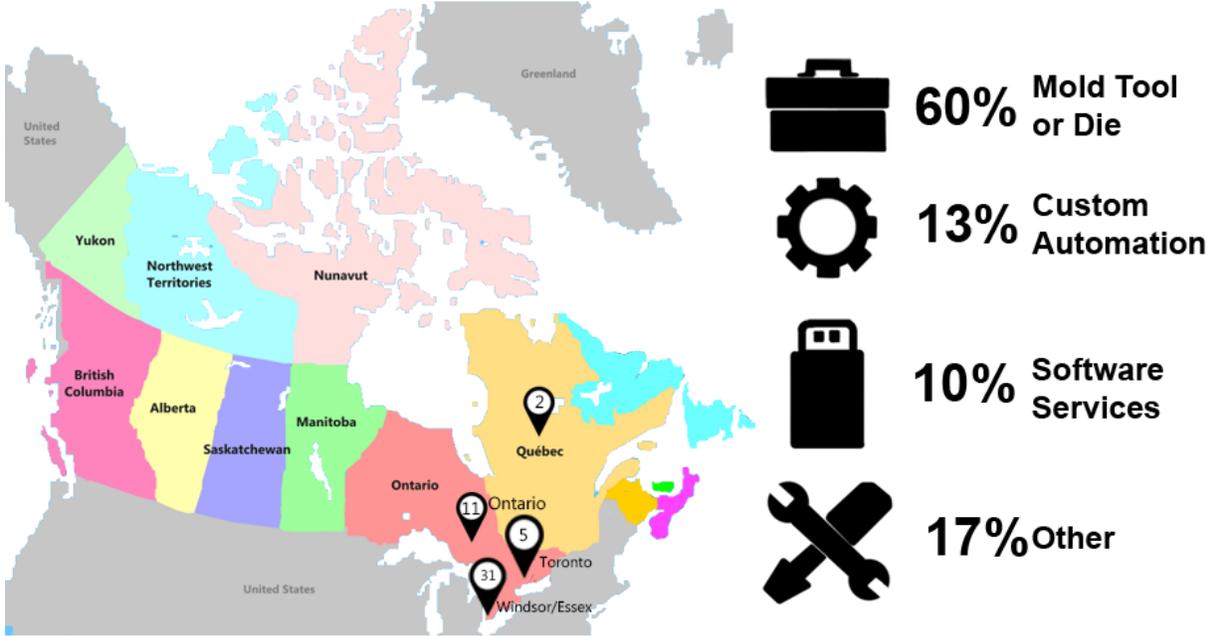
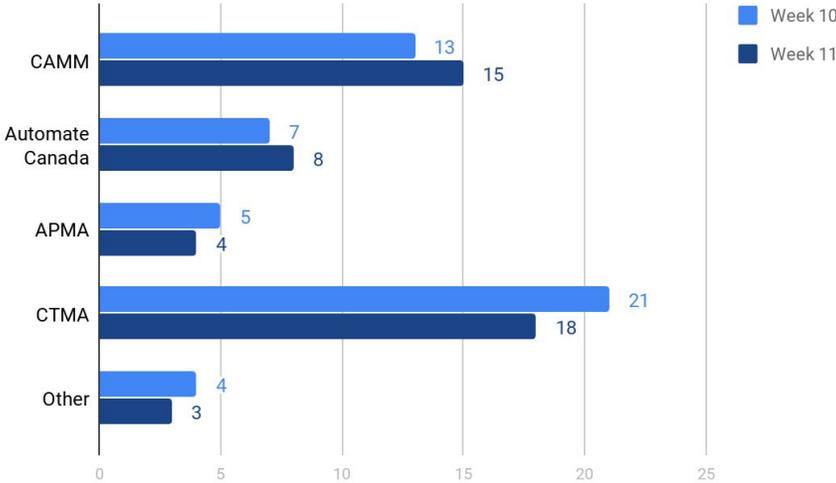


Survey conducted by CAMM and Automate Canada with a total of 34 responses for the August survey (week 11). 692 responses in total to date.

Location and primary business activity of our respondents to date

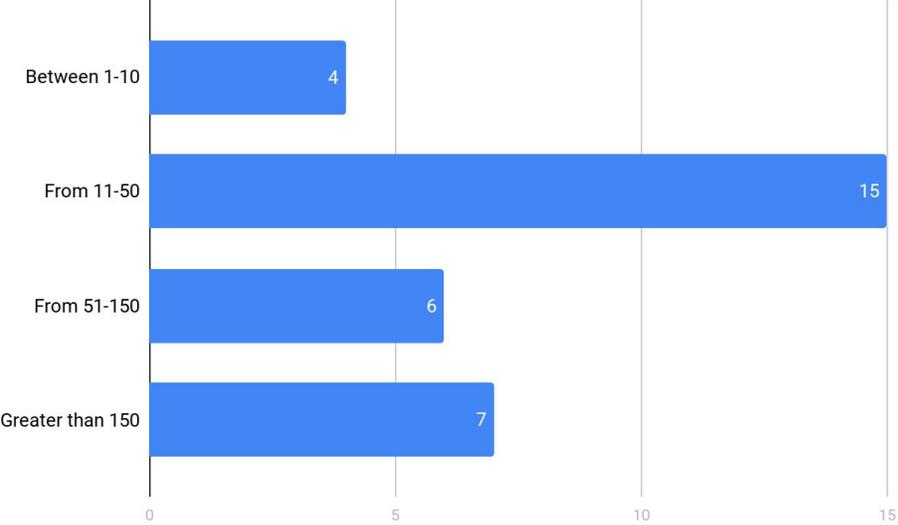


Are you a member of the following Canadian associations:



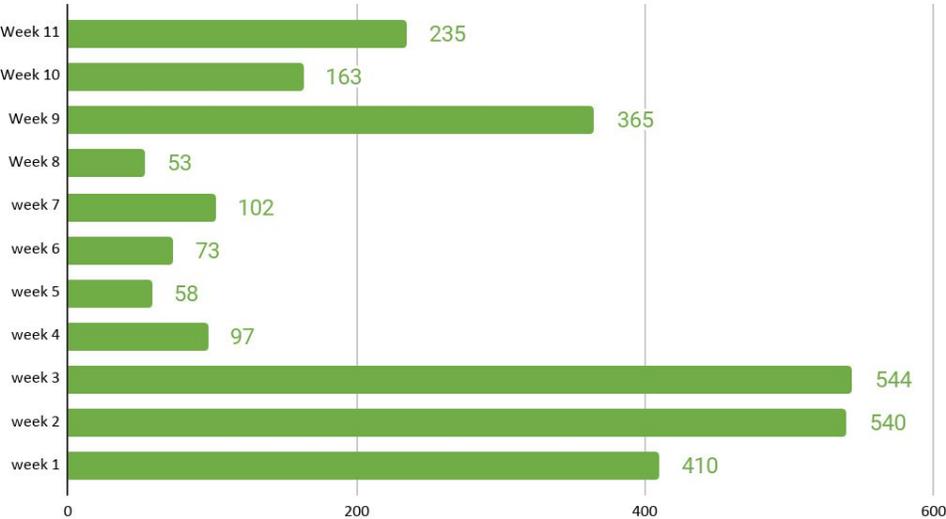
Company Size (# of employees on 01/31/2020)

55% of our respondents are small companies, with between 1 - 50 employees.

