

# The Manufacturing Health Index Report

An up-to-date data report on SME manufacturing performance in the UK, Australia & New Zealand.

Analysis and Q3 metrics for:

- ✓ Sales revenues
- ✓ Profit margins
- ✓ Purchasing activity
- ✓ Lead times
- ✓ Stock volumes



# UK SME

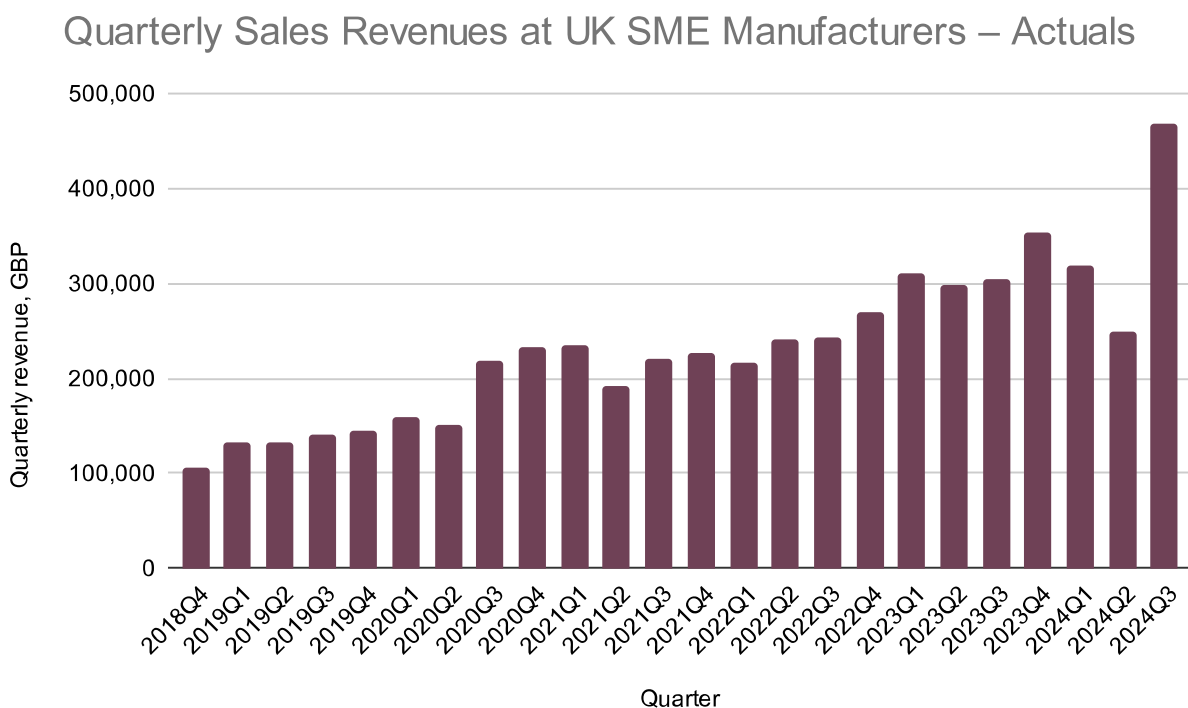
## Manufacturing Performance

Stand-out sales point to positive business sentiment amongst UK firms, with manufacturers willing to spend more on inventory in anticipation of growing sales demand.

### Sales revenues strong

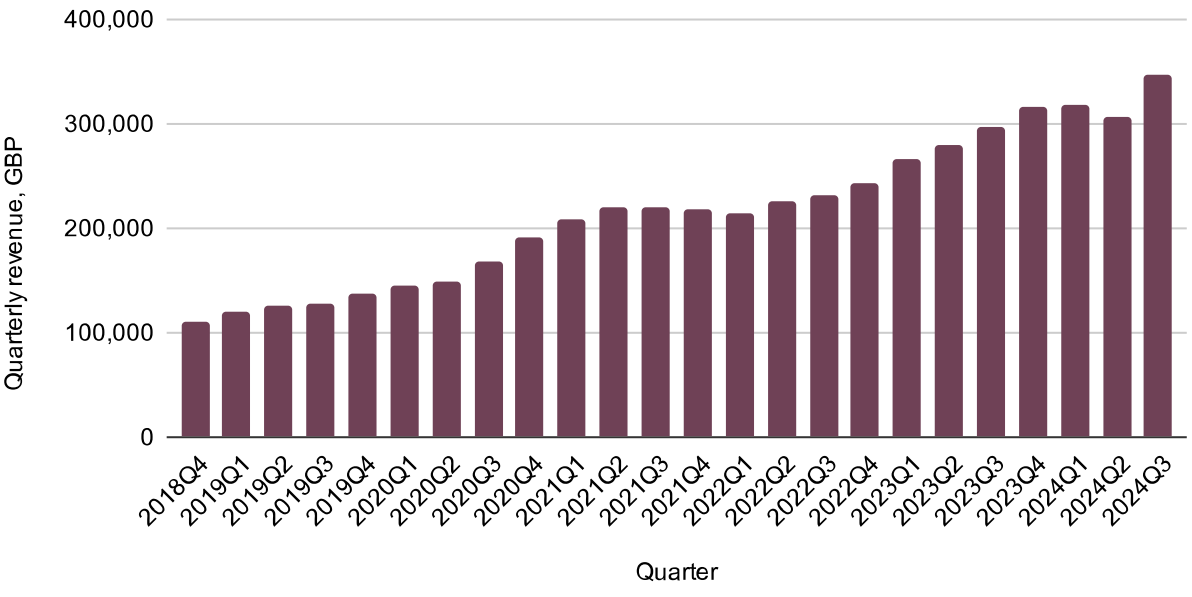
Manufacturer confidence appears to be high in the UK with both sales revenues and purchasing surging in Q3 2024.

