

Banking on exports

The Government now hopes that manufacturing exports can help bail out the UK economy. As Graham Dewhurst* reflects, perhaps engineering will at last get the recognition it deserves

If the UK general public believes that the country's manufacturing base has disappeared, that's not surprising, given the Government's lack of interest in it over the past 10 years.

However, as living off borrowings is not a viable long term prospect, the Government is now tacitly admitting that manufacturing and exports remain important elements of a solid economy; something that all other industrialised nations never lost sight of. We now need to return to a balanced economy where overseas physical exports are given their due; not subrogated by invisible earnings.

The UK is still the sixth biggest manufacturing economy in the world and it continues to grow year on year. While manufacturing has grown more slowly than other parts of the economy, it has continued to grow nonetheless. Stronger balance sheets in the industrial sector have allowed investments in capital goods, and this has delivered improved profitability and efficiency.

In our sector (engineering-based manufacture), we have seen a re-shaping of the delivered product from commodity to high value added. This change, together with the formation of a large number of "micro" businesses employing small numbers of highly skilled people working on technical solutions, has changed the face of manufacturing in the UK. Engineering-based manufacture has out-performed the economy as a whole



for the past four years.

UK manufacturers have maintained their faith in their value to 'UK plc' and have continued to develop business globally and to invest in skills and new equipment to improve their competitive position. Indeed, other countries have seen quality in our workforce and have invested in manufacturing here in preference to elsewhere.

Essentially, UK manufacturing has re-invented itself to survive in global markets; there are over 10,000 small and medium-sized businesses making their contribution to the UK economy, while also providing quality, highly valued long-term employment across the British Isles. This is unlike the financial services sector which benefits a few in the City.

Against a background of reducing

support from the Government, the engineering-based manufacturing sector has defied all attacks from the emerging markets and has continued to deliver quality exports. At the same time it has supported the domestic economy by supplying inward investors who then often go on to export their products.

It seems ironic that the Government may now need to turn to our much-ignored sector to deliver the impetus of even higher exports and foreign earnings, but I know that the businesses working in engineering-based manufacture will rise to the challenge.

Perhaps Government will reciprocate with policies aimed at supporting investment in new product development, use of advanced technology, development of higher skills, and, the promotion of 'UK plc' in its export drive.

The challenges are clear; skills enhancement, better medium term financing for SMEs, a more business friendly tax environment, and better (less) regulation for small businesses. Perhaps the Government could 'find' £25 billion to support this important sector with medium term (10 years) mezzanine finance loans to encourage development in these key areas, rather than supporting a small, failed bank – Northern Rock. □

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