



# MANUFACTURING barometer

THE UK'S LARGEST QUARTERLY SURVEY OF SME MANUFACTURERS

 **SWMAS**

# INTRODUCTION

## Welcome to April's Manufacturing Barometer Report (covering January, February, and March 2023).

This quarterly survey (exclusively for small and medium-sized manufacturing businesses in the UK) uncovers past performance and future expectations in four key areas; sales, profits, investment, and staff numbers, allowing us to map these core trends over time.

Each quarter, a 'special focus' also explores a current topic in greater depth to reveal how this is affecting the UK manufacturing industry. **This quarter's Special Focus explores the areas of investment that UK manufacturers are prioritising to mitigate current risks and maximise future growth.**

This report will be shared with national and local government representatives to provide a critical insight into small and medium-sized businesses across the manufacturing sector. Thank you to all the businesses who contributed to this quarter's report - every response is vital to help ensure that future support addresses the specific needs highlighted.

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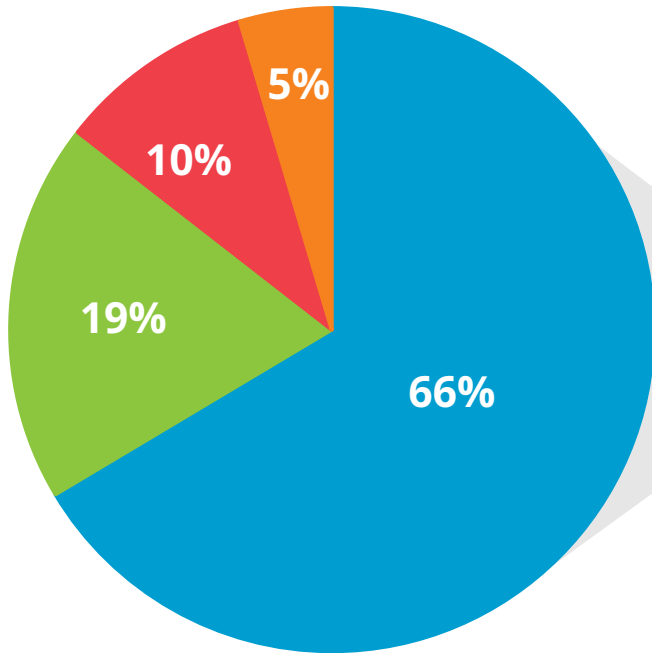




# NATIONAL SURVEY DEMOGRAPHICS

152 RESPONDENTS

RESPONDENTS JOB TITLE



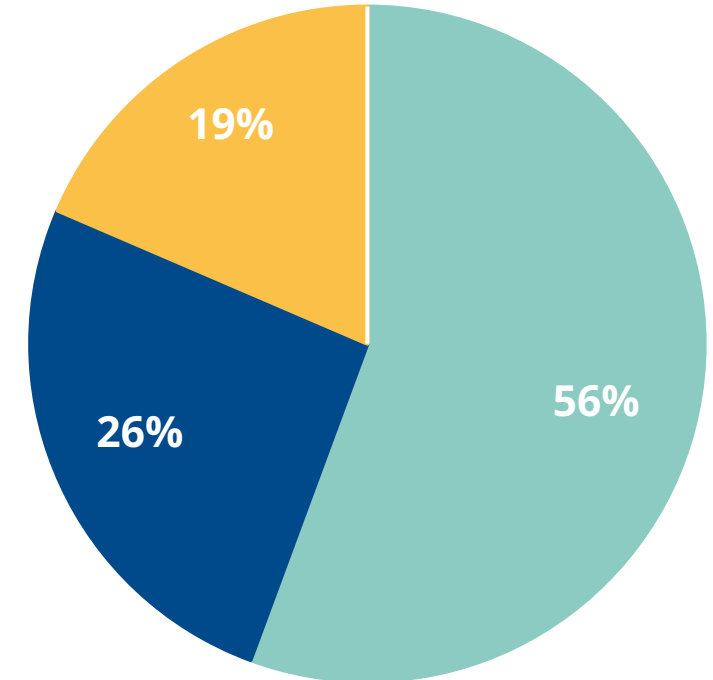
■ Managing Director/CEO ■ Director  
■ Senior Manager ■ Other (Please specify)

85%

**of respondents are  
Managing Directors,  
CEOs or Directors**

Individuals with the  
highest level  
of strategic responsibility  
across their business.

SIZE OF BUSINESS



■ Small (10 - 49 employees)  
■ Medium (50 - 249 employees)  
■ Micro (0 - 9 employees)

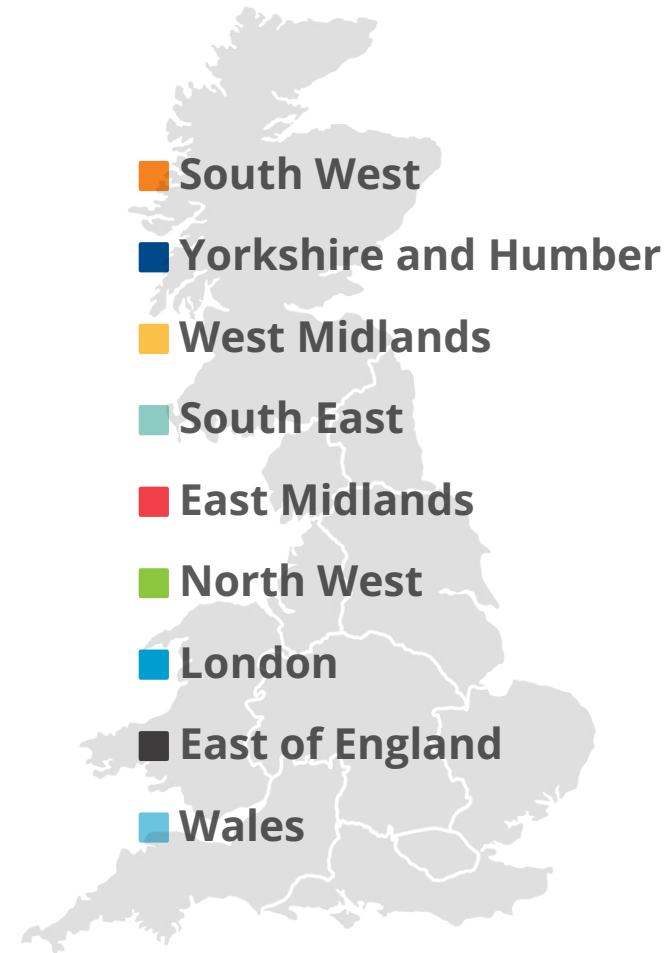
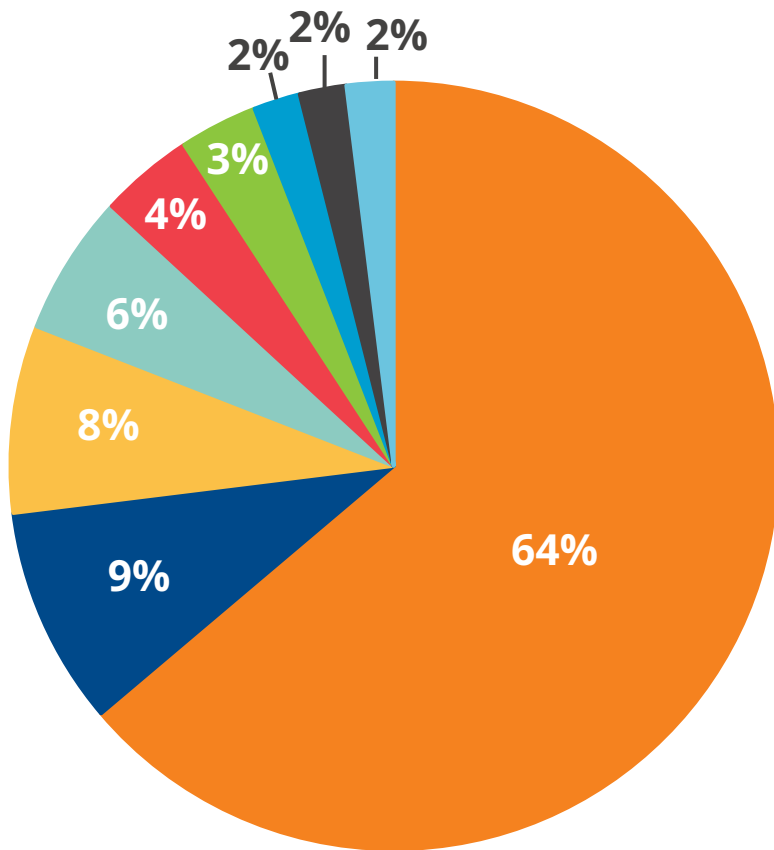
SURVEYED SPRING 2023



