

TO: Interested Parties

FROM: Association of Equipment Manufacturers

DATE: April 28, 2020

SUBJECT: Economic and Operational Impact of COVID-19 on Equipment Manufacturers

The Association of Equipment Manufacturers (AEM) conducted a survey of member company executives (Presidents, CEOs, and Owners) on the impact of the COVID-19 pandemic on equipment manufacturers. The survey was in the field from April 16 to 27, 2020. The 105 executives were asked about the effects on the economy, the industry, their companies, supply chain and manufacturing operations, their financial expectations, as well as the challenges they face and specific ways the federal government can keep equipment manufacturing strong and ensure the nation's economic resilience.

KEY FINDINGS

- Nine out of 10 executives surveyed said that the impact of the COVID-19 pandemic on the overall economy is very negative, while more than half said that the impact on the industry is equally bad.
- Seven out of 10 executives surveyed have experienced a moderately negative impact on their supply chain, while a quarter said the impact has been very negative.
- Four out of 10 executives surveyed expect the outlook for the next 30 days to get worse and said they plan to lower their financial outlook for the same period of time by more than 30 percent. The outlook for the rest of the year is better, but six out of 10 said they still plan to reduce their financial outlook by up to 30 percent.
- Nine out of 10 executives surveyed cited a decline in demand for equipment as the primary impact of the COVID-19 pandemic on their business.
- Executives surveyed pointed to the financial impact on their business, the continued health and well-being of their employees, and cancelled or delayed orders as the greatest challenges they face.
- Eight out of 10 executives surveyed said they would like to see a significant investment in infrastructure to help keep equipment manufacturers in business during the crisis and set the stage for the economic recovery.

DETAILED FINDINGS

The impact of the COVID-19 pandemic on the overall economy, the equipment manufacturing industry, member companies, supply chains, manufacturing operations, and sales.

For equipment manufacturers and suppliers, it is not business as usual. **Nine out of 10 (91 percent) of executives surveyed said that the impact of the COVID-19 pandemic on the overall economy is very negative.** While their outlook on the impact on the industry and individual equipment manufacturers is less bleak, **more than half (56 percent) said that the impact on the industry is very negative** (forty-four percent said it is moderately negative) while four out of 10 (42 percent) said that the impact on individual companies is very negative (another fifty-two percent said it is moderately negative).

Turning to their supply chains and manufacturing operations, the outlook is equally negative. **Seven out of 10 (68 percent) of executives surveyed said the impact on their supply chain is moderately negative** (twenty-four percent said it is very negative), while **sixty-five percent said the impact on manufacturing operations is moderately negative** (twenty-eight percent said it is very negative). Finally, nine out of 10 (93 percent) of executives surveyed said that the impact on sales is either moderately negative or very negative.

The economic impact of the COVID-19 pandemic in the next 30 days and the remainder of the year.

When asked about the economic impact of the COVID-19 pandemic on the next 30 days, **just over half (55 percent) of executives surveyed said that it will remain the same** while four out of 10 (42 percent) believe that it will get worse. Looking ahead to the rest of the year, **almost six in 10 of executive surveyed (58 percent) said it will improve.**

The COVID-19 pandemic will have a significant financial impact on equipment manufacturers this year. **Almost four out of 10 (38 percent) executives surveyed expect to lower their financial outlook for the next 30 days by between 11 and 30 percent**, while three out of 10 (28 percent) anticipate to lower it by more than 30 percent. Looking ahead to the rest of the year, the outlook is slightly more positive. Only one in 10 (11 percent) executives surveyed said that they plan to lower their financial outlook by more than 30 percent, but **six in 10 (61 percent) said they still plan to reduce their financial outlook by between 11 and 30 percent.**

How quickly equipment manufacturers can resume normal operations if the COVID-19 pandemic lasts another three to six months.

If the COVID-19 pandemic lasts another three to six months, it will take many equipment manufacturers until the end of the year before they can resume normal operations. **Less than five percent (4.8 percent) of executives surveyed said that they would be able to immediately resume normal operations.** Slightly more than four out of 10 (44.2 percent) executives surveyed replied that they can resume normal operations within three months, while four out 10 (42.3 percent) stated that they can resume normal operations within the year.

How the COVID-19 pandemic is impacting business and manufacturing operations.

The COVID-19 pandemic is impacting equipment manufacturers' business and manufacturing operations in a number of ways. **More than nine out of 10 (91.3 percent) executives surveyed identified a decrease in demand (new orders) as the primary impact** of the current crisis. In addition, almost three quarters (74 percent) cited supply chain disruptions as a primary impact, while more than six in 10 (64.4 percent) pointed to the financial impact on their business as another primary impact. Other impacts cited include reduced production effectiveness (51.9 percent), increased employee absenteeism (50 percent), and non-scheduled shutdowns of manufacturing operations (48.1 percent).

The greatest challenges facing equipment manufacturers as a result of the COVID-19 pandemic.

The executives surveyed overwhelmingly agreed on the same three challenges with respect to the COVID-19 pandemic: **the financial impact on the business**, including effects on results of operations, future periods, and liquidity and capital resources; **employee health and well-being**; and **cancelled and delayed orders**.

Specific ways the federal government can support equipment manufactures and the economic recovery.

The men and women of the industry, even as they are profoundly affected by the COVID-19 pandemic and economic crisis, have a special and essential role in America's response, recovery, and renewal. With that in mind, **almost eight out of 10 (79.2 percent) executives surveyed said they would like to see a significant investment in infrastructure**, including immediate passage of a surface transportation reauthorization bill. Seven out of 10 (70.8 percent) identified the continued and clear designation of equipment manufacturers, suppliers, and distributors as "Essential Critical Infrastructure Workforce." Finally, just over one out of three (35.4 percent) want a suspension of all payroll taxes for the next 90 days.

ABOUT THE COMPANIES THAT PARTICIPATED IN THE SURVEY

Just over half (54.3 percent) of the companies that participated in the survey manufacture heavy equipment, while about one in six (17 percent) build light equipment, and a quarter (25.5 percent) make components and/or attachments. More than eight out of 10 (83.9 percent) companies identified construction as their primary segment, while just under half (45.2 percent) cited agriculture as their primary segment, and one out of three (31.2 percent) indicated mining as their primary segment. Half of the companies (50.6 percent) employ fewer than 250 employees, while just under one quarter (24.2 percent) employ more than 1,000 employees.