



MANUFACTURING barometer

SPECIAL FOCUS: TRADING BEYOND BREXIT

NATIONAL REPORT FOR Q3 2020/21

OCTOBER, NOVEMBER, AND DECEMBER 2020 - SURVEYED IN JANUARY 2021

SWMAS 

IN PARTNERSHIP WITH
 **Manufacturing**
Growth Programme

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NICK GOLDING

Managing Director
SWMAS

INTRODUCTION

Welcome to the Manufacturing Barometer for Q3 2020 (covering Oct, Nov, and Dec).

This quarterly survey is the largest of its kind and reports on the experiences and opinions of SME manufacturing businesses, to uncover trends across the sector and highlight the specific support that these firms are calling for.

Whilst it is clear from this quarter's report that many business leaders are trying to remain positive, the challenges being faced by SMEs across the manufacturing sector do not appear to be abating. Many firms are still managing the impact of COVID-19, and on top of this, there is now also a need to prepare for potential changes as a result of new, post-Brexit regulations.

Despite these ongoing challenges, it is reassuring to see that confidence appears to be slowly improving, with the number of businesses expecting growth in future sales gradually returning to pre-pandemic levels.

As an industry that relies heavily on machinery and isn't compatible with home working, manufacturing was hit hard by the first national lockdown in March 2020. Therefore, businesses took decisive action early on to mitigate further negative impact and ensure they could continue to operate safely going forward. It appears that, for some firms, this has helped them through further COVID-19 challenges and they now feel confident that the action already taken will be sufficient to help them return to growth.

Although future expectations of sales, profits, investment, and staff numbers has been slightly more optimistic over recent months, the actual performance reported doesn't quite match these positive predictions. This indicates that, whilst there are definite signs of improvement, some businesses are still struggling to achieve their growth ambitions in these challenging times.

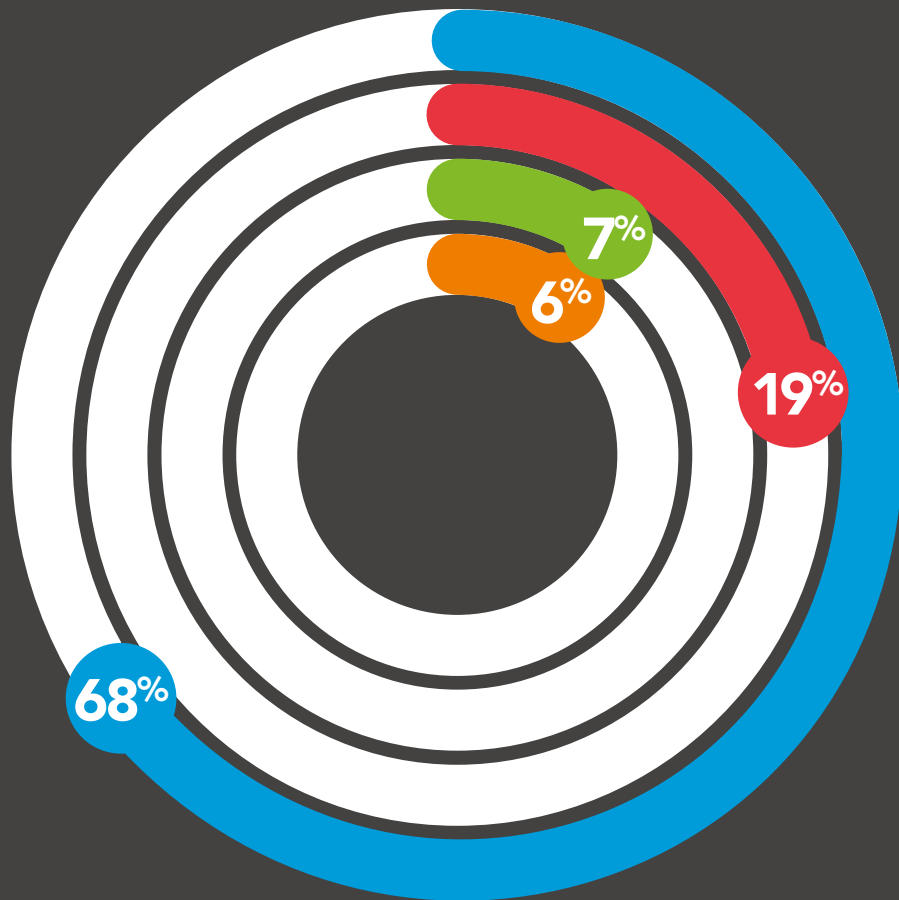
SME MANUFACTURERS ...MAKE YOUR VOICE HEARD!

Each quarter, this report is shared with local stakeholders and national government to provide a critical insight into SME businesses across the manufacturing sector. Every response counts and helps to ensure that future support addresses the specific needs highlighted.

[Click here](#) for your invitation to participate in next quarter's Barometer survey.

SURVEY DEMOGRAPHICS

284 RESPONDENTS



87%

OF RESPONDENTS ARE:

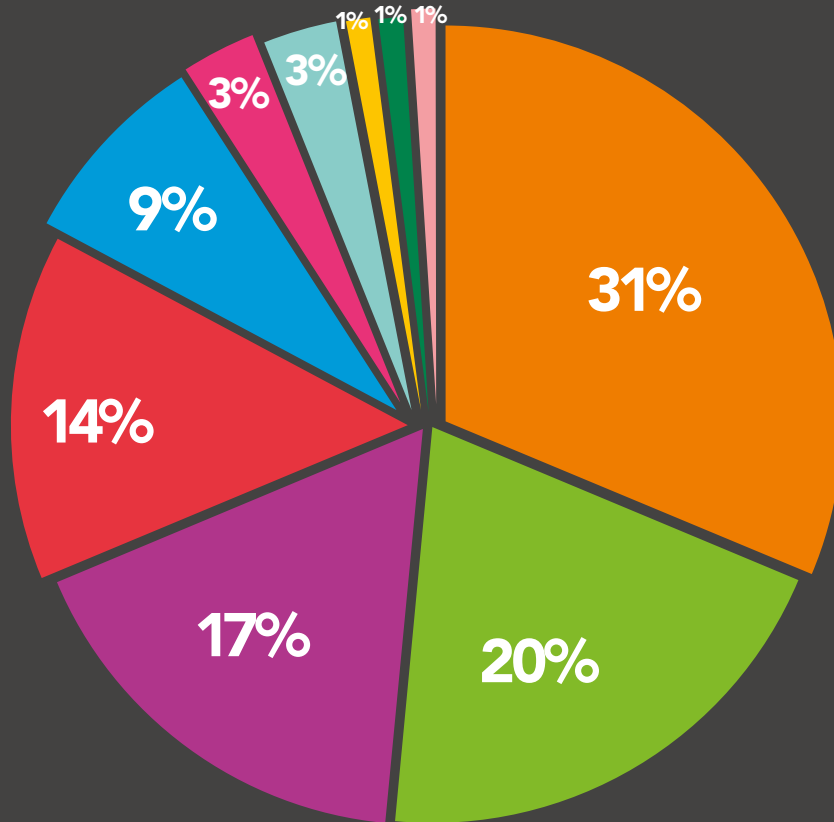
> MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS

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



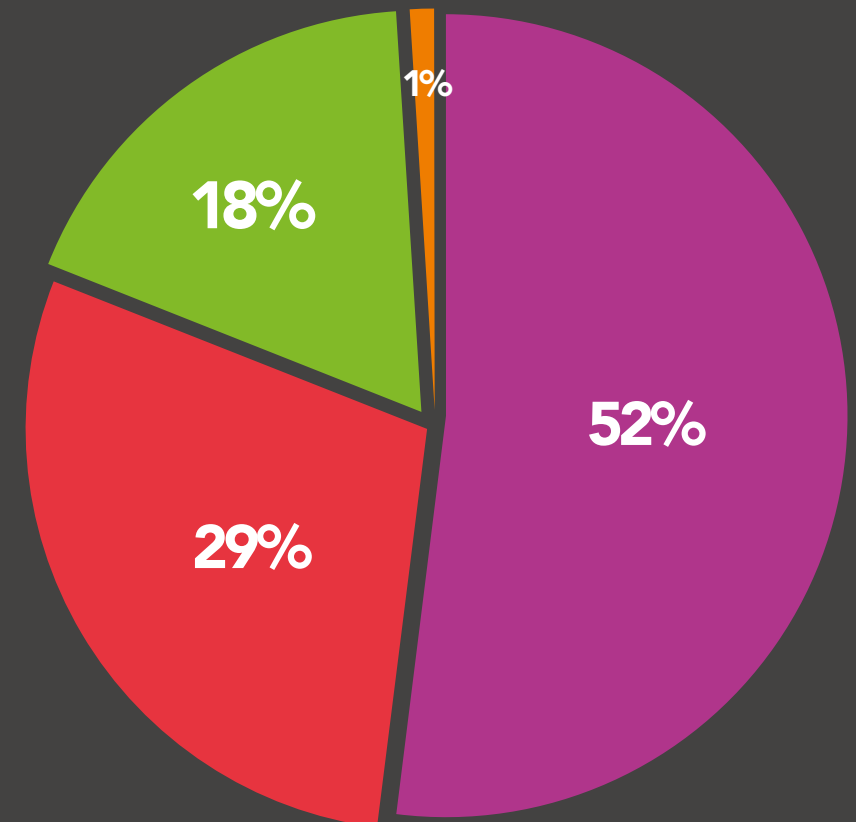
NATIONAL SURVEY DEMOGRAPHICS

LOCATION



- South West
- West Midlands
- South East
- Yorkshire & Humber
- East Midlands
- East of England
- North West
- London
- North East
- Scotland

