

MANUFACTURING barometer

SPECIAL FOCUS: SHAPING THE FUTURE OF SME MANUFACTURING

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

This quarter's report shows that, whilst many businesses are still facing challenges because of the COVID-19 pandemic, for others, the marketplace has picked up slightly over recent months.

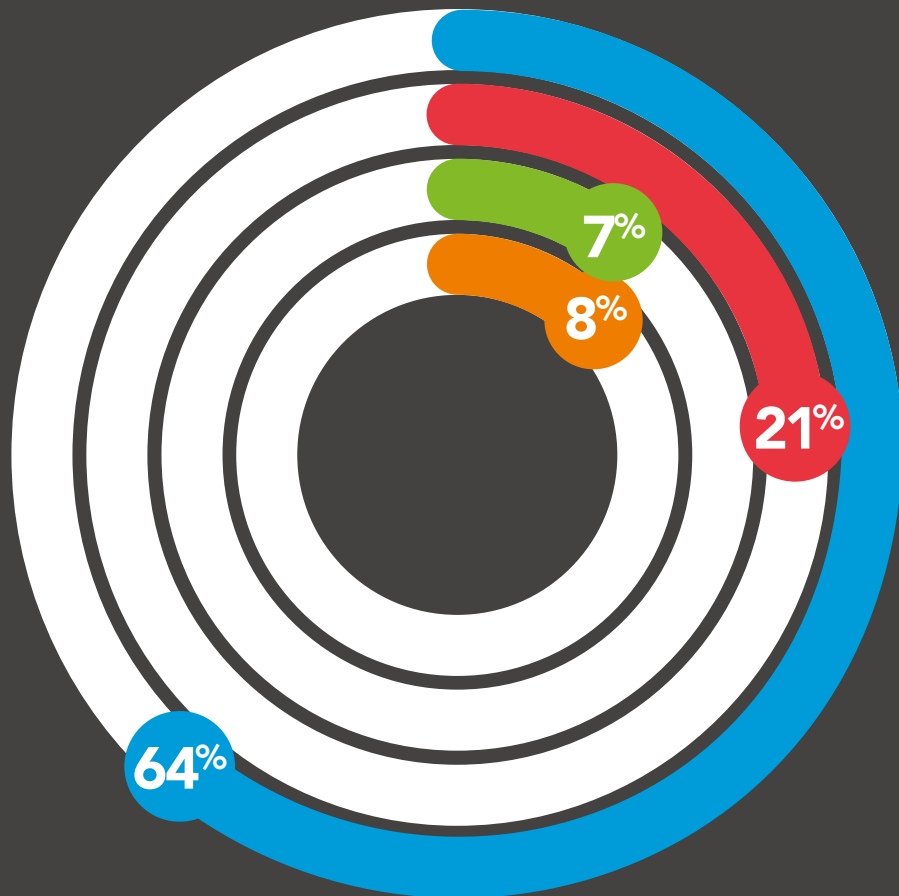
Unsurprisingly, the majority of respondents reported a reduction in profits between April and September, but over a quarter of companies actually saw an increase throughout this period.

Forecasts around staff retention are showing signs of improvement across the sector. Although 18% of respondents still predict a need to reduce their workforce, this has halved from the 36% who predicted this back in July. In fact, almost a third are now expecting to employ additional staff within this period; a vast increase from the 7% 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

409 RESPONDENTS



85%

OF RESPONDENTS ARE:

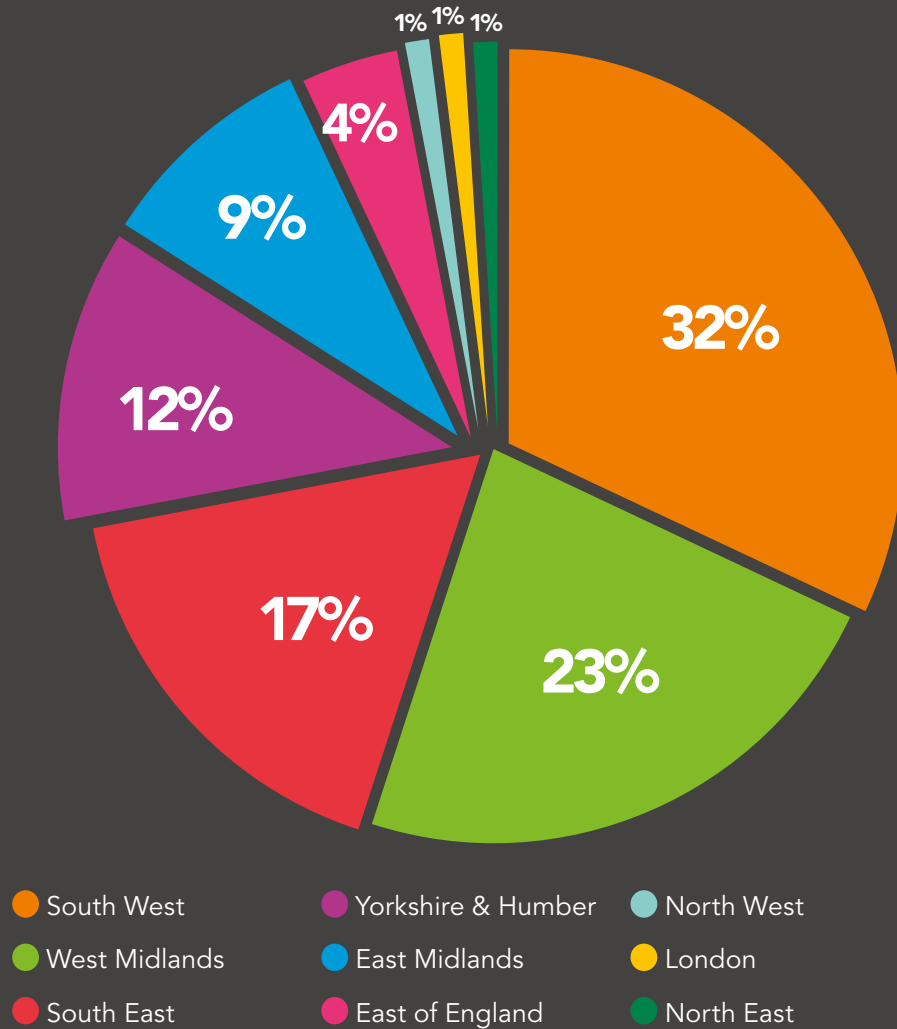
> **MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS**

