

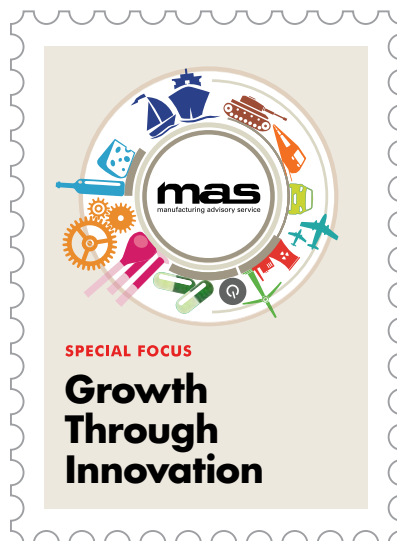
MANUFACTURING
survey
opinion
BAROMETER
results
trends

MAS MEASURES

Quarterly Survey Results (Q1)

April – June 2013

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Introduction



David Caddle
MAS Area Director
East of England



Welcome to the second Manufacturing Advisory Service (MAS) Barometer of 2013, the only report that collects the results, views and opinions of small and medium sized (SME) manufacturers across England.

Again, we received a fantastic response. 682 senior directors of manufacturing SMEs took the time to provide us with feedback on the economic conditions and issues faced by the sector in the three months from April to June.

The optimism that was present in the previous report has increased, with 67% of manufacturing SMEs expecting to grow in the next six months – this is a record high for the national Barometer since its launch in February 2012.

It underlines recent economic data and encouraging PMI figures suggesting an industry upturn. The small and medium sized manufacturers certainly appear to be leading the charge through improved sales and a greater appetite for creating new jobs.

Tellingly in this report, half of respondents are planning to invest in new machinery and their premises – another positive indication of confidence that answers the EEF and CBI's calls for the sector to start investing to stimulate greater growth.

It pays to innovate

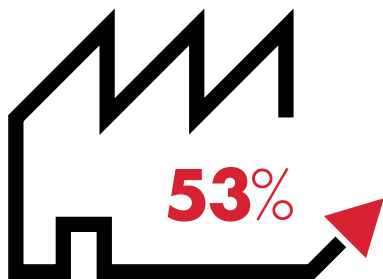
The Barometer's special interest questions this quarter focused on determining if business growth could be directly linked to innovation within the company.

Overwhelmingly, the answer appears to be "yes". 82% of manufacturing SMEs questioned reported that new products introduced over the last two years had led to new sales, with almost two thirds of these reporting increases in both turnover and/or profits.

By collecting opinions and results, the Barometer continues to play an important role within manufacturing and will serve to stimulate action and debate as we embrace the challenges and opportunities that lie ahead for our sector.

David Caddle
MAS Area Director East of England
August 2013

Key Findings



Current Sales Turnover:

53% of SME* manufacturers report increased sales turnover within the last 6 months

Q: Has your sales turnover changed within the past 6 months?

- ✓ **Increased**
- ✓ **Much Increased**

*SME - Small and Medium-sized Enterprise



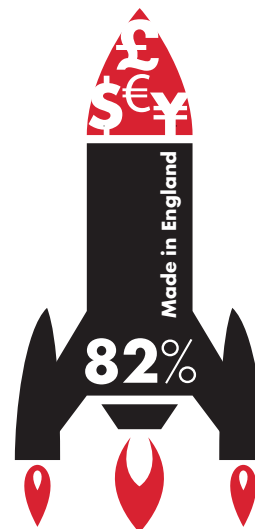
Trends:

For 4 consecutive quarters, SME manufacturers have predicted increases in sales/new machinery/staff

Q: Do you expect to increase:

- sales
 - investment in new machinery/premises
 - investment in staff
- in the next 6 months?

- ✓ **Increased**
- ✓ **Much Increased**



Innovation:

82% of companies reported achieving new sales in the past financial year as a result of products or services introduced in the past 2 years

Q: What percentage of overall sales in the past financial year was generated from products or services that your company introduced in the past 2 years?

