



MANUFACTURING barometer

SPECIAL FOCUS: RESOURCES AND RECRUITMENT

SOUTH WEST REPORT FOR Q2 2021/22

JULY, AUGUST, SEPTEMBER 2021 - SURVEYED IN OCTOBER 2021

SWMAS 

IN PARTNERSHIP WITH
 **Manufacturing**
Growth Programme

INTRODUCTION

Welcome to the South West Report for Q2 2021 (covering July, August, and September 2021).

Responses collected from across the South West of England are used to create this regional report; a useful tool to help you compare your confidence levels and current business position with that of other SME manufacturers across the region.

This report will be shared with regional government representatives to provide a critical insight into SME manufacturing businesses across the South West. Thank you to all who contributed to this quarter's report - every response is vital to help ensure that future support addresses the specific needs highlighted.

What is the Manufacturing Barometer?

This quarterly survey, exclusively for SME manufacturers based across the UK, uncovers past performance and future expectations, allowing us to map these core trends over time. We also break this data down into a regional report to analyse how the South West manufacturing sector is performing. Each quarter, a 'special focus' explores a current topic in greater depth to reveal how this is affecting SME businesses across the manufacturing industry, both nationally and regionally.

[Click here to access the Q2 National Barometer Report](#)

CONTENTS

- 🎯 Survey Demographics..... 04
- 🎯 Core Trends 07
- 🎯 Trading Through Current Conditions16
- 🎯 Special Focus: Resources and Recruitment.....19
- 🎯 Good News Stories..... 26
- 🎯 Business Aspirations 27
- 🎯 Special Focus in Summary 28
- 🎯 Conclusion 29
- 🎯 About The Manufacturing Barometer 30



To be directed to the relevant page, please click on the page numbers.
To return back to the Contents Page, please click on the Barometer logo in the footer of each page.

KEY FINDINGS

CORE TRENDS

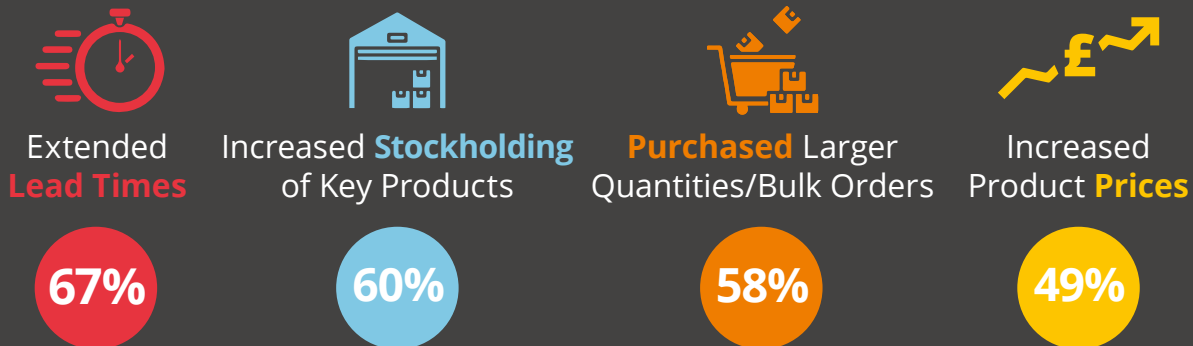
This report shows positive predictions, with the **majority** of South West respondents expecting the following **increases** between now and March 2022...



The number of respondents **trading at increased levels** is **7% higher** than it was last quarter, and the highest it's been since we began recording this in October 2020.



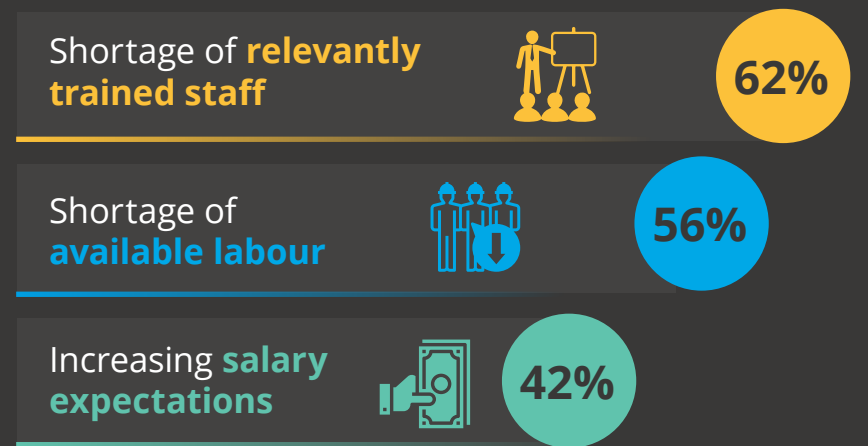
Manufacturers are still experiencing significant **supply chain challenges** and respondents have taken the following actions to protect profits...



Regional respondents have also cited **recruitment struggles** in the following key areas...



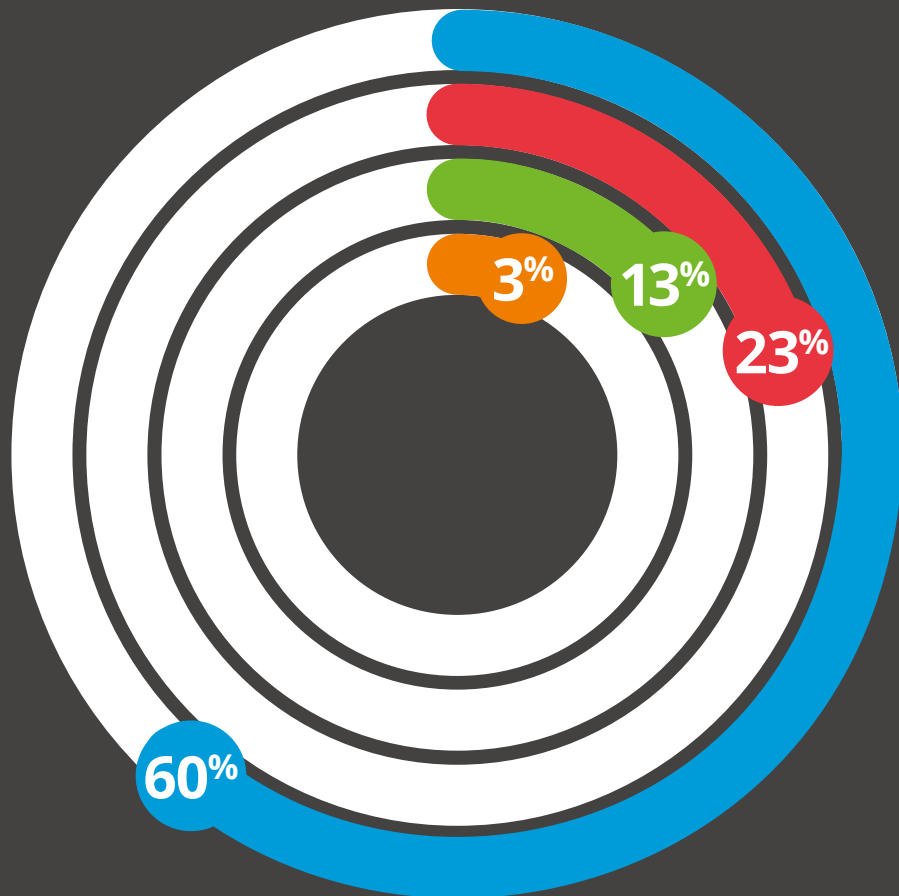
believed to be caused by the following factors...



Manufacturing in the South West is recovering in terms of sales, but profits are being hit to a greater extent. This could be due to the staff retention and recruitment challenges highlighted in this report. Read on to learn more...

SOUTH WEST SURVEY DEMOGRAPHICS

86 RESPONDENTS



83%

OF RESPONDENTS ARE:

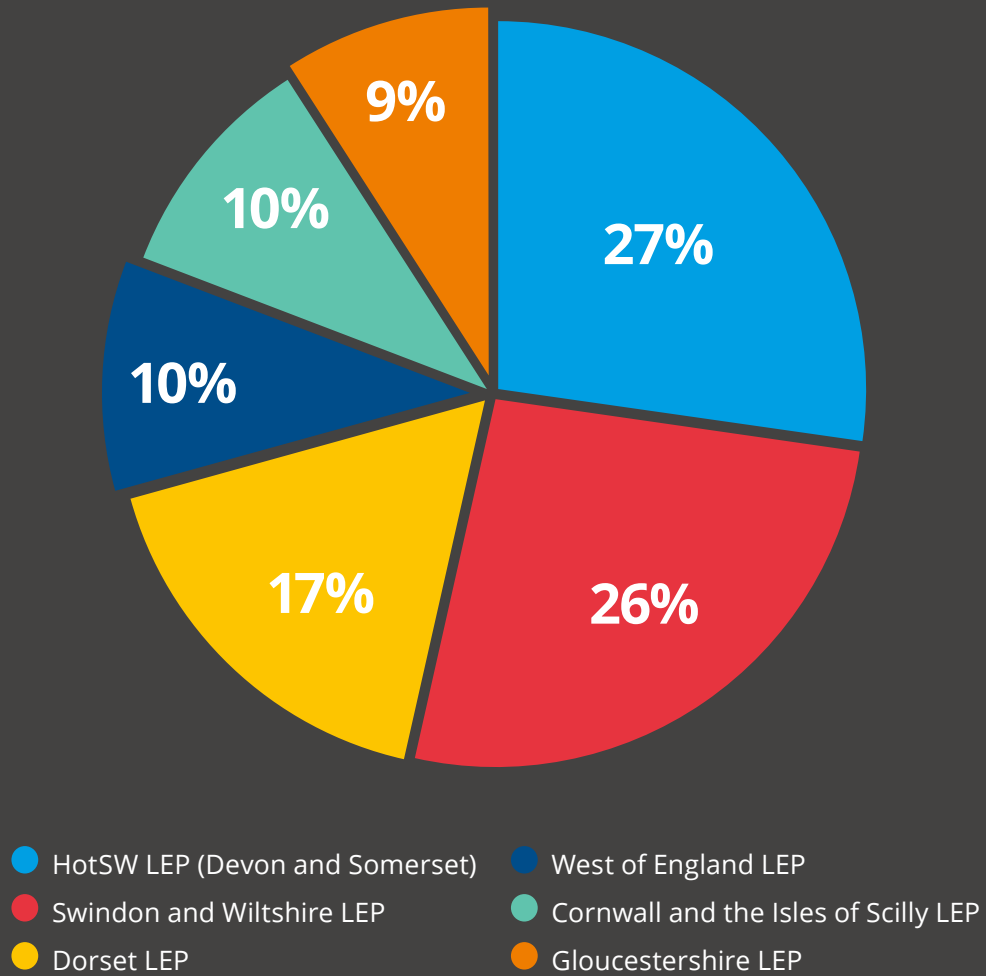
**> MANAGING DIRECTORS &
CHIEF EXECUTIVE OFFICERS
OR DIRECTORS**

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

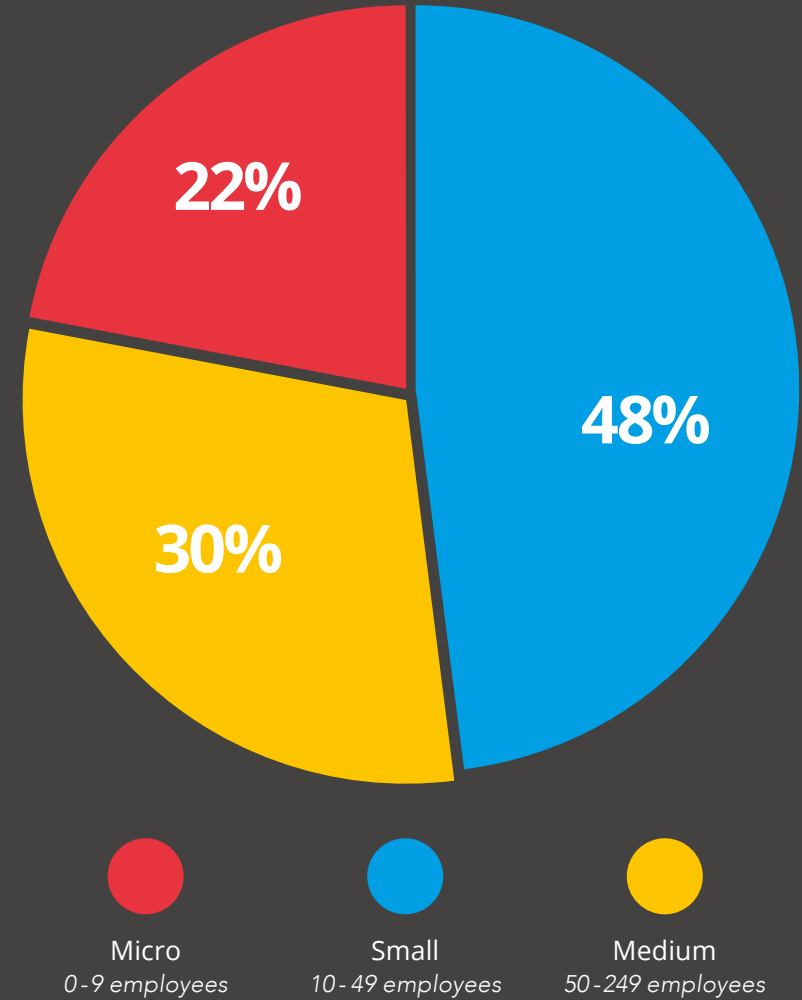


SOUTH WEST SURVEY DEMOGRAPHICS

LOCATION



SIZE



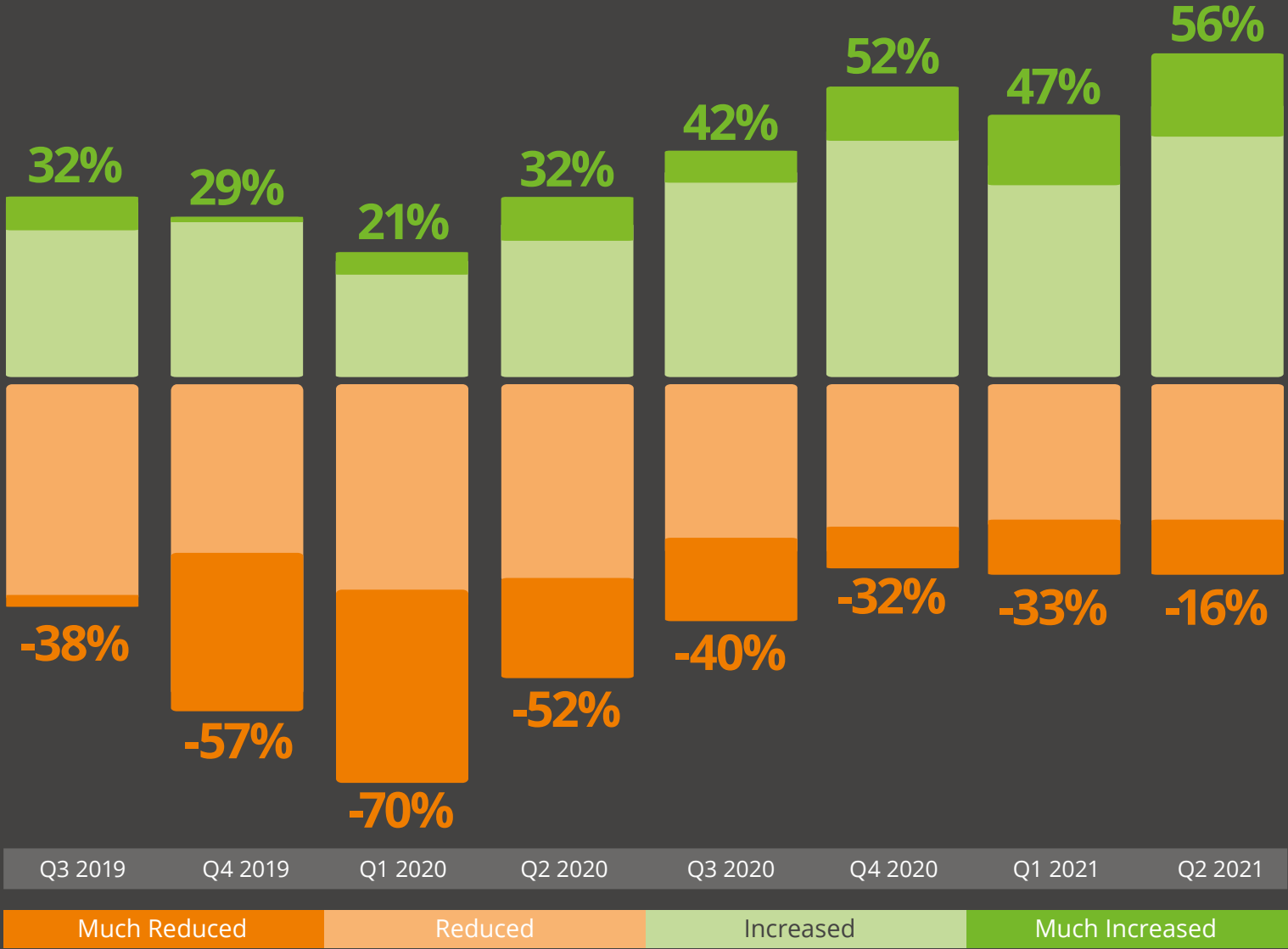
SOUTH WEST SURVEY DEMOGRAPHICS

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



