



MANUFACTURING barometer

SOUTH WEST REPORT COVERING JANUARY, FEBRUARY, AND MARCH 2023

Surveyed in April 2023



INTRODUCTION

What is the Manufacturing Barometer?

A national survey from SWMAS, which is exclusively for SME manufacturers based across the UK.

It is conducted every quarter to uncover past performance and future expectations and map these core trends over time. In each survey, a 'special focus' explores a current topic in greater depth to reveal how it is affecting SME businesses across the UK manufacturing industry.

Download April's **National Report**

Welcome to April's South West Report (covering January, February, and March 2023).

Responses from businesses across the South West of England are used to create this regional report; a useful tool to help manufacturers compare their 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 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.

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**
- 🕒 **South West Core Trends**
- 🕒 **Summary of Core Trends**
- 🕒 **Trading through Current Conditions**
- 🕒 **Special Focus: Future Growth and Investment Plans**
- 🕒 **Business Aspirations**
- 🕒 **Good News Stories**
- 🕒 **Conclusion**
- 🕒 **About the Manufacturing Barometer**

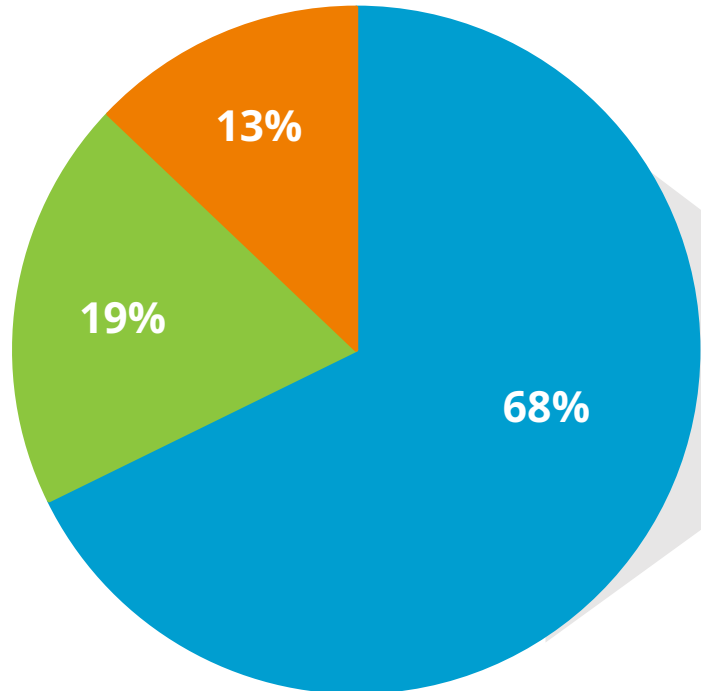




SOUTH WEST SURVEY DEMOGRAPHICS

97 RESPONDENTS

RESPONDENTS JOB TITLE



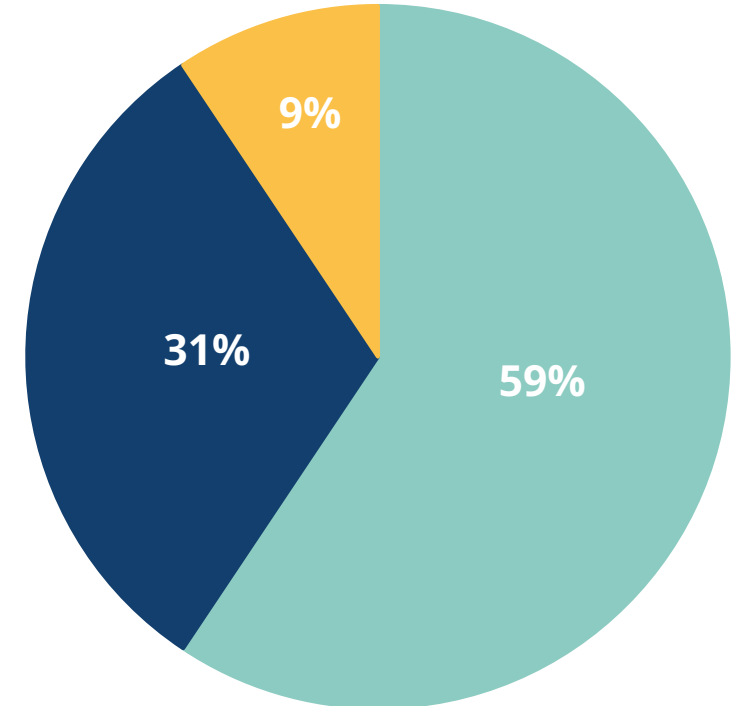
- Managing Director/CEO
- Director
- Senior Manager

87%

of respondents are
Managing Directors,
CEOs or Directors

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

SIZE OF BUSINESS



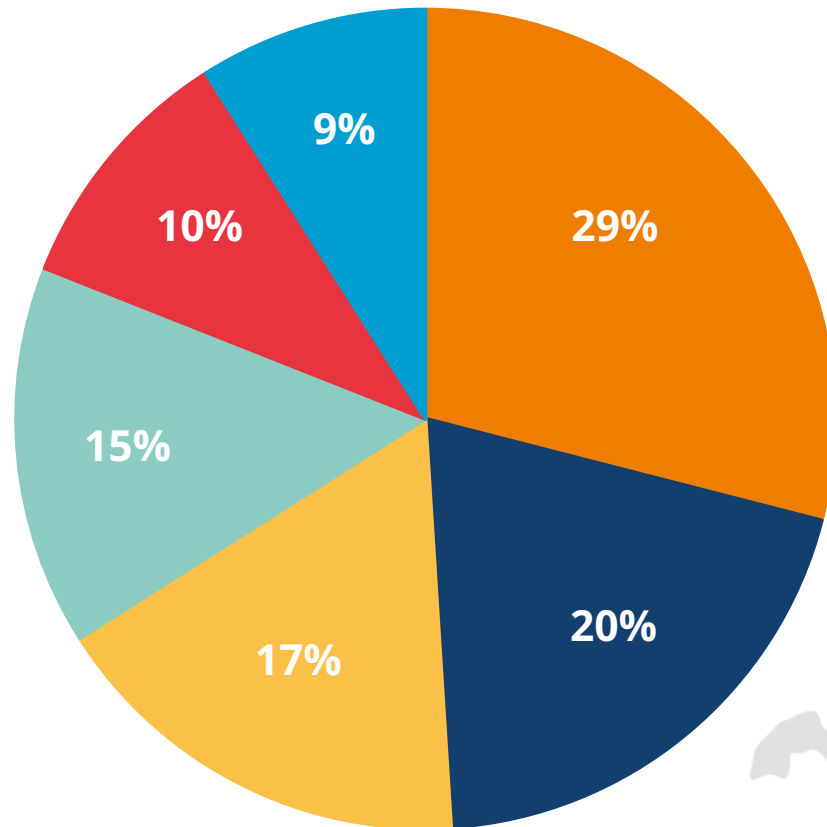
- Small (10 - 49 employees)
- Medium (50 - 249 employees)
- Micro (0 - 9 employees)



SOUTH WEST SURVEY DEMOGRAPHICS

97 RESPONDENTS

RESPONDENTS LOCATION



- Devon
- Dorset
- Cornwall
- Wiltshire
- Gloucestershire
- Somerset

These are the key sectors that regional respondents said they currently operate in...






