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# REGIONAL MANUFACTURING OUTLOOK 2024

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# FOREWORD



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This 2024 edition of *Regional Outlook* marks the 10th year in the series. Throughout that time, *Regional Outlook* reported annually on the evolution of the manufacturing economy across a turbulent decade for industry.

This edition comes at another moment of significant change for the UK; the transition to power of a new, Labour Party administration, with a clear mandate to pursue economic growth through an industrial strategy that will place manufacturing at the heart of their programme for government.

The hope, and expectation, is that the UK's manufacturing sector is likely to be the beneficiary of a commitment to a long-term industrial strategy, something all main opposition parties placed at the core of their campaign manifestos. The new Prime Minister has vowed to make the UK the fastest-growing major economy by securing the "highest sustained growth" in the G7 group of rich nations, made up of the UK, US, Canada, France, Germany, Italy, and Japan. That aim cannot be achieved without the manufacturing sector, which already delivers almost half of all the UK's exports.

However, nothing will happen overnight. Implementing an industrial strategy will take time. The Labour leader has spoken about a "decade of renewal", but there is a clear signal now coming from Westminster that investment plans should be implemented and businesses should go for growth.

The economic conditions are clearly improving. This past year has been characterised by a more stable business environment, in relative terms, than manufacturers have been used to for some time. The preceding five years saw lots of policy instability and offered little opportunities for rest for firms up and down the country grappling with the changes brought by our EU exit, the COVID-19 pandemic, a major energy crisis, and lots more in between.

Evidence suggests price pressures have begun to cool, albeit they have not yet retreated to their pre-pandemic levels. The size of labour and skills shortages remains a problem but is settling back to its long-term average – even though that long-term vacancy rate is an issue in and of itself, costing the industry billions in lost output every year.

It's this relative stability that has enabled the overwhelming majority of UK regions and nations covered in this year's *Regional Outlook* report to post positive numbers across output, orders, investment and employment for the twelve months to today, early signs, we hope, of a slow but steady return to growth.