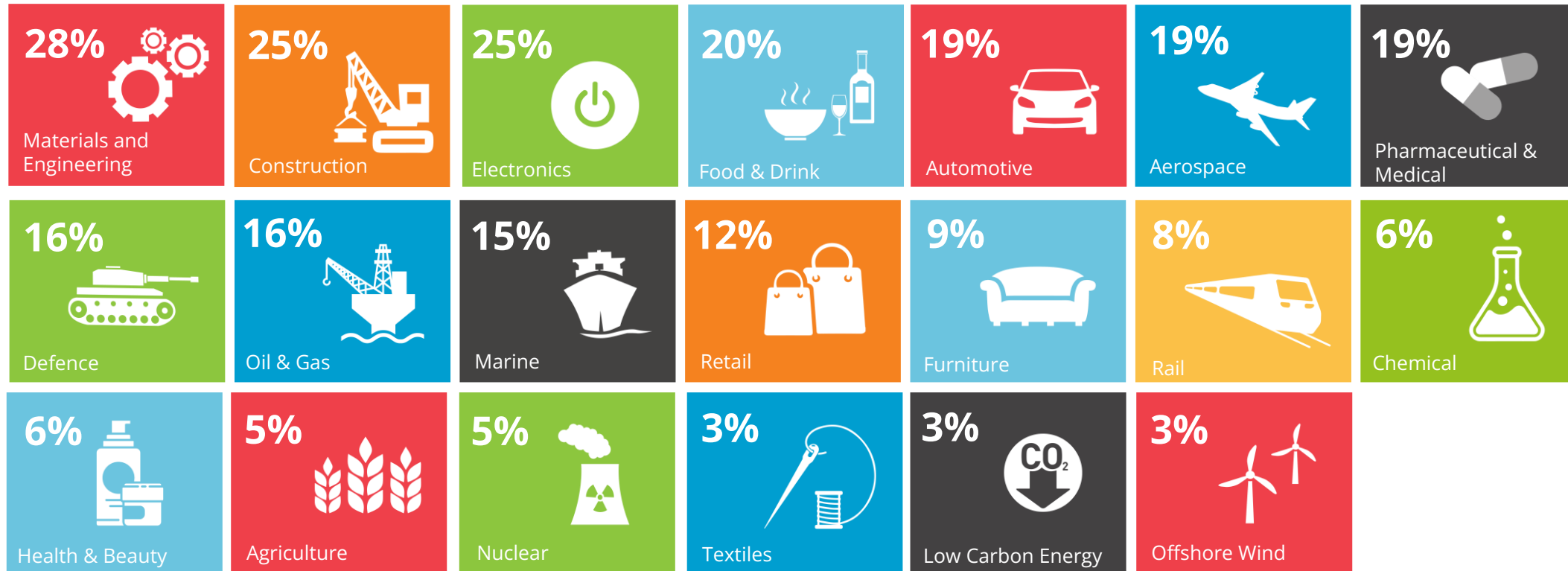
# NATIONAL SURVEY DEMOGRAPHICS

152 RESPONDENTS

RESPONDENTS LOCATION



We asked respondents to tell us which of the below key sectors they currently operate in...








## NATIONAL CORE TRENDS



### PAST SALES & PROFITS

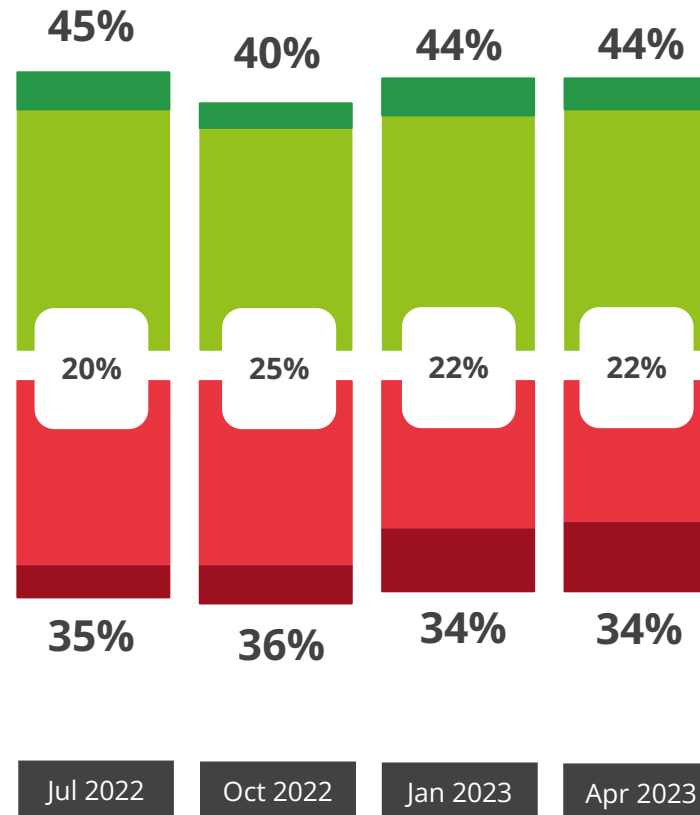
How **sales** turnover and **profits** have changed for SME manufacturers over the **past six months**, compared to the previous three quarters...

#### KEY

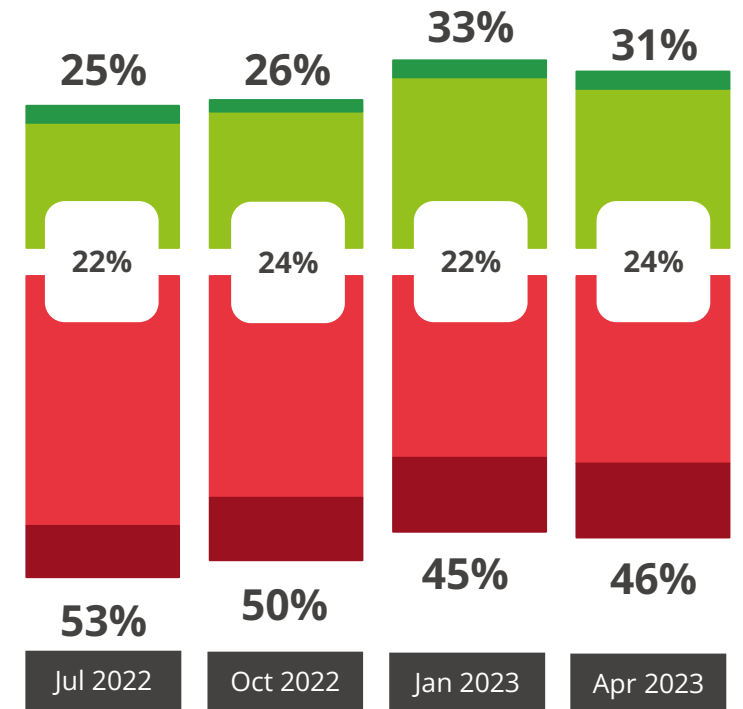
-  Much Increased
-  Increased
-  No Change
-  Reduced
-  Much Reduced



### SALES PAST SIX MONTHS



### PROFITS PAST SIX MONTHS



## NATIONAL CORE TRENDS

### PAST STAFF NUMBERS & CAPITAL INVESTMENT

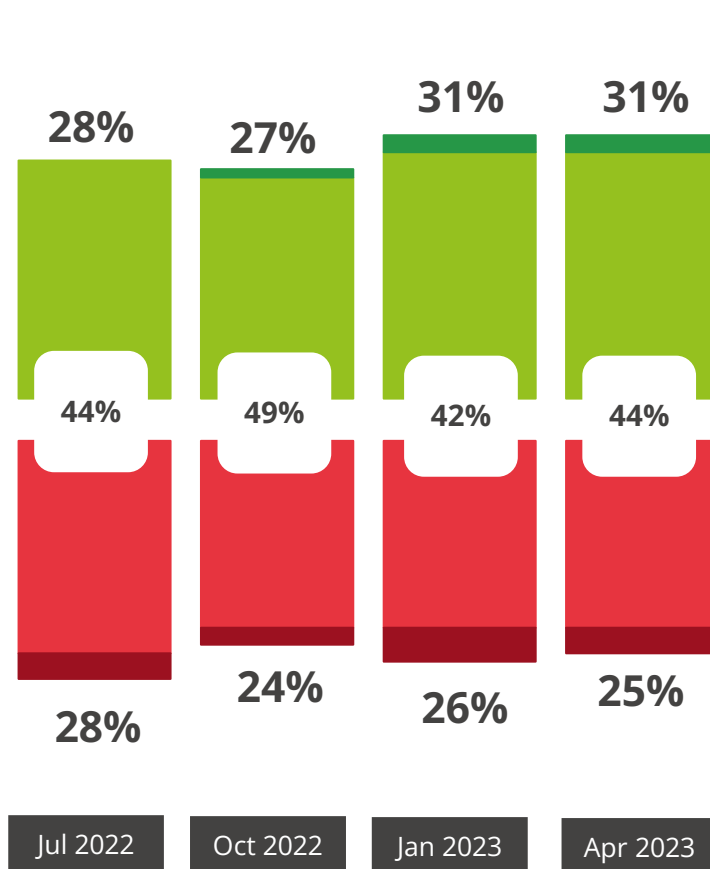
How **staff numbers** and **capital investment** have changed for SME manufacturers over the **past six months**, compared to the previous three quarters...

