

EDA State of the Sector Survey Manufacturer Feedback: Q2 2024 April





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Introduction

These are the results of the Q2 2024 EDA State of the Sector Survey: the survey launched on Tuesday 9 April 2024 and closed on Monday 22 April 2024.

The survey represents the feedback from EDA manufacturer affiliates. There is a separate survey for EDA wholesalers.

This survey attracted 57 responses, a 52% response rate. As at 1 January 2024 the EDA had 109 manufacturer affiliates.

A summary of wholesaler and manufacturer feedback was shared at our Talking Shop Dialogue on Wednesday 24 April 2024.

Content:

EDA State of the Sector Surveys include questions which feature every quarter, but there are always new topics to explore. Regular questions include feedback on [business turnover, operational challenges](#), and [strategic challenges](#). Manufacturers were also asked which sectors showed a change in turnover in Q1 2024 compared to the previous quarter: [Declining, No Change, or Growth?](#)

The impact of a potential global shortage of [semiconductors was included for the first time.](#)

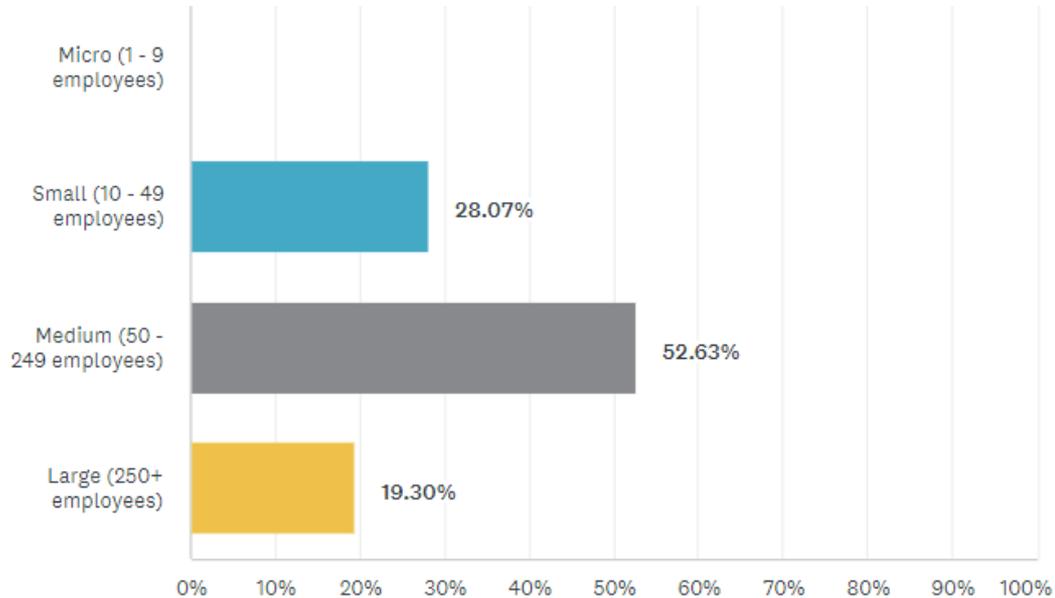
Other new topics included questions about the [withdrawal/reduction of Trade Credit Insurance](#), plus gauging the impact on business, the [rising costs of motor insurance](#), and [awareness of the anticipated Building Safety](#) regulatory requirements.

With April's increases in the National Living Wage and National Minimum Wage, [manufacturers were asked about the impact on their business.](#)

