



**MANUFACTURING**  
**barometer**

**NATIONAL REPORT FOR Q1 2022/23**

APRIL, MAY & JUNE 2022 - SURVEYED IN JULY 2022

 **SWMAS**

# INTRODUCTION

---

**Welcome to the Manufacturing Barometer Report for Q1 2022 (covering April, May and June 2022).**

This quarterly survey is exclusively for small and medium-sized manufacturing businesses in the UK.

The findings uncover 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 SME businesses across the UK manufacturing industry.






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.

## CONTENTS

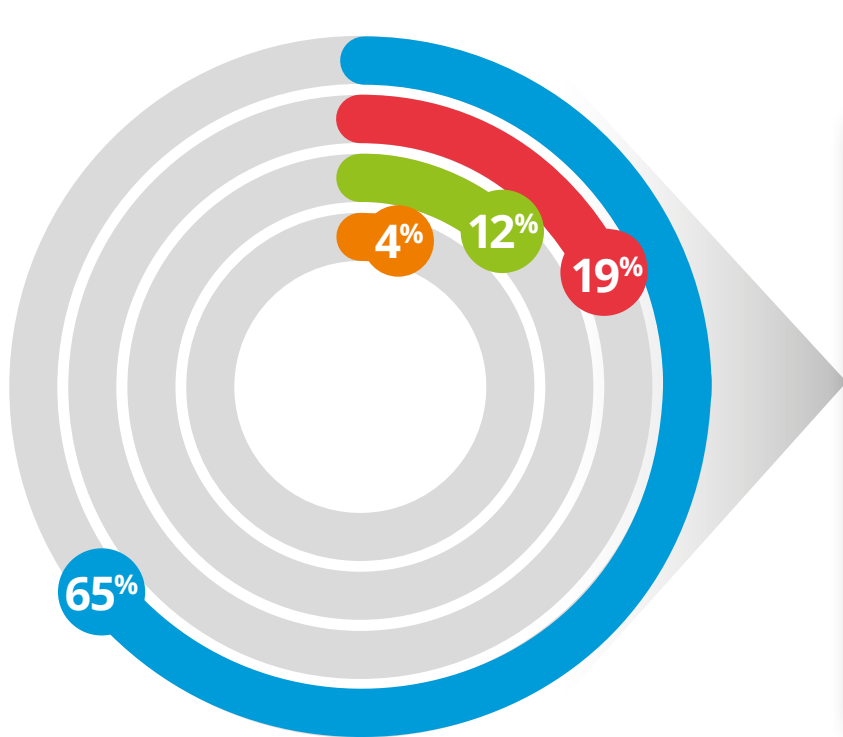
---



Click on a title below to be directed to that particular page.  
Click on the Barometer logo in the page footer to be directed back to this Contents Page.

-  **Survey Demographics**
-  **National Core Trends**
-  **Summary of Core Trends**
-  **Trading through Current Conditions**
-  **Summary of Trading through Current Conditions**
-  **Special Focus: The Reality of Reshoring for SMEs**
-  **Business Aspirations**
-  **Conclusion**
-  **About the Manufacturing Barometer**

RESPONDENTS JOB TITLE

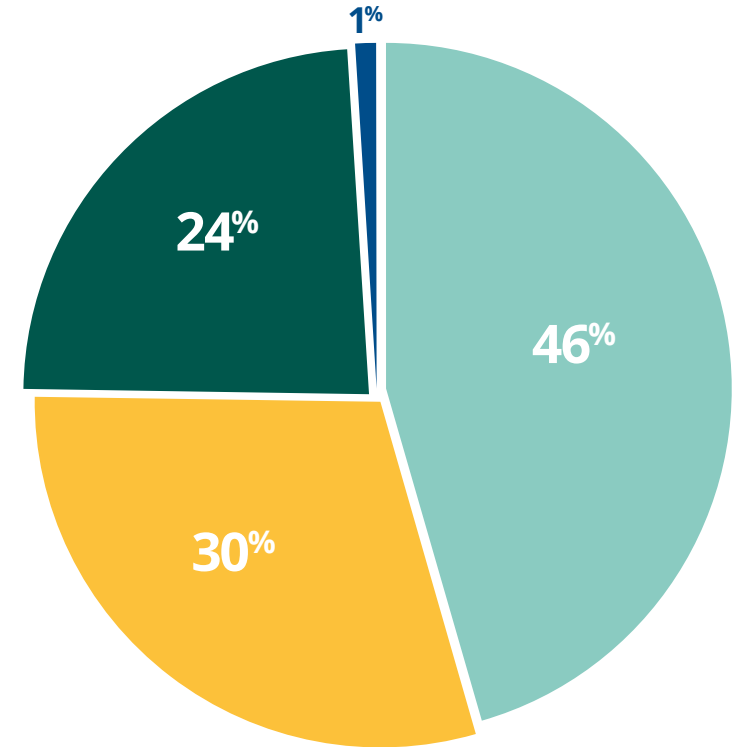


**84%**

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

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

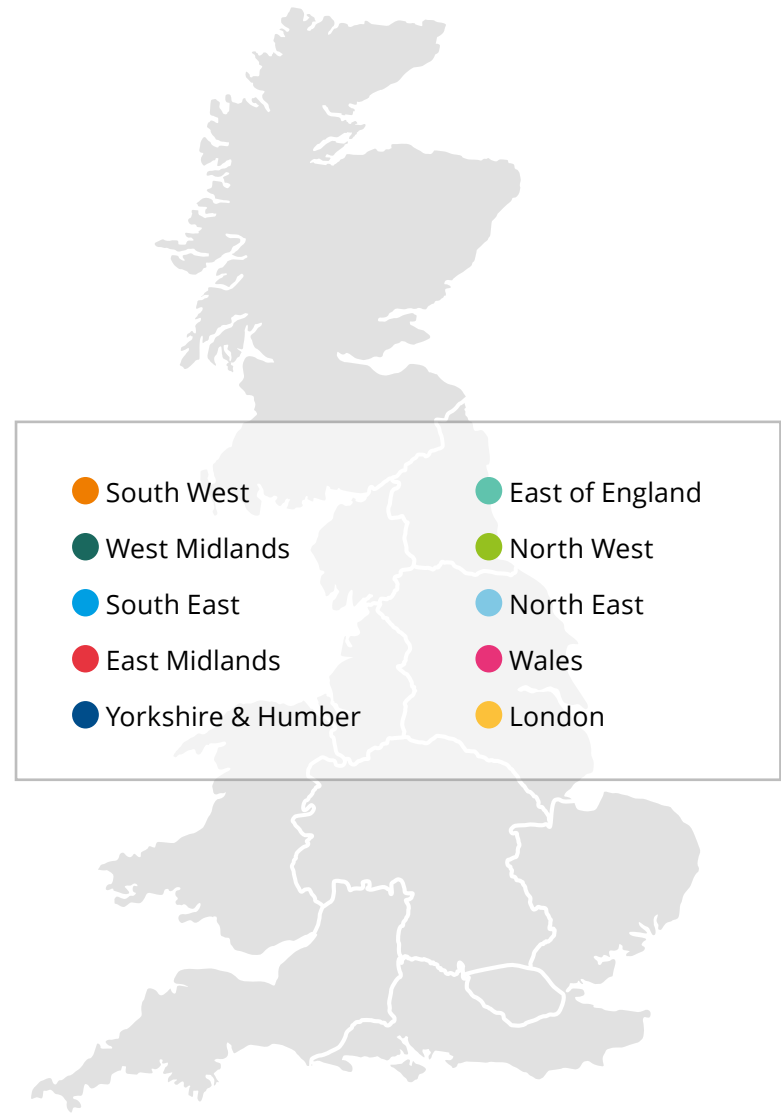
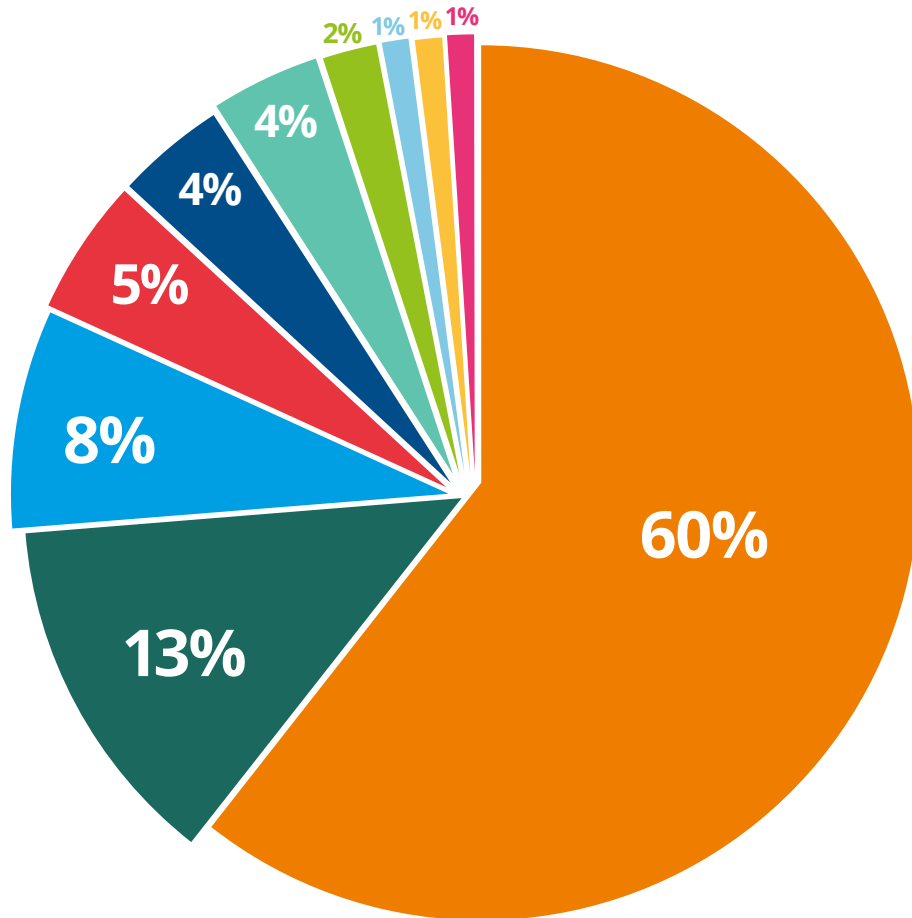
SIZE OF BUSINESS



