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SOUTH WEST REPORT FOR Q3 2022/23

OCTOBER, NOVEMBER & DECEMBER 2022 - SURVEYED IN JANUARY 2023

OSWMAS

INTRODUCTION

What is the Manufacturing Barometer? A national survey, 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.

Click here to download the Q3 National Report

Welcome to the South West Report for Q3 2022 (covering October, November & December)

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.

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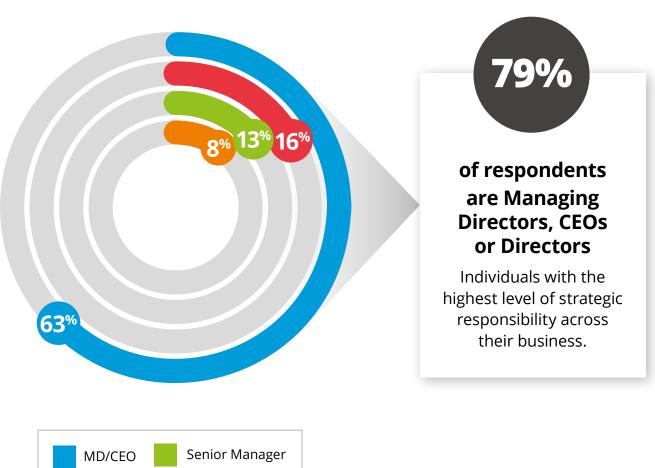


Click on a title below to be directed to that particular page. Click on the Barometer logo in the page footer to be directed back to this Contents Page.

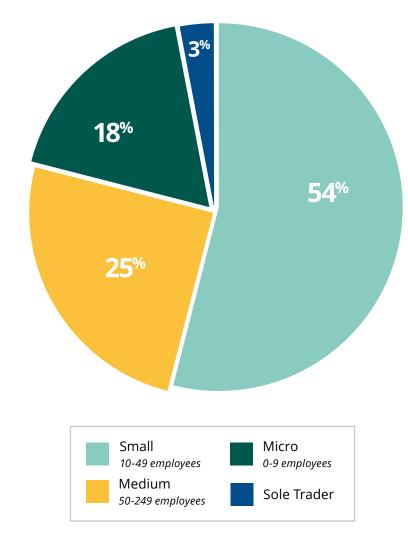
- Survey Demographics
- **O** South West Core Trends
- **Output** Summary of Core Trends
- Trading through Current Conditions
- Special Focus: Net Zero Manufacturing
- Business Aspirations
- **Output** Good News Stories
- **O** Conclusion
- **Out the Manufacturing Barometer**





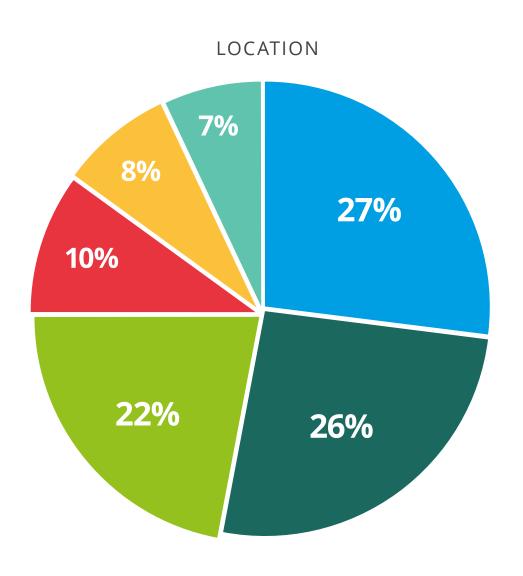


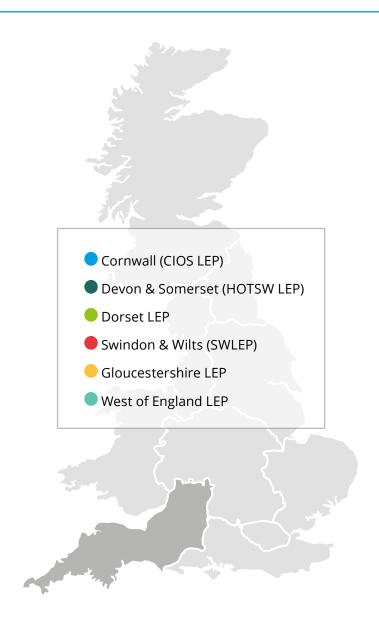
SIZE OF BUSINESS



Director

Other



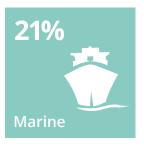


We asked respondents to tell us which of the below key sectors they currently operate in...