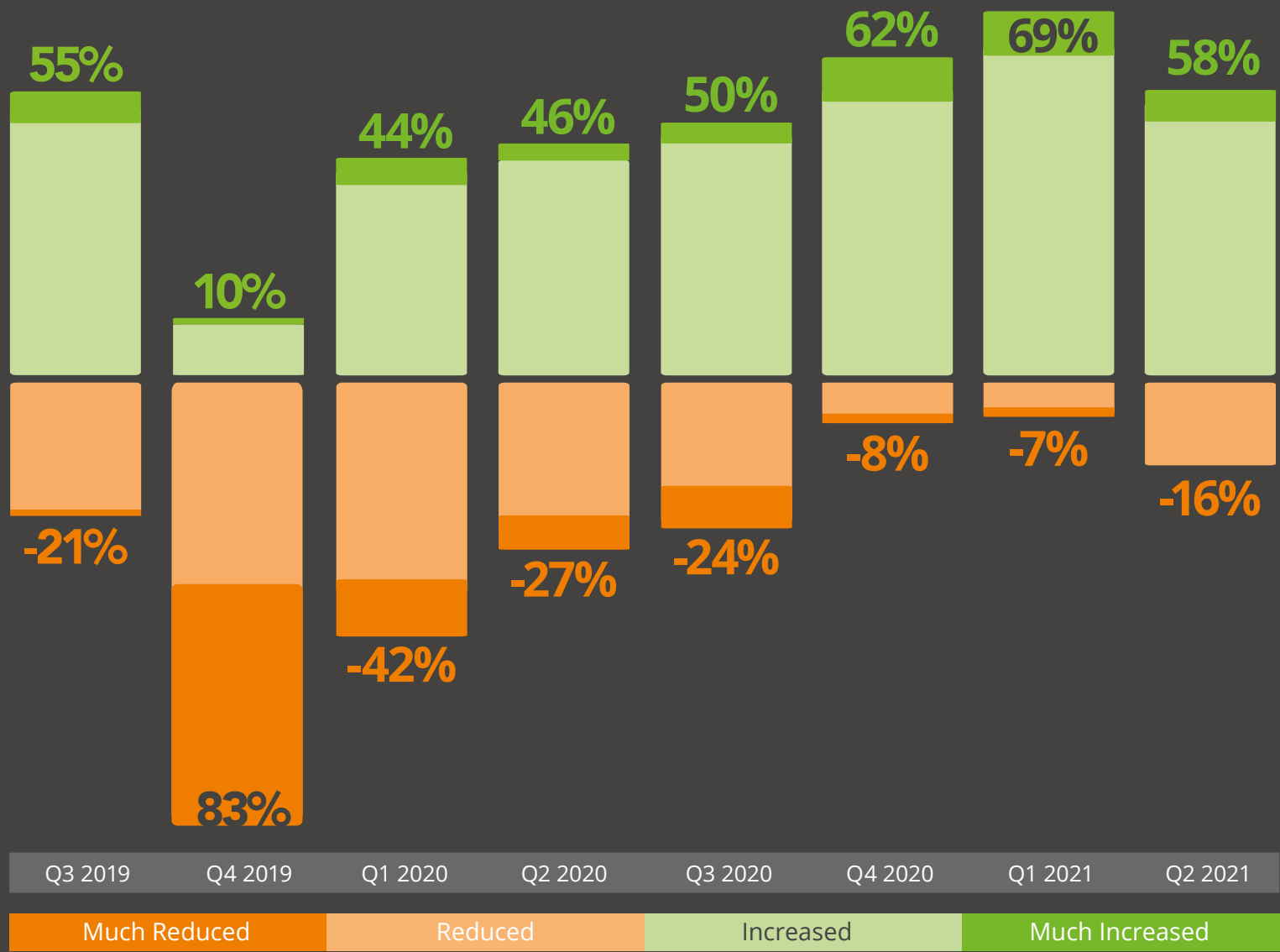
SOUTH WEST PAST SALES

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



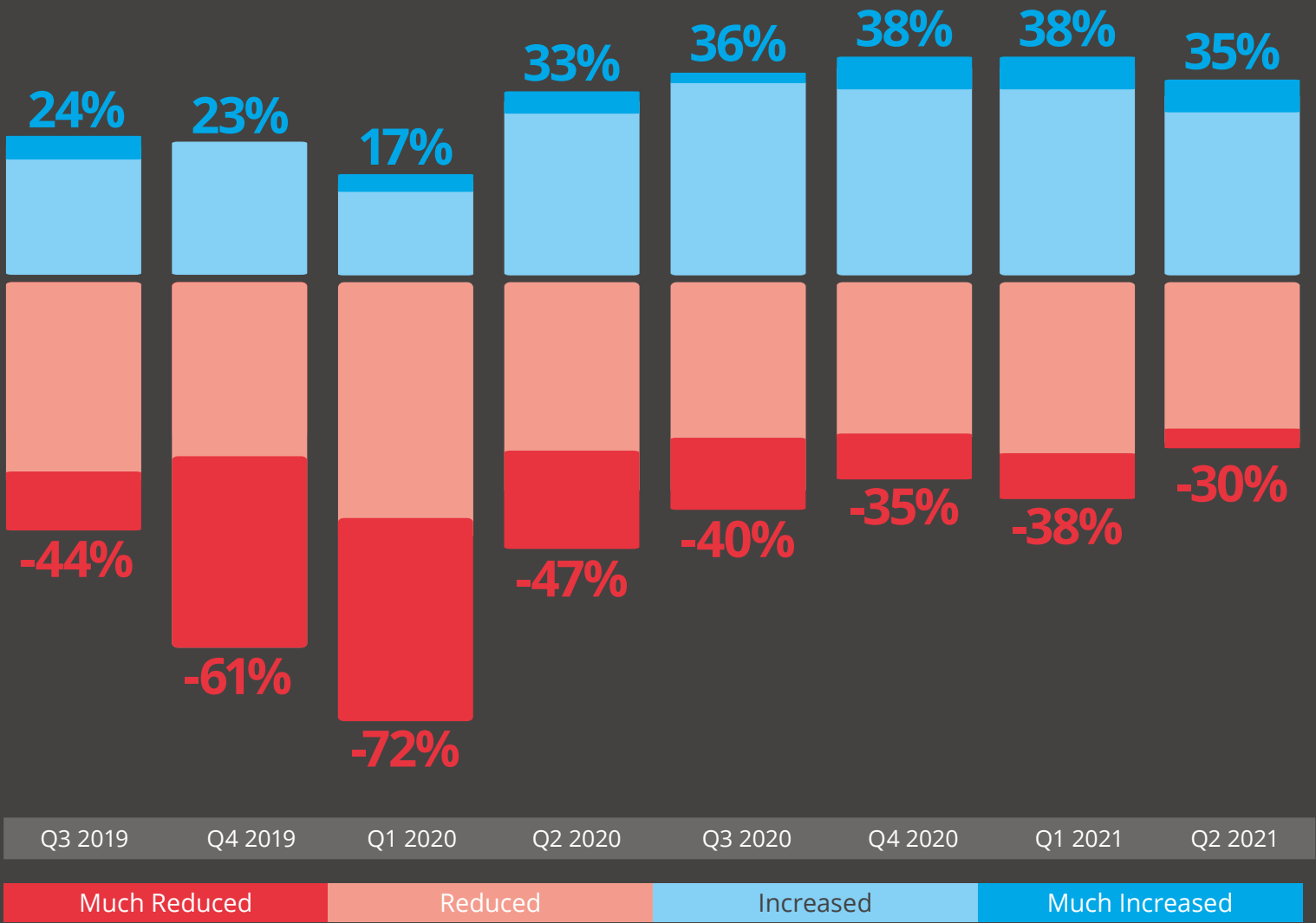
SOUTH WEST FUTURE SALES

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



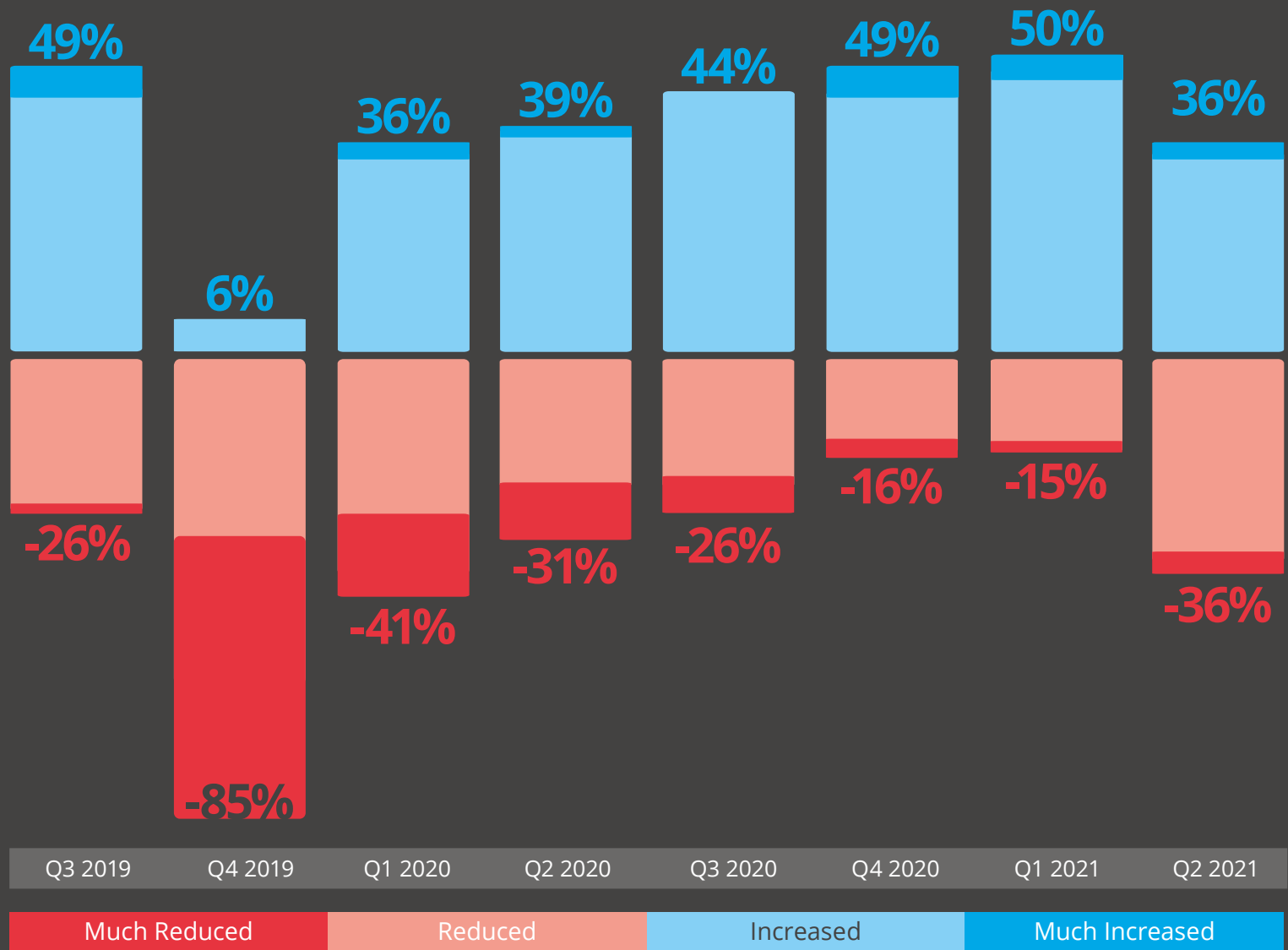
SOUTH WEST PAST PROFITS

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



