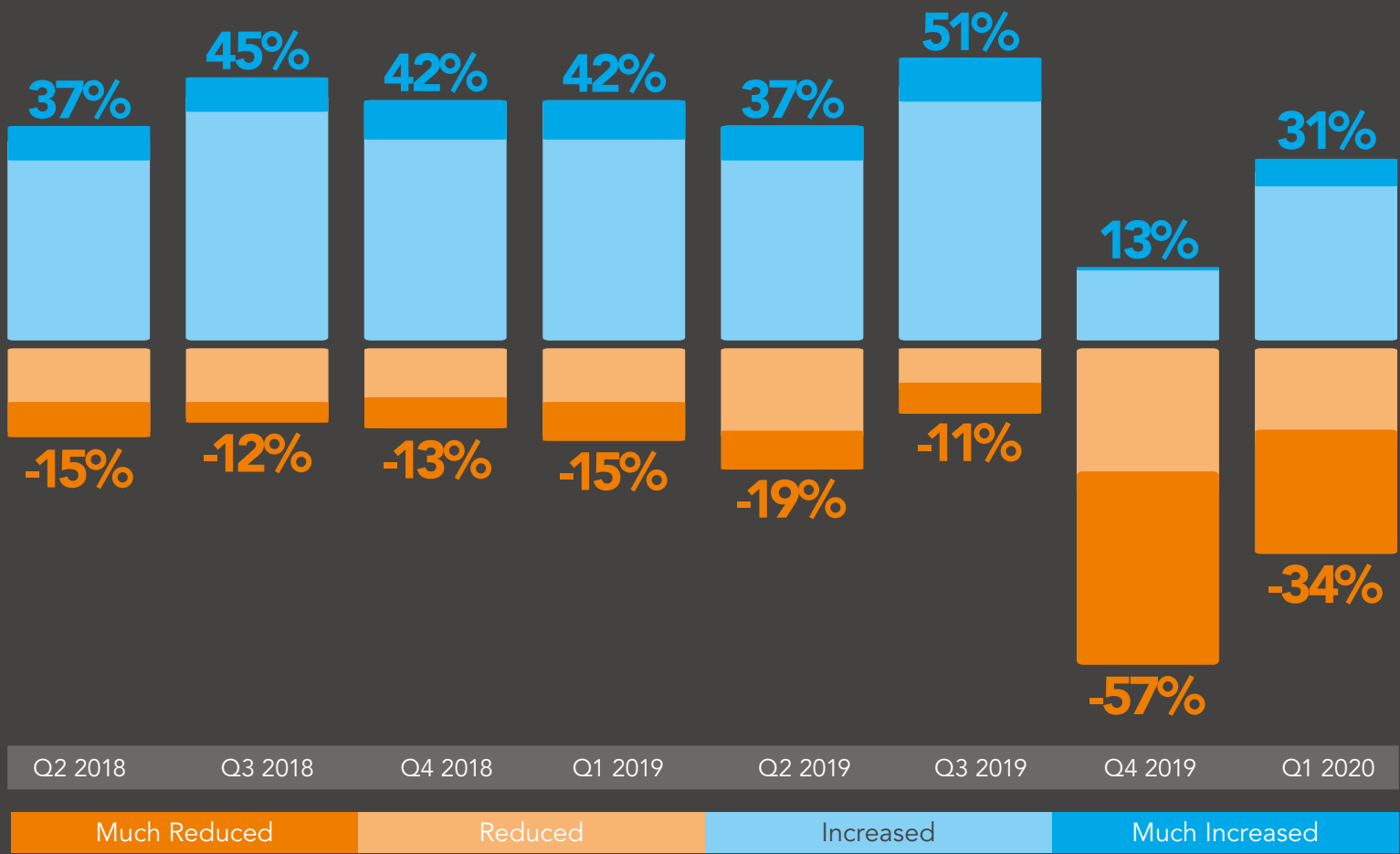
How has your investment in new machinery/premises changed in the past 6 months?



