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The Manufacturers' Organisation

MANUFACTURING OUTLOOK

2024 QUARTER 3

Special Edition:

Manufacturing Supply Chains

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With support from:

Scottish Engineering
and Manufacturing NI

FOREWORD

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Rachel Reeves' favourite chess move is the Sicilian Defence.

It's a strategic opening that sets the stage for complex, long-term play — one she frequently used during her time as a junior chess champion. As a young girl, Reeves was chaperoned around the country by her parents, competing and often outmatching privately educated boys, often the only state-educated girl in the room.

Her style of chess play speaks volumes about Reeves as a strategist who thinks several moves ahead. Now, as Chancellor of the Exchequer, she's tasked with applying that same foresight to running the UK's economy. Her mission is to fulfil the new Labour Government's aim to secure the highest sustained growth in the G7 list of richest economies, "with good jobs and productivity growth in every part of the country, making everyone, not just a few, better off".

That long-term vision will be important because, despite securing an unprecedented landslide victory, the new Labour Government is likely to find delivering significant and sustained economic growth a more considerable challenge.

Although there has been a change of government since last quarter, the economic performance of the UK manufacturing sector has not altered much in that time. The election result delivered a clear mandate for change, but the latest Make UK/BDO *Manufacturing Outlook* report reveals that there is yet to be a clear sign of any improvement in the sector's performance. Domestic orders have weakened but exports are performing well. Optimism is up but the output balance is down, for the first time in four years. This divergence underscores the complexity of the current economic environment, where external demand appears more robust than the domestic market. The relationship between domestic and international markets is a sign of how critical supply-chains are to enable trade to grow.

A key finding from the Q3 survey is that business confidence has also risen to one of the highest levels ever recorded since the *Manufacturing Outlook* started measuring that indicator back in 2014. Nearly six in ten companies believe that the new government will deliver increased economic growth in the coming year. Their optimism suggests that the sector is anticipating a more stable and supportive policy environment and a manufacturing-led industrial strategy that will enable growth, in the longer term.

Indeed, while output and orders have taken a temporary hit, there are already signs of a potential rebound. Both indicators are expected to improve in the next quarter, driven in part by a surge in export orders. Recruitment intentions, though negative at present, are anticipated to pick up as companies prepare for increased demand in the coming months.

Investment activity has remained relatively stable, despite a slight moderation from previous levels. This suggests that manufacturers are committed to investing in their businesses, something they only do when confident about future returns.

Rachel Reeves' team at the Treasury say her chess-like strategy is to fix the foundations of the economy first, then to rebuild with the aim to make every part of the UK better off.

Her first major gambit will come in the Spending Review and Autumn Statement. The question will be which pieces is the Chancellor prepared to sacrifice in order to meet the Government's growth mission. Just as she once navigated complex chessboards with foresight and skill, the Chancellor now faces the intricate task of revitalising an economy that has yet to feel the full benefits of political change.

The cautious optimism reflected in the latest Make UK/BDO *Manufacturing Outlook* survey suggests that, like a chess match, the path to economic recovery will require patience, strategic planning, and the ability to anticipate challenges several moves ahead. The Chancellor's track record as a strategist offers hope that, with the right support, and input from business, she can help move the UK's manufacturing sector — and the broader economy — towards a future of sustained growth and shared prosperity.

MANUFACTURING SUPPLY CHAINS: RESILIENCE AFTER YEARS OF TURMOIL?

Introduction

Today, four and a half years on since the start of the UK's ordeal with the pandemic, manufacturing supply chains, and the attention paid to them, are a far cry from what they were before. Often regarded as the moment that supply chains' true fragility was exposed, the relative lack of resilience built into manufacturers' supply chain strategies cost businesses gargantuan losses in output.

Of course, this problem wasn't suffered by UK companies alone, most of the manufacturing world found themselves scrabbling for a reliable supply of inputs. Subsequently, even when the chaos of the pandemic began to ebb, the worldwide manufacturing demand for input continued to cause havoc behind the scenes, most notably manifesting itself as extreme commodity price inflation that put a burden on already weakened businesses.

However, none of these hard-learned lessons were forgotten. UK manufacturers have taken a shift-change in approach to how supply chains are managed. Not only that, but changes in the global flows of trade, re-thinking of 'just in time' supply chains and geopolitical frictions have all contributed to a supply chain environment that has vastly changed since the start of the decade.

In this special themed edition of *Manufacturing Outlook 2024 Q3*, we reveal how UK manufacturers have adapted procurement strategies as the dust begins to settle in earnest from the sustained disruption of the four years prior.

Risk assessment and resilience

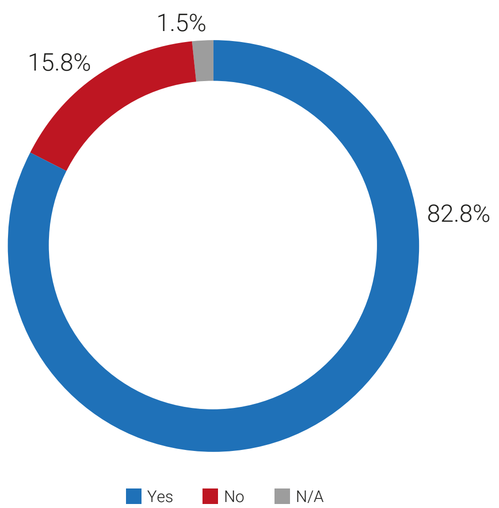
Despite the relative calm in UK manufacturers' trading environment in 2024 so far, the sector has taken a new, more vigilant approach to preparedness given its recent experience of sustained turmoil. This is evident in the data, just over 8 in 10 manufacturers report regularly assessing supply chain risks. Even though many manufacturers will have diversified their supply networks during the course of the past four years, supply chain management is not an isolated event, and remaining resilient requires a consistent oversight that the majority of the sector reports to be undertaking.

Even despite the relative calm of the trading environment in 2024, the proportion of the sector exercising vigilance over their supply chains has grown. A similar question surveyed as part of fieldwork in 2023[1] found that 79% of the sector saw supply chain assessment as a significant risk to their business, representing growth, albeit moderate, in the prevalence of the sector's supply chain monitoring.

[1]No Weak Links: Building Supply Chain Resilience | Make UK

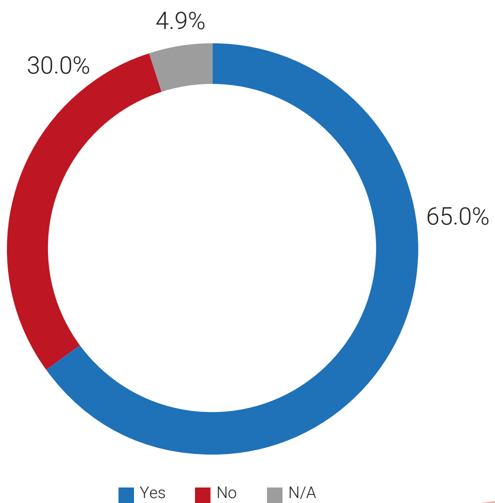
83% of manufacturers regularly assess supply chain risks

Does your company regularly assess supply chain risks?



Only 2/3 of manufacturers think their supply chain is sufficiently resilient to disruption

Is your company's supply chain sufficiently resilient to disruptions?



However, a nuanced yet important distinction to make is between whether companies are regularly assessing their supply chain risks and whether companies think their business is sufficiently resilient to disruptions. A notably more modest percentage, 65% or approximately two out of every three businesses, think that their business' supply chain is sufficiently resilient to disruption.

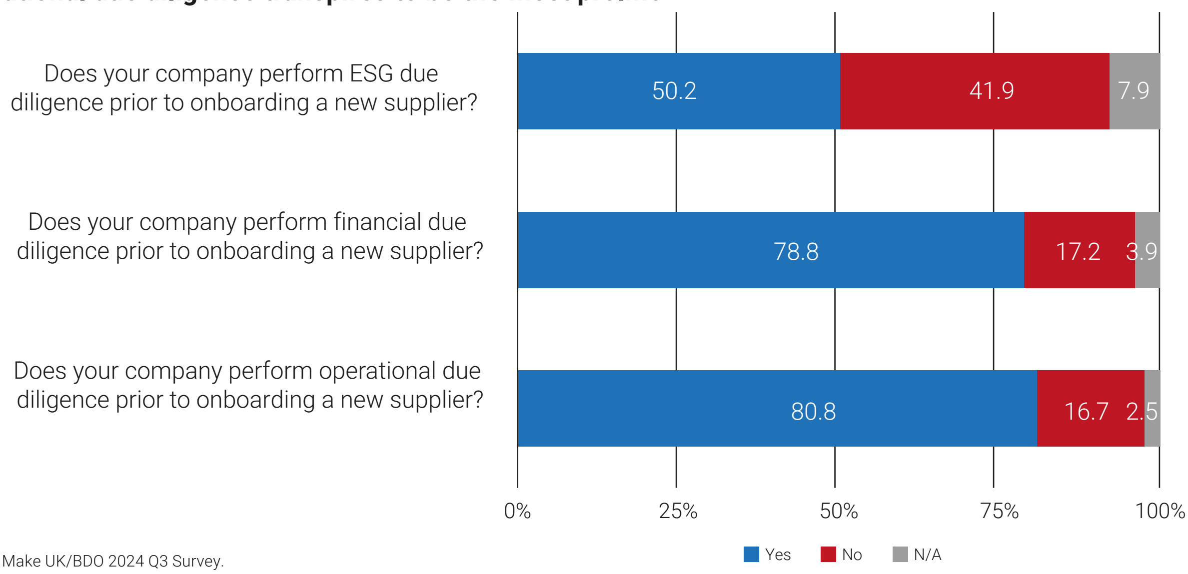
This distinction is important as, even though a greater majority report to regularly assess the risk to their supply chain, it is ultimately inadequate to generate sufficient confidence in their supply chain. On aggregate, this means that approximately 18% of manufacturers think their supply chains aren't sufficiently resilient to disruptions despite regularly assessing the risks.