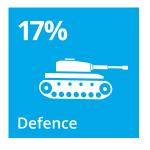












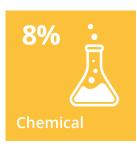












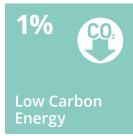






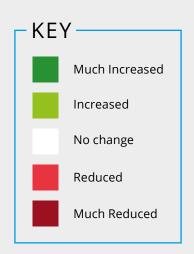


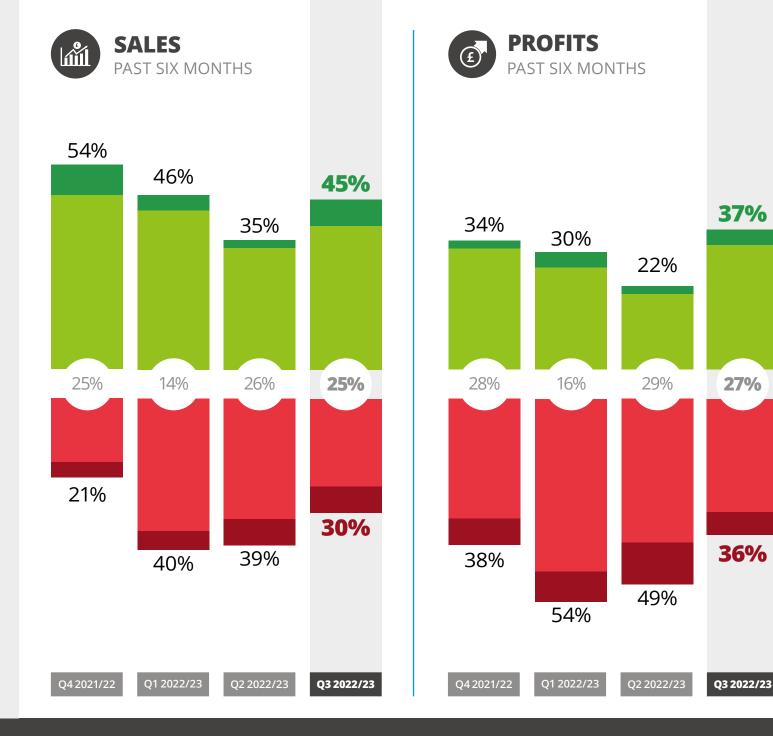






How **sales** turnover and **profits** have changed for SME manufacturers over the **past six months**, compared to the previous three quarters...

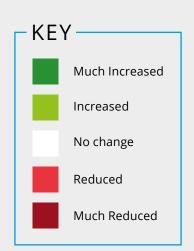


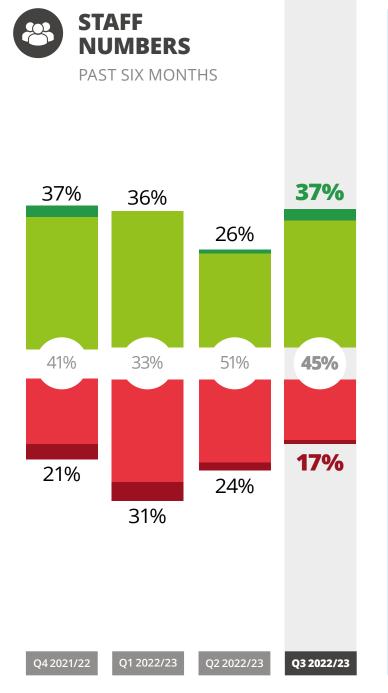


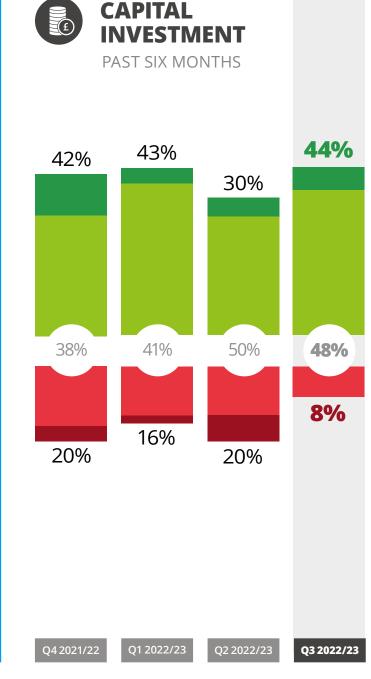




How staff numbers and capital investment have changed for SME manufacturers over the past six months, compared to the previous three quarters...