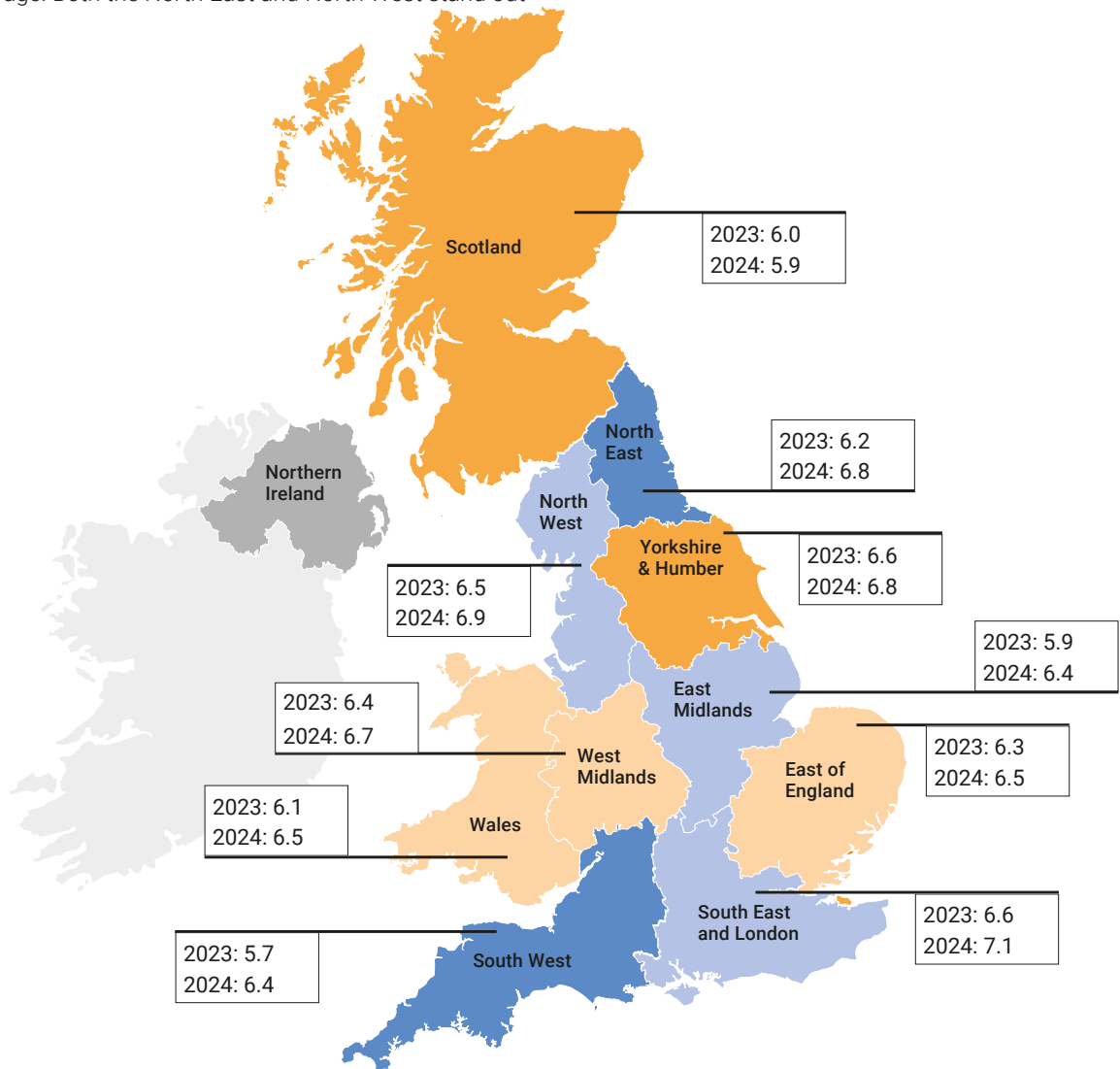
However, despite generally positive output and healthy order books, investment and employment growth continue to underperform. It's evident that even though headline trading figures are encouraging, there remains some reluctance across the industry to commit to capital expenditure. Limits on employment growth are likely caused by two interconnected factors, an aversion in certain instances to commit to added labour costs until conditions allow, and an inability to source the necessary skills when recruiting.

As we look to the year ahead, ensuring an industrial strategy addresses these challenges will be absolutely essential if the new government are to achieve their ambitions of securing the "highest sustained economic growth" in the G7, ending the UK's chronic long-tail of low productivity in underperforming businesses, increasing UK exports, and improving Britons' living-standards for the first time in over a decade.

# REGIONAL SNAPSHOT



This year's *Regional Manufacturing Outlook* data captures a year of mostly positive results, in some cases well above the national average. However, the overall picture is mixed as some regions (or nations) fared less well on specific metrics. Most parts of the UK have performed well in at least one metric, with certain areas vastly outperforming the UK average. Both the North East and North West stand out

with very positive average balances for output and orders, particularly the former region which has posted the best figures in the country. Furthermore, Wales has excelled in this report, posting the most improved average balance for every metric covered in the report. The picture in the Midlands and the South was more mixed.



## Difference in Business Confidence Indicator\*: compared to one year ago

KEY

-  Positive relative change in confidence (upper quartile)
-  Negative relative change in confidence (lower quartile)

\* Business Confidence Indicator: Manufacturer's confidence about their own business performance in the next twelve months  
Map coloured to show the relative change in average confidence between 2022q3/2023q2 and 2023q3/2024q2

# HOW DO THE REGIONS/NATIONS COMPARE?

This edition of *Regional Manufacturing Outlook*, in partnership with BDO, covers a four quarter period where the majority of the data reported is mostly positive. Though the balance figures for the UK on average have been quite modest, the experience of each region does differ markedly in certain areas. Some regions have excelled in their output and orders growth, whilst others have shown greater tenacity and desire for investment in productivity.