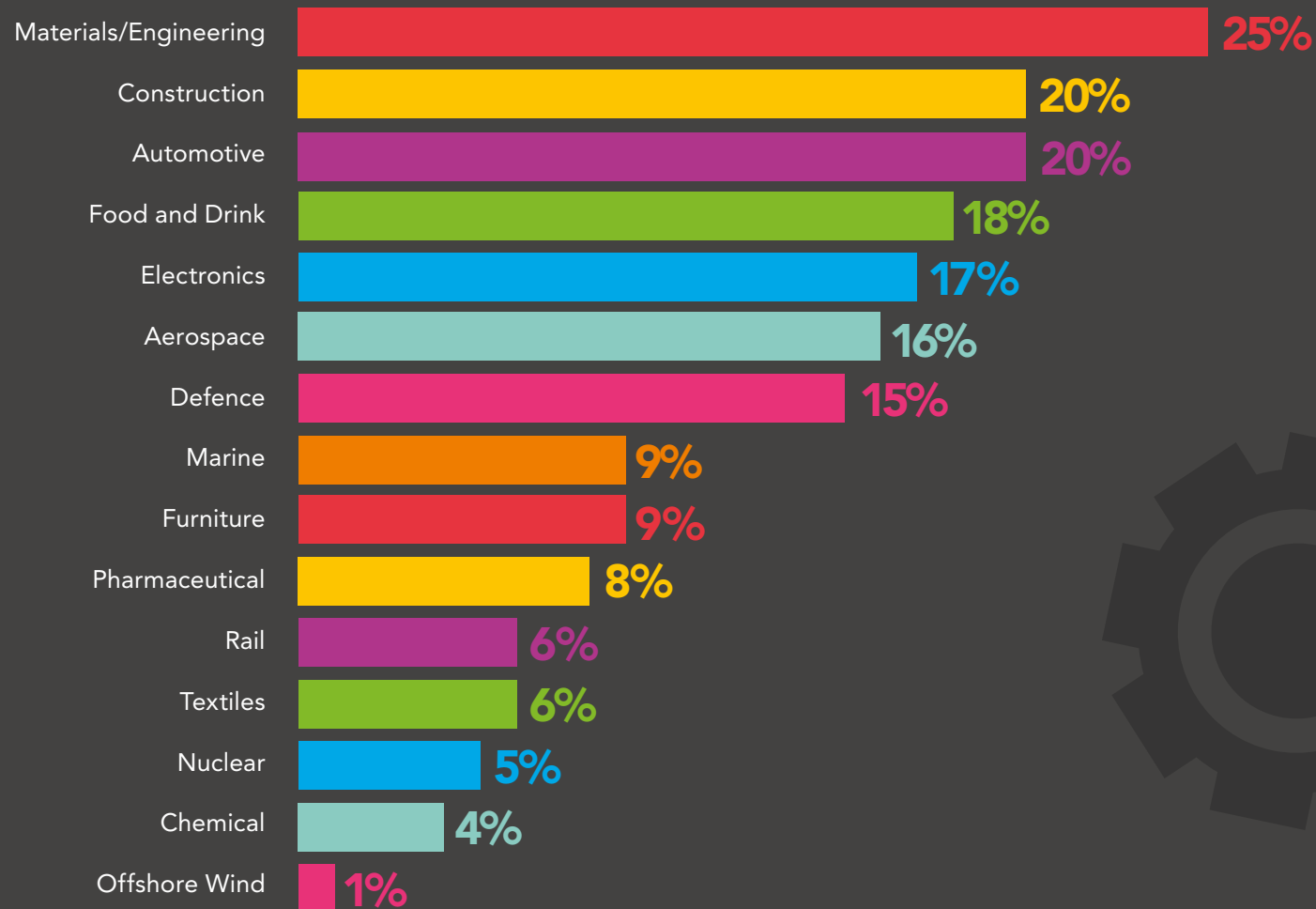
SIZE



- Sole Trader
- Micro (0-9 employees)
- Small (10-49 employees)
- Medium (50-249 employees)

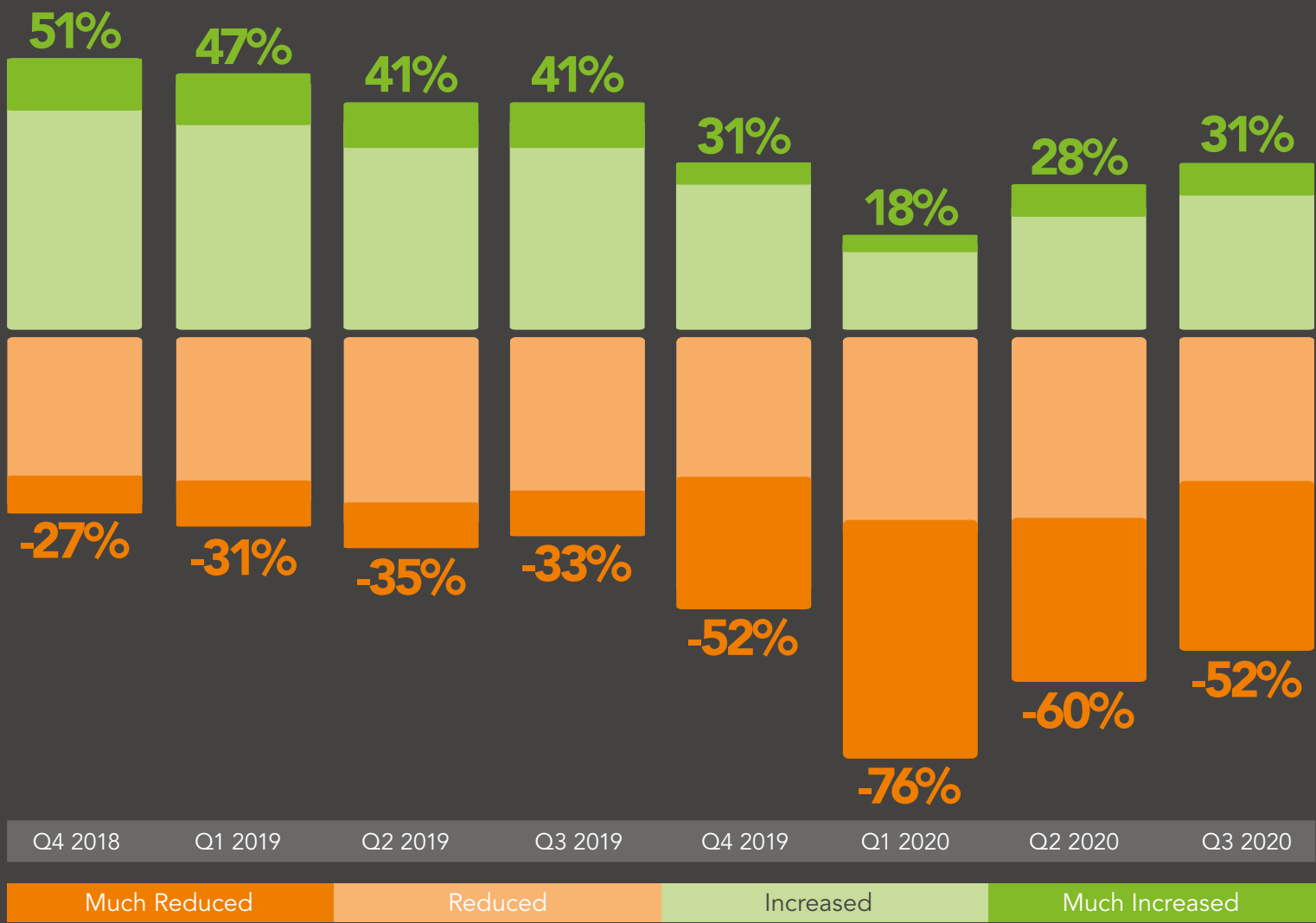
NATIONAL SURVEY DEMOGRAPHICS

What markets account for at least 10% of sales turnover?



