COVID-19 Affiliate Impact Survey: July 2020 (looking back at June)

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Introduction

This survey is the first in a series carried out by the EDA among its affiliates during the COVID-19 crisis and took place during July 2020, reflecting on June. The questionnaire was sent to the Principal Contact of the 86 EDA manufacturer affiliate companies and was completed by over two thirds of the affiliates.

Taking a look at the wider picture: June marked the end of a strong second quarter for global equity markets, following the economic instability seen at the end of the first quarter.

Domestic governments retain a balanced view on the full re-opening of the economy at this stage of the pandemic, with Leicester being an example of their willingness to re-impose lockdown restrictions without hesitation, should there be a significant spike in coronavirus cases. From the perspective of the general market, companies are beginning to have greater clarity and resuming projection patterns again.

Turning to the UK economy, it is likely that the government continue to face pressures from businesses not only on lockdown measures, but due to Brexit concerns, particularly from those companies which are reliant upon cross-border trade. However, at this stage, their priority appears to be re-opening the economy in a safe and innovative way, to enable businesses to continue operating in what will certainly be a different environment to the pre-COVID-19 conditions. It is in both parties interests to get a Brexit deal done but the time frame is short with an agreement needed by the end of October to allow ratification by the year end.

Highlights

As the first in the series of surveys, we will begin to compare the changes in responses over the coming months and analyse the developing patterns.

In May and June we saw a move to bring furloughed staff members back into their businesses across the industry. Over 85% of manufacturers surveyed have unfurloughed their staff members, with almost 50% stating that only 0-10% of staff remained out of their businesses.

There has been a large variance in the extent that company turnovers have been effected, whilst over 11% have seen an increase in their turnover on June 2019, over 80% of companies are still witnessing a reduction of between 1-60%.

We have consistently seen that the primary growing concern of both our members and affiliates is "General uncertainty and challenges over forecasting", this is reflected in the 66% that highlighted this in their top three apprehensions, with a slow down in order volume following as the second greatest concern.

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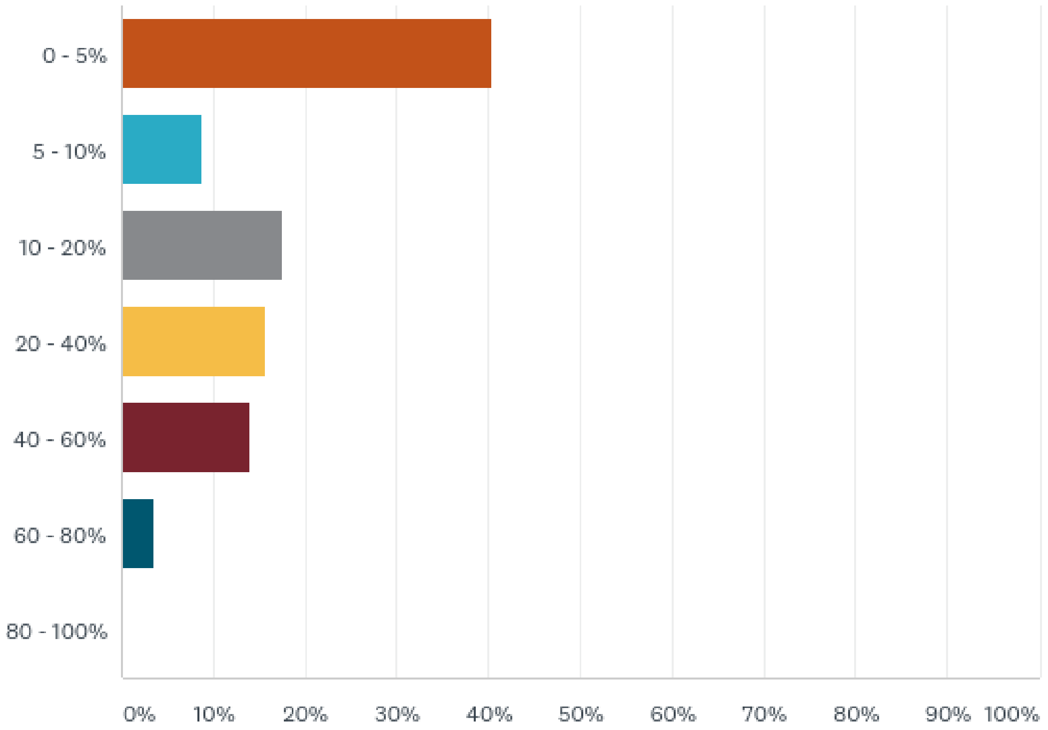
Q1: Proportion of business operations that are suspended as a result of COVID-19 during June.