Due diligence:

As part of generating more certainty in the sector's supply chains, far more due diligence now sits within the purchasing business. While there are wider factors that have evolved in the past years beyond building supply chain resilience in terms of certainty of supply, such as ESG concerns, it's important to understand the relative importance of types of due diligence manufacturers are undertaking when considering procurement now in 2024.

The data shows that manufacturers treat operational and financial due diligence with equal concern, with eight in ten of the sector reporting to carry out both forms of due diligence when onboarding a new supplier. Notably less prolific, however, is ESG due diligence, with almost exactly half of the sector reporting to carry this out. Nevertheless, ESG due diligence is a far more novel concern. Future research will most likely show that this form of due diligence will grow in the coming years relative to the more mature forms of operational and financial due diligence.

Operational due diligence transpires to be the most prolific

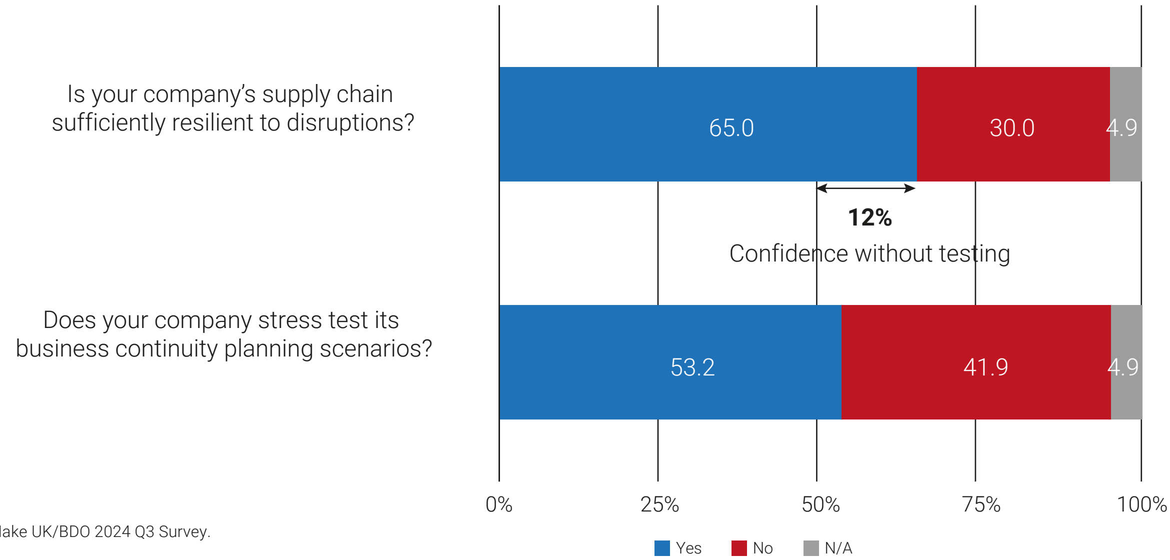


Source: Make UK/BDO 2024 Q3 Survey.

Overconfidence in resilience?

While the slim majority of the sector report stress testing their business continuity in case of unexpected disruption (53%), this number is beneath the proportion of businesses that suggest their operation is sufficiently resilient to disruption (65%). This gap, 12%, represents a small but not insignificant proportion of manufacturers, approximately one in ten, that are confident in the resilience of their supply chain without undertaking stress testing. Of course, it could indeed be possible to be sufficiently resilient without such testing, however, what is most likely being observed here is a degree of overconfidence by a small proportion of the sector. This reveals that a segment of the sector may be more susceptible to supply chain disruption than it believes, which may leave some of these businesses vulnerable.

A gap emerges between confidence in resilience and undertaking testing



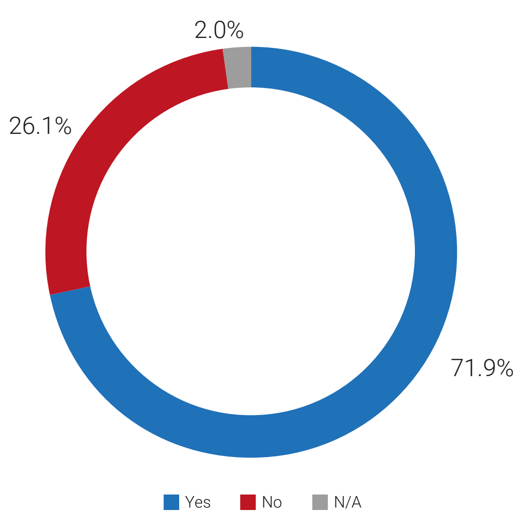
Source: Make UK/BDO 2024 Q3 Survey.

Prevalent strategies

Supply chain strategies that a business could undertake can be seen through two different lenses, those which end with the procuring business itself, and those which require an increase in cooperation with a supplier. The latter typically has perquisites, such as an existing trading relationship or a degree of vetted trust, nevertheless, they still prove to beprolific in the sector. The UK's manufacturing sector is characterised by long-standing supply chain relationships, in part due to the mature nature of the UK's sector, but also as a consequence of the UK's manufacturing sector being

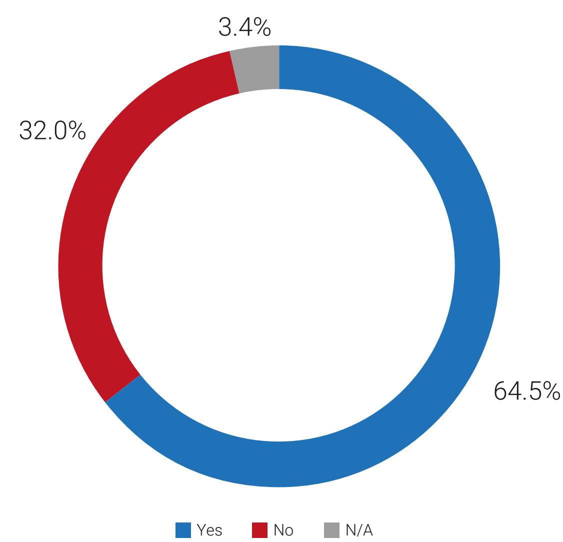
72% of the sector report using inventory buffering, dual sourcing or supplier diversification in their supply chain strategy.

Does your company use strategies such as inventory buffering, dual sourcing or supplier diversification to mitigate supply chain risks?



65% of the sector report using long-term supplier agreements or risk-sharing contracts in their supply chain strategy.

Does your company use long-term supplier agreements or risk-sharing contracts to mitigate supply chain risks?



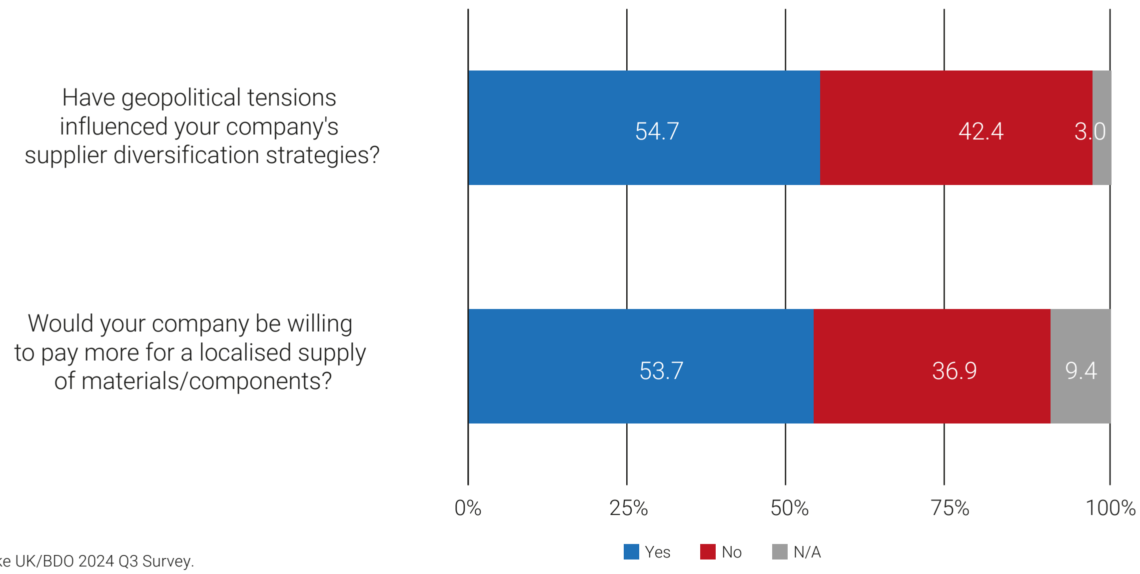
dominated in volume by firms which occupy the middle of the space in manufacturing value chains. Inventory buffering, dual sourcing and supplier diversification transpire to be more prevalent in supply chain strategies held by manufacturers, although enhanced cooperation with suppliers through long-term agreements and risk-sharing contracts isn't far behind. In both cases, the majority of the sector report having such practices as part of their supply chain strategies.

