

United Kingdom:

Machinery Manufacturing Report



Compliments of:





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Purpose

To provide insight into the United Kingdom’s machinery manufacturing industry.

Method

Our process utilizes a hybrid model of digital computation and human interaction to provide and display trade data. We first compile the data using our proprietary computation process. Our analysts then add their own insights. All insights are tailored precisely for the customer’s industry and are verified and backed by our analysts working on the project.

How do I use this report?

This report is primarily geared towards manufacturing companies interested in finding opportunities throughout the United Kingdom. We start at a high level of the United Kingdom’s business landscape and present some industry statistics. Whether you are in sales or operations, you will leave this report with a deeper understanding of the opportunities and insights to keep in mind as you look towards the United Kingdom.

Computation and Analysis



Sources

The World Bank

CIA Intelligence Unit

World Trade Organization

International Monetary Fund

UK.Gov



Business Climate

The UK is the 8th easiest country to conduct business in for foreign companies





The port and road system is very efficient for companies shipping their goods inland

There is a large demand for foreign goods, as the UK is the 5th largest import market in the world.



Top Import Partners (Ranked by Import Value)

Import Value (Millions of Pounds)

| | | |
|---|-------------|----------------|
|  | Germany | £61,447 |
|  | China | £36,112 |
|  | Netherlands | £32,178 |
|  | USA | £28,166 |
|  | France | £24,931 |

UK at a Glance



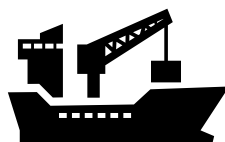
Total Population

63,742,977



Major Cities

London, Liverpool,
Birmingham



Top Exports

Cars, Petrol



Currency

Pound



Major Industries

Transportation, Energy,
Healthcare



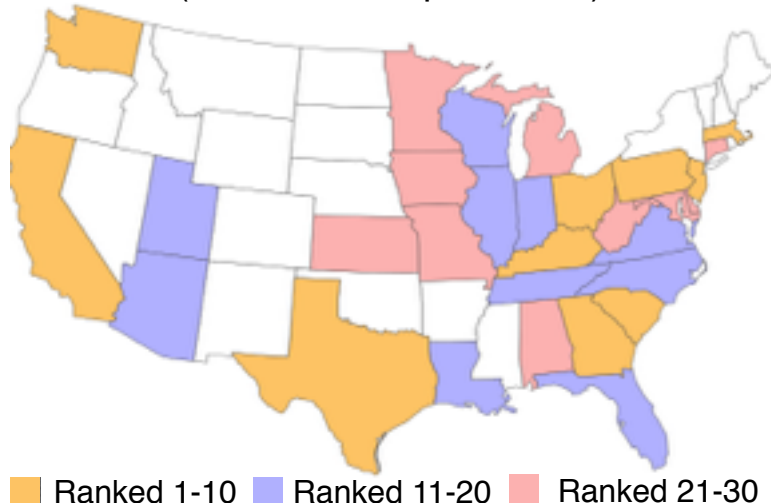
Languages

English



The US and UK are among the largest trading partners in the world. There is a very heavy demand for foreign goods in the UK. Companies should look at potential government contracts, as the UK is investing heavily in their infrastructure and will be in need of machinery to complete their current projects.

Top US → UK State Trading Partners (Ranked on Export Value)



Top UK Import Products (Based on Dollar Amount)

- Aircraft, Spacecraft: \$9.1B
- **Machines, Engines, Pumps: \$6.3B**
- Gems, Precious Metals: \$5.7B
- Electronic Equipment: \$3.8B

UK Trading Partners by Region

| Region | Major City | 1st | 2nd | 3rd | 4th | 5th |
|---------------|------------|------------|-------------|-------------|-------------|-------------|
| South West | Bristol | USA | China | Netherlands | Germany | France |
| East | Cambridge | Germany | USA | Netherlands | China | France |
| London | London | China | USA | France | Germany | Netherlands |
| East Midlands | Nottingham | Germany | China | USA | Japan | France |
| North West | Manchester | Germany | China | Belgium | Netherlands | Sweden |
| Yorkshire | Leeds | China | Germany | Netherlands | USA | Italy |
| South East | Brighton | Germany | Netherlands | Belgium | USA | China |
| North East | Newcastle | Japan | Germany | France | China | USA |
| West Midlands | Birmingham | Germany | Norway | China | France | Netherlands |

The USA is one of the top 5 trading partners in all regions throughout the United Kingdom, other than the West Midlands, which includes the city of Birmingham. Machinery and transport equipment is also the top import category in all regions except for two.