ANSWER CHOICES	RESPONSES	
0 - 5%	40.35%	23
5 - 10%	8.77%	5
10 - 20%	17.54%	10
20 - 40%	15.79%	9
40 - 60%	14.04%	8
60 - 80%	3.51%	2
80 - 100%	0.00%	0
TOTAL		**57**

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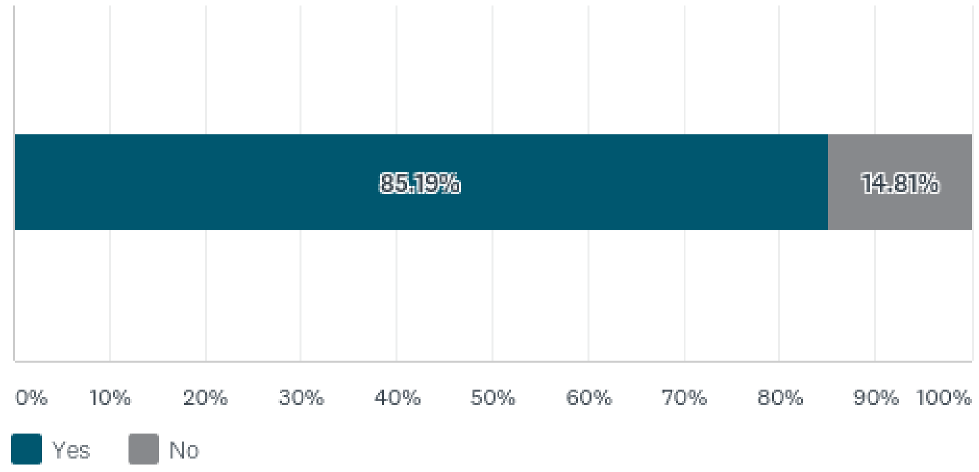
Q2: Have you brought furloughed staff back into your business during June?



ANSWER CHOICES	RESPONSES	
Yes	85.19%	46
No	14.81%	8
TOTAL		**54**

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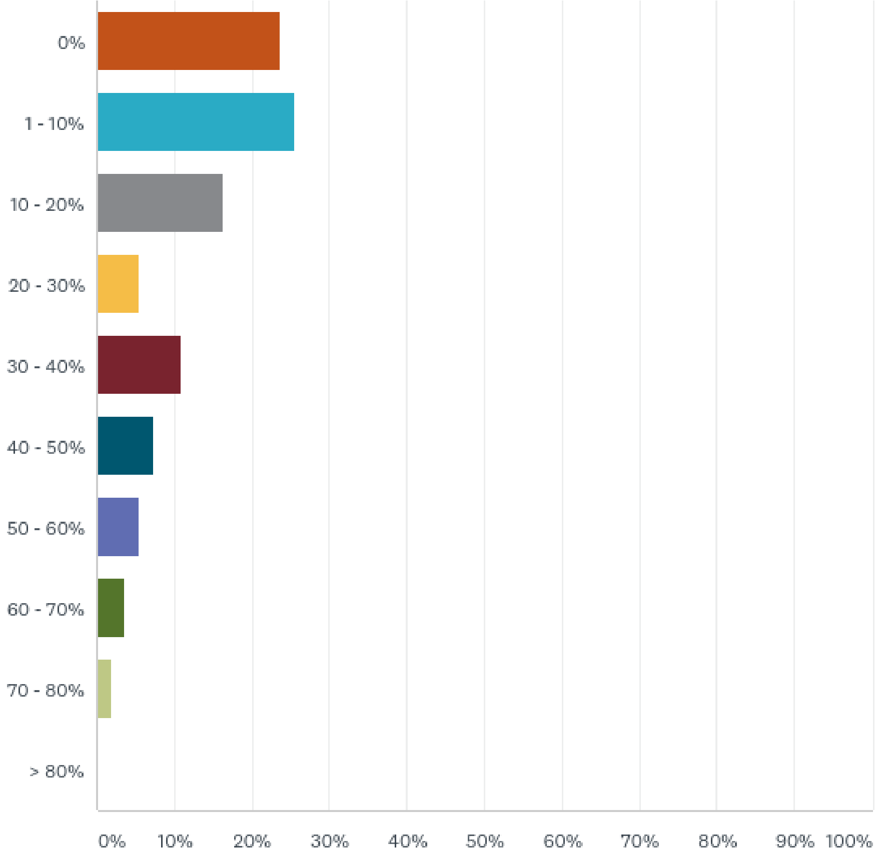
Q3: What percentage of your team are on furlough?