- ✓ **1–25%**
- ✓ **26–50%**
- ✓ **51–75%**
- ✓ **76–100%**



Key Markets:

The majority of companies indicated that they supply into three main markets[‡]

Q: Please tell us if your company supplies to any of the markets below:

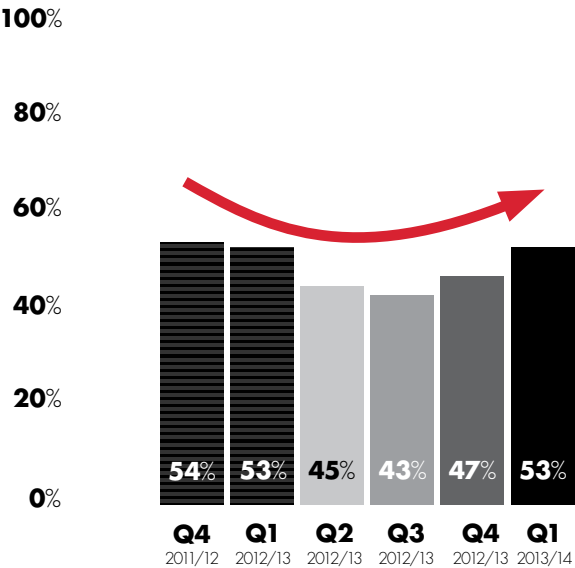
- ✓ **Automotive**
- ✓ **Defence**
- ✓ **Food & Drink**

[‡]See page 9 for full list of markets

MAS Barometer Outlook Q1

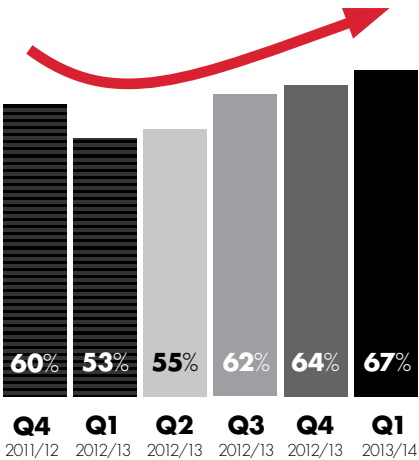
	Much Reduced	Reduced	No Change	Increased	Much Increased	Respondents
Has your sales turnover changed within the past 6 months?	4%	16%	28%	45%	8%	682
Do you expect your sales turnover to change over the next 6 months?	0%	7%	25%	60%	7%	660
How does your order book look compared with 6 months ago?	2%	17%	27%	46%	7%	670
Have your enquiry levels changed compared with 6 months ago?	1%	14%	32%	47%	6%	668
Do you expect staff numbers in your company to change in the next 6 months?	0%	7%	50%	42%	1%	678
Do you expect your investment in new machinery/ premises to change in the next 6 months?	1%	4%	46%	44%	6%	675
What impact do you expect the low carbon economy will have on your business?	2%	6%	78%	12%	2%	677
Do you expect your investment in new technology to change in the next 6 months?	1%	2%	58%	37%	3%	677

MAS Measuring Trends



To Date: Sales

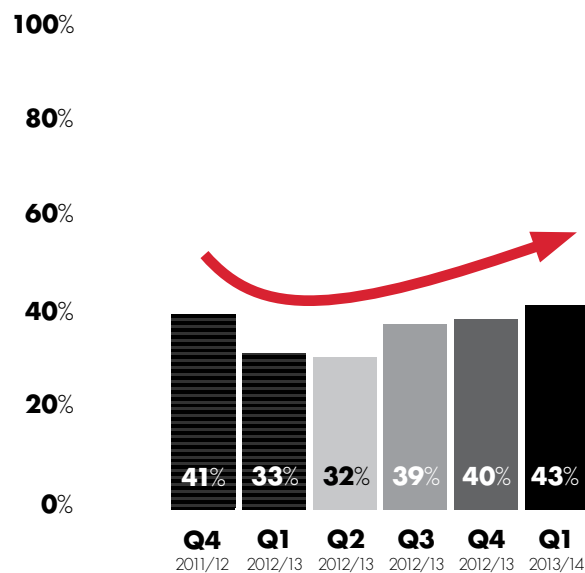
SMEs reporting growth in previous six months



Future: Sales

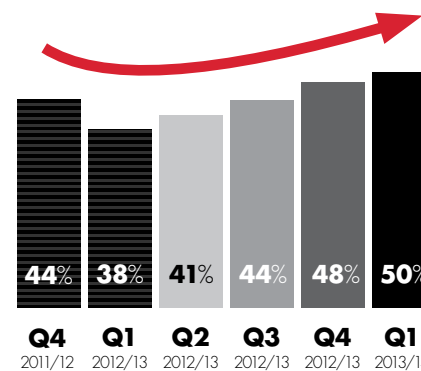
SMEs predicting growth in next six months

