

MANUFACTURING barometer

SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

SOUTH EAST REPORT FOR Q3 2021/22

OCTOBER, NOVEMBER & DECEMBER 2021 - SURVEYED IN JANUARY 2022

SWMAS 

IN PARTNERSHIP WITH
 **Manufacturing**
Growth Programme

INTRODUCTION

Welcome to the South East
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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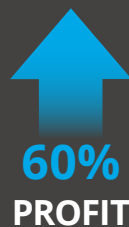
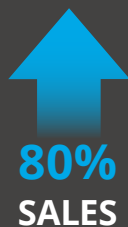


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in the footer of each page.

KEY FINDINGS

CORE TRENDS

This report shows positive growth and future predictions.



When compared to their pre-Covid 19 position, the percentage of respondents **trading at increased levels** continues to grow (up 2% from last quarter)



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



Relationship with **customers & suppliers**

100%



Brand image/reputation

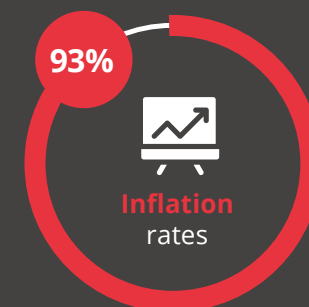
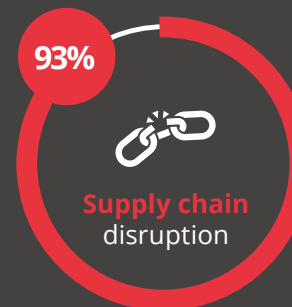
100%



Market **confidence**

87%

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



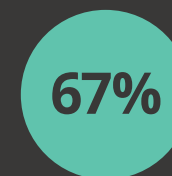
THE TOP PRIORITIES FOR SME MANUFACTURERS GOING FORWARD



Improving
productivity



Developing
new products



Customer
retention



73%

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

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

KEY



MD/CEO



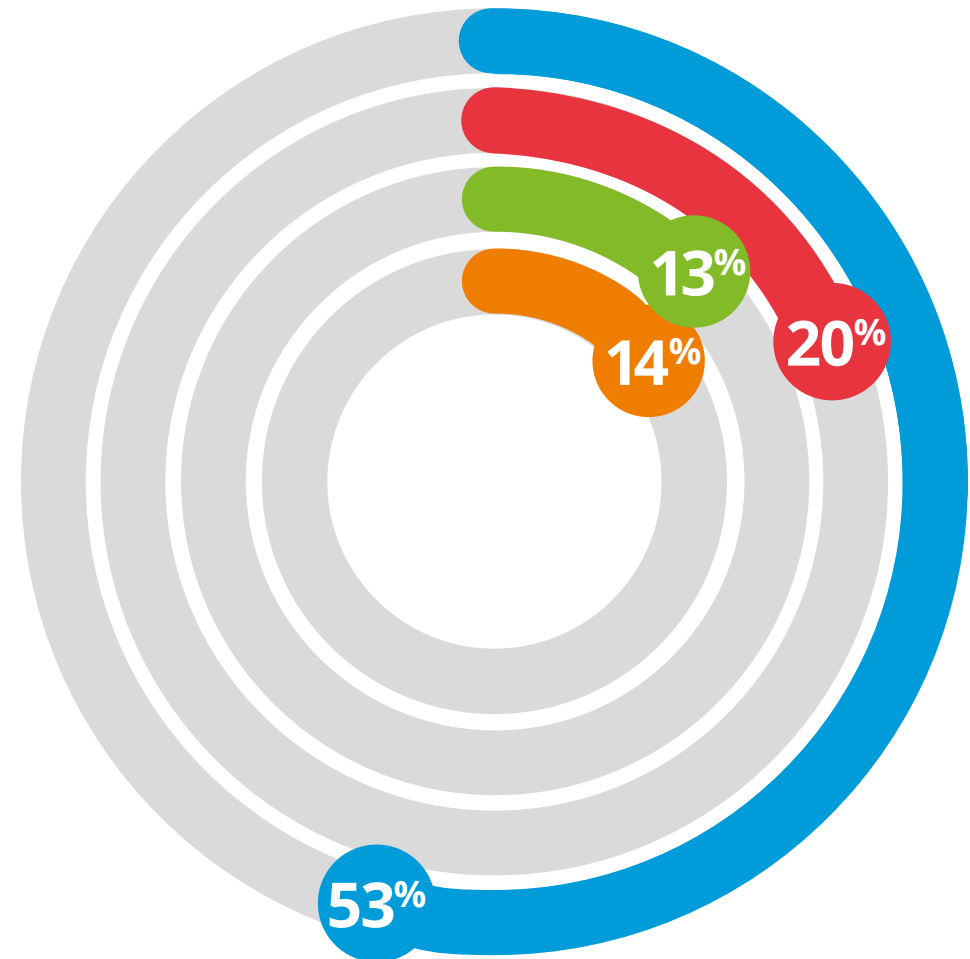
Senior Manager



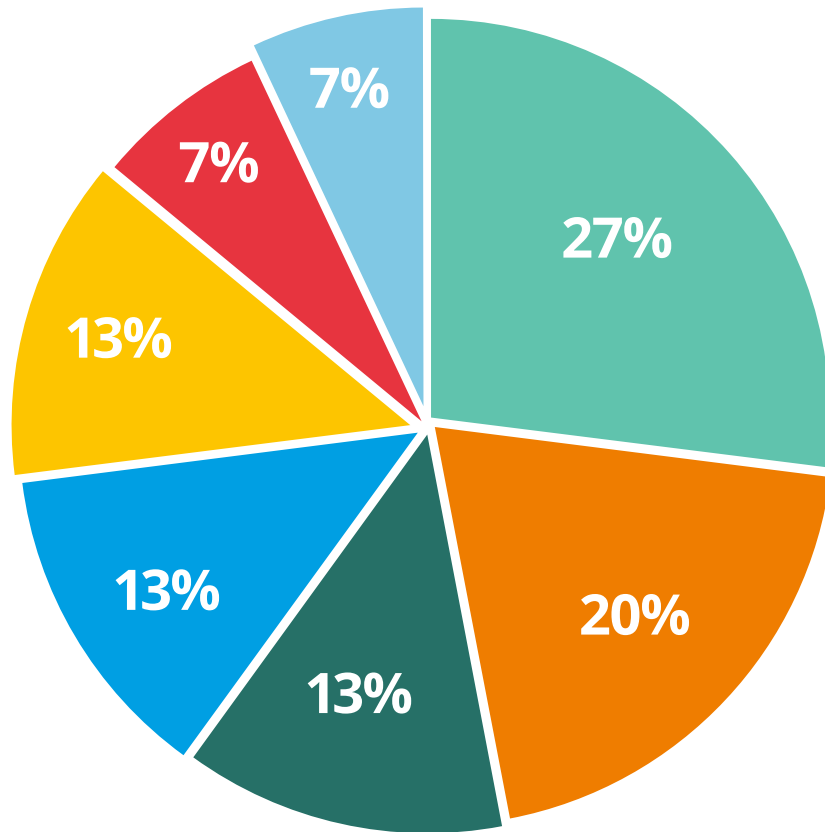
Director



Other

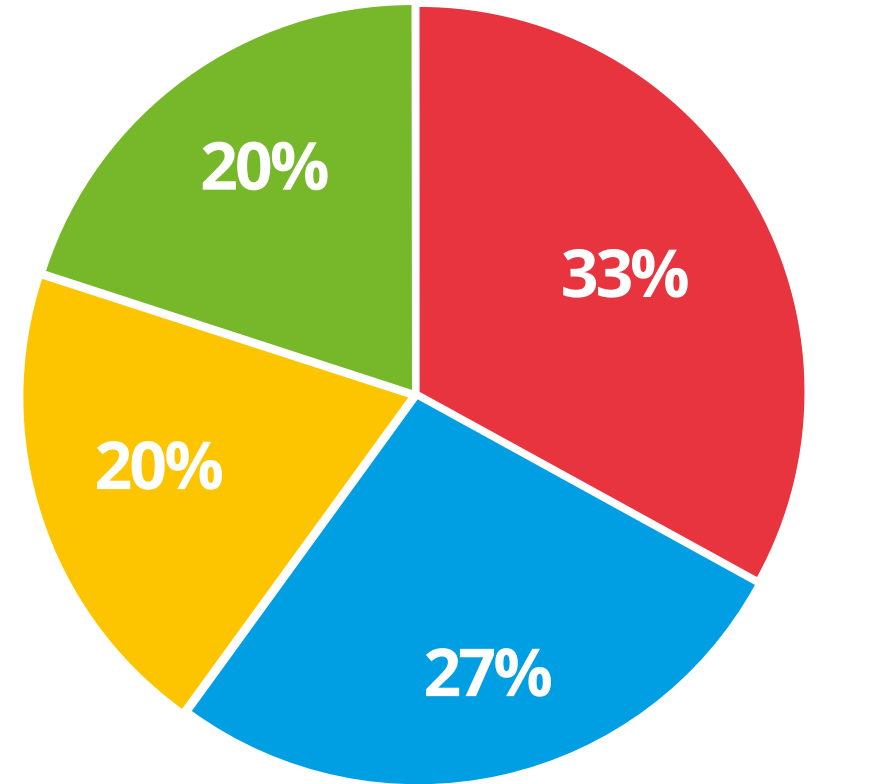


LOCATION



● Hampshire ● Essex ● Isle of Wight
● East Sussex ● Hertfordshire ● Surrey
● Kent