ANSWER CHOICES	RESPONSES	
0%	23.64%	13
1 - 10%	25.45%	14
10 - 20%	16.36%	9
20 - 30%	5.45%	3
30 - 40%	10.91%	6
40 - 50%	7.27%	4
50 - 60%	5.45%	3
60 - 70%	3.64%	2
70 - 80%	1.82%	1
> 80%	0.00%	0
TOTAL		**55**

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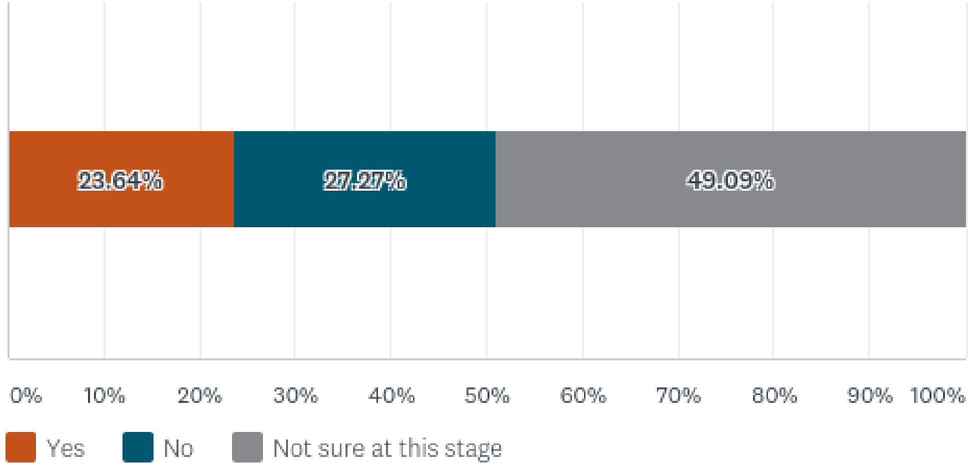
Q4: Do you plan to use the furlough scheme until it ends on 31 October 2020?



ANSWER CHOICES	RESPONSES
Yes	23.64% 13
No	27.27% 15
Not sure at this stage	49.09% 27
TOTAL	**55**