- |   |   |
|---|---|
| <span style="color: #4DB6AC;">■</span> Small<br>10-49 employees   | <span style="color: #00695C;">■</span> Micro<br>0-9 employees |
| <span style="color: #FFC107;">■</span> Medium<br>50-249 employees | <span style="color: #004A87;">■</span> Sole Trader            |

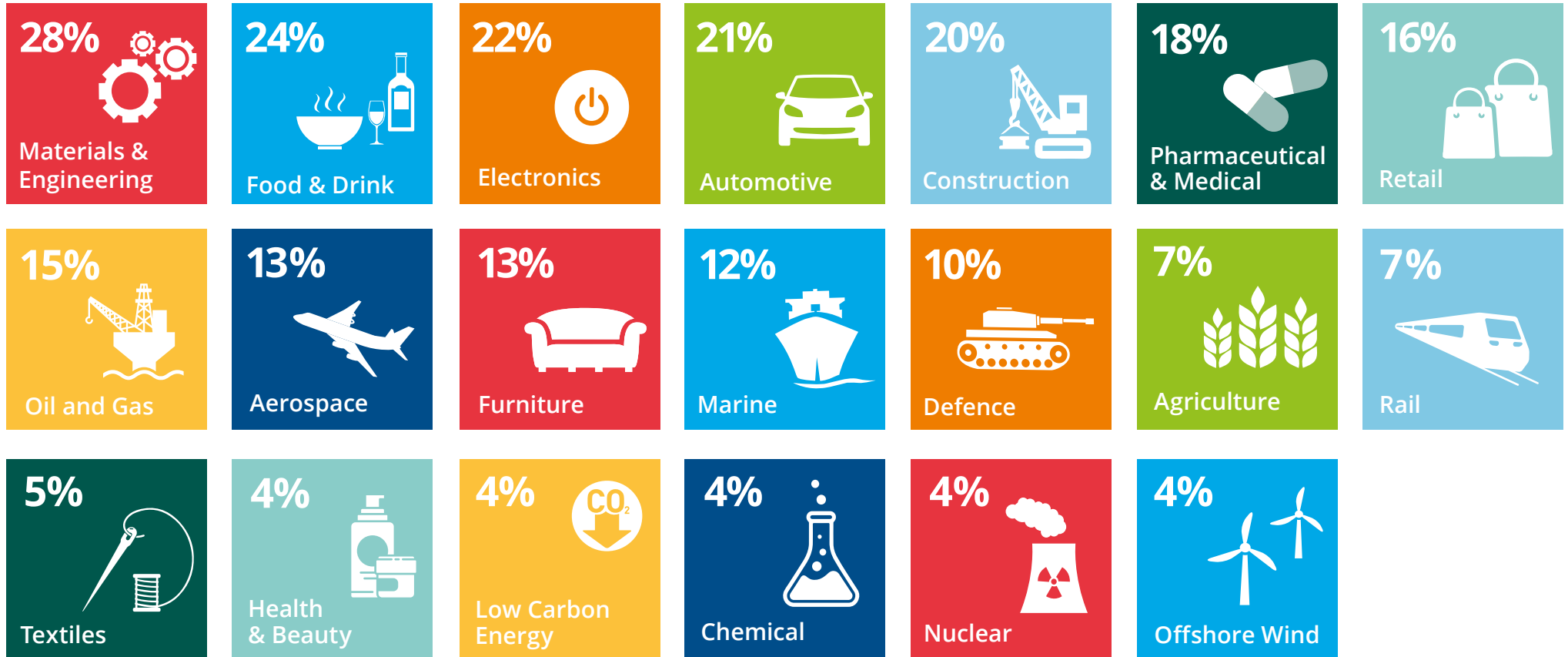
- |   |   |
|---|---|
| <span style="color: #0070C0;">■</span> MD/CEO   | <span style="color: #70AD47;">■</span> Senior Manager |
| <span style="color: #C00000;">■</span> Director | <span style="color: #E69A00;">■</span> Other          |

