



MANUFACTURING barometer

SPECIAL FOCUS: COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

SOUTH WEST 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 South West 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 the current environment being faced by SME manufacturers based in the South West of England.

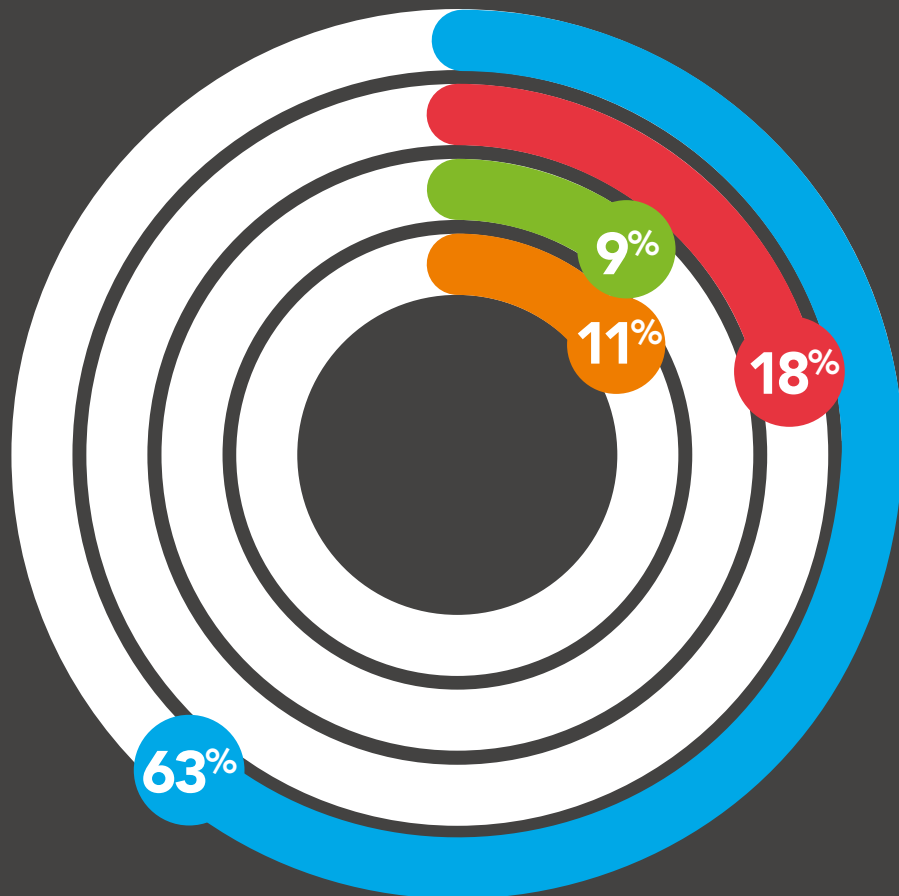
Results are shared with local and regional government representatives and provide a critical insight into the SME manufacturing sector, helping to ensure that future support addresses the specific needs highlighted.

This quarters survey shows that the majority of manufacturers have indicated reduced sales and profits since the COVID-19 crisis began. However, there has been a marked improvement since the previous Barometer in March, which showed the bleakest outlook in over a decade.

Whilst 42% still expect sales to reduce in the coming months, this has almost halved from the 83% who predicted this in March. In comparison to January's survey results, prior to the pandemic, where only 21% saw a drop in sales on the horizon. This shows that, whilst things are indeed improving, the South West SME manufacturing sector is still not back to its pre COVID-19 position...

SURVEY DEMOGRAPHICS

102 RESPONDENTS



81%

OF RESPONDENTS ARE:

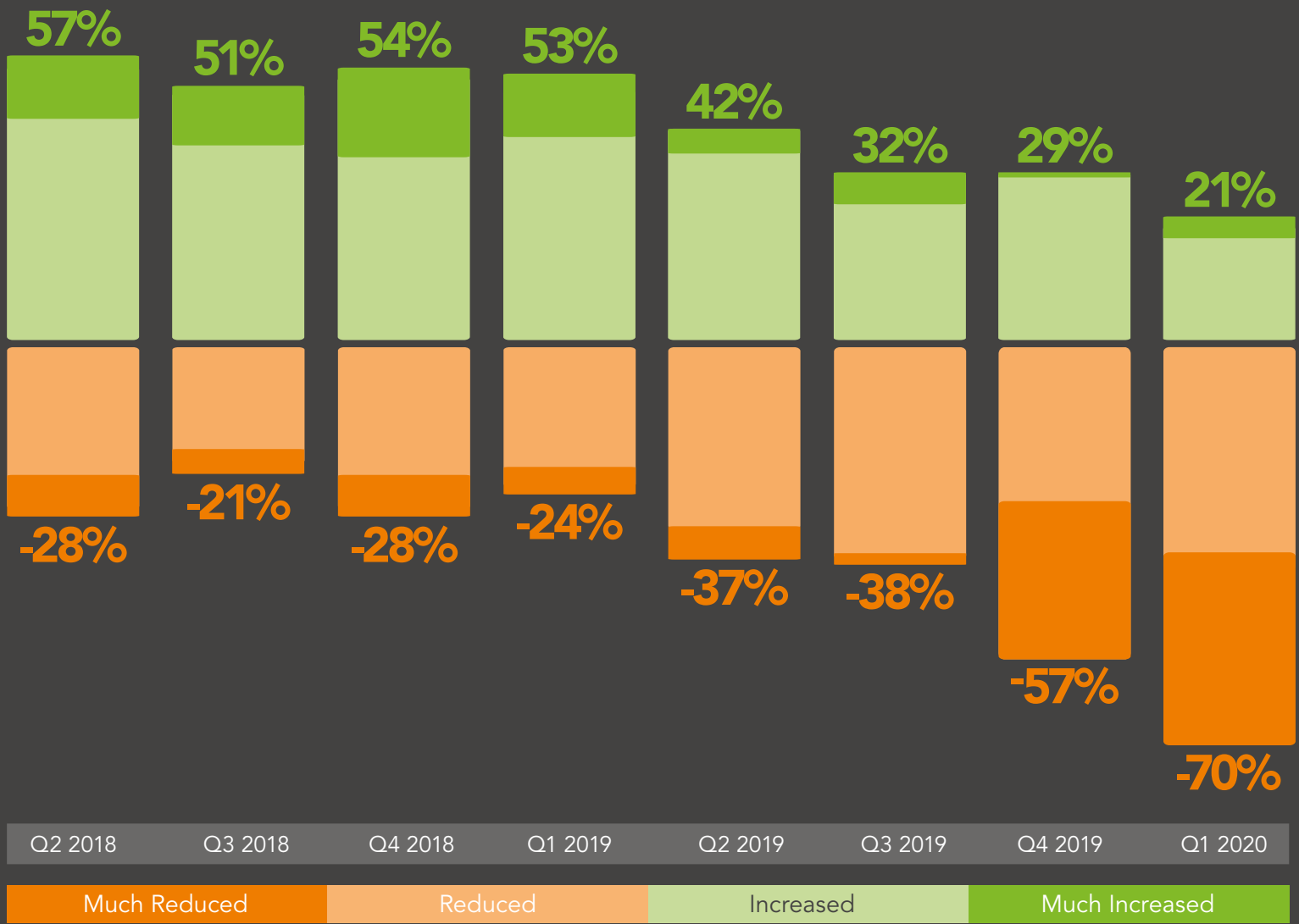
> MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS

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



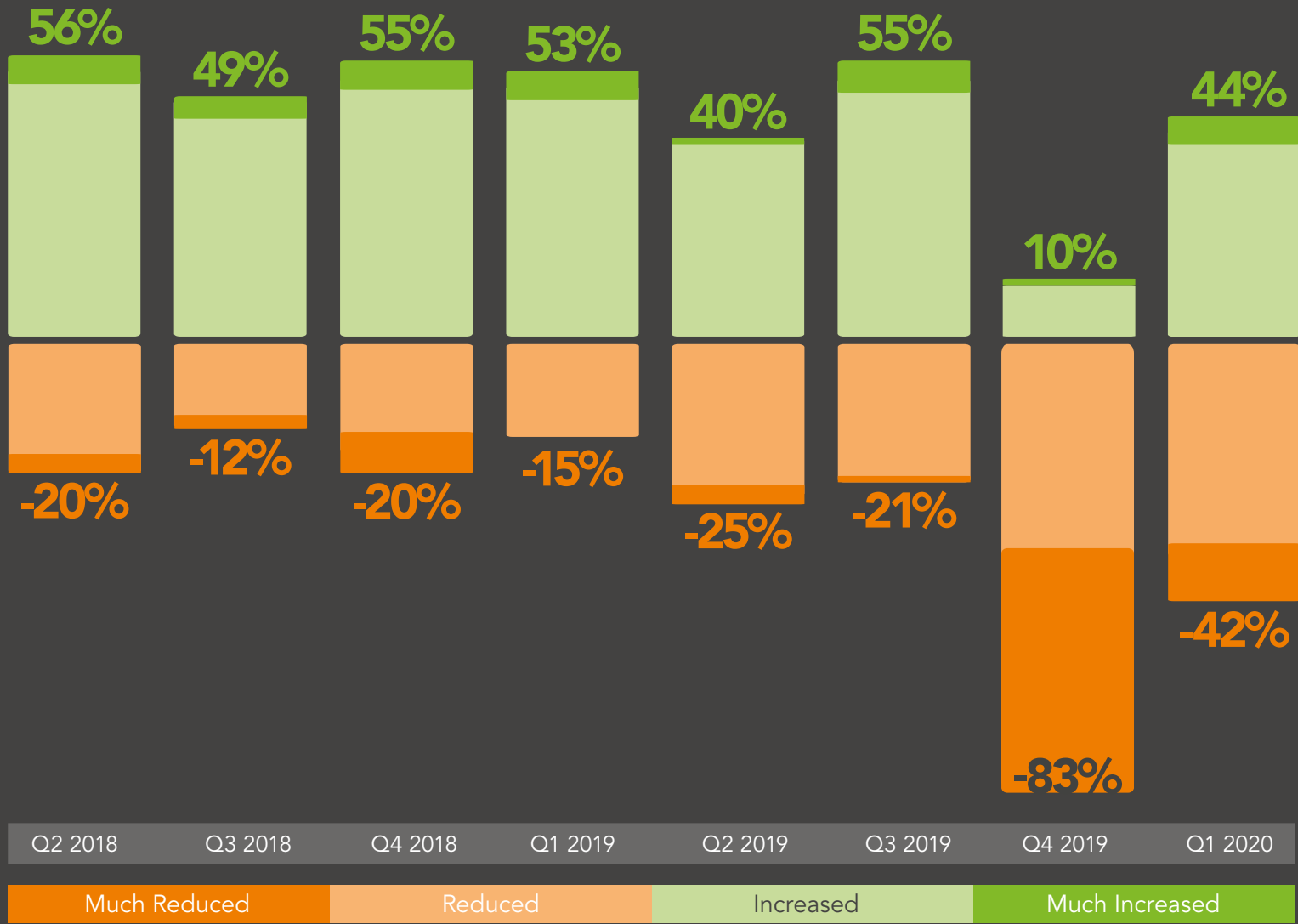
SOUTH WEST PAST SALES

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



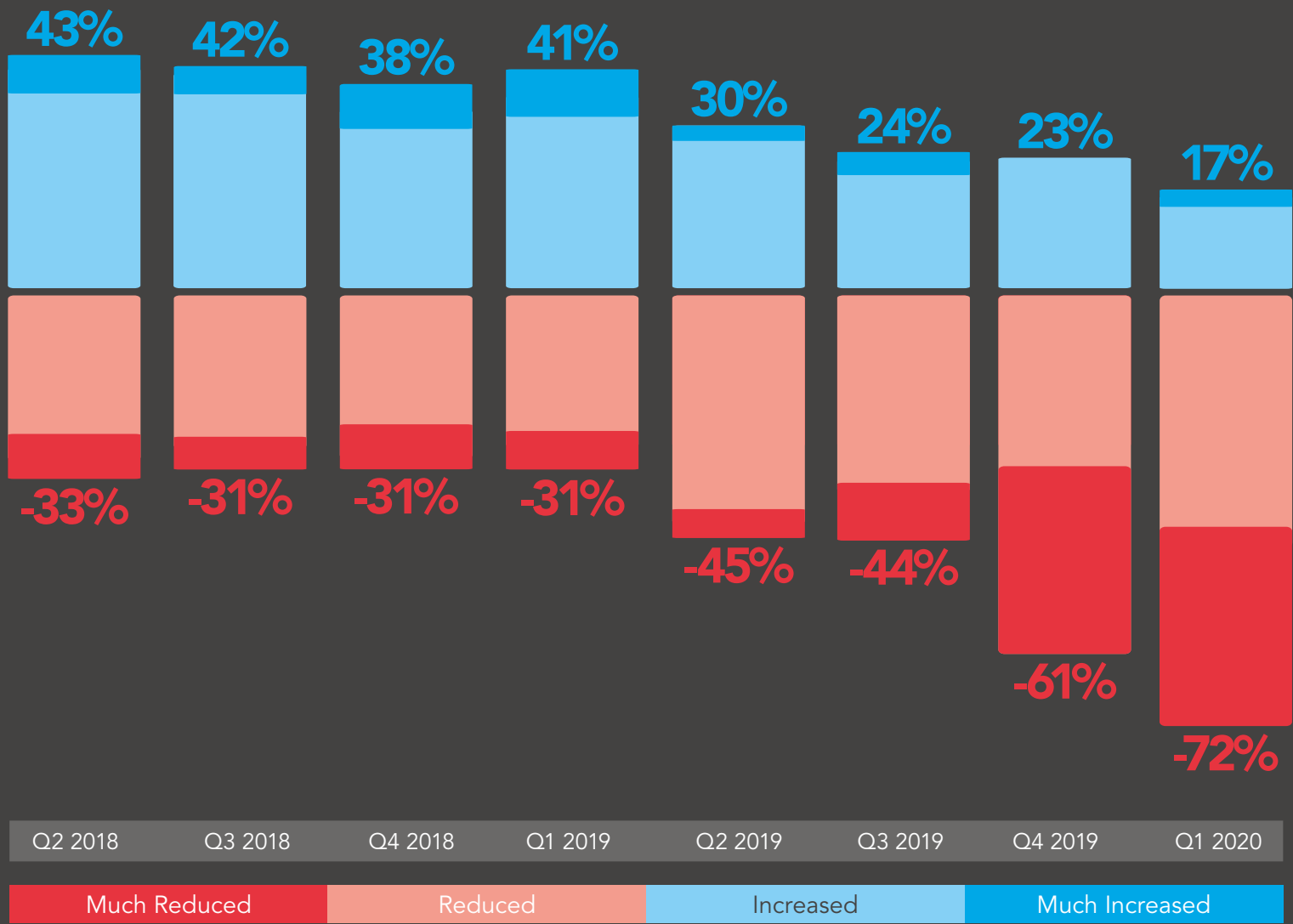
SOUTH WEST FUTURE SALES

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