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

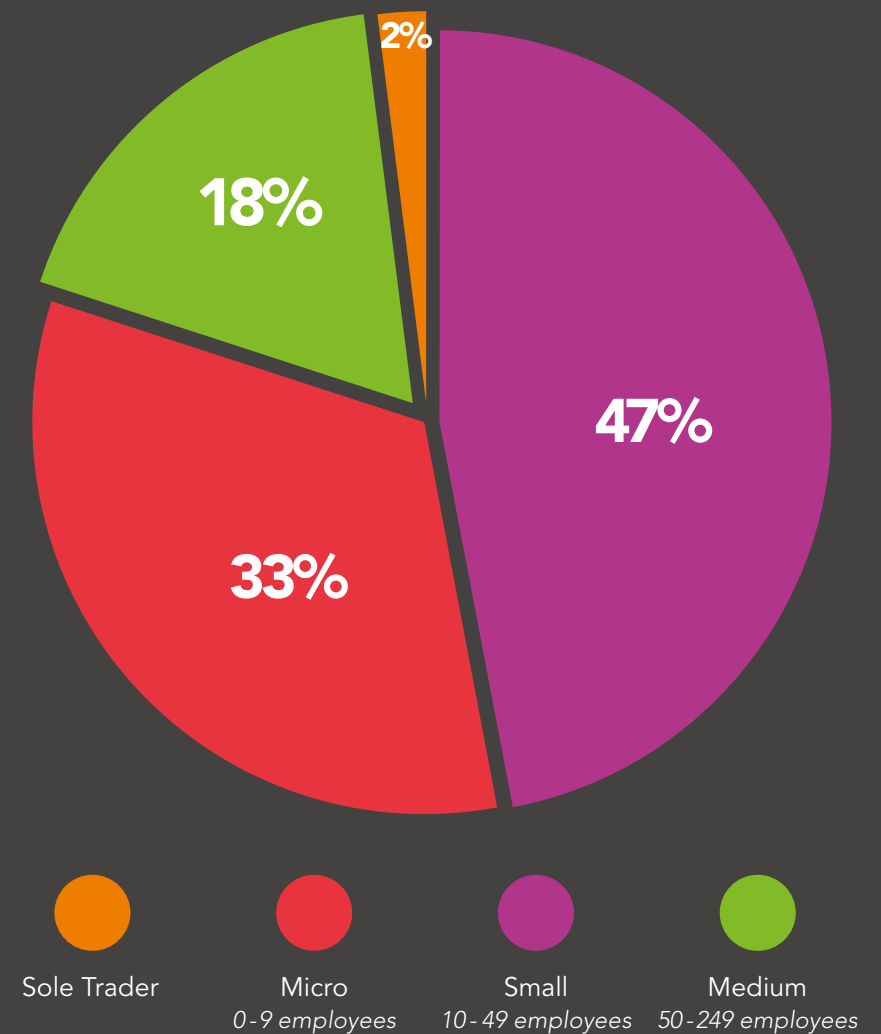


NATIONAL SURVEY DEMOGRAPHICS

LOCATION

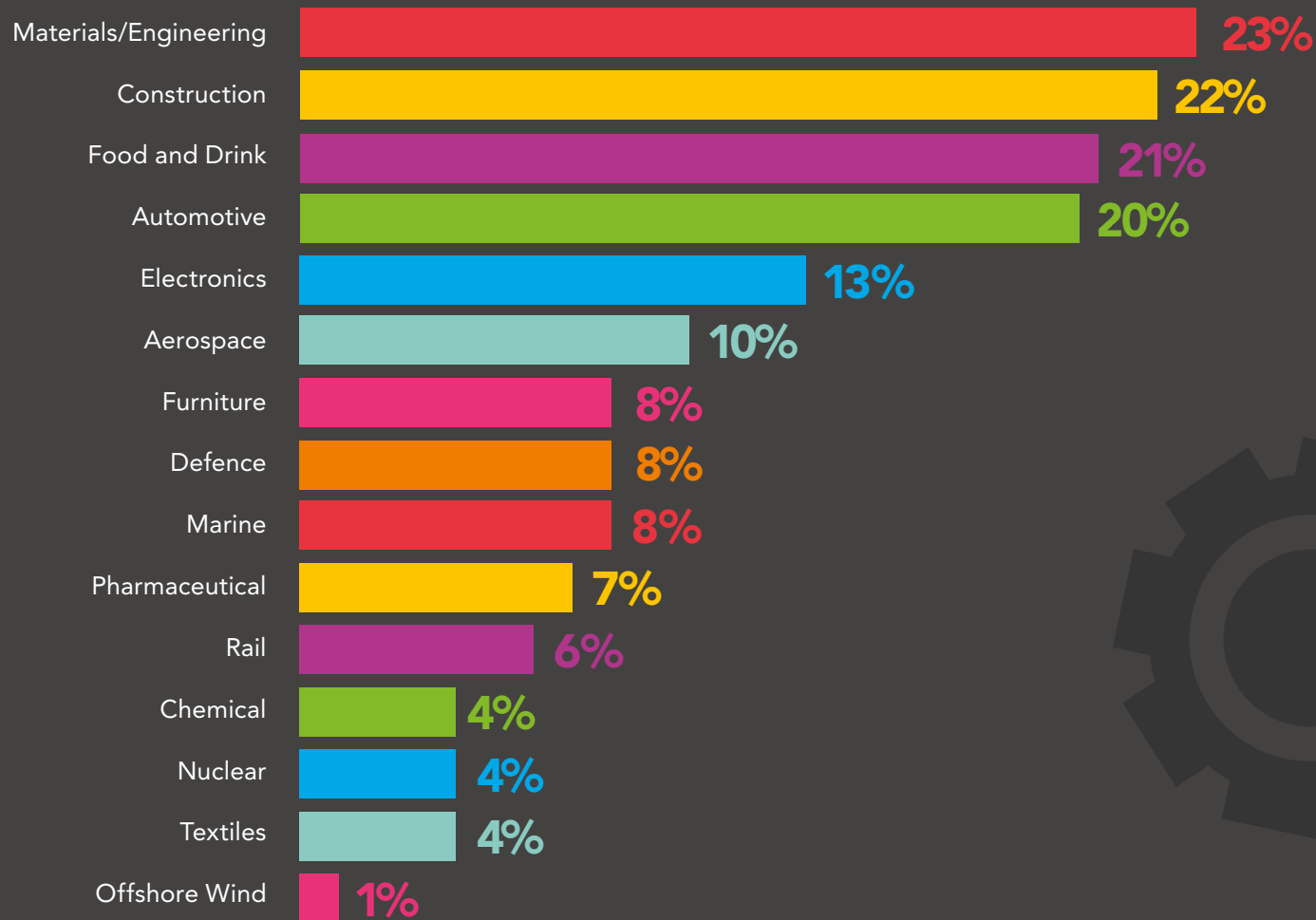


SIZE



NATIONAL SURVEY DEMOGRAPHICS

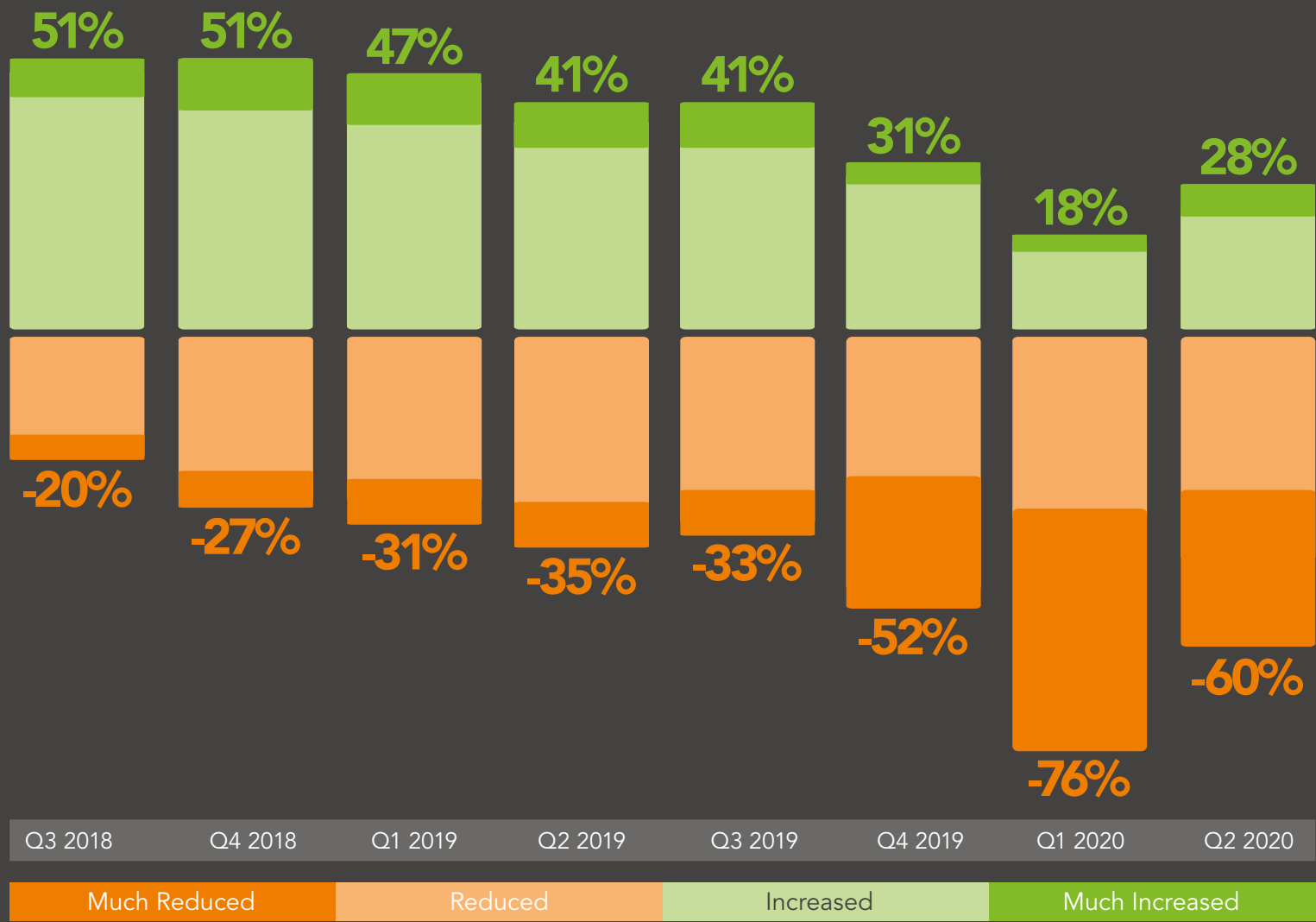
What markets account for at least 10% of sales turnover?