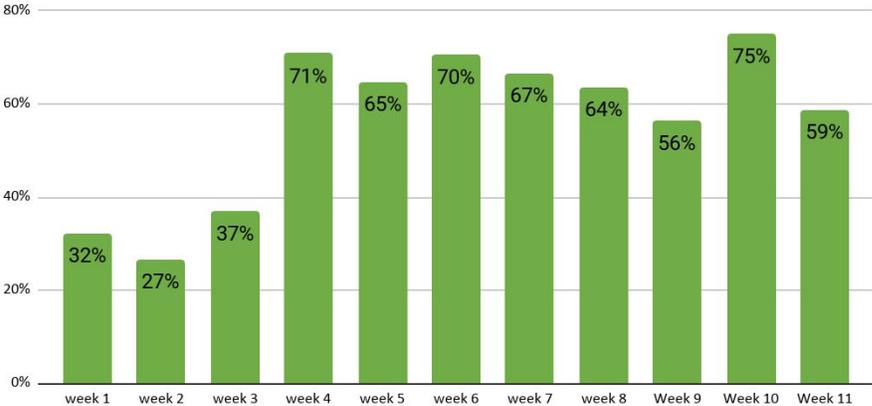


Direct impact reported on the workforce:

Mandatory Isolation or Quarantine: The number of employees out of the workplace due to isolation or quarantine has increased from July, with the number of companies with no employees out on quarantine stabilized at 59% (the 4 average over the past four surveys is 63%).

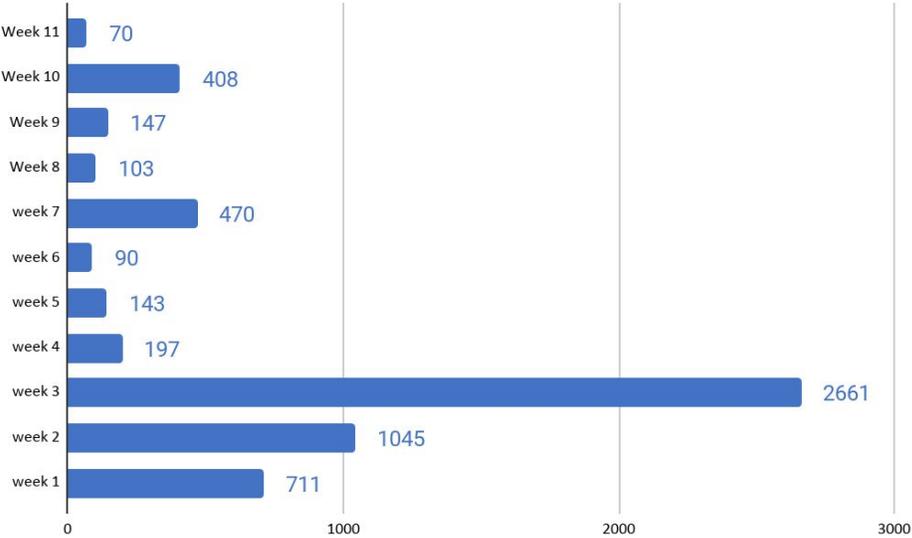


Workplaces with no employees off on quarantine as percent of respondents

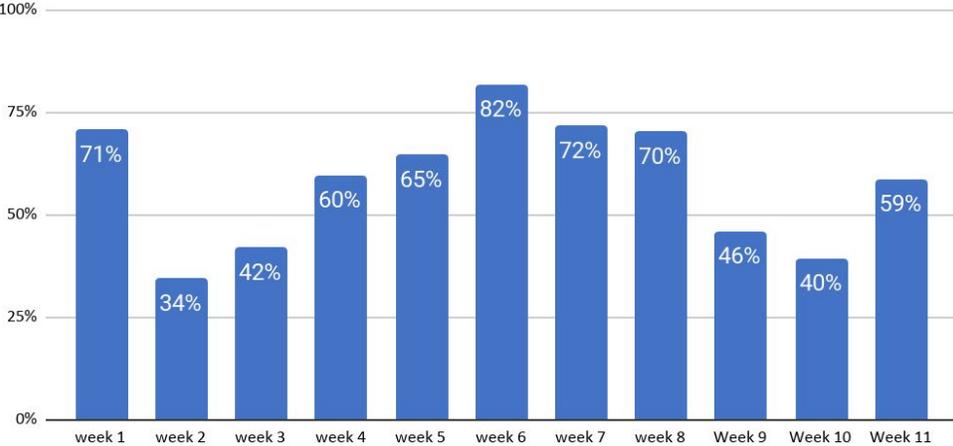


Temporary Layoffs:

As of Friday, August 7th, our respondents reported having 70 employees on temporary layoff, a big decrease from what we saw in July. Only 40% of workplaces had employees on layoff, which has stabilized for this summer (the average over the past four surveys was 45% of workplaces had employees on layoff). In July, 60% of workplaces reported having employees on layoff, so these numbers represent a month over month improvement.



