Hawsons Chartered Accountants
Latest News

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Manufacturing Insight

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Hawsons Chartered Accountants
Latest News

Chris Hill
Senior Partner

Introduction

Welcome to our latest manufacturing newsletter. Since our last edition of the newsletter the conflict in Ukraine has continued to disrupt the supply chain which has become a challenge for manufacturers. As a result manufacturers are looking to invest more in VR/AR technology to improve effiency.

In this edition of the newsletter we discuss:

- Manufacturers set to invest more in technology in 2023
- What challenges are manufacturers likely to face in 2023?
- UK government announce £12.4 million funding to help energy intensive industries cut emissions
- What is creating the skills shortage?

We hope you enjoy the contents of this newsletter and, as ever, if you have any questions please do not hesitate to ask.

Chris Hill
Senior Partner

Manufacturers set to invest more in technology in 2023

Introduction

The Digital Catapult's Manufacturing Leaders poll 2022 has found that the top priority for business leaders in the manufacturing industry across the UK is the commitment to innovation and to continue investing in deep technology solutions.

What about supply chain challenges and rising energy costs?

Despite supply chain issues and rising energy costs becoming particularly challenging issues for manufacturers in 2022, the UK manufacturing industry is still willing to invest more in transformative technologies in 2023. This investment will be used to speed up the adoption of digital solutions in the UK manufacturing sector.

Which manufacturing technology are manufacturers looking to invest in?

According to the poll, 35% of manufacturers said that investing in virtual and/or augmented reality (VR & AR) was their top technology priority in 2023.

Why are UK manufacturers looking to invest in VR and AR?

Investing in VR and AR can benefit manufacturers in multiple ways including:

- Increasing productivity.
- Reducing training costs with VR training.
- Using VR & AR to create a safer working environment without risking employee health in the process.
- VR can be used to design products that improve quality, whilst also saving time and money in the design process. Designers can now use VR to make small design changes that would have cost time or money in the past.

Investing in VR can be used to enhance most areas of a manufacturing business. This is why 35% of UK manufacturing leaders have chosen this as their top investment priority in 2023.

Continued overleaf

Manufacturers set to invest more in technology in 2023 (Continued)

Additive manufacturing

The number of manufacturers looking to invest more in additive manufacturing technology increased by 22%. 68% of UK manufacturers identified this as a major opportunity for growth compared to 46% this time last year.

What is additive manufacturing?

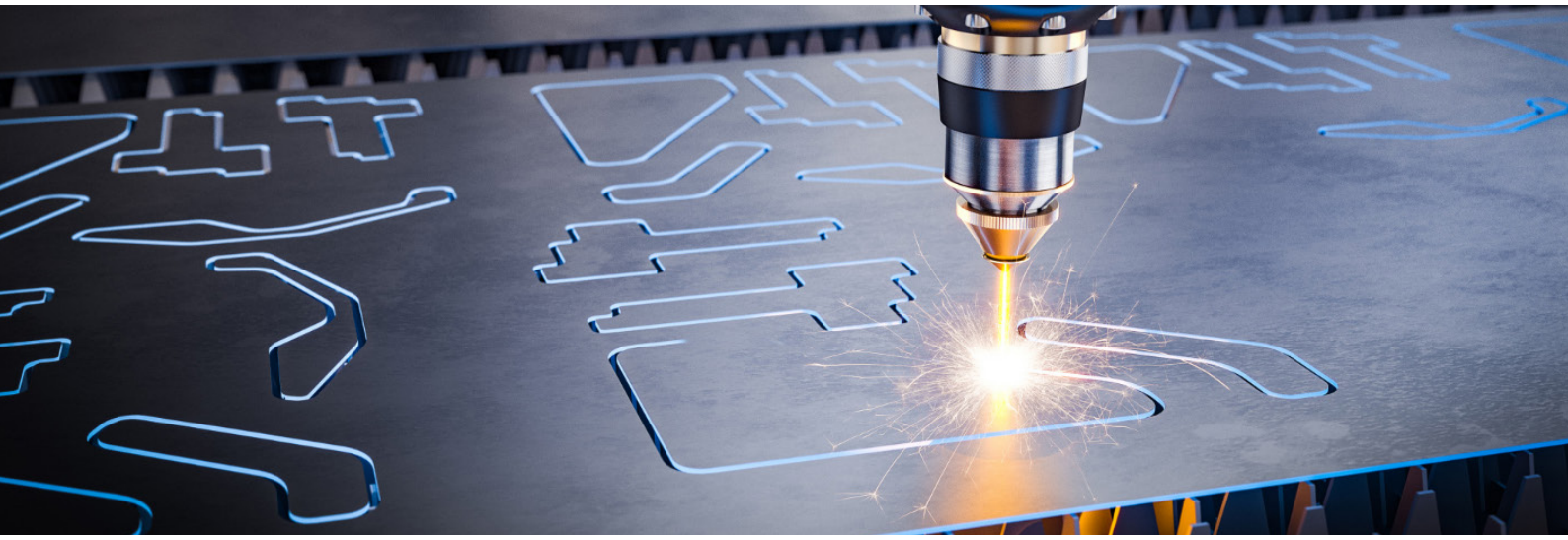
Effectively, additive manufacturing is an industrial production name for 3D printing. This technology allows a computer to create three-dimensional objects by layering and depositing materials.