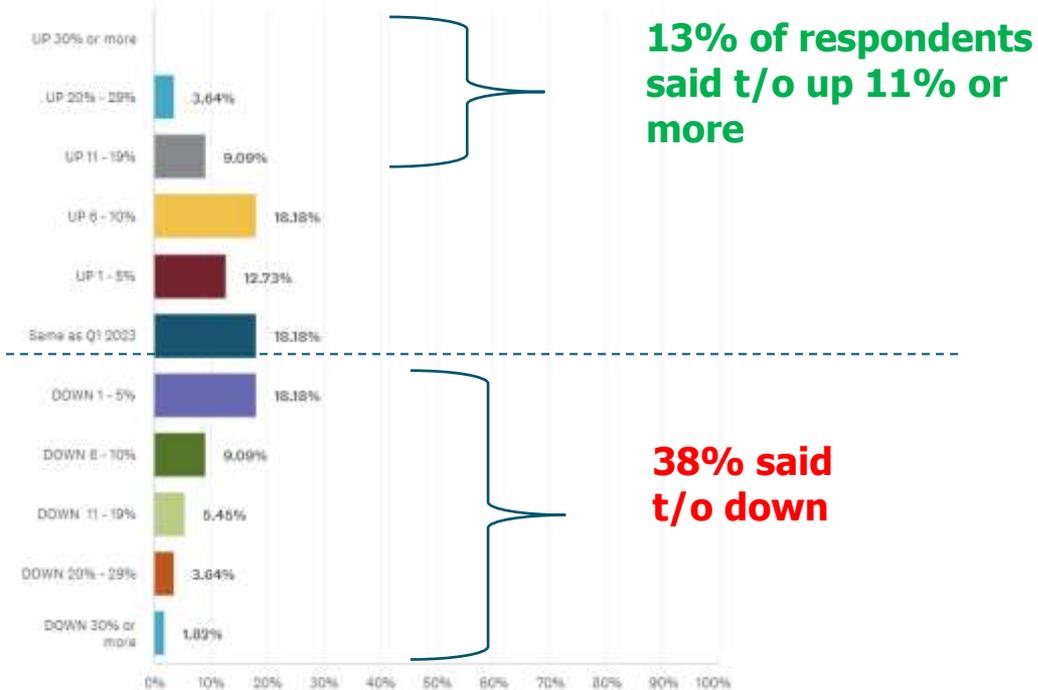
In summary, [manufacturers responded with their predictions on the performance of the sector in 2024.](#)

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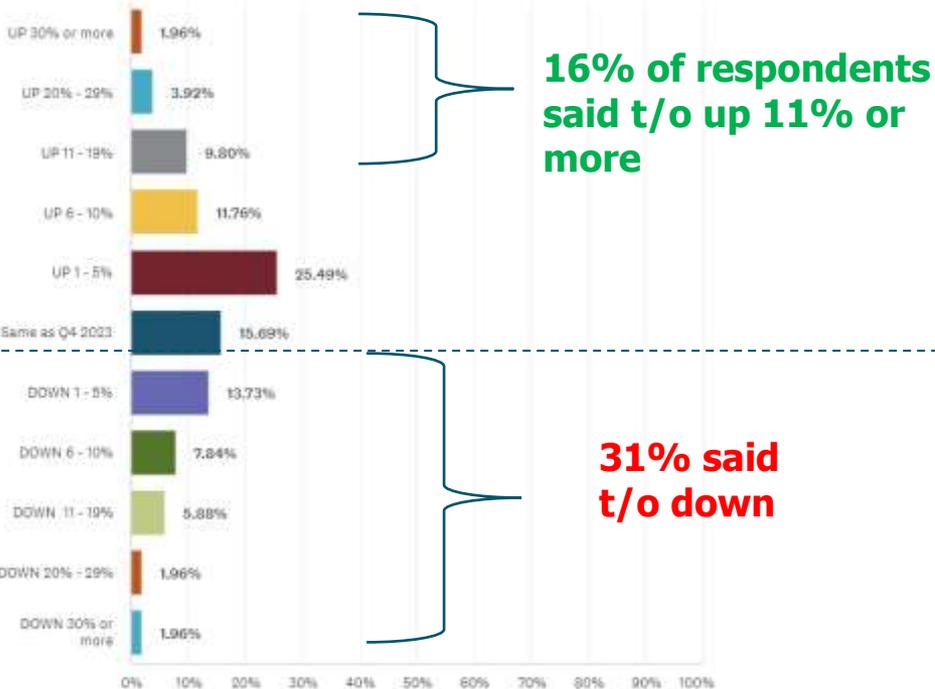
Q1: Please tell us the size of your business



Q2: Please tell us how your turnover in Q1 2024 compares with turnover in Q1 2023.



