



MANUFACTURING barometer

SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

NATIONAL REPORT FOR Q1 2021/22

APRIL, MAY, AND JUNE 2021 - SURVEYED IN JULY 2021

SWMAS 

IN PARTNERSHIP WITH
 **Manufacturing**
Growth Programme

INTRODUCTION


Welcome to the Manufacturing Barometer Report for Q1 2021 (covering April, May and June 2021)

This quarterly survey, exclusively for SME manufacturers in the UK, uncovers businesses past performance and future expectations, allowing us to map these core trends over time. Each quarter, a ‘special focus’ 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 SME 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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KEY FINDINGS THIS QUARTER

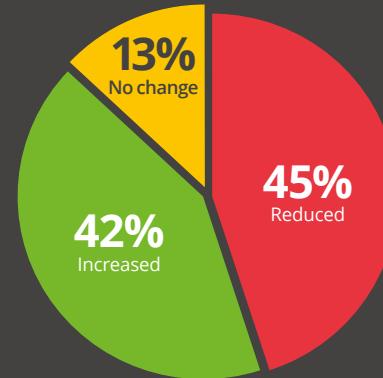
CORE TRENDS

Is the recovery over for manufacturers?

- Future sales confidence jumped by **21%** between January and April, but has stayed the same this quarter
- Those expecting future profits to rise has dropped by **6%**

TRADING THROUGH CURRENT CONDITIONS

Current position when compared to January 2020...

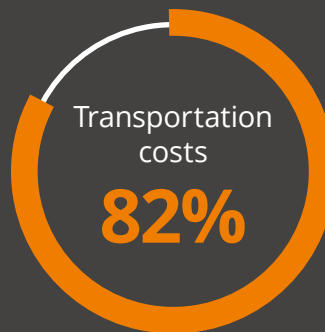
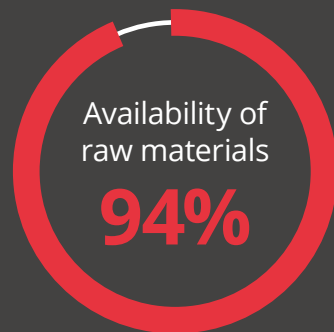


- The percentage 'trading at increased levels' has grown by **18%** since October 2020
- 26%** of respondents still have staff on furlough

SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

Supply Chain price increases are causing issues for **96%** of responding companies

The top three factors believed to be causing this are:

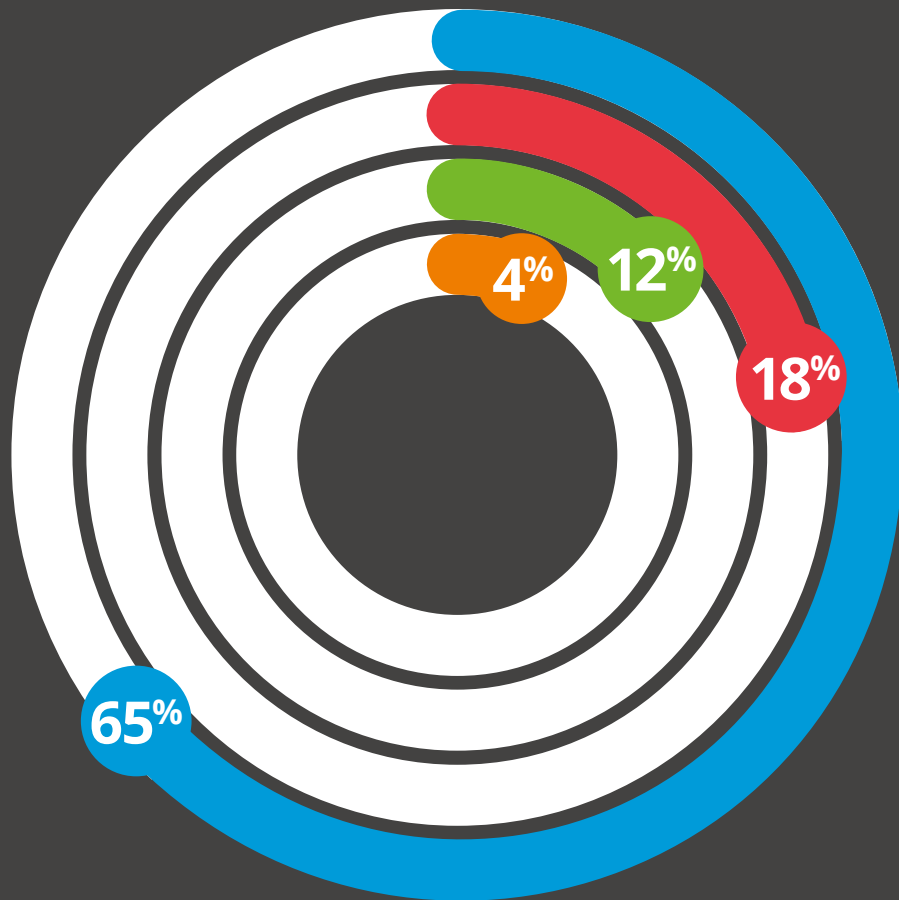


49% have cited **recruitment challenges** as a barrier to growth

The data suggests that this issue is affecting a diverse range of businesses, regardless of their current situation or future growth expectations.

SURVEY DEMOGRAPHICS

260 RESPONDENTS



83%

OF RESPONDENTS ARE:

