

# MANUFACTURING barometer

SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

**NATIONAL REPORT FOR Q3 2021/22**

OCTOBER, NOVEMBER & DECEMBER 2021 - SURVEYED IN JANUARY 2022

**SWMAS** 

IN PARTNERSHIP WITH  
 **Manufacturing**  
Growth Programme

# INTRODUCTION










Welcome to the Manufacturing Barometer Report for Q3 2021 (covering October, November, and December 2021).

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

The findings uncover past performance and future expectations in four key areas; sales, profits, investment, and staff numbers, allowing us to map these core trends over time. Each quarter, a 'special focus' also explores a current topic in greater depth to reveal how this is affecting SME businesses across the UK manufacturing industry.

This report will be shared with national and local government representatives to provide a critical insight into small and medium-sized businesses across the manufacturing sector. Thank you to all the businesses who contributed to this quarter's report - every response is vital to help ensure that future support addresses the specific needs highlighted.

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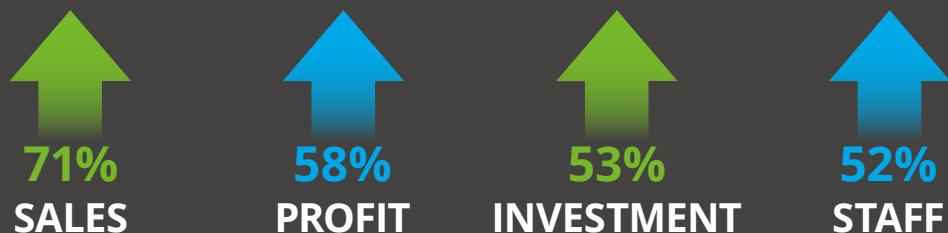


To be directed to the relevant page, please click on the page numbers.  
To return back to the Contents Page, please click on the Barometer logo in the footer of each page.

# KEY FINDINGS

## CORE TRENDS

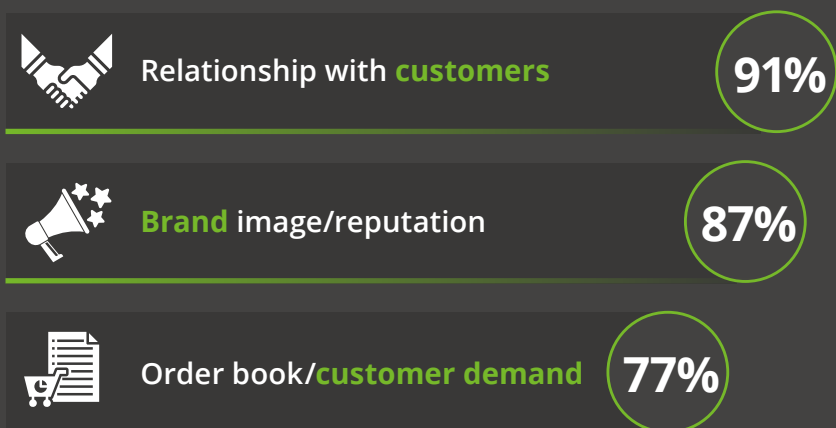
This report shows positive predictions, with the **majority** of respondents expecting **increases** over the next six months...



When compared to their pre-Covid 19 position, the percentage of respondents **trading at increased levels** continues to grow (up 3% from last quarter).



The following factors are having a **positive impact** on SME Manufacturers...



The following factors are having a **negative impact** on SME Manufacturers...



Only **43%** said they were able to **pass price increases onto their customers**, which has the potential to impact future profits.

## THE TOP PRIORITIES FOR SME MANUFACTURERS GOING FORWARD





# NATIONAL SURVEY DEMOGRAPHICS

184 RESPONDENTS

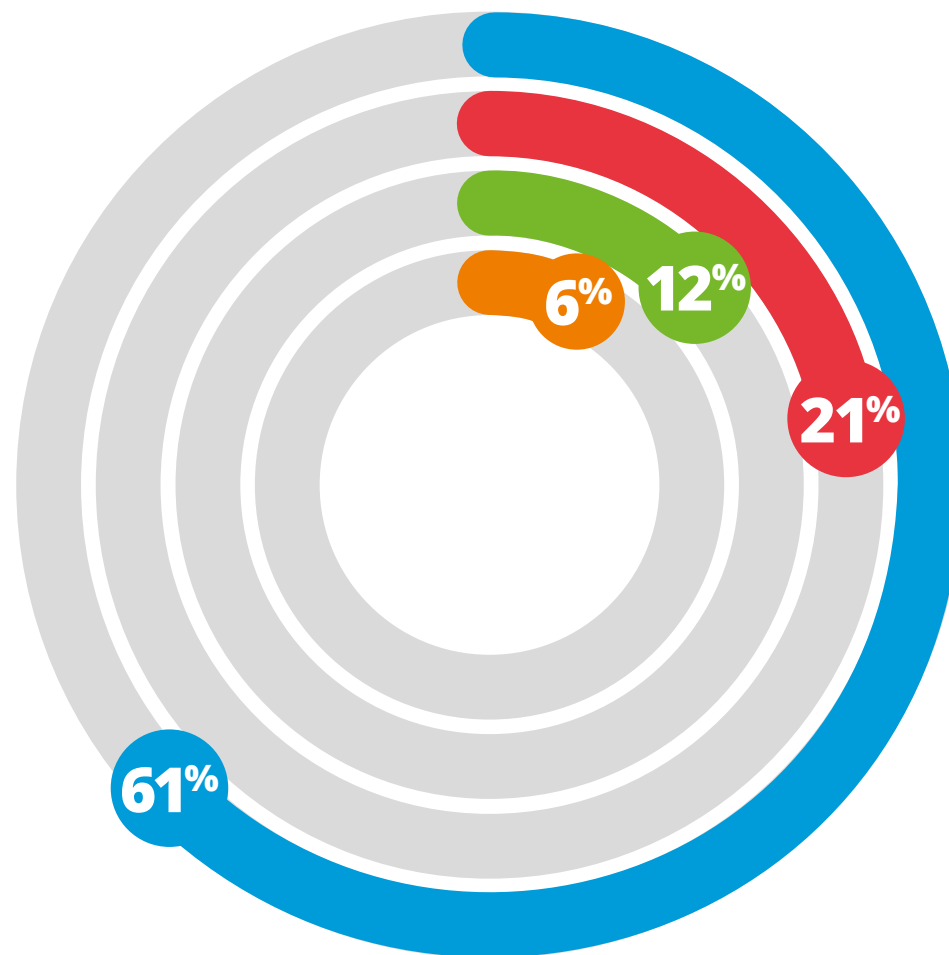
**82%**

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

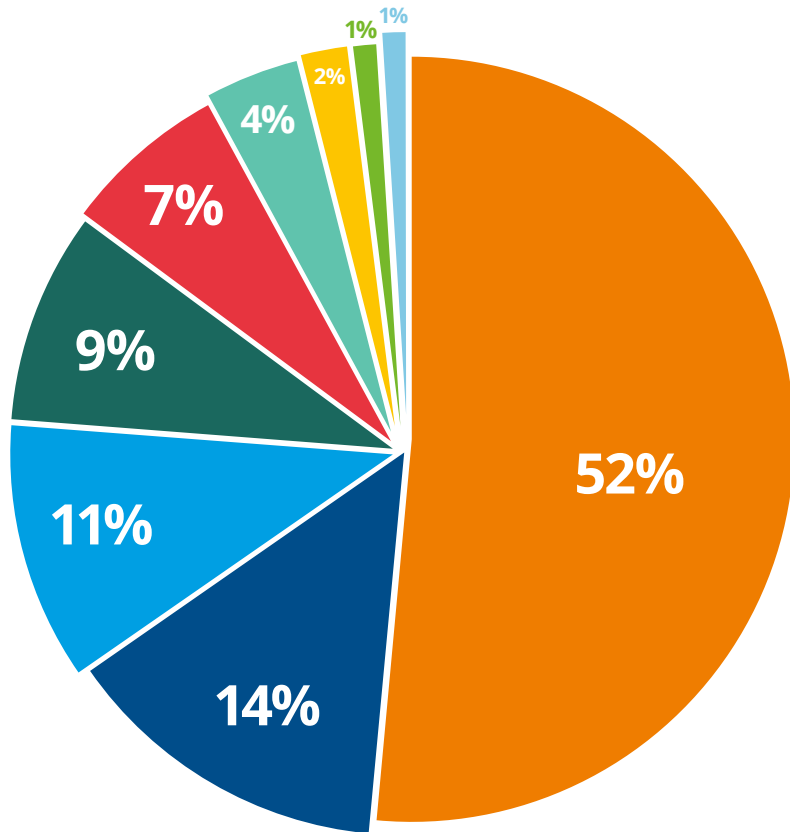
Individuals with the highest level  
of strategic responsibility across  
their business.