Shifting geopolitics and implications for manufacturing supply chains

The pandemic, despite arguably bringing about the most sudden disruption to manufacturing supply chains in recent memory, is no longer responsible for their continued evolution. Near-shoring, friend-shoring and re-shoring are all terms with a common thread: the rethinking of procurement decisions beyond the traditional dichotomy of quality and price. These concerns are gathering pace, not least because manufacturers themselves might bring suppliers closer to home (both for geographic and value-based reasons), but also because major manufacturing nations are enacting legislation that encourages such. Take, for example, the United States' Inflation Reduction Act. In essence, providing incentives to US manufacturers to base their supply chains within the country, making individual manufacturers responsible for the domestication of their supply chain to be eligible for the lucrative incentives. We've seen similar, albeit at a lesser scale in the European Union, with a focus on net-zero industries.

55% of manufacturers report having adjusted their supply chain strategies for geopolitical reasons, while a similar proportion, 54%, suggest they'd pay a premium for input if it meant it was localised, subsequently leaving supply less vulnerable to international trading friction. As major global economies continue to lean into policy that encourages domestic capacity enhancement, it's almost inevitable that we will see the proportion of the UK's manufacturing sector that will change their supply chain strategies in response to concerns beyond price and quality increase in the coming years.

Just over half of the sector report geopolitical tensions have influenced their procurement decisions



Source: Make UK/BDO 2024 Q3 Survey.

HEADLINES

Make UK's Q3 2024 *Manufacturing Outlook* report, in partnership with BDO, reports a highly mixed set of results. Several metrics continue to indicate modest growth in the industry, whilst others have signalled that decline may be on the horizon. As a result, manufacturers will be cautiously wary of the future as they navigate a maze of complex economic conditions, despite optimism remaining very high.

The latest balance of output reported at -2%, down from +9%, indicating that industry production has contracted for the first time since late 2020. However, the sector can take solace knowing that this balance figure is close to a flat performance, meaning there still is a large share of businesses that experienced growth.

The concern is that up until now, the string of survey findings sent strong signals to the wider economy that manufacturers were finally operating in a stable economic environment, for the first time in many years. The findings from this quarter suggest that the stability may already be over. Despite this, manufacturers remain very positive with a balance of +33% of the industry expecting output to grow in the final quarter of this year.

In contrast to the performance of output, total order books growth has persisted, reporting a balance of +7%. Albeit it is down from the previous +14%, indicating a slowdown has occurred between the last two quarters. To locate the reasoning behind this slowdown, exclude the possibility of a cyclical decline in headcount and expect to see a return to normal growth patterns next quarter. Investment intentions, conversely, has remained unusually stable achieving its 7th consecutive quarter of positive balance. This is a substantial positive sign for the industry that businesses are meaningfully investing again.

The share of businesses raising prices continues to cool, indicating an encouraging sign of slowing inflationary pressures downstream. The Bank of England's recent decision to cut rates will grant further confidence to businesses that inflation is now under control. However, margins have dipped further into negativity suggesting that manufacturers would indeed prefer to raise prices if they could, but a slowing domestic market has placed higher competitive pressures on the sector.

Despite these mixed results, confidence remains high. Particularly, business confidence which has exceeded a 7.0 score for only the 5th time in the survey's history, which suggests that manufacturers are likely unconcerned about the slowdown in the domestic market, and instead believe this is a temporary blip.

Similarly, the view for economic conditions has also improved as many analysts, including bodies like the IMF, raise their expectations for the UK economy, signalling a return to consistent, positive growth.

INDICATOR	BALANCE	CHANGE	
Confidence	7.1	↑	Business optimism improves
Output	-2%	↓	Output volumes contract
UK orders	-4%	↓	Domestic demand turns negative
Export orders	11%	↑	Export orders continues to buck the trend
Employment	-1%	↓	Employment contracts for the first time in 4 quarters
Investment	10%	↓	Maintains positive growth despite marginal slowdown

Source: Make UK Manufacturing Outlook Survey

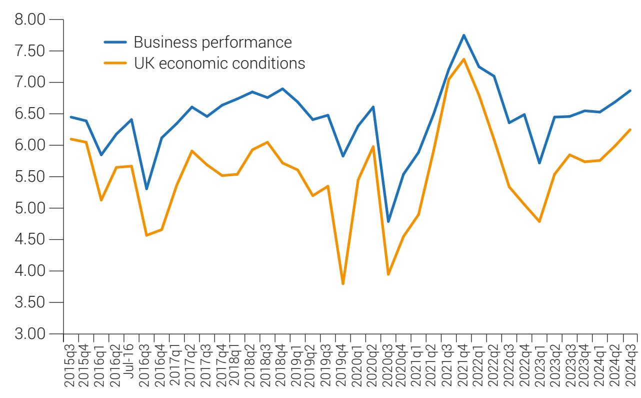
it's important to look at the difference in performance between the domestic and international markets. Manufacturers reported an overall contraction in the performance of UK orders, with a balance of -4% signalling a decline in domestic demand, which may be the cause of decline in output volumes too.

Export orders, however, improved for a balance of +11% of manufacturers which kept total orders within expansionary territory. The interest in UK goods appears to be originating from the European Union as many manufacturers are investing in plant and machinery and electronic goods, which could suggest a growing appetite to improve productivity and accelerate digitalisation.

A negative balance of -1% for employment is a repeat of the same result from the third quarter of last year. Though this decline is unexpected, we don't foresee an end to labour shortages in the medium term as manufacturers predict their headcount will increase over the next three months. As it stands, over 60,000 vacancies remain live on official statistics, with 2.5 roles vacant for every 100 jobs in the industry. Filling jobs in both high and low skill professions will remain a priority for many manufacturers. As a result, we cannot

Manufacturers' optimism continues to rise.

Confidence in the next 12 months 1 = substantially worse, 10 = substantially better



Source: Make UK Manufacturing Outlook Survey

OUTPUT

After gaining momentum throughout the first half of 2024, the sector's output performance has taken a stumble. Following expectations for a consistent growth trajectory for the remainder of the year, the latest balance figures show that output growth has ceased this quarter.

While the output metric performance hasn't significantly grown in the first two quarters, the combination of consecutive positive quarters mixed with consistent demand conditions in the market led analysts to be quietly confident about growth staying the course.

With little in the way of notable economic shocks occurring in the UK market over the past 8 months, this confidence in consistency had been shared by economists and the industry alike, as measured by a remarkably positive and robust business confidence index. The extraordinary turbulence of the last few years seems, hopefully, to have stabilised.

The most notable macroeconomic effect that has occurred in this research period was the Bank of England's decision to reduce central interest rates at their August rate decision meeting. Despite only being a 0.25 basis points reduction, the signal to the economy that inflationary pressures sufficiently abated, so as to begin to unwind elevated base rates, pumped more confidence into a sector that was already outperforming the confidence of other sectors in the UK economy.

This quarter's balance figure for output stands at -2%. While only marginally negative, and close enough to the '0' inflection point to be considered a 'no change' figure, it's the change in direction towards reduction in output volumes that is the leading cause for the surprise. It's also the first time in just under four years that the output balance figure in *Manufacturing Outlook's* quarterly publications has turned negative.

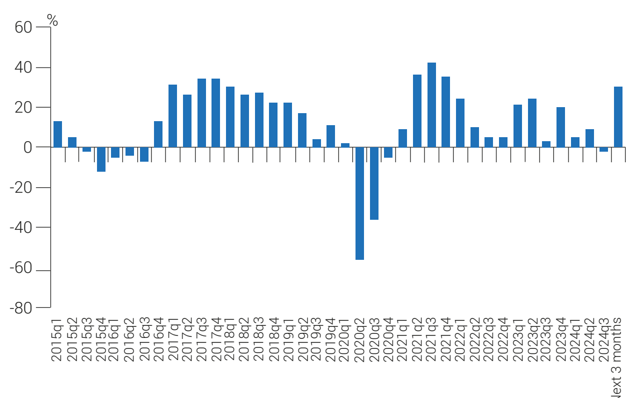
Although the orders balance figure has also cooled this quarter, it hasn't turned negative, so there is certainly sufficient demand for the sector's goods to see output return to positivity before the end of the year.