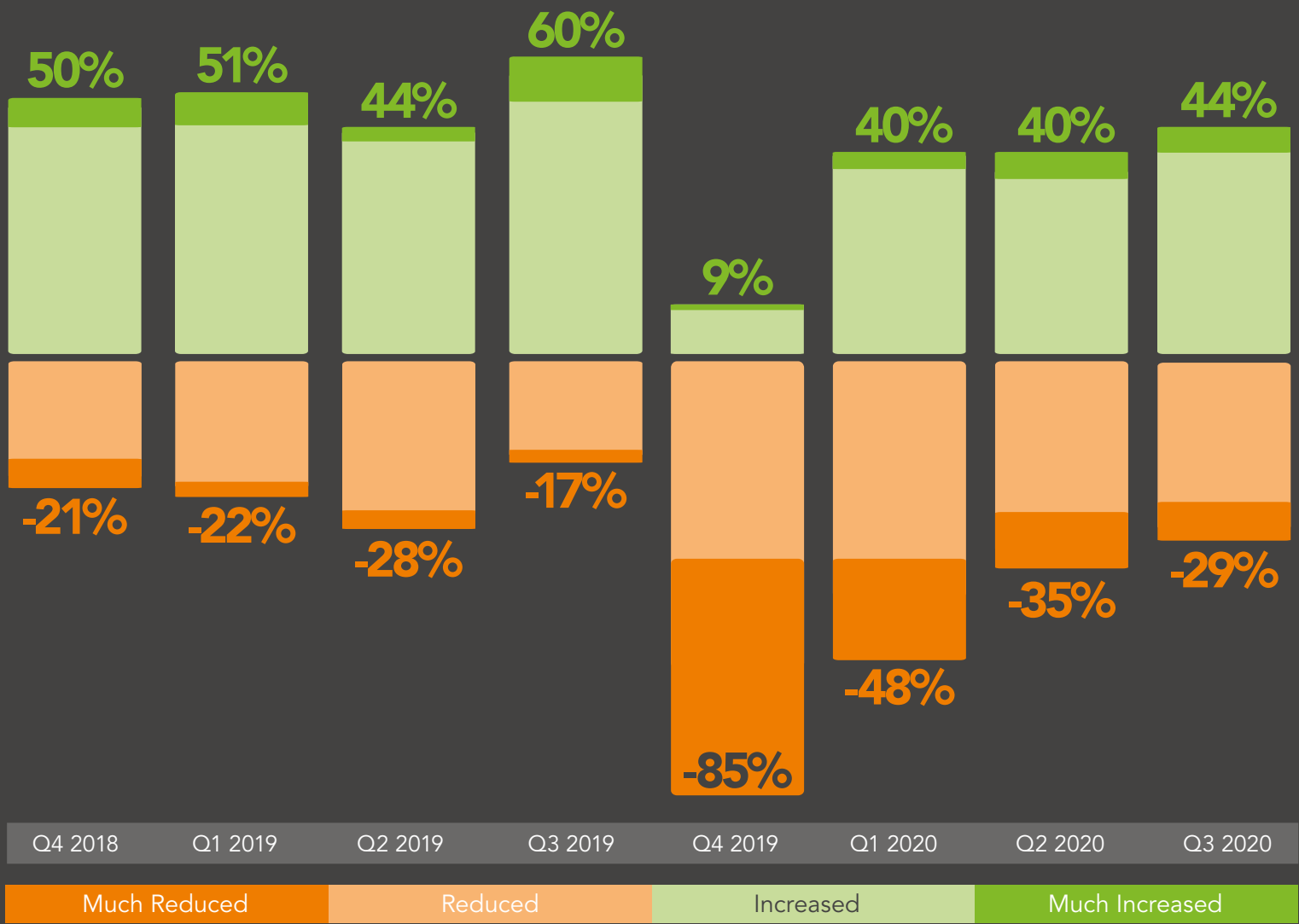
NATIONAL PAST SALES

How sales turnover has changed for SME manufacturers over the past six months...



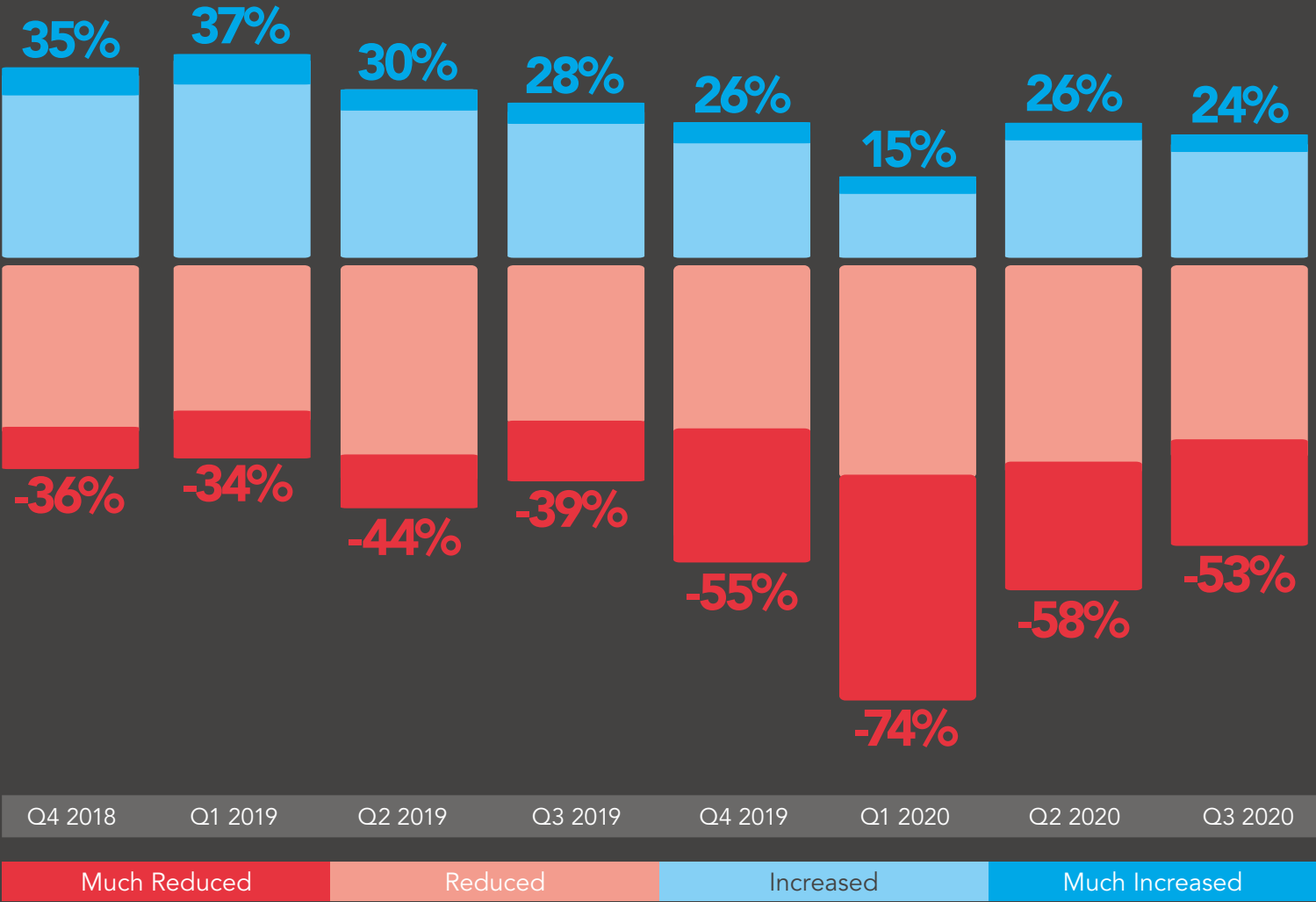
NATIONAL FUTURE SALES

How SME manufacturers expect their sales turnover to change over the next six months...