37% also stated 'Other' sector not listed above.

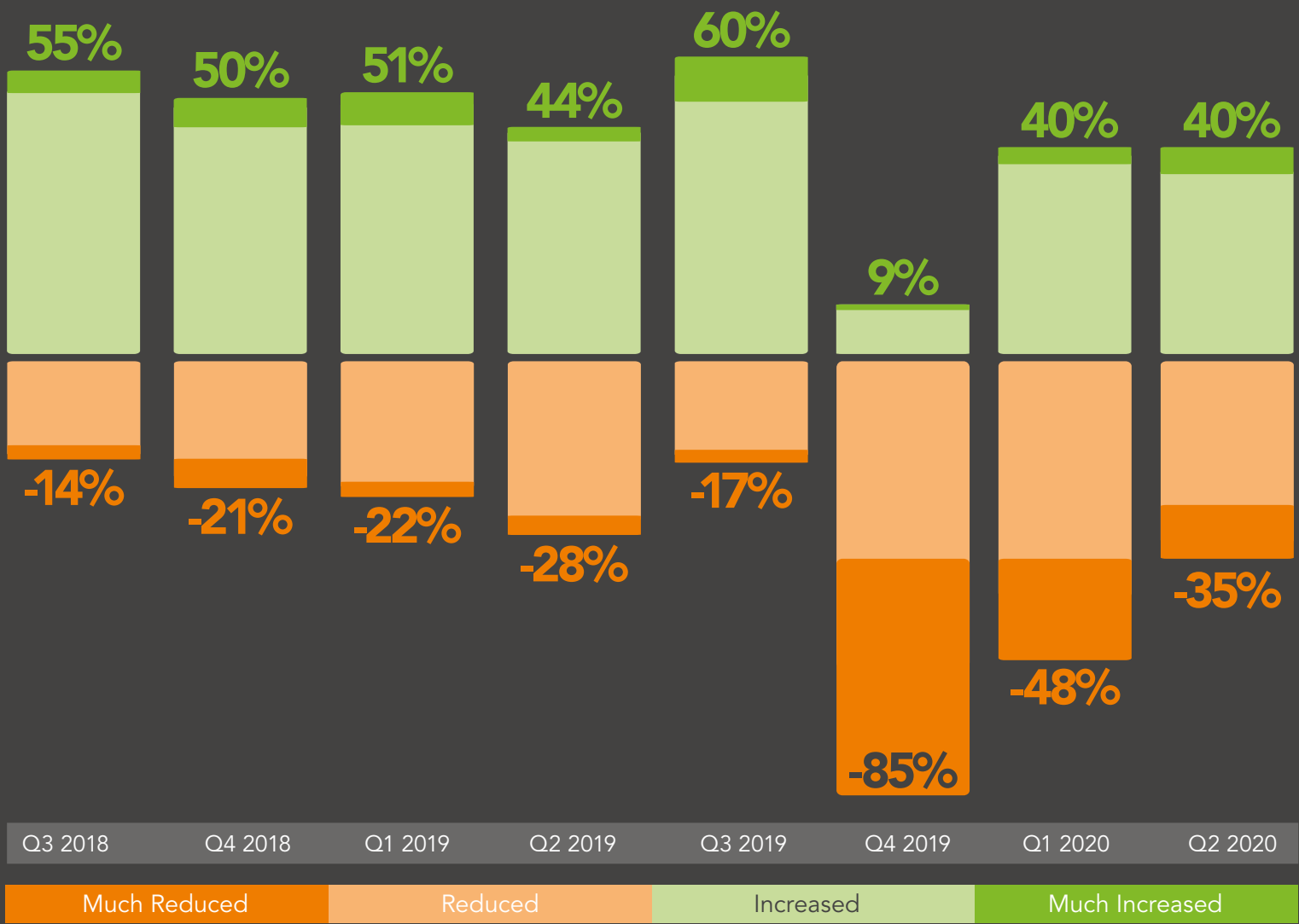
NATIONAL PAST SALES

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



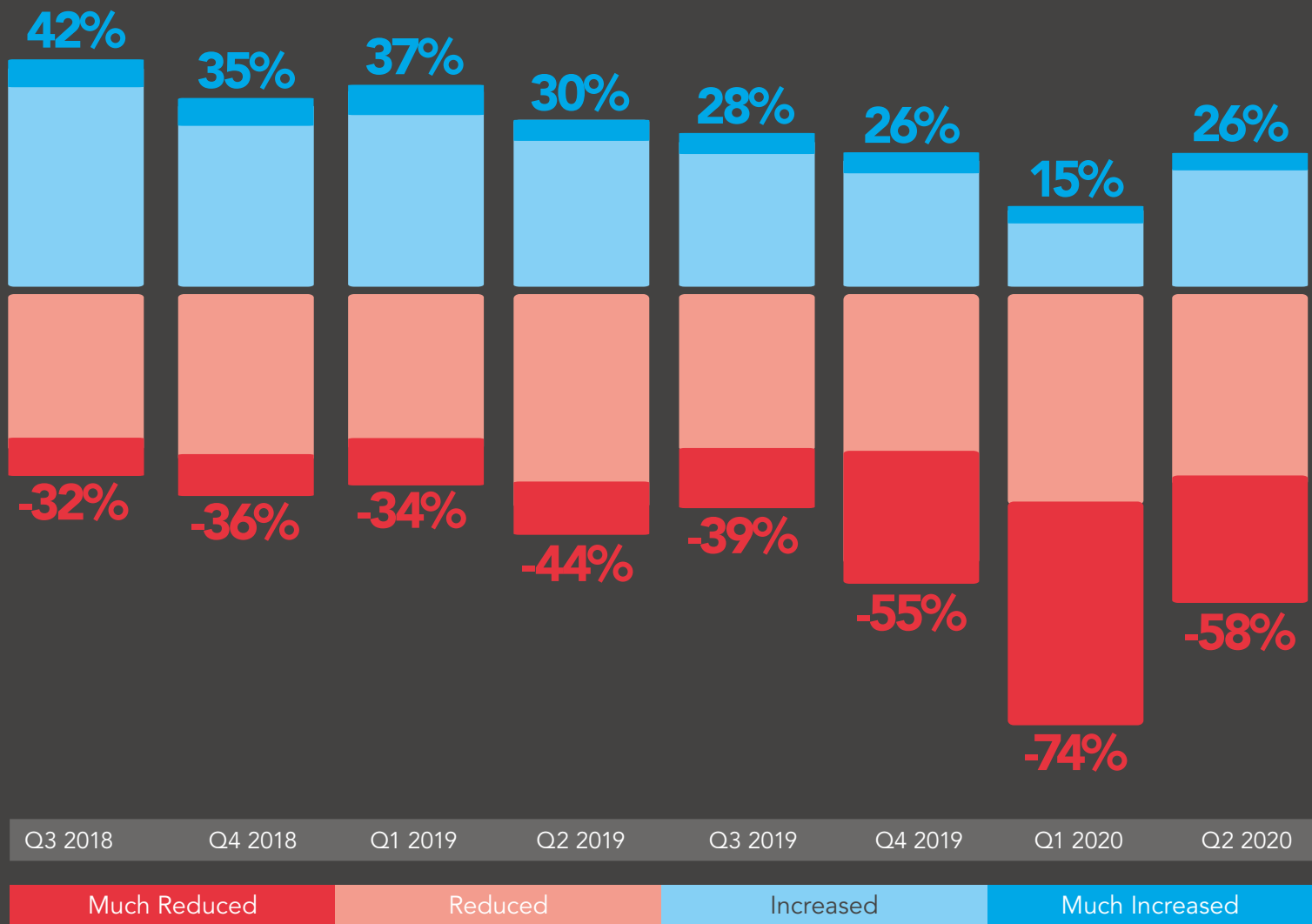
NATIONAL FUTURE SALES

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



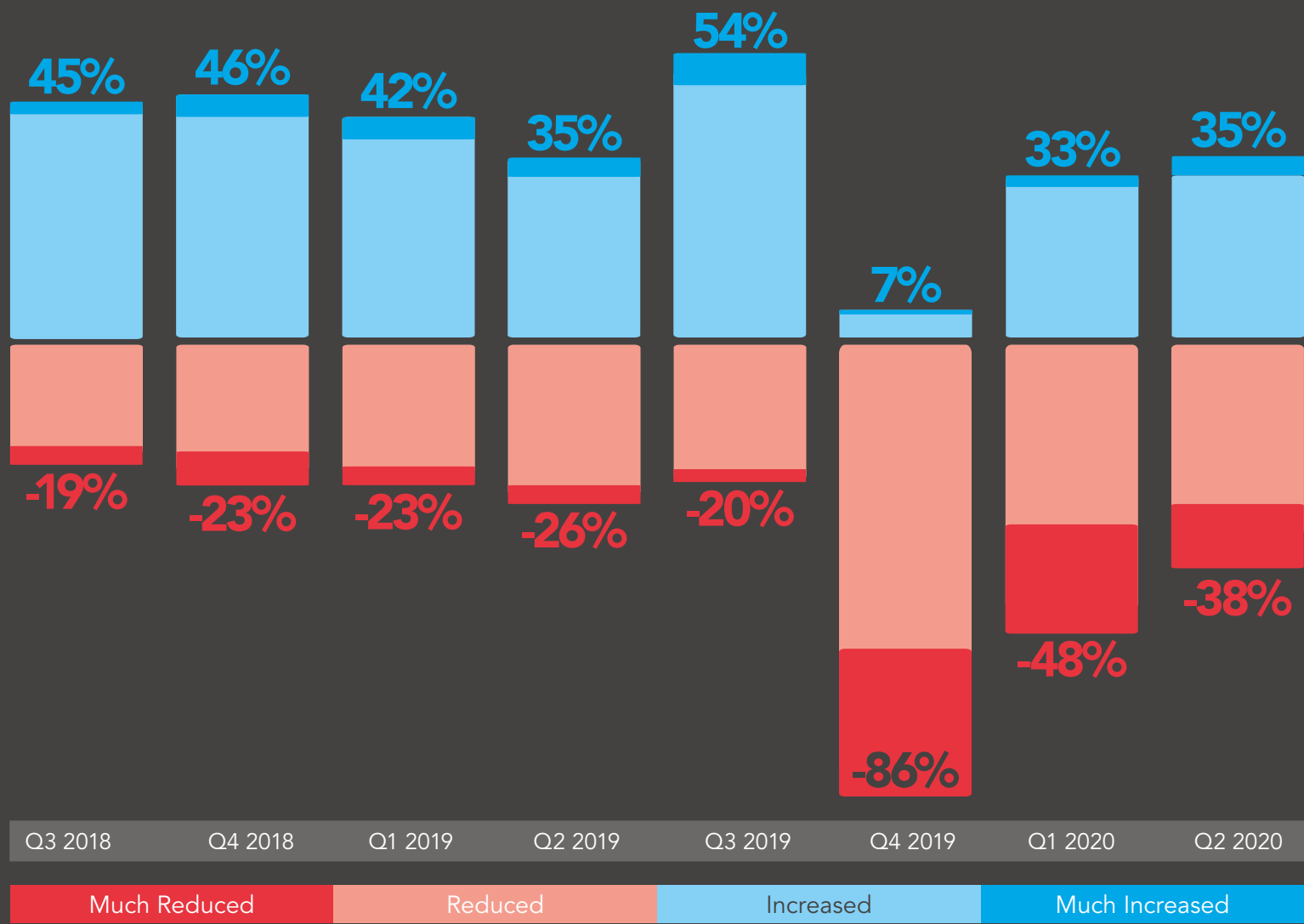
NATIONAL PAST PROFITS