SIZE



● Sole Trader ● Micro
0-9 employees ● Small
10-49 employees ● Medium
50-249 employees

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

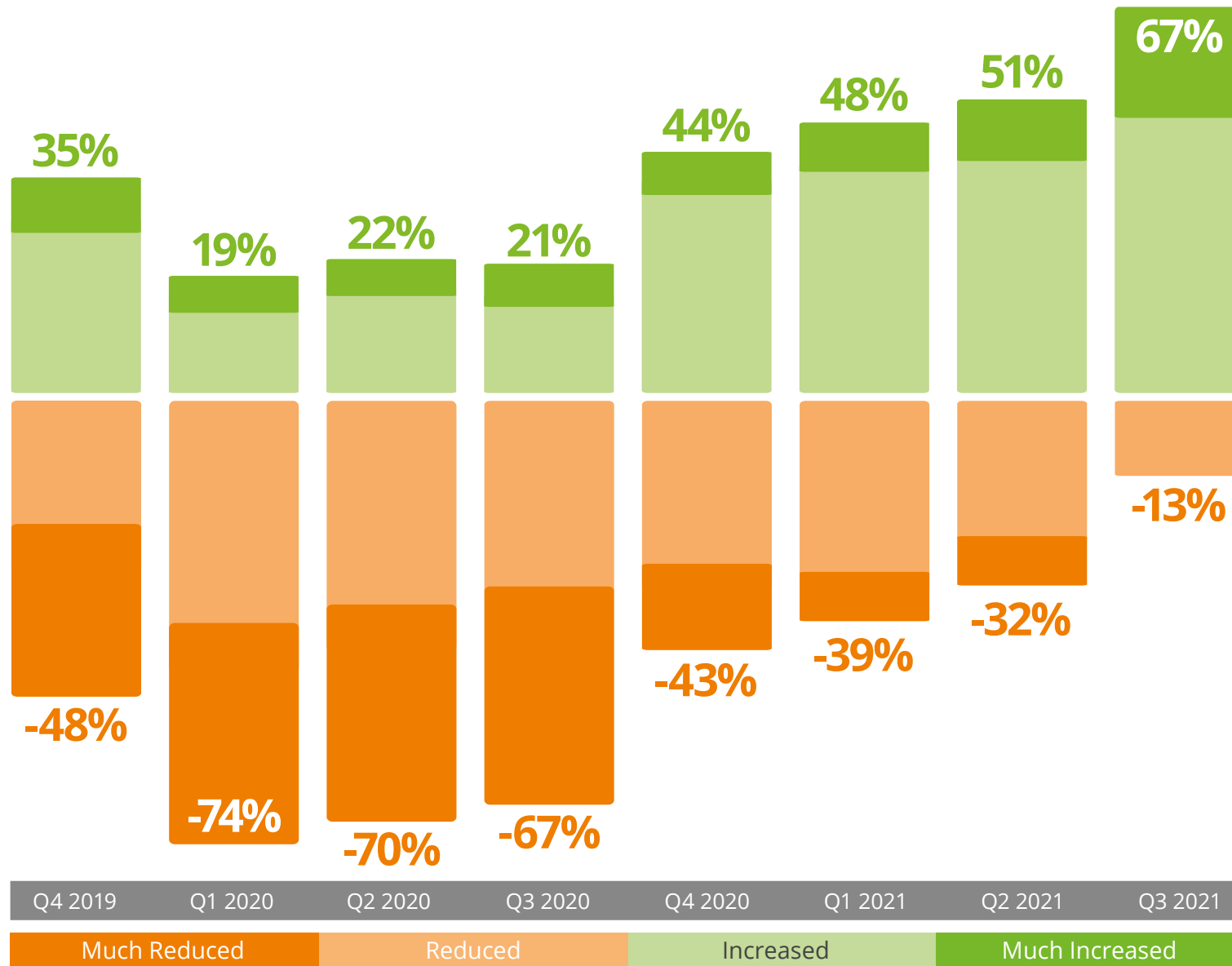




CORE TRENDS

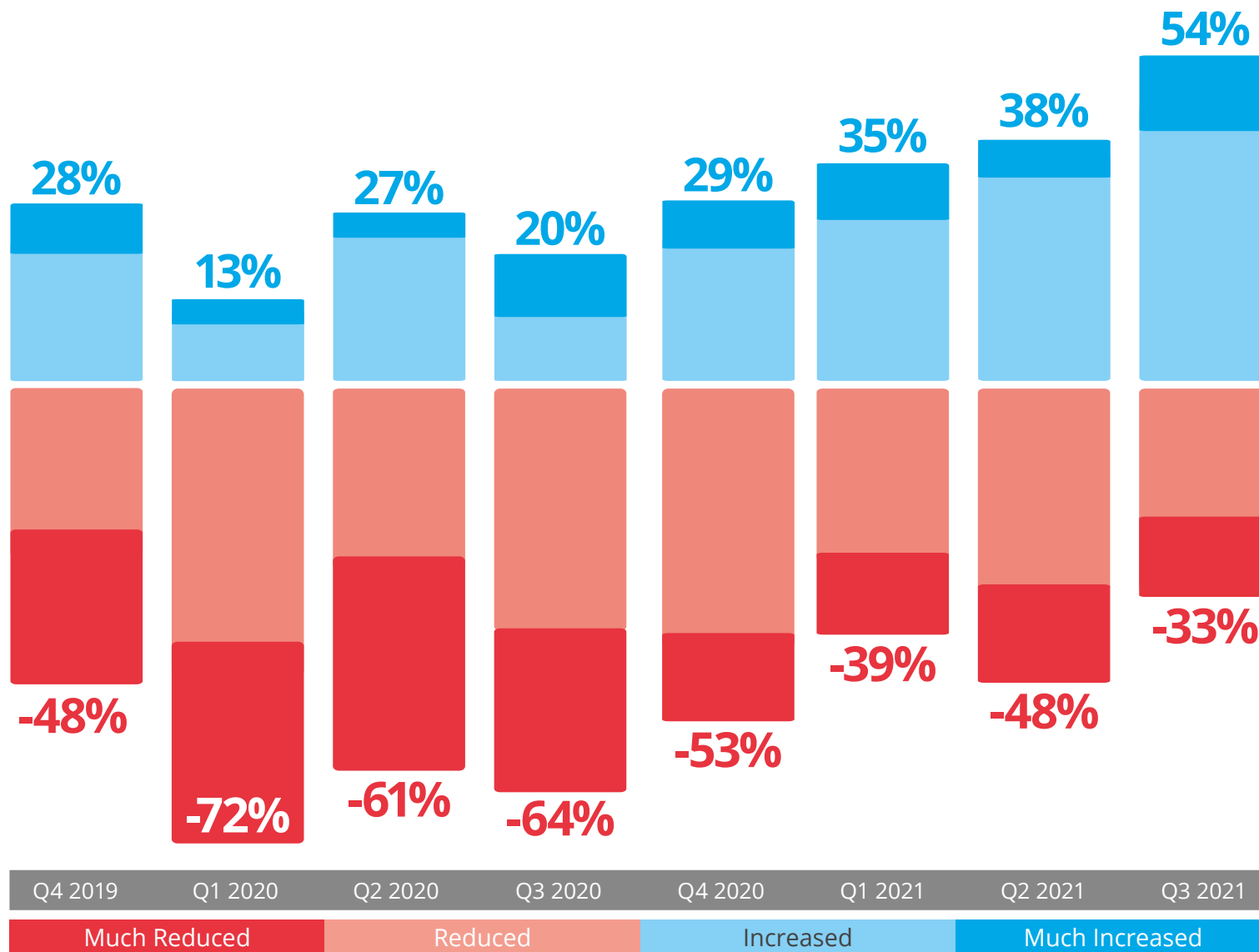
SOUTH EAST PAST SALES

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



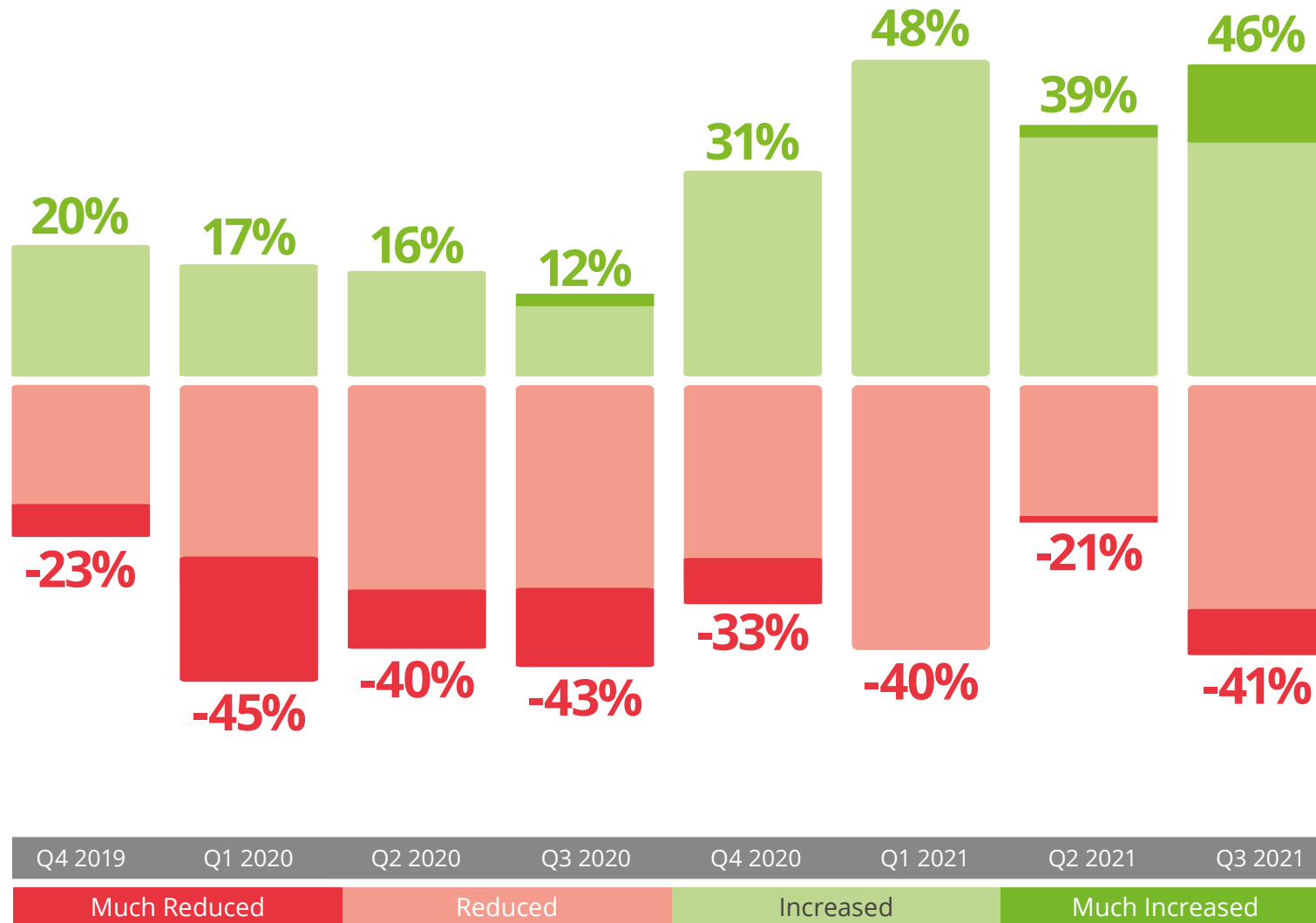


