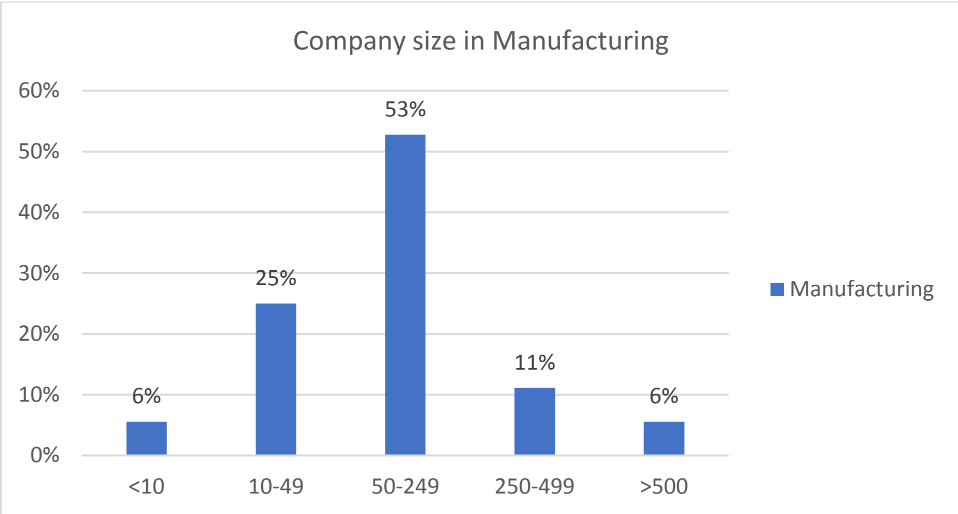
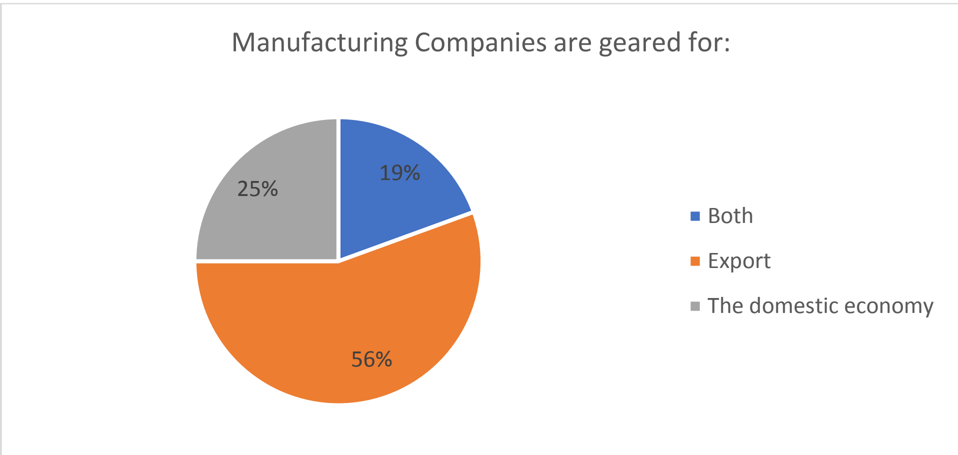
Sector C: MANUFACTURING

The manufacturing represents 15% (36 companies) of survey respondents.

6% of companies within the manufacturing industry employ less than 10 employees, 25% employ between 10-49 employees, 53% employ between 50-249 employees, 11% employ between 250-499 and 6% employ more than 500 employees.

