

MANUFACTURING barometer

SPECIAL FOCUS: TRADING BEYOND BREXIT

SOUTH WEST REPORT FOR Q3 2020/21

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

SWMAS↗

IN PARTNERSHIP WITH
Manufacturing
Growth Programme

CONTENTS

- Introduction
- Survey Demographics
- Core Trends
- Special Focus: Trading beyond Brexit
- Business Aspirations
- Conclusion
- About the Manufacturing Barometer



NICK GOLDING
Managing Director
SWMAS



INTRODUCTION

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

This quarterly survey reports on the experiences and opinions of SME manufacturing businesses across the South West of England, to uncover regional trends across the sector, and highlight the specific support that respondents 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 because 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.

Due to a heavy reliance on machinery, the manufacturing industry is not compatible with home working. Many South West firms were hit hard by the first national lockdown last March, with 72% of respondents reporting reduced profits in the first six months of 2020. To mitigate further negative impact, businesses took decisive action early on to ensure that, where possible, they could continue to operate safely going forward. It appears that, for some firms across the region, 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 regional businesses are still struggling to achieve their growth ambitions in these challenging times.

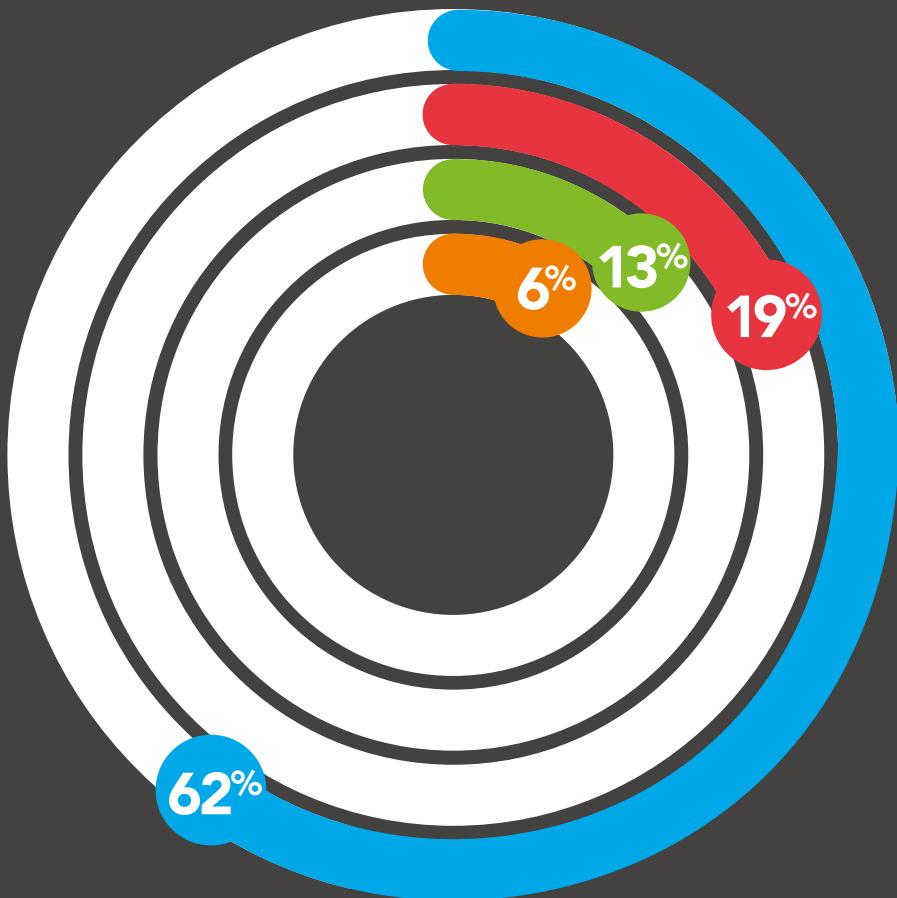
SME MANUFACTURERS ...MAKE YOUR VOICE HEARD!

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

85 RESPONDENTS



81%
OF RESPONDENTS ARE:

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

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



MD/CEO



Director

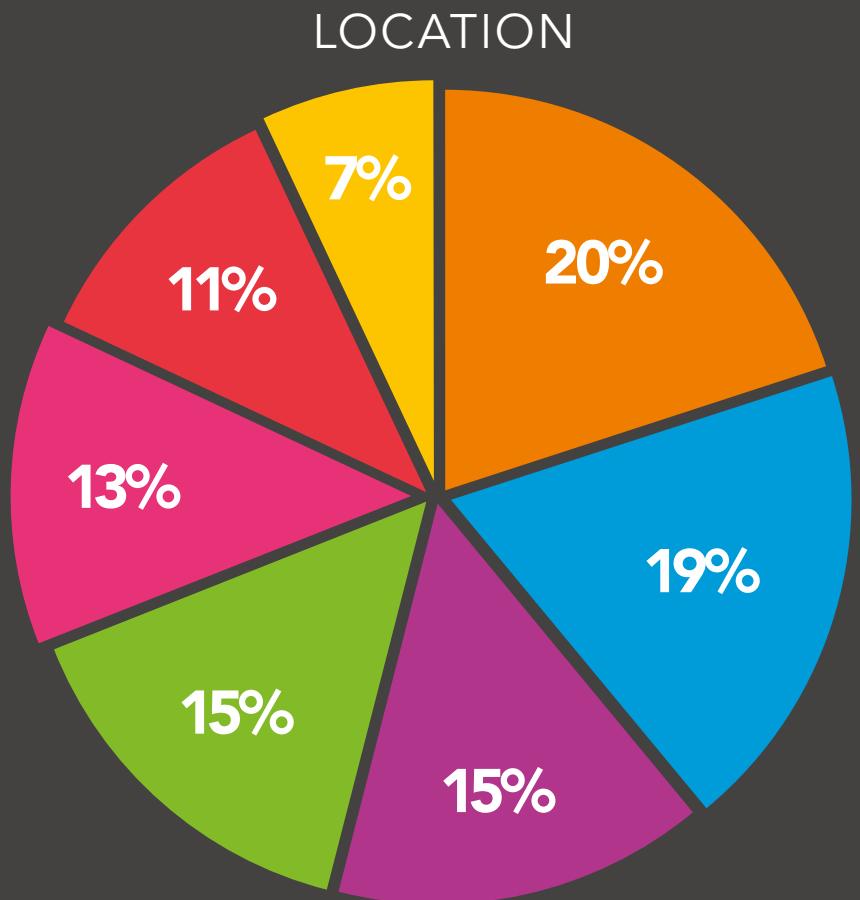


Senior Manager

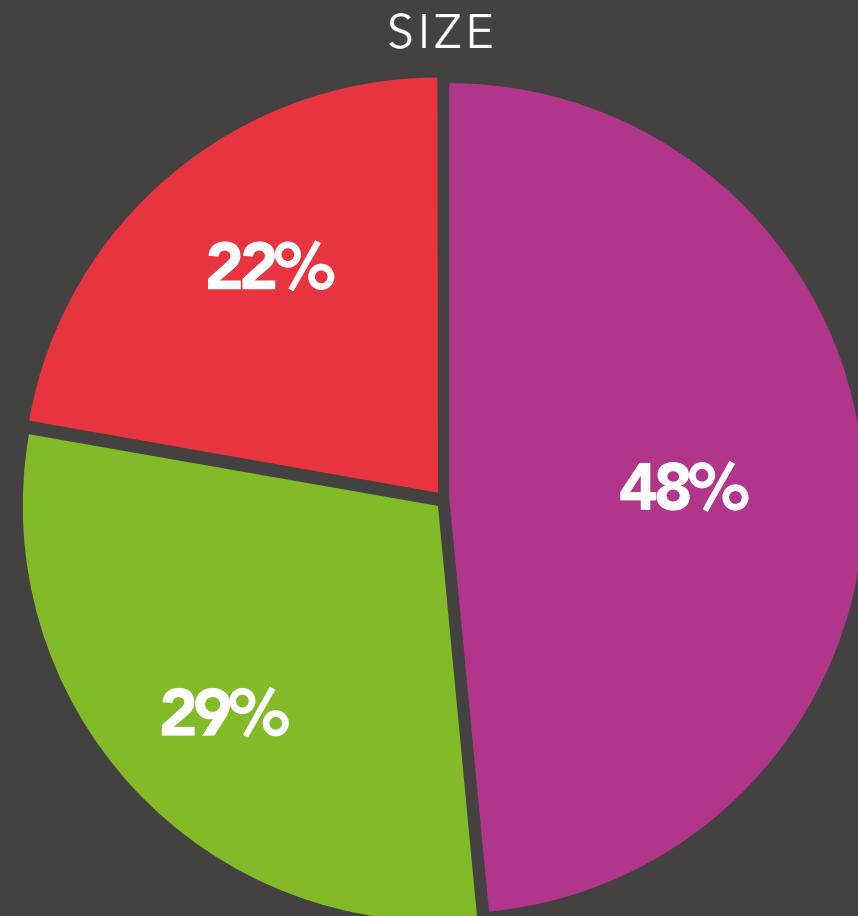


Other

SOUTH WEST SURVEY DEMOGRAPHICS



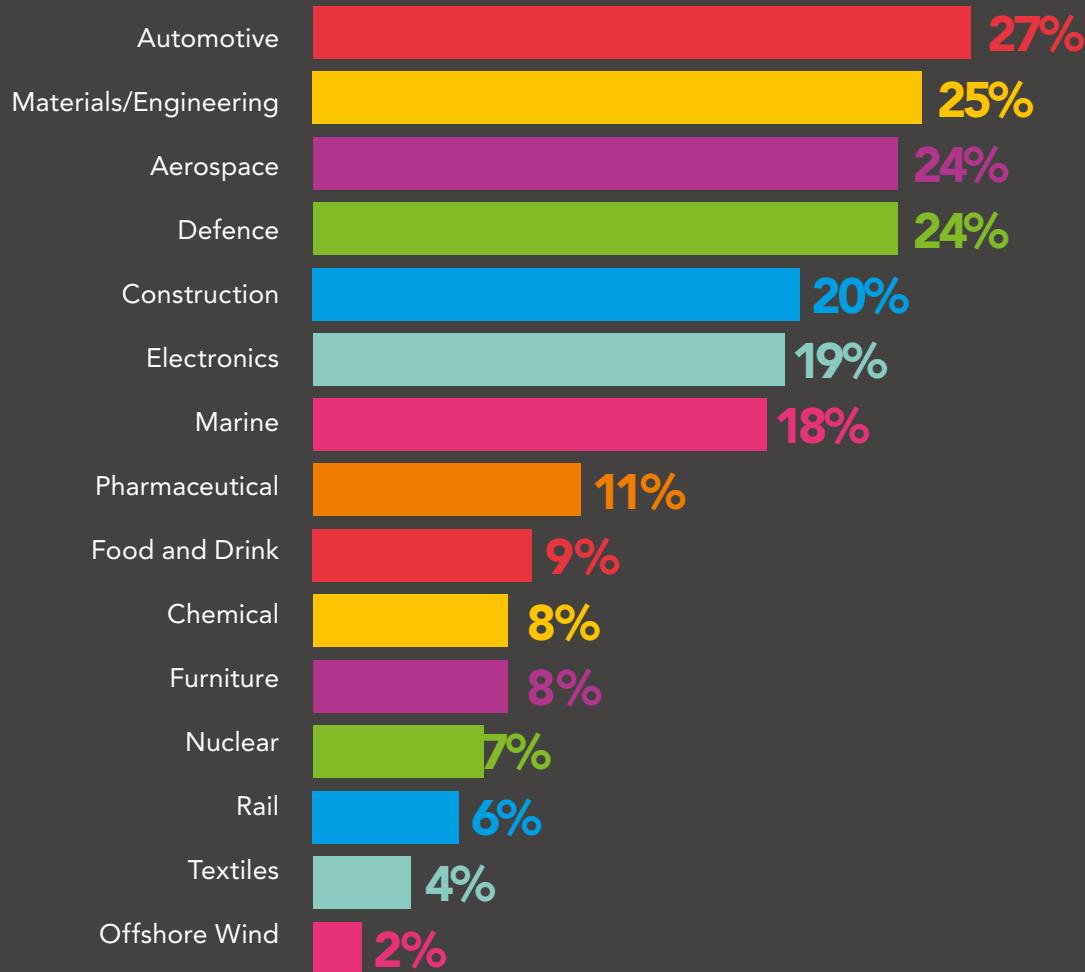
- Devon
- Swindon and Wiltshire
- Somerset
- Cornwall
- Dorset
- Gloucestershire
- West of England