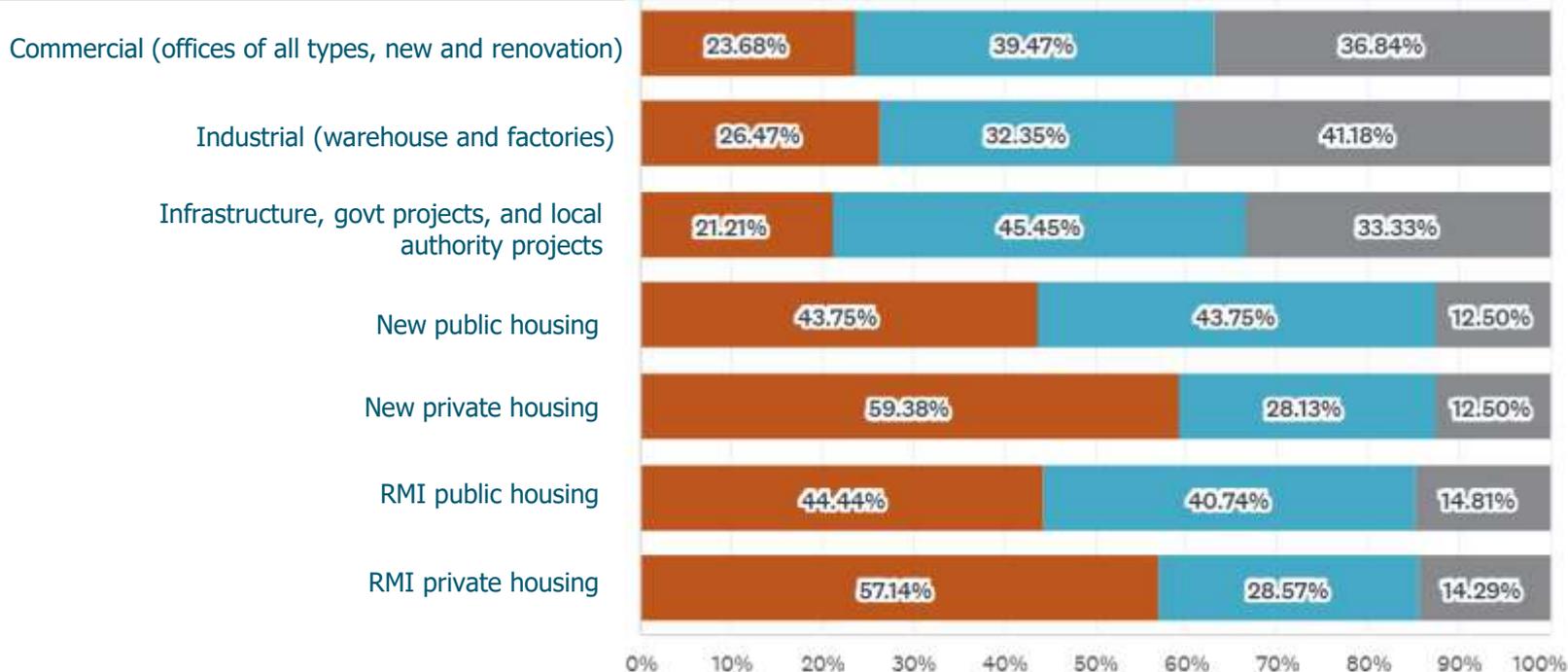
Q3: Please tell us how your turnover in Q1 2024 compares with turnover in Q4 2023.



Q4: Have you experienced a change in turnover in Q1 2024 compared to Q4 2023 for the following sectors? **Ranked by growth (grey band)**



Decline No change Growth



Q5: Your Operational Challenges: from a prompted list please tell us which 3 operational challenges are your most pressing at this time?