Average sales revenues amongst small-to-medium manufacturers lifted 88% from Q2 to Q3, from £248,620 to £468,215.



The longer-term trend was also positive, with the 12-month rolling average of sales revenues up 13% from Q2 to Q3.

# Quarterly Sales Revenues at UK SME Manufacturers – 12-Month Rolling Average



## Purchasing behaviour points to future strong performance

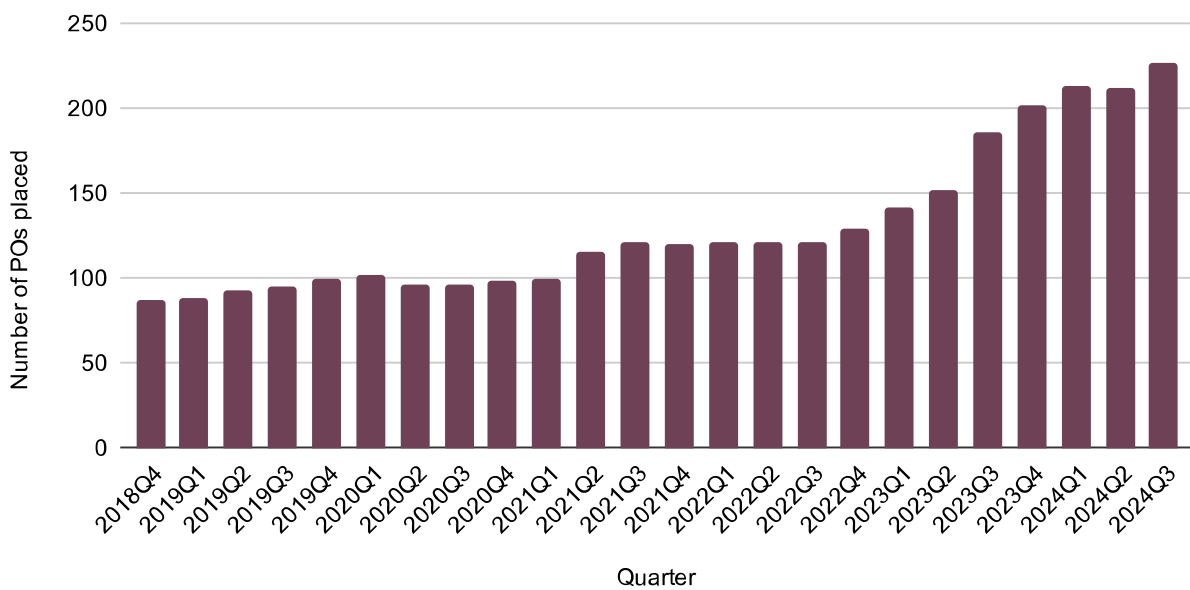
The average number of purchase orders placed per quarter by UK manufacturers rose to 322 in Q3, up dramatically from 171 in Q2 and 262 in Q3 of 2023.

Viewed as a 12-month rolling average a clear upward trend in purchasing by UK firms can be seen. Purchase Order volumes can be viewed as a leading indicator of future economic activity as

they stimulate downstream economic activity and point to upcoming sales as the ordered goods take time to be delivered, manufactured into new products and sold.

Overall the strong purchasing data points to growing confidence in the SME manufacturing base.

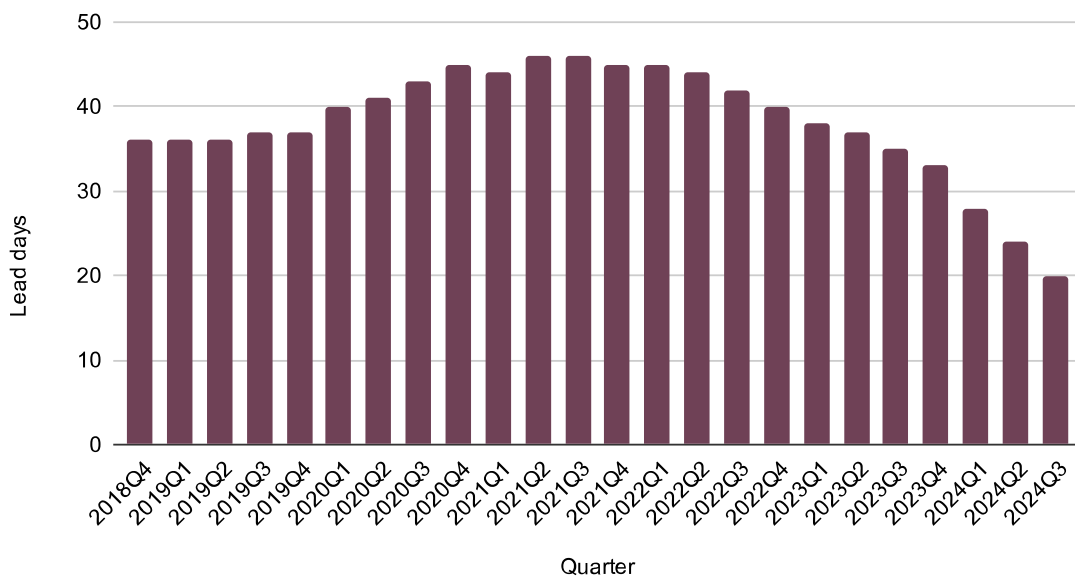
### Quarterly Purchase Orders Placed by UK Manufacturers - 12 Month Rolling Average



## Supply chain health and stockholding strategies

Lead days – measured as the time between placing a purchase order and the goods being receipted into the destination warehouse – remain low in the UK, pointing to overall supply chain health. The all-industry 12-month rolling average fell to 20 days in Q3 – significantly lower than the pre-Covid average of 35 days. This shows both that recovery from the supply chain crisis is complete, and that the reaction to it – in terms of efficiency gains and the nearshoring of suppliers – has created an overall faster supply chain in the UK.