Workplaces with no employees on temporary layoff as percent of respondents

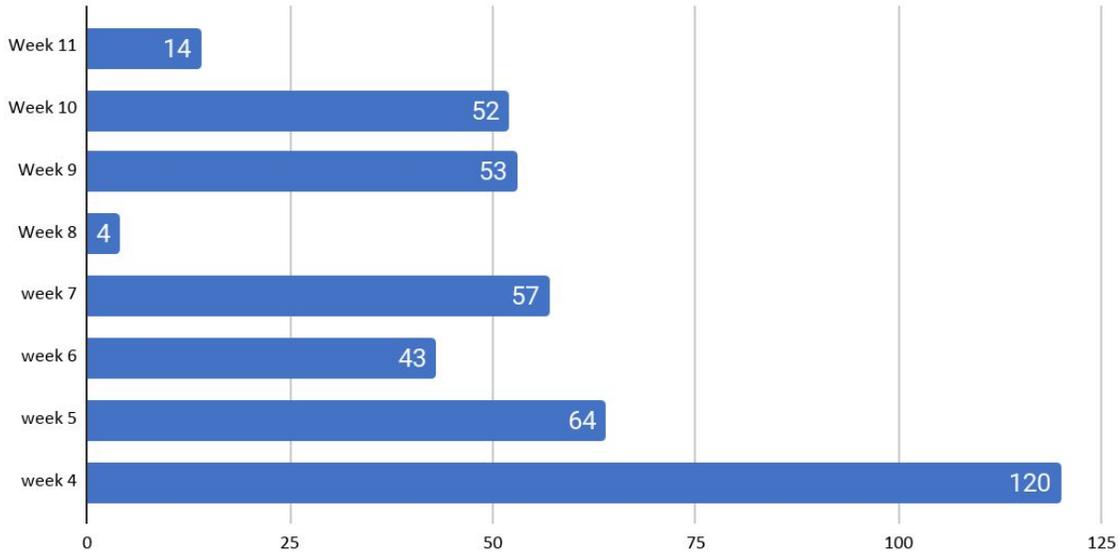


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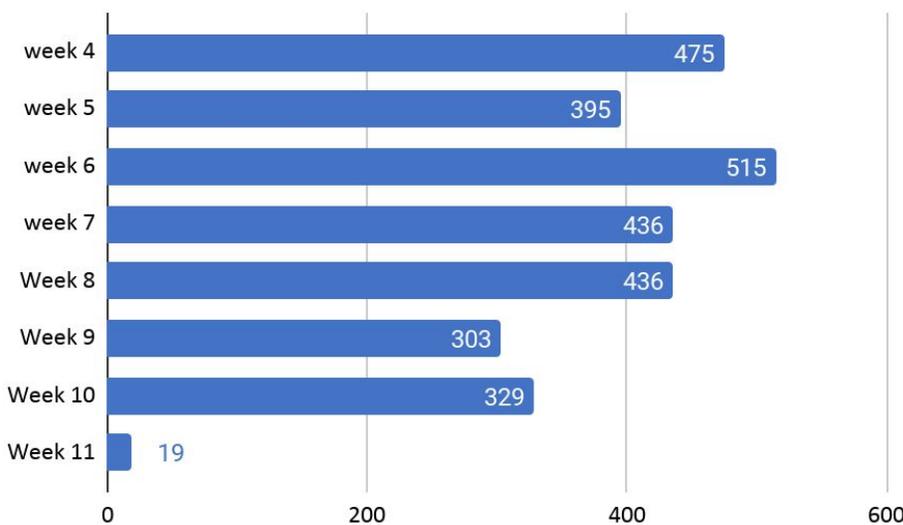
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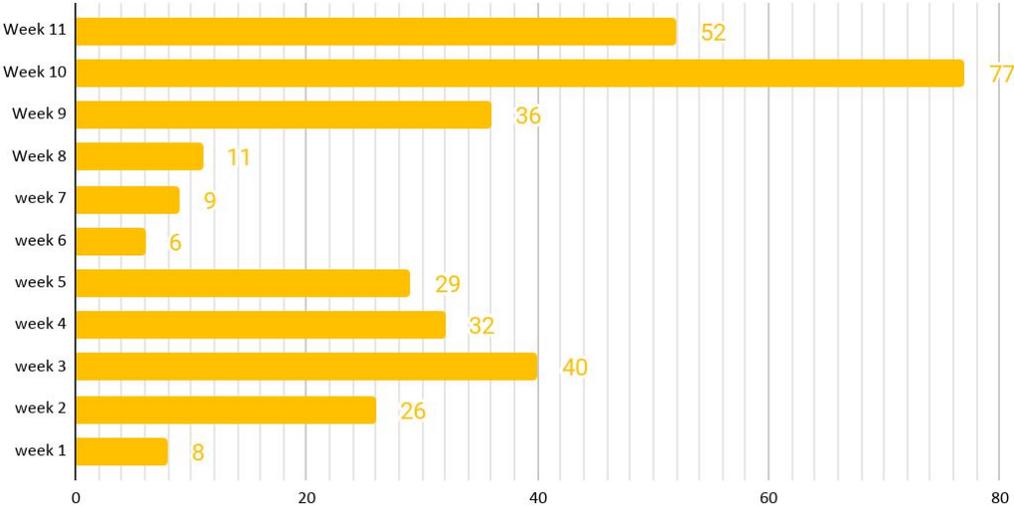
How many employees were granted voluntary layoffs? As of Friday, August 7th, 14 employees were reported as on voluntary layoff. About one quarter of our workplaces reported having at least one person on voluntary layoff, which is close to the 30% average over the past four surveys.



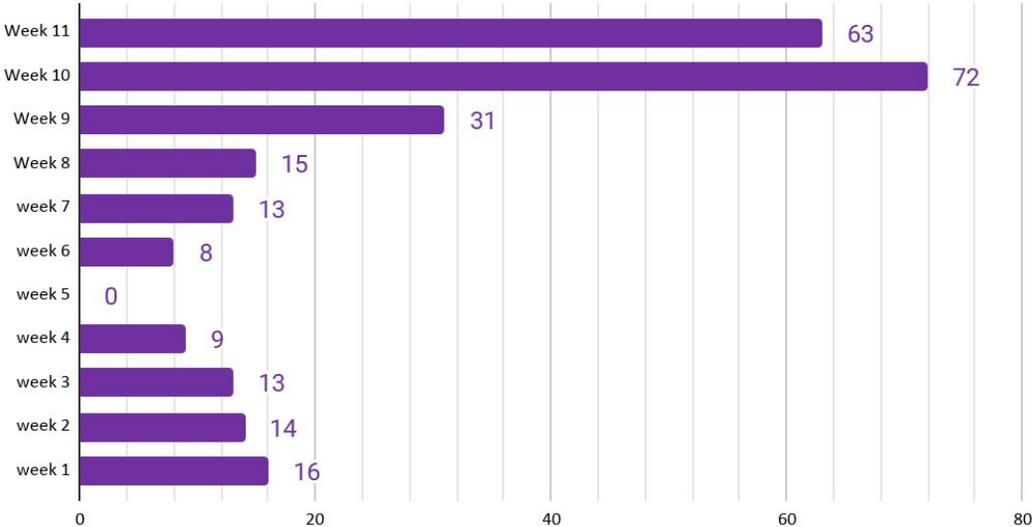
What about employees who have received full or partial wages, but were not actively working? We saw a big drop in the number of employees on furlough this month - from 329 in July to 19 in August. Only 9% of workplaces reported that there were employees on furlough as of Friday, August 7th. It looks like large numbers of employees are returning to work from furlough, even with the continuation of the CEWS program announced this month.



Workplaces continue with permanent layoffs. The number of employees let go remained high this month. Almost half of workplaces reported permanent layoffs. It should be noted that the number of employees let go permanently does not balance off the large drop in the number of employees on furlough, so furloughed employees are not being let go in large numbers.



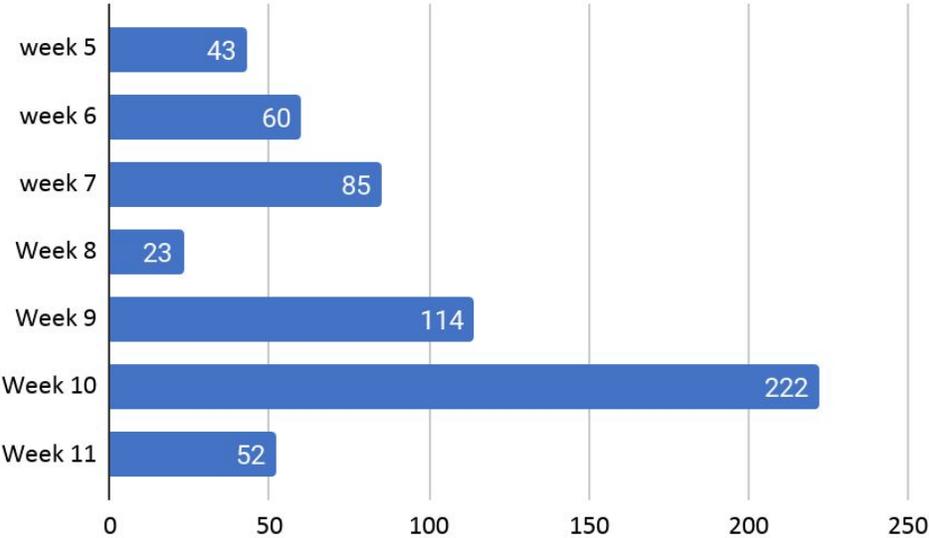
Manufacturing continues to hire at a similar rate. This week, respondents reported hiring 63 new employees in the prior month. This represents over half of our respondents, which is much higher than the average over the past four surveys of 34%.



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How many employees have been recalled in the prior week from temporary layoff.

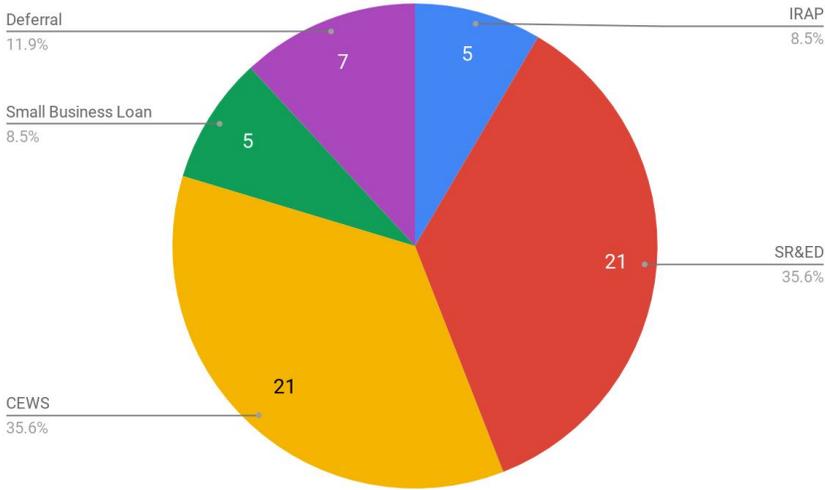
They continue to recall employees - 52 to be exact were reported as recalled in the past month. The pace of recall slowed this month, with 24% of our respondents reporting recalling employees from temporary layoff in the prior month - down from the 42% of respondents we saw in July.