MAS Measuring Trends



Future: Employment

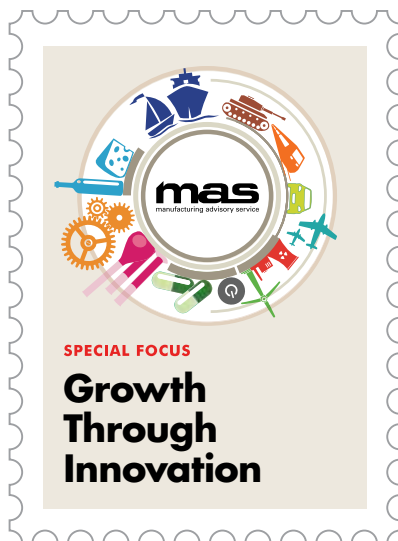
SMEs predicting increases in staff in next six months



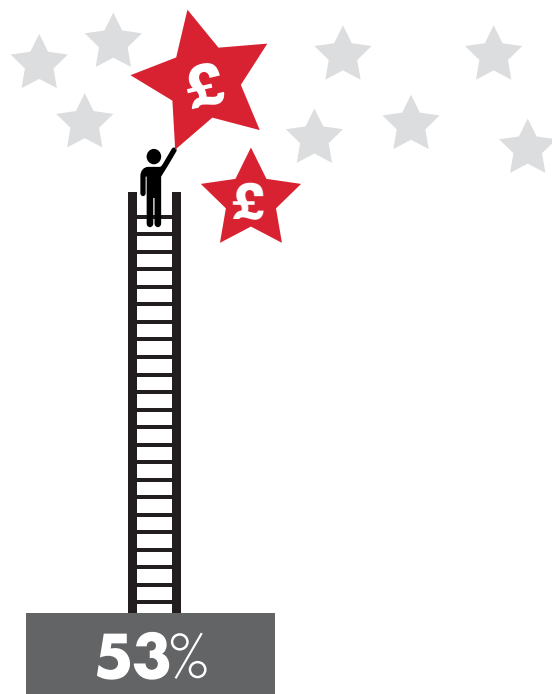
Future: Capital Investment

SMEs predicting increases in investments in new machinery/ premises in next six months

Special Focus – Growth Through Innovation

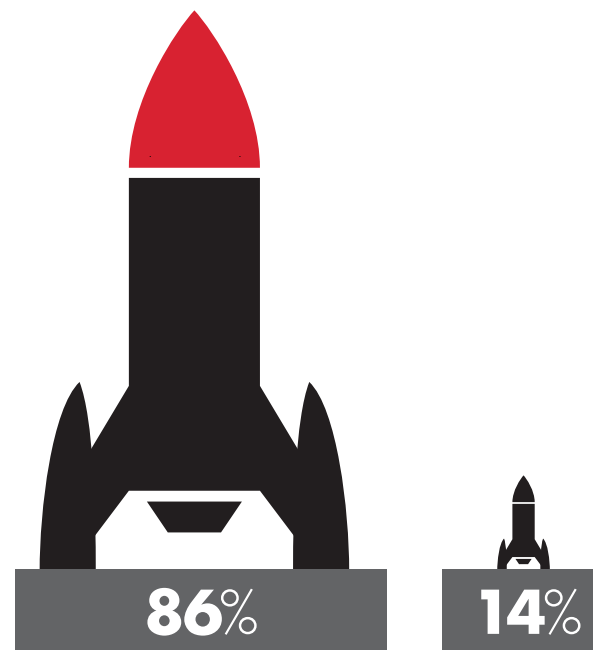


Q: Has your sales turnover changed within the past financial year?



- ✓ **Much Increased**
- ✓ **Increased**

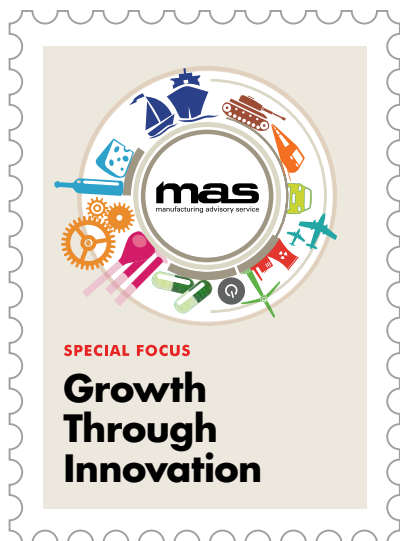
Q: What percentage of overall sales in the past financial year was generated from products or services that your company introduced in the past 2 years?