## KEY

	MD/CEO		Senior Manager
	Director		Other

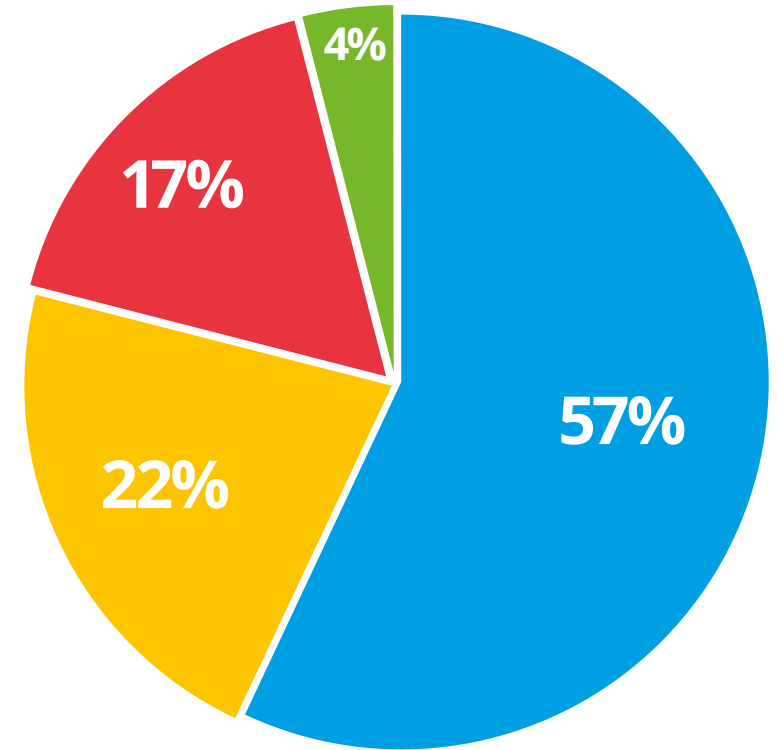


LOCATION



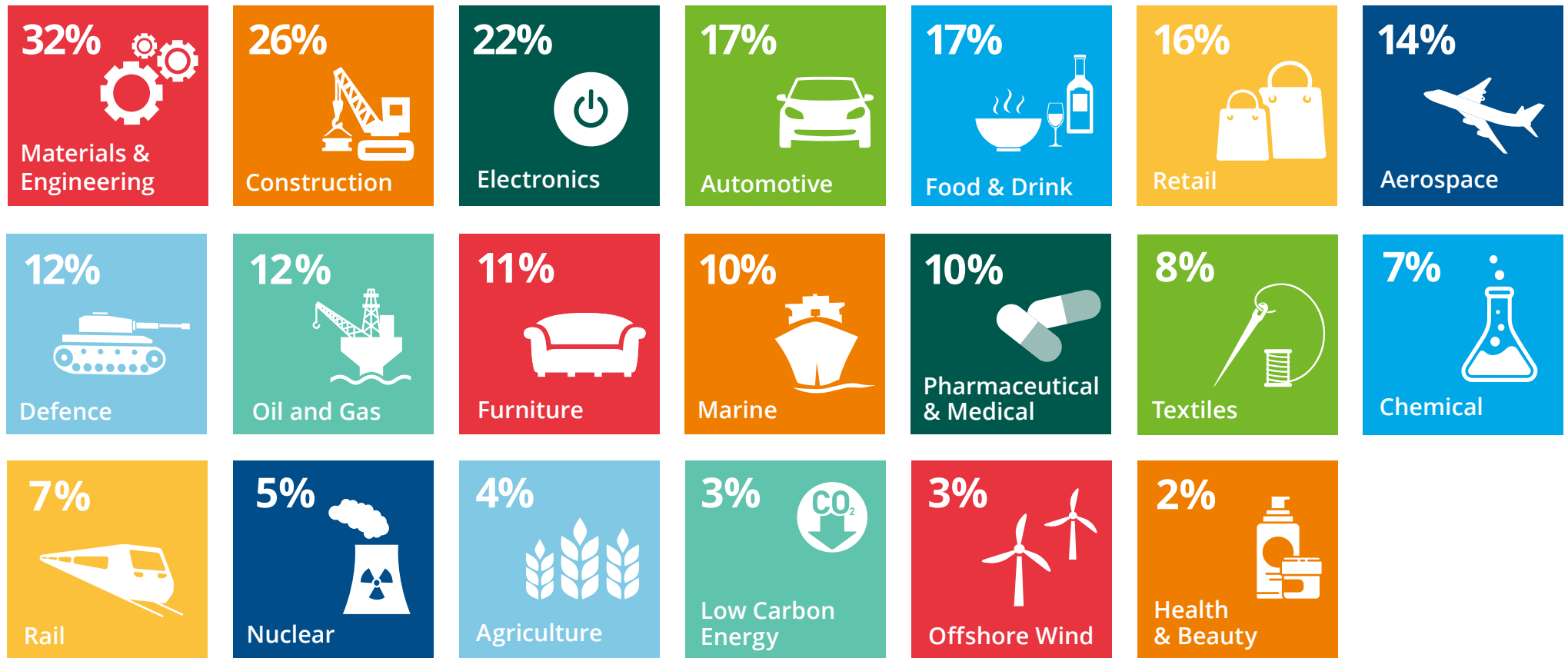
<span style="color: orange;">●</span> South West	<span style="color: darkgreen;">●</span> West Midlands	<span style="color: yellow;">●</span> Wales
<span style="color: darkblue;">●</span> Yorkshire & Humber	<span style="color: red;">●</span> East Midlands	<span style="color: lightgreen;">●</span> North West
<span style="color: lightblue;">●</span> South East	<span style="color: teal;">●</span> East of England	<span style="color: steelblue;">●</span> North East

SIZE



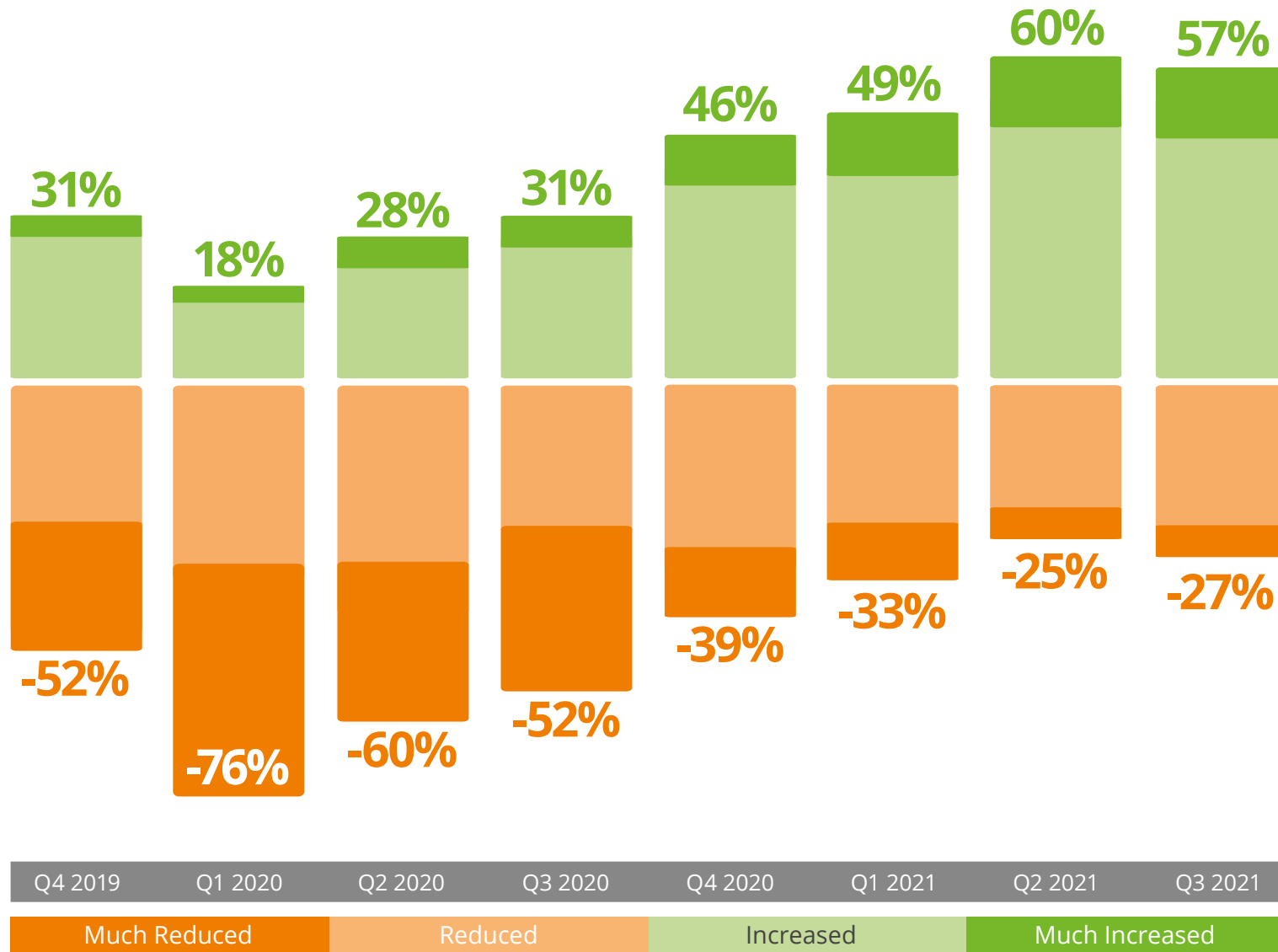
<span style="color: green;">●</span>	<span style="color: red;">●</span>	<span style="color: yellow;">●</span>	<span style="color: blue;">●</span>
Sole Trader	Micro 0-9 employees	Medium 50-249 employees	Small 10-49 employees

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



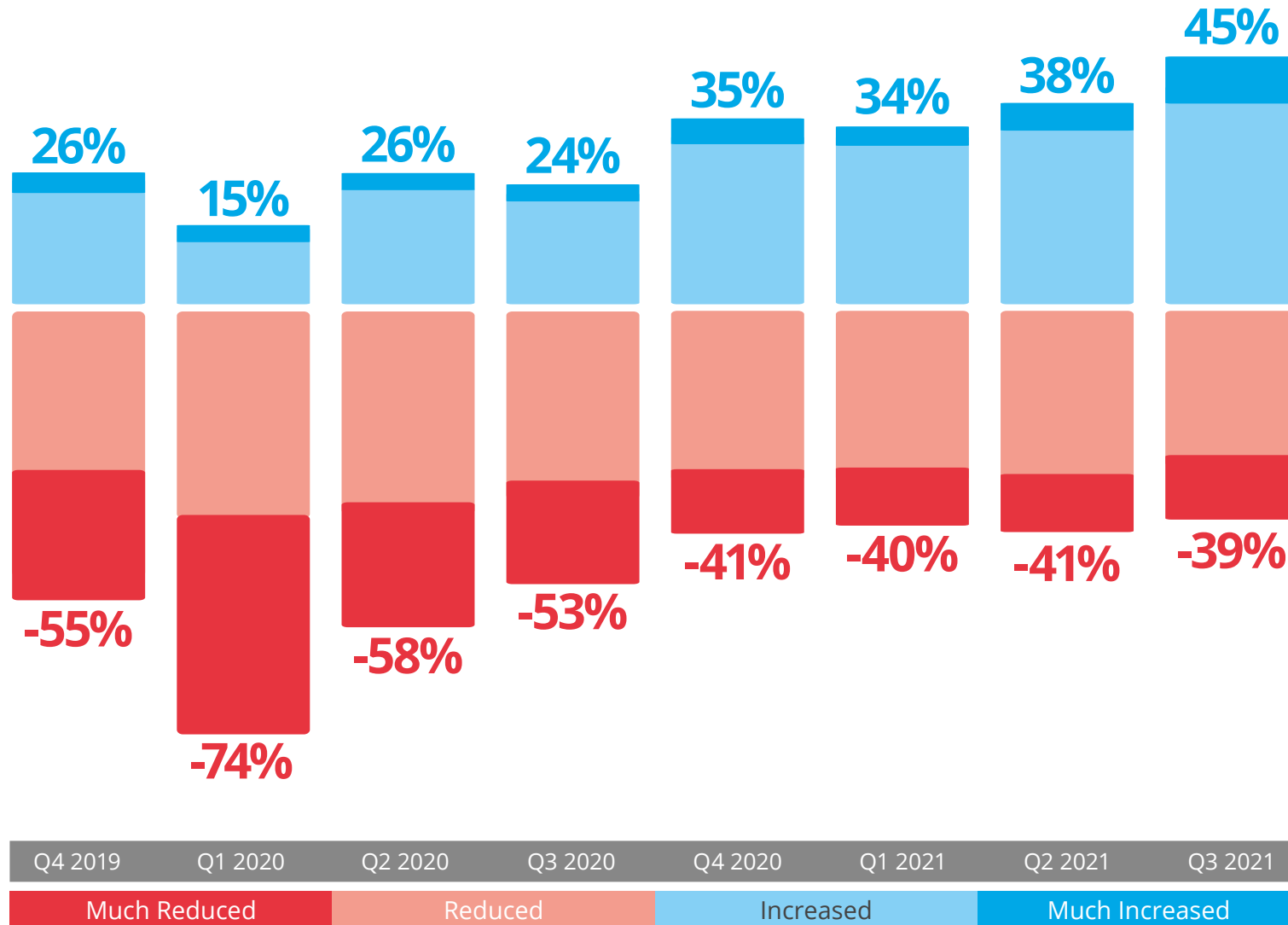


How sales turnover has changed for SME manufacturers over the past six months...





