

# State of the Sector Survey Manufacturer Feedback: July 2022

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### Introduction

This is the third 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 July 2022, closing on Thursday 21 July 2022. This survey represents the feedback of EDA manufacturers (affiliates). There is a separate survey for EDA wholesalers.

This survey attracted 45 responses, a 49% response rate: the highest response rate was 62% in June 2020. As at 25 July 2022 the EDA has 91 manufacturer businesses.

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

### Highlights

Half way through the year and over 55% of manufacturer respondents are experiencing a slow down in the market, although well over 40% of respondents are predicting that a higher volume of products will be sold in 2022. Turnover is not a buoyant as reported in our April 2022 survey.

Manufacturers are battling the UK's soaring inflation rate (CPI is 9.4% on 1 June 2022) and substantial rises in the cost of fuel. Manufacturers' no. 1 operational challenge is still raw material price increases: their strategic challenges are unchanged from our April 2022 survey.

With the volatility of the cost of raw materials and inflation, manufacturers were also asked about the validity of their quotations.

For the products they produce, manufacturers were asked to forecast the likely level of cost increases during 2022. The comparisons with the results of our April 2022 survey make interesting reading.

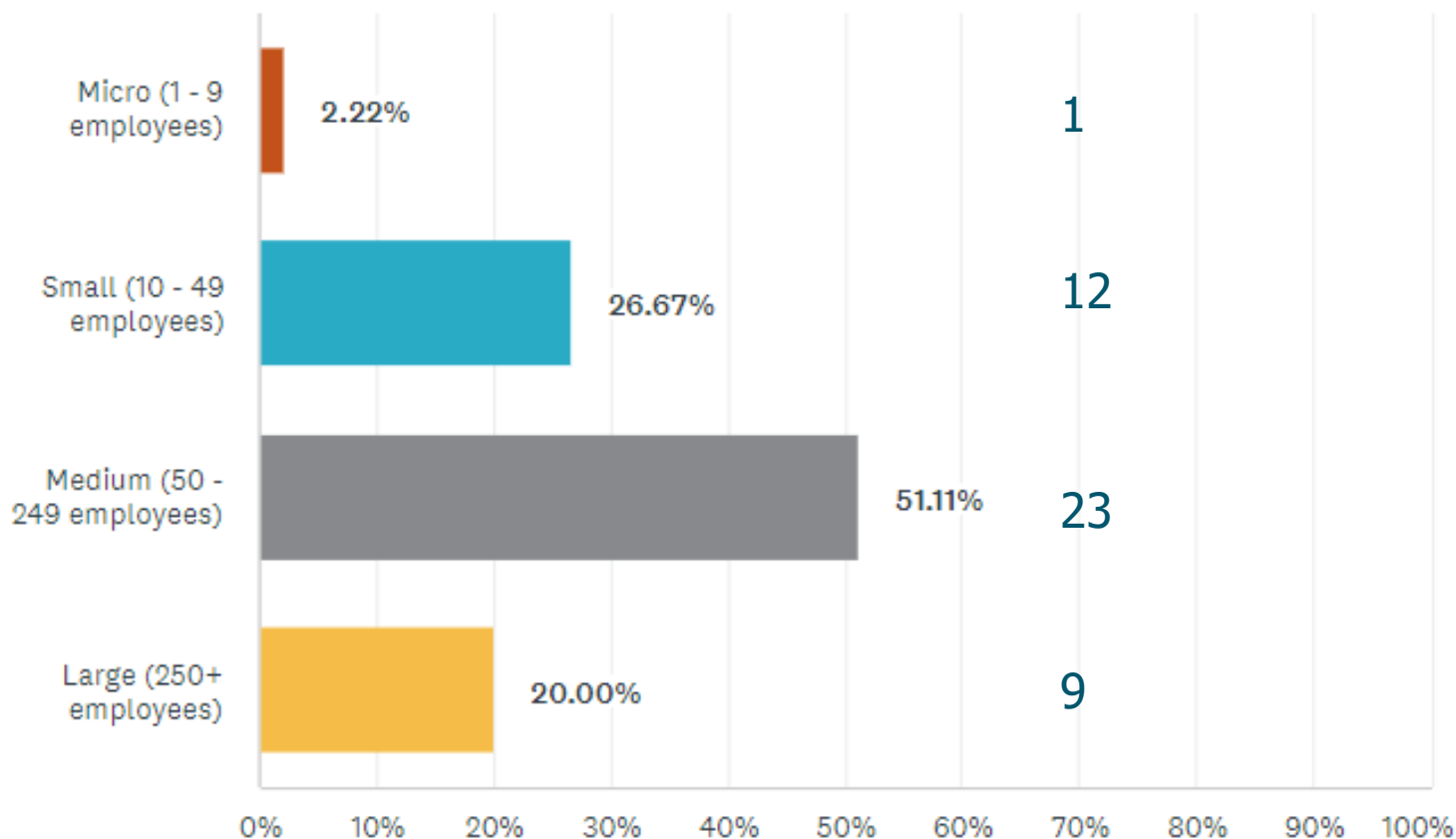
Recruitment is still an issue for businesses in all sectors: we asked manufacturers about their levels of staff turnover and the reasons why people may be moving to new roles.