How profit has changed for SME manufacturers over the past six months...



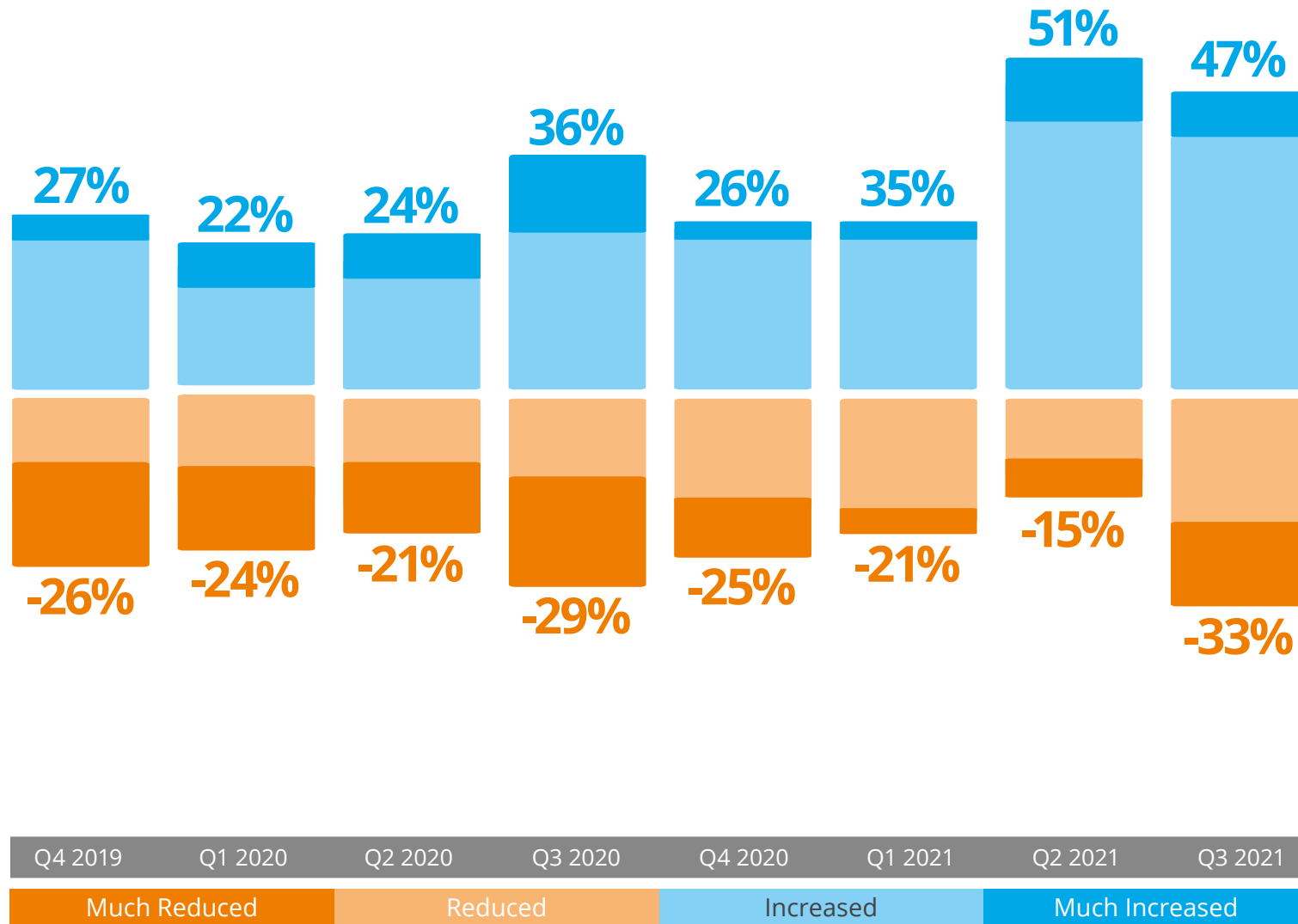


How staff numbers have changed for SME manufacturers over the past six months...



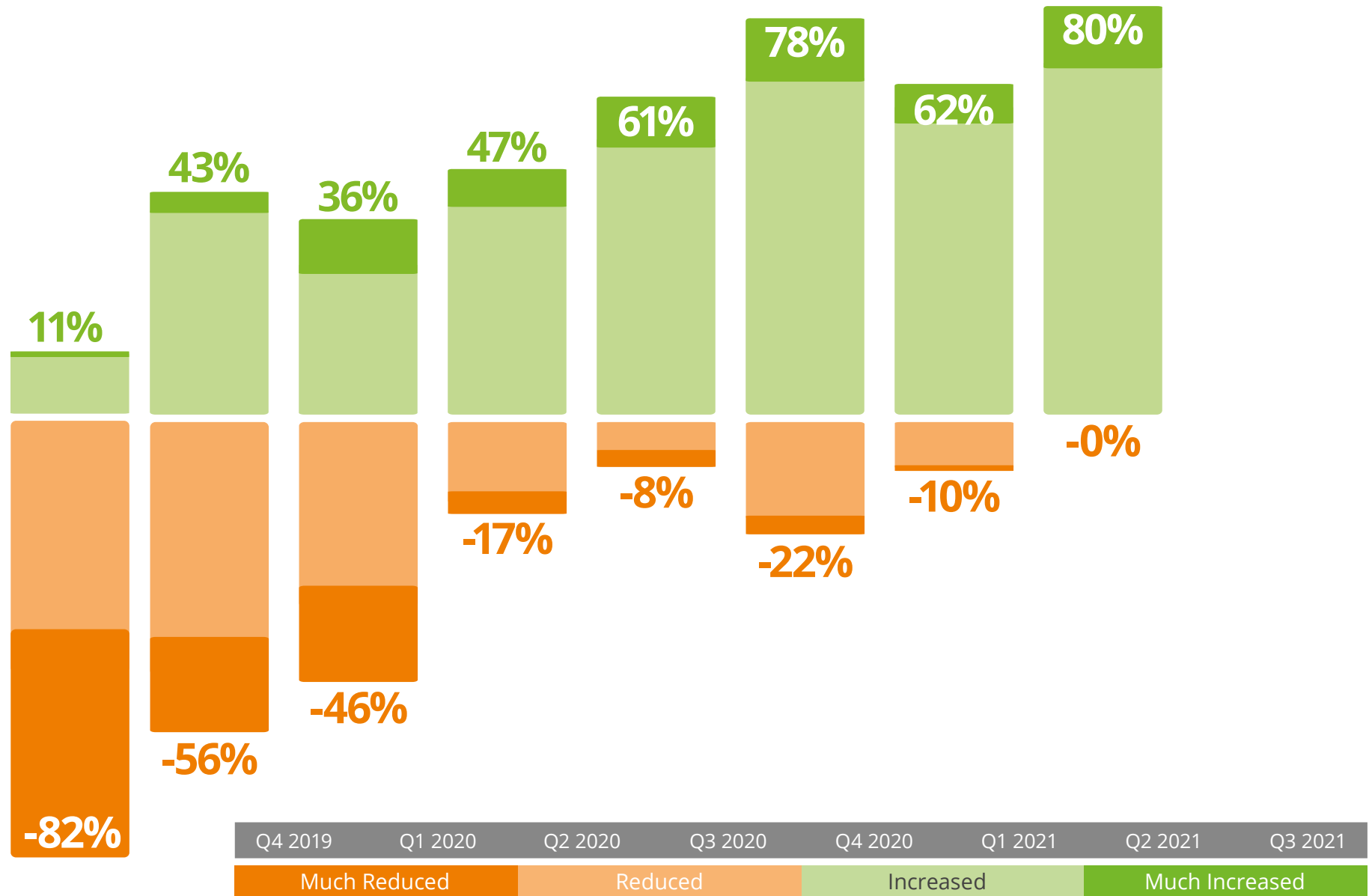


How investment in new machinery/premises
has changed for SME manufacturers
over the past six months...



