

MANUFACTURING barometer

SPECIAL FOCUS: SHAPING THE FUTURE OF SME MANUFACTURING

SOUTH WEST REPORT FOR Q2 2020/21

JULY, AUGUST AND SEPTEMBER 2020 - SURVEYED IN OCTOBER 2020

SWMAS 

IN PARTNERSHIP WITH

 **Manufacturing**
Growth Programme

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Shaping the Future of SME Manufacturing

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NICK GOLDING

Managing Director
SWMAS

INTRODUCTION

Welcome to the South West Manufacturing Barometer report.

This quarterly survey uncovers business' past performance and future expectations, allowing us to map these core trends over time. Results are shared with local stakeholders to provide a critical insight into the SME manufacturing sector, helping to ensure that future support addresses the specific needs they have highlighted. I would like to thank all the South West businesses who participated, your input is vital to help us build a meaningful picture of SME manufacturing across the region.

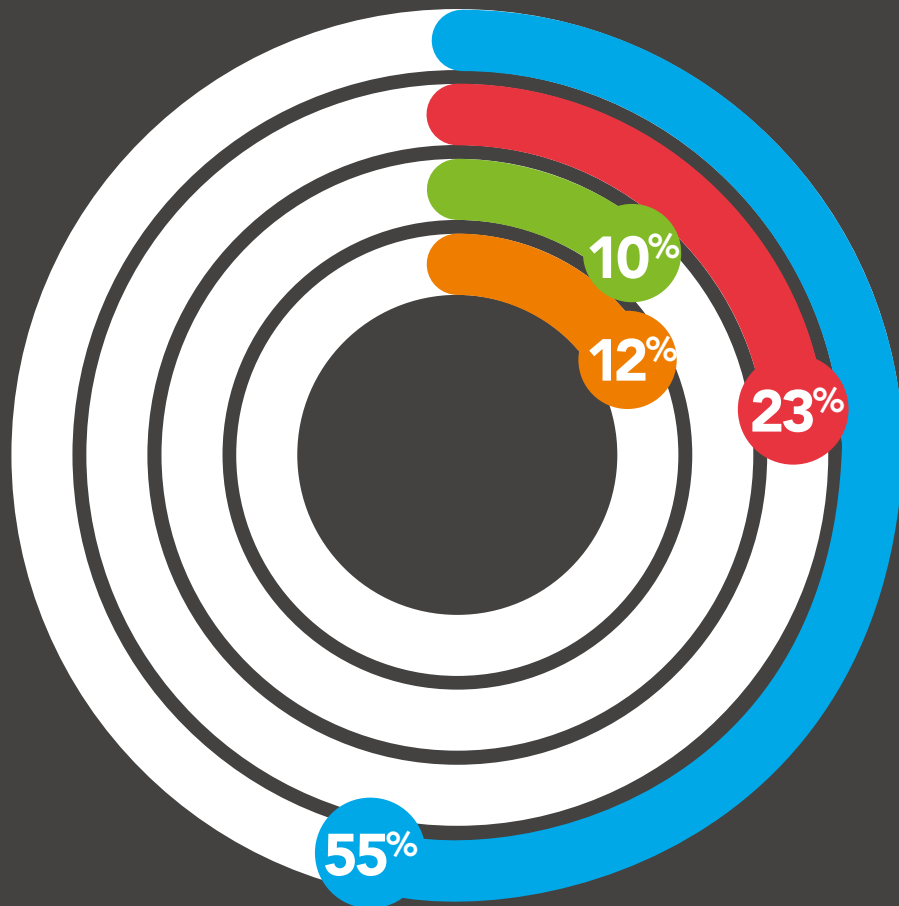
This quarter's report shows that, whilst many South West manufacturers are still facing challenges because of the COVID-19 pandemic, for others, the marketplace has picked up slightly over recent months. Unsurprisingly, the majority of respondents reported a reduction in sales between April and June, but almost a third saw an increase between July and September, with almost half expecting sales to increase further over the next six months.

Forecasts around staff retention are showing signs of improvement across the South West SME manufacturing sector. Although 13% of respondents still predict a need to reduce their workforce, this has reduced significantly from the 32% who predicted this back in July. In fact, over a third are now expecting to employ additional staff between now and March; a vast increase from the 6% who predicted this in April's Barometer survey.

Future investment predictions are also more positive than they have been since the COVID-19 crisis began, and show a resilience amongst SME manufacturers, but this report indicates that the manufacturing sector is not yet back to its pre-pandemic position...

SURVEY DEMOGRAPHICS

132 RESPONDENTS



78%

OF RESPONDENTS ARE:

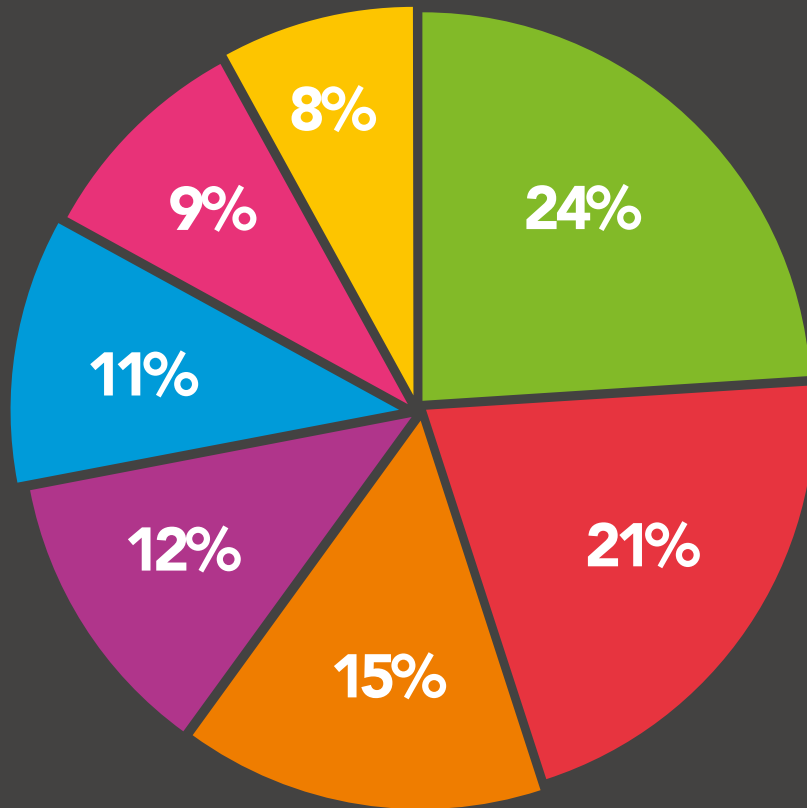
> **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS**

