

The future of UK manufacturing

Industry Breakout Session

15.15-16.15

FUJITSU

shaping tomorrow with you

Human Centric Innovation

Co-creation for Success

The future of UK manufacturing

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Lee Hopley

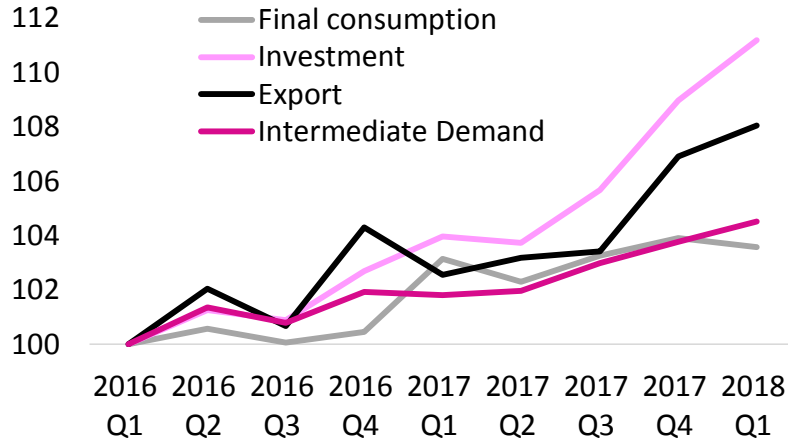
Chief Economist, EEF



State of UK manufacturing

Investment- and export-focused sectors doing better

GVA 2016q1 = 100



Over 80% of companies could identify at least one overseas market offering growth opportunities, with 53% currently seeing growth potential in EU markets.

More of the same up to 2018H1

% balance of change



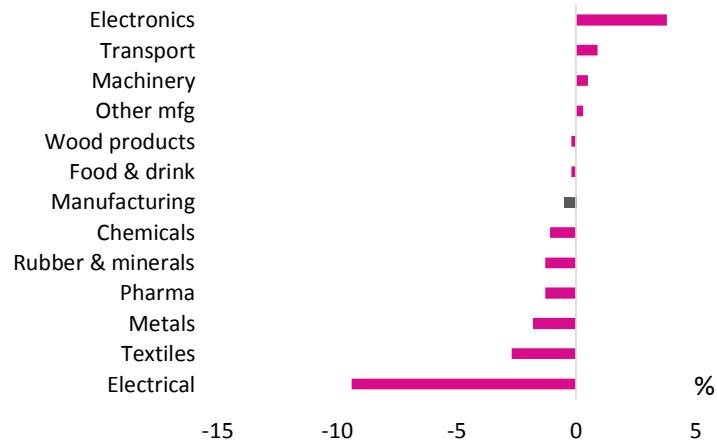
Strongest output balances reported in electronics, electrical and transport equipment sectors.
Construction-facing sectors lagging.

April data signalling more difficult times ahead?



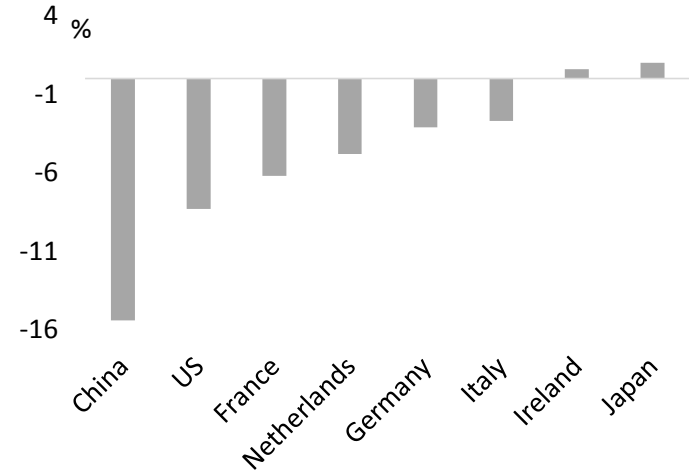
Output falls widespread across manufacturing