SOUTH WEST CORE TRENDS



PAST SALES & PROFITS

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

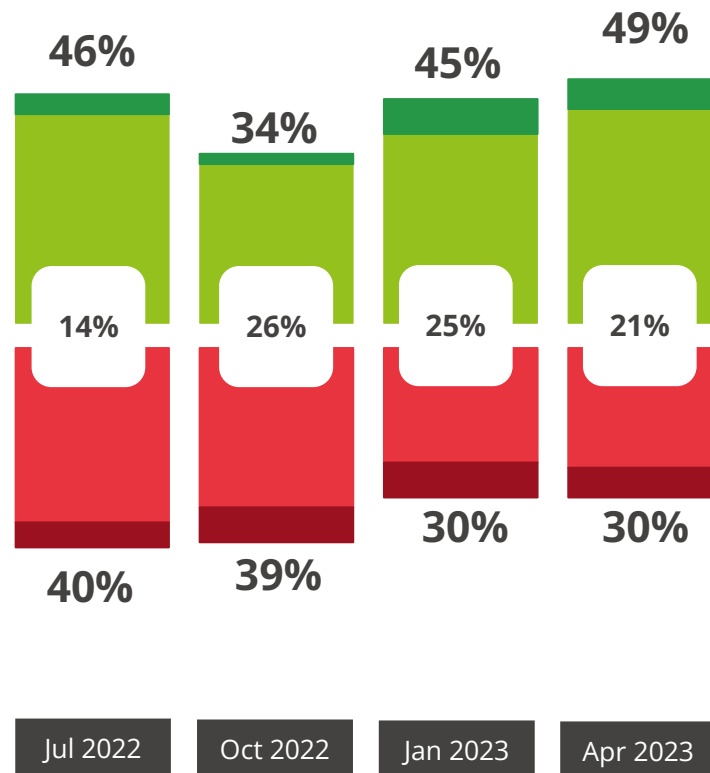
KEY

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



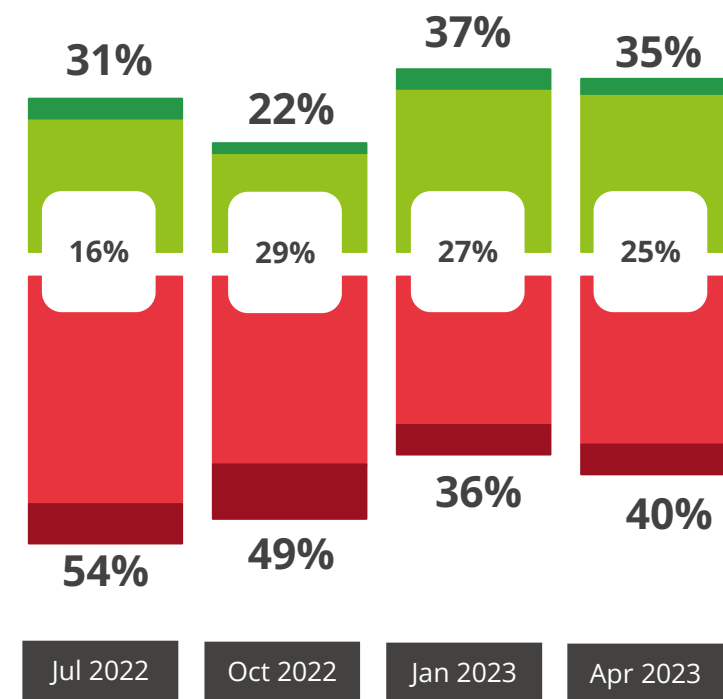
SALES

PAST SIX MONTHS



PROFITS

PAST SIX MONTHS



SOUTH WEST CORE TRENDS



PAST STAFF NUMBERS & CAPITAL INVESTMENT

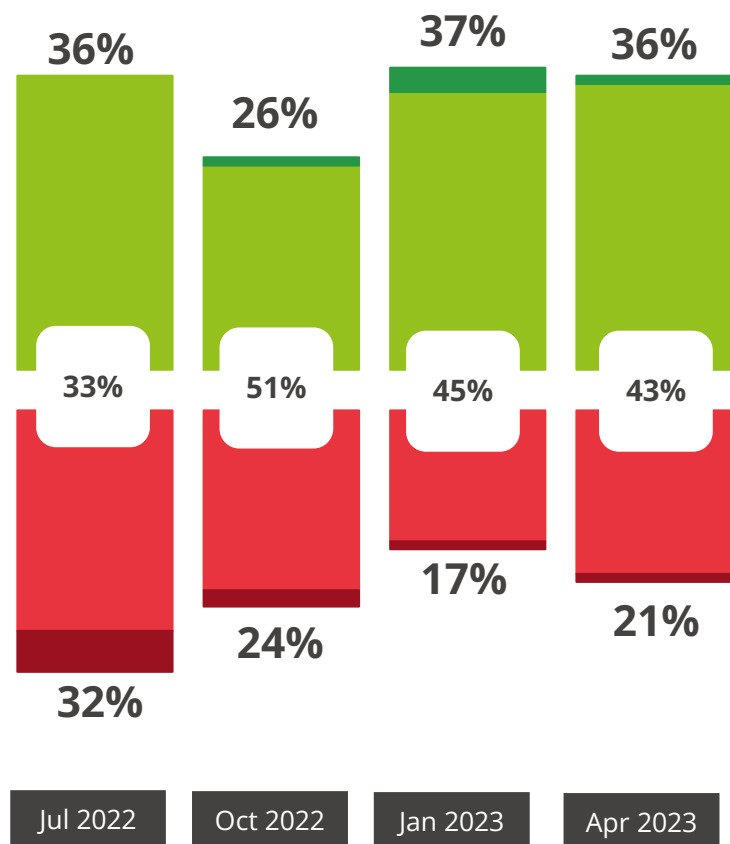
How **staff numbers** and **capital investment** have changed for regional manufacturers over the **past six months**, compared to the previous three quarters...

KEY

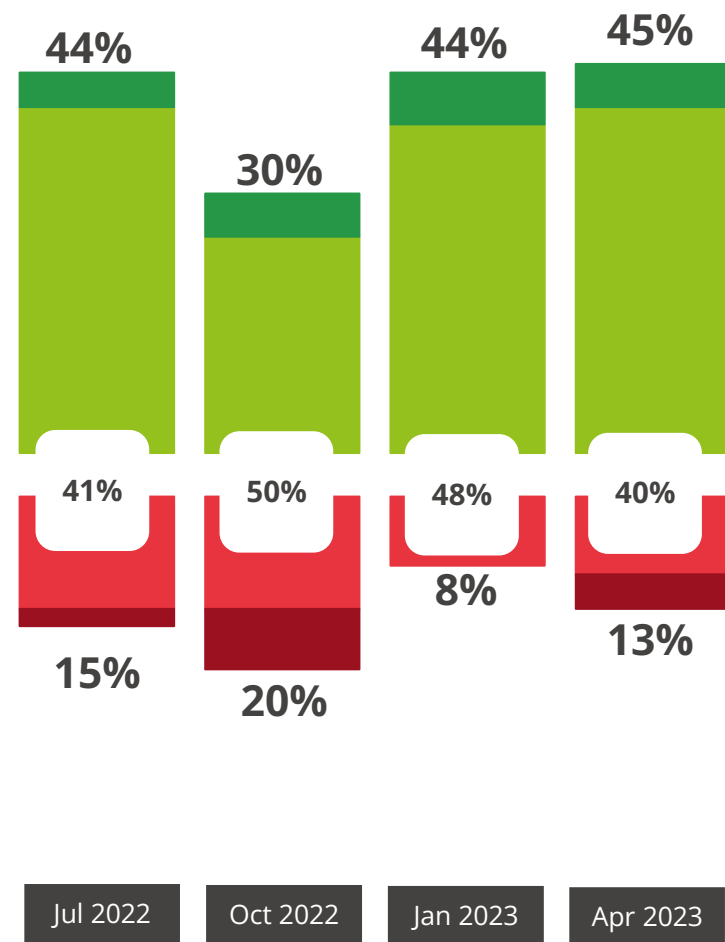
- Much Increased
- Increased
- No Change
- Reduced
- Much Reduced