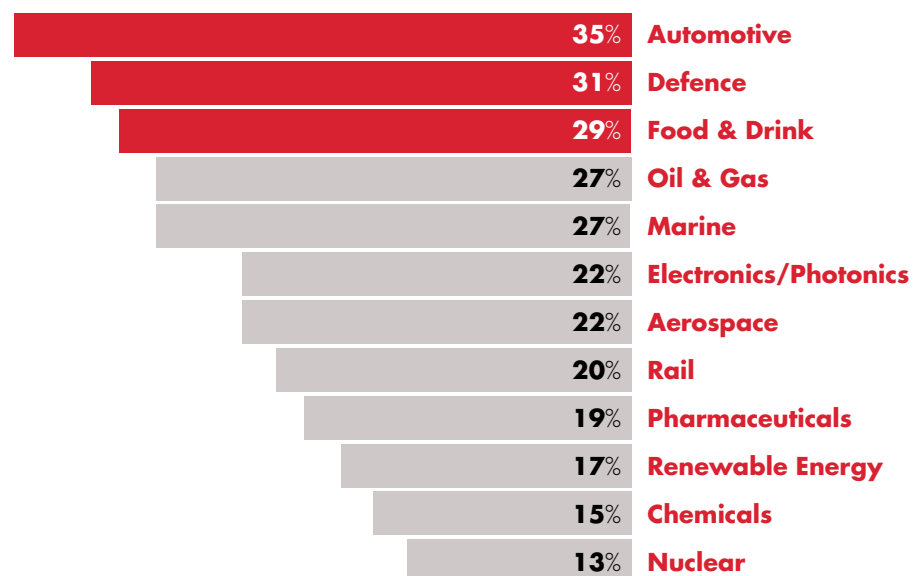
86% of the companies that reported an increase in sales turnover within the past financial year, also stated that they **had gained new sales from new products or services introduced in the past 2 years.**

14% of the companies that reported an increase in sales turnover within the past financial year, stated that they **had not gained any new sales from products or services introduced in the past 2 years.**

Special Focus – Key Markets

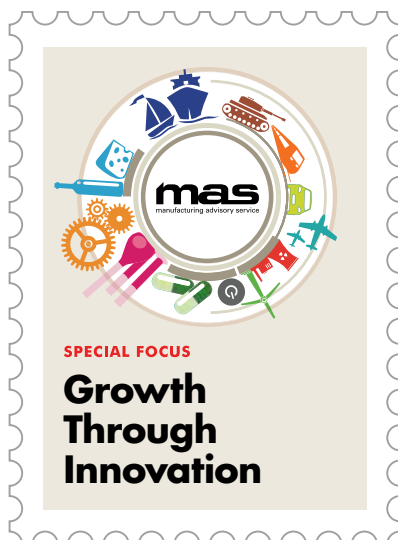


Q: Please tell us if your company supplies to any of the markets below:



MAS Comments: (1) Many SME manufacturers indicated that they supply into more than one sector.
 (2) 29% of SME manufacturers reported that they did not supply into any of the markets listed above.

The Manufacturer's Viewpoint



We are at final precision prototype stage with our new grassroots football dugout and expect to really grow over the next six to twelve months as we take the product to market.

Point of Sport Ltd

Skills/costs for “high-tech” engineering recruitment are becoming an increasing issue for an SME.

**Precision Engineering Company
for Automotive Sector**

We are focusing on new product development and export.

Kiravans, Parts for Campervan Conversions

Continual above inflation increases on utilities make planning extremely difficult and affects investment in new plant and machinery.

Bartec Paper & Packaging Ltd

I realise that the only way to maintain a manufacturing base in this country is to produce a high quality product that fills a niche and also provides a good experience for my customers.

Sweetling Ltd, Lingerie Manufacturer

Business has been more difficult in last 6 months than in 2009/10. I feel this is due to market uncertainty and continued price pressure from the far east.

Vision Profiles, Extrusion Fabricator

Leisure marine industry has been hit hard by recession and as this accounts for most of our business we have suffered. Diversification is the only way for us to succeed.

**Tek-Tanks Ltd, Custom Built
Water, Waste & Fuel Tanks**

Bucking trends, busy, busy!

**Electronic Temperature
Instruments Ltd**

The Economist's Viewpoint

MAS has invited a senior economist to write an analytical summary of the findings of its Barometer Surveys each quarter.