#### KEY

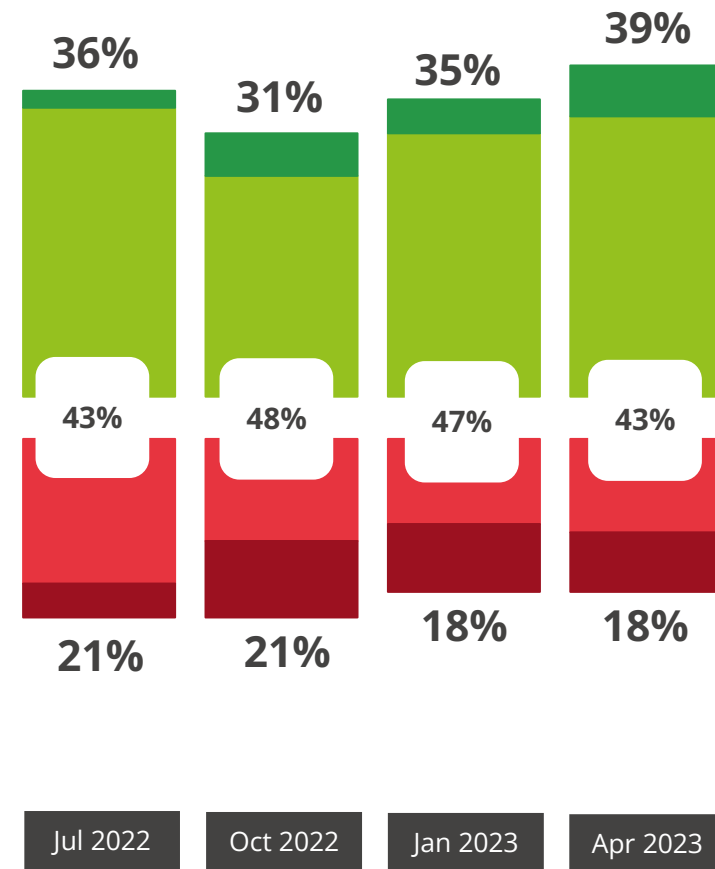
- Much Increased
- Increased
- No Change
- Reduced
- Much Reduced



### STAFF NUMBERS PAST SIX MONTHS



### CAPITAL INVESTMENT PAST SIX MONTHS



## NATIONAL CORE TRENDS



### FUTURE SALES & PROFITS

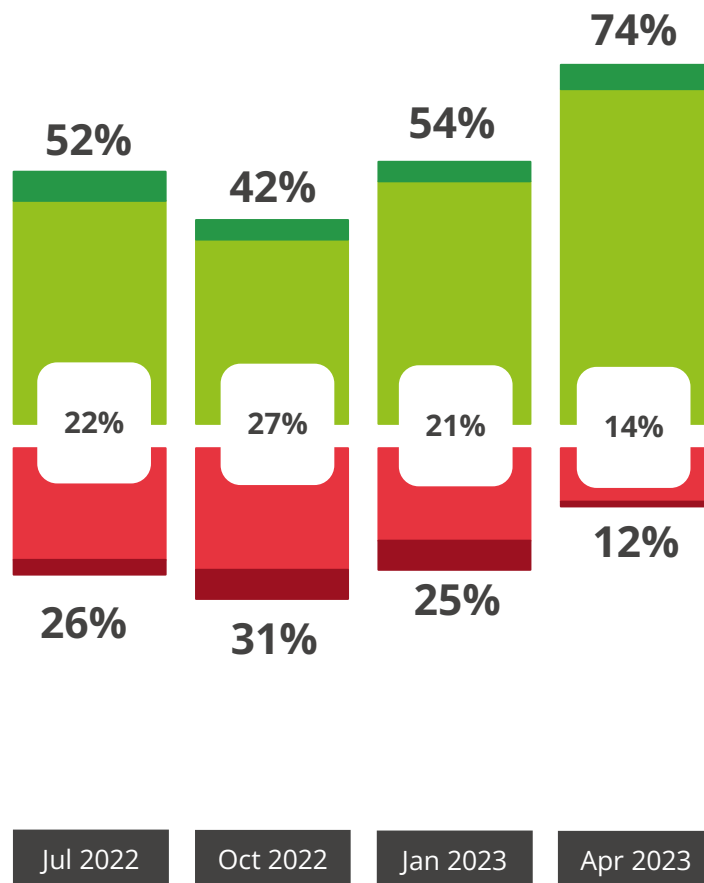
How **sales** turnover and **profits** will change for SME manufacturers over the **next six months**, compared to the previous three quarters...

#### KEY

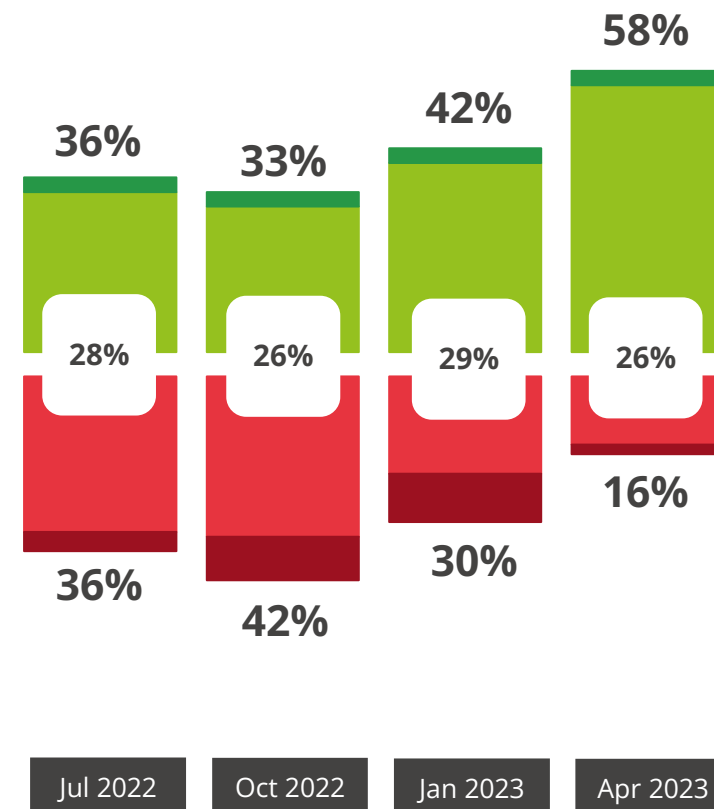
- Much Increased
- Increased
- No Change
- Reduced
- Much Reduced



### SALES NEXT SIX MONTHS



### PROFITS NEXT SIX MONTHS





## NATIONAL CORE TRENDS



### FUTURE STAFF NUMBERS & CAPITAL INVESTMENT

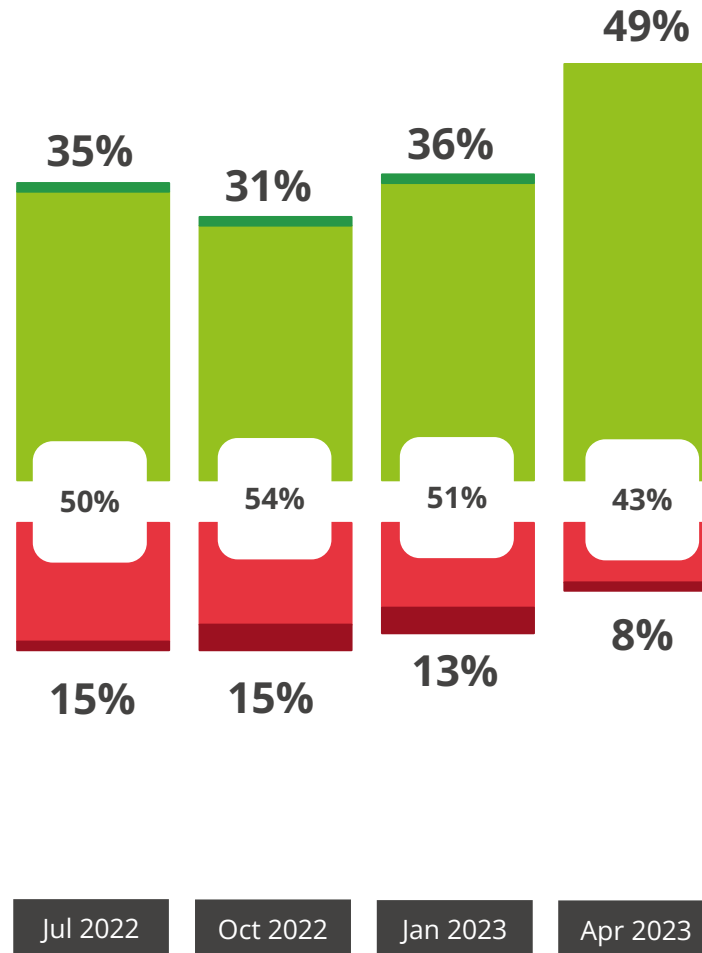
How **staff numbers** and **capital investment** will change for SME manufacturers over the **next six months**, compared to the previous three quarters...

#### KEY

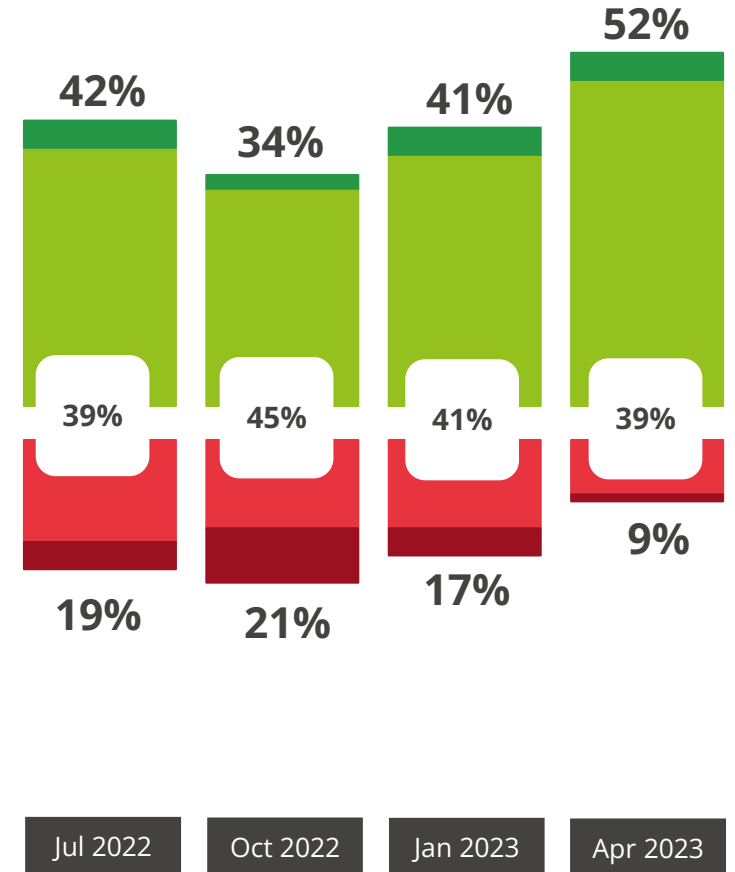
- Much Increased
- Increased
- No Change
- Reduced
- Much Reduced



### STAFF NUMBERS NEXT SIX MONTHS



### CAPITAL INVESTMENT NEXT SIX MONTHS





# NATIONAL OVERALL CORE TRENDS

A summary of changes over the past six months and expected changes over the next six months...