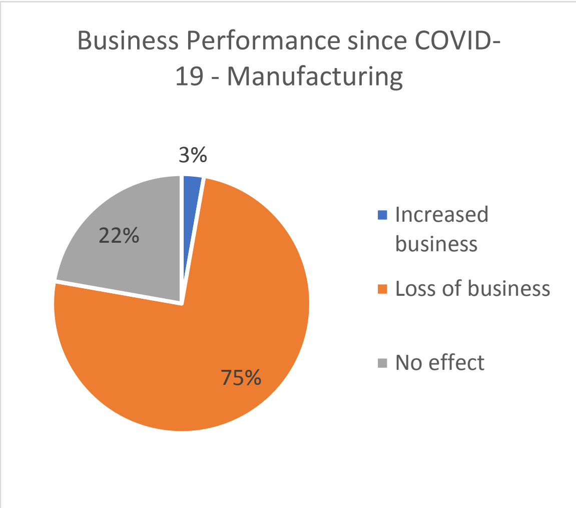


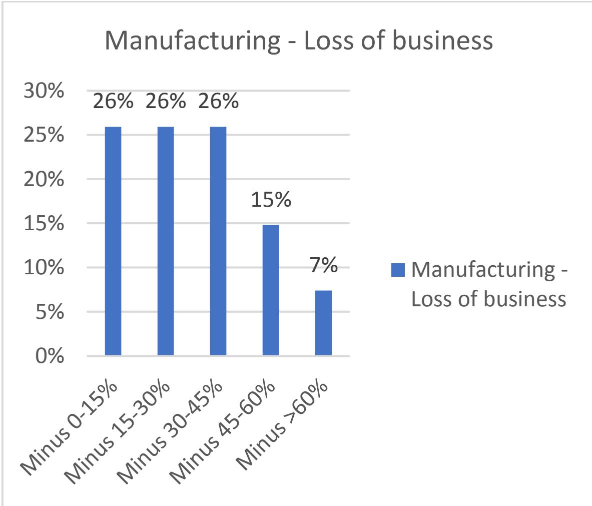
25% of survey respondents in the manufacturing industry are geared for the domestic economy and 56% are geared for export. 19% are geared for both the domestic economy and export.



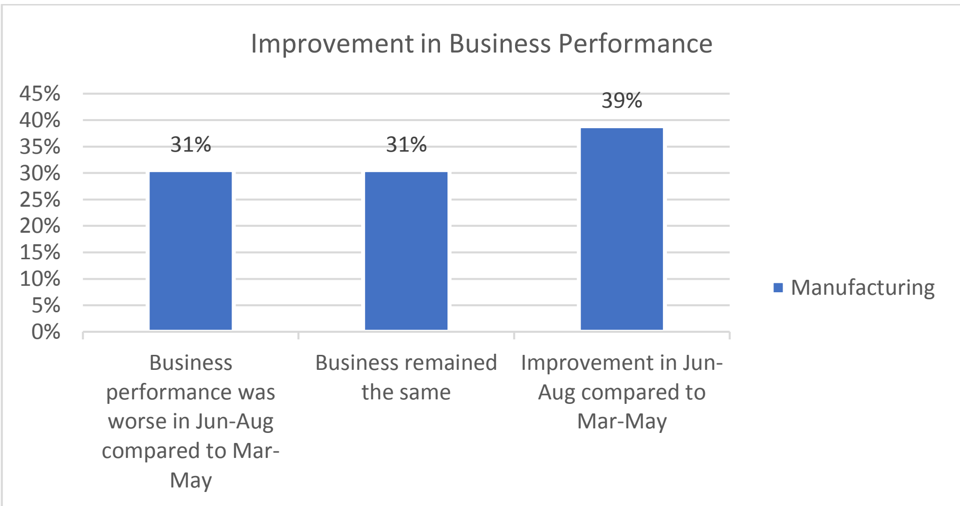
C 3.1.1 Effect of COVID-19 on Business Operations

When asked how the COVID-19 pandemic affected business, 75% of survey respondents in the manufacturing industry stated that they had a loss of business. 3% stated that they have increased their business activity, while 22% stated that the COVID-19 didn't affect their business performance. Out of those that reported a loss in business (75%), 26% experienced between 0-15% loss; 26% between 15-30%; 26% between 30-45%; 15% between 45-60% loss and 7% more than 60% loss.