% change 3m on 3m, April 2018



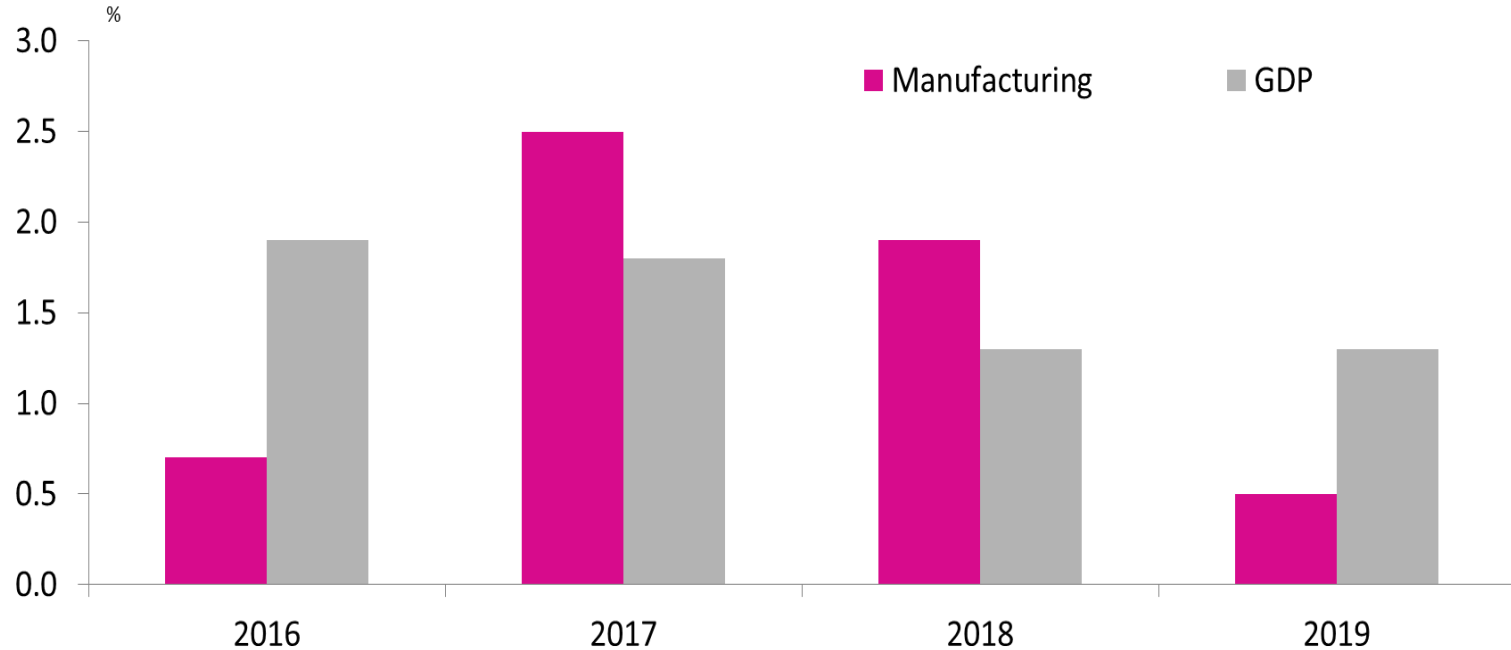
Export sales wobble too

% change 3m on 3m, April 2018



Source: ONS

Near term – muted growth and downside risks have increased



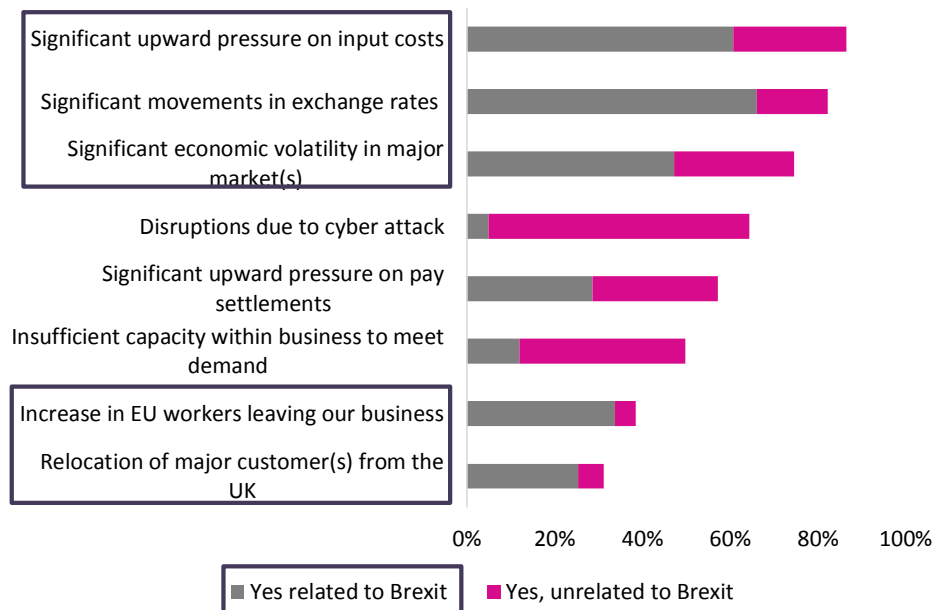
Source: EEF

Some risks anticipated at the start of the year...