Find out manufacturers' feedback on what's ahead for the sector.

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## Q1: Please tell us the size of your business

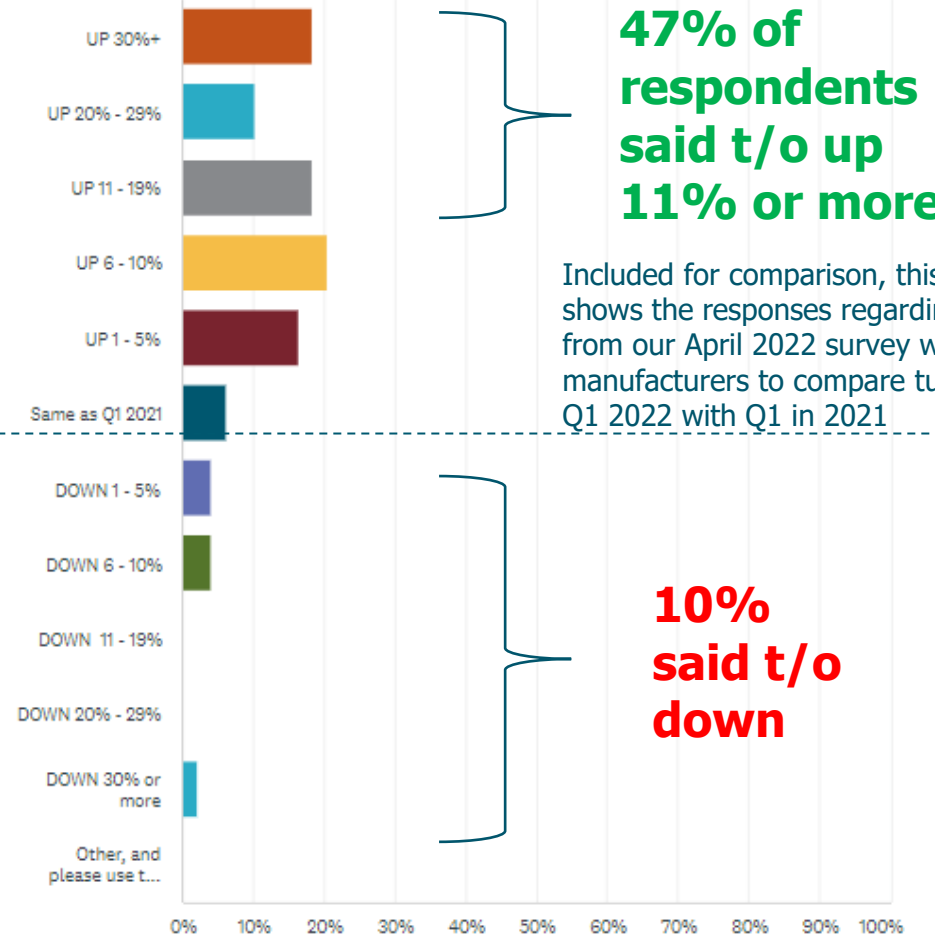
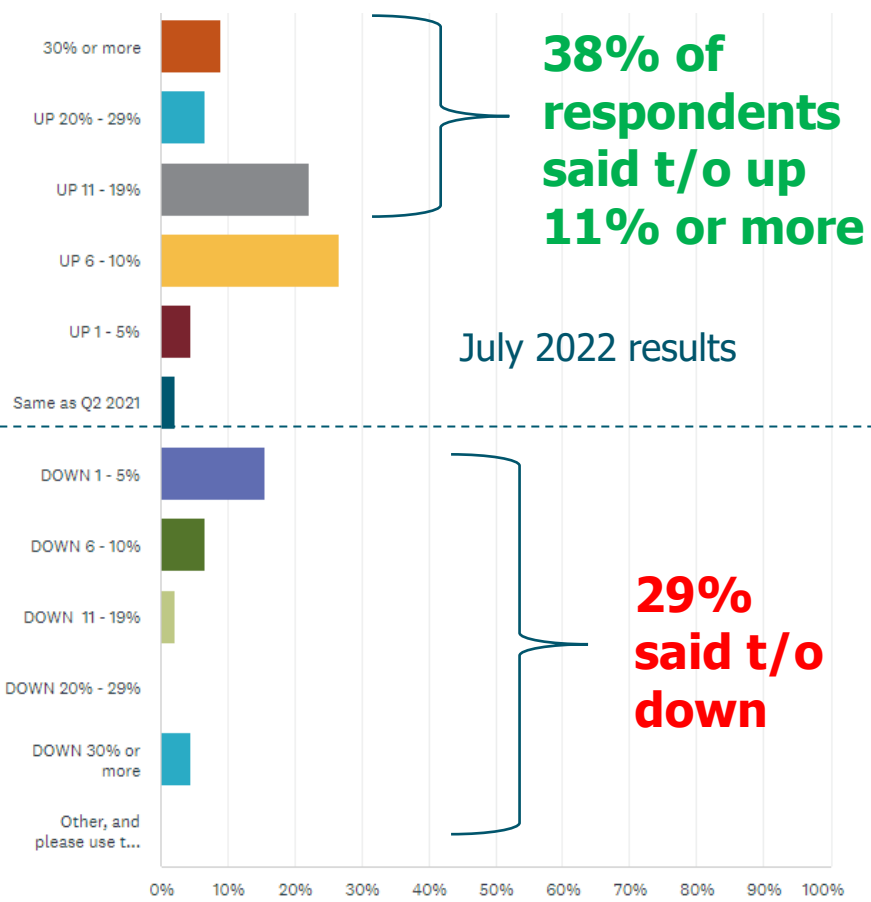