LOCATION



# NATIONAL SURVEY DEMOGRAPHICS

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



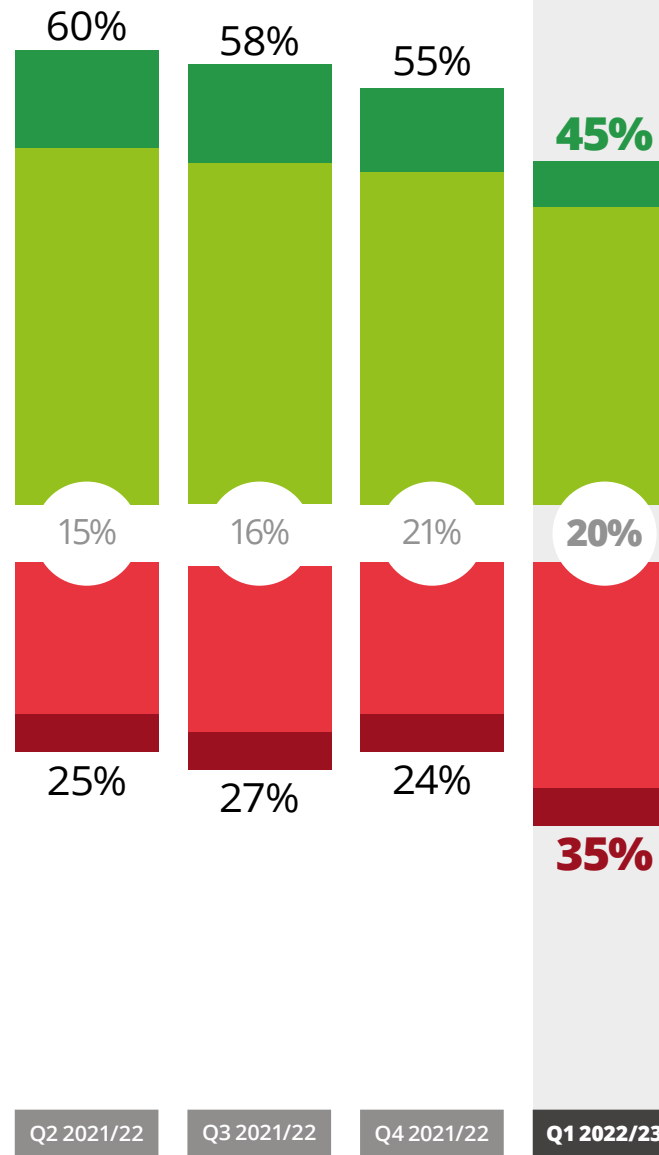
# NATIONAL CORE TRENDS

## PAST SALES & PROFITS

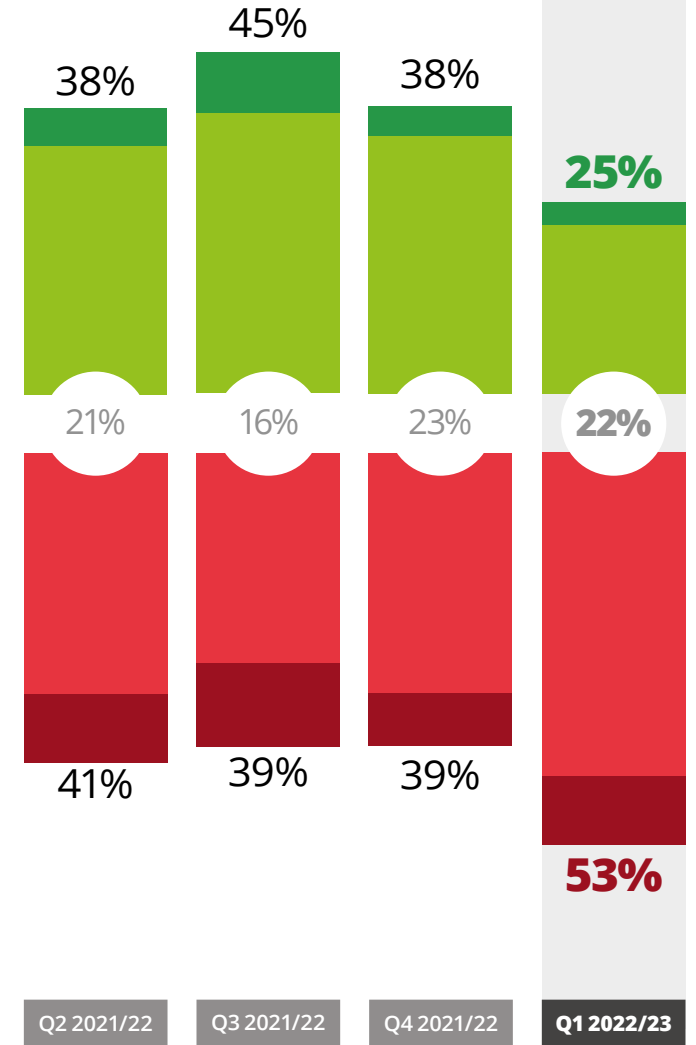
How **sales** turnover and **profits** have changed for SME manufacturers over the **past six months**, compared to the previous three quarters...