	Much Reduced	Reduced	No Change	Increased	Much Increased
Past sales turnover	11%	23%	22%	39%	5%
Past profit	13%	33%	24%	28%	3%
Past staff numbers	3%	22%	44%	29%	2%
Past investment	7%	11%	43%	33%	6%
Future sales turnover	1%	11%	14%	69%	5%
Future profit	2%	14%	26%	55%	3%
Future staff numbers	1%	7%	43%	49%	0%
Future investment	1%	8%	39%	48%	4%



## WHAT DOES THIS QUARTER'S DATA TELL US?



### PAST SALES & PROFITS

The number who saw either a positive or negative change in sales and profits is almost identical to last quarter. Like January's findings, the highest percentage have still seen sales increase, but this doesn't translate to recent profits over the past six months, indicating that current challenges in the external market are continuing to impact UK manufacturing.



### PAST STAFF NUMBERS & CAPITAL INVESTMENT

The number who have increased staff numbers has not changed since January, and 1% fewer have reduced their workforce. This could be a result of the widely documented skills shortages that are making recruitment difficult within the manufacturing sector. The number expecting to increase capital investment has risen by 4%, with many firms planning necessary spend to address current challenges.



### FUTURE SALES & PROFITS

Predictions are optimistic, with almost three quarters of respondents expecting future sales to rise (a 20% jump from January). In further good news, the number expecting both sales and profits to drop over coming months has almost halved since last quarter. Future profit predictions are also on the up, though considerably lower than sales forecasts, which suggests that firms expect current challenges to continue to squeeze profit margins.



### FUTURE STAFF NUMBERS & CAPITAL INVESTMENT

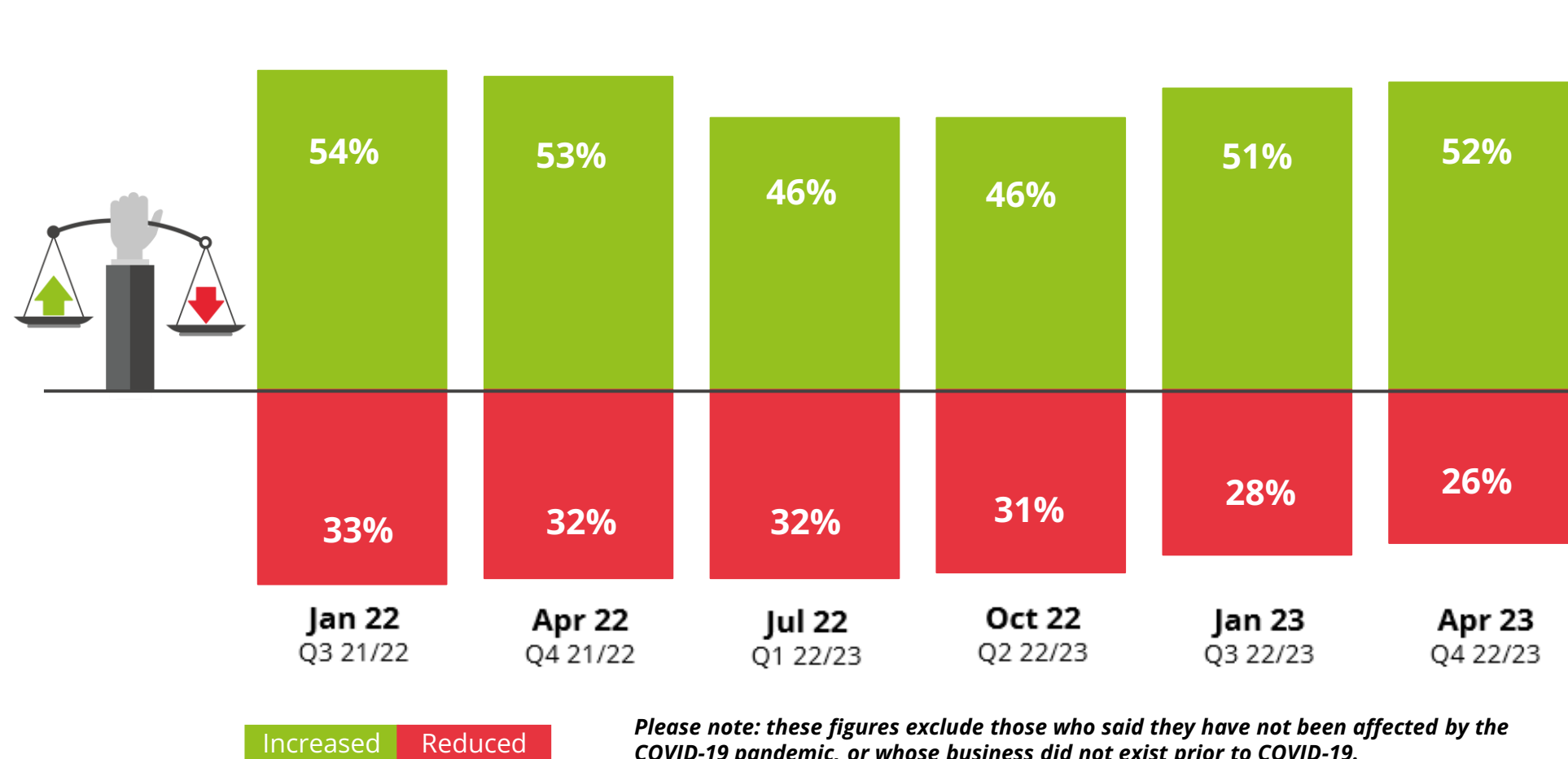
Almost half expect to increase staff numbers by October, with only 8% expecting to reduce their workforce. This could be a result of firms investing to upskill employees (as explored in this quarter's special focus). In addition, over half are planning to make future capital investments (up 11% from January) and may be turning to automation and/or more efficient machinery to free up operational staff so they can be trained to carry out more specialist roles.



# TRADING THROUGH CURRENT CONDITIONS

COVID-19 RECOVERY

To track how COVID-19 is continuing to impact the manufacturing sector, each quarter we ask respondents whether their business is trading at **increased** or **reduced** levels when compared to their pre-pandemic position...



*Please note: these figures exclude those who said they have not been affected by the COVID-19 pandemic, or whose business did not exist prior to COVID-19.*



It's encouraging to see that the majority of respondents are still trading at **increased levels**.



However, over a quarter still haven't returned to pre-pandemic trade and **90%** of these respondents expect recovery to take at least another **six months**.

SURVEYED SPRING 2023



# TRADING THROUGH CURRENT CONDITIONS

ONGOING KEY ISSUES: A SUMMARY THIS QUARTER

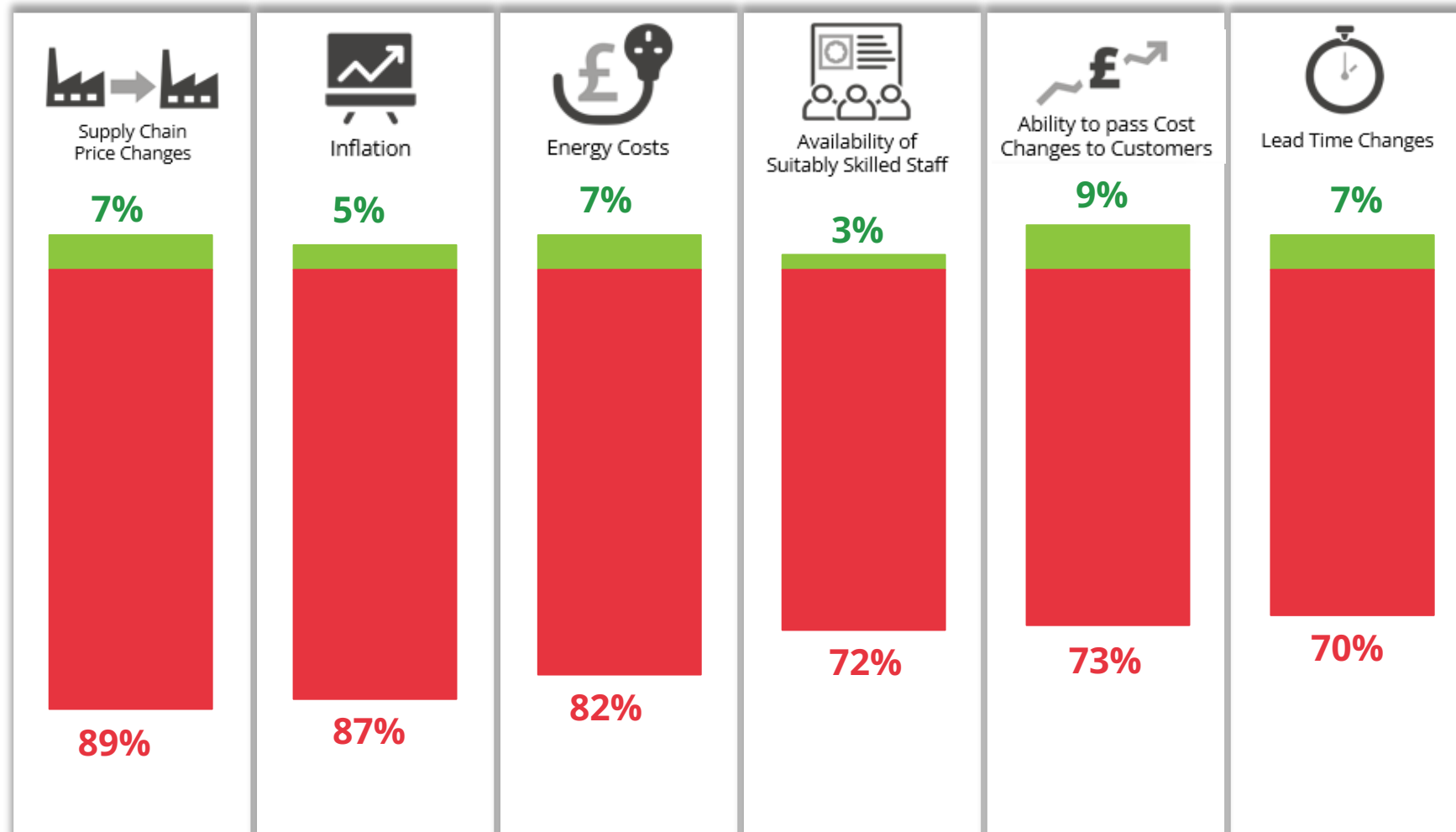
Recent Barometer reports have repeatedly highlighted the same key issues.