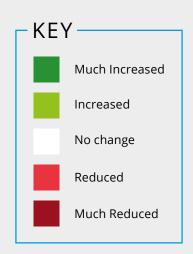


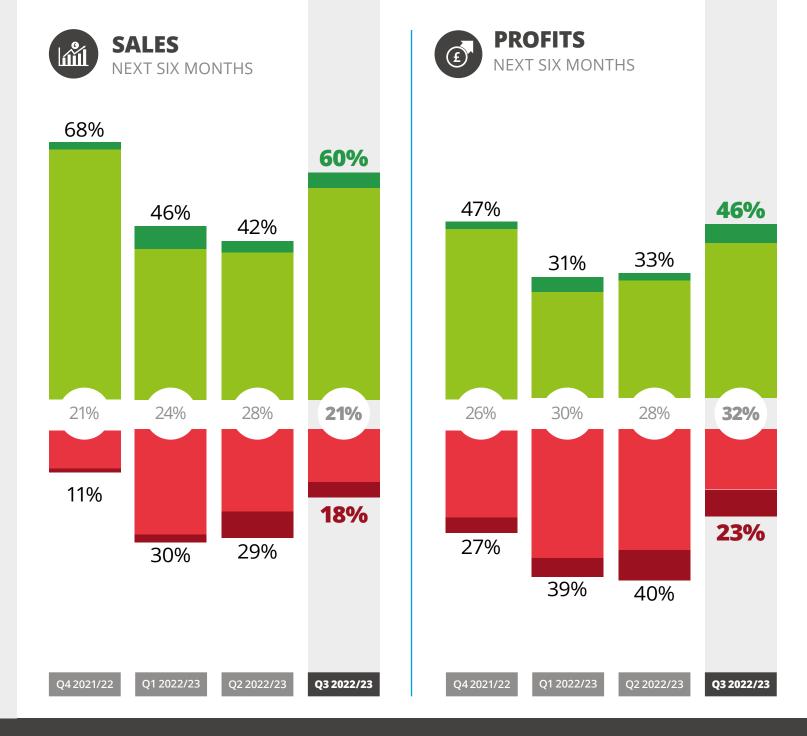






How **sales** turnover and **profits** will change for SME manufacturers over the **next six months**, compared to the previous three quarters...

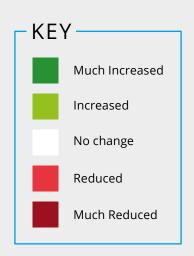


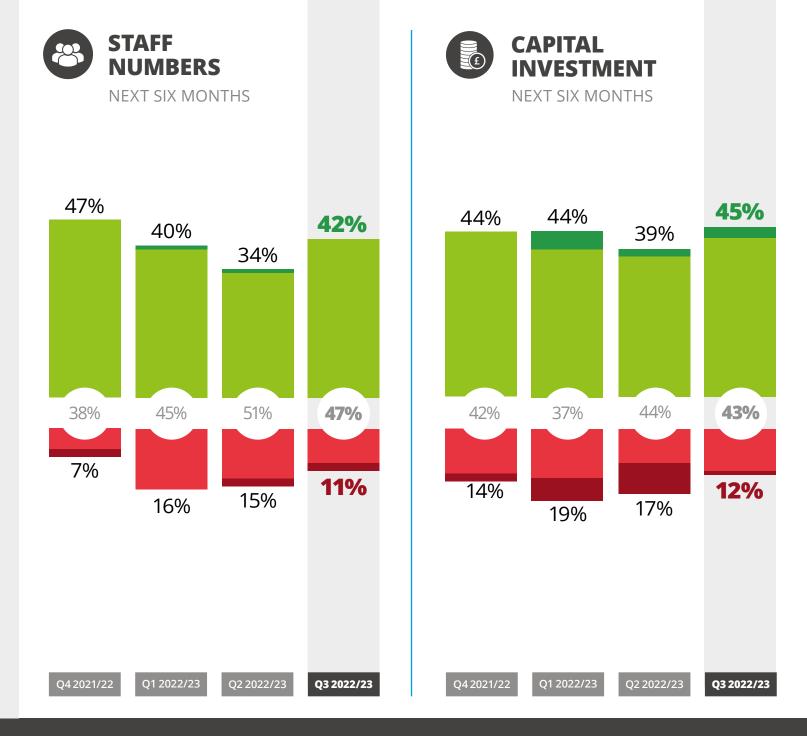






How **staff numbers** and **capital investment** will change for SME manufacturers over the **next six months**, compared to the previous three quarters...





