



# MANUFACTURING barometer

**SPECIAL FOCUS: COVID-19 CONTINGENCY PLANS**

**NATIONAL REPORT FOR Q4 2019/20**

JANUARY, FEBRUARY AND MARCH 2020 - SURVEYED IN SPRING 2020

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**SIMON HOWES**

Director, SWMAS

## INTRODUCTION

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**I would like to begin by thanking all those who took the time to complete the Manufacturing Barometer.**

Many businesses are currently unsure what the future holds for them as a result of COVID-19, and the SME manufacturing sector is no exception. The findings from this quarter's survey will help us to identify and call for the vital funding and business support needed by SME manufacturers to help them through the difficult months to come, and plan their recovery when things return to 'the new normal'.

The last Manufacturing Barometer, covering Q3 2019/20, was largely optimistic, with 60% of respondents expecting sales to grow over the coming months (the most positive projection since Q1 of 2018). Future investment in machinery and recruitment had also increased, indicating that the final Brexit decision had offered some SME manufacturers the clarity they needed to implement plans previously put on hold due to political uncertainty. Although some respondents still felt a degree of apprehension about the future, many senior people in manufacturing were feeling more confident about business growth as they approached 2020.

Three months later the outlook across the UK, and indeed the world, is very different. As the worst public health crisis in a generation, COVID-19 will have a drastic impact on the global economy. How has this already impacted the SME businesses who make up over 98% of the UK manufacturing sector, and what are their predictions for the future?





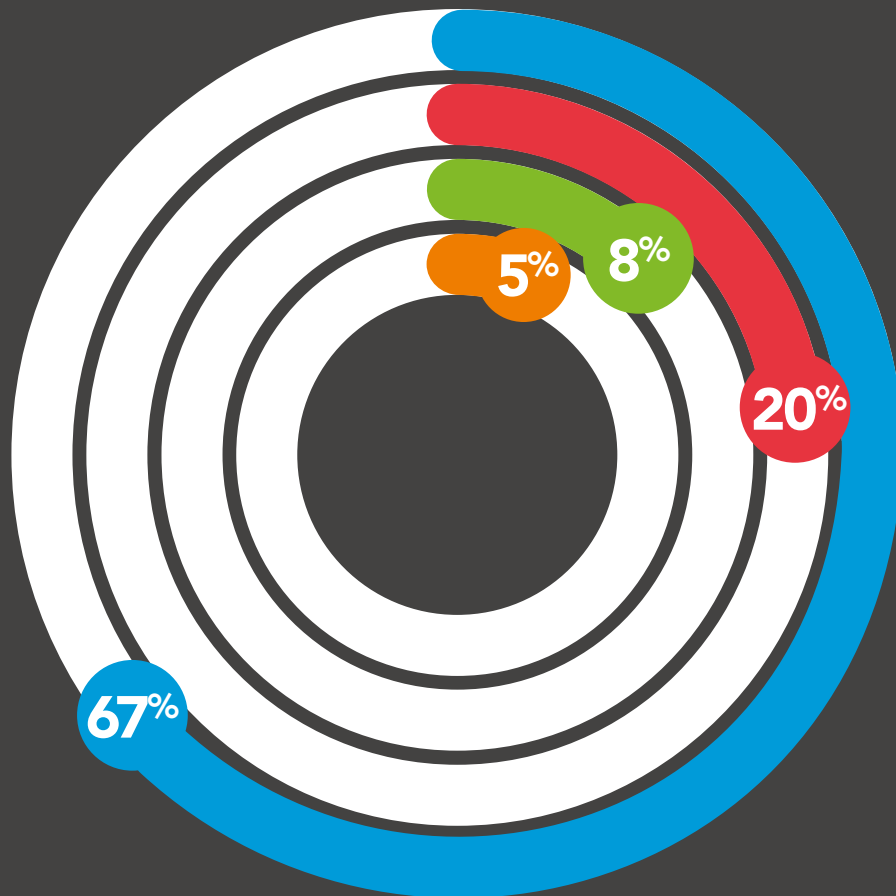
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# SURVEY DEMOGRAPHICS

608 RESPONDENTS



## 87%

OF RESPONDENTS ARE:

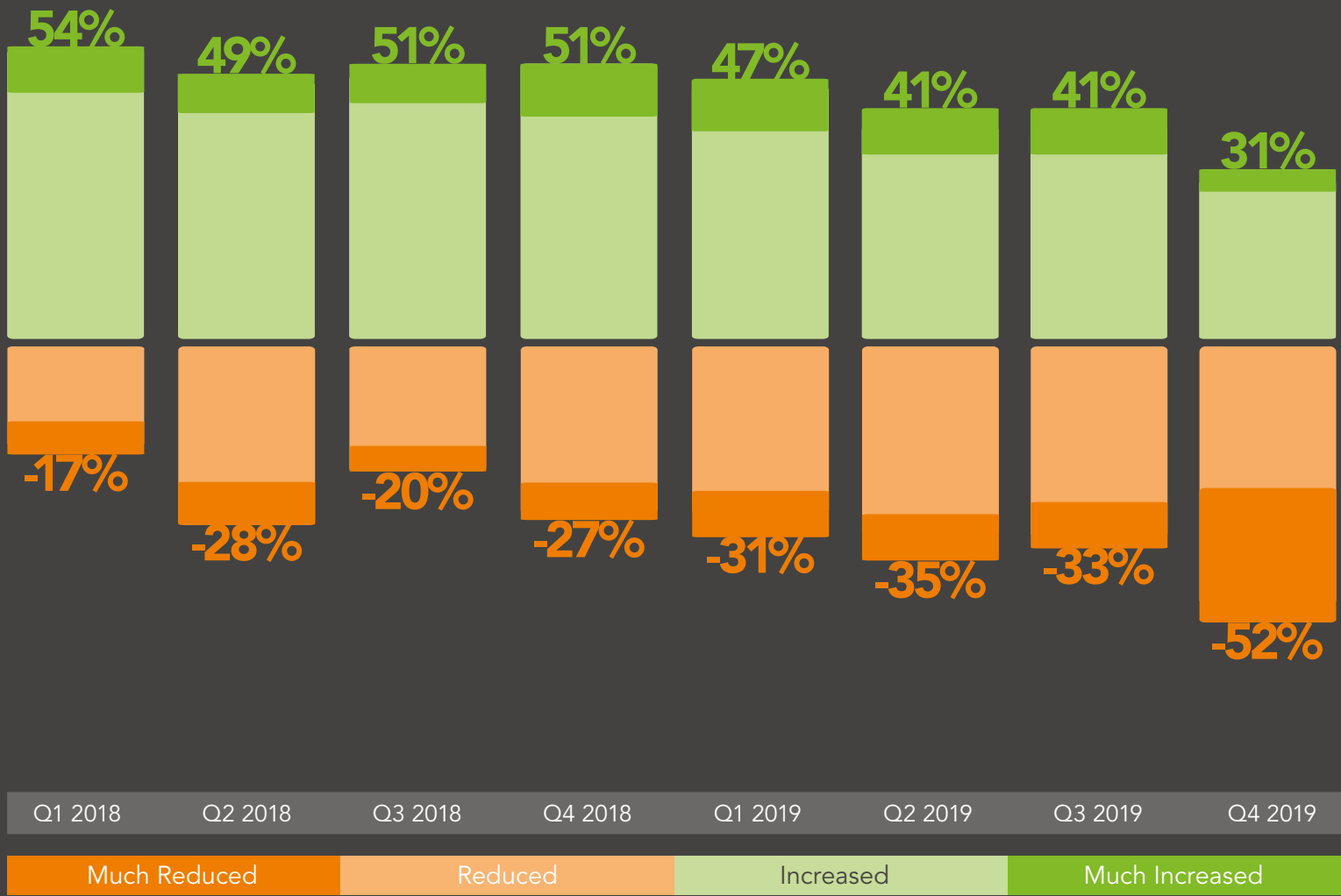
> **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS**