EDA SURVEYS

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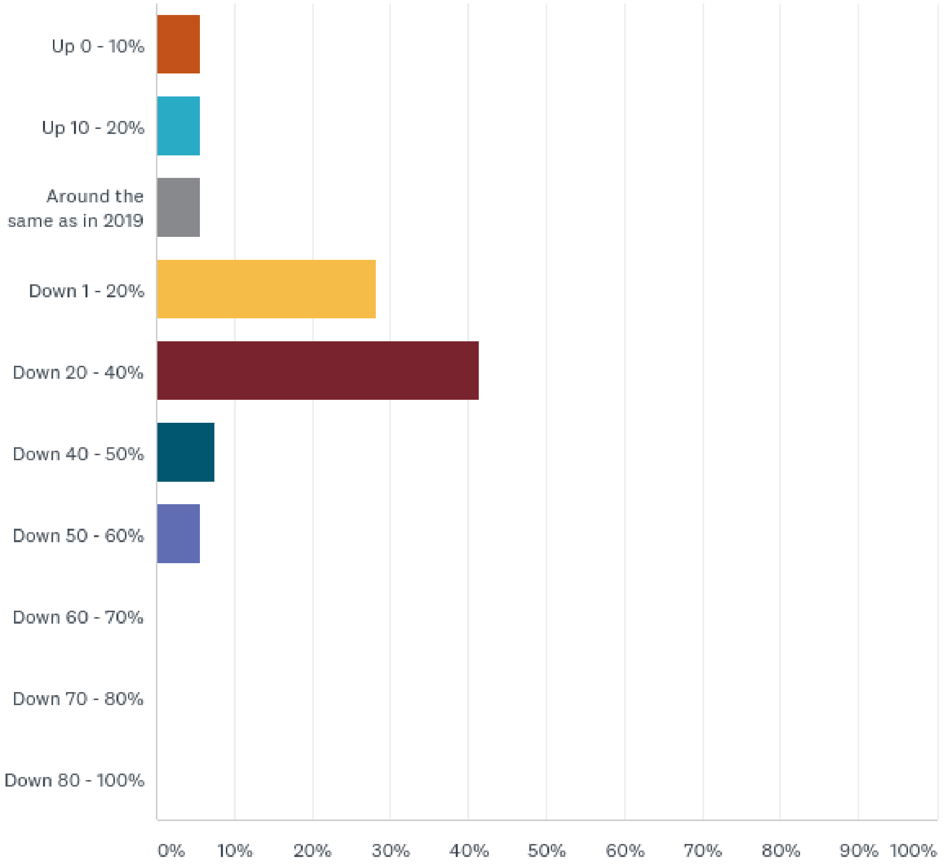
Q5: To what extent has your turnover has been affected when comparing June 2020 to June 2019?



ANSWER CHOICES	RESPONSES	
Up 0 - 10%	5.66%	3
Up 10 - 20%	5.66%	3
Around the same as in 2019	5.66%	3
Down 1 - 20%	28.30%	15
Down 20 - 40%	41.51%	22
Down 40 - 50%	7.55%	4
Down 50 - 60%	5.66%	3
Down 60 - 70%	0.00%	0
Down 70 - 80%	0.00%	0
Down 80 – 100%	0.00%	0
TOTAL		53

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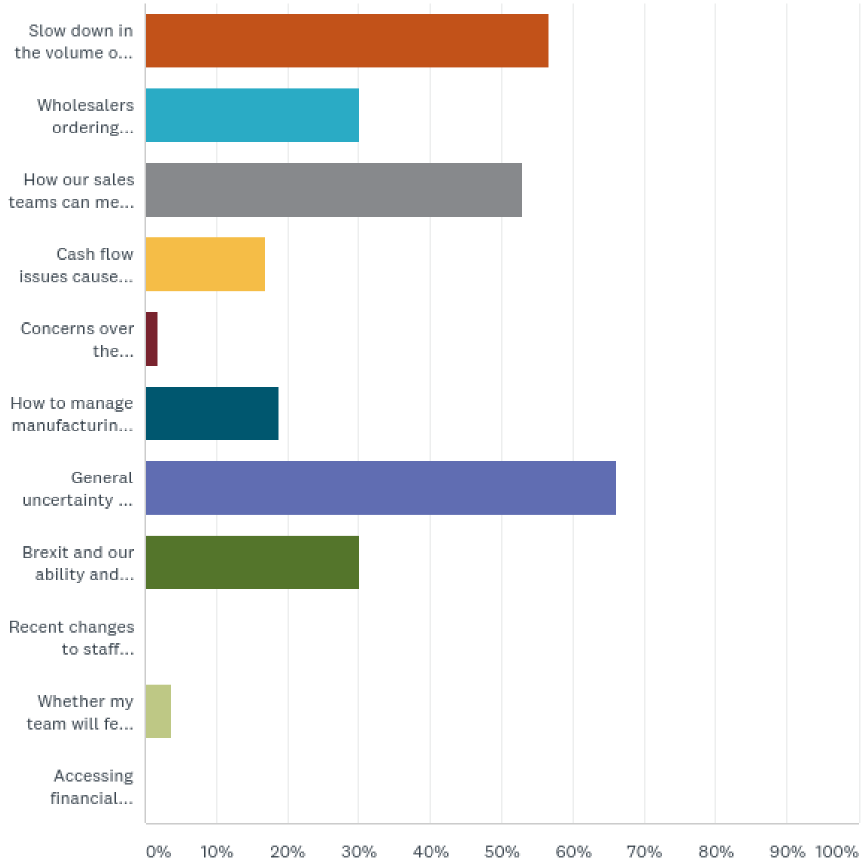
Q6: What are the three greatest challenges your business is facing, at this time?