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	7%	23%	25%	38%	7%
Past profit	6%	30%	27%	33%	4%
Past staff numbers	1%	16%	45%	34%	3%
Past Investment	0%	8%	48%	38%	2%
Future sales turnover	4%	14%	21%	56%	4%
Future profit	7%	16%	32%	41%	5%
Future staff numbers	2%	9%	47%	42%	0%
Future investment	1%	11%	43%	42%	3%



WHAT DOES THIS QUARTER'S DATA TELL US?



PAST SALES & PROFITS

Encouragingly, the majority of regional respondents reported stable or increased sales and profits over the past six months. 45% said sales have risen (up 10% from last quarter), and the number seeing increased profits grew by 15%. Despite ongoing uncertainty in the external market, this is the largest upward trend seen in recent years and indicates that many firms are finding ways to address ongoing challenges, protect sales, and increase profits.



PAST CAPITAL INVESTMENT & EMPLOYMENT

The percentage of respondents who have invested in staff and premises grew 11% and 14% respectively from last quarter. This increase appears to be closely aligned with sales and profits over the past six months, and suggests that firms in the South West have recognised the need to invest in people and/or equipment to enable continual growth.



FUTURE SALES & PROFITS

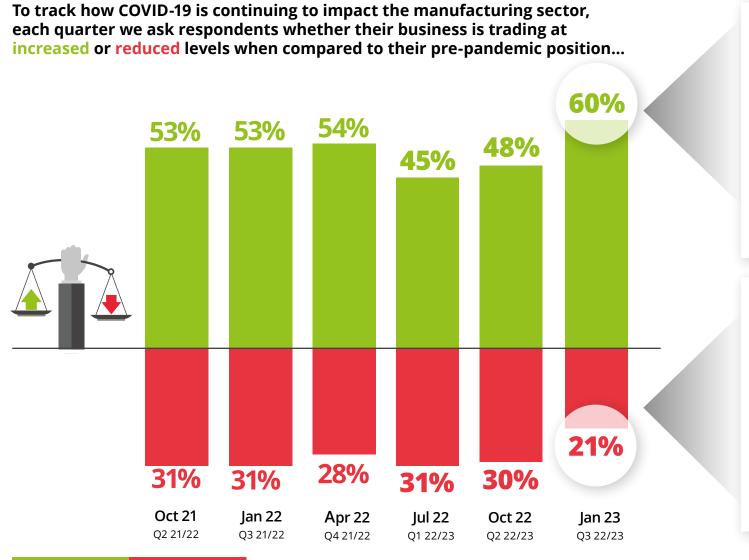
There is a positive shift in sales expectations, with 60% now predicting an increase over the next six months (up 18% when compared to October's regional findings). There is a similar rise in the number of respondents now expecting to realise future profits. These significant improvements suggest that, for a number of firms, recent growth has sparked optimism for the future.



FUTURE CAPITAL INVESTMENT & EMPLOYMENT

This positive outlook also flows through to predicted investment in new premises and equipment, which is an encouraging sign after optimism fell between July and October. In fact, the number of South West respondents looking to make capital investments is the highest it has been for over a year, and more than 40% of businesses still expect to increase their workforce despite well documented skills shortages across the sector.







The number of South West respondents reporting increased trade continues to grow, and is up 12% from last quarter.



of the 21% trading at reduced levels
over half still expect recovery to take

12 months or more

Increased

Reduced

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.



TRADING THROUGH CURRENT CONDITIONS

How ongoing challenges are continuing to affect UK manufacturing...

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.



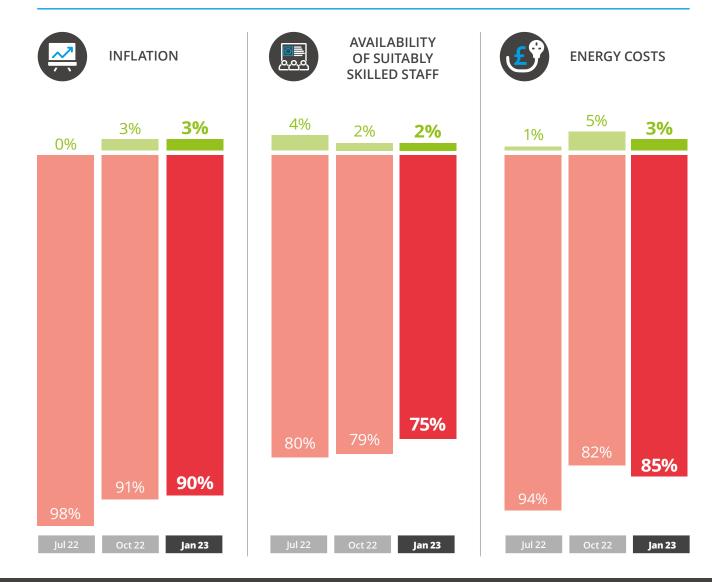
Findings show that all issues have improved slightly since last July, except for energy costs, which worsened between October 2022 and January 2023

