

# Introduction to the UK's Advanced Manufacturing Plan







# Introduction

In 2023, the UK published its Advanced Manufacturing Plan, which includes £4.5 billion of funding for strategic manufacturing sectors as well as tax relief and business environment measures to ensure the UK is the best place to start and grow a manufacturing business.

This package of support builds on the UK's position as a global hub for advanced manufacturing and is reinforced by a world class network of universities and innovation institutions, and a highly skilled workforce.

# Overview of the manufacturing sector

The UK's manufacturing sector plays an essential role in the UK economy – driving productivity growth, business innovation and international trade.



## Economic prosperity

The sector contributed £205 billion in value added to the UK economy in 2022.<sup>1</sup> The UK became the 8th largest manufacturing nation in the world overtaking France in 2021.<sup>2</sup>



## Productivity

Between 2010 and 2021 productivity growth of the sector was 25%, the fastest in the G7.<sup>3</sup>



## Business Research and Development

The sector accounted for 41% of all business expenditure on UK R&D – £19.4 billion in cash terms in 2021 up from £18.2 billion the previous year.<sup>4</sup>

1 Office for National Statistics. '[GDP output approach low-level aggregates](#).' 2023.

2 Make UK. '[UK Manufacturing: The Facts](#).' 2023; United Nations Conference on Trade and Development. '[Gross Domestic Product: GDP by type of expenditure](#).' 2023.

3 [OECD Productivity Data](#) and [ONS Output per Job](#)

4 Office for National Statistics. '[Business Enterprise Research and Development](#).' 2021.



### Foreign Direct Investment

In 2021 and 2022, the UK became the second highest destination country for Greenfield FDI capital expenditure.<sup>5</sup>



### Exports

The UK exported £361 billion of manufactured goods in 2022, making up 43% of the UK's total exports.<sup>6</sup>



### Regional footprint

Manufacturing jobs are spread throughout the UK, with 84% of the sector's jobs outside London and south-east England.<sup>7</sup>

5 Department for Business and Trade. '[Overview of Greenfield foreign direct investment \(FDI\)](#)'. 2023.

6 Office for National Statistics. '[Trade in Goods](#)'. 2023.

7 Office for National Statistics. '[Workforce Jobs by Industry](#)'. 2023.



# Our plan for the UK's advanced manufacturing sector

We are taking targeted and strategic action aimed at providing long term certainty for businesses and ensuring our international competitiveness remains strong. Our three priorities are:

- A. **Investing in the long-term future of manufacturing** by building on our existing programmes, and partnerships with businesses, to support market-led investment.
- B. **Cooperating internationally and building supply chain resilience** to boost economic opportunities and security.
- C. **Reducing costs and removing barriers** to boost competitiveness and ensure the UK retains its attractiveness to international investors.



# Investing in the long-term future of manufacturing

## Our automotive sector

Our **automotive sector** is the second largest in Europe in value added terms;<sup>1</sup> accounting for £15.6 billion of UK manufacturing Gross Value Added (GVA) and £38.2 billion of exports in 2022.<sup>2</sup> There are successful hubs in regions including the North-East and West Midlands.

### Zero emission vehicles

Through the [Advanced Propulsion Centre](#), the UK Government has jointly invested approximately £1.5bn in R&D with industry while [the Automotive Transformation Fund](#) has supported the sector's electrification since 2020.

**Auto2030 will build on our existing funding, making over £2 billion available for the industry to 2030.** This will give long-term certainty for industry to continue to invest in the UK manufacture of zero emission vehicles, batteries, and supply chains.

### Connected and automated mobility (CAM)

The [Centre for Connected and Autonomous Vehicles](#) is working with industry and local government, among others, to create an early commercial market in the deployment of self-driving on- and off- road freight and passenger transportation vehicles, products and services. This has been supported by joint government and industry funding of £600 million since 2015 for a UK market estimated to be worth £66 billion by 2040.<sup>3</sup>

**The CAM Pathfinder Programme will extend our current R&D support programme to 2030 with up to £150 million in funding.** Alongside this, we are creating a stable legislative framework through the passage of the [Automated Vehicles Bill](#). This will support businesses with the operational deployment of self-driving services and cement the UK as a European leader in the sector.

## Our aerospace sector

Contributed £9.8 billion GVA, generated around £27 billion of turnover in 2022, and around £18.8 billion of exports of UK production (£33.4 billion including re-exports).<sup>4</sup>

### Aerospace

The [Aerospace Technology Institute](#) Programme offers funding for research and technology development in the UK to drive clean growth. Investment priorities are set out in the UK's sector wide aerospace technology strategy - [Destination Zero](#).