CORE TRENDS

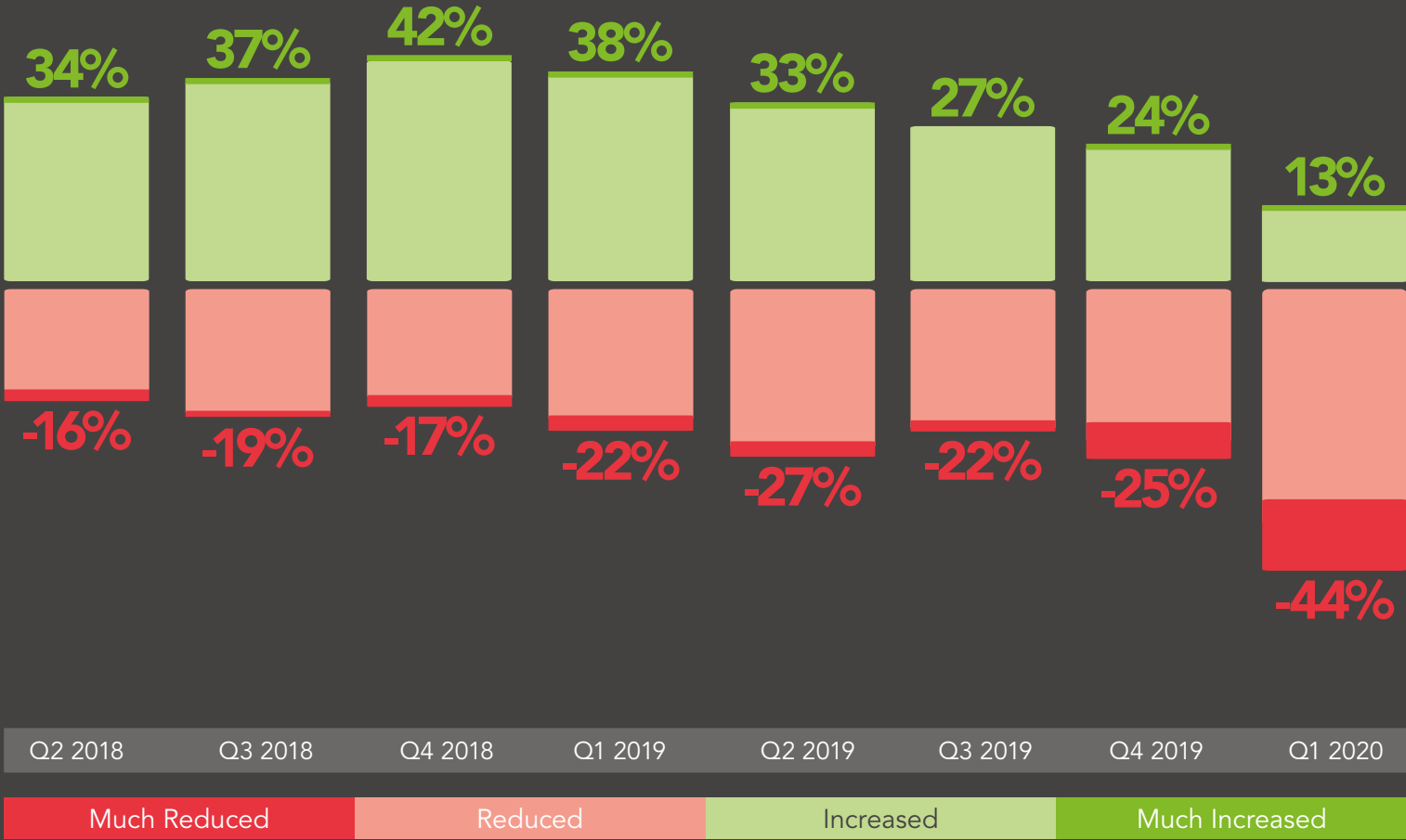
NATIONAL FUTURE CAPITAL INVESTMENT

How will your investment in new machinery/premises change in the next 6 months?



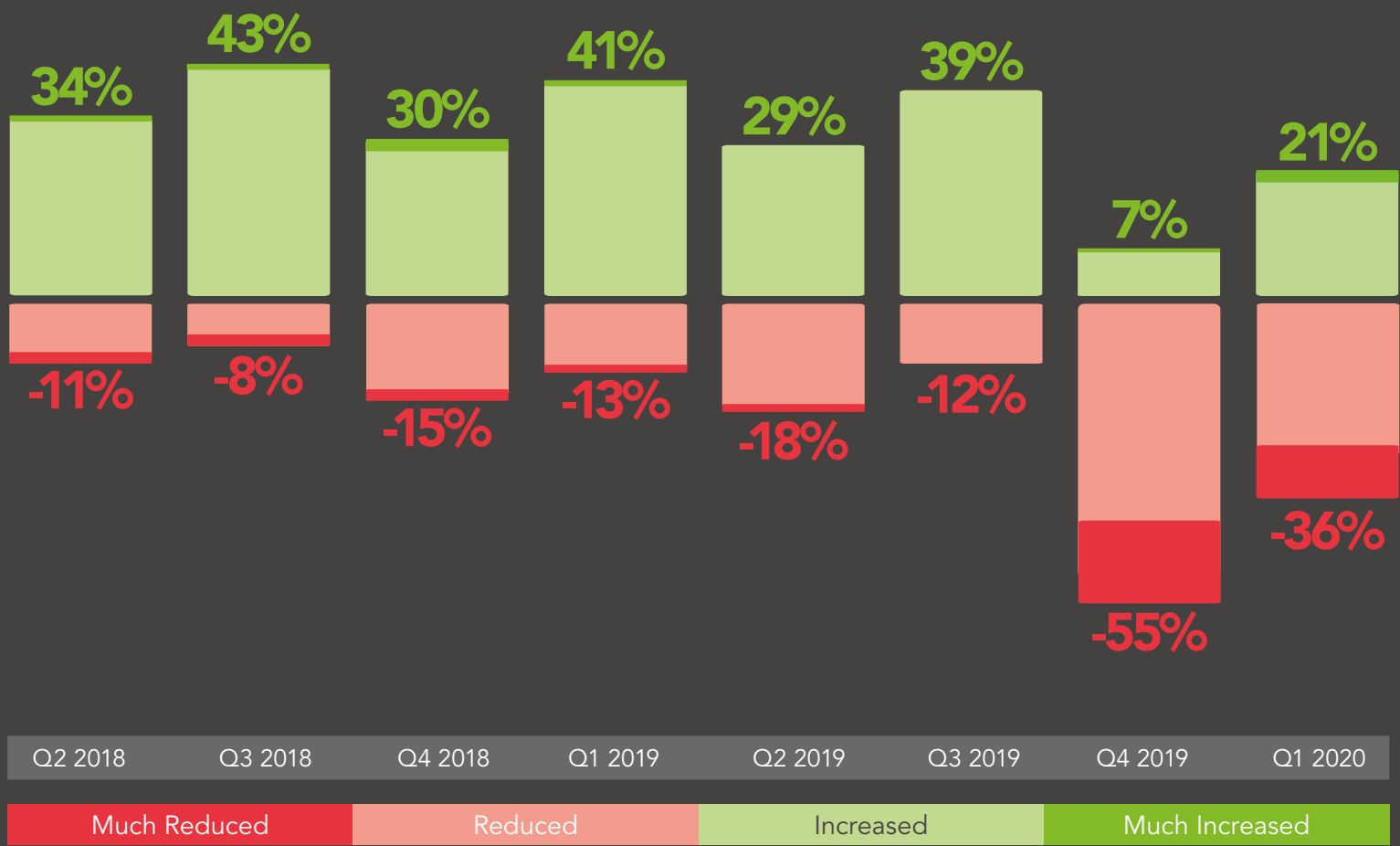
NATIONAL PAST EMPLOYMENT

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



NATIONAL FUTURE EMPLOYMENT

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





SPECIAL FOCUS:

COVID-19

Recovery and Future Growth Prospects

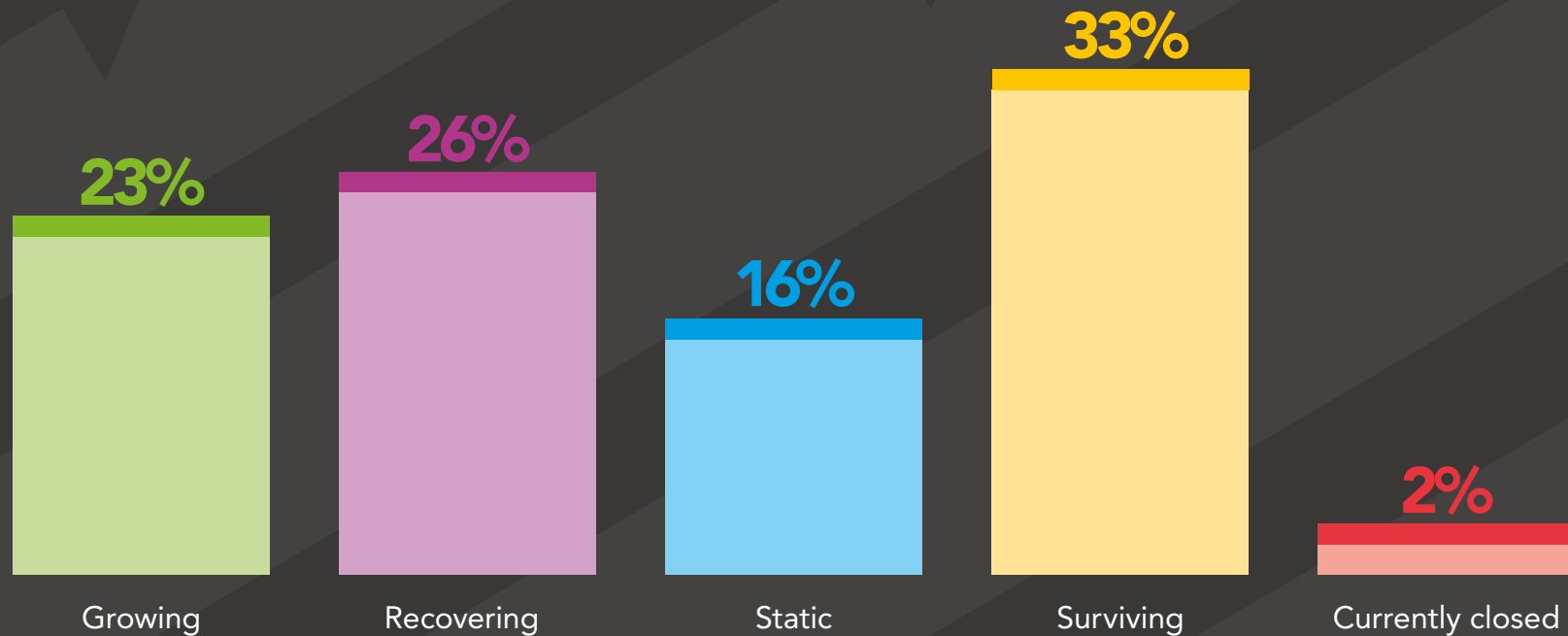
Each quarter, our Special Focus explores a current issue in greater depth, to uncover any opportunities or challenges it may present to the manufacturing sector.

Surveyed just after the COVID-19 pandemic forced the UK into lockdown, the last Barometer showed that this global pandemic was having a devastating effect on SME manufacturers across the sector. For some, a reduction in customer orders has allowed time to review the business and adapt for positive change, however, a drastic fall in sales and profits has hit the majority of businesses incredibly hard.

Last quarter, respondents highlighted cashflow, staff issues, and supply chain commitment as the areas most greatly impacted by COVID-19 and the subsequent UK lockdown. Three months on, we wanted to understand the steps companies have already taken to overcome these issues, and what support is still required to help SME manufacturing businesses recover and grow.