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

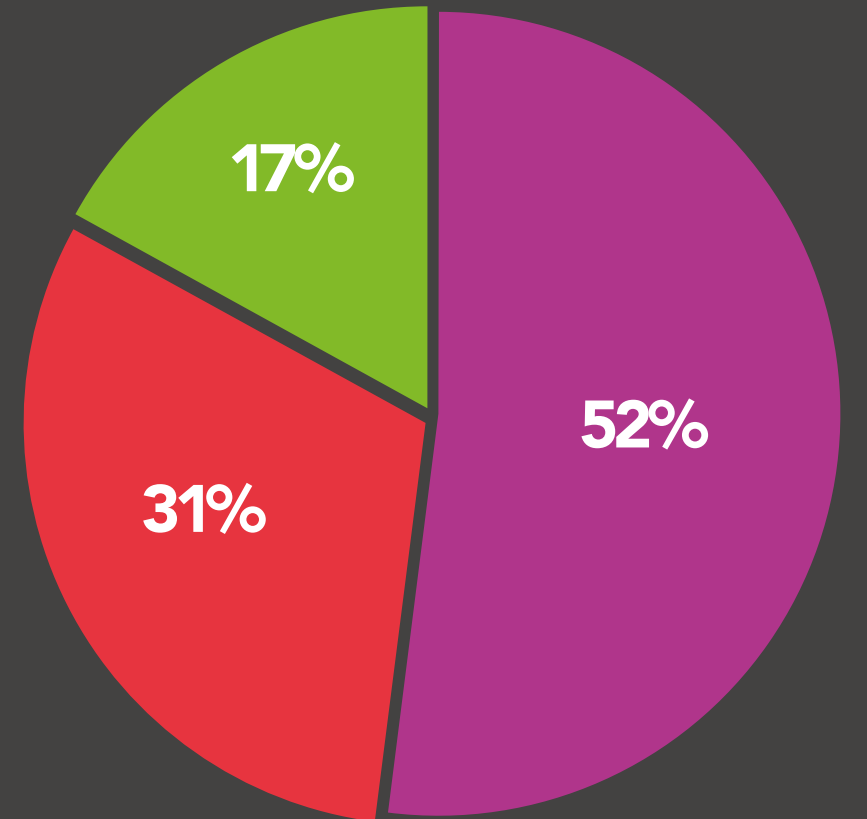


SOUTH WEST SURVEY DEMOGRAPHICS

LOCATION

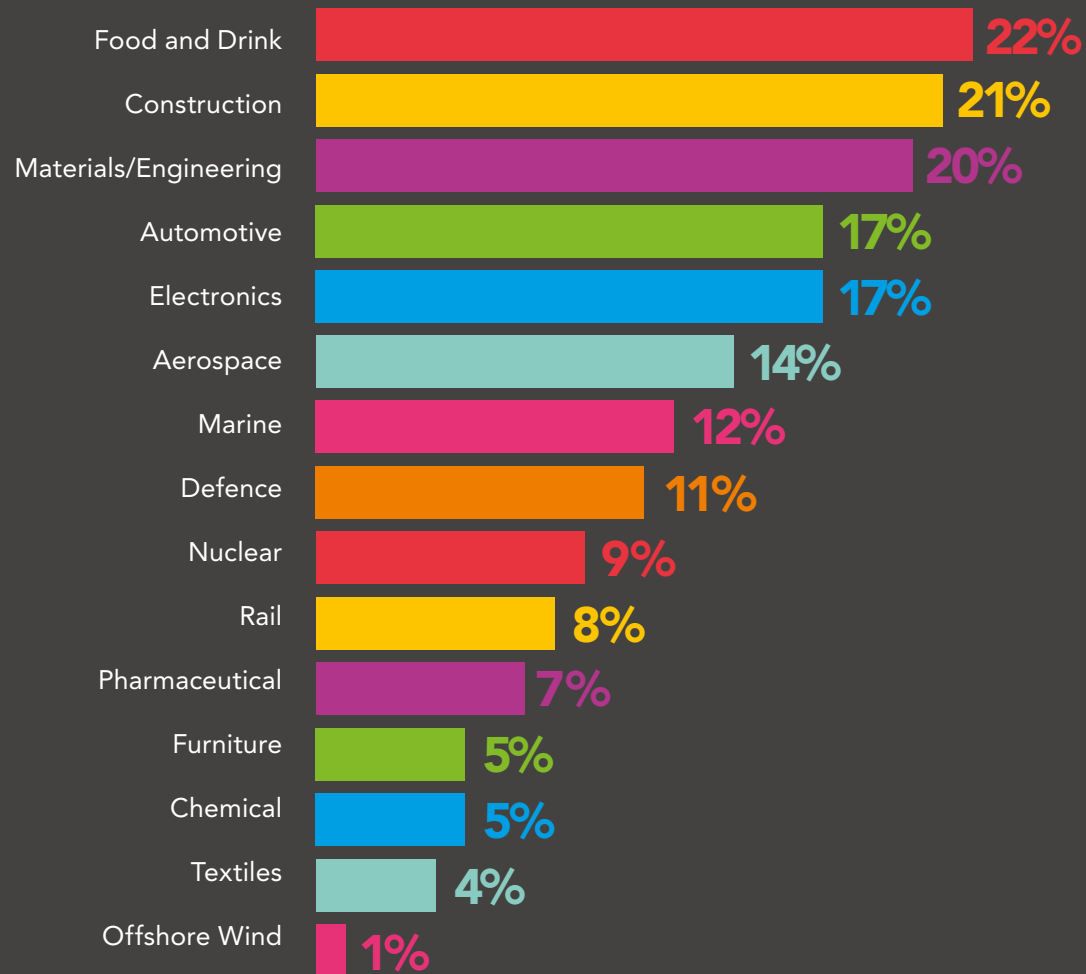


SIZE



SOUTH WEST SURVEY DEMOGRAPHICS

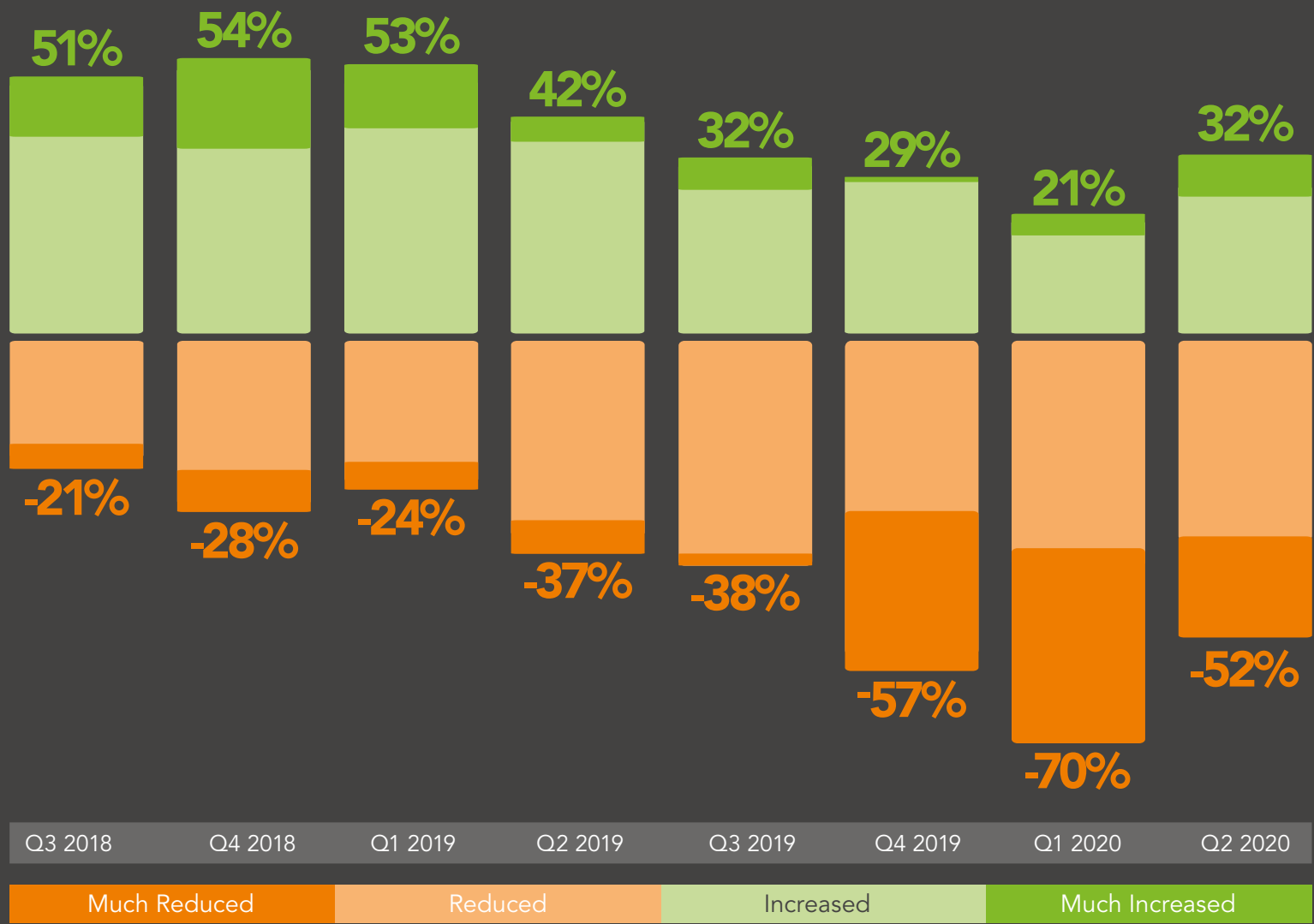
What markets account for at least 10% of sales turnover?



44% also stated 'Other' sector not listed above.

