



# MANUFACTURING barometer

**SPECIAL FOCUS: RESOURCES AND RECRUITMENT**

**NATIONAL REPORT FOR Q2 2021/22**

JULY, AUGUST, SEPTEMBER 2021 - SURVEYED IN OCTOBER 2021

**SWMAS** 

IN PARTNERSHIP WITH  
 **Manufacturing**  
Growth Programme

# INTRODUCTION

Welcome to the Manufacturing Barometer Report for Q2 2021 (covering July, August, and September 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.

## CONTENTS

🎯 Survey Demographics.....	04
🎯 Core Trends .....	07
🎯 Trading Through Current Conditions .....	16
🎯 Special Focus: Resources and Recruitment.....	19
🎯 Good News Stories.....	26
🎯 Business Aspirations .....	27
🎯 Special Focus in Summary .....	28
🎯 Conclusion .....	29
🎯 About The Manufacturing Barometer .....	30

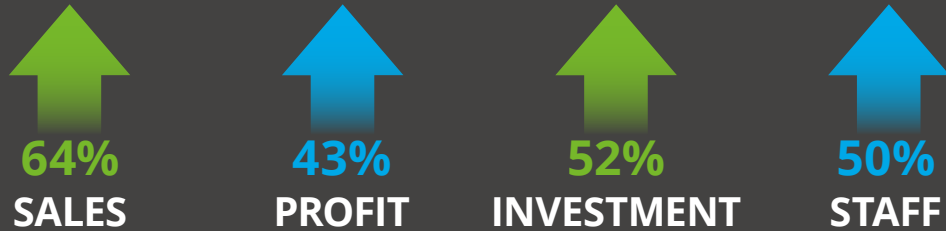


To be directed to the relevant page, please click on the page numbers.  
To return back to the Contents Page, please click on the Barometer logo in the footer of each page.

# KEY FINDINGS

## CORE TRENDS

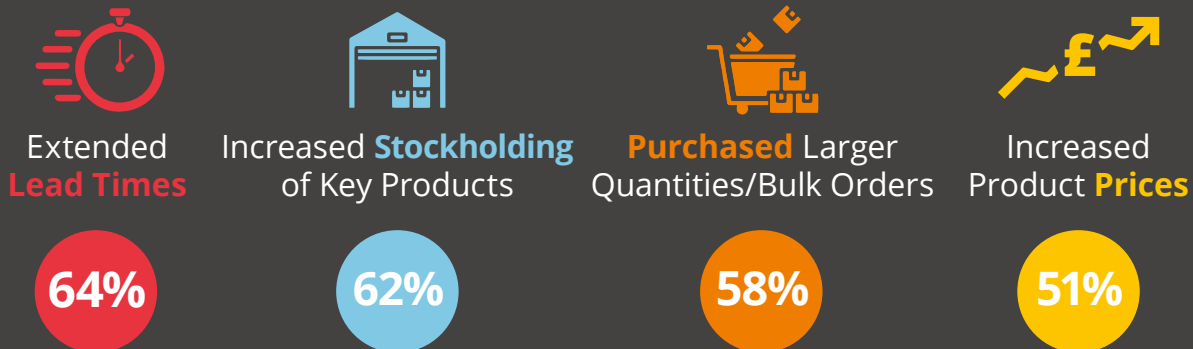
This report shows positive predictions, with the **majority** of respondents expecting **increases** over the next six months...



For the first time in over a year, the percentage of respondents **trading at increased levels** is **higher** than the percentage who have reported reduced trade!



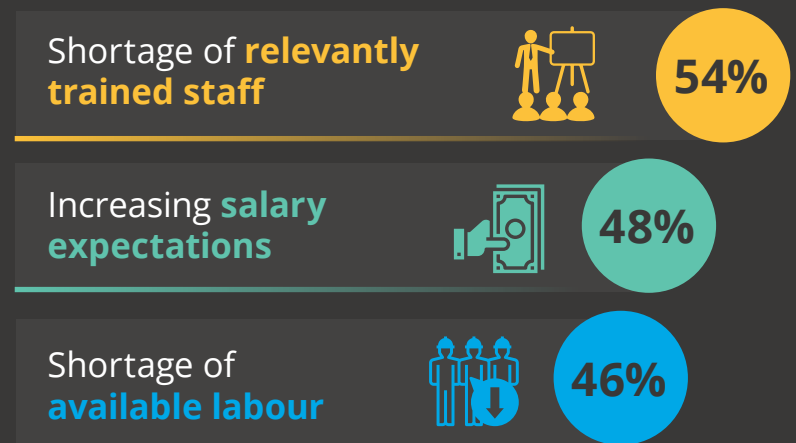
Manufacturers are still experiencing significant **supply chain challenges** and respondents have taken the following actions to protect profits...



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



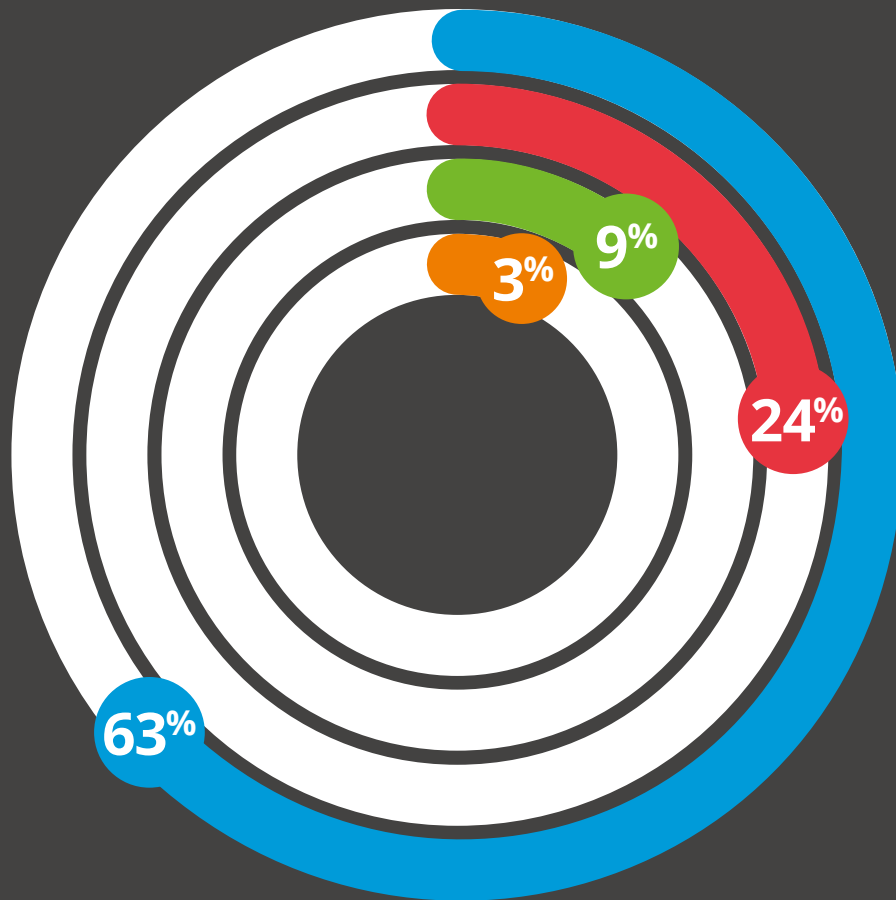
believed to be caused by the following factors...



Manufacturing is recovering, but current supply chain and recruitment issues are making it hard for businesses to meet heightened demand. Read on to learn more...

# NATIONAL SURVEY DEMOGRAPHICS

405 RESPONDENTS



## 87%

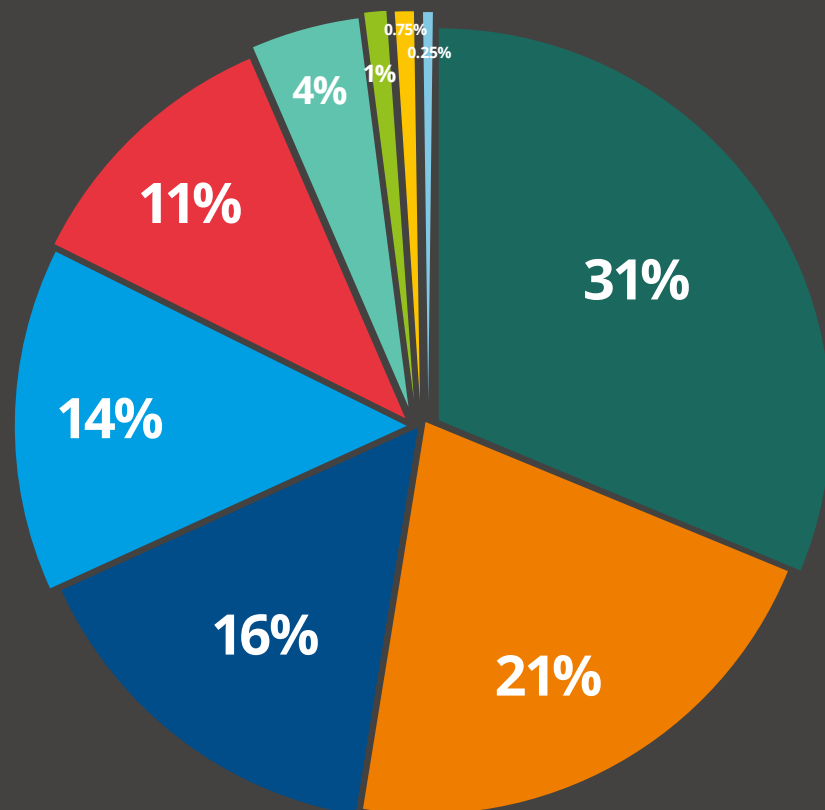
OF RESPONDENTS ARE:

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

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



# NATIONAL



- West Midlands
- South East
- North West
- South West
- East Midlands
- Wales
- Yorkshire & Humber
- East of England
- Scotland

