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Manufacturing Insight

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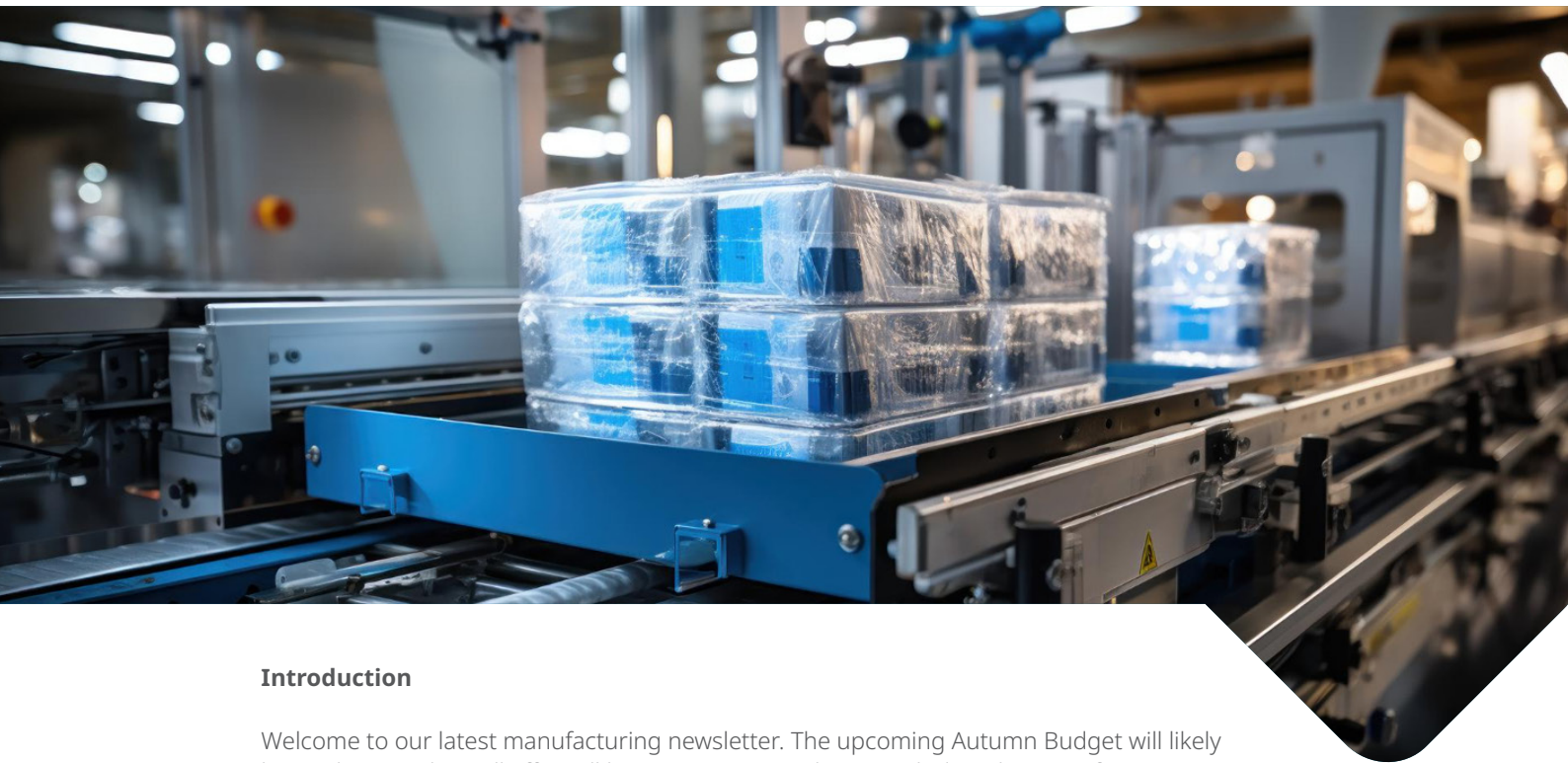


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Craig Burton Partner



Introduction

Welcome to our latest manufacturing newsletter. The upcoming Autumn Budget will likely bring changes that will affect all businesses across the UK including the manufacturing sector due to the recent shift in the political landscape. Despite the fact that there still remains significant challenges within the sector, manufacturers are confident of strong economic performance in the second half of 2024.