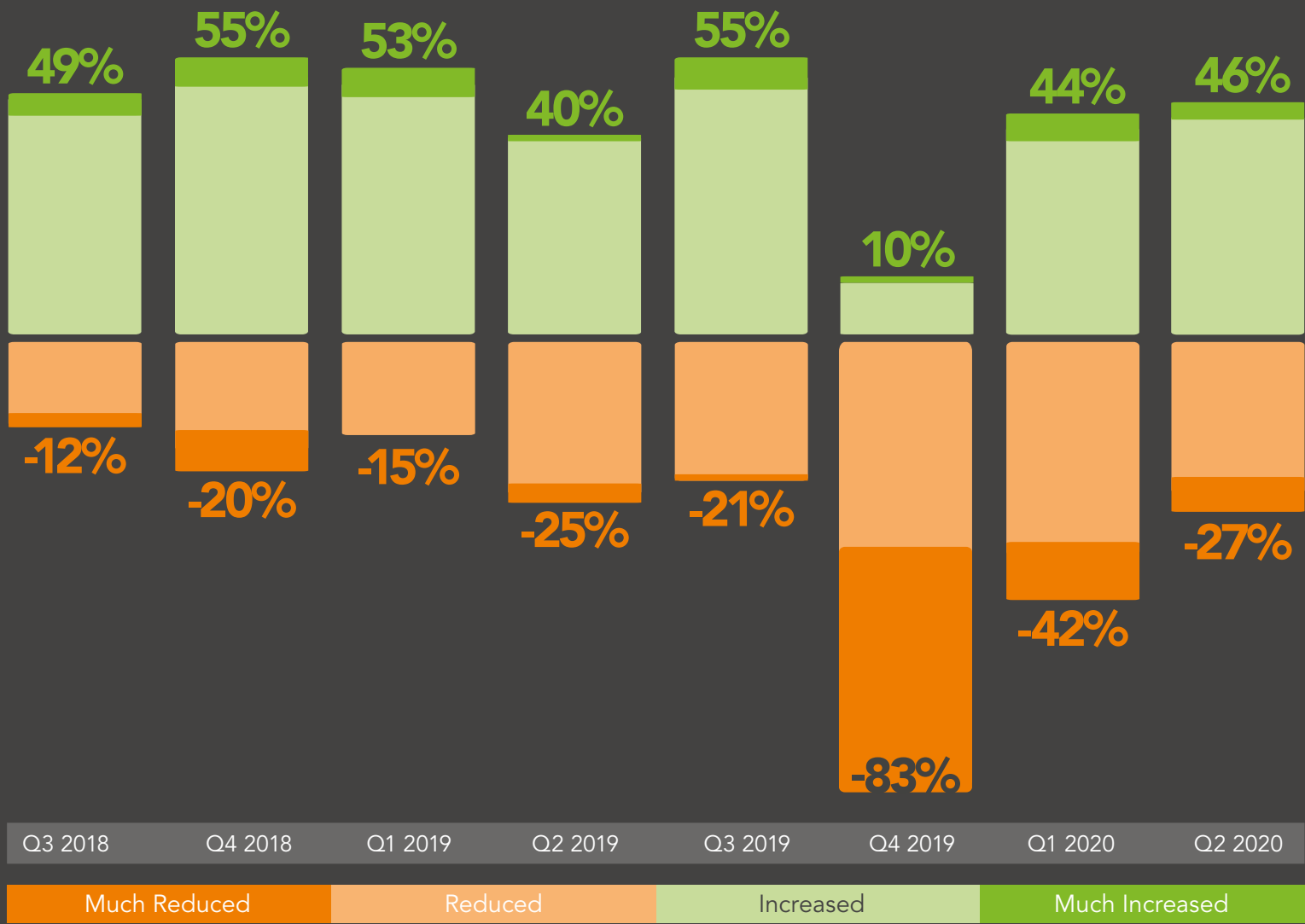
SOUTH WEST PAST SALES

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



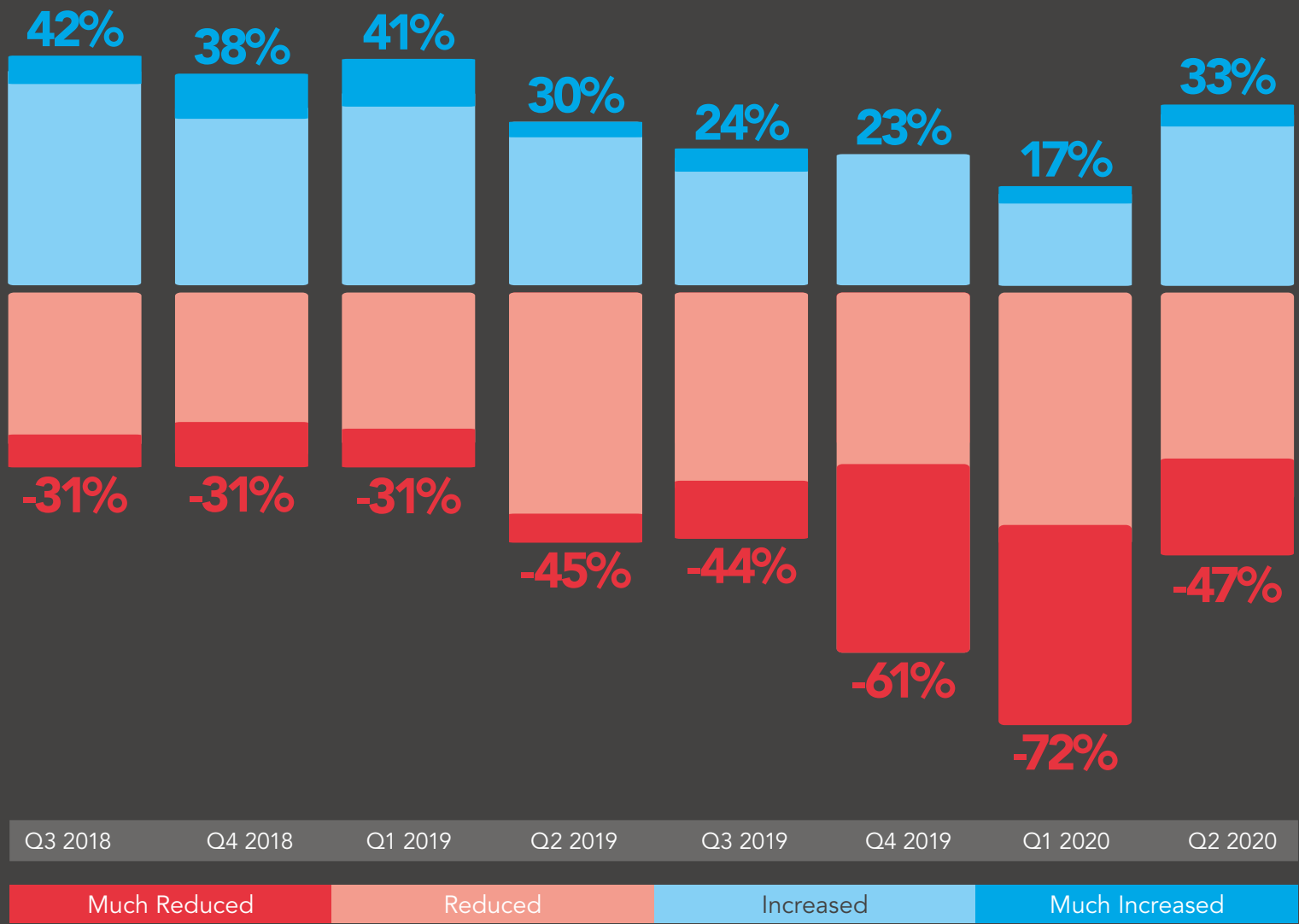
SOUTH WEST FUTURE SALES

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



