

The State of Northern Ireland Manufacturing 2019



NI MANUFACTURERS CONTINUE TO SHOW RESILIENCE

The latest Manufacturing NI and Tughans “The State of Northern Ireland Manufacturing 2019” manufacturing survey reveals a sector demonstrating continued resilience and growth in a context of political uncertainty, skills shortages and rising costs.

The survey, which was conducted in May/June 2019 for Manufacturing NI and legal firm Tughans, showed that 76% of respondents (up from 67% in December 2018) consider the uncertainty of Brexit to be the biggest issue currently affecting business with local political uncertainty coming a close second.

Against this background, 67% of those surveyed described their business as being in a position of growth whilst 47% said they expected that growth to continue in the next 12 months. Significantly, 87% described their companies as having realised profits in the last year.

47% of firms reported an increase in staffing levels but this compared to 57% in December 2018. Accessing appropriate skills was the most challenging barrier to recruitment with 78% of companies finding it difficult to recruit staff in the last 12 months. As an aid to recruitment and retention, 71% of firms have increased the levels of basic pay while a third of the companies surveyed have improved non-financial benefits such as holiday entitlement, hours of work and health insurance.

Brexit continues to be a major issue with 60% of respondents believing it will have a negative impact on business. Whilst 61% of firms say that they are carrying on with business as usual in the context of the ongoing Brexit delay, 45% have actively stockpiled in anticipation of supply disruption. This compares to 16% in December 2018. 41% have stocked parts or raw materials to last more than three months.

The rising costs of doing business continue to be challenging with 75% experiencing increased energy costs; 94% reporting increased labour costs and 81% accounting rises in transportation expenses.



Looking ahead, manufacturers are planning ongoing investment with 65% intending to spend on R&D or product development; 63% to increase spend on sales and marketing and 59% focusing on upgrading or introducing new facilities or machinery.

Stephen Kelly, Chief Executive, Manufacturing NI, says, “This is our 3rd survey alongside Tughans and we are now clearly seeing trends develop. Of concern is that confidence is declining due to political uncertainty, particularly in regard to the UK’s exit from the EU.”

“For the first time, the degree of stockpiling by manufacturers has been revealed with almost half of firms saying they’ve invested significant sums of working capital in an effort to insulate them from the potential crash out in March 2019. With the next deadline of 31 October, at a time when storage is already under stress as retailers stock up for Christmas, we will have significant challenges to try to continue business as usual. Indeed, now 60% of firms believe Brexit will have a negative impact on their business up from 41% this time last year.”

“The costs of doing business are rising significantly too with three quarters of firms feeling the impact of rising energy cost and 4 out of 5 seeing transportation costs rising.

“Whilst the rate of job expansion has slowed sharply, it is positive that half of firms, despite the difficulties in recruiting, continue to add to their workforce and that more is being done to attract and retain staff including training and development and a big increase in wages.”

“Manufacturers are creative, brave and resilient. They find a way to resolve problems but it is now clear that issues outside of their control are beginning to bite. We need leadership in Stormont and at Westminster who will take the right decisions in the coming months to protect them and the jobs which rely on their businesses.”

James Donnelly, Head of Corporate, Tughans, adds, “Although not quite so positive as the December 2018 survey, the survey findings indicate that most manufacturing businesses locally are remaining optimistic. This is encouraging despite the ongoing challenges presented by political uncertainty, the rising cost of doing business and the shortage of appropriate skills. Whilst the sector has embraced a stoical approach of just getting on with it, there is no doubt that if our local politicians could resolve the impasse that the local economy would benefit hugely.”

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Stephen Kelly,
Chief Executive Manufacturing NI

MNI is a campaigning organisation which works with members, workforce representatives, policymakers and regulators to challenge areas which impact on the cost of doing business, specifically rates, energy, labour and increasingly, Brexit.

We have been protecting the £58m per year Rates benefit, we have taken tens of millions of pounds off energy bills, secured finances for skills investment and much more.



MANUFACTURING
NORTHERN IRELAND

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James Donnelly,
Head of Corporate Tughans

Tughans is a leading corporate law firm widely recognised for its pragmatic and commercial approach to the law. The firm advises clients ranging from local entrepreneurs and established indigenous companies, to international corporations doing business and those considering investing in the region. Specialist partner led teams are at the core of its business, offering bespoke client focused solutions. The firm works closely with its dedicated network of international firms to ensure a seamless multi-jurisdictional service.

Tughans

Tughans and Manufacturing NI have worked together to survey the manufacturing sector on a regular basis since May 2018- and here are the results of our latest survey.

What we've found is a resilient sector which is facing challenges- challenges in terms of retaining and training staff, increased costs in energy, transportation and attracting the right skills, all the while operating in a state of political flux.