The UK economy improved, albeit modestly and from a low base, in the April-June period of 2013. Real GDP grew by 0.6% quarter-on-quarter and 1.4% year-on-year, leaving output 3.3% below pre-downturn levels. In aggregate, manufacturing grew 0.4% quarter-on-quarter and, within that, many sectors were stronger. Compared with a year earlier, however, output was still down: except for motors and transport, most major manufacturing sectors saw year-on-year declines in total production.

The latest MAS Barometer survey underlines this recent improvement from a low level. For example, the net positive balance

of respondents reporting an increase in turnover went up to 0.53: a six-quarter high. Moreover, in the next six months, manufacturers expect to undertake more investment in staff, premises, machinery and new technologies. The latest Barometer focuses on the correlation between innovation and business growth, indicating that innovation has been associated with recent increases in sales turnover and profit margins. Of those recording answers, 36% of companies said a significant (>25%) and 46% said some (<25%) proportion of recent sales increases were linked to their recent innovation. Whilst the survey does not specify what forms of

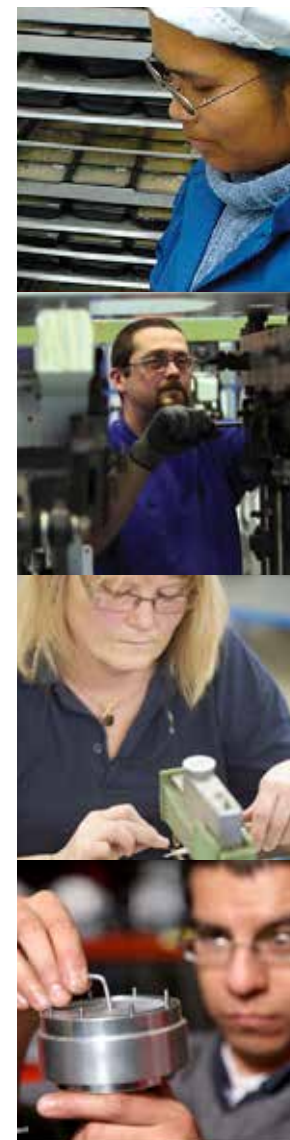
innovation are most effective, it appears to support the theory that manufacturing innovation is likely to be a key component of future growth and development.



Nigel F Jump
Executive Director & Chief Economist
August 2013

Nigel Jump of Strategic Economics* has been appointed to provide an independent economist's view on the results of this survey. The comments expressed above are based on his professional experience and expertise.

*A private economics advisor that offers a range of bespoke analysis on a range of economics subjects to private and public clients, the media and academic institutions.



Postscript

Manufacturing Advisory Service (MAS)

MAS WORKS for England's manufacturers. We provide a national service delivered locally by experienced advisors, who help manufacturers to grow their business. A dedicated MAS advisor will work with manufacturers at a strategic level to create business and product strategies. MAS will help to develop a culture of innovation, generating new product ideas and market opportunities. We will work with manufacturers in reducing waste and maximising profitability in their own business and in supply chains. If you're a small or medium-sized manufacturer in England, many of our services are free and supplemented by appropriate grant funding.

First launched in 2002, MAS continues to play a vital role in assisting thousands of manufacturers in England to share knowledge, improve productivity and achieve sustainable success in an increasingly competitive global economy.

MAS is funded by the Department for Business, Innovation and Skills (BIS).

MAS Barometer

The MAS Barometer is a survey vehicle that provides a snapshot of trends affecting English manufacturing SMEs, as well as an overview of economic conditions and issues faced by the sector.

Barometer Sample

- Manufacturers were chosen across SIC 2007 sectors (10 – 33)
- Targeted at SME manufacturers throughout England
- Larger enterprises and consultants have been filtered from invitations, sample and results
- Results have been rounded up when figures indicate 0.5 or above and rounded down when below 0.5
- Where a non-response is recorded (a missing value) percentages are calculated from the base (number of responses)
- The results of this survey are presented to a confidence level of 95% with a confidence interval of 4

Help and Information

Help and Information

Next Barometer – Your views are important to us:

If you are an SME manufacturer based in England and would like to take part in the next quarterly MAS Barometer Survey that takes just five minutes to complete, please email: barometer@mymas.org stating that you wish to participate.

Media information:

Please contact Russ Cockburn
07812 600271 russ.cockburn@mymas.org

Further information or support from MAS:

Please email advice@mymas.org or follow us at [@mas_works](https://twitter.com/mas_works)

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