Negative Impact

Positive Impact

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

COSTS AND STAFF CHALLENGES

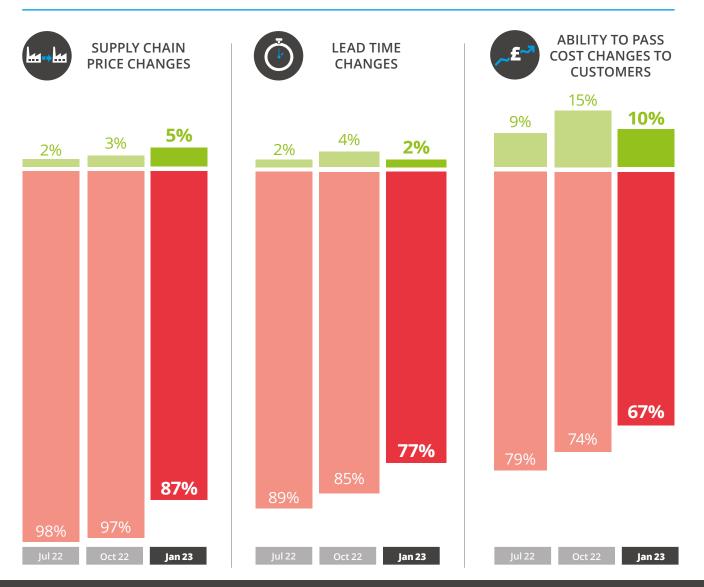




TRADING THROUGH CURRENT CONDITIONS

How ongoing challenges are continuing to affect UK manufacturing...

SUPPLY CHAIN CHALLENGES



It's clear that the overwhelming majority of regional respondents are still struggling with these common challenges.

However, on the whole, findings are slightly more positive when compared to the past three quarters, and the National Report for January 2023.

When it comes to supply chain challenges, there appears to be some improvement around supply chain lead times, and the ability to pass on addition costs...with the number reporting a negative impact from these issues down 10%, 8% and 7% respectively.

Negative Impact Positive Im

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





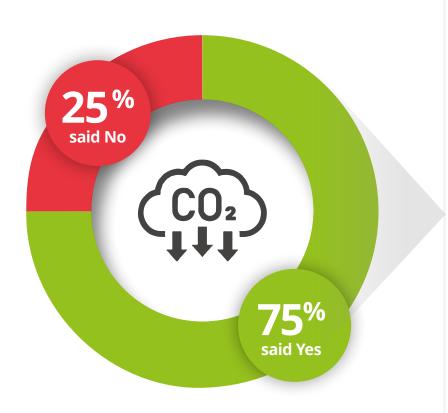


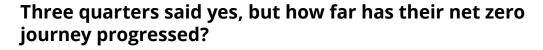
How South West respondents see the government's drive to net zero...

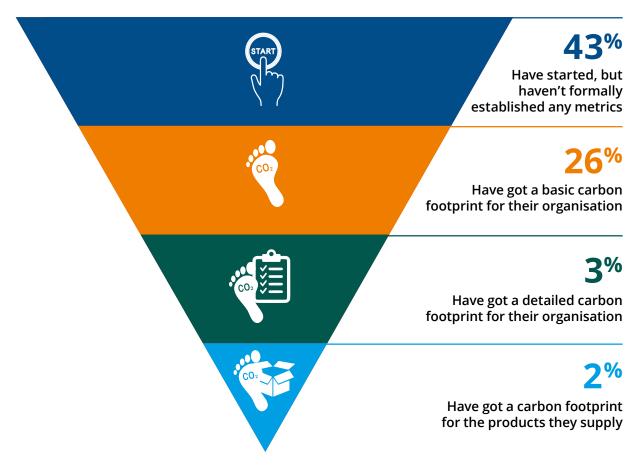


These findings indicate that regional businesses are more optimistic about their net zero future, as all figures are slightly higher than in the national report.

Have regional manufacturing businesses started working towards net zero?