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



# NATIONAL PAST SALES

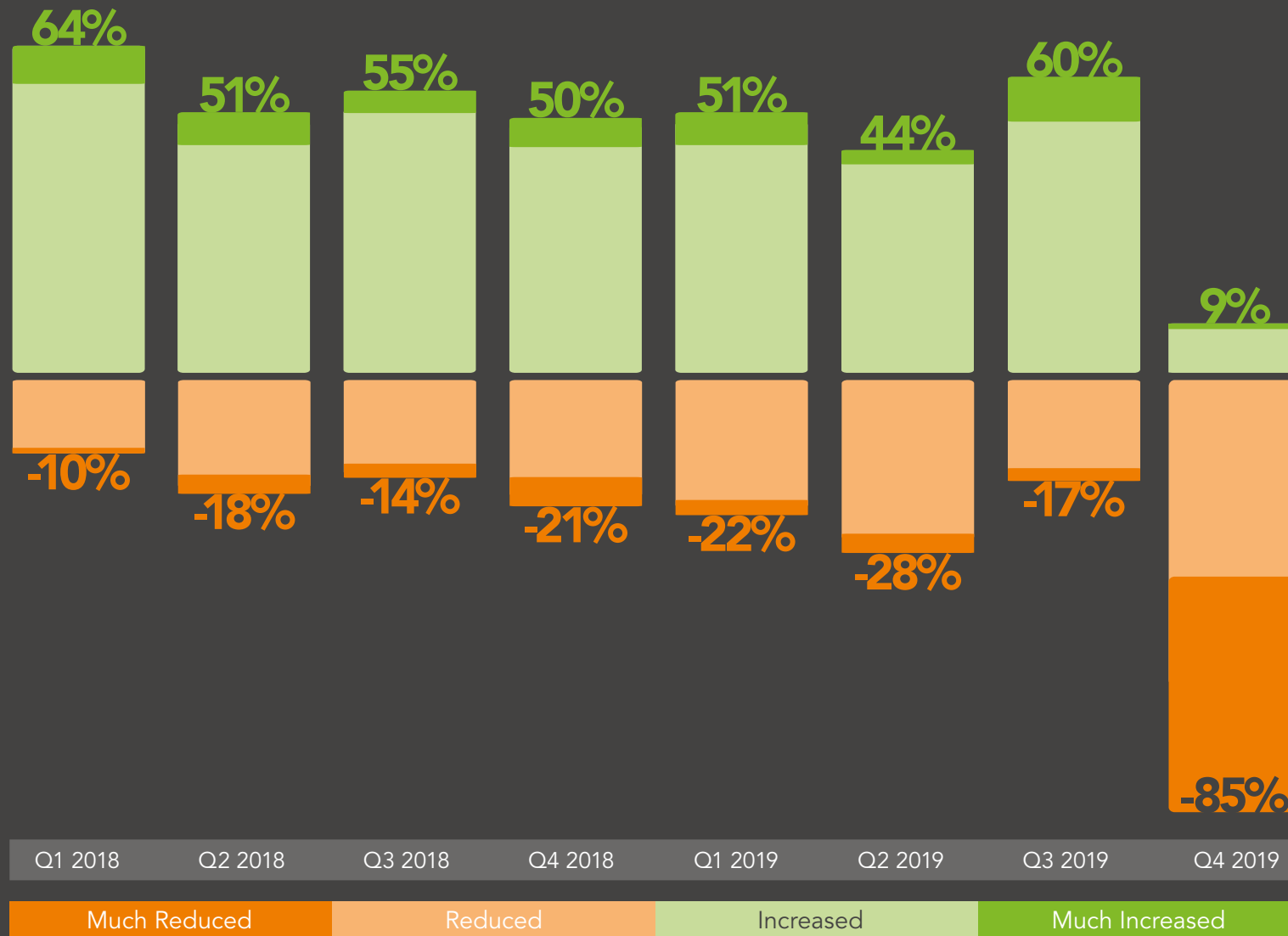
How has your sales turnover changed within the past 6 months?



# NATIONAL FUTURE SALES

## CORE TRENDS

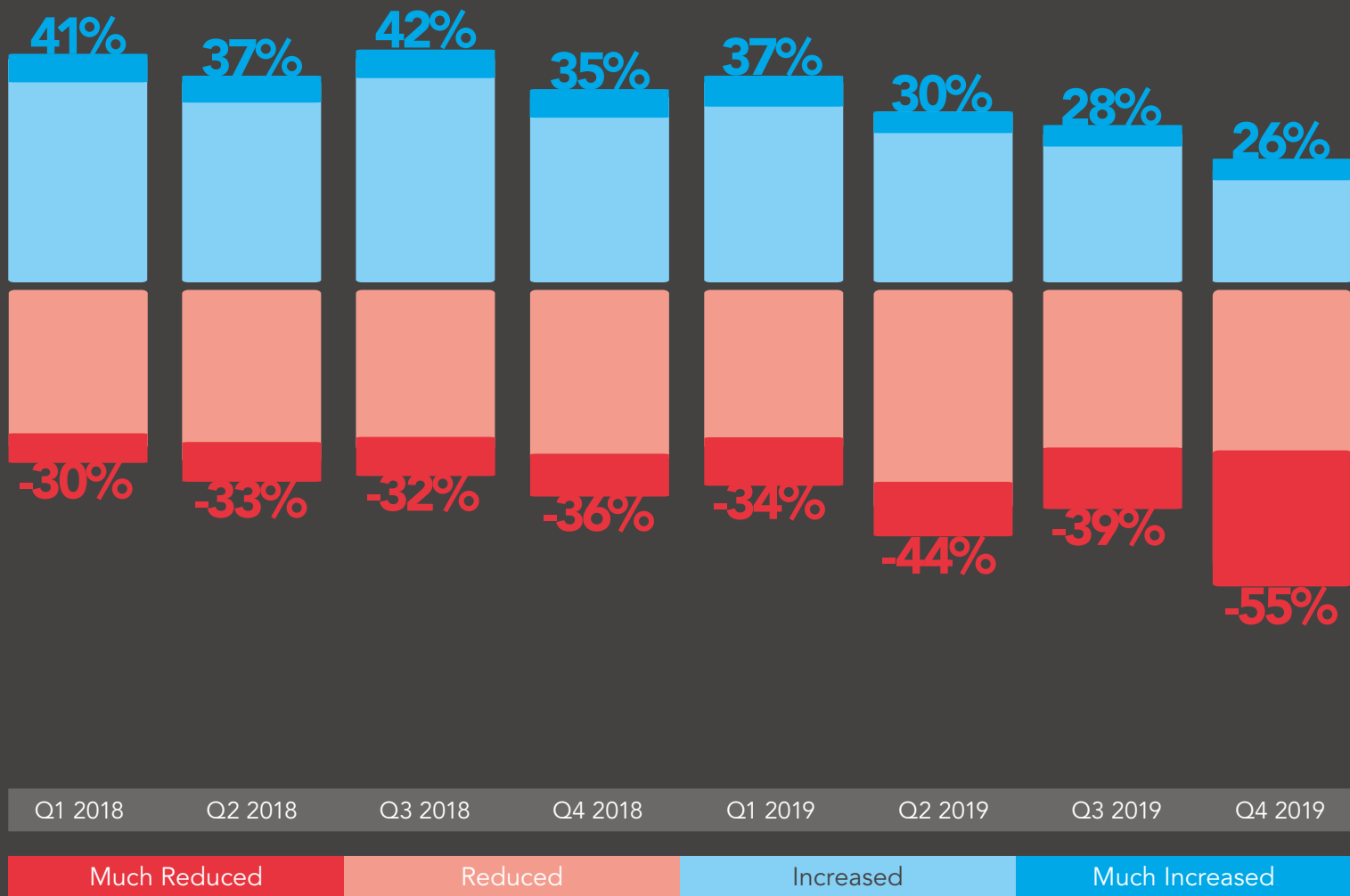
How do you expect your sales turnover to change over the next 6 months?





