

A new dawn

After a turbulent year, the manufacturing industry is looking for stability in 2017



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Brexit, Donald Trump, Leicester City winning the Premier League, Ed Balls dancing a salsa to *Gangnam Style* on *Strictly Come Dancing* – to say 2016 was the year of the unexpected would be an understatement.

The political and economic turmoil created by leaving the EU, a change in government and a plummeting pound has affected everyone, including the UK's manufacturers.

That said, manufacturing negotiated the speedbumps of the year more successfully than many other industries. The automotive sector, in particular, saw exceptional results, with exports making up over 80% of the over 1.4 million vehicles produced in the country. Those speedbumps don't seem to be set to go anywhere into 2017, however – indeed, in many cases they may get even bigger.

“Bumpy road ahead” as Brexit reigns supreme

In 2017, Brexit is seen by many manufacturers as an opportunity, according to a report by insurance company RSA (tinyurl.com/j6qllxa). Exports in the past 12 months have risen thanks to the falling pound, and signs are that this will continue into 2017 – although the EEF have warned that factory output is set to fall by 0.2% in the next 12 months, and a report by BDO has predicted a “bumpy road ahead” for British businesses. On top of this,

over a third of companies are predicting they will have to raise prices in the next year because of the volatile economic conditions, according to December's CBI Industrial Trends Survey (tinyurl.com/j22zdqn).

Theresa May's goal of triggering Article 50 and starting the process of leaving the EU by the end of March will undoubtedly cause a new round of economic turmoil. The exact fallout is open to debate, and it can be argued that many were overly pessimistic about the impact of Brexit in the short term (the predicted recession and doom and gloom has so far failed to materialise). However, manufacturers should prepare for the worst.

Look out too for the financial impact of the Apprenticeship Levy and increases to the national and living wages coming in April, combined with ongoing Brexit-based uncertainty.

Of course, time will tell on what the next 12 months actually has in store. Will we suffer an *annus horribilis*, or will manufacturers take the chance to *carpe diem*: seize the day and make the most of the opportunities open to them? We asked industry leaders for their thoughts... ■

What are your predictions for the year ahead?
Email your views to chris.beck@markallengroup.com

Industry



John Coughlan, director, TSP Engineering:

Next year will see a very rocky period for manufacturing. It is set to be a year when there will be continuing decline in the pound, which should signal good news for manufacturers, through increased export opportunities. However it will also be a year when we are expecting to see high inflation compared to recent times, with rates perhaps reaching as

high as 4%. This will be driven by increased cost, resulting from the decline in the buying power of the pound, for raw materials being imported to support UK based manufacturing. The result of the higher inflation will impact on and result in higher wage demands, which will possibly result in industrial action across Britain, in turn impacting on manufacturing output.

In general 2017 will not be a good year for manufacturing unless the government gives visibility of a clear and well-thought-through strategy for executing Brexit, with milestone timelines. Doing so will stabilise the pound and bring long term confidence back into manufacturing.



Trevor Newman, supply chain operations director, Coca-Cola European Partners:

In early 2016 our research study with Cranfield University into the future of food and drink manufacturing in Great Britain revealed a roadmap towards the sustainable 'factory of the future' made up of five key pathways. The first of these, Anticipating

the Future, looked at how the industry will benefit from increasing innovation in big data and the Internet of Things, for example through sensors and real-time visibility.

In terms of overall manufacturing sustainability, many innovations of recent years are now well-established, such as on-site renewable energy. I believe a key trend for 2017 will be the increasing importance of engaging the workforce in sustainability. Seemingly small changes can add up to significant savings across entire operations, and experts on the shopfloor are in the prime position to identify and suggest methods to tackle issues.

Health & safety

Olivier Touchais, global general manager general safety, Honeywell Industrial Safety:

The new European PPE Regulation, which moves hearing protection from category 2 to category 3 (the highest risk category), is an important step in reevaluating the importance of hearing protection.

Hearing loss is less visible than other injuries and some workers already suffer from hearing loss caused by recreational exposures. Businesses will need to assess workers' hearing at the outset. They will also need to raise awareness of hearing conservation among workers; minimise exposure time and noise levels; and identify the most effective PPE product in order to maintain hearing conservation.

Careful management of the PPE Regulation's one-year transition period will also be critical. During this time, products that meet both the current EU Directive and the forthcoming regulation will exist on the market, which may cause confusion for end users. Manufacturers need to educate customers so that they understand the transition process and changes in regulatory requirements.



Materials Handling

James Clark, secretary-general, British Industrial Truck Association (BITA):

Our latest Forklift Truck Market Outlook is showing a softening in confidence as the Brexit vote sinks in, coupled with forecasts of slower economic growth for the UK economy. Half of respondents surveyed for this report considered themselves 'less optimistic' about the outlook for the coming 12 months, compared to just 20% in the same survey last year.

That said, it's not all doom and gloom and there are still plenty of reasons to be cheerful – not least encouraging current order books and the continuing evolution of online shopping which should guarantee a proportion of warehouse truck orders for the foreseeable future.

