

# MANUFACTURERS: HOW TO STAY POSITIVE DESPITE THE (POTENTIAL) LOOMING RECESSION



For months, news coverage has been dominated by talk about the possibility that the [UK economy](#) will soon be hit by a major recession. It's something we've heard plenty of times before, with predicted recessions vastly outnumbering genuine downturns. This being said, it's sensible for manufacturers to be prepared for all eventualities, including how to operate and to thrive during a possible economic downturn.

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## A Self-Fulfilling Prophecy?

In truth, recessions often happen when businesses buy into the negative mindset that such a situation is 'unavoidable.' While recessions can, of course, be driven by other factors outside the control of manufacturing companies, there are many instances when predicted downturns have failed to materialise because individual businesses have refused to be influenced by catastrophic forecasts – such as in the immediate

aftermath of the Covid lockdowns. The newsfeeds were full of gloomy predictions, but businesses were having none of it. By refusing to talk themselves down or stop making plans for growth, businesses avoid the knee-jerk reactions that are more likely to make recession a reality.

In fact, with negativity proliferating in the news, it's always better to adopt a positive stance and focus on the good things that are happening in the industry. Within manufacturing, there are many ambitious programmes in place to raise the uptake of engineering at school, increase recruitment, and override the negative perceptions that many have of the sector. Currently, an important initiative is the fight for a Minister for Manufacturing, with many companies joining forces to highlight the benefits for the industry.

One of the most encouraging players in the manufacturing industry is Mark Weymouth, whose [#FridayGOODnews](#) posts regularly highlight the positive developments and initiatives taking place.

## **Futureproofing Your Manufacturing Business**

If a recession does occur, it's vital that manufacturing businesses are well-prepared, resilient, and able to ride out the storm. What steps can you take now to future proof your company?

### **Guarantee Service And Performance**

Ensure you are delivering the best levels of service and performance for your customers. Ensure you are their preferred choice for the placement of orders and make sure you communicate regularly with them regarding your performance and any other opportunities that may exist within their business for you. Do not be tempted to panic and reduce prices in the face of any potential recession as most customers need security and longevity of supply, rather than a quick price reduction in the short term.

### **Monitor Your Cash flow**

If a recession is looming, take action to reinforce your cash-flow management immediately:

- Plan your cash-flow for the next three to six months.
- Prepare measures to make efficiency savings as soon as a recession seems inevitable – without, if possible, making people redundant or scaling back important capital investments.

- Run simulations to help you to anticipate the effect of decreased revenue on your cash-flow.
- Review payment terms with customers and suppliers and implement early-settlement discounts or online billing to encourage prompt payments.

## Manage Your Debts

Negotiating with lenders is most effective when you are in a position of strength. Increasing your credit will give you access to working capital when it is most needed. Waiting until the financial pressures are bearing down will make it less likely that you will receive a sympathetic hearing.

## Generate Flexibility

Embedding flexibility into your business operations will enable you to scale down your costs rapidly, should the need arise. Converting fixed costs to variable costs gives you greater manoeuvrability should the financial climate worsen. There are many ways to do this, such as:

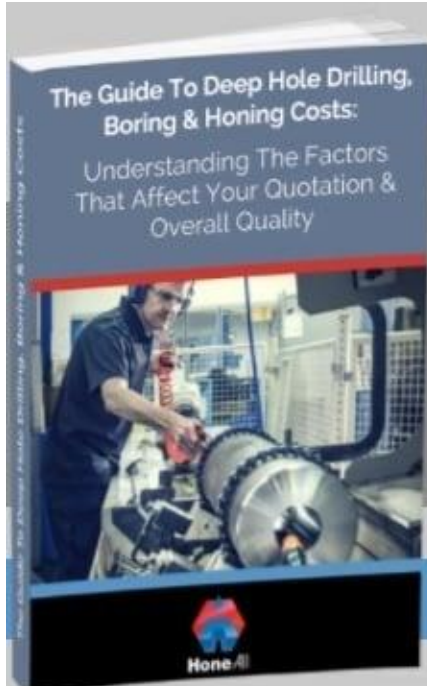
- Increasing overtime instead of recruiting new staff.
- Hiring contractors for seasonal or short-term work.
- Outsourcing highly complex work to specialist providers, such as Hone-All, rather than purchasing new, expensive equipment.

## Reinforce Your Supply Chain

Strong relationships with suppliers and vendors will enable you to stay abreast of market developments and maintain a fluid supply of components or raw materials. Long-term contracts with your suppliers will help to protect your business during a slowdown.

**Remember that a recession is not inevitable but, by taking sensible steps now, your business will benefit from cost savings and improved efficiencies even if the worst-case scenario never occurs.**

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