Lead days for UK Manufacturers - 12 Month Rolling Average

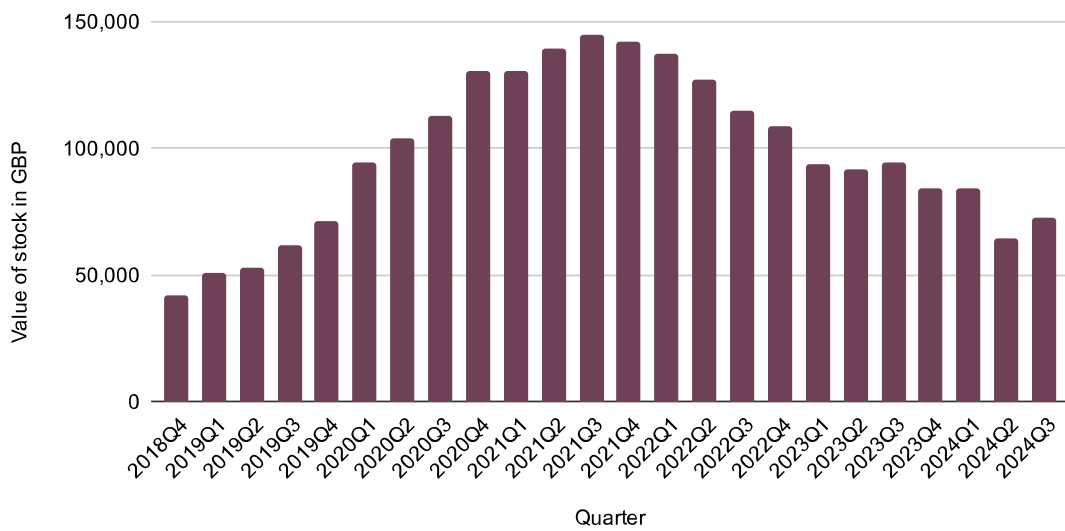


Meanwhile manufacturers are shifting their stockholding strategy, with excess stock levels growing. Excess stock in this report is a measure of inventory levels over and above what is required to meet existing levels of demand. The upward trend here suggests that firms are anticipating higher levels of demand in the near future, and are both purchasing and storing more inventory accordingly.

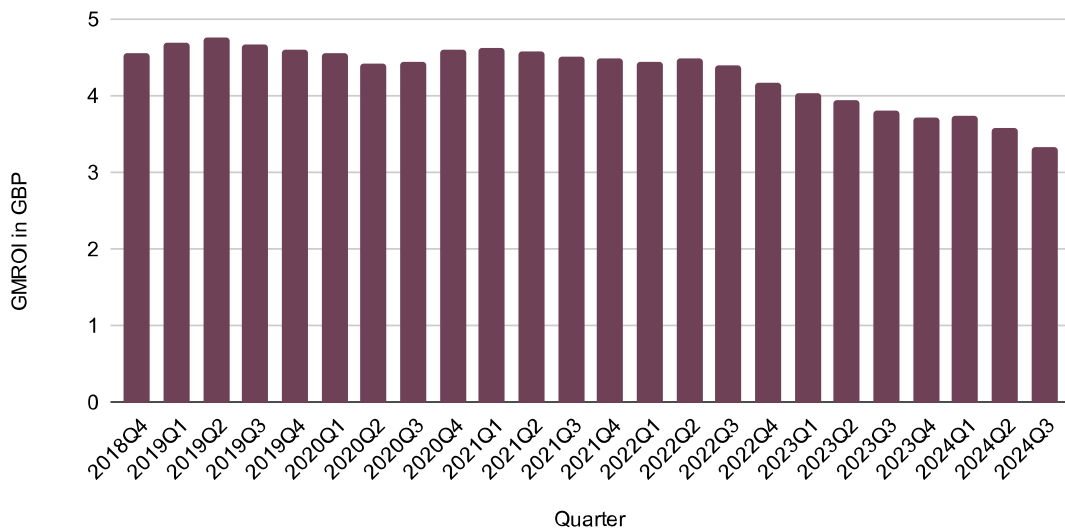
As a direct consequence, profitability metrics have fallen across the board, with lower Gross Profit Return on Inventory figures reflecting the amount of purchased-but-unsold-items. This is likely to somewhat self-correct as sales begin to catch up with purchasing, and the profit from advanced purchasing is realised. However it's also likely that part of this trend towards lower profitability has been caused by overall higher costs of goods eating into margins.

Nearshoring of supply chains is a likely contributor to higher costs of raw materials, as is a trend towards absorbing inflation costs in order to keep sales engines turning.

Value of Excess Stock Held by UK Manufacturers – 12-Month Rolling Average (GBP)



Average Profitability of UK SME Manufacturers, Measured as Gross Margin Return on Inventory (GMROI) - 12-Month Rolling Average



# Australian SME Manufacturing Performance

Record-breaking sales and stable logistics mean Australian small businesses are willing to invest, with positive effects flowing back up the supply chain.