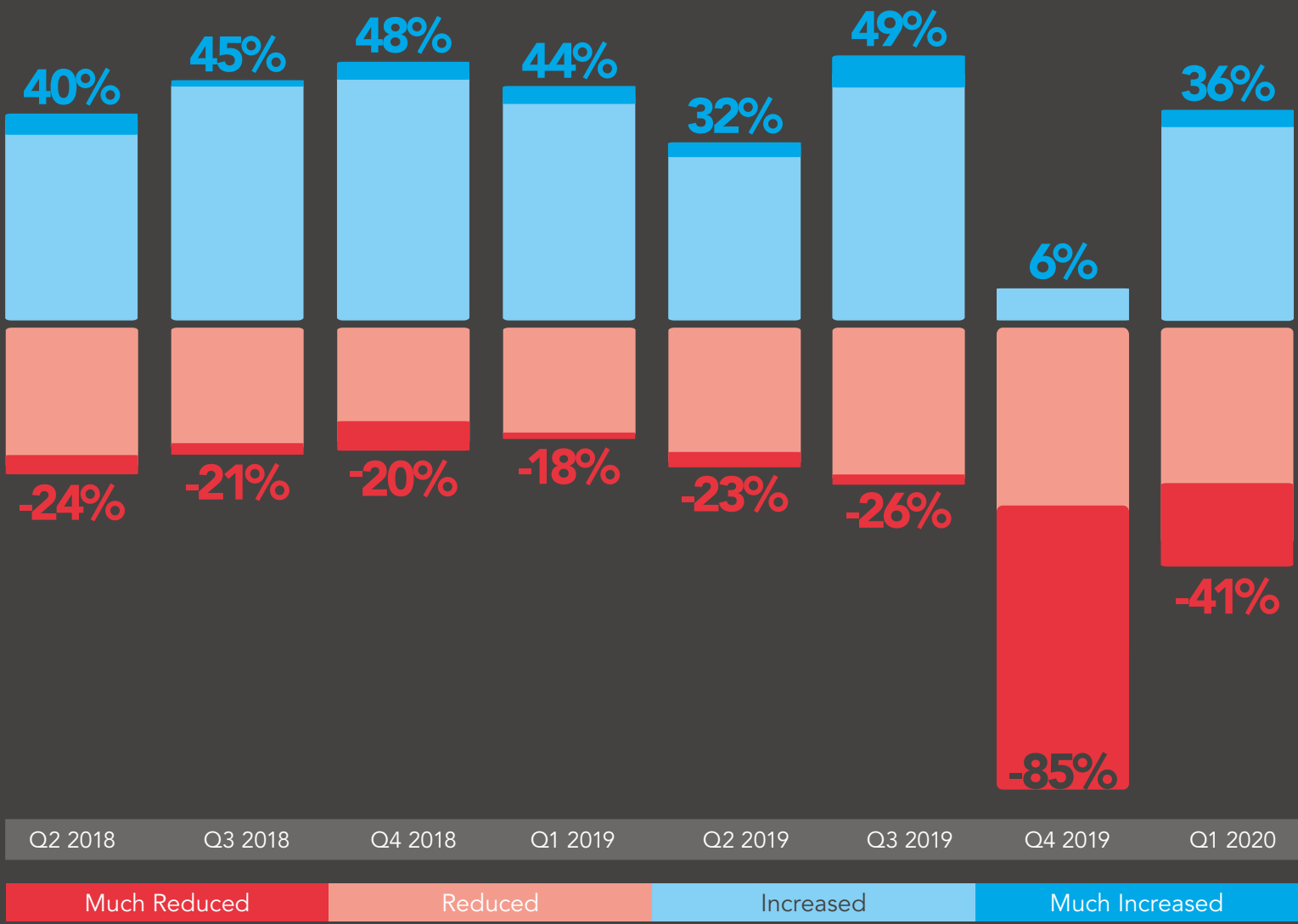
SOUTH WEST PAST PROFITS

How has your profit changed within the past 6 months?



SOUTH WEST FUTURE PROFITS

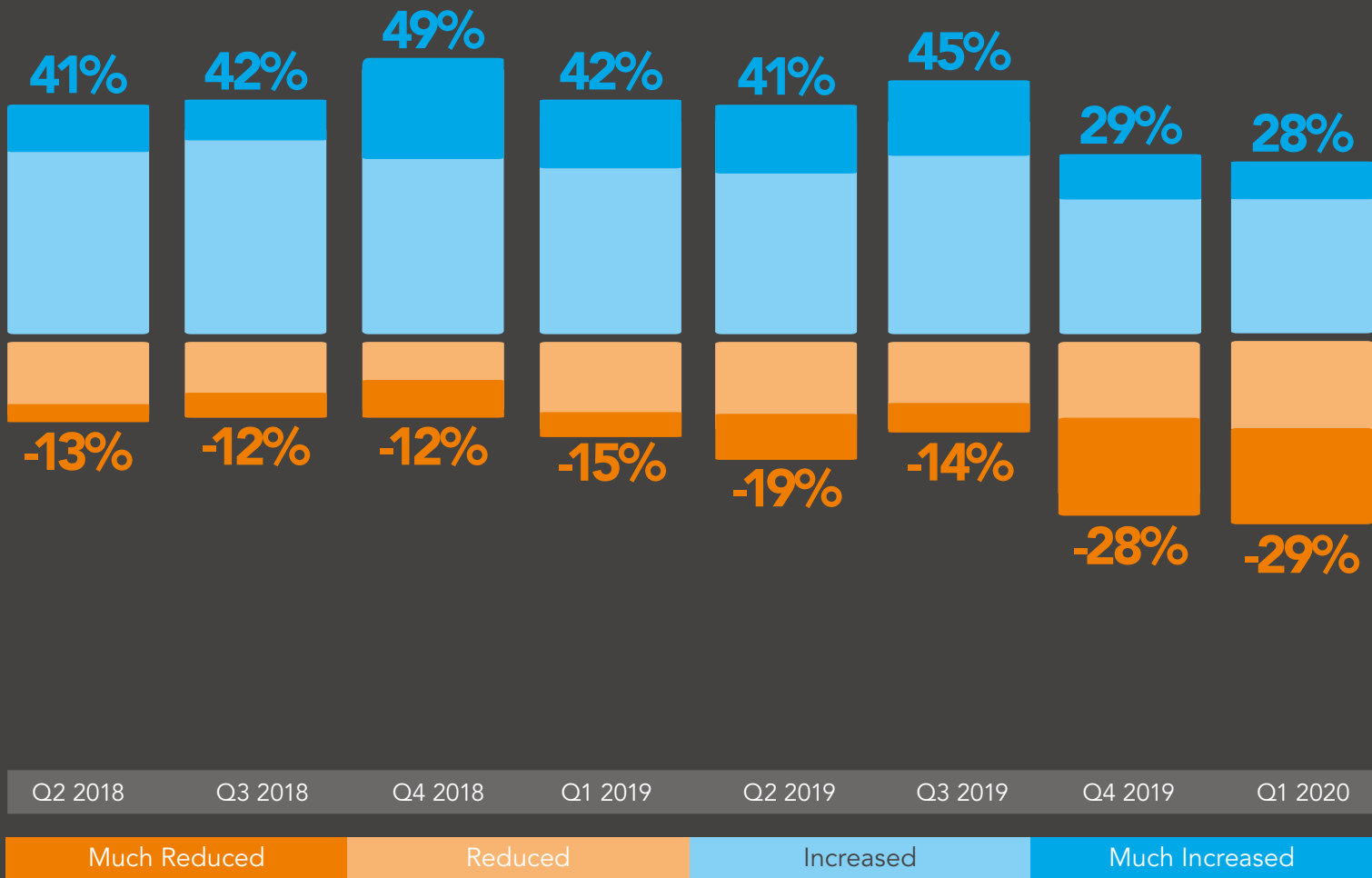
How do you expect your profit to change over the next 6 months?