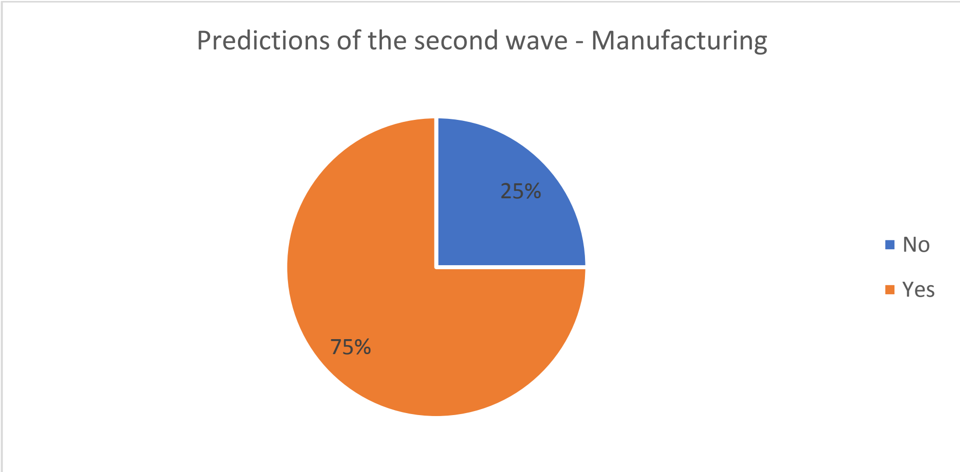


39% of survey respondents in the manufacturing industry have seen an improvement in their business operations between Jun-Aug when compared to Mar-May. 31% of companies stated that their business remained the same and 31% of companies stated that business performance had worsened in Jun-Aug.

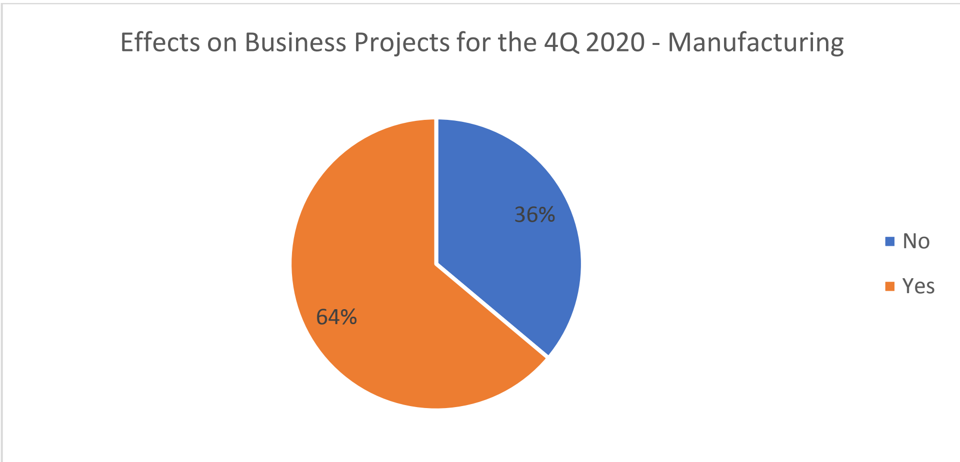


C.3.1.2 Predictions & Effects of the Second Wave

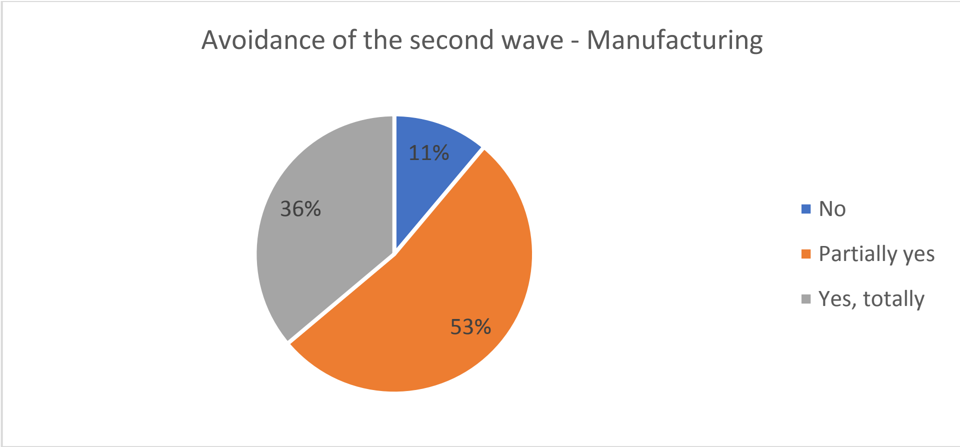
75% of survey respondents in the manufacturing industry claimed that they have foreseen a second wave following the increase in Covid-19 cases on the 20th July. The other 25% claimed that they did not foreseen it coming.