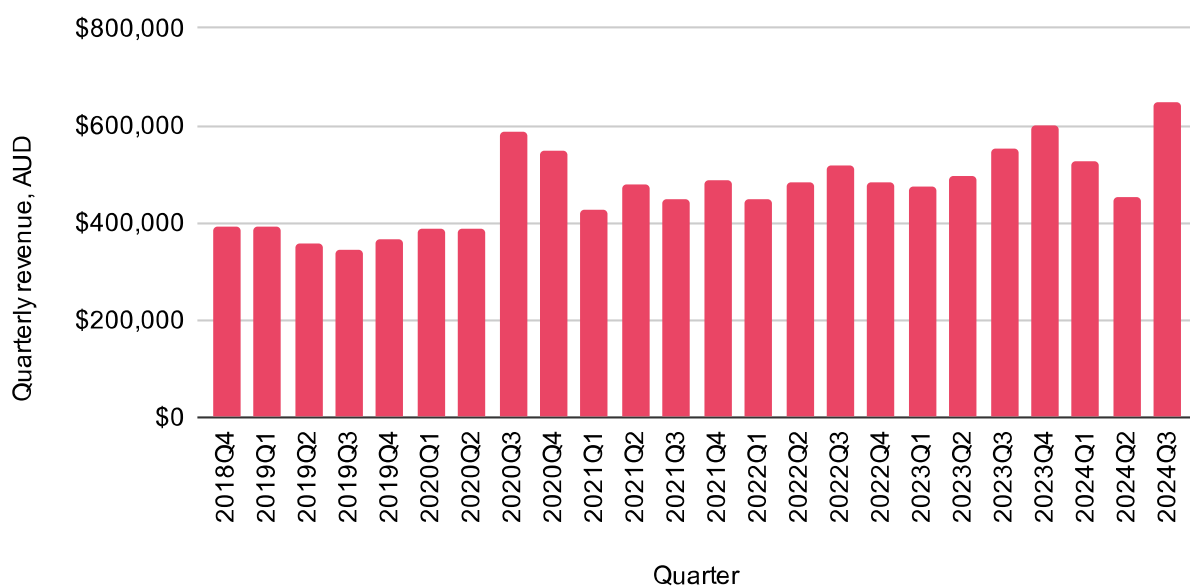
## Uptick in sales revenue

Australian manufacturers had a record-breaking Q3, with the highest average sales revenue results since at least 2018 (not inflation-adjusted).

The average SME manufacturer brought in AUD \$649,455 between July and September 2024, up more than 43% on the previous quarter's poor performance of AUD \$451,291.

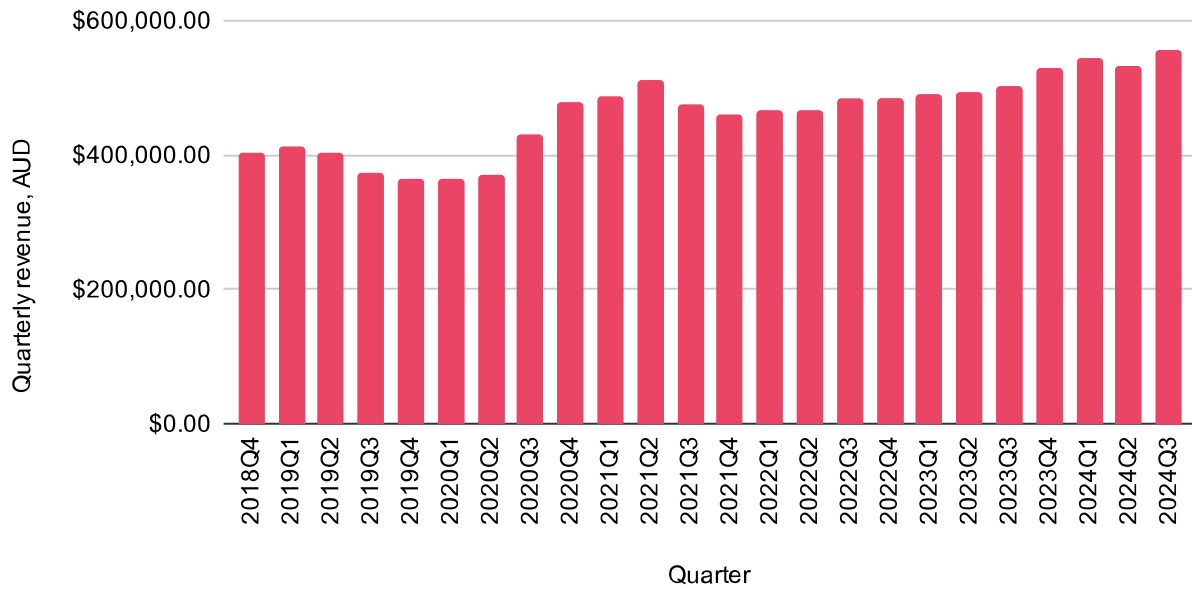
Despite lower sales in the previous two quarters the rolling 12-month average view of sales reveals a relatively steady upward trend since Q4 2021.