STAFF NUMBERS PAST SIX MONTHS



CAPITAL INVESTMENT PAST SIX MONTHS



SOUTH WEST CORE TRENDS



FUTURE SALES
& PROFITS

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

KEY

Much Increased

Increased

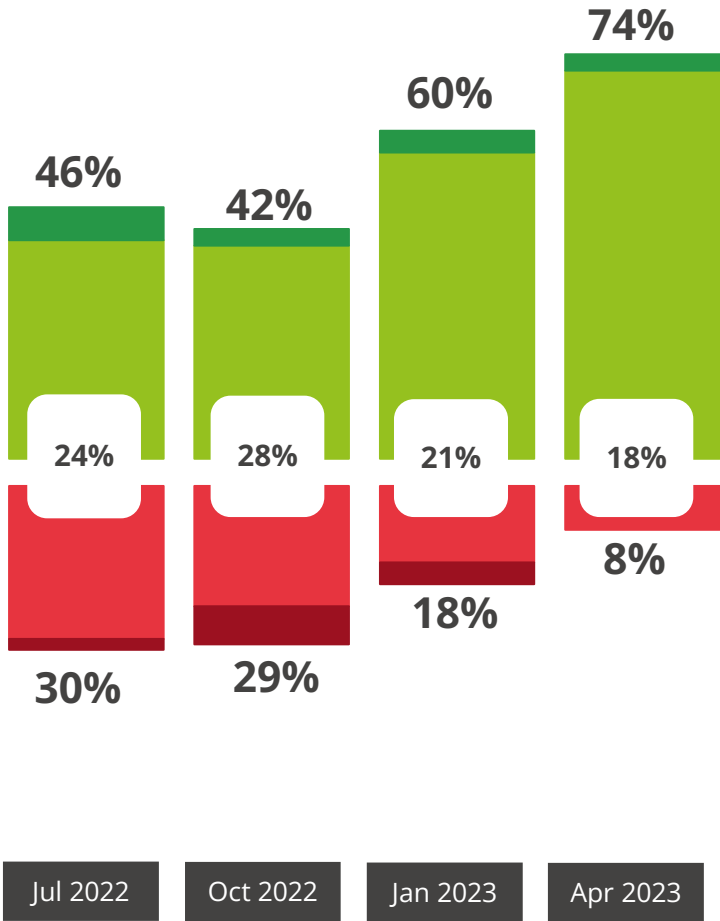
No Change

Reduced

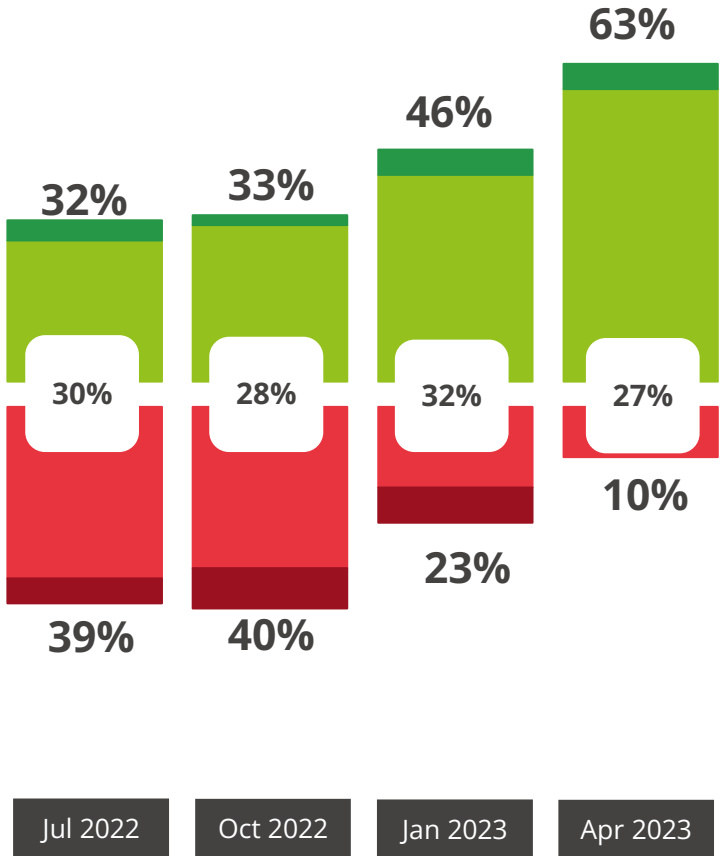
Much Reduced



SALES
NEXT SIX MONTHS



PROFITS
NEXT SIX MONTHS



SOUTH WEST CORE TRENDS

FUTURE STAFF NUMBERS & CAPITAL INVESTMENT

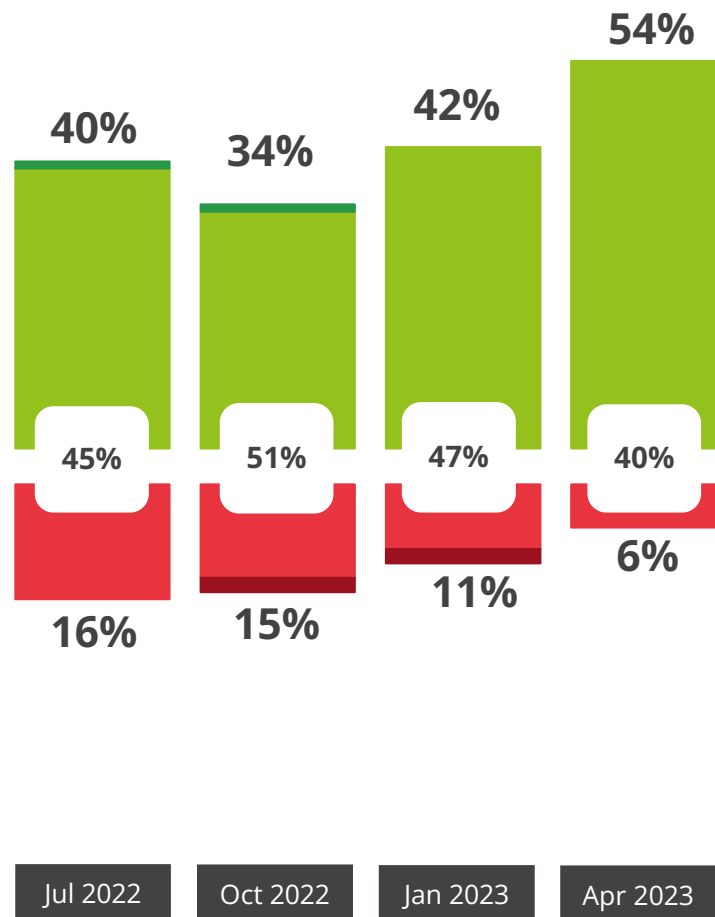
How regional manufacturers expect **staff numbers** and **capital investment** to change over the **next six months**, compared to the previous three quarters...

KEY

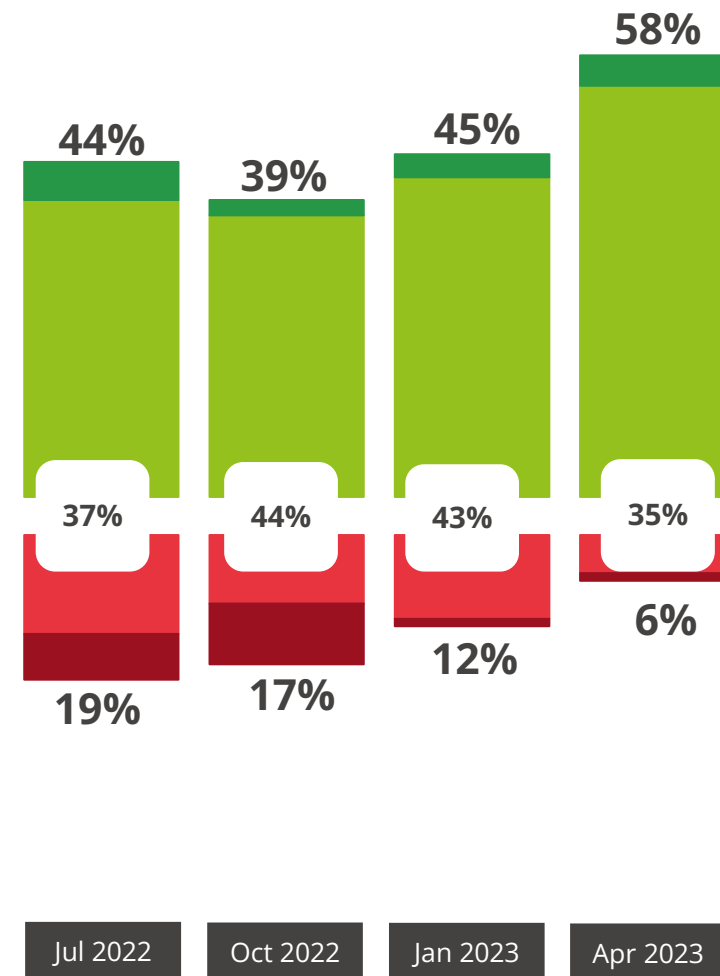
- Much Increased
- Increased
- No Change
- Reduced
- Much Reduced



STAFF NUMBERS NEXT SIX MONTHS



CAPITAL INVESTMENT NEXT SIX MONTHS



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	6%	24%	21%	43%	6%
Past profit	6%	34%	25%	32%	3%
Past staff numbers	1%	20%	43%	35%	1%
Past investment	4%	9%	40%	40%	5%
Future sales turnover	0%	8%	18%	71%	3%
Future profit	0%	10%	27%	58%	5%
Future staff numbers	0%	6%	40%	54%	0%
Future investment	1%	5%	35%	54%	4%



WHAT DOES THIS QUARTER'S DATA TELL US?



PAST SALES & PROFITS

49% of regional respondents saw sales grow, but only 35% reported increased profits (2% lower than in January's report). Although around a quarter said sales and profits have been stable, 40% saw their profits decline over the past six months. These findings indicate that, despite positive levels of trade, current challenges are still squeezing profits for UK manufacturers.



PAST STAFF NUMBERS & CAPITAL INVESTMENT

The number who said they have increased staff has hardly changed since January, but, when compared to last quarter, 4% more have cut their workforce. This could be a result of the skills shortages that are making recruitment difficult within many sectors, including manufacturing. Although 45% said they increased capital investments, the percentage of business who reported a drop in this area was 5% higher than in January's South West report.



FUTURE SALES & PROFITS

Forecasts from South West respondents are optimistic, with almost three quarters expecting future sales to rise. In further good news, the number predicting a drop in both sales and profits has more than halved since last quarter. Although 63% expect profits to rise, this percentage is considerably lower when compared to future sales forecasts, suggesting that firms across the region are expecting current market conditions to squeeze their profit margins more over the coming months.