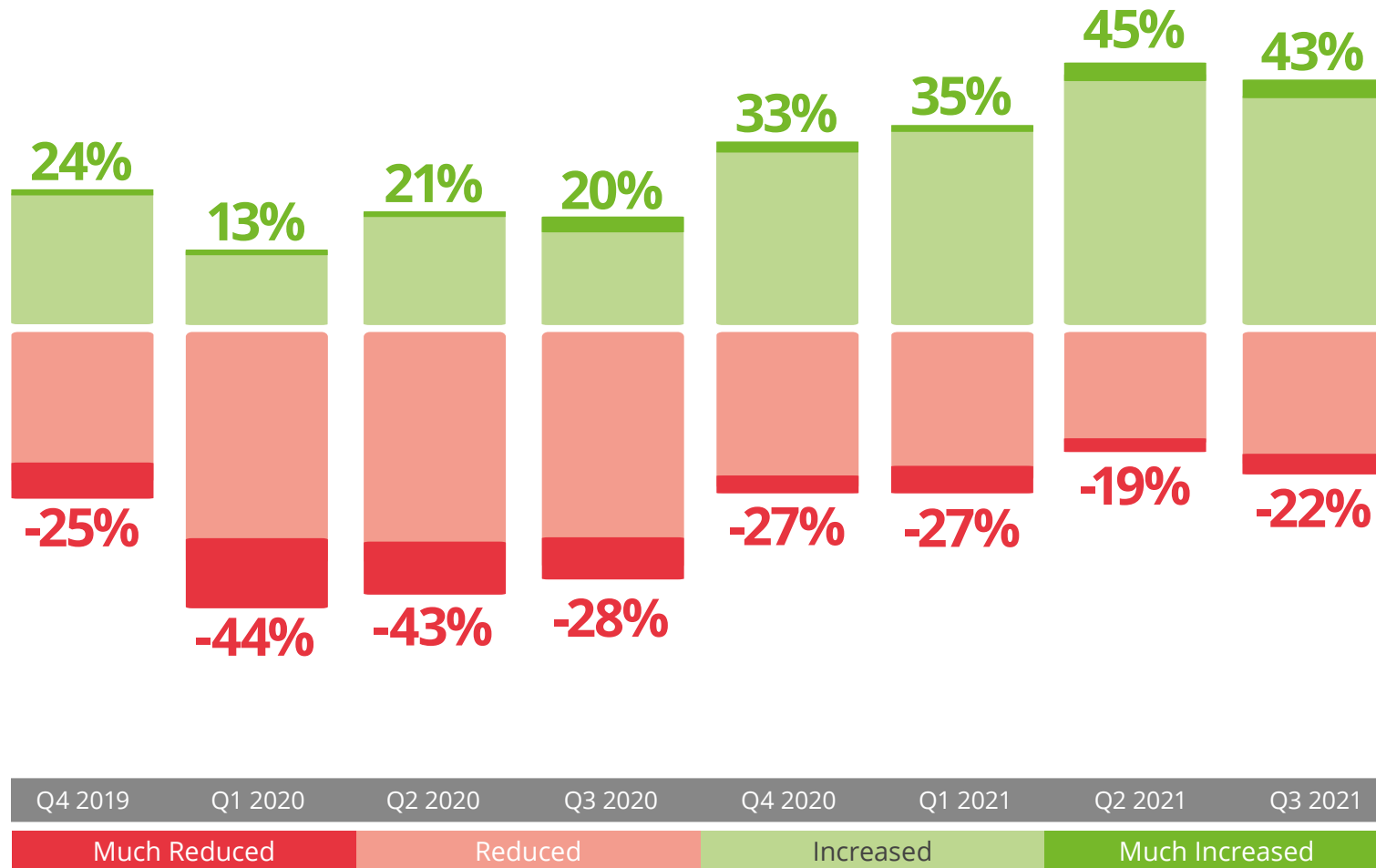
How profit has changed for SME manufacturers over the past six months...





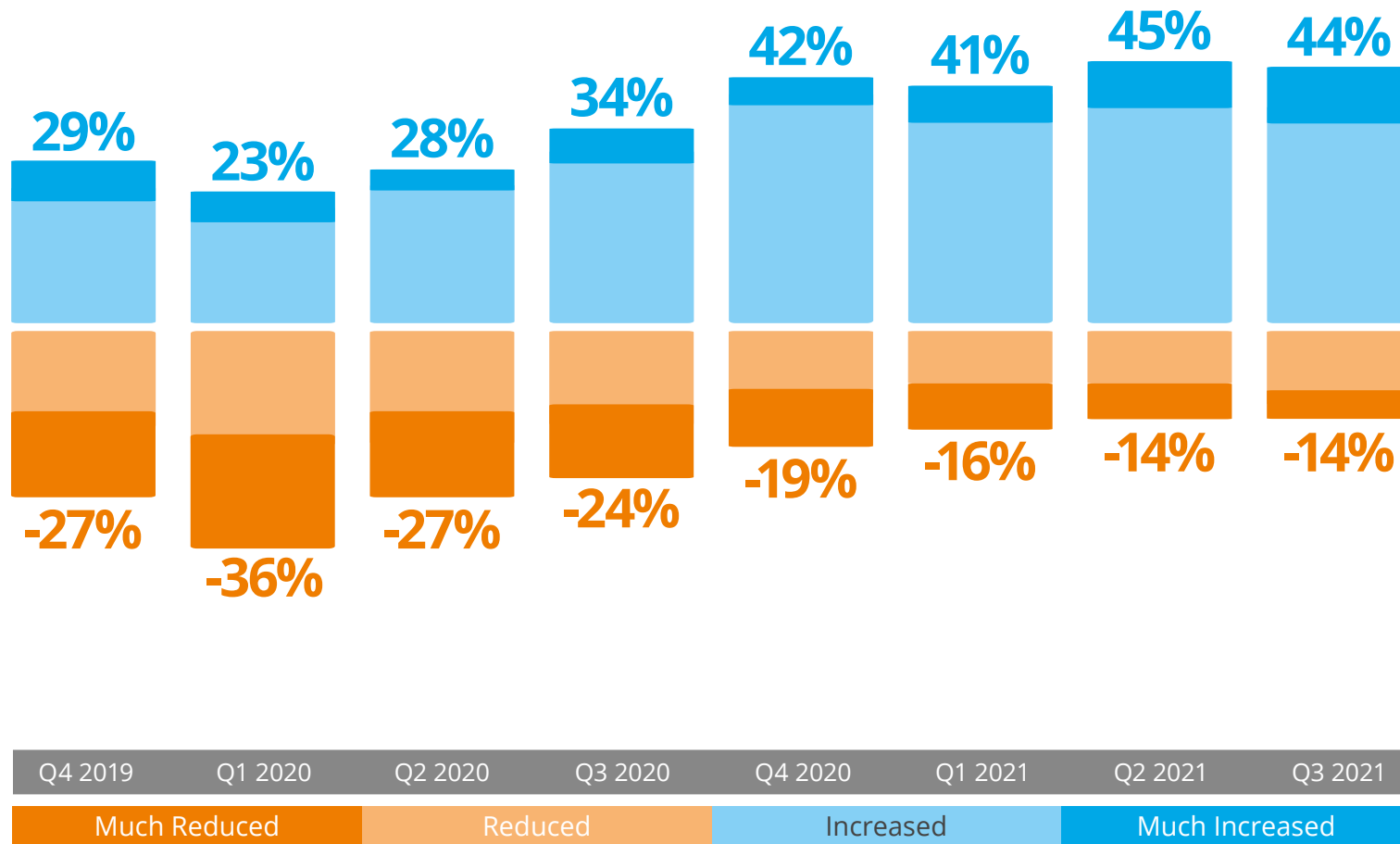


How staff numbers have changed for SME manufacturers over the past six months...



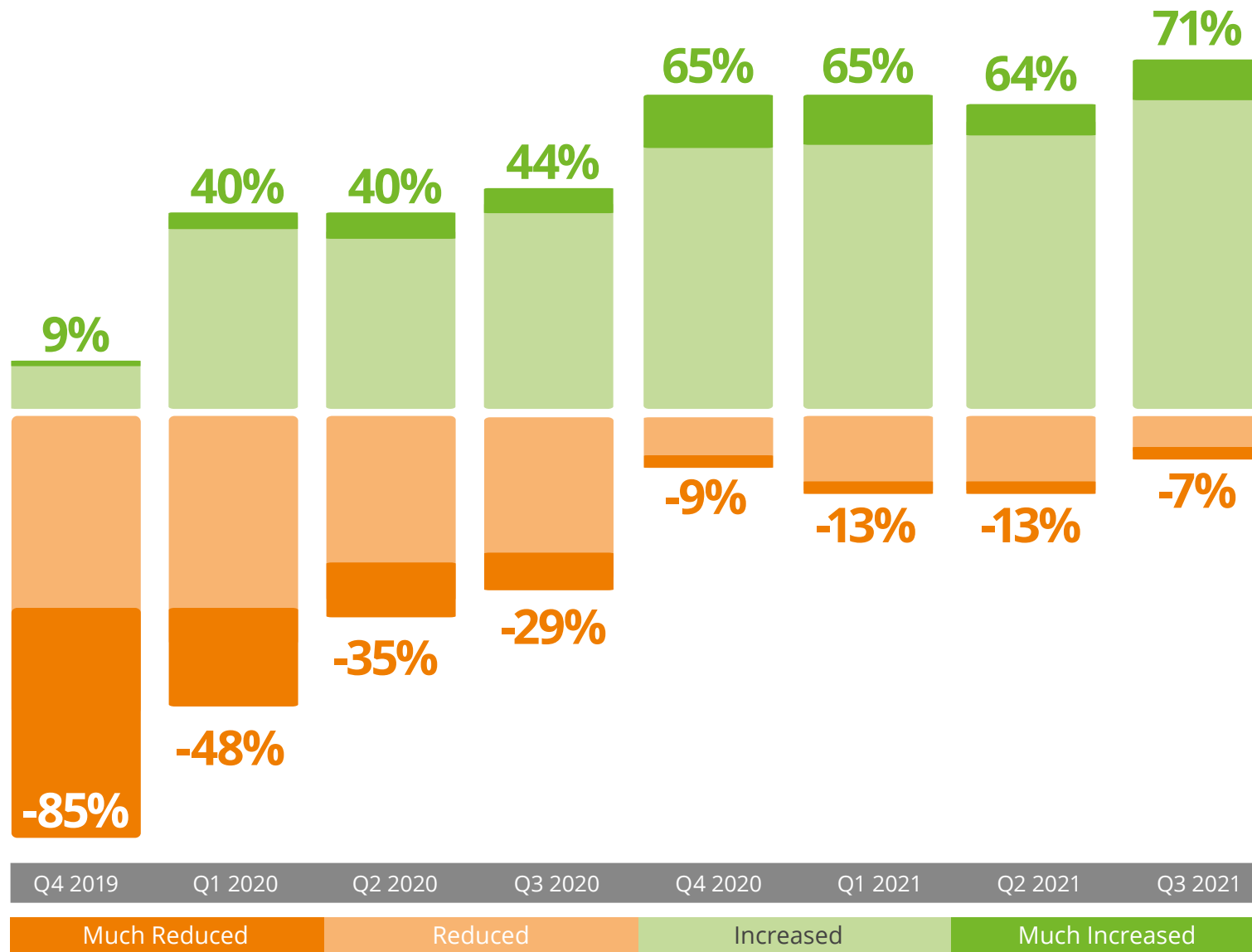


How investment in new machinery/  
premises has changed for SME  
manufacturers over the past six months...



