

**MANUFACTURING FAST FACTS: FUTURE OF MANUFACTURING**

* The manufacturing sector accounts for about **two-fifths of all private sector expenditure on Research and Development** in the UK.
* The UK is a global leader in tackling climate change and capitalising on the exciting growth opportunities that net zero will provide. **Maintaining a strong manufacturing sector is an essential part of the transition to the future low carbon economy** and meting our climate goals.

**UNLOCK INNOVATION, ACCELERATE DIGITAL ADOPTION, ENCOURAGE AUTOMATION**

* **Two-thirds (63%)** of manufacturers who adopted digital technologies said it improved productivity.
* **More than half (52%)** of manufacturers believe tax incentives to decarbonise would entice them to invest**.**
* **Just over half (51%)** said digital tools and techniques have increased the profitability of their business and the same number said it has brought greater labour efficiency.
* **Nearly half (44%)** of manufacturers say digitalisation is the top catalyst for productivity improvement.
* **Nearly half (47%)** of manufacturers have an active plan underway to invest in digital technology to decarbonise their business.

**What should we do?**

* **Take forward the commitment to expanding the Made Smarter Adoption program** – which is helping SME manufacturers access technology and digital skills - to all nine English regions.
* **Re-establish an updated modern Manufacturing Advisory Service** to help disseminate best practices and the latest insights to boost firm-level productivity from a wider perspective than solely digital adoption.
* **Incentivise automation** to improve workplace productivity and competitiveness across the sector.
* **Create further opportunities for universities, innovation agencies, and catapults** to work with industry to map the total end-to-end journey of research to market product development, aiding the commercialisation of innovation.

**MAXIMISE THE OPPORTUNITIES OF A NET ZERO ECONOMY**

* The vast majority **(92%) of manufacturers see net zero as an important business priority**
* **Over half (67%) see net zero as a commercial opportunity** for their business
* **68% have already made investments** to help them transition to net zero, and 22% plan to in the next 12 months
* Manufacturers need support to help seize the opportunities of net zero, with **71% citing the cost to investment as a barrier** to driving their energy efficiency and transition to net zero.

**What should we do:**

* **Increase electricity grid capacity and flexibility** to enable industrial producers to electrify further and to feed surplus energy into the national supply as a matter of urgency.
* **Incentivise those who invest in green projects and take steps towards decarbonisation.** The 100% relief on business rates for the first 12 months after an improvement to buildings (e.g. insulation) or an investment in (green) plant machinery and equipment for sustainability purposes does not account for realistic timeframes required for manufacturers to implement these new technologies, and remains punitive. It should apply for the first three years after spending, rather than only 12 months.
* **Energy and carbon tax support schemes should be accessible** not only to SMEs but also to the (not so many) mid-corporate firms (>250-499 employees) who represent the average manufacturing business and are particularly vulnerable to energy and other crises.
* **Review the energy and carbon pricing system** to support the transition from fossil fuels and ensure a reliable and economically sustainable supply of clean energy in the future.
* **Align the UK CBAM with the EU CBAM in terms of timescale and design** to provide a level playing field with the EU competitors and prevent potential trade diversion and dumping of high-emission industrial products into the UK market.

**Want further information?**

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