

# Progress with UK Manufacturing

Rebalancing the UK economy following the crash of 2008 is widely understood as a desirable national goal. The recent progress of UK manufacturing can be assessed via the Annual Business Survey data which Office for National Statistics (ONS) have just released covering the period from 2008 to 2014. It shows that manufacturing gross value added (GVA) increased by £7.8bn or just over 5% between 2008 and 2014.

The detailed sector changes suggest that the global economy is impacting on different parts of manufacturing in very different ways. Food manufacturing increased GVA by £2.2bn, automotive by £7.3bn and machinery and equipment by £1.5bn.

Several manufacturing sectors decreased in size while others stayed roughly level in GVA terms.

The non-financial economy as a whole increased in GVA by £195bn between 2008 and 2014 - by over 20% which is more than the total manufacturing GVA of £157bn in 2014. There are important linkages between manufacturing and services, however, and a key example of these linkages is the retail motor sector which increased GVA by £31bn between 2008 and 2014 to a total of £189bn. Professional and Technical Services are also often linked to manufacturing and this sector's GVA increased by over £41bn between 2008 and 2014 reaching a total of £148 bn.

One element in the increase in GVA in automotive manufacturing has been the significantly increase in investment in the sector not just in car plants but also in the supply chain. Strengthening the supply chain had been identified as a priority by the Automotive Council where industry leaders set an overall national strategy with Ministers and overseas investments have been secured as a result.



This Summer DEFRA minister, Lynn Truss, launched a related initiative for the food and farming sectors. Food manufacturing is the largest UK manufacturing sector and one of the largest in Europe. A meeting with over eighty industry representatives committed to the development of a long term plan with a 25 year time horizon for food and farming. They affirmed an ambitious vision for the sector and its potential to drive growth. Achieving the potential will involve building skills especially via apprenticeships, using modern technology and building an overall brand to lever export growth.



An interesting similarity between automotive and the food sector is the importance of effective supply chain management especially as part of successful new product introduction. The UK food manufacturing sector launches over 16000 new products every year.

As part of its 2015 Manifesto the All Party Manufacturing Group (APMG) endorsed the type of approach adopted in automotive and food. It said: long term government policies, prepared in collaboration with industry and with buy-in from across the political spectrum, are the single best way to instill confidence and security across the manufacturing sector. The manifesto set out specific proposals on innovation, skills, finance and taxation, energy, trade and investment and SMEs. APMG has set up an independent in-house depth research unit, The Manufacturing Commission, funded by the EPSRC and the EEF. It aims at driving new thinking about UK industrial policy.

The formation of a Manufacturing Commission follows on the APMG's 2013 research inquiry and report '*Making Good: A Study of Culture and Competitiveness in UK Manufacturing*', which warned that UK manufacturing is being prevented from becoming 'wholly competitive' by a national industrial culture that discourages companies from investing in vital long-term business drivers such as skills development and technological innovation.

The chairman of Industry Forum, Mike Baunton is a member of the Manufacturing Commission. As far as UK automotive is concerned Mike believes there are significant opportunities in the supply chain, in environmental performance and in skills. There are excellent examples of UK automotive companies leading in each of these areas but if we could get all automotive companies to the levels of the best we could accelerate growth.



Global manufacturing companies are increasingly building their strategy as a integrated global portfolio facilities. As far as the UK's strengths are concerned from this perspective, Mike points out that the UK has deep expertise not just in all aspects of modern manufacturing but also in the support services needed to make manufacturing competitive. We speak the worlds language, we have access and support for world markets. We have an open economy and supportive legal and political framework plus both competent and flexible working practices.

He points out that many countries support manufacturing both directly (through grants and tax incentives for example) and indirectly through tariff barriers, export incentives etc. However, countries beyond the UK typically apply short term incentives which are incompatible with the long term investment goals of many manufacturing companies. We in the UK have demonstrated a consistency of approach and the support that should encourage even more inward investment.

Mike describes the Manufacturing Commission research priorities as making recommendations to Government to support industrial sustainability. In the context of the work they are looking at not just environmental sustainability but resilience, supply chain strength, skills and long term research and development capability.

All the evidence shows that a national manufacturing strategy can pay off provided it is pursued consistently in the medium and long term. Major manufacturing nations in Asia, Europe and North America are all developing this kind of strategy and taking a keen interest in how competitor nations approach the topic. It is very encouraging to see that the UK is developing its own distinctive research based approach aligned with our national strengths.