Each quarter, we ask respondents how these are affecting their business to understand the ongoing impact.

Here are the results from April's survey...

Positive Impact

Negative Impact



*Please note: these figures exclude those who said 'no impact'.*

SURVEYED SPRING 2023



## **SPECIAL FOCUS** **FUTURE GROWTH AND INVESTMENT PLANS**

Many firms are seeing their customer base continuing to adapt and change as a result of current market conditions. Despite ongoing challenges around inflation, supply chain disruption, rising costs, and skills shortages, many respondents also shared more optimistic investment plans in last quarter's [\*\*Barometer publication\*\*](#).

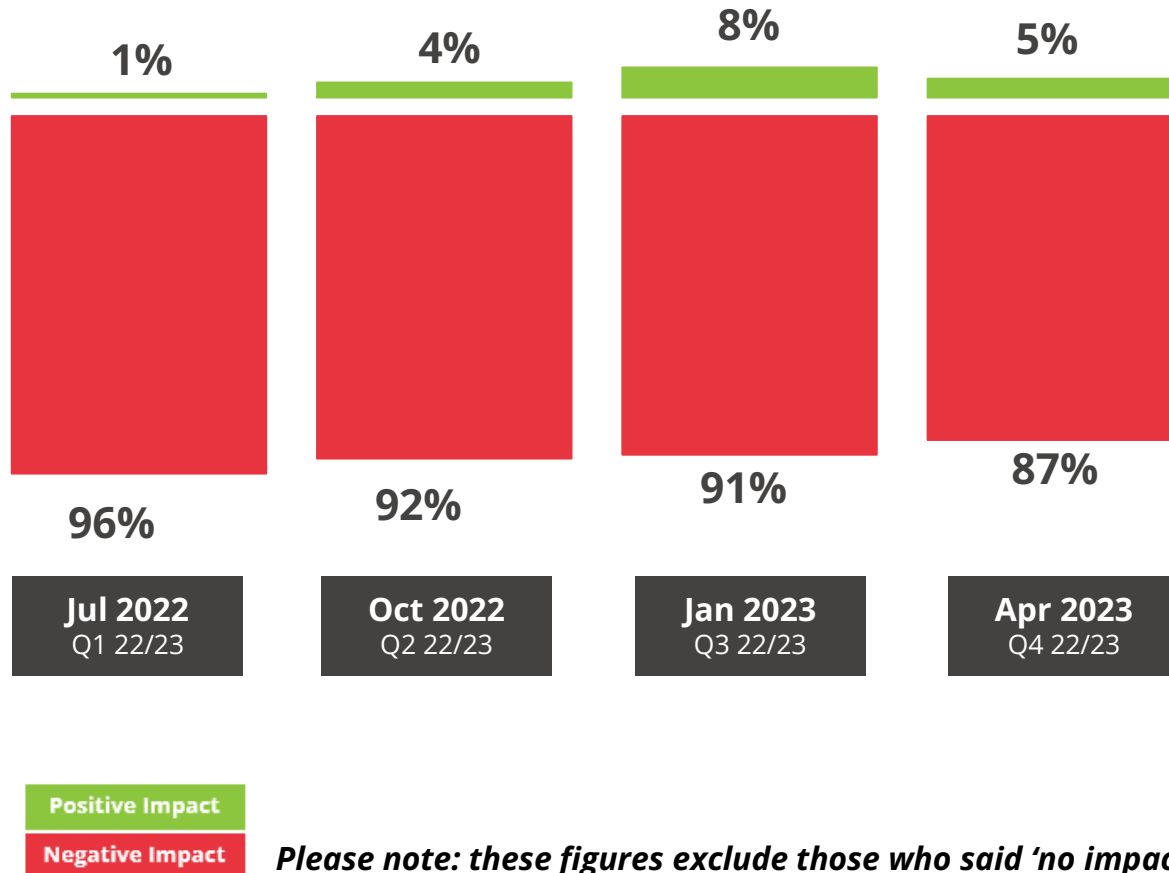
**This special focus explores the priority areas of investment for UK manufacturers, and the steps they are taking to mitigate current risks and maximise future growth...**



## SPECIAL FOCUS

### FUTURE GROWTH AND INVESTMENT PLANS

**Inflation** has continued to impact responding businesses over the **past four quarters...**



### Inflation

With ongoing inflation increasing the cost of goods and services, a number of firms are facing cashflow constraints and reduced profit margins.

**Despite this, many are feeling more optimistic about the future, planning to make necessary investments that will help them through these tough times.**

Throughout this section, we will take a look at each of the key challenges respondents have highlighted, and the action they are taking to address these issues...

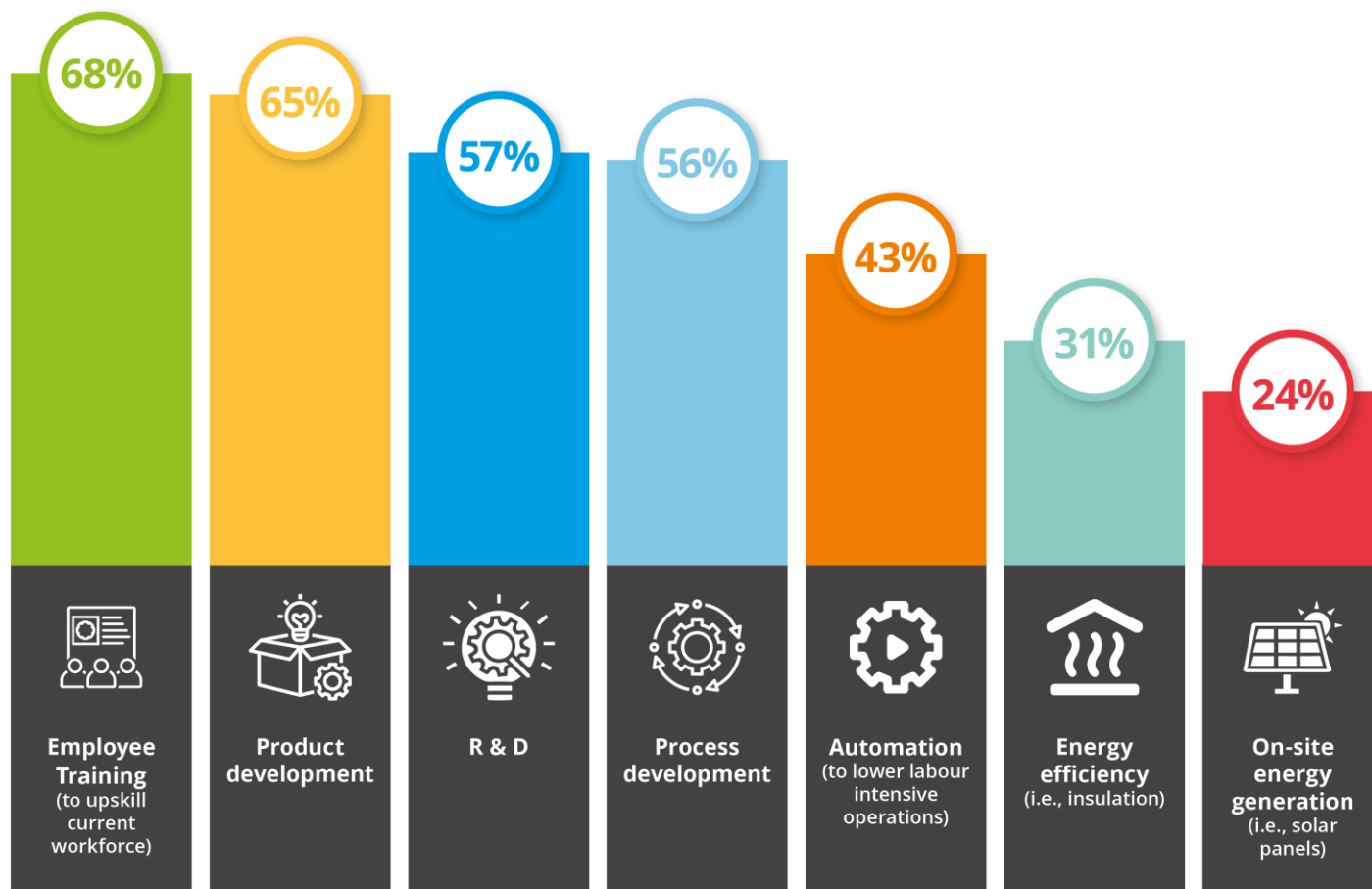




# SPECIAL FOCUS

## FUTURE GROWTH AND INVESTMENT PLANS

The investments respondents said they are prioritising to address current challenges and maximise future growth...