**Manufacturer responses:** 45 businesses responded

Response rate: 49% (highest was 62% in June 2020)



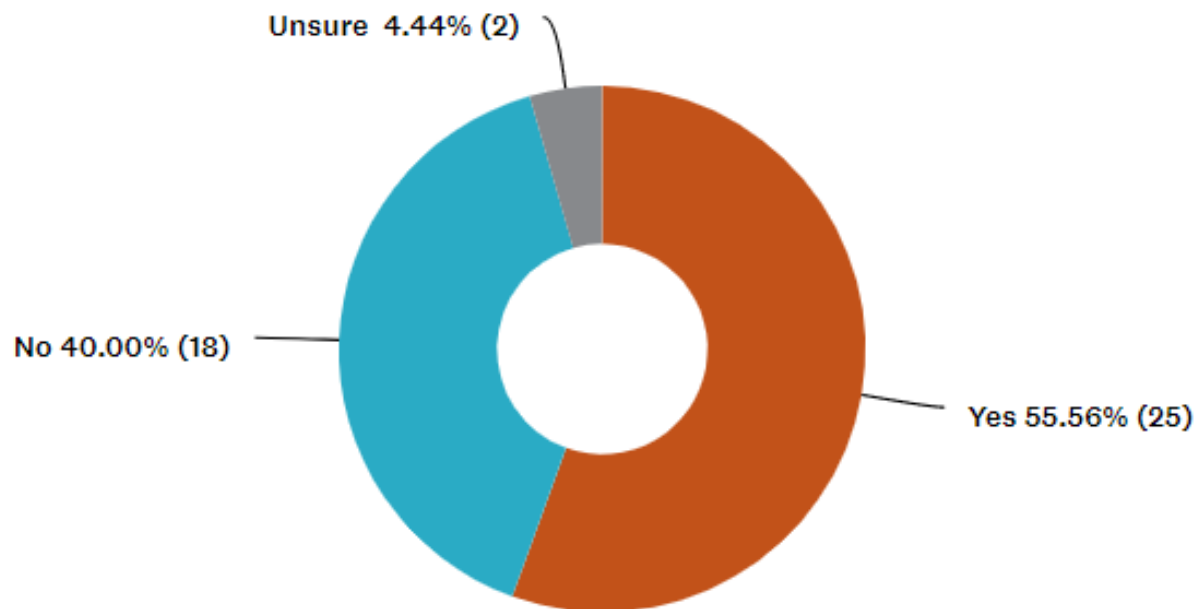
## Q2: Please tell us how your turnover in Q2 2022 compares with turnover in the same period in 2021



Included for comparison, this chart shows the responses regarding turnover from our April 2022 survey which asked manufacturers to compare turnover in Q1 2022 with Q1 in 2021