Indeed, positivity in the fourth quarter of the year is just what manufacturers are expecting to see. Having posted an anticipated balance figure of +33%, the sector is particularly optimistic with its output growth prospects in the next three months. In each quarter of 2024, manufacturers have been overconfident about their expected balance figure for the preceding quarter, balance figures that have fallen short of their own expectations on repeat occasions this year so far.

PAST THREE MONTHS	↓ 2%	NEXT THREE MONTHS	↑ 33%

Output volumes contract unexpectedly

% balance of change in output



Source: Make UK Manufacturing Outlook Survey

Output summary

% balance of change

SECTOR	PAST 3 MONTHS	NEXT 3 MONTHS
Basic Metals	0%	0%
Metal Products	-24%	24%
Mechanical	2%	41%
Electronics	45%	55%
Electrical	-11%	37%
Rubber & Plastics	-33%	33%
TURNOVER		
£0-9m	-1%	33%
£10-24m	15%	47%
£25m and over	10%	39%

Source: Make UK Manufacturing Outlook Survey

ORDERS

The first two quarters of 2024 indicated manufacturers were experiencing genuine stability for the first time, following a turbulent couple of years. After reporting a positive +7 balance for total orders in the first quarter, the balance of manufacturers reporting improved total order books doubled in the following quarter to +14%. However, much of this positivity was heavily reliant on international order books growing as the domestic market continued to show signs of weakness that began in the third quarter of 2023.

Owing to the growing downside risk to domestic demand, Make UK called on the Government to prioritise rebuilding our trade relationship with the EU. It remains important to iron out existing pain points as a result of the Trade Cooperation Agreement (TCA), such as cumbersome paperwork duties and complex Rules of Origin forms that are particularly damaging for SMEs.

The latest survey findings show that the balance for total orders remains positive at +7%, indicating a slowdown in growth from the previous quarter. As in Q2, the balance for total order books is primarily due to a strong exports market. The domestic market, however, contracted for the first time this year.

The balance for total orders highlights an important relationship between domestic and international markets, and how critical supply-chains are intricately woven to enable manufacturers to grow. However, it is also clear that the UK cannot hope to place all its eggs in the domestic market to generate sufficient demand for manufacturers.

Whilst the domestic market plays an important role during times of crisis, as our surveys made clear during the pandemic, exports are critical for opening doors for growth and accessing new markets. This will be important as the new Government has set a mission to make the UK the fastest growing country in the G7 by the end of their first term.

As we highlighted in the previous report, the reality of businesses' activity continues to fall short of industry expectations. Manufacturers had initially forecast a strong third quarter, as they had done so for the second and first quarters of this year too, suggesting business optimism remains unusually high despite deteriorating market conditions.

This latest underperformance marks the fifth quarter in a row where order books growth reported balances below pre-determined expectations. For the final quarter of this year, a high balance of manufacturers expect all measures of order books to grow. These expectations suggest the latest survey findings are being treated as a temporary blip by businesses themselves.

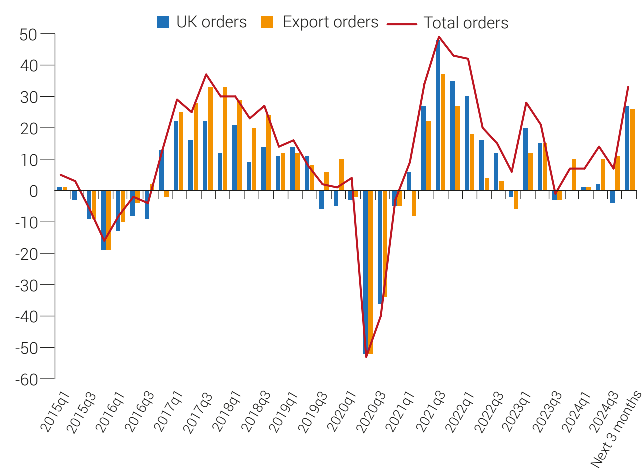
UK ORDERS	PAST THREE MONTHS	↓	4%	NEXT THREE MONTHS	↑	27%
EXPORT ORDERS	PAST THREE MONTHS	↑	11%	NEXT THREE MONTHS	↑	26%
TOTAL ORDERS	PAST THREE MONTHS	↓	7%	NEXT THREE MONTHS	↑	33%

UK ORDERS

Since the third quarter of 2023, the balances for UK orders have marginally tipped on the side of growth every quarter. However, the balance for Q3 2024 reported at

Domestic orders contract but exports remain positive

% balance of change in orders



Source: Make UK Manufacturing Outlook Survey

-4%, suggesting domestic orders have contracted across the industry overall, though the balance itself is still quite close to 0% which should reduce concerns for stagnation. Indeed, it is possible that the contraction in the domestic market is entirely cyclical, given a similar situation resulted exactly one year ago.

The results for the sub-sectoral breakdown suggest demand declines are worse in some subsectors than others. Metal Products, Mechanical Equipment and Rubber & Plastics all reported negative balances for UK orders that are worse than the national average of -4%.

EXPORT ORDERS

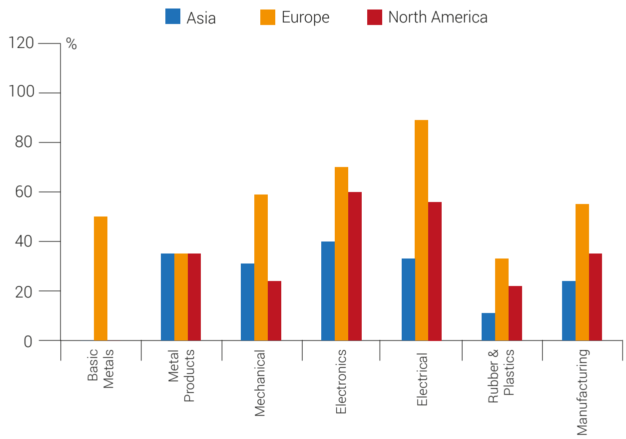
The performance of export orders enabled total orders to remain in expansionary territory this quarter. The reported +11% balance is a minor improvement on last quarter's +10%, and sufficiently high enough to compensate for the decline in the domestic market.

Interestingly, a substantial share of exports growth was generated by electronics and mechanical equipment manufacturers, who benefitted from strong demand from the EU market. This seems to suggest that European manufacturers are accelerating digitalisation, which will increase competition for UK manufacturers, especially for those who are not investing in electronics and mechanical equipment at nearly the same level as their European neighbours.

Finally, the survey finds that activity remains strong from the EU, with 55% of UK manufactures reporting positive demand conditions from the region, a repeat of the results in Q2. Interestingly, mechanical equipment, electrical equipment and electronic manufacturers appear to be fairing the best in trading with the EU, indicating strong demand for automation and plant and machinery technologies from European manufacturers. The top three is completed by North America and Asia as expected.

Demand conditions for plant & machinery strong in Europe

% of companies reporting positive demand conditions by market



Source: Make UK Manufacturing Outlook Survey

Orders summary

% balance of change

	UK ORDERS		EXPORT ORDERS		TOTAL ORDERS	
SECTOR	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS
Basic Metals	50%	50%	0%	100%	50%	50%
Metal Products	-13%	26%	-3%	13%	-11%	22%
Mechanical	-7%	34%	13%	37%	10%	45%
Electronics	9%	45%	40%	50%	36%	45%
Electrical	15%	36%	14%	33%	15%	44%
Rubber & Plastics	-11%	33%	-22%	44%	0%	44%
TURNOVER						
£0-9m	-3%	28%	-11%	10%	3%	30%
£10-24m	3%	32%	20%	44%	19%	44%
£25m and over	11%	34%	14%	38%	20%	38%

Source: Make UK Manufacturing Outlook Survey

EMPLOYMENT & INVESTMENT

This quarter's edition of *Manufacturing Outlook* delivers a mixed picture for employment and investment intentions. Employment growth has taken a modest contraction, though investment intentions remain consistent albeit exhibiting little growth relative to the previous quarter. This is the first time that both metrics have diverged for over a year. The wider economic conditions in the UK, led by expectations of a base rate continuing to slowly fall, leave room for improving investment expectations in the coming quarters.

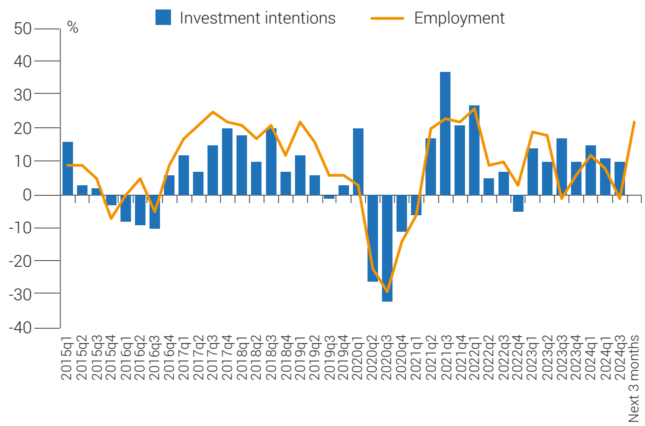
The employment balance figure this quarter stands at -1%. It posted an identical score in the same quarter of 2023, a year ago, but the last time it was meaningfully negative was circa mid-2020, during the pandemic's disruption. Although this reported decline in employment balance is slight, and a little unexpected given the ongoing skills challenge the sector has long faced, it is in keeping with the small downturn being overserved this quarter in other metrics, such as is seen with output performance.