# NATIONAL PAST PROFITS

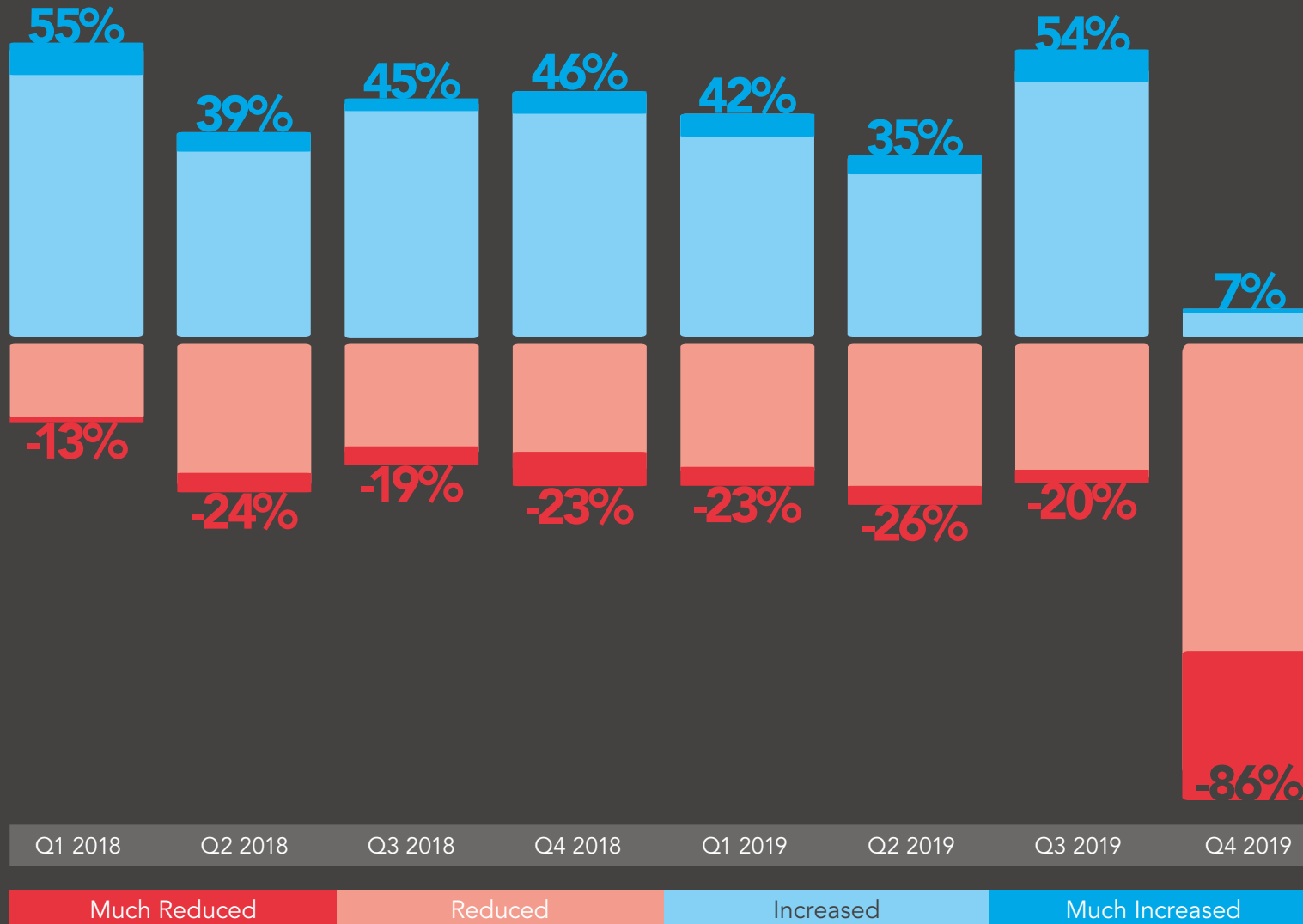
How has your profit changed within the past 6 months?