### SALES PAST SIX MONTHS



### PROFITS PAST SIX MONTHS



#### KEY

- Much Increased
- Increased
- No change
- Reduced
- Much Reduced



## 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...

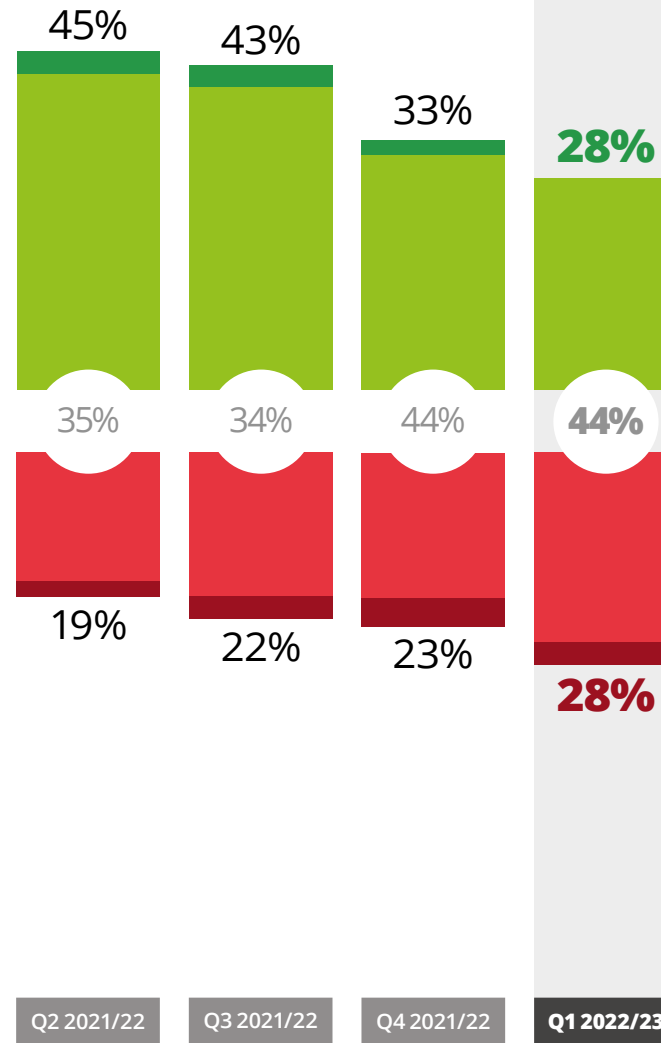
### KEY

- Much Increased
- Increased
- No change
- Reduced
- Much Reduced



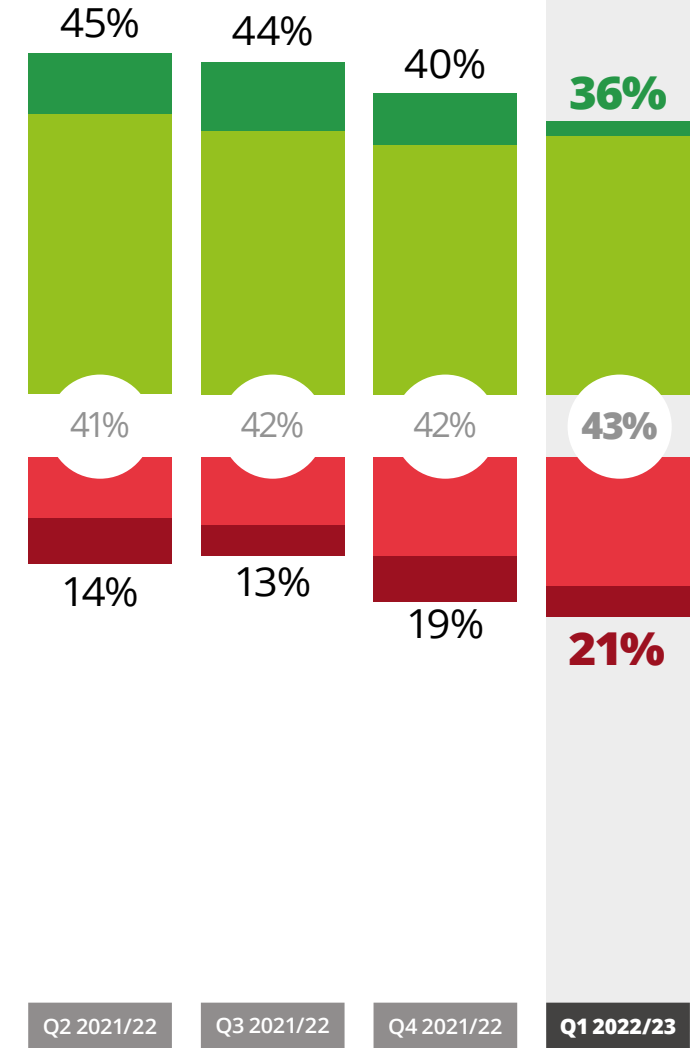
## STAFF NUMBERS

PAST SIX MONTHS



## CAPITAL INVESTMENT

PAST SIX MONTHS

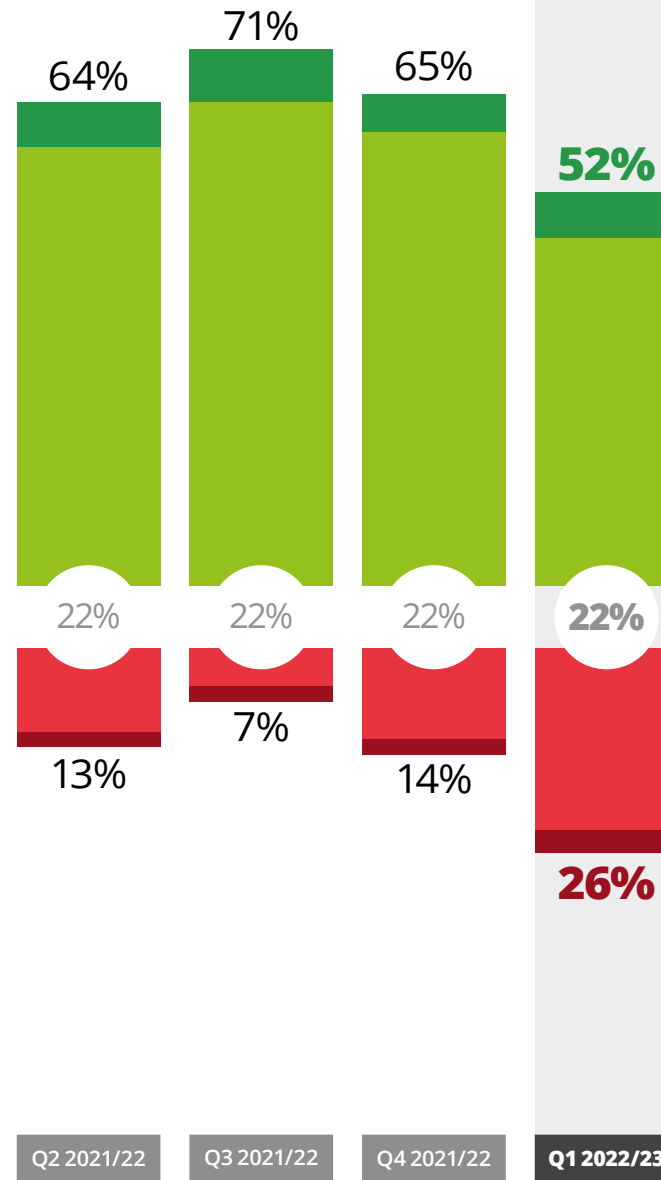


# FUTURE SALES & PROFITS

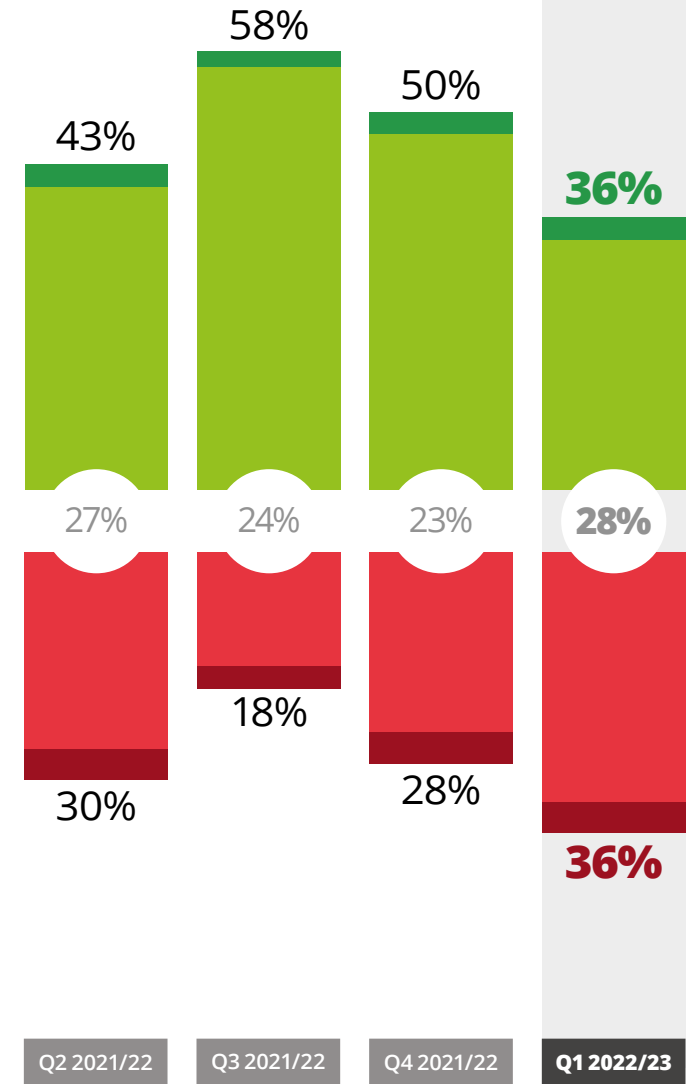
How **sales** turnover and **profits** will change for SME manufacturers over the **next six months**, compared to the previous three quarters...



## SALES NEXT SIX MONTHS



## PROFITS NEXT SIX MONTHS



### KEY

- Much Increased
- Increased
- No change
- Reduced
- Much Reduced



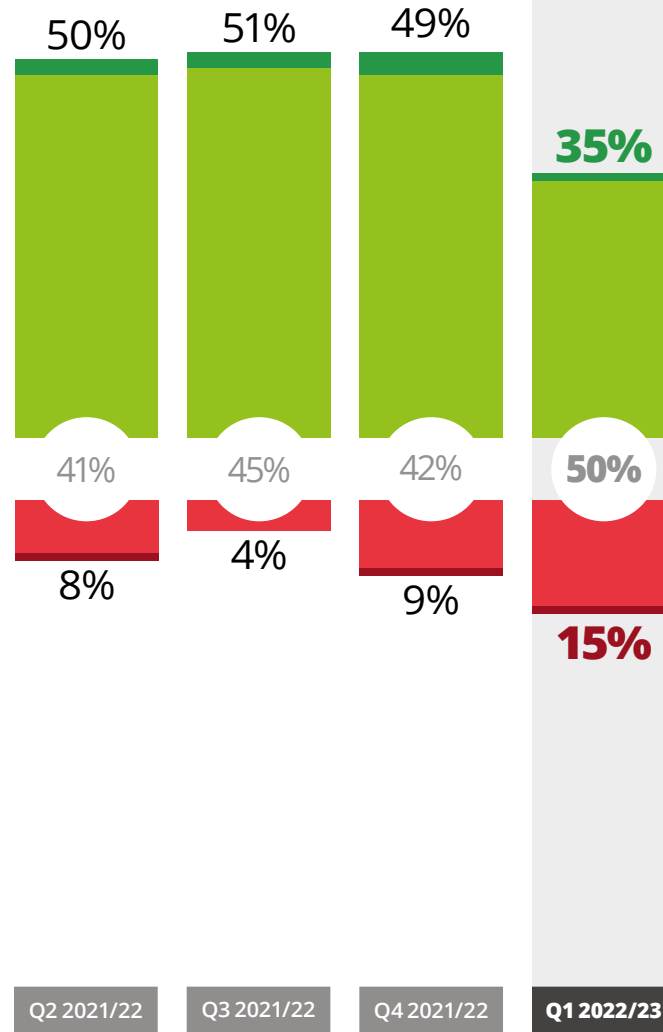
# FUTURE STAFF NUMBERS & CAPITAL INVESTMENT