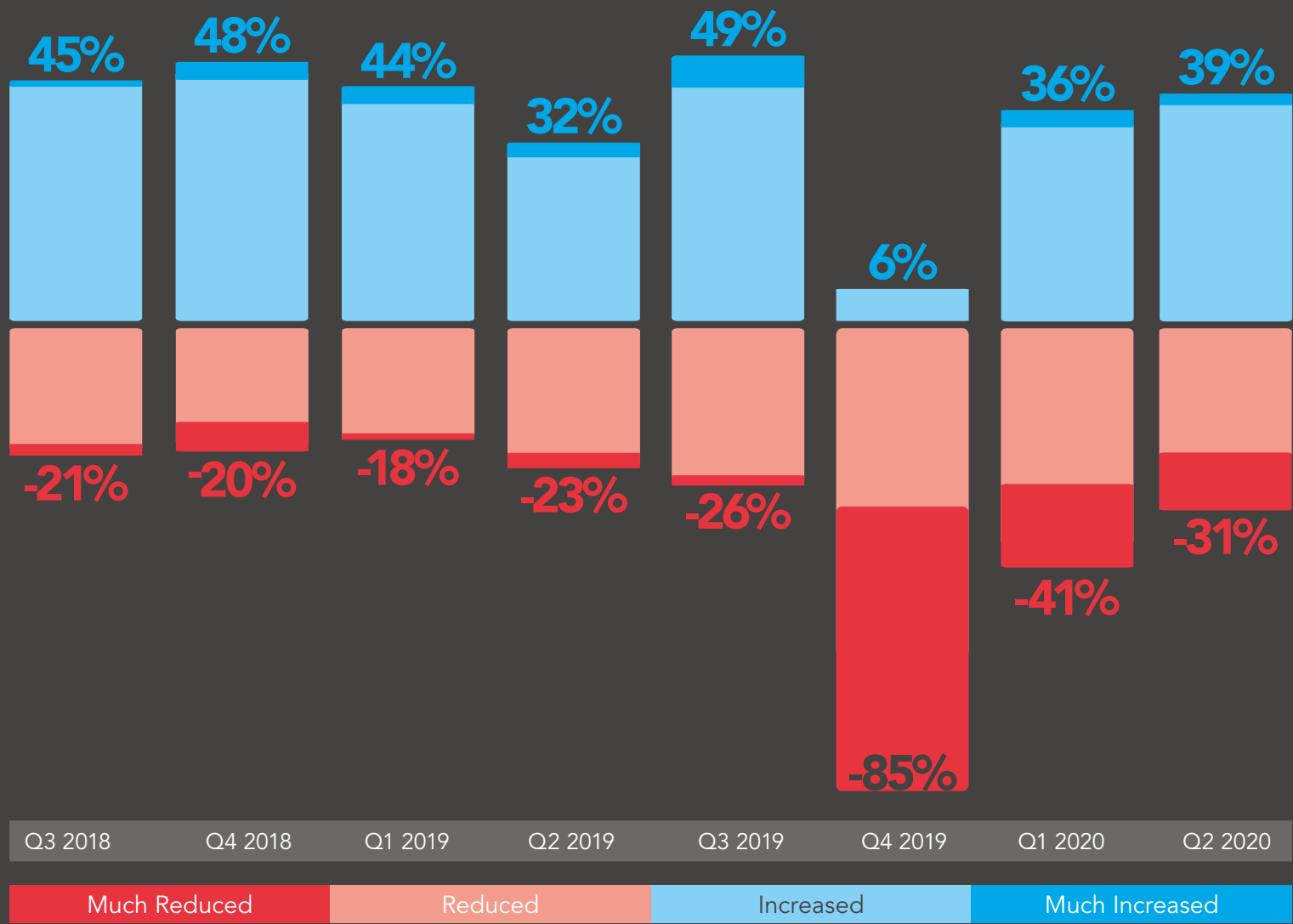
SOUTH WEST PAST PROFITS

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



SOUTH WEST FUTURE PROFITS

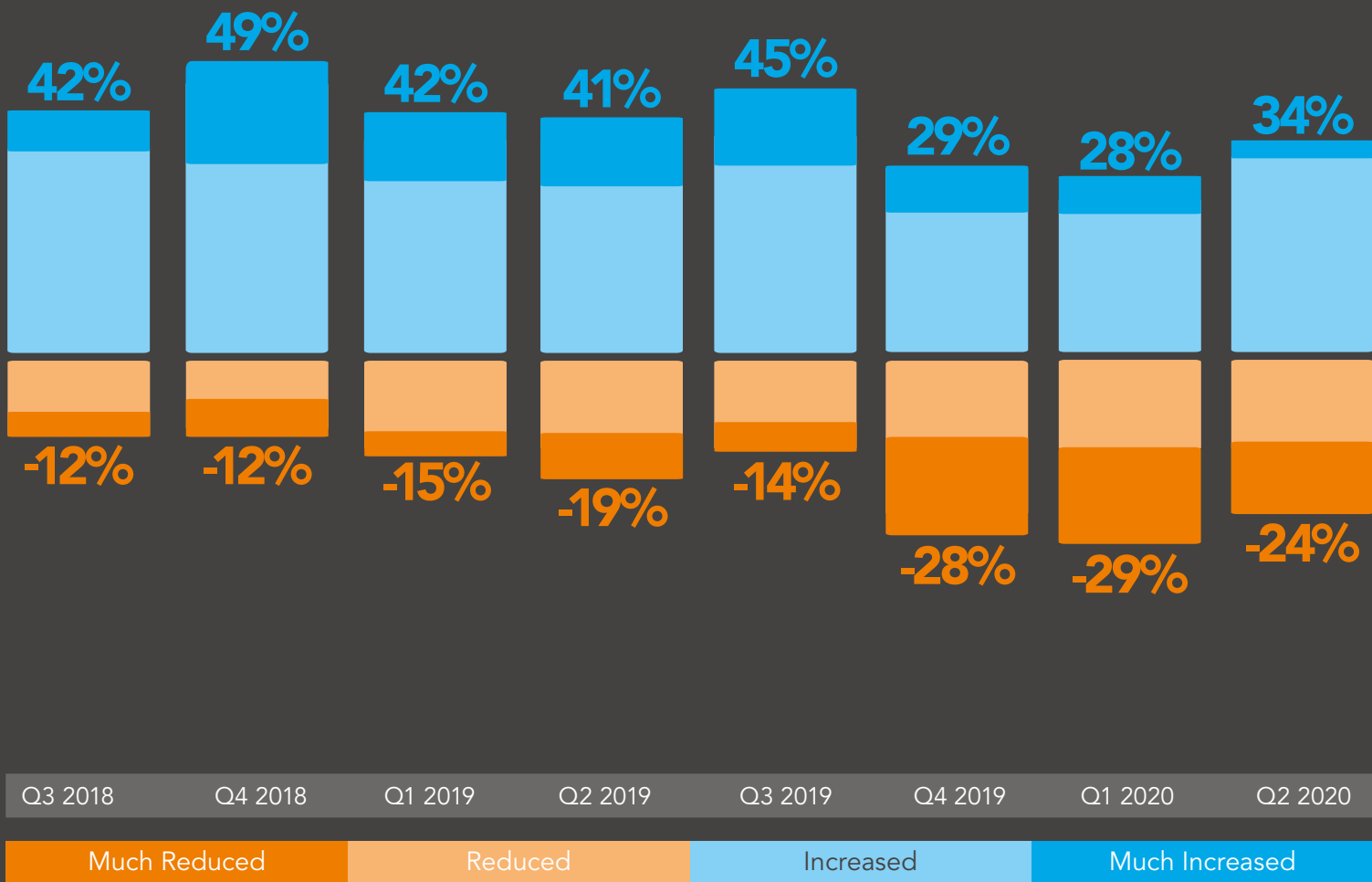
How SME manufacturers expect their profit to change over the next six months...