Quarterly Sales Revenues at Australian SME Manufacturers – Actuals





## Quarterly Sales Revenues at Australian SME Manufacturers – 12-Month Rolling Average



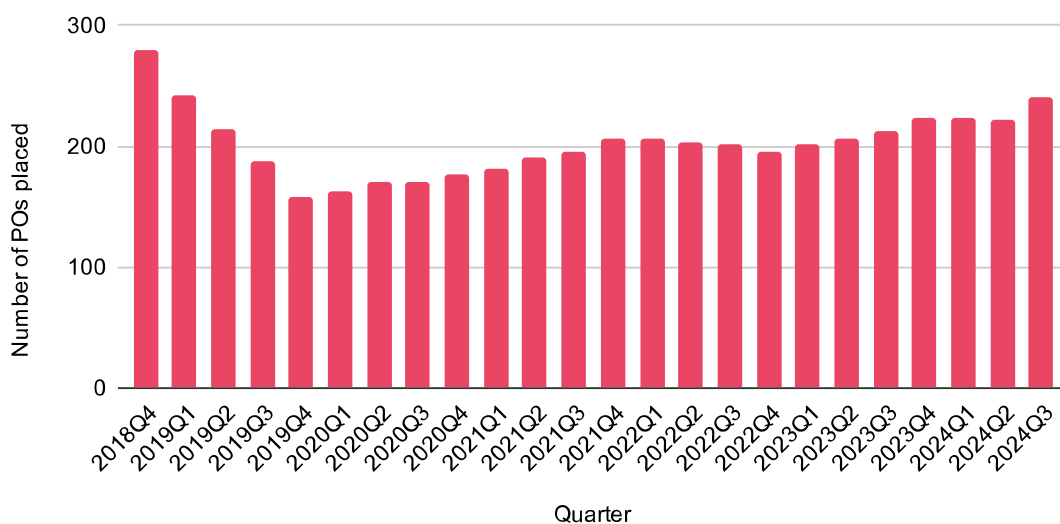


## Purchasing, lead time and supply chain strategy

In line with the uptick in sales activity, Australian SME manufacturers ramped up purchasing, placing an average of 308 Purchase Orders with their suppliers in Q3, up dramatically from 209 in the previous quarter and 232 in Q3 of 2023.

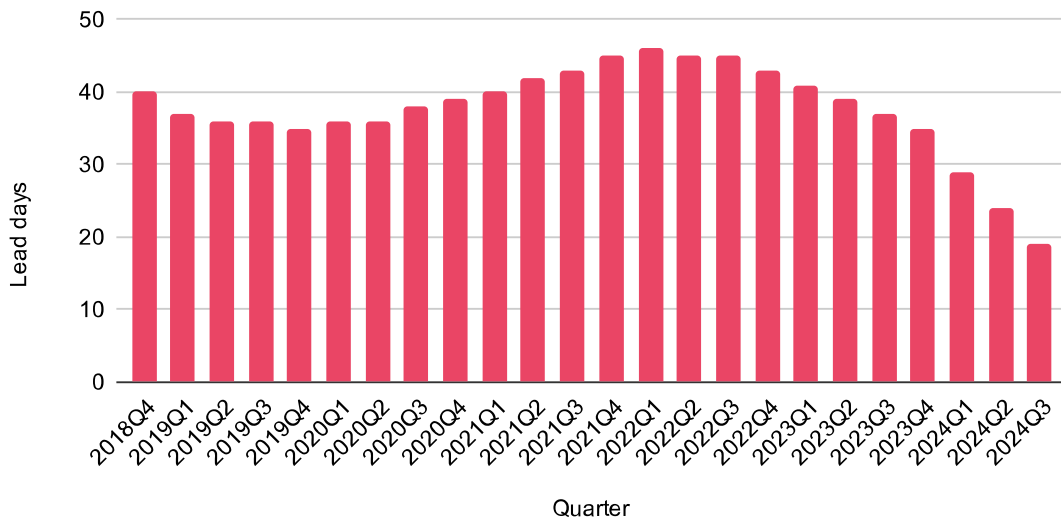
Business confidence appears to be high as firms prepare for firmer sales in the months to come.

Quarterly Purchase Orders Placed by Australian Manufacturers  
- 12 Month Rolling Average

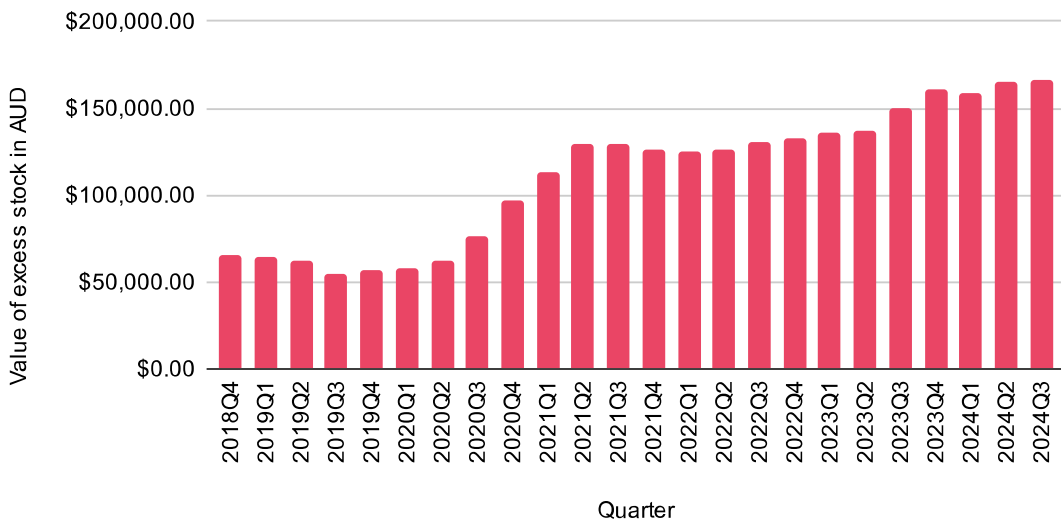


Looking at a combination of lead days data, overstock and profit margin data a picture emerges of overall bullish business sentiment: with historically low lead times and high levels of overstock (defined as stock held over and above the immediate needs of the business), it's clear that firms are not overstocking in response to supply chain delays as in recent years, but instead are preparing for elevated future demand.