CORE TRENDS

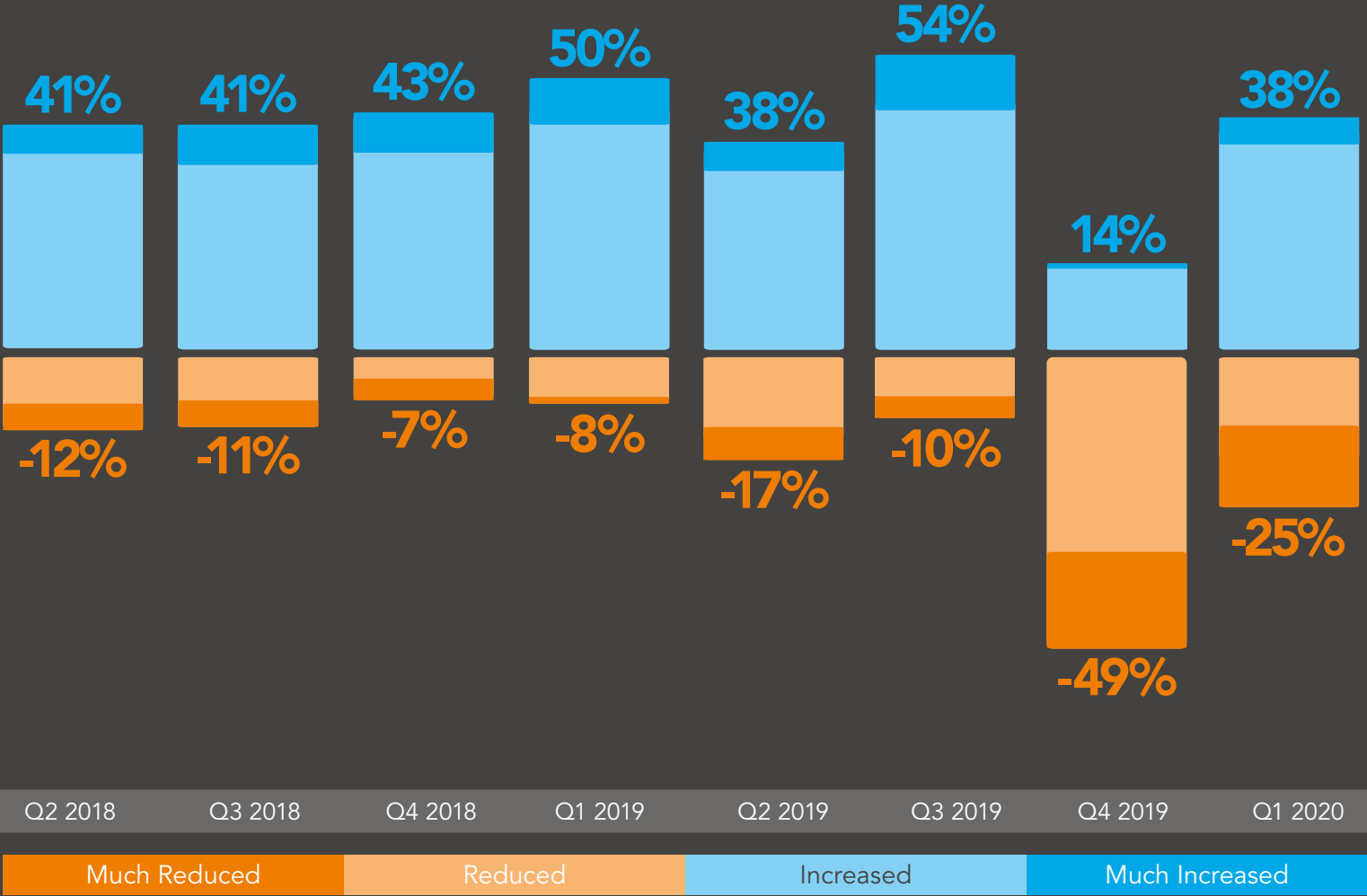
SOUTH WEST PAST CAPITAL INVESTMENT

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



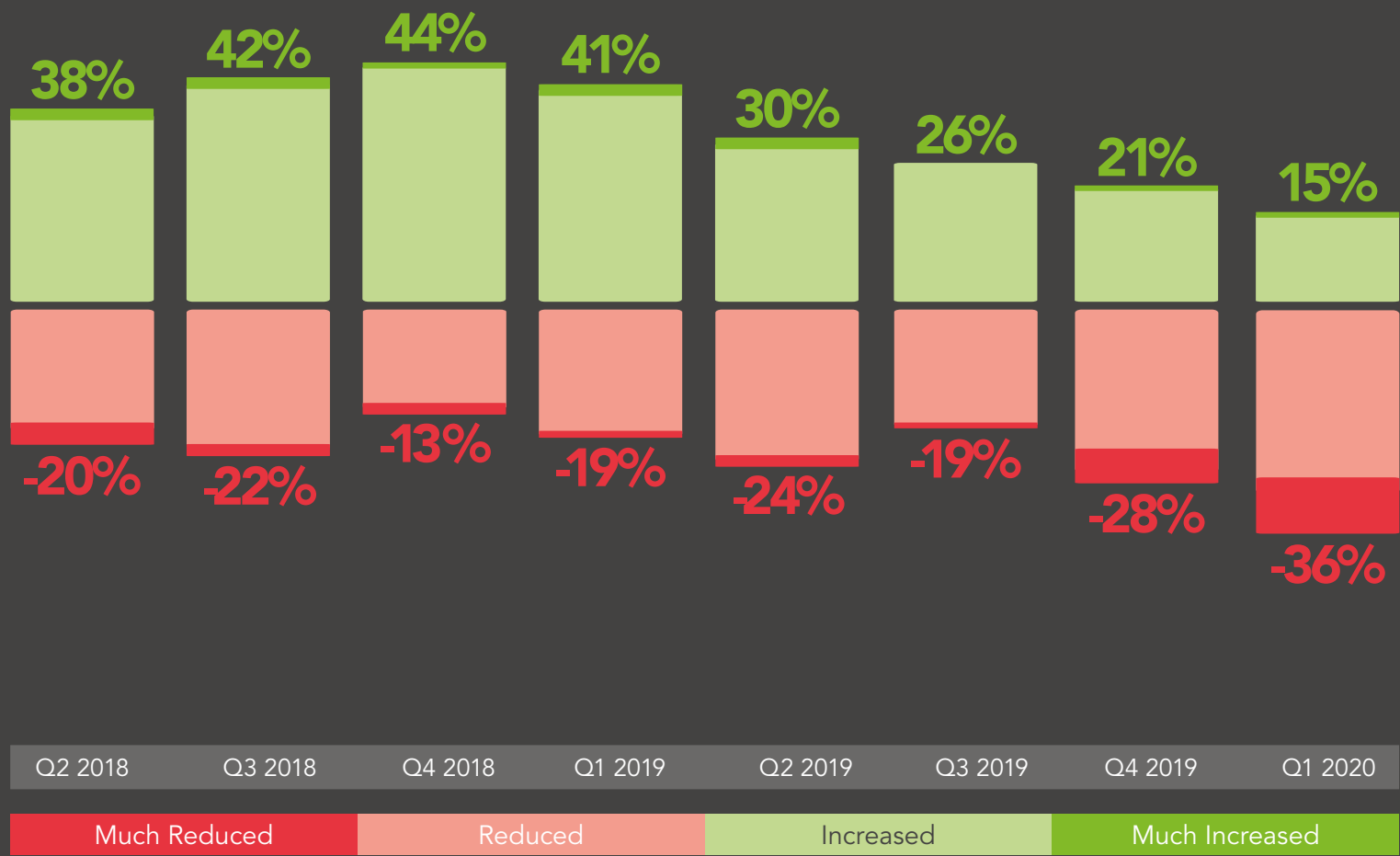
CORE TRENDS SOUTH WEST FUTURE CAPITAL INVESTMENT

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

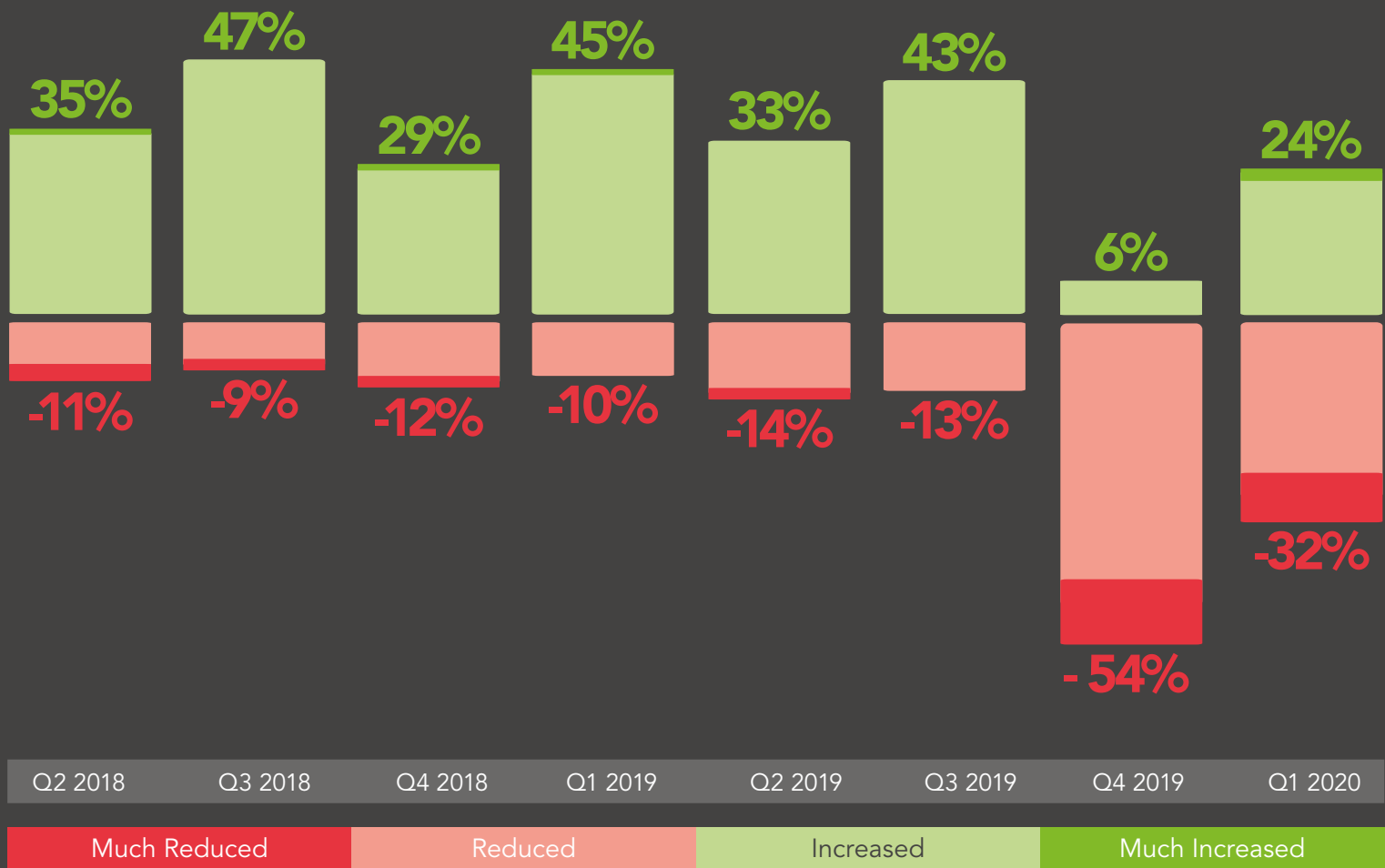


SOUTH WEST PAST EMPLOYMENT

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



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