## Q3: Did you experience a slow down of the market in Q2 of 2022?



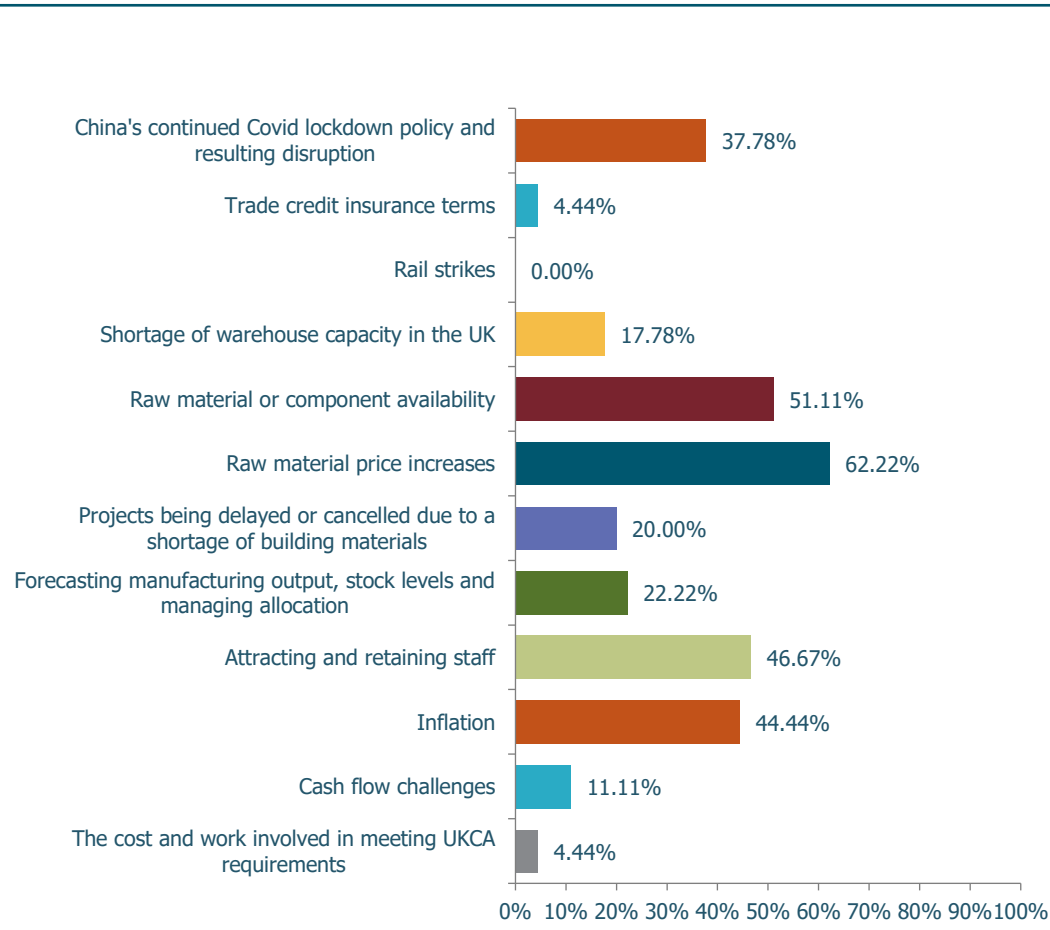
### Manufacturers said

- Residential Market appears to be suffering more than others
- Q1 = £2.79M vs Q2 £2.476M
- Volume is down but revenue is static due to increase in price driven by material price inflation.
- Slow down quite specific by channel
- The value remains high but volume is slightly declining
- Even though we have not seen a slow down on our figures this quarter, we can feel that the market is slowing down in areas, mainly in our day to day business but the project side is still busy.
- June appeared slower, but not sure of the impact of the Jubilee weekend other than two more bank holidays - suspect a number of people took that week off so the impact was more than 10% less trading days.
- June was slower but less trading days plus the impact of the Jubilee break.

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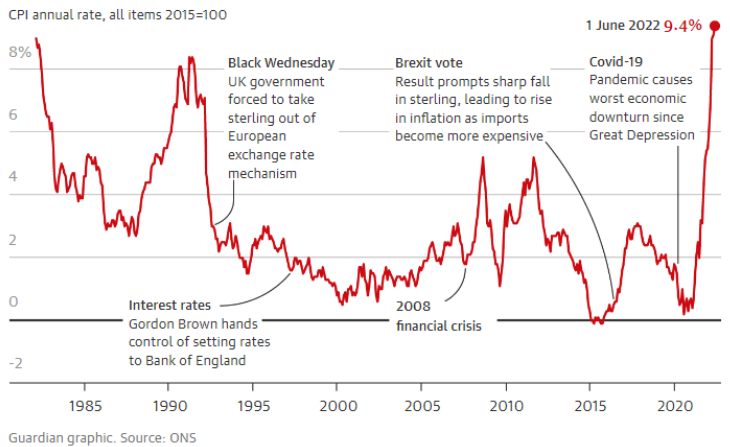


# Q4: Your Operational Challenges: indicate which three operational challenges are your most pressing at this time.



|   | Sept 2021                            | November 2021   | January 2022   | April 2022   | July 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                                     | 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                                   | Raw material or component availability |
| 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 | Attracting and retaining staff         |

## UK inflation continues to rise precipitously





## Q5: Your 3 most pressing **strategic** challenges

|   | April 2022                                  | July 2022                                   |
|---|---|---|
| 1 | Improving my business systems and processes | Improving my business systems and processes |
| 2 | Identifying growth areas for my business    | Identifying growth areas for my business    |
| 3 | Adapting my business for a green future     | Adapting my business for a green future     |

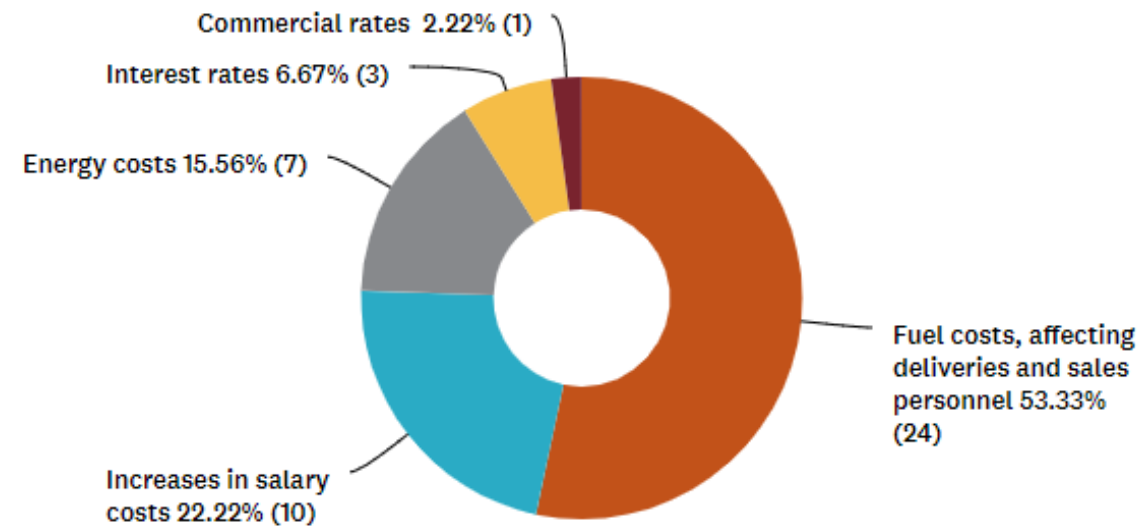
- GBP to USD rate has plummeted which is impacting on costs
- Raw materials previously sourced from Ukraine, Russia and Belarus; wood, Aluminium, carbon black used for UV resistance on cable sheaths
- Slowdown in infrastructure investment
- Weakening of the pound against the dollar