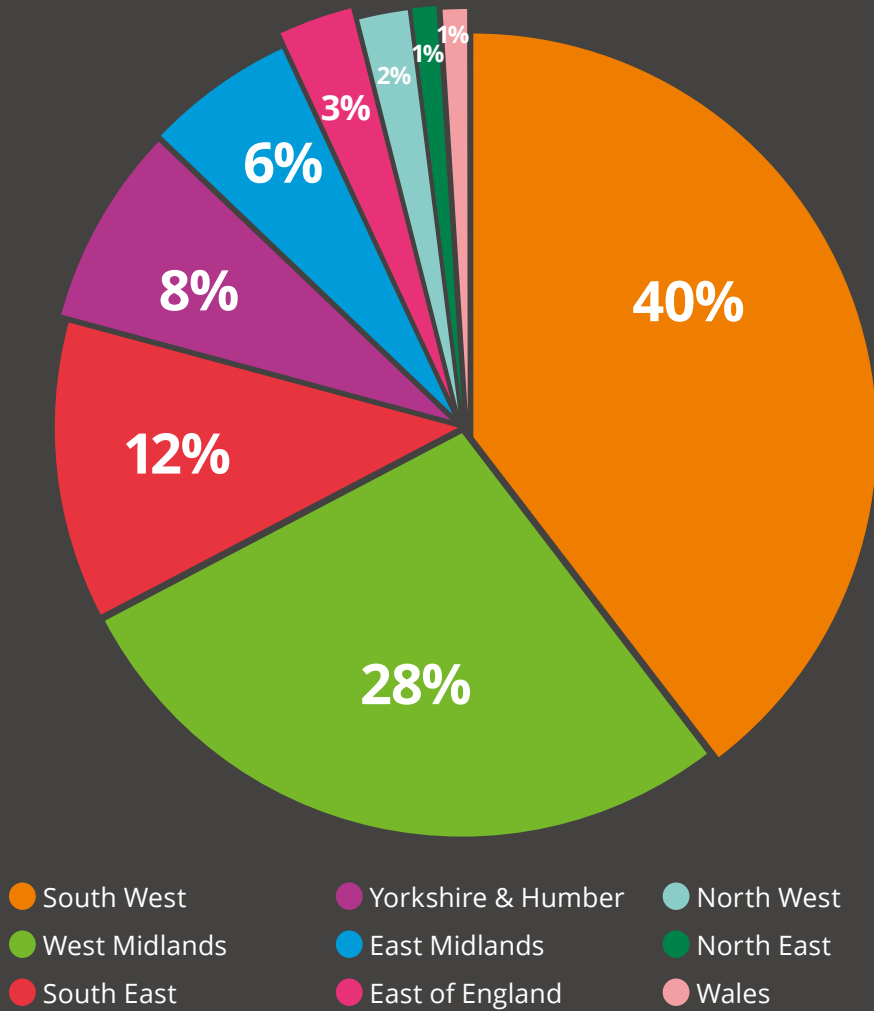
> MANAGING DIRECTORS & CHIEF EXECUTIVE OFFICERS OR DIRECTORS

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

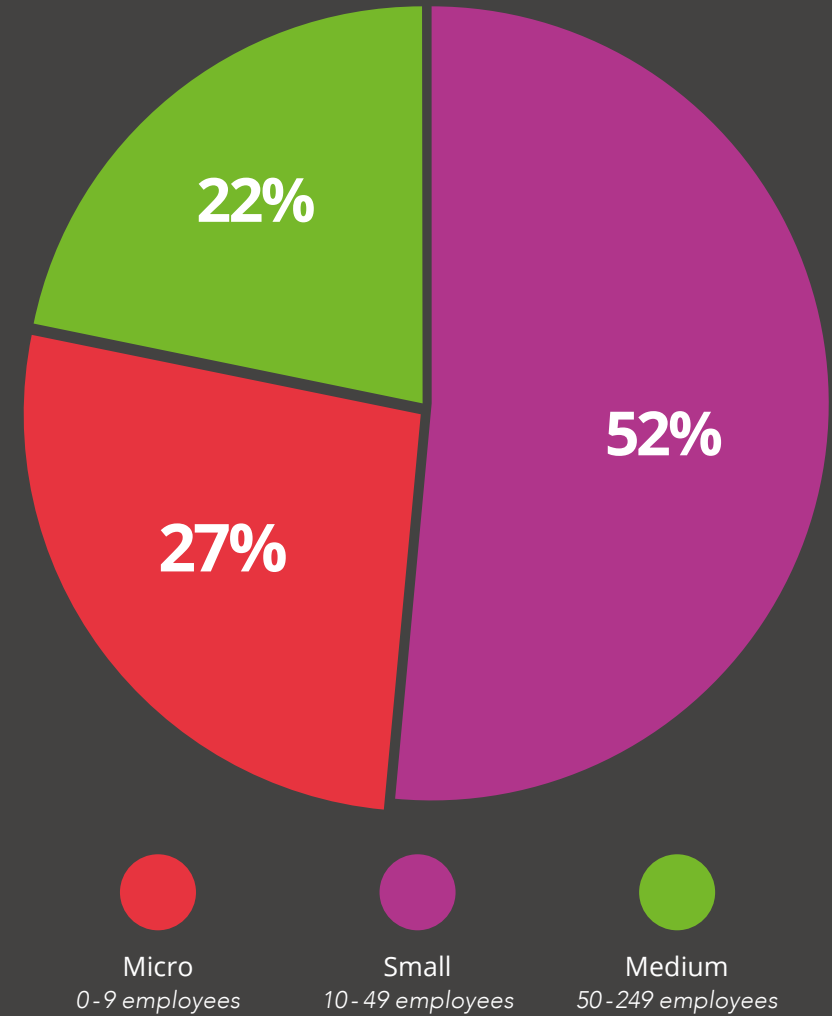


NATIONAL SURVEY DEMOGRAPHICS

LOCATION

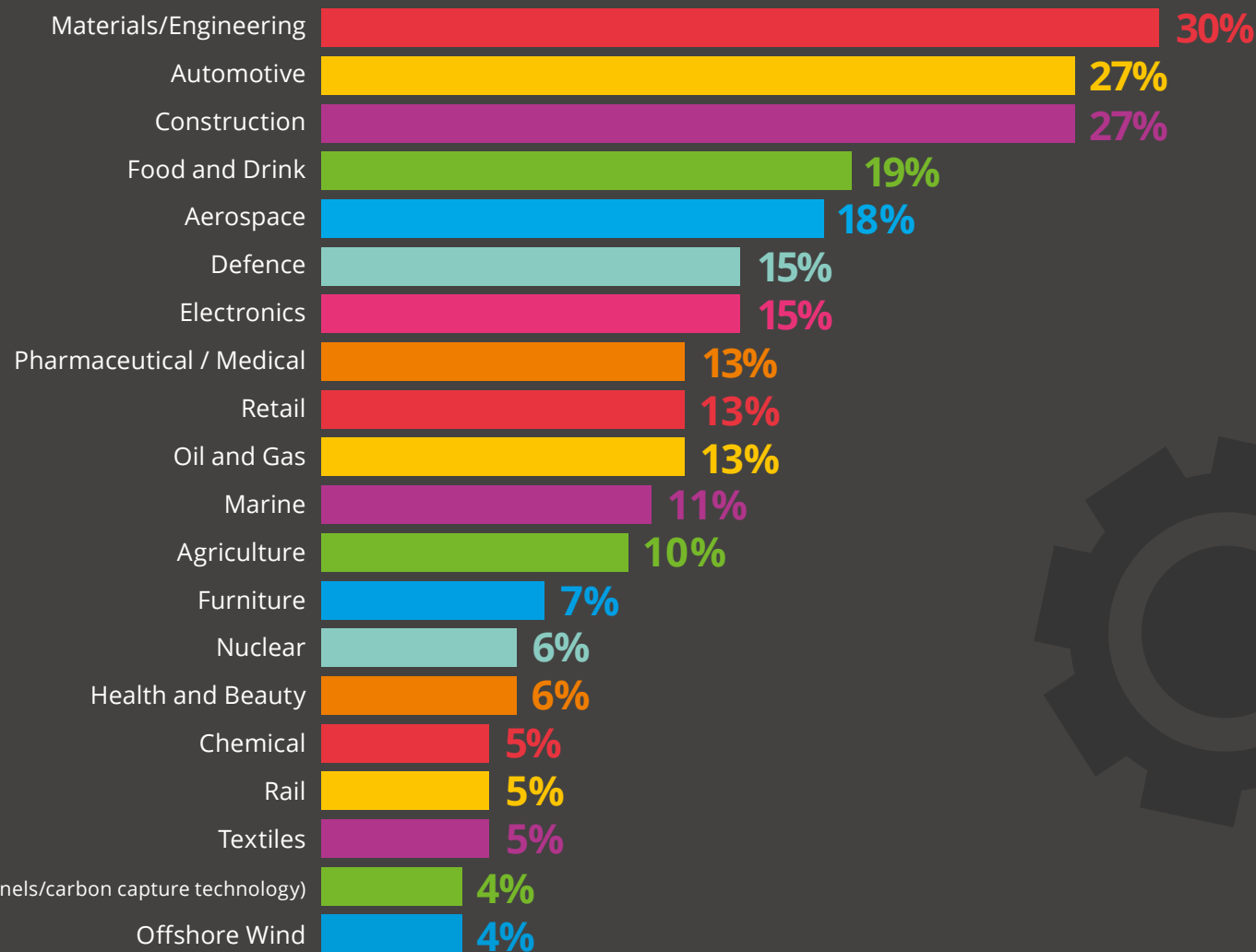


SIZE



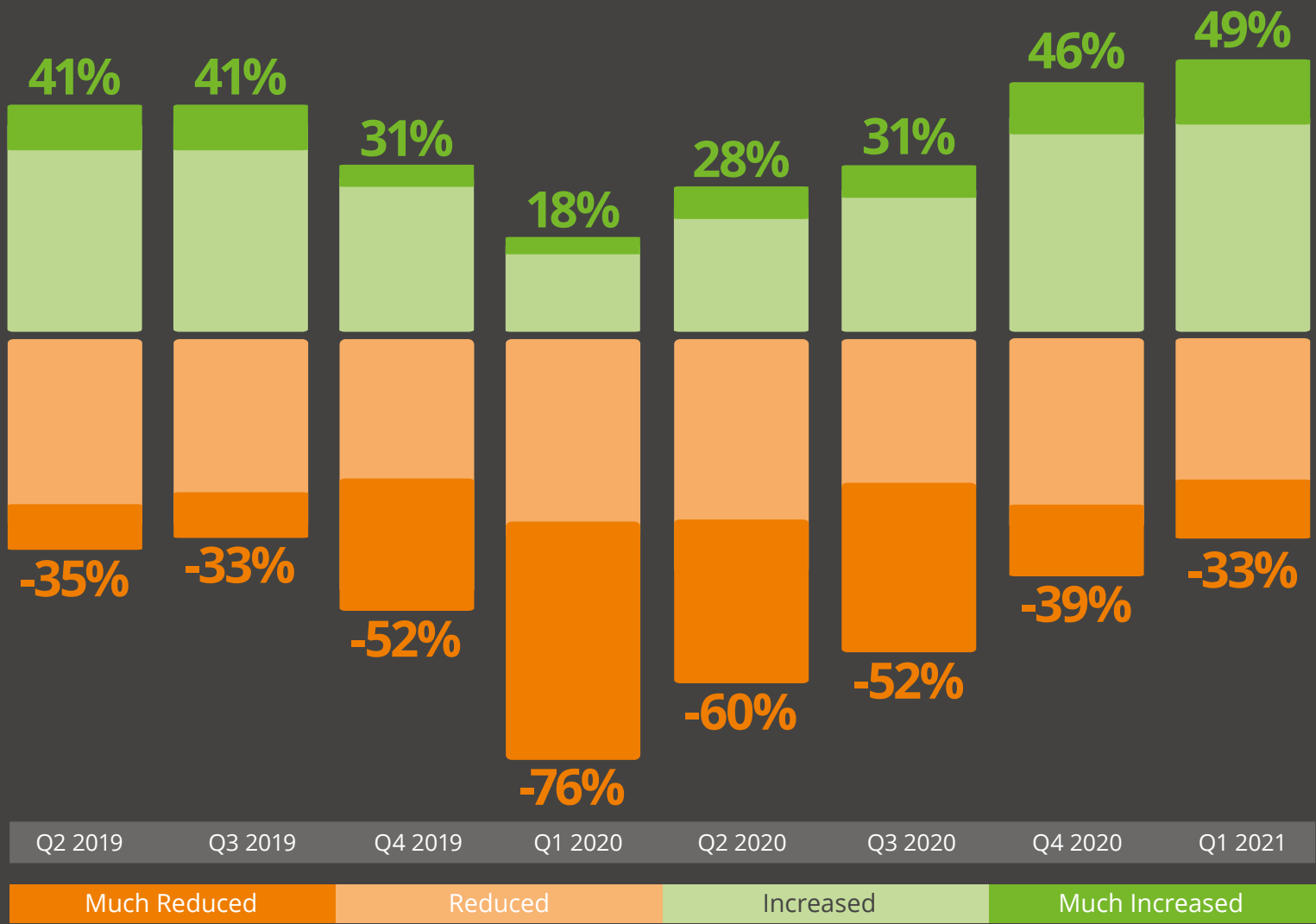
NATIONAL SURVEY DEMOGRAPHICS

What markets account for at least 10% of sales turnover?



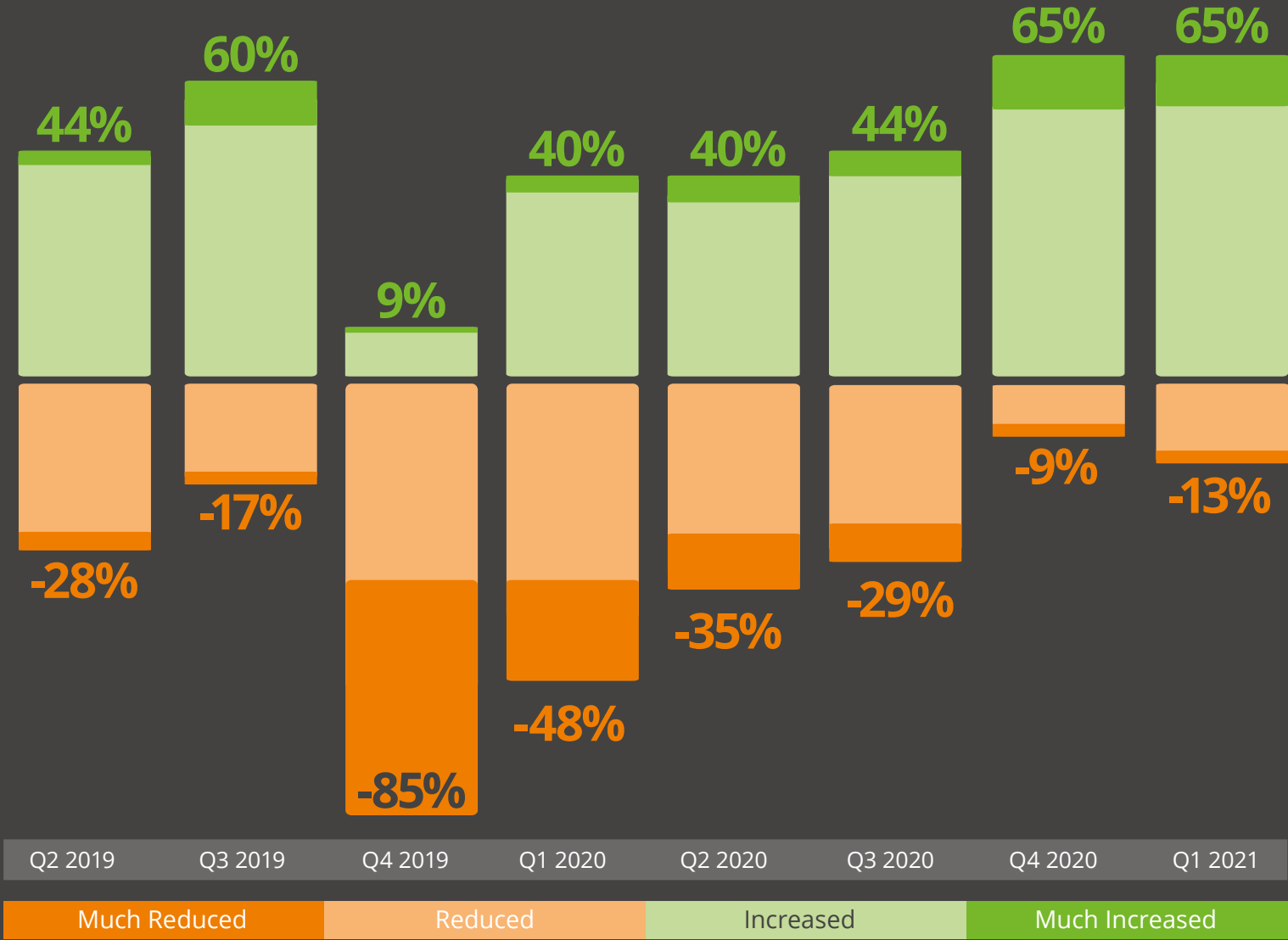
NATIONAL PAST SALES

How sales turnover has changed for SME manufacturers over the past six months...