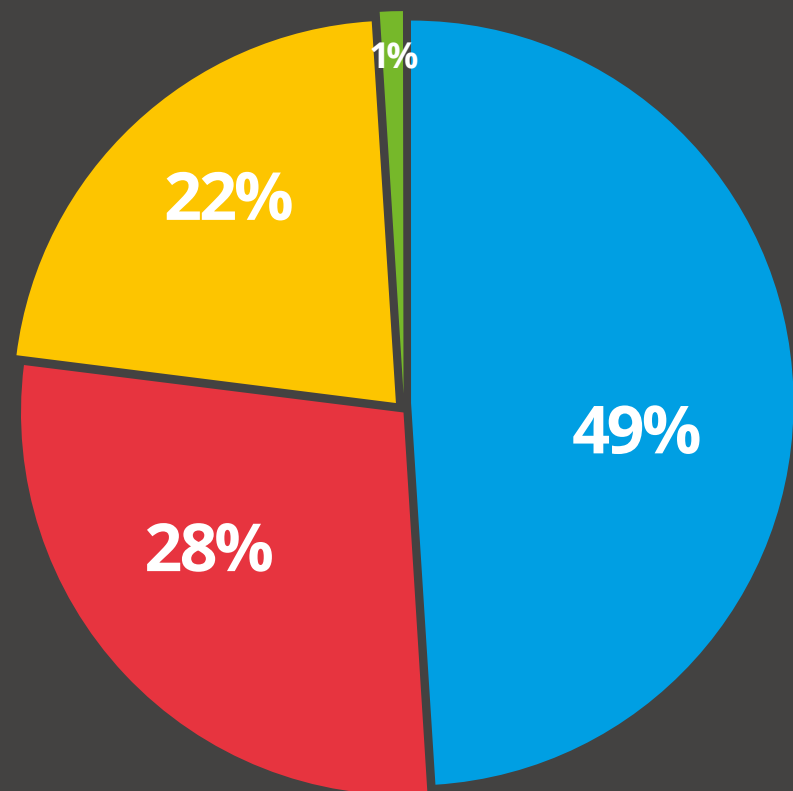
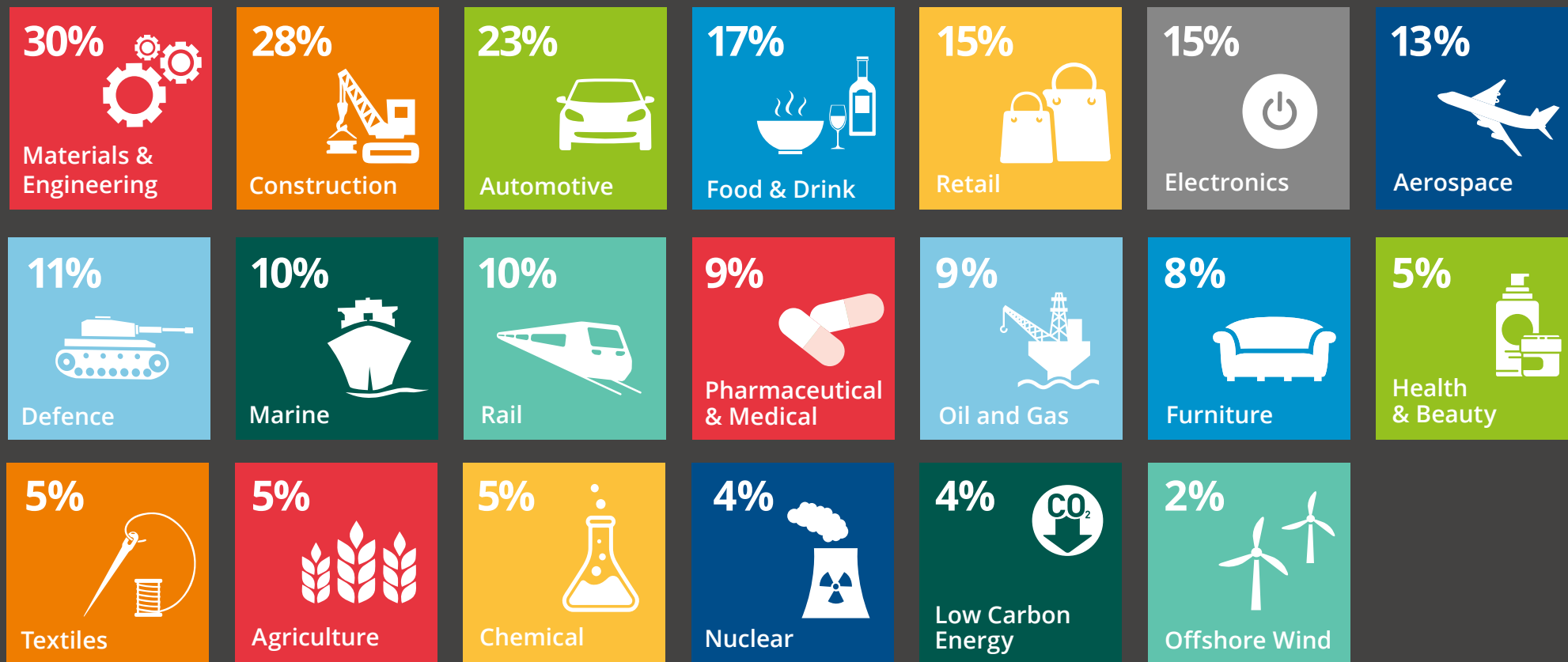


Diagram illustrating the four types of businesses:

- Sole Trader** (Green circle)
- Micro** (Red circle) *0-9 employees*
- Small** (Blue circle) *10-49 employees*
- Medium** (Yellow circle) *50-249 employees*