### Lead days for Australian Manufacturers - 12 Month Rolling Average

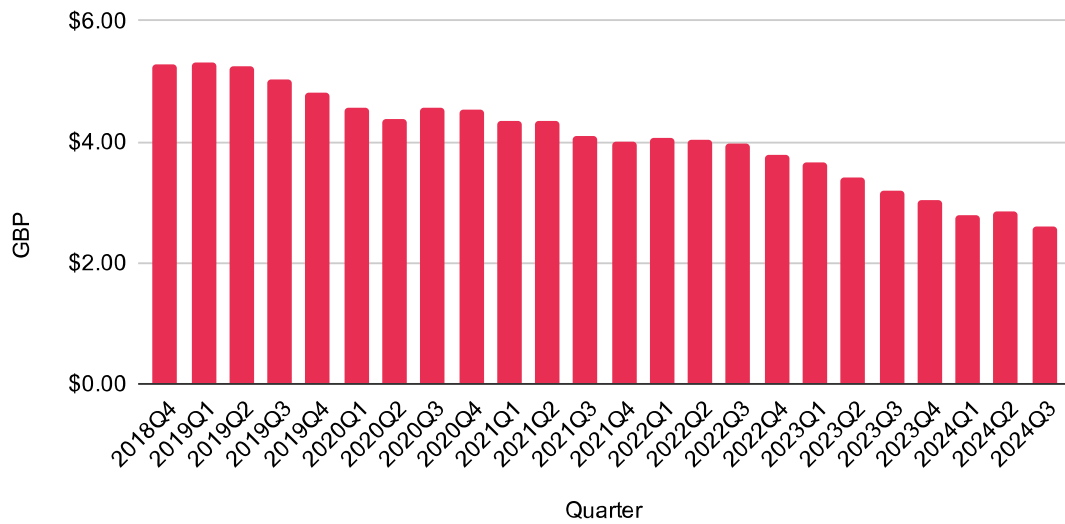


### Excess Stock Levels Held by Australian Manufacturers – 12-Month Rolling Average



And while lingering high costs are part of the relatively poor profit margin trend amongst Australian manufacturers, this is also likely a short term consequence of buying larger quantities of stock which have not yet been turned into revenue.

## Average Profitability of Australian SME Manufacturers, as Gross Margin Return on Inventory - 12-Month Rolling Average



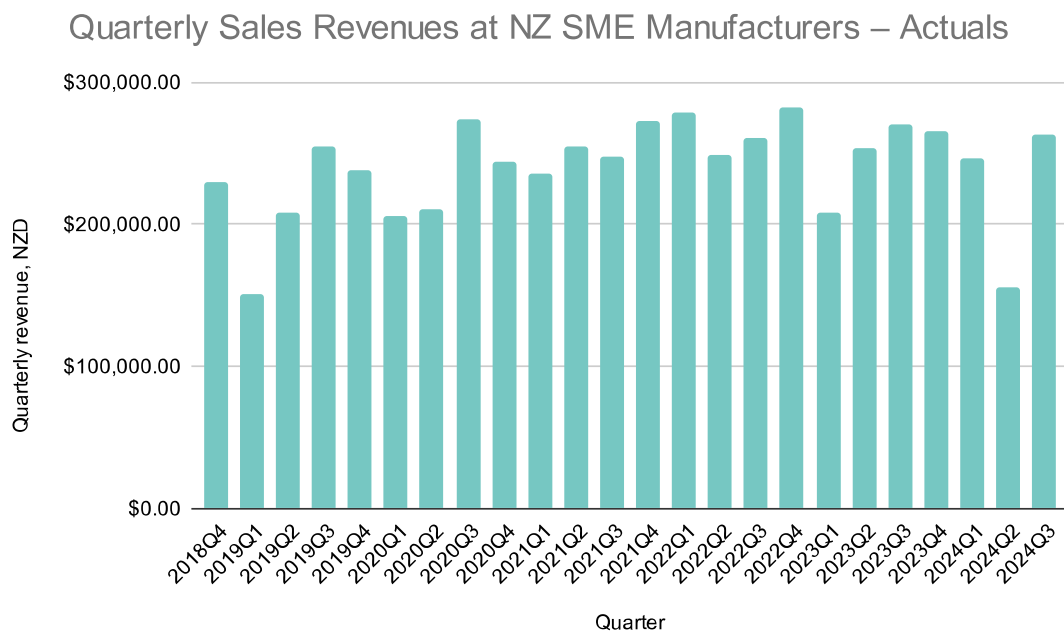
# New Zealand SME Manufacturing Performance

While Q3 sales will break no records, the uptick will be a welcome relief for embattled New Zealand businesses, and appears to have boosted confidence in an overall recovery, based on purchasing and stock holding trends.