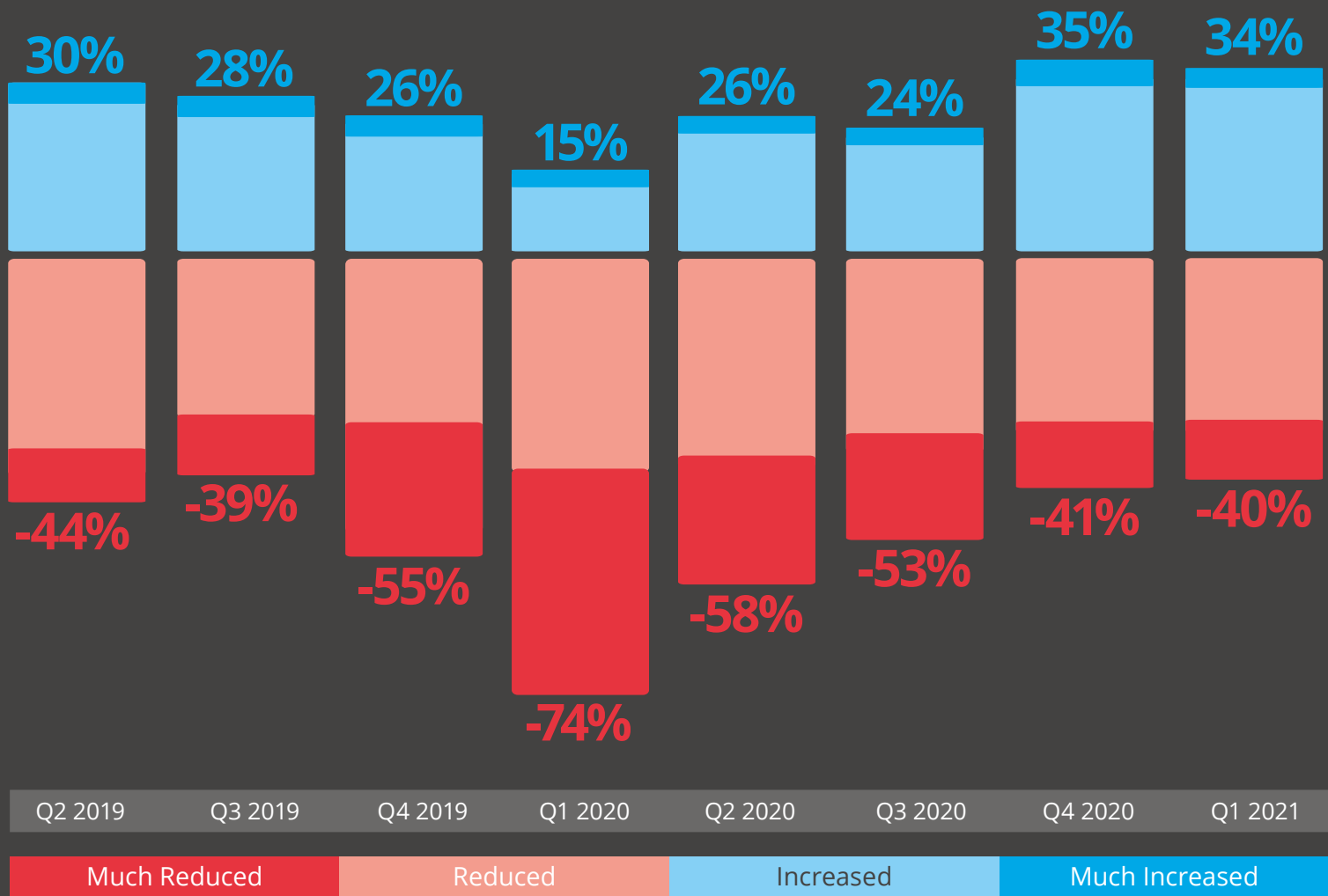
NATIONAL FUTURE SALES

How SME manufacturers expect their sales turnover to change over the next six months...



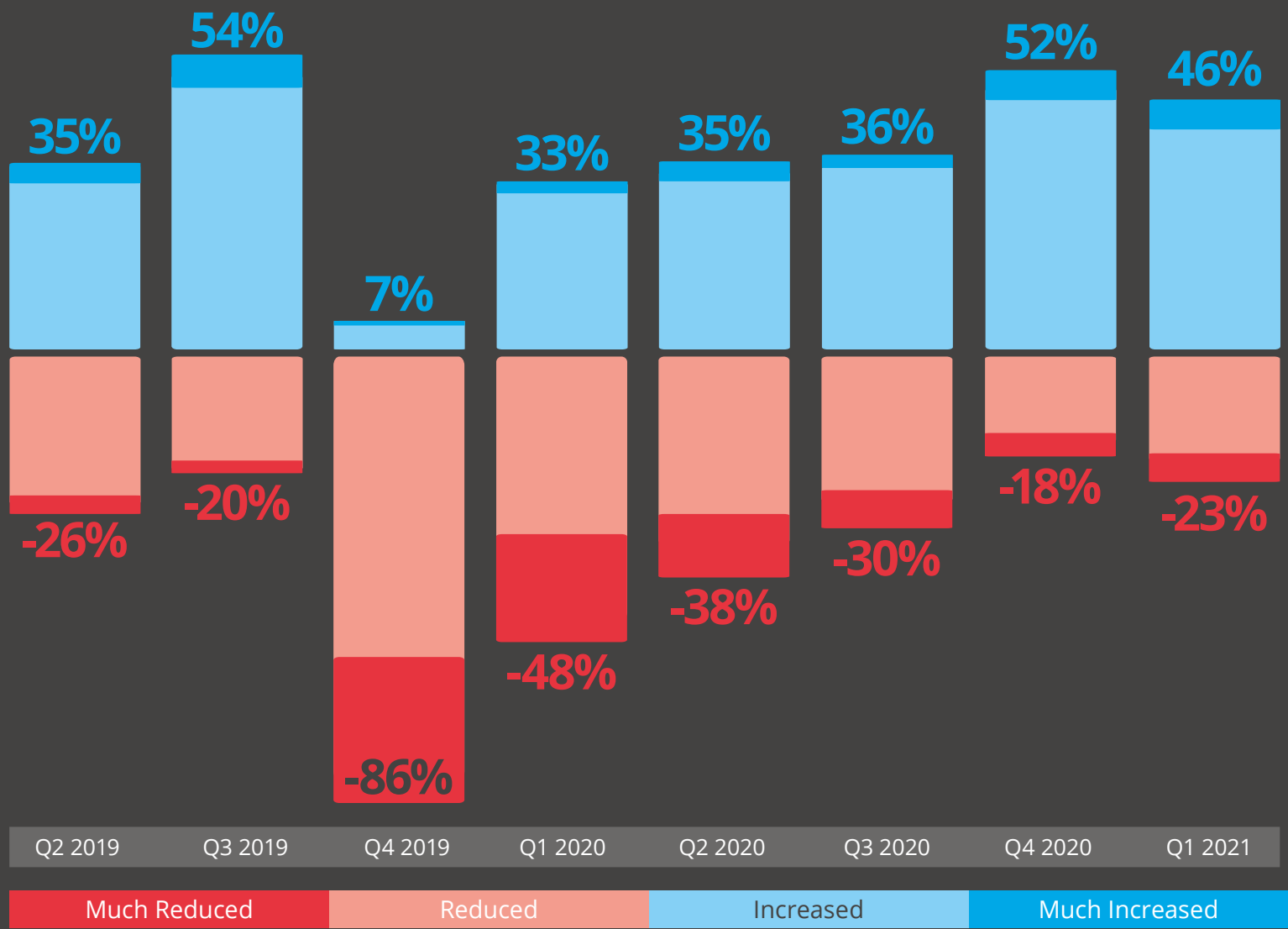
NATIONAL PAST PROFITS

How profit has changed for SME manufacturers over the past six months...