	April 2023	July 2023	October 2023	January 2024	April 2024
1	Attracting and retaining staff	Attracting and retaining staff	Increases in salary bill	Adapting to delays caused by piracy attacks in the Red Sea + Attracting and retaining staff	A downturn in demand
2	Devaluation of sterling against foreign currencies	A downturn in demand	Attracting and retaining staff	A downturn in demand	Attracting and retaining staff
3	Raw material price <u>inflation</u>	Raw material price <u>inflation</u>	A downturn in demand + Increased exposure to bad debt	Complexities around the different sustainability/carbon assessment schemes and information required by customers + Balancing staffing levels alongside rising wage bills	The impact of increases in National Living Wage and National Minimum Wage on my overall wage bill + Adapting to delays caused by piracy attacks in the Red Sea

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Q5: Comments on operational challenges



“Too many unknown brands trading in the market place and not policed.”

“Huge salaries being offered to sales people. Work from home demands.”

“Impact of direct Chinese imports with small start-up suppliers.”

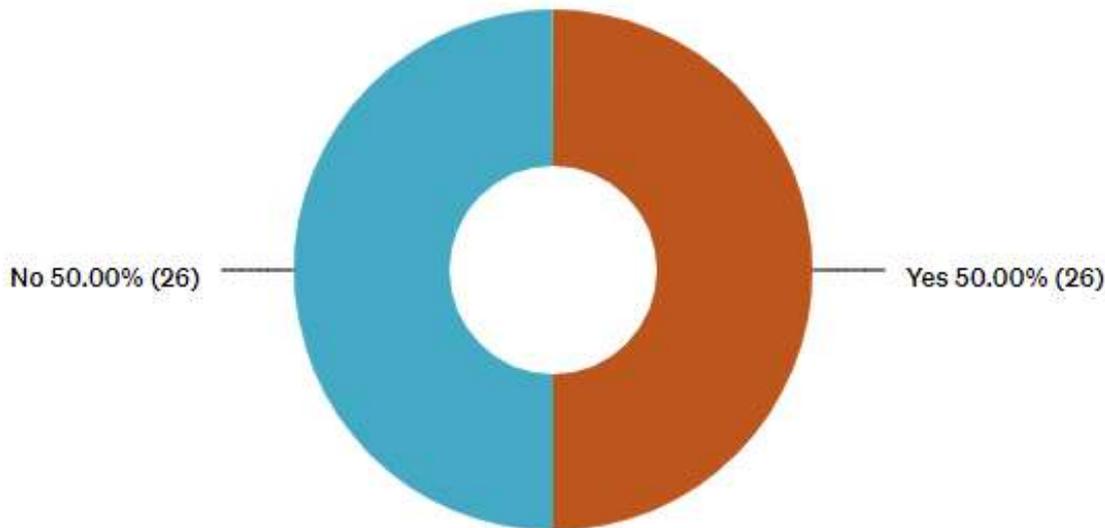


Q6: Manufacturers: please tell us your most pressing **strategic** challenges.

	April 2023	July 2023	October 2023	January 2024	April 2024
1	Adapting my business for a more digitalised world + Improving my business systems and processes	Improving my business systems and processes	Market and economic uncertainty	Market and economic uncertainty	Market and economic uncertainty
2	Adapting my business for a green future	Identifying growth areas for my business	Competition from cheaper imports to the UK	Workforce challenges: including attracting and retaining staff, attracting a diverse team, and developing our programme of staff development and training	Workforce challenges: including attracting and retaining staff, attracting a diverse team, and developing our programme of staff development and training
3	Identifying growth areas for my business	Adapting my business for a more digitalised world	Workforce challenges: including attracting and retaining staff, attracting a diverse team, and developing our programme of staff development and training	Improving my business systems and processes	Improving my business systems and processes