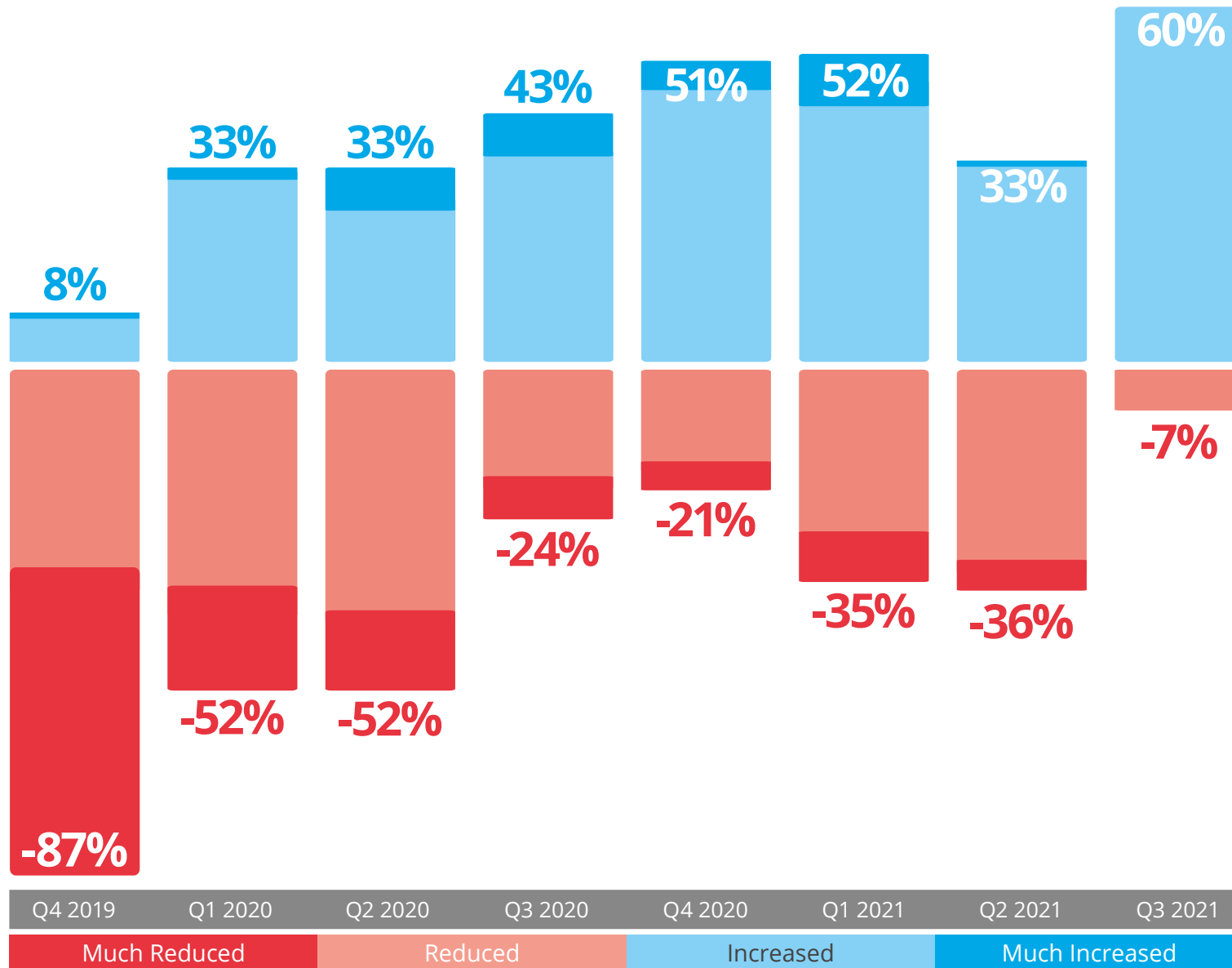


How SME manufacturers expect their sales turnover to change over the next six months...



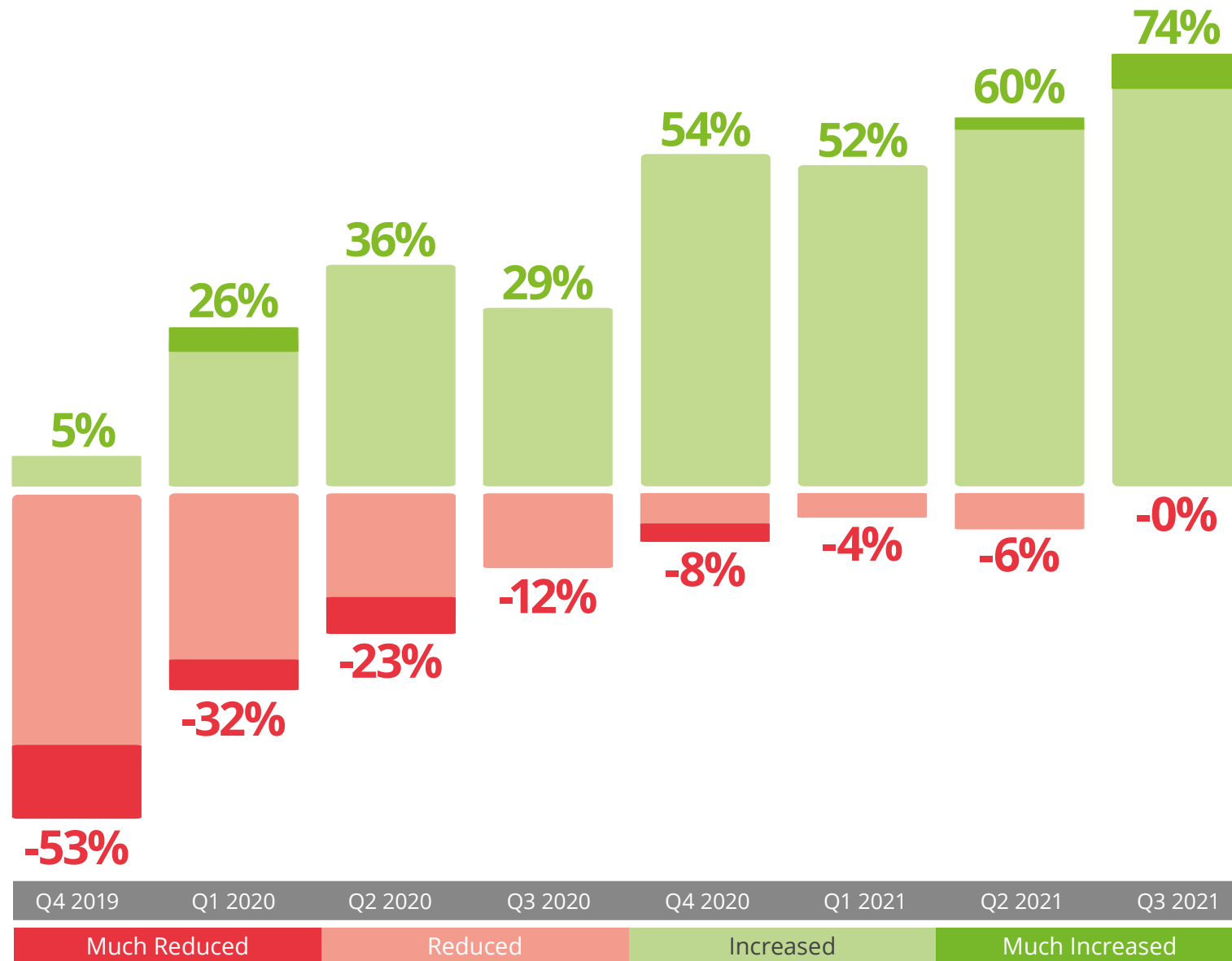


How SME manufacturers expect their profit to change over the next six months...