**Building on existing support, the UK Government will make £975 million available to 2030,** giving longer term certainty for investment in the sector and to develop energy efficient and zero-carbon aircraft technology.



1 Eurostat. '[National Accounts Aggregates by Industry](#).' 202

2 Office for National Statistics. '[GDP Output Approach: Low-Level Aggregates](#).' 2023

3 The Society of Motor Manufacturers and Traders and others. '[Connected and Automated Mobility: The UK Economic and Market Opportunities](#).' 2023.

4 Office for National Statistics. '[GDP Output Approach: Low-Level Aggregates](#).' 2023.

## Life Sciences

Our life sciences sector has invested over £5 billion in R&D in 2020 (over 11% of UK total),<sup>5</sup> exported goods worth £24 billion in 2021<sup>6</sup> and employs over 119,000 people in Pharmaceutical and MedTech manufacturing.<sup>7</sup>

In 2021, the [UK Government's Life Sciences Vision](#) set out its commitment to secure and scale up manufacturing capabilities.

**Building on this, the UK Government will make £520 million available for life sciences manufacturing between 2025 and 2030** to build resilience for future health emergencies and capitalise on the UK's world-leading research and development capabilities. Further details on how the new funding will be deployed and how companies can apply will be announced shortly.

## Green Industries

Our green industries include carbon capture utilisation and storage (CCUS), offshore wind to hydrogen, electricity networks and nuclear sectors. The UK's ambition to achieve net zero by 2050 presents significant manufacturing opportunities across each of these industries.<sup>8</sup>

The UK Government provides considerable support for green industries as set out in the Net Zero Strategy,<sup>9</sup> alongside specific strategies supporting

this publication, including [Powering Up Britain](#) published last year.<sup>10</sup> This has been backed by a commitment of £30 billion of domestic investment for the green industrial revolution<sup>11</sup> a further £6 billion for energy efficiency between 2025-2028<sup>12</sup> and up to £20 billion for CCUS.<sup>13</sup>

**The Green Industries Growth Accelerator commits a further £960 million** to support strong clean energy manufacturing capacity across the UK's green industries.

## Made Smarter

The Made Smarter Adoption programme (currently £8m pa) has reached over 3,100 manufacturing SMEs in 5 English regions.<sup>14</sup>

### Made Smarter Programme

In partnership with business, we have been supporting the increased take up of industrial digital technologies. The [Made Smarter Programme](#) is helping manufacturing SMEs create more innovative products, tap into new markets globally and lower costs, including in green and circular business models.

To support more manufacturing SMEs, **we will be expanding the Made Smarter Adoption programme, committing up to £16 million in 2025-26** to offer the scheme to all regions in England before **working with the devolved administrations to explore expanding the programme further from 2026-27.**

5 Office for National Statistics. '[Business Enterprise Research and Development.](#)' 2022

6 Office for Life Sciences. '[Life Science Competitiveness Indicators \(Tables 19, 20\).](#)' 2023; HM Revenue

7 Office for Life Sciences and others. '[Life Sciences Vision.](#)' 2021.

8 Department for Energy Security and Net Zero. '[Net Zero Strategy: Build Back Greener.](#)' 2022.

9 Department for Energy Security and Net Zero. '[Net Zero Strategy: Build Back Greener.](#)' 2022.

10 Department for Energy Security and Net Zero. '[Powering Up Britain.](#)' 2023.

11 HM Treasury. '[Autumn Budget and Spending Review 2021.](#)' 2021.

12 Department for Business, Energy and Industrial Strategy. '[Government joins with households to help millions reduce their energy bills.](#)' 2022.

13 HM Treasury. '[Spring Budget 2023.](#)' 2023.

14 Based on DBT analysis of Made Smarter monitoring data and North West Pilot Evaluation Report. 2023.



# B

## Cooperating internationally and building supply chain resilience

### International trade

The UK has secured trade deals with 73 countries plus the EU, accounting for £1.1 trillion of UK bilateral trade in 2022<sup>1</sup>. We are building on this and continue to have the most ambitious trade negotiation programme in the world.

### Supply chain resilience

The UK is focused on increasing the resilience of our manufacturing supply chains to reduce risk in long term

investment, including through our strategies for [critical minerals](#) (including a [critical minerals refresh](#)), critical imports, [semiconductors](#) and [batteries](#). These strategies set out our ambition to strengthen the UK's domestic capabilities and cooperate with international partners. Critical mineral partnerships have been agreed with Australia, Japan, South Africa, Saudi Arabia, Kazakhstan, Zambia and Canada. We also have semiconductor partnerships with Japan and the Republic of Korea.