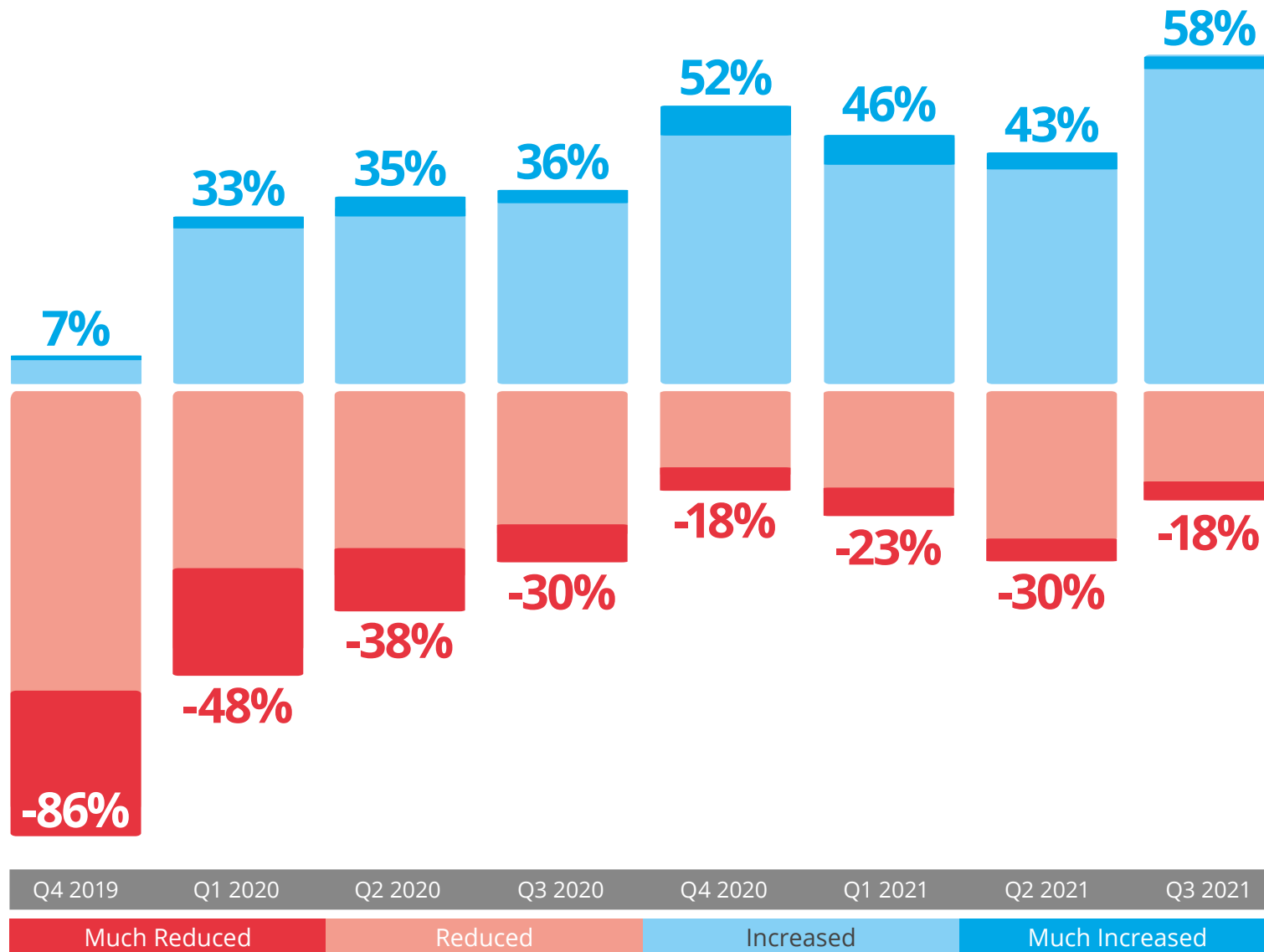


How SME manufacturers expect their sales turnover to change over the next six months...



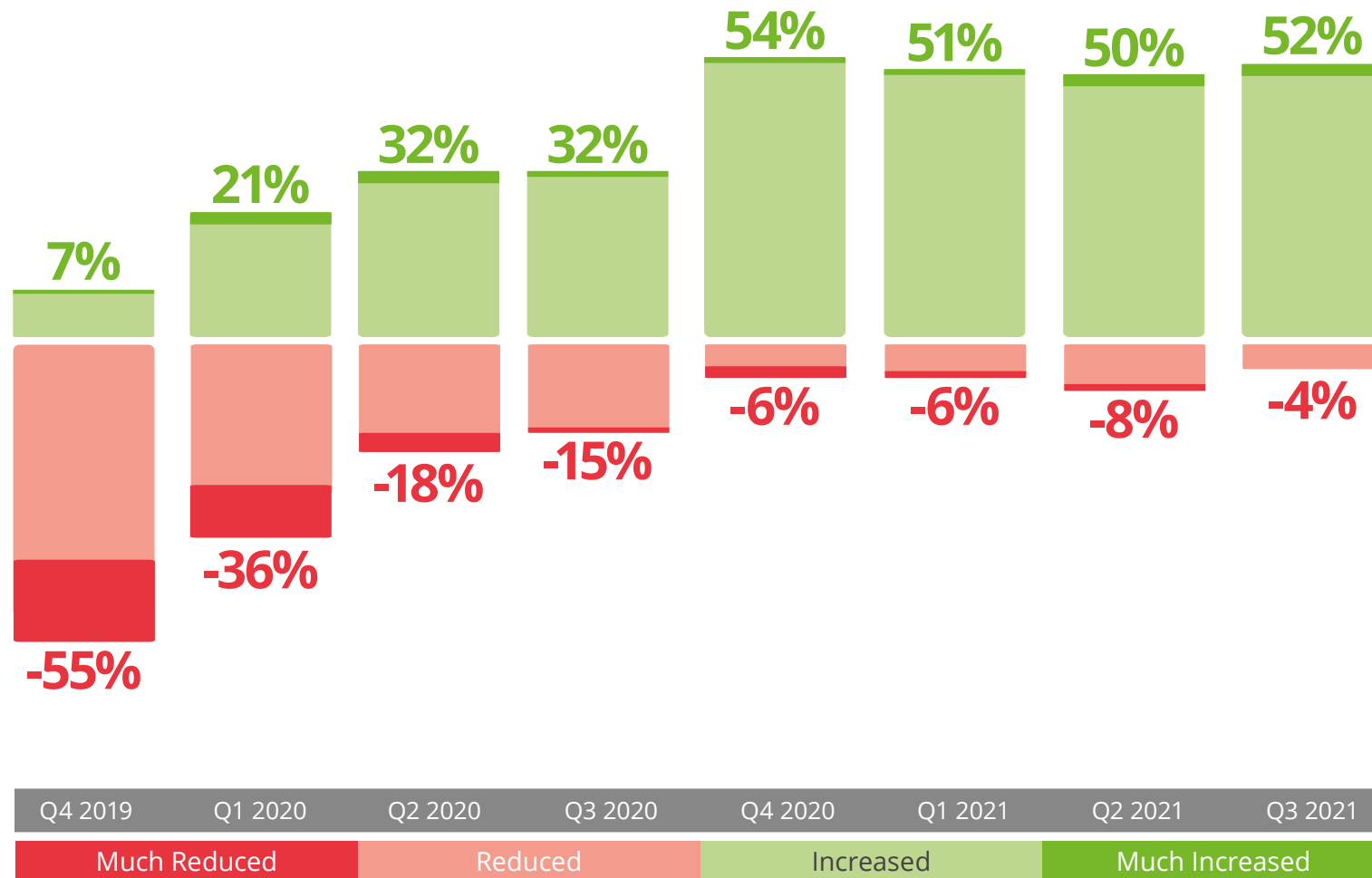


How SME manufacturers expect their profit to change over the next six months...