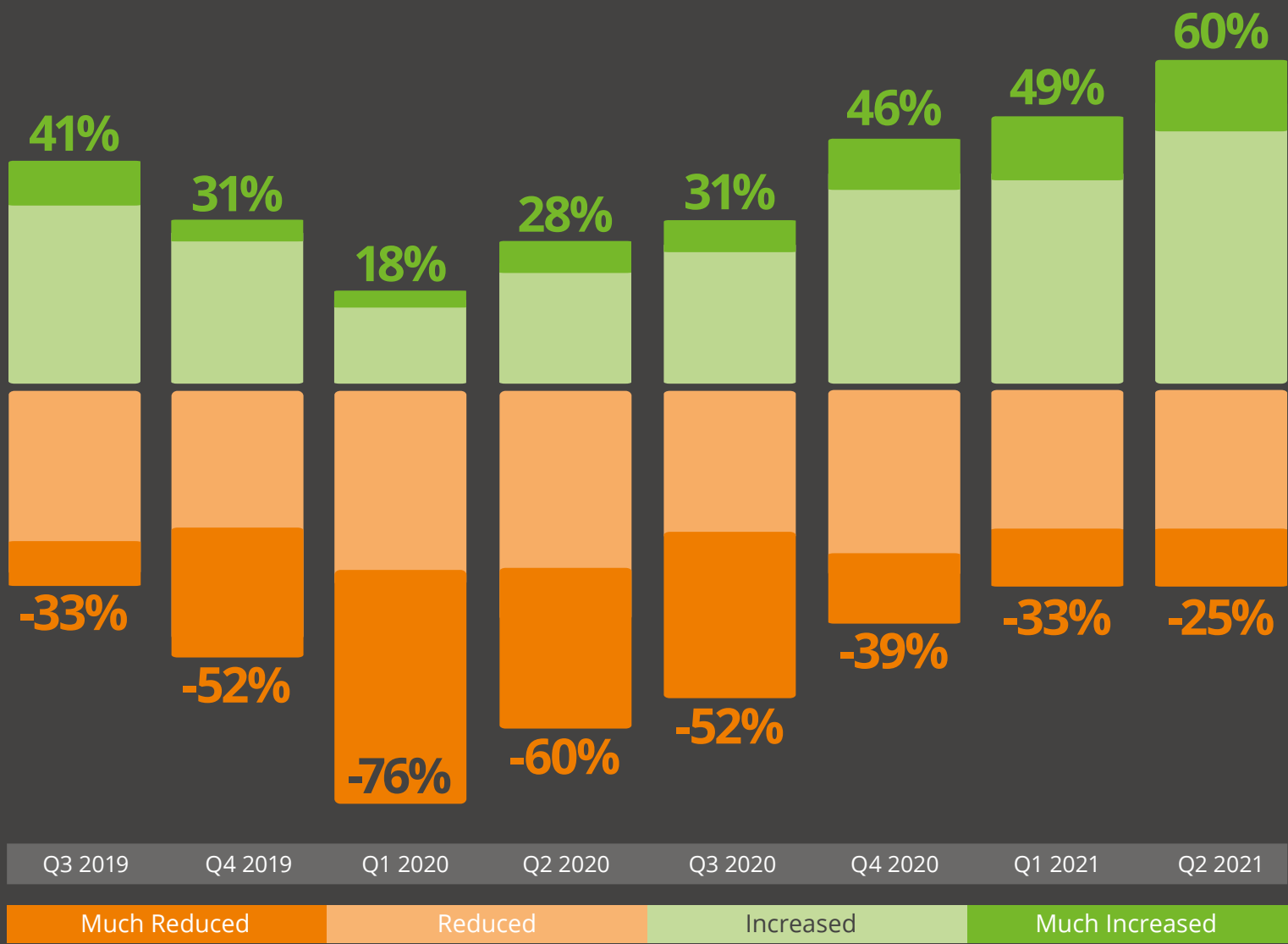
# NATIONAL SURVEY DEMOGRAPHICS

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



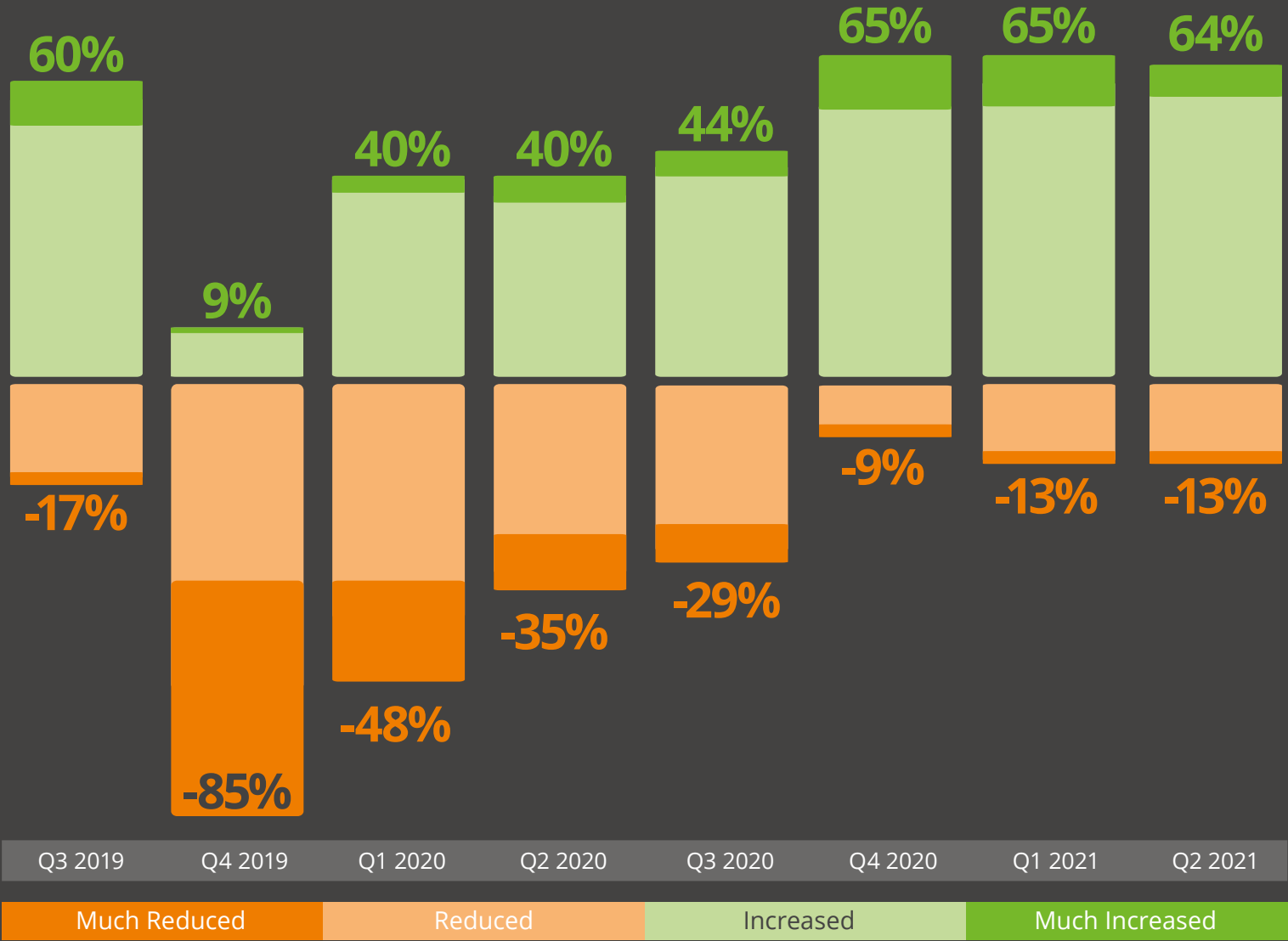
# NATIONAL PAST SALES

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



# NATIONAL FUTURE SALES

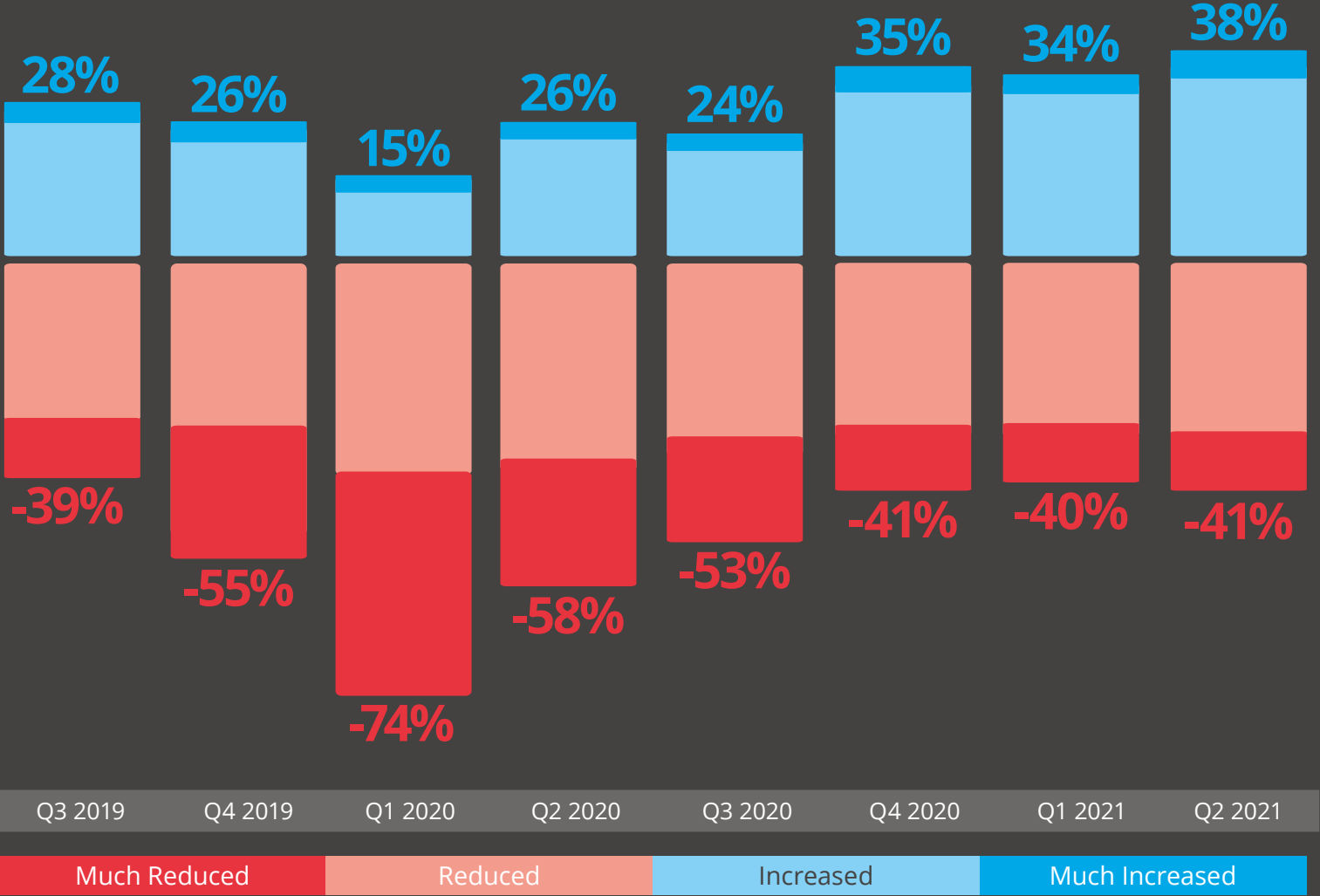
How SME manufacturers expect their sales turnover to change over the next six months...





