

The Manufacturing Health Index Report

A quarterly data report on SME manufacturing performance in the UK, Australia & New Zealand

Analysis and Q2 2025 metrics for:

- ✓ Sales revenues
- ✓ Profit margins (Gross Margin %)
- ✓ Purchasing activity
- ✓ Lead times
- ✓ Stock volumes



About this edition

From Q2 2025 we report profitability using Gross Margin Percentage (GMP) — replacing GMROI from previous editions. GMP shows the portion of sales revenue retained after direct costs (COGS), making it the clearest, comparable signal of unit-level profitability for smaller manufacturers. Note however that these figures are calculated from Unleashed's platform data and do not factor in direct wages, which are a common component of a full Gross Profit Margin calculation. All figures are anonymised, aggregated Unleashed user data from SME manufacturers. "All industries" aggregates in this report are pre-weighted in the source dataset.



Executive overview



United Kingdom

Sales: £365,565 per SME (+1.9% QoQ, +47.0% YoY).

Profitability (GMP): 38.4% (−1.2pp QoQ, +0.2pp YoY).

Operating pattern: Lead days lengthened to 27 (from 15), purchase orders (POs) surged to 292 (from 144), and excess stock rose to £65,007. The UK approaches Q4 with stronger year-on-year demand but a firmer cost/lead-time backdrop than previously.

Australia

Sales: A\$573,859 per SME (−10.2% QoQ, +27.2% YoY).

GMP: 36.0% (−0.3pp QoQ, −0.6pp YoY).

Operating pattern: Lead days lengthened to 25 (from 12), POs to 328 (from 177), and excess stock to A\$98,255. The quarter marks a step-down from a near-record Q1, but a still-elevated YoY base.

New Zealand

Sales: NZ\$268,093 per SME (−13.3% QoQ, +71.5% YoY).

GMP: 36.1% (−1.7pp QoQ, −1.4pp YoY).

Operating pattern: Lead days extended to 23 (from 12), POs rose to 151 (from 64), and excess stock to NZ\$41,032. A large YoY rebound remains intact despite a QoQ pullback after Q1's surge.