CORE TRENDS

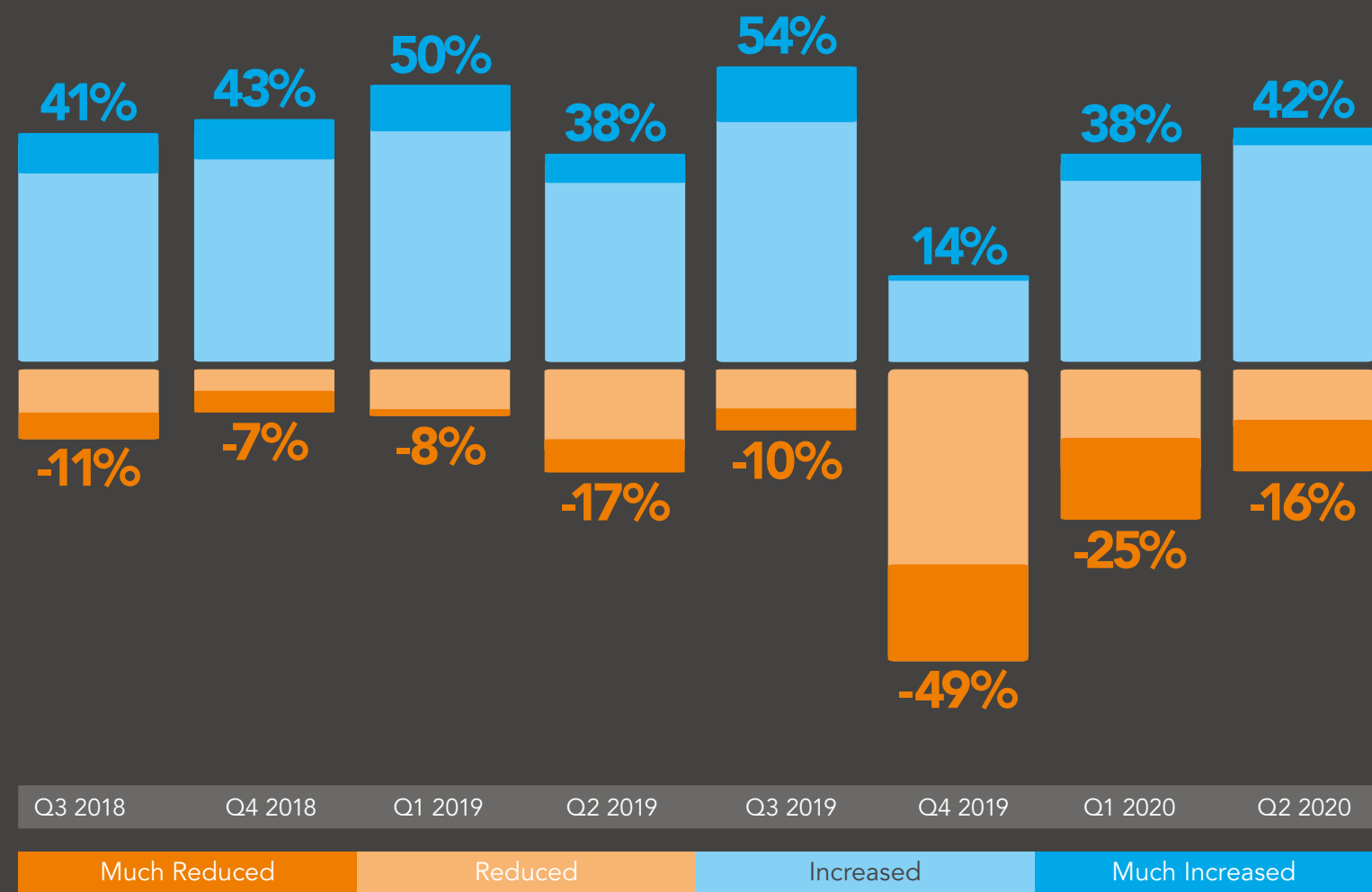
SOUTH WEST PAST CAPITAL INVESTMENT

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



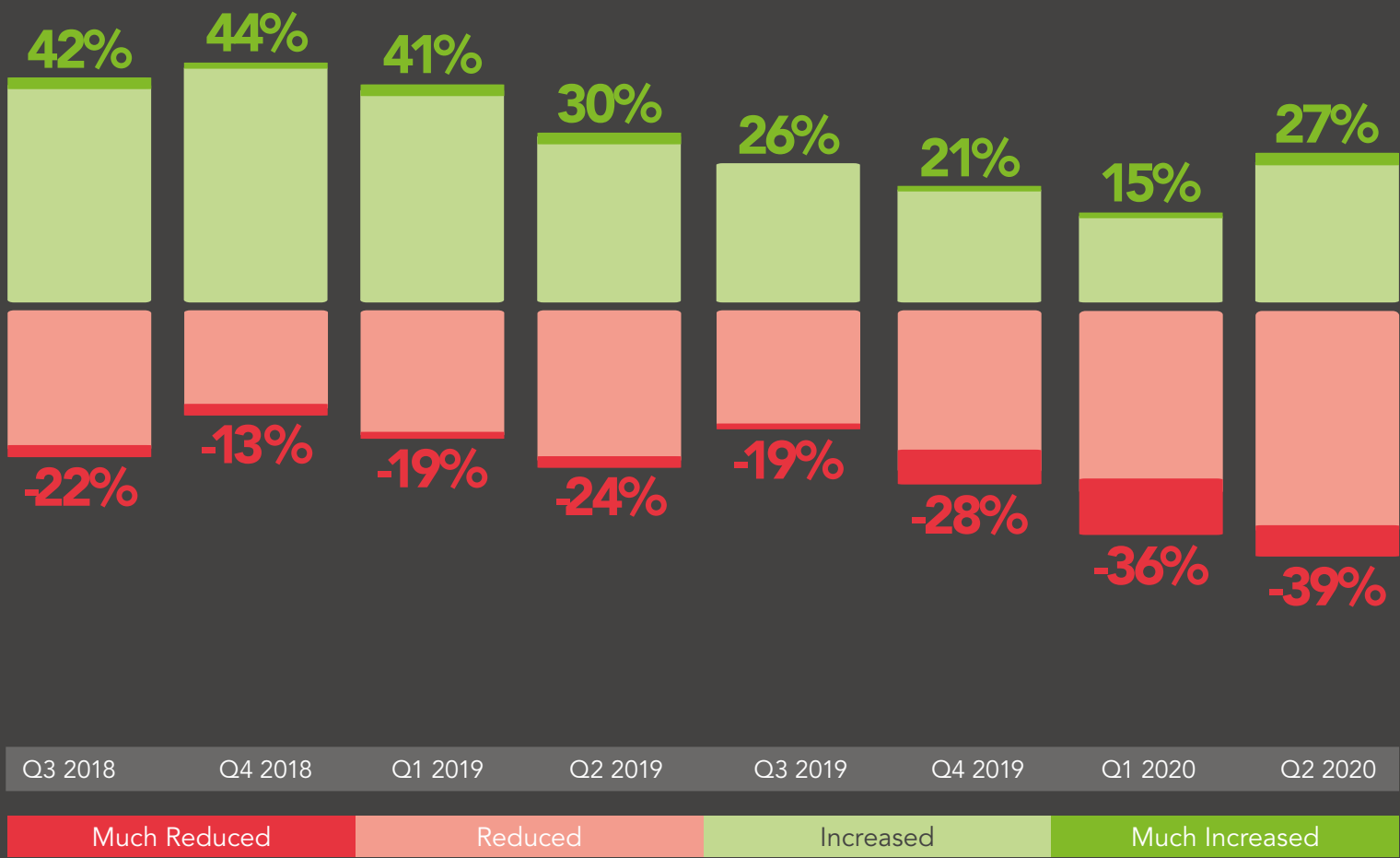
CORE TRENDS SOUTH WEST FUTURE CAPITAL INVESTMENT

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

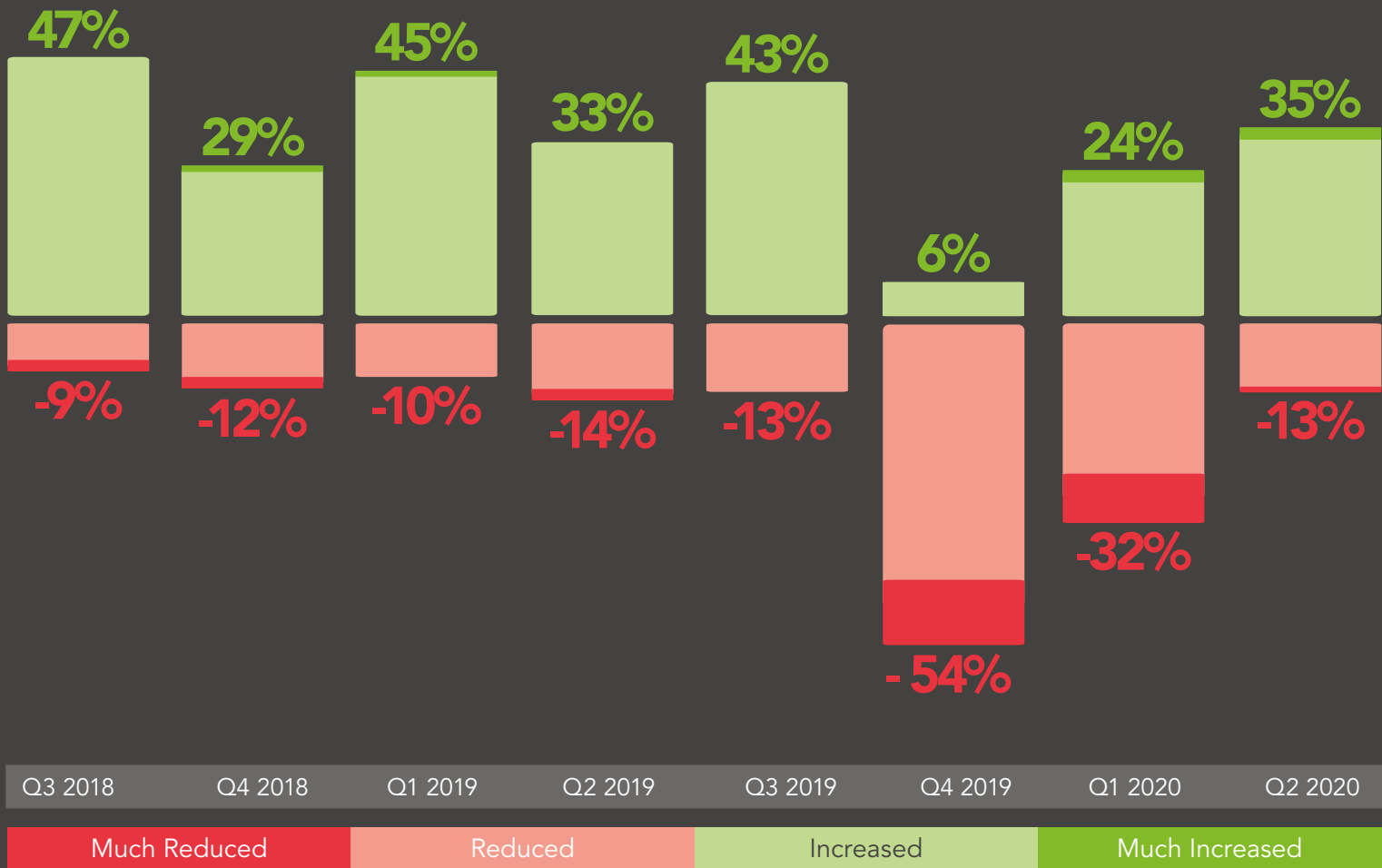


SOUTH WEST PAST EMPLOYMENT

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...