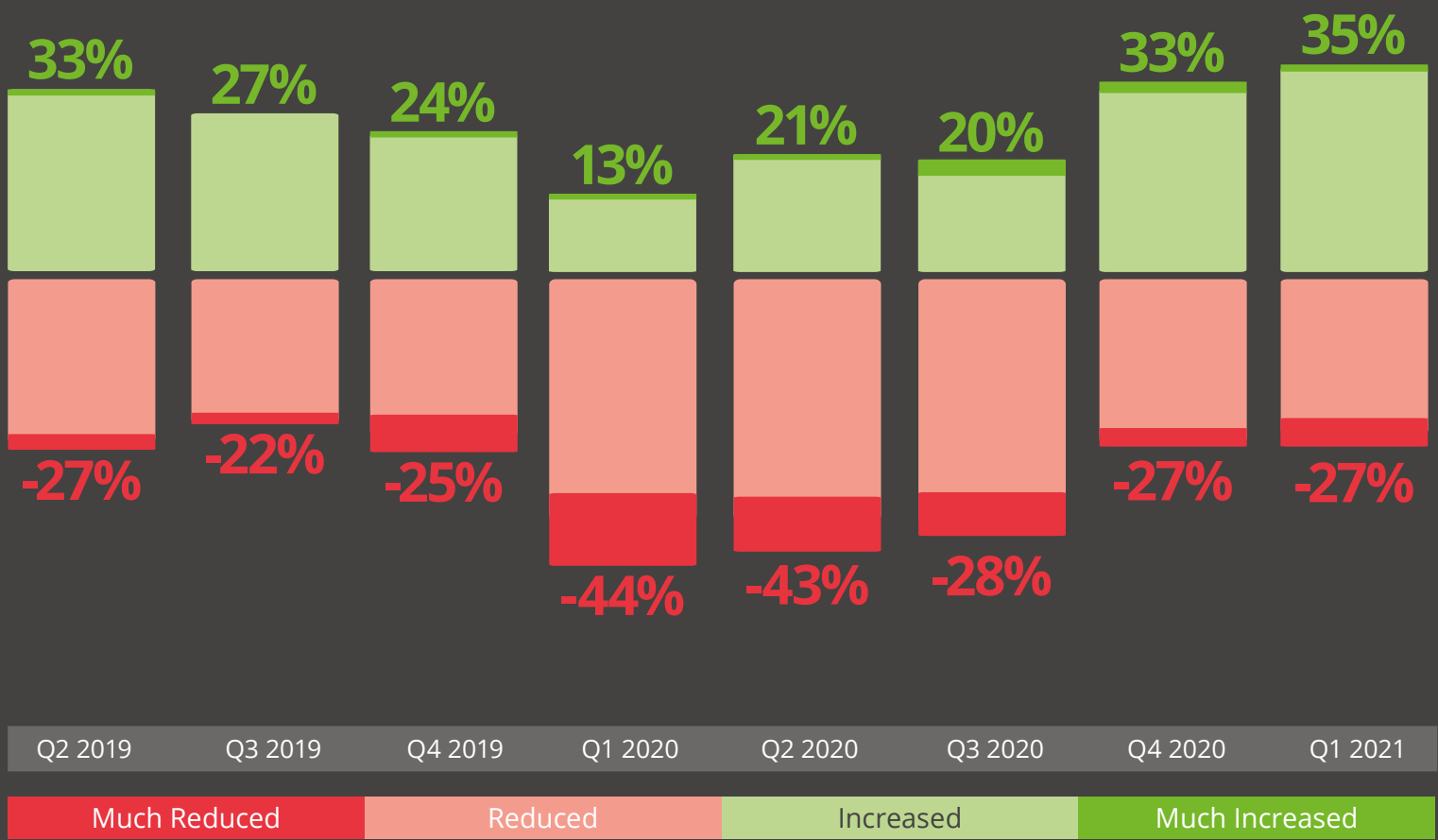
NATIONAL FUTURE PROFITS

How SME manufacturers expect their profit to change over the next six months...



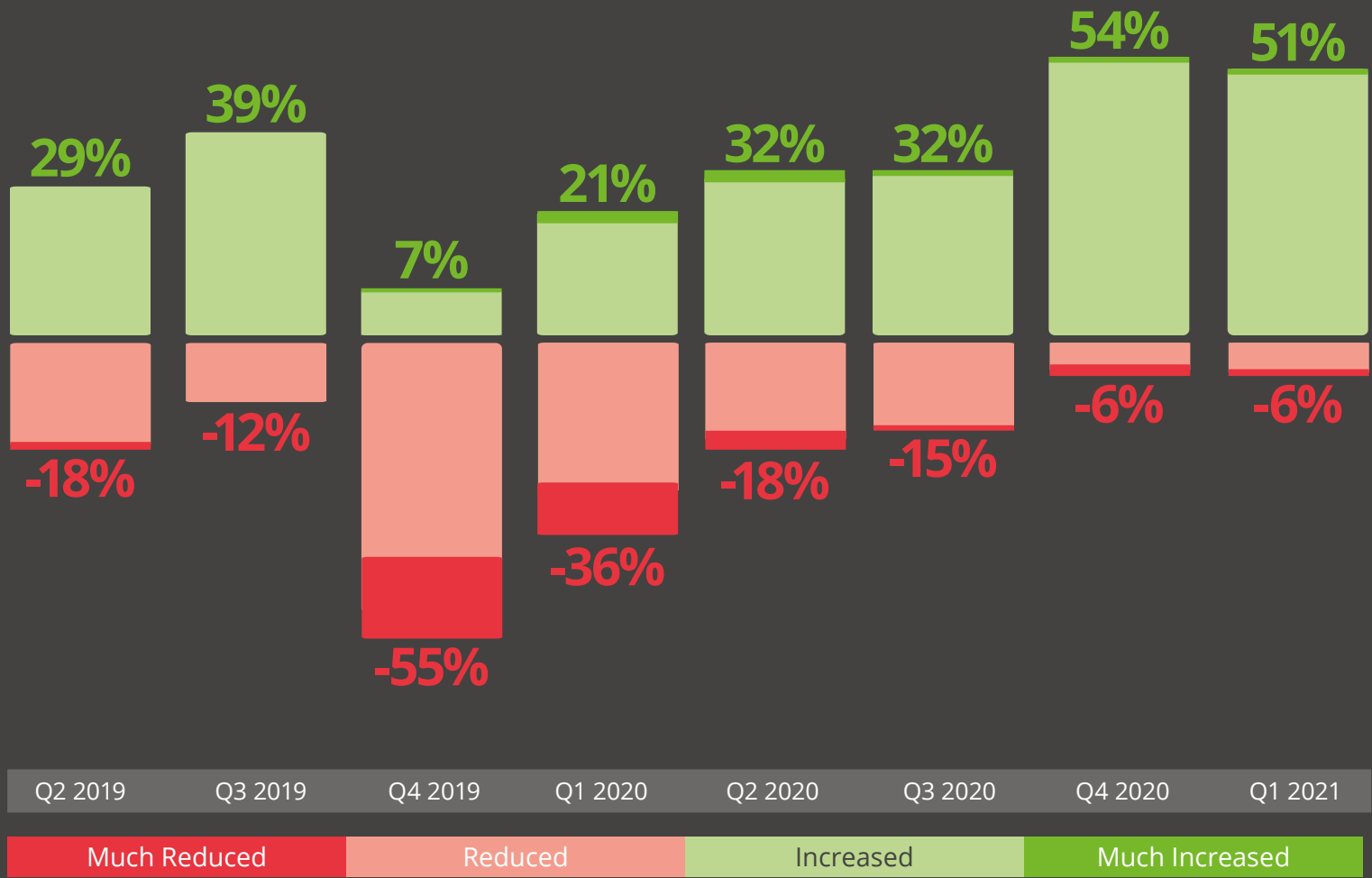
NATIONAL PAST EMPLOYMENT

How staff numbers have changed for SME manufacturers over the past six months...



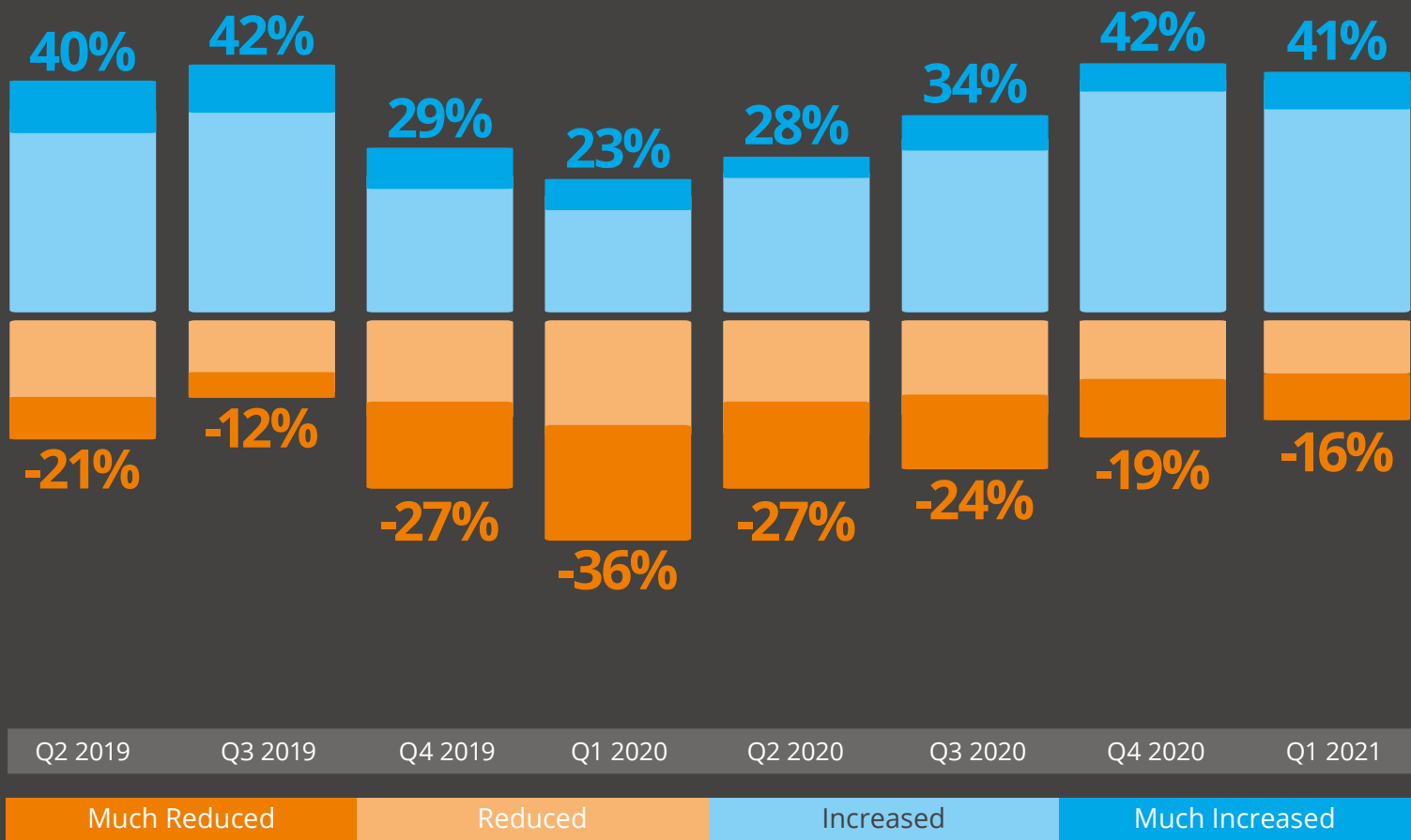
NATIONAL FUTURE EMPLOYMENT

How SME manufacturers expect staff numbers to change over the next six months...