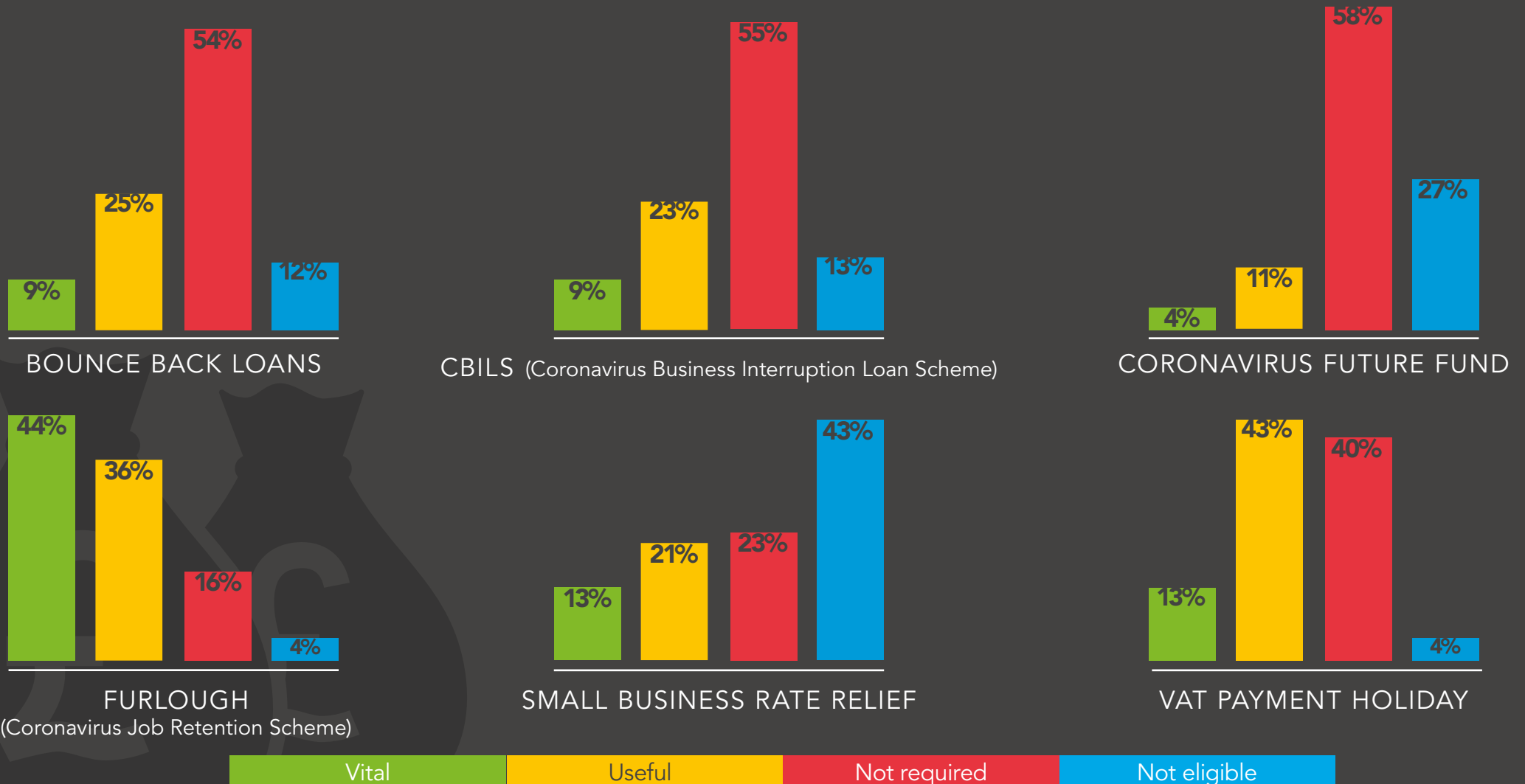
SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

Which of the following best describes the current status of your business?



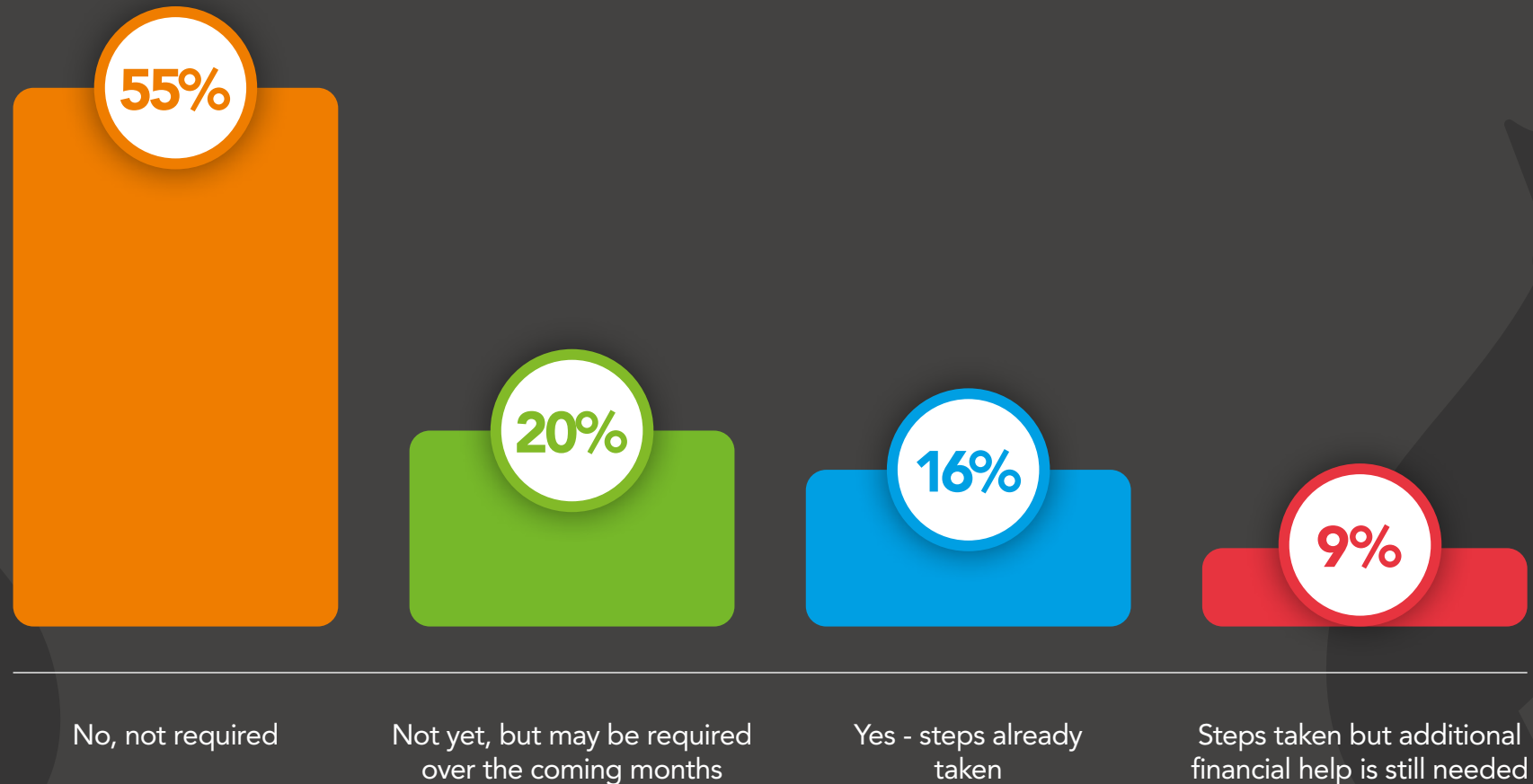
SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