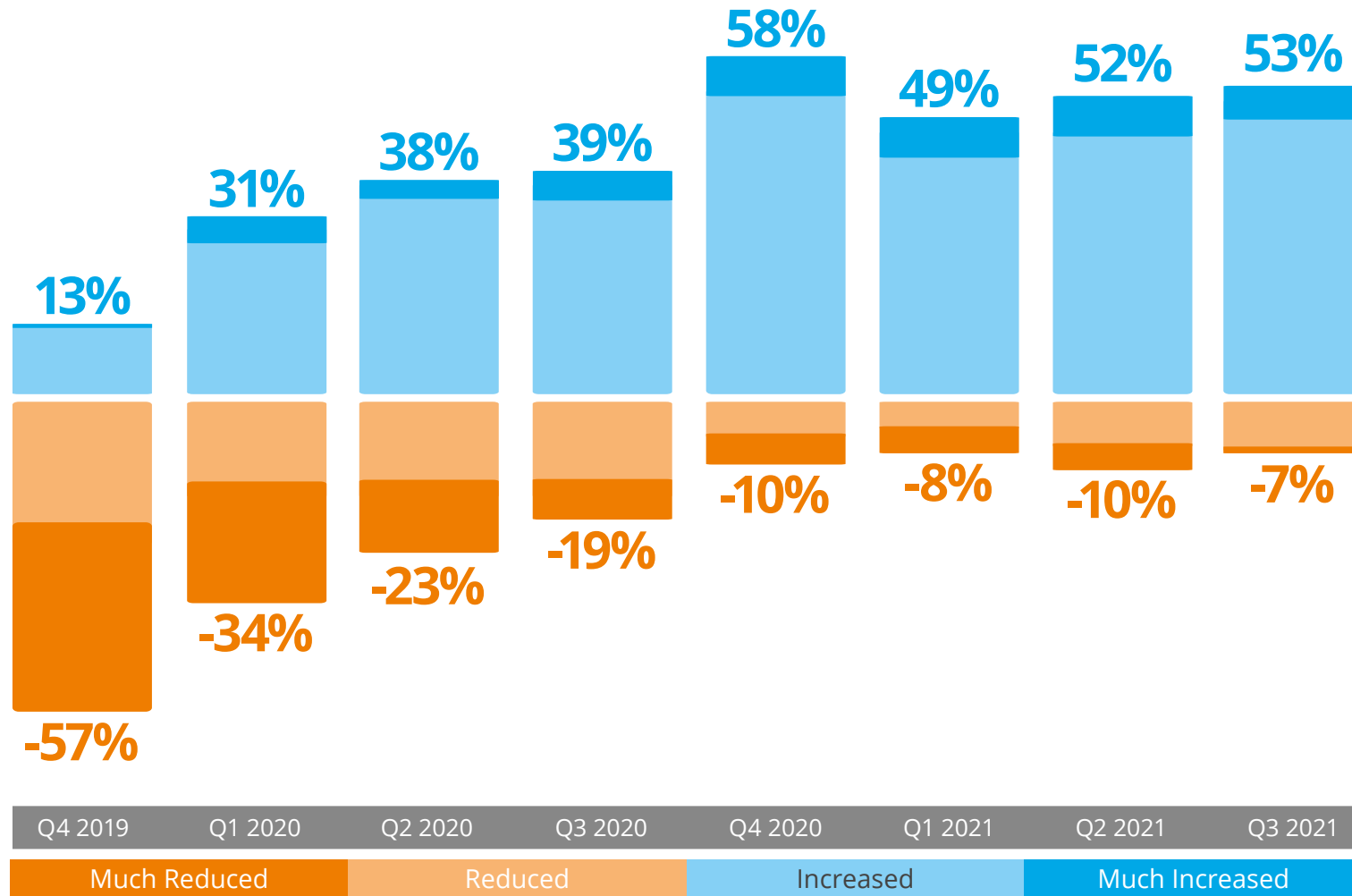


How SME manufacturers expect staff numbers to change over the next six months...





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



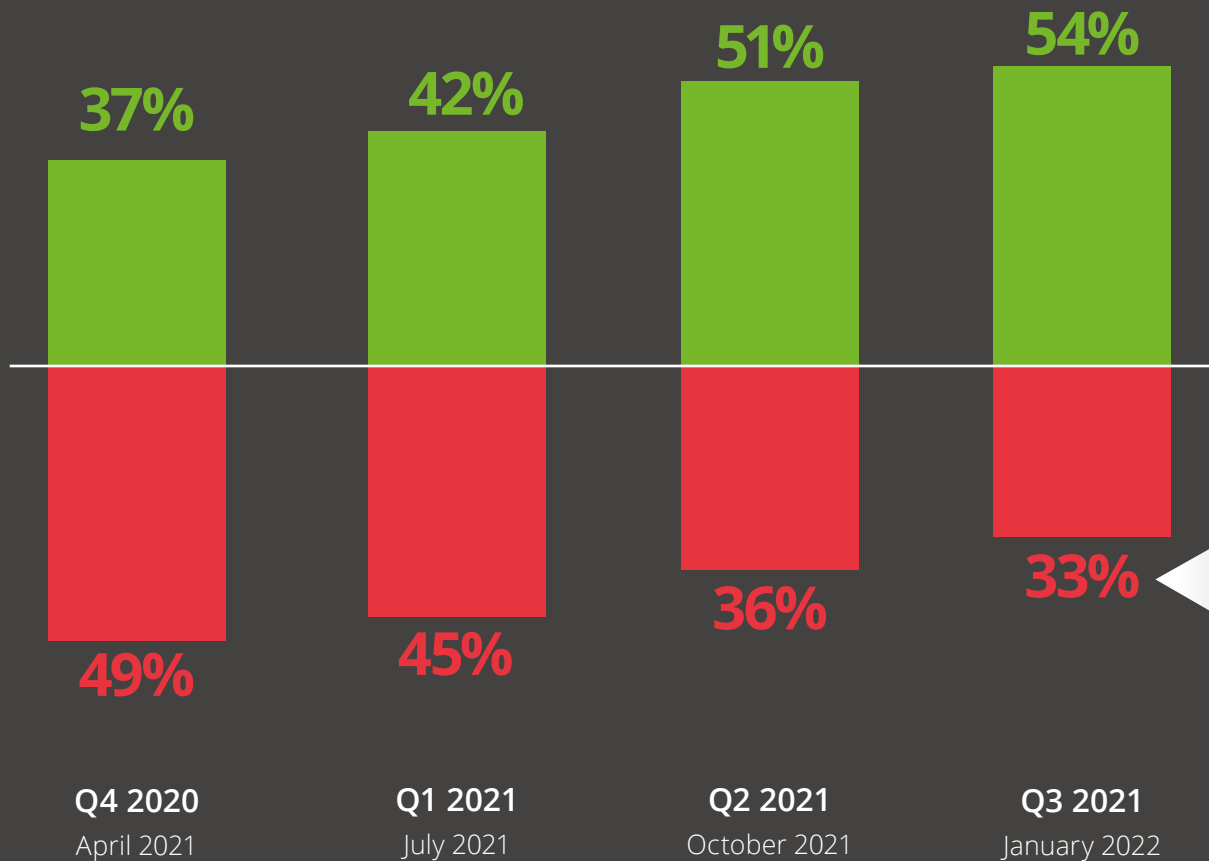
A summary of changes over the past six months and expected changes over the next six months...

	Much Reduced	Reduced	No Change	Increased	Much Increased
Past sales turnover	5%	22%	16%	<b>45%</b>	13%
Past profit	11%	28%	16%	<b>37%</b>	8%
Past staff numbers	3%	19%	34%	<b>40%</b>	3%
Past Investment	4%	9%	<b>42%</b>	35%	9%
Future sales turnover	2%	5%	22%	<b>64%</b>	7%
Future profit	3%	15%	24%	<b>56%</b>	2%
Future staff numbers	0%	4%	45%	<b>49%</b>	2%
Future investment	1%	7%	40%	<b>48%</b>	5%



# TRADING THROUGH CURRENT CONDITIONS

To track how COVID-19 is continuing to impact the manufacturing sector, we have asked respondents whether their business is trading at increased or reduced levels when compared to their pre-pandemic position...

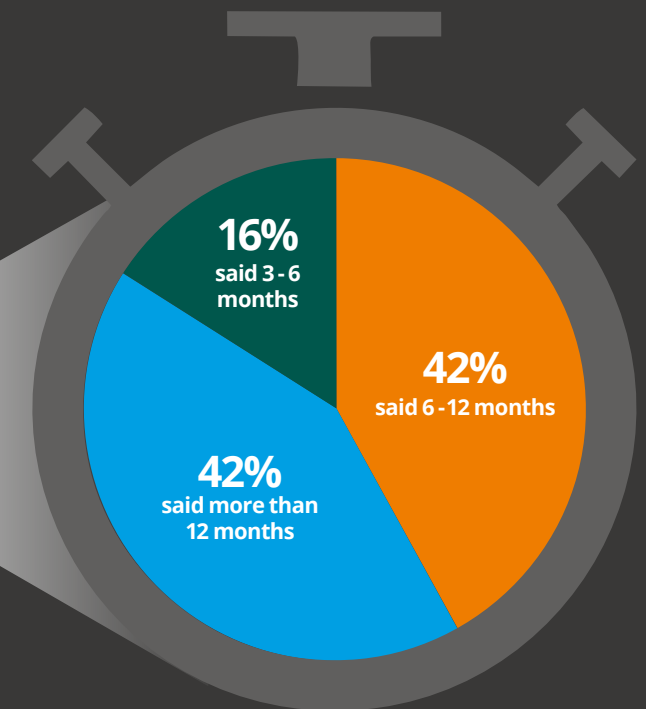


Increased

Reduced

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

We asked the **33%** of respondents now trading at **reduced levels** how long they expect recovery to take...





## CORE TRENDS

### WHAT DOES THIS DATA TELL US?

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Confidence levels around future sales and profit are the most positive they have been in over four years. This optimistic trend looks set to continue for the majority of the SMEs surveyed this quarter, with 71% of firms expecting further sales growth over the next six months. Furthermore, 58% are expecting profits to increase between now and June.

Overall, the core trends reveal an optimistic outlook, with broad confidence across the market sector. These positive responses indicate that firms are looking to the future, and concentrating on how they can recover to ensure the ongoing success of UK manufacturing.

## A SUMMARY OF CURRENT TRADING CONDITIONS:

### COVID-19 IMPACT


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This quarter's data suggests that, after a difficult two years, recovery is continuing across the manufacturing sector, although some businesses are still experiencing challenges...

🔗 Over half of respondents (54%) are now trading at increased levels compared to their pre-pandemic position, a figure that has steadily grown since April 2021.

🔗 However, the impact of COVID-19, alongside other external factors, is still affecting a number of manufacturers. 33% of firms reported reduced levels of trade since the pandemic began, but over half of these (58%) expect to recover within 12 months.

**This quarter's Special Focus looks at the future of manufacturing from the perspective of SME business leaders. Explore the key challenges that businesses face, the areas they plan to prioritise, and the factors they expect to impact the industry going forward...**