**These categories are closely aligned with the common challenges being faced by manufacturers.**

We will dig into each of these areas a little deeper throughout this Special Focus...

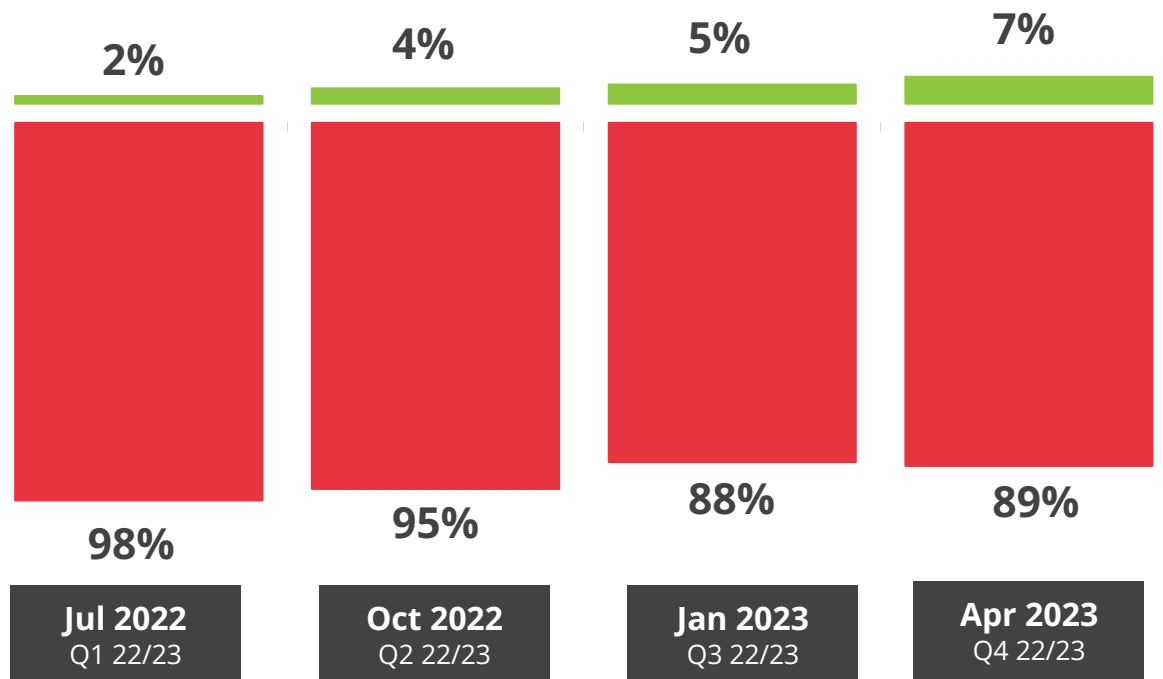




## SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

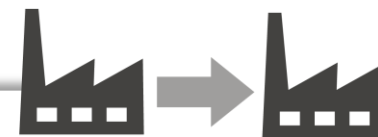
How **supply chain price changes** have continued to impact responding businesses over the **past four quarters...**



Positive Impact

Negative Impact

*Please note: these figures exclude those who said 'no impact'.*



### Supply Chain Price Changes

**Despite some slight improvements, the vast majority of respondents are still struggling with this issue.**

The cost of external factors (such as shipping/raw materials/energy prices etc) has significantly dropped, so hopefully this will filter down over the coming months.

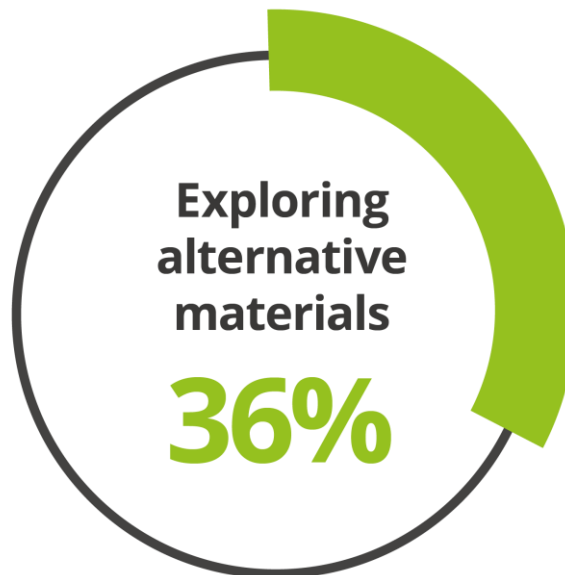
SURVEYED SPRING 2023



## SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

Respondents said they are taking the following action to address **supply chain price changes**...

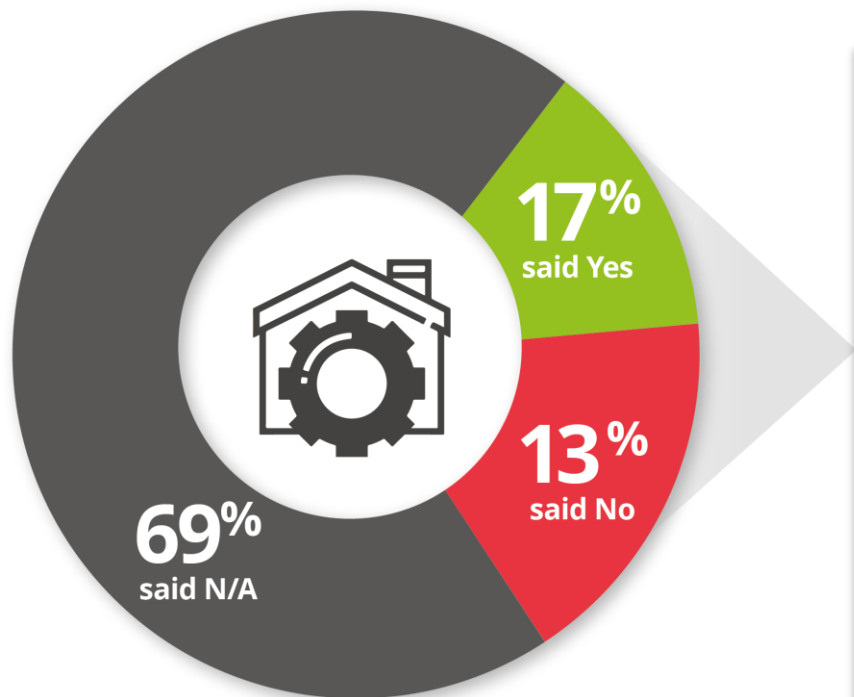




## SPECIAL FOCUS

### FUTURE GROWTH AND INVESTMENT PLANS

We asked if they plan to **bring production back in-house**...



Of the 30% who said this is applicable to their business, over half said **Yes** and cited the following reasons...

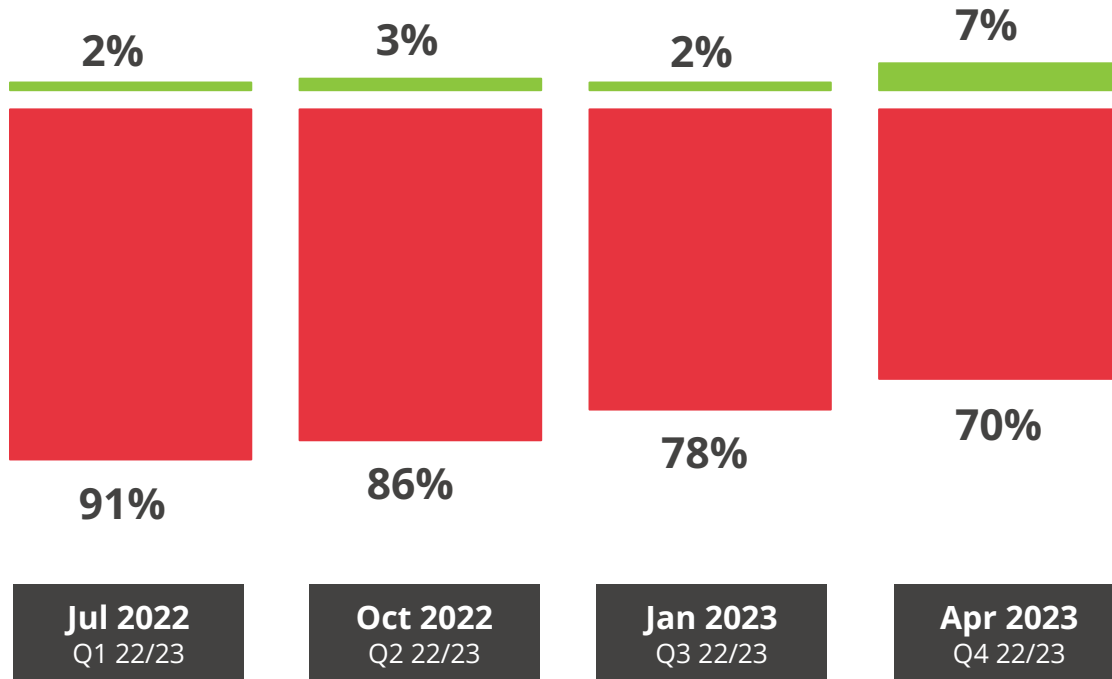




# SPECIAL FOCUS

## FUTURE GROWTH AND INVESTMENT PLANS

How **lead time changes** have continued to impact responding businesses over the **past four quarters**...



### Lead Time Changes

**Firms are unable to complete projects if they're waiting on components.**

This not only impacts their customers, but also affects cashflow and profit margins.

Positive Impact

Negative Impact

*Please note: these figures exclude those who said 'no impact'.*



## SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

With **70%** of respondents still being challenged by **longer lead times...**



...the majority have **increased inventory levels** to support their customers, but more stock means more initial outlay at a time when **over a third** are also seeing orders being **cancelled** or **delayed**.