Why are manufacturers wanting to invest in additive manufacturing?

Additive manufacturing allows manufacturers to create bespoke complex parts with almost no wastage. It is also good for prototyping as this can save manufacturers time as part alterations can be made digitally which is quicker and more efficient than traditional subtractive manufacturing techniques.

Conclusion

To conclude, despite supply chain issues and rising energy costs, the top priority for UK manufacturers in 2023 is to invest in technology. This is because investing in technology solutions provides manufacturers with many benefits including increased productivity, reduced training costs and improved quality of products.



What challenges are manufacturers likely to face in 2023?

In 2023, there will be many challenges that manufacturers will need to overcome. Energy prices and inflation will be among the biggest challenges. Other challenges include:

- Supply chain challenges
- Increased transport costs
- Less foreign investment

Energy prices

The impact of increasing energy prices on manufacturers is showing no sign of slowing in 2023. The new energy relief scheme, set to be introduced in April 2023 for non-domestic customers, is expected to increase planned reductions in staff and production. This is because manufacturers are prioritising investing in technology to improve the efficiency of their operations whilst also reducing costs and time spent on manufacturing tasks.

According to the 2023 Make UK/ PwC Senior Executive survey, 70% of manufacturers expect their energy costs to increase in 2023. 66% are expecting to reduce staff and production despite the government's energy support package.

Supply chain challenges

In 2023, it is highly likely that global supply chain issues will remain whilst the conflict in Ukraine is ongoing. Sourcing and purchasing materials and fulfilling and distributing orders will remain to be a key issues for manufacturers in 2023. Supply chain issues are one of the main reasons why manufacturers are investing in digital technology. Digital technology such as VR & AR allows manufacturers to design products with little to no wastage, allowing manufacturers to be more efficient with their usage of materials.

Increased transport costs

Due to the increased costs of fuel in 2022, transport costs for manufacturers have increased dramatically which makes exporting goods more expensive which is eating into profit margins. Manufacturers will need to review and optimise their transport costs. For example, ensuring that HGVs and shipping containers are full to make the most of their transport costs.

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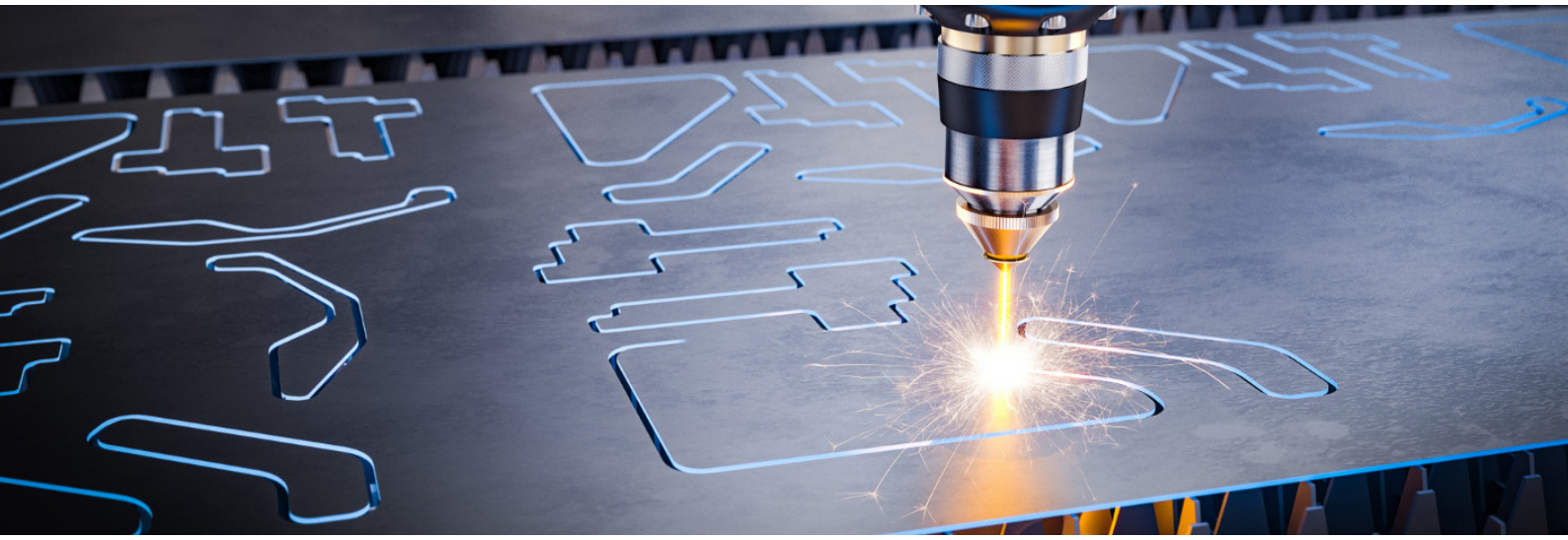