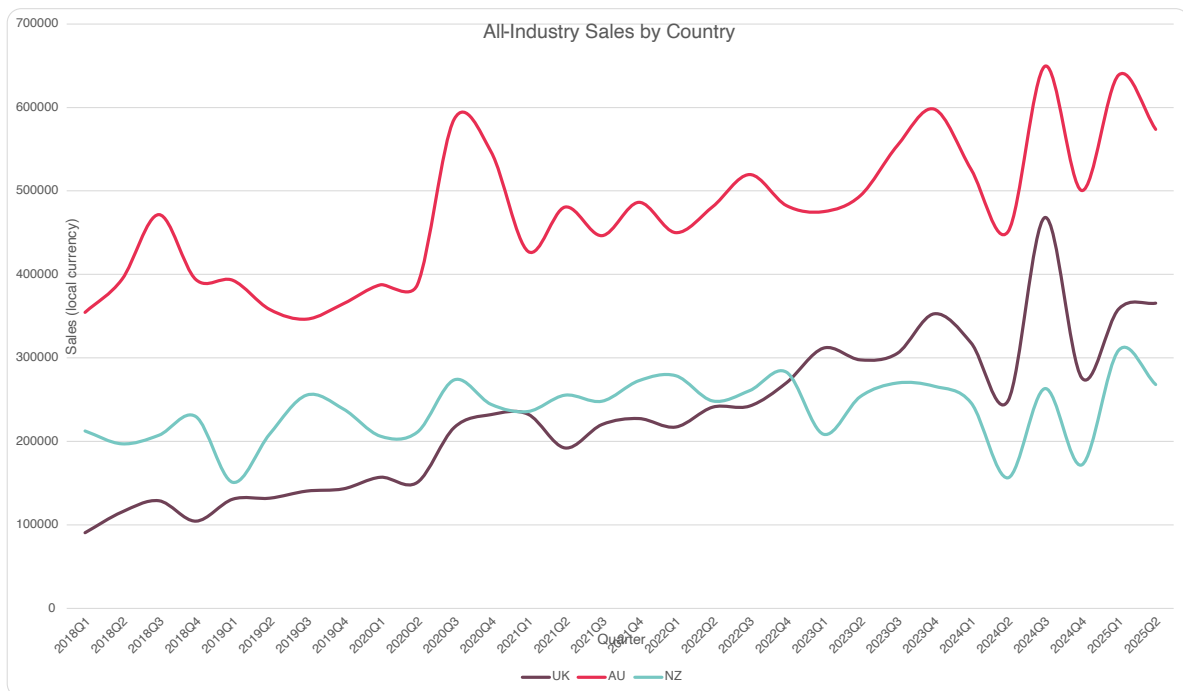
The Mid-Quarter Macro View

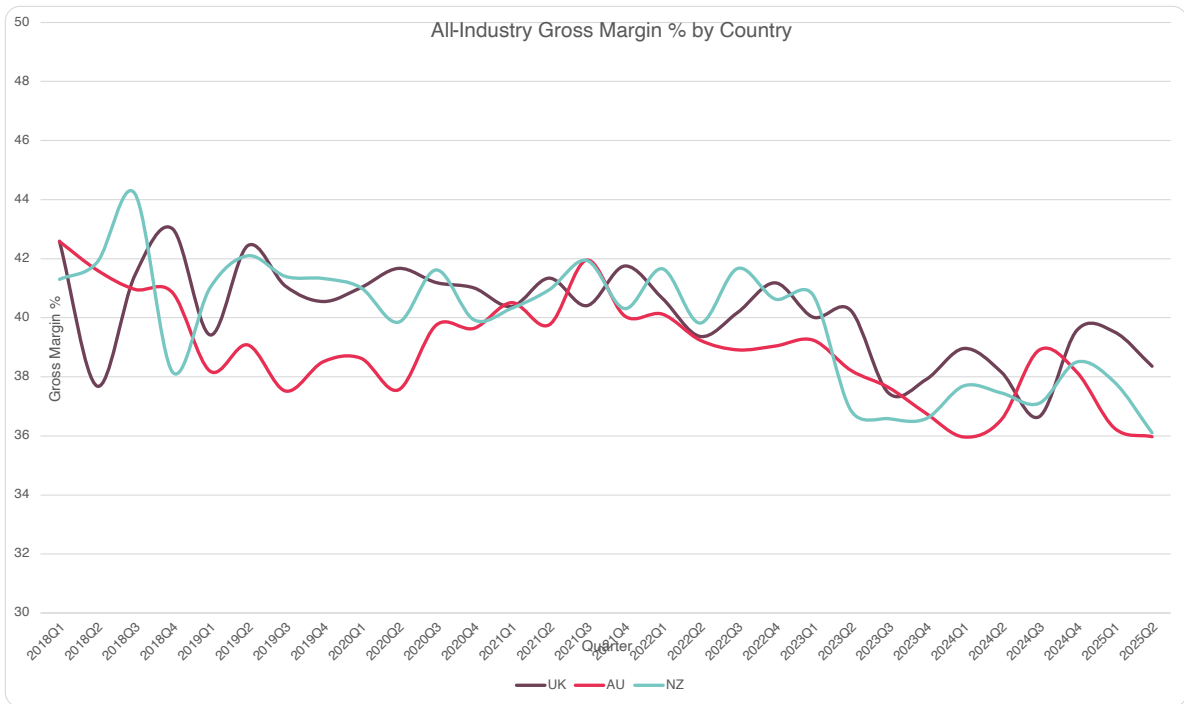
Across August–September 2025, central banks in all three markets moved into rate-cut cycles:

- UK: Bank Rate 4.00% after a 25 bp cut on 7 Aug 2025; next decision 18 Sep.
- Australia: RBA cash rate 3.60% (cuts in May and Aug 2025).
- New Zealand: OCR 3.00% (cut on 20 Aug 2025).

Inflation is lower but not gone (UK CPI 3.6% in June, 3.8% July; AU CPI 2.1% YoY in the June quarter; NZ CPI 2.7% YoY in the June quarter), and PMIs around Q2/Q3 imply subdued-to-stabilising manufacturing demand (UK 47.7 in June; AU ~51.0 flash in June; NZ 48.8 in June, rebounding to 52.8 in July).

These conditions argue for tight margin control, forecast-driven replenishment, and flexible price strategies as policy support slowly feeds through.







UK SME Manufacturing Performance

Strong YoY demand meets lengthening lead-times; buyers rebuild stock tactically.



Sales & margins

The average SME sold £365,565 in Q2 (+1.9% QoQ, +47.0% YoY). Average profit margins (Gross Margin Percentage) were 38.4% (-1.2pp QoQ, +0.2pp YoY) representing solid profitability on a one-year view, but slightly thinner vs Q1 as replenishment costs and lead-time drift re-entered the picture.

Purchasing behaviour

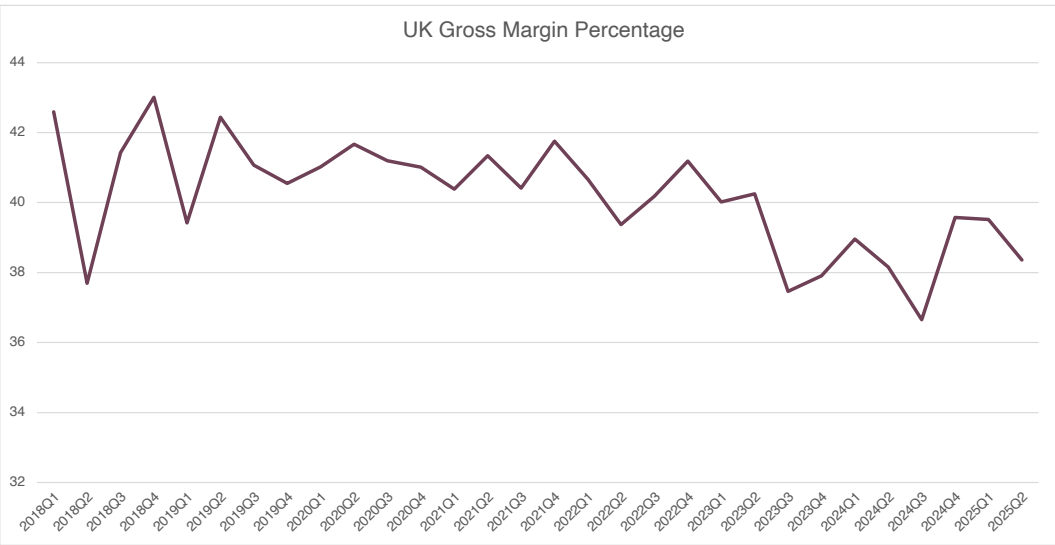
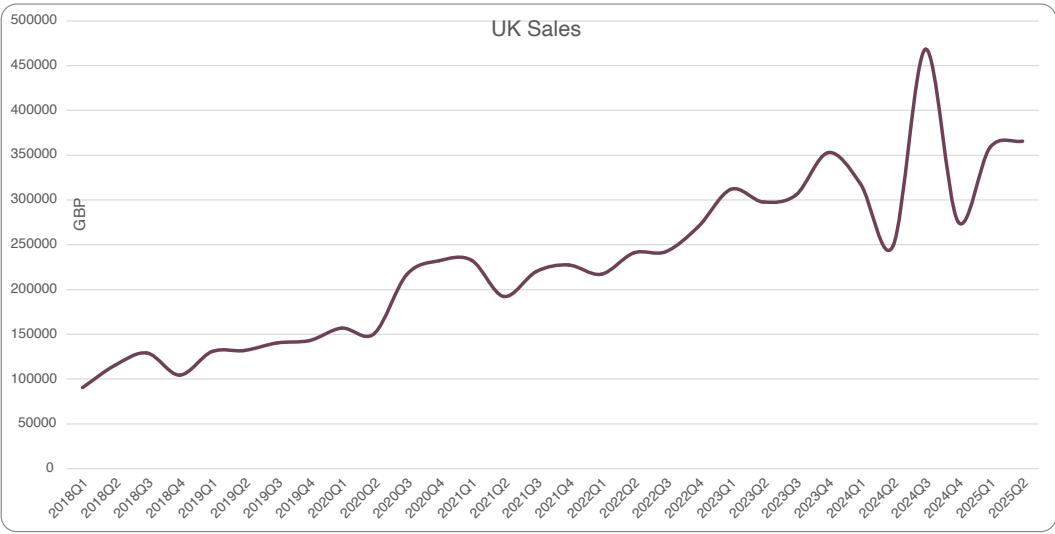
POs more than doubled to 292 (from 144; +103%) as buyers shifted from Q1's run-down stance to restocking, likely anticipating uneven supplier performance and pricing into Q3. Excess stock rose to £65,007 (from £21,239; +206%), a deliberate cash-flow trade-off given the sales backdrop. Lead days lengthened to 27 (from 15), consistent with cautious supply chains and some on-the-water delays after Q1's unusually low cycle times.