21-50% increase



Under 20% increase



51-100% increase



More than 100% increase



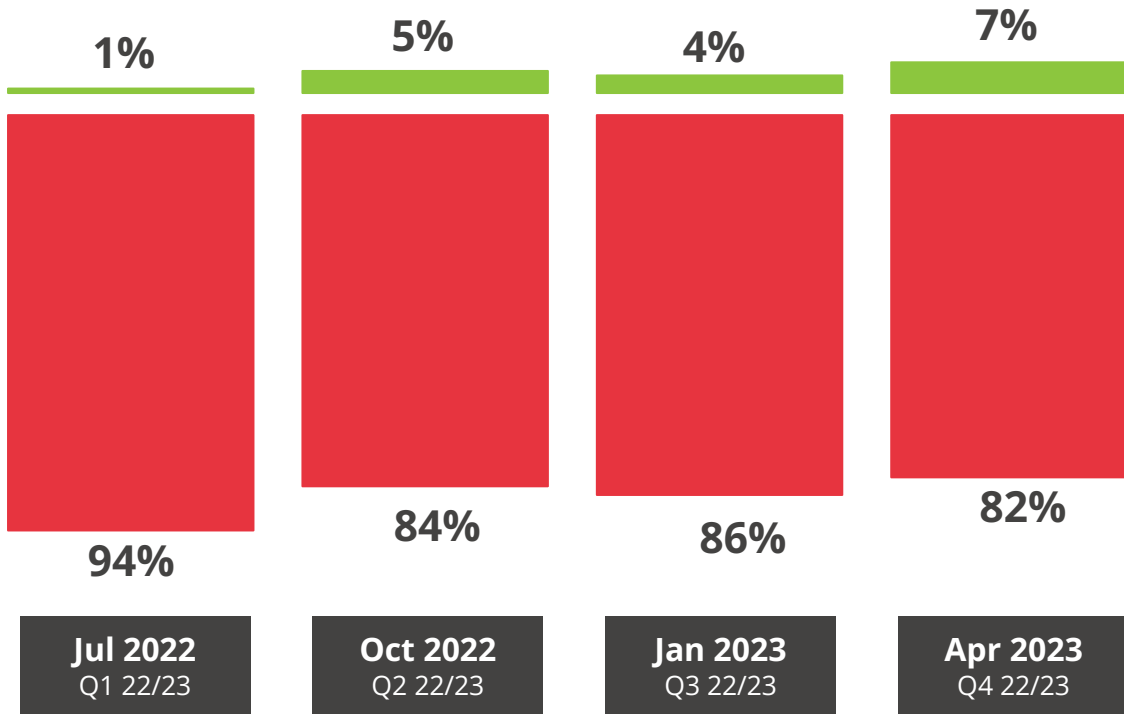
**Over half**  
are now holding  
**at least 20%**  
more inventory.



## SPECIAL FOCUS

### FUTURE GROWTH AND INVESTMENT PLANS

How rising **energy costs** have continued to impact responding businesses over the **past four quarters**...



Positive Impact

Negative Impact

*Please note: these figures exclude those who said 'no impact'.*



### Energy Costs

**With no price cap for businesses, many manufacturing firms have seen their energy costs increase by thousands of pounds.**

As an energy intensive sector, this challenge is further squeezing cashflow and forcing many to prioritise their net zero transition.



## SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS



This quarter **rising energy costs**  
are still causing problems for

**82%**

Responding businesses said they are planning the following **Investments** to address this issue...



Implementing process  
efficiency improvements

**66%**



Investing in more efficient  
machinery/equipment

**44%**



Energy efficiency  
(i.e., insulation)

**31%**



On-site energy  
generation  
(i.e., solar panels)

**24%**

Make it  
**NET ZERO**

Powered by **SWMAS**

Can help your business's  
**net zero transition...**

[FIND OUT MORE](#)

SURVEYED SPRING 2023

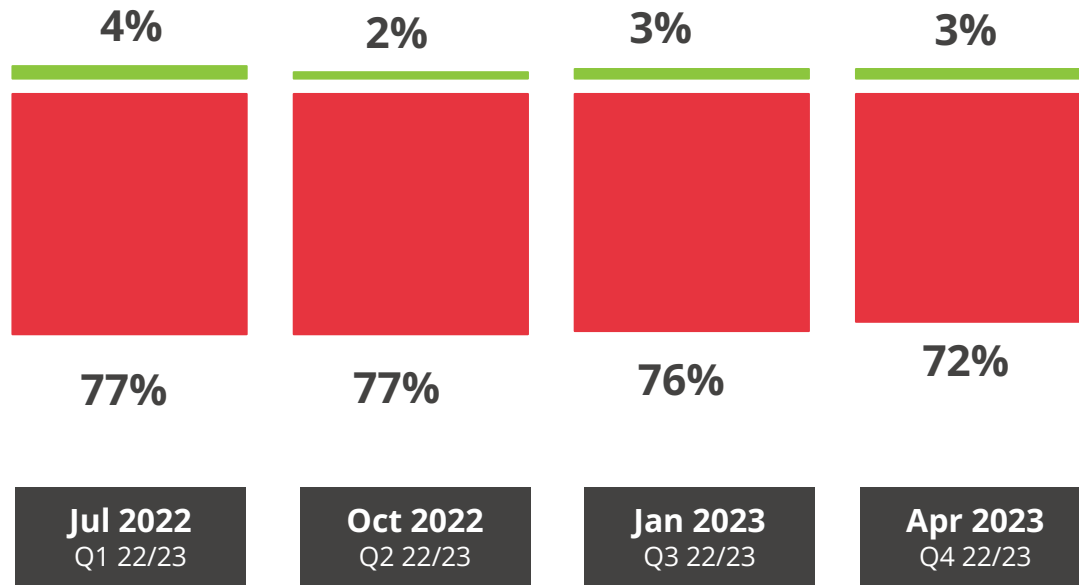
MANUFACTURING  
**barometer**



## SPECIAL FOCUS

### FUTURE GROWTH AND INVESTMENT PLANS

How a lack of **suitably skilled staff** has continued to impact responding businesses over the **past four quarters**...



Positive Impact

Negative Impact

*Please note: these figures exclude those who said 'no impact'.*



### Availability of Suitably Skilled Staff

**Skills shortages are an ongoing problem for the manufacturing industry.**

In fact, when compared to the other 'current challenges', this one has shown the smallest improvement throughout the past twelve months...





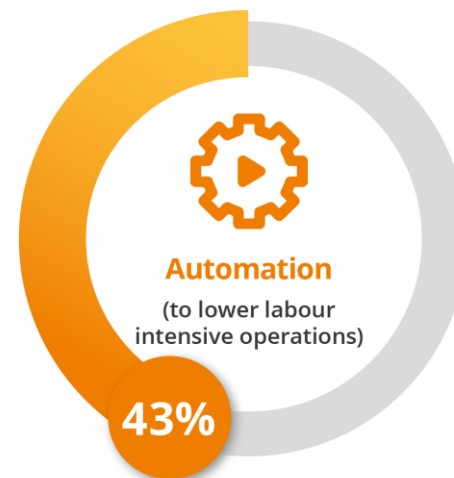
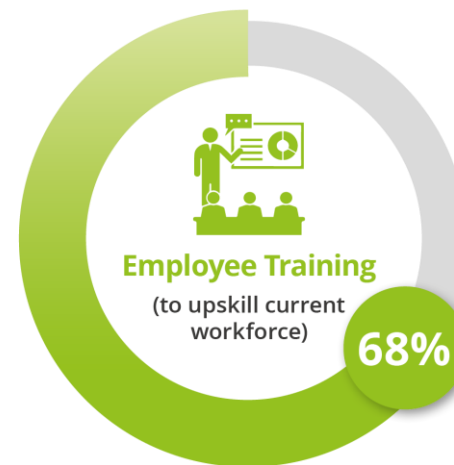
## SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

With almost **three quarters** of respondents still struggling to recruit **suitably skilled staff...**



...businesses said they are planning to invest in **Employee Training** and **Automation** to address this issue.

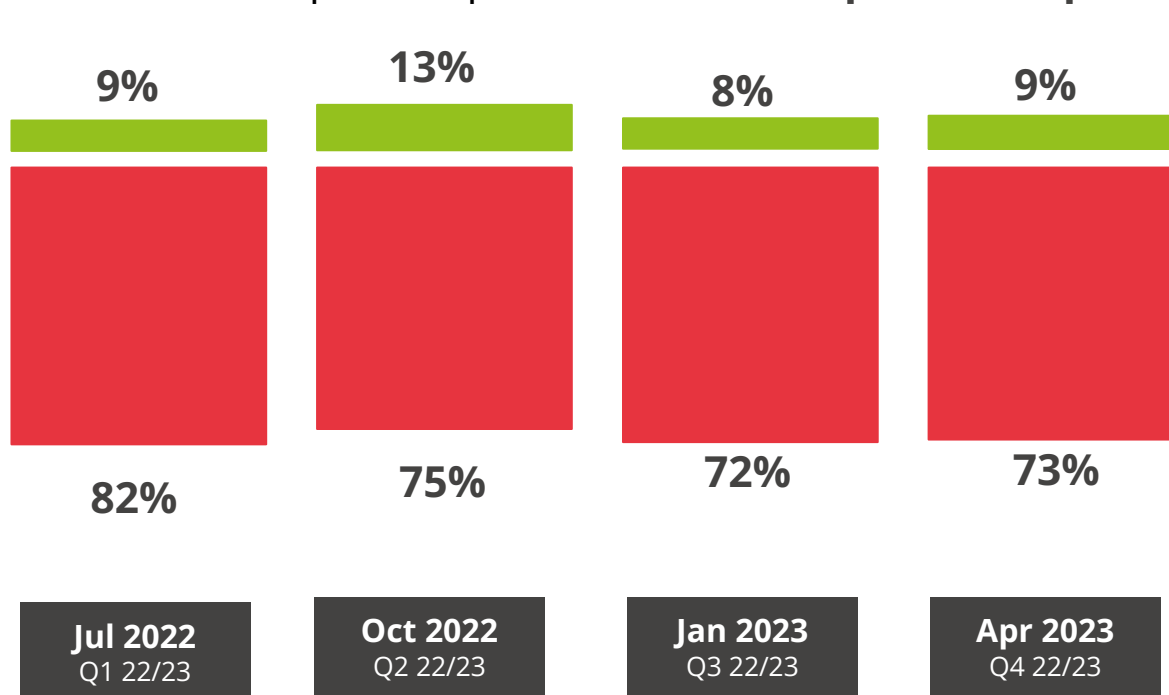




## SPECIAL FOCUS

### FUTURE GROWTH AND INVESTMENT PLANS

**The ability to pass cost changes to customers:** how this issue has continued to impact respondents over the **past four quarters...**



Positive Impact

Negative Impact

*Please note: these figures exclude those who said 'no impact'.*



### Passing Cost Changes to Customers

**With the cost of production increasing, many firms have no choice but to increase their own prices.**

For any manufacturing business struggling to pass these additional costs on, both profits and cashflow will be tighter until external market factors improve.



## SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

This quarter, almost **three quarters** said they are struggling to **pass cost changes to customers...**



Respondents plan to overcome this issue by...

Redesigning existing products



Reducing product lines  
(standardisation and substitution)



SURVEYED SPRING 2023



# BUSINESS ASPIRATIONS

Here are some of the future plans and ambitions that respondents have shared with us this quarter...

## SOUTH WEST

"We will invest in machinery that minimises operator input and runs more autonomously."

## WEST MIDLANDS

"Following a financial restructure, we need to stabilise our business after a really tough year, investing heavily in productivity improvements, R&D, and marketing."

## NORTH WEST

"We are implementing a range of new products, increasing marketing on our existing range, and investing in increasing our production capability."

## SOUTH EAST

"We are into our five-year growth plan which will see the business double in size. To achieve this, we have identified additional premises and increasing our talent pool as key factors. This investment will impact bottom line performance in the short term, but then reward the business two years from now."

## YORKSHIRE AND HUMBER

"Trying to offset huge electricity increases by installing LED lighting, purchasing a new smaller compressor, and overhauling the heating system in an attempt to reduce consumption/cost and communicate to all employees to reduce where possible."

## EAST MIDLANDS

"To look at entering new market places, be innovative with our resources and products, and look for further cost reducing opportunities without compromise on quality."

## WALES

"Continued expansion with the opening of a facility in May to support demand for stainless steel manufacture."



**Make your voice heard...**

[Click here](#) for your invitation to participate in next quarter's Barometer survey.

**We are always happy to publish positive news from Barometer respondents!**  
Here are some of the exciting updates that UK manufacturers have shared with us this quarter...

### **Silvalea** **DEVON**

**Currently celebrating 30 years of trade, this specialist sling manufacturer is investing for the future with a new dedicated warehouse, barcoding system, and online ordering portal.**

As a market leader in patient transport solutions, Silvalea has also developed a 'Global Training' platform; offering interactive online sessions and recorded demonstrations to help healthcare professionals use its wide range of products.

*[Read more here...](#)*

### **Siltech Ltd** **EAST MIDLANDS**

**With unique expertise in smart ink technology, this innovative firm has developed Thermosil; a single layer patch that allows direct thermal printing.**

Thermosil also enables secondary print to be applied to Linerless labels, which are produced on the reel without their backing paper, greatly reducing cost. Instead, the face of the label bears a release lacquer to protect it from the adhesive. A Thermosil patch allows secondary print to be applied with a thermal printer, whilst the use of Inkjet would not be possible. This solution offers excellent machine readability with no smudging or ribbon jams, as well as lower environmental waste and significantly reduced costs.

*[Read more here...](#)*

### **LittlePod Ltd** **DEVON**

**This Exeter-based firm turned to SWMAS for advice when it was first established back in 2010, and the relationship has continued ever since. To support equatorial vanilla farmers, LittlePod launched its 'Campaign for Real Vanilla', which encourages consumers to purchase the precious crops that are grown there instead of using artificial alternatives.**

After winning the prestigious Queen's Award for Enterprise back in 2018, the team was proud to be named one of the first-ever winners of the King's Award for Enterprise (Sustainable Development) in April 2023.

*[Read more here...](#)*

### **FIC (UK) Ltd** **CORNWALL**

**This Penzance-based firm leads the industry in solving difficult electric melting problems.**

Calling on its expertise in designing and manufacturing electric glass melting systems, FIC (alongside its principle Glass Service; Czechia) were the first to demonstrate how large scale glass melting furnaces could be decarbonised.

*[Read about these products here...](#)*

### **Quattro Foods Ltd** **HAMPSHIRE**

**This environmentally conscious food manufacturer is thrilled with the positive results from recent energy reduction initiatives.**

By refurbishing old dairy tanks into chillers and redesigning existing systems, Quattro Foods has lowered electrical usage and reduced CO2 emissions, leading to lower costs and an opportunity to invest in more staff training as a result of the savings made.

*[Read about Quattro's sustainability credentials here...](#)*

### **Caice** **DORSET**

**Caice develops pioneering new technologies to overcome the challenges of noisy machinery in commercial and domestic building projects.**

This award-winning designer and manufacturer of attenuators is calling upon Lean methodologies to upskill its workforce and advance the business.

*[Read more here...](#)*

### **Geometric Manufacturing Ltd** **GLOUCESTERSHIRE**

**With a long heritage in Computer Aided Manufacturing across multiple industries, this firm pride themselves on exceptional teamwork.**

They recently invested in both staff and machinery to increase productivity and secure their place in the market.

*[Read more here...](#)*

# CONCLUSION

Overall, there is a significant upturn in future sales forecasts across the industry, although the same level of optimism is not quite reflected in future profit predictions. This heightened positivity appears to be giving some firms the confidence to increase investment in both staff and capital equipment as a means of supporting their future growth.

This quarter's special focus reveals how firms are:

- 🕒 addressing the **key challenges** that have been highlighted repeatedly over the past 12 months
- 🕒 trying to drive **future growth** for their business

**The main focus for investment seems to be employee training (68%), closely followed by product development (65%).**

With 89% of respondents saying that ongoing supply chain challenges are having a negative effect on their future growth, it is interesting to see the approach that companies are taking to overcome this. 61% of firms are looking to use different suppliers and 36% are exploring alternative materials in an attempt to lower costs. These actions could offer exciting collaboration opportunities for UK SMEs with complementary capabilities.

17% told us they plan to bring production back in house, with the majority of these firms citing supply chain cost increases (84%) and longer lead times (60%) as the two key issues driving this decision. 52% said that they have increased inventory levels, with more than half now holding between 21 and 50% more stock. It is concerning that more than a third of respondents said they are seeing orders delayed or cancelled at a time when they are having to invest in additional inventory to ensure stability of supply to their customers.

With 72% of companies still struggling to recruit skilled staff, firms are also looking to invest in employee training and automate elements of their production (where feasible) to address current challenges and grow their business for the future. However, the combination of cash being locked into inventory and orders being cancelled potentially lowers the level of investment that firms can make in both staff training and capital equipment.

Nearly three quarters of respondents said they are still struggling to pass rising costs onto their customers, which is further squeezing profits and available cashflow. To address this, 30% of firms are looking into redesigning existing products and 19% plan to rationalise and reduce product lines to lower costs.

Within this quarter's survey, we also asked about recent government policies to see if manufacturers felt these would benefit them. 28% of firms felt that the full expensing policy would help their capital investment plans, but only 7% of firms expect the R&D tax credit changes to have a positive impact on them.

***"It's clear that the SME manufacturing community is finding innovative and novel ways to overcome the challenges that the whole sector is facing. With 73% of businesses struggling to pass costs onto customers, a number have indicated that their profits are starting to be squeezed. This is reflected in the core trends, where the positive optimism on sales doesn't quite translate into the same level of optimism for profits."***

***Respondents are indicating that there is potential for growth in both jobs and investment within the sector, but clarity on the long-term future direction would be welcomed by firms across the sector and could unlock even further growth."***



**Nick Golding**  
Managing Director, SWMAS





## WHAT IS THE MANUFACTURING BAROMETER?

The UK's largest survey of SME manufacturers; delivered quarterly to capture the views and challenges of small and medium-sized businesses, who account for over 95% of UK manufacturing firms. The reports generated from these findings have informed both government industrial strategy and the national debate on manufacturing.

Run by SWMAS (South West Manufacturing Advisory Service) the Manufacturing Barometer has been recording trends in employment, turnover, and investment for over a decade. Each quarter, a 'special focus' explores topical issues in greater depth, such as productivity, overseas production, and energy efficiency.

## WHAT ARE THE BENEFITS?

- 🕒 The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- 🕒 SME manufacturers can highlight the specific support they require from Government on a local and national level
- 🕒 The results can be utilised by respondents to compare their challenges and expectations against those of others across the industry
- 🕒 It offers vital intelligence to Government to help them plan future industrial strategies that adequately support the needs of SME manufacturers for future sector growth

## WHO ARE SWMAS?

SWMAS are experts in productivity and growth and provide bespoke support to manufacturing businesses.

If you would like one of our team to help you identify opportunities in your business, or for more information on this report, please get in touch:

[info@swmas.co.uk](mailto:info@swmas.co.uk) | 01278 767 010 | [www.swmas.co.uk](http://www.swmas.co.uk)

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# MANUFACTURING barometer