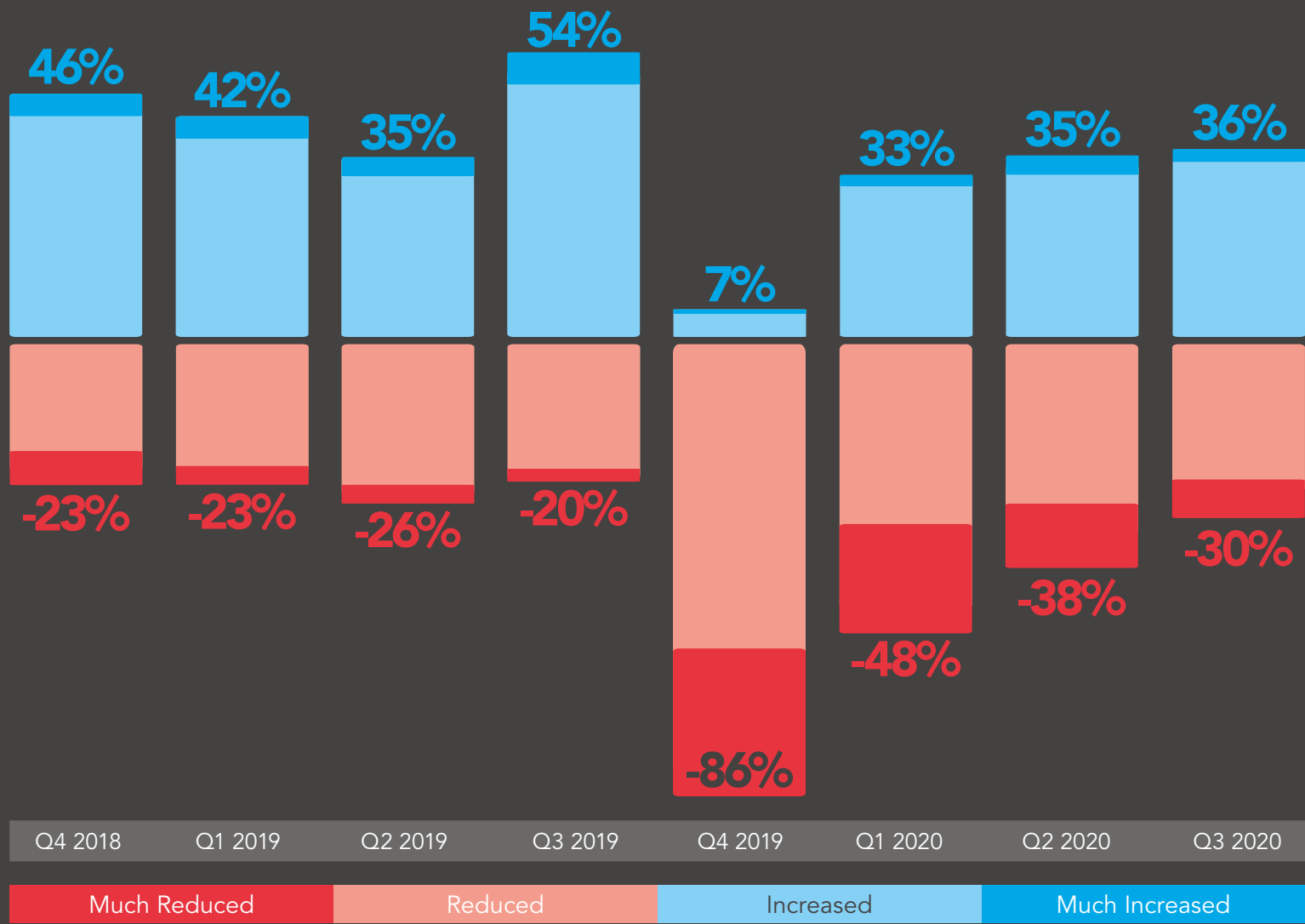
NATIONAL PAST PROFITS

How profit has changed for SME manufacturers over the past six months...



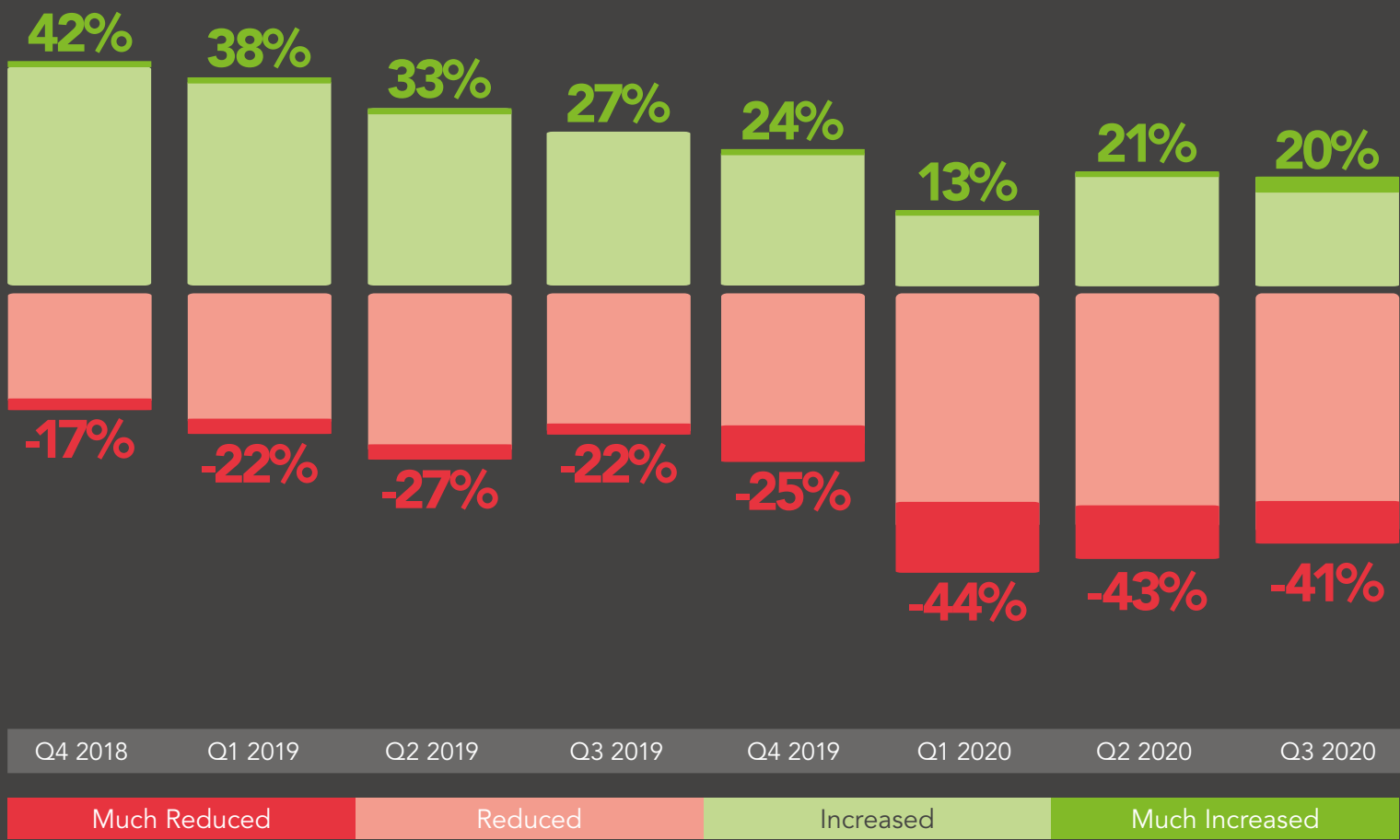
NATIONAL FUTURE PROFITS

How SME manufacturers expect their profit to change over the next six months...

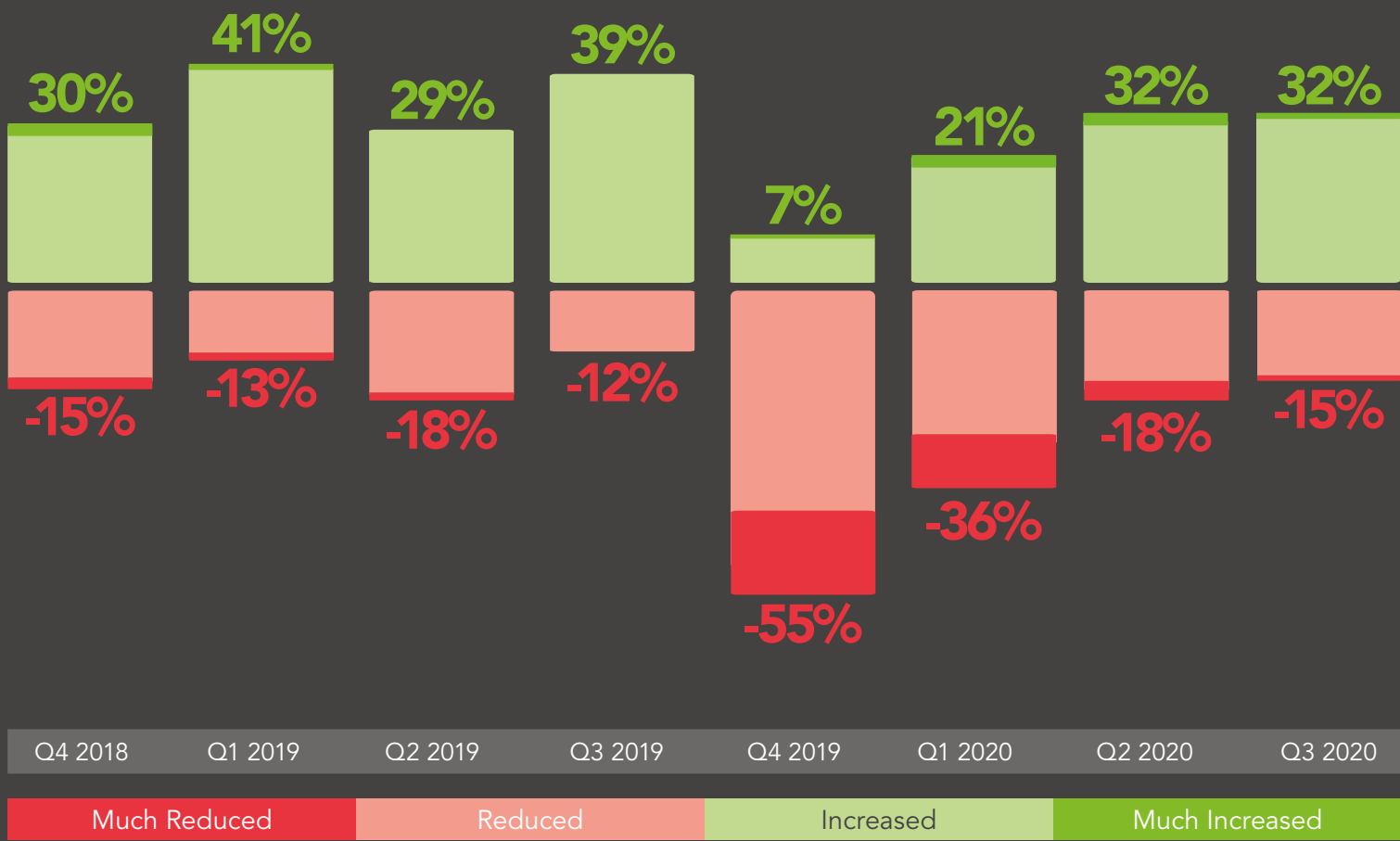


NATIONAL PAST EMPLOYMENT

How staff numbers have changed for SME manufacturers over the past six months...