As of July 2024, there are 62,000 live vacancies in the UK's manufacturing sector, up from 61,000 in the first quarter edition of this report. However, the ONS has since revised the

the implicit confidence the bank's signal to the market that the end of high levels of inflation has arrived. While this may still be the case, the Bank's decision to begin to reduce rates was only rendered while fieldwork for this report was live and,

Jobs decline on balance, though investment activity signals productivity gains

% balance of change



Source: Make UK Manufacturing Outlook survey

EMPLOYMENT	PAST THREE MONTHS ↓	-1%	NEXT THREE MONTHS ↑	22%
INVESTMENT	NEXT TWELVE MONTHS ↓	10%		

data and suggests that at the time of publication of the second quarter edition of this report, the manufacturing vacancies total was approximately 64,000, indicating that vacancies have continued to drop in the data despite the disparity in published figures in this and the previous edition of this report.

As a ratio, that is for every hundred jobs in the sector, 2.5 are vacant, down from 2.8 last quarter's report, but down from 2.6 based on revised ONS data for the same time period. In conclusion, based on the latest national statistics, the data suggests that vacancies have reduced a little and the vacancy-to-employment ratio has also reduced a little. This very small change in ONS vacancies is in keeping with the flat-to-negative balance figure being reported here in this report's data.

The investment intentions metric measures the sector's spending plans for the coming 12 months. This quarter, the balance figure has been reported at +10%, a very modest reduction from the +11% that was posted last quarter.

Make UK had previously hypothesised that when the Bank of England begins to reduce the base rate, we would expect to see the balance figure for investment intentions start to grow for the dual reasons of a reduced cost of capital and

in any case, the effects of a base rate change on investment intentions would likely take some months to resolve in the data anyway.

Employment and Investment summary

% balance of change

	EMPLOYMENT		INVESTMENT
SECTOR	PAST THREE MONTHS	NEXT THREE MONTHS	NEXT TWELVE MONTHS
Basic Metals	50%	-50%	0%
Metal Products	24%	7%	-4%
Mechanical	21%	29%	16%
Electronics	18%	45%	18%
Electrical	19%	30%	37%
Rubber & Plastics	-11%	56%	22%
TURNOVER			
£0-9m	2%	23%	10%
£10-24m	10%	27%	15%
£25m and over	4%	25%	24%

Source: Make UK Manufacturing Outlook Survey

PRICES & MARGINS

In the first half of the year, *Manufacturing Outlook* warned of growing supply-side inflation, as evidenced by our prices metric which remained stubbornly high despite evidence of cooling consumer inflation. Now, in the third quarter of the year, we see prices growing across the industry at a slightly reduced rate, but growing nevertheless. However, this reduction in price growth comes at a time when the sector reports a continued decline in margins.

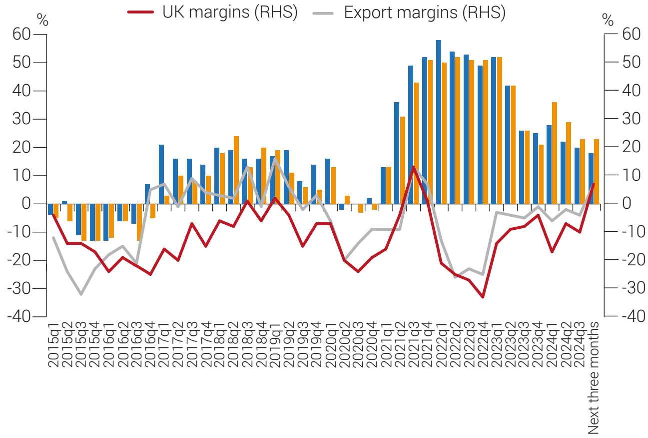
Although the balance figures are far from indicating that price-setting behaviour is contracting on aggregate, the balance figure for UK prices, +20%, hasn't been this low since the first quarter of 2021, just before the start of the post-pandemic recovery period. If anything, this reveals just how high balance figures for UK prices have been in the intervening period since 2021, as where they currently stand at +20% would not be considered low in any case.

Export prices also posted a reduced balance figure relative to the previous quarter, standing at +23%. In the second quarter of this year, they had reported at +29%, so a six percentage point change downwards in the space of a quarter is a significant shift but similarly to the UK prices conclusion, a balance figure of +23% does remain high by historical figures. Likewise, this figure hasn't been lower than where it currently stands since the first quarter of 2021.

Certainly, the August decision by the Bank of England to reduce the central rate from 5.25% to 5% will have implications for inflation in the UK economy, subsequently affecting price behaviour from the sector, although this change likely won't start to manifest in the data until next quarter, or indeed perhaps until the start of the new year as businesses react to the changes in the market.

The rate of price increases cools further, yet margins show no sign of recovery

% balance of change



Source: Make UK Manufacturing Outlook Survey

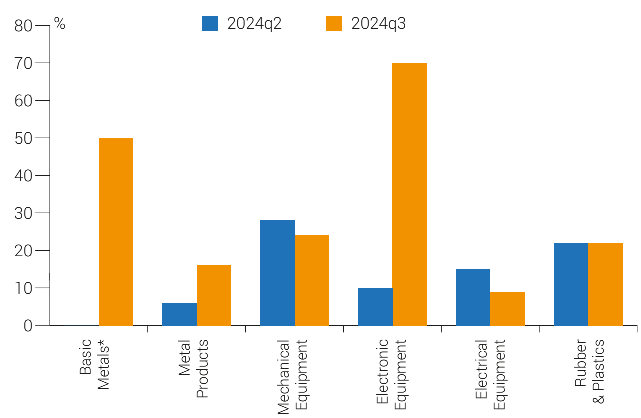
UK PRICES	PAST THREE MONTHS	↓	20%	NEXT THREE MONTHS	↓	18%
EXPORT PRICES	PAST THREE MONTHS	↓	23%	NEXT THREE MONTHS	↔	23%
UK MARGINS	PAST THREE MONTHS	↓	-10%	NEXT THREE MONTHS	↑	7%
EXPORT MARGINS	PAST THREE MONTHS	↓	-4%	NEXT THREE MONTHS	↑	7%

The margins metric, in the case of both UK margins and export margins, has seen a furthering in negativity. The latest balance figures are -10% and -4% for UK margins and export margins respectively. While reduced price setting behaviour may not be causal for reduced margins, it's difficult to ignore the associative effects particularly when we consider the reduced headroom manufacturers will have to grow their margins when market pricing is cooling.

Future intentions, however, bring hope for margins. The sector expects UK prices to cool a little further by next quarter, and for export prices to remain constant, but at the same time for margins to return to positivity on both counts. While it is encouraging to see this sentiment from the sector, it wouldn't be the first time this year that we've seen the sector anticipate margins to move out of negativity by the proceeding quarter, only for those aspirations to fail to materialise when we receive the next quarter's data in three months' time.