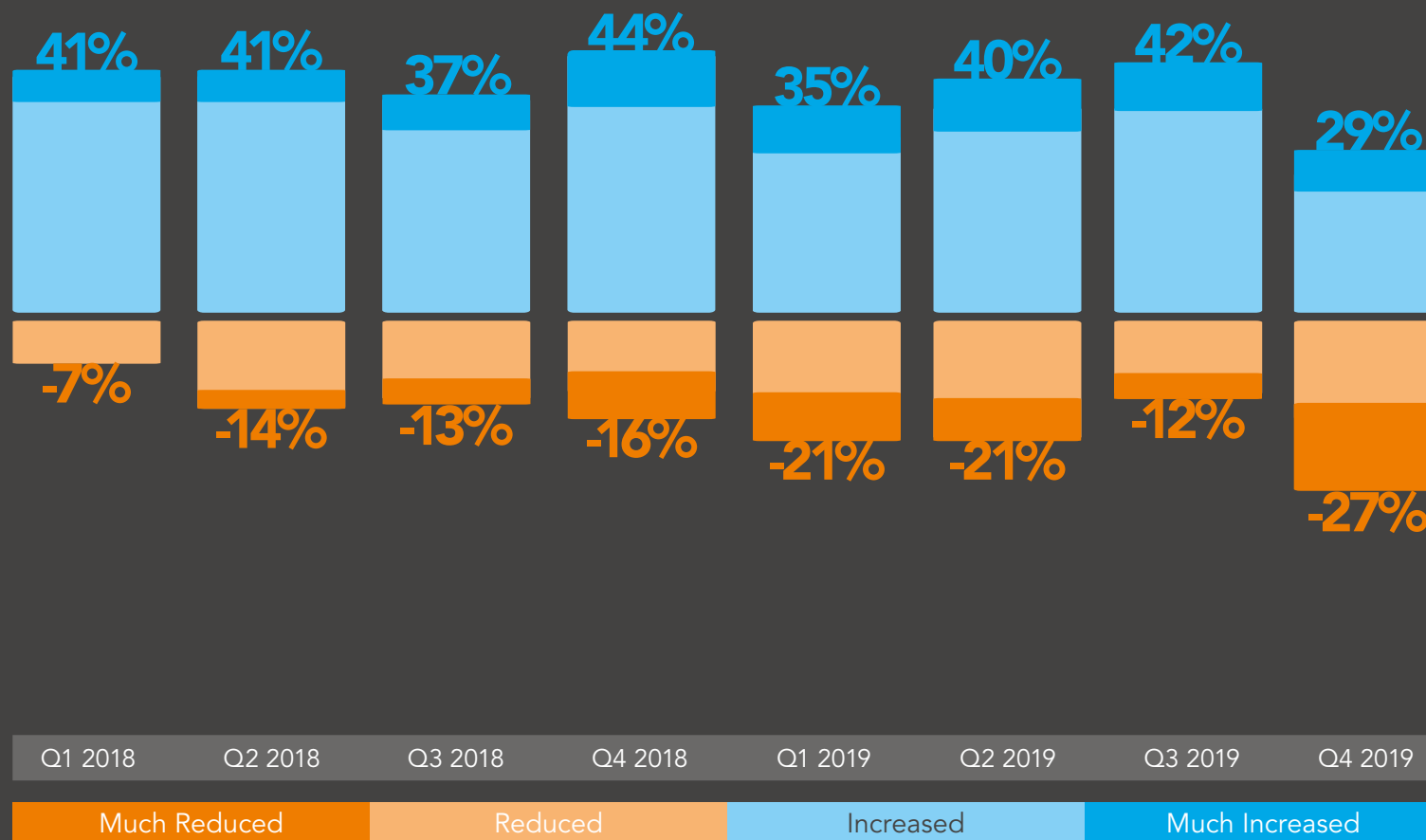
# NATIONAL FUTURE PROFITS

## CORE TRENDS

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

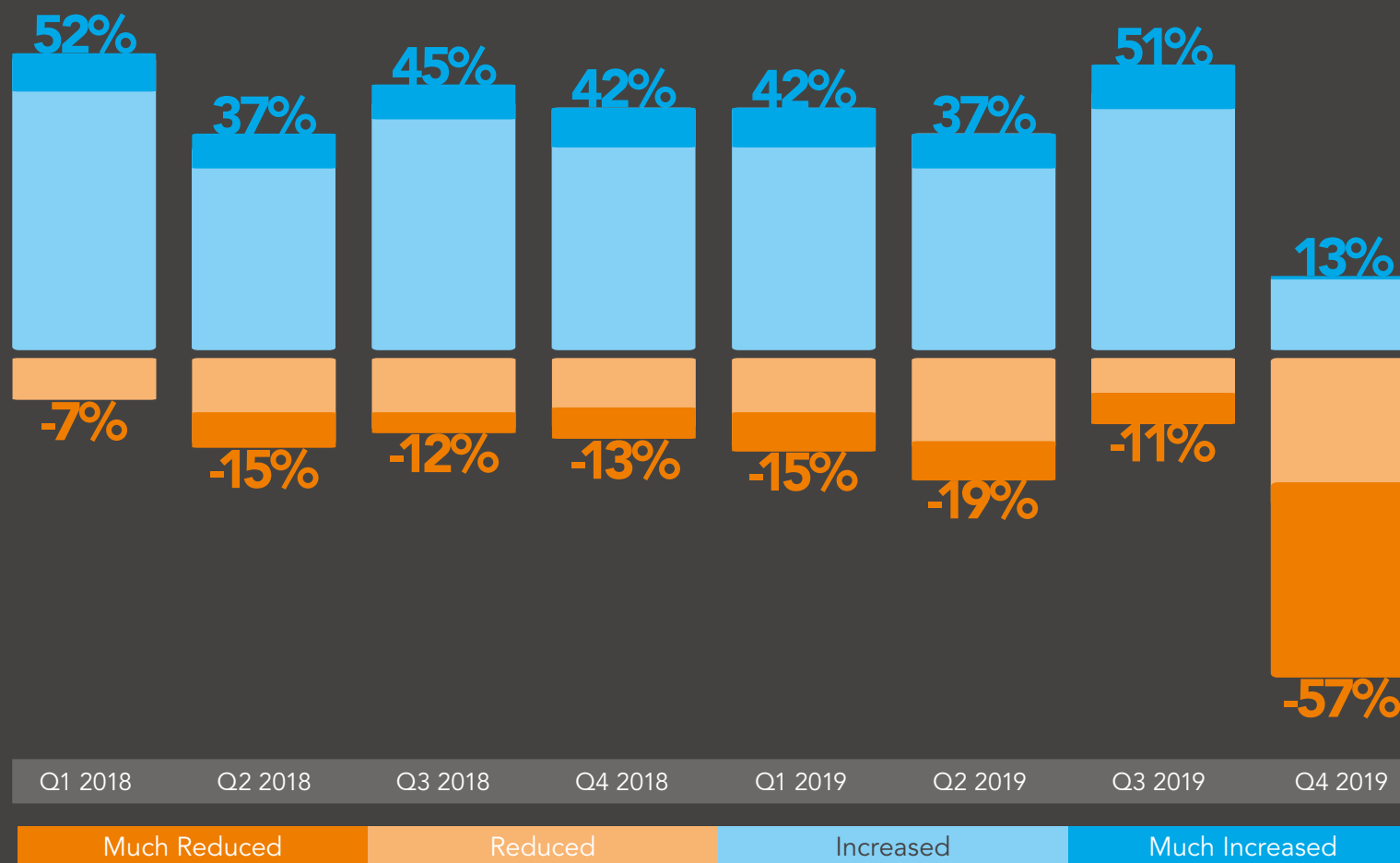


How has your investment in new machinery/premises changed in the past 6 months?