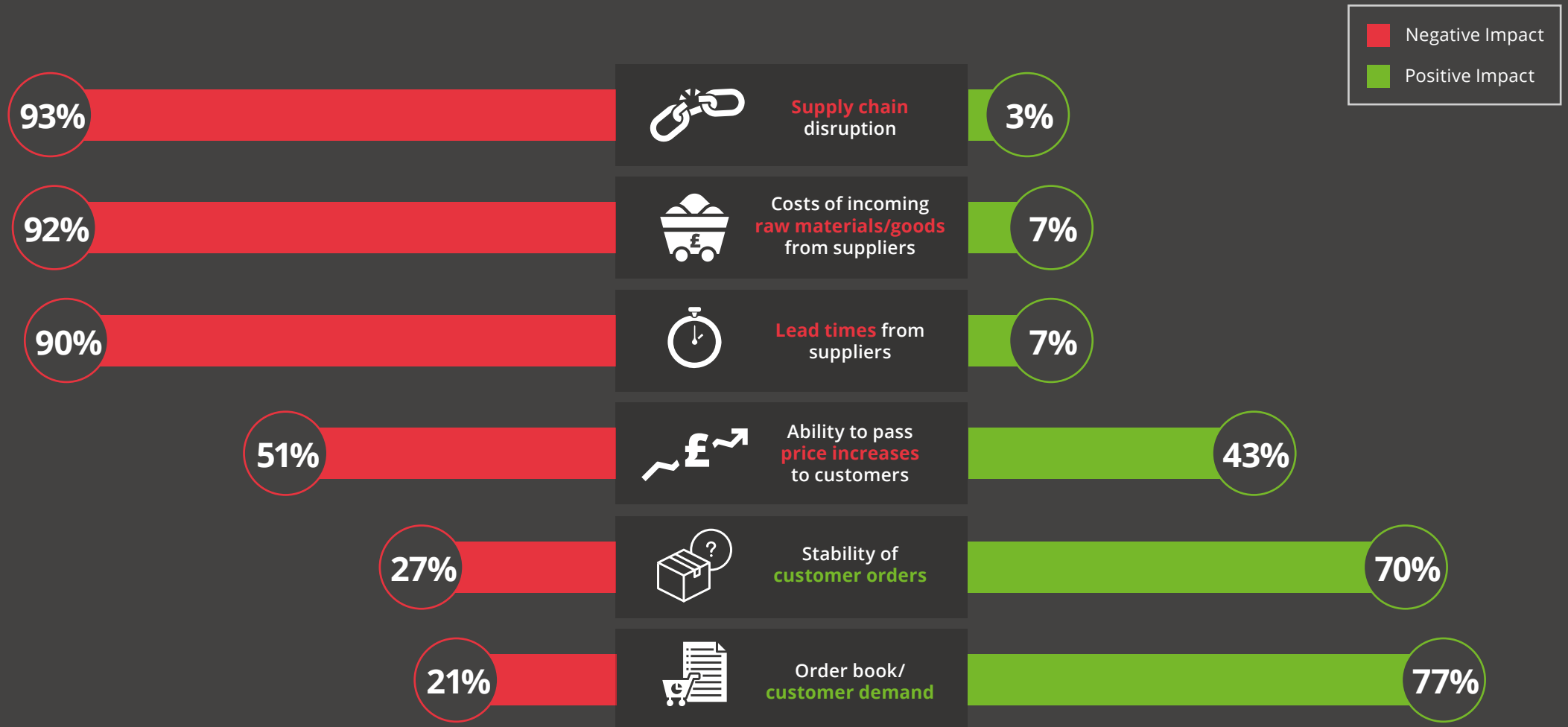
## **SPECIAL FOCUS** **MANUFACTURING** **THE FUTURE** **(2022 AND BEYOND)**

Over the past two quarters, Barometer respondents have highlighted a number of challenges around **supply chains, recruitment, and resources**. This section illustrates how these issues are still affecting SMEs across the manufacturing sector, and the future areas of focus for these businesses...



## SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

How respondents expect the following **supply chain** factors to affect future growth prospects...

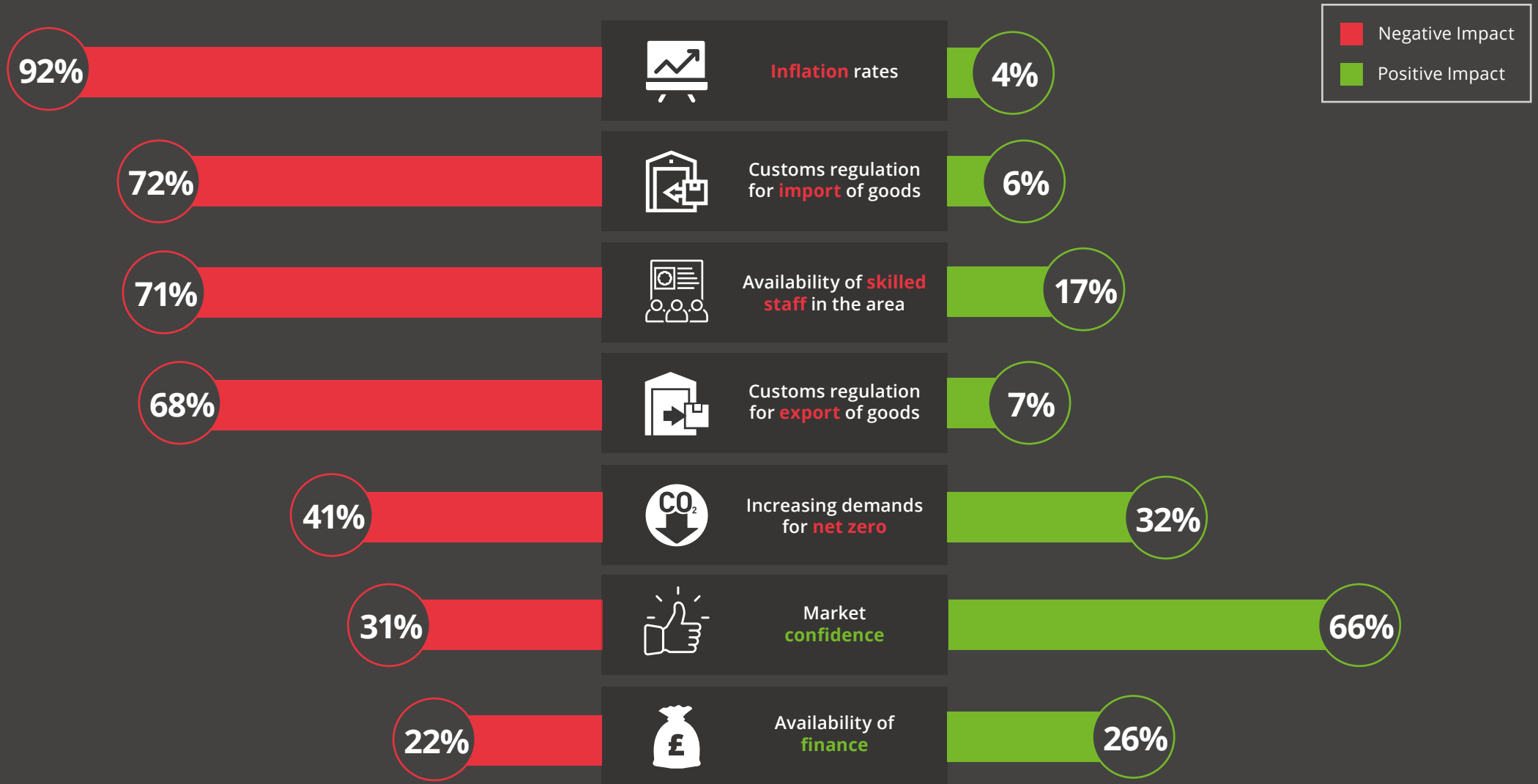


For each category, responses not shown = not applicable



## SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

How respondents expect the following **external factors** to affect future growth prospects...

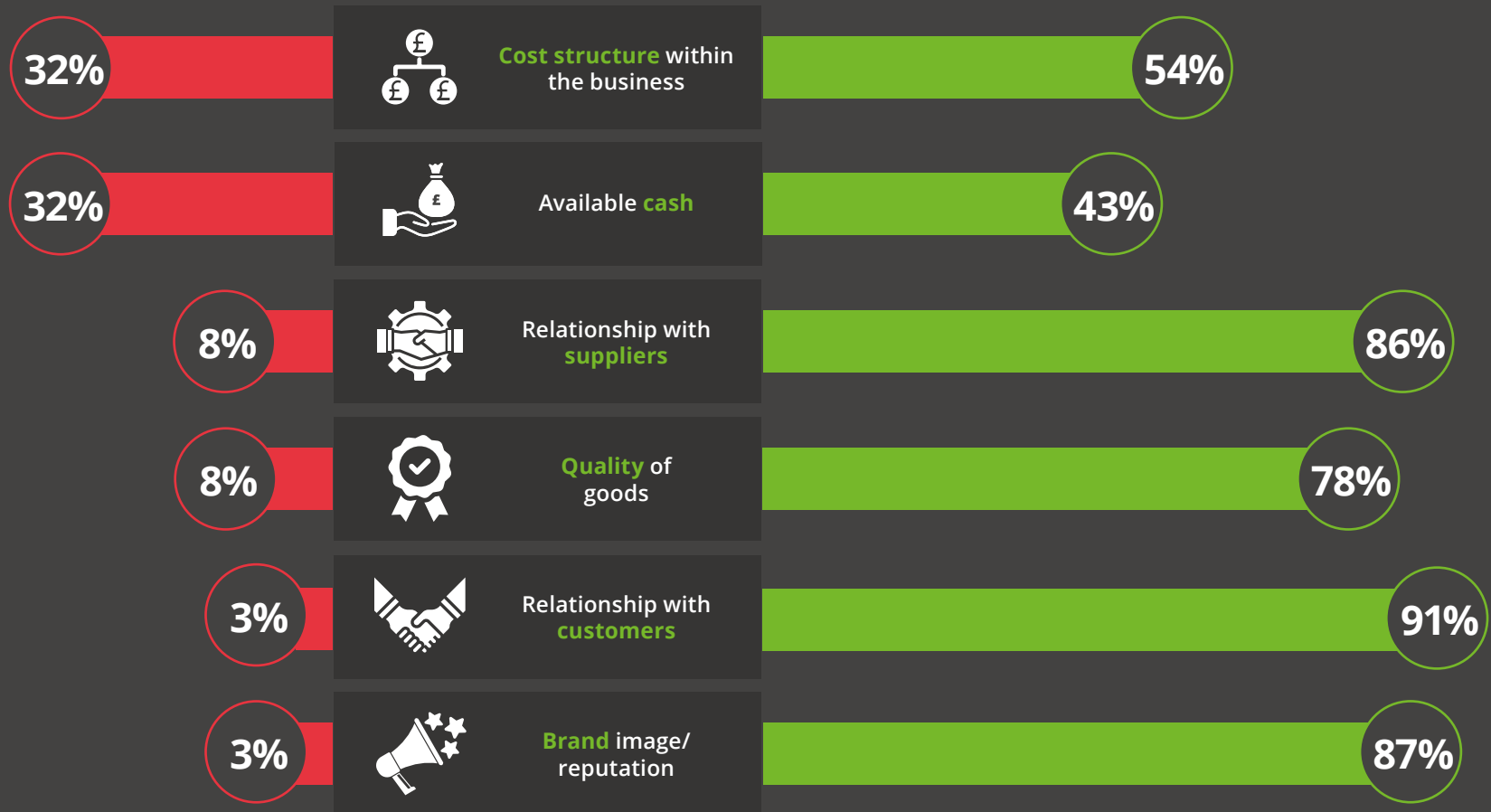


For each category, responses not shown = not applicable



## SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

How respondents expect the following **internal business factors** to affect future growth prospects...