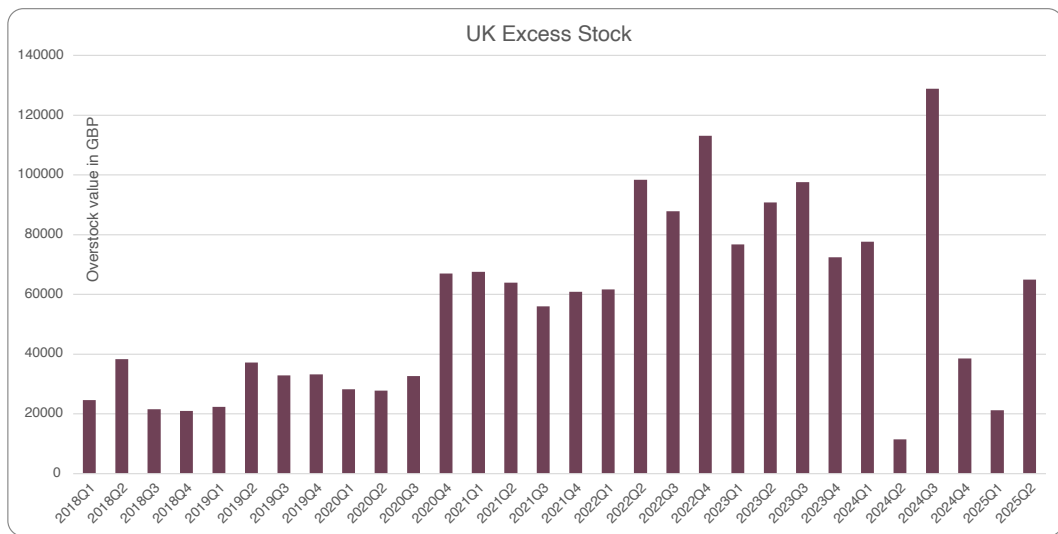
Sector watch:

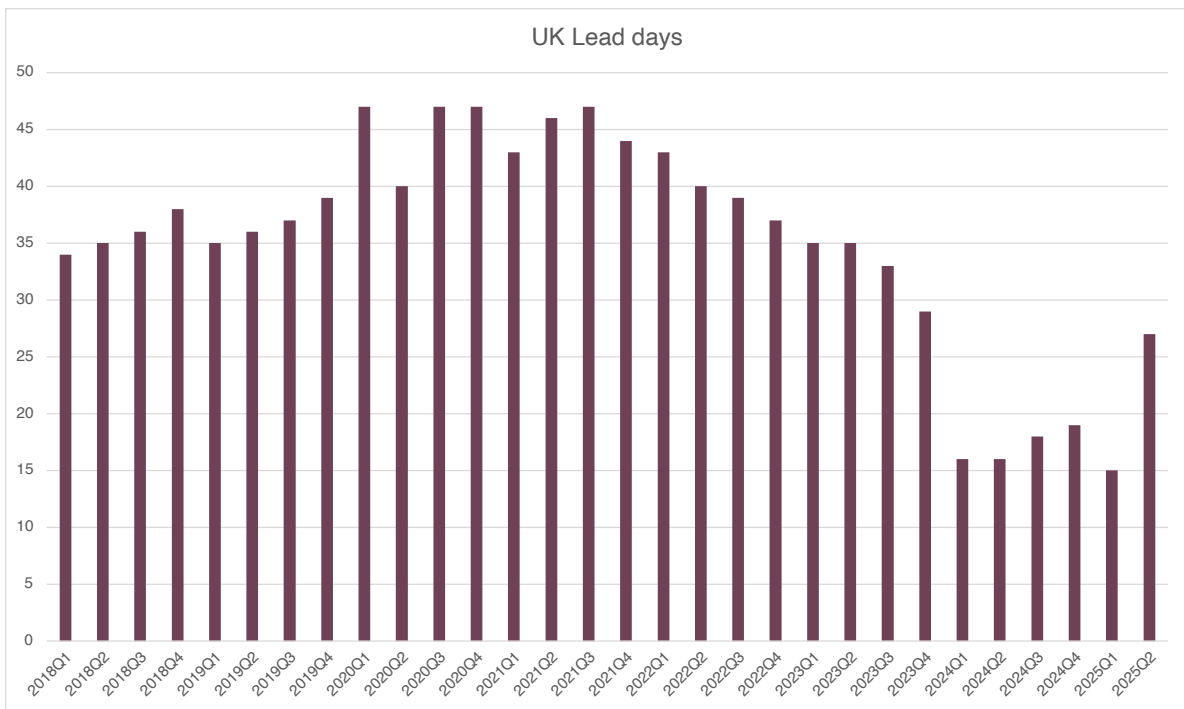
- **Food manufacturing:** +£188k sales per SME; GMP -5.6pp. Demand improved, but input and energy dynamics compressed unit margins. 1
- **Beverages:** sales broadly flat (-£4.2k), GMP -5.1pp — promotions and packaging cost timing likely in play. 1
- **Suppliers to the construction industry:** -£205k sales, GMP +0.3pp — volume softened while pricing held, suggesting projects slipping rather than pricing capitulation.

Unleashed's Outlook

With the Bank Rate now 4.00% and CPI 3.6–3.8% around mid-year, financial conditions should loosen gradually, but UK PMI 47.7 in June signals a slow lane into Q3. Expect selective restocking and price competition to keep margins choppy at the SKU level until services-led inflation cools further.










Australian SME Manufacturing Performance

Step-down from a near-record Q1; margins steadying as rates fall and costs stabilise.



Sales & margins

Average Q2 sales came in at A\$573,859 (–10.2% QoQ, +27.2% YoY) and average profit margins were 36.0% (–0.3pp QoQ, –0.6pp YoY). The soft QoQ result follows Q1's standout performance; on a year-over-year basis Australian SMEs remain well ahead.

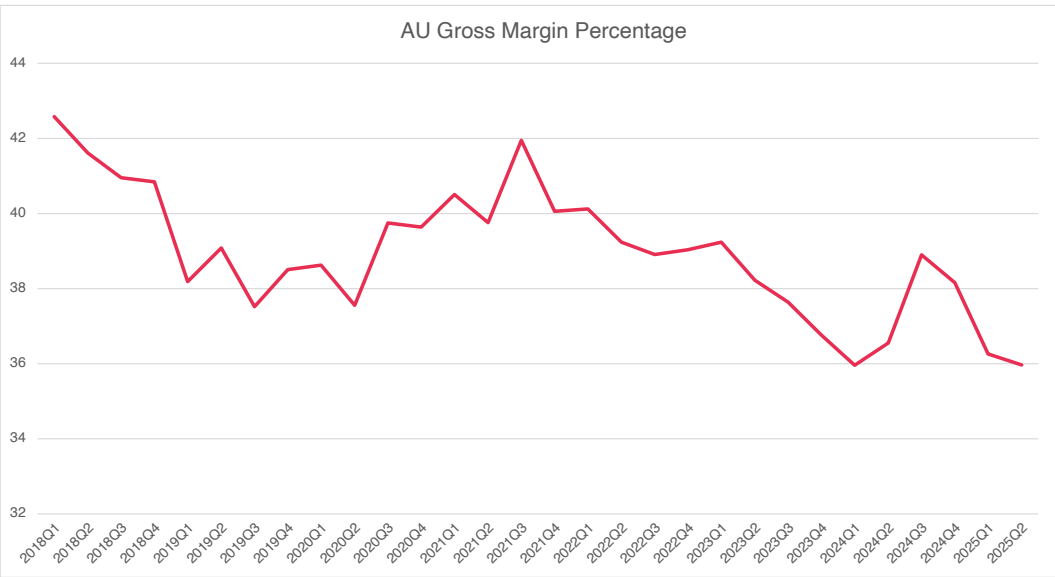
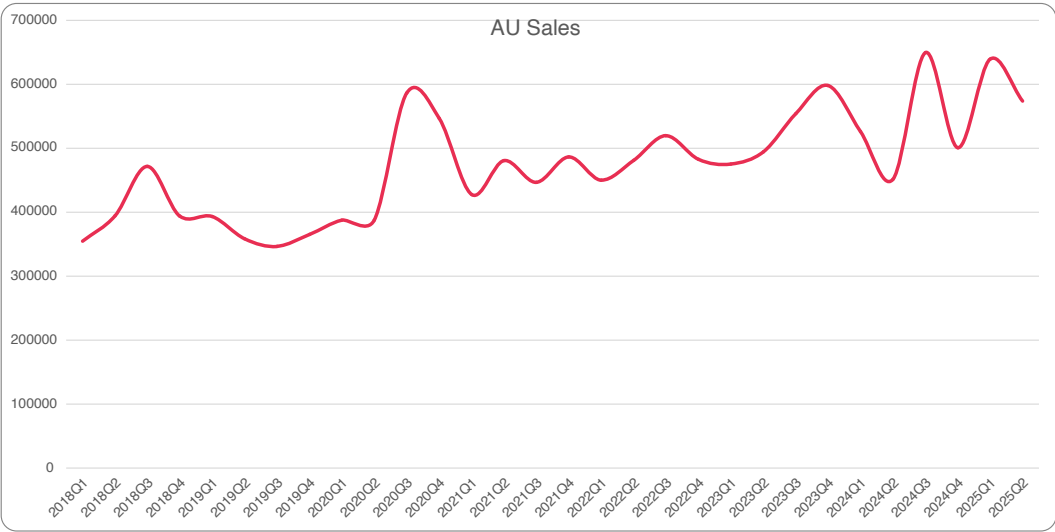
Purchasing behaviour. POs rose to 328 (from 177; +85%), lead days lengthened to 25 (from 12), and excess stock increased to A\$98,255 (from A\$34,673; +183%). Buyers leaned into replenishment despite longer cycles — consistent with hedging against supplier variability and FX-driven landed-cost swings.