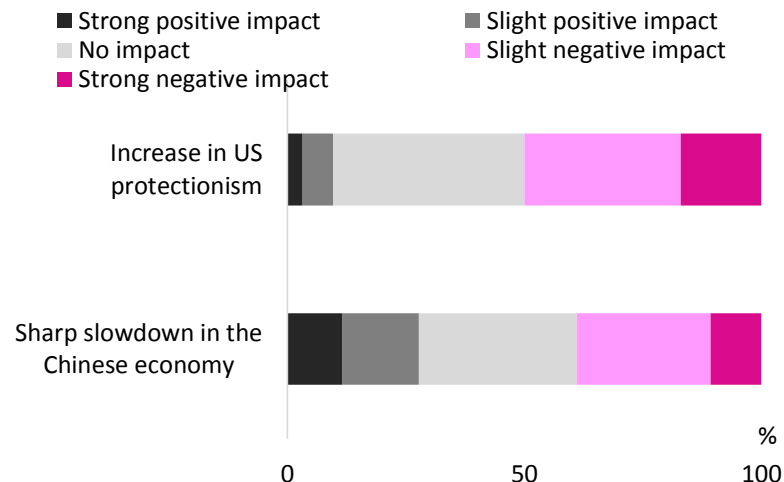
Business risks in 2018

% of companies



Potential negative implications from global developments

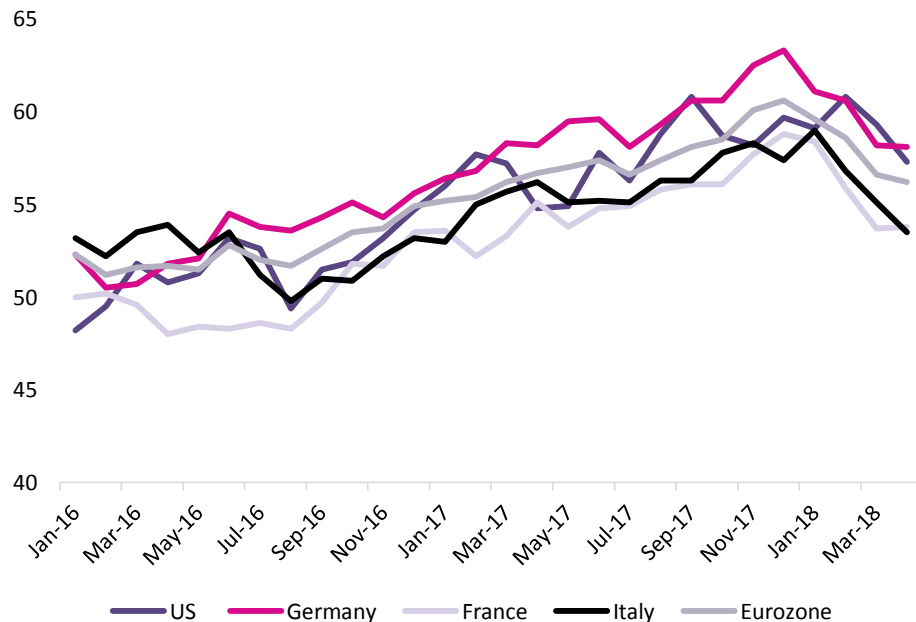
% of companies



Source: EEF Executive Survey

EU upturn looks past its peak

Pace of expansion easing in Europe too
Manufacturing PMI 50 = no change



- Trade policy uncertainty dampening outlook