64% of survey respondents claimed that the second wave affected their business projections for the fourth quarter of 2020. The other 36% claimed that the second wave did not affect their business projections for Oct-Dec 2020.



Comments from the manufacturing industry show that the first wave did impact orders entries and affected employee attendance. Some claim that if the situation does not improve, they might have to look at week reductions and redundancies. Since most companies focus on export, the decline is not correlated with the second wave in Malta but more on a global level. Lockdowns affect business negatively, and so many are encouraging government to hold back from mandatory closing of shops.

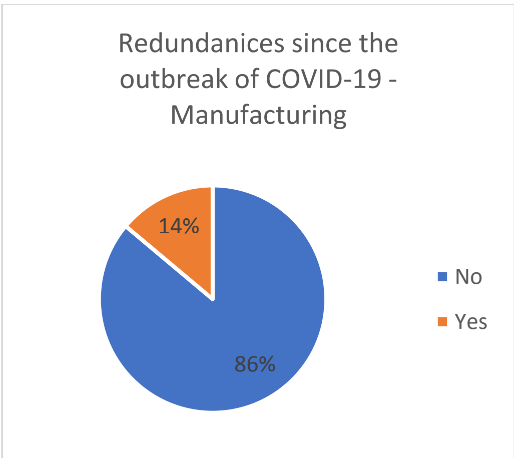


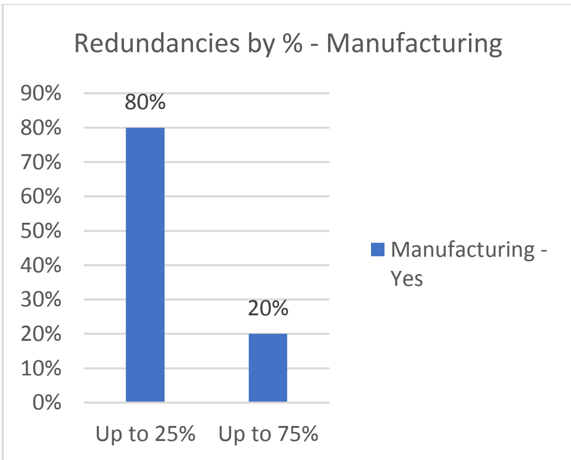
36% of survey respondents from the manufacturing industry claimed that the second wave could have been entirely avoided, and 53% claimed that it could have been partially avoided. Only 11% of survey respondents from this sector claimed that the second wave could have not been avoided.

Survey respondents from this sector blame the increase of the second wave on the opening of mass events and lack of airport control. Some stated that the situation could have been better managed by the introduction of bubble travel and screening of tourists. The lack of this resulted in higher numbers of positive cases, causing a good number of employees testing positive and/or being in quarantine. Others within the same sector stated that the second spike was inevitable and that the negative outcomes of the second wave do not exceed the negative outcomes that would have ensued if they had to remain closed. In the time that they had to return to the new normal, some have managed to recuperate some of their business.