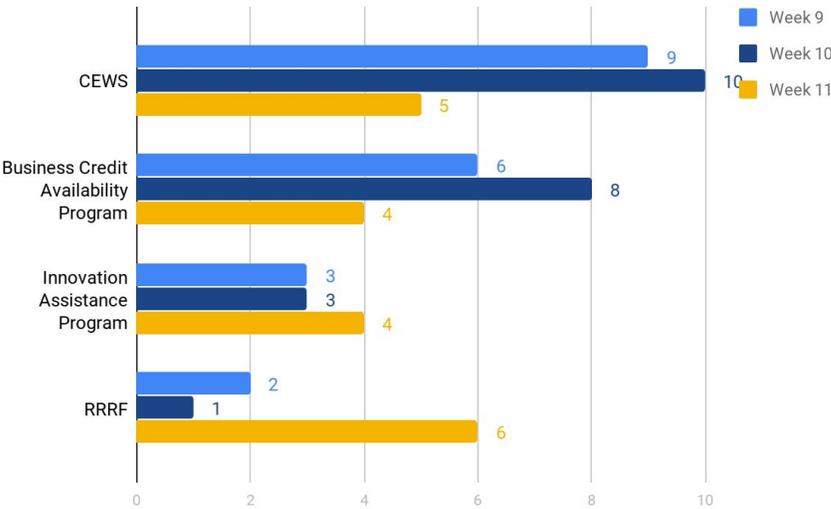
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Government Programs Currently Being Accessed (with # of times mentioned):

CEWS topped the list this week, tied with SR&ED tax credits (supporting R&D activities), and deferring remittances a third choice.



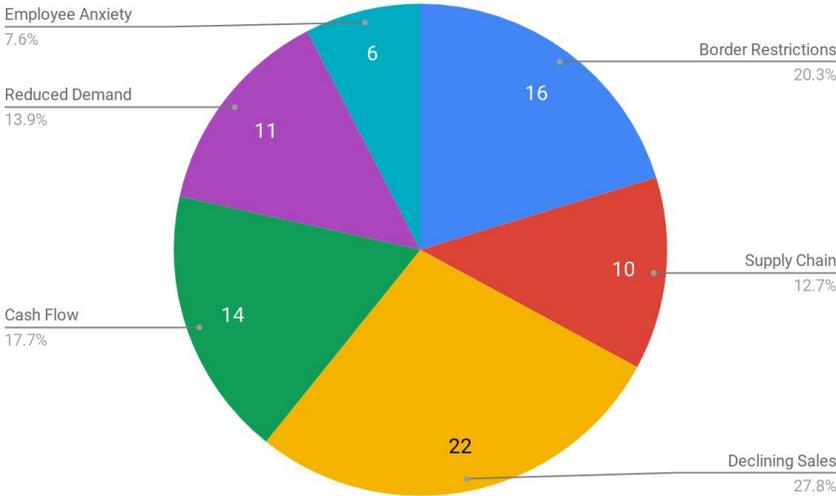
Government program eligibility. 35% of our respondents told us that they did not meet the qualification criteria for one or more financial support programs from the government, similar to the 31% we saw in July. The most common program cited was RRRF (the Regional Relief and Recovery Fund). It is concerning that eligibility criteria are not being met for RRRF, which is meant to support businesses who may not otherwise be eligible for support.



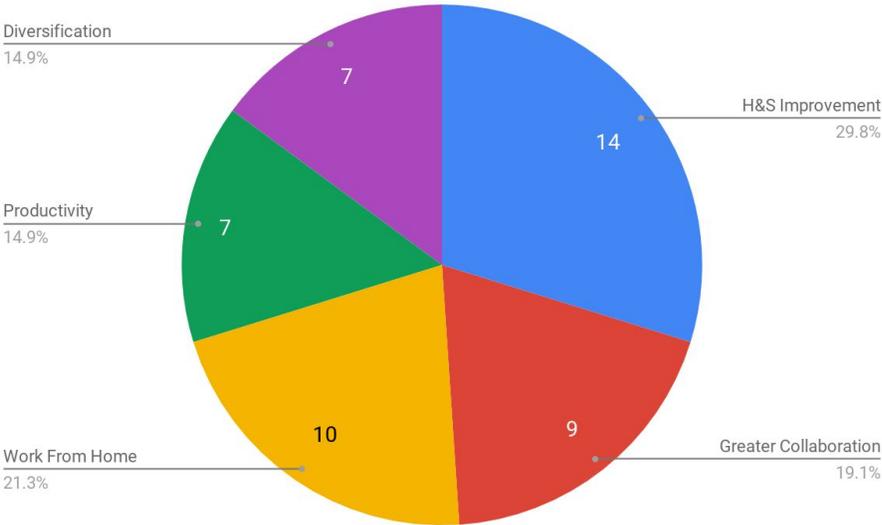
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Biggest Impact on Canadian Business to Date:

In August, declining sales, border restrictions and cash flow were reported as having the greatest impact on manufacturers. Border restrictions moved into the top three this month while reduced demand moved out.



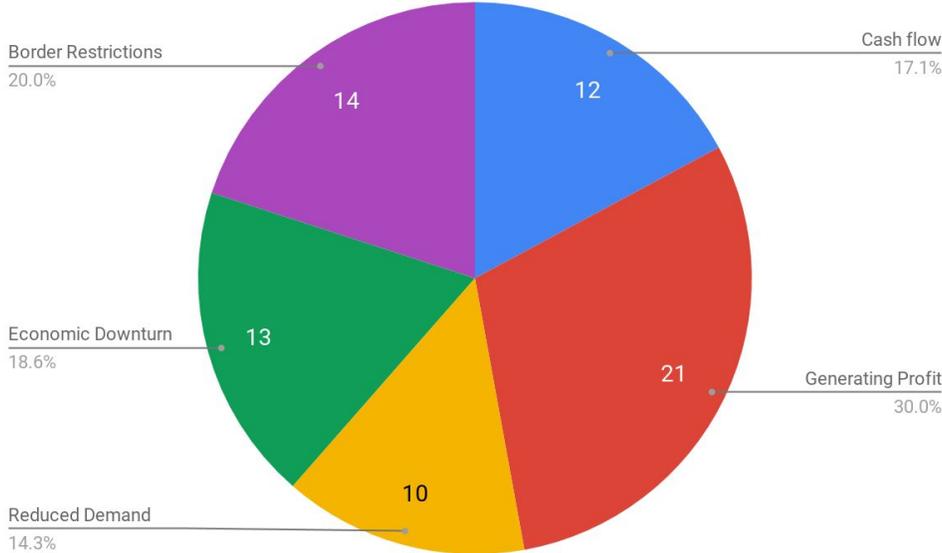
On the positive side, the most frequently mentioned positive impacts from this crisis were improvement in health & safety programs in the workplace, better collaboration among employees and shift in policies to allow remote working arrangements. These are pretty consistent with what we saw earlier this year.