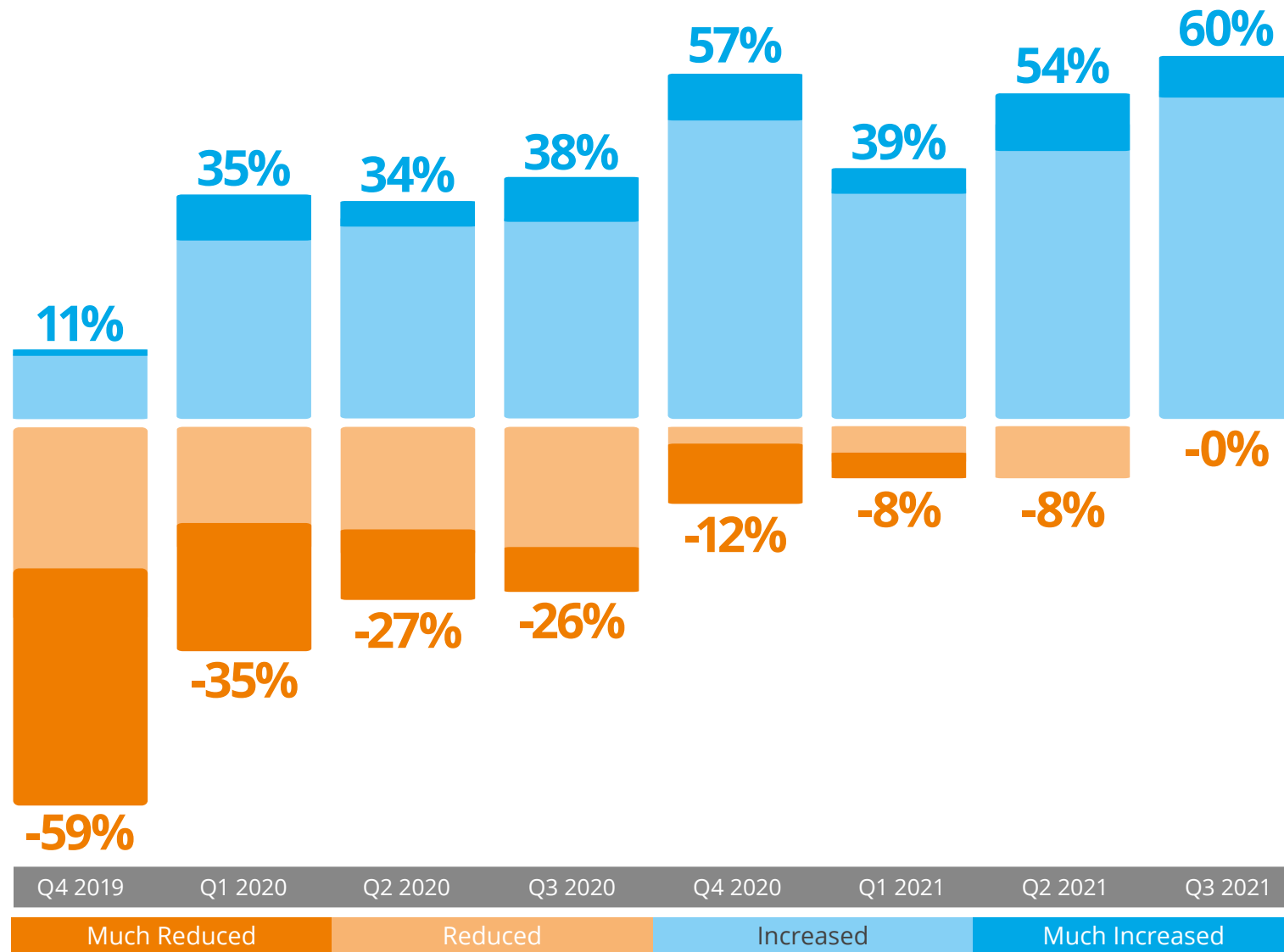


How SME manufacturers expect
staff numbers to change
over the next six months...





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



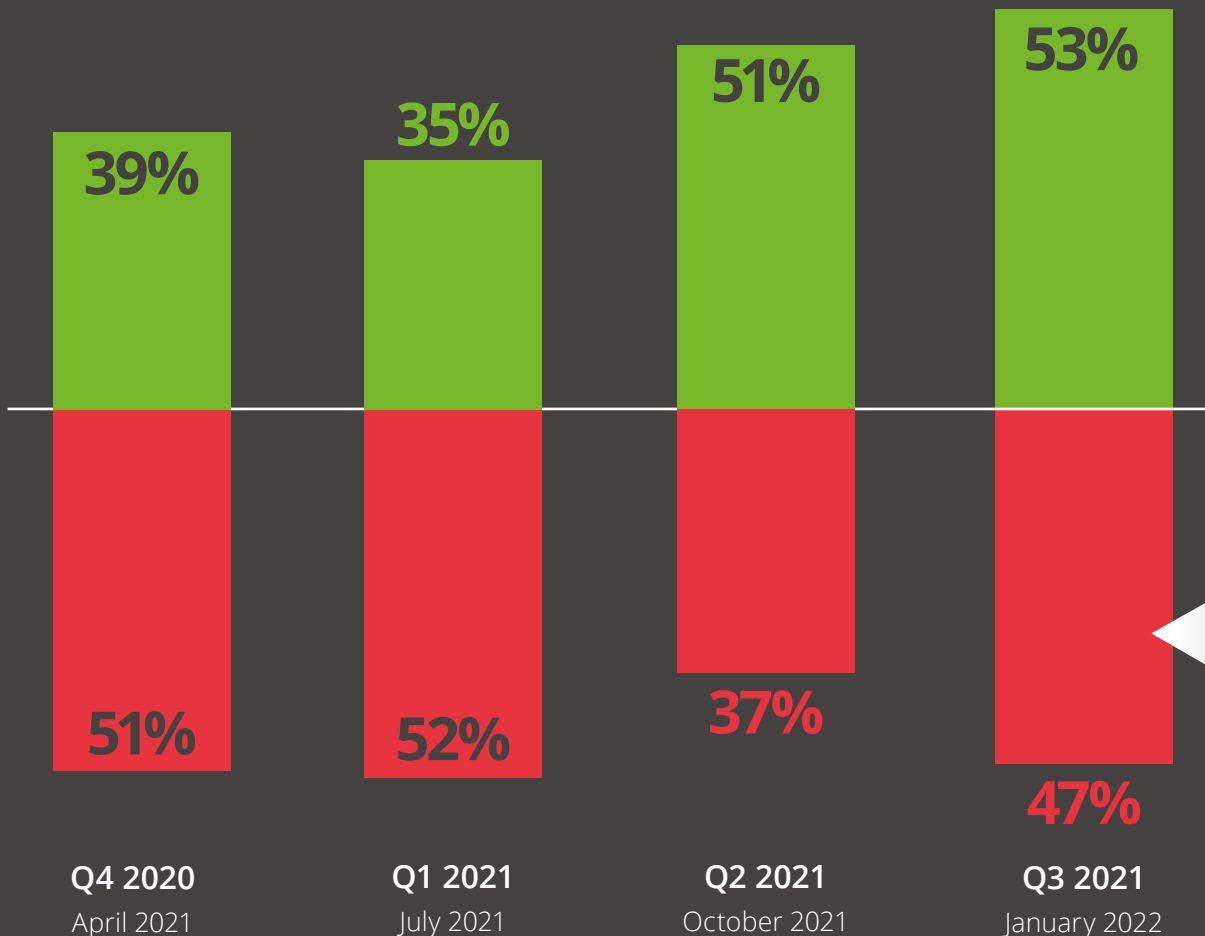
A summary of changes over the past six months and expected changes over the next six months...

	Much Reduced	Reduced	No Change	Increased	Much Increased
Past sales turnover	0%	13%	20%	47%	20%
Past profit	13%	20%	13%	41%	13%
Past staff numbers	8%	33%	13%	33%	13%
Past investment	13%	20%	20%	40%	7%
Future sales turnover	0%	0%	20%	67%	13%
Future profit	0%	7%	33%	60%	0%
Future staff numbers	0%	0%	26%	67%	7%
Future investment	0%	0%	40%	53%	7%



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...

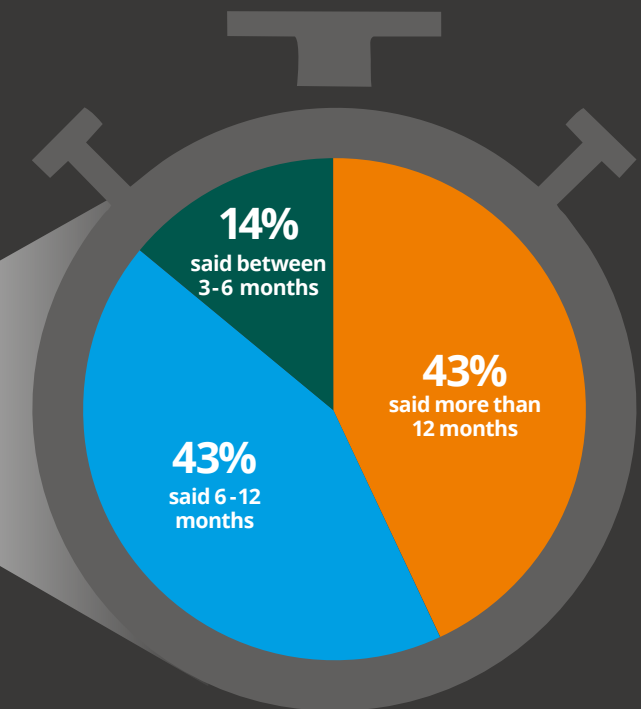


Increased

Reduced

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

We asked the **47%** of respondents now trading at **reduced levels** how long they expect recovery to take...



CORE TRENDS

WHAT DOES THIS DATA TELL US?

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 most of the SMEs surveyed this quarter, with 80% of firms expecting further sales growth over the next six months.

Furthermore, 60% 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

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 (53%) 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 several manufacturers.
- 🔥 47% of firms reported reduced levels of trade since the pandemic began, but over half of these (57%) 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 highlighted by South East businesses, the areas they plan to prioritise, and the factors they expect to impact the industry going forward...