In this edition of the newsletter we discuss:

- UK manufacturers expect growth in second half of 2024
- Overcoming the manufacturing skills gap
- New UK car sales exceed 1 million for first time since the pandemic
- Date announced for 2024 Autumn Budget

We hope you enjoy the contents of this newsletter and, as ever, if you have any questions please do not hesitate to contact any of our manufacturing experts, listed on the back page.

Craig Burton
Partner



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UK manufacturers expect growth in second half of 2024

Introduction

UK manufacturers are looking forward to a good second half of 2024 as orders and output are expected to rise. Despite the challenges of a skills shortage, the sector is upbeat about its prospects. According to a recent Make UK survey, the trade body for manufacturing, manufacturers think their sector will outperform the rest of the economy.

Why are manufacturers feeling confident?

There are several reasons why UK manufacturers are feeling optimistic. Firstly, the sector is getting back to normal business after a period of extreme disruption. The pandemic caused wild demand swings, the Russian invasion of Ukraine and supply chain blockages (for example, at the Suez Canal) caused price and material volatility. Now as those issues settle down, manufacturers are finding a more stable and conducive environment to grow.

The Make UK survey of 320 companies shows that the proportion of manufacturers reporting an improvement in their order books has doubled in the past three months. This growth is largely driven by strong export demand, particularly from the US which is offsetting the slower domestic market. Furthermore, with inflation cooling and possible interest rate cuts on the horizon, business confidence is at a decade high. Make UK says the sector will grow 1.2% in 2024, ahead of the 0.9% GDP growth for the same period. This is a

sign of the sector's resilience.

Skills shortage will be the Challenge

While the forecast is good the sector and confidence is high, the sector still has some difficult challenges to face. At the forefront of these challenges is the shortage of skilled workers. This could potentially prevent manufacturers from exploiting growth. The skills gap has been a long term issue, made worse by demographic changes, technological changes and lack of investment in training and education.

Manufacturers are calling for the government to address these skills shortage. The sector's growth depends on having a workforce that can meet the demands of modern manufacturing. Without targeted interventions like vocational training programmes, apprenticeship incentives and industry/education partnerships, the sector's growth will be stifled.

Conclusion

To conclude, while UK manufacturers are looking forward to a good second half of 2024 driven by improving order books and export demand, the sector's ability to fully deliver will depend on the skills shortage being addressed. The government's role in solving this challenge will be crucial for the sector's growth and long term success.



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Overcoming the manufacturing skills gap

The manufacturing sector is at a crossroads. A very innovative industry with undertaking significant technical advancement but struggling with growth limiting skills shortages. This is a problem that needs to be addressed as the potential of the manufacturing industry is being constrained as a result of these talent shortages.

What is the Skills Gap?

The manufacturing skills gap is like a puzzle. There are multiple missing pieces and these all need to fit into place if this issue is going to be resolved. A main contributor to the problem is the retirement of experienced and skilled individuals. Furthermore, current educational programs do not align with current industry needs particularly in robotics and data analytics following the significant recent advances in these areas.

Effects of the Skills Shortage

The shortage of skilled workers affects production and competitiveness as companies struggle to produce and innovate. These are key to developing new technologies and products. Economically, companies with skill shortages may delay expansion which could impact other local businesses and regional economies. This may cause a domino effect and is why it is imperative that the manufacturing sector bridges the skills gap to contribute towards sustained economic growth in the sector.

What can manufacturers do to bridge the Skills Shortage?

