

State of the Sector Survey: EDA Affiliate Manufacturers April 2022





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Introduction

This is the second of our quarterly EDA State of the Sector Surveys for 2022: in 2021 they were bimonthly and in 2020 monthly. The survey opened on Monday 4 April 2022, closing on Wed 20 April 2022. This survey represents the feedback of EDA manufacturers (affiliates). There is a separate survey for EDA wholesalers.

This survey attracted 49 responses, a 53% response rate. As at 1 April 2022 the EDA has 92 manufacturer businesses.

A summary of wholesaler and manufacturer feedback was shared at our Talking Shop Zoom Dialogues Tuesday 26 & Thursday 28 April 2022.

Highlights

Turnover and forecasts for business growth in 2022 are strong but the [impact of the Ukraine/Russia war is starting to be felt](#). Pandemic, Brexit, and conflict in Europe: are these issues making manufacturers consider moving their operations or warehouse capacity [back to the UK?](#)

Is China's zero tolerance to [Covid outbreaks causing concern over product supply?](#)

The "cost of raw materials" is manufacturers' [no. 1 operational challenge](#), tying with ["improving business systems and processes" as their top strategic headache](#).

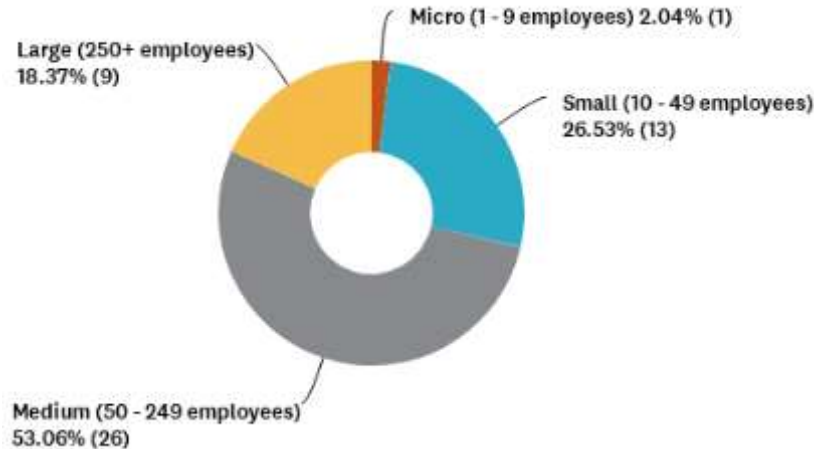
Manufacturer [turnover remains strong in Q1 2022 compared to the same period in 2021](#). [Over 60% forecast an increase in 'like for like' sales this year](#).

Manufacturers were asked to [forecast the likely level of cost increases during 2022](#) for the products they produce. For one product group 90% of respondents predicted 11%+ cost increases during this year, with 36% forecasting 25% or more.

State of the Sector Survey: EDA Affiliate Manufacturers April (looking back at Q1) 2022



Q1: Please tell us the size of your business

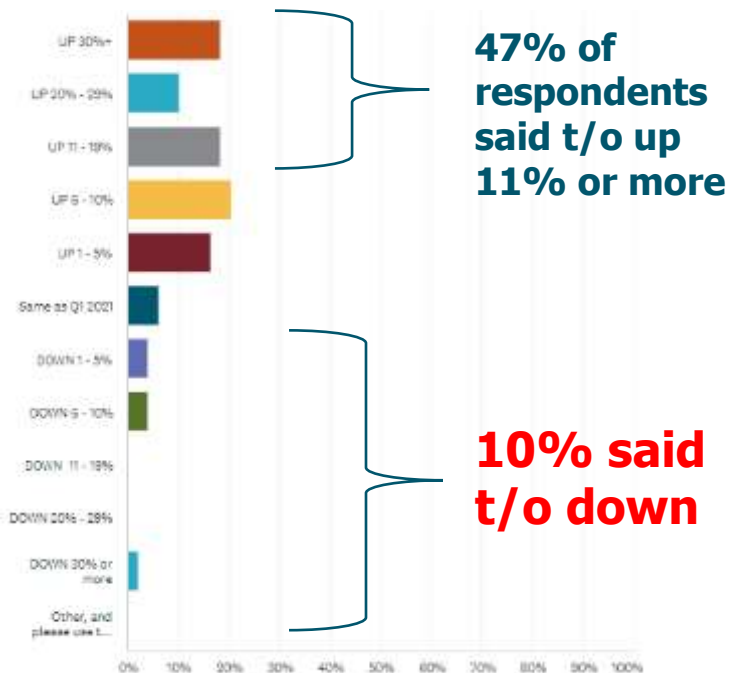


ANSWER CHOICES	RESPONSES	
Micro (1 - 9 employees)	2.04%	1
Small (10 - 49 employees)	26.53%	13
Medium (50 - 249 employees)	53.06%	26
Large (250+ employees)	18.37%	9
TOTAL		49