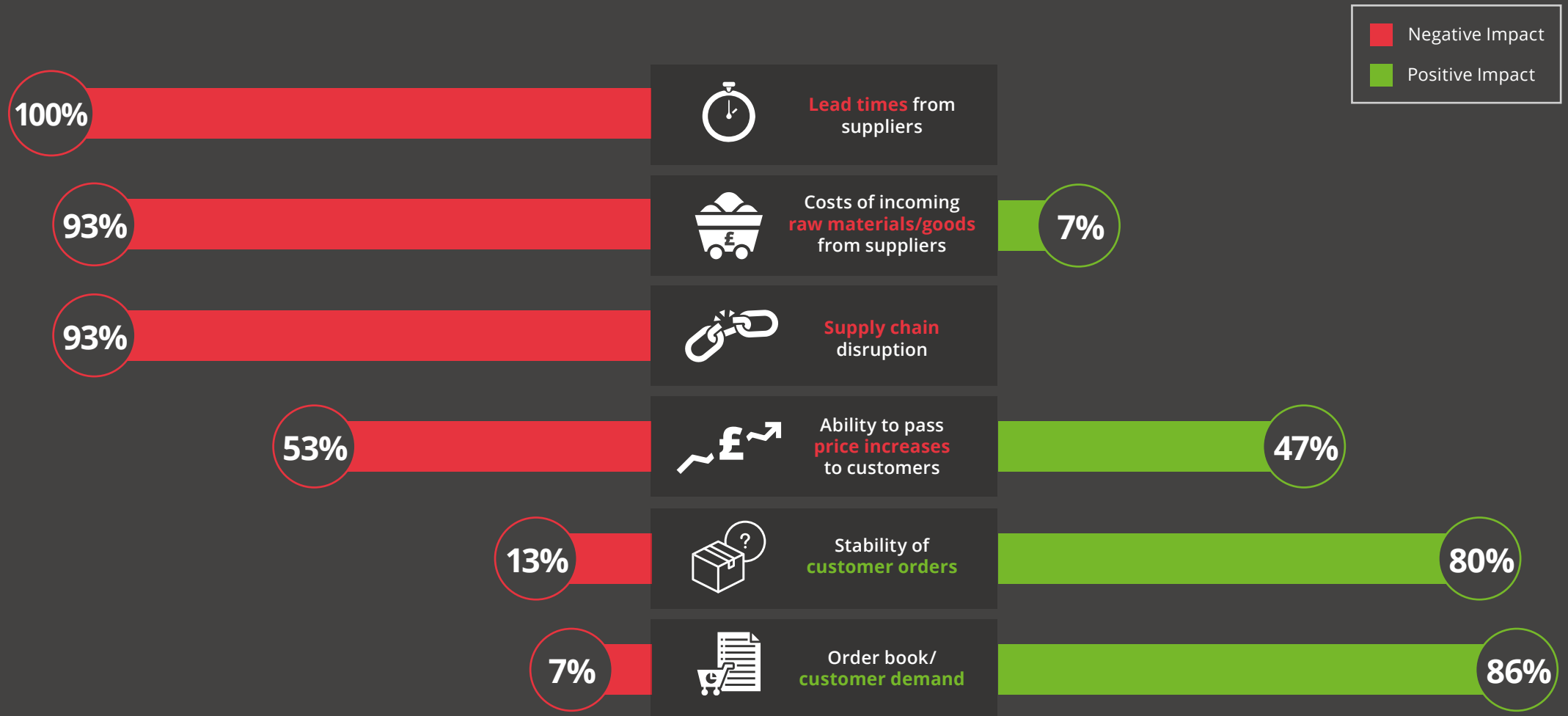
SPECIAL FOCUS **MANUFACTURING** **THE FUTURE** **(2022 AND BEYOND)**

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...