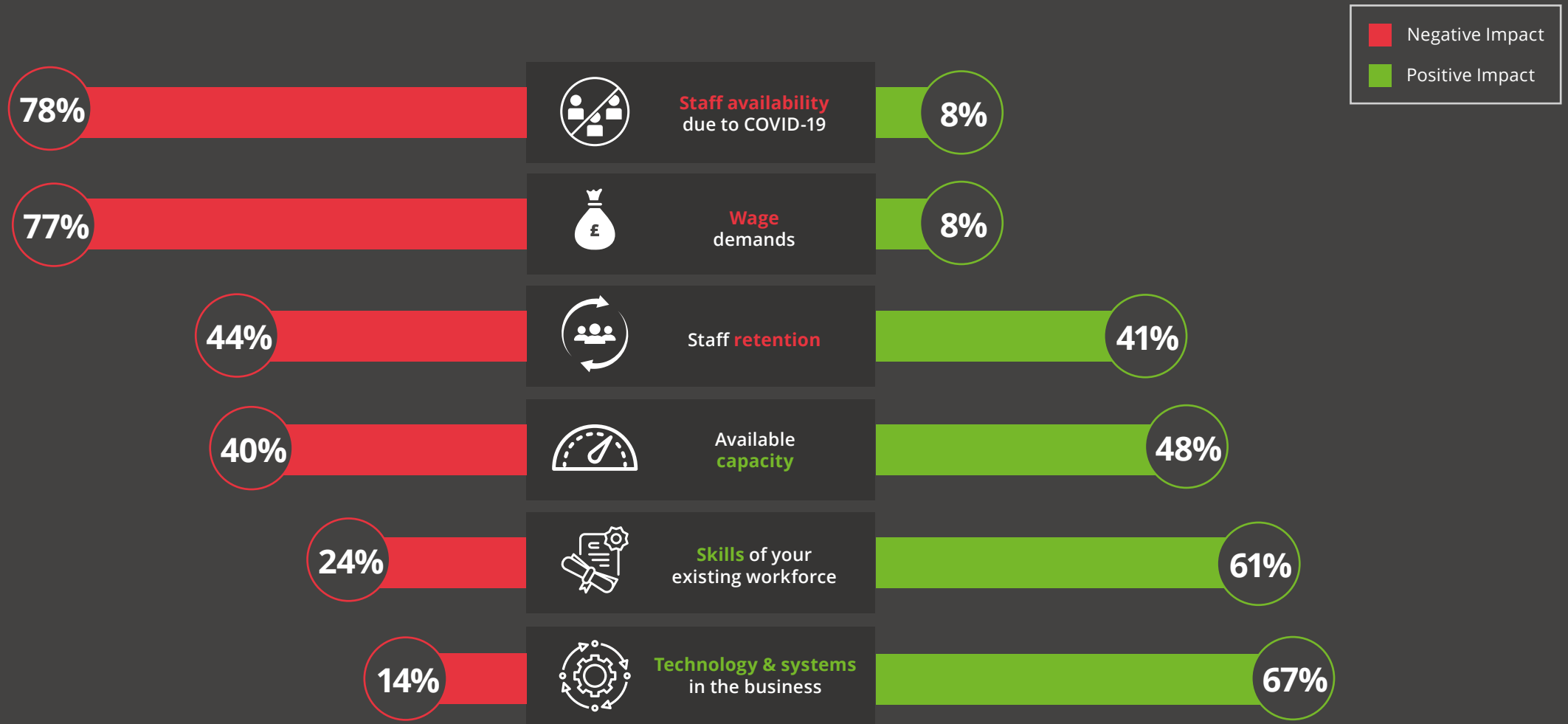
■ Negative Impact  
■ Positive Impact

*For each category, responses not shown = not applicable*



## SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

How respondents expect the following **staff** and **resource** factors to affect future growth prospects...

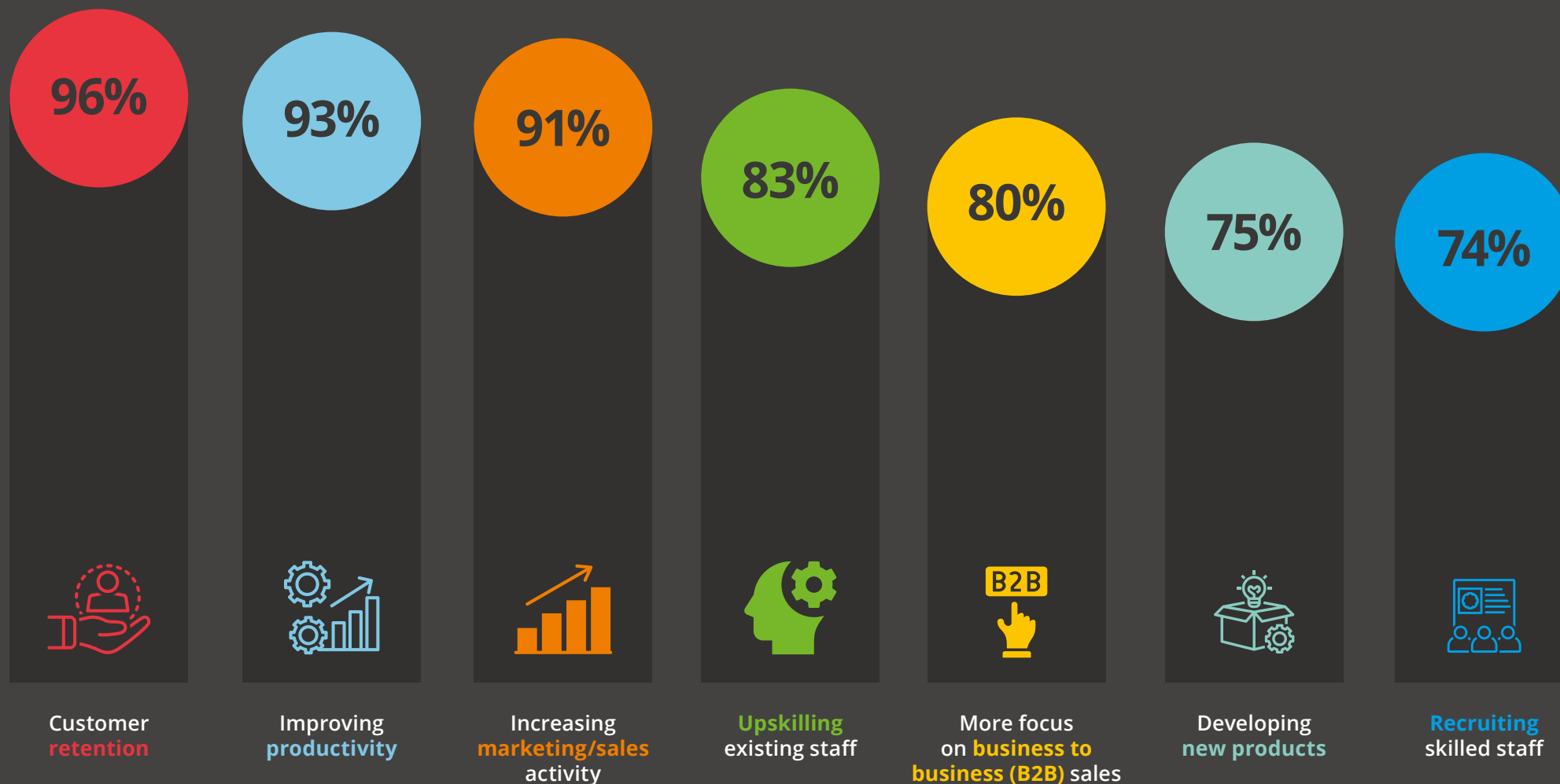


For each category, responses not shown = not applicable



## SPECIAL FOCUS: **MANUFACTURING THE FUTURE (2022 AND BEYOND)**

Future priorities for SME manufacturers from highest to lowest

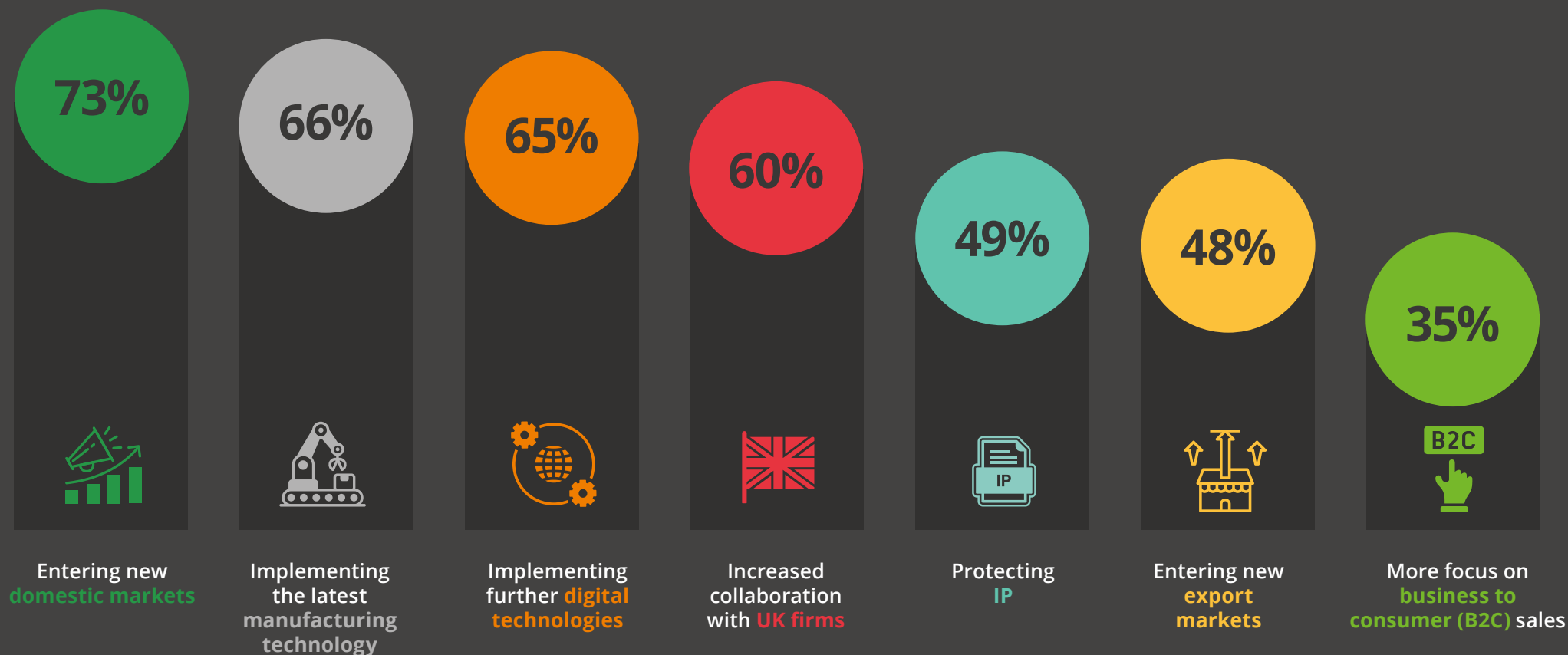


Continued...



## SPECIAL FOCUS: **MANUFACTURING THE FUTURE (2022 AND BEYOND)**

Future priorities for SME manufacturers from highest to lowest





## SPECIAL FOCUS RESOURCES AND RECRUITMENT IN SUMMARY...

This section examined a wide variety of factors to uncover which issues could potentially help or hinder businesses growth prospects, and provide an insight into the themes that are really impacting SME manufacturers and influencing their future plans.

Many of the external factors having a beneficial impact appear to be driven by general confidence in the market. Encouragingly, 77% of those questioned are experiencing positive levels of customer demand, 70% said their order book is stable, and 66% are expecting market confidence to positively impact their future growth prospects.