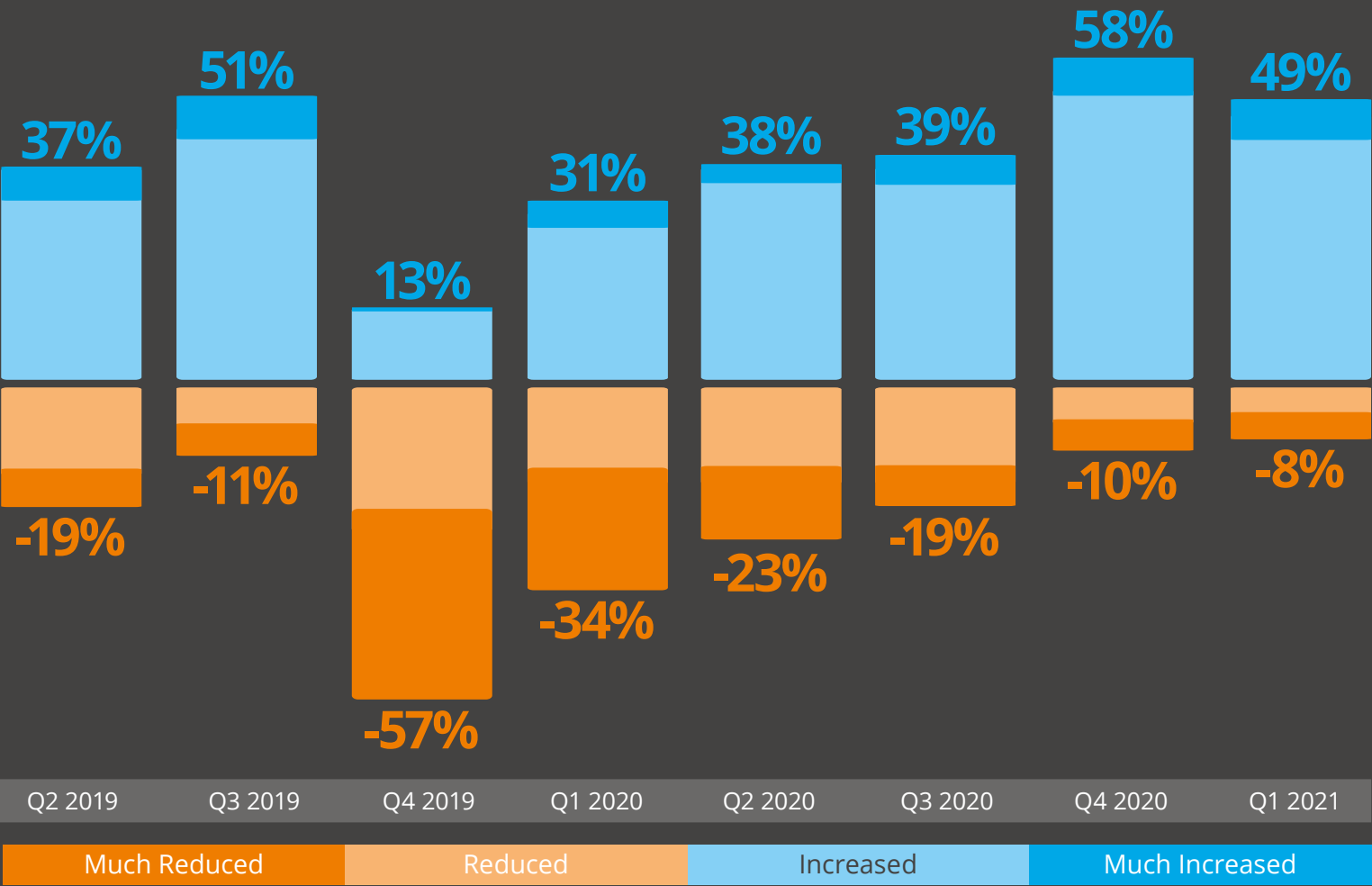
NATIONAL PAST CAPITAL INVESTMENT

How investment in new machinery/premises has changed for SME manufacturers over the past six months...



NATIONAL FUTURE CAPITAL INVESTMENT

How SME manufacturers expect their investment in new machinery/premises to change over the next six months...



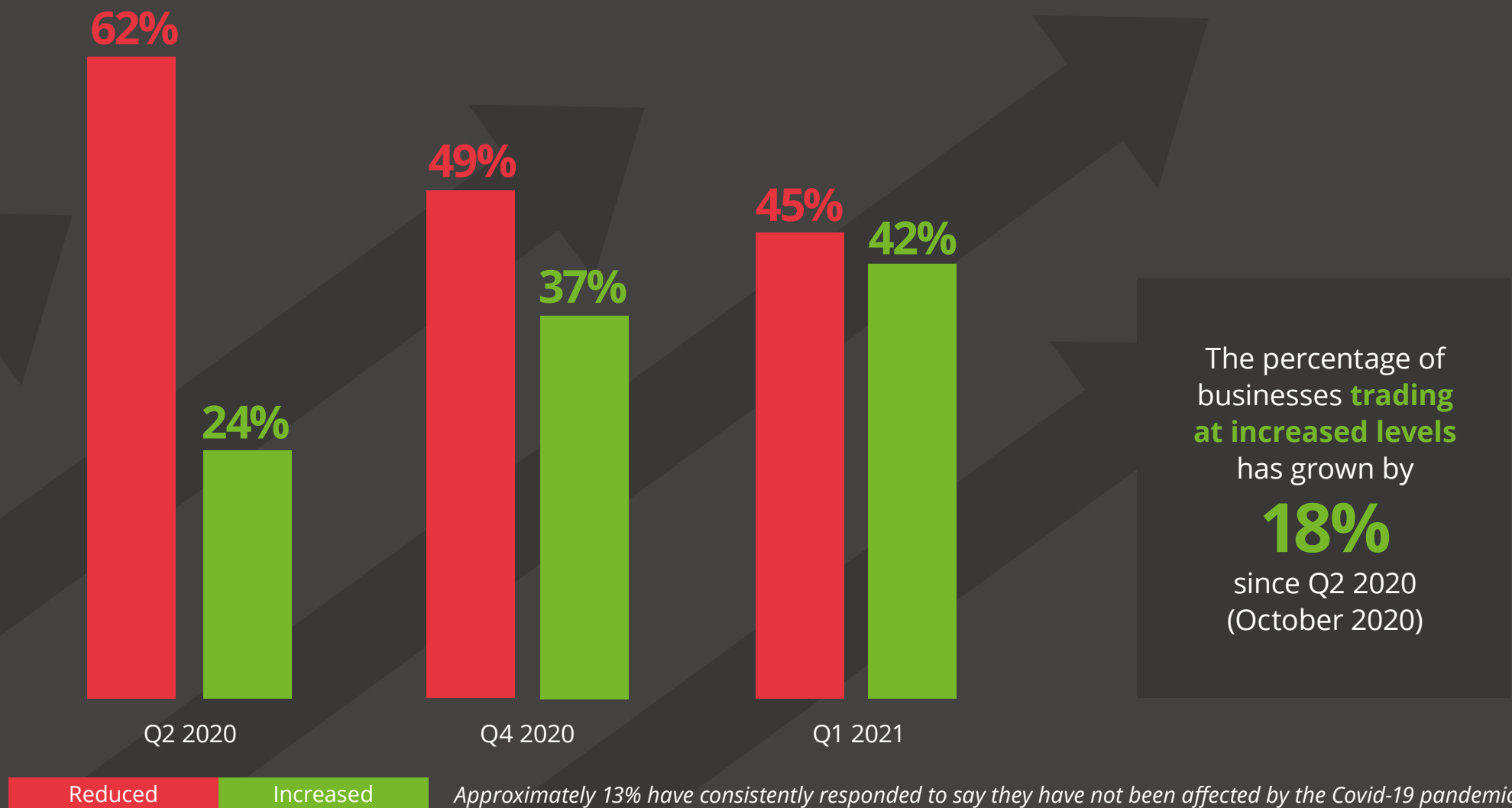
OVERALL CORE TRENDS

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
Sales turnover: past six months	10%	23%	18%	38%	11%
Sales turnover: next six months	2%	11%	22%	58%	8%
Profit: past six months	9%	31%	26%	31%	3%
Profit: next six months	5%	18%	31%	41%	5%
Staff numbers: past six months	4%	23%	38%	34%	1%
Staff numbers: next six months	1%	5%	43%	50%	1%
Investment: past six months	7%	9%	43%	35%	6%
Investment: next six months	4%	4%	43%	42%	7%

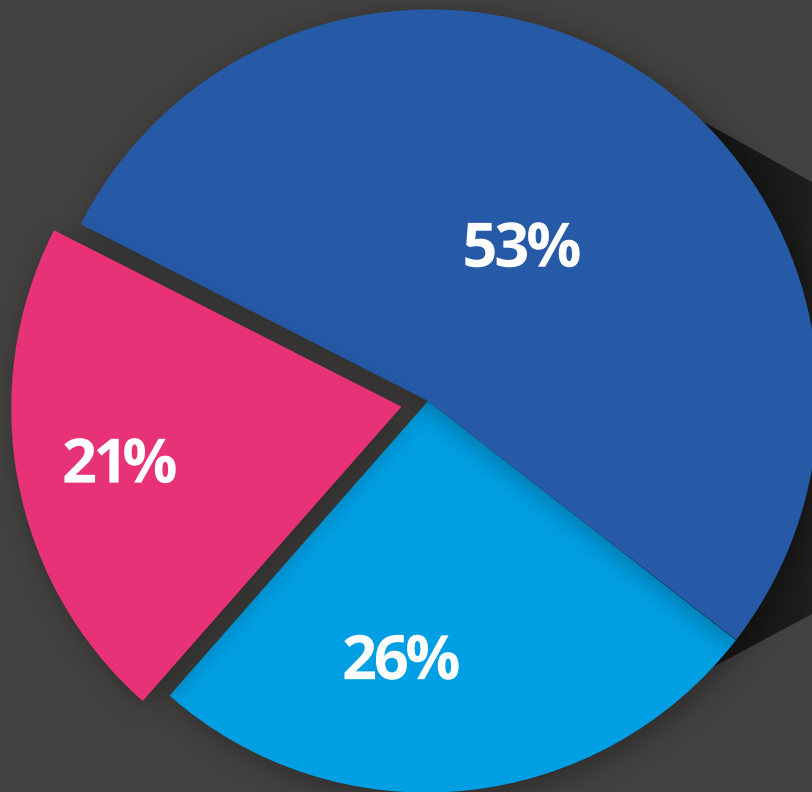
TRADING THROUGH CURRENT CONDITIONS

The current state of SME manufacturing businesses in comparison to their pre-COVID-19 position...



TRADING THROUGH CURRENT CONDITIONS

The Job Retention Scheme: Current furlough situation amongst SME manufacturers...