<sup>1</sup> Department for International Trade. 'Annual Report and Accounts 2022-2023.' 2023.



# Reducing costs and removing barriers to boost competitiveness

## Competitive tax environment

As well as maintaining the lowest headline rate of corporation tax in the G7 at 25%<sup>1</sup> the **UK is the only G7 country to have announced permanent Full Expensing**. Companies can now permanently claim 100% capital allowances on qualifying main rate plant and machinery investments. The UK also has the joint highest uncapped headline rate of R&D tax relief for large companies in the G7.

## Energy support

Building on previous energy relief support, the [British Industry Supercharger](#) will provide support for costs to energy intensive industries to ensure their international competitiveness.

## Decarbonisation and energy efficiency

The UK Government has announced a £185 million extension to the [Industrial Energy Transformation Fund](#) supporting industry investment in energy efficient and low-carbon technologies. Additionally, **around £300 million a year in tax relief will continue to be provided to industry in exchange for meeting energy efficiency targets under the new six-year Climate Change Agreement Scheme**.<sup>2</sup>

## Connections

The [Grid Connections Action Plan](#) goes **further and faster** to ensure the vast majority of projects get their requested connection dates. Alongside this, our [Transmission Action Plan](#) seeks to halve

**the end-to-end build time of electricity transmission network infrastructure**.<sup>3</sup>

## Regional support

The UK has [12 Freeports](#) offering manufacturers business friendly regulations and incentives to reduce costs and support growth. In addition, **five Advanced Manufacturing Investment Zones have been announced (in the East Midlands, Greater Manchester, the North East, South Yorkshire and the West Midlands)** which will contain a range of incentives bespoke to each Investment Zone, from tax reliefs to funding, in order to grow knowledge-intensive manufacturing in those regions.

## Planning

The UK Government is strengthening the capacity of the planning system to deliver a better service for businesses and ensure faster planning decisions. This includes **creating a premium planning service with guaranteed acceleration dates for major projects and the greater use of Local Development Orders in England for key commercial projects**.<sup>4</sup>

## Regulation

The UK Government is taking steps to ensure the UK's regulatory regimes support growth through its [Smarter Regulation](#) programme. In September, an updated [Better Regulation Framework](#) was published to put downward pressure on the creation of new regulation by government. The regulators' 'growth duty' is also being expanded and strengthened. This duty requires regulators to consider economic growth when carrying out their functions.

<sup>1</sup> [OECD Tax Database](#), rate takes into account surcharges and sub-national rates

<sup>2</sup> HM Treasury, '[Chancellor backs business and rewards workers to get Britain growing](#),' 2023.

<sup>3</sup> Department for Energy Security and Net Zero, '[Transmission Acceleration Action Plan](#)'.

<sup>4</sup> HM Treasury, '[Autumn Statement 2023](#),' 2023.

## Skills

The UK Government supports manufacturing through a high-quality skills offer, including: our flagship apprenticeship programme; Skills Bootcamps; and Higher Technical Qualifications and Institutes of Technology. The Government also recently committed **an additional £50 million to deliver a two year pilot in England to address barriers to entry in high-value apprenticeships, including advanced manufacturing.**

## Access to Finance

The UK has existing strengths as both a global financial centre and inward investment destination. The UK's public finance offer – through UK Research

and Innovation, [British Business Bank \(BBB\)](#), [UK Infrastructure Bank \(UKIB\)](#) and [UK Export Finance \(UKEF\)](#) – is comprehensive and can support companies at all stages of the innovation, growth and export pathway.

## Innovation

The UK is home to world class innovation institutions with a world renowned network of universities, research institutes such as [UKRI](#), and [Catapults](#). Together, these institutions support innovations in manufacturing, from the research and development stage to the scale up and commercialisation of new technologies.

# Next Steps

Contact the UK's Department for Business and Trade for more information:  
[great.gov.uk/international/contact](https://www.gov.uk/government/organisations/department-for-business-and-trade)





### **Department for Business and Trade**

We are the UK's department for economic growth. We support businesses to invest, grow and export, creating jobs and opportunities across the country.

#### **We are responsible for:**

- Redrawing our rules to ensure businesses thrive, markets are competitive and consumers are protected.
- Securing investment from UK and international businesses.
- Advising, supporting, and promoting British businesses to grow and export.
- Opening up new markets for businesses by removing barriers and striking trade deals.
- Promoting free trade, economic security and resilient supply chains.

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