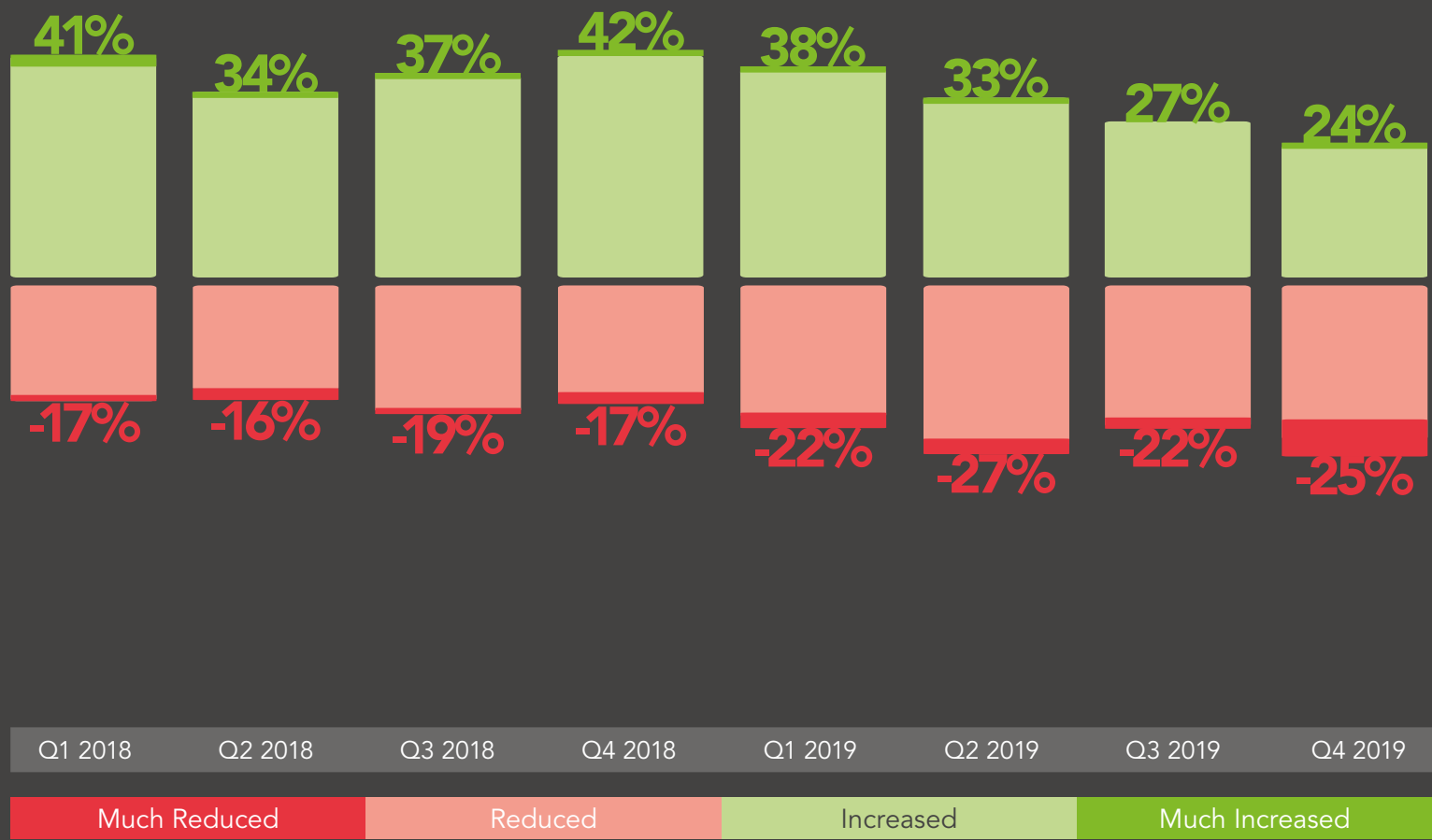
# NATIONAL FUTURE CAPITAL INVESTMENT CORE TRENDS

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?