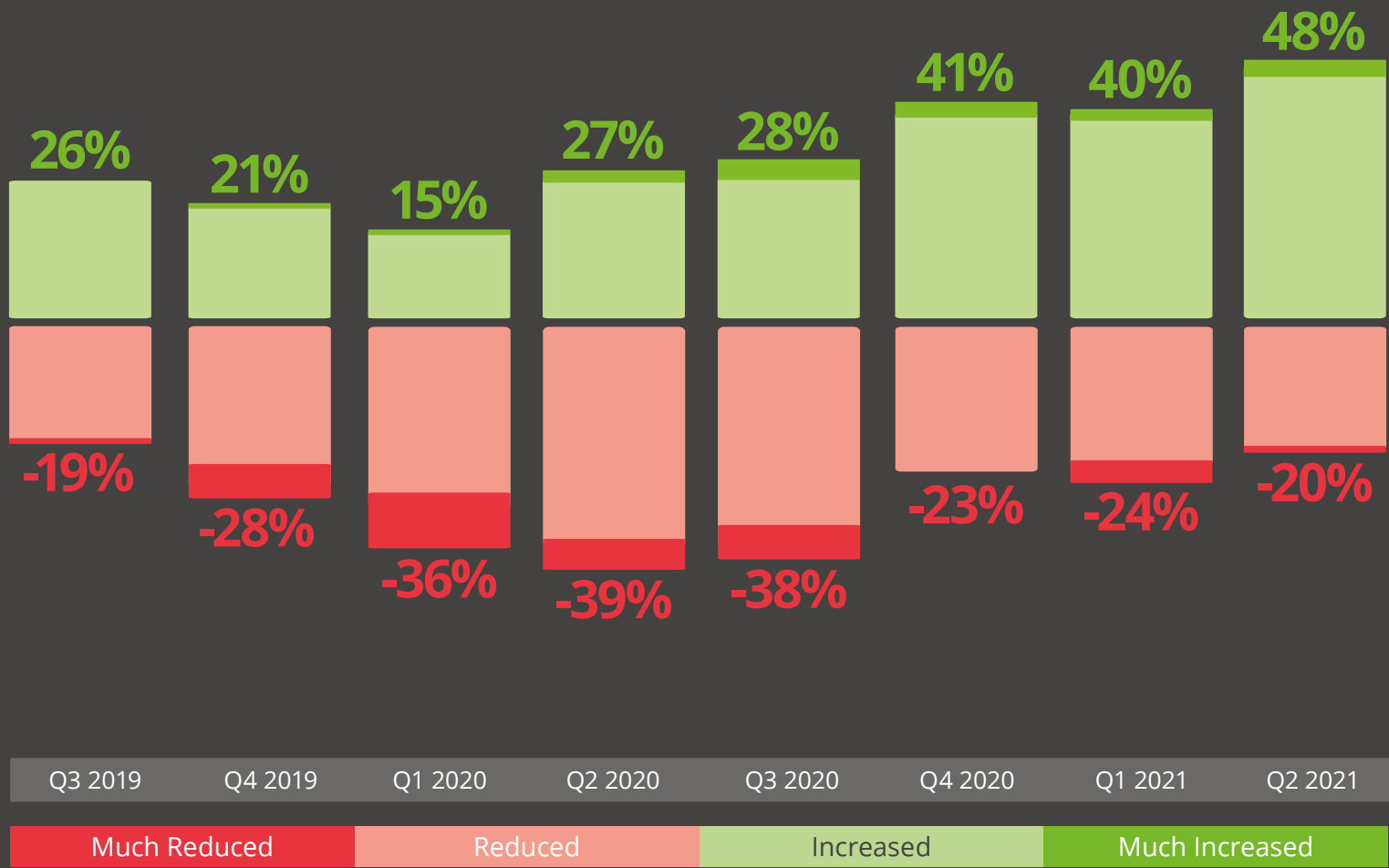
SOUTH WEST FUTURE PROFITS

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



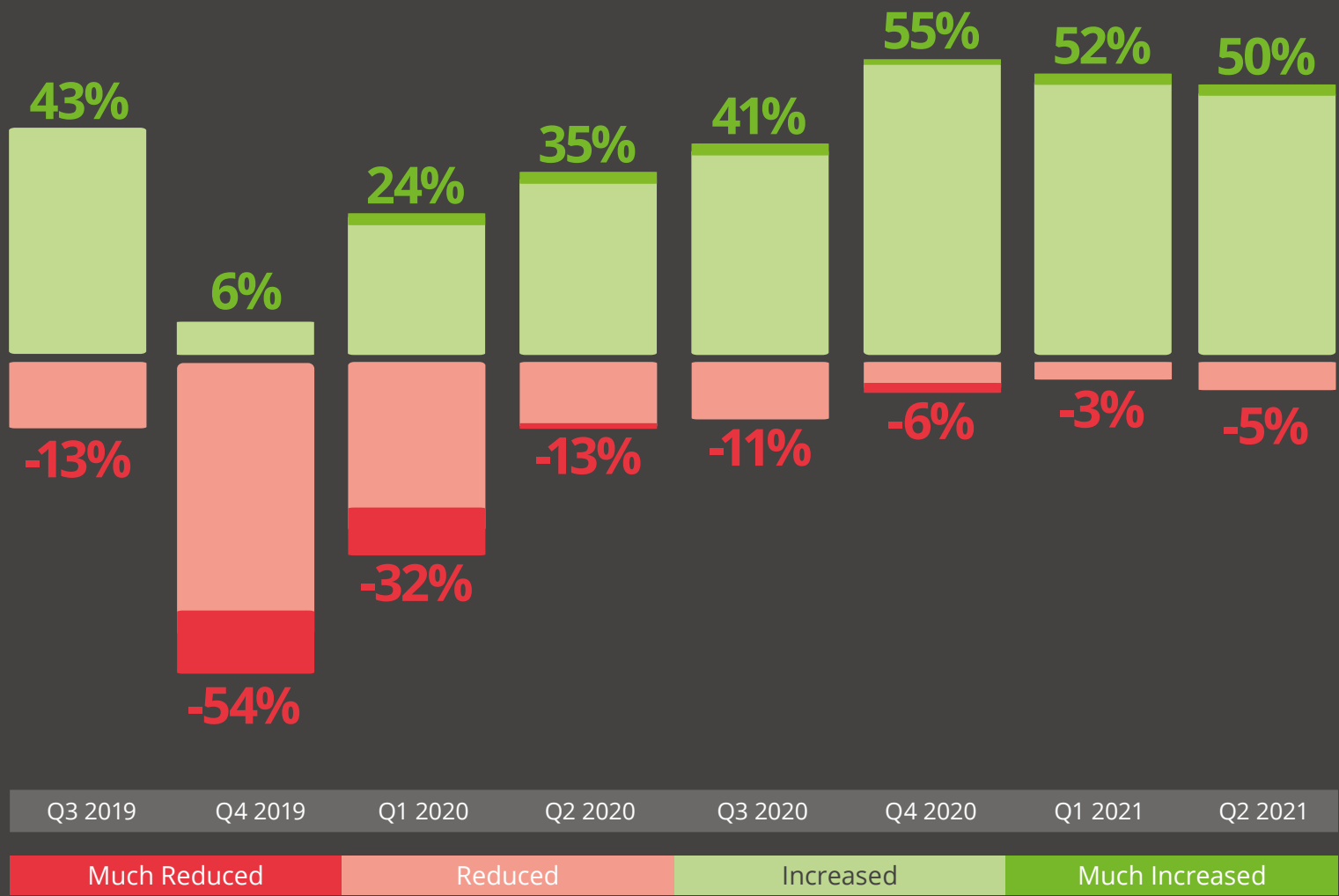
SOUTH WEST PAST EMPLOYMENT

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



SOUTH WEST FUTURE EMPLOYMENT

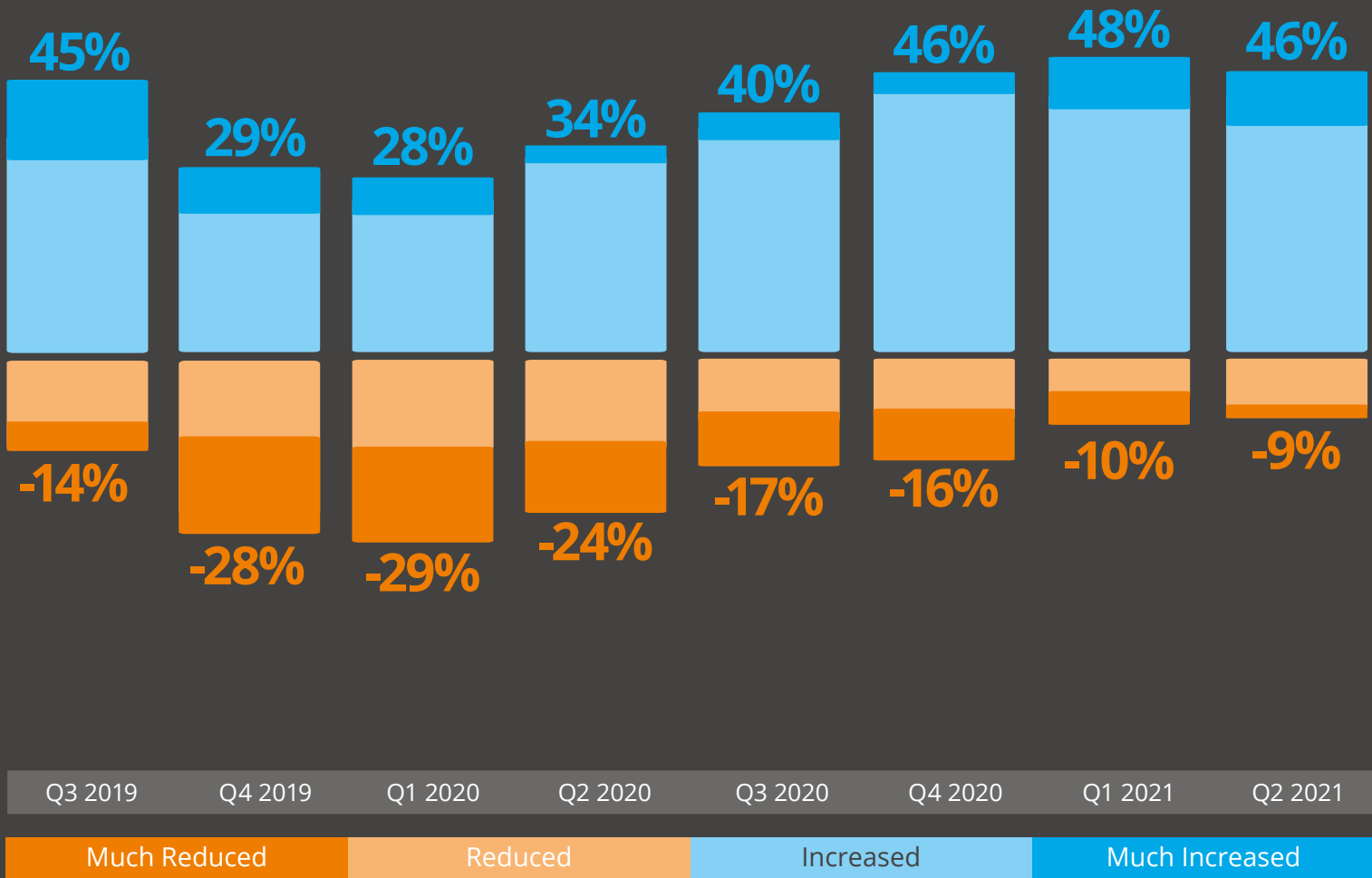
How SME manufacturers expect staff numbers to change over the next six months...