State of the Sector Survey: EDA Affiliate Manufacturers April (looking back at Q1) 2022



Q2: Please tell us how your turnover in Q1 2022 compares with turnover in the same period in 2021



ANSWER CHOICES	RESPONSES	
Turnover is UP 30% or more	18.37%	9
Turnover is UP 20% - 29%	10.20%	5
Turnover is UP 11 - 19%	18.37%	9
Turnover is UP 6 - 10%	20.41%	10
Turnover is UP 1 - 5%	16.33%	8
Turnover is about the same as Q1 2021	6.12%	3
Turnover is DOWN 1 - 5%	4.08%	2
Turnover is DOWN 6 - 10%	4.08%	2
Turnover is DOWN 11 - 19%	0.00%	0
Turnover is DOWN 20% - 29%	0.00%	0
Turnover is DOWN 30% or more	2.04%	1
Other, and please use the space below for your feedback:	0.00%	0
TOTAL		49

State of the Sector Survey: EDA Affiliate Manufacturers April (looking back at Q1) 2022



Q3: Please indicate which **3 operational challenges** are your most pressing at this time.

ANSWER CHOICES	RESPONSES	
Raw material price increases	66.67%	30
Attracting and retaining staff	53.33%	24
Increased running costs	51.11%	23
Raw material or component availability	51.11%	23
Forecasting manufacturing output, stock levels and managing allocation	31.11%	14
Predicting inflation and planning accordingly	20.00%	9
Cash flow challenges	17.78%	8
Projects being delayed or cancelled due to a shortage of building materials	6.67%	3
Trade credit insurance premiums or terms of cover	2.22%	1
The cost and work involved in meeting UKCA requirements	2.22%	1
Total Respondents: 45		

For the first time we also asked manufacturers about their strategic business challenges. You'll find those responses here.



Overview of manufacturers' top 3 business challenges from the last 4 surveys

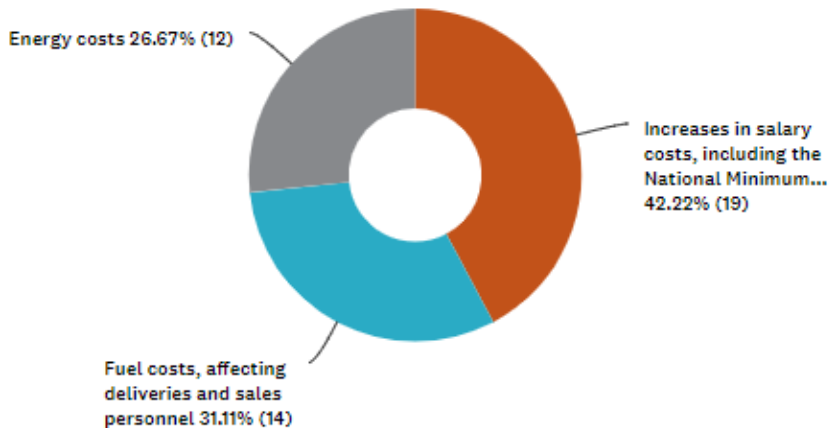
	Sept 2021	November 2021	January 2022	April 2022
1	Increased cost of shipping	Increased cost of raw materials	How to manage increasing costs across all areas of the business	Raw material price increases
2	Increased cost of raw materials	Increased cost of shipping	Forecasting manufacturing output, stock levels and managing allocation	Attracting and retaining staff
3	Increasing shortage of raw materials	How to manage increasing costs across all areas of the business	Attracting and retaining staff	Increased running costs + Raw material or component availability

Raw material prices increases: the average cost of copper has increased from 7,921 Euros in September 2021 to 9,362 Euros in March 2022, representing an increase of 18% over 6 months. Due to the Ukrainian/Russian conflict there have been major increases in the price of stainless steel that has a high nickel content. At the time of writing (w/c 25 April 2022) nickel has increased in cost by 240% in recent days.