FUTURE STAFF NUMBERS & CAPITAL INVESTMENT

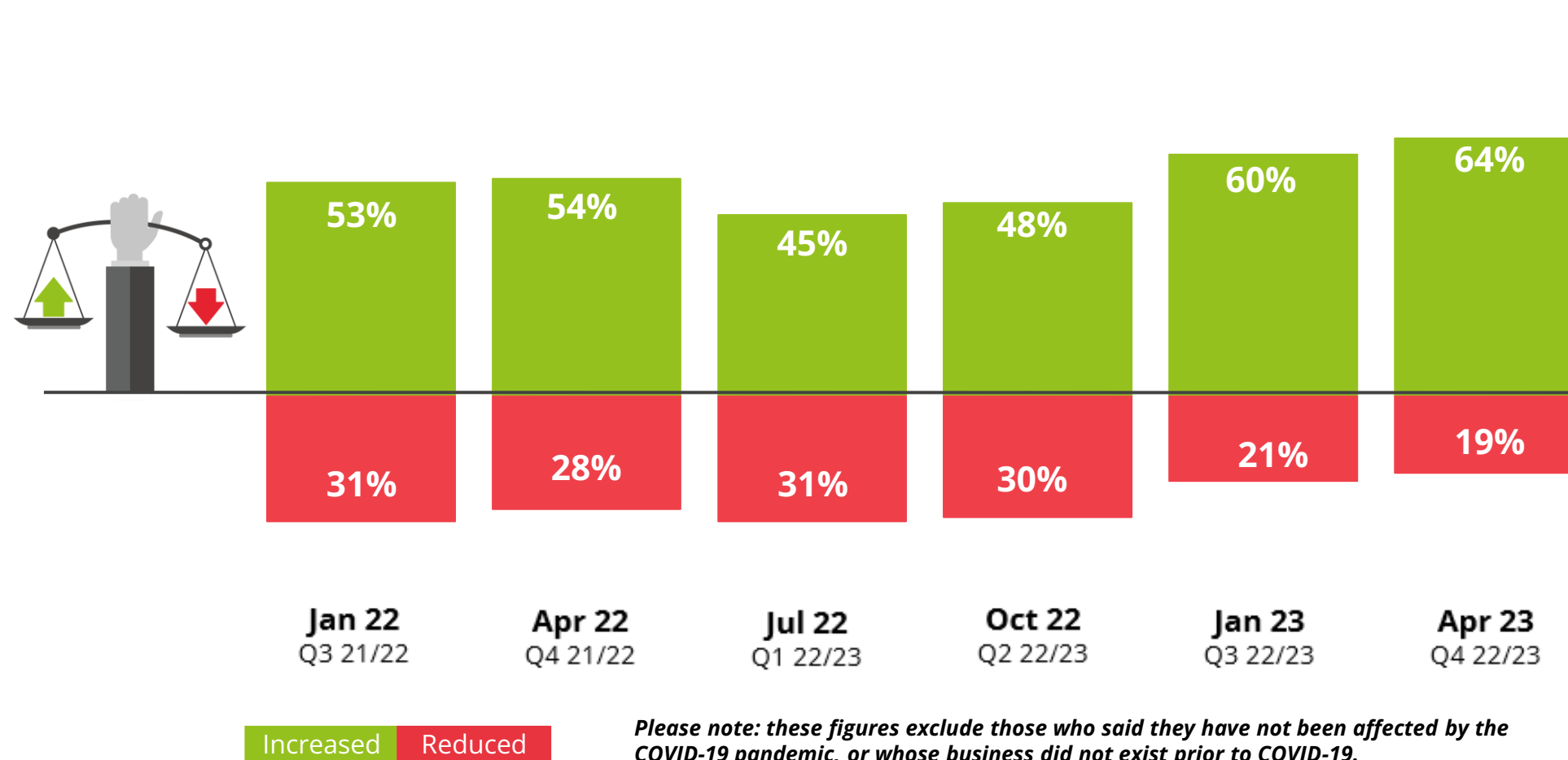
More than half of the regional business leaders who responded to this quarter's survey expect to increase staff numbers by October, with only 6% expecting to reduce their workforce. In addition, the majority are planning to make future capital investments (up 13% from January). Are they turning to automation 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 the number trading at **increased levels** across the South West continuing to grow.



However, 19% of regional respondents still haven't returned to pre-pandemic trade, with **88%** expecting their recovery to take at least another **six months**.



TRADING THROUGH CURRENT CONDITIONS

ONGOING KEY ISSUES: A SUMMARY THIS QUARTER

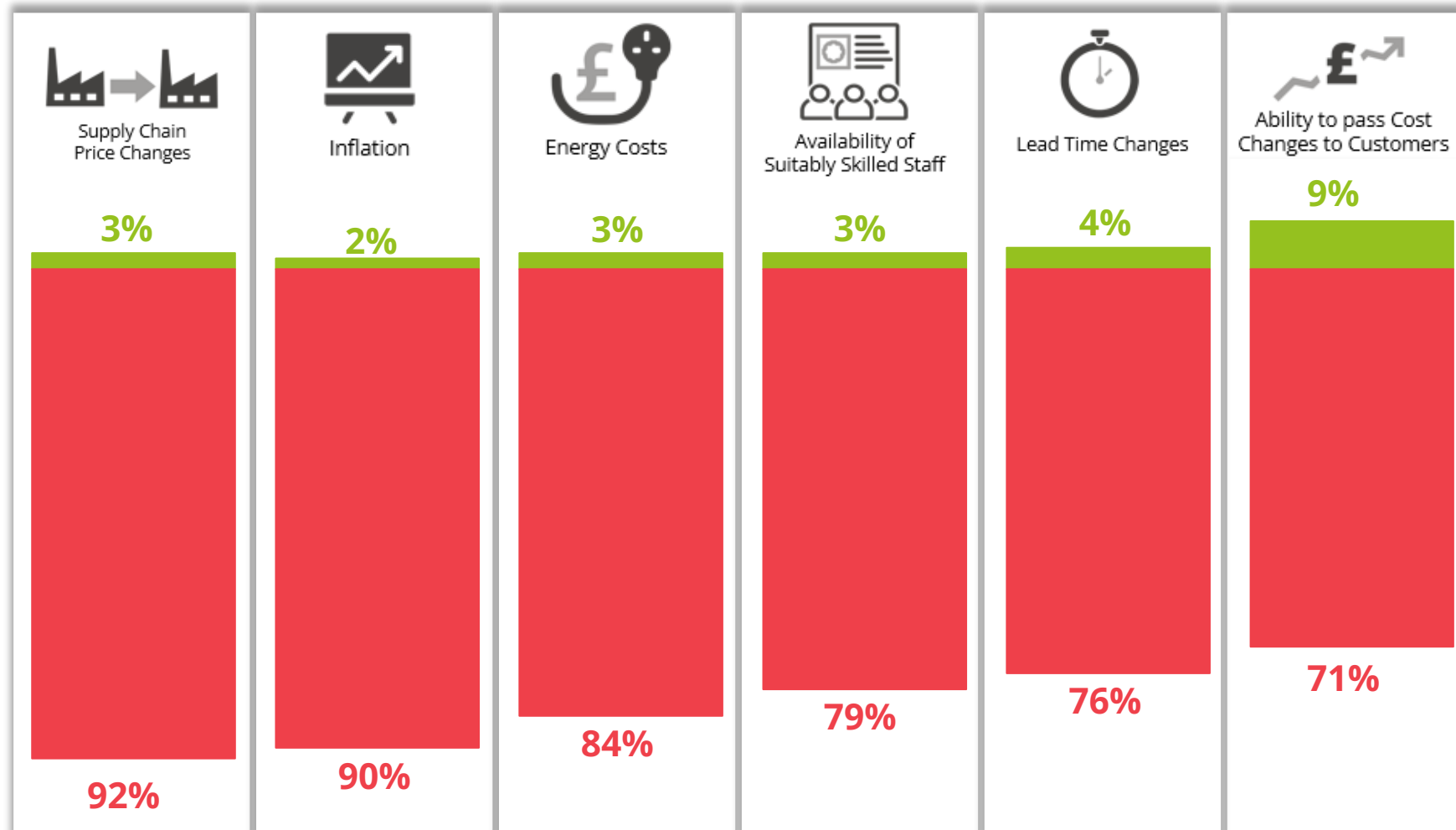
Recent Barometer reports have repeatedly highlighted the same key issues.

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

This is what our **South West** respondents said in April's survey...

Positive Impact

Negative Impact



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



SPECIAL FOCUS **FUTURE GROWTH AND INVESTMENT PLANS**

Many manufacturers are continuing to see their customer base adapt and change as a result of current market conditions. Despite ongoing challenges around inflation, supply chain disruption, rising costs, and skills shortages, many regional respondents shared more optimistic investment plans in January's **South West Barometer**.

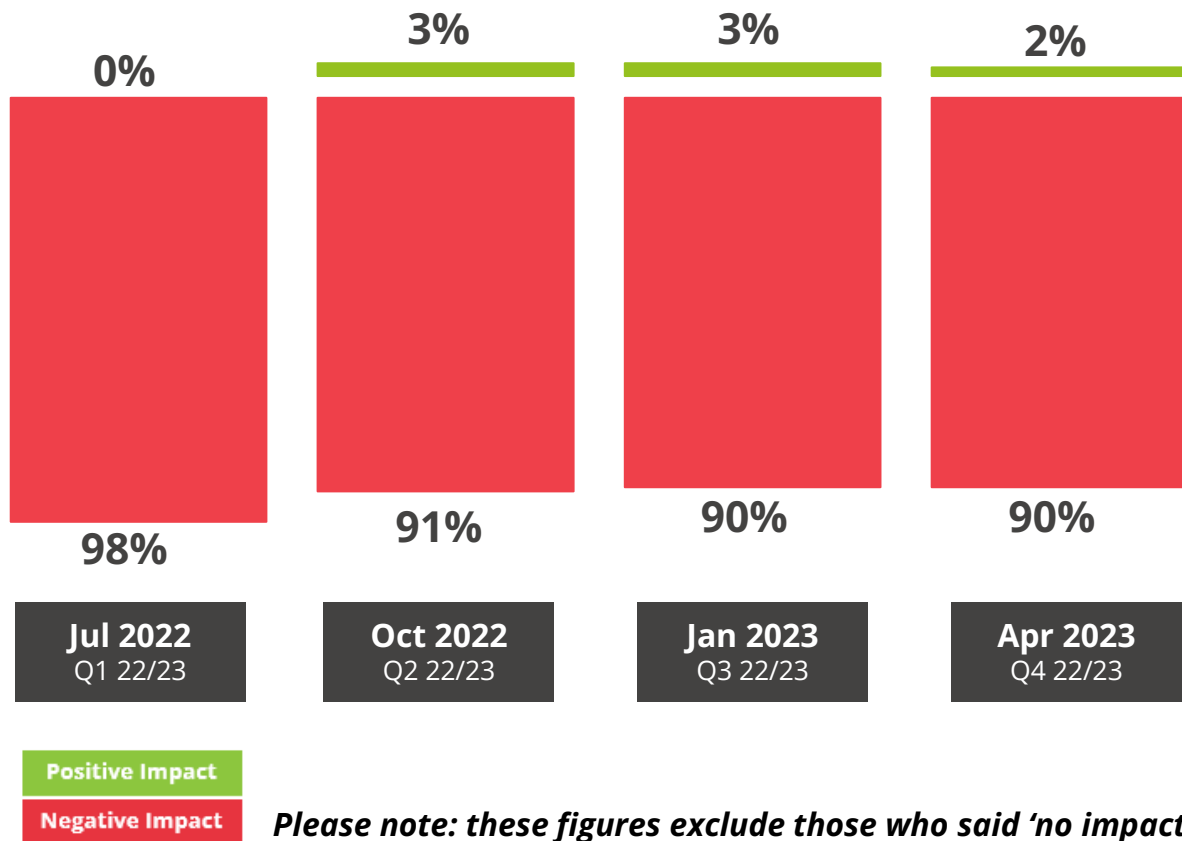
This special focus outlines the priority areas of investment for manufacturers across the South West, and the steps they are taking to mitigate current risks and maximise future growth...