● No, we have not furloughed any staff throughout the pandemic

● Yes, some of our workforce are still furloughed

● Previously furloughed staff have all returned to work

79%
of respondents
have utilised the
furlough scheme over
the past year

26%

are still using it today

We asked these respondents
what percentage of their
workforce are still on furlough...

71%

= Less than a quarter

22%

= Up to half

4%

= Up to three quarters

3%

= More than three quarters

CORE TRENDS AND CURRENT TRADING CONDITIONS

WHAT DOES THIS DATA TELL US?

Following a gradual upturn in sales, profits, staff numbers, and investments over the past 12 months, this report shows that these trends are beginning to stabilise after a significant jump last quarter...does this mean recovery is over for SME manufacturers, or are other issues now preventing growth for businesses across the sector?

Last quarter was the most optimistic for SME manufacturers in the last two years. This time, the majority of firms remain positive around increasing sales, investment, and growth, but are less optimistic around future profits. Future profit predictions are down slightly from last quarter which suggests that, even if sales continue to grow, the supply chain challenges highlighted in our special focus could be impacting profits as firms continue to recover.

Encouragingly, 42% of those questioned are now trading at increased levels when compared to their pre-COVID-19 position (up from 37% last quarter). However, this is not the case for all respondents, as trade still hasn't returned to pre-pandemic levels for 45%.

This quarter, 65% of firms expect their future sales to rise, however, almost half (43%) are not looking to increase staff numbers or capital investments over the next six months. This could be due to various factors, such as:

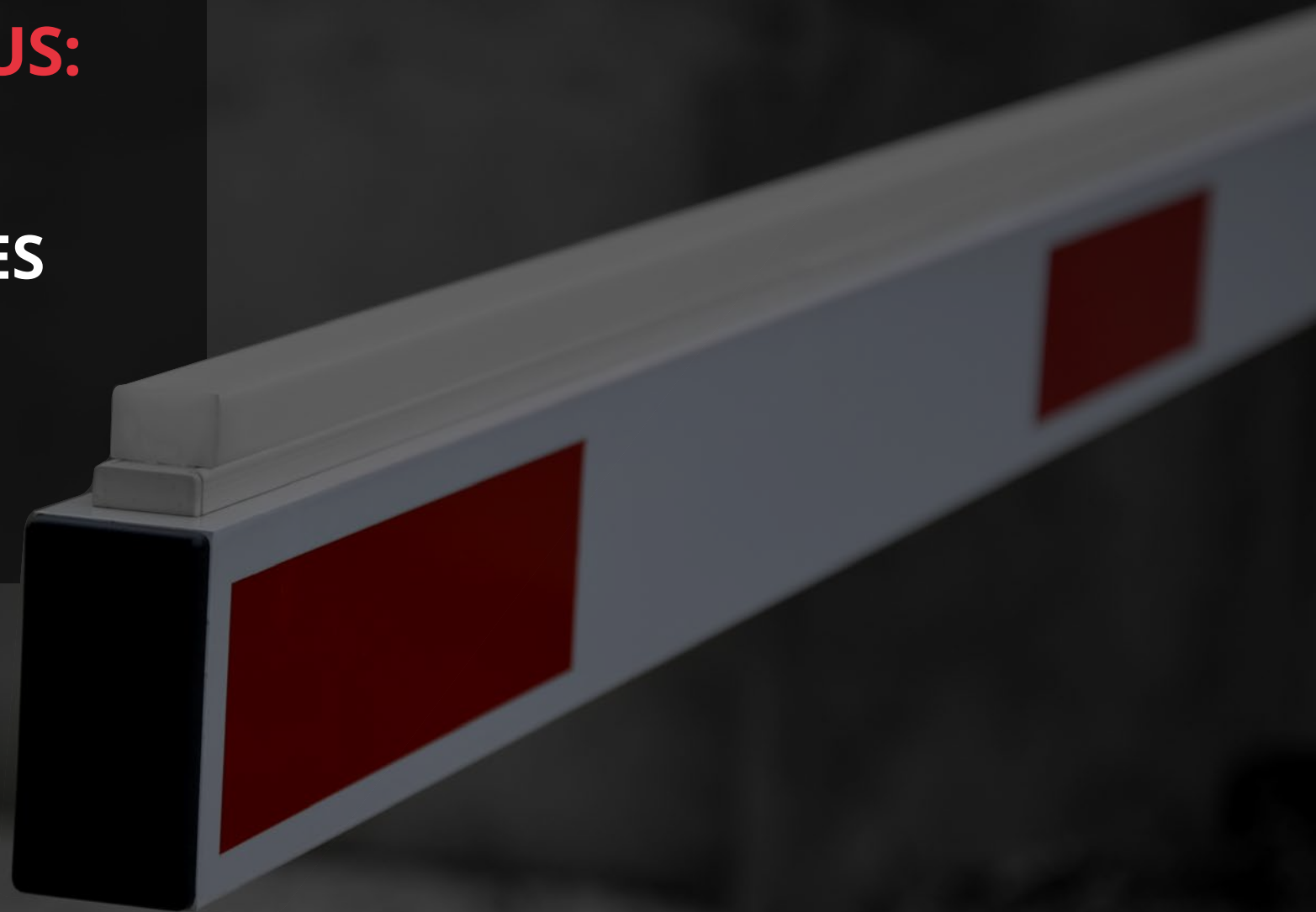
- 🔧 **Businesses having already made the changes necessary as part of their COVID-19 recovery**
- 🔧 **Under-utilisation of existing equipment which could allow for future sales growth without a need for further investment**
- 🔧 **A lack of cash flow preventing capital investments**
- 🔧 **Challenges recruiting sufficient staff to meet business needs (49% have cited problems finding staff - see [page 22](#))**

This information could indicate that there are other factors acting as a barrier to growth which are also constraining investment plans for manufacturers, and our Special Focus explores this in greater detail...



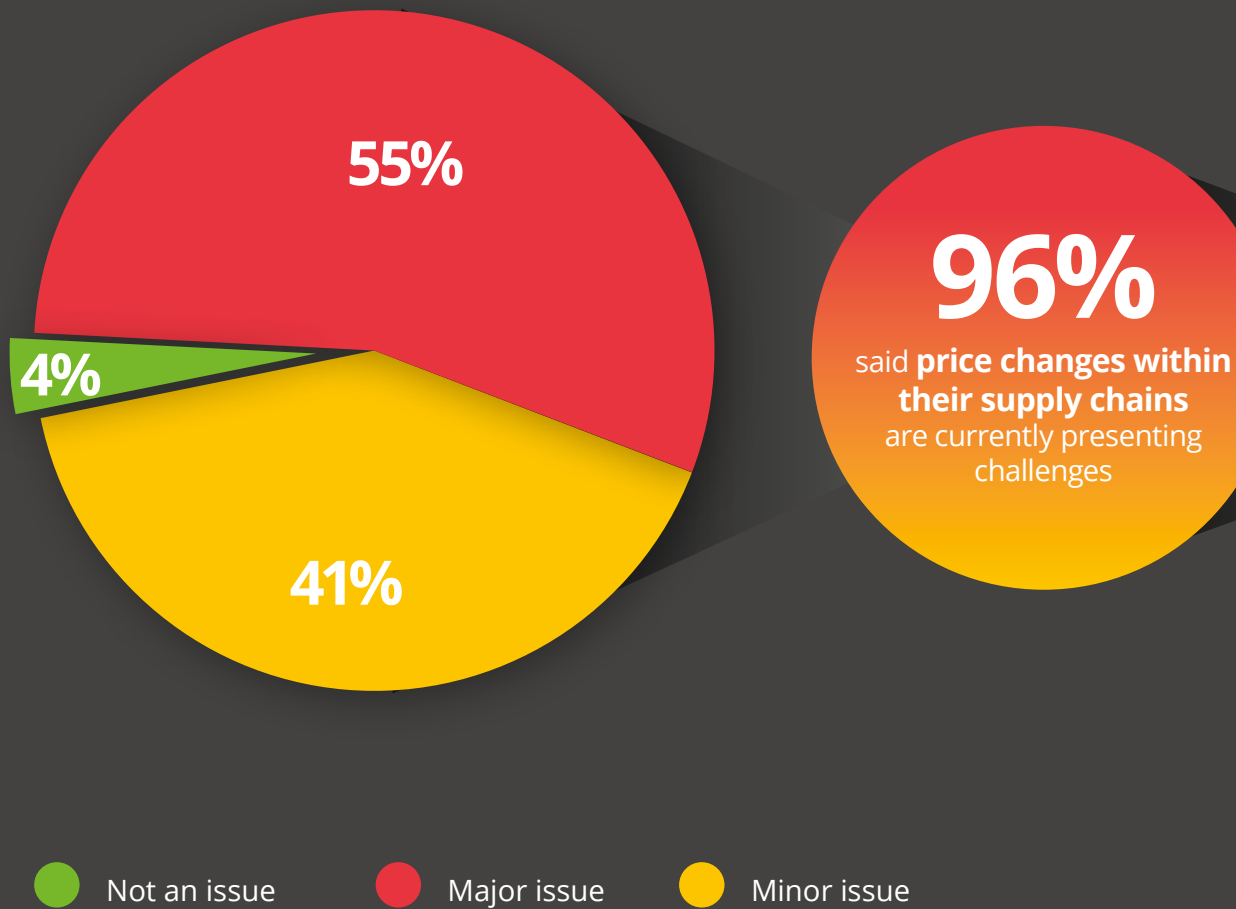
SPECIAL FOCUS: **BARRIERS TO GROWTH OPPORTUNITIES**

This report highlights the factors that are currently inhibiting growth for SME businesses, and how they are trying to overcome these challenges...

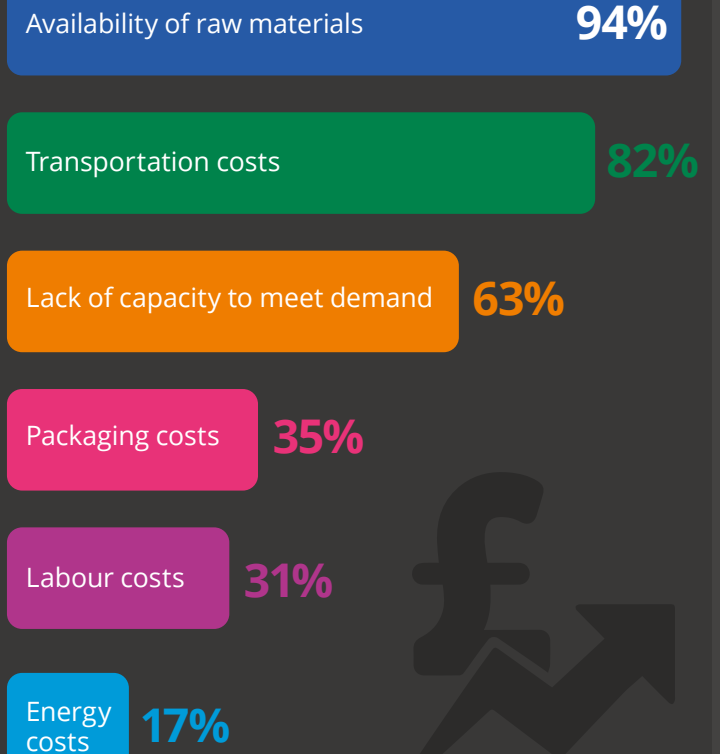


SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

Supply Chain Price Changes - to what extent is this causing an issue?



