

UK Electronic Industry Trends: Compiled by UK Electronics Alliance, April 2013

Thank you to those of you who participated in the April trends survey. The survey received an excellent number of responses from ESTnet members, helping to provide vital information for the industry.

Below are the results, set against the UK results, in question order.

Q1. Please describe your confidence in the markets in which you operate

UK

There is a marked upward trend in short and long term confidence levels, which began in July last year, almost reversing the downward trend from Oct 2009 to Oct 2011

The ESTnet

Responses from ESTnet members also show an encouraging picture: 37% are more confident about the next quarter, while for 45% confidence remains the same. This compares favourably with the October 2012 survey. 18% saw confidence levels diminish in the next quarter.

There is also an increase in confidence about the next year compared to the last - 45% of respondents. The majority, 53%, say next year will stay the same, while just one respondent felt confidence would reduce.

A sample of comments are included below

Reasons for increased confidence:

- New business
- Marginal improvement in economic climate, rebalancing of global manufacturing
- Our play in the market
- Strong backlog

Reasons for diminished confidence:

- Reducing stock in supply chain
- Orders very slow in coming through

Q2. Please indicate your views about your Current Orders and / or Projects in hand based on volume (exclude seasonality)

UK

There has been a marked long term decline in ‘better than expected’ and an increase in ‘worse than expected’ since July 2010 to a degree contradicting the positive trend in confidence in responses to Q1

The ESTnet

For ESTnet companies the picture is more positive than the national trend, with an increase in ‘better than expected’ to 16%, and a slight decline in ‘worse than expected’ to 21%. The majority – 63% - say orders are ‘as expected’.

Q3. What are the trends likely to be on selling prices and cost prices (exclude seasonality) for the next quarter?

UK

Despite the marked increase in expectation in the last survey that selling prices and material and labour costs will increase, there appears to be a long term expectation that all three will reduce. It will remain to be seen whether this month’s figures represent a reversal of that trend.

The ESTnet

The majority of ESTnet respondents (75%) believe selling prices and labour costs will stay the same in the next quarter, while respondents were equally split (47% each) on whether material costs would increase or stay the same over the next quarter.

Q4. How is your expenditure on Research and Development changing?

UK

Expenditure on research and development continues to appear to be in a slight long term decline since April / July 2009.

The ESTnet

The slight downward trend in research and development training continues among the ESTnet respondents. 42% are spending less compared to a year ago, while 28% have increased spending. Looking ahead to 12 months' time most respondents (64%) say expenditure will remain the same, whereas 25% expect to spend more.

Q5. How is the number of employees changing? (exclude seasonality)

UK

There appears to be a long term trend towards an increase in employees and a reduction in respondents reporting a decrease.

The ESTnet

The trend among ESTnet members who responded differs from the upwards UK trend, with 24% reporting a decline in employee numbers in the last quarter, compared to 16% taking on more staff. The majority, 60%, report employee numbers staying the same.

Looking to the next quarter respondents appear to be more confident, with just 8% predicting they will have fewer employees.

Q6. What factors are limiting your growth in orders or contracts?

UK

Price / competitive position, order deferral and economic / political climate all continue to be the most significant factors limiting growth across the UK

The ESTnet

Among ESTnet respondents the factors limiting growth reflect those for the rest of the UK: Prices/competitive position is the most quoted factor limiting domestic orders, cited by 53% of ESTnet members, followed by project deferral by customer (47%), then the political or economic climate at 37%.

In the export markets, the major factor limiting growth and orders is once again the current political or economic climate, with 42% citing it as a concern.

Comments from ESTnet members included:-

“There are not many large scale contracts compared to a few years ago”

“No export business”

“Exports account for 70% of our turnover and the EU countries we export to are just not spending as they used to”

“Major customer cutting back”

“No one is spending!”

“We don't export”

Q7. What is limiting your ability to fulfill orders or contracts?

UK

The main issues among UK respondents continue to be skills and staff, credit and finance, and the supply chain, while manufacturing and development capacity appears to be in long term decline as an issue.

The ESTnet

Skills and Staff is again by far the major factor among the ESTnet members. 53% referred it as the major issue during this quarter, compared to 29% in the July 2012 survey. 24% referred to credit or finance issues as the second source of concern, with supply chain issues close behind.

Other issues quoted included customer confidence, and lack of orders.