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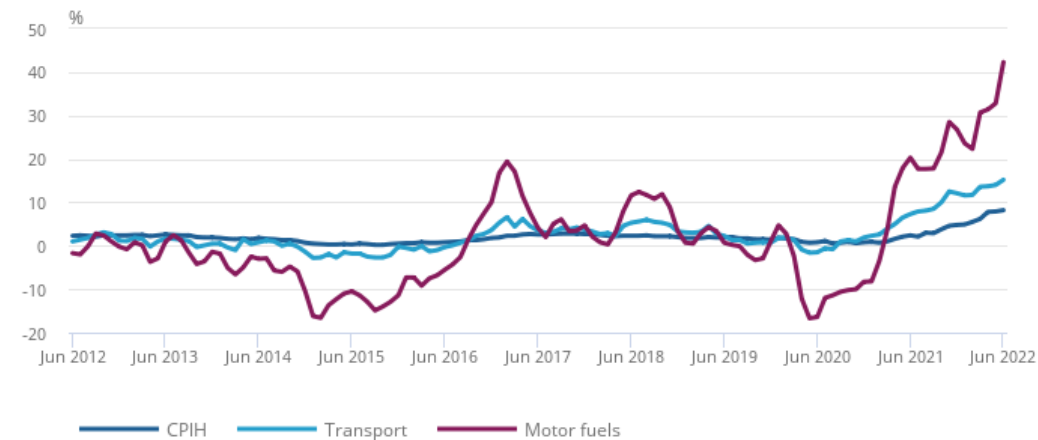
**Q6:** Of the following cost increases which will have the biggest negative impact on your business?  
*Choose one option.*



ONS: 42.3% rise in the price of motor fuels on the year. This is the highest rate since before the start of the constructed historical series in January 1989.

Figure 2: Motor fuels inflation rate has risen sharply over the last two years

CPIH, transport and motor fuels 12-month inflation rates, UK, June 2012 to June 2022