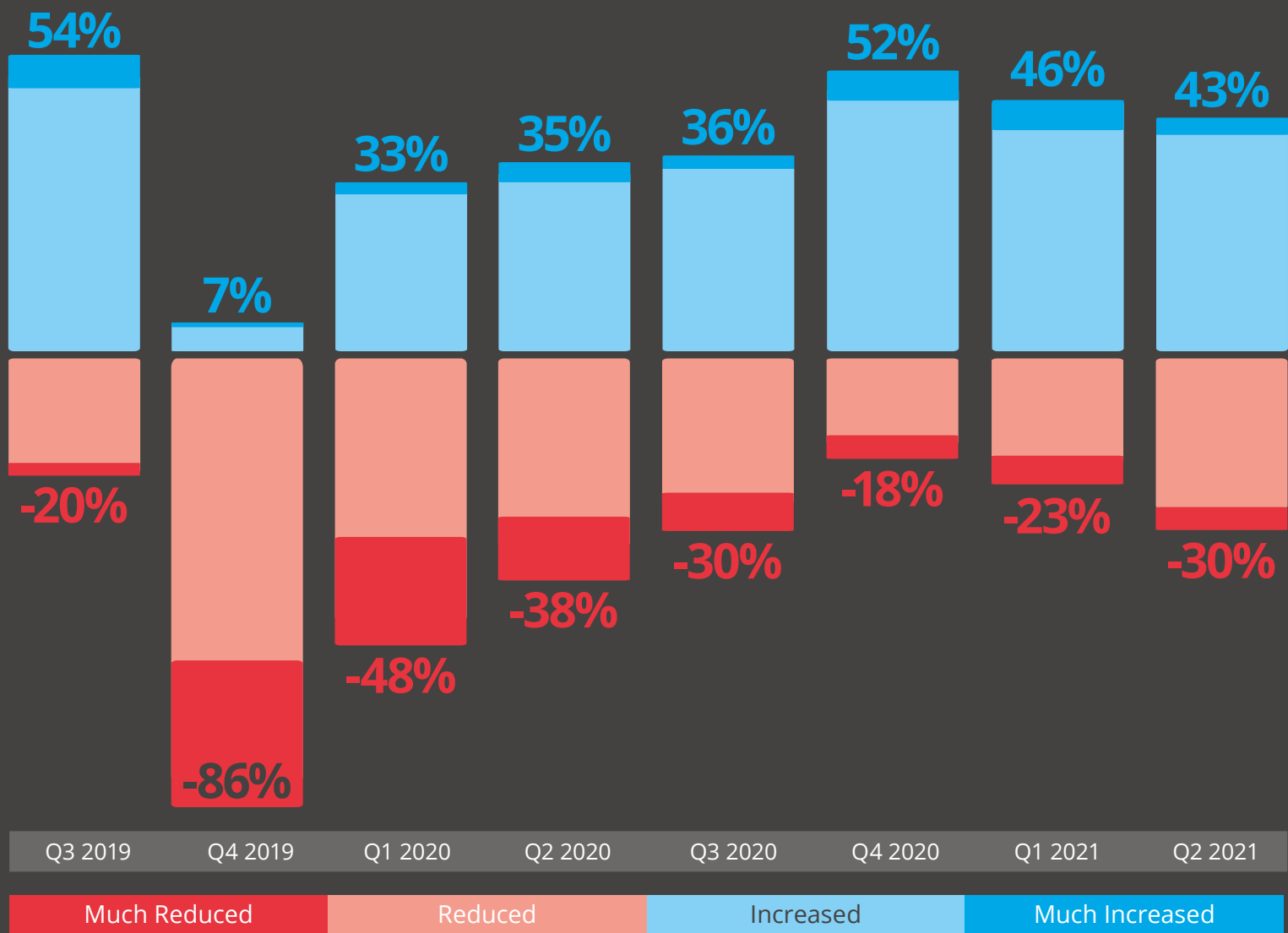
# NATIONAL PAST PROFITS

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



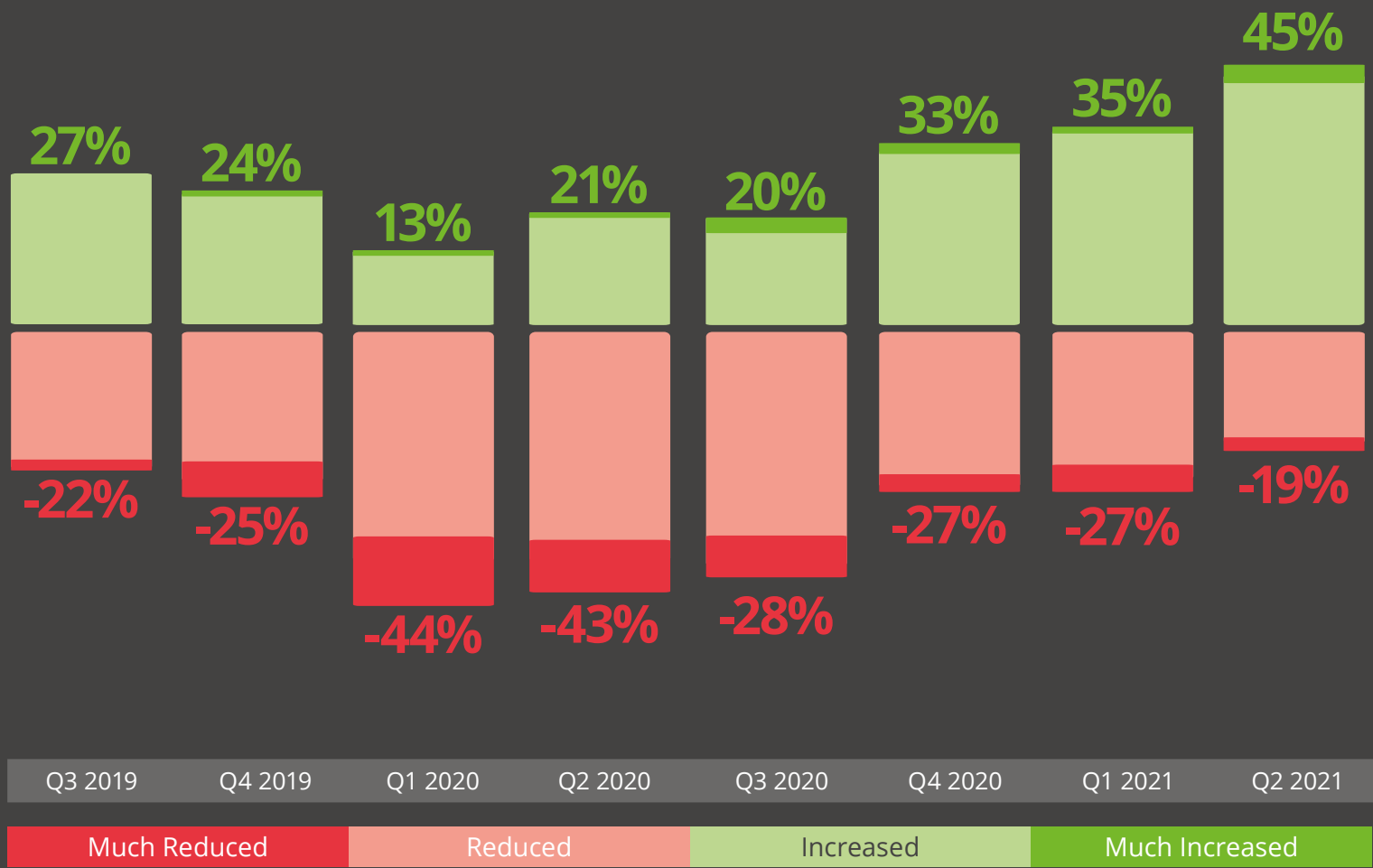
# NATIONAL FUTURE PROFITS

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



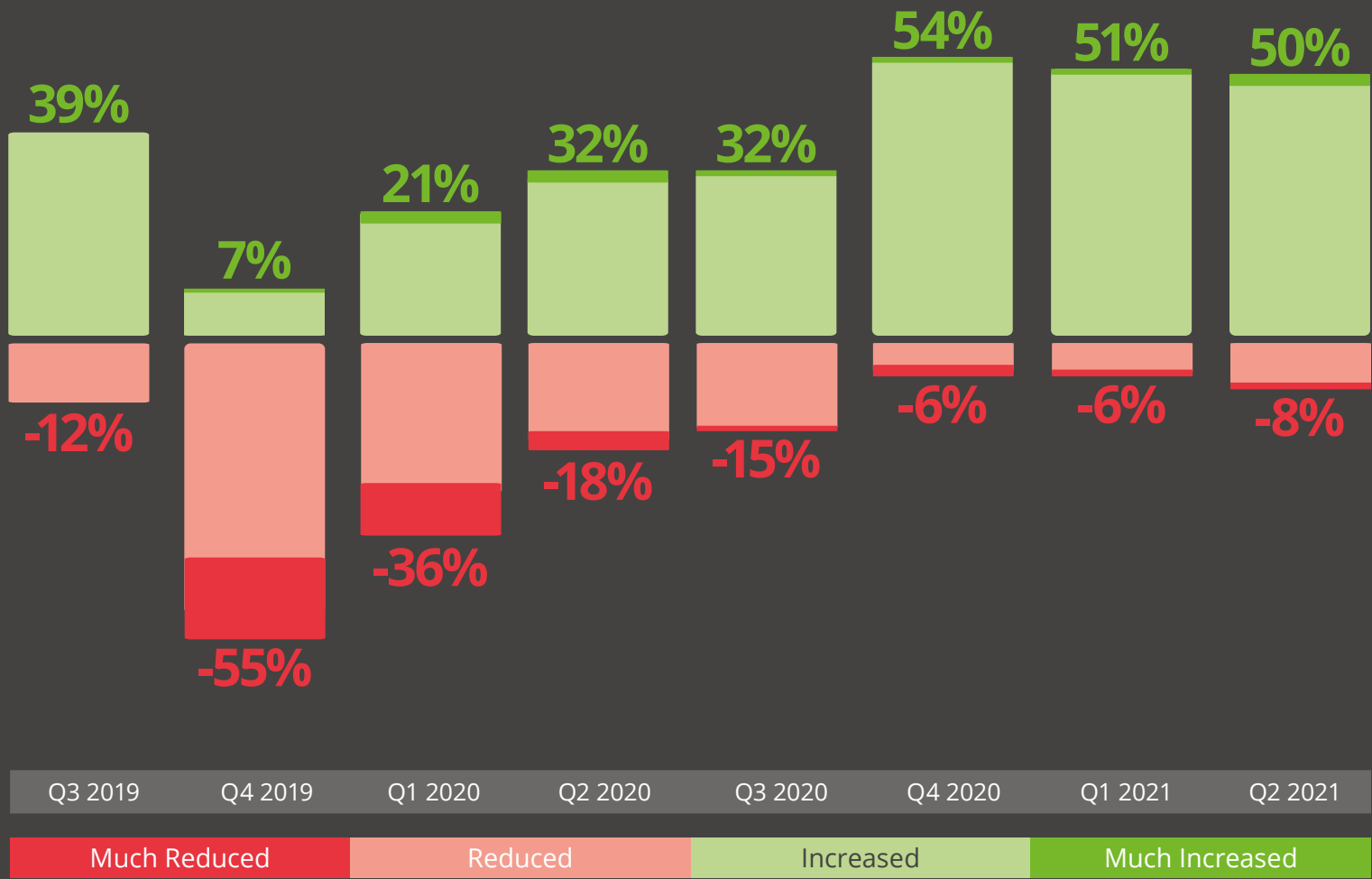
# NATIONAL PAST EMPLOYMENT

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



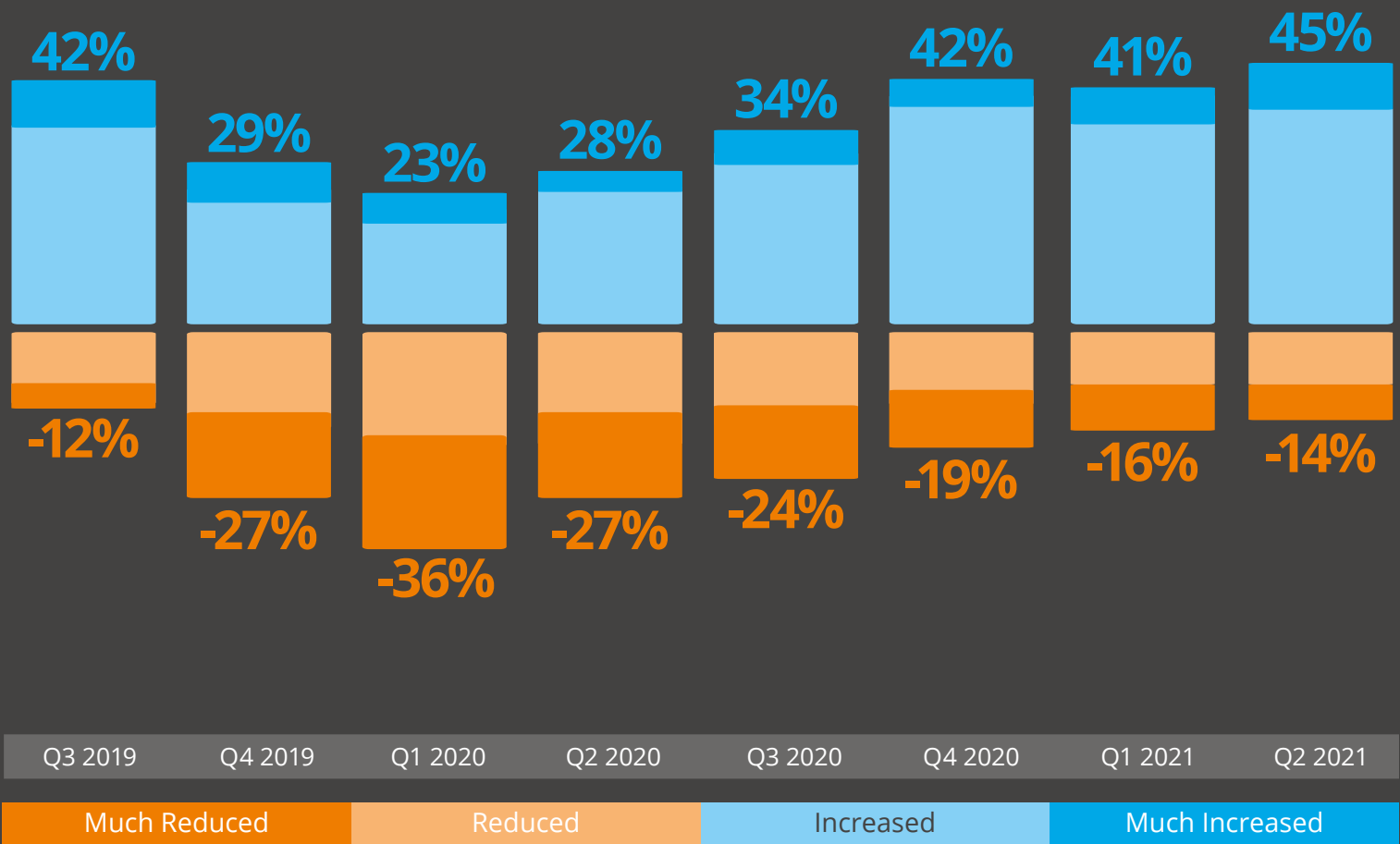
# NATIONAL FUTURE EMPLOYMENT

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



# NATIONAL PAST CAPITAL INVESTMENT

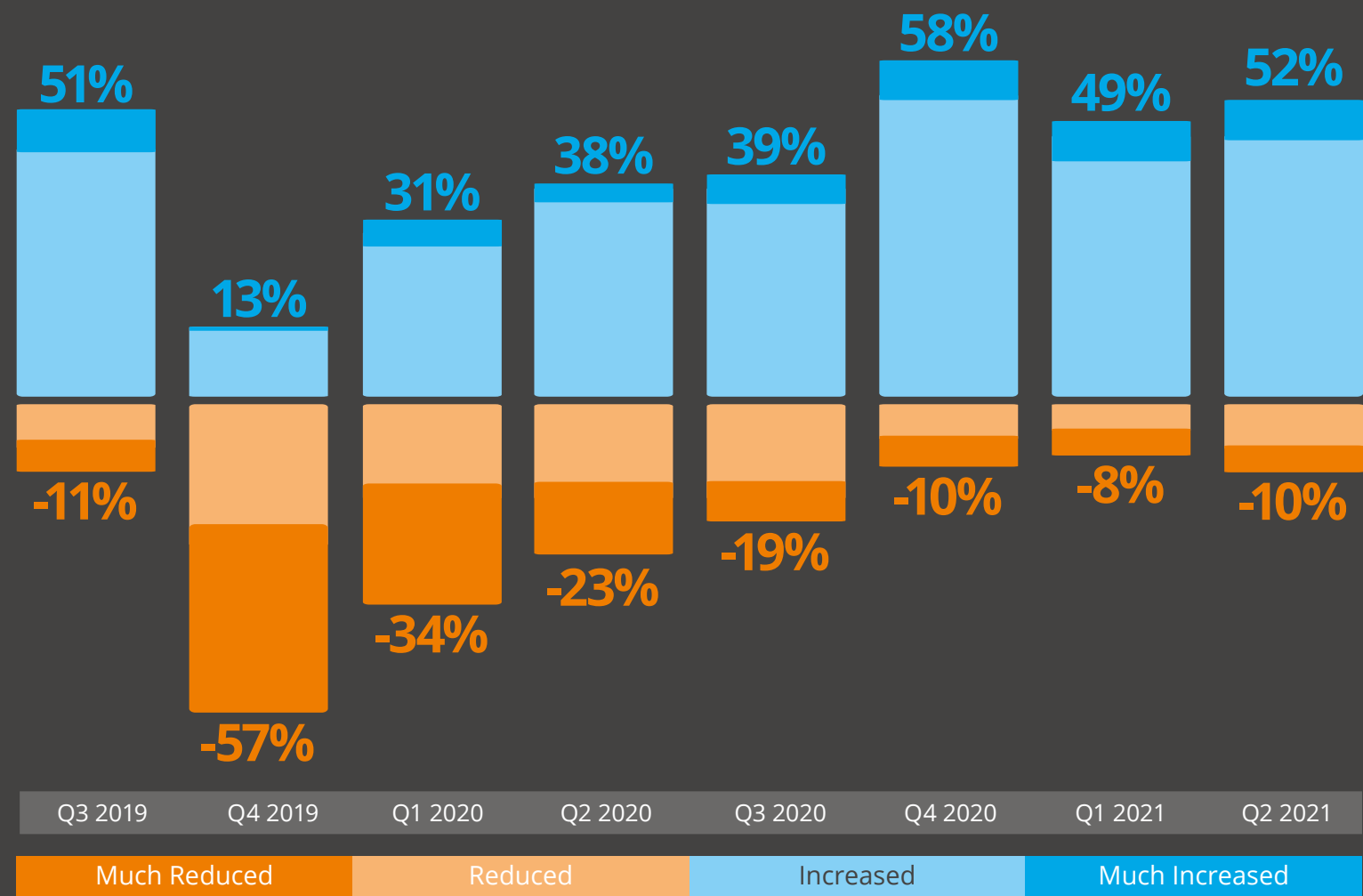
How investment in new machinery/premises has changed for SME manufacturers over the past six months...



CORE TRENDS

NATIONAL FUTURE CAPITAL INVESTMENT

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



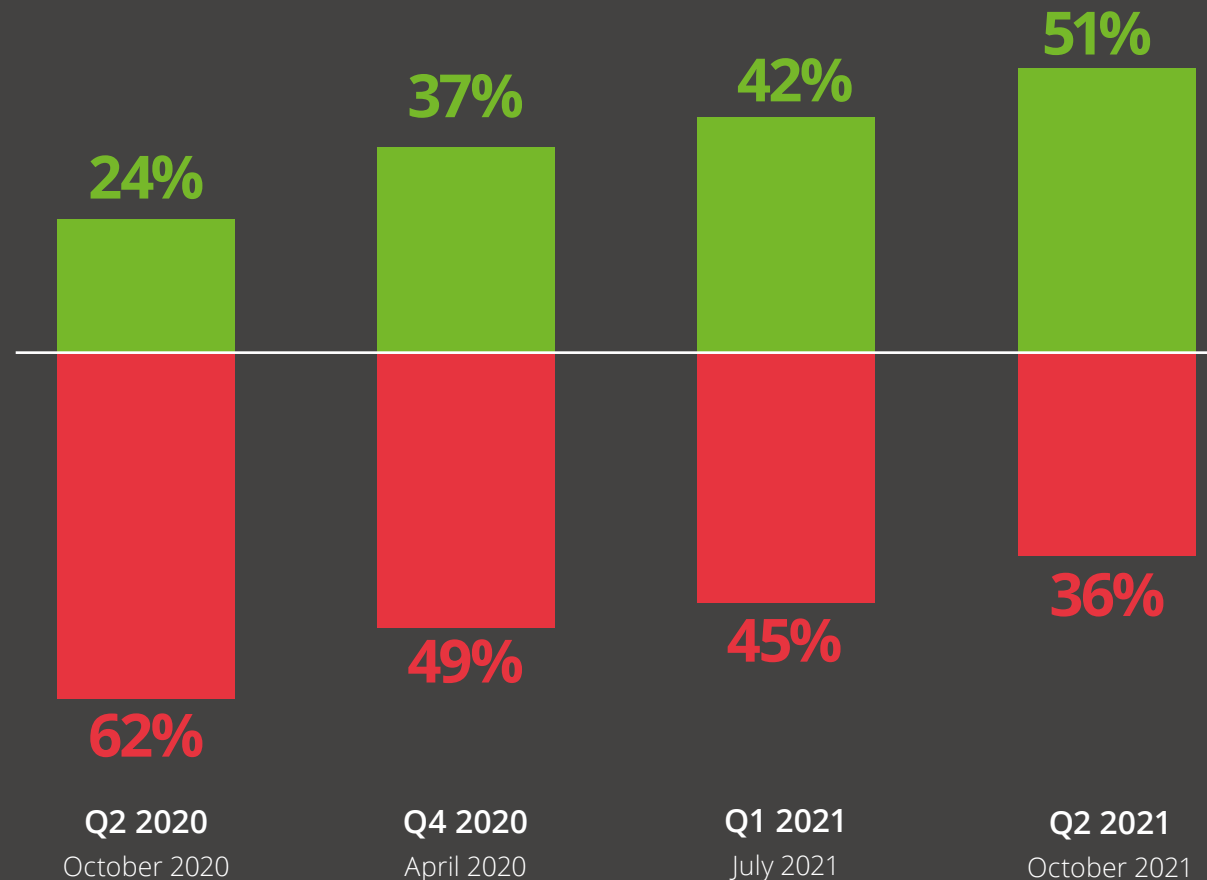
# OVERALL CORE TRENDS

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

	Much Reduced	Reduced	No Change	Increased	Much Increased
Sales turnover: past six months	5%	20%	15%	<b>47%</b>	13%
Sales turnover: next six months	2%	11%	22%	<b>58%</b>	6%
Profit: past six months	9%	32%	21%	<b>33%</b>	5%
Profit: next six months	4%	26%	27%	<b>40%</b>	3%
Staff numbers: past six months	2%	17%	35%	<b>42%</b>	3%
Staff numbers: next six months	1%	7%	41%	<b>48%</b>	2%
Investment: past six months	6%	8%	<b>41%</b>	37%	8%
Investment: next six months	4%	6%	38%	<b>45%</b>	7%

# TRADING THROUGH CURRENT CONDITIONS

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



For the first time in over a year, the percentage of respondents **trading at increased levels** is **higher** than the percentage who have reported reduced trade

Increased

Reduced

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



# TRADING THROUGH CURRENT CONDITIONS

## The Job Retention Scheme

**27%** of respondents said they were still utilising the furlough scheme when it ended on 30th September...

**26%** have had to **reduce** staff numbers in line with current demand

**63%** said all previously furloughed staff **have returned**  
(employee numbers haven't changed)

**11%** plan to **increase** staff numbers in line with current demand



## CORE TRENDS

### WHAT DOES THIS DATA TELL US?

---

Results this quarter paint a positive picture, with the majority of respondents reporting increased sales and profits over the past six months. Recent investment in people and equipment is also continuing to rise, indicating a positive trend for many participants. 45% said staff numbers have grown since April, which is the highest percentage to report this in over two years, but existing staff returning from furlough could be contributing to this increase.