State of the Sector Survey: EDA Affiliate Manufacturers April (looking back at Q1) 2022



Q4: Which cost increase will have the biggest negative impact on your business

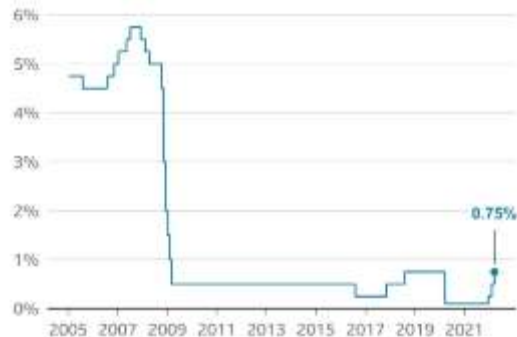


From 6 April 2022 – 5 April 2023 National Insurance contributions rose by 1.25%.

National Living Wage increased by 6.6%

ANSWER CHOICES	RESPONSES
Increases in salary costs, including the National Minimum Wage and National Insurance contributions	42.22% (19)
Fuel costs, affecting deliveries and sales personnel	31.11% (14)
Energy costs	26.67% (12)
Interest rates	0.00% (0)
TOTAL	43

Interest rates rise to 0.75%



Source: Bank of England

Interest rates:
17 March 2022: Interest rates rose from 0.5% to 0.75% (33% up), their highest level since March 2020



Q5: Please indicate which **3 strategic challenges** are your most pressing at this time.

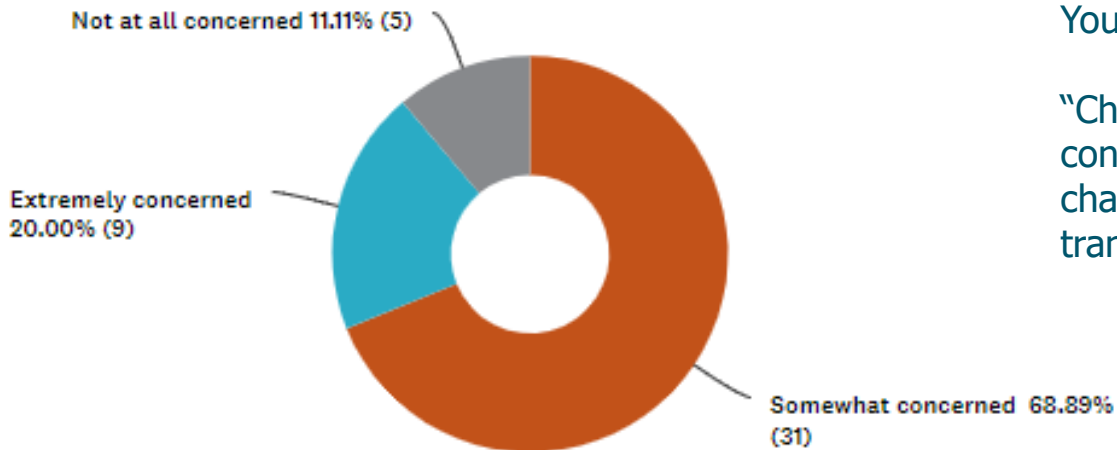
ANSWER CHOICES	RESPONSES
Improving my business systems and processes	48.89% 22
Identifying growth areas for my business	44.44% 20
Adapting my business for a green future	42.22% 19
Adapting my business for a more digitalised world	31.11% 14
Succession planning for my business	28.89% 13
Developing new digital skills in my workforce	24.44% 11
Attracting a mix of age groups to my team	24.44% 11
Planning and implementing a programme of staff development and training	22.22% 10
Introducing electric vehicles for both deliveries and representatives	15.56% 7
Attracting more women and people from ethnic minorities into my workforce	13.33% 6
Total Respondents: 45	

Q6 asked if there are there any other challenges that your business is facing which we have not mentioned above?

One respondent said "Increased costs and availability", which was covered in operational issues.



Q7: How concerned are you about the recent Covid-related closures at the Port of Shenzhen and its impact on your product or component/materials availability?



You said:

“China’s zero covid policy is a concern of disruption of supply chain in terms of raw materials, transport, and manufacturing.”



Q8: As the Ukraine war extends, please comment on any direct or indirect impact on the manufacture or supply of your products.