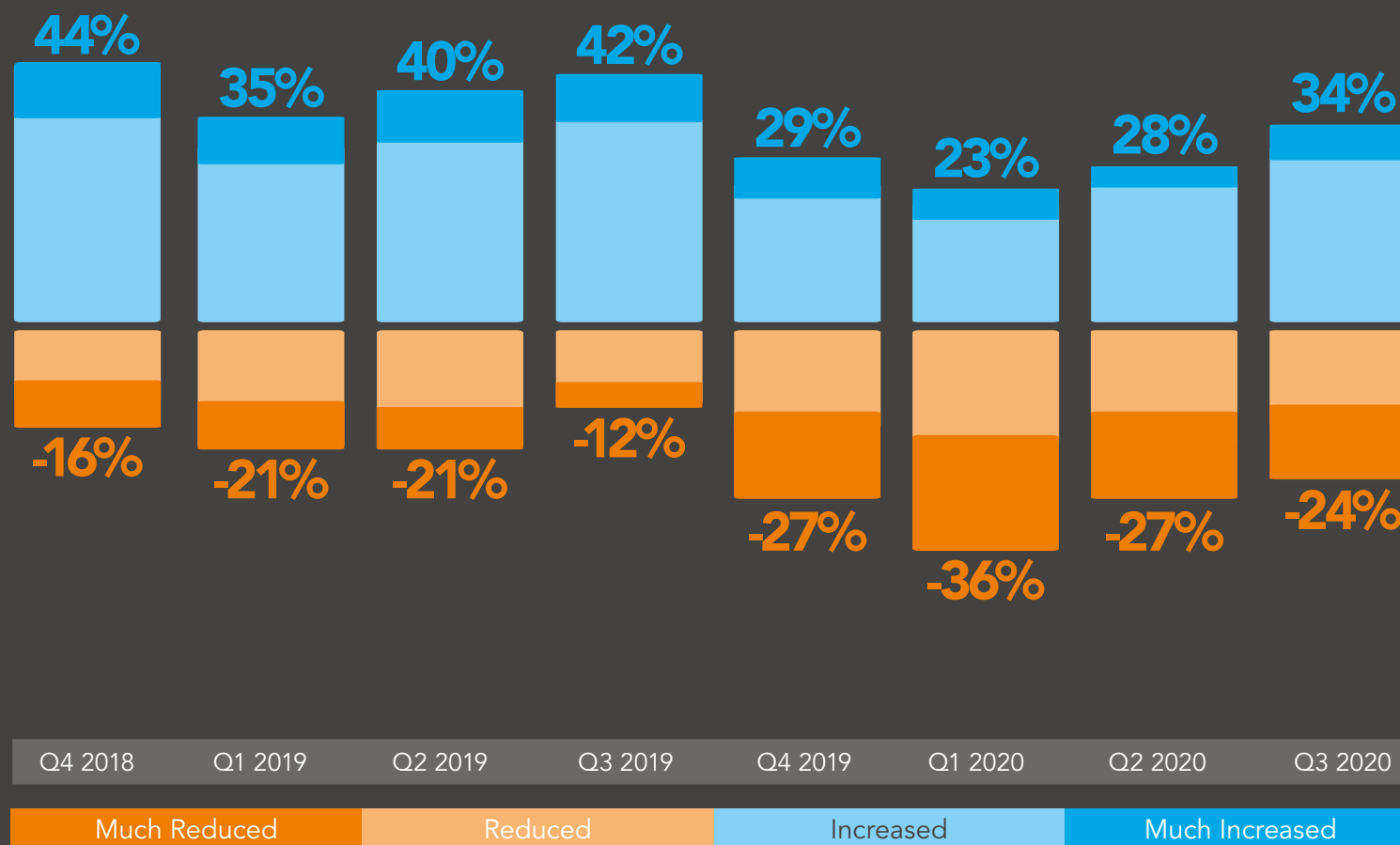


How SME manufacturers expect staff numbers to change over the next six months...

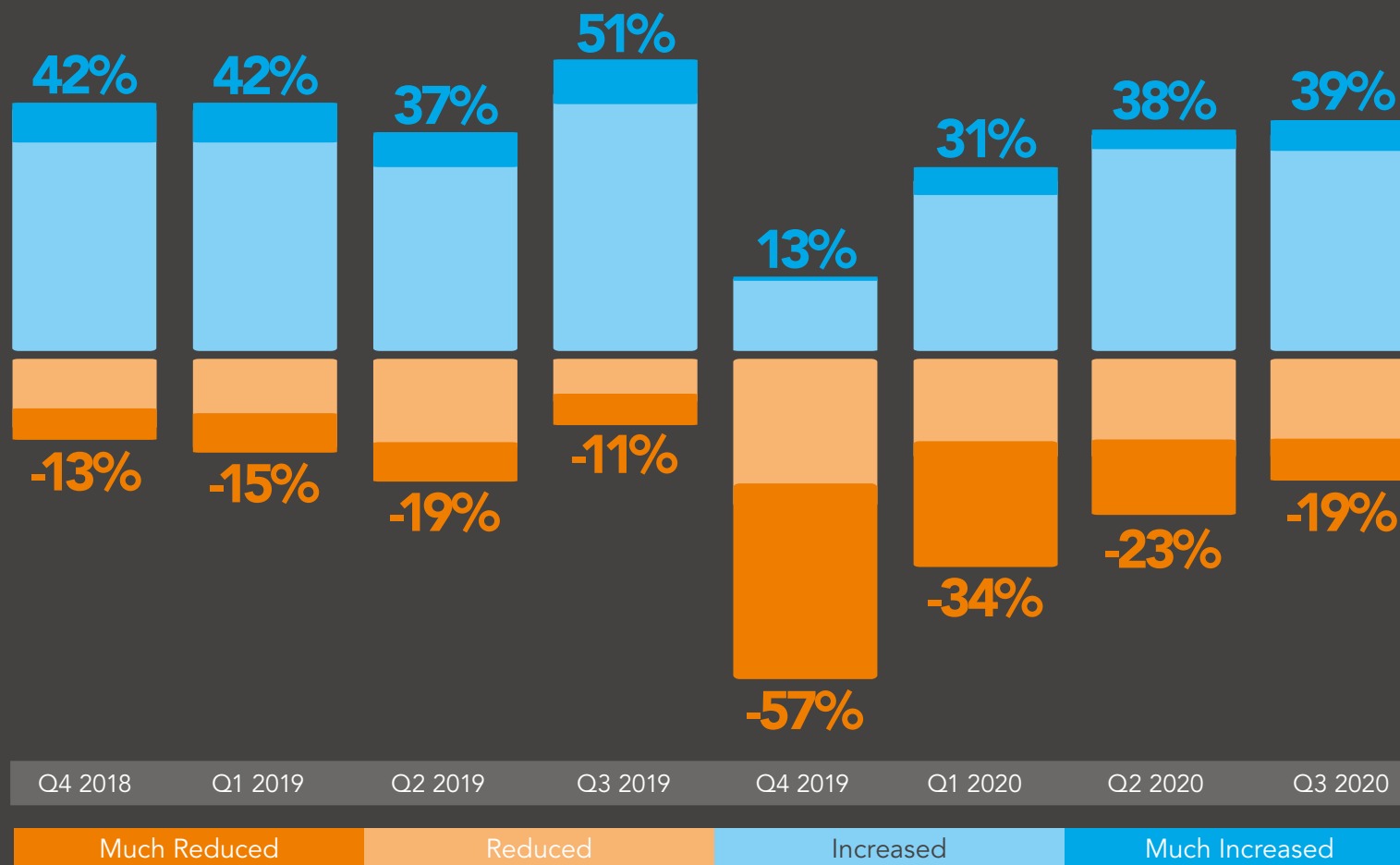


NATIONAL PAST CAPITAL INVESTMENT

How investment in new machinery/premises has changed for SME manufacturers over the past six months...



How SME manufacturers expect their investment in new machinery/premises to change over the next six months...