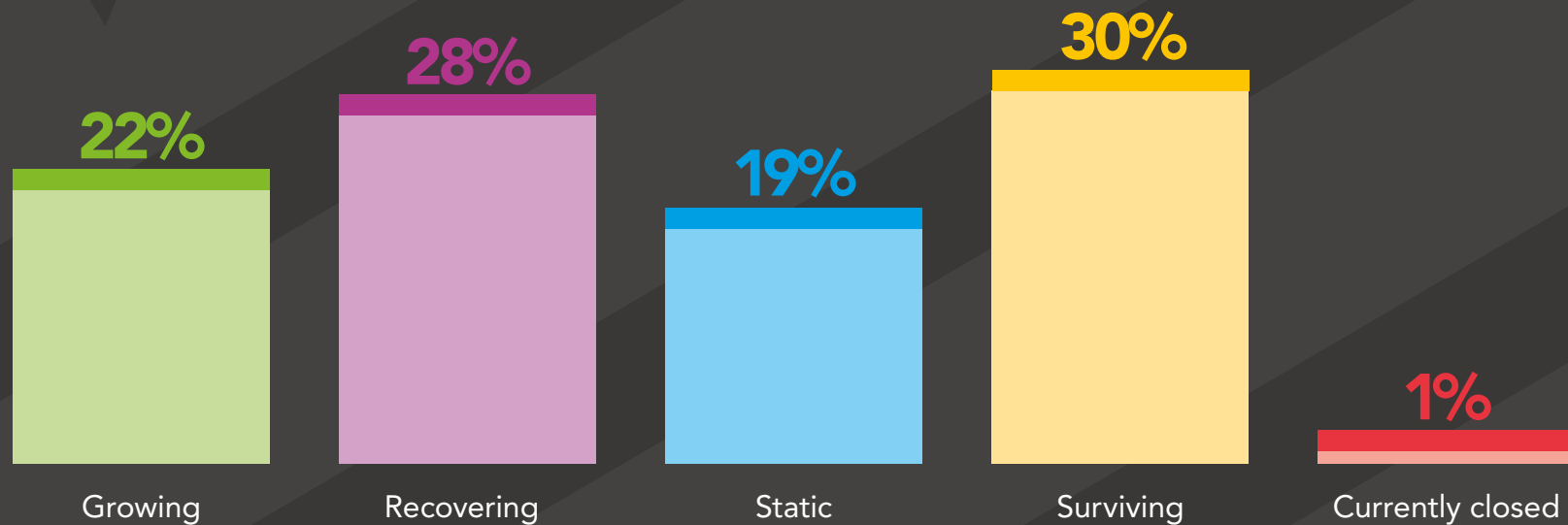
Each quarter, our Special Focus explores a current issue in greater depth, to uncover any opportunities or challenges it may present to the manufacturing sector.

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 South West. 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 that South West companies have already taken to overcome these issues, and what support is still required to help SME manufacturing businesses recover and grow.