Prices for electronic exports rises

% balance of change in export prices in the past three months

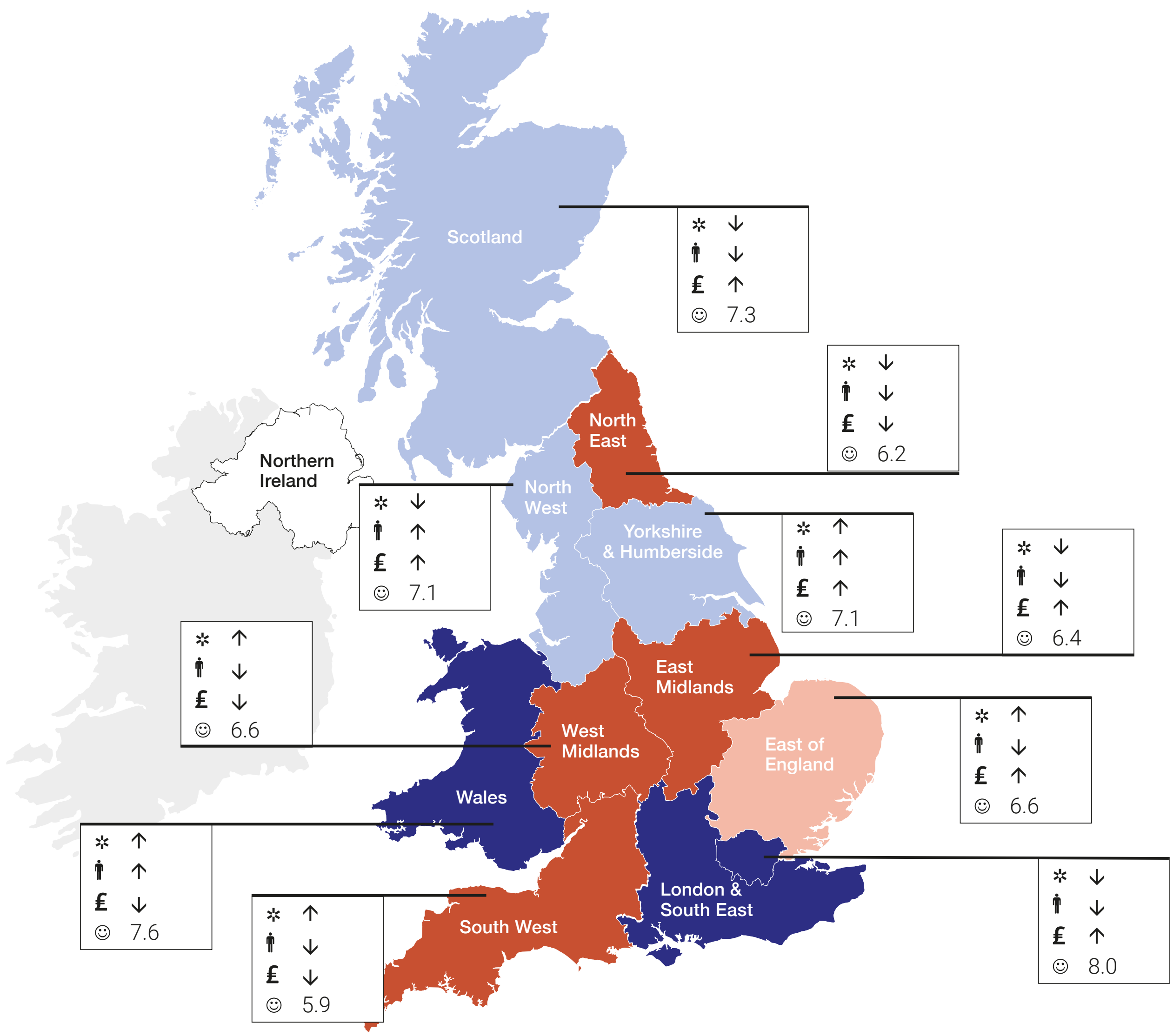


Source: Make UK Manufacturing Outlook Survey
* insufficient sample for Q2

NATIONAL & REGIONAL

Business and economic confidence remains unshaken and has instead improved even further despite the negative performance of output growth and UK orders.

This phenomenon has been taking place for some time now, particularly since the recovery from the pandemic began in 2021.



KEY:

↑/↓ INCREASE/DECREASE ON PREVIOUS QUARTER
✲ OUTPUT
EMPLOYMENT
£ INVESTMENT
☺ BUSINESS CONFIDENCE

The map is coloured according to the business confidence levels difference from average UK business confidence

HIGH CONFIDENCE

LOW CONFIDENCE

Source: Make UK Manufacturing Outlook Survey

Confidence, indeed, peaked in Q3 2021 reaching a record high of 7.7 (on a scale of 1 to 10) when global markets reopened and demand for manufacturers' products were at its highest.

This persistently high confidence level is another reminder of the growth UK manufacturers have experienced due to the number of crises and economic threats faced over the last eight years. This has pushed manufacturers to adapt their processes, adopt new technologies and invest in better risk management to protect their organisations. For example, the energy cost crisis resulted in manufacturers embracing energy efficiency technologies such as solar panels and heat pumps, whilst higher trade frictions incentivised some businesses to experiment with selling to new markets.

Certainly, many would prefer an easier economic environment. However, as the survey finds, despite declining output and domestic market demand, manufacturers continue to invest in plant and machinery which suggests there is a strong appetite to increase productivity.

The data collection period for this survey took place after the General Election result, and headline business confidence reported at 7.1, which is an improvement on last quarter's level (6.9).

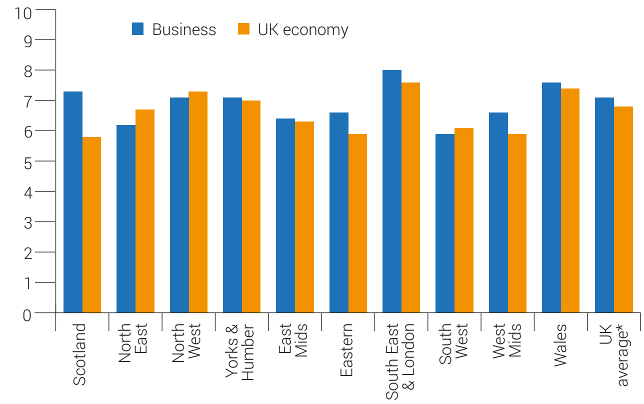
All regions and nations reported above the '5' inflexion point that separates positive and negative confidence. This indicates that, on average, most manufacturers are relatively in line in terms of their optimism levels for the next 12 months. However, this quarter there is slightly greater variation in the levels of confidence reported, with some parts of the UK substantially more confident than others.

Amongst the English regions, the largest improvement in business confidence was reported by the South East and London region, which increased by 0.7 points to 8.0. This makes this region the most confident in the UK, which is a change from when the North West was previously ranked as the most confident. The only other regions to report improved business confidence levels were Yorkshire & the Humber (up by 0.1) and East of England (up by 0.3).

Excluding Scotland and Wales, all other English regions actually reported very minor declines in business confidence suggesting the national uptick in optimism

All UK regions and nations report positive business confidence

Confidence in the next 12 months 1 = substantially worse, 10 = substantially better



* Average =/= component parts due to instances of undeclared regionality

Source: Make UK Manufacturing Outlook Survey.

may be the result of a small number of regions and nations feeling more confident. The regions that reported the biggest decreases in business confidence include the South West (down by 0.8), North East (down by 0.7) and North West (down by 0.6).

UK ECONOMY CONFIDENCE

Manufacturers' confidence in the overall UK economy reported at 6.8, an improvement on the previous quarter level (reporting at 6.3).

Despite the current survey findings highlighting weakness in the domestic market, manufacturers' expectations for the UK economy have once again been raised. This may be the result of the strong messaging from the new Government, as part of their missions, to get economic growth up and be the fastest growing nation amongst the G7.

This messaging may also be supported by positive news stories such as IMF forecasts that have upgraded their expectations for the UK, and national statistic reports that suggest the nation is growing faster than anticipated. This sort of messaging can send strong signals to businesses that the UK is on the right track, and despite any short-term turbulence, growth will return.

Regional summary

% balance of change

	OUTPUT		TOTAL ORDERS		EMPLOYMENT	
REGION	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS
Scotland	-1	24	-1	21	4	20
North East	0	50	-17	33	17	50
North West	19	69	50	69	19	56
Yorks & Humber	38	55	45	48	24	38
East Mids	-21	32	-11	11	-16	0
Eastern	12	47	18	53	-24	0
South East & London	18	58	33	60	8	59
South West	-7	14	0	29	-14	0
West Mids	0	20	0	30	-16	15
Wales	-13	50	13	38	25	25

Source: Make UK Manufacturing Outlook Survey

ECONOMIC ENVIRONMENT

Following the result of the General Election, and the biggest change in Government in 14 years, the UK is now on a "mission-led" path for growth. The Labour party has made it clear that economic expansion is their goal, with ambitions to deliver the fastest growing economy in the G7 list of rich countries by the end of their first term. Though, it can be argued that growth itself cannot be a mission but is, in fact, the outcome of other successfully delivered policies, such as making Great Britain a clean energy superpower, breaking down barriers to opportunity for young people, or resetting the NHS to improve health outcomes.

Recent GDP reports for the UK have signalled growth in the economy. In the second quarter of this year, real GDP is estimated to have grown by 0.6%, following 0.7% growth in the first quarter. Albeit that these are not outstanding growth rates they do indicate the UK economy is on the right path. Because of these positive reports, the IMF has also upgraded their expectations for the UK economy to 0.7% for the year. The OECD, however, is marginally more pessimistic, predicting the UK to grow by 0.4% for the year. Overall, these figures will improve confidence in the economy.

However, the devil is in the detail for these GDP figures. The data indicates that across this year it has primarily been the services industry that was performing well. It even compensated for slowdowns in other sectors, such as production.

According to the Office of National Statistics (ONS), in the second quarter the services industry grew by 0.8% which offset declines in both production and construction. The slowdown in production was primarily due to weakening manufacturing subsectors, particularly transport equipment manufacturing and textiles.

The former subsector's decline is understood to be the result of car manufacturing plants repurposing to produce more electric vehicles (EVs) to meet growing demand and prepare for national targets that will ban the sale of new fossil fuel vehicles in the next decade. In this case, the decline in transport equipment manufacturing is likely to be temporary.

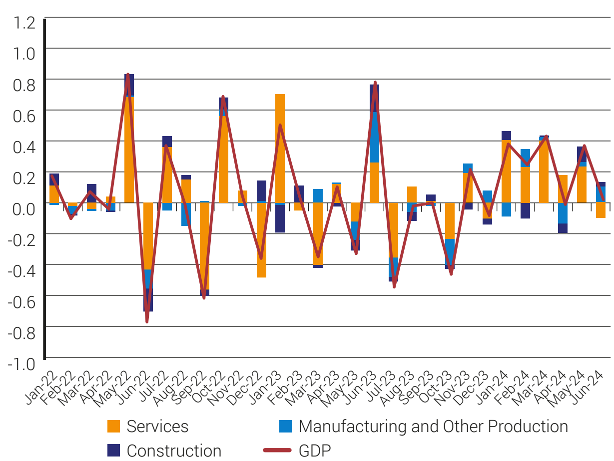
International forecasts suggest that the major Asian economies, mainly China and India, are expected to perform better than the world average for GDP growth this year. The Eurozone, however, is forecast to grow by only 0.8% suggesting persistent weakness in the region. Germany continues to expect only 0% growth for 2024. The US, conversely, is expected to grow by 2.6% as they continue to benefit from positive fiscal stimuli.