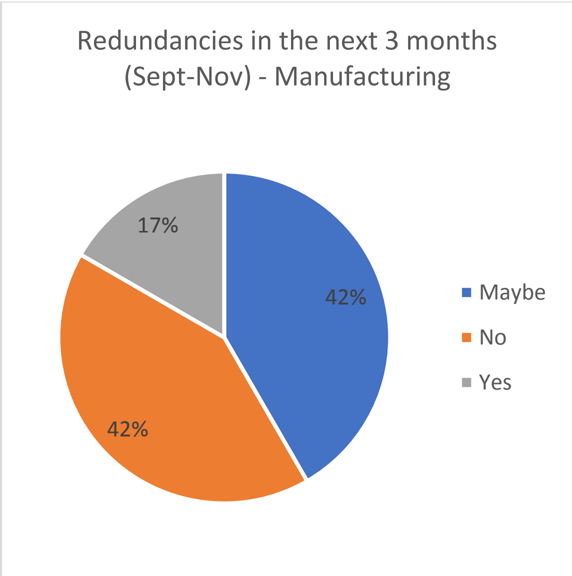
C.3.1.3 Redundancies

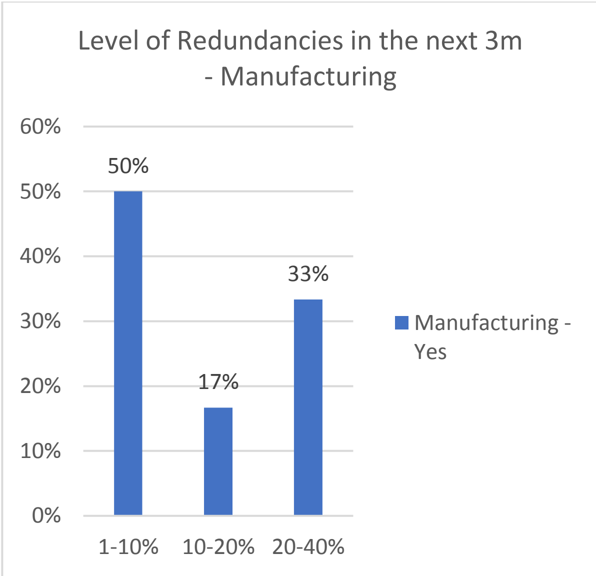
Since the outbreak of COVID-19, 86% of survey respondents in the manufacturing industry did not do any redundancies. 14% have made some redundancies, out of which 80% made redundancies up to 25%, 20% by up to 75%.



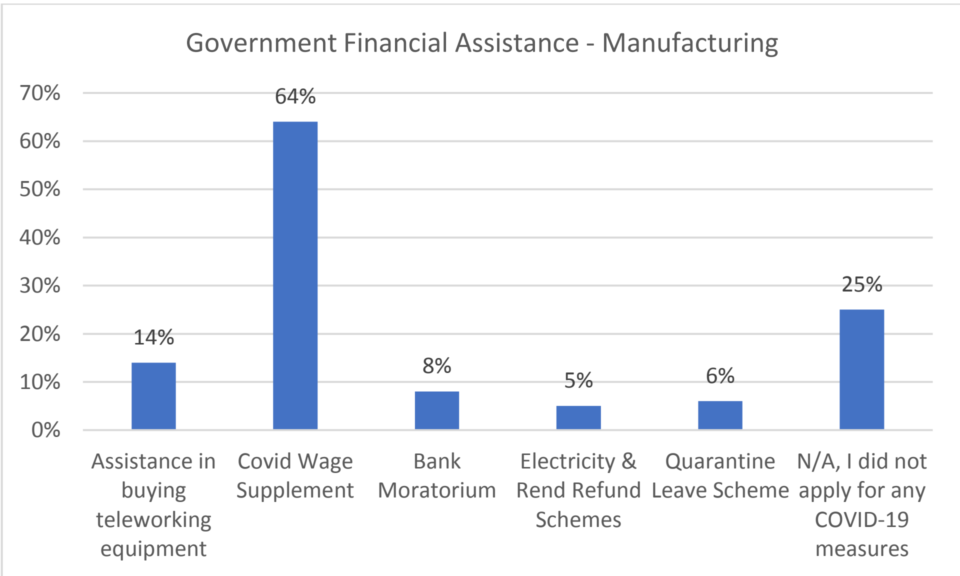


When asked about the expected reduction in labour force from current levels in the coming 3 months (Sep-Nov), 42% of respondents from the manufacturing industry stated 'No', 17% stated 'Yes' and 42% are 'Still Undecided'. Out of those that answered in the affirmative (17% amounting to 6 companies), 50% are forecasting between 1-10% loss; 17% are forecasting between 10-20% loss; and 33% are forecasting between 20-40%.