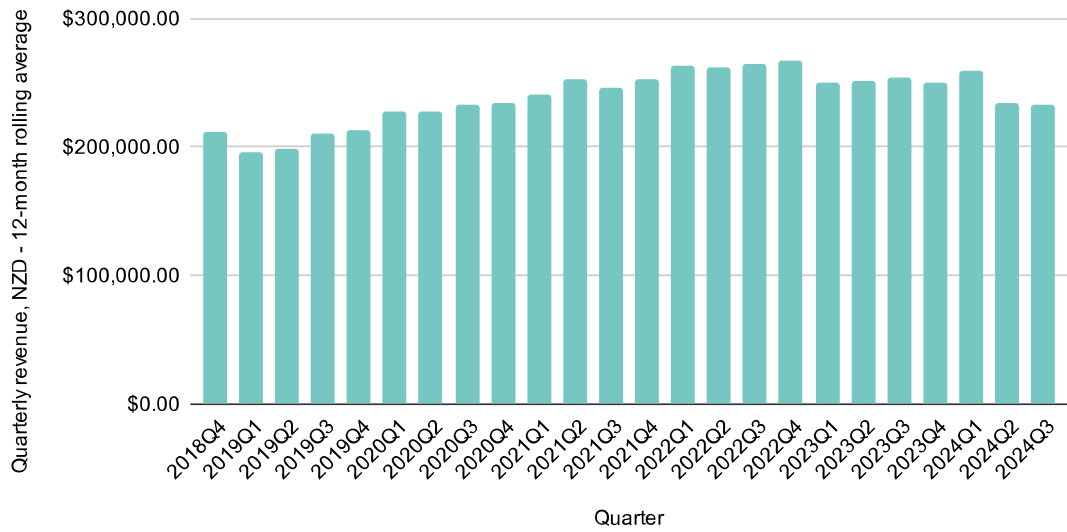
## NZ sales rebound

After an alarmingly low-revenue Q2, Q3 sales rebounded amongst New Zealand SME manufacturing firms.

The average firm brought in NZ \$263,256 of sales in the quarter, up a full 68% from the average of NZ \$156,295 generated in Q2, and roughly equivalent to the NZ \$269,977 made in the same quarter last year.



## Quarterly Sales Revenues at NZ SME Manufacturers – 12-Month Rolling Average



## Positive purchasing data points to recovery potential

Whether the stabilising sales environment represents the economy turning a corner, or just a continuation of what Kiwibank chief economist Jarrod Kerr described in November as the country's "miserable economic report card" remains to be seen. However one promising data point is the degree to which purchasing has picked up pace.

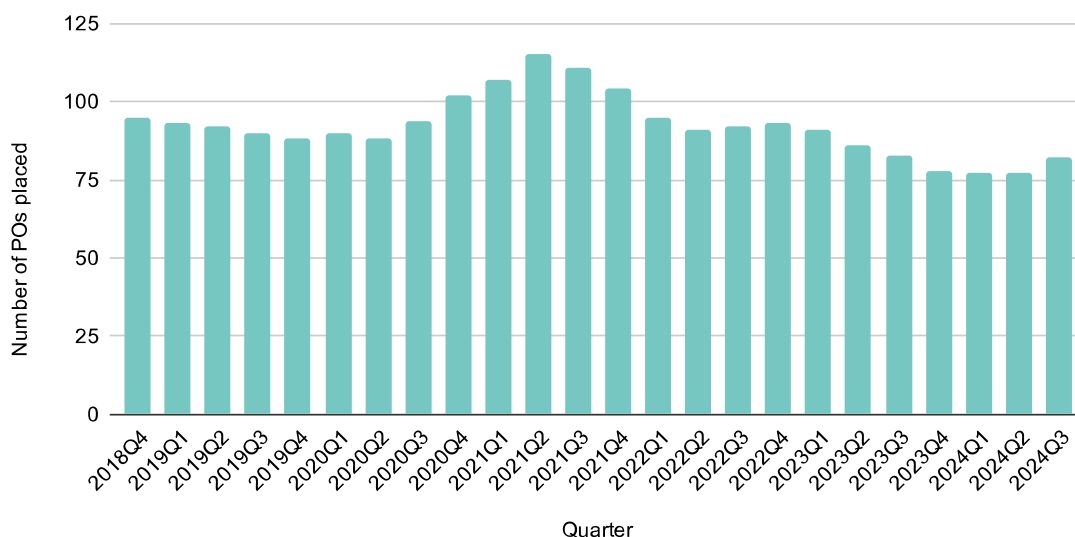
Purchasing is often seen as a leading indicator for economic activity – especially in manufacturing – as it

precedes production and sales, often by several months.

In New Zealand the average number of Purchase Orders placed in Q3 2024 was 105 – up more than 47% from an average of 71 in the previous quarter, and significantly higher than the average of 86 a year ago in Q3 2023.

Viewed as a 12-month rolling average the purchasing pattern amongst NZ SME manufacturers has shifted into an overall upward trend.

Quarterly Purchase Orders Placed by NZ Manufacturers - 12 Month Rolling Average





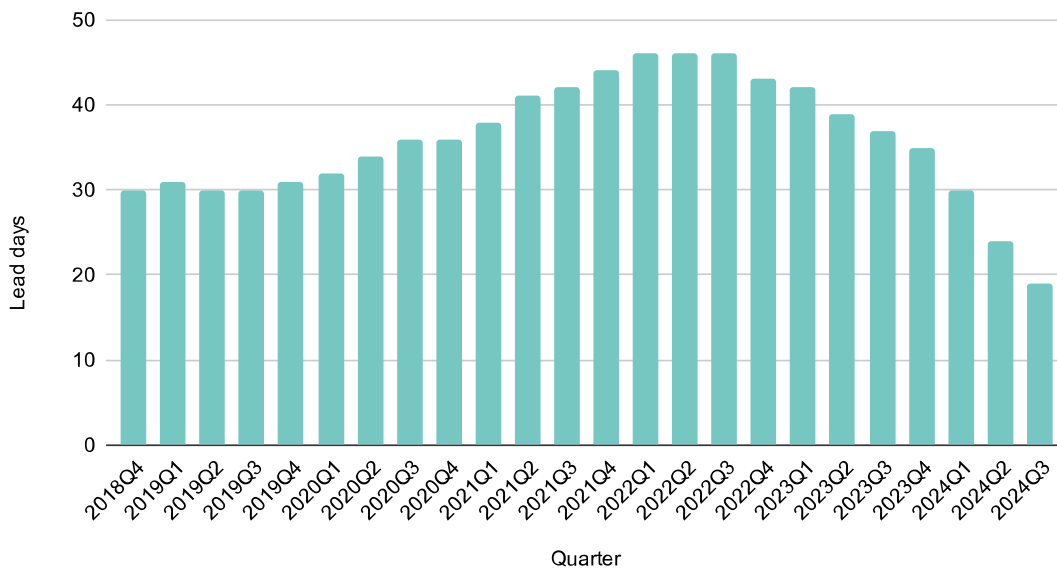
# Supply chain health, stock strategy and profit margins