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

Inflation has continued to impact regional respondents over the **past four quarters...**



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



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.

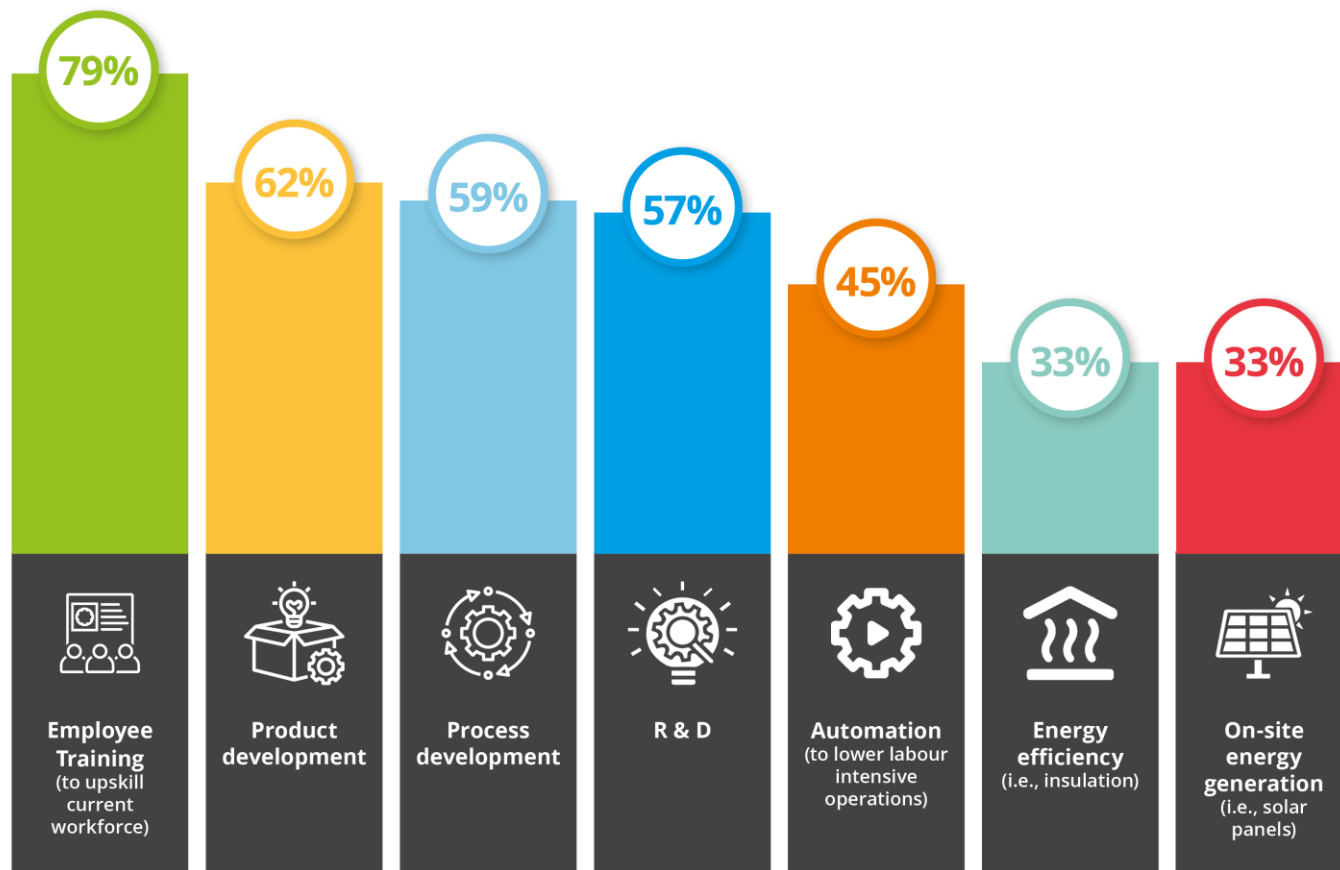
Throughout this section, we will take a look at each of the key challenges highlighted by South West respondents, and the action they are taking to address these issues...



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

The investments businesses across the South West 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.

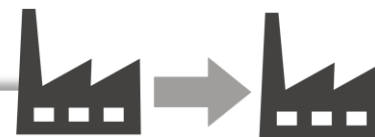
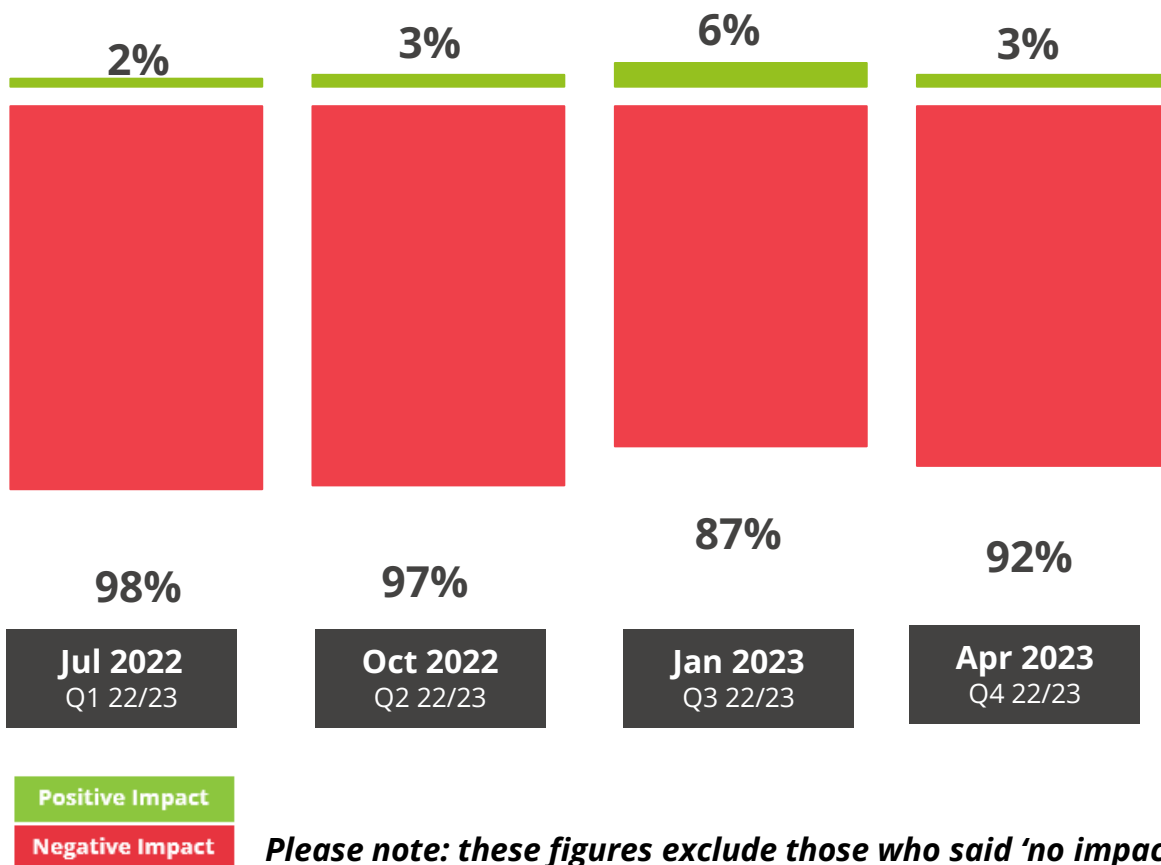
We will dig into each of these areas a little deeper throughout this Special Focus...



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

How **supply chain price changes** have continued to impact South West manufacturers over the **past four quarters**...



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.