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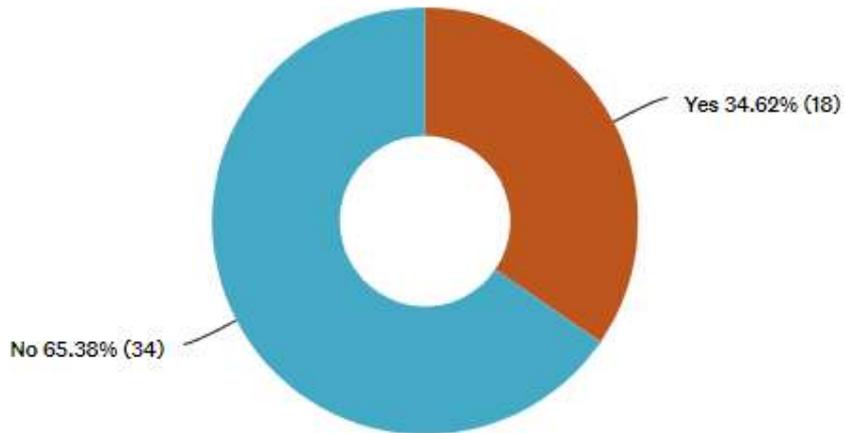
Q7: Would a global shortage of semiconductors have a big impact on the products you manufacture/distribute?



Manufacturers were asked in which product components semiconductors are used:

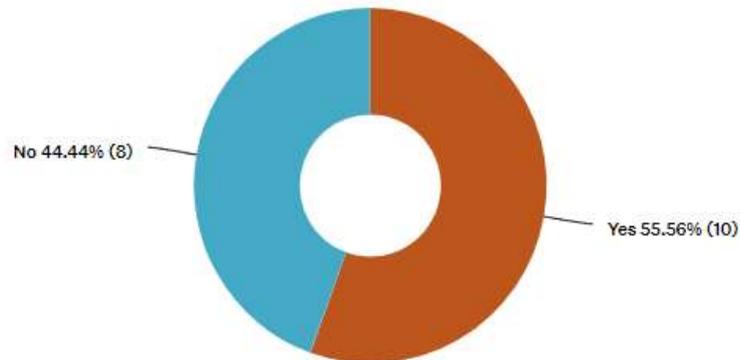
- Most / All equipment / All fixtures
- Electrical accessories
- LED lighting / LEDs for lighting and drivers
- Test Equipment
- In fixture design
- Thermostats and controls
- All our controls
- Magnetic locking solutions, door key pads, emergency lighting products
- Powertools

Q8: Do you regularly use Trade Credit Insurance?



Q9: Those who answered Yes regarding Trade Credit Insurance were asked subsequent questions.

(1) In the last 12 months has your business seen Trade Credit Insurance limits **withdrawn**?



Comments: "Yes, but only a few cases so no major impact, as yet."

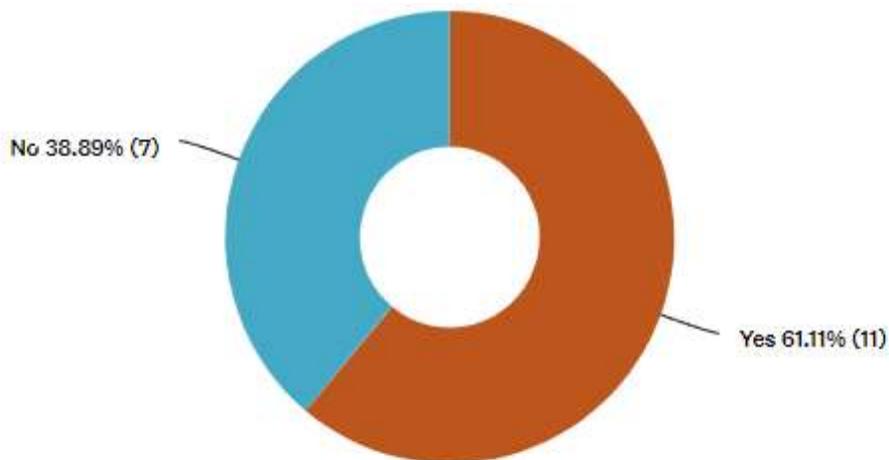
"Usually temporarily withdrawn and then reinstated"

"Yes but at lower levels of cover"

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Q10: (2) In the last 12 months has your business seen Trade Credit Insurance limits reduced?