- Micro
0-9 employees
- Small
10-49 employees
- Medium
50-249 employees

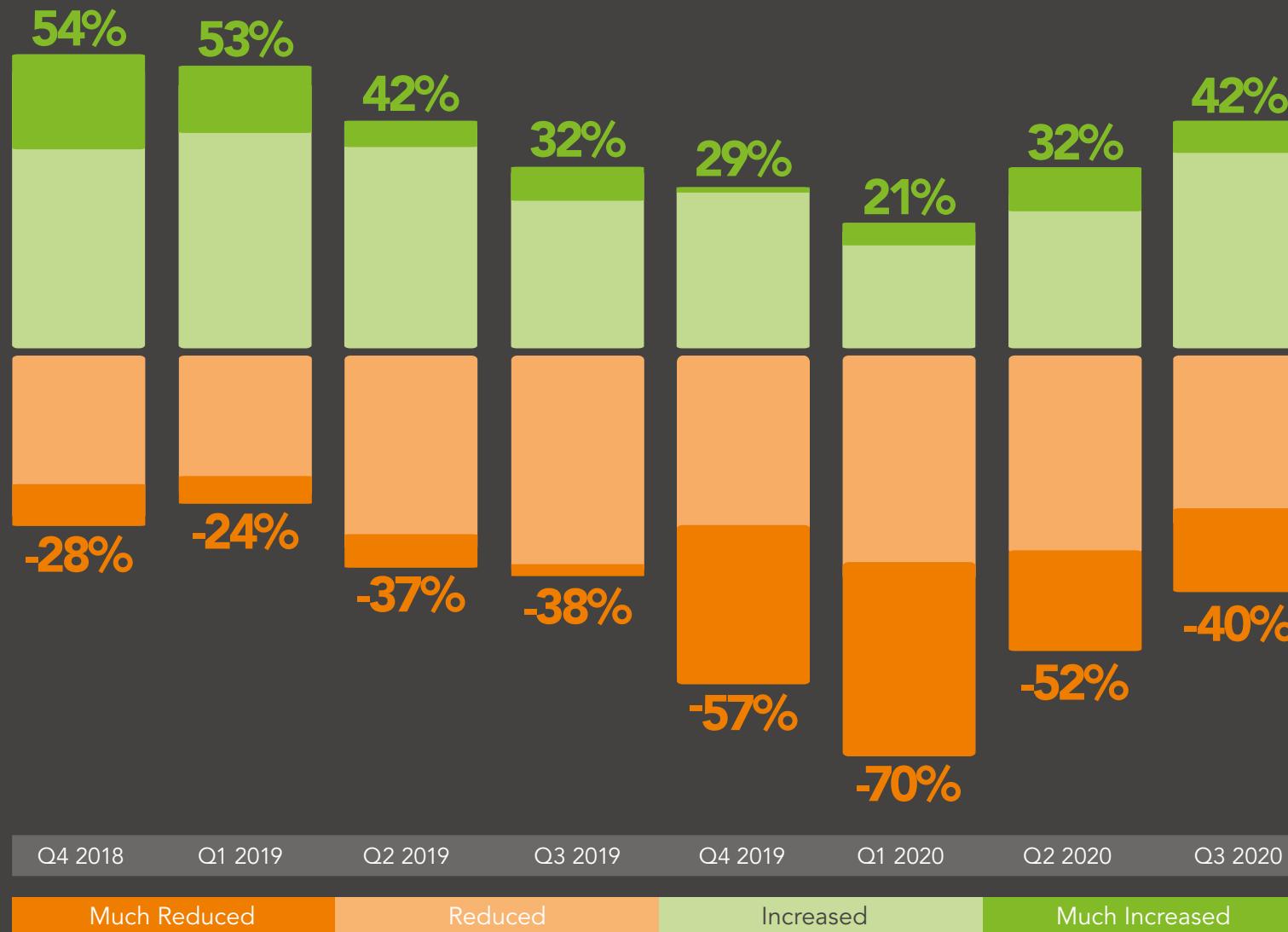
SOUTH WEST SURVEY DEMOGRAPHICS

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



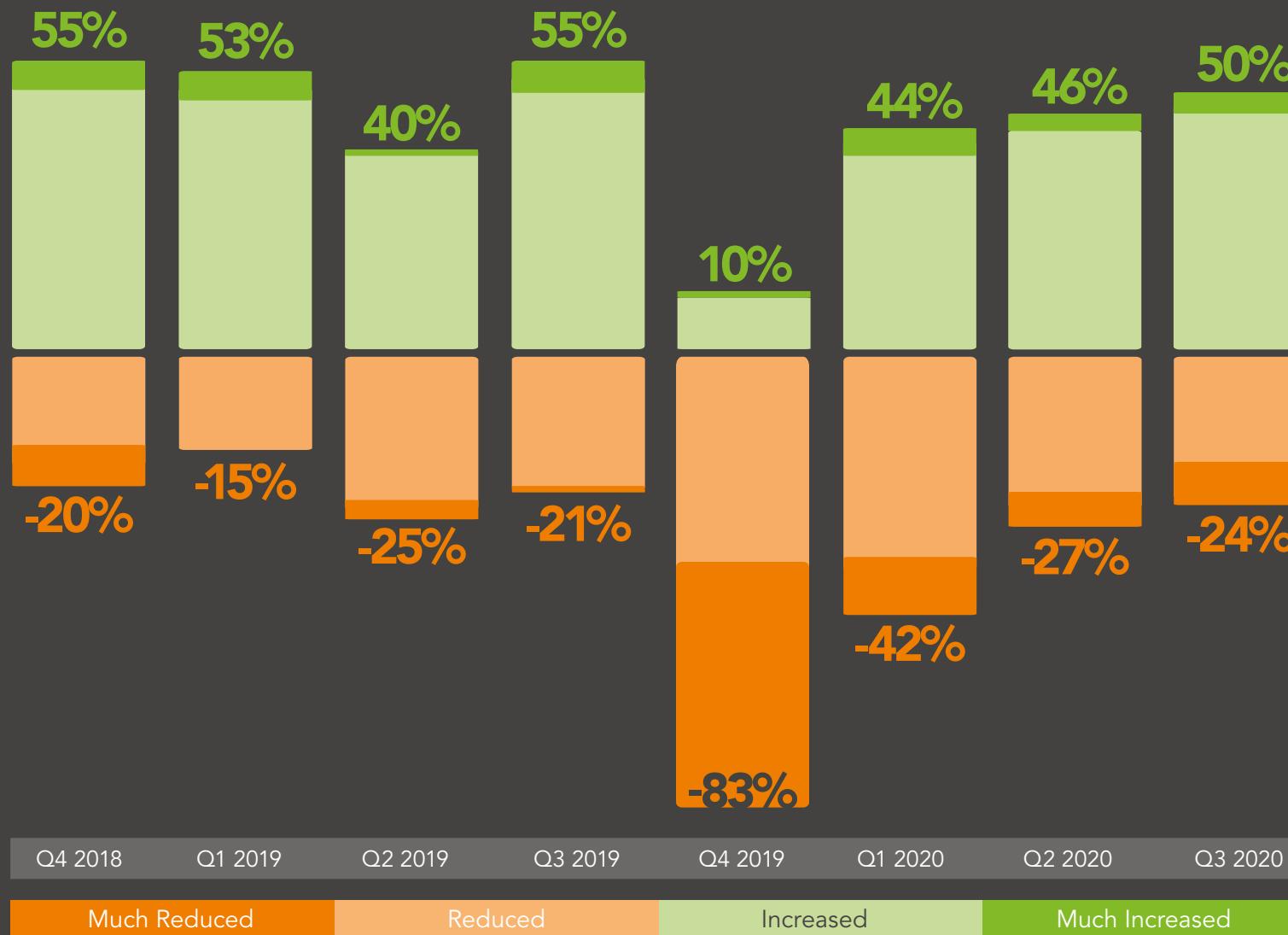
SOUTH WEST PAST SALES

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