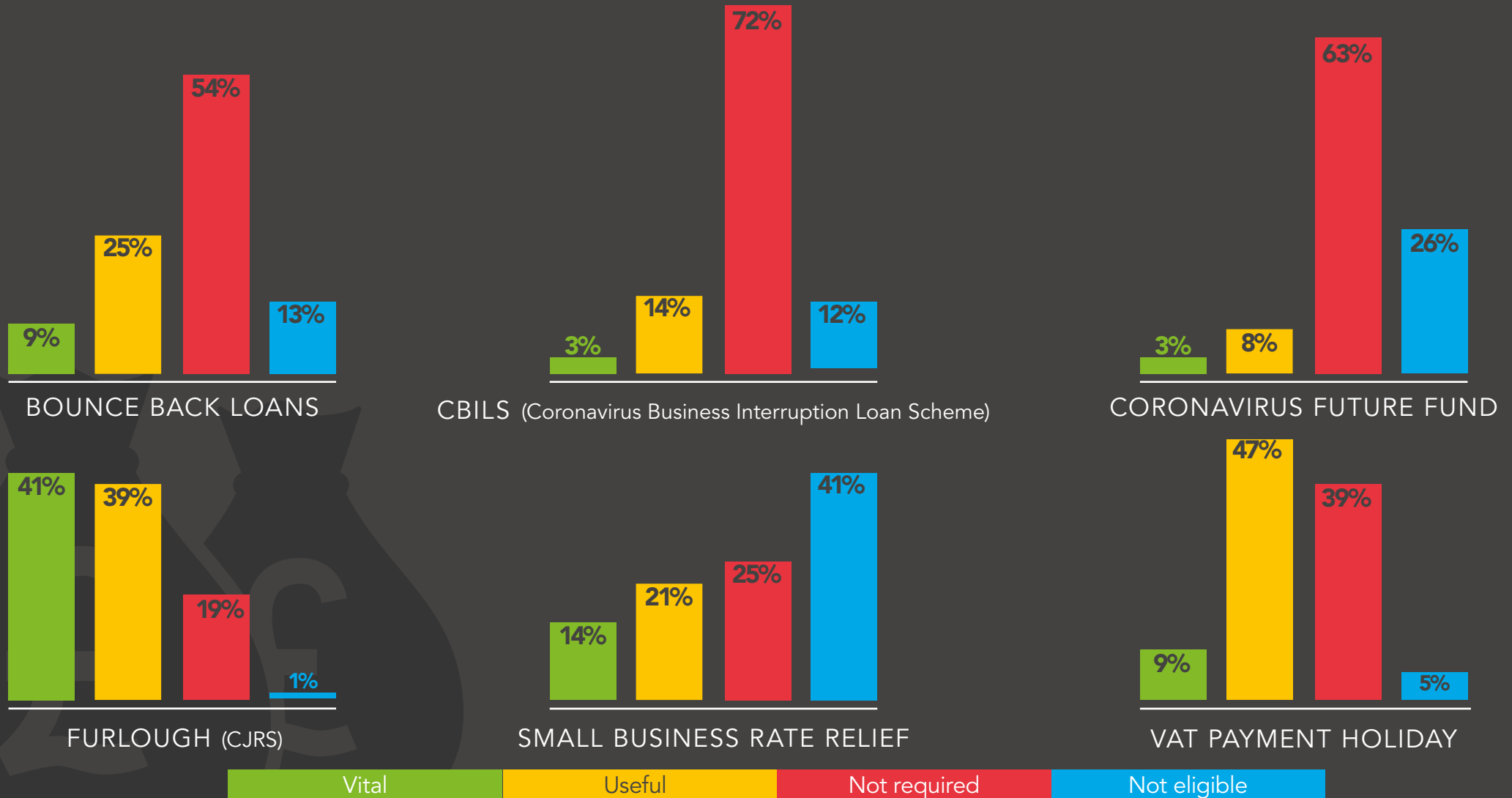
SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

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



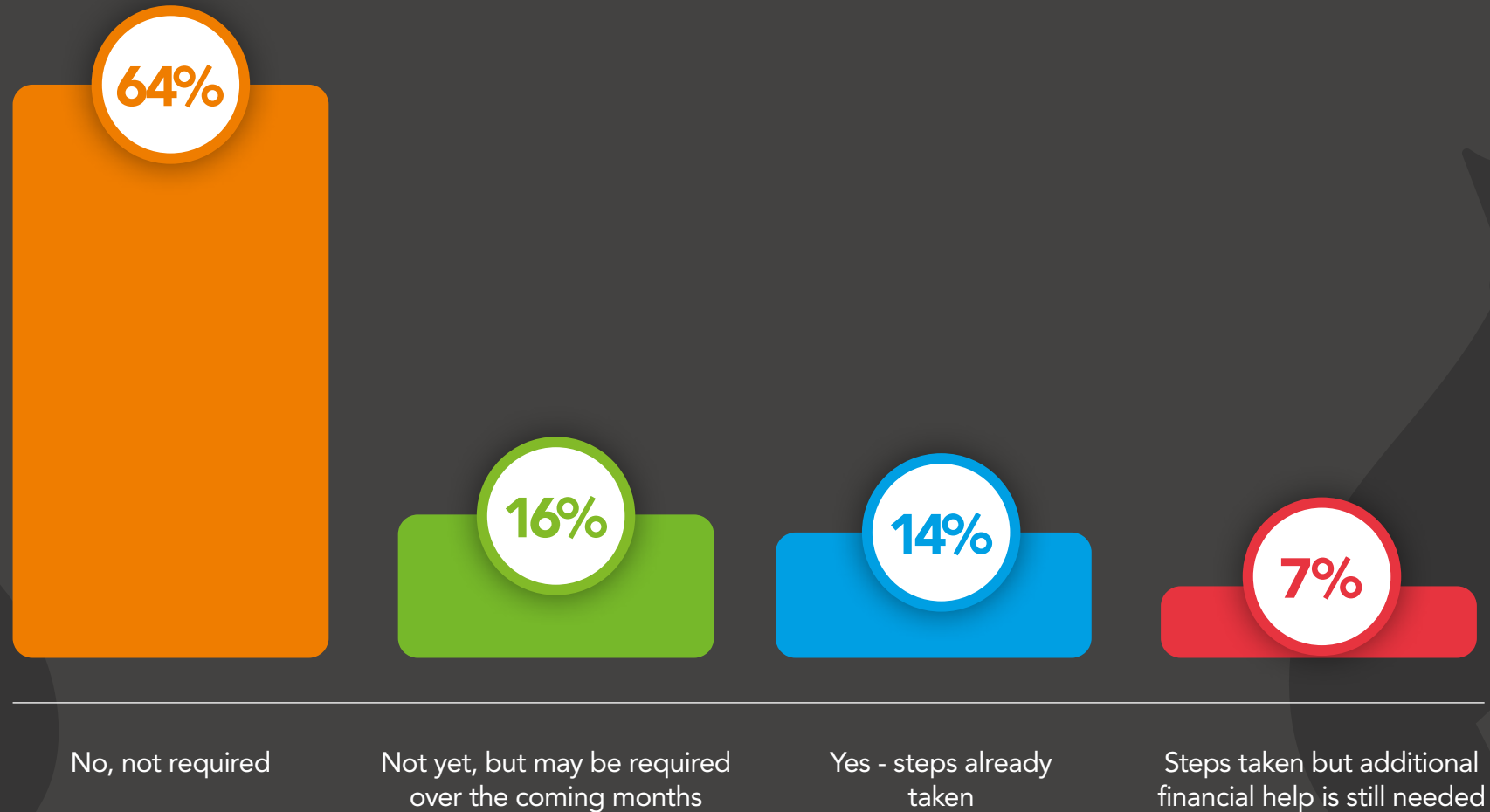
SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