Comments:

“On specific customers”

“Again the impact has been minimal”

“In some cases 100% reduction, most between 20 – 40%”



Q11: Increases in National Living Wage and impact on business. We understand that new legislation has led to upward pressure on wages and salaries across the board. What practical steps have you taken in your business to deal with this?

- We have to look at price increases to the market
- Had to increase salaries to create a consistent level of headroom above NMW
- We have had to increase the minimum wage resulting in an increase in the skill based structure. This was resourced by investment and efficiency gains.
- All colleagues are above these levels
- We were paying above this rate for all employees - so this has not impacted us at all
- We introduced the increase in February to aid our employees with the cost of living issues and worked with our efficiency measures and our teams to try to mitigate the effect in the business. Not easy for any business.
- Currently kept status quo
- We have moved our company to Real Living Wage levels which has necessitated higher than planned increases for some staff in order to keep wage differentials in place, bearing in mind the 'equal pay for equal work' ethos/legal requirements.
- All employees are already above the NLW. We review our salaries annually in April across the whole business and this is based on quarterly performance reviews and market intelligence for specific job roles to ensure we stay ahead. All that said, the increase of NLW does become a challenge to manage as often we have seen our staff use this as an expectation for their own percentage growth.



Q11: Increases in National Living Wage and impact on business. We understand that new legislation has led to upward pressure on wages and salaries across the board. What practical steps have you taken in your business to deal with this?

- Reviewing manufacturing processes and moving to more automated base
- We have to consider price increases
- We have always built fair wages into our business plan
- We have complied to the NLW which in light of a downturn in Q1 has increased the likelihood of staff cuts
- Adopted the NMW where required and considered new recruitment carefully ie not replacing colleagues where required. We have also considered internal optimisation of process to drive efficiency and reduce overhead costs to avoid pass through costs to the market.
- Our organisation are accredited by the Living Wage Foundation and such have increased employee pay in line with the NLW
- Pay more than this but keep focus on other costs
- This simply increases prices. It's a ridiculous change and when coupled with last years increase, this represents almost a 20% increase in minimum wage in 12 months!!!!
- The market at present cannot withstand more price increases therefore we have to accept the increased cost within our business.
- Preparation ahead of the game allowed us to identify the uplift costs and plan to cover the impact of this by savings in other areas of the business.

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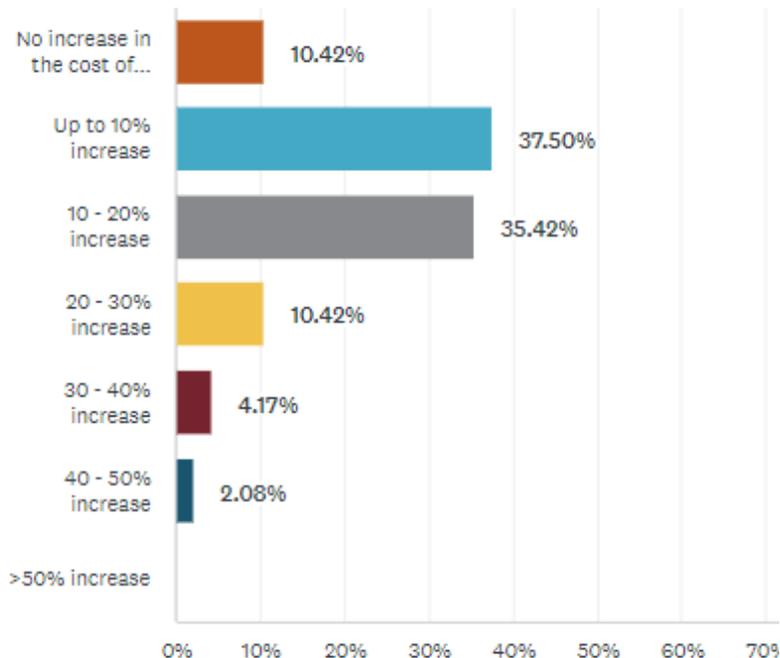


Q11: Increases in National Living Wage and impact on business. We understand that new legislation has led to upward pressure on wages and salaries across the board. What practical steps have you taken in your business to deal with this?