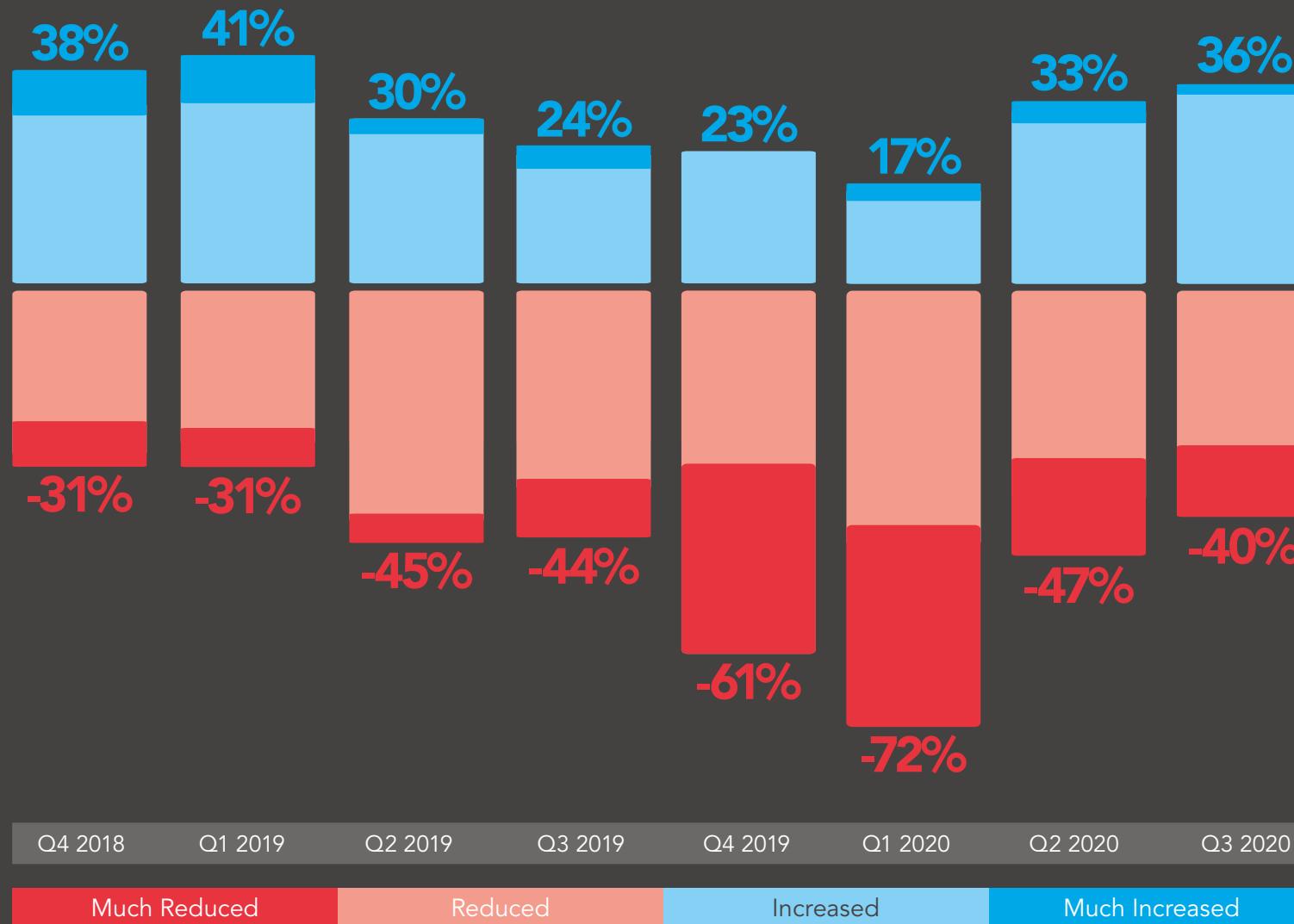
SOUTH WEST FUTURE SALES

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



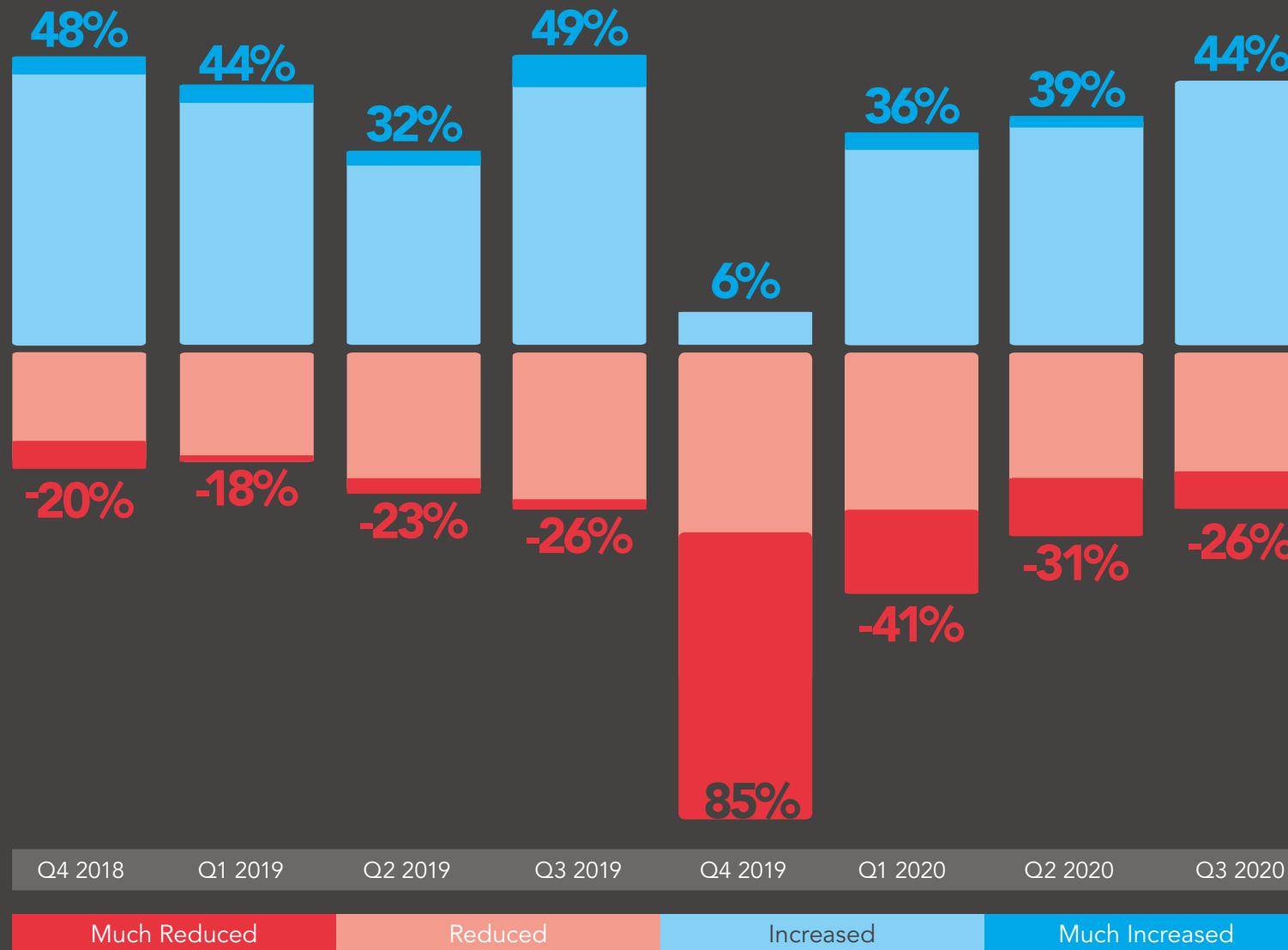
SOUTH WEST PAST PROFITS

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

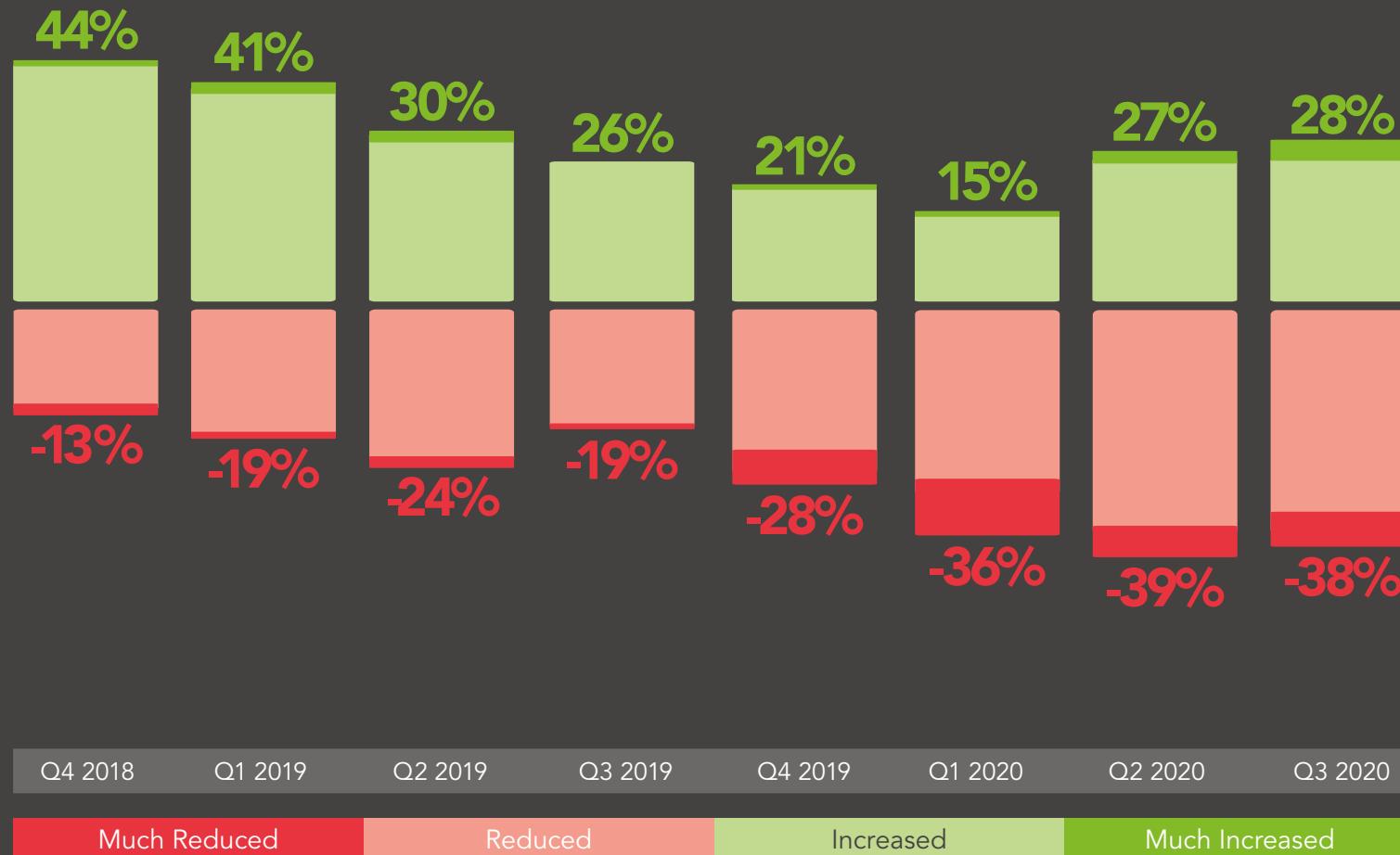


SOUTH WEST FUTURE PROFITS