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

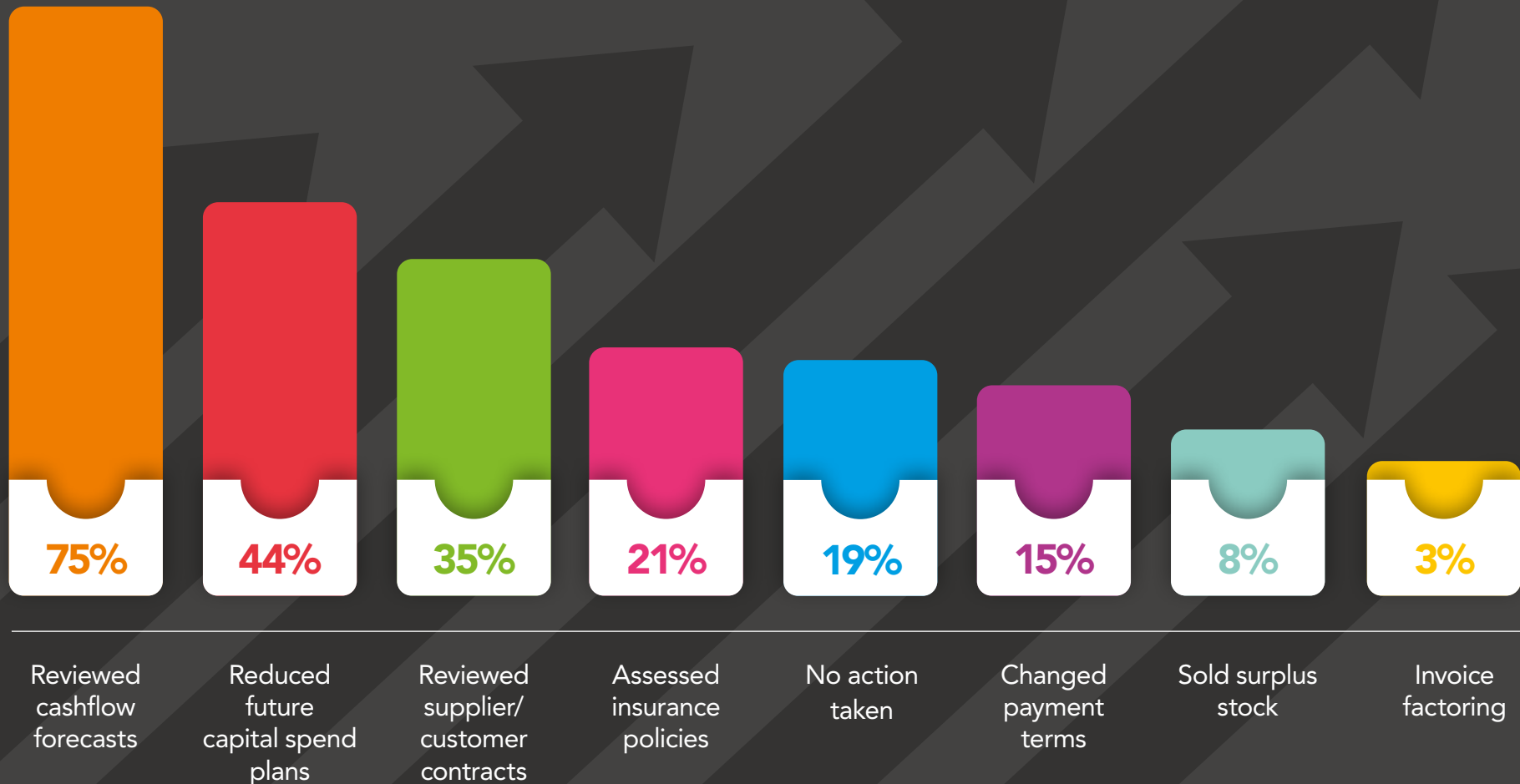
In addition to the government support listed above, were further steps necessary to support your business financially (i.e. personal loans/remortgaging)?



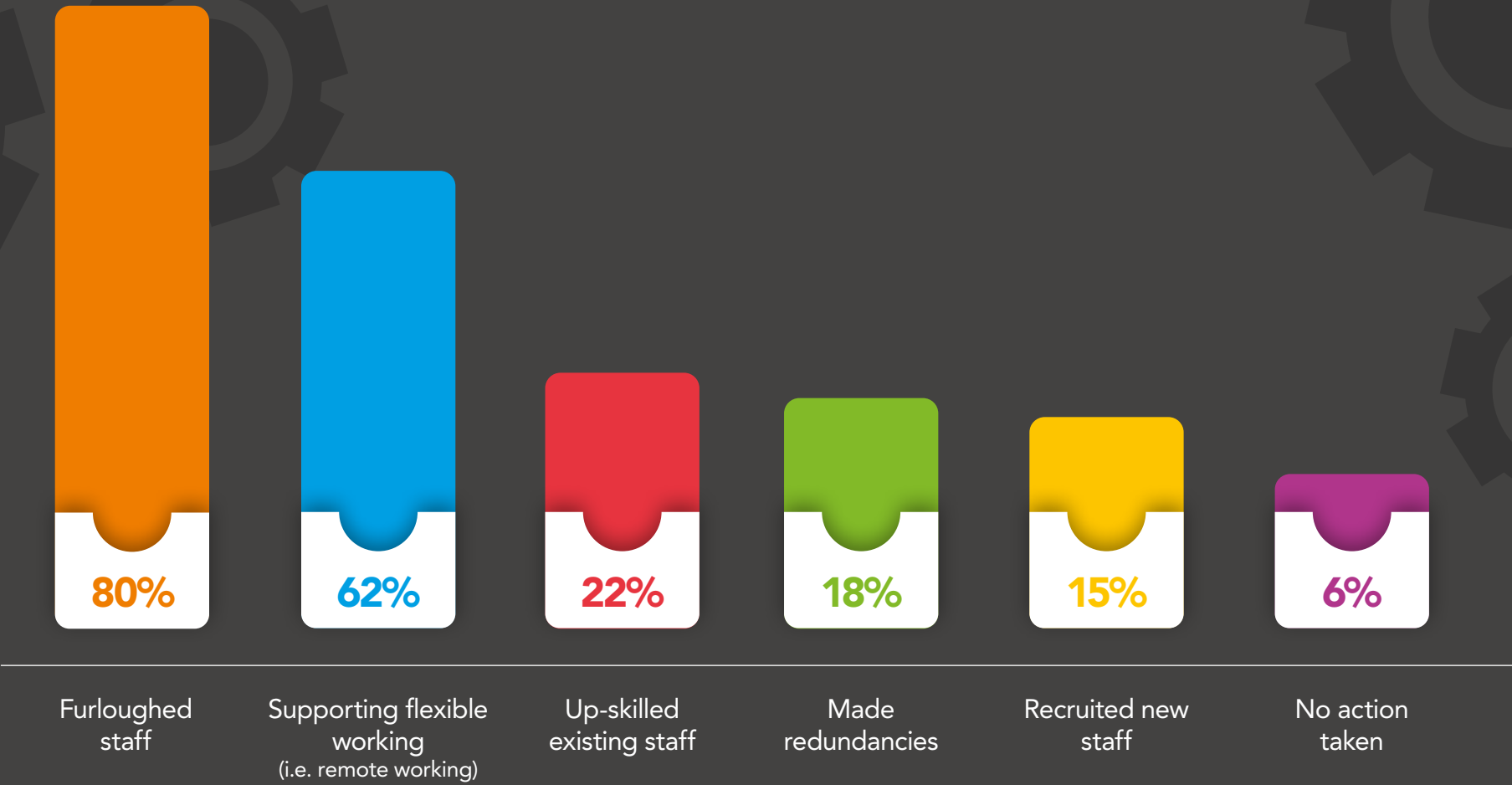
SPECIAL FOCUS COVID-19 RECOVERY & FUTURE GROWTH PROSPECTS

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?