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



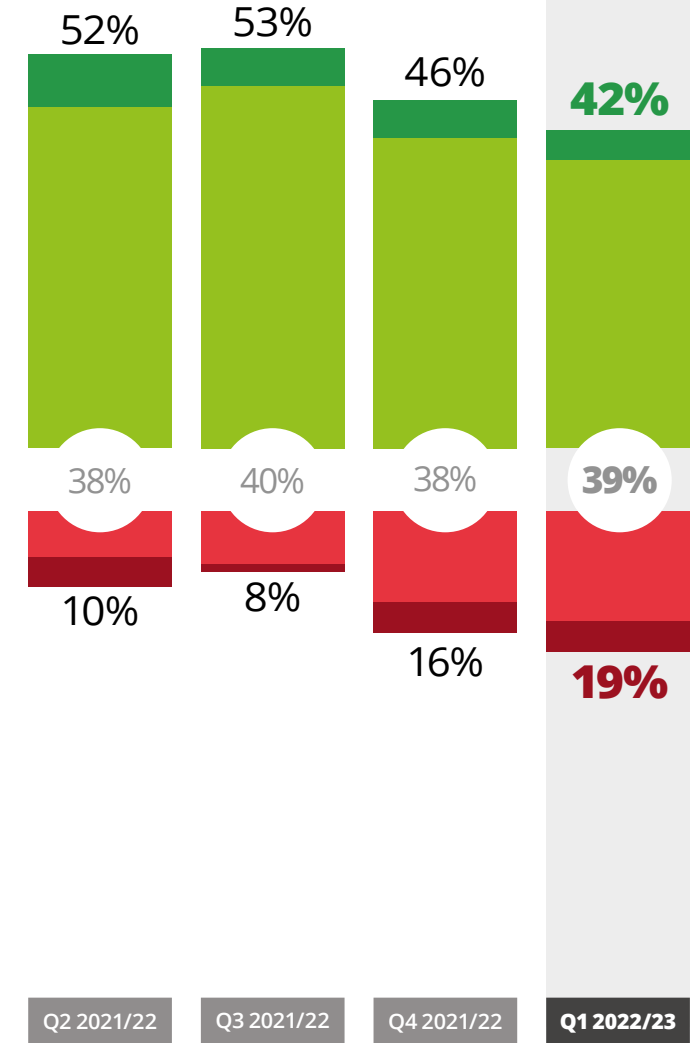
## STAFF NUMBERS

NEXT SIX MONTHS



## CAPITAL INVESTMENT

NEXT SIX MONTHS



### KEY

- Much Increased
- Increased
- No change
- Reduced
- Much Reduced



# 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	5%	30%	20%	<b>39%</b>	6%
Past profit	9%	<b>44%</b>	22%	22%	3%
Past staff numbers	3%	25%	<b>44%</b>	28%	0%
Past Investment	4%	17%	<b>43%</b>	34%	2%
Future sales turnover	3%	23%	22%	<b>46%</b>	6%
Future profit	4%	32%	28%	<b>33%</b>	3%
Future staff numbers	1%	14%	<b>50%</b>	34%	1%
Future investment	4%	15%	<b>39%</b>	38%	4%



## CORE TRENDS

# WHAT DOES THIS QUARTER'S DATA TELL US?



### PAST SALES & PROFITS

In April, increased sales did not translate into higher profits and this trend appears to be continuing. In fact, the gap has widened this quarter with almost half of respondents reporting sales growth between January and June, but only a quarter saying their profits had increased within this same period. Furthermore, 53% saw their profits plummet - the highest number to report this since the Q3 2020 report (surveyed in January 2021).



### PAST CAPITAL INVESTMENT & EMPLOYMENT

Findings have not changed drastically since April and, once again, these two core trends have remained static for the largest percentage of respondents. However, reports of increased staff numbers and business investment have been slowly decreasing over the past four quarters. Likewise, the number who reduced the size of their workforce and put investment plans on hold during the first half of the year has grown.



### FUTURE SALES & PROFITS

Order books are looking healthy this quarter, with the highest percentage of respondents (52%) expecting sales growth for the remainder of 2022. However, only 36% predict higher profits over the next six months, suggesting that the current cost of living crisis is having an impact on UK manufacturing. In fact, future optimism has not only dropped from last quarter, but is also the lowest it has been for well over a year.



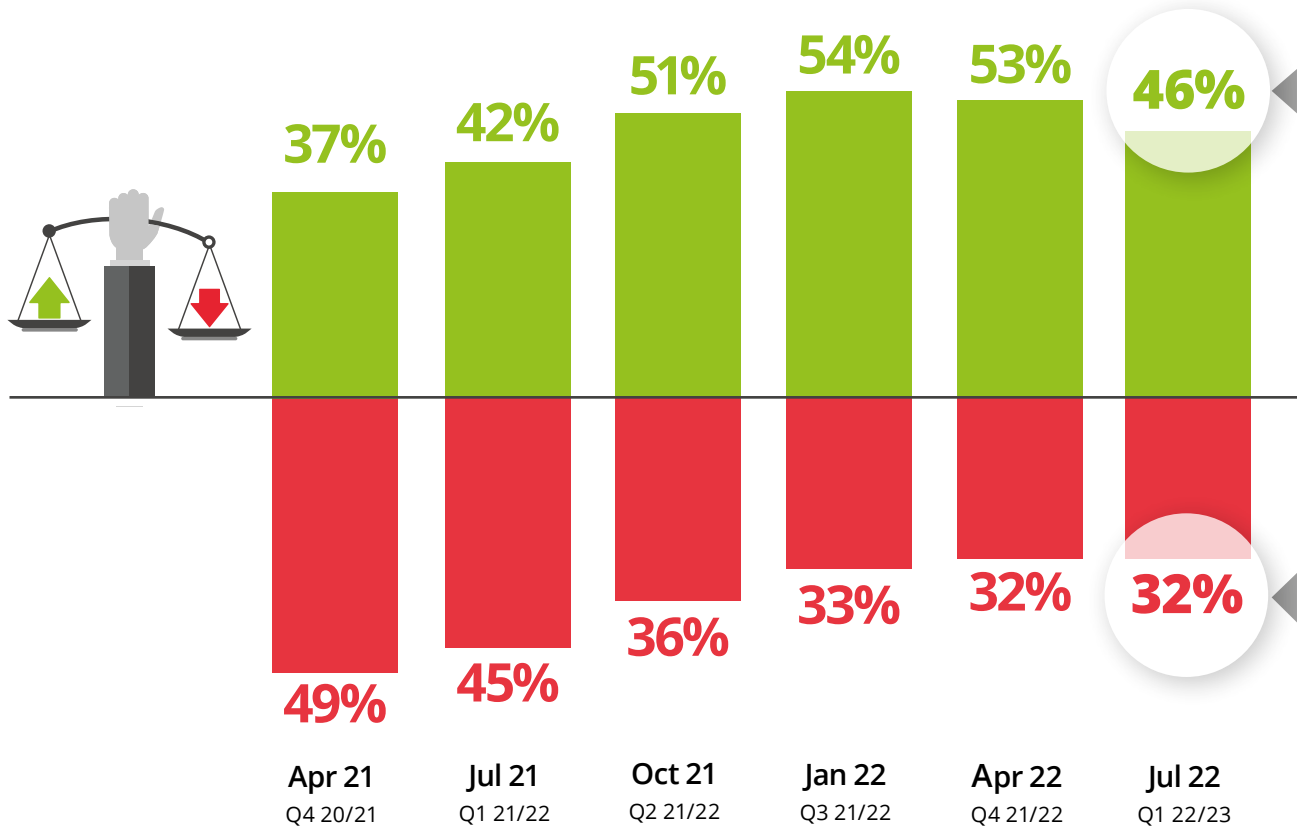
### FUTURE CAPITAL INVESTMENT & EMPLOYMENT

It is encouraging to see that 42% of firms are still planning to invest in machinery/equipment between now and December, although this number is dropping quarter by quarter. The largest percentage of respondents are either expecting staff numbers and investment to remain stable or increase over coming months. This indicates that many firms are taking steps to meet current levels of demand and support the future growth of their business.



# TRADING THROUGH CURRENT CONDITIONS

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...