ANSWER CHOICES	RESPONSES	
Slow down in the volume of orders from the wholesale channel	56.60%	30
Wholesalers ordering smaller volumes of products per order	30.19%	16
How our sales teams can meet with wholesalers safely	52.83%	28
Cash flow issues caused by slow payments from wholesalers	16.98%	9
Concerns over the supply of products and materials from overseas, potentially impacting the ability to meet customer expectations	1.89%	1
How to manage manufacturing output when it is difficult to predict demand	18.87%	10
General uncertainty and challenges over forecasting	66.04%	35
Brexit and our ability and resilience to manage this on the back of COVID-19	30.19%	16
Recent changes to staff furlough rules, including the Scheme ending on 31 October 2020	0.00%	0
Whether my team will feel safe returning to work	3.77%	2
Accessing financial support through the Government's schemes	0.00%	0
TOTAL		53

Other Challenges

- Slow down in public sector demand
- Staffing levels, a ack of confidence when recruiting staff and concern of a second spike.
- Wholesalers understandably have reduced stock through COVID-19 during April & May and then through June and July trade has increased quite significantly. Despite the increase in trade, wholesalers have not looked to increase their stocks, as a result pressure has been put on manufacturers to supply products with rapidity.

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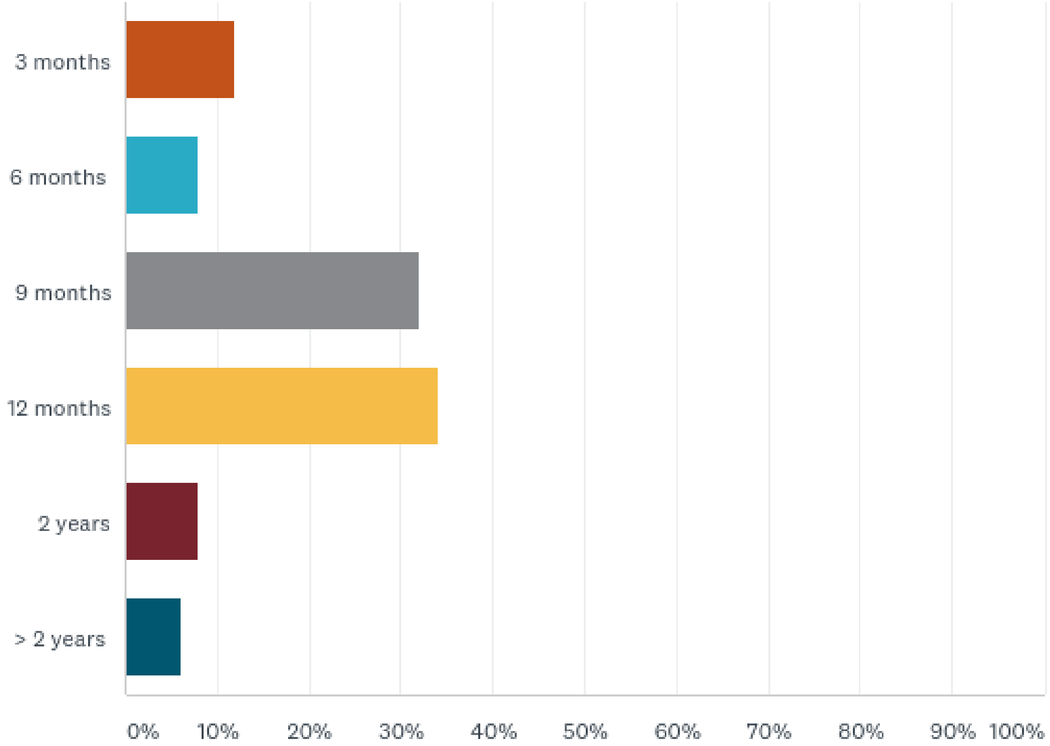
Q7: How long do you estimate that it will take until the sector reaches pre-COVID-19 turnover levels?