Regarding the financial support offered by the government in response to COVID-19, please indicate if you accessed any of the below options, and how effective this was in supporting your business:



SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

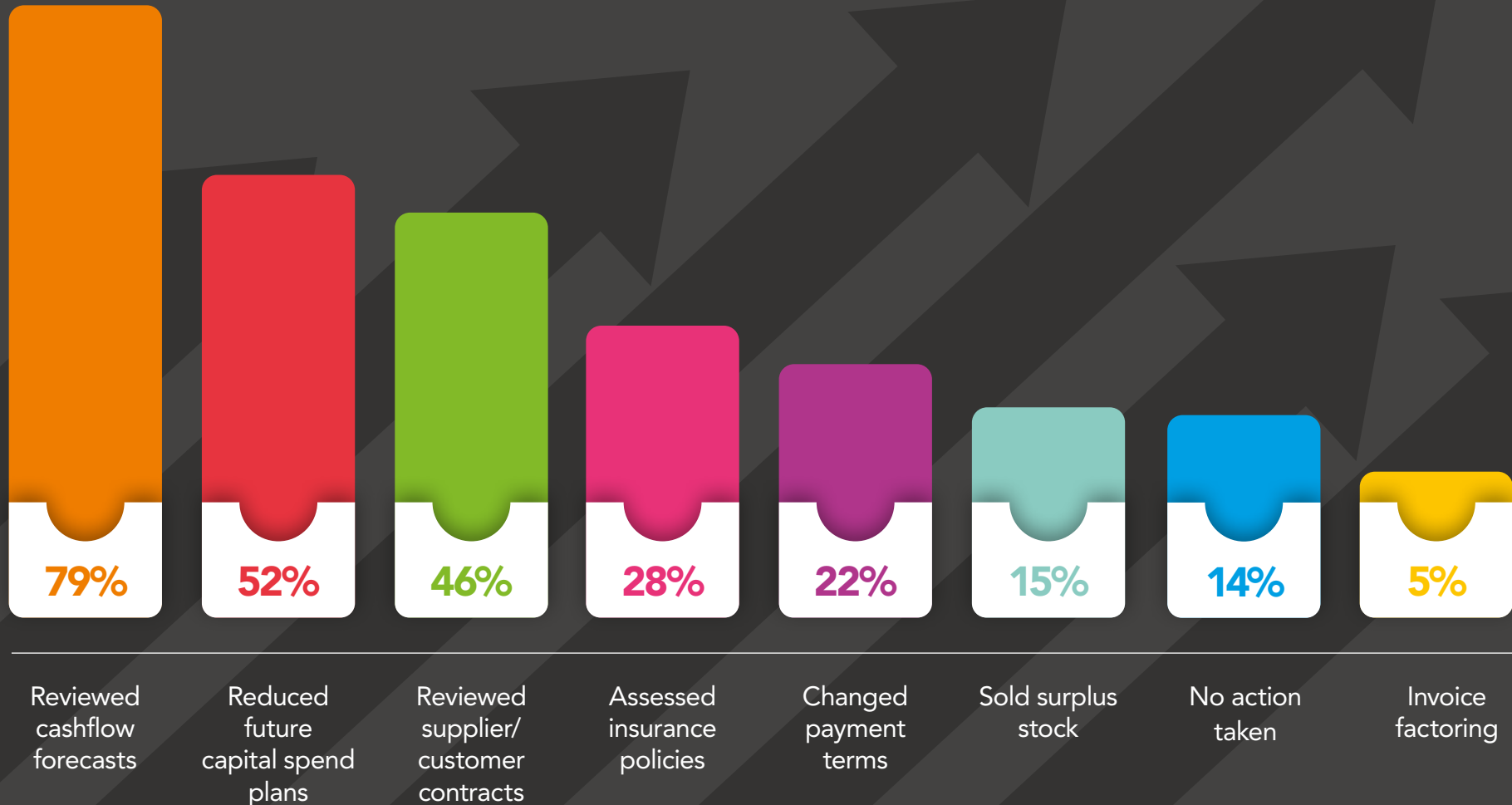
In addition to the government support listed above, were further steps necessary to support your business financially (i.e. personal loans/remortgaging)?