OVERALL CORE TRENDS

A summary of changes over the past six months and expected changes over the next six months...

| | Much Reduced | Reduced | No Change | Increased | Much Increased |
|---------------------------------|--------------|------------|------------|------------|----------------|
| Sales turnover: past six months | 25% | 27% | 17% | 26% | 5% |
| Sales turnover: next six months | 6% | 23% | 27% | 40% | 4% |
| Profit: past six months | 21% | 32% | 23% | 21% | 3% |
| Profit: next six months | 7% | 23% | 34% | 34% | 2% |
| Staff numbers: past six months | 6% | 35% | 39% | 17% | 3% |
| Staff numbers: next six months | 1% | 14% | 53% | 31% | 1% |
| Investment: past six months | 12% | 12% | 42% | 28% | 6% |
| Investment: next six months | 7% | 12% | 42% | 35% | 4% |



SPECIAL FOCUS: TRADING BEYOND BREXIT

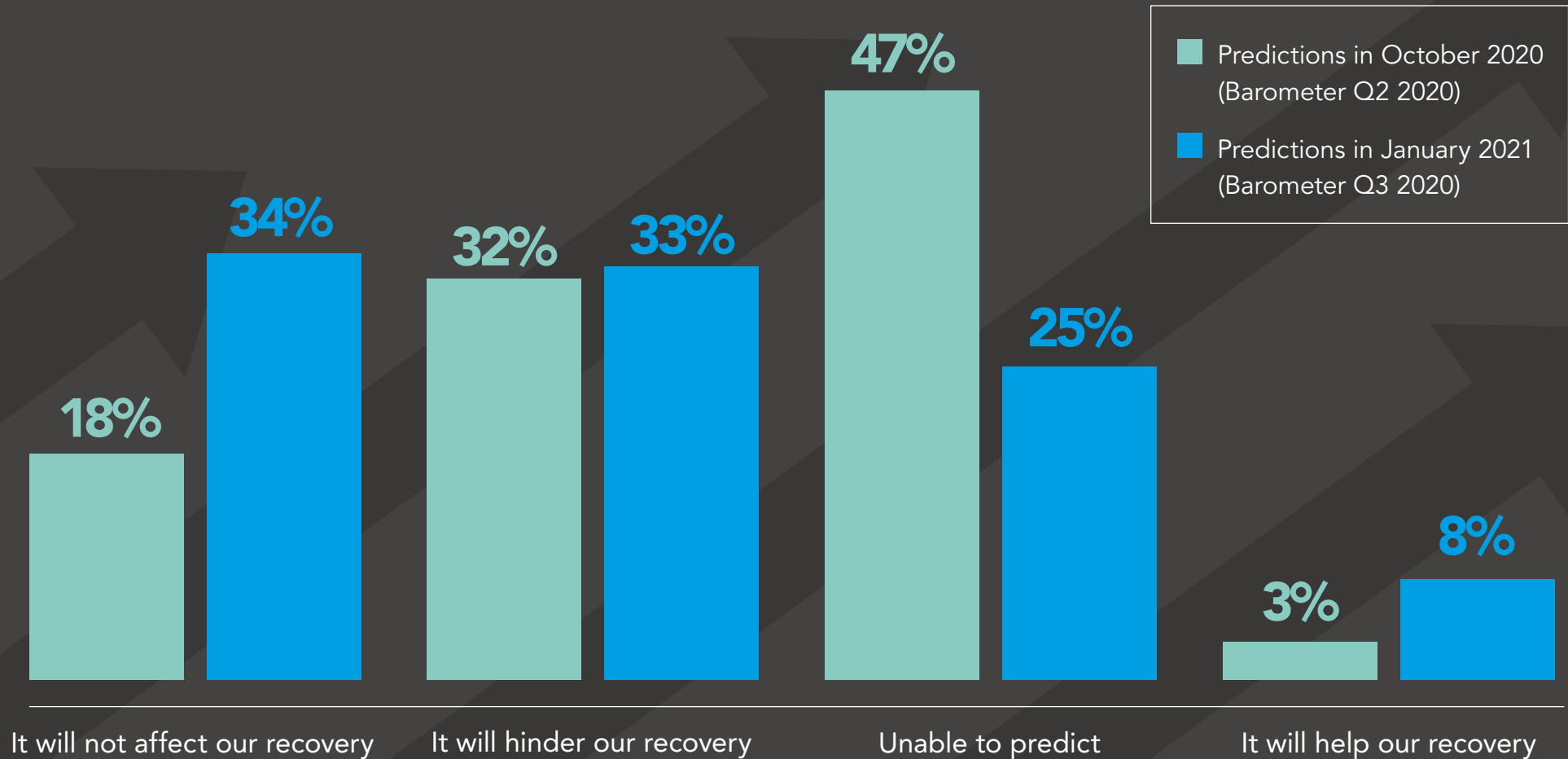
The UK has now left the EU single market and customs union. This presents new opportunities for British businesses, but also causes further operational challenges at a time when many are still recovering from the financial impact of the COVID-19 pandemic.

This special focus highlights the ways in which current conditions are affecting SME manufacturers. How are they managing the continued impact of COVID-19 whilst also adapting to changes brought about by the new UK/EU trade deal?

Last quarter, 47% of respondents were unable to predict how the end of the EU transition period would affect their COVID-19 recovery plans. How has this changed now that the Brexit deal is done, and what further clarity and support do SMEs across the sector require to help them adapt accordingly?

SPECIAL FOCUS TRADING BEYOND BREXIT

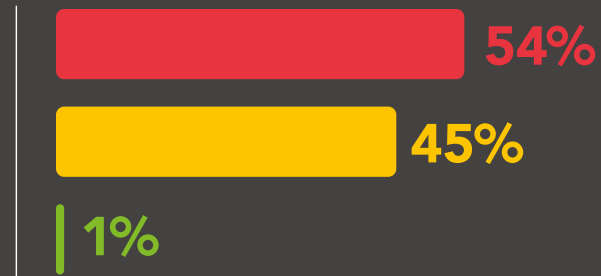
Now that the UK has officially left the EU, how do SME manufacturers expect this to affect their COVID-19 recovery plans compared to their pre-Brexit predictions?



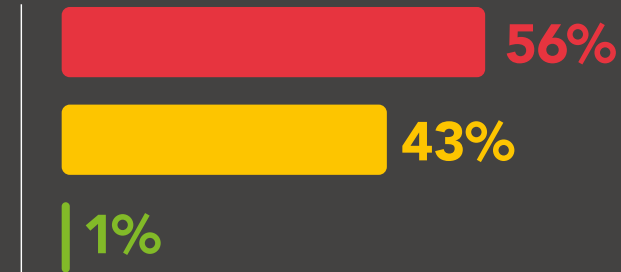
SPECIAL FOCUS TRADING BEYOND BREXIT

How Brexit has impacted SME manufacturing businesses so far...

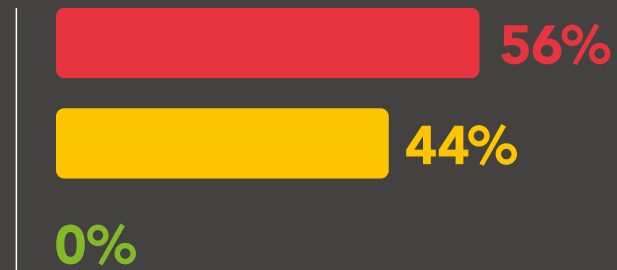
EXPORTING PRODUCTS TO EU CUSTOMERS



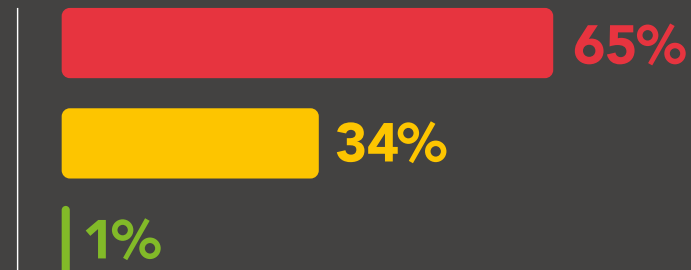
IMPORTING PRODUCTS FROM THE EU



AVAILABILITY OF RAW MATERIALS



PRICE CHANGES WITHIN YOUR SUPPLY CHAIN



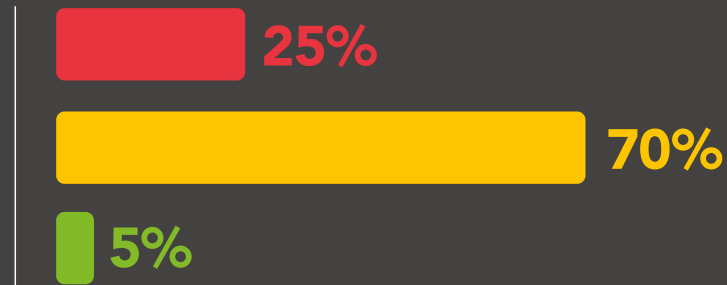
● Negative impact ● No change ● Positive impact

PLEASE NOTE: Companies who responded 'not applicable' have been removed from the relevant category percentages to show a true reflection of the impact to the businesses affected by the individual issues

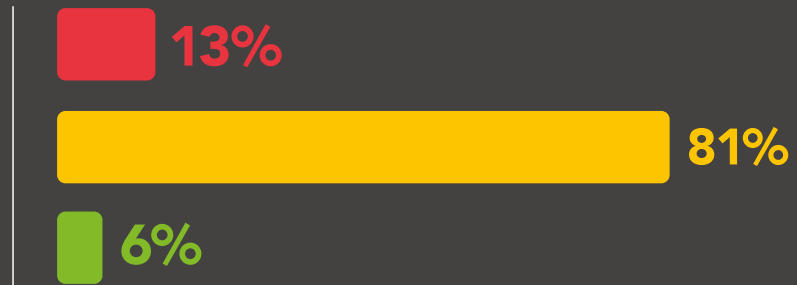
SPECIAL FOCUS TRADING BEYOND BREXIT

How Brexit has impacted SME manufacturing businesses so far...