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



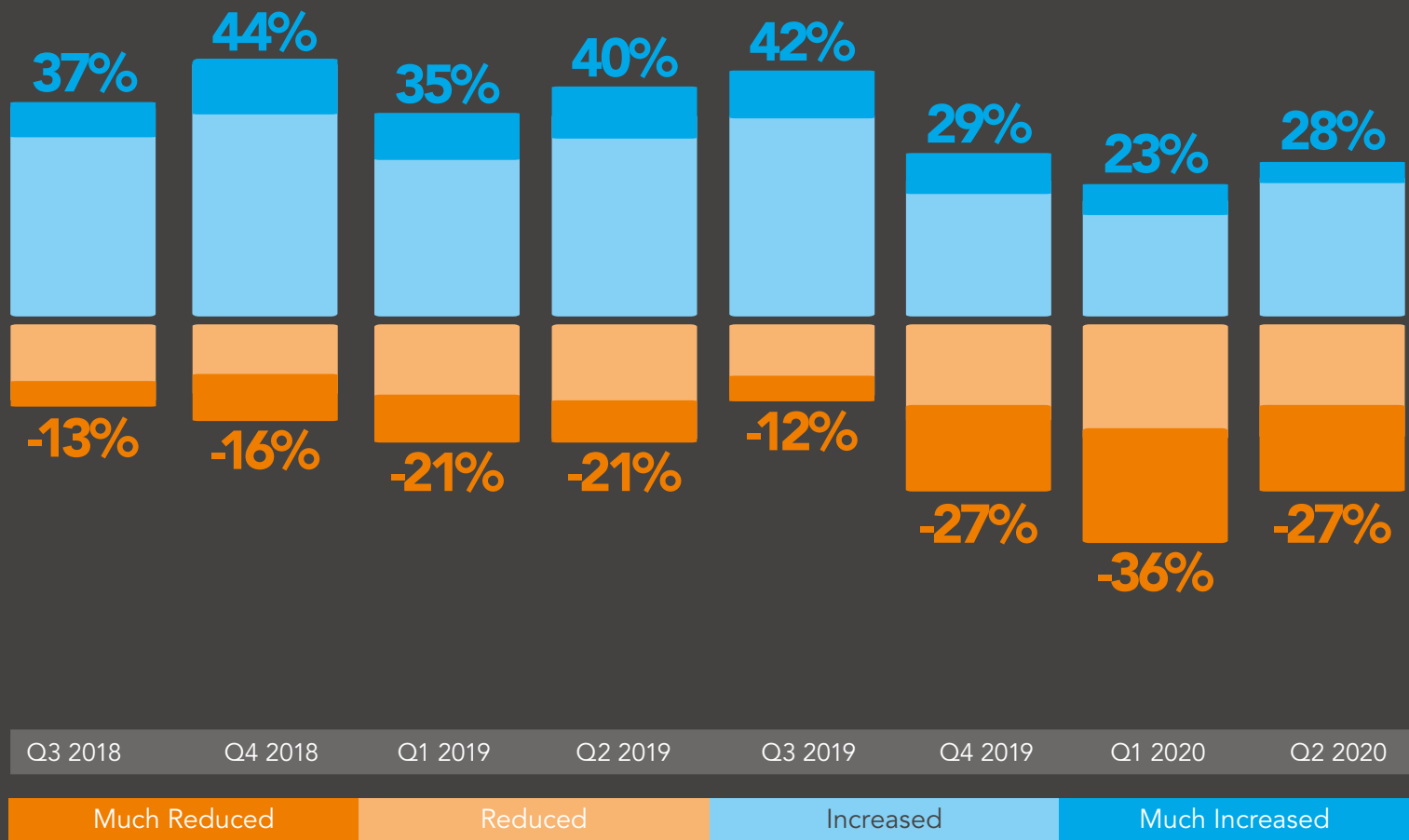
NATIONAL FUTURE PROFITS

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



NATIONAL PAST CAPITAL INVESTMENT

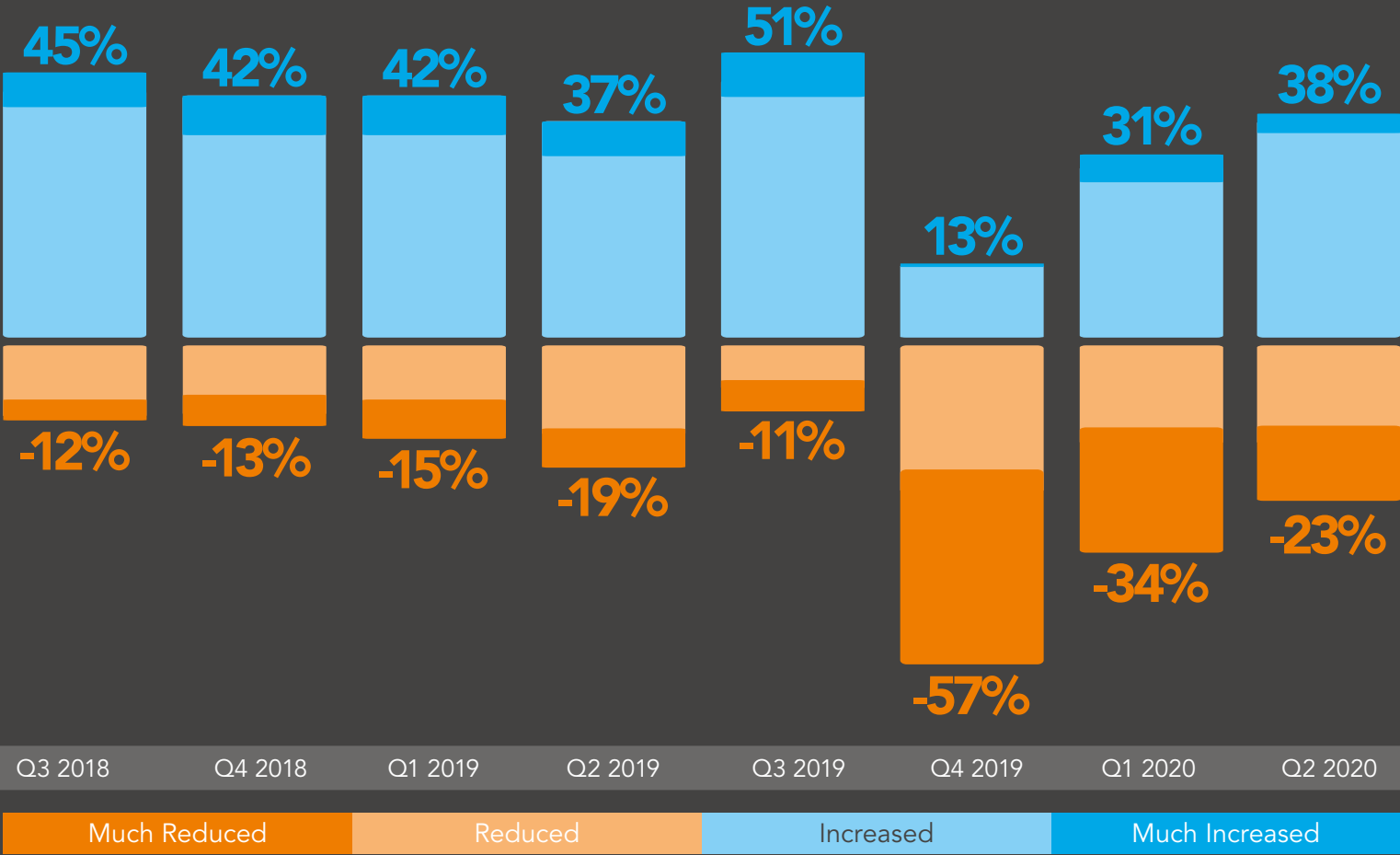
How investment in new machinery/premises has changed for SME manufacturers over the past six months...