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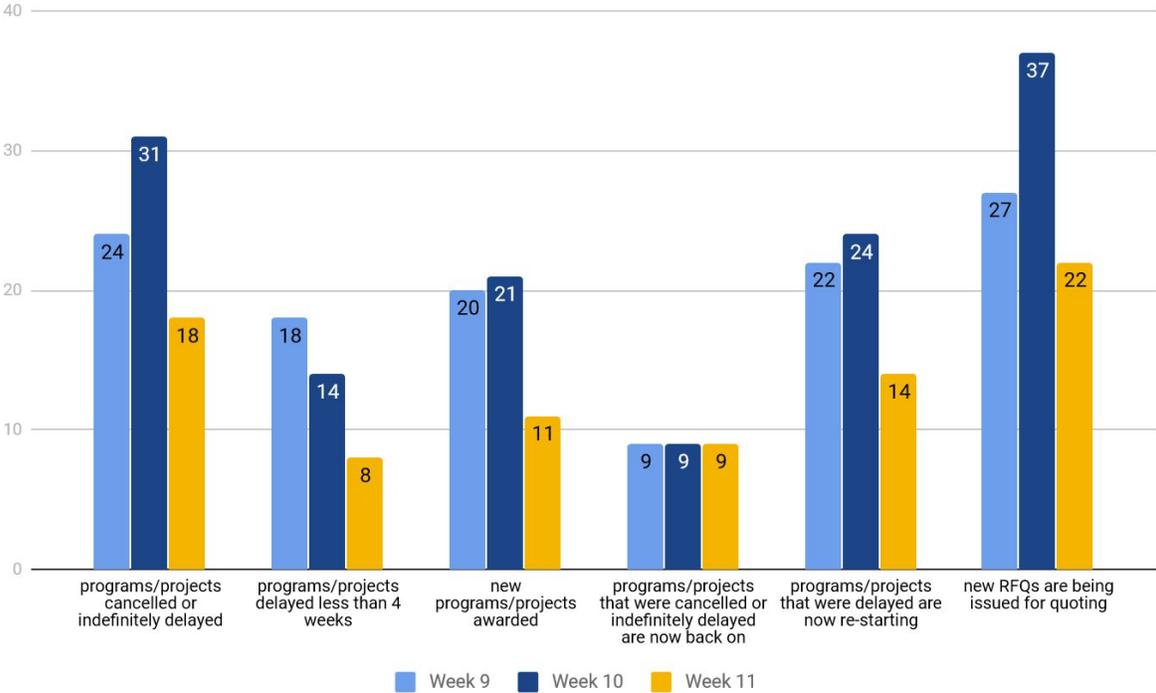
And what manufacturers see as the biggest challenges in the next 90 days?

Generating a profit moved into a clear first place this month, followed by border restrictions and the state of the economy. Cash flow has been bumped out of its top spot this month as manufacturers focus on generating a profit and the recovery of their finances.



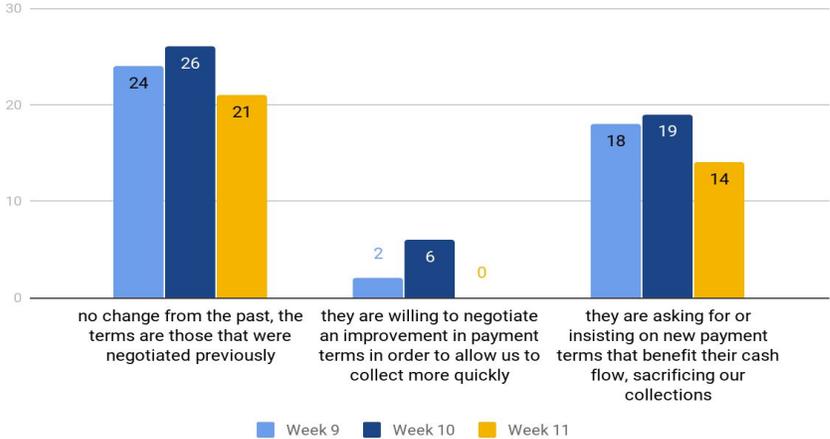
Level of interruption/disruption to the sales pipeline

earlier this year, we saw greater numbers of programs being cancelled or delayed. The number of new RFQs is now consistently higher than the number of programs being cancelled. 66% of respondents reported receiving new RFQs, down from the 77% of respondents reported in July.



Current position of customers with respect to payment terms:

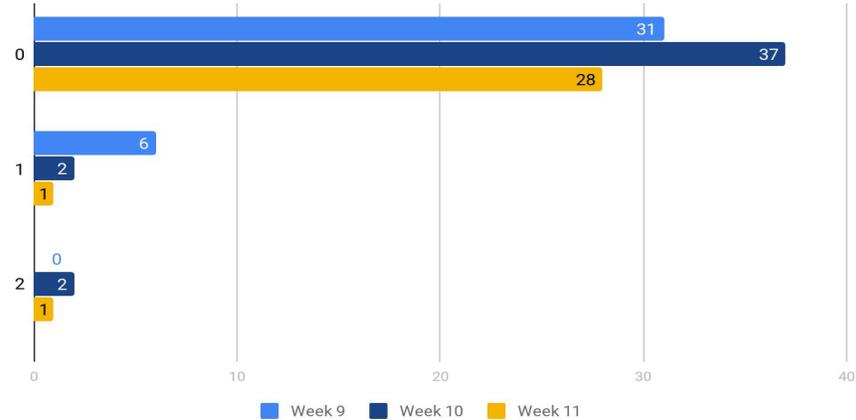
They're putting lots of pressure on our manufacturers to change payment terms - but to change them in a way that benefits the customer. 41% of our respondents reported that customers are re-negotiating payment terms to benefit the customer, not the supplier (essentially identical to July). Not one reported that their customer was willing to renegotiate payment terms in a way that favours the supplier.



We asked about the “health” of accounts receivable.

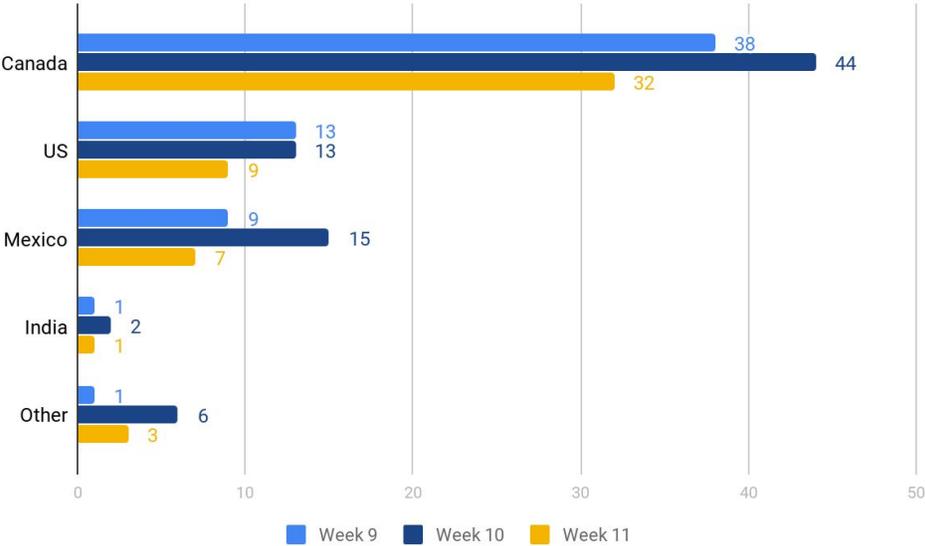
When compared to the financial survey results from earlier this year, the average reported percentage of accounts receivable greater than 90 days past due dropped slightly from 17% in July to 14% in August.%. The average for accounts receivable between 1 - 90 days past due remained exactly the same as July at 33%. This could mean that collections are going relatively well and a greater number of customers are paying within payment terms. Certainly, payments do not seem to be showing signs of slowing.

In the past 30 days, how many customers have notified you that they will be filing for creditor protection, receivership or bankruptcy? 6% of our respondents reported that one of their customers has notified them they are in serious financial distress, following the declining trend we saw in July.