Matching the overall trend in Australia and UK, New Zealand small manufacturers have started taking on additional stock despite lead times remaining very low, pointing to overall improved confidence in future sales.

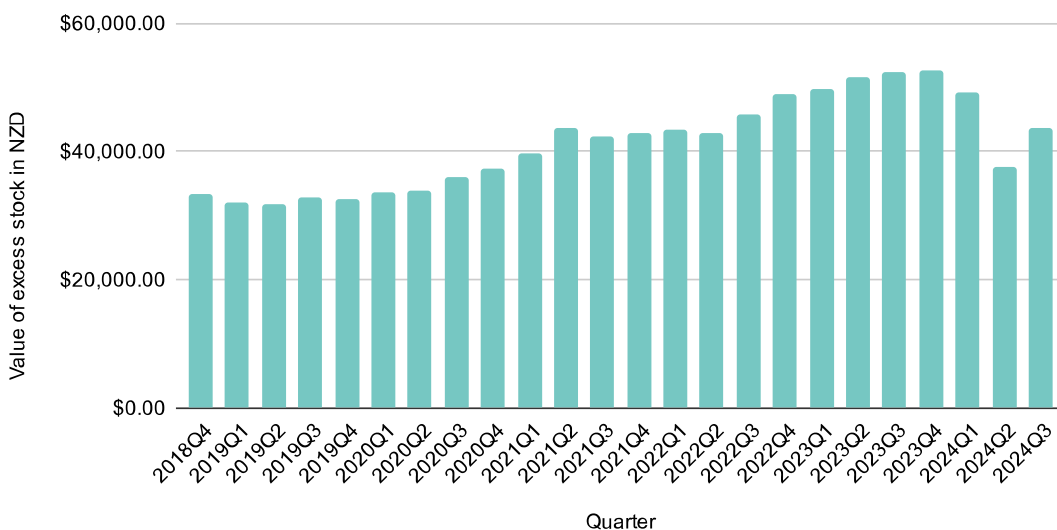
Again, matching the trend overseas the combination of high purchase costs

and a reluctance to pass on higher prices to customers – combined with a new willingness to purchase more ahead of potential sales – has seen profit margins shrink, down to an average in New Zealand of around \$2 return on every dollar invested in inventory.

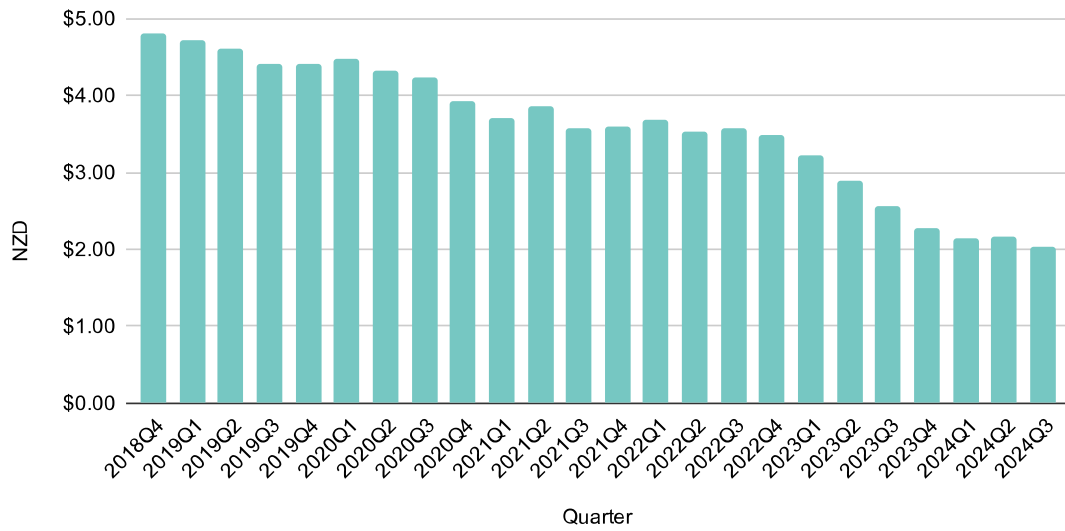
Lead days for NZ Manufacturers - 12 Month Rolling Average



Excess Stock Levels Held by NZ Manufacturers – 12-Month Rolling Average



## Average Profitability of NZ SME Manufacturers, as Gross Margin Return on Inventory - 12-Month Rolling Average



## About the data

The Manufacturing Health Index assesses SME manufacturer performance via a big data approach. Starting with a cohort of 1,282 manufacturers in the UK, Australia and New Zealand, the Q3 2024 report draws on data from every purchase, sale and stock movement made by each business in the study between Q1 2018 and Q3 2024.

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## About Unleashed

With more than 750 5-star reviews on Trustpilot, Unleashed is the cloud inventory solution trusted by the world's manufacturers. Learn more about how Unleashed can help your business better manage its inventory, sales, production & purchasing here.

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