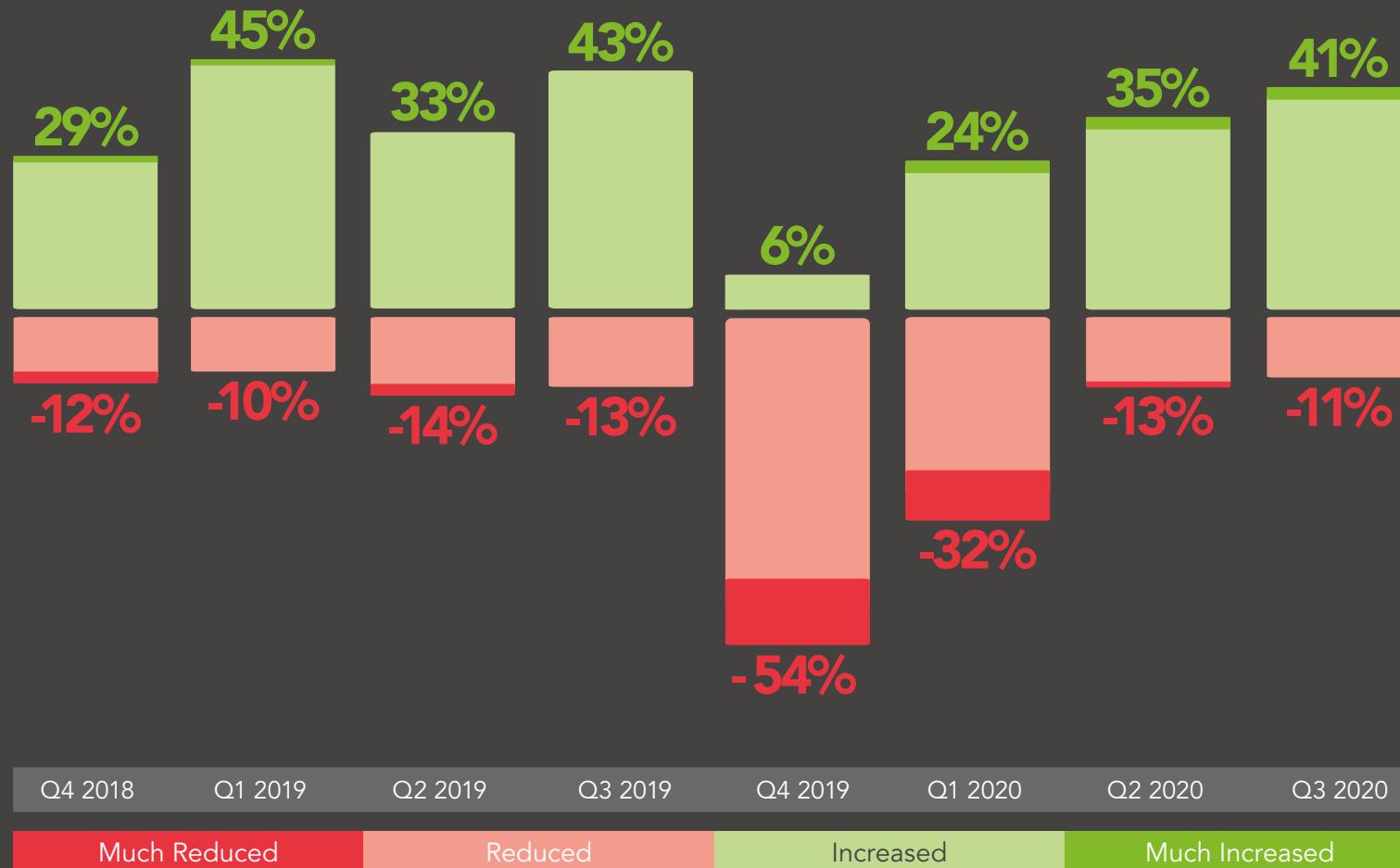
How SME manufacturers expect their profit to change over the next six months...



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

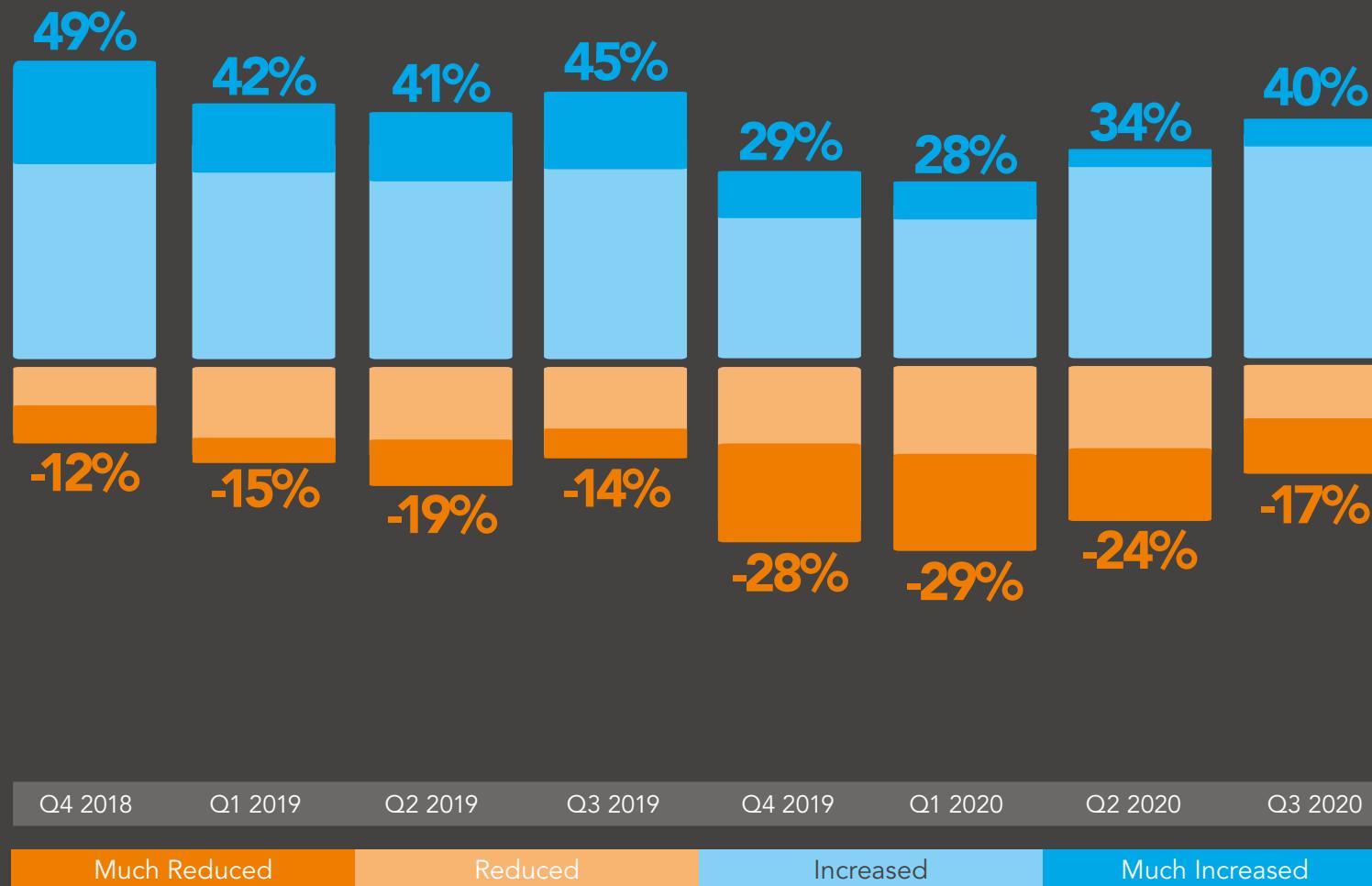


How SME manufacturers expect staff numbers to change over the next six months...