CORE TRENDS

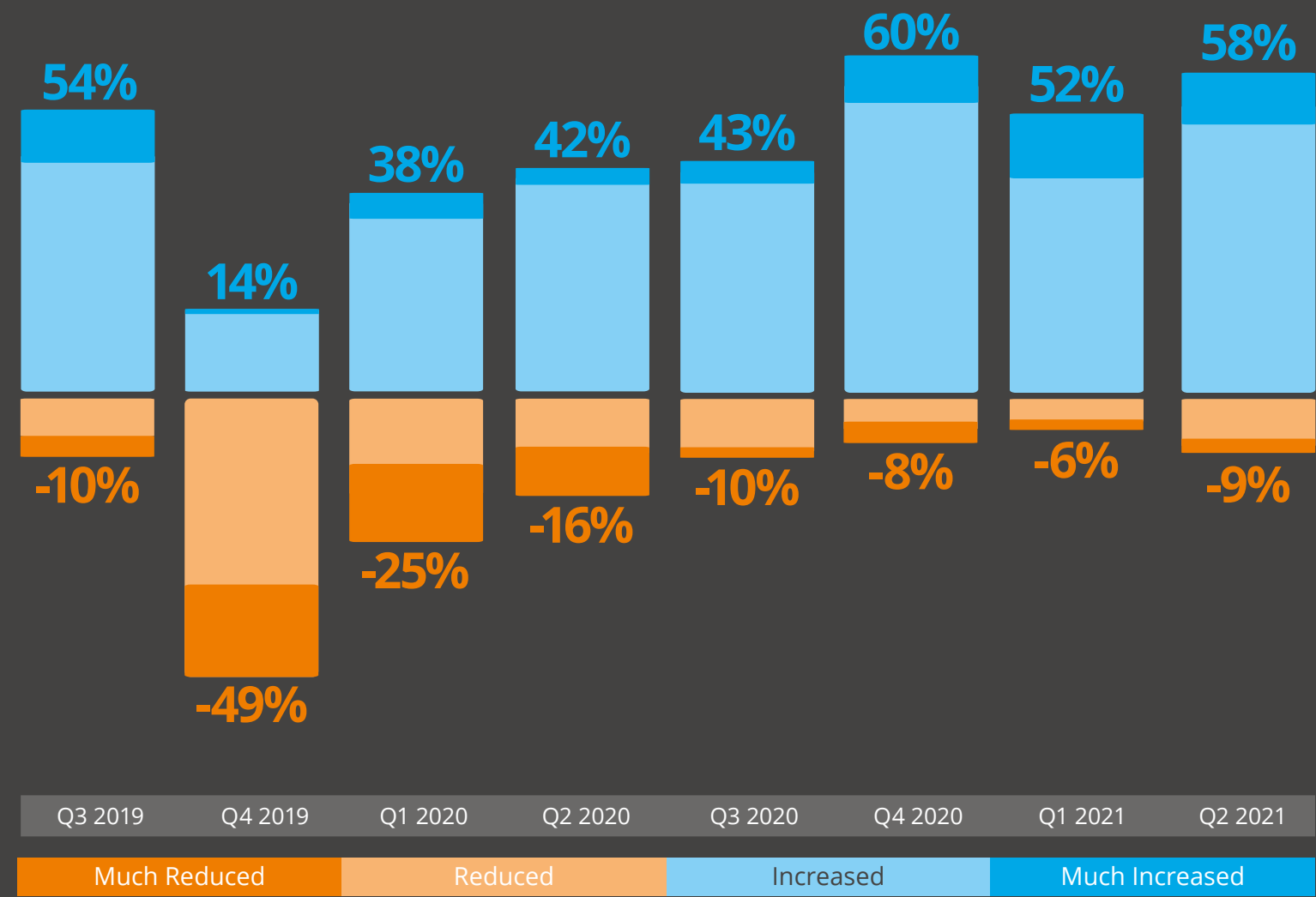
SOUTH WEST PAST CAPITAL INVESTMENT

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



CORE TRENDS SOUTH WEST FUTURE CAPITAL INVESTMENT

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



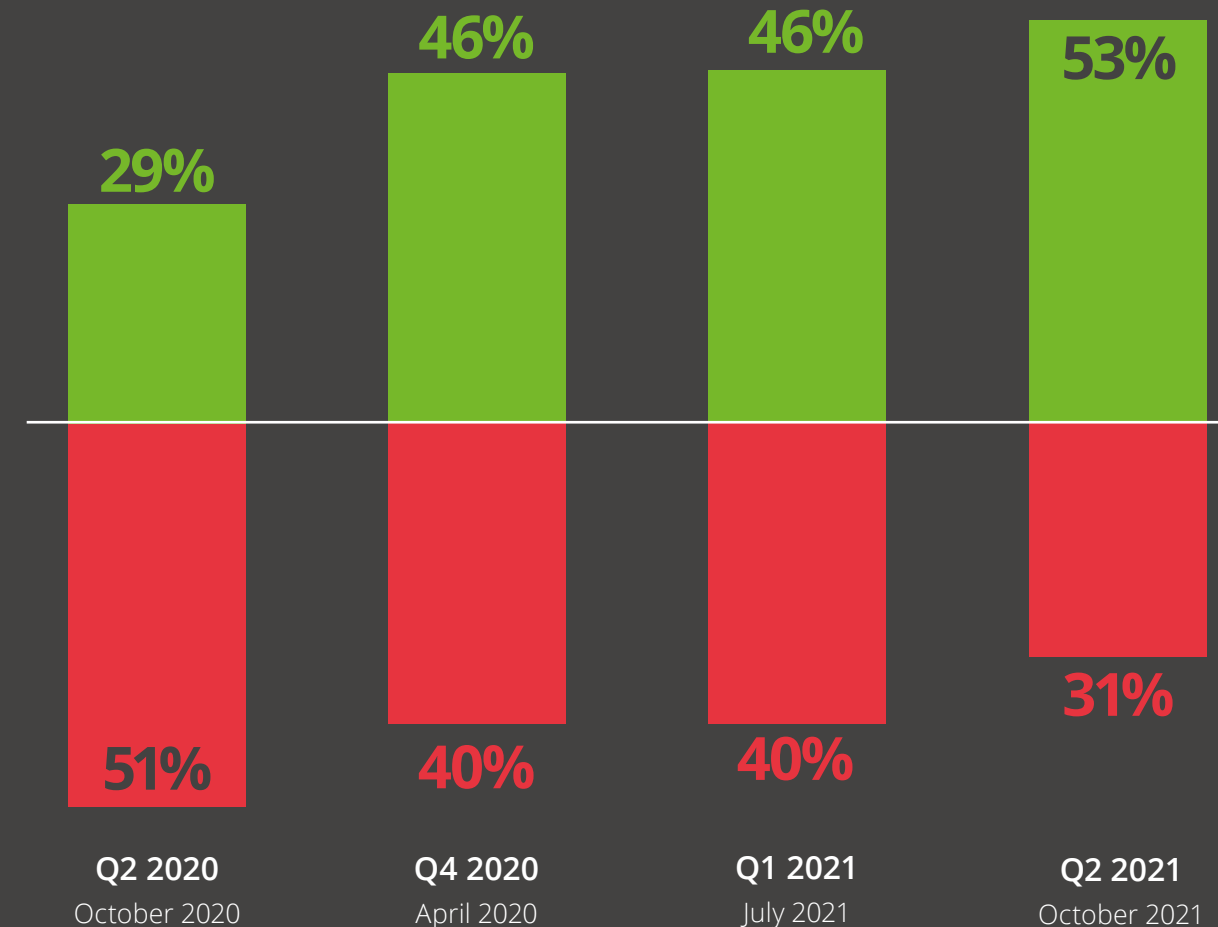
OVERALL CORE TRENDS

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	3%	13%	28%	42%	14%
Sales turnover: next six months	0%	16%	26%	53%	5%
Profit: past six months	3%	27%	35%	29%	6%
Profit: next six months	2%	34%	28%	33%	3%
Staff numbers: past six months	1%	19%	31%	45%	3%
Staff numbers: next six months	0%	5%	45%	48%	2%
Investment: past six months	2%	7%	44%	36%	10%
Investment: next six months	2%	7%	33%	52%	6%

TRADING THROUGH CURRENT CONDITIONS

To understand the ongoing impact of COVID-19, throughout the past year we have been asking respondents to tell us whether their business is trading at increased or reduced levels when compared to their pre-pandemic position...



the number of respondents trading at increased levels is **7% higher** than it was last quarter, and the highest it's been since we began recording this in October 2020

Increased

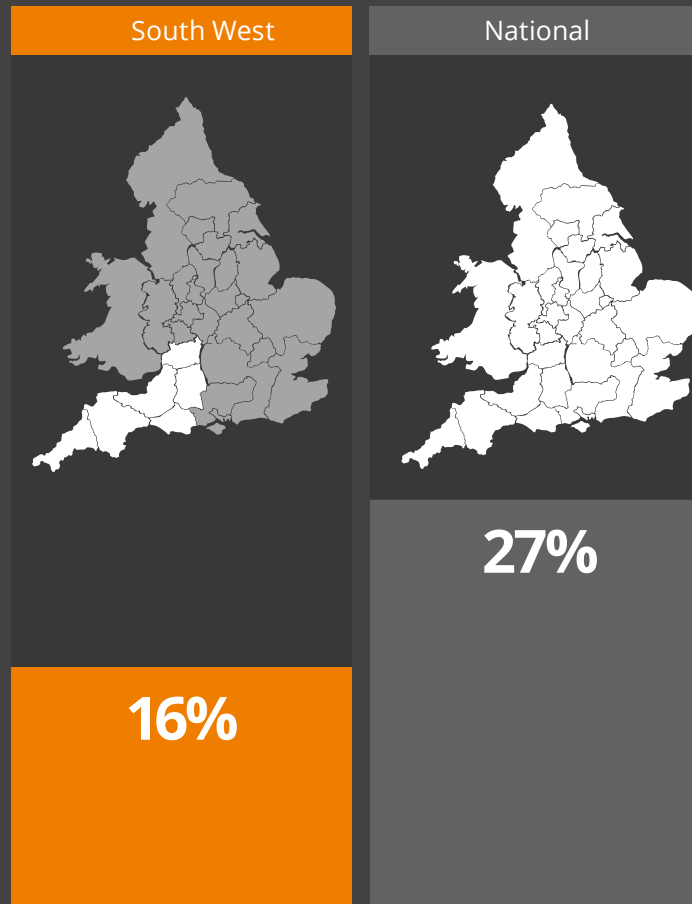
Reduced

Approximately 12% have consistently responded to say they have not been affected by the Covid-19 pandemic

TRADING THROUGH CURRENT CONDITIONS

The Job Retention Scheme

Only **16%** of **South West** respondents were still using the furlough scheme when it ended on 30th November...