CORE TRENDS

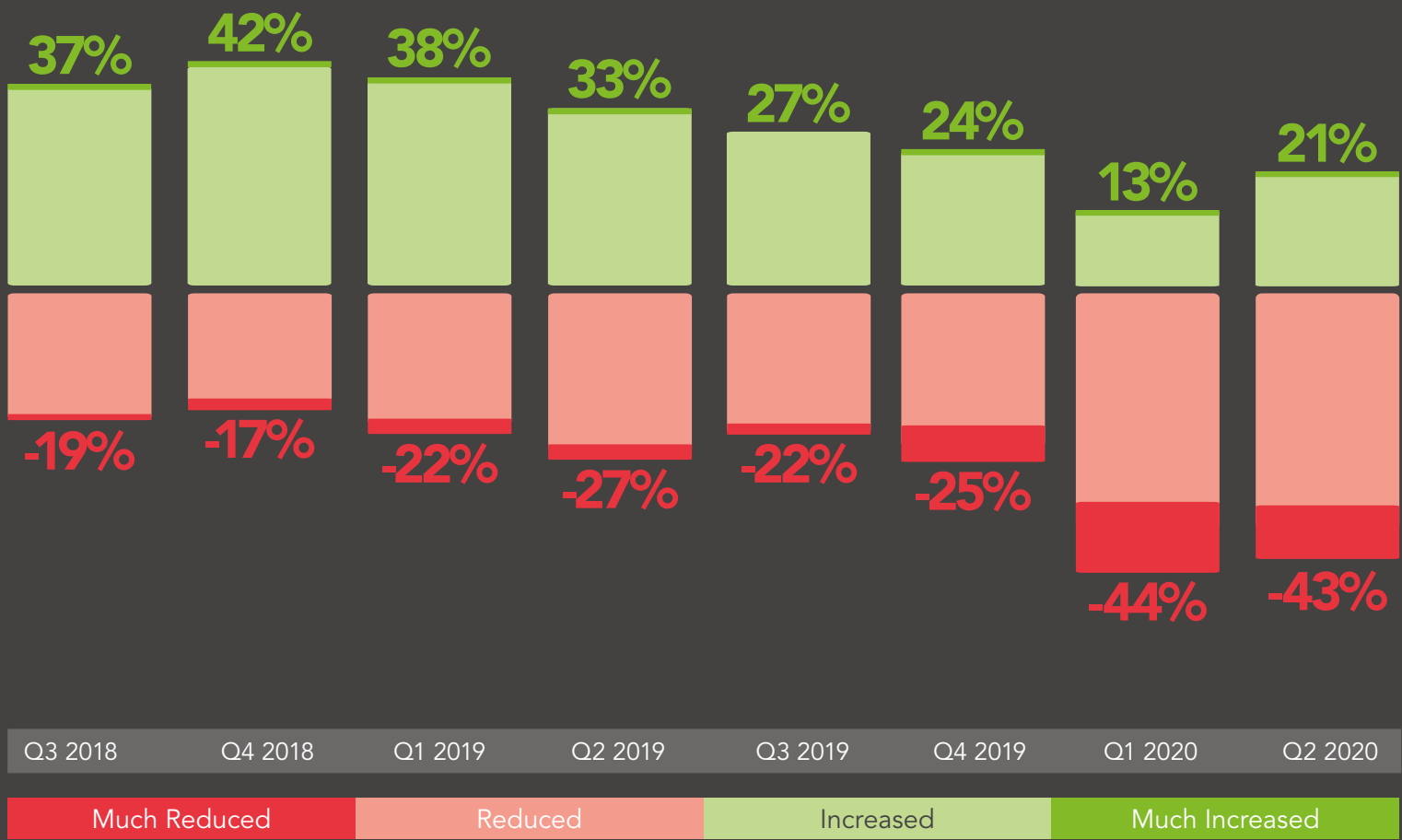
NATIONAL FUTURE CAPITAL INVESTMENT

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

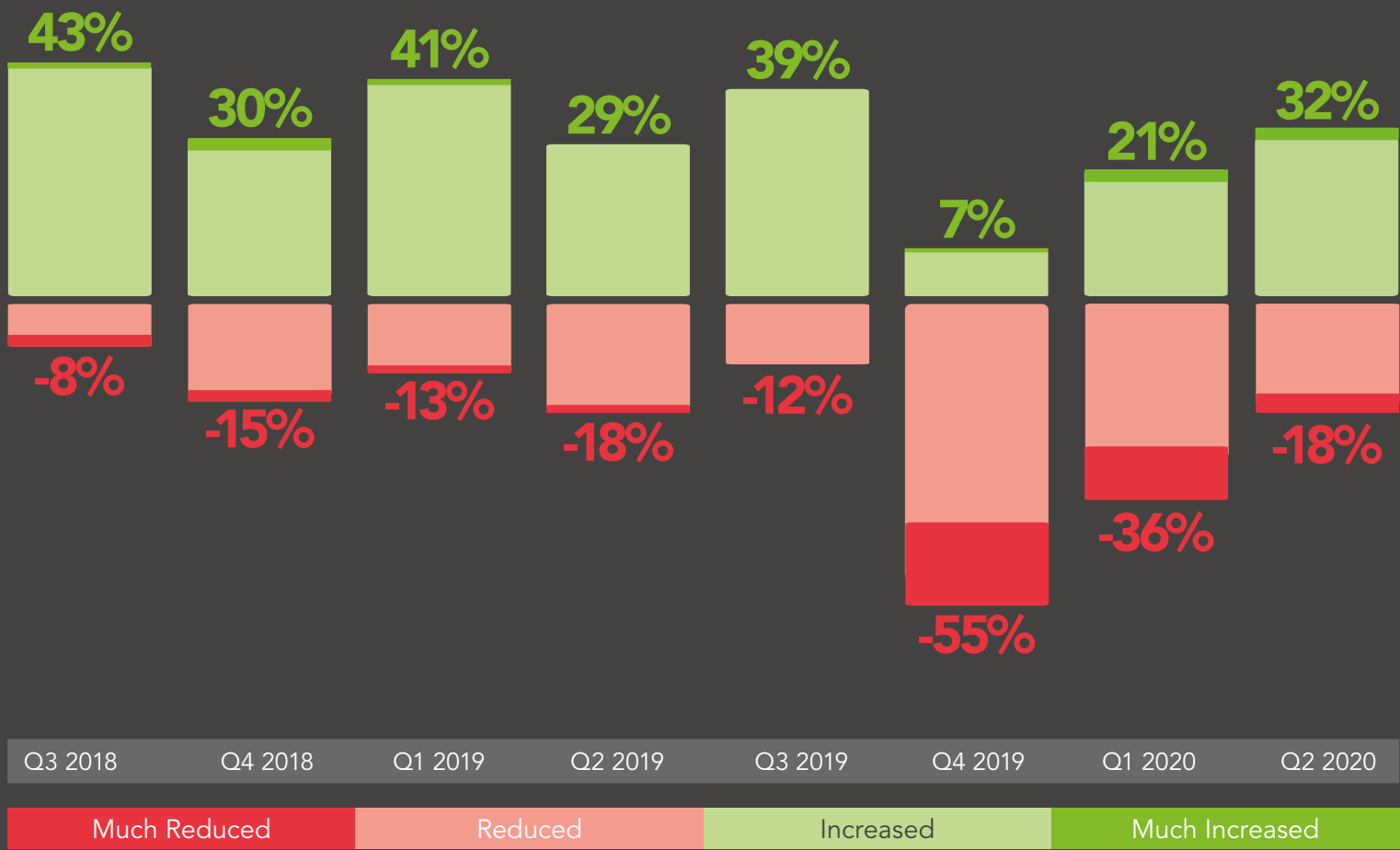


NATIONAL PAST EMPLOYMENT

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...



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	27%	33%	12%	22%	6%
Sales turnover: next six months	10%	25%	25%	35%	5%
Profit: past six months	27%	31%	16%	23%	3%
Profit: next six months	12%	26%	27%	31%	4%
Investment: past six months	14%	13%	45%	24%	4%
Investment: next six months	11%	12%	39%	34%	4%
Staff numbers: past six months	9%	34%	36%	20%	1%
Staff numbers: next six months	3%	15%	50%	30%	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, some manufacturers have continued to trade steadily, whilst nearly a quarter 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.

Almost half of the SME manufacturers surveyed are expecting to recover from this crisis within a year, but over a quarter are predicting a longer recovery period of up to five years. On a positive note, for a small proportion of companies surveyed no recovery is needed, as they report their business is currently performing better than ever.

Last quarter, respondents highlighted the types of financial support required to recover. Three months on, when asked about the financial assistance needed now, almost half of those questioned are calling for grants towards capital investment. To ensure resilience across the manufacturing sector, 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 and achieve more sales, but indicates that further financial support is needed to make this happen...