- Eurozone confidence indicators tailing off
- Monetary policy makers in a bind and struggling with communication
- Potential for further downside political surprises in Europe?
- ... and in the next round of Brexit negotiations?

Source: CIPS Markit

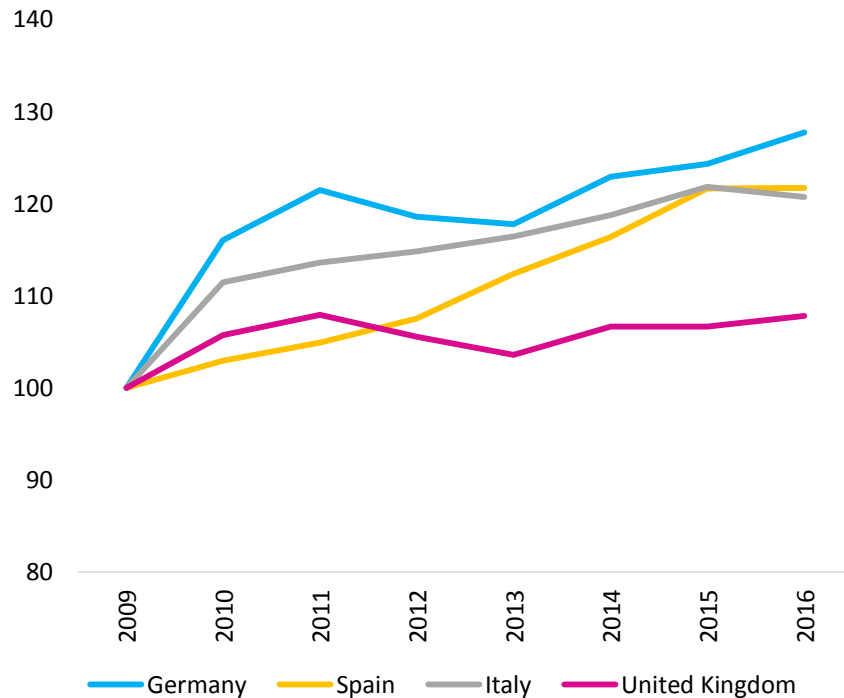
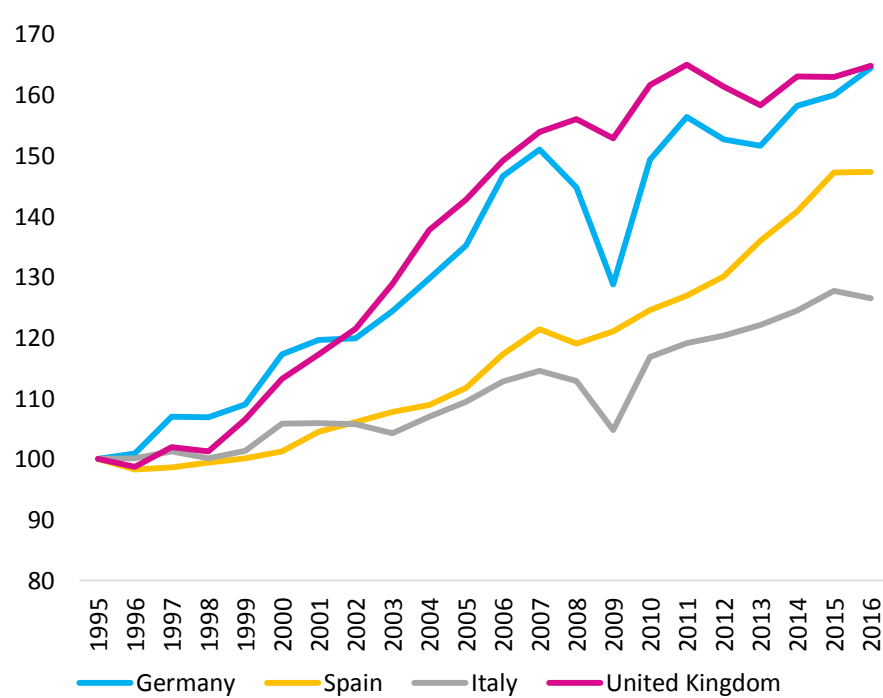
Tackling long-term challenges and grasping opportunities