Overall, the core trends reveal an optimistic outlook from the businesses surveyed but those predicting future profits dropped 3% from last quarter. This indicates that, despite an uplift in sales, current conditions in the marketplace could be squeezing cashflow and profit margins for SME manufacturers.

Two contributing factors that could also affect future growth are current recruitment and resource challenges. See this quarter's Special Focus (Page 19) for more on these issues, and the actions SME manufacturers are taking to overcome them.

## A SUMMARY OF CURRENT TRADING CONDITIONS: COVID-19 IMPACT

---

This quarter's data suggests that the ongoing impact of the COVID-19 pandemic is continuing to have a diverse effect on small and medium-sized businesses across the manufacturing sector...

- 🔥 For the first time in over a year, the percentage of respondents trading at increased levels is higher than the percentage who have reported reduced trade
- 🔥 27% of respondents were still using the furlough scheme when it ended...although almost two thirds of these businesses have now brought all furloughed staff back to the workplace, just over a quarter have had to permanently reduce their headcount



## **SPECIAL FOCUS**

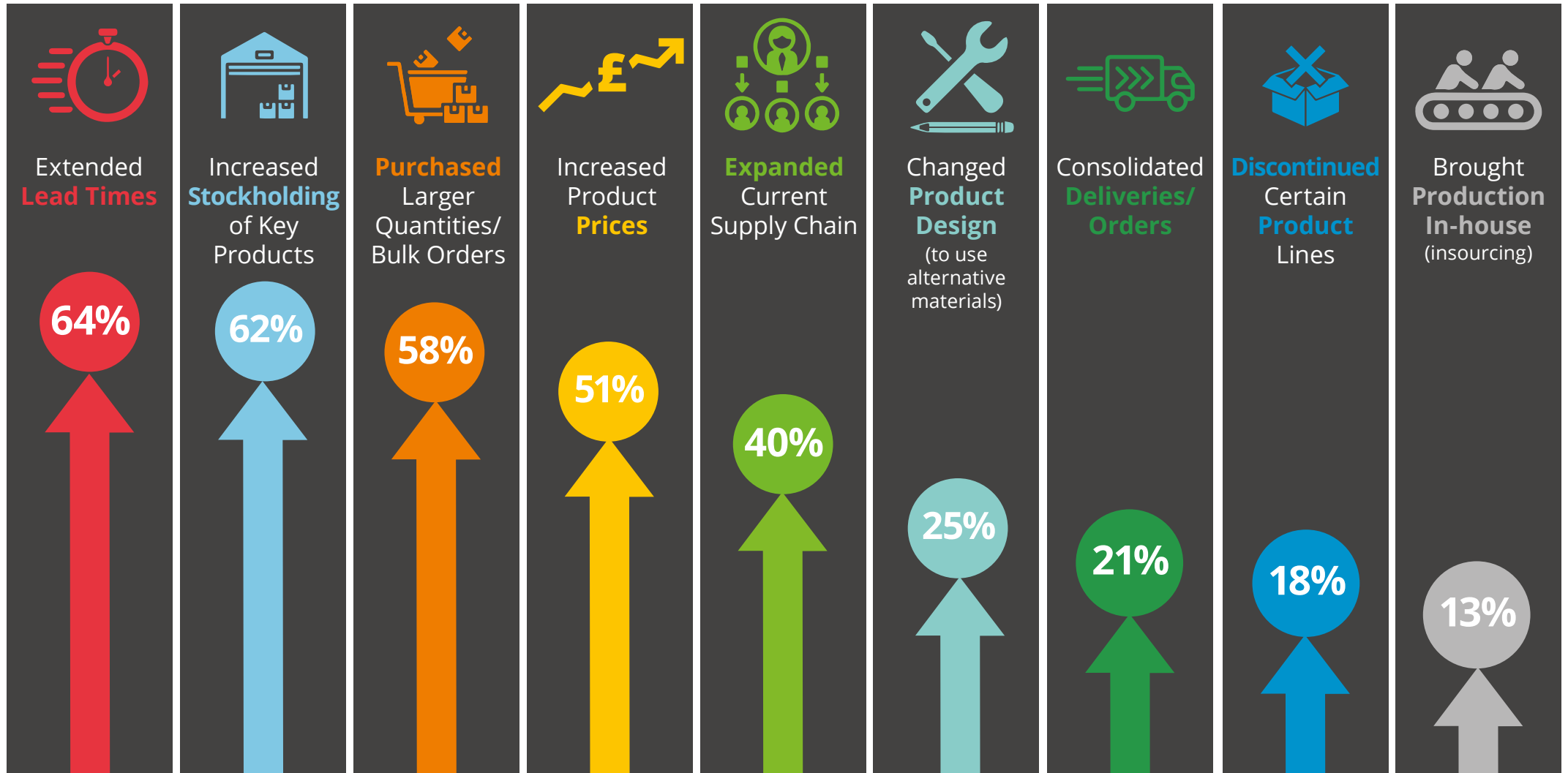
# **RESOURCES & RECRUITMENT**

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

## SPECIAL FOCUS: RESOURCES AND RECRUITMENT

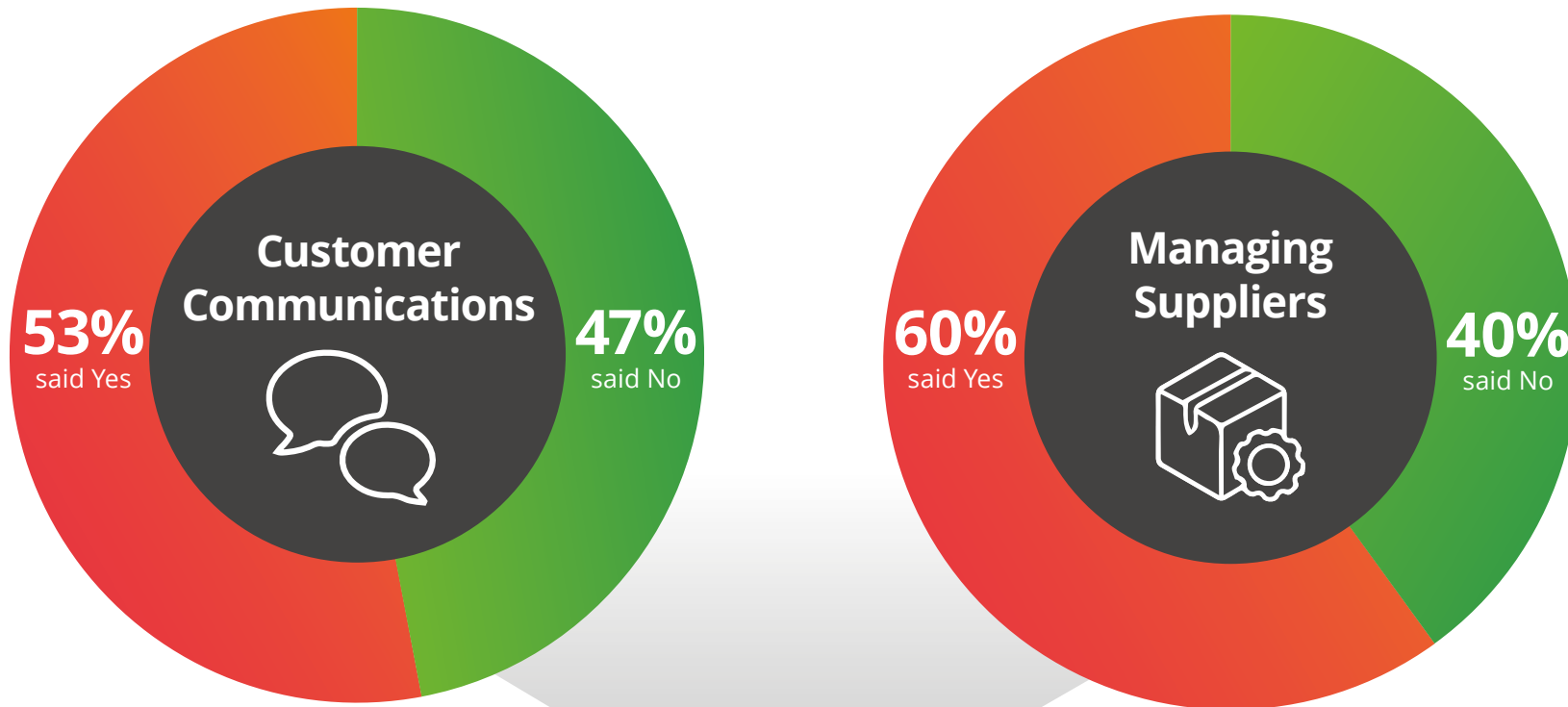
### Supply Chain: Logistics and Transport

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



## SPECIAL FOCUS: RESOURCES AND RECRUITMENT

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



Respondents told us they are having to commit an average of **two FTEs** (full-time equivalents) in order to manage suppliers and customers at this time.