The majority of respondents said “None”, but notable comments:

- Lost a significant customer in Russia
- Cost energy and raw materials
- Fuel cost and inflation costs will hit supply prices
- Sanctions against Russia are causing increased Aluminum prices and scarcity. The move away from Russian supplied diesel will lead to further price increases and maybe scarcity in Europe leading to increased transportation costs from our factories to the UK.
- No direct impact. Our sales team in Ukraine have remained to defend their country. We have exit strategies in place to evacuate them and their families should they wish.
- Cost increases for raw materials
- Inflation, raw material prices, shortages, investors’ confidence about short/medium invest, cash
- Increase in raw materials
- Wood supplies used for packaging etc from Russia stopped - prices more than doubled. Russia supply 20% of all plywood used in the UK
- Energy costs
- Indian suppliers price increase
- Only impact on road haulage and demand
- Obstruction on European flight paths
- Raw material costs in terms of copper and zinc are already being materially effected, and more pressure will fall on the Asia to Europe sea freight routes resulting in space issues and further costs challenges
- Steel

State of the Sector Survey: EDA Affiliate Manufacturers April (looking back at Q1) 2022



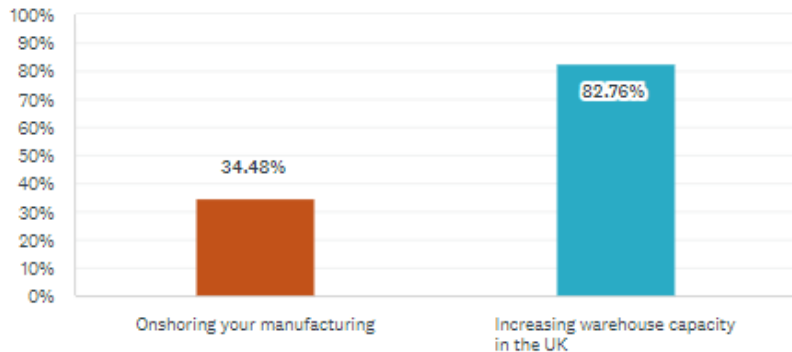
Q9: What issues are you experiencing, if any, regarding the signing of certificates of conformity by third parties in relation to the embargo on product supply to Russia or Belarus?

The majority of respondents said “None”, but other comments included:

- We have ceased all operations in Russia. Our team there are now cut off from supply of products or financial support
- Getting end customer to actually sign.



Q9: If you currently manufacture overseas, has the disruption in the supply chain made you consider the following? Please tick all that apply.

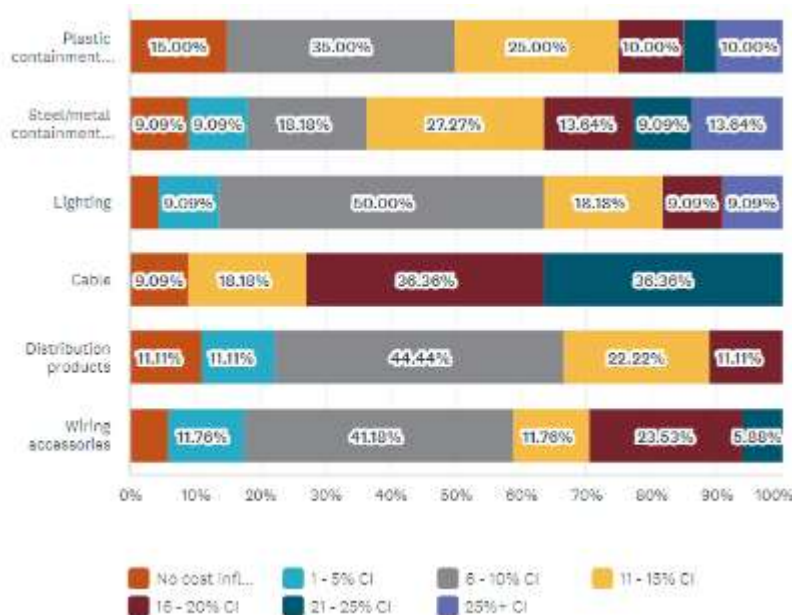


Manufacturers' said:

- We had the foresight to increase warehouse space last year.
- We are currently transitioning our manufacturing from China to India to mitigate the over reliance on China
- Significantly increased warehouse capacity and stock holding over the past 12 months
- We manufacture in the UK
- Sourcing less raw materials from China
- Increased warehouse capacity in Europe due to BREXIT as well as the current component challenges
- We have increased UK space by 30%. We also now have a warehouse in Ningbo which added about 50% more space, this gives us flexibility to be more reactive to stock shortages.
- Especially for components knowing that the final assembly is already made in UK.
- No
- Manufacture in the UK & Europe
- We continually look at the most efficient supply chains and are actively seeking new opportunities closer to the UK.



Q10: For the products you manufacture, please indicate **the likely level** (in percentage terms) of potential cost inflation (CI) in 2022.