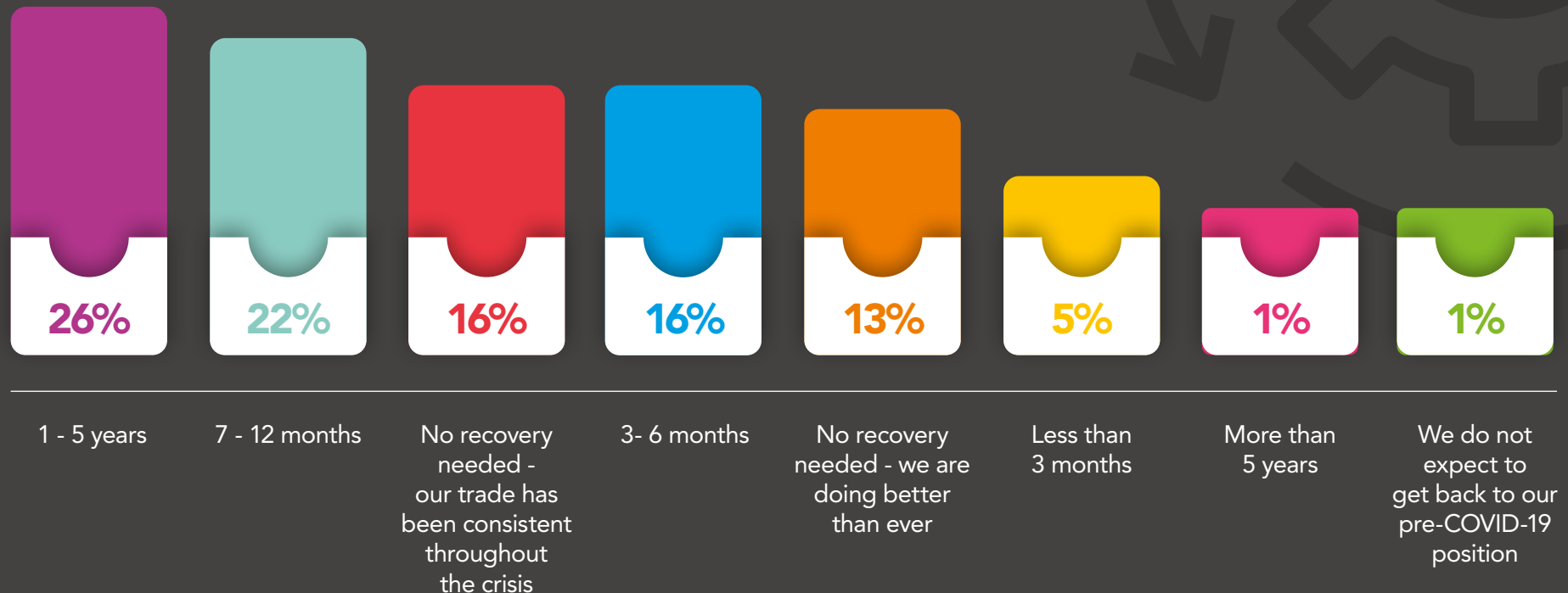
SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

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?