- With the increased cost of living, irrespective of the headline rate falling, the minimum wage is appropriate and just has to be applied.
- We have been forced, as we were last year, to maintain the differentials with our employees paid just above the NLW, which unfortunately further reduces our ability to review salaries for other employees to stay within our budget.
- No steps required as we pay well above the NMW
- We have budgeted appropriately and have implemented accordingly
- Short term: business absorb the increased the cost Long term: looking for automation system in repeating and low level skills job, such as warehouse automation, order processing automation etc.
- It has been part of our salary budgeting process
- Alignment of targets for new financial year to take this into account
- Already compliant
- We always paid above the NLW so have offered pay increases based on skills rather than inflation
- We pay above minimum wage so this move by Government is highly inflationary to our operating costs. It will lead to lower profitability as we are unable to pass the cost increases through to the market.
- No change. We did not employ any staff below the new rate
- We have always paid above the minimal wage. So it is levelling itself out.

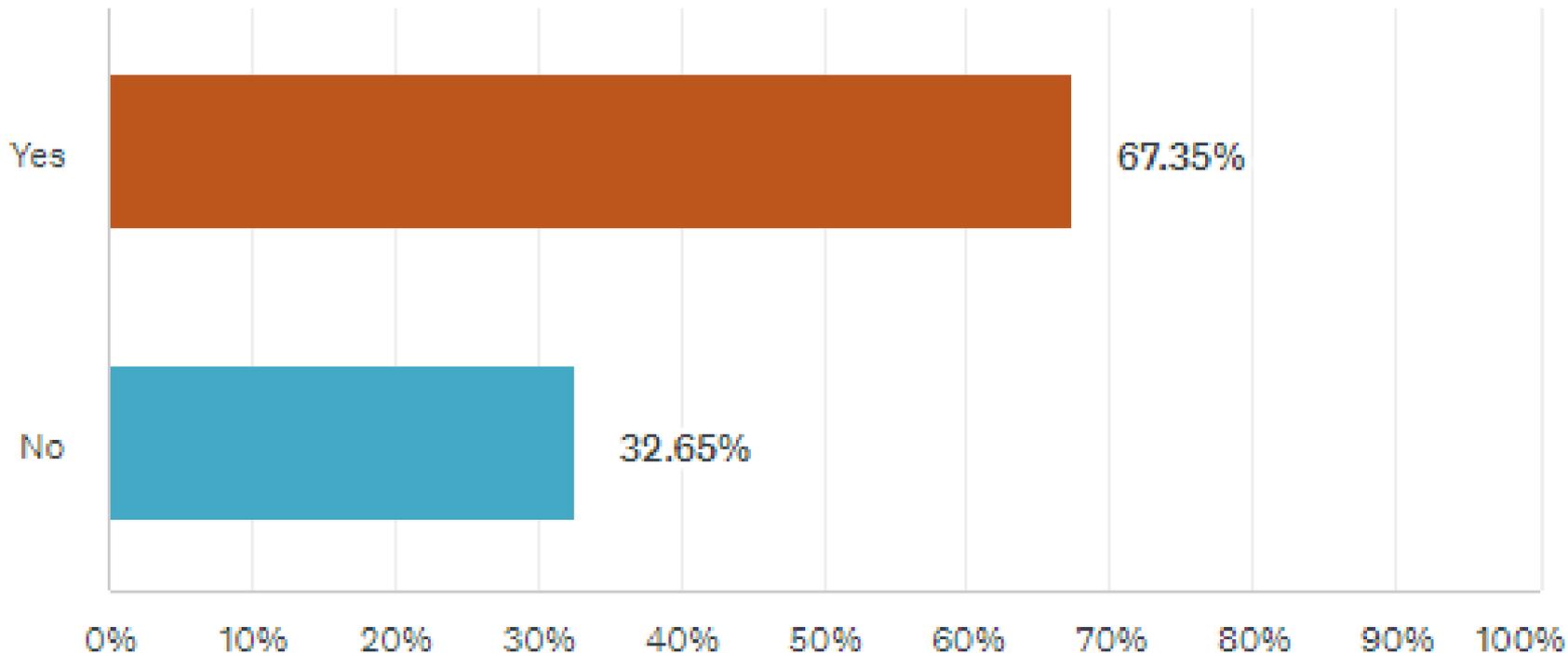
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Q12: Have you experienced an increase in motor insurance for business vehicles, and if so by how much?