50% said 11% or more

64% said 11% or more

36% said 11% or more

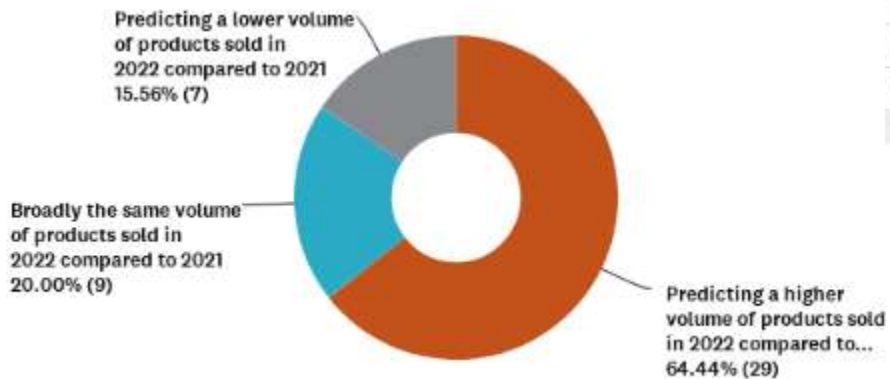
90% said 11% or more

33% said 11% or more

41% said 11% or more



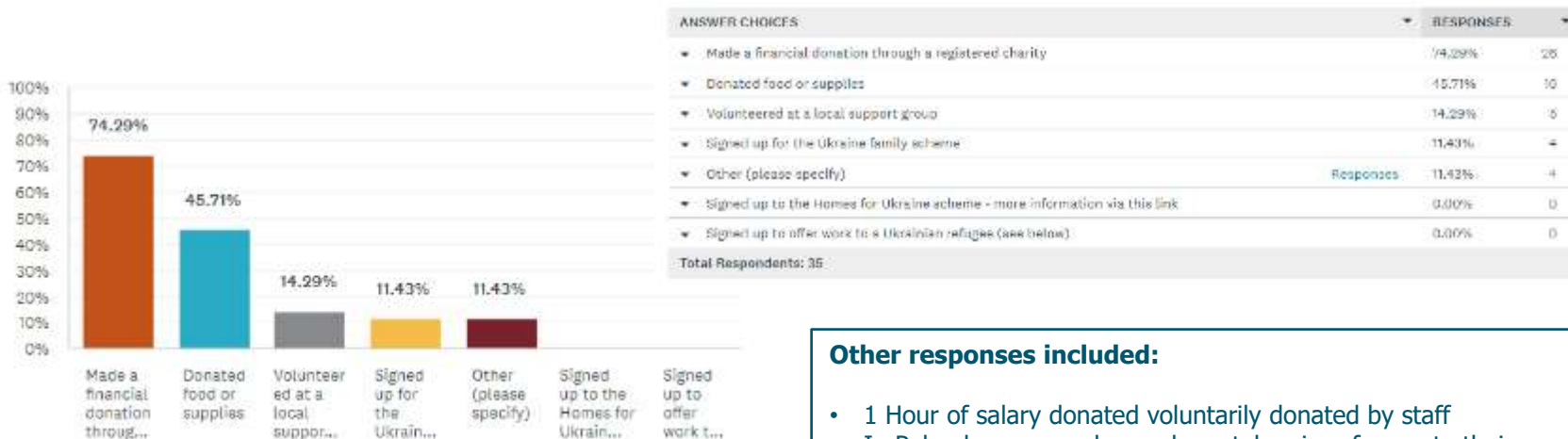
Q11: Thinking now about business growth and the volume of products sold by your business. How will 'like for like' sales in 2022 compare with 2021?



ANSWER CHOICES	RESPONSES	
Predicting a higher volume of products sold in 2022 compared to 2021	64.44%	29
Broadly the same volume of products sold in 2022 compared to 2021	20.00%	9
Predicting a lower volume of products sold in 2022 compared to 2021	15.56%	7
TOTAL		45



Q12: Has your company, or individual members of your company, responded to the Ukraine appeal in any of the following ways? *Tick all that apply.*



Other responses included:

- 1 Hour of salary donated voluntarily donated by staff
- In Poland many employees have taken in refugees to their homes and I see no evidence here in Krakow of any homeless refugees in the streets.
- Will look to offer work opportunity
- Working with another business to provide accommodation



Q13: Please use the space below for any comments or suggestions about this sector's response to the Ukraine/Russia war.

- Follow sanctions, support Ukraine, and do what we can to make Russia consider withdrawing & to discourage them from enlarging this war into other countries.
- We have informed our internal and external clients and taken legal advice as to the best action to take. At present our products do not have Russian certification so the risk is minimal - however, we do rely on our partners to follow sanctions