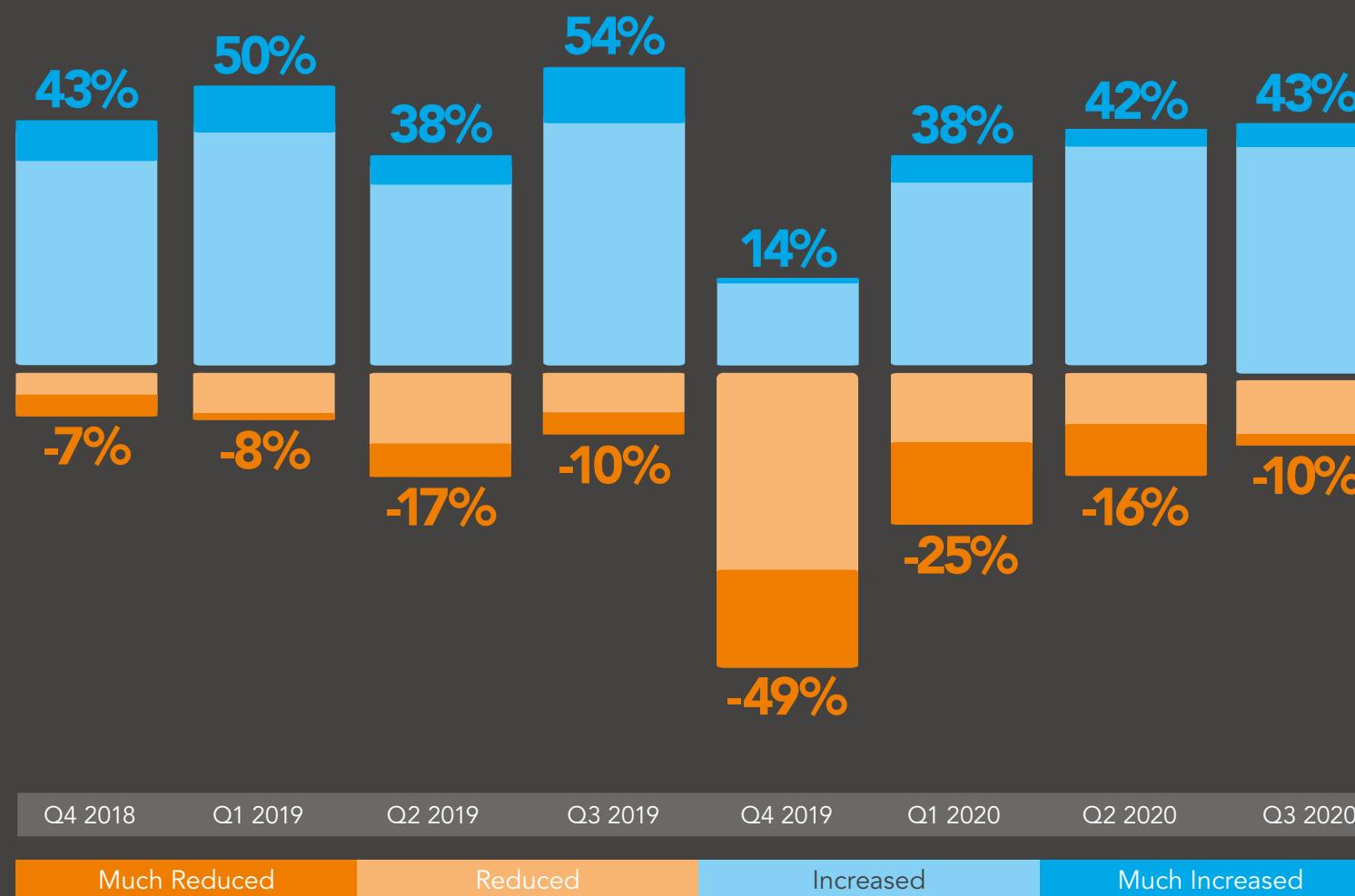
CORE TRENDS SOUTH WEST PAST CAPITAL INVESTMENT

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



CORE TRENDS SOUTH WEST FUTURE CAPITAL INVESTMENT

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	16%	24%	18%	36%	6%
Sales turnover: next six months	8%	16%	26%	46%	4%
Profit: past six months	13%	27%	24%	34%	2%
Profit: next six months	7%	19%	31%	44%	0%
Staff numbers: past six months	6%	32%	35%	24%	4%
Staff numbers: next six months	0%	11%	48%	39%	2%
Investment: past six months	9%	8%	42%	35%	5%
Investment: next six months	2%	8%	47%	39%	4%



SPECIAL FOCUS: TRADING BEYOND BREXIT

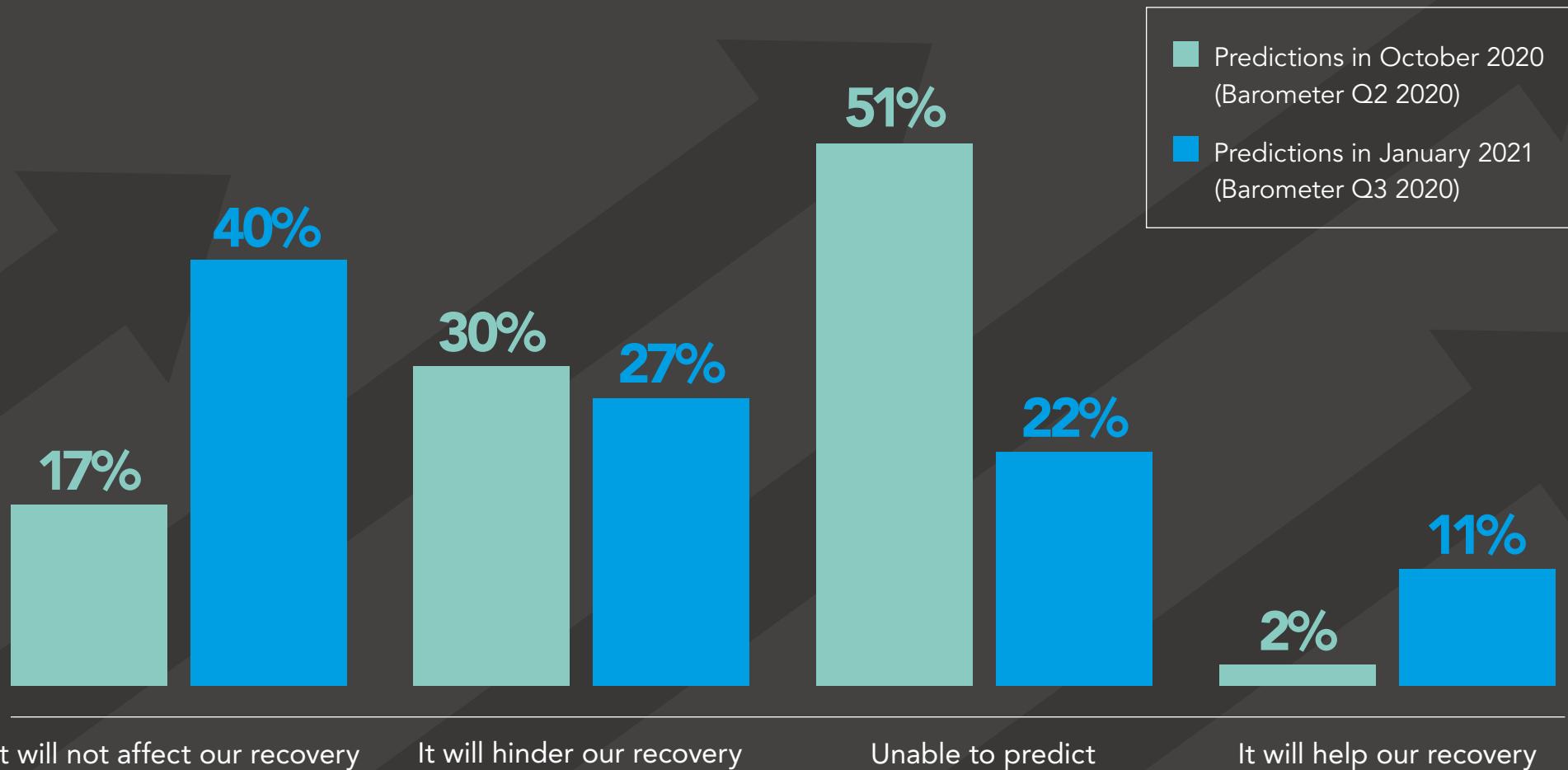
The UK has now left the EU single market and customs union. This presents new opportunities for British businesses, but also causes further operational challenges at a time when many are still recovering from the financial impact of the COVID-19 pandemic.

This special focus highlights the ways in which current conditions are affecting SME manufacturers across the South West. 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, 51% of South West 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 these businesses require to help them adapt accordingly?

SPECIAL FOCUS TRADING BEYOND BREXIT

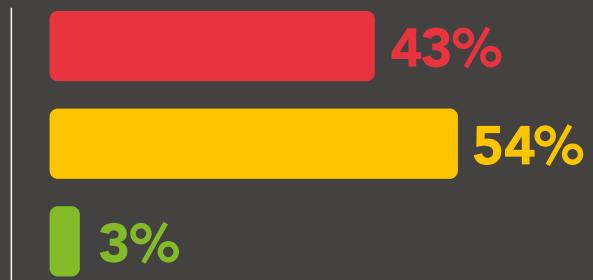
Now that the UK has officially left the EU, how do SME manufacturers expect this to affect their COVID-19 recovery plans compared to their pre-Brexit predictions?