... **11%** lower than the national number

SOURCE: The National Manufacturing Barometer Report (Q2 2021)

[View report](#)

The percentage of respondents still utilising Furlough when it ended

CORE TRENDS

WHAT DOES THIS DATA TELL US?

Those reporting a recent increase in sales is up 9% from last quarter, but future sales predictions have dropped by 11%. Despite this sales growth, past profits haven't increased at the same rate, and future expectations are not as positive as they have been. In fact, 36% are expecting profits to drop further over the next six months (more than double the number who predicted this last quarter).

48% said staff numbers have grown since April, which is the highest percentage in over two years, but existing staff returning from furlough could be contributing to this increase. When looking to the future, those expecting staff numbers to increase is down slightly from last quarter, but this may be due to the recruitment challenges highlighted on page 23 of this report.

Overall, this quarter's core trends indicate that, despite an uplift in sales, current conditions in the marketplace could be squeezing cashflow and profit margins for SME manufacturers across the region. 58% of South West respondents are looking to increase future investments in capital equipment (6% up on the national picture), which could be in response to difficulties recruiting skilled staff.

It is clear that current recruitment and resource challenges are inhibiting growth for a number of businesses. This quarter's Special Focus (Page 19) has more on these issues, and the actions SME manufacturers are taking to overcome them.

A SUMMARY OF CURRENT TRADING CONDITIONS: COVID-19 IMPACT

This quarter's data suggests that, despite some positivity, the ongoing impact of COVID-19 is continuing to have a diverse effect on small and medium-sized manufacturers across the South West...

- ⚡ The number of respondents trading at increased levels is 7% higher than it was last quarter, and the highest it's been since October 2020
- ⚡ Only 16% of South West respondents were still using the furlough scheme when it ended (11% lower than the national number)



SPECIAL FOCUS

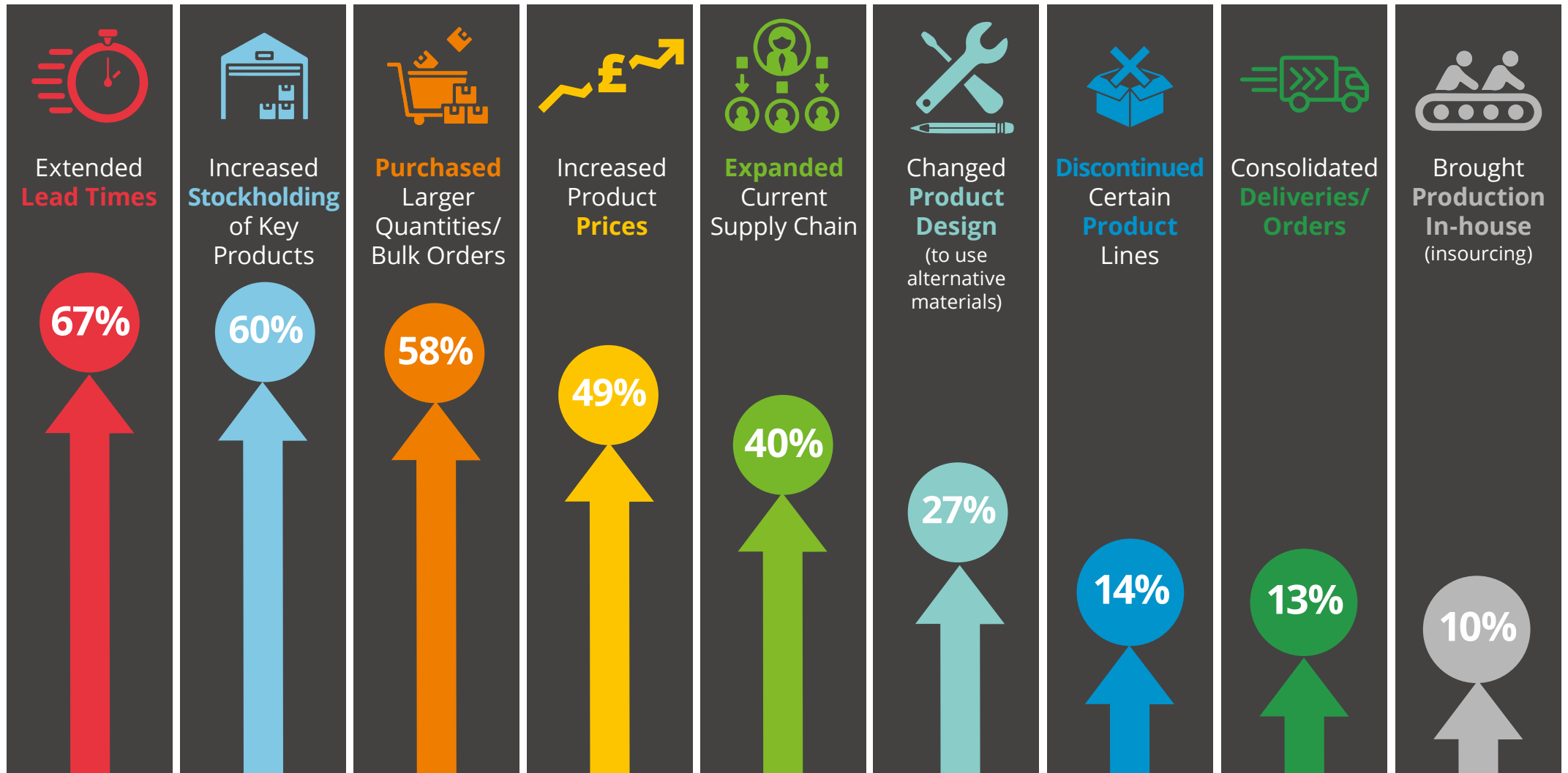
RESOURCES & RECRUITMENT

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

SPECIAL FOCUS: RESOURCES AND RECRUITMENT

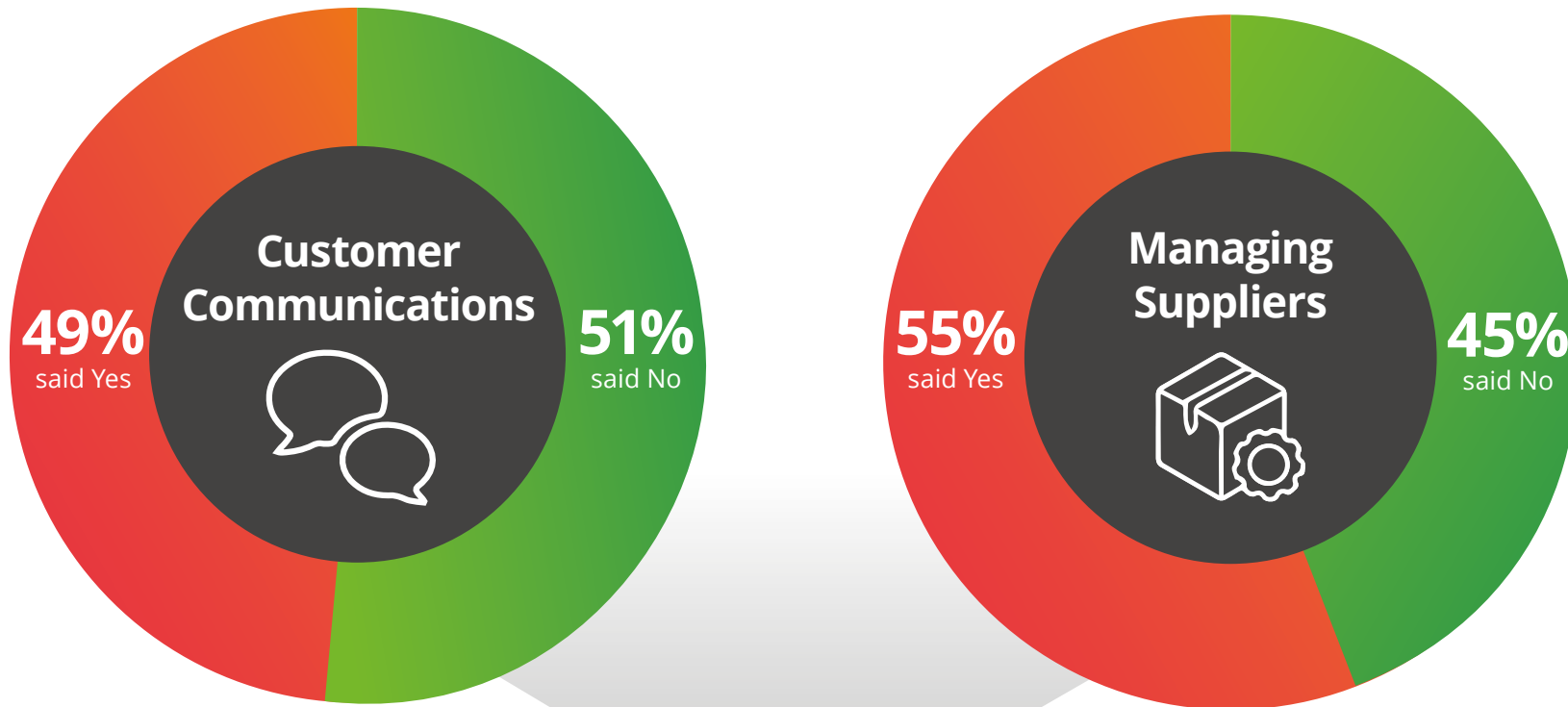
Supply Chain: Logistics and Transport

We asked respondents what action they have taken to overcome current supply chain challenges...



SPECIAL FOCUS: RESOURCES AND RECRUITMENT

To address current **supply chain challenges**, we asked respondents if they currently need to commit **additional resources** into the following areas...



The majority of respondents told us they are having to commit between **one and two FTEs** (full-time equivalents) in order to manage suppliers and customers at this time.

SPECIAL FOCUS: RESOURCES AND RECRUITMENT

Staff Retention: the percentage of respondents who have **lost staff** in the following areas over the past 18 months...