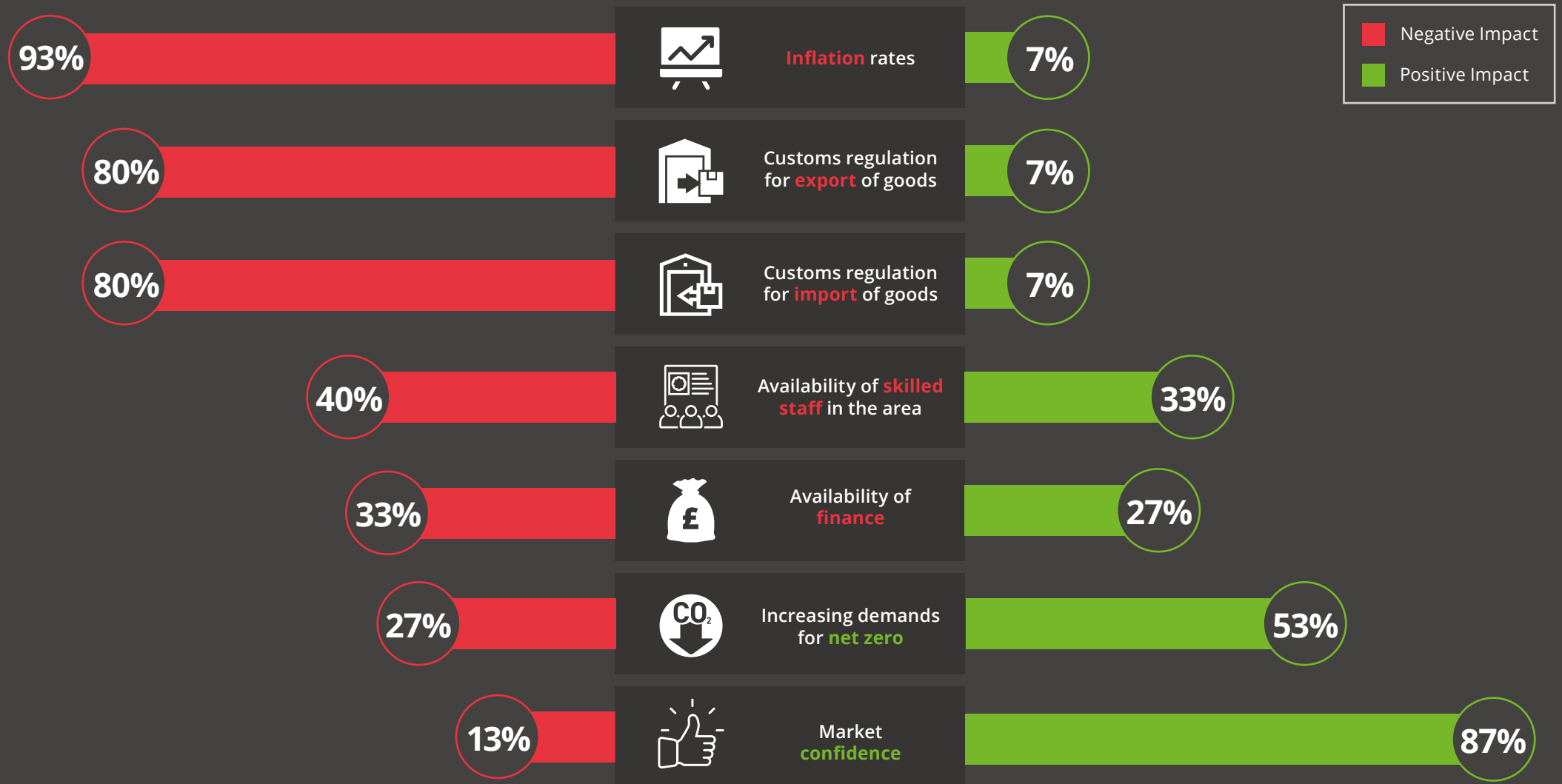


For each category, responses not shown = not applicable



SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

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

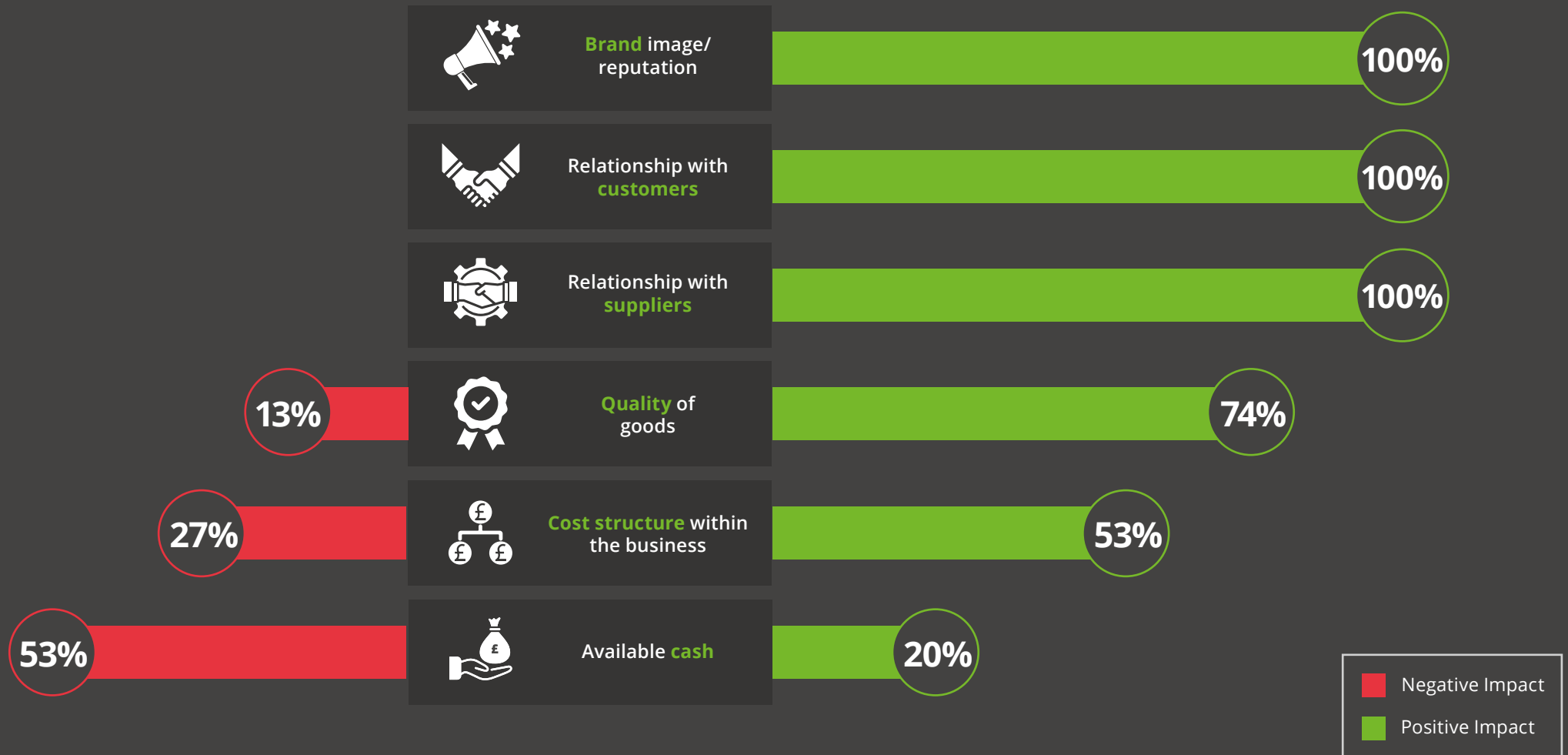


For each category, responses not shown = not applicable



SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

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

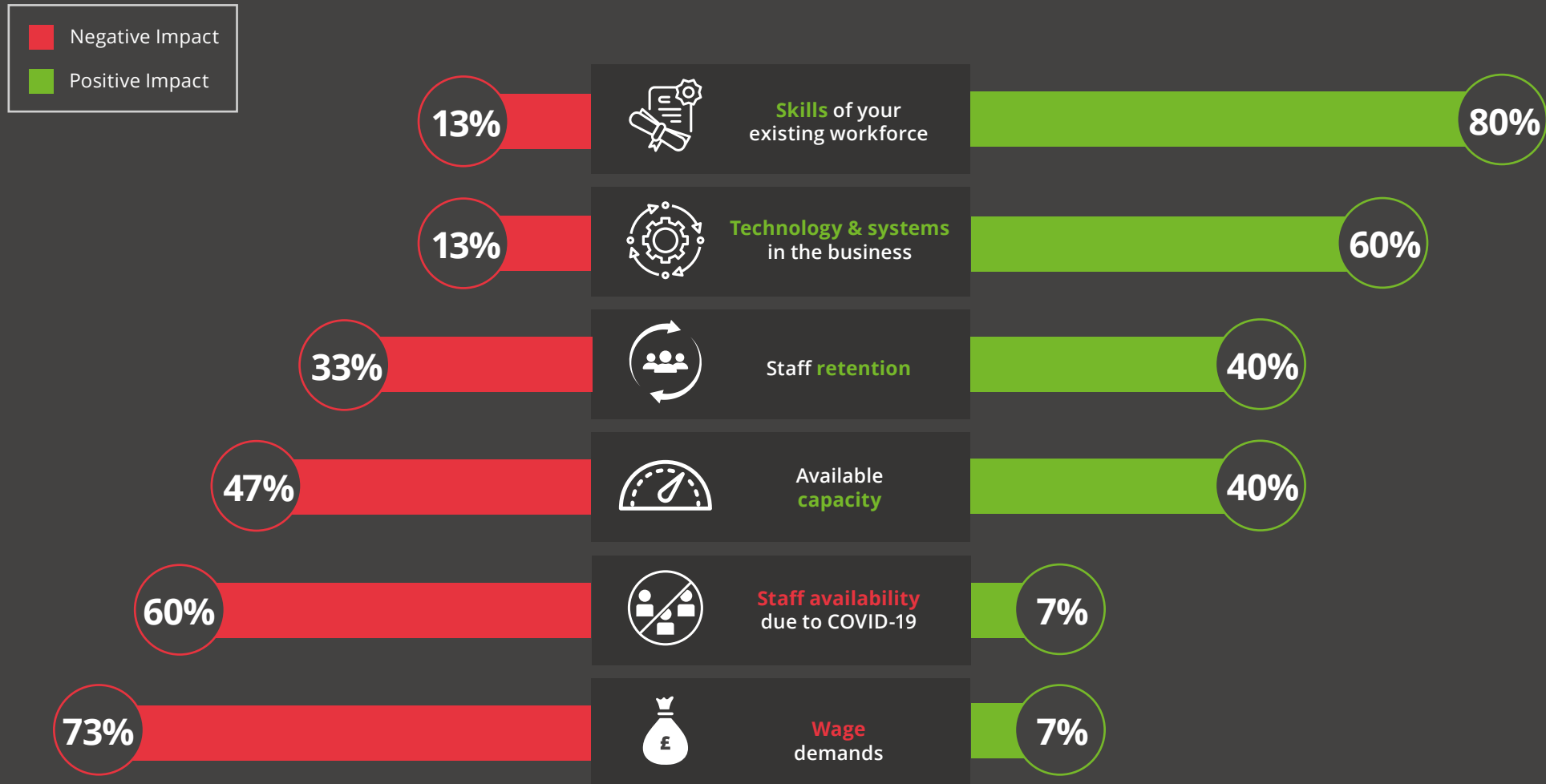


For each category, responses not shown = not applicable



SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

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

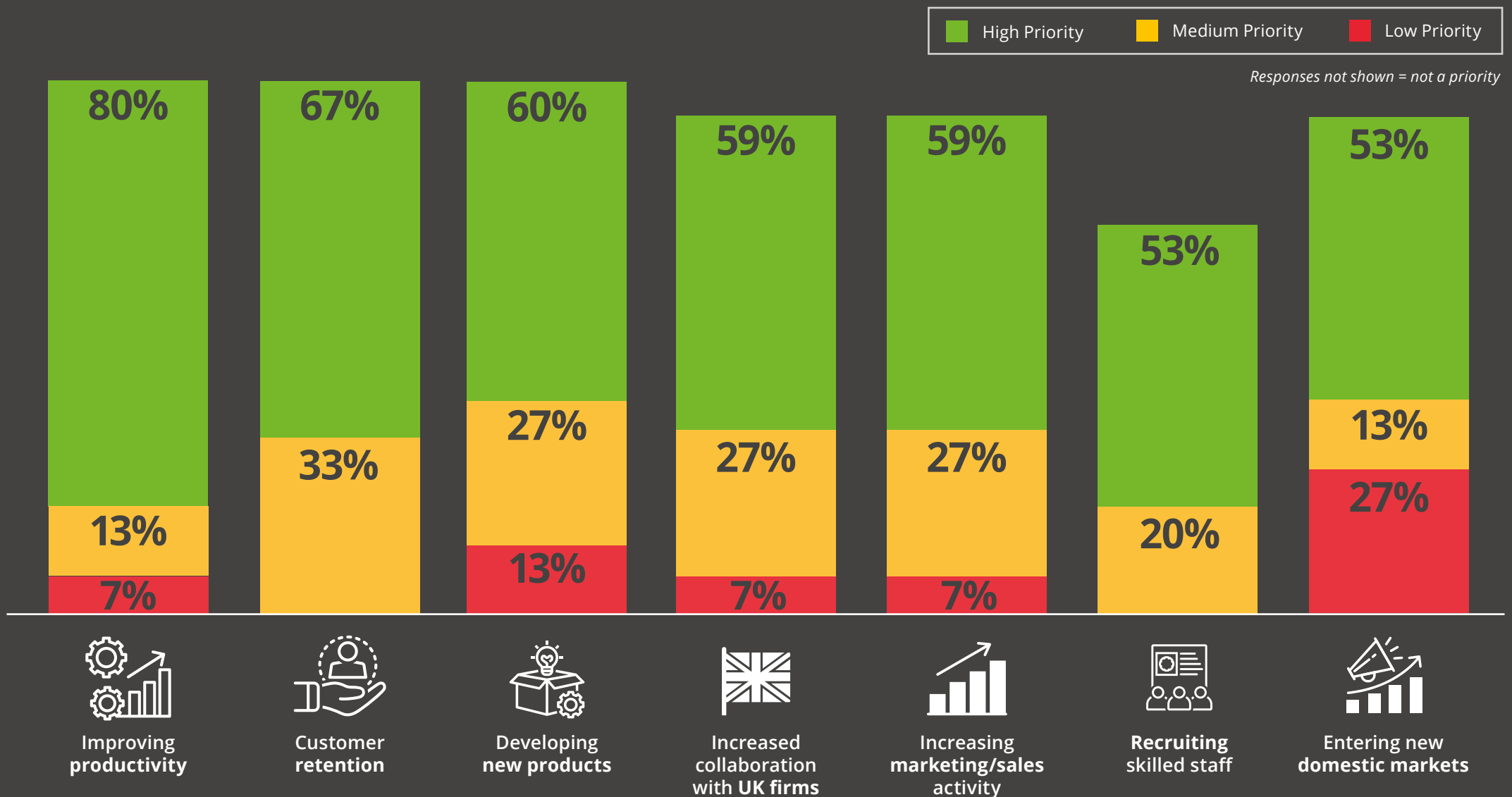


For each category, responses not shown = not applicable



SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

Future priorities for SME manufacturers from highest to lowest



Continued...