SPECIAL FOCUS TRADING BEYOND BREXIT

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

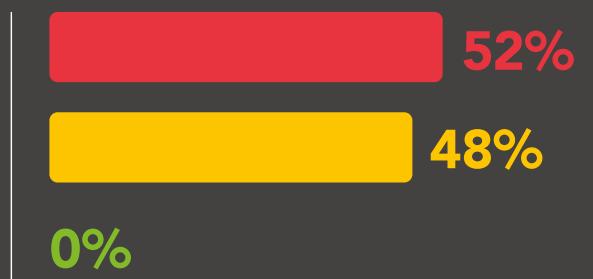
EXPORTING PRODUCTS TO EU CUSTOMERS



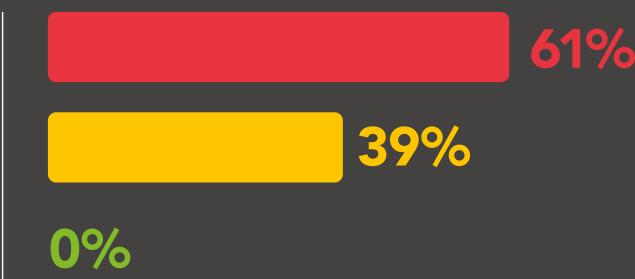
IMPORTING PRODUCTS FROM THE EU



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



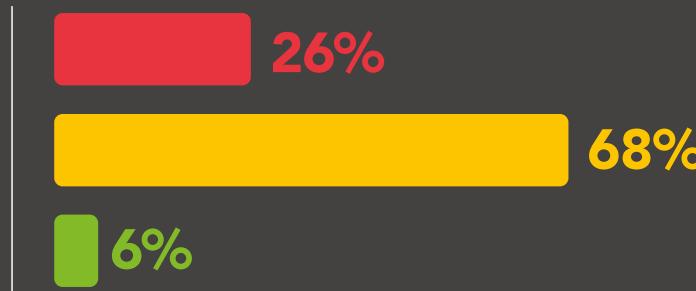
AVAILABILITY OF STATE AID SUPPORT



RECRUITMENT OF SKILLED STAFF



ENQUIRIES FROM EU CUSTOMERS

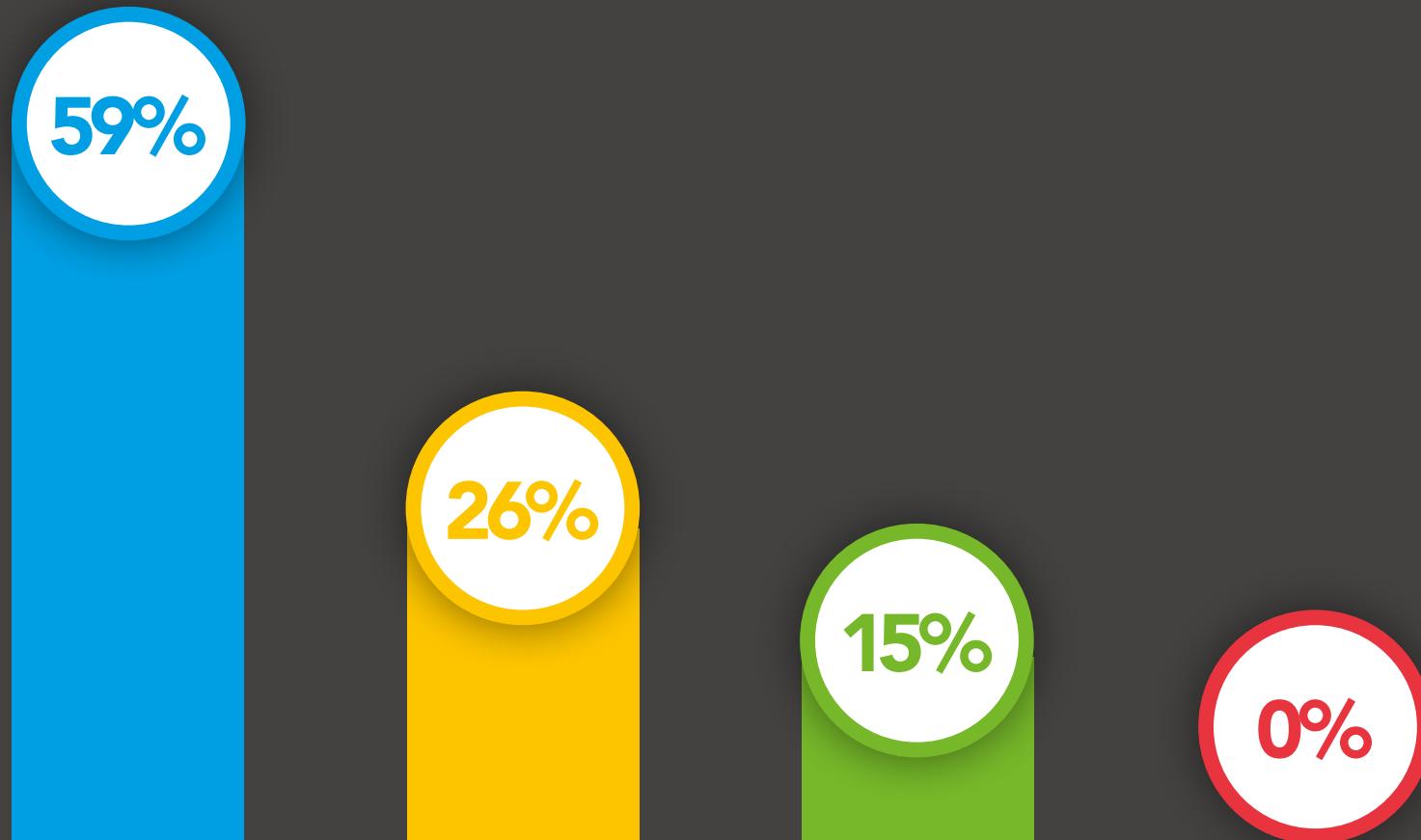


● Negative impact ● No change ● Positive impact

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...



Unable to predict at this stage

We do not expect this to change our sales volumes

Positively (we expect sales to increase)

Negatively (we expect sales to decrease)

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?



38%

yes



26%

unsure



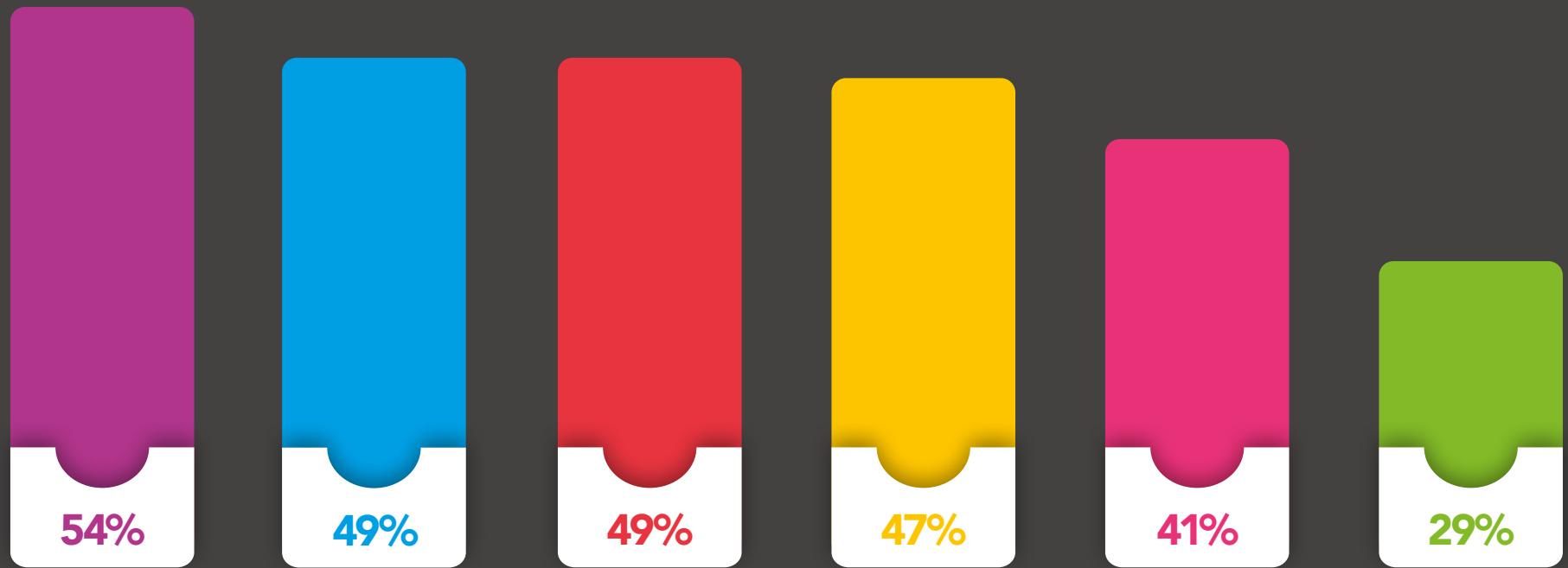
28%

no

8% stated 'Not applicable to my business'.