C.3.1.4 Financial Assistance by Government



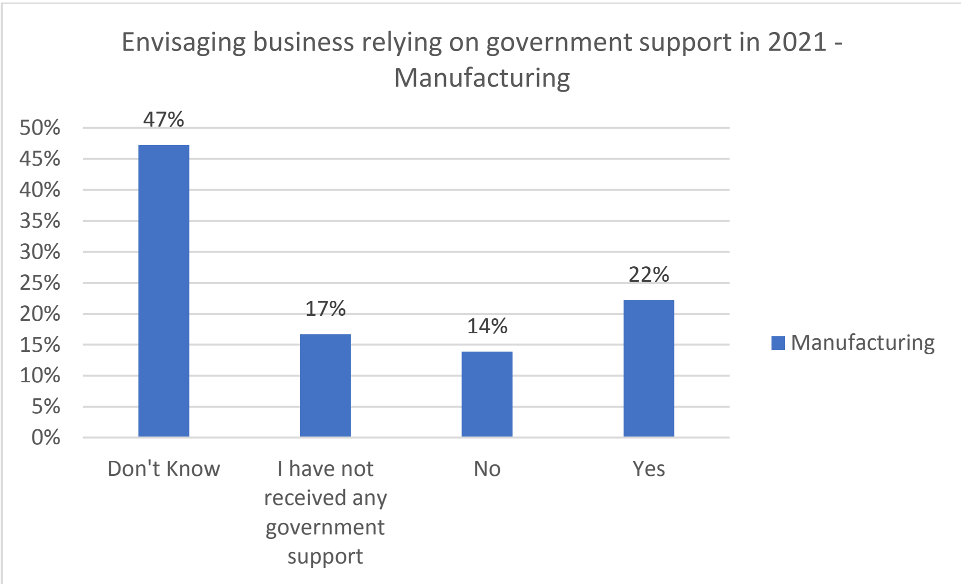
Most survey respondents in the manufacturing industry (64%) are benefitting from the Covid Wage Supplement. 14% have applied for assistance to buy teleworking equipment, 8% have applied for bank moratoriums, 5% have benefitted from the electricity & rent refund, and 6%

have applied for the Quarantine Leave Scheme. 25% of survey respondents have not applied for any COVID-19 related measures.

Recommendations for government in providing additional support in Q4 2020, from the manufacturing industry include the below:

- Extension of the COVID wage supplement
- Separate the Rent and Electricity Refund schemes from the CWS
- Extension of buying new equipment scheme
- Converting tax credits to cash grants
- Commence schemes which are still pending like business re-engineering consultancy scheme and skills development scheme
- Introduce schemes on business development support
- Re-issue the Parents' Benefits
- Re-employment of third country nationals

These comments are placed in order of priority by survey respondents.

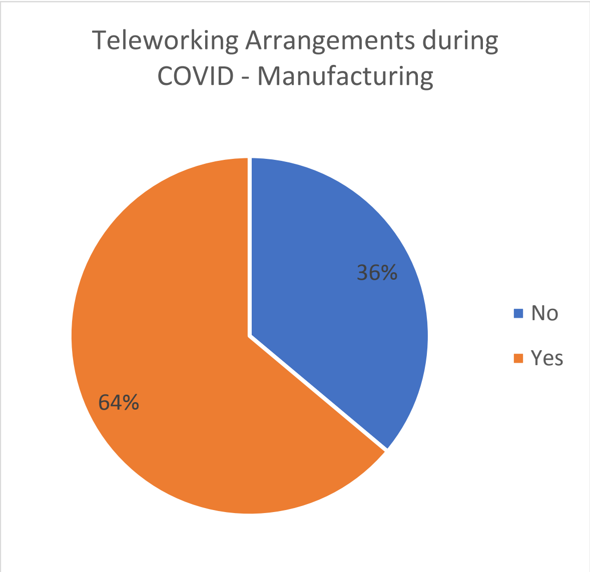


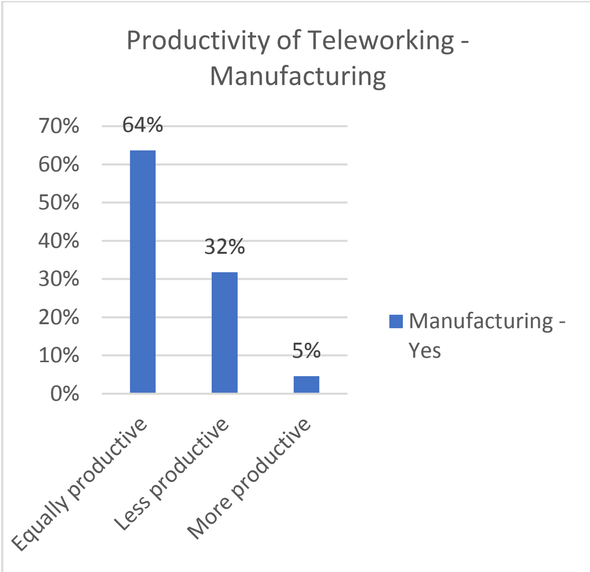
22% of survey respondents in the manufacturing industry envisage relying on government support in year 2021. 14% of respondents claimed that they will not be relying on government supports and 47% are still uncertain. 17% of survey respondents within this sector have not received government support, thus have not commented to this question.