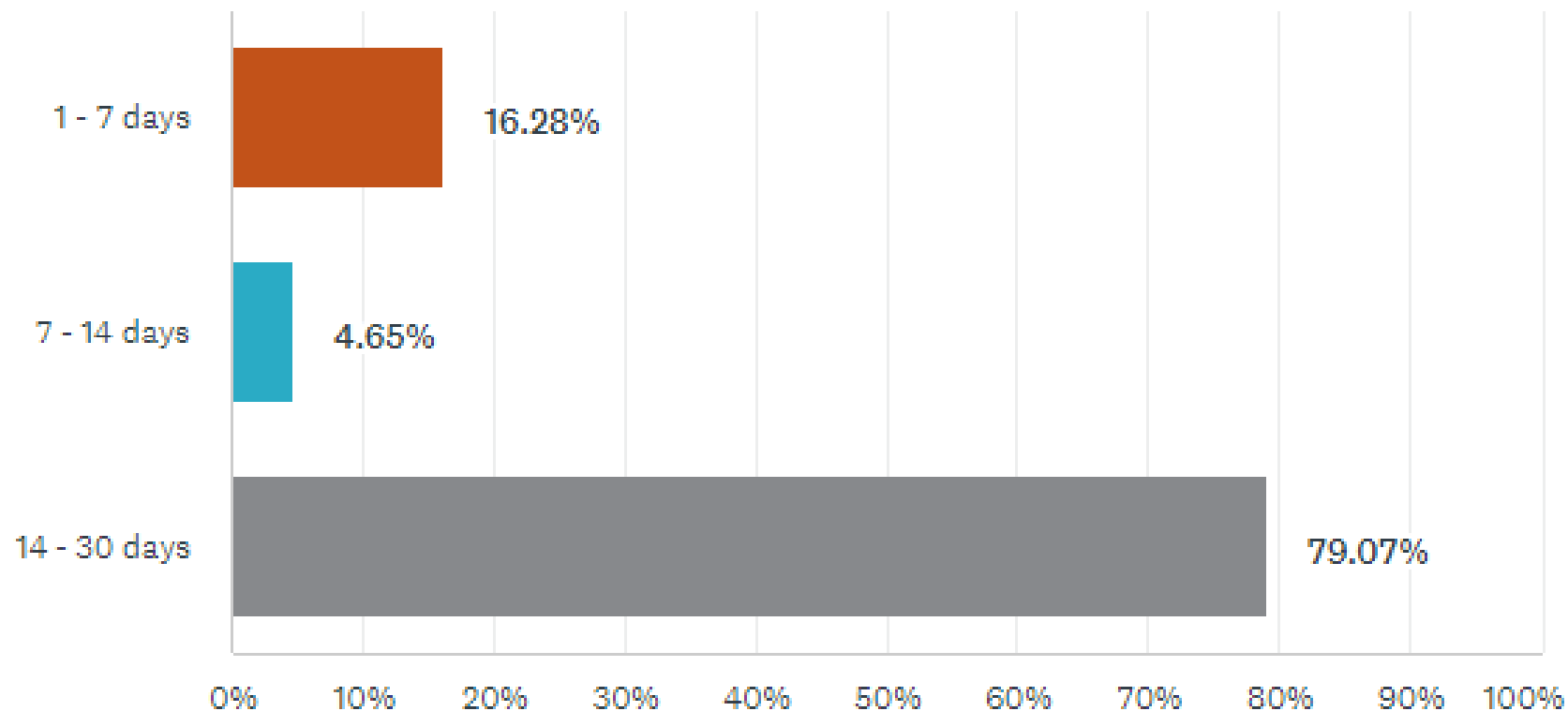


Source: Office for National Statistics – Consumer price inflation





## Q7: What is the average length (in days) of your current quotation validity?



You said

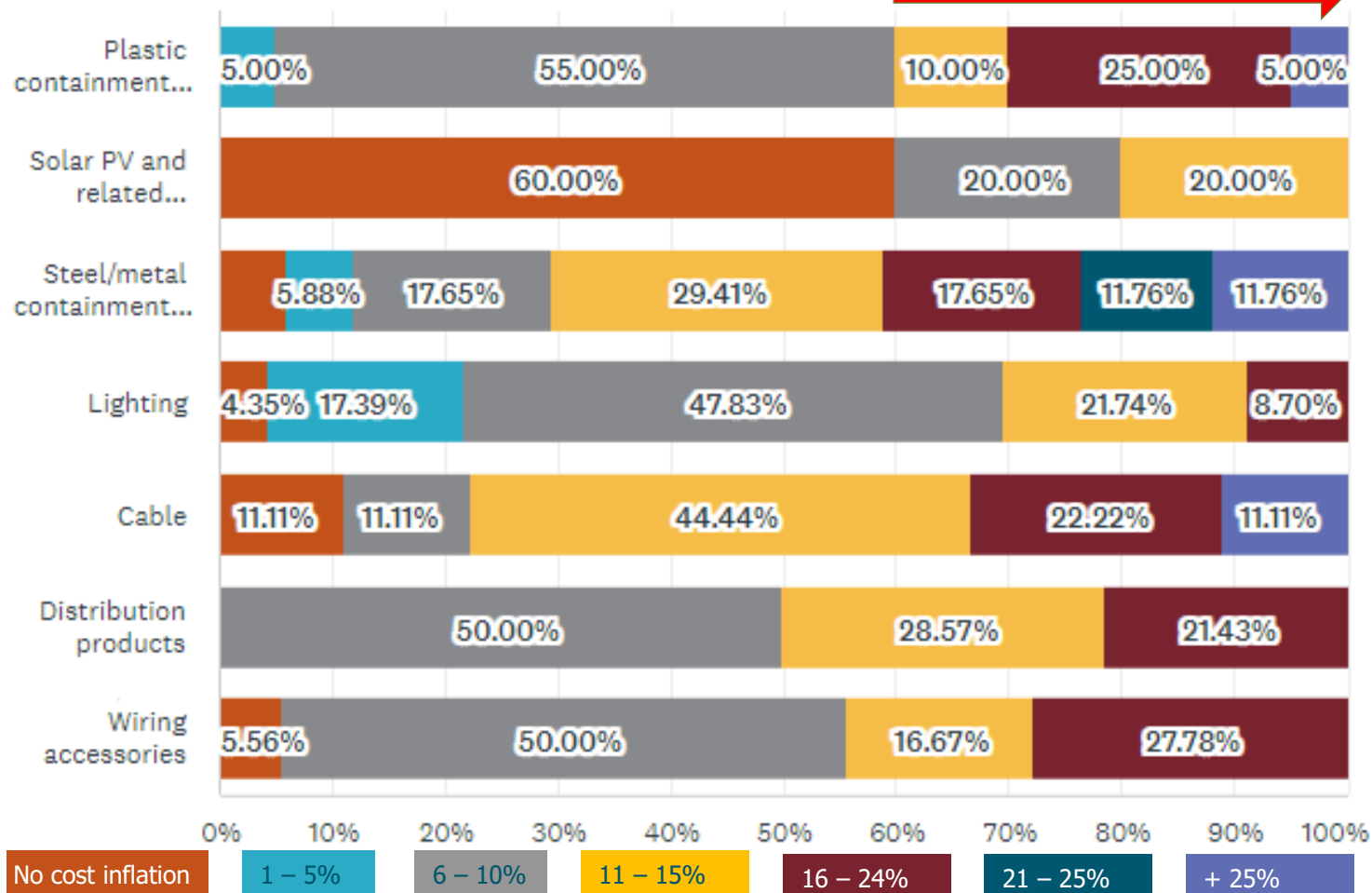
“We don’t quote. Standard terms for every transaction”