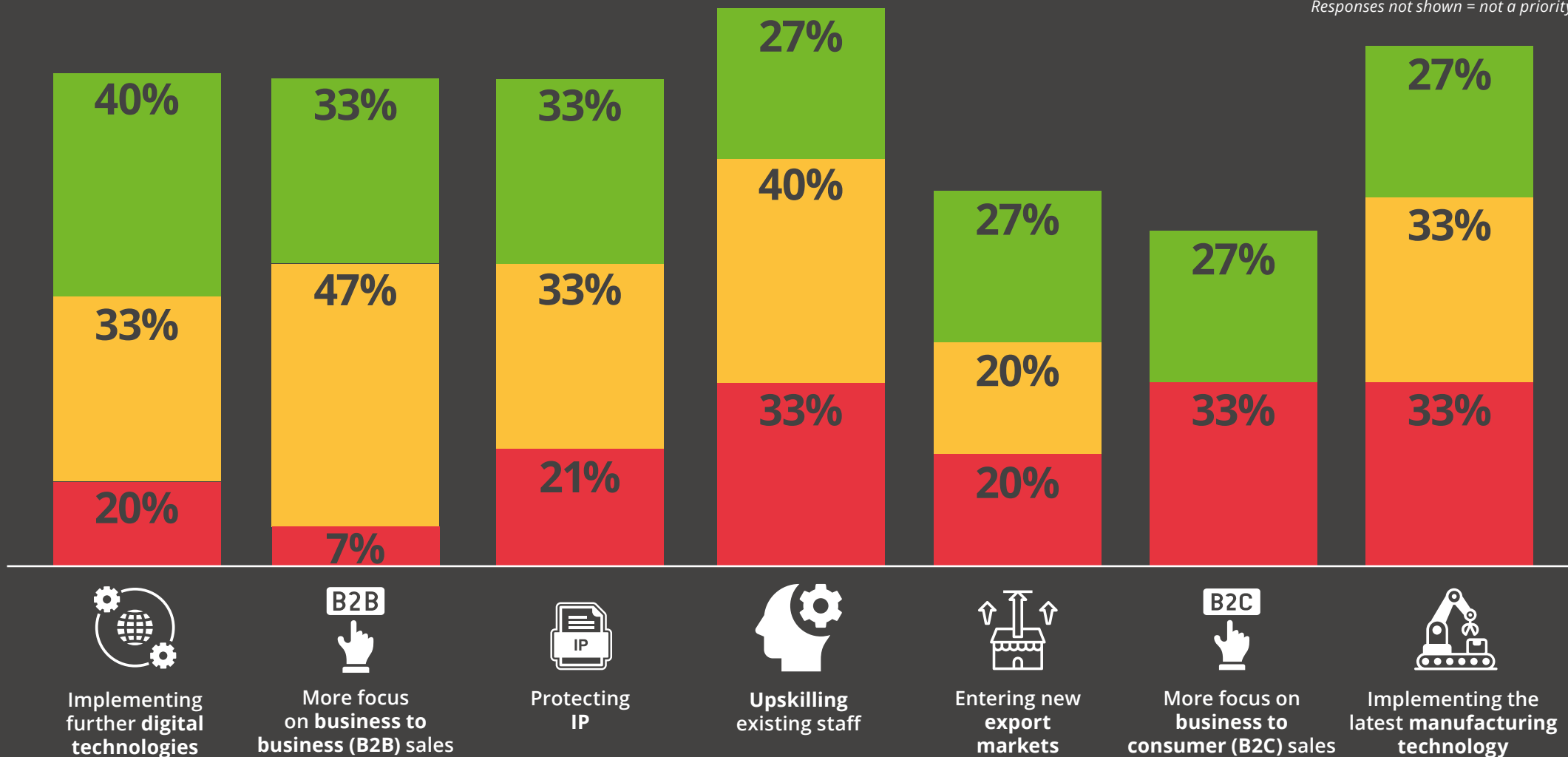


SPECIAL FOCUS: MANUFACTURING THE FUTURE (2022 AND BEYOND)

Future priorities for SME manufacturers from highest to lowest

High Priority Medium Priority Low Priority

Responses not shown = not a priority



SPECIAL FOCUS **MANUFACTURING THE FUTURE (2022 AND BEYOND)** IN SUMMARY...

This section uncovers the issues which could potentially help or hinder businesses growth prospects. It also provides 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, 86% of those questioned are experiencing positive levels of customer demand, and 87% 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. 100% 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 and the cost of raw materials from suppliers is having a negative impact on their business. This appears to be an ongoing problem for many businesses and could negatively impact performance and growth for UK manufacturing.

Unsurprisingly, general rates of inflation appear to be squeezing cashflow for many firms, with the vast majority of respondents (93%) saying this is

having a negative impact on their business. In addition, import and export regulations are causing concern for 80% of those questioned, and several 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 100% reporting positive relationships with their customers and suppliers. 80% are confident in the skills they currently have within their existing workforce, but 60% are experiencing issues with staff availability due to COVID-19.

Looking after customers and suppliers is the top concern for many SME manufacturers. To help protect their order book and ensure future sales growth, a massive 100% of respondents cited 'customer retention' as a high or medium business priority. 80% plan to focus on improving productivity within their organisation. 86% intend to increase marketing and sales activity, with 87% planning to develop new products in the near future.

In addition, 59% plan to focus on Increased collaboration with UK firms, and 53% 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.



SOUTH EAST BUSINESS ASPIRATIONS

“

Short term is to end the financial year in profit. Medium term is to engage and train new staff and long term is to switch to the more profitable sales direct to consumers rather than trade customers.

“

We are now growing a software business, along with our product design led manufacturing business which will enable us to offer a full business solution. This will bolster subscription/ service ongoing revenue. Medium- long term – generate more acquisitions and move into a much larger premises.

“

Increase collaborations with other manufacturers and continue to automate wherever possible.

“

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 to improve manufacturing processes to enable us to continue to grow and expand.

SME MANUFACTURERS - MAKE YOUR VOICE HEARD!

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

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, more companies are trading at increased levels compared to their pre-pandemic position, showing that recovery appears to be underway for most 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 several 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 developing new products 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 several 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?

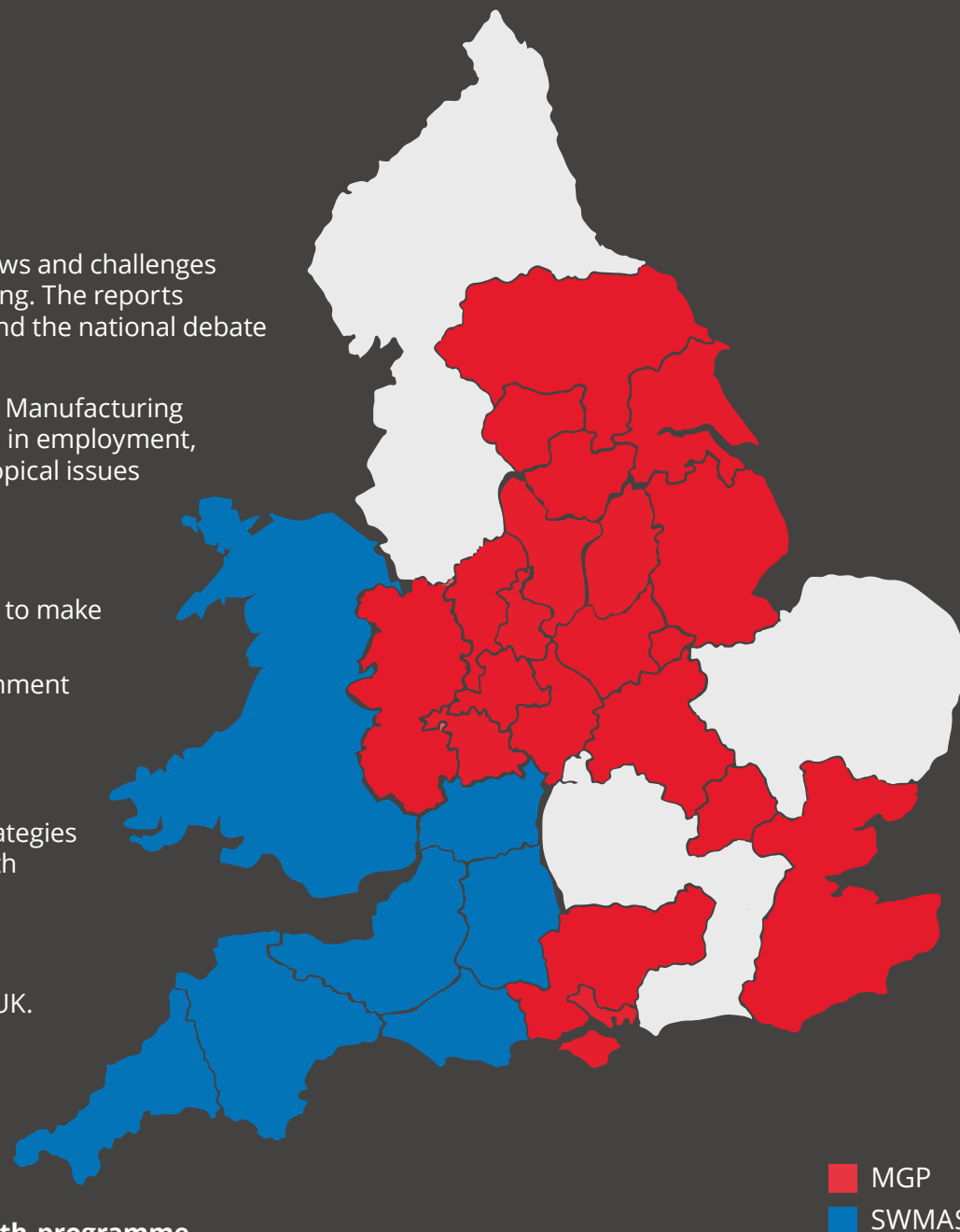
SWMAS and **MGP** are experts in productivity and growth and provide fully funded, bespoke support to SME manufacturers across 23 LEP areas in seven regions of the UK.

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:

enquiries@oxin.co.uk | 01664 501304

www.manufacturinggrowthprogramme.co.uk

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