SPECIAL FOCUS TRADING BEYOND BREXIT

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



Product Markings
(CE replacement)

Sourcing materials,
components,
products, or services
from overseas

Logistics or freight
forwarding

Data Transfer to/
from the EU

Supporting existing
EU customers

Recruiting skilled
staff from the EU

BUSINESS ASPIRATIONS

We are focussing on export and online sales. Our R&D programme has been reduced because a number of testing houses have closed in the pandemic. It is also difficult to get materials for testing to Europe with extra paperwork.

To hold steady at £2m turnover, 20 employees, and focus on efficiency and profitability.

SWINDON AND WILTSHIRE

We mainly sell into the UK market, so our short-term plan is to export more, and secure a network of global distribution and rental partners in the medium-term.

Short-term: break even
Medium to long-term: steady growth, and sector diversification.

DORSET

To keep trading and not shut-down due to COVID-19. Grow the business, add-on and improve the business premises.

Short-term: get through COVID-19.

Medium-term: regain our strength and return to pre-Covid-19 levels.

Long-term: continue the trajectory of growth we were seeing pre-COVID-19.

WEST OF ENGLAND

Strengthen the impact of our marketing, develop our people to future proof our business, fill our sales pipeline, and invest in plant/machinery.

Get back to pre-COVID-19 levels before returning to steady, organic growth.

CORNWALL

BUSINESS ASPIRATIONS

Short-term: reorganisation to maintain the new level of activity by investment in plant and management.

Medium-term: to retain the new market share with advertising and online sales.

Long-term: to expand geographically by opening new sites.

Short-term: survival.

Medium-term: preparation for restart.

Long-term: international growth.

GLOUCESTERSHIRE

“Adapting and innovating. Our core market has collapsed during the pandemic, but our key customers should bounce back once the lockdowns end, though probably not until 6 to 12 months after. This gives us the opportunity to develop work in other sectors (which was already on-going).

To increase profitability by improving information systems and operating practice while waiting for a clearer view of the future.

DEVON

“Survive, maintain profitability, and invest in people and new equipment to increase profitability and productivity.

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 new product range, sales growth in line with customer strategy, and development of lean manufacturing processes to increase manufacturing capacity.

Long-term: expansion of manufacturing base to meet strategic sales growth.

SOMERSET

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 SME manufacturing businesses across the South West.

For a number of respondents, trade appears to have remained fairly steady since July 2020, and predictions for the future also appear to be improving slowly each quarter. In fact, 50% of firms expect sales to grow over the next six months in comparison to just 24% who forecast a drop over the same period. Furthermore, 44% of South West manufacturers are predicting an increase in profits between now and June, up 8% on the national forecast. These findings indicate that confidence levels are starting to stabilise for some manufacturing businesses across the region.

When looking to the future, only a small minority of respondents predict a need to reduce staff numbers within the next six months. Even more encouragingly, over 40% are actually planning future investment in this area. This slow but steady increase in optimism could indicate that some firms feel confident that they can maintain their current business position and are now focused on strategies that include investment for future growth.

Last quarter, we asked how businesses across the South West 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, over half of respondents (51%) were unable to predict how this would affect them, but only 22% said the same this quarter. This indicates that some of the uncertainties in the lead up to Brexit have now been eliminated.

40% of those questioned now feel confident that Brexit will not affect their recovery, up almost a quarter (23%) from those who stated this when asked three months ago. Although only 11% of regional firms believe that exiting the EU will help their COVID-19 recovery, this figure has grown from the 2% who predicted this last quarter.

Despite some positivity, many SME manufacturers across the South West are still facing a number of challenges. When asked, over a quarter of respondents (28%) said they aren't getting enough guidance from the government to help them adapt to new EU regulations, with an additional 26% saying they are unsure.

Which factors are likely to cause issues for SME manufacturers in the South West of England as they continue to trade beyond Brexit?

The majority of respondents have already seen price changes within their supply chains, with a staggering 61% 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.

As a result of the Brexit changes that came into effect on 1st January, over half of those who import from Europe (53%) have been negatively affected in this area, with challenges also being experienced by 43% of the respondents who export goods to the EU.

In summary, manufacturing businesses across the region 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.

SWMAS can offer SME manufacturers advice and support to help address some of the issues highlighted in this Barometer report:

[CLICK HERE TO FIND OUT MORE](#)

MANUFACTURING barometer

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

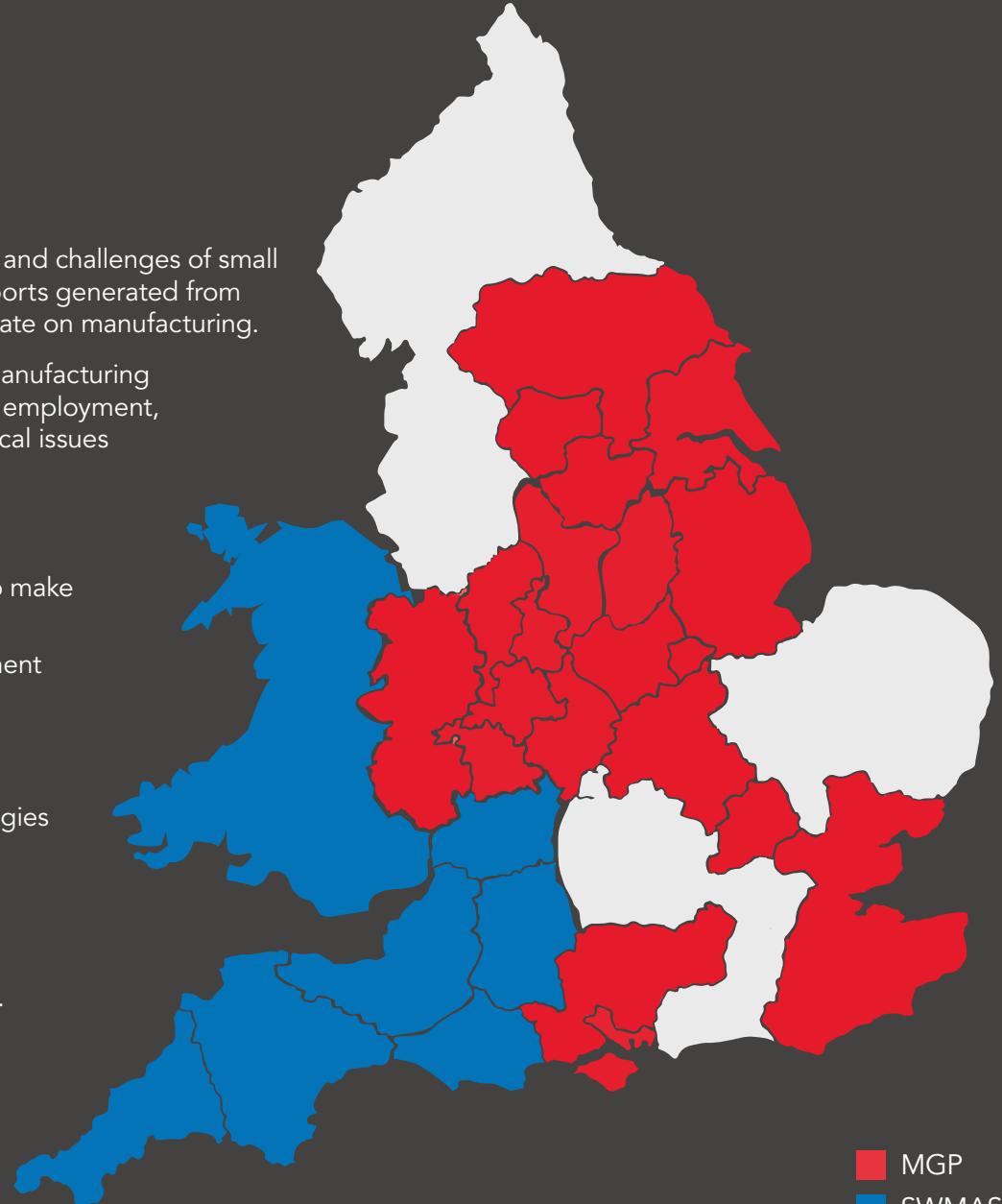
WHO ARE SWMAS AND MGP?

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:

info@swmas.co.uk | 01278 767 010 | www.swmas.co.uk

Follow us:  @SWMAS_Ltd |  linkedin.com/company/SWMAS



■ MGP
■ SWMAS

MANUFACTURING
barometer

SWMAS 

IN PARTNERSHIP WITH
 *Manufacturing*
Growth Programme