

Sector briefing



Advanced engineering & manufacturing

Sector Briefing: Advanced Engineering & Manufacturing

From major aircraft structures, aircraft interiors and industrial machinery to packaging and clothing, Northern Ireland manufacturing is diverse and provides a wide range of employment opportunities.

The biggest challenges that manufacturers are expecting to face in a post-Brexit world are around supply chains, access to a skilled workforce, regulation and trading.

Trade

A tariff-free and barrier-free relationship with the EU is important to manufacturing. Manufacturing accounts for 63% our exports, 58% of which are to the EU ^[1], and therefore the question of trade is of utmost importance to it.

Manufacturers are part of complex integrated supply chains that extend across the EU. The possible imposition of tariffs between the EU and the UK has the potential to hugely increase costs for manufacturers. Even non-tariff barriers that interrupt just-in-time delivery models and increase compliance costs could be just as disruptive for many manufacturing businesses.

New international trade agreements could present an opportunity for manufacturers. Many manufacturing businesses benefit from current preferential trading agreements in place, such as South Africa, and are seeking clarity about the future of those deals.

However, the EU deal is the priority. In a scenario where the UK leaves the EU without a deal or a temporary interim arrangement, the sudden imposition of tariffs and complex customs processes would be hugely disruptive. Confusion and delays for imports and exports have the potential to affect entire supply chains if sufficient time is not secured to transition to new arrangements. A period to adapt to any new deal is critical.

Regulation

Regulation that allows continued easy access to our largest market is important for manufacturing. Manufacturing exports are subject to many regulations and standards that keep products harmonised across the EU, simplifying trade and creating a level playing field. The majority of businesses in manufacturing believe the UK should continue to meet these mutually recognised product standards, and continue to be involved in their design, in order to support ease of movement of goods across the region and across the globe.

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There are also manufacturing businesses raising questions about cross-sectoral EU regulations in areas including energy, the environment and financial regulation.

Migration

International labour, skills and flexibility of movement support growth in manufacturing. Some of the skills gaps in manufacturing have been filled in recent years by EU citizens. However, with the future uncertain for these employees, it is crucial that the UK Government takes action.

In the long-term, through continued encouragement of science, technology, engineering and mathematics (STEM) in schools will help deliver a supply of local workers. However, the labour implications of Brexit go beyond this: manufacturers often move highly skilled engineers between the UK and Member States at short notice and Brexit risks a loss of this flexibility. If UK engineers cannot move quickly from the UK to the EU, talent pools will be developed in the EU and the UK capability may be affected.

Funding

A new funding deal for innovation must support R&D and collaboration in manufacturing. Manufacturing businesses accounted for 65% of NI R&D expenditure in 2015 ^[2] and therefore is highly exposed to changes to the funding scheme landscape. While the [UK Government has committed](#) to underwrite Horizon 2020 funding after the UK leaves the EU, there must be programmes and schemes established to replace the EU funding mechanisms in the long-term. It is also vital for our manufacturers to be able to maintain collaborative links to ensure that they avoid being left behind. It is preferable that continued access to EU innovation programmes is facilitate as a priority.

Conclusion

While there are many areas that need clarification for manufacturers, there may too be opportunities. Currently the fall in value of sterling has seen a surge in competitiveness for both EU and non-EU trade, benefiting manufacturing companies. Imports of raw materials are of course affected by the weakness of sterling. Therefore the overriding priority should be to maintain focus on strengthening international competitiveness across all areas of manufacturing in Northern Ireland.

[1] NISRA, Broad Economy Sales & Exports Statistics.

[2] ONS, Business Enterprise Research and Development, UK: 2015