The top factors believed to be causing price changes are:



SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

Availability of raw materials has been cited by respondents as the top factor causing price changes within their supply chain

SOME OF THE KEY ISSUES HIGHLIGHTED ARE...

PRICE RISES

The cost of materials has increased by up to 350%

LONGER LEAD TIMES

Six weeks instead of six days, and even up to a year for some materials

IMPORTING CHALLENGES

Leading to under supply and over demand

ADDED RISK

Caused by a need to invest in raw materials without order cover

HIGHER STOCKHOLDING

An additional expense to help guarantee supply

LAST MINUTE MATERIAL SUBSTITUTIONS

Alters the end-product and impacts customer satisfaction

SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

SOME OF THE ACTIONS RESPONDENTS HAVE TAKEN TO OVERCOME CURRENT SUPPLY CHAIN CHALLENGES...

PROJECTING FURTHER FORWARD

To help secure key materials that may be needed (i.e., move out purchasing schedule from 1 – 2 months to 1 – 2 years)

RESTRUCTURING PROCESSES

To reduce reliance on certain items

STOCKHOLDING ADJUSTMENTS

Overstocking, dual-sourcing, and purchasing raw materials on behalf of the supply chain

CHANGING ORDER TERMS

Adding a price fluctuation clause to all orders

DROPPING LESS POPULAR LINES

To reduce production and output

INTRODUCING A SURCHARGE

Passing on an additional fee to cover costs until the price of raw materials decreases

PRE-WARNING CUSTOMERS

Making them aware that specifications may need to change

SOURCING MORE UK MATERIALS

To reduce lead times and carbon emissions

LOWERING QUOTE VALIDITY TIMESCALES

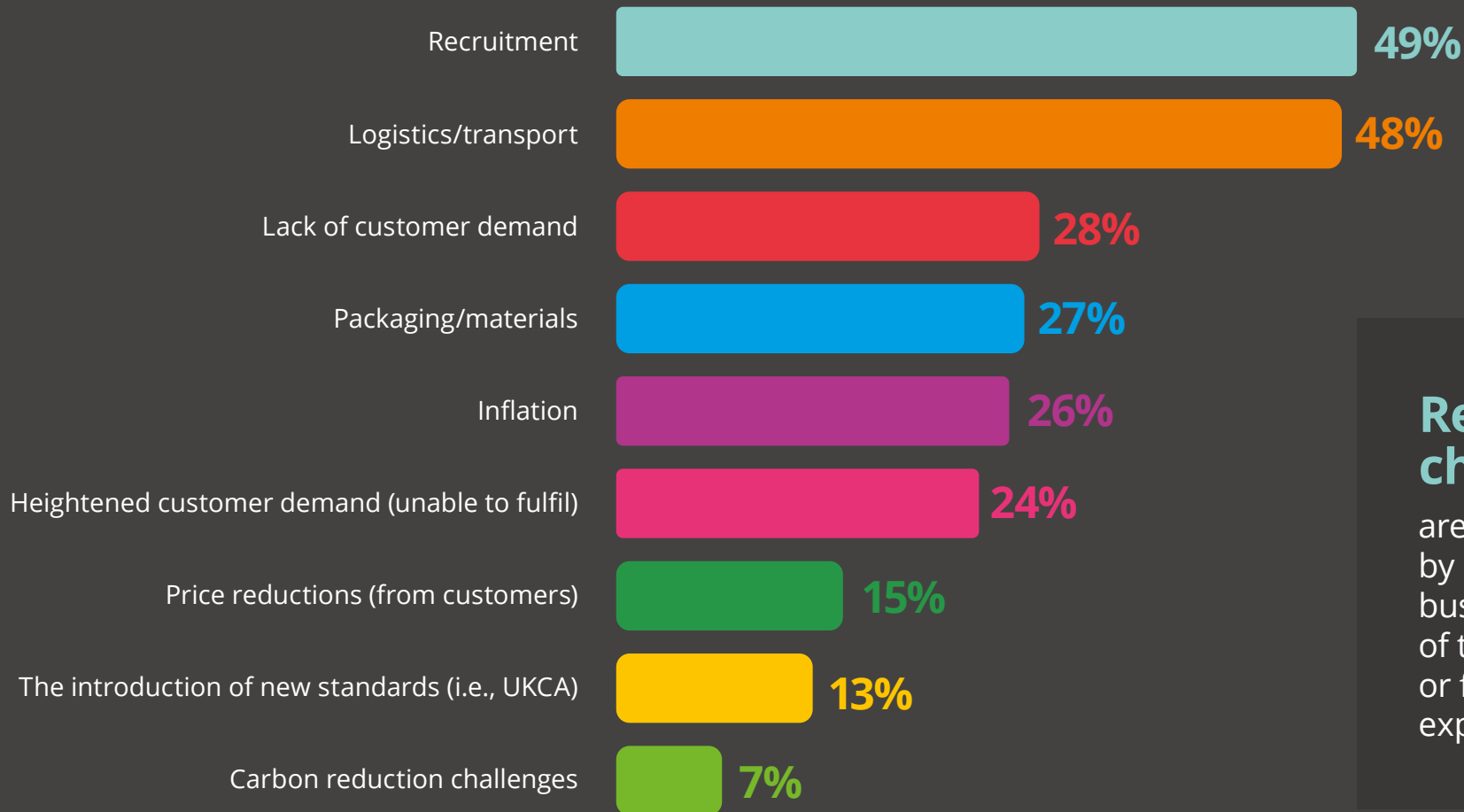
Down from 30 to 7 days due to rapid price increases

LESS OUTSOURCING

Bringing production and packaging in-house where possible

SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

Other factors respondents believe are currently hindering growth for SME manufacturing businesses across the UK...



Recruitment challenges

are being experienced by a diverse range of businesses, regardless of their current situation or future growth expectations

SPECIAL FOCUS: BARRIERS TO GROWTH OPPORTUNITIES

Government support to meet the needs of SME manufacturing Businesses

We asked respondents to state the additional business advice or financial support that would benefit their business at this time...

“Funding for Apprentices and their training at local colleges.”

“Recruitment assistance, help with new UKCA standards and how these apply to EU/ROW, capital investment projects.”

“Grants similar to retail/hospitality would be nice.”

“Support investment into new machinery, with continued tax breaks and government backed interest free loans. This will help companies invest in the new technology needed to make the UK the engineering powerhouse of Europe.”

“There is limited help for capital investment in the form of grant aid, which was available when we were in the EU.”

“Address the skill shortage. It's impacting all industries and should have been addressed 10 years ago. Instead, the colleges have been stripped of skilled resources to teach and 'time served apprentices' from years ago have retired leaving a massive skills gap in the market.”

“Banks and lenders to offer far easier access to funds, consolidations loans and finance (supported by government). Back to work schemes like the Kick Start Scheme but for older people.”

“More help for machinery purchase. At the moment, all grants are matching, but this isn't helpful for businesses who can't fund the initial cost in order to get the rest from government.”

“With the increasing requirement to automate, ability for capital equipment intensive SME's to be able to borrow over longer time scales, e.g. 7 to 10 years.”

“The driver shortage must be addressed as a matter of extreme urgency. The UK government must talk to their EU counterparts to address the sea freight/container imbalance.”

“Grant support for introducing automation and digitalisation rather than capital support based on job creation (e.g., up to 50% support for new equipment but limited to £10k per new job). Automation and digitalisation are the drivers of productivity and will create well paid jobs in the future.”

“Additional support measures (furlough extension for example) for specific sectors such as aviation/aerospace where the recovery is likely to be prolonged due to the restrictions on travel.”

“Provide financial support for people coming into manufacturing as wages are traditionally lower whilst they are training.”

BUSINESS ASPIRATIONS

“ We intend to invest in automation and training to drive growth.

Short Term: Explore new marketing activities in lieu of postponed trade shows.

Medium Term: Consolidate and expand export distribution.

Long Term: Add new products/IP to make the company more valuable and unique.

WEST MIDLANDS

“ Increase productivity and output by adopting lean processes.
Increase job efficiency with better manufacturing techniques and technology.
Increase turnover 30% over the next 3 years with an increase of staff.
Look at renewable markets for better sustainability.

40% of our business comes from the hospitality industry. In the short term, our sales will increase as that industry recovers from COVID-19. We are looking at bringing new “Made in Britain” products to market as we are seeing a marked increase in the desire to buy British made goods.

YORKSHIRE & HUMBER

“ To recruit skilled staff to grow the business. Current staff shortages are limiting progress, and skill shortages in the industry are making it difficult to move the business forward. Apprenticeships are no longer viable as the skills required are not even available in the local colleges.

Short Term: Meet current order demands, based on restrictions on some material availability and price rises.

Medium Term: Invest in additional machinery to heighten production to meet increased demands.

Long Term: Increase production further to meet the needs of both current and new customers.

EAST MIDLANDS

SME MANUFACTURERS MAKE YOUR VOICE HEARD!

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

“ We would like our turnover and profitability to continue increasing and expect this to be at pre-COVID levels by the end of the year. This, however, depends greatly on the availability of raw materials.

Short Term: Meet increased demand while facing supply chain issues and increase web presence.

Medium Term: Stabilise Supply Chain, look to increase core supplier base to ensure availability of key catalogue items, and increase web sales to fund supply chain improvements.

Long Term: Sustain growth by being better able to meet key delivery dates.