The number reporting **increased trade** has dropped **7%** this quarter



Although this figure hasn't changed since last quarter, **64%** of these respondents now expect recovery to take **more than 12 months** (compared to 43% in April)

Increased

Reduced

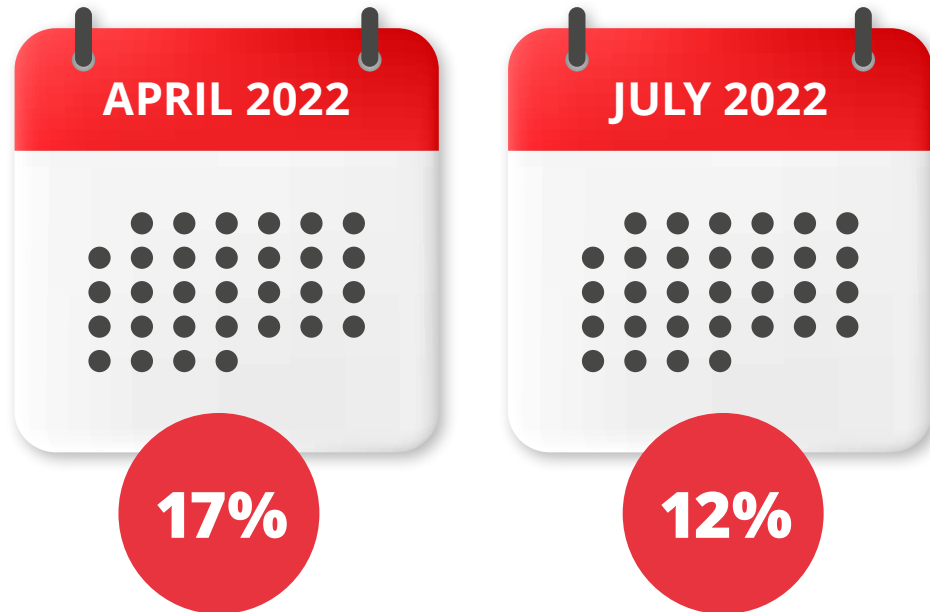
Please note: these figures exclude those who said they have not been affected by the COVID-19 pandemic.



# TRADING THROUGH CURRENT CONDITIONS

## Rates of staff absence as a result of COVID-19

Those who said that over 10% of their workforce are currently absent (including self-isolating) ...



Although some level of absence is still being reported, when compared to last quarter's findings it would appear that this issue is slowly improving.





# TRADING THROUGH CURRENT CONDITIONS

Recent Barometer reports have repeatedly highlighted the same key challenges.

We asked respondents how each of these issues are currently impacting their business...

We will ask these questions each quarter to emphasise the ongoing impact of current challenges.

Positive Impact

Negative Impact

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



Supply chain price changes

2%



98%



Inflation

1%



96%



Energy costs

1%



94%



Lead time changes

2%



91%



Ability to pass cost changes to customers

9%



82%



Availability of suitably skilled staff

4%

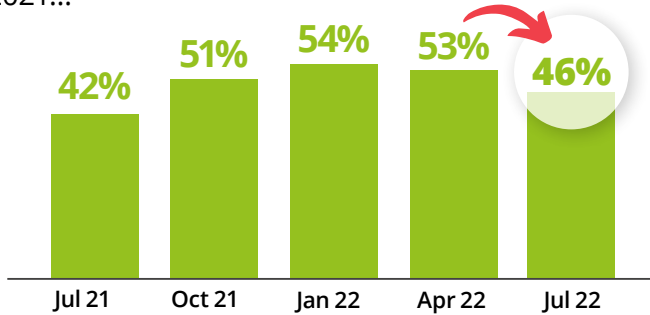


77%

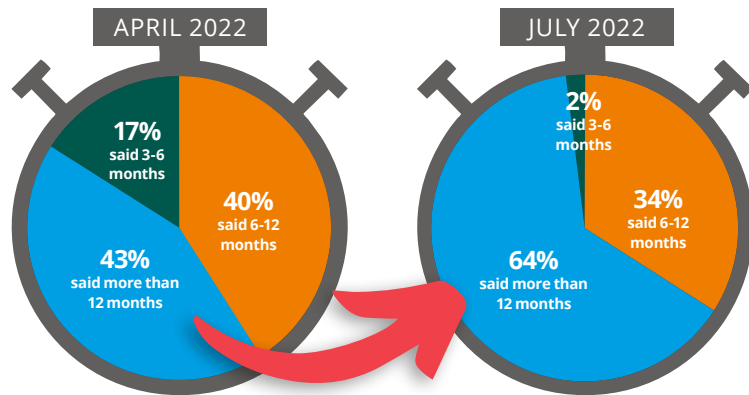


# SUMMARY OF CURRENT TRADING CONDITIONS

**46%** of respondents are still **'trading at increased levels'** when compared to their position at the beginning of 2020. However, it is worth noting that this number has **dropped 7%** from last quarter and is now the lowest it has been since July 2021...



Although the number **'trading at reduced levels'** has not changed since April, almost two thirds of these respondents now expect a longer recovery of 12 months or more (21% higher than the percentage who said this last quarter)

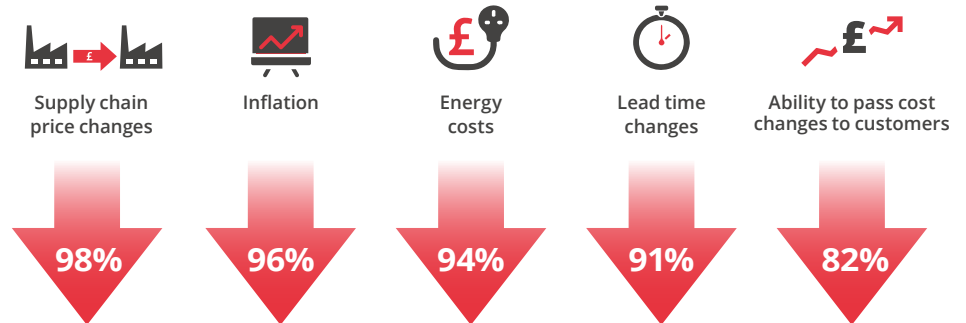


This indicates that current challenges are **extending COVID recovery times** for a number of manufacturing businesses.

The number of firms seeing COVID-related absence from **over 10%** of their workforce has reduced slightly when compared with last quarter's findings. It is encouraging to see this issue gradually improving.



The below ongoing challenges are still negatively impacting the majority of firms...



We will monitor this in future Barometer surveys to understand how these issues are continuing to affect SME manufacturers.





## **SPECIAL FOCUS** **THE REALITY OF RESHORING FOR SMES**

There have been media reports of production being brought back to the UK, but are SMEs really feeling the benefit of this?

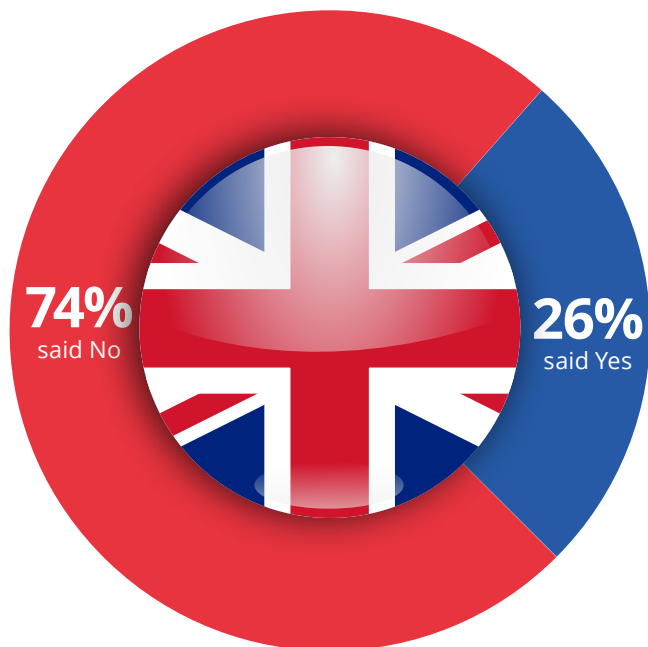
**Our special focus aims to uncover the reality of 'reshoring' from an SMEs perspective. What are the factors driving this change, how will current supply chain disruption and cost challenges impact these potential opportunities, and what support would be most beneficial to help UK manufacturing prosper and grow?**





## Is reshoring really happening, and how will it impact SME Manufacturers?

We asked businesses if their orders had **increased** as a result of customers bringing **production back to the UK...**