SKILLED STAFF

(including managers and leaders)

52%

UNSKILLED STAFF

30%

ADMINISTRATION/ OFFICE STAFF

27%



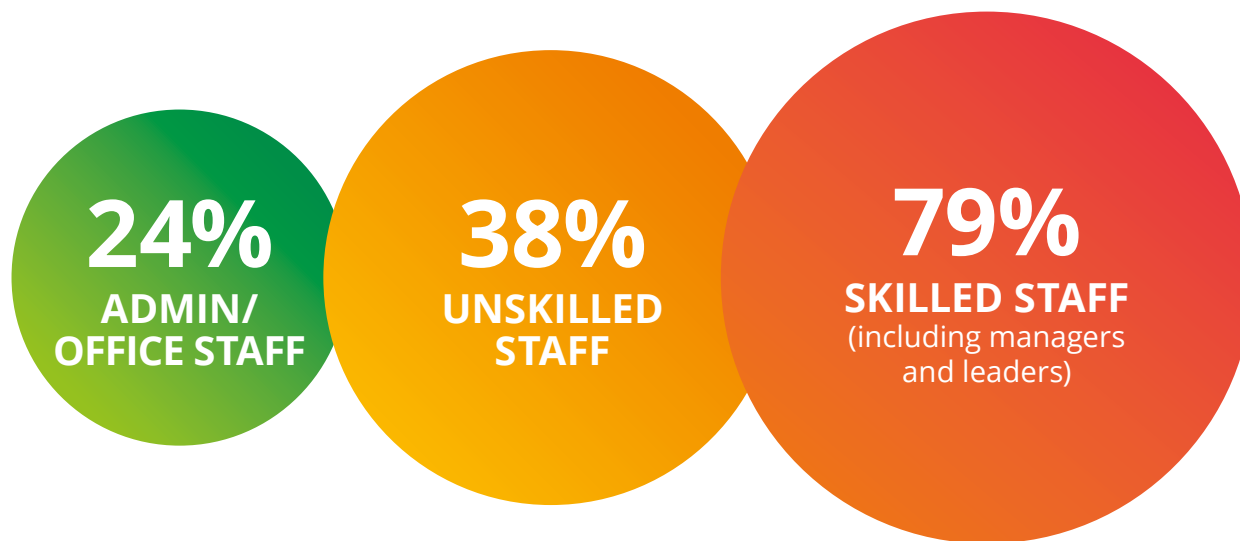
Only

15%

of South West respondents said they have been able to replace all staff lost over the past 18 months - 10% lower than the national number

SPECIAL FOCUS: RESOURCES AND RECRUITMENT

Staff Recruitment: the percentage of respondents who said they are **unable to recruit** staff in the following areas...



The **top factors** believed to be contributing to recruitment challenges are:

Shortage of **relevantly skilled staff** (lack of **specialist training** available)

62%

Shortage of **available labour** (lack of **people**)

56%

Increasing **salary expectations**

42%

Removal of **labour from the EU**

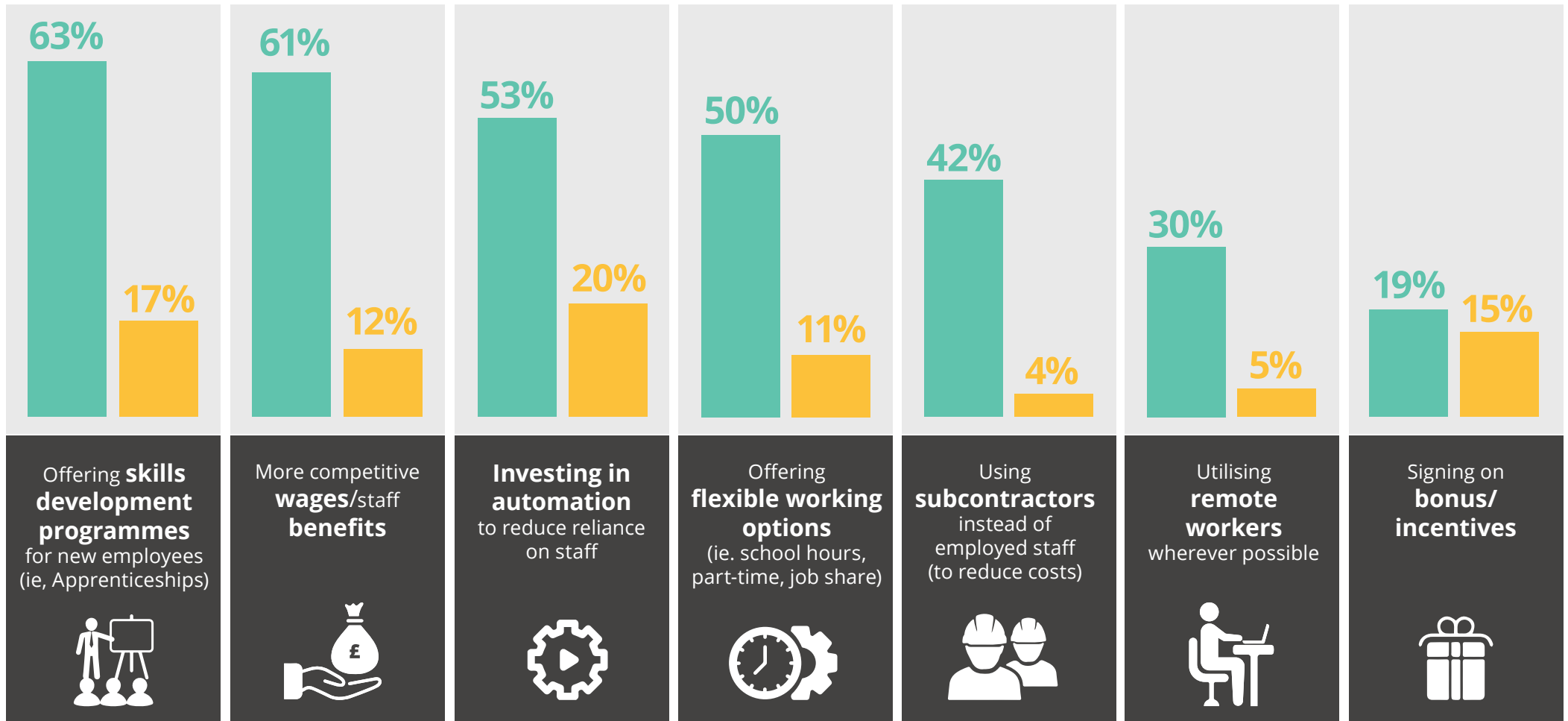
41%

SPECIAL FOCUS: RESOURCES AND RECRUITMENT

Actions SME manufacturers have taken, or would consider, to help **overcome potential recruitment challenges...**

Yes, already taken action or plan to

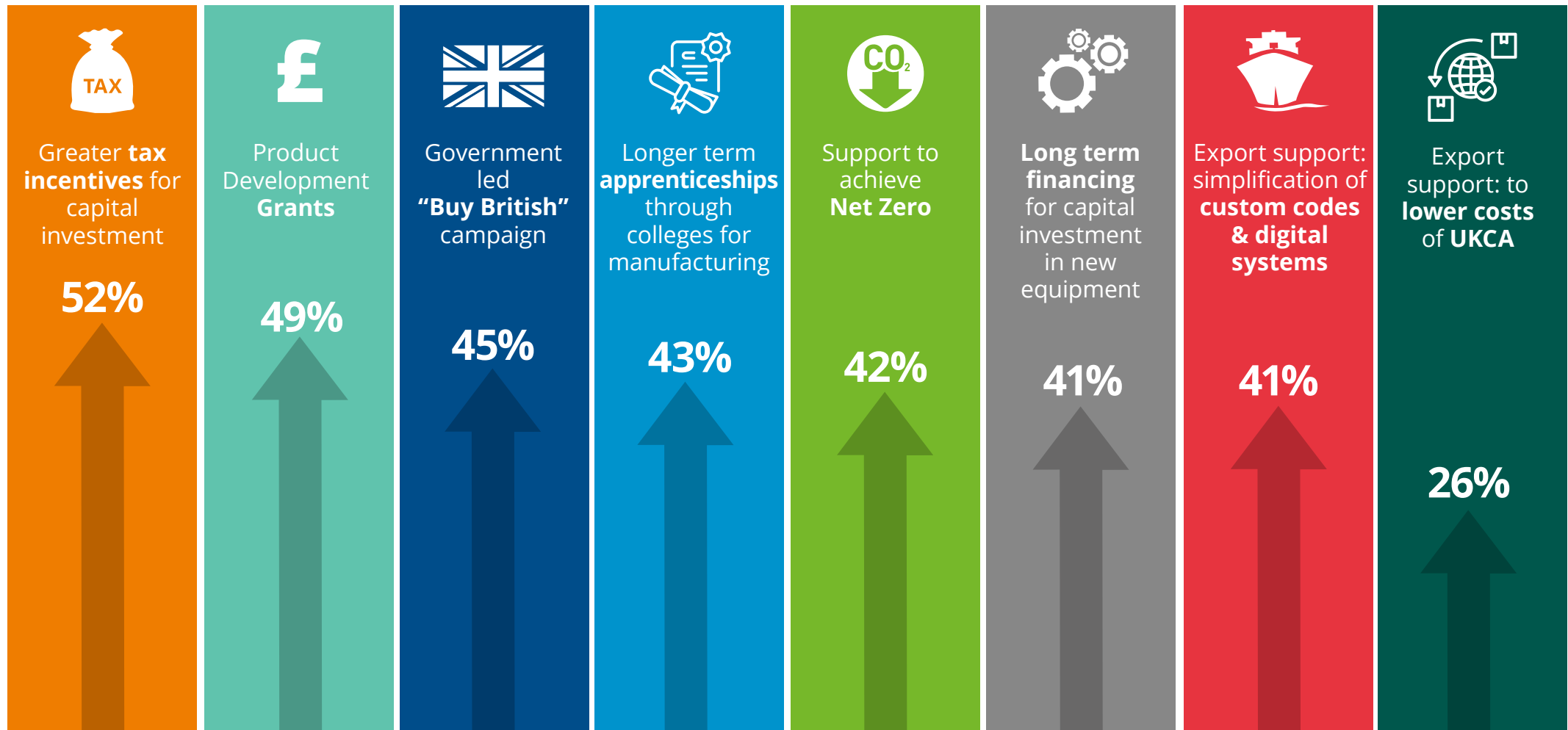
Maybe, but we require support in this area



SPECIAL FOCUS: RESOURCES AND RECRUITMENT

Last quarter, we asked what types of government support would be most beneficial to help address current challenges

We categorised these results to uncover which of the identified options are considered most valuable by SME manufacturers...