USA → UK Trade Stats

Total Trade Value
(Import and Exports)

\$1.1 Trillion+

Export increase
Last 5 Years

3.43%

US Exports to UK
(End of 2014)

\$53.8 Billion+



Tariff Information

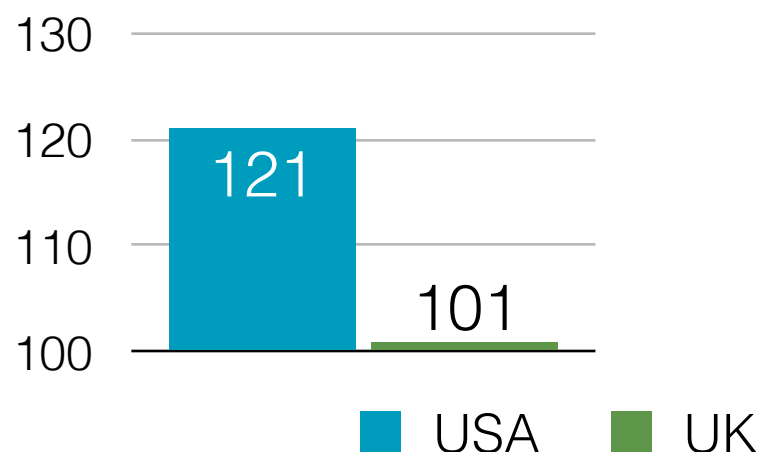
Tariffs will increase the cost of goods sold for your product. It should be noted that the UK adheres to the European Union's tax scheme. You will find the same tariffs and value added tax (VAT) of 20% across the European Union.

Machinery Import Tariff

| UK | Brazil | India |
|------|--------|-------|
| 2.7% | 14% | 7.5% |

The cost of importing is much cheaper in the UK than the BRIC emerging markets in the world. This allows you to keep your cost of goods low and operate more competitively, at a lower price in the UK.

UK vs. US Manufacturing Productivity Levels



A higher productivity number than the UK means that on average US firms produce better quality products for a cheaper price than their UK counterparts.

In the UK, there is a high appetite for machinery, but not enough production.

Machinery Manufacturing Stats

Overall US Exports of Machinery in 2014

\$3.9B

Import Expected Annual Growth Rate

5.8%

Percent of Total UK Economy

9.8%



Manufacture of Metal Forming Machinery

Where are these companies located?

| Region | Major City | # of |
|---------------|------------|------|
| West Midlands | Birmingham | 105 |
| South East | Brighton | 60 |
| Yorkshire | Leeds | 55 |
| East Midlands | Nottingham | 45 |
| East | Cambridge | 35 |
| South West | Bristol | 30 |
| North West | Manchester | 30 |
| London | London | 25 |
| Scotland | Edinburgh | 20 |
| Wales | Cardiff | 10 |
| North East | Newcastle | 5 |
| N. Ireland | Belfast | 5 |
| Total | | 425 |

What size are they?
(# of Employees)

| 0-4 | 5-9 | 10- | 20- | 50+ |
|-----|-----|-----|-----|-----|
| 265 | 55 | 45 | 40 | 20 |

The metal forming machinery industry in the UK has under 400 manufacturers. Domestic producers can't often keep up with demand, providing a great opportunity for US manufacturers.

Manufacture of Fabricated Metal Products

Where are these companies located?

| Region | Major City | # of Companies |
|---------------|------------|----------------|
| West Midlands | Birmingham | 670 |
| South East | Brighton | 490 |
| Yorkshire | Leeds | 455 |
| North West | Manchester | 435 |
| South West | Bristol | 415 |
| East | Cambridge | 410 |
| East Midlands | Nottingham | 380 |
| Scotland | Edinburgh | 265 |
| London | London | 210 |
| Wales | Cardiff | 185 |
| North East | Newcastle | 130 |
| N. Ireland | Belfast | 80 |
| Total | | 4,125 |

What size are they?
(# of Employees)

| 0-4 | 5-9 | 10- | 20- | 50+ |
|-------|-----|-----|-----|-----|
| 2,670 | 760 | 410 | 200 | 85 |

There is a large discrepancy between the companies making machinery and the companies who are in need of the machinery. This poses a huge opportunity for US manufacturers to make up for the latent demand in the market.