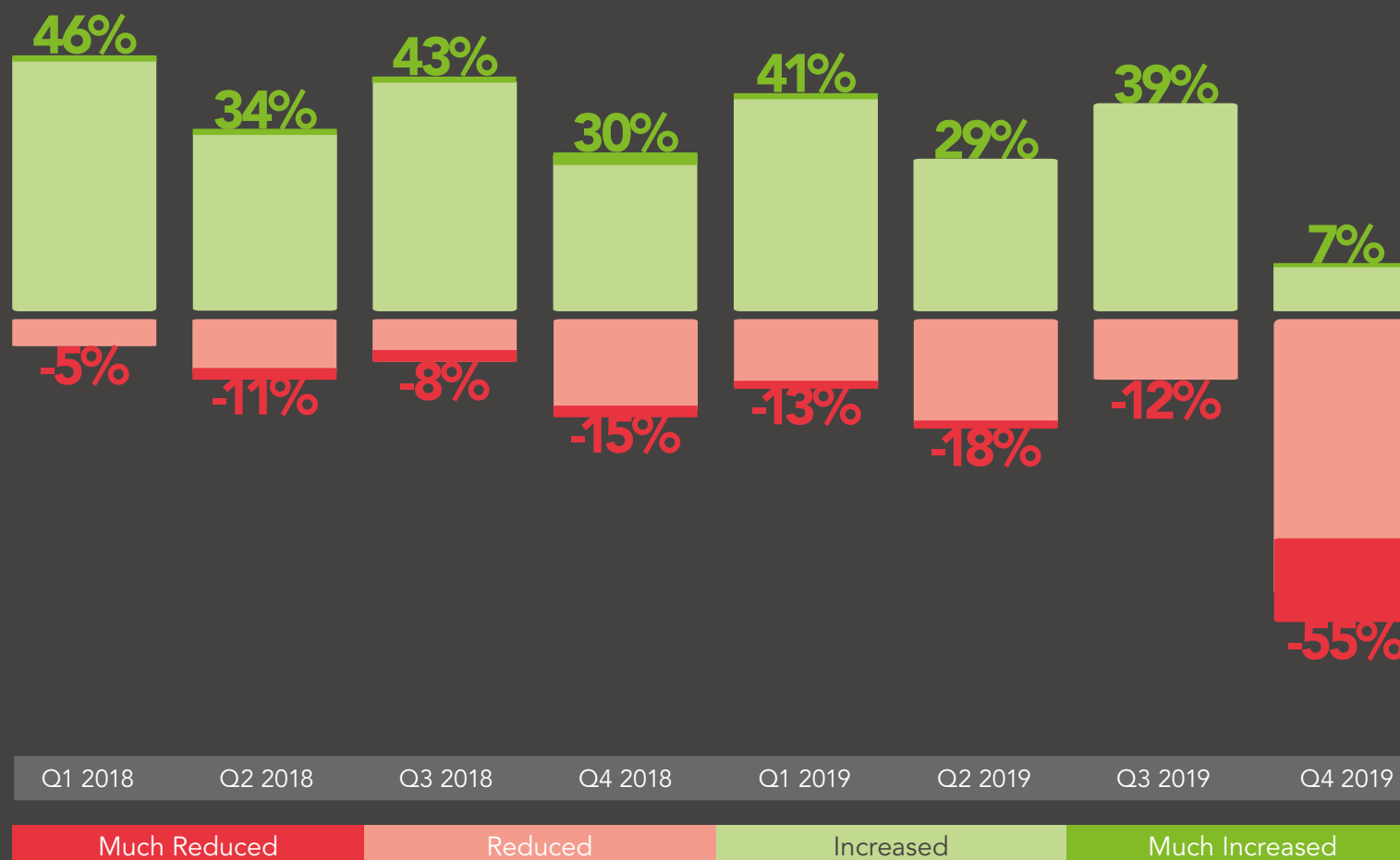




# NATIONAL FUTURE EMPLOYMENT

## CORE TRENDS

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





# **SPECIAL FOCUS** **COVID-19** **CONTINGENCY** **PLANS**

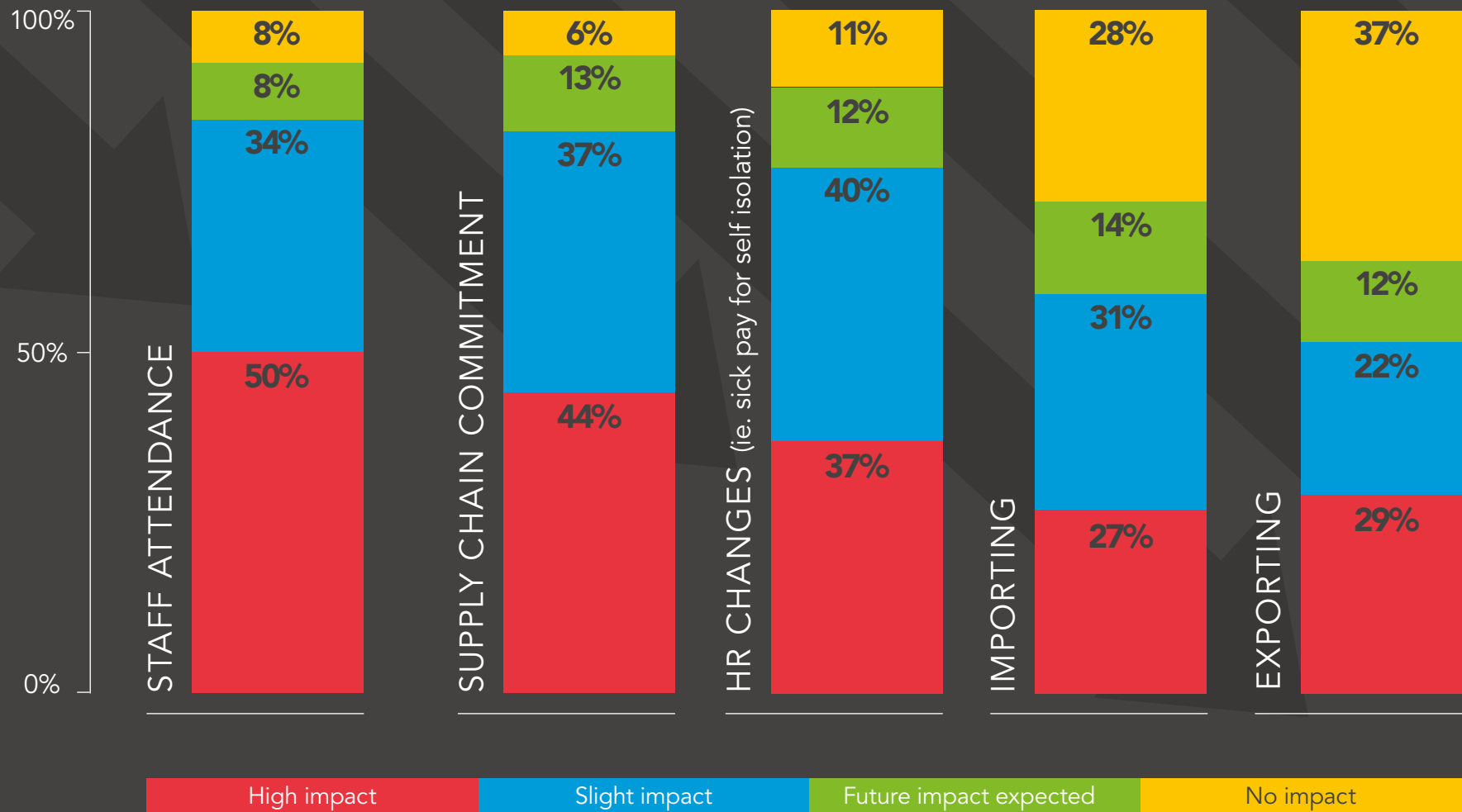
This quarter we wanted to explore the direct and indirect effect that COVID-19 is having on small and medium sized manufacturers across the UK, and uncover the support they require to help them mitigate any negative impact it has on their business.

This survey opened on 25th March as the nationwide lockdown began and responses were collected up until 17th April. We asked how SME manufacturers are managing their employees and supply chains, and questioned how this is affecting their production volumes, sales, and profits.

This special focus uncovers how SME manufacturers are performing since the UK introduced measures to prevent the spread of COVID-19. It also reveals the support they require to enable recovery, and details their business expectations going forward...

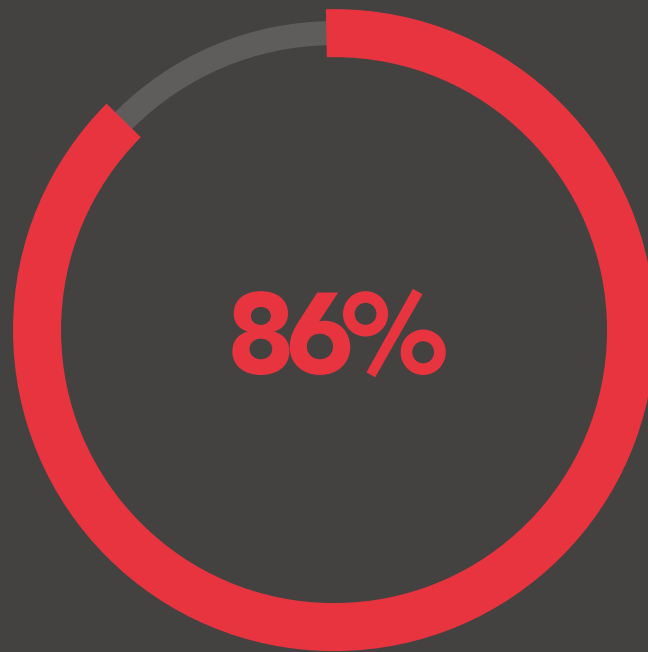
## SPECIAL FOCUS COVID-19 CONTINGENCY PLANS

What impact has COVID-19 had on the following aspects of your business?

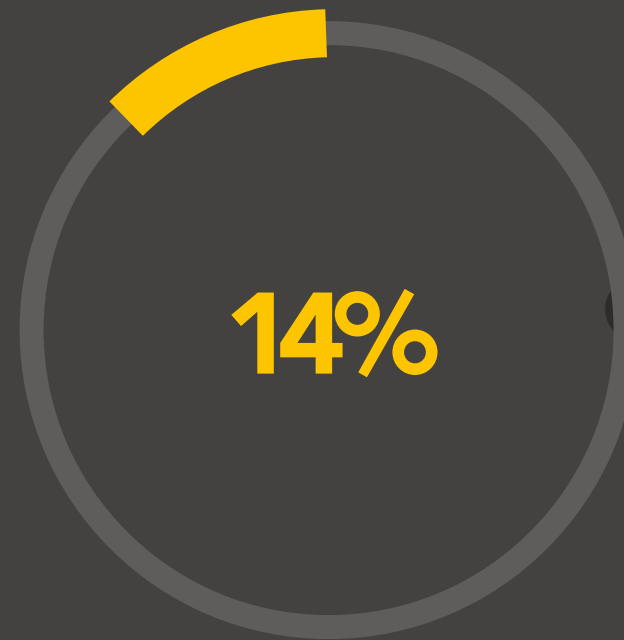


## SPECIAL FOCUS COVID-19 CONTINGENCY PLANS

How have your production volumes changed as a result of COVID-19?