51%

yes



27%

unsure

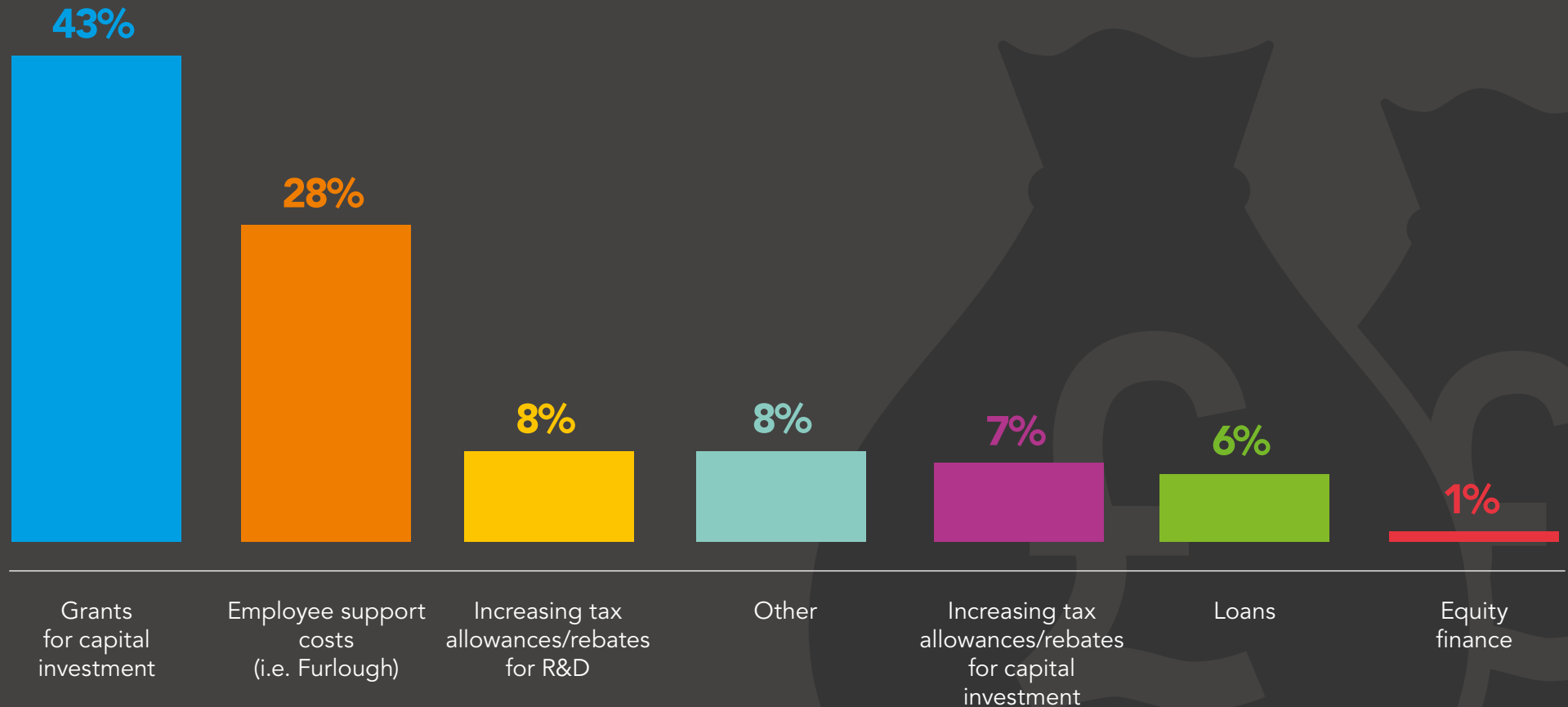


22%

no

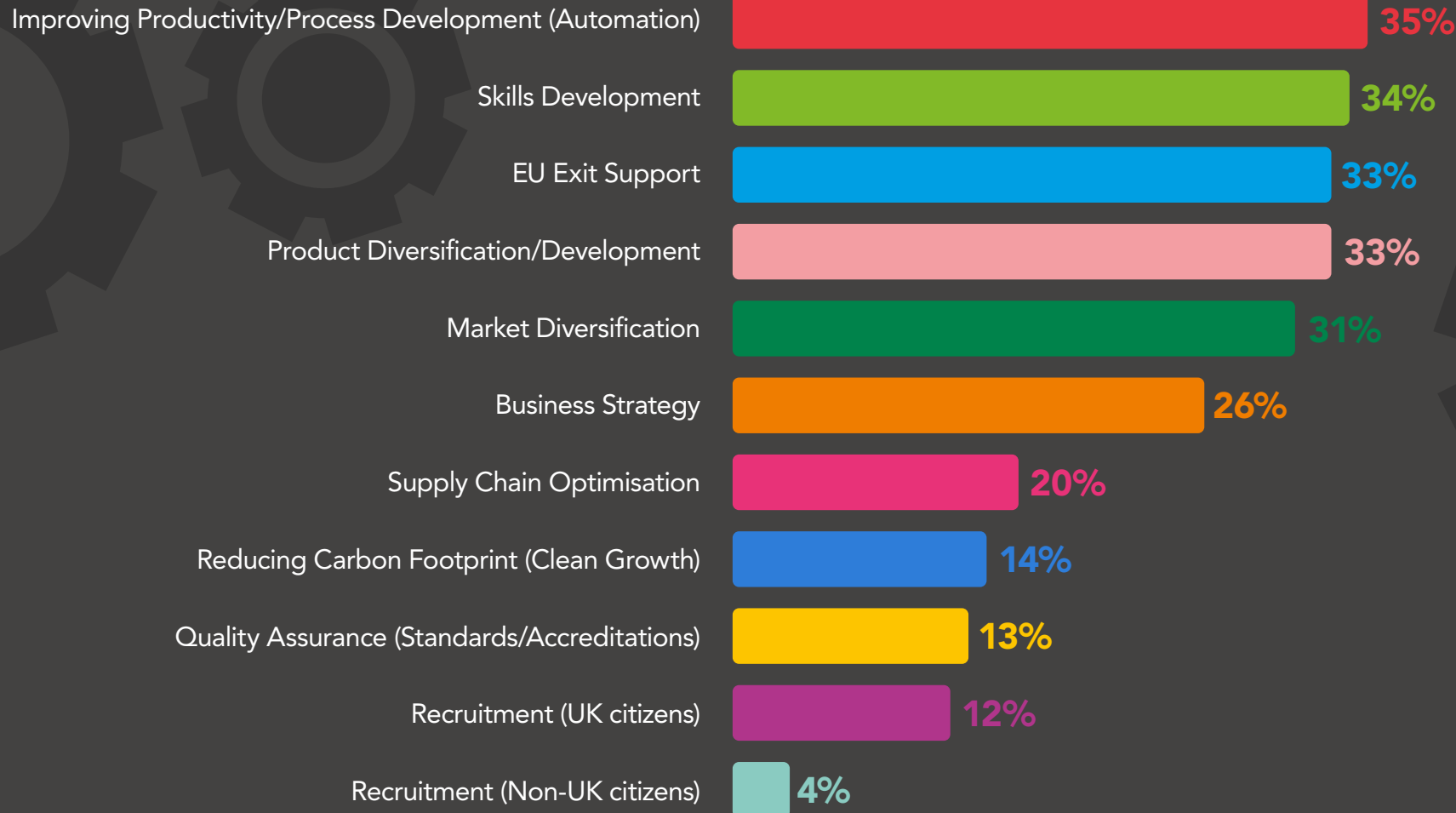
SPECIAL FOCUS SHAPING THE FUTURE OF SME MANUFACTURING

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

“

Short Term - launching our website in January.

Medium Term - Spring next year take on new premises and scale the team. Year 3 forecast £1m sales.

Long Term - hit £5m sales, move into retail spaces, and potentially look at Germany or France for expansion.

EAST MIDLANDS

“

Short Term - Survive and invest in the medium to long term.

Medium Term - Invest in staff, technology, and training. Be lean, agile, and able to move quickly.

Long Term - If all this pays off, in five years we will employ circa 8 more people and have increased turnover and profit by 700%.

YORKSHIRE & HUMBER

“

Short Term - Looking ok and we have adjusted to a new environment after an initial loss of turnover.

Medium and Long Term - We are confident in our business, we are looking to launch new products we have been working on, and new products from other companies, which we aim to add to our product portfolio. We expect these to increase turnover in the medium and long term. Profits are squeezed a bit but still ok.

WEST MIDLANDS

“

Short Term - We will be managing the fluctuating business demand during COVID-19.

Medium Term - We will be investing in new machinery and adding to our staff numbers (technical roles).

Long Term - We will be looking to progress into the Nuclear supply chain and other alternative market opportunities

SOUTH WEST

“

Our aspiration is to develop new products to address the learning gaps that have been created and that have increased due to COVID-19 and lockdown. We are reconciled to 2020 being written off, but we see opportunities for 2021 and will use this time to sharpen our message and hone our offering.