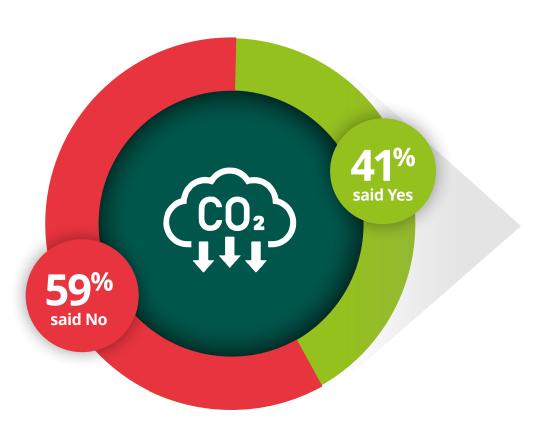
We asked respondents when they think net zero will be a priority for their business...

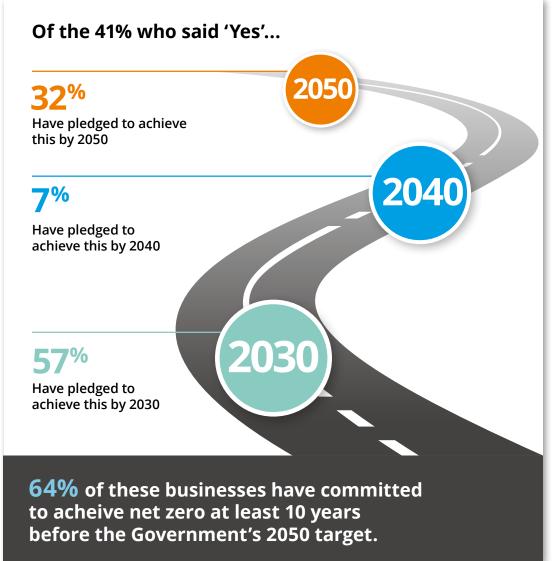


However, 14% say change will only happen as future laws and government regulations force it.

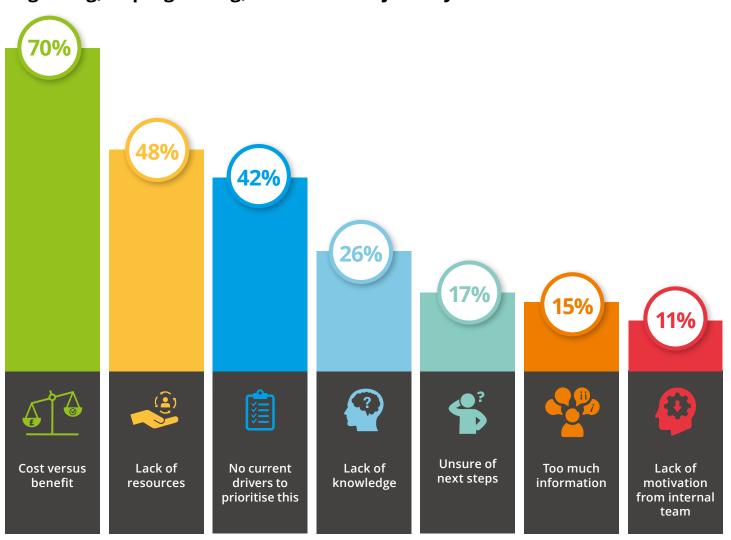


We asked respondents if their business has **pledged** to achieve net zero...





Barriers currently preventing regional manufacturers from beginning, or progressing, their net zero journey...





70% don't think the benefits outweigh the cost of implementing low carbon improvements.

Could progression to net zero offer potential savings at a time when rising energy prices are negatively impacting the majority of businesses?



42% said there is nothing driving them to prioritise net zero over other issues in the business.

This is backed up by the fact that over three quarters said that, as of yet, none of their customers have asked them to provide their carbon footprint data.

By improving their business's sustainability credentials...