- **Productivity – it's almost everything in the long-run**
- **Manufacturing and the Fourth Industrial Revolution**

Productivity – what's the UK's problem?

Real GVA per hour, (LHS) 1995 = 100 / (RHS) 2009 = 100



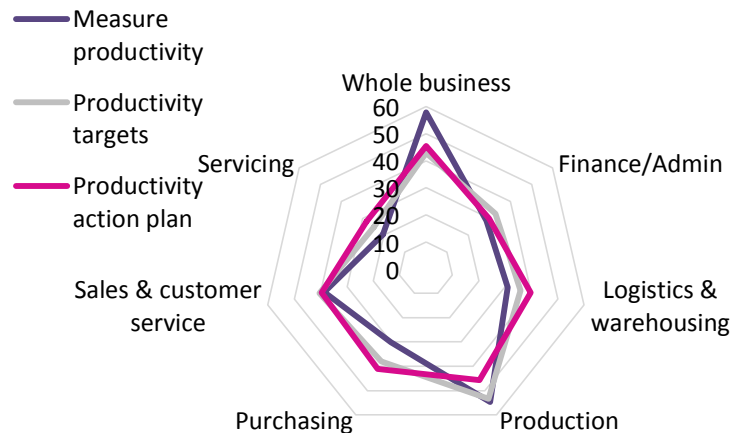
Source: Eurostat, OECD and EEF calculations

The productivity problem & some solutions

My company's productivity would be even better if.....



And more measurement, beyond the shop floor
% of companies measuring productivity

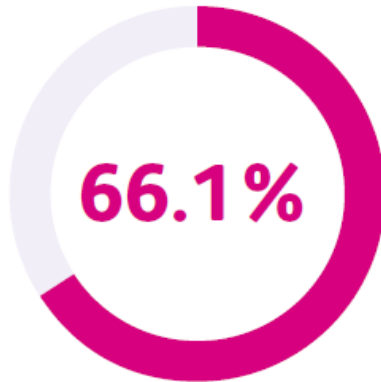


Source: EEF Productivity Research (forthcoming)

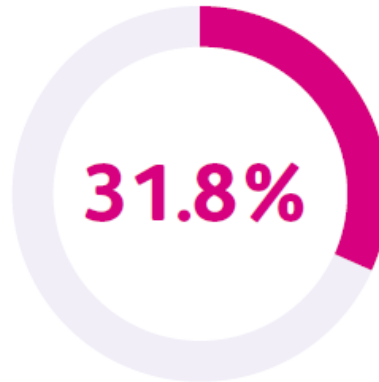
Industrial strategy ambition – to get manufacturing back in the driving seat