The most noticeable outcome of this annual review of regions and nations is the performance of the North East. Last year, the North East produced the best average balance for output volumes and total orders, posting +28% and +42% respectively. Although the average balance for orders has reduced slightly, the same region has once again produced the best results for output and orders in the UK. This is a positive sign for North East manufacturers, and for the North more generally, including the North West and even the Yorkshire and the Humber region. Though, in Yorkshire the average balance for employment reported a -5%, indicating that the workforce has declined slightly despite positive intentions to invest, and acceptable order books.

Nevertheless, businesses have benefitted from improving demand conditions, particularly in the last two quarters. This is despite the overall UK performance being quite tempered generally with production and the pipeline of work erring on modesty. This is partly because uncertainty remains a factor impacting business decisions in our quarter-on-quarter research that makes it more challenging to forward plan production. Looking further down the UK, towards the midlands and south, the experience of manufacturers does appear to differ against the North.

The obvious standout is the South East & London, which regularly produces some of the best results in the nation. In particular, investment intentions jumped from an average balance of +7% to +27% indicating that risk appetites have improved. This may be down to recent Government announcements such as the introduction of full expensing capital allowances that have spurred investment on for manufacturers closer to the capital, where access to finance is also relatively more abundant. Wales, whilst reporting the most improved average balance for investment intentions, produced the second best average at +26%.

The South West, however, continues to experience very different economic conditions. The previous report found that the South West reported some of the lowest average balances in the UK and this year the experience appears to be similar. Businesses continue to struggle to grow their order books which have impacted other metrics of performance. Next, looking at the midlands, the West appears to be doing well in its order books and investment intentions, though output volumes have not grown much. The West Midlands also remains the only region in the UK that is yet to recover its pre-pandemic level of output. The East Midlands has fared worse in comparison, posting a -2% average balance for output and poor results for investment intentions and employment.

Similarly, the East of England has produced some of the weakest results for this year, highlighting the lowest average balances for output, investment intentions and employment. Scotland is also an interesting case with modest growth in investment and employment, although it experienced a sharp slowdown in order books. It is clear from this comparison, that different parts of the UK have experienced very different conditions over the last twelve months.

## Regional summary

% average balance of change 2023 Q3 - 2024 Q2

	OUTPUT	ORDERS	INVESTMENT	EMPLOYMENT
East Midlands	-2	8	1	3
East of England	-11 ↓	2	-6	-8 ↓
North East	35	29	6 ↓	9
North West	16	26	8	9
South East & London	20	22	27	9
South West	3	-3	-3	0
West Midlands	8	23	22	9
Yorks & Humber	15	11	11	-5
Scotland	9	1 ↓	16	11
Wales	21 ↑	22 ↑	26 ↑	17 ↑

Source: Make UK Manufacturing Outlook Survey

- Top performer
- Bottom performer
- ↑ Improved most compared with last year
- ↓ Worsened most compared with last year

# EAST MIDLANDS

The East Midlands is the UK's fifth-largest region for manufacturing in terms of gross value add (GVA). 15.9% of the region's total output is accounted for by manufacturing, which has decreased slightly compared to last year's 16.4% share of manufacturing output. Just under half of the region's manufacturing output comes from three subsectors. The largest is the Food & Drink industry, with 20.6% of all manufacturing output. This is followed by Transport Equipment at 12.7%, and then the Rubber & Plastics subsector at 12.1%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	5.7%	–
Manufacturing	0.9%	15.9%
Construction	0.4%	7.4%
Services	4.2%	72.5%
Other production	1.2%	20.2%