17%

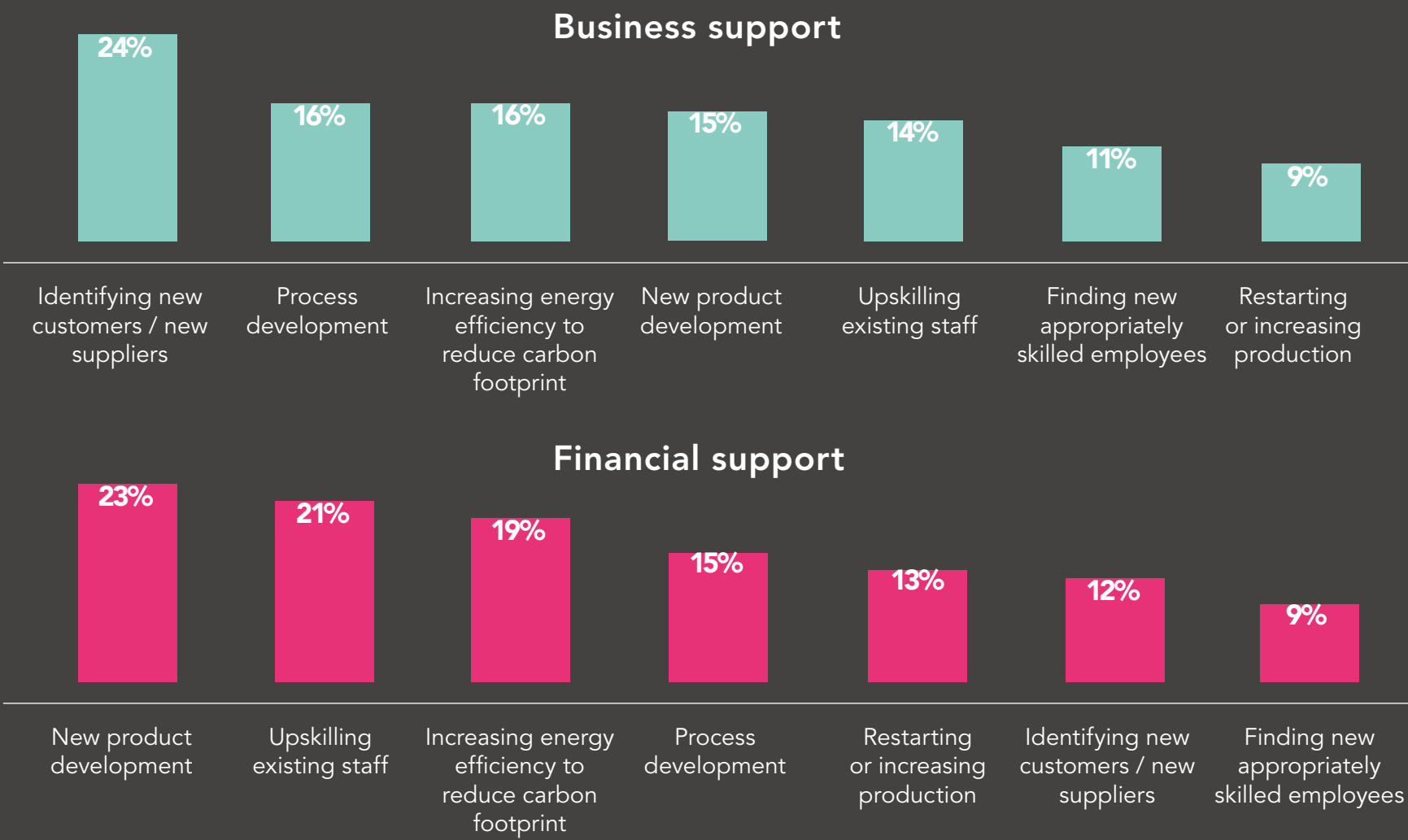
yes



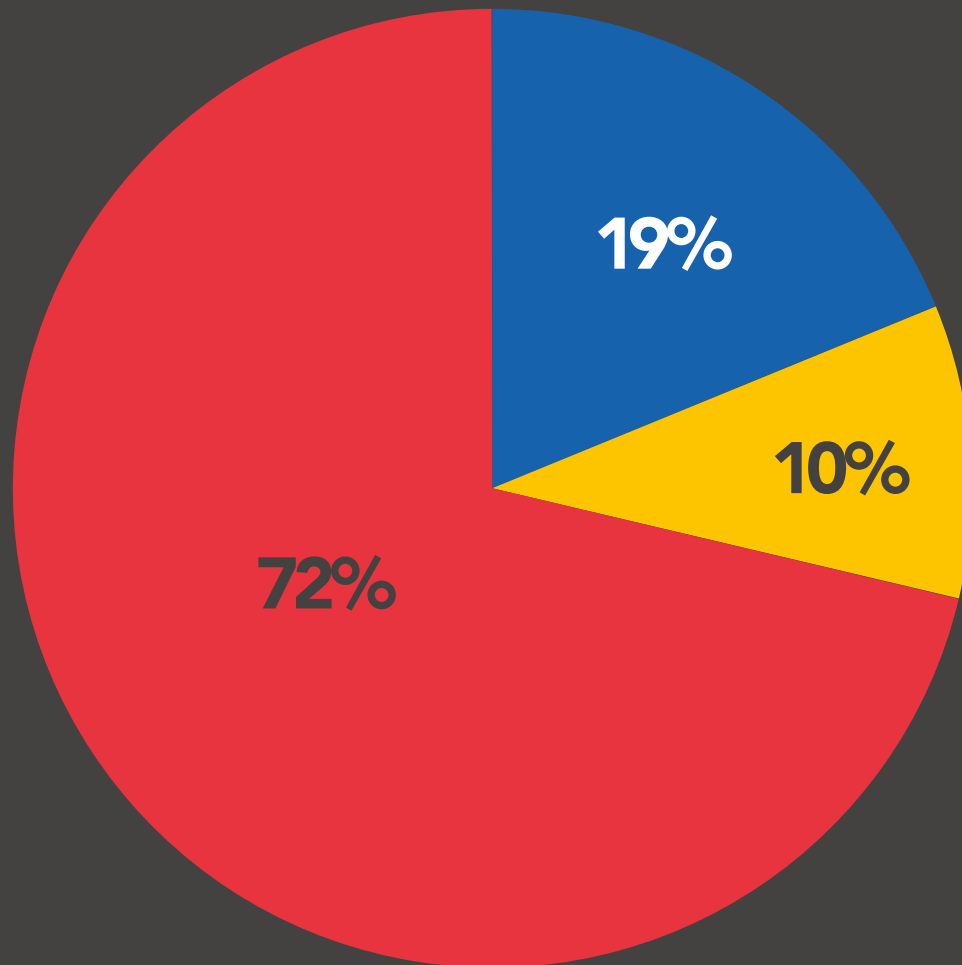
83%

no

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

“

Short term: improve to 90%.
Long term: to get back to normal
and exceed.

With the construction market generally
getting back to work we are expecting
significant improvement the rest of the year.
Medium and long-term expectations are
for continued improvement.

CORNWALL

“

Survival - being a manufacturing company
supplying into the foodservice 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 COVID19.

We are growing our technical offer,
and maintaining our service standards
for the long term ready for an upturn
in the economy.

DEVON

“

Continue to provide high quality products
to our customers, increase our offering of
newly designed and created products, and
grow relationships with other UK and global
manufacturing companies.

Short term: mitigate the impact of the
pandemic on my business.
Medium term: realign production capacities
and staff to match the changed demands.
Long term: difficult to say given the current
prognosis but I would be happy to return
to levels of profitability witnessed in the
preceding years.

DORSET

BUSINESS ASPIRATIONS

“

Short term: survival only.
Medium term: pick up to break-even.
Long term: growth of business back to original trajectory.

Aim for upper market growth and e-commerce growth, develop more income channels, and be more proactive with sales and marketing.

— GLOUCESTERSHIRE —

“

Looking to recover the business that has temporarily halted during the pandemic, some of it will not return so also looking for new business to replace it.

Our short term business aspiration will be to work with our suppliers and support our customer requirements during COVID-19. Medium-term, we will look to increase production and search for new opportunities within the Nuclear supply chain and alternative industry markets. Long term aspiration will be to increase efficiency and invest in new technology/ machinery to grow the business.

— SOMERSET —

“

Short term: await the phone ringing again, restart contracts that were moth balled.
Medium term: continue to develop online business and new products.
Long term: scale up.

Lockdown had a big effect, first negative, and then positive. The exhibitions/shows stopped with financial and exposure implications, but then we started to see new streams coming online so we have actually moved forward with our sales and exposure. I have been doing more social media demonstrations which are going down well.

— SWINDON & WILTSHIRE —

CONCLUSION

The latest findings show an improvement from the previous quarter, with some businesses feeling more optimistic about future growth. However, 29% 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 80% of South West manufacturers have utilised and found value in the Coronavirus Job Retention Scheme (Furlough). But, despite this, 32% are predicting a need to cut staff numbers in the next 6 months. As the furlough scheme is due to end in October, this indicates that more government support is still needed to further protect jobs until demand returns to stabilise manufacturing across the region.

As businesses try to find a way forward, cashflow is a primary concern for many manufacturers. 22% 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, 37% of SME manufacturers have either already taken further steps to protect their cash flow or predict a future need to do so. With 7% 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 across the region were predicting a drastic drop in profits, with only 6% expecting an increase within six months. The latest findings show that a much larger number (36%) are now expecting profits to grow by the end of 2020. Whilst this indicates a level of optimism from some, 41% still predict future profits to drop, highlighting an expectation that the impact of COVID-19 will continue to affect SME manufacturing in the South West 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 South West-based 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.

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

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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