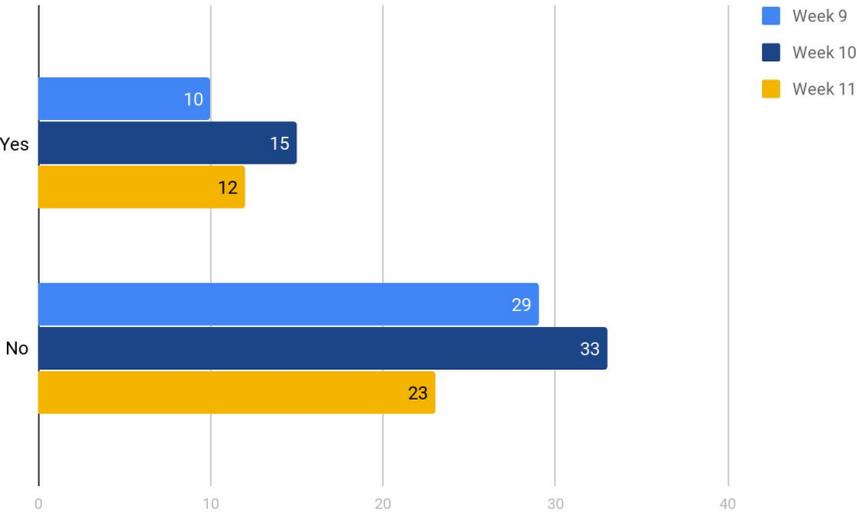


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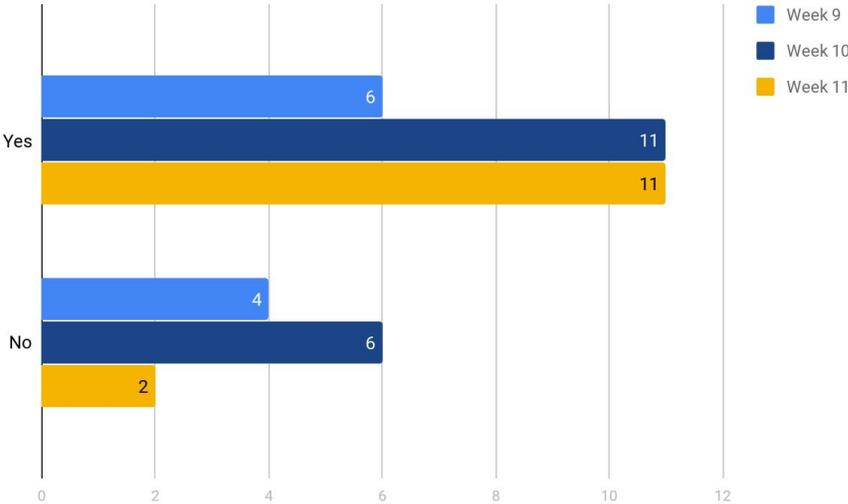
Challenges faced by personnel who must cross the border in order to conduct business are increasingly important. Of our respondents, 27% have a business in the US (the same as last month).:



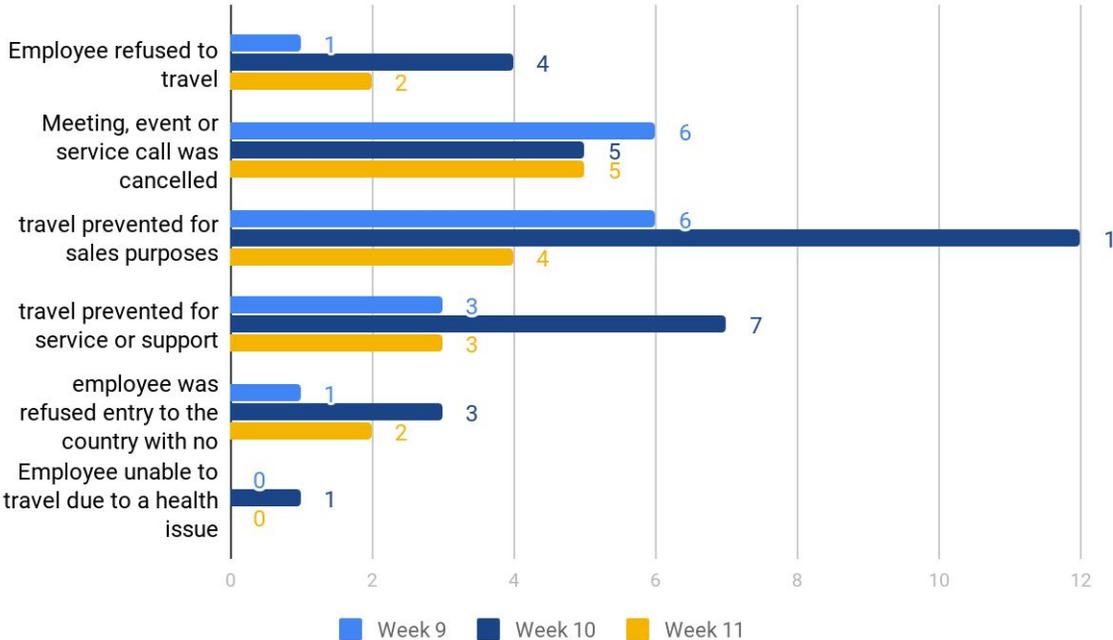
Approximately one third currently plan to send technical or sales employees outside of Canada (the same as last month). This is likely due to the increasing need for service & support personnel to travel to US customer sites as well as a desire of sales personnel to start addressing that sales pipeline.



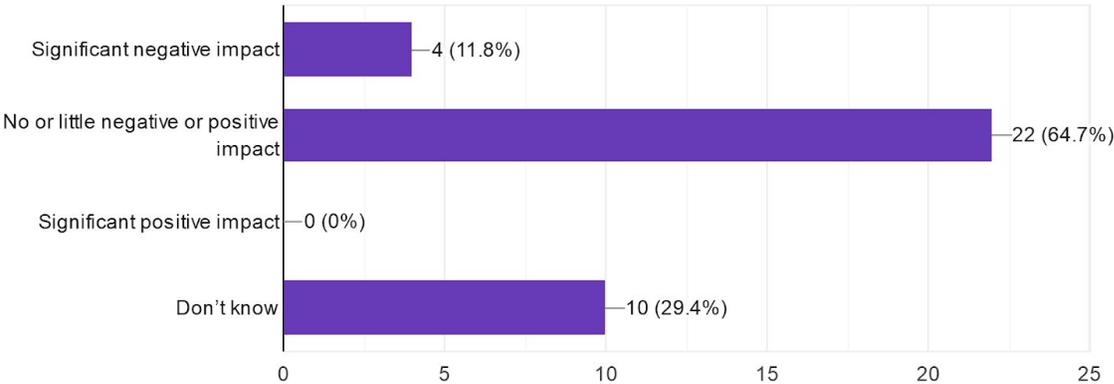
One third of those employees were not successful crossing the border, which is the same as what was reported four weeks ago.



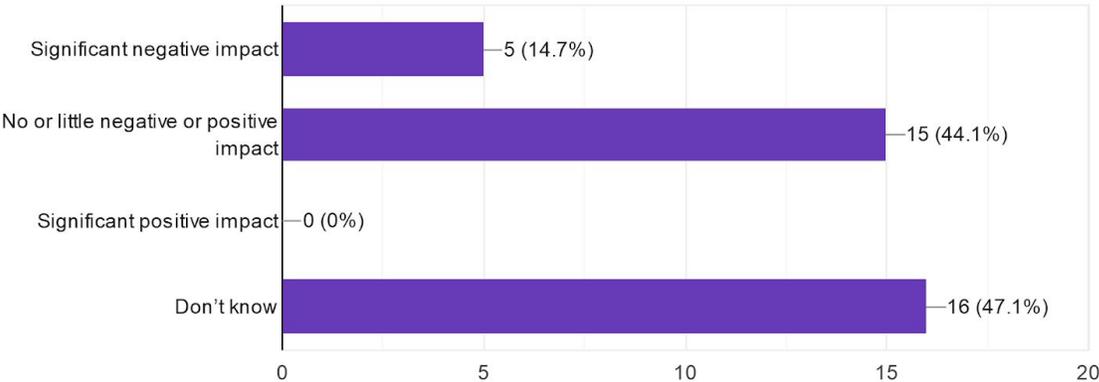
The reasons why they didn't cross the border were pretty straightforward. Most frequently, meetings or plans were simply cancelled, for reasons that may include the challenges of crossing the Canada/US border at present.