49%

expect to attract potential customers



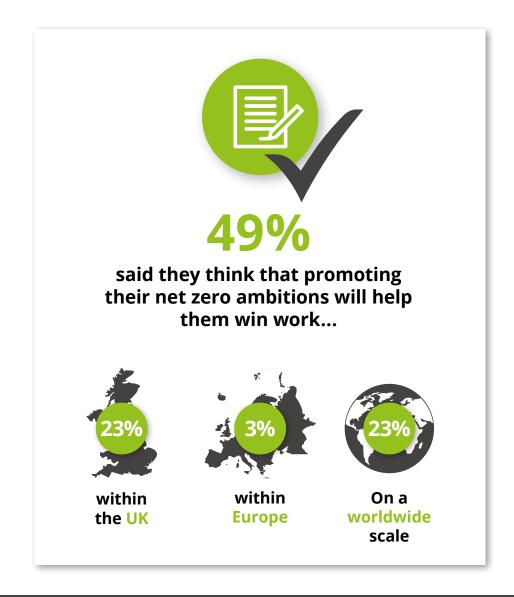
29%

Expect to attract potential employees



19%

Expect to attract potential suppliers



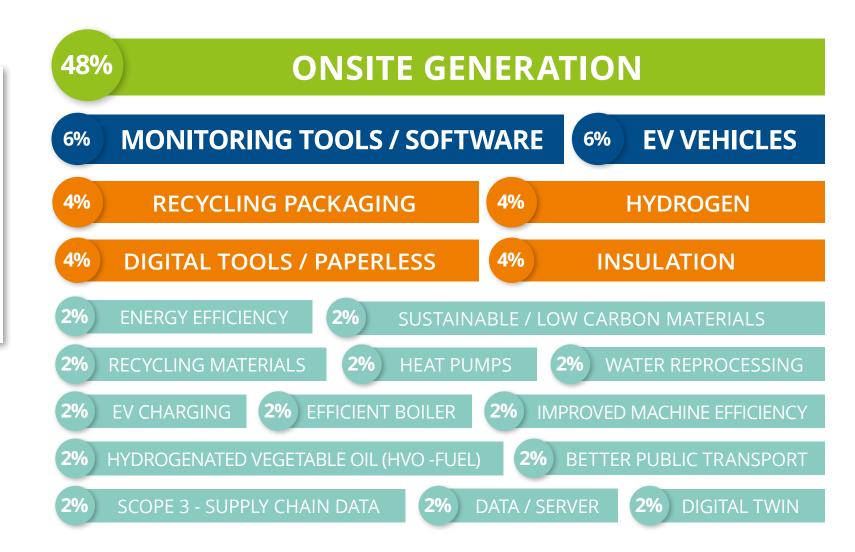


South West businesses believe that the following support would help them achieve net zero...





Regional respondents named the following technologies as 'key to supporting their net zero progress'...





Encouragingly, comments this quarter are far more optimistic compared to recent reports...

SOMERSET



We are restructuring and investing to be in a position to take advantage of increased demand as the economy comes out of recession.

Our long-term goal is to grow the business both financially and reputationally to become the 'go to' company in our sector. Short and mediumterm goals are in place to enable this to happen, involving setting SMART objectives across all aspects of the business; from project delivery through to manufacturing quality, HR and IT.

DORSET



To try to grow, where costs are increasing we need to work smarter, not harder. We have invested in staff and machinery over the last six months, and now need to galvanise our position.

Short-term: improve profitability as this has eroded over the last 12 months due to cost increases. Medium-term: grow sales in a new market. Long-term: expand by introducing new products.

CORNWALL



The short term aim is to get to breakeven, then scale the business using its own profits. Beyond that, we aim to continue scaling, and reducing our customer acquisition costs through organic sales and brand-building.

Continue to lead the discussions on the decarbonisation of the Glass Industry.

WEST OF ENGLAND



Upskilling our manufacturing personnel to address the current order book, in addition to improving productivity. Longer term is to diversify our product portfolio with an eye on the EV market.

Growing our business from c.£1.4M to c.£150M by 2029, with various stages in between.

WILTSHIRE



Overcome current supply chain issues through redesign, complete and launch new products, and improve the leadership skills of managers, supervisors and team leaders.

To seek new business in the sustainability arena to replace that lost as a result of COVID and Brexit to enable a return to growth and investment.

GLOUCESTERSHIRE



To invest in more productive machinery, replace our CO2 laser with the latest fibre technology, and build relationships with longer term clients.

We will invest in new technology with high automation that requires less manpower on the shopfloor.

DEVON



Short-term: continue to battle through the current supply issues.

Medium-term: aim to get some sort of stability across purchasing and reduce energy costs.

Long-term: continue to grow the business and improve overall efficiency.

Adding capacity, continuing innovation around packaging, and building enduring partnerships with customers.



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 interesting net zero updates that South West businesses have shared with us this quarter...

WESTAWAY SAUSAGES

NEWTON ABBOT, DEVON

This award-winning food manufacturer has taken innovative steps to make their packaging as sustainable as possible. Their products now come in fully recyclable card trays, made from sustainably sourced wood pulp. Furthermore, they are one of the first companies to use a fully certified, compostable stretch film that leaves no harmful residues.