## SPECIAL FOCUS: RESOURCES AND RECRUITMENT

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

### SKILLED STAFF

(including managers and leaders)

62%

### UNSKILLED STAFF

31%

### ADMINISTRATION/ OFFICE STAFF

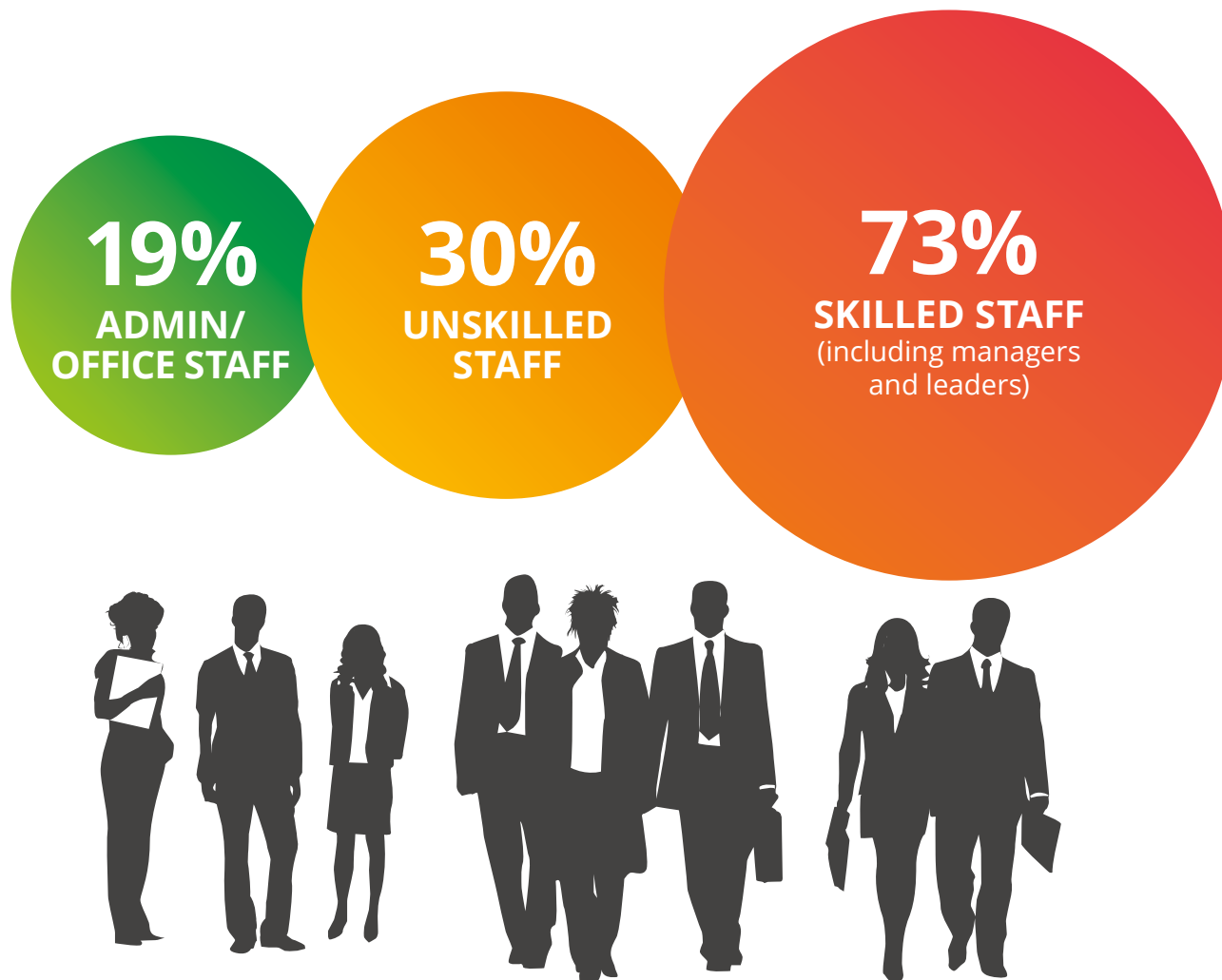
26%



Only  
**A QUARTER**  
of respondents  
said they have  
been able to  
replace all staff  
lost over the  
past 18 months

## SPECIAL FOCUS: RESOURCES AND RECRUITMENT

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



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

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

54%

Increasing **salary expectations**

48%

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

46%

Removal of **labour from the EU**

40%

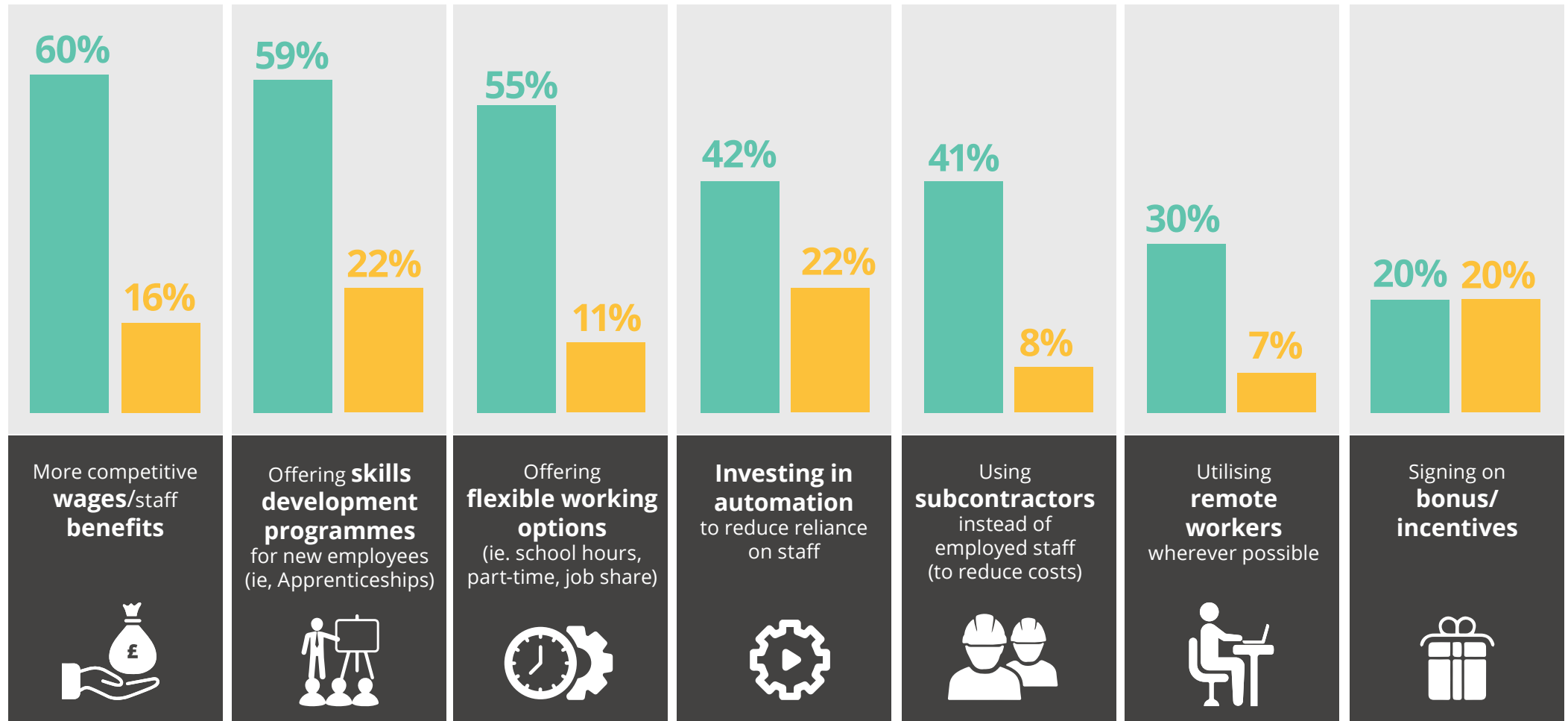


## SPECIAL FOCUS: RESOURCES AND RECRUITMENT

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

Yes, already taken action or plan to

Maybe, but we require support in this area

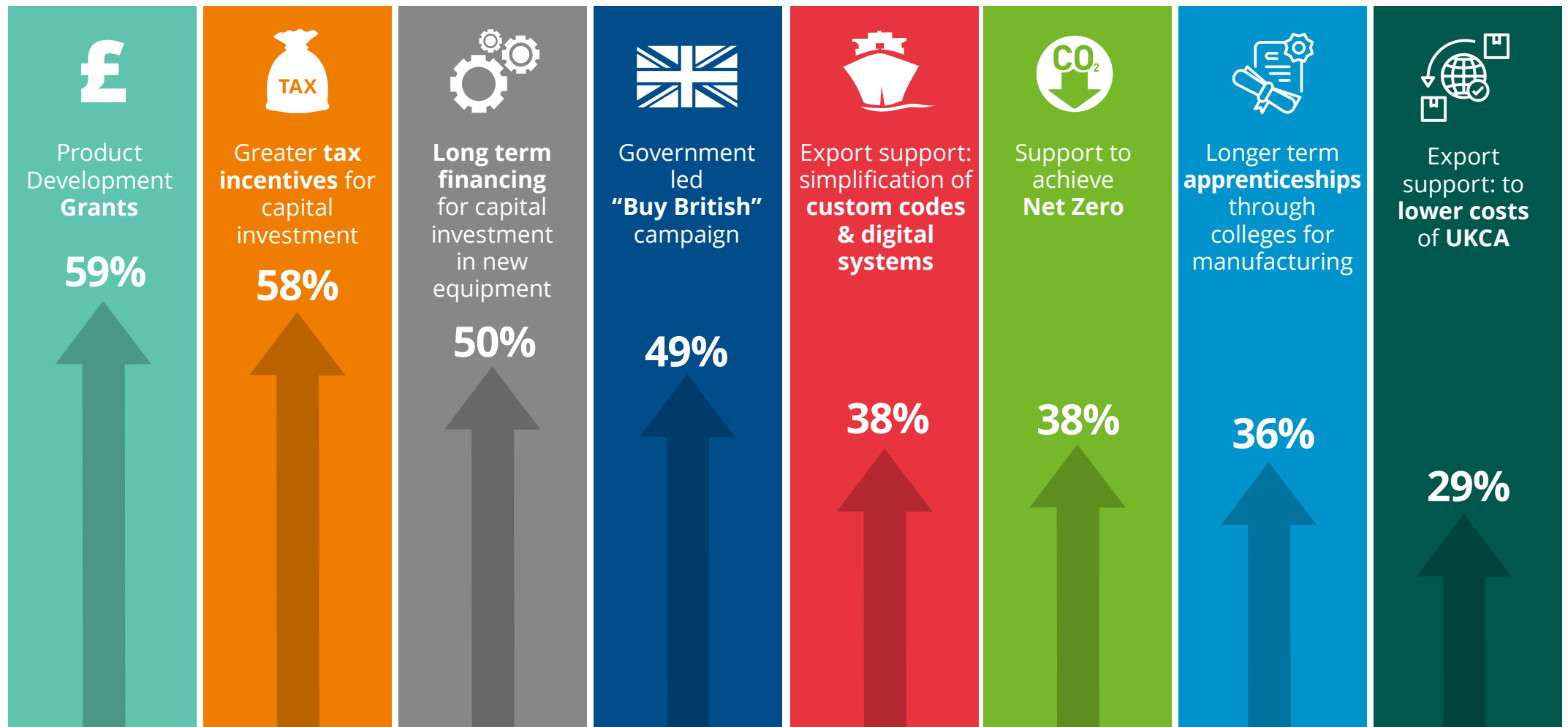




## SPECIAL FOCUS: RESOURCES AND RECRUITMENT

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

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



# GOOD NEWS STORIES

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

## M-CNC

SOMERSET

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

[Read more...](#)

## RI Manufacturing

WILTSHIRE

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

[Read more...](#)

## TDi Turbos Ltd

DORSET

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

[Read more...](#)

## DP Engineering

CORNWALL

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

[Read more...](#)

## Robert Rose Carpentry

SOUTHAMPTON

During the 2020 pandemic, Robert Rose was proud to co-organise the Rainbow Trail, Southampton's largest outdoor arts trail.