The US recently announced tariffs on Canadian aluminum imports, so we wanted to know if this was going to affect our manufacturers. This is a very recent announcement, so almost one third said they didn't know what the impact will be yet. However, 12% said that the tariffs will have "significant negative impact" on their business.



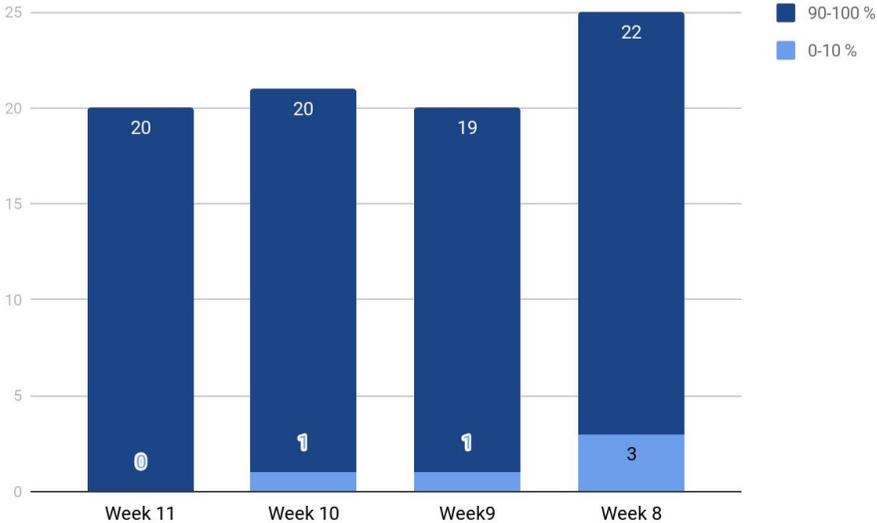
Canada will impose retaliatory tariffs on the US in response, however has not yet finalized the list of goods on which the tariffs will be imposed. While almost half of our respondents don't know what the impact will be, about 15% expect that it will be a significant negative impact.



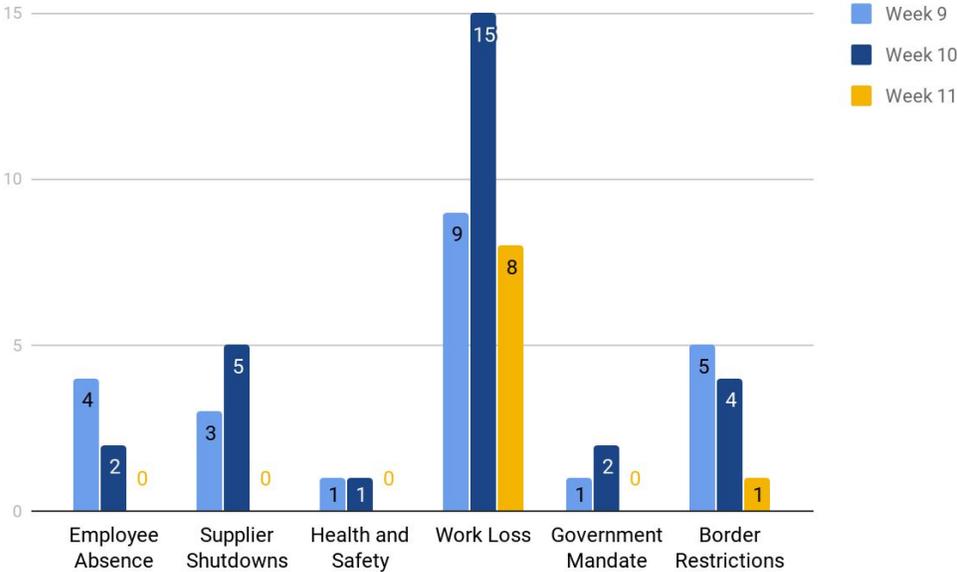
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We asked about the level of shutdown at our manufacturers. Respondents were asked to indicate the percentage of operations they are currently at. In other words, 100% means they have had no reduction in operations; 0% means they are completely closed.

Approximately half of respondents are at full operations, similar to prior survey results; the big difference is in how many are still completely shut down. This is the first month that no respondents reported being completely shut down.

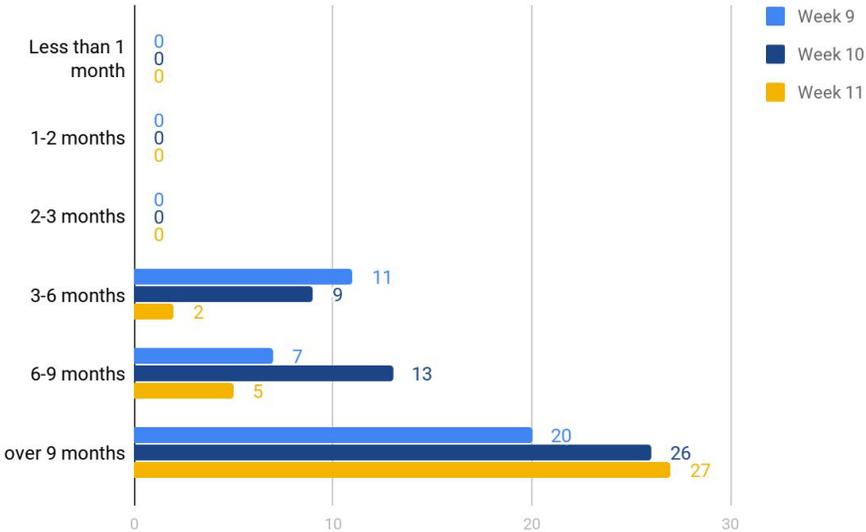


We asked why they've shut all or some of their operations down. Shutdowns were due to loss of work and border restrictions. No impact from employee absences, supplier shutdowns, health & safety issues or government mandates was noted.

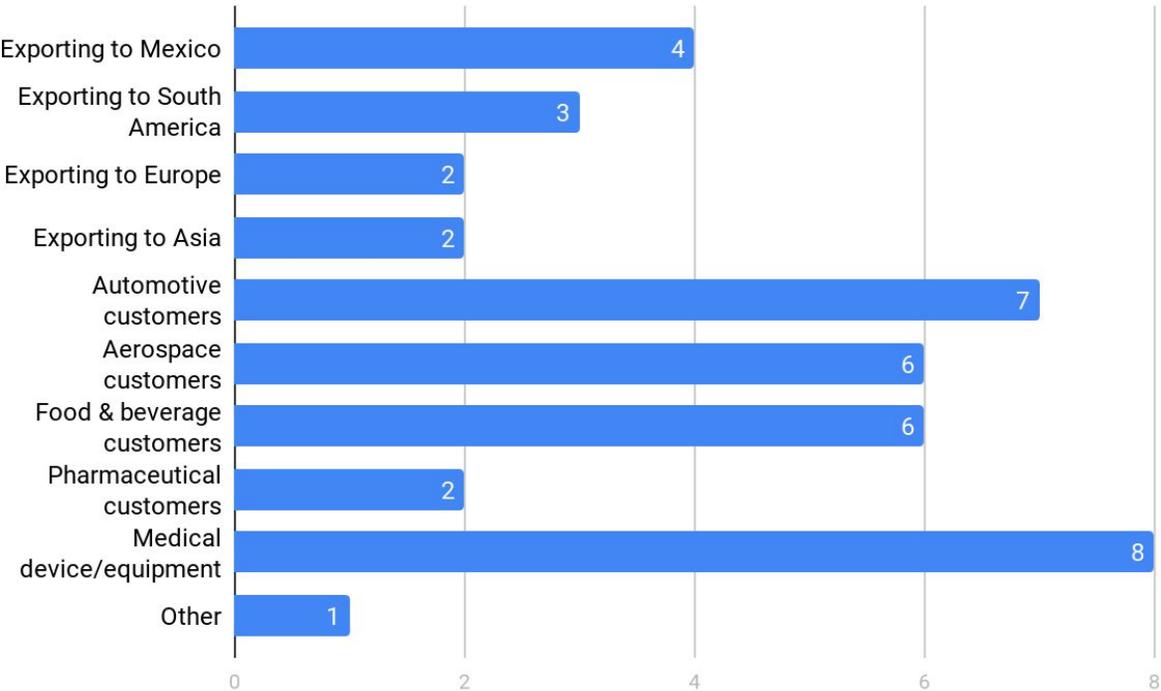


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No one is projecting that the negative impacts will be rapidly disappearing. 80% see this lasting more than 9 months - up from about 50% last month.