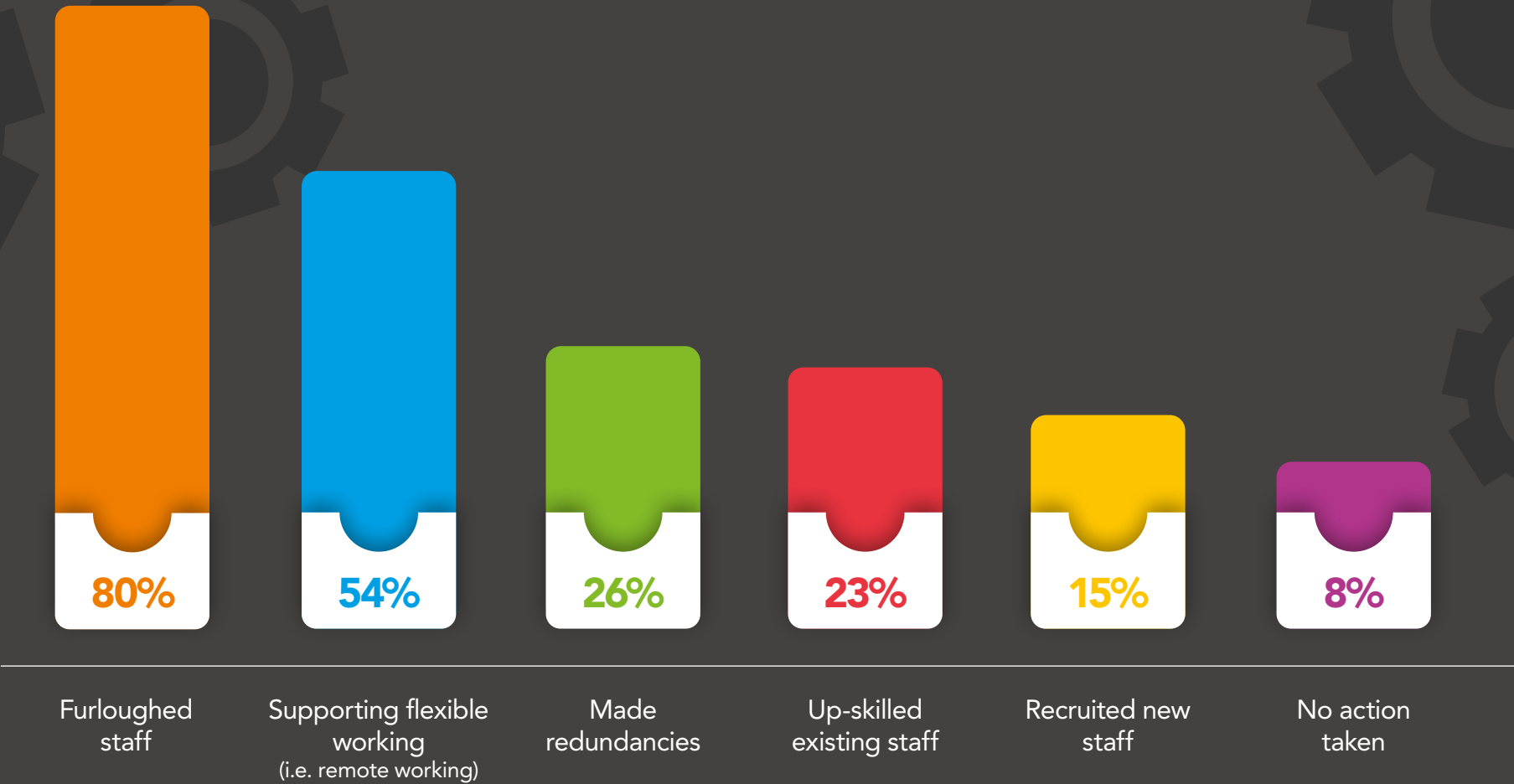
SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

In the last Barometer, respondents identified Finances, Staff/HR issues, and Supply Chain Commitment as the areas most impacted by COVID-19. What steps were taken to overcome issues in these areas?

Steps taken to protect cashflow

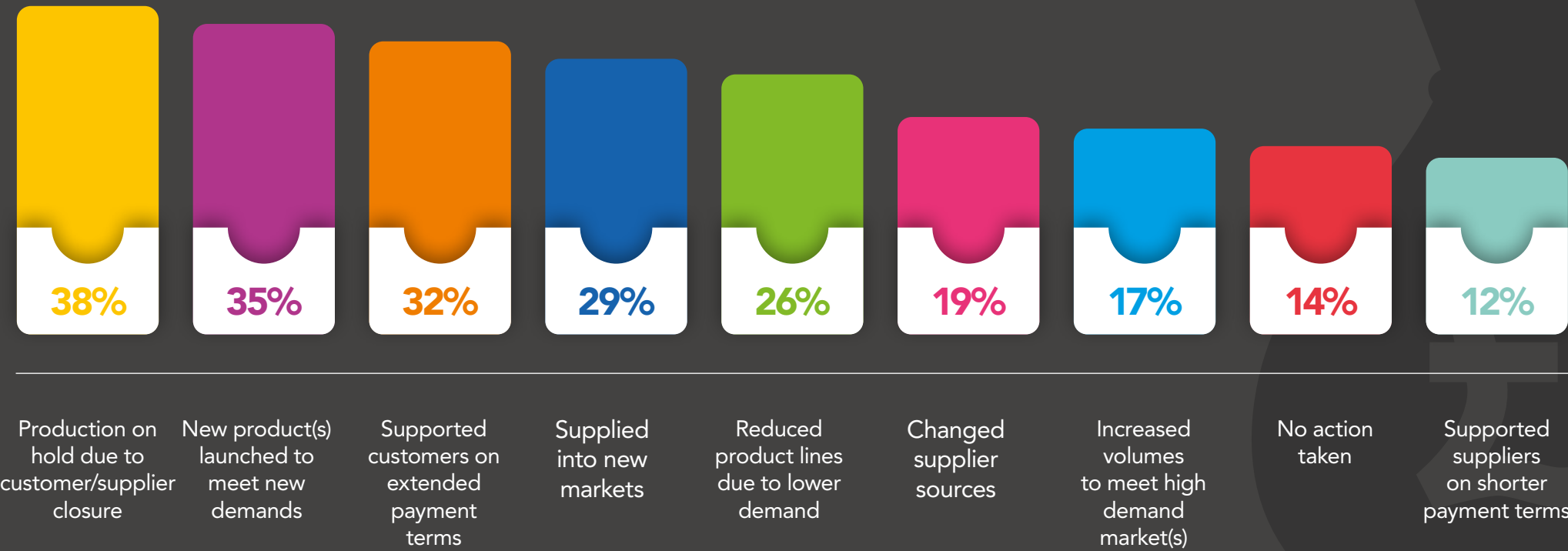


Steps taken to address staff / HR issues



SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

Steps taken to address supply chain commitment (customers & suppliers)



SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

As lockdown measures lift and staff return to work, is further clarity needed to help you implement safe social distancing in a manufacturing environment?