[Read more...](#)

## Evolve Beauty

HERTFORDSHIRE

Evolve Beauty are thrilled to be the UK's first climate positive beauty brand.

[Read more...](#)

# BUSINESS ASPIRATIONS

“ Deliver quality products and solutions with a rapid and exceptional customer service. To innovate, design, and manufacture products that the customer requires with ultimate efficiency to maximise returns for all stakeholders.

— We are targeting steady and sustainable development and growth, through understanding our business and the trading environment. We are developing our manufacturing technology and investing in automated processes to mitigate the effects of a skills shortage and ever-increasing labour costs.

— **WEST MIDLANDS** —

“ We have recently bought our own premises, so are confident going forward. We see the next six months as a gradual increase from pre-COVID levels. We also see the problems with sourcing overseas/transport as an opportunity for UK manufacturing.

— Relocation to new premises with greater capacity for growth. Continuous training of our workforce at all levels. Extending scope of services with inception of a new division, starting with an additional senior manager to form a new team.

— **EAST MIDLANDS** —

“ We will change our manufacturing and efficiencies with Lean and 5s and become better at what we do. We are also actively looking into the manufacture of other products outside our industry.

— Short term: to plug any employee skills gaps, manage our own supply chain, and support our customers through a difficult trading period.

— Medium term: to start a carbon footprint reduction programme and entry into alternative sectors.

— Long term: to build the skillset of our workforce, increase investments into the latest machinery and industry 4.0 automation processes, and increase our presence in alternative sectors.

— **SOUTH WEST** —

**SME MANUFACTURERS  
MAKE YOUR VOICE HEARD!**

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

“ We aim to continue steady growth, increasing customer numbers. We may invest in limited new machinery and staff. We are focussing on our environmental impact and measures to reduce our carbon footprint.

— Increase skills of the sales team to ensure strategic growth and further invest in machinery to improve efficiency and profit.

— **YORKSHIRE & HUMBER** —

“ Short term: apply better processes to make the company leaner, and install IS to allow staff to automate and share information quickly and efficiently.

— Medium term: develop new higher-tech products such as the autonomous shipping market.

— Long term: acquire larger premises for expansion.

— We are progressively developing export opportunities and sales with export customers, whilst also developing medium term prospects in the UK. We expect to fuel brand growth from increased international penetration via branded and white label products, aiming for 50-80% growth each year.

— **SOUTH EAST** —

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

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

Despite the increased sales shown in the core trends section (pages 7 and 8), 53% of those questioned have been forced to commit extra resources to customer communications to manage their expectations, and 60% said staff are having to spend additional time liaising with suppliers.

To address these difficulties, many businesses are needing to re-allocate both priorities and resources. In fact, respondents have said they are having to commit an average of two FTEs to manage suppliers and customers at this time, a number that often equates to between 5-10% of an SME manufacturer's workforce.

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

- 🔧 **Committing extra resources**
- 🔧 **Buying in additional stock**
- 🔧 **Extending lead times**

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

Staff retention and recruitment struggles are causing substantial problems for many SME manufacturers who are seeing heightened demand but lack the people power to meet it. In fact, over 60% of respondents have lost skilled staff since the beginning of the COVID-19 pandemic, and almost three quarters said they are unable replace these employees. This points to a significant skills gap that could drastically impact recovery and growth for the manufacturing sector.

In addition, just over a quarter of respondents have lost office staff over the past 18 months, and almost a third have lost unskilled workers. Similar recruitment struggles have also been reported in these areas, with 46% of respondents identifying a shortage of available labour (see page 23).

Although skills and staff shortages are believed to be the main reasons for current recruitment challenges, almost 50% think that high salary expectations are a contributing factor. This could be a consequence of the jobs market being so strong, with tough competition from other employers looking to recruit from the same pool of potential staff.

To compete, 60% of respondents have already increased wages, or plan to do so in the future. This has the potential to put further pressure on inflation in the wider economy, whilst limiting profitability for affected businesses, and the manufacturing sector.

# CONCLUSION

---

Throughout COVID-19, the manufacturing sector has had to adapt and come up with creative solutions to a number of significant challenges. Overall, the outlook appears to be positive for many of the businesses surveyed. It's encouraging that, for the first time in over a year, the majority of firms have indicated that they are trading at a higher sales position than they were prior to the pandemic. However, with just under 30% of firms still utilising the furlough scheme when it ended on 30th September, the negative impact of COVID-19 is ongoing for some manufacturing companies.

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

Business leaders across the sector are already proactively addressing recruitment issues. Many respondents have recognised a need to offer more competitive wages and/or benefits to attract the staff they need in such a competitive market, and the majority have either already actioned this, or plan to in the future. Similarly, 59% are open to offering apprenticeships to train the next generation of their workforce, but they may struggle to find the specific subjects they require if there is a shortage of relevant training available.

As part of their continued recovery and future growth plans, 42% have, or plan to, invest in automation, which could help to reduce reliance on staff. This may be indicative of the future direction of manufacturing, presenting an innovative solution to one of the challenges highlighted by SME manufacturers this quarter.

**If you would like to hear more about funded support available, or discuss your individual business needs with one of our Manufacturing Specialists, please click here to get in touch: [info@swmas.co.uk](mailto:info@swmas.co.uk)**



## 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?

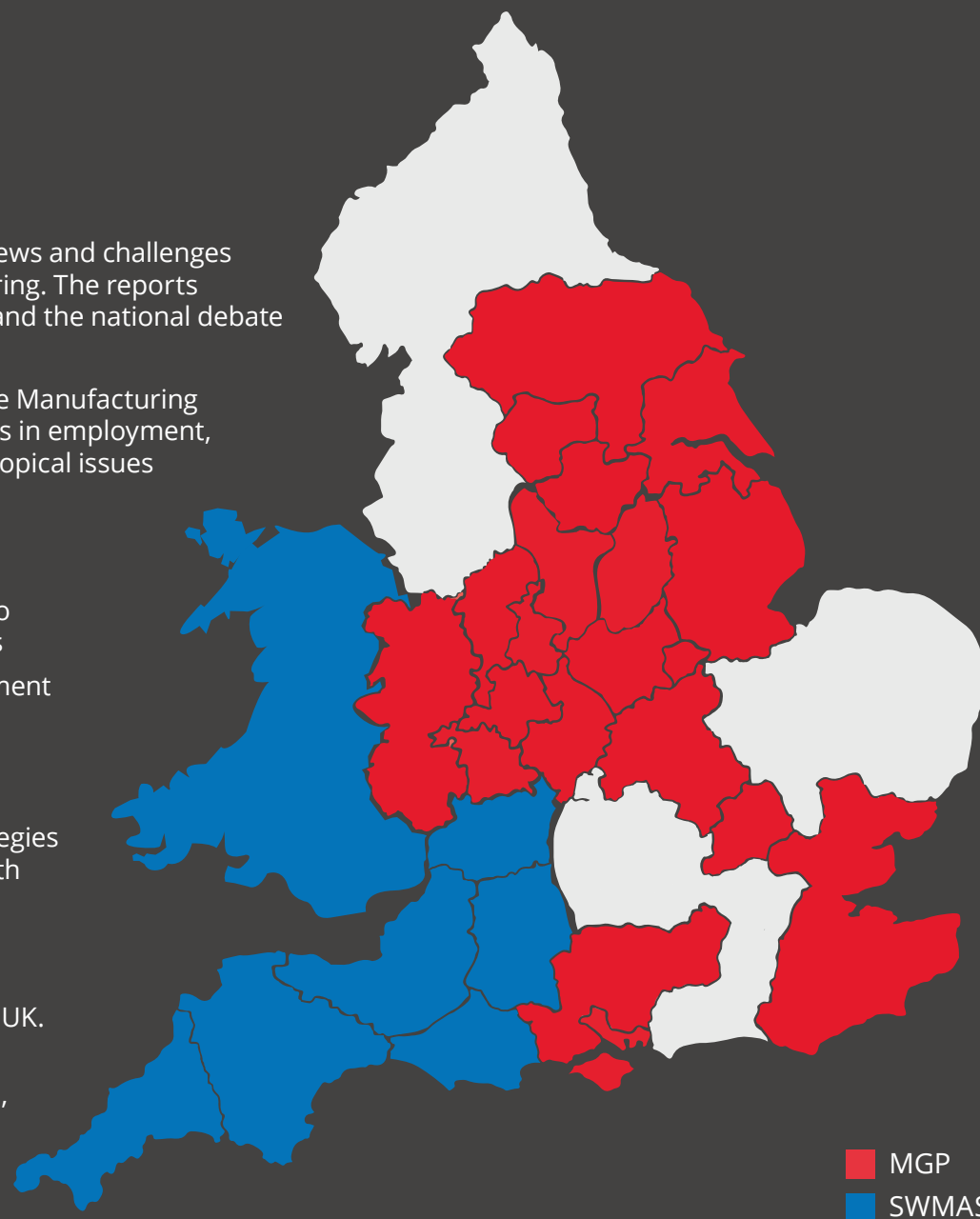
- The Manufacturing Barometer is exclusively for SMEs, offering them a platform to make their voice heard, in a sector that is often dominated by larger corporations
- SME manufacturers can highlight the specific support they require from Government on a local and national level
- The results can be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



# MANUFACTURING barometer