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

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

Looking at
using different
suppliers

61%



Exploring
alternative
materials

32%



Leveraging
spend with
supplier companies

20%

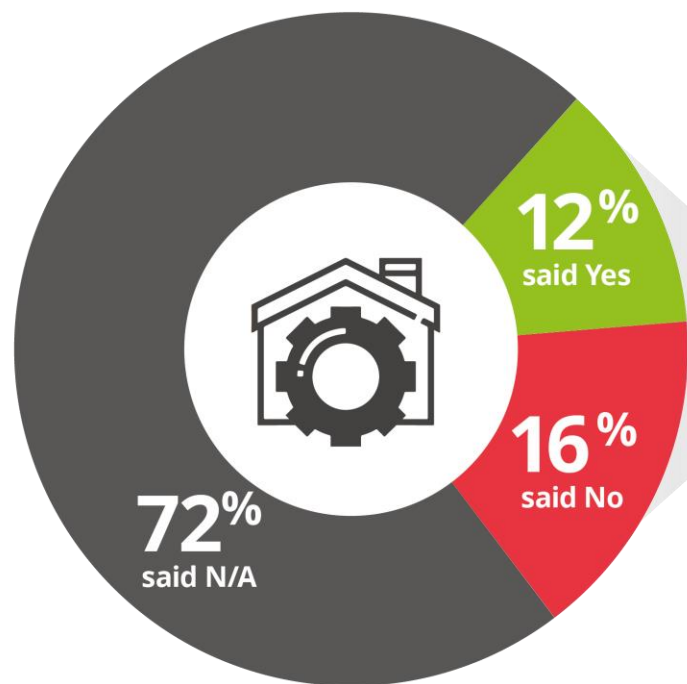




SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

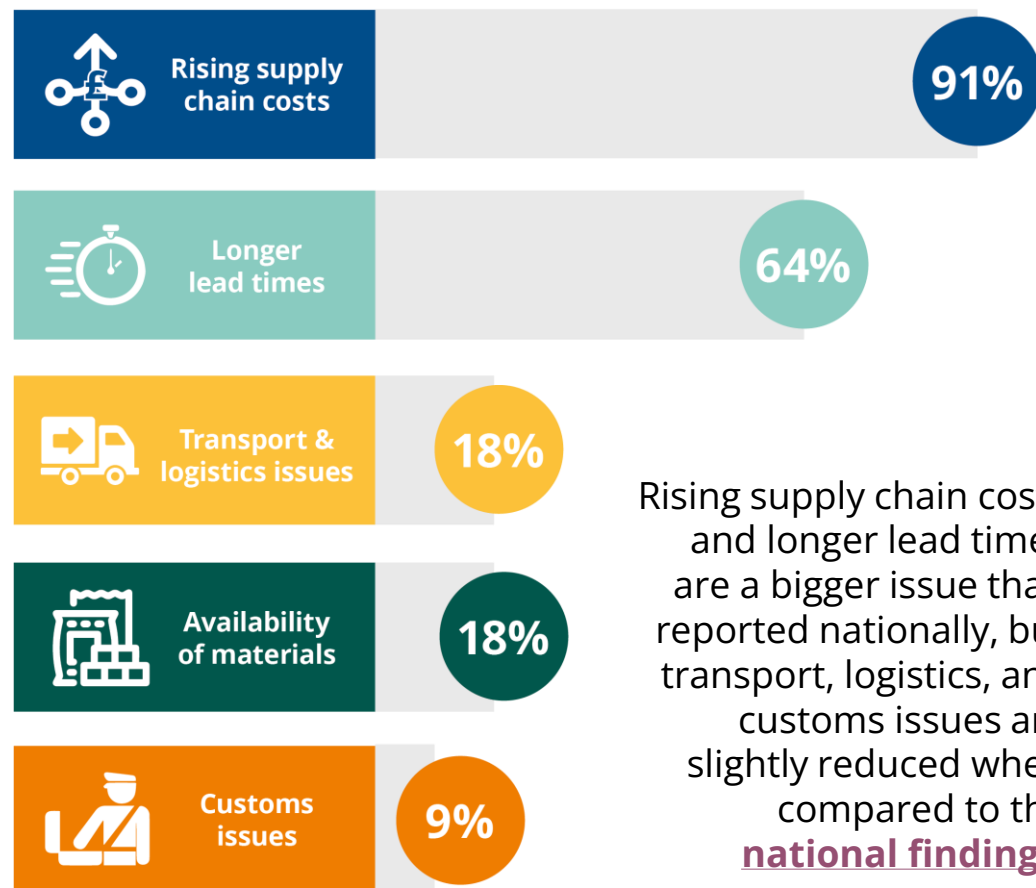
We asked if they plan to **bring production back in-house...**



Of the 28% who said this is applicable to their business, just under half said

Yes

and cited the following reasons...



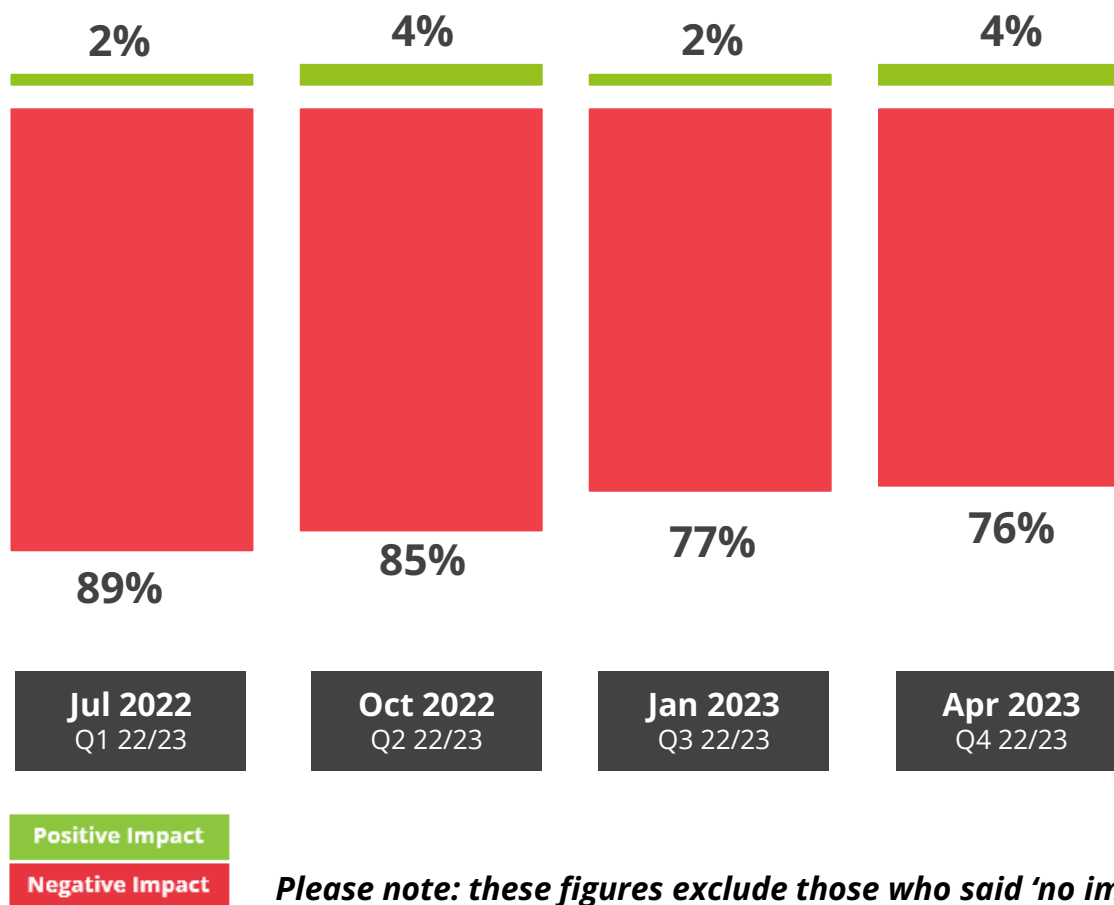
Rising supply chain costs and longer lead times are a bigger issue than reported nationally, but transport, logistics, and customs issues are slightly reduced when compared to the **national findings**.



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

How **lead time changes** have continued to impact the South West's manufacturers over the **past four quarters**...



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



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.