UK productivity growth rates between 1994 and 2017

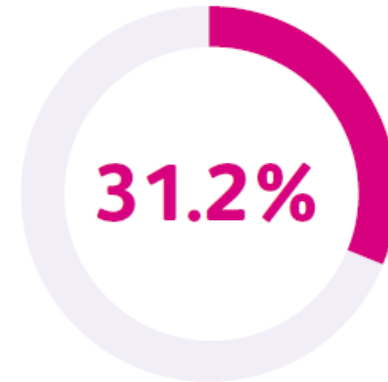
Manufacturing



Services



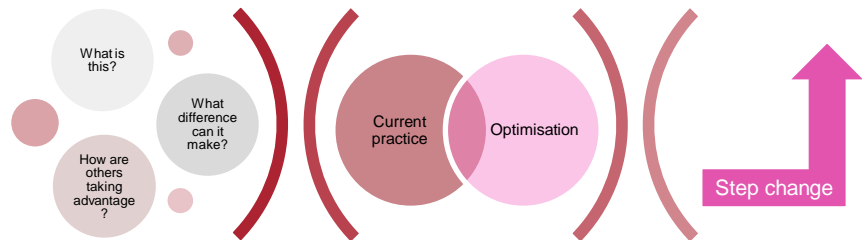
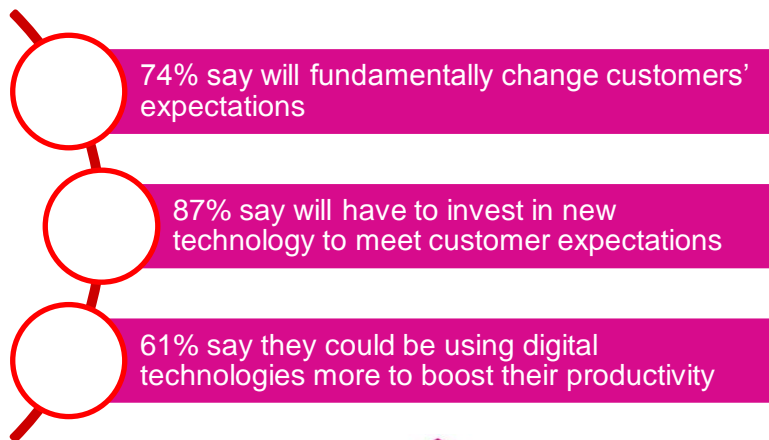
Whole economy



Source: ONS

Source: ONS

Fourth industrial revolution – the benefits and the journey



Conception

Evolution

Revolution

What is my company's strategy and ambition?



Sensors collect usage data from products allowing remote diagnostics and maintenance. Along with direct user feedback and social sentiment on the internet, this information also enables rapid innovation and a faster time to market, with targeted products for different customers.

Use of data analytics and new production techniques and technologies (such as autonomous robots, multi-purpose production lines and augmented reality) helps to improve yield and speed up production. This allows new business models such as mass customisation.

Greater coordination and real time flow of information across supply chains allows better tracking of assets and inventory and integrated business planning and production. This unlocks new ownership and collaboration models across supply chains.