Some companies will be implementing a reduced working week and others will have to turn to redundancy. Others are envisaging that the real impact of the pandemic will be felt in early 2021, however due to the market's volatility, no concrete decisions have been taken as yet. Companies within the manufacturing sector encourage government to keep on supporting businesses with the extension of the Covid Wage Supplement and further tax reduction.

C.3.1.5 Teleworking Arrangements

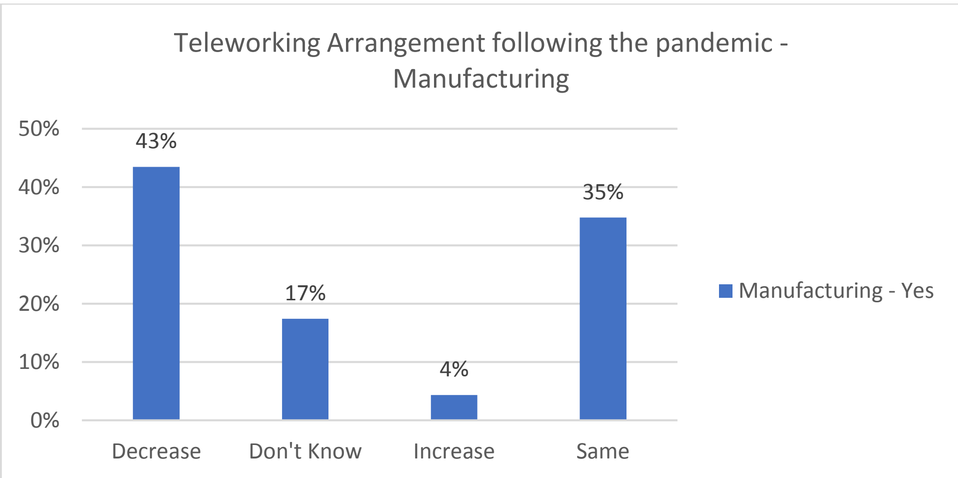
64% of survey respondents in the manufacturing industry claimed that they have made used of teleworking arrangements during COVID. The other 36% have not.





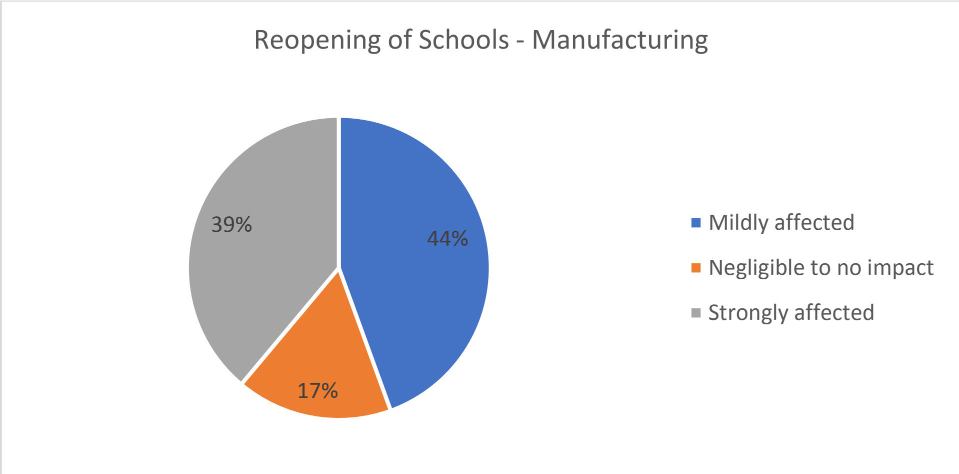
From companies that made use of teleworking arrangements, 64% stated that employees have been equally productive, 32% stated that employees have been less productive and 5% stated that employees have been more productive.