What challenges are manufacturers likely to face in 2023? (Continued)

Investment opportunities

Due to the political turbulence in 2022, 43% of companies believe that the UK is now less attractive to foreign investors. Therefore, those manufacturers that are looking for an investment may find it more difficult to find a suitable investor. This could prove to be a significant challenge for UK manufacturers that named investing in deep tech solutions and a commitment to innovation as their top priority in 2023. Some manufacturers may require investment in order to achieve this.

Conclusion

To conclude, inflation, energy prices, supply chain issues, transport costs and fewer investment opportunities will be the main challenges that manufacturers will look to overcome in 2023.

UK government announce £12.4 million funding to help energy intensive industries cut emissions

The UK government has announced a £12.4 million fund to help energy intensive industries cut emissions and reduce costs. An energy intensive industry usually refers to businesses that operate in the industrial sector and for these businesses, energy costs are normally a high proportion of their production costs.

This funding has been awarded as part of the Industrial Energy Transformation Fund, which will support 22 projects in England, Wales and Northern Ireland. The majority of the projects that are set to receive this funding will be businesses operating in the manufacturing industry. This funding will be used to improve the energy efficiency of many industrial processes such as car manufacturing, steel production and food processing.

The department for Energy Security and Net Zero have said that increasing the energy efficiency of industrial processes will be very important as the UK looks to transition to a lower carbon economy.

Not only will this funding help reduce the carbon footprint of many industrial processes, but it will also reduce energy costs for these businesses which will help protect valuable British jobs.

To find out more about this funding please visit:
Energy intensive industries given £12 million boost to cut emissions and costs – GOV.UK (www.gov.uk)

What is creating the skills shortage?

There has been UK skills shortages for some time, particularly across the manufacturing and engineering sectors. However, since the pandemic, these skills shortages have spread into other sectors, including hospitality and professional services. In this article, we look into what has caused the skills shortage across a number of sectors.

Why is there a skills shortage?

Brexit

There are a few factors that have caused the skills shortage across the UK. Firstly and perhaps the most obvious reason is the reduction in EU migration post-Brexit. Research from the Centre for European Reform's found that the UK's workforce has shrunk by 330,000 since Brexit. This is after accounting for the gain of non-EU workers.

Whilst these numbers may seem insignificant compared to the total number of people employed in the UK, this does make a difference as the reduction in the UK workforce has a disproportionate impact on certain sectors. EU workers would typically work in the transport, manufacturing or retail sector. These EU workers would tend to be skilled workers and would often progress into more skilled roles in business or professional services, which is now contributing to the skills shortage in these areas. Despite an increased number of non-EU workers arriving in the UK, these people are filling different skills gaps compared to those workers that were arriving from the EU.

The pandemic

Research has found that the pandemic has triggered many workers over 50 to retire. This is the age group where there has been the largest loss in the workforce. Many of those in this age bracket were already in a position to retire but had chosen not to. However, since the pandemic, many workers in the over-50 age range have decided to retire or at least try-out retirement. Many of those in this age range have decided not to return to work, especially those in professional service roles where hybrid working has become the new norm. It is believed that workers in older age groups have found the transition to hybrid/remote working more challenging than their younger counterparts which made many feel side-lined. For many businesses losing so many experienced employees during a 2-3 years period has been very damaging. These employees provide many businesses with much-needed experience which can be passed down to the younger generation. Many businesses are now looking for solutions to accommodate the needs of older employees in order to improve retention.

Conclusion

Overall, a combination of a reduction in overseas workers and more of the over-50's choosing to retire at the same time have contributed to a shortage of workers across multiple sectors.

Get in touch

Our manufacturing experts

Hawsons has a dedicated team of specialist manufacturing and engineering accountants in Sheffield, Doncaster and Northampton.

Our specialist team offers a wide range of services which are tailored to meet your individual needs. Our understanding of the issues faced by the manufacturing and engineering businesses means that we can proactively seek out ways for you to maximise your profitability and minimise your tax liabilities.

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