“Depends on the sector of the industry, so I can’t give a single answer”

“How easy is it to manage expectations of the end clients or is it a fight for alternatives to still meet the deadlines and **how easily are they accepting the short quotation times?**”



## Q8: For the products you manufacture, what's the likely level of cost inflation in 2022?



**30%** (50% in April 2022) **said 11% or more**

**20%** **said 11% or more** (not incl in April 2022 survey)

**71%** (64% in April 2022) **said 11% or more**

**30%** (36% in April 2022) **said 11% or more**

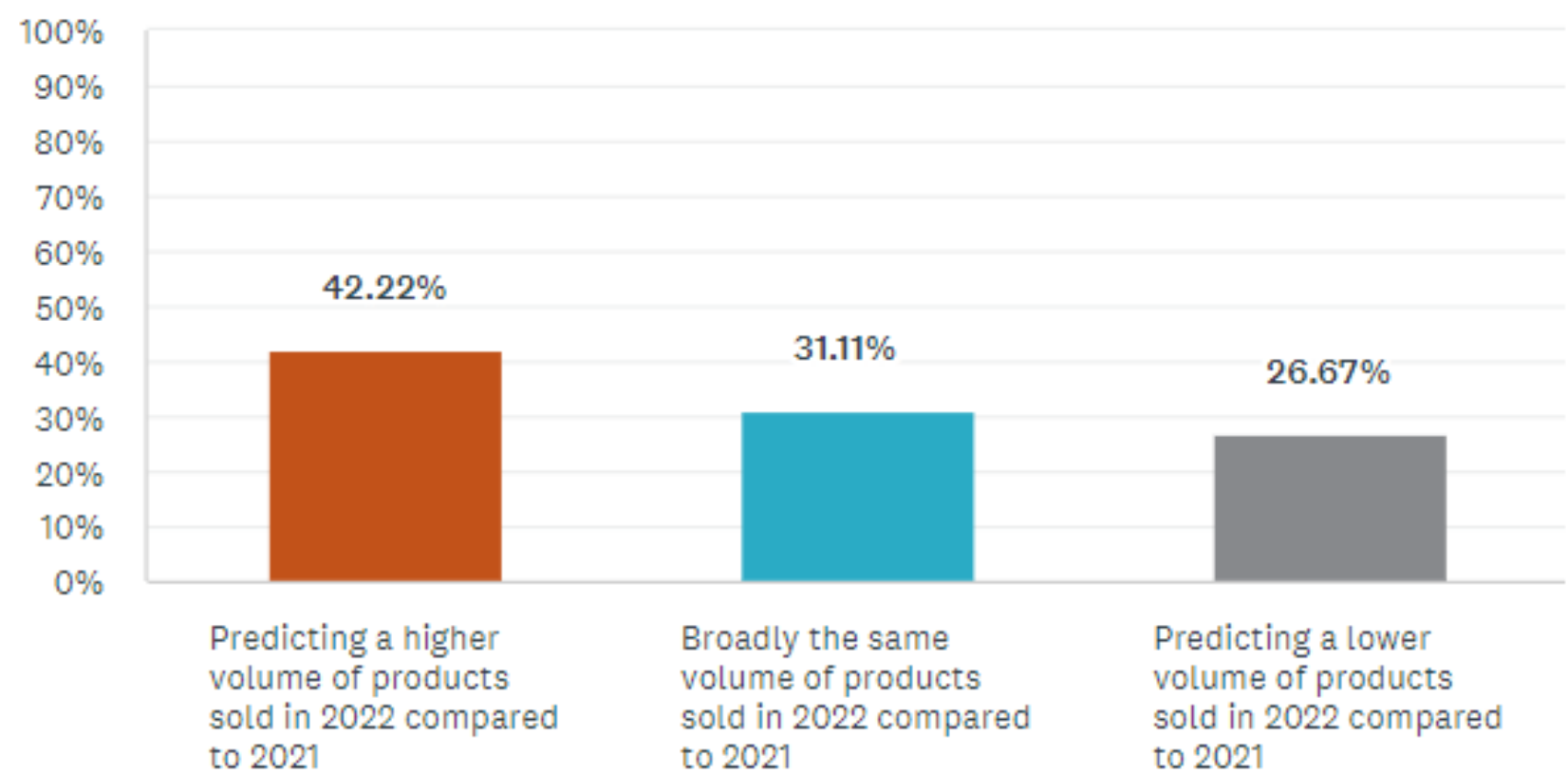
**78%** (90% in April 2022) **said 11% or more**

**50%** (33% in April 2022) **said 11% or more**

**45%** (41% in April 2022) **said 11% or more**



**Q9:** As we are half way through the year, we'd like your thoughts on business growth and the volume of products sold by your business. How will 'like for like' sales in 2022 compare with 2021?