THE NATURAL FIBRE COMPANY

LAUNCESTON, CORNWALL

This environmentally conscious wool manufacturer already carries some pretty impressive 'net zero' credentials and has committed to a Green and Circular Economy. The business is currently working with the Innovate UK KTN Net Zero iX Wool Challenge to find a more energy-efficient drying solution that could replace commercial dryers in its mill.

HEAVEN SCENT INCENSE LTD

BRADFORD-ON-AVON, WILTSHIRE

This firm creates luxurious (and sustainable) home fragrance and body care products that are kind to the environment. Always keen to implement further net zero improvements, the business recently replaced MDF stands with FSC certified cardboard versions and switched from plastic to greaseproof paper vending bags.

Visit their website...

BIOVIRON INTERNATIONAL LTD

ROYAL WOOTTON BASSETT, WILTSHIRE

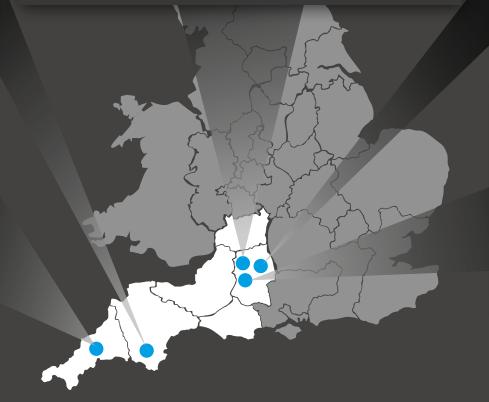
Offering zero-plastic solutions that meet modern day packaging needs, this manufacturing firm recently launched 'CompostaBlock' - a plant-based replacement for ABS (Polystyrene). This innovative carbon neutral product is multi-impact resistant, thermally efficient, and 100% bio compostable.

STONELEIGH TIMBER **ENGINEERING LTD**

TROWBRIDGE, WILTSHIRE

This firm use only sustainably sourced and certified materials to manufacture bespoke timber products and will soon expand its range of solid wooden buildings. This exciting new development, designed for small scale domestic dwellings, will enable carbon storage in each house and offers the potential to build more fuel-efficient homes.

Visit their website...







The UK has set a target to achieve net zero by 2050 which is an ambitious plan, but how do the South West's manufacturing firms feel about this transition?

The majority of regional respondents (54%) see net zero as a positive development for UK manufacturing. However, not quite as many are confident that this will be a positive for their individual business, with the figure dropping to 48%.

The implementation of net zero improvements could help to reduce energy consumption and therefore lower rising energy costs. Despite this, only 35% state that net zero is a current priority for their business amongst other ongoing challenges, such as skills shortages, supply chain challenges, and inflation.

In positive news, 86% of regional firms said they plan to prioritise net zero within five years (4% higher than the national report). Furthermore, well over a third (41%) have already pledged to achieve net zero, with more than half of these firms committed to do so by 2030...twenty years before the government's 2050 deadline.

Even more encouragingly, 43% have already taken steps to begin their net zero journey, with more than a quarter having established an initial carbon baseline to understand their starting point so they can make meaningful improvements across their organisation.

Regionally and nationally, the biggest barrier to achieving net zero is understanding the cost versus benefit, followed by a lack of resources to support this. 42% of respondents indicated that current challenges within the business would take priority over net zero as a long-term aspiration. Despite this, almost half of respondents believe that improving the company's sustainability credentials would help them to attract new customers, with almost a third (29%) also predicting that this would help attract new employees.

The support being called for across the South West...

From reviewing the free text responses (<u>page 22</u>), it seems regional manufacturers are looking for clarity on standards and policy, and straightforward guidance, support, and grant funding from government also appears to be a high priority.

In relation to technologies (page 23), there appears to be an overwhelming drive for firms to be in control of their own destiny, with onsite generation being a key requirement put forward by 48% of those who answered this question.



Nick Golding Managing Director SWMAS

"The results show the South West respondents to be more positive about the future than the national respondents. 60% of firms in the region are trading at an increased position compared to pre-pandemic levels. It is encouraging to see South West firms looking to the future with optimism, with 75% of firms having started the journey towards Net Zero. For the majority clarity is needed on standards and consistency of support to help overcome the wide range of challenges they currently face.

It is also worth noting that the key technologies manufacturers believe will help them achieve net zero were linked to onsite generation through solar and wind. There are lessons for policy makers to consider in relation to simplifying planning requirements and incentives for these technologies to support manufacturing transition towards net zero."



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 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 | 01278 767 010 | www.swmas.co.uk Follow us: @SWMAS_Ltd | in linkedin.com/company/SWMAS_



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