GENERAL SALES



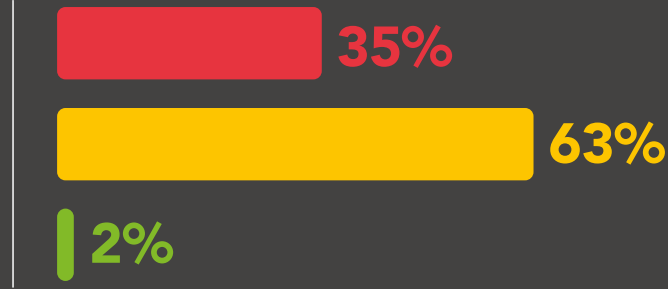
AVAILABILITY OF STATE AID SUPPORT



RECRUITMENT OF SKILLED STAFF



ENQUIRIES FROM EU CUSTOMERS

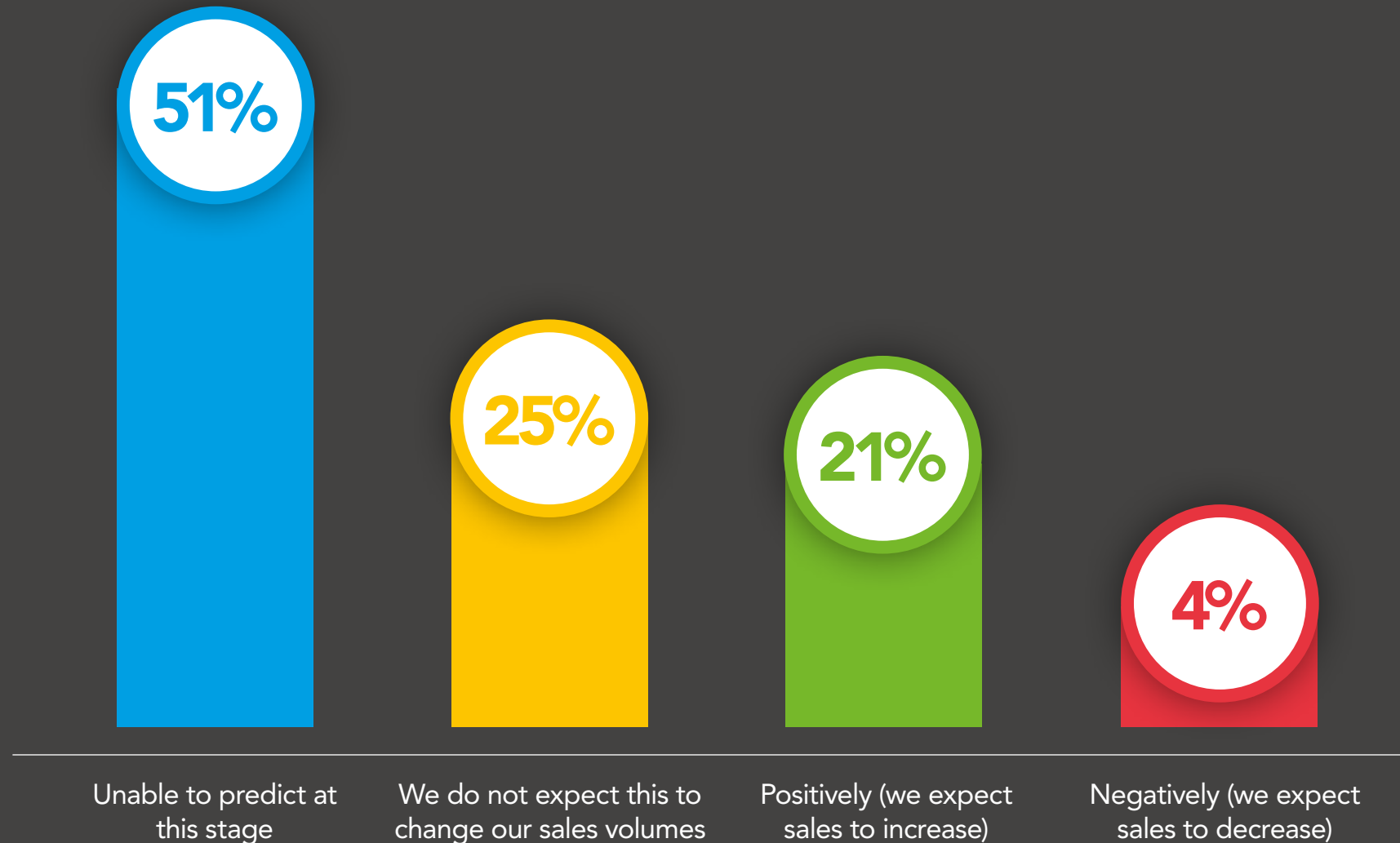


● Negative impact ● No change ● Positive impact

PLEASE NOTE: Companies who responded 'not applicable' have been removed from the relevant category percentages to show a true reflection of the impact to the businesses affected by the individual issues

SPECIAL FOCUS TRADING BEYOND BREXIT

How SME manufacturers expect their sales volumes to be affected by customers bringing work back to the UK (i.e. reshoring) as a result of Brexit...



SPECIAL FOCUS TRADING BEYOND BREXIT

Overall, do SME manufacturers feel that they are getting enough support and guidance from the government around mandatory changes required as a result of Brexit?



31%

yes



24%

unsure



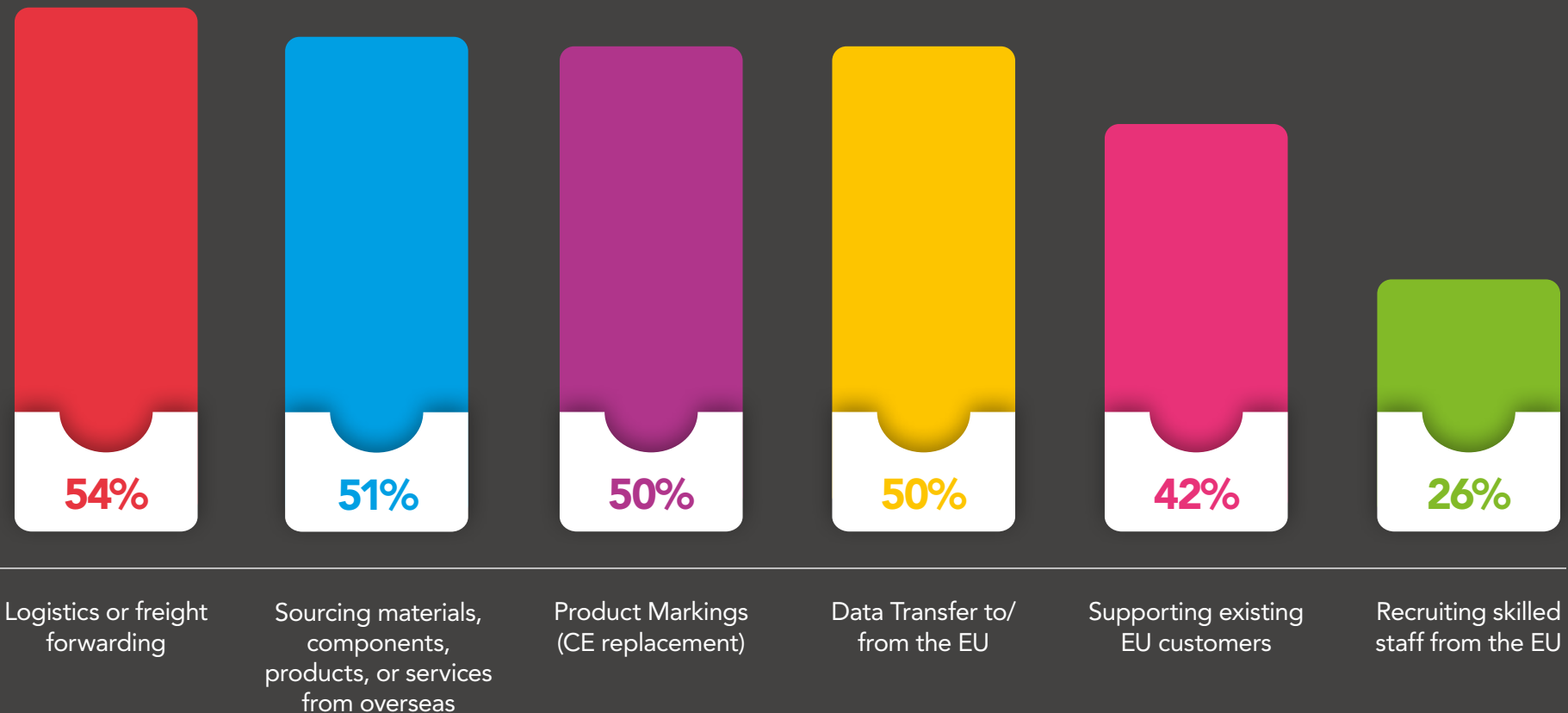
38%

no

7% stated 'Not applicable to my business'.

SPECIAL FOCUS TRADING BEYOND BREXIT

Respondents have indicated that further clarity is required in the following areas:



BUSINESS ASPIRATIONS

“

In the short term, to ride out the pandemic and implement the new systems required post Brexit for importing and exporting. In the medium to long term, to continue improving our manufacturing efficiency and to develop new markets - both geographically and by type.