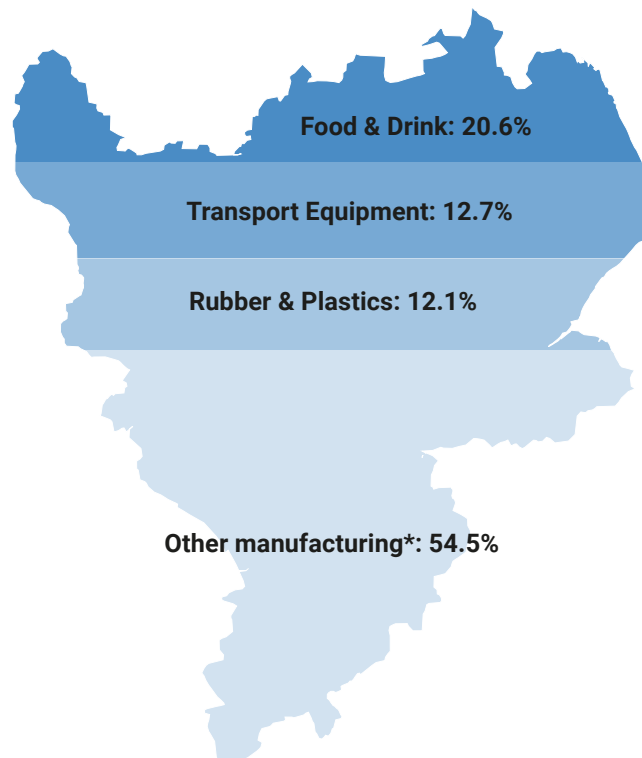
Source: ONS 2024

## EMPLOYMENT

- There were 258,000 manufacturing jobs in the East Midlands in 2024, accounting for 10% of the region's total workforce and 0.7% of the UK total workforce.
- This is a decrease of 4,000 in the last 12 months.

## EXPORTS

- In 2023, the East Midlands accounted for 7% of the UK's total goods exports.
- The region's dependence on the EU for exports has decreased from 49% to 45% of exported goods journeying to the EU annually.
- The next largest destination for East Midlands goods is Asia & Oceania, accounting for 28% of goods exports. Followed by North America which accounts for 16% of goods exports.

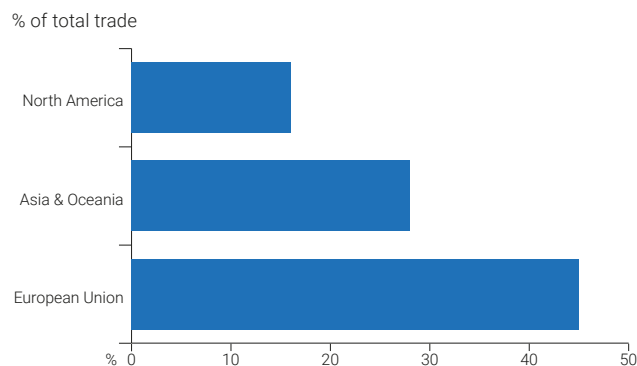


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The East Midlands' overall productivity is the 9th best in the UK, at 85.8% (UK=100).
- Manufacturing productivity is at 94.8% of the UK average, ranking 8th across all regions and nations.

## Top three export markets for East Midlands goods



Source: Uktradeinfo 2024

## MANUFACTURING PERFORMANCE IN THE EAST MIDLANDS

The East Midlands' manufacturing output performance has come in beneath that of the UK average for three out of the four quarters contained in this edition of *Regional Outlook's* research window. The final quarter of this window, 2024 Q2, shows the region performing just above the UK average in terms of output.

**OUTPUT BENEATH UK AVERAGE ACROSS THE YEAR, BUT EQUALISED PERFORMANCE IN THE FINAL QUARTER**

**ORDERS MODEST IN ALL BUT THE FINAL QUARTER, WHERE DEMAND INDICATED TO BE 2X THE AVERAGE**

**INVESTMENT FLAT ACROSS THE YEAR ON BALANCE**

**EMPLOYMENT GROWTH MARGINALLY POSITIVE**

**AVERAGE BUSINESS CONFIDENCE 8TH HIGHEST IN THE UK**

In the last edition of this report, the East Midlands' performance moved in line with the UK average, having seen trend-bucking growth in the year prior. Now, in this latest edition, we see the region has the flattest performance relative to all other regions and nations covered. While this flatness certainly leans toward positivity