SOUTH WEST

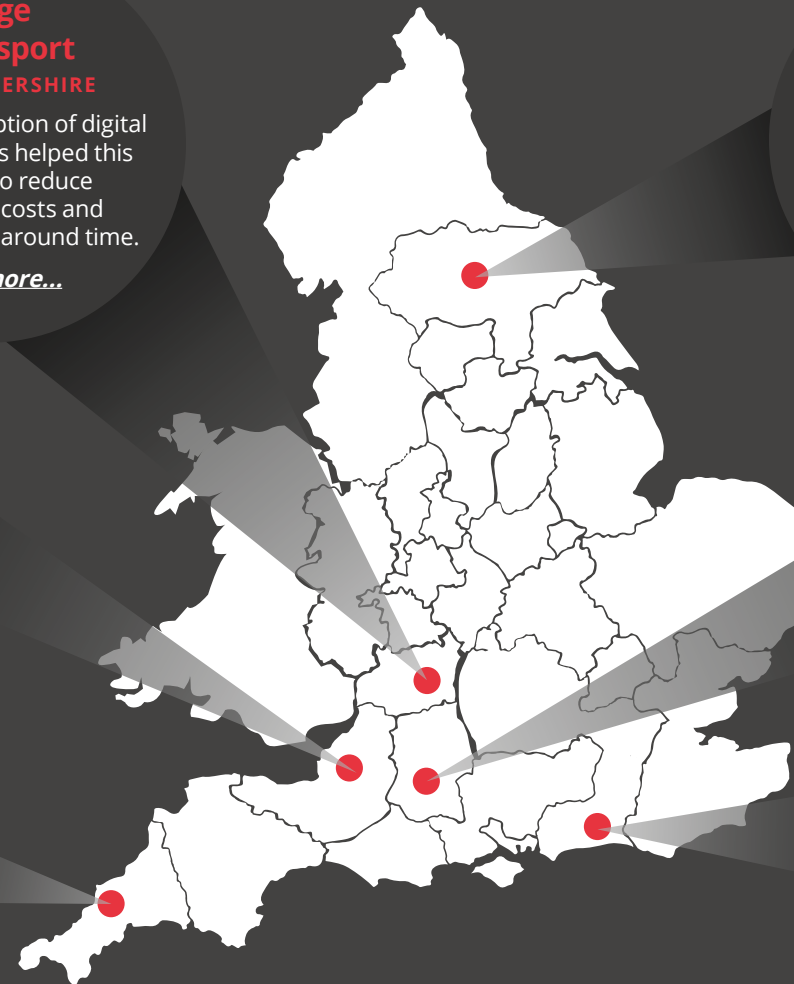
“ Launch an on-line store to enable people to buy our products direct.

We need to ramp up production and will need plant machinery and equipment to facilitate further jobs and pursue more opportunities.

SOUTH EAST

GOOD NEWS STORIES

Hear how some SME businesses across the UK have made positive changes to overcome challenges and current barriers to growth.



Staplebarn BRISTOL

This innovative company, based in Bristol, is launching a fast flow beer nozzle to help pubs, bars, and restaurants reduce waste, and increase efficiency.

[Read more...](#)

Forge Motorsport GLOUCESTERSHIRE

The recent adoption of digital technology has helped this company to reduce production costs and accelerate turnaround time.

[Read more...](#)

Glencroft YORKSHIRE

This company is investing in research and design to produce completely new products that fit with their ethos and brand.

[Read more...](#)

Poppy's Picnic WILTSHIRE

Following heightened demand for their range of award winning, natural, pet food, this company has taken steps to increase capacity and improve efficiency within their production line.

[Read more...](#)

The Natural Fibre Company CORNWALL

Like many manufacturers, this Cornwall-based business has recently experienced challenges, but has also grasped every opportunity to innovate and grow.

[Read more...](#)

Spring Europe EAST SUSSEX

This business has increased the frequency of the purchasing and stock review process to keep up with changing market conditions.

[Read more...](#)

CONCLUSION

The core trends for manufacturing appear to have stabilised when looking at future growth predictions. However, the number of firms expecting to increase staff numbers and investment in the next six months has dropped slightly and the outlook for future profit predictions is also slightly less optimistic. If businesses aren't making a profit, this will ultimately affect their ability to invest in both staff and infrastructure for continued growth.

Alarmingly, almost all firms are citing supply chain issues, which has the potential to constrain present and future growth prospects for the UK manufacturing industry. 96% of respondents have said that price changes are causing challenges, with 94% believing that this is being driven by a lack of raw materials available.

This report also suggests that SME manufacturers are under pressure from their customers to maintain supplies and costs, whilst, at the same time, their suppliers are looking to increase the price of the goods they need to purchase. On top of this, there is a need for lead times to be extended to cope with the lack of availability. This is likely to be contributing to the reduction in confidence with regards to future profits.

As well as causing barriers to growth, these supply chain issues could also present an opportunity for UK manufacturing firms to work together collaboratively. With 63% of companies citing lack of capacity in the supply chain as a driver for price increases, there may be an opportunity for those UK companies still seeing depressed demand to support these firms. A significant number of respondents have told us they are working closely with both customers and suppliers to:

- 🔧 **Understand future demand and plan for the longer term**
- 🔧 **Review/change inventory holding positions to maintain supply and minimise the impact of price changes for customers**
- 🔧 **Review and often extend lead times to provide accurate forecasts**
- 🔧 **Increase their own supply chain to maintain supply to their customers**

Supply chain issues are not the only challenges SME manufacturers are facing. Almost half of respondents (49%) have said that recruitment is also causing concerns. This issue appears to be affecting companies regardless of whether their trade has increased or reduced since COVID-19, indicating a universal problem across the sector that needs to be addressed.



WHAT ARE THE NEXT STEPS FOR UK MANUFACTURING?

Respondent comments echo an overwhelming sentiment that some of the challenges highlighted have been caused in part by government policies as a direct result of Brexit and the COVID-19 pandemic. Therefore, it is vital that SME businesses across the sector receive the specific help they need to address these issues and safeguard the future of UK manufacturing.

Some of the support SME manufacturers have called for this quarter is highlighted on page 23. The UK government's Levelling up agenda must take this into account to help an industry that generates approximately £190bn* per annum for the UK economy and is based across the UK.

Manufacturing has shown an incredible amount of resilience over the past 18 months, fighting back against the pandemic with next to no sector-specific assistance from the government - now is the time for government to take action to ensure continued growth across the sector.

This report clearly outlines the help that SME manufacturers are calling out for.

Further to generic funding offered to businesses as a result of the COVID-19 crisis, the government must also take steps to ensure that UK manufacturing gets the attention it deserves, and the specific support it needs to overcome the current challenges. This includes focusing on support around logistics and paperwork issues, supporting businesses to deal with price changes in the supply chain, and helping with recruitment in both the short term and medium term.

Support is required to ensure the long-term stability of the sector, which continues to be the major driving force for exports, innovation, and R&D for the UK.

*Source: Manufacturing: Statistics and Policy BRIEFING PAPER
Number 01942, 10 January 2020

If you would like to hear more about funded support available, or discuss your individual business needs with one of our Manufacturing Specialists, please click here to get in touch: info@swmas.co.uk

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. 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) in partnership with the Manufacturing Growth Programme (MGP), 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?

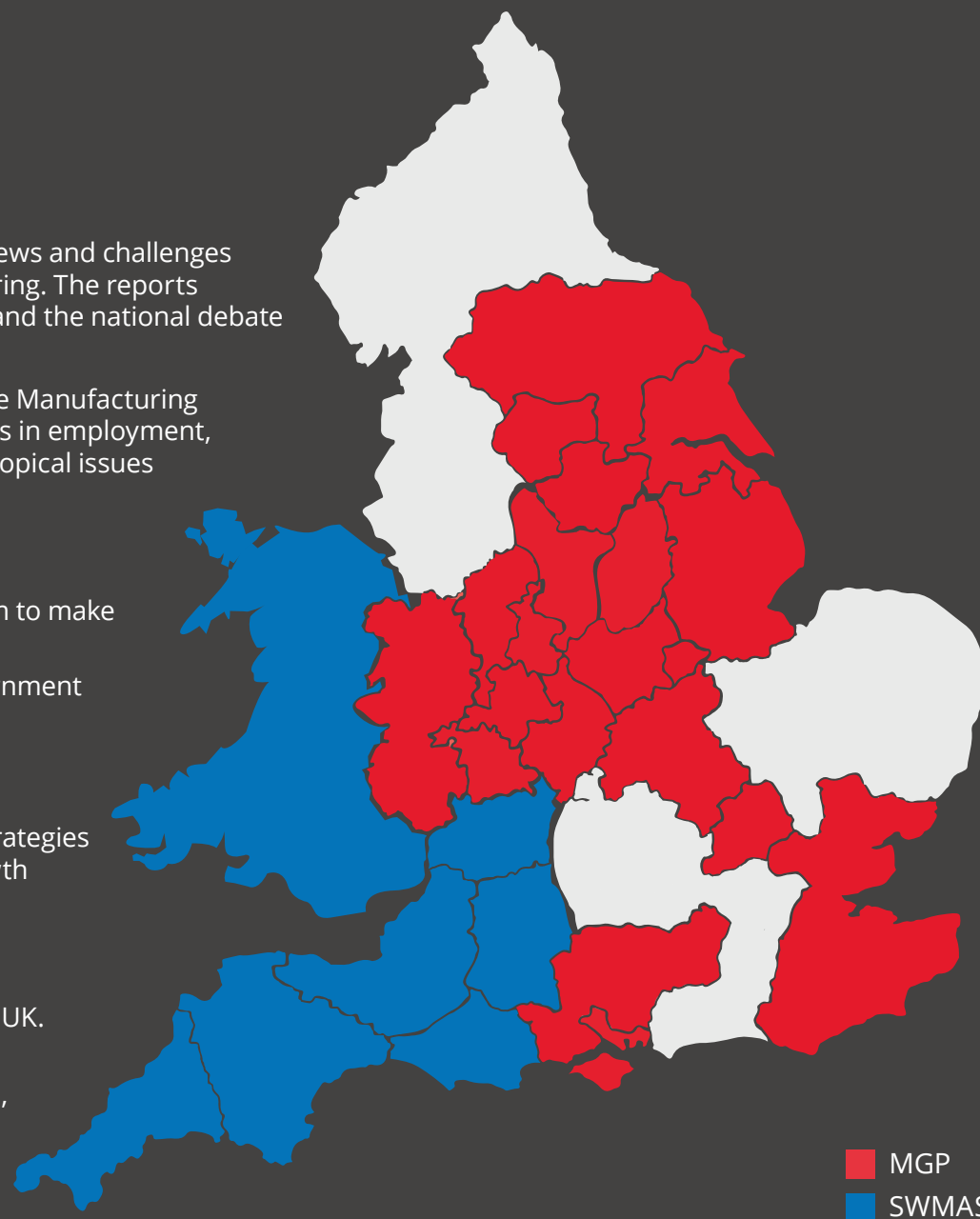
- The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- SME manufacturers can highlight the specific support they require from Government on a local and national level
- The results can be 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 AND MGP?

SWMAS and **MGP** are experts in productivity and growth and provide fully funded, bespoke support to SME manufacturers across 23 LEP areas in seven regions of the UK.

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:

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