GOOD NEWS STORIES FROM ACROSS THE SOUTH WEST

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

M-CNC

SOMERSET

This precision engineering business took proactive steps to inspire future generations to consider a career in manufacturing.

[Read more...](#)

RI Manufacturing

WILTSHIRE

COVID-19 challenges led this Wiltshire-based manufacturer to develop a practical solution to a common need.

[Read more...](#)

DP Engineering

CORNWALL

This innovative engineering company invested in new, cutting edge 'lights out' technology, creating an opportunity to upskill their staff and build a stronger, more resilient business.

[Read more...](#)

TDi Turbos Ltd

DORSET

As a leading manufacturer of standard and specialised turbos, this SME recently launched an exciting new product to improve performance, increase efficiency, and reduce fuel consumption.

[Read more...](#)



SOUTH WEST BUSINESS ASPIRATIONS

“

To continue our business transformation through our people, de-risk every interface of our process, implement the waste disposal/storage project, attract a large trade customer, and develop our new product development capability.

CORNWALL

“

With orders increasing but staff reducing, our turnover will also decrease due to the sheer lack of new employees. Our future expansion plans will remain on hold until we can fill vacant positions.

DEVON

“

To hold steady at 20 employees and around £2m turnover, focusing on resilience and profitability.

SWINDON AND WILTSHIRE

“

Grow business revenue and profitability over next five years and investigate new opportunities.

GLOUCESTERSHIRE

“

The short and medium terms may see a temporary slowdown because of price increases, availability of materials, skilled labour, and apprentice shortages. In the long term, we remain optimistic that all of these things will give way to growth.

SOMERSET

**SME MANUFACTURERS
MAKE YOUR VOICE HEARD!**

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

“

Short term: restore staffing levels.
Medium term: manage supply chain and logistics issues.
Long term: diversify into new markets through product development.

WEST OF ENGLAND

“

Short term: as a high energy user, we have to focus on reducing consumption and increasing efficiencies whilst maintaining profits.
Medium term: find suitable new members.
Long term: increase customer base and profits.

DORSET

SPECIAL FOCUS RESOURCES AND RECRUITMENT IN SUMMARY...

This quarter's results tell us that, although the manufacturing sector is continuing to recover and grow, recruitment and supply chain issues are still causing problems for businesses across the South West.

Despite the increased sales shown in the core trends section (page 7), 49% of those questioned have been forced to commit extra resources to communicate with customers and manage their expectations. Furthermore, 55% said their staff are having to spend additional time liaising with suppliers. To address these difficulties, many South West businesses are needing to re-allocate both priorities and resources. In fact, respondents have said they are having to commit between one and two FTEs to manage suppliers and customers at this time, a number that often equates to between 5-10% of an SME manufacturer's workforce.

As illustrated on Page 20, companies have already taken significant steps to successfully meet current customer demand, such as:

- 🔧 **Extended lead times (67%)**
- 🔧 **Increased stockholding (60%)**
- 🔧 **Bought in bulk (58%)**

Almost half of the regional manufacturers surveyed have also needed to increase product prices to recover some of their additional supply chain costs and protect their profits. These actions are likely to be adding pressure on resources and limiting cashflow, as well as impacting the profitability of these businesses.

Employee retention and recruitment struggles are causing substantial problems for those SME manufacturers who are seeing heightened demand, but lack the staff needed to meet it. In fact, over half of respondents have lost skilled staff since the beginning of the COVID-19 pandemic, and 79% said they are unable to replace these employees. This points to a significant skills gap that could drastically impact recovery and growth for the South West manufacturing sector.

In addition, over the past 18 months, just over a quarter of respondents have lost office staff, and almost a third have lost unskilled workers. Recruitment struggles have also been reported in these areas, with 56% of respondents identifying a shortage of available labour across the region (see page 23).

Although skills and staff shortages are believed to be the main reasons for current recruitment challenges, 42% think that high salary expectations are a contributing factor. This could be a consequence of the jobs market being so strong, with tough competition from other employers looking to recruit from the same pool of potential staff. To compete, over 60% of respondents have already increased wages, or plan to do so in the future. This has the potential to put further pressure on inflation in the wider economy, whilst limiting profitability for affected businesses, and the South West manufacturing sector.

CONCLUSION

Throughout COVID-19, the manufacturing sector has had to adapt and produce creative solutions to a number of significant challenges. Many businesses are continuing to recover, and it's encouraging that the number of respondents now trading at increased levels is the highest it's been since October 2020.

Across the South West, only 16% of the firms surveyed were still utilising the Furlough scheme when it ended on 30th September, compared to the 27% who reported this nationally. These findings may indicate that regional respondents are choosing to retain their staff as another way of overcoming the recruitment issues they're experiencing.

Although current challenges of inflation and sourcing materials are being overcome, it does appear to be having an impact on the profitability of SME manufacturers across the region. These businesses are also facing substantial problems recruiting the staff they need to keep up with current demand. These factors could impact the future growth of their business, and in turn, the UK manufacturing sector.

Business leaders across the sector are already proactively addressing recruitment issues. Many respondents have recognised a need to offer more competitive wages and/or benefits to attract the staff they need in such a competitive market, and the majority have either already actioned this, or plan to in the future. Similarly, 63% are open to offering apprenticeships to train the next generation of their workforce, but they may struggle to find the specific subjects they require if there is a shortage of relevant training available.

As highlighted on page 25, over half of regional respondents are calling for greater tax incentives for capital investment, closely followed by grants towards the cost of product development. Furthermore, 43% said long term apprenticeships through specific colleges of manufacturing would be beneficial, and 42% would value support to help them achieve net zero.

When looking to the future, 53% of respondents have, or plan to, invest in automation which could help to reduce reliance on staff. This may be indicative of the future direction of manufacturing, presenting an innovative solution to one of the challenges highlighted by the region's SME manufacturers this quarter.

SWMAS can offer support to help SME manufacturers address some of the challenges highlighted in this report...

FIND OUT MORE



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?

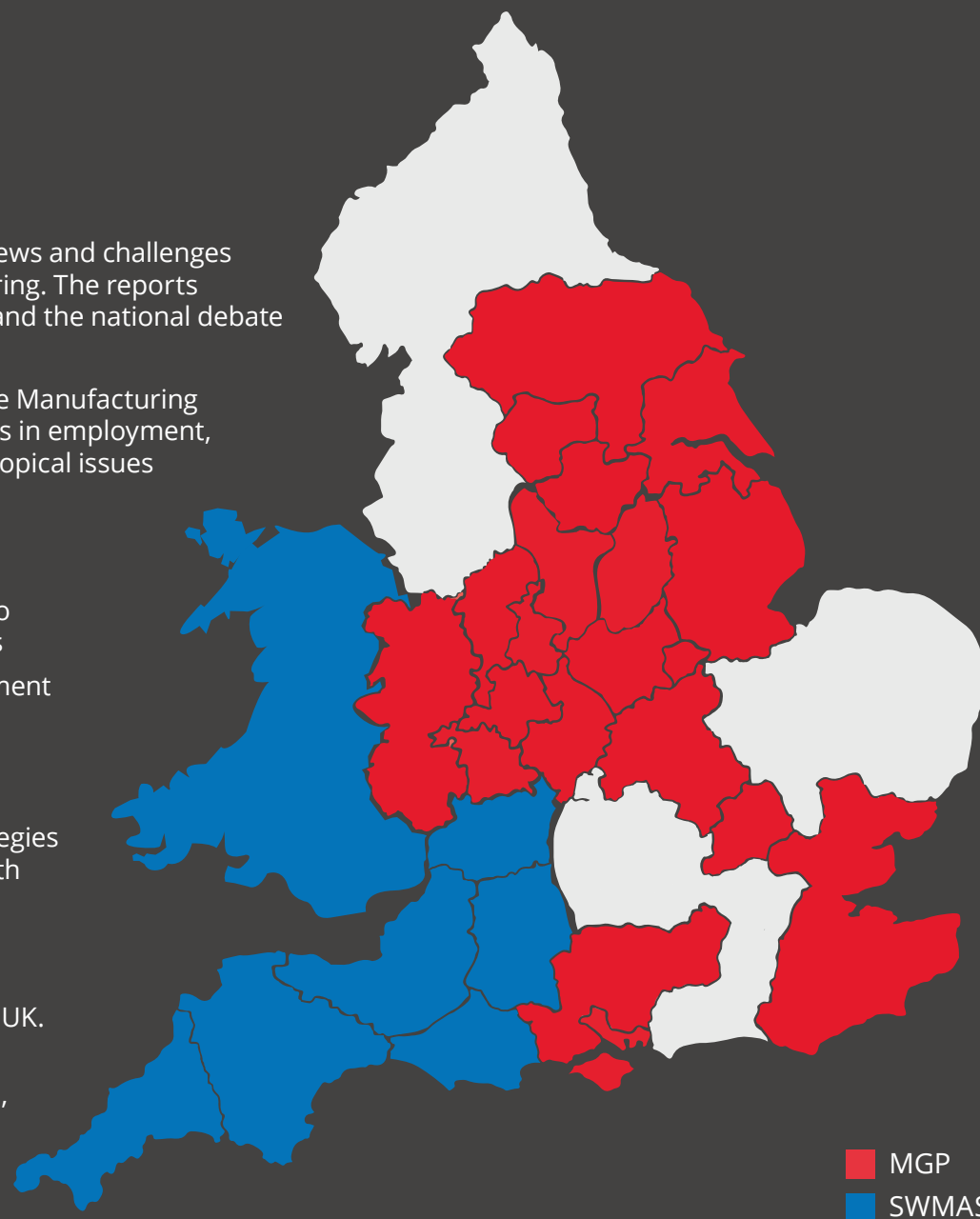
- The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- SME manufacturers can highlight the specific support they require from Government on a local and national level
- The results can be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

info@swmas.co.uk | 01278 767 010 | 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