22%

yes

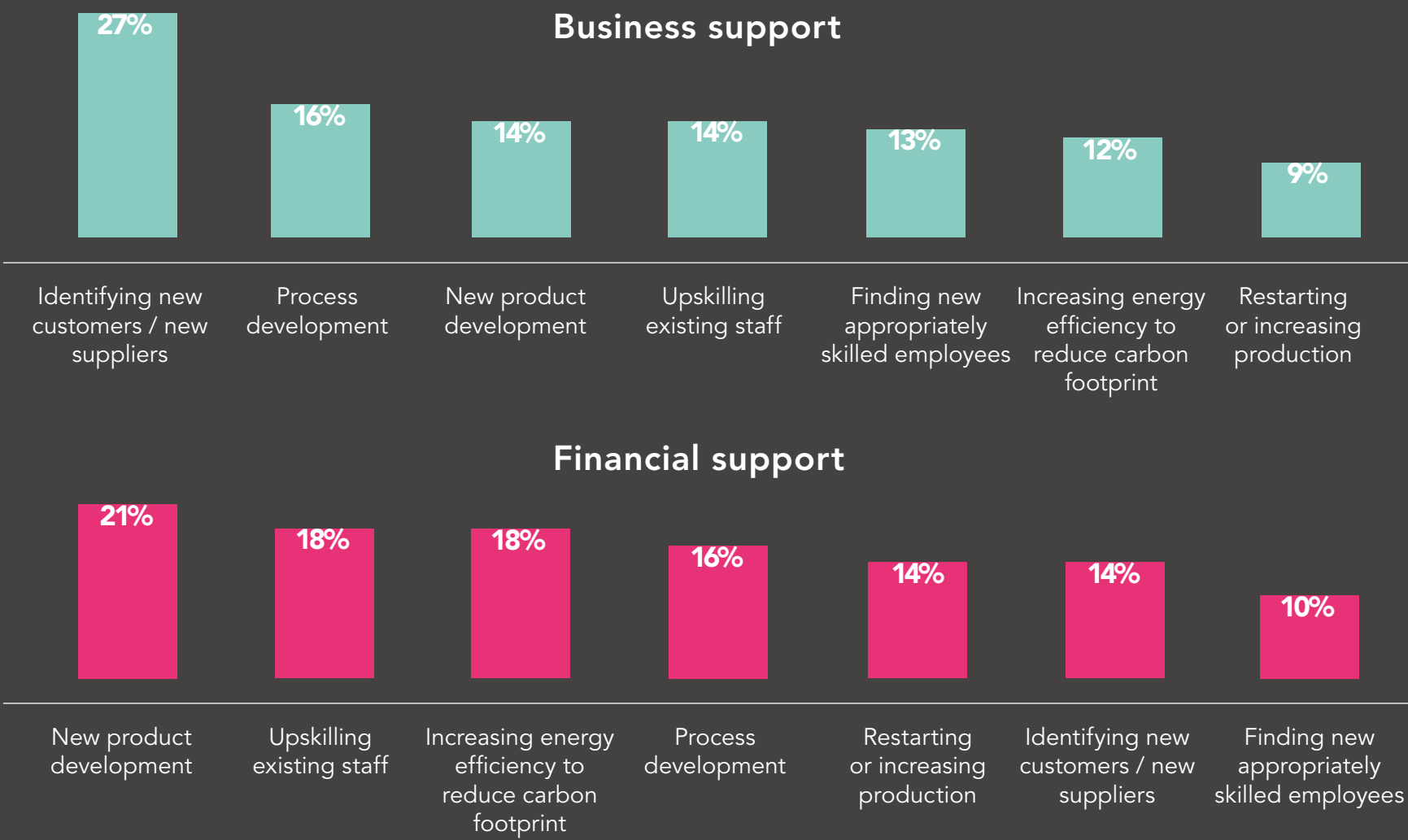


78%

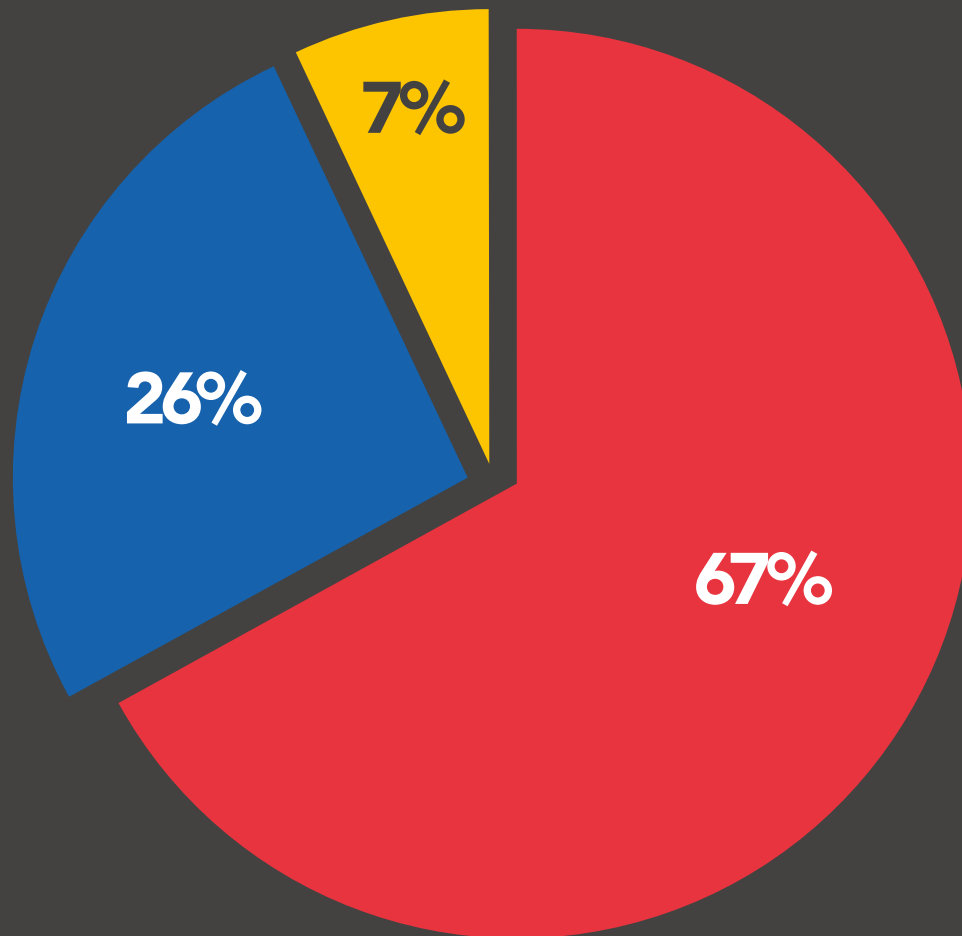
no

SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

Based on responses, further support is required in the following areas to help SME manufacturers recover and grow.