Not sure what this can deliver for their business

Interoperability

Cybersecurity

Digital
infrastructure

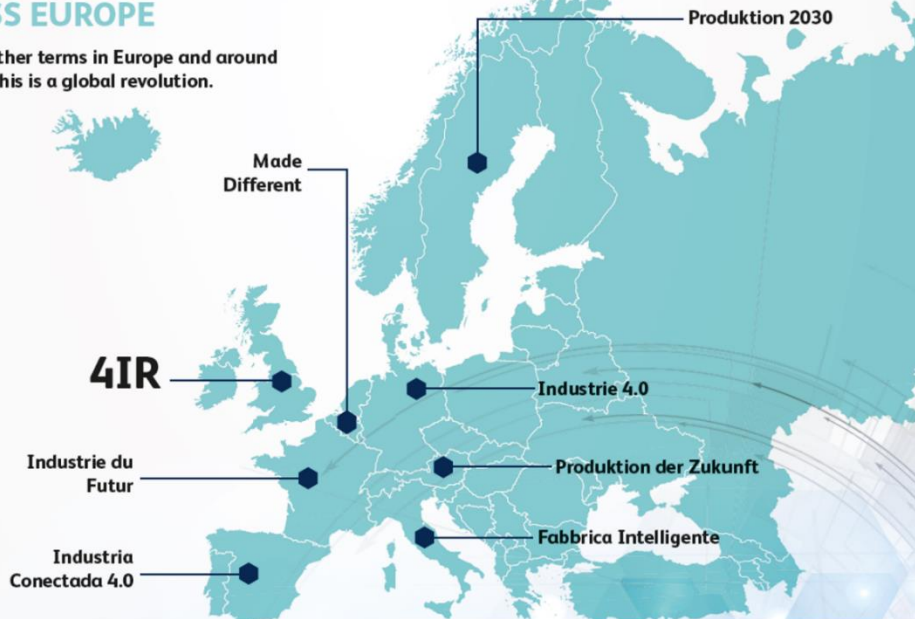
Leadership

Ownership of
data

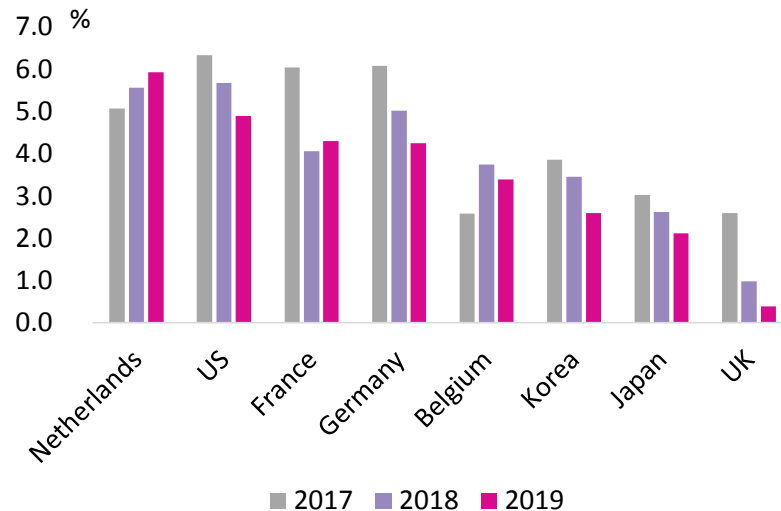
4IR in a global context

4IR IS HAPPENING ACROSS EUROPE

Known by other terms in Europe and around the world. This is a global revolution.



An investment head start for the rest of the world? % annual change in business investment



Source: EEF and OECD

A long to do list ... for manufacturers and policy makers



- UK business environment about more than Brexit, but clarity on outcomes critical in driving investment.
- Recent signs of faltering growth could also delay progress on productivity and responding to technological change.
- Industry could also be key to wider UK economy growth and competitiveness.
- Manufacturing has demonstrated resilience – and EEF is here to influence on Brexit and support company actions to improve performance.

Questions

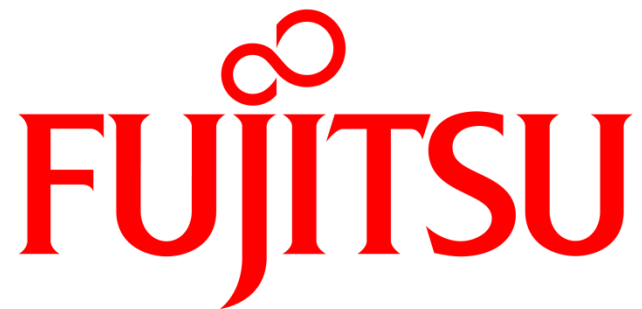
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Next up...

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16.15

Please return to the Atrium for our closing show and drinks reception



shaping tomorrow with you