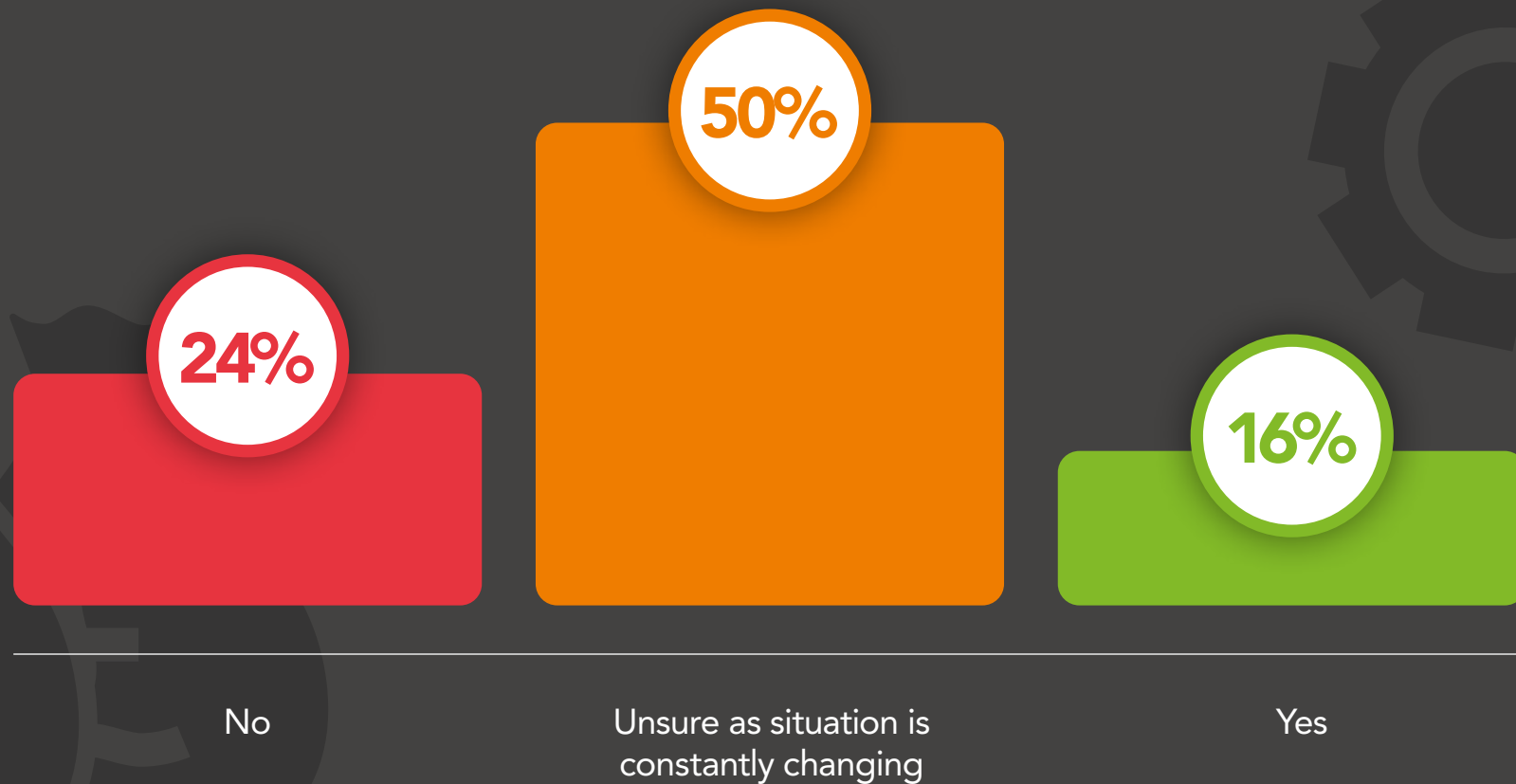
Decreased



Increased

## SPECIAL FOCUS COVID-19 CONTINGENCY PLANS

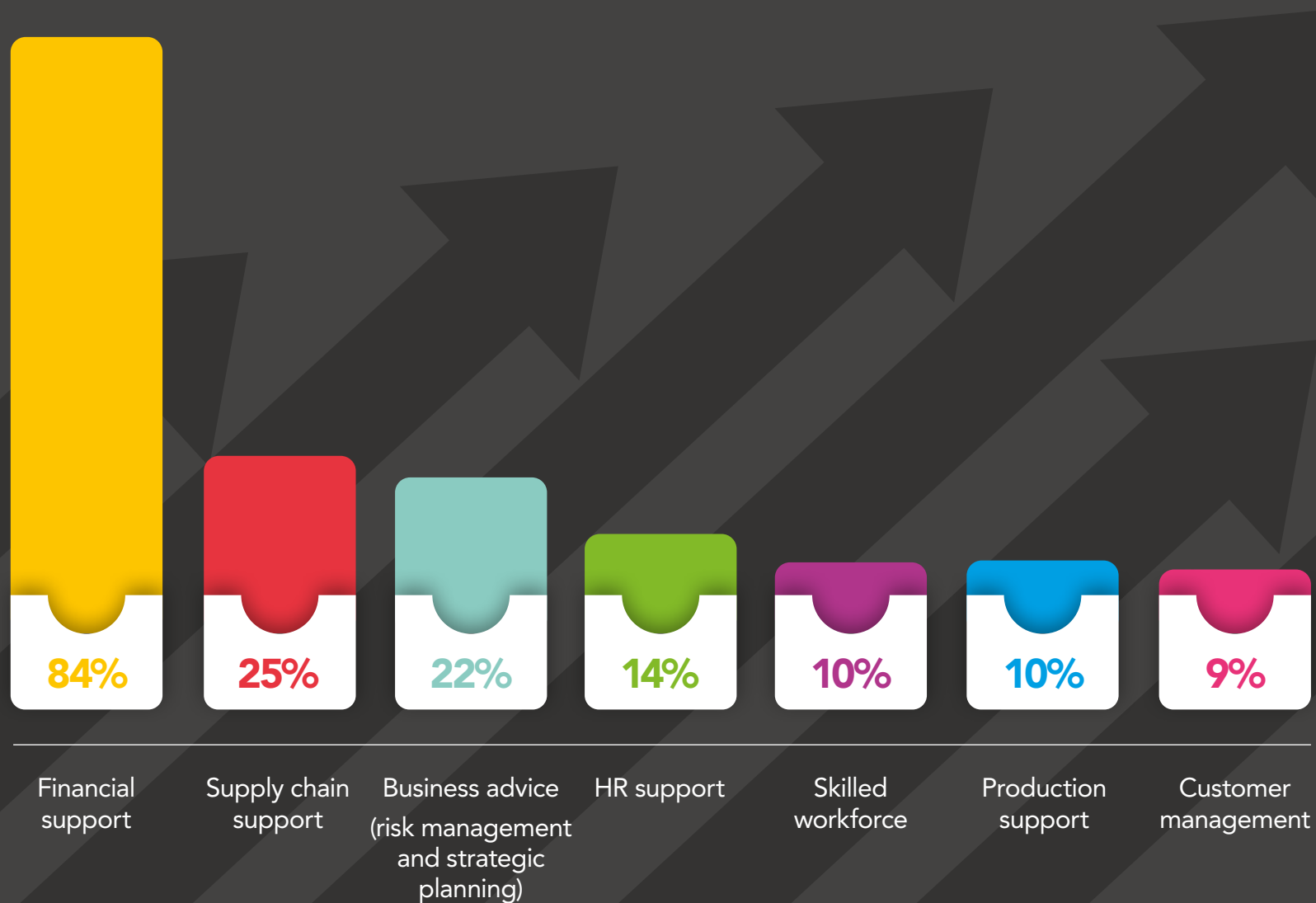
In your opinion, will the current support offered by the government be sufficient to help SME manufacturers minimise the impact of COVID-19?





# SPECIAL FOCUS COVID-19 CONTINGENCY PLANS

What type of support does your business needs to mitigate the impact of COVID-19



# SPECIAL FOCUS COVID-19 CONTINGENCY PLANS

We wanted to highlight the Government's urgent call for additional NHS equipment to see how the UK SME manufacturing sector can help.

## OF THE COMPANIES SURVEYED:



**21%**

have already responded.



**51%**

stated that they had 'No Capacity' in this area.



**13%**

think they may be able to help, but would welcome further advice to be sure - we are contacting these companies to discuss their capabilities in detail, and offer information and assistance to support them where possible.



**2%**

were not previously aware of this Government call - we shared the appropriate link for survey respondents to register their capabilities with the Department for Business, Energy and Industrial Strategy (BEIS).

# BUSINESS ASPIRATIONS

“

Support our employees and their families through the current public health situation, and maintain great communication with our suppliers and customers so we can be ready to resume production and delivery as needed in due course.

To trade through the current situation by market diversification.

— WEST MIDLANDS —

“

In the short term we just need to survive, once the coronavirus situation improves we will have to draw up new business plans to develop the business over the coming months / years.

Until the last few weeks' we looked on course for an exceptional year, investment had been made, staff levels increasing, all positives. Most staff are now furloughed and the outlook is not good.