## Respondents think the decision to reshore is being driven by the following factors...



**74%**

Import issues - lead times



**66%**

Availability of stock from overseas suppliers



**60%**

Price increases from overseas suppliers



**57%**

A need to build inventory to mitigate supply chain risk



**57%**

Import issues - price



**54%**

Quality of the product(s) from overseas suppliers



**43%**

Customer service/support from overseas suppliers



**34%**

Carbon footprint consideration



**29%**

A desire to support UK manufacturing



**6%**

More competitive prices from UK suppliers



**3%**

Ukrainian war



**3%**

Brexit



SPECIAL FOCUS

# THE REALITY OF RESHORING FOR SMES

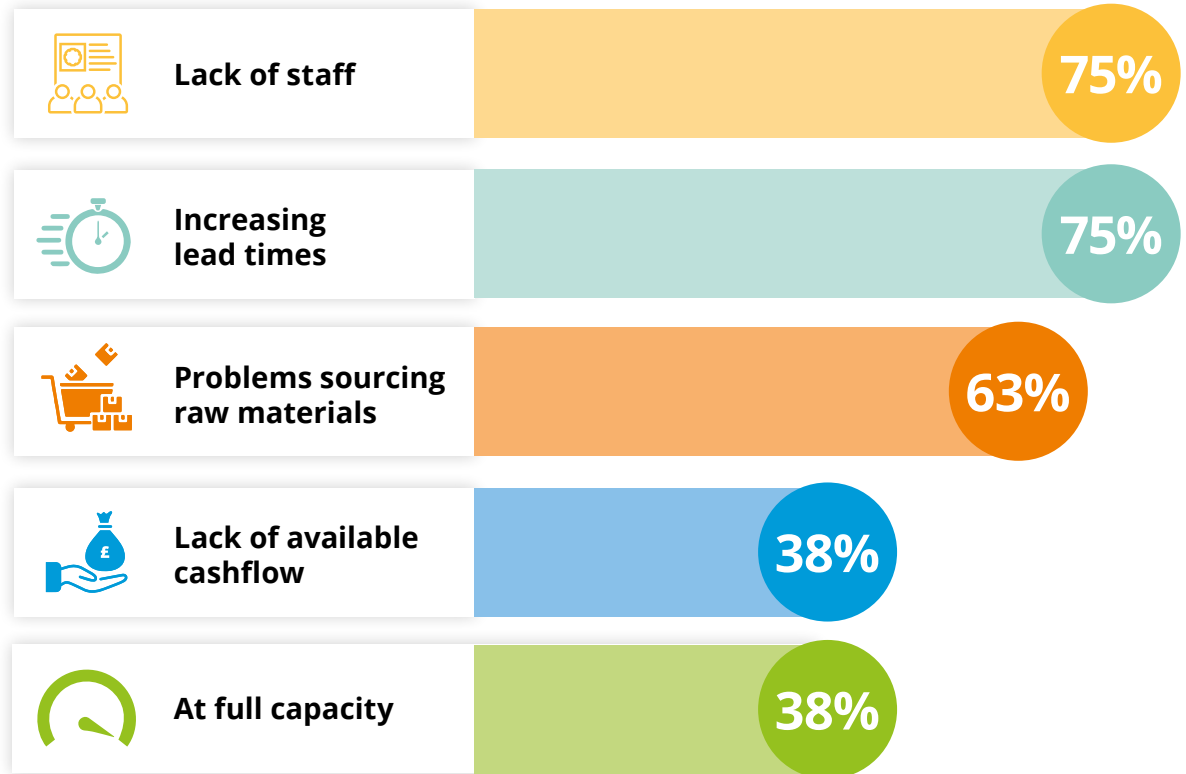


Over a quarter of respondents have seen orders **increase** as a result of reshoring.

This could help secure future industry growth, but can SMEs keep up with this demand?

22%

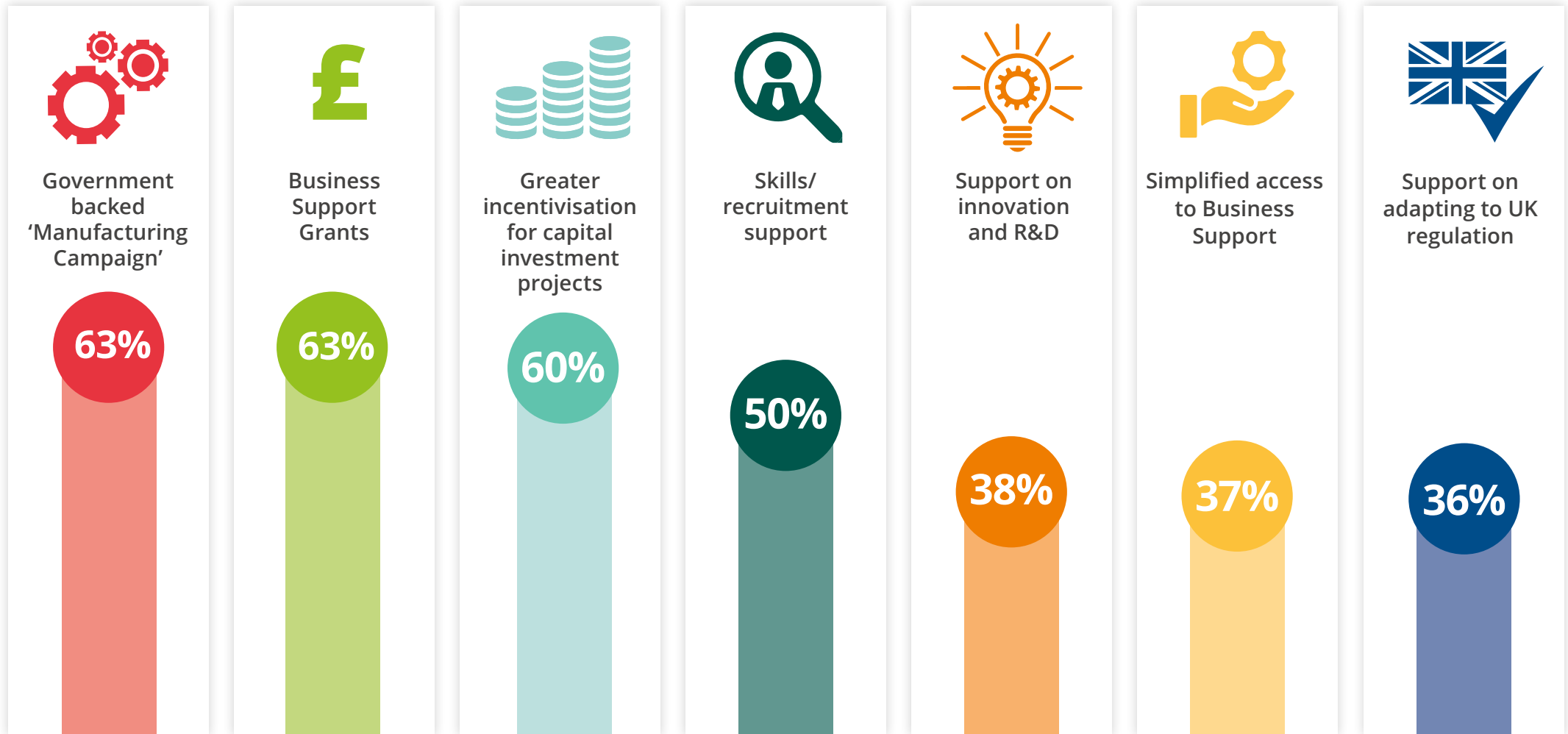
of these businesses said they were **unable to meet this demand** due to the following issues...