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

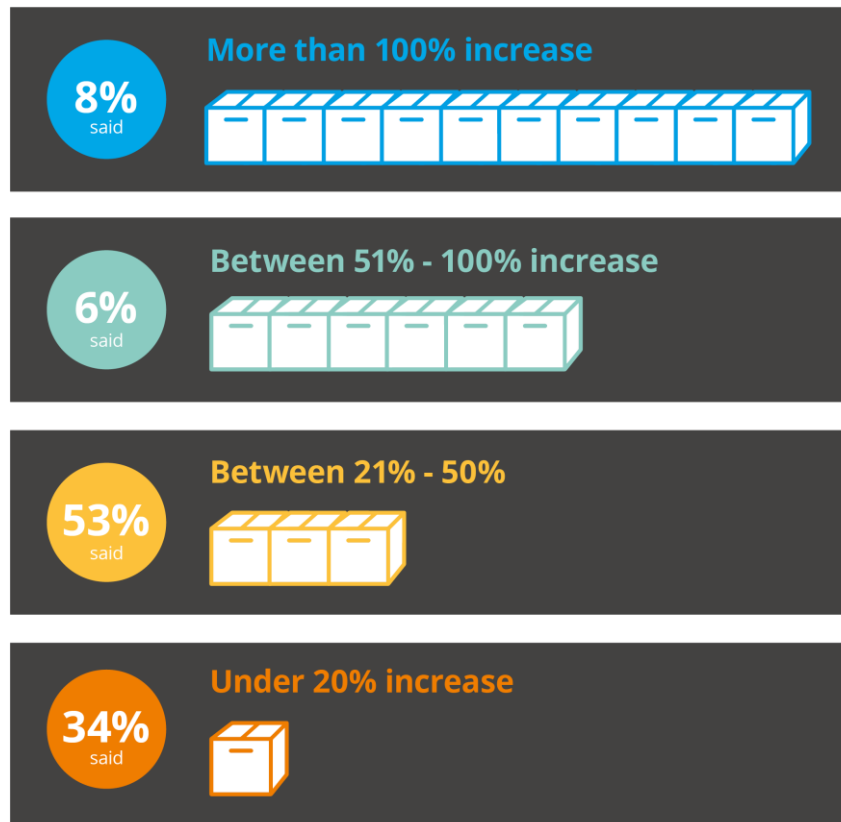
With **76%** of regional respondents still being challenged by **longer lead times**...



...the majority have **increased inventory levels** to support their customers.

But more stock means more initial outlay at a time when **over a quarter** are also seeing orders being **cancelled** or **delayed**.

How much have these businesses increased inventory by?



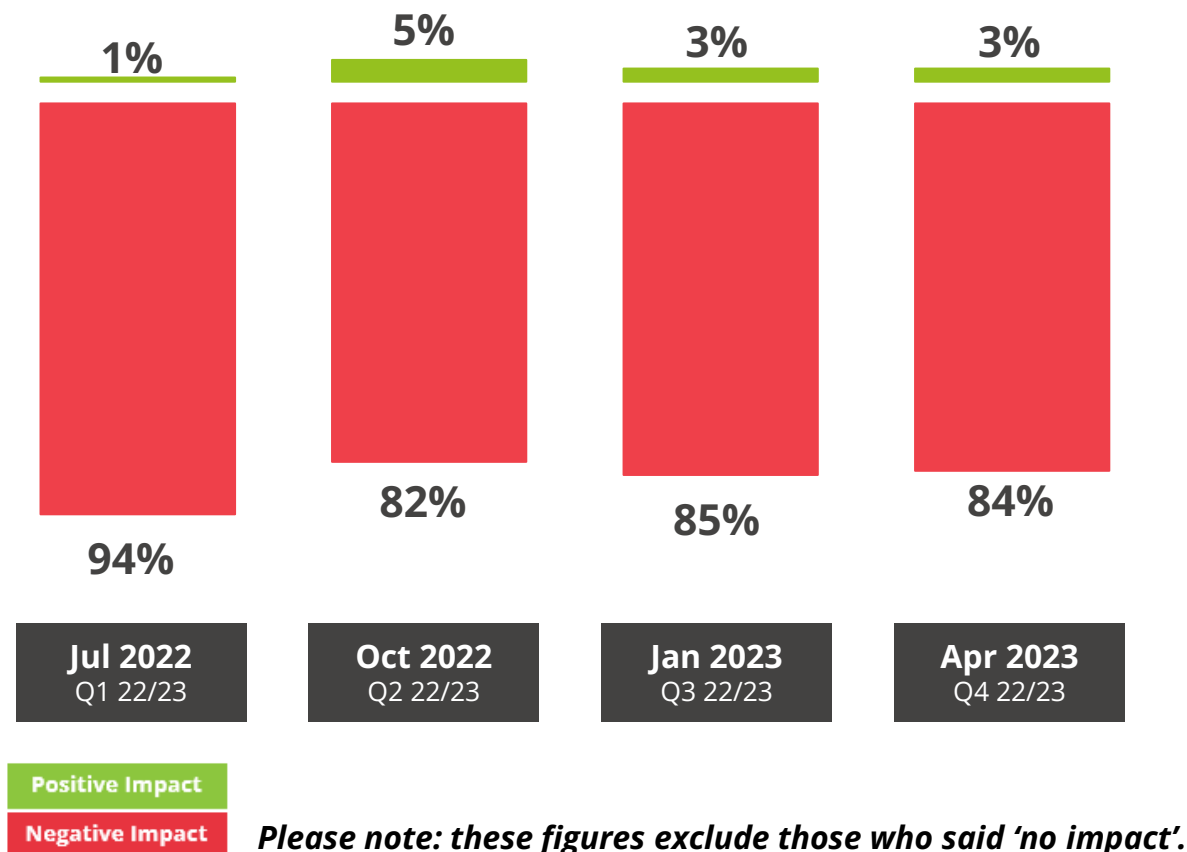
Over **two thirds** of South West respondents said their business is now holding **at least 20%** more inventory.



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

How rising **energy costs** have continued to impact regional manufacturers over the **past four quarters**...



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

84%

Responding businesses from across the South West said they are planning the following **Investments** to address this issue...



Implementing process
efficiency improvements

70%



Investing in more efficient
machinery/equipment

49%



Energy efficiency
(i.e., insulation)

33%



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

33%

Make it
NET ZERO

Powered by **SWMAS**

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

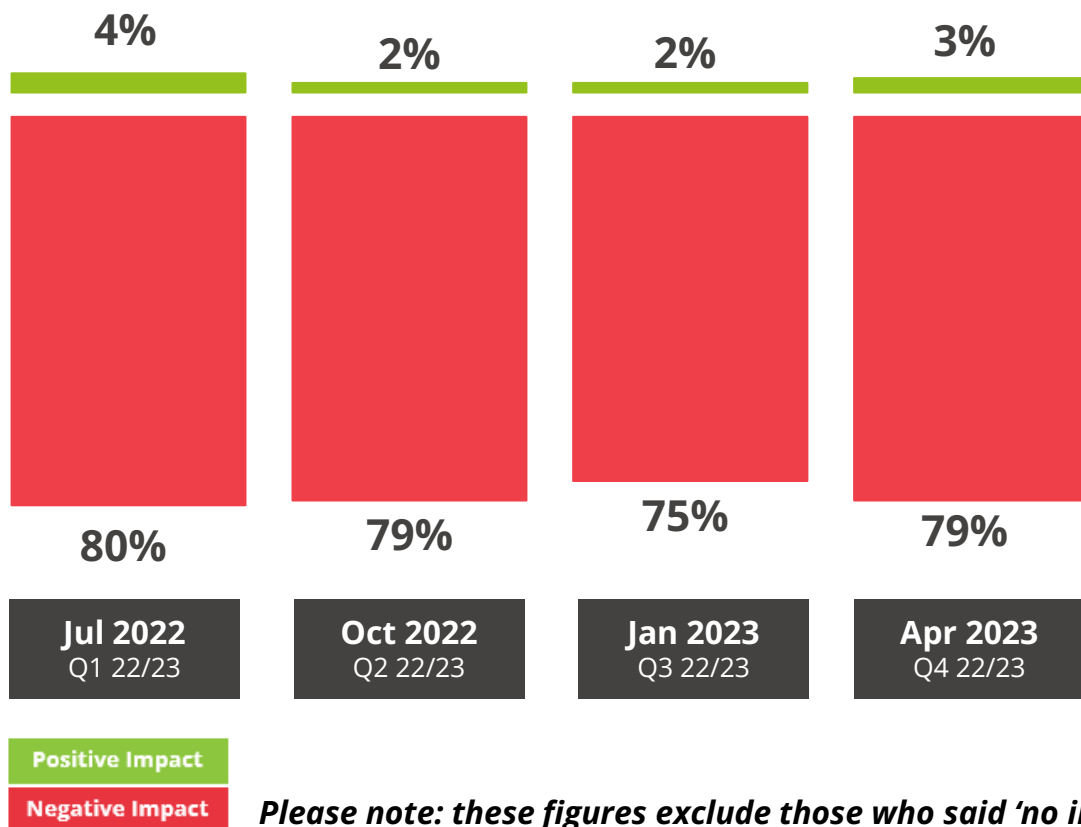
[FIND OUT MORE](#)



SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

How a lack of **suitably skilled staff** has continued to impact South West manufacturers over the **past four quarters**...



Availability of Suitably Skilled Staff

Skills shortages are an ongoing problem for the manufacturing industry.

In fact, alongside supply chain price changes, this key issue has worsened for regional manufacturers since January's findings, whereas all other challenges have slightly improved or remained static.