ANSWER CHOICES	RESPONSES	
3 months	12.00%	6
6 months	8.00%	4
9 months	32.00%	16
12 months	34.00%	17
2 years	8.00%	4
> 2 years	3.00%	3
TOTAL		**60**

Comments

Despite 11% of respondents believing that it will take 2 or more years for the sector to recover, we can see increasing optimism when comparing the views to the 30% of wholesalers responses from the survey taken in May.

Additionally 86% of respondents now believe it will take a year or less to recover.

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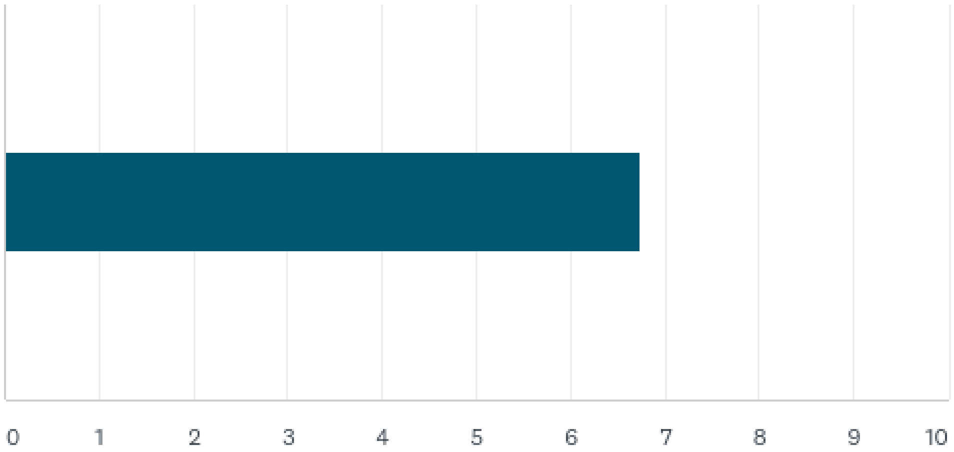
Q8: Do you feel more optimistic now than you did last month?



AVERAGE NUMBER	RESPONSES
7	51

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Further Comments

Traditional Trade Model

- The companies that have found other non-traditional supply chain routes during lockdown will affect business for Electrical Wholesalers that do not change to accommodate.
- The transactional model will change dramatically. There will be more click and collect or click and drop. It is time for the EDA members and affiliates to go digital and embrace ETIM.
- The wholesale industry will be face an accelerated risk from online trade.
- Confidence to put stock back into the supply chain is critical for the industry to ensure availability as the market starts to rebuild to pre COVID levels.

UK Manufacturing

- It’s important to support UK manufacturing wherever possible.

Furlough

- Although 35% are on furlough, this is mostly part time, we have very few left on full time furlough.

Recovery

- There will be a short term bounce as 3 months of pent up demand is unleashed. Demand will be above normal and will be followed by the reality of business closures. Brexit, lower investment and consumer spending (higher taxes must come eventually) will weigh down on transactional activity.