## Q10: Are you experiencing an increase in staff turnover?

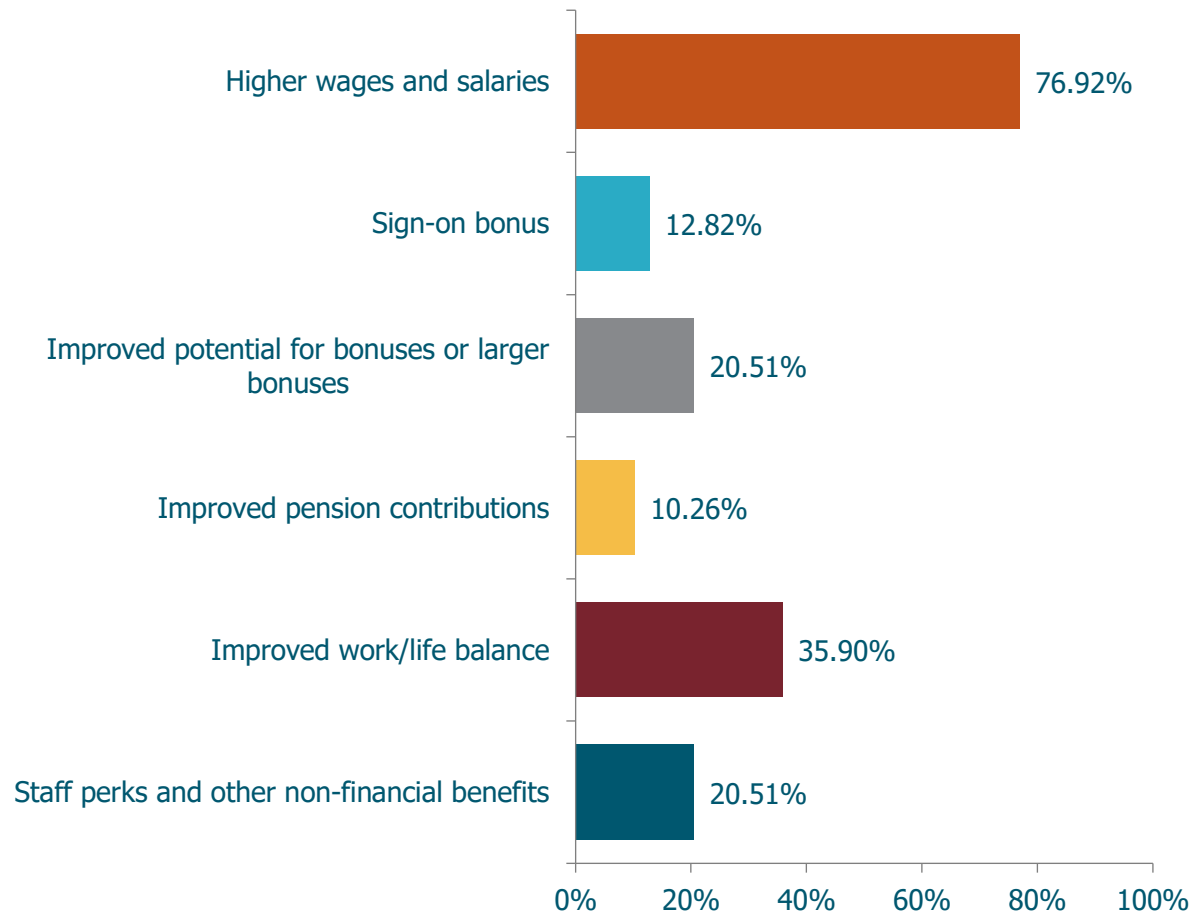


### Your comments:

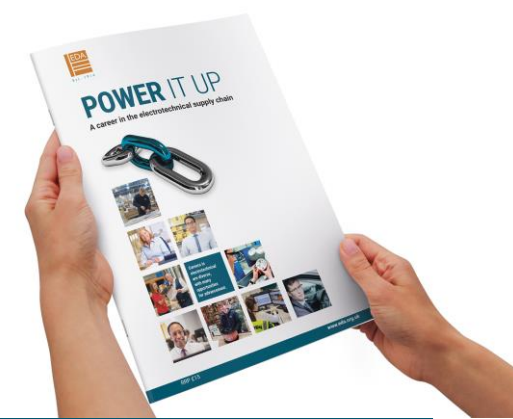
- We're lucky. We don't lose colleagues other than to maternity leave or change in personal circumstances and moving away from area
- It is a candidate market with many vacancies which is pushing salaries up, there are also more companies offering a greater degree of flexibility about working from home
- Non of the above, it seems a full days work, which is something we ask for, is something which we found challenging for some previous employees (not current employees though)



# Q11: What incentives are other companies offering that might encourage your staff to leave your business? *Tick all that apply.*



New ***Power It Up: A career in the electrotechnical supply chain***: this guide is written for your interviewees and new recruits and is available to download or order from [www.eda.org.uk](http://www.eda.org.uk)





# Your comments

“Competitor pricing is very changeable based on both the exchange rate and shipping costs leading to a difficult market when applying consistent pricing models for our customers”

“Our industry needs to do more to prepare for rough times ahead”

“British pound is getting weaker, dropped 5% in a month, another factor pushing inflation up”

“GBP to USD rate has plummeted which is impacting on costs”

## GBP to USD Chart

British Pound to US Dollar

• 1 GBP = 1.20049 USD Jul 24, 2022, 08:13 UTC



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