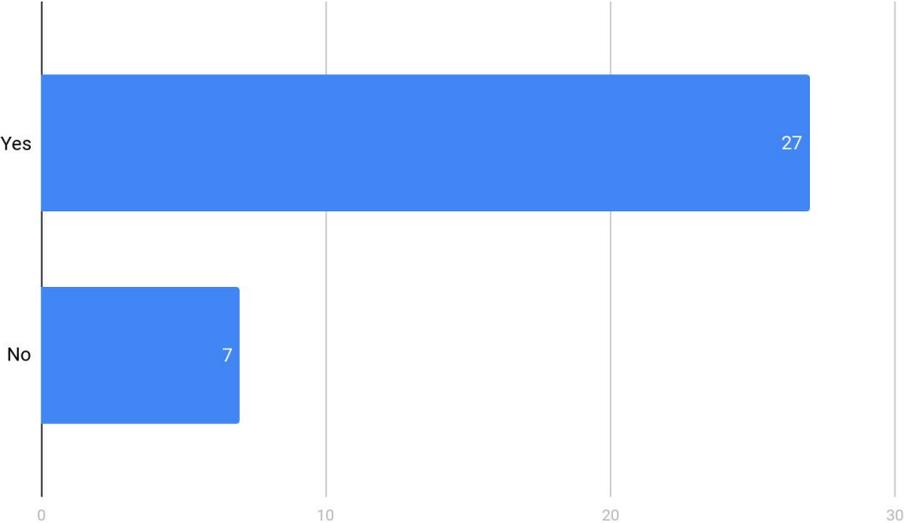


We asked a question about diversification this month. Most manufacturers are looking to new market sectors for diversification, as opposed to new export markets. Mexico is the most popular of the export markets, while diversifying to other areas of the automotive industry and medical equipment/device manufacturing were the most popular types of manufacturing.

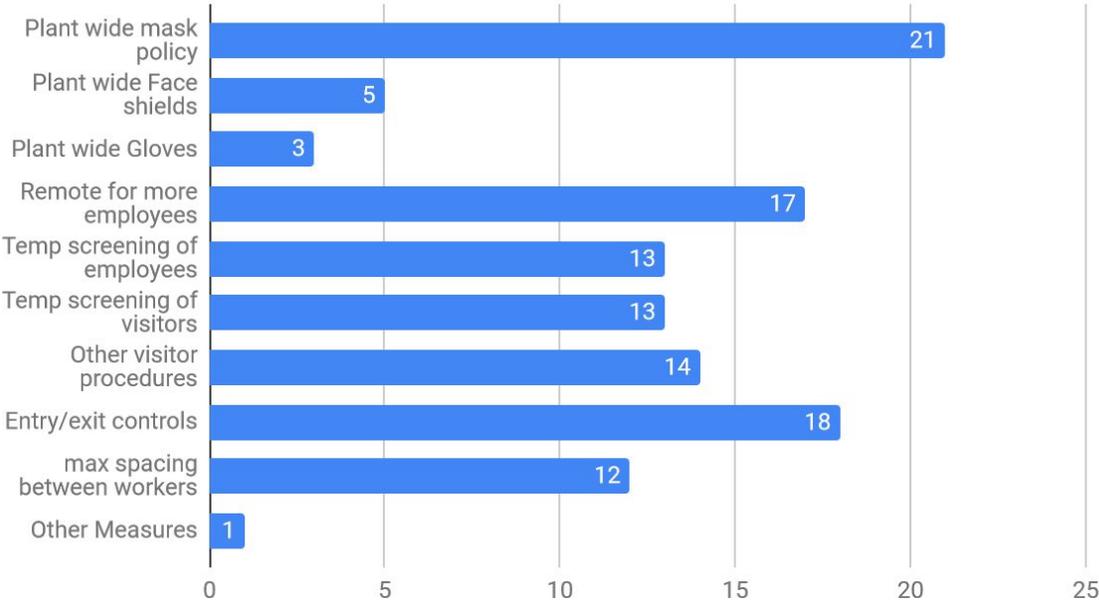


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There are predictions of a second wave of COVID-19 infections later this year. We wanted to know how much planning has been done to prepare for this possibility. 80% of respondents have a plan in place.



In terms of workplace safety measures manufacturers plan to implement in the case of a second wave, plant wide mask policies, remote working arrangements and enhanced exit/entrance controls were the most frequently mentioned:



Week 11

Manufacturing Sector Committee

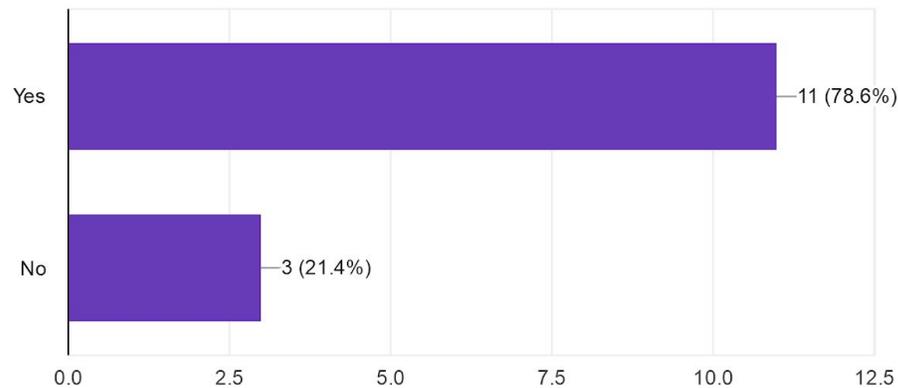
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In order to gauge the success of the recent webinar we hosted with WEEDC and IBLS, we were happy to hear that almost 80% felt the information was useful:

If you attended our July 29th webinar featuring CBSA (Canada's Border Services Agency), did you find the information provided useful?

14 responses



And last, we asked about lessons learned. We think there's an opportunity to share some best practices and lessons learned through this crisis with others in our industries.

Some of the things manufacturers have learned from the COVID-19 crisis to date include:

- Value of cooperation and collaboration amongst shops, especially for sharing of work loads and when a long term perspective is maintained
- Opportunities for efficiencies with things like staggered shifts (for example, allowing more unmanned machine time) and working from home (especially for the software development companies)
- Health & safety practices have improved directly and indirectly including giving employees an online daily health survey to fill out prior to arriving at the workplace and implementing effective PPE/workplace protection to keep everyone feeling safe. In general, employee loyalty has been improved when workers are supported and good communication is maintained
- This is not impossible to cope with, as long as everyone plays by the same rules.
- Many manufacturers are pushing their digital transformation initiatives.
- Spending the time to fully understand government programs has paid off
- It has been really great to see the need for our products and services, since we were deemed "essential services" and were able to step up to the plate in medical, agriculture and pharmaceutical fields