As the IMF also highlights in their recent review, the growth rate of consumer inflation has slowed faster than expected, which also paved the way for the Bank of England to vote for its first rate cut since the end of 2021. Though, the vote split was only 5-4 in favour of a cut, indicating that the central bank could just as well reverse its choices if inflation increased again.

The main concern currently for rate setters, is that whilst the services sector is performing well, it is also the main industry where inflation and wage

UK growth driven mainly by services

Contributions to monthly GDP, percentage points, January 2022 to June 2024



Source: ONS

expectations remain elevated. Manufacturing is also highlighted as a challenged industry, with a significant need for upskilling to address skill gaps that should be supported with a long-term growth strategy, backed by an independent commission.

According to the ONS, producer inflation is back on the rise again following several months in deflationary territory. The latest data points to a 0.4% increase in the 12 months to July 2024, and similarly for factory gate prices an increase of 0.8%. The rise in upstream producer inflation looks to be driven mainly by oil prices which increased by 10.7% as well as higher domestic food prices, which increased by 1.9%. However, the cost of parts and equipment for manufacturers continues to decline which will support investment in plant and machinery. The headline increase in producer inflation may be a concern for the Bank of England in the next Monetary Policy Committee meeting which will impact their decision too.

UK Economic Forecasts

% change except where stated

	2023	2024	2025
TRADING ENVIRONMENT			
Exchange rate (€/£)	1.15	1.18	1.17
Exchange rate ($/£)	1.27	1.28	1.28
Exports	-0.3	-0.7	2.4
Imports	-1.3	0.8	3.1
Current account (% GDP)	-2.6	-3.5	-3.3
OUTPUT			
Manufacturing	1.1	0.5	0.8
GDP	0.3	1.1	1.8
COSTS AND PRICES			
Average earnings	7.4	5.0	3.5
Oil price (Brent Oil $/bl)	82	83	77
EMPLOYMENT			
Manufacturing (000s)	2,603	2,579	2,555
Rest of economy (000s)	36,689	36,979	37,428
Unemployment rate (%)	4.1	4.3	4.3

Source: Oxford Economics and Make UK

International Economic Forecasts

% change

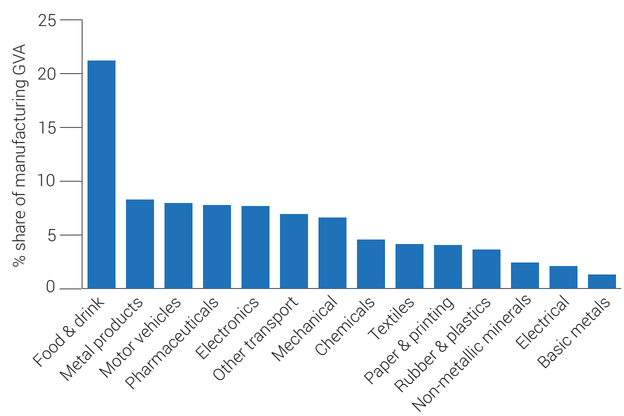
	GDP			INFLATION		
	2023	2024	2025	2023	2024	2025
US	2.5	2.6	1.9	4.1	2.9	2.5
Eurozone	0.5	0.8	1.4	1.9	2.3	1.4
France	0.9	1.2	1.9	4.9	2.2	1.5
Germany	-0.2	0.0	1.1	5.9	2.0	0.9
Japan	2.0	0.2	1.2	3.3	2.4	1.6
China	5.2	4.8	4.1	0.2	0.4	1.2
India	7.0	6.8	7.0	5.7	4.7	4.5
World (US$ weighted)	2.7	2.7	2.7	6.0	4.5	3.4

Source: Oxford Economics

SECTOR FORECASTING 24Q3

Q3 2024 Manufacturing Sector composition by GVA (% share)

Subsector share of Manufacturing Gross Value Added



Source: Oxford Economics

FOOD & DRINK

The **Food & Drink** subsector is the largest UK manufacturing subsector, accounting for 21.2% of manufacturing Gross Value Added (GVA), consistent in share compared to last quarter's data. Forecasts for output in 2024 and 2025 have been revised upwards for the subsector this quarter, with output growth this year expected to be 3%, and 1% in 2025.

2024's output growth trajectory is above the sector average at 0.5%. Employment isn't set to see similar growth and is forecast to remain steady in 2024 with only an increase of 0.3% in headcount expected this year. 2025 is expected to see this diminish a little, by -1.3 %, but still in keeping with the overall sector average forecast.

ELECTRONICS

The **Electronics** subsector has received a forecast that brings it out of contractionary territory for 2024, which was forecast to be the case last quarter. Nevertheless, the forecast for output growth for the subsector is only marginally positive for this year, standing at 0.4%, almost spot on the sector average for 2024.

Output growth is expected to maintain this slow momentum in 2025, with further growth in output of 0.3%. Employment is forecast to expand and contract in kind over this year and the next, with an increase of 1.5% in workers in the subsector this year, but a commensurate decline of -1.5% in 2025.

BASIC METALS AND METAL PRODUCTS

The **Basic Metals** subsector has seen a marked improvement in its output forecast relative to last quarter, although it still remains negative. The latest round of forecasting expects the subsector to decline in output by -5.2% in 2024. Despite the improvement in this year's forecast, 2025's forecast has somewhat worsened. Having previously stood at a -10% forecasted contraction in 2025, this has now been revised downward to -11.4%. Employment is forecast to decline across both years, by -8.9% in 2024 and by -6.3% in 2025.

The **Fabricated Metals** subsector continues to outperform the basic metals subsector, despite their inherent linkage. The output forecast for 2024 is significantly above the sector average, with growth in output of 6.2% forecast. 2025's expectations are more tepid, yet still above the sector average, with 1.5% growth expected next year. Employment forecasts for the subsector remain positive but diminutive, with growth in headcount of 0.8% and 0.2% forecast across 2024 and 2025 respectively.

MECHANICAL EQUIPMENT

A subsector that is so often a proxy for domestic capital investment, **Mechanical Equipment** received an ominously negative forecast for output last quarter. The subsector's position has improved this quarter, however, it remains in negative territory with a contraction in output of -4.7% forecast for 2024. 2025 is set to revert this contraction, with a forecast for a return to growth by an equal measure of 4.7%. Despite a gouge in output this year, employment in the subsector is set to remain resilient, with modest growth of 0.6% in headcount expected this year, but a -2% decline forecast for 2025.

TEXTILES

The **Textiles** subsector has endured negative growth projections for over three years now, with the latest forecast for 2024 setting an expectation for an output contraction of -7.7% this year, the second most negative output forecast out of all subsectors this quarter. 2025's forecast expects this contraction to soften, to -2.9%. However, this leaves the textiles subsector as one of only three subsectors to currently hold a negative growth projection for 2025. Employment is also expected to decline across both years, by -3% in 2024 and by a further -5.2% in 2025.

PAPER & PRINTING

The **Paper & Printing** subsector has seen its output forecast for 2024 remain roundly consistent with the previous quarter's expectations. The latest expectation is that the subsector will contract in output by -1.8% in 2024, but see little to no change in 2025 with growth of 0.2% forecast in the following year. However, employment is forecast to contract significantly this year, by -10%. This is the most contractionary employment forecast for 2024 out of all manufacturing subsectors. This contraction in headcount is set to continue into 2025 at a much lesser scale, by -2.7%.

ELECTRICAL EQUIPMENT

The **Electrical Equipment** subsector was forecast to see a downward revision of approximately -1% last quarter. Now, in the third quarter of the year, the forecast has been revised negatively, with a decline in output for the subsector of -2.7% in 2024. However, some of this projected decline is expected to be recovered in 2025, with growth of 1.2% forecasted next year. Conversely, employment in the subsector is expected to grow across both years, with an expansion of 2.1% in 2024, and a further 1% in 2025.

NON-METALLIC MINERALS

The **Non-metallic Minerals** subsector is known as the subsector that supplies the construction market, providing products such as bricks, mortar, glass and other related products. This ties the subsector to the performance and appetite of the construction sector in the UK, which experienced its own recession in activity towards the end of last year and into 2024.

As a result, this subsector's output forecast for 2024 is the most contractionary out of all manufacturing subsectors and has been revised downward relative to the previous quarter. The latest forecast suggests that output will decline in 2024 by -8.7%.

Recent data on the performance of the UK's construction sector suggests activity is returning at pace, so it follows that 2025's forecast for the subsector is much improved, standing at 4.7%, which somewhat amusingly, is the most expansionary forecast for 2025 out of all subsectors. Employment is set to grow a little, by 1.2% in 2024 and by 0.8% in 2025.