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 | 19% | 33% | 16% | 23% | 9% |
| Sales turnover: next six months | 7% | 20% | 27% | 43% | 3% |
| Profit: past six months | 17% | 30% | 20% | 29% | 4% |
| Profit: next six months | 10% | 21% | 30% | 38% | 1% |
| Investment: past six months | 11% | 13% | 42% | 31% | 3% |
| Investment: next six months | 8% | 8% | 42% | 39% | 3% |
| Staff numbers: past six months | 5% | 34% | 34% | 25% | 2% |
| Staff numbers: next six months | 1% | 12% | 52% | 33% | 2% |



SPECIAL FOCUS: SHAPING THE FUTURE OF SME MANUFACTURING

Each quarter, our Special Focus explores a current issue in greater depth, to uncover how it may affect the manufacturing sector.

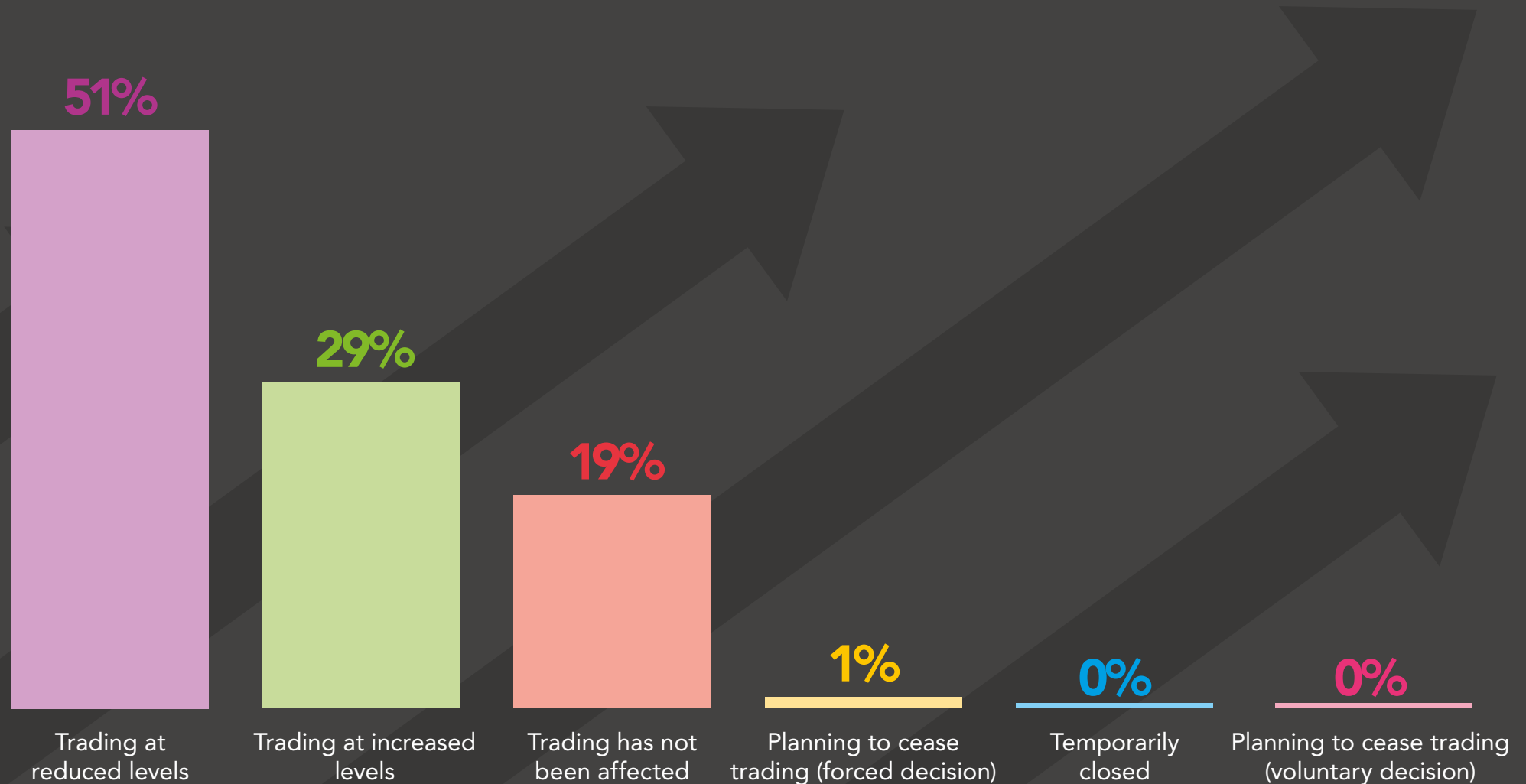
Despite recent challenges from the impact of COVID-19, this report shows some have continued to trade steadily, whilst almost a third of respondents have actually seen an increase in trade since the pandemic began. However, the overwhelming majority of respondents are still trading at reduced levels in comparison to their pre-COVID-19 position.

Findings show that the pandemic is having a diverse effect of SME manufacturers across the South West. When asked about the expected timeframe to recover, almost a quarter say their trade has been consistent throughout the crisis, but a further quarter predict that recovery could take up to five years, so we wanted to find out the specific help they require.

When asked about the financial assistance needed now, almost half of those questioned are calling for grants towards capital investment. South West companies are highlighting a need to make necessary changes to production processes in order to avoid machine downtime. This will help businesses reach new customers for continued trade, and therefore continue to build resilience across the sector, but indicates that further financial support is needed to make this happen...

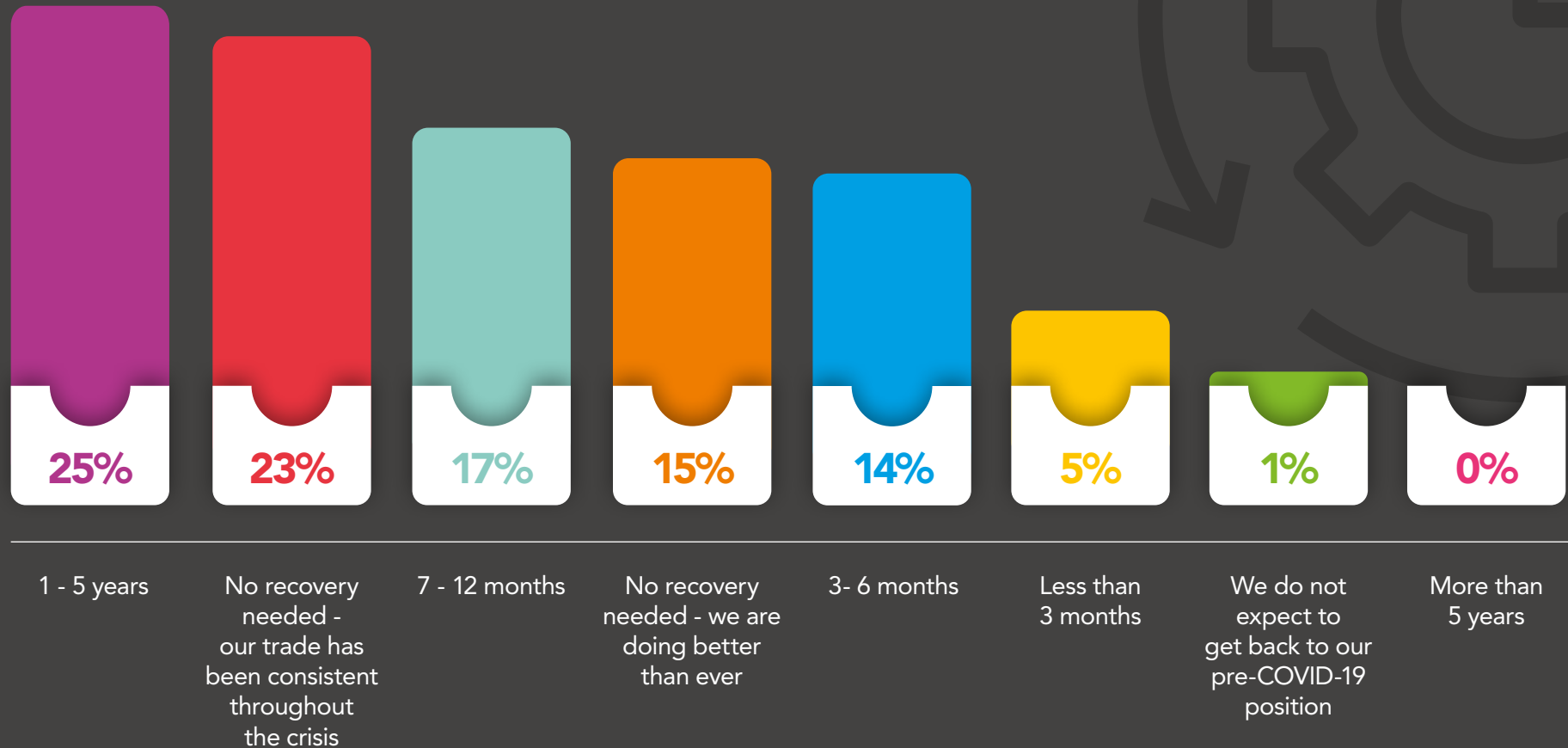
SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

The current state of SME manufacturing businesses in comparison to their pre-COVID-19 position...