How has the impact of COVID-19 affected your business' Brexit preparations?



same

The level of planning is **about the same** and COVID-19 has not had an impact on our preparations

less

The business is **less prepared** to cope with Brexit

more

The business is **more prepared** to cope with Brexit

BUSINESS ASPIRATIONS

“Survival - being a manufacturing company supplying into the food service industry we have only been able to access furlough payments. We need immediate help with rates relief and overhead support, we have had an 80% reduction in turnover in the last 3 months totally due to COVID-19.

In the short term we need to be operating profitably without the furlough scheme help. In the medium term, we want to be back to the turnover levels we had before Brexit and COVID-19. In the long term we aim for steady growth and investment in new machines and robots.

— SOUTH WEST —

“Acquire new sales/business that has not been available during lockdown, increase existing sales/business, re-start CAPEX aspirations, consider acquisitions, increase marketing spend, invest in people development.

For the short term we are trying to manage demand with staffing levels and turnover/profit. We would like to be able to turnaround from making losses, which with the reduced turnover we are. Medium term we are hoping to get back on a normal footing and have all the remainder of the employees back off Furlough (currently five still off work). Long term we really hope the supply chain will look at the expertise in the UK and source more often from the UK for security of supply and quality.

— WEST MIDLANDS —

“Short term to ensure we have a full order book moving forward after a difficult few months and consolidation of our existing customers. Long term - 2021 - to continue with our growth plan, increasing our clients and hopefully investing in a further CNC machine and employing a new member of staff to operate it.

We are looking to change the business into the commercial market rather than domestic market. We have a new product launch in September 2020 and another one planned in 2021. We are wanting to build the business quickly and become a market leader in electric heating.

— YORKSHIRE & HUMBER —

BUSINESS ASPIRATIONS

“

In the short term, we are aiming to recover from COVID-19 crisis and hopefully double our income and turnover, decrease our carbon footprint, and increase our profit. Medium term, we aim to reach 50% of our capacity to analyse samples; this is three times the current turnover. In the long-term, we aim to reach our full size, that is four times our current turnover.

Over the last three months we have invested in a new MRP System, cleanroom, machinery, office refurbishment, a new Sales Manager and Quality Manager who both start with us on the 3rd August. All staff are due to return to working from the factory also on the 3rd August. We are looking to make some big gains in the next six months with the investments we have put in place.

SOUTH EAST

“

2020 was planned to be a growth year. January to March was a good start and we saw a 30% growth over that quarter. Unfortunately, COVID-19 has now seen a massive reduction in orders placed and many customers were closed during lockdown. As such we have now seen an 80% reduction in turnover through April- June. As such this has impacted on our aspirations and we are currently having to re-think our strategy for the remainder of this year. As such we can't elaborate on them at this stage.

Online sales are expected to continue to increase as we target social media platforms and Amazon, eBay, Onbuy etc. We want to improve our customer experience on our website and translate it into many languages to get our branding around the world over the next two years subject to finances.

EAST MIDLANDS

CONCLUSION

The latest findings show an improvement from the previous quarter, with some businesses feeling more optimistic about future growth. However, 38% of respondents have been forced to pause production as a result of customers and/or suppliers being closed, which is having a negative effect on sales and profits. While it's positive to see a number of firms diversifying into alternative markets to mitigate the impact of COVID-19, this report has revealed that many SME manufactures require support to rebuild supply chains, or identify new high demand products, as they adapt to operating in the 'New Normal'.

Results also show that nearly 80% of manufacturers have utilised and found value in the Coronavirus Job Retention Scheme (Furlough). But, despite this, 36% are predicting a need to cut staff numbers in the next six months. As the furlough scheme is due to end in October, this indicates that more support is still needed to further protect jobs until the manufacturing sector is fully operational once more.

As businesses try to find a way forward, cashflow is a primary concern for many manufacturers. 32% of those questioned are also supporting their customers on extended payment terms, which presents further challenges at an already difficult time.

In addition to the financial support schemes being offered by government to help sustain the UK economy, 45% of SME manufacturers have either already taken further steps to protect their cash flow or predict a future need to do so. With 9% stating

that the additional measures they have already taken are still not enough, further support, designed and tailored for the manufacturing sector, would be welcomed to help struggling businesses survive in the coming months.

Last quarter, manufacturers were predicting a drastic drop in profits, with only 7% expecting an increase within six months. The latest findings show that a much larger number (33%) are now expecting profits to grow by the end of 2020. Whilst this indicates a level of optimism from some, just under half of respondents (48%) still predict future profits to drop, highlighting an expectation that the impact of COVID-19 will continue to affect SME manufacturing for some time to come.

This report will be shared with policy makers to help them better understand the support needed by the industry, both immediately, and over the coming months.

Clearly there is still a long way to go as the sector continues to recover. As always, we will help SME manufacturers in any way we can.

If you would like to hear more about funded support available, or discuss your individual business needs with one of our Manufacturing Specialists, please click here to get in touch: info@swmas.co.uk



ABOUT THE MANUFACTURING BAROMETER



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

Run by SWMAS since 2009 in the South West of England, in partnership with the Manufacturing Growth Programme (MGP), 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.

Companies are able to use this quarterly Manufacturing Barometer to compare themselves against other firms within their sector or region.

SWMAS are experts in productivity and growth. If you would like one of our team to undertake a diagnostic review, helping identify opportunities in your business, or for more information on this report, please contact:

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