## Manufacturing has an exciting role to play in boosting the UK economy!

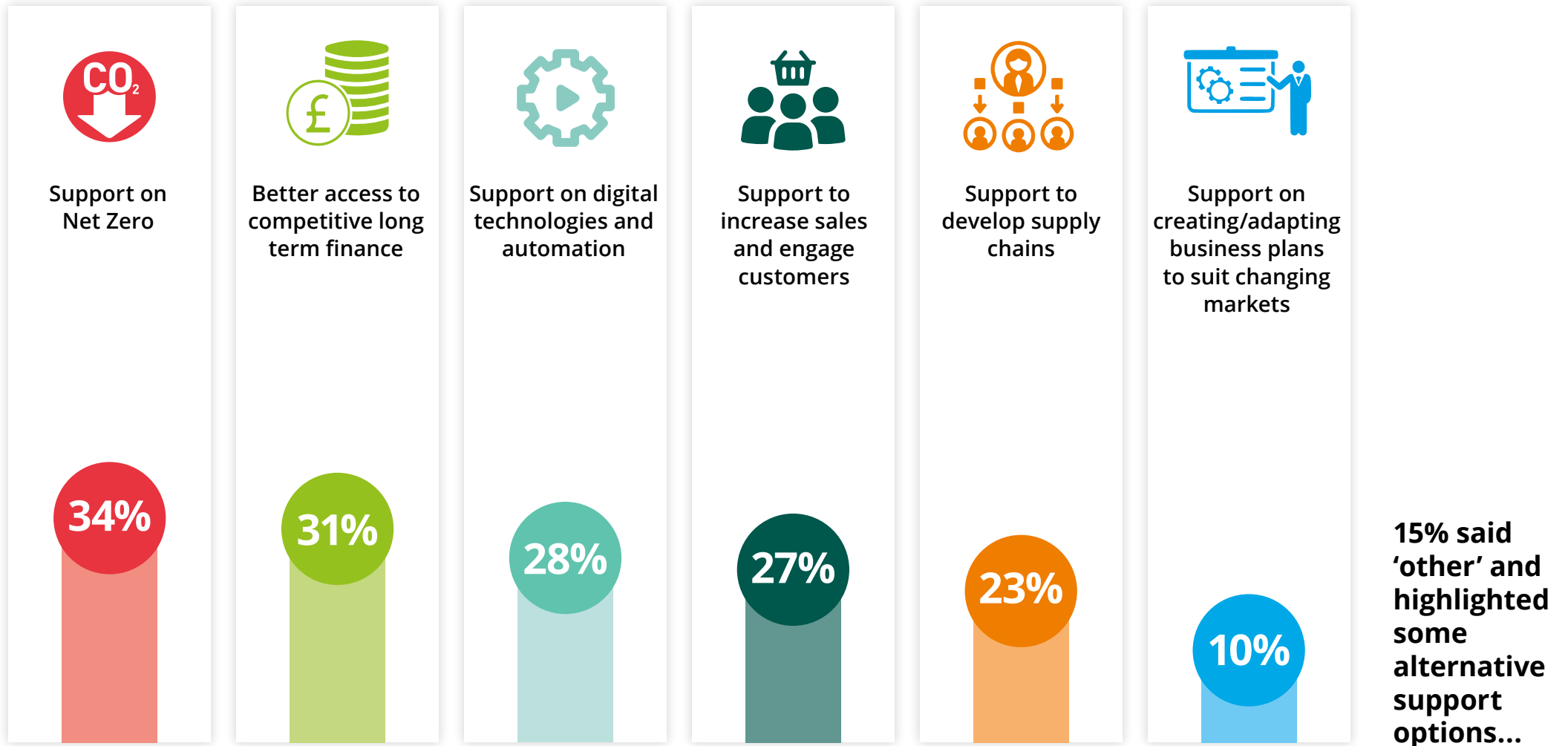
This is what SME businesses said would help them make the most of opportunities from reshoring and/or support future growth...





**Continued...**

What SME manufacturers said would help them make the most of opportunities from reshoring and/or support future growth...





## What else would help SME Manufacturers?

Some other support needs highlighted by respondents...

### CASHFLOW & RESOURCES

Meaningful **government support** for businesses of all sizes.

Grants seem to be aimed at larger companies (**£10K minimum match funding** for projects).

**Banking Support** - finding new and better supportive banks for SMEs.

Focus on **increased efficiency and productivity** rather than creation of jobs.

Help with rising **electricity costs**.

Help with **energy storage**.



### TRAINING & RECRUITMENT

Ensure that education prepares young people for the **skills** needed in **manufacturing**.

Make a **career** in manufacturing appeal to the **younger generation** so they see our industry as an aspirational long term career choice.

Help to find **suitable staff**.



### BREXIT

Acceptance of **EU wide** legal/commercial standards.

Allowing EU nationals an **easier pathway** to working in the UK.

**Less** bureaucracy.

Support for exporters to attend shows/exhibitions to **develop markets**.





# BUSINESS ASPIRATIONS

## SOUTH EAST

We've just invested in high flex automation. This is the first of further moves we will make in the medium term. Upskilling our team of employees is an ongoing process as we journey to become *"The engineering company where everyone wants to work and who everyone wants to buy from"*.

## SOUTH WEST

Surviving the inflation spike and the availability of material in the short term, but returning to a profitable position over the next 12 months. Factors such as energy pricing, labour shortfalls, and the Ukraine situation along with political instability could all affect this greatly.

## WEST MIDLANDS

We are faced with significant and exciting opportunities from existing customers. The challenge is to satisfy this demand in an environment of increasing raw material prices, increasing utility costs, increasing interest rates and a shortage of skilled labour.

## EAST OF ENGLAND

We are seeking to return to achieving 50% growth targets - as was the case pre pandemic. This will require investment in new machinery and potentially additional workshop space (although it is really hard to find at the moment). We would love to invest in an electric van - but they are still not quite at the point where they would be suitable for our business in terms of distance covered.

## WALES

We have just been awarded a large-scale contract to increase our turnover to pre-Covid levels. Longer term we are looking to branch out into other sectors outside of Oil and Gas.

## NORTH WEST

Upgrade machinery and buildings in order to diversify production. Increase training of staff to become more capable of handling different machines and products with less supervision.

## EAST MIDLANDS

We have a record order book but are finding it incredibly difficult to hire/retain staff. EU nationals are no longer available, for example. We are investing in upgraded machinery and would like to do more, but our ability to meet demand is hindered by lack of personnel.

## NORTH EAST

Short-term: get two new staff members proficient.  
Medium-term: employ another seamstress.  
Long-term: enlarge premises.

## LONDON

Organic growth; margin growth through sales of higher margin products.



**MAKE YOUR VOICE HEARD!**

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



# CONCLUSION

**This quarter, the sentiment coming through from respondents suggests a negative shift in terms of future confidence.**

Core trends indicate that inflation and supply chain challenges are having a negative effect on sales and profits for the majority of firms.

However, staff numbers have not been influenced in quite the same way, with the highest percentage of respondents reporting no change over the past six months, and 50% not expecting to grow their workforce between now and December. This could be due to current recruitment challenges across the sector.

The number of respondents expecting to increase capital investment has dropped slightly since April. This could be caused by ongoing supply chain issues, with longer lead times preventing manufacturers from purchasing specialist tools and equipment in the short-term.

## THE REALITY OF RESHORING FOR SMES

It has been reported that some companies are bringing production back to the UK due to the combined impact of COVID-19, ongoing shipping/logistics challenges, and climate change considerations. Does this have the potential to significantly shift future sourcing strategies, and what does this mean for SME manufacturers?

26% have seen their orders increase as a result of work coming back to the UK, but almost a quarter of these firms said they are unable to take on this additional demand. Respondents cited recruitment challenges, longer lead times, and difficulties sourcing goods as the key issues preventing them from capitalising on these opportunities.

**With these ongoing challenges impacting growth prospects for the majority of firms, the government needs to look at what can be done to support the UK manufacturing sector.**

Once again, we asked respondents what they want to see in terms of support and over 50% asked for the following...

1. A government backed campaign to support UK Manufacturing
2. Business support grants
3. Greater incentivisation for investment in capital projects
4. Skills/recruitment support

**If reshoring is going to help revitalise and reinvigorate UK manufacturing post -Brexit, these fundamental support requirements must be addressed!**

*"The UK has a strong and vibrant manufacturing sector, made up of a diverse range of highly agile companies, many of whom are used to short run production and orders with low volumes, and consistently achieve very high quality. These are the key features needed to help overcome some of the global supply chain challenges which the UK government does not seem to be highlighting.*

*63% of respondents asked for a government backed campaign to raise awareness of UK manufacturing, and I fully back this call!*



*By showing that it recognises and values the industry, the government can position UK manufacturing as a long-term, well-paid profession for future generations, and significantly boost orders, and confidence levels, for UK companies at this crucial time."*

**Nick Golding**, Managing Director, SWMAS



# MANUFACTURING barometer

## 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 fully funded, bespoke support to SME manufacturers across the South West.

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)

Follow us: [@SWMAS\\_Ltd](https://twitter.com/SWMAS_Ltd) | [in linkedin.com/company/SWMAS](https://www.linkedin.com/company/SWMAS)





**MANUFACTURING**  
**barometer**