— SOUTH WEST —

“

To regain the stable position we had prior to the outbreak and limit spending until the virus ends. Survive by operating safely for as long as we can - worried about self-employed suppliers and the future of our supply chain.

Steady growth both from incremental sales and new business over short/medium term, and investment in new machinery to enhance profitability through manufacturing efficiency.

— YORKSHIRE & HUMBER —

“

Relocate and invest in new purpose-built site - now on hold.

Stay afloat and grow the business, redo website and open online shop.

— EAST OF ENGLAND —

“

Prior to Covid-19 we were planning on starting to ramp up international sales over the next 6 months. These plans are now on hold.

— LONDON —

# BUSINESS ASPIRATIONS

“

The purchase of new equipment to increase in-house capability and reduce reliance on 3rd party suppliers, therefore increasing profitability & responsiveness to new opportunities.

— WALES —

“

We supply filtration to hospitals and will continue to do so. We anticipate the requirements for filtration in the long term will become more relevant and seen to be of increased importance.

Short-term - survive through restructure  
Mid-term - stabilise  
Long-term - get back on track with growth plans.

— NORTH WEST —

“

In the medium term to see more emphasis, importance and status becoming attached to UK production, instead of farming it out to the rest of the world.

Our revenue targets have dropped from £4M this year to £2-3M. We are aiming to trade through by cutting costs. Much depends on whether there is a complete business shutdown which would be disastrous for us as we are currently still able to ship internet orders, which are continuing to come through.

— SOUTH EAST —

“

To survive, to re-establish, to get back to where we are now.

Short term survival by cutting back expenses and raising funds for cash flow, Medium term, loan investment to acquire new machinery to increase sales that we are being offered.

— NORTH EAST —

“

Sustain workforce and prepare for recovery from present Covid-19 issues.

Just surviving will be a success as not sure just how many of our customers will exist after the Coronavirus lockdown comes to an end.

— EAST MIDLANDS —

# CONCLUSION

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The comments provided by Barometer respondents this quarter, and those of the companies we support on a day to day basis, indicate that the future is looking bleak for the UK SME manufacturing sector as a result of the COVID-19 pandemic.

Unsurprisingly, decreased staff attendance is having the largest impact on the businesses surveyed, as manufacturers aren't able to produce goods without on-site machinery. As a result, well over 80% of businesses are now predicting a reduction in sales and profits in the coming months, whereas last quarter 60% of those questioned were expecting their sales to increase. This highlights the negative impact that this worldwide health crisis is likely to have across the sector throughout the coming months.

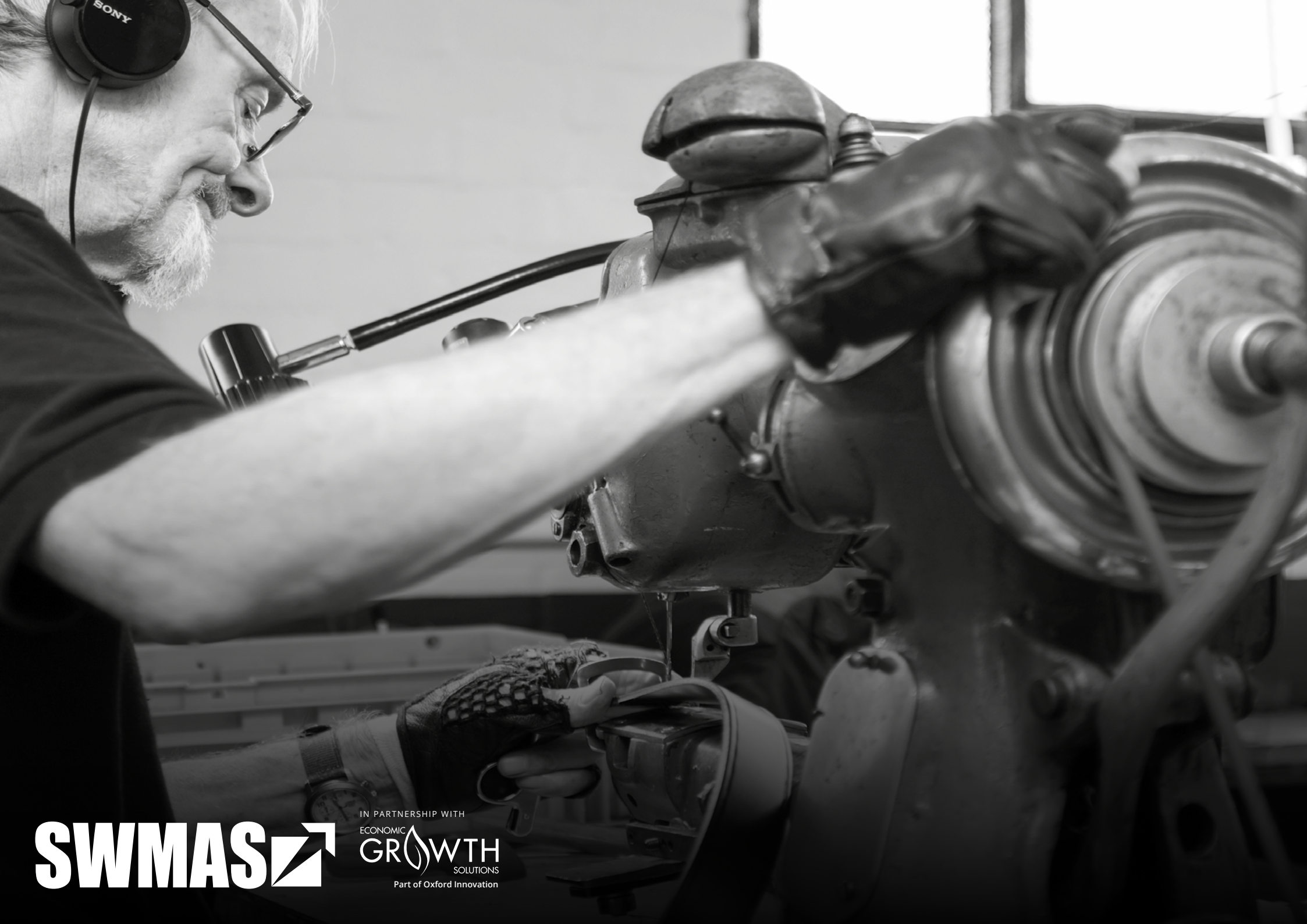
One positive note is that 21% of the UK manufacturers questioned have already responded to the urgent call for additional NHS equipment. A further 13% stated that they would welcome further advice to see if they can get involved, so we will be contacting these companies to offer our support in this area.

In conclusion, it is clear from our findings that financial assistance is urgently required to help SME manufacturers survive in these difficult times. Over 80% of businesses cite financial support as the biggest barrier to surviving COVID-19, and, although the existing package of government measures has been welcomed, only 16% of those questioned are confident that this will be sufficient for their business to get through the current crisis. It seems that further clarification of sector specific support is also needed to help businesses plan next steps. SME manufacturers are often able to adapt, respond, and innovate on a much faster basis than larger firms, but this ingenuity and diversity across this section of the marketplace needs to be supported as it will be vital for future economic recovery.

As always, we will continue to help SME manufacturers in any way we can. This report will be shared with senior stakeholders and policy makers to help them better understand the support needed by the industry, both immediately, and over the coming months.







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# ABOUT THE MANUFACTURING BAROMETER



## 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 Economic Growth Solutions, 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 you 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:

[info@swmas.co.uk](mailto:info@swmas.co.uk) | 01278 767 010 | [www.swmas.co.uk](http://www.swmas.co.uk)

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