35% of survey respondents stated that it will remain with the same teleworking arrangements as this is possible for their line of work. 43% stated that teleworking arrangements will decrease following the pandemic, considering that most manufacturing companies do not have jobs that can be done remotely. 4% stated that they might actually increase teleworking arrangements where this is possible. 17% are still uncertain.

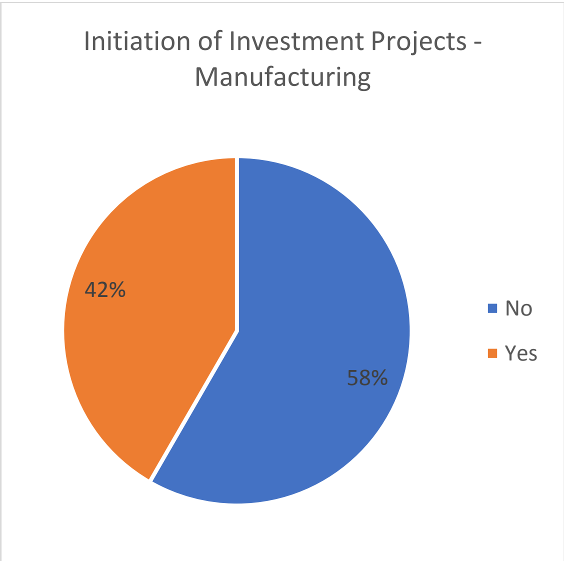


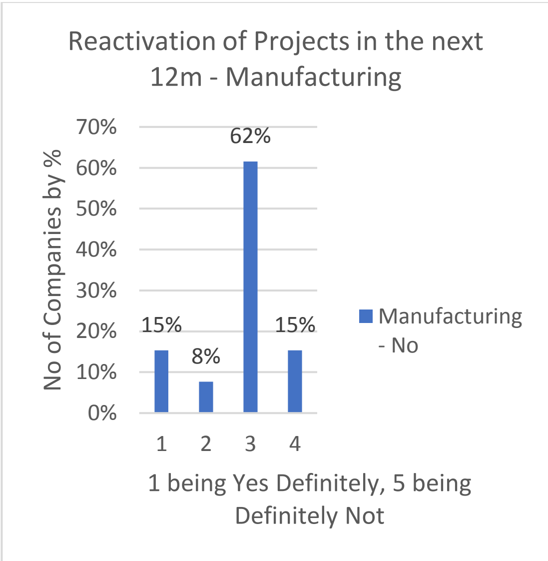
C.3.1.6 Reopening of Schools

39% of survey respondents in the manufacturing sector stated that their business operations will be strongly affected with the reopening of schools, while 44% will be mildly affected. 17% of respondents will have no impact.



C.3.1.7 Initiation of Investment Projects





42% of survey respondents in the manufacturing sector have initiated investment projects that have been postponed due to COVID-19. However, the other 58% have not initiated any projects.

The majority (62%) of those that have not initiated their projects are not certain whether they will do in the next 12 months. 23% are likely to initiate and 15% are not likely to initiate.

C.3.1.8 Major employment related matters faced by the Manufacturing Sector

When asked about major employment related matters that are affecting businesses in the manufacturing industry due to the current situation, companies mentioned the below comments:

- Reduction in working hours
- Increase in sick leave and quarantine leave due to testing
- Disrupted workforce (quarantine, care of children, etc.)
- Higher costs in safeguarding health & safety
- Increase anxiety in workforce, uncertainty affecting employees' morale
- Restricted flexibility in working overtime
- High employee turnover and difficulties in finding skilled employees
- Decrease in orders and less consumer confidence
- Retention of skilled TCNs

C.3.1.9 Recovery of Business

Whilst 14% of businesses have already reached pre-COVID levels, most businesses in the manufacturing sector that have participated in this survey require more than year (42%) to recover to pre-Covid levels. 6% are perceiving a recovery between 4-8m and 39% are perceiving a recovery between 8-12m.