Bridging this shortage is more than just filling job vacancies with skilled workers - it's helping to creating a future where manufacturing drives economic growth. Below are just some of ways manufacturers could help attract and train skilled workers into the industry.

Talent Attraction

Attracting talent is key to increasing the size of your workforce. When it comes to recruitment marketing, manufacturers should focus on promoting the positives of working in manufacturing. Manufacturers could use success stories and partnerships with educational institutions to improve the image of the industry and attract new talent.

Training and Upskilling

Upskilling the existing workforce through on-the-job training, mentoring and continuous learning is a great way to increase the amount of skilled workers in your workforce. A great way to do this is too implement technology in training such as online training and virtual reality can make learning more engaging and relevant to generation Z employees.

Retain Skilled Workers

Consider reviewing your work culture. Do your employees feel valued? Do they have clear career progression? From this, you may discover small changes that you can make that will make a huge difference to your work culture which may result in improved retention rate of skilled workers.



New UK car sales exceed 1 million for first time since the pandemic

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Car sales statistics for new UK car sales exceed 1 million in the first half of 2024. The first time this has happened since the pandemic, providing optimism for the car market.

Business and Fleet Sales

According to the Society of Motor Manufacturers and Traders (SMMT) new car sales in the UK were up 6% in the first half of 2024 to just over 1m, compared to 949,000 in the same period last year with all of this growth coming from an increase in business and fleet sales.

Mike Hawes, SMMT CEO, said while the overall numbers are good for the industry, the demand hasn't come from private buyers. "Businesses and fleets are the ones buying the new models and taking advantage of the deals for big volume purchases."

Private Sales

For private buyers, high inflation and rising interest rates have made car finance more expensive. The majority of private car sales in the UK are financed which has led to a fall in private sales of 12% in the first half of 2024 compared to the same period last year. Furthermore, June 2024 was also the ninth consecutive month of private car sales declining.

Due to these economic circumstances, car manufacturers are currently very reliant on business and fleet sales for their new cars rather than private sales.

Electric Vehicles complicating the market

Complicating the market is the rise of electric vehicles (EVs). June 2024 saw the share of electric car sales at 19%, the highest this year. Whilst zero-emission are essential for environmental targets, it's a challenge for manufacturers and consumers alike.

European carmakers are struggling to find buyers for their EVs which are often more expensive than their petrol or diesel counterparts. The pricing issue combined with the Zero Emission Vehicle (ZEV) mandate has caused tensions in the industry. Stellantis, the parent company of Vauxhall, Peugeot and Fiat has threatened to close its UK factories if the mandate's conditions are impossible to meet.

New Car Sales Outlook

Looking forward, new car sales in the UK are uncertain. The SMMT expects annual sales to reach 2m for the first time since 2019. But that's still below pre-pandemic levels.

The industry has several challenges to overcome, for example, stabilising EV demand and private buyer finance. EVs are now out of the infancy stage and the challenge for manufacturers is to move EVs into the mass market, which is key to sustainable growth in the sector.



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Date announced for 2024 Autumn Budget

The government has confirmed that the Chancellor Rachel Reeves will deliver her Autumn Budget on Wednesday 30th October.

This will be Rachel Reeves first Budget as Chancellor. This will be the first opportunity to gain an insight into what direction the new Labour government will take on tax policy. So it will certainly be an interesting one!

What time is the budget?

The Budget is expected to take place at about 12:30 pm, straight after PMQs.

The first part of the statement typically begins with a review of the nation's finances and economic situation. The statement then moves on to proposals for taxation. The Chancellor's Budget speech usually lasts about an hour.

Expert commentary

Our tax specialists will be watching the Autumn Budget on 30 October and will provide relevant announcements on our website and social media shortly after the Autumn Budget is announced, to make sure you are fully up to date.

To pick up on our commentary, follow us on [Twitter \(@Hawsons\)](#) or [LinkedIn](#).

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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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