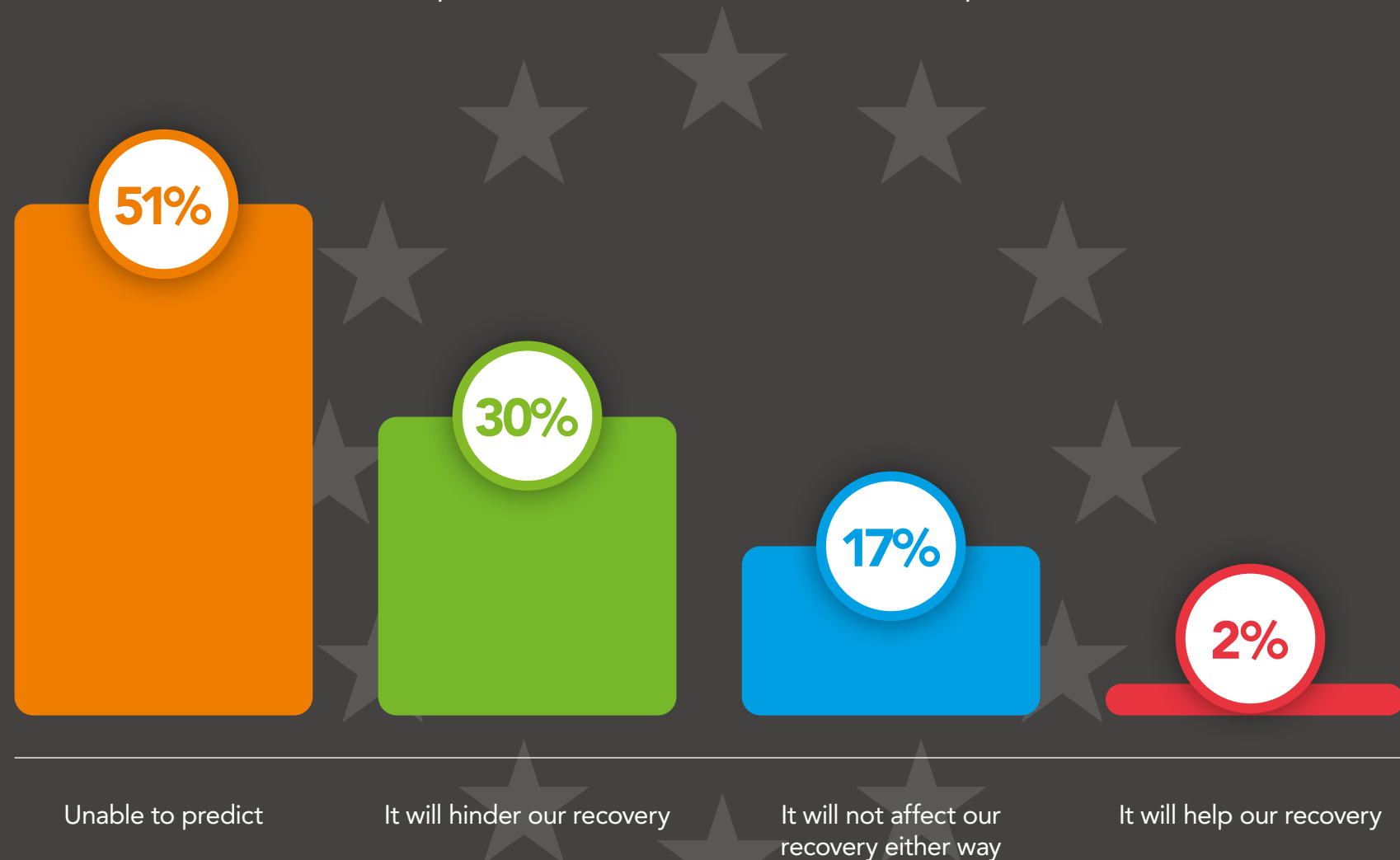
SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

The estimated timeframe for SME manufacturers to recover to their pre-COVID-19 position...



SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

How SME manufacturers expect the end of the EU transition period to affect their recovery...



SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

In April, 84% of businesses said that financial support was needed to mitigate the impact of COVID-19, and 74% were unsure if the available measures were sufficient to help them survive.

Six months on, do SME manufacturers believe that the financial support measures put in place are sufficient for their business to survive the COVID-19 crisis?



58%

yes



24%

unsure

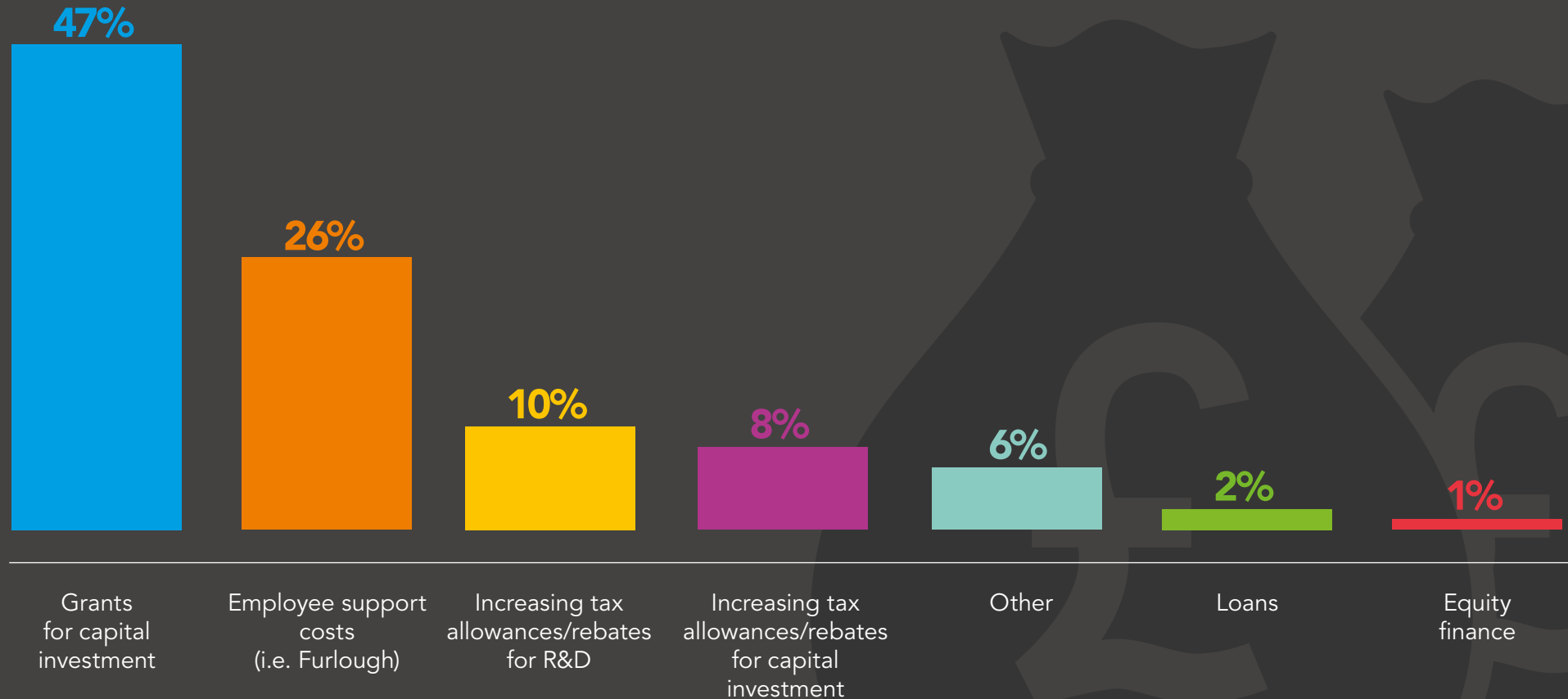


18%

no

SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

Areas of further financial support that would have the greatest impact on SME manufacturers at this time...



SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

Areas of non-financial support that SME manufacturers believe would be most beneficial to their business...



BUSINESS ASPIRATIONS

“

We have just moved into a business premises and are in the process of increasing production to meet demand. Going forward, we would like to outsource production and possibly outsource our shipping too. This would enable us to focus on sales and marketing and enable us to start on our new higher end skin care brand alongside our existing brand.

Over the short term, we want to be able to cover our costs and invest in some activity to move some of our sales to an online format. Longer term, we want to get back to where we were pre-COVID-19, with contracts that were in place being picked up again, and gain a market share of new work via online sales on key items that we have identified.

CORNWALL

“

We have become leaner because of the COVID-19 crisis. We now hope to win and maintain market share as a result of lower costs and are introducing new products. We are planning for substantial growth in the medium to long term.

Growing a new e-commerce platform for direct to consumer channels, expanding brand awareness into existing reseller channels, adding efficiency to production process to meet increased demands, and introducing new products for new market sectors.

DEVON

“

The majority of our business has been supplying equipment for use in the educational sector. As this area has been dramatically affected, we have taken on a dedicated salesperson to identify other lines of work open to us. We are in survival mode and are trying very hard to keep all our skilled employees.

Business growth through diversification into new markets and widening our product portfolio in the face of a market which has stopped growing due to the pandemic.

DORSET

SME MANUFACTURERS - MAKE YOUR VOICE HEARD!

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

BUSINESS ASPIRATIONS

Short Term: Right sizing the business for the expected level of sales in the next 6-9 months.

Medium Term: To get back to pre-COVID-19 levels of business and numbers of staff.

Long Term: To grow the business in terms of expanding product offering whilst scaling up the current operations to meet those aspirations. This was the path we were on pre-COVID-19.

Survival only. We expect this situation to continue in manufacturing products for events for the next 18 months to 2 years.

GLOUCESTERSHIRE

Survival with as many employees retained as possible.

As a small business with a limited number of customers, our production, turnover, and profit has been significantly impacted due to the pandemic. Over the next 6 months we aim to be as profitable as possible and will work on increasing the customer portfolio.

SWINDON & WILTSHIRE

Survive Brexit trauma and then look to try to regrow our export business to the EU. Try to compensate for loss of EU business by increasing exports to the rest of the world.

We would hope to roll out new products that we have had in development over the quiet period, depending on the market and investment.

WEST OF ENGLAND

30% of our product is exported to the EU, so Brexit will no doubt increase our costs. COVID-19 continues to be the major uncertainty in the short term, and maybe long term, if it cannot be controlled. Long term, we will adapt and are well placed to take advantages of new markets and products.

Retain our long-term vision to modernise manufacturing by investing in people and machines.

SOMERSET

CONCLUSION

The latest findings show a slight improvement from the previous quarter. Encouragingly, over a third of South West respondents are expecting to recruit more staff, with 42% now committing to future business investments, a significant increase from the 14% who predicted this when questioned in April.

Although 46% of those questioned predict an uplift in sales between now and March 2021, 27% are still expecting sales to drop over the next six months, showing a mixture of business expectations from the South West's SME manufacturers. Whilst some companies are planning investment due to increased demand, for many this will be a necessity to enable them to diversify products and supply new markets in order to continue trading.

One of the key things we wanted to identify this quarter is the support companies need to grow. In April, 84% of businesses said that additional financial support was needed to mitigate the impact of COVID-19, and almost three quarters were unsure if the available measures were sufficient to help them survive.

Six months on, despite over half of respondents believing that the financial measures already put in place are adequate, 18% say it is not enough to help them survive the COVID-19 crisis, whilst almost a quarter are still unsure.

When asked which financial support would be most beneficial at this time, the majority stated that grants towards capital investment would have the greatest impact on their business. Manufacturing is capital intensive when compared to other industries, so firms reporting a lack of demand are asking for financial help to pivot their production into areas where demand remains.

The challenge for manufacturing remains a significant lack of demand, so the Barometer asked which areas of business support would be most beneficial to help SMEs manage this. Assistance to improve productivity or process development, such as automation, was top of the wish list from South West respondents. Close behind, they requested support for skills development, product diversification and development, and help to diversify into new markets.

When asked about the expected impacts of the EU transition (Brexit), over half of respondents are unsure how this will affect their recovery plans, with only 2% predicting that it will have a positive impact. On the other hand, almost a third of those questioned expect it to hinder their recovery, with similar numbers also stating that support to help them exit the EU would be beneficial.

Despite some positive predictions for the coming six months, it is clear that the South West SME manufacturing sector is still working its way through current economic challenges, and it will be interesting to see, in next quarter's Barometer report, how the second national lockdown impacts the sector further.

SWMAS are available to help SME manufacturers improve their productivity and address the challenges highlighted in this report.

[CLICK HERE TO FIND OUT MORE](#)



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

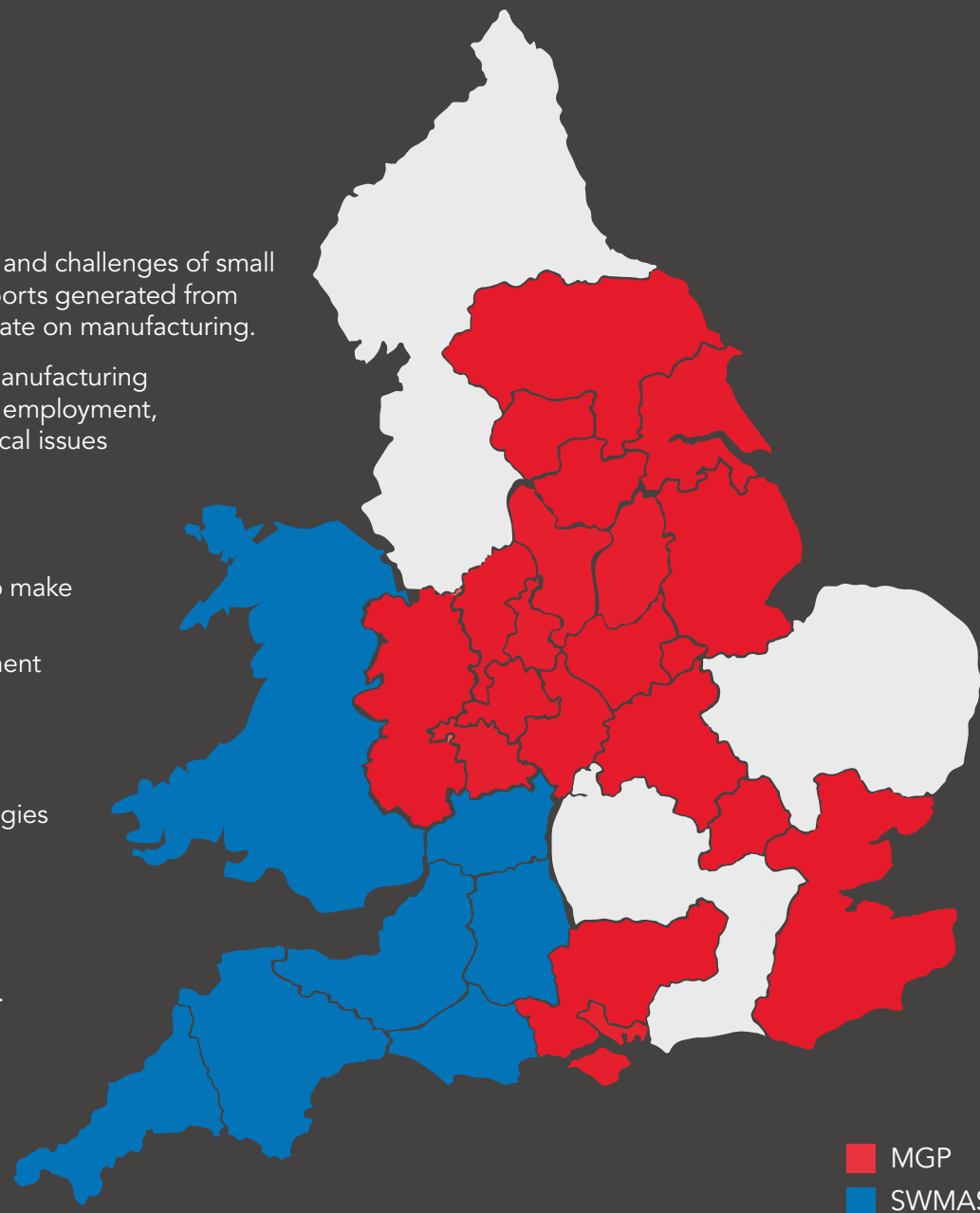
WHO ARE SWMAS AND MGP?

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

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