SPECIAL FOCUS

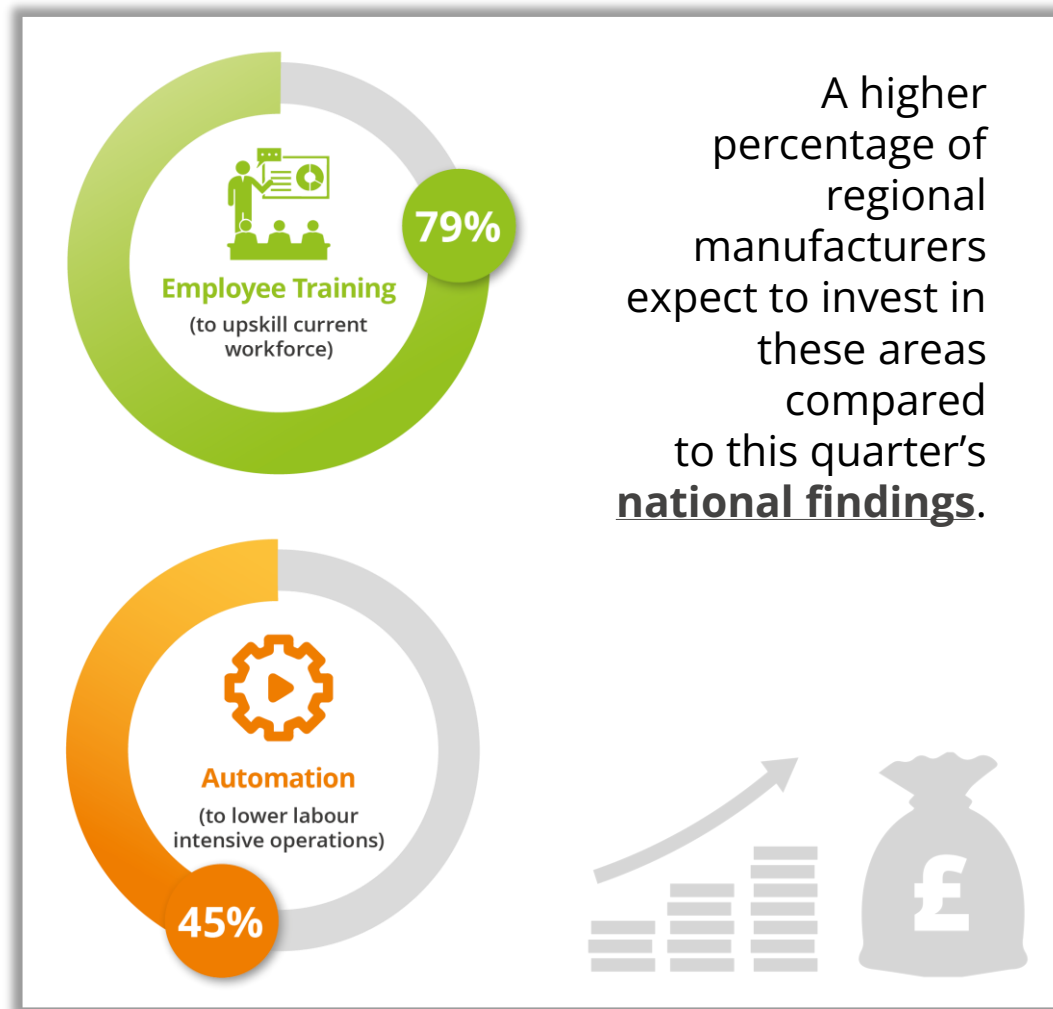
FUTURE GROWTH AND INVESTMENT PLANS

Over **three quarters** of regional respondents are still struggling to recruit **suitably skilled staff...**



That's **7% higher** than the national findings.

Businesses told us they are planning to invest in **Employee Training** and **Automation** to address this issue.

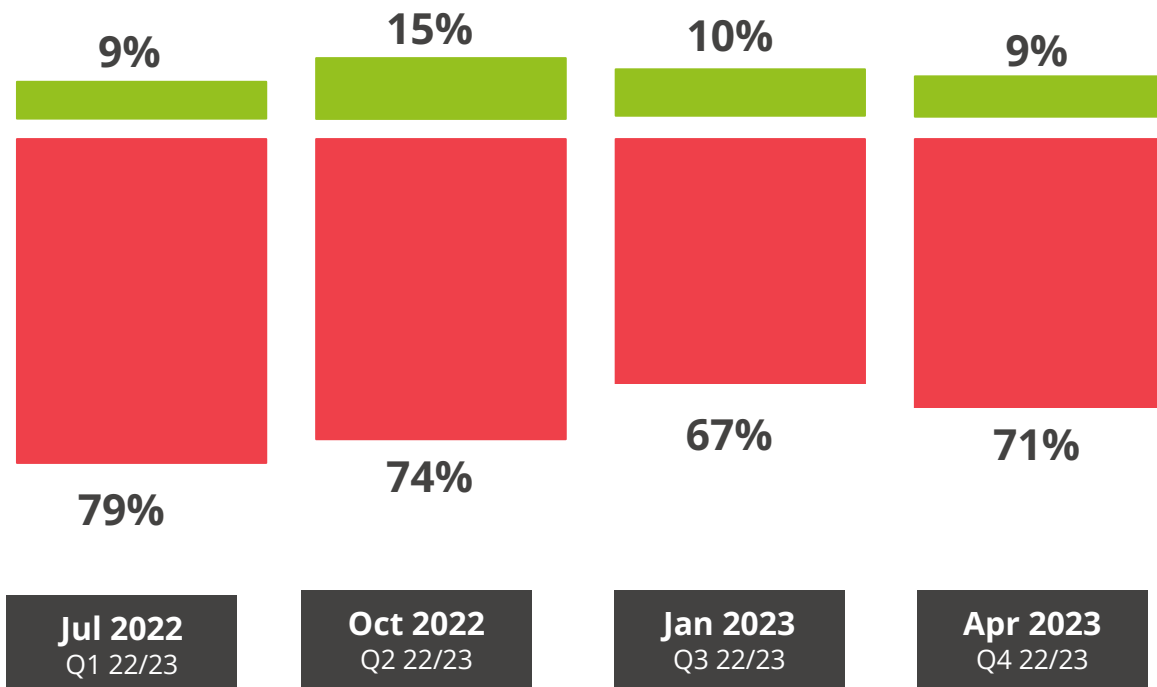




SPECIAL FOCUS

FUTURE GROWTH AND INVESTMENT PLANS

The ability to pass cost changes to customers:
how this issue has continued to impact regional 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** of regional Barometer respondents said they are still struggling to **pass cost changes to customers...**

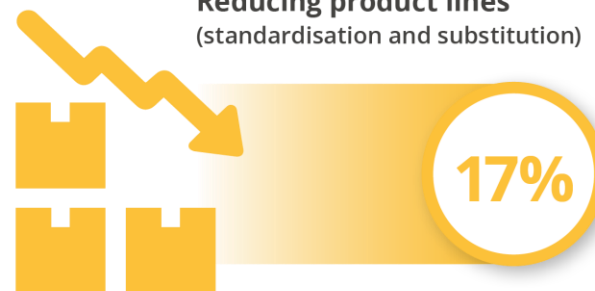


Manufacturers across the South West plan to overcome this issue by...

Redesigning existing products



Reducing product lines
(standardisation and substitution)





BUSINESS ASPIRATIONS

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

CORNWALL

"Our short and medium requirement is to increase our skilled engineering employees."

"More sustainable growth and streamlined supply chain, looking at innovative ways to secure job security."

GLOUCESTERSHIRE

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

"Still investing for growth internationally."

DORSET

"Short-term: expand into larger premises and invest in more manufacturing equipment."

Medium-term: invest in more staff and bespoke software to manage stock and admin.

Long-term: invest in specialised equipment to reduce plastic usage."

DEVON

"For long-term profitable survival, we are concentrating on looking after our staff, investing for increased efficiency and profitability, and focusing on all areas of improvement and waste control in terms of products, systems, and working practices."

Medium-term will be continuous improvement, and long-term will be investing in areas that give us longer term benefits to the business (i.e., solar energy etc)."

"Significant increase in R&D investment for new products."

SOMERSET

"Trading is inconsistent and it's difficult to make a profit, so we have invested in sales and equipment in order to increase turnover."

"We are consolidating our existing business and exploring organisational change to position for the future."

WILTSHIRE

"Supporting sustainability and driving sales through these routes."

"Short-term: overcome component shortages."

Medium-term: introduce new products.

Long-term: improve productivity through leadership training, process improvement and the introduction of tools and equipment"

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 regional 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...](#)

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...](#)

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...](#)

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...](#)



CONCLUSION

Overall, there is a significant upturn in future sales forecasts from manufacturers across the South West, 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. In fact, predictions for investment in both of these areas is higher regionally than was reported nationally this quarter.

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 (79%), closely followed by product development (62%).

With 92% of regional 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 32% are exploring alternative materials in an attempt to lower costs. These actions could offer exciting collaboration opportunities for UK SMEs with complementary capabilities.

12% told us they plan to bring production back in house, with the majority of these firms citing supply chain cost increases (91%) and longer lead times (64%) as the two key issues driving this decision. 55% said that they have increased inventory levels, with more than two thirds now holding over 20% more stock. It is concerning that over a quarter of South West 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 79% 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.

As reported nationally, almost 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 17% 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. 33% of regional firms felt that the full expensing policy would help their capital investment plans, but only 5% expect the R&D tax credit changes to have a positive impact on them.

"It's clear that SME manufacturers across the South West are finding innovative and novel ways to overcome the challenges that the whole sector is facing. With 71% of these 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."

Regional 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 to unlock further growth for the South West manufacturing sector."



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 | 01278 767 010 | www.swmas.co.uk

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MANUFACTURING barometer