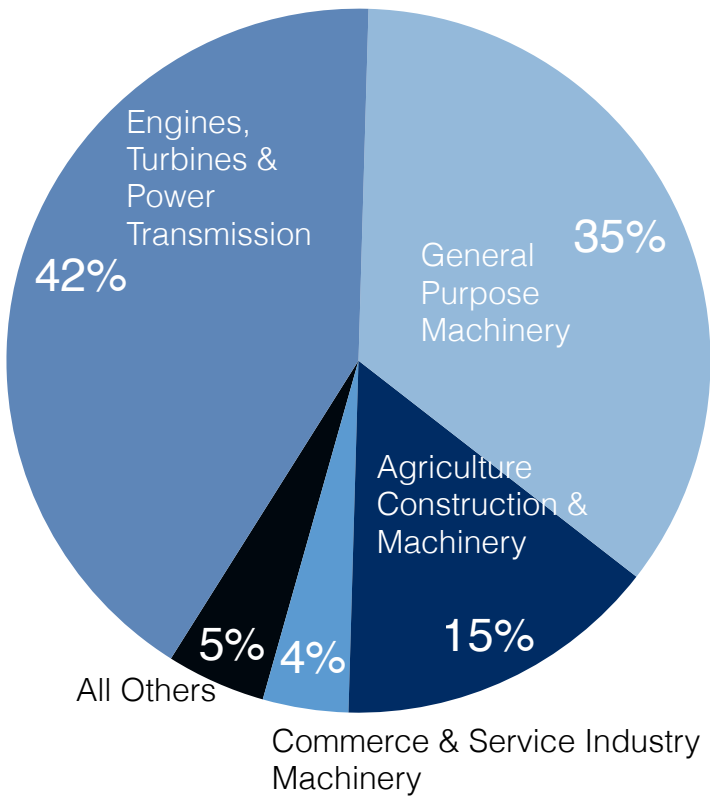
While the West Midlands has the highest number of companies in both industries, remember that the US is not one of their top 5 trading partners.



Texas makes makes up 16% of the entire
US → UK manufacturing trade

**The top 4 commodities make up over 95% of export market in
Texas, most of which are machinery**

Even though Texas is #2
in terms of US total
manufacturing output,
they outperform every
state in machinery exports



If you are a first time exporter, the UK could be a great beginning market as you expand globally. Demand is high, tariffs are relatively low, and the market is continuing to grow for manufacturers out of Texas.

Texas → UK Facts

Texas Rank

#1

in machinery exports to UK
among 50 US states

**Texas Machinery Export
Growth to UK 2013-2014**

19.6%

**Texas Machinery Exports
to UK in 2014**

\$636 Million



Regulatory Information

- Consult with your 3PL provider to ensure that your machinery remains in compliance as the EU has strict guidelines for machinery
- Most machinery will need a CE Marking in order to be compliant when exporting to Europe. Utilize government resources, testing agencies, or your 3PL to help walk you through the certification process.

Challenges

- Even though the government is investing in infrastructure, domestic firms are normally given preference. Firms will need to take a long term approach and invest time in the country to go through government procurement.
- The current strength of the US dollar is driving up prices for imports.

Opportunities

- With the pending Transatlantic Trade and Investment agreement (TTIP), it is a good time for manufacturers to secure their first mover advantage by entering ahead of the curve
- As consumption of manufacturing machinery continues to trend upward, domestic firms will fall even further behind in keeping up with demand. As firms fall behind, it will increase the opportunity for foreign producers.

More Resources

- Regulatory information for machinery quality, safety, and testing requirements:
<http://bit.ly/1RhSXx9>
- Import regulations and tariff information:
<http://bit.ly/1Pt1NEL>
- A report about the state of manufacturing in the UK produced by the government:
<http://bit.ly/1GSazrl>
- EU Information on the Transatlantic Trade and Investment Agreement (TTIP):
<http://bit.ly/1r6BQzT>
- CE Marking Information:
<http://bitly.com/7x9Upj>