We plan to scale up into new premises in the late spring and take on more staff. Medium term, expand again and invest in more automated machinery. Long term, we plan to open some experience stores and potentially look at moving into Germany and France.

EAST MIDLANDS

“

Hoping to accelerate the business growth in 2021, we managed a slight increase in sales in 2020. Looking to invest in a new machine this year, hopefully through the Local Enterprise Partnership (LEP).

Our aim is to get back to 2019 turnover by end of 2022. In the shorter term, we are working to overcome reduced activity, with reduced staff and Brexit issues. Long term we hope to grow the business steadily.

YORKSHIRE & HUMBER

“

We are looking to take advantage of our very unique company skills by investing in a new plant to increase capacity and be ready for any increased opportunities that may arise as we come out of this situation.

Short term: Stabilise operations and achieve annual targets in this difficult period.

Medium term: Engage existing customers to win larger workshare and re-engage old customers to build new relationships.

Long term: Growth for all sectors, re-invest in new product development, upgrade capital equipment, and increase international customer base.

WEST MIDLANDS

“

Survive the COVID-19 storm and grow in the offshore wind market to reduce reliance on the declining oil & gas sector.

Short Term: Improvement of internal processes, marketing, next generation product development, and core team training to prepare for post crisis sales growth.

Medium Term: Launch to market new product range, sales growth in-line with customer strategy, development of lean manufacturing processes, and increase manufacturing capacity.

Long Term: Expansion of manufacturing base to meet strategic sales growth.

SOUTH WEST

“

We are going for growth. The market may be tough, but now is the time to drive forward and increase our market share.

Short term: We will be looking to maintain sales and retain staff.

Medium term: We hope to increase sales and profit.

Long term: We hope to expand business premises with a view to manufacturing new products.

SOUTH EAST

**SME MANUFACTURERS
...MAKE YOUR VOICE HEARD!**

[Click here for your invitation to participate in next quarter's Barometer survey.](#)

CONCLUSION

Despite the ongoing challenges of COVID-19 and Brexit, there are some signs of optimism from businesses across the SME manufacturing sector.

A number of respondents have reported steady trade since July 2020, and predictions for the future also appear to be improving slowly each quarter. In fact, 44% of firms expect sales to grow over the next six months in comparison to 29% who forecast a drop over the same period. This indicates that, for some manufacturing businesses, confidence levels are starting to stabilise.

When looking to the future, the majority of respondents are not expecting to change their staff numbers or business investment within the next six months. This could indicate that many firms feel they have already made applicable changes in these areas and are now focused on maintaining their current business position without committing to further investment during such uncertain times.

Last quarter, we asked how businesses expected the end of the EU transition period to affect their COVID-19 recovery plans. Three months on, we asked this again to see if expectations have changed now the deal is done.

Interestingly, when asked in October, 47% were unable to predict how this would affect them, but only 25% said the same this quarter. This indicates that some of the uncertainties in the lead up to Brexit have now been eliminated.

Furthermore, 34% now feel confident that Brexit will not affect their recovery, up 16% from those who stated this when asked three months ago. Although only 8% of firms believe that exiting the EU will help their COVID-19 recovery, this figure has grown from the 3% who predicted this last quarter.

Despite some positivity, many businesses are still facing a number of challenges. When asked, over a third of respondents (38%) said they aren't getting enough guidance from the government to help them adapt to new EU regulations, with an additional 24% saying they are unsure.

Which factors are likely to cause issues for SME manufacturers in the UK as they continue to trade beyond Brexit?

The majority of respondents have already seen price changes within their supply chains, with a staggering 65% reporting that this has negatively impacted their business. Similarly, over half of those questioned have said that sourcing raw materials has been more difficult since Britain left the EU.

Unsurprisingly, those SME manufacturers who import from, and export to, the EU, have already been affected by Brexit, with over half of applicable respondents reporting a negative impact since changes took effect on 1st January 2021.

In summary, manufacturing businesses have had to deal with unprecedented levels of change over the past 12 months, and it is encouraging to see how the sector has adapted throughout this difficult time. However, it is clear from this report that manufacturing firms are facing further challenges, and government support would be welcomed to help them address these issues.

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



WHAT IS THE MANUFACTURING BAROMETER?

The UK's largest survey of SME manufacturers; delivered quarterly to capture the views and challenges of small and medium-sized businesses, who account for over 95% of UK manufacturing. The reports generated from these findings have informed both government industrial strategy and the national debate on manufacturing.

Run by SWMAS (South West Manufacturing Advisory Service) in partnership with the Manufacturing Growth Programme (MGP), the Manufacturing Barometer has been recording trends in employment, turnover and investment for over a decade. Each quarter, a 'special focus' explores topical issues in greater depth, such as productivity, overseas production, and energy efficiency.

WHAT ARE THE BENEFITS?

- The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- SME manufacturers can highlight the specific support they require from Government on a local and national level
- The results can be utilised by respondents to compare their challenges and expectations against those of others across the industry
- It offers vital intelligence to Government to help them plan future industrial strategies that adequately support the needs of SME manufacturers for future sector growth

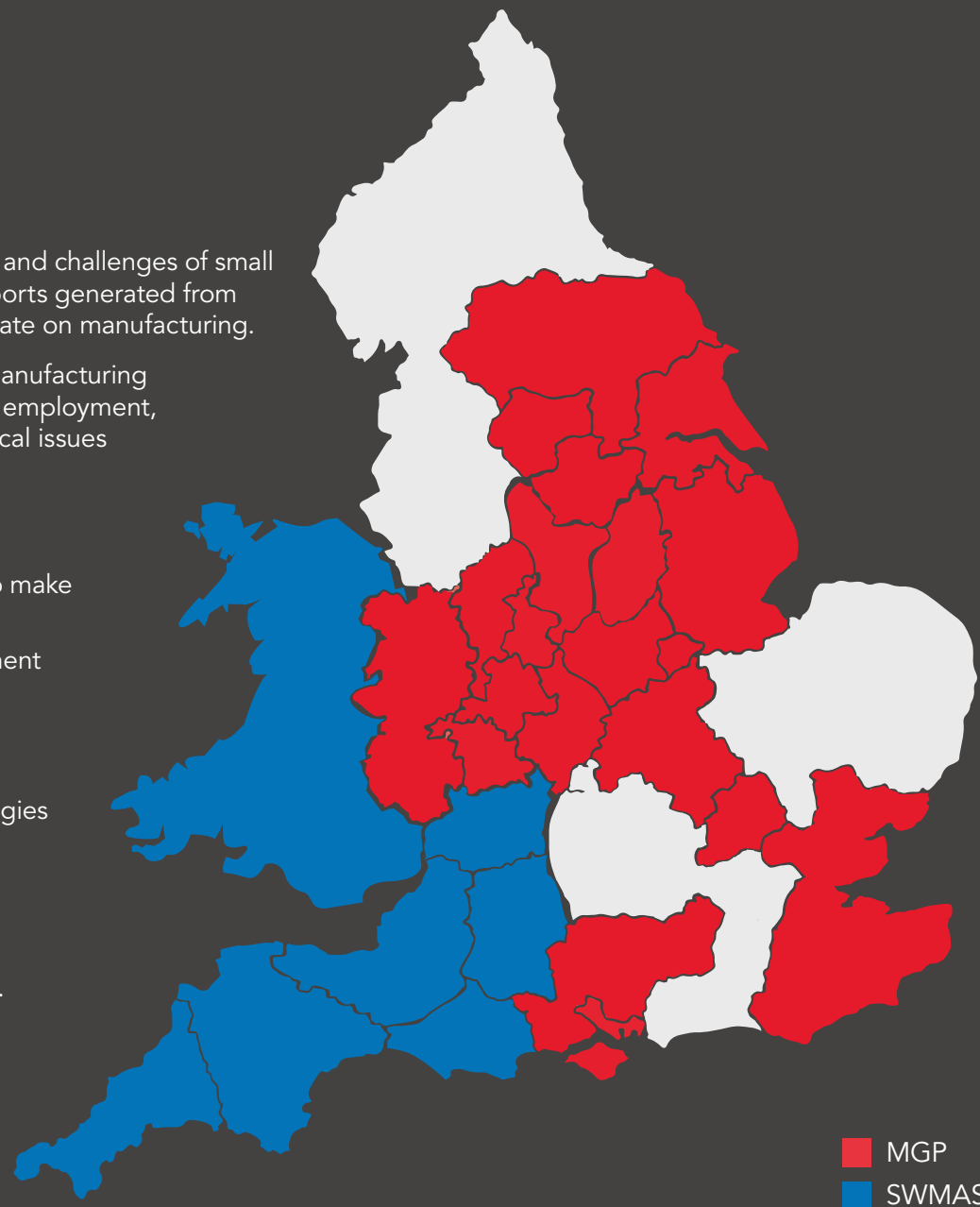
WHO ARE SWMAS AND MGP?

SWMAS and **MGP** are experts in productivity and growth and provide fully funded, bespoke support to SME manufacturers across 23 LEP areas in seven regions of the UK.

If you would like one of our team to help you identify opportunities in your business, or for more information on this report, please get in touch:

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MANUFACTURING barometer