SOUTH EAST

CONCLUSION

The latest findings show a slight improvement from the previous quarter. Encouragingly, nearly a third of respondents are now expecting to recruit more staff, with similar numbers committing to investing in their business.

However, with 40% of those questioned predicting an uplift in sales between now and March 2021 but 35% expecting sales to drop over the next six months, it's clear that current conditions are having a diverse impact on the SME manufacturing sector. 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, almost a quarter say it's not enough to help them survive the COVID-19 crisis, whilst 27% 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. 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 Manufacturing Barometer asked which areas of business support would be most beneficial to help them manage this. Assistance to improve productivity or process development, such as automation, was top of the wish list. Close behind, respondents 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), almost half of respondents are unsure how this will affect their recovery plans, with only 3% 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 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.

As always, we will continue to help SME manufacturers improve their productivity and future growth aspirations.

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

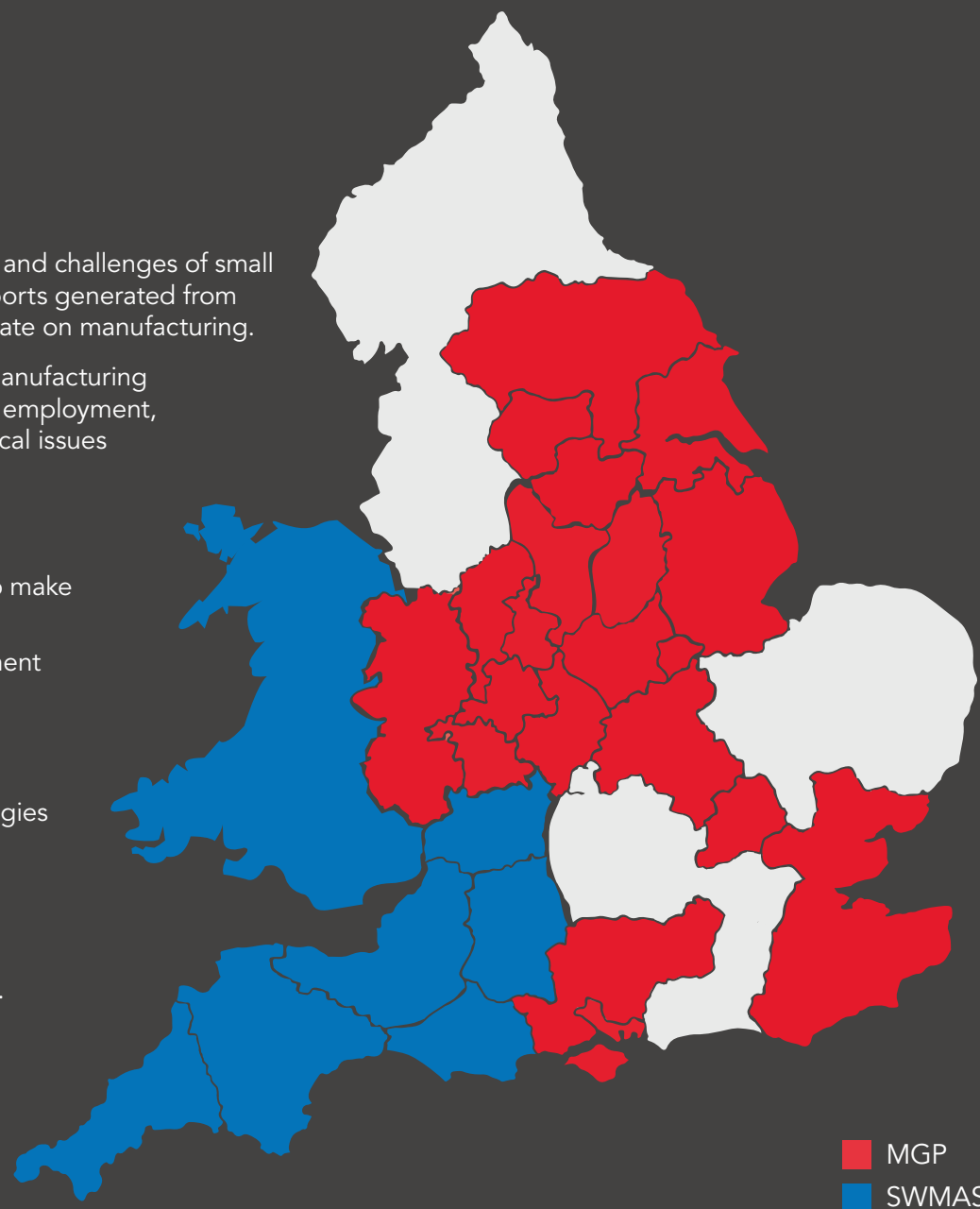
WHO ARE SWMAS AND MGP?

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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