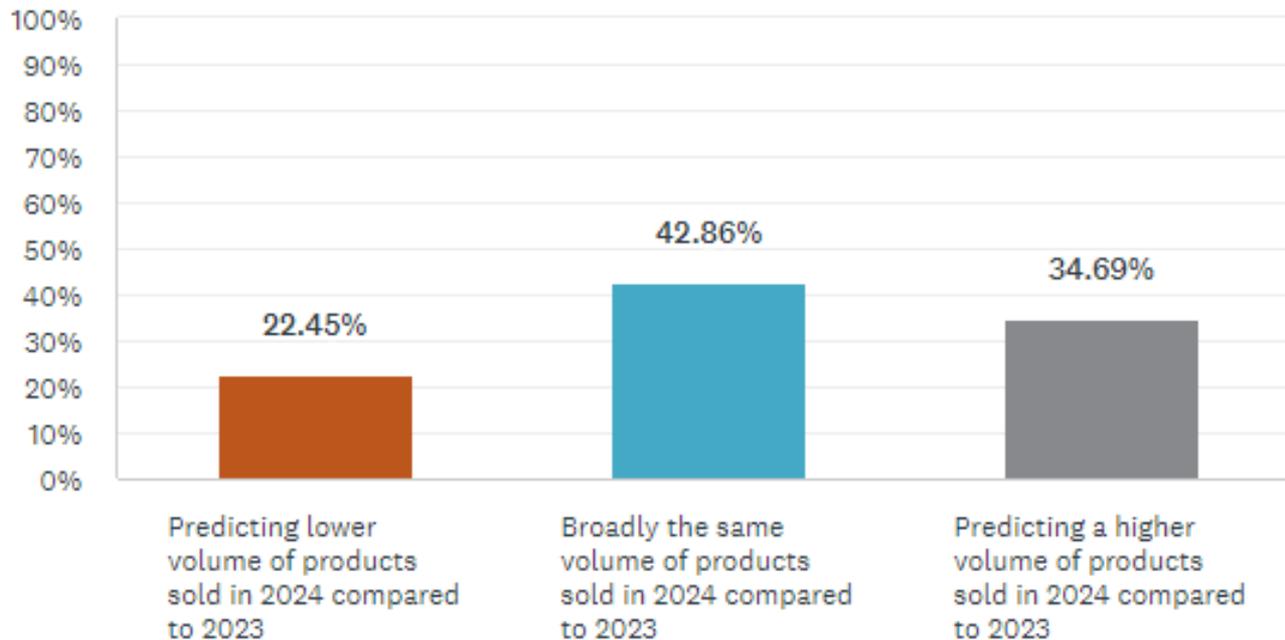


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Q13: Are you aware of the anticipated Building Safety regulatory requirements for manufacturers to provide product test/compliance information which can be shared with wholesalers, for them to share with their contactor customers?



Q14: How will 'like for like' sales in 2024 compare with 2023?



Q15: On a scale of 1 - 10 how optimistic to you feel about the sector's performance potential for 2024? Where 1 is not at all optimistic and 10 is extremely optimistic.