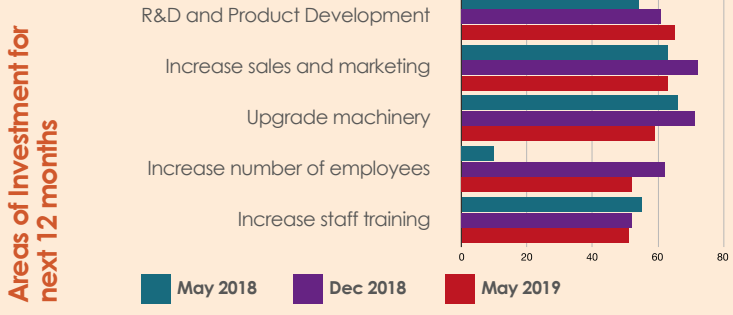
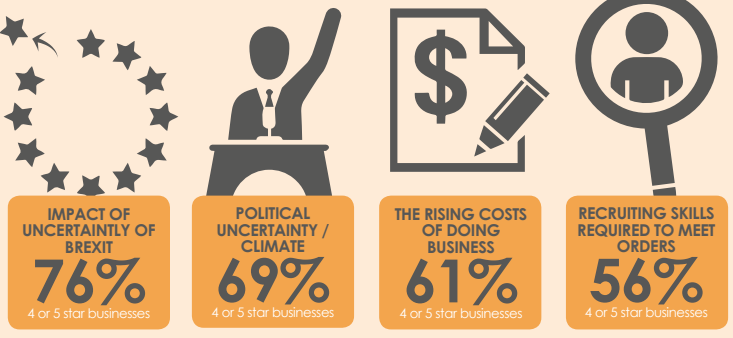
We've collated the findings of our third survey in the following infographics, which saw us hear from 139 companies from across the council areas of Northern Ireland. Where relevant we have included comparative figures from earlier surveys (December and May 2018).

The Manufacturing NI and Tughans manufacturing survey was carried out in May 2018 by Perceptive Insights. Of the respondents, 38% represented companies with more than 100 employees. The top three manufacturing sectors who completed the survey were Machinery & equipment (19%), other Manufacturing & Repair (15%) and Wood, Paper Products & Printing (13%).

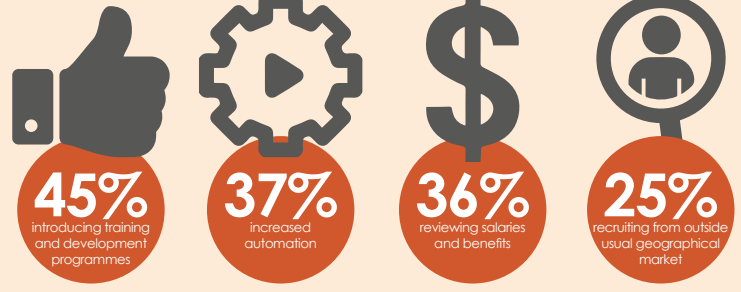
Tughans



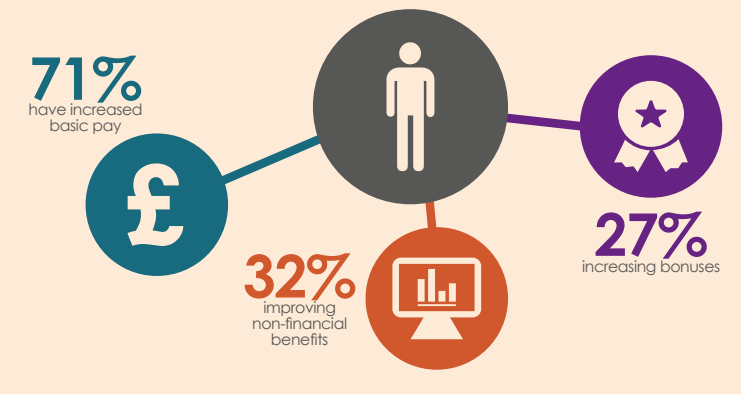
Top 4 areas for concern



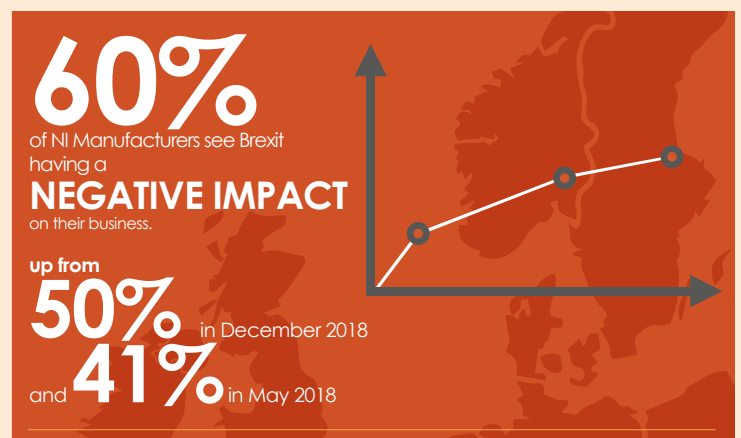
How are companies addressing skills and labour shortages



What steps are companies taking to retain or recruit staff?



How are companies helping upskill workers?





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