PHARMACEUTICALS

The **Pharmaceuticals** subsector has received cooling forecasts for output growth throughout the year. Now coming to the end of its sustained growth following pandemic-related production, 2024's forecast has been revised downward, leaving the subsector set for more typical levels of growth with 2.6% expected. 2025's expectation is broadly consistent with this year's, with 2.2% growth expected then. Employment will contract this year, by a projected -5.7%, and remain roughly flat in the following year with marginal growth of 0.3% forecast for 2025.

CHEMICALS

The **Chemicals** subsector has received a downward revision to its 2024 output forecast in comparison to last year. Previous expectations were for the subsector's growth prospects to remain roundly flat, but the latest forecasting suggests that this subsector will contract in output by -3.2% this year. 2025's forecast sees a little of this output return, with growth of 0.9% expected next year. Employment in the subsector is projected to remain roundly flat when considering both this year and the next. 2024's forecast sees the sector contract in headcount by -0.5%, but return to some employment growth by 0.6% in 2025.

RUBBER & PLASTICS

The **Rubber & Plastics** subsector declined by -7.8% in output in 2023. Quarterly forecasts throughout the year to date have expected a relatively small decline for the subsector's output this year but now have been revised to see the subsector expect to decline in output this year by -6.3%, which represents a hefty downward revision for the subsector's 2024 prospects relative to the previous quarter.

Nevertheless, this negativity isn't expected to continue into 2025, as the latest forecast suggests that the subsector will return to growth and expand its output by 2.4%. Employment is forecast to decline by -2.1% this year and grow by a modest 0.7% in 2025.

MOTOR VEHICLES (AUTOMOTIVE)

Currently, the only manufacturing subsector to hold double-digit output growth figures for 2023 and projected 2024 figures, the **Motor Vehicles** subsector is forecast to deliver strong growth figures for two years running.

However, despite these strong growth prospects, the subsector saw some of the deepest contractions in output out of all manufacturing subsectors during the pandemic. The latest forecast suggests that the subsector will grow in output by 10.6% this year, the largest growth forecast for 2024 out of all subsectors.

2025's expectations are less jubilant, with a decline in output of -3.4% in 2025. Employment in the subsector will see a moderate decline across this year and the next, with a contraction in headcount across the subsector of -1.5% in 2024 and -2.6% in 2025.

OTHER TRANSPORT

The **Other Transport** subsector which is comprised of aerospace, defence, shipping and rail industries, is set to post strong growth for the second year in a row. Having grown in output by 6.8% in 2023, the latest forecast for this year suggests it will grow in output by a further 5%. However, the two-year growth streak is due to come to an end in 2025, where the latest forecast expects the subsector to grow in output by a smaller 2.2%. Employment is forecast to grow this year, by 2.6%, but decline by a modest -0.5% in 2025.

Sector growth rates and forecasts

% change

	OUTPUT			EMPLOYMENT		
	2023	2024	2025	2023	2024	2025
Basic metals	5.2	-5.2	-11.4	-8.5	-8.9	-6.3
Metal products	3.5	6.2	1.5	8.1	0.8	0.2
Mechanical	-3.9	-4.7	4.7	-1.2	0.6	-2.0
Electronics	4.3	0.4	0.3	2.6	1.5	-1.5
Electrical	0.1	-2.7	1.2	-0.1	2.1	1.0
Motor vehicles	18.9	10.6	-3.4	0.6	-1.5	-2.6
Other transport	6.8	5.0	2.2	4.0	2.6	-0.5
Food & drink	-0.2	3.0	1.0	-1.7	0.3	-1.3
Chemicals	-9.1	-3.2	0.9	-6.7	-0.5	0.6
Pharmaceuticals	9.9	2.6	2.2	2.9	-5.7	0.3
Rubber and plastics	-7.8	-6.3	2.4	-4.8	-2.1	0.7
Non-metallic minerals	-10.2	-8.7	4.7	-2.5	1.2	0.8
Paper and printing	-5.4	-1.8	0.2	-3.1	-10.0	-2.7
Textiles	-8.7	-7.7	-2.9	-10.6	-3.0	-5.2
Manufacturing	**1.1**	**0.5**	**0.8**	**-0.9**	**0.1**	**-0.9**

Source: Oxford Economics

Source: Oxford Economics

BDO VIEWPOINT

CONTINUITY OF SUPPLY IN THE MANUFACTURING SECTOR

With continued high interest rates and high levels of insolvencies across sectors, how can manufacturers build resilience in their supply chain and ensure continuity of supply? This is a question business leaders should be asking but often don't.

Manufacturers particularly from family-run businesses trade and source from other similar businesses. They have grown up together, possibly socialised together and shared success together. Why would they think they won't be there forever? Well, the only certainty in life is change and, when that change involves the possible collapse of key suppliers, they simply have no backup plan in place.

Dual sourcing is now standard practice in larger businesses. Companies are also willing to pay more for localised supply. Financial due diligence is often completed at the start of a contract but not often revisited because they are a 'strong' business. With proactive commercial management and regular contract meetings, some crucial elements of supply chain risk can be mitigated.

We are seeing manufacturers supporting suppliers with increased order volumes or even taking an equity stake in the supply base. We are seeing an increase in the businesses we work with asking us to perform in-depth due diligence on their supplier base, often when a key supplier has let them down on supply, a change of ownership has taken place or, unfortunately, they have gone into administration.

HOW CAN TECHNOLOGY HELP MAINTAIN SUPPLY?

Manufacturers are investing in new technology across the board, especially to map their supplier base. Tier 1 supply has near 100% visibility across the sector, which is great progress. The technology is advancing all the time and even looks at locations and a supplier's susceptibility to river flooding or rising sea levels. Tier 2 visibility is increasing, but beyond that is largely in the dark.

AI is inevitably playing its part and advancements are being made in route planning and network optimisation software to rival the established few. We see the biggest opportunity for AI in inventory management, master data conformity and scenario planning, with the big ERP and production planning service providers leading the way.

THE IMPORTANCE OF PROACTIVE MANAGEMENT

Proactive management is crucial in building supply chain resilience and maintaining continuity of supply. Regular contract meetings and ongoing financial due diligence can help identify potential risks before they become critical issues. By maintaining open lines of communication with suppliers and being willing to support them through increased order volumes or equity stakes, manufacturers can build more resilient supply chains.

THE ROLE OF LOCALISED SUPPLY

Localised supply is becoming increasingly important as companies look to mitigate risks associated with global supply chains. By sourcing components locally, manufacturers can reduce lead times, improve quality control and decrease the risk of supply chain disruptions. This approach also supports local economies and can lead to stronger, more collaborative relationships with suppliers.

THE FUTURE OF SUPPLY CHAIN MANAGEMENT

The future of supply chain management lies in the integration of advanced technologies and proactive management strategies. By leveraging AI, manufacturers can gain greater visibility into their supply chains, optimise routes and improve inventory management. This will enable them to respond more quickly to changes and disruptions, ensuring continuity of supply.

In conclusion, maintaining continuity of supply in the manufacturing sector requires a combination of proactive management, localised sourcing and the adoption of advanced technologies. By taking these steps, manufacturers can build more resilient supply chains and better navigate the challenges posed by a volatile economic environment. At BDO, we are committed to helping our clients achieve this through our expertise in logistics and supply chain advisory.

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The Manufacturers' Organisation

IDEAS | PEOPLE | TRUST

Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region and Wales.

Collectively we represent 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate and grow.

From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enables businesses to remain safe, compliant and future-focused.

MakeUK.org

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The data used in this survey have been provided by UK manufacturers including members of Scottish Engineering, Manufacturing NI, and Make UK. Contributing to our surveys helps to accurately reflect trends and behaviours that shape the UK manufacturing sector. If you would like to participate in future surveys, please contact our Information and Research team research@Makeuk.org

Accountancy and business advisory firm BDO LLP is the UK member firm of BDO International, which has more than 1,700 offices in 166 countries. We operate from 17 offices across the UK, employing 7,500 people offering tax, audit and assurance, and a range of advisory services.

Manufacturing is a priority sector for BDO and this focus enables us to tailor the wide range of services we offer and apply our skills and knowledge to help clients achieve their objectives.

We provide real solutions to industry issues, utilising our capabilities in everything from sector-specific accountancy, tax and business advice to patent box and research and development claims and M&A opportunities to help our clients grow in the UK and overseas. We also provide manufacturing businesses and organisations with robust, independent audits.

We have an excellent understanding of the issues affecting UK manufacturers as an industry sector, but we also focus on specific sub-sectors to improve our knowledge and our service to clients. These include: advanced manufacturing, aerospace, automotive, building products, chemicals and pharmaceuticals, food and drink, electronics, industrials, test and measurement and technology.

Manufacturing remains one of the key industries of the UK economy. We are delighted to be able to play an active role in supporting the businesses that operate in this vibrant, changing and challenging sector. For further information about our business and services, please visit our website: **www.bdo.co.uk**

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The Manufacturers' Organisation

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