Despite these optimistic findings, some external factors are still causing significant challenges for SME manufacturers. 90% have said that longer lead times are impacting their ability to keep up with the high levels of customer demand they are currently experiencing.

Furthermore, a massive 93% of respondents are still struggling with supply chain disruption. 92% of those questioned this quarter said the cost of raw materials/goods from suppliers is having a negative impact on their business, and a similar number (96%) also highlighted this issue six months ago\*. Therefore, this appears to be an ongoing problem for a large number of businesses and could negatively impact performance and growth for UK manufacturing.

The impact of 'price increases from suppliers' is causing issues for 92% of respondents, with only 43% saying they are able to pass these increases on to their customers. This could impact future profits for a number of SME manufacturers, despite the positive predictions being made in this area (page 12).

Unsurprisingly, general rates of inflation appear to be squeezing cashflow for a large number of firms, with the vast majority of respondents (92%) saying this is having a negative impact on their business. In addition, import and export regulations are causing concern for around 70% of those questioned, and a number of respondents indicated that they feel these issues, and other supply chain challenges, are directly linked to COVID-19 and Brexit.

When looking at internal business factors, the picture is far more optimistic, with 91% reporting positive relationships with their customers, and 87% happy with their business's brand image and reputation. 61% are confident in the skills they currently have within their existing workforce, but 71% feel that a lack of skills in their area could have a negative impact if/when there is a need to recruit.

Looking after customers and suppliers is the top concern for many SME manufacturers. To help protect their orderbook and ensure future sales growth, a massive 96% of respondents cited 'customer retention' as a business priority. Coming up second, 93% plan to focus on improving productivity within their organisation. A similar number (91%) intend to increase marketing and sales activity, with 83% planning to prioritise upskilling their existing staff, which could help to mitigate any future recruitment issues.

In addition, 80% plan to focus on increasing B2B sales, and 73% aim to enter new domestic markets... a sign that businesses across the UK manufacturing sector are finding ways to adapt and evolve for future growth.

*\*As highlighted in the Q1 2021 Manufacturing Barometer, surveyed in July 2021*



## BUSINESS ASPIRATIONS

“

Short term: we are about to expand our workshops along with some new machinery that will enable us to increase production and efficiency.

Medium term: we are expecting to increase sales and turnover through targeted promotions and by increasing our sales area.

Long term: increase the company's profile and status, increase revenue, and train a new team to help the company move forward into the future.

Increase the number of trade buyers and improve the quality of our website. Increase quality of social media posts and awareness of products and their unique qualities. Add new lines and strengthen current lines.

WEST MIDLANDS

“

We are looking at a very large investment in a factory in the UK for 6000 staff, producing products for major blue-chip companies.

We want to grow our business and invest in new staff and technology.

EAST MIDLANDS

“

Short term: to recruit apprentice staff so that we have the capabilities to respond to orders quicker. Long term: to invest in more machinery and space to accommodate our growth.

Short term: continue sales growth to replace lost business from customers who are no longer trading due to Covid, plus cement greater relationships with key customers. Recruitment of staff to meet increased demands and capital investment projects to increase profitability and turnover from further sales opportunities.

Medium/Long term: develop more export trade business, further product innovation, and move more towards Net Zero capability.

YORKSHIRE & HUMBER

“

Continued growth as certain industries recover from COVID-19 in the short to medium term. Long term is very difficult to predict based on unprecedented supply and pricing conditions (i.e., raw materials and power costs).

We are accelerating our mechanisation/ automation transformation and upskilling our workforce. Attracting and retaining talented people is a priority. We continue to focus on securing and stabilising our supply chain.

SOUTH WEST

“

Short term: to end the financial year in profit.

Medium term: to engage and train new staff.

Long term: to switch to the more profitable sales - direct to consumers rather than trade customers.

We need to recruit staff with immediate effect to manage the additional business we have secured. We need to find new premises in the medium to long term to bring our two sites and teams together, and improve manufacturing processes to enable us to continue to grow and expand.

SOUTH EAST

### SME MANUFACTURERS MAKE YOUR VOICE HEARD!

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



## GOOD NEWS STORIES

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

### 3DTOMORROW

#### GLOUCESTERSHIRE

This innovative, Stroud-based business has a goal; to create and manufacture the most sustainable 3D printer filament on the market.

[Read more...](#)

### Simply Devine

#### YORKSHIRE

This specialist designer of occasion headwear has created a unique hat tag to boost online sales and prevent worn returns.

[Read more...](#)

### Daften Die-Casting

#### CORNWALL

This manufacturer has recently invested in a state of the art, high precision machining centre to help increase efficiency and speed for more cost effective, streamlined production.

[Read more...](#)

### Moore International Ltd

#### DORSET

This highly regarded (and environmentally conscious) business is planning to install 51KW of solar power to save carbon and costs as it celebrates 25 years of trading.

[Read more...](#)



# CONCLUSION

Responses this quarter are the most positive they have been in over four years, which indicates heightened confidence from many SME business leaders. Across all four core trends, companies are predicting continued growth and are looking to invest in both people and equipment to support this.

Wherever possible, businesses across the manufacturing sector have continued to operate throughout the pandemic, adapting to deal with each of the challenges they've faced over the past two years. Encouragingly, with less than a third of companies surveyed now trading below their pre pandemic position, recovery appears to be underway for the majority of firms.

Despite the future confidence expressed by respondents, businesses are up against a challenging backdrop of factors which are largely outside of their control, such as:

- 🔗 **The ongoing impact of COVID-19**
- 🔗 **Continuing implications as a result of Brexit**
- 🔗 **Inflation: translating into increasing wage demands from staff and increasing energy costs**

Despite these issues, levels of optimism are high and it appears that manufacturers are looking at ways to overcome these latest challenges. Recruitment of skilled staff has been highlighted as a major issue through the last two quarters, but a number of businesses are planning to upskill their existing workforce, a move that could help them retain staff, and reduce the need to recruit.

Respondents have specified customer retention, improving productivity, and increasing marketing/sales activity as their highest priorities going forward. This shows that businesses understand the importance of not only retaining their existing customer base, but also attracting new business to ensure their continued growth. The focus on productivity improvements could also indicate that respondents accept there are no short-term fixes for the challenges they are currently facing, and are therefore looking at ways of managing staffing issues by investing in equipment and processes to streamline operations.

**The future of manufacturing in the UK is going to be driven by innovative firms who can grow and find new solutions to ongoing issues.**

The UK manufacturing industry is being driven by leaders who are continuing to tackle COVID-19 and Brexit challenges with limited support from government (unlike a number of other sectors). The confidence shared by respondents this quarter indicates that SME manufacturing businesses will continue to adapt and grow wherever possible, but would certainly benefit from future support to help them address the significant issues they have highlighted.



## 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?

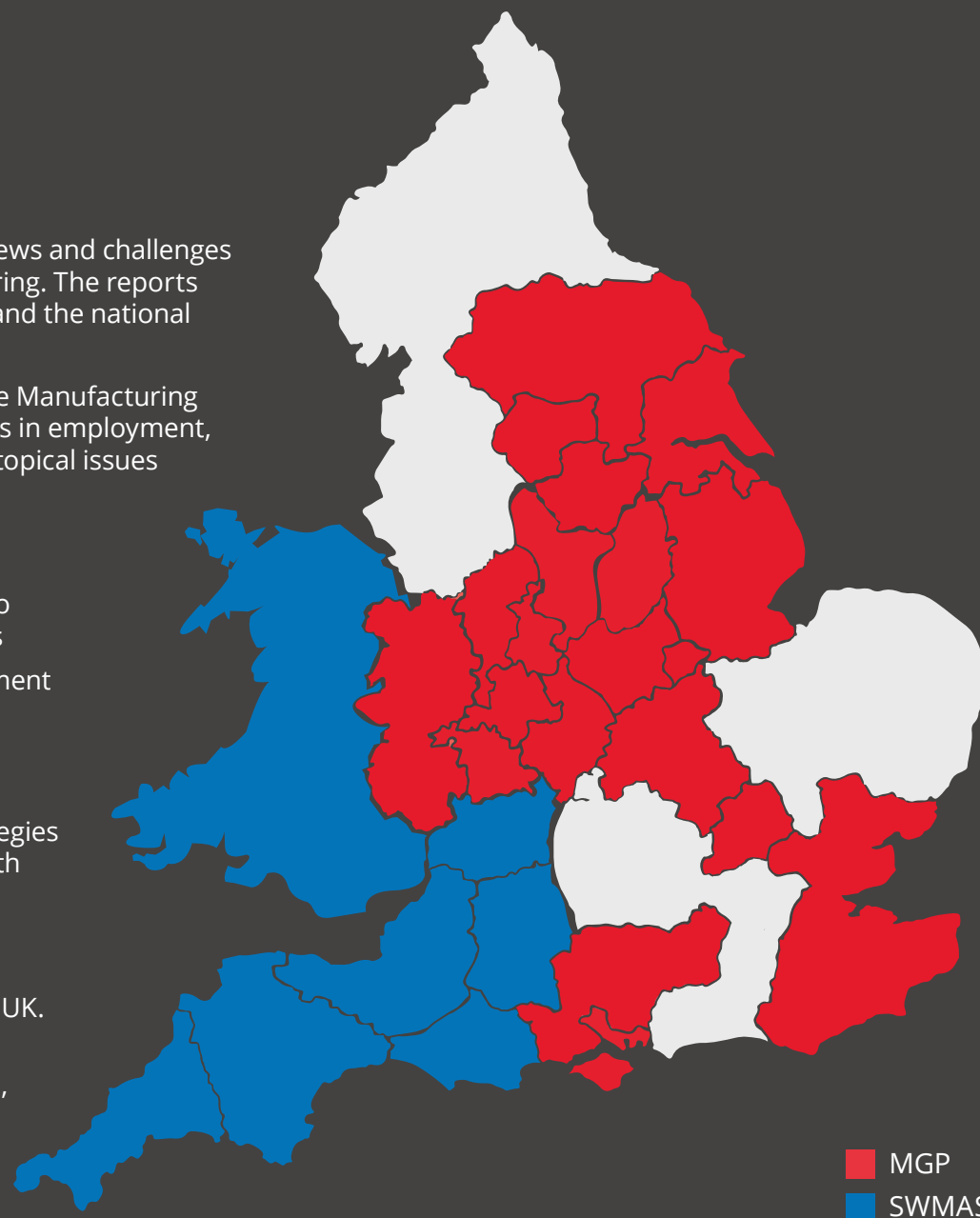
- The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- SME manufacturers can highlight the specific support they require from Government on a local and national level
- The results can be 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](mailto:info@swmas.co.uk) | 01278 767 010 | [www.swmas.co.uk](http://www.swmas.co.uk)  
Follow us: [@SWMAS\\_Ltd](https://twitter.com/SWMAS_Ltd) | [in linkedin.com/company/SWMAS](https://www.linkedin.com/company/SWMAS)



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