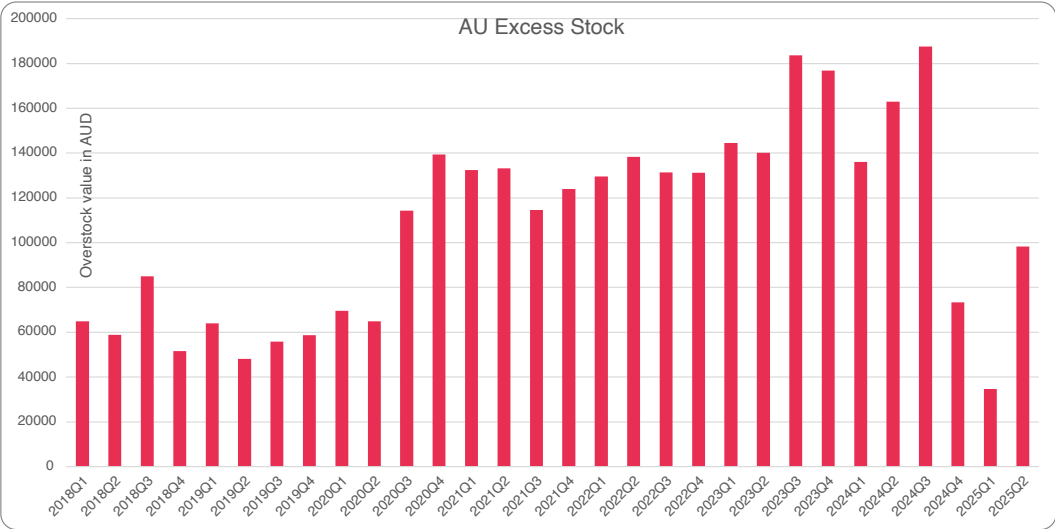
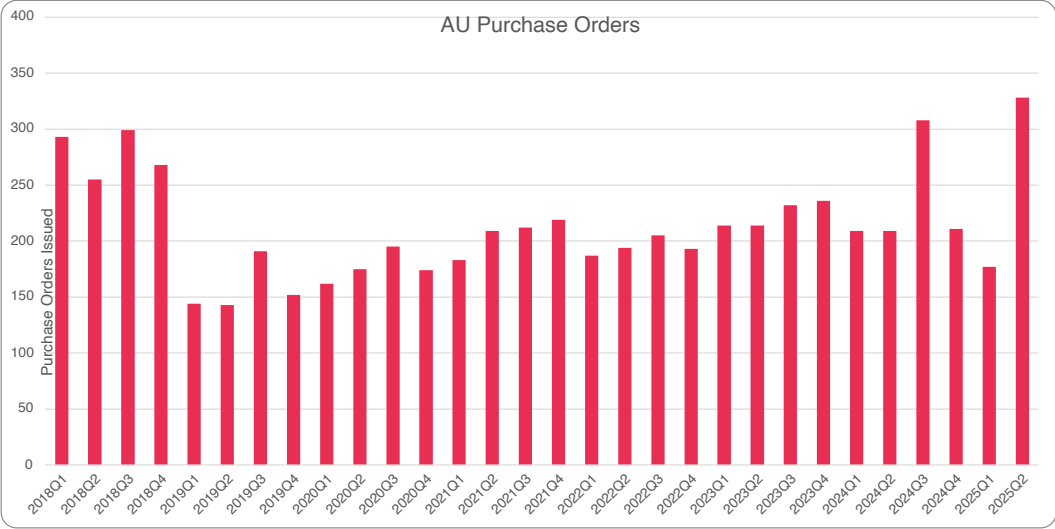
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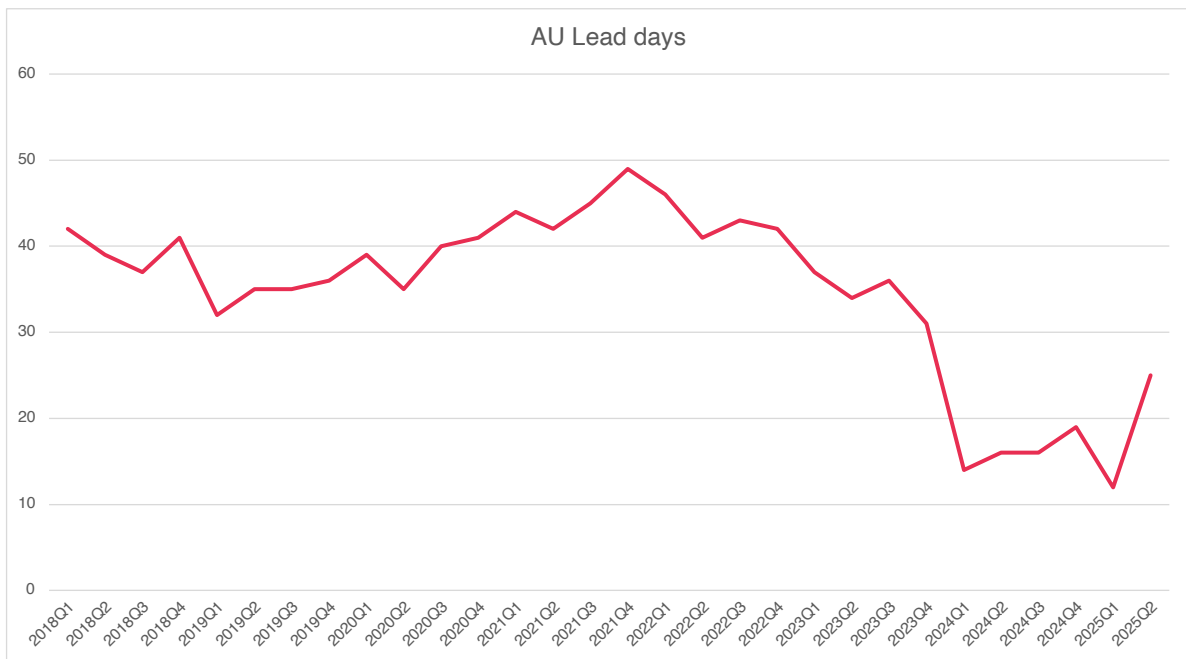
- **Suppliers to the construction industry:** +A\$41.9k sales; GMP –0.7pp — pipeline still moving, but cost pass-through incomplete. 1
- **Beverages:** –A\$55.8k sales; GMP +2.6pp — tighter price discipline or input relief supported unit margins.
- **Food:** Food manufacturing saw sales fall by A\$57.2k and margins drop 4.5 percentage points, likely due to higher freight and packaging costs combined with volatile commodity prices.

Unleashed's Outlook

The RBA cash rate is down to 3.60% after sequential cuts; headline CPI 2.1% YoY (trimmed mean 2.7%) in Q2 keeps inflation within the target band. Manufacturing PMI readings around June/July stabilised/improved, supporting a gradual demand base into H2. Expect FX and shipping to remain key margin variables for import-exposed categories.









New Zealand SME Manufacturing Performance

A large YoY rebound remains intact; Q2 shows consolidation as buyers lengthen horizons.



Sales & margins

The average New Zealand SME sold NZ\$268,093 in Q2 (–13.3% QoQ, +71.5% YoY). Profit margins landed at 36.1% (–1.7pp QoQ, –1.4pp YoY), showing that only some of the high energy and material costs firms encountered were passed on to customers, while the rest squeezed margins.

Purchasing behaviour

POs climbed to 151 (from 64; +136%), lead days stretched to 23 (from 12), and excess stock lifted to NZ\$41,032 (from NZ\$22,086; +86%). That combination signals a shift from Q1's "run-it-down" stance to measured buffer-building.

Sector watch:

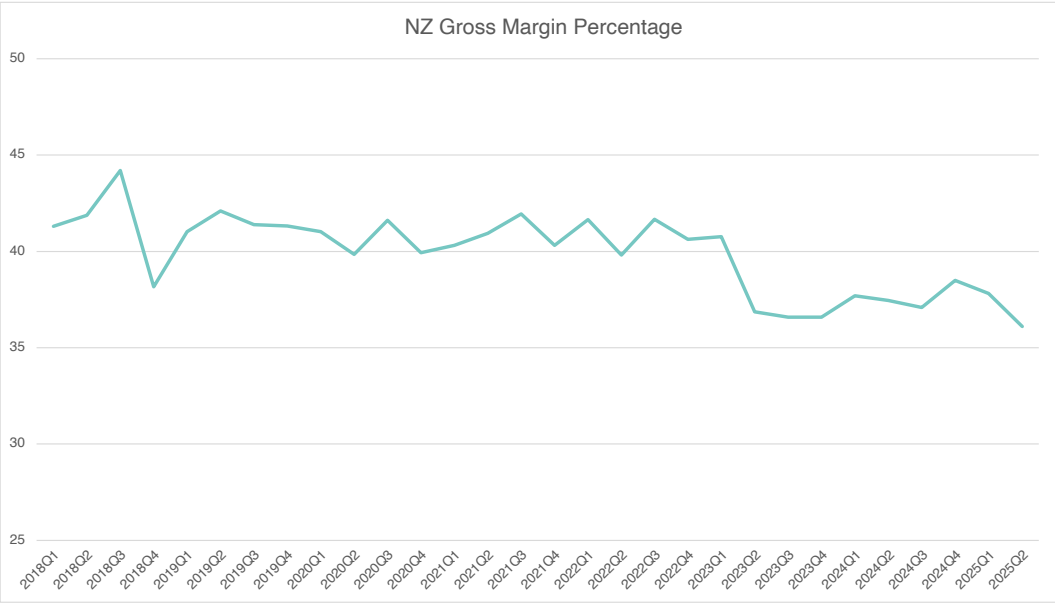
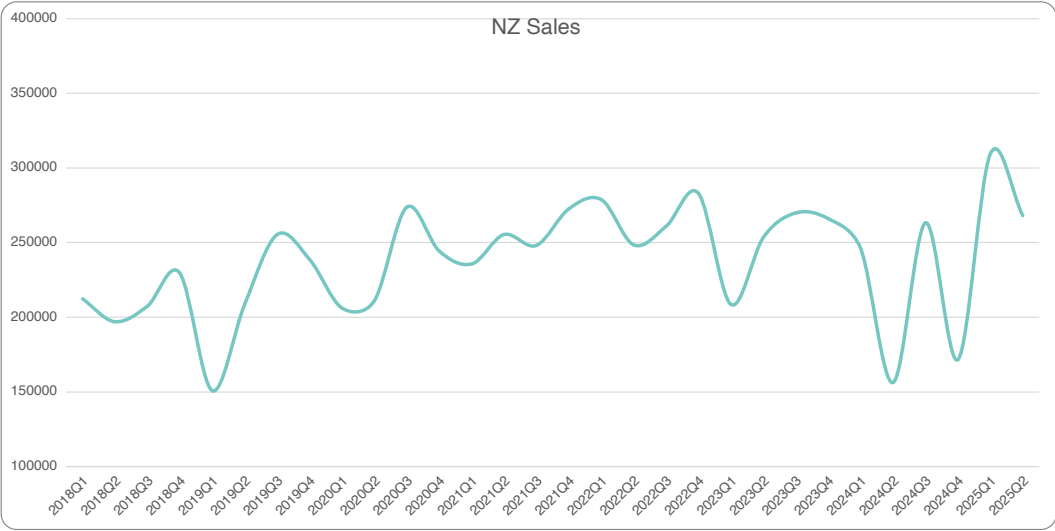
Beverages: –NZ\$84.6k sales; GMP –3.0pp.

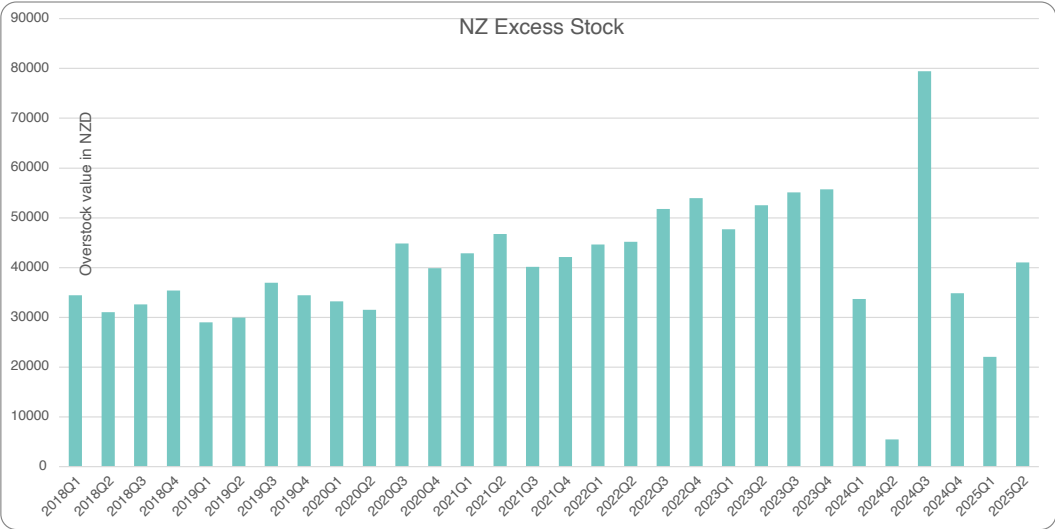
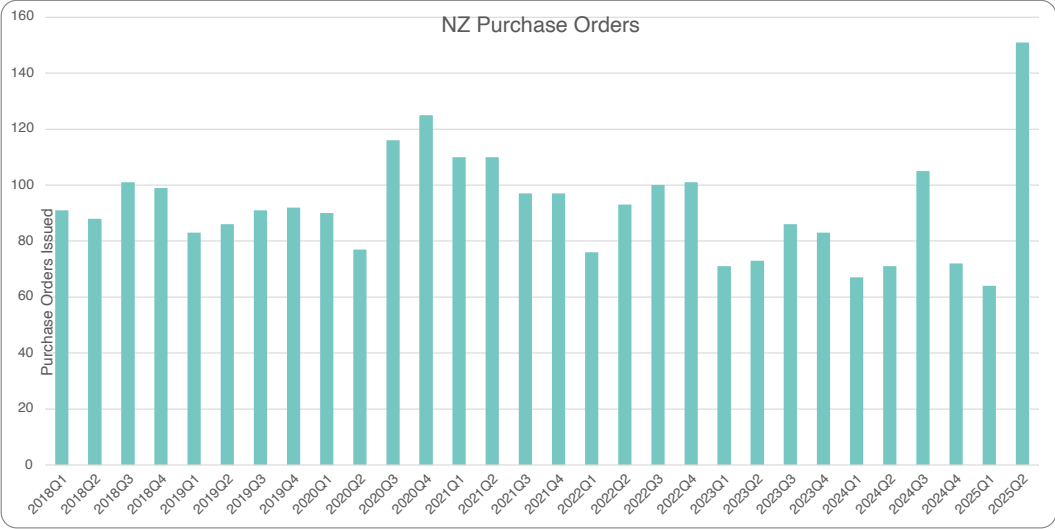
Food: –NZ\$62.3k sales; GMP –6.0pp — electricity and local rates remain watch-outs for small processors.

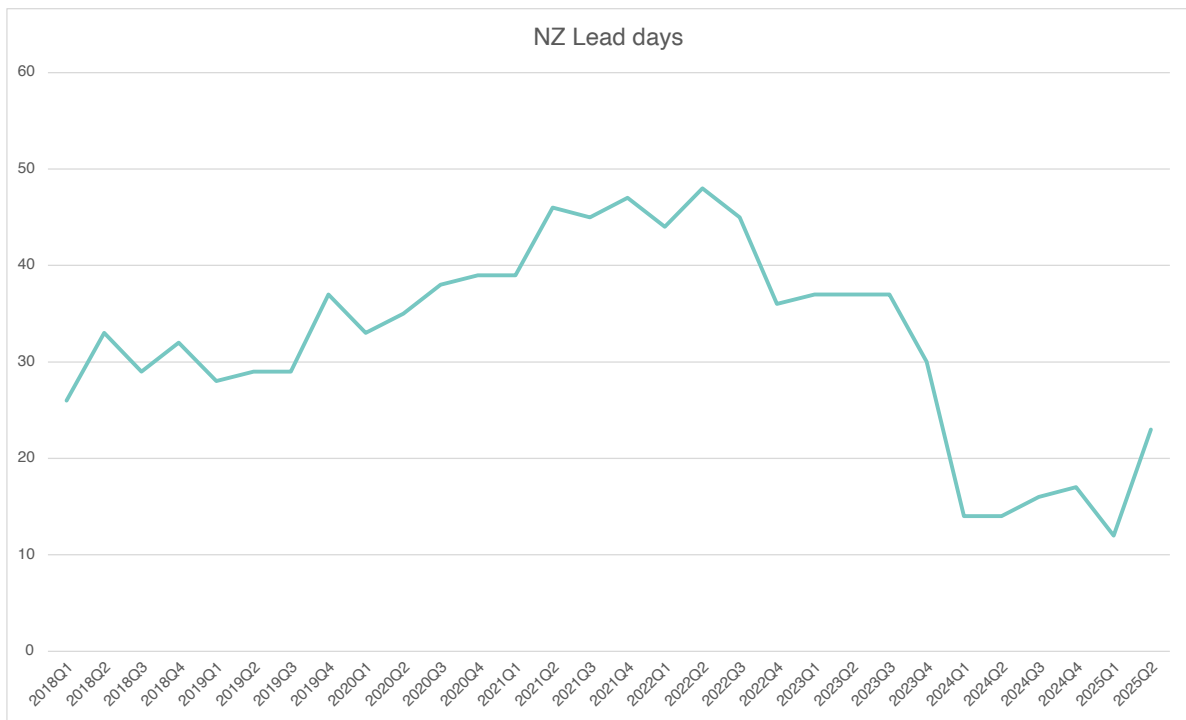
Suppliers to the construction industry: –NZ\$34.6k sales; GMP –0.7pp — PMI commentary points to destocking patterns across late-Q2, ahead of better July results.

Unleashed's Outlook

The OCR at 3.00% following August's cut, with CPI 2.7% YoY in Q2, implies gradually easier financing conditions for manufacturers. The PMI dipped to 48.8 in June but rebounded to 52.8 in July, a positive signal for Q3. Expect uneven recovery by sub-industry; working-capital discipline remains critical.








Supply chain health and stockholding strategies

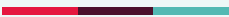
A large YoY rebound remains intact; Q2 shows consolidation as buyers lengthen horizons.



Across all three regions, lead days rose from Q1's exceptionally low levels (UK 27, AU 25, NZ 23), a reminder that Q1's speed was atypical. Purchase managers responded by lifting POs 85–136% QoQ and allowing excess stock to rebuild from lows — a measured hedge against volatility rather than a wholesale return to 2021-style overstock. That pattern is consistent with late-Q2 PMIs (sub-50 to low-50s) and central-bank easing paths, which together argue for flexible, data-driven inventory settings as year-end approaches.

The Global Outlook: Q3–Q4 2025

Easier money, modest demand, disciplined margins.



Rates: With BoE 4.00%, RBA 3.60%, and RBNZ 3.00%, SMEs should see incrementally cheaper working-capital through year-end, albeit with lags.

Inflation: UK inflation is easing but above target (3.6–3.8% around mid-year), AU is within the band (2.1% YoY; trimmed mean 2.7%), and NZ sits at 2.7% — conditions that favour margin normalisation if cost relief persists.

Demand: PMIs straddle the 48–52 corridor; that typically maps to flat-to-slight growth for small manufacturers. We expect measured restocking, targeted pricing updates, and selective capex on automation/efficiency rather than footprint expansion.

Areas for caution:

1. FX sensitivity (imported inputs in USD/EUR).
2. Variable freight and energy pockets.
3. Project timing for construction-linked suppliers.

How Unleashed helps in today's conditions

Reliable, efficient and cost-effective systems are key to helping small manufacturers compete. Here's what Unleashed can do for your business.

Protect your margins: Track Gross Margin % by product, BOM and batch; monitor your COGS and craft smart price lists.

Lean replenishment: Use forecast-driven reorder points and safety stock by service level as lead times vary; monitor supplier OTIF.

Release cash deliberately: Target slow-moving products via ABC analysis and inventory ageing so you can redeploy cash flow to proven SKUs.





About the data

The Unleashed Manufacturing Health Index draws on anonymised, aggregated transactions from a cohort of Unleashed-using manufacturers across the UK, Australia and New Zealand, spanning Q1 2018–Q2 2025. We track: Sales revenue, Gross Margin Percentage, purchase activity (POs), lead times (order-to-receipt days) and excess stock (value held above immediate sales demand). Cohort sizes vary by quarter due to onboarding and churn; “All industries” aggregates are weighted in the supplied dataset.

Start your free trial

See how Unleashed gives small manufacturers real-time control over margins, stock and production — with dashboards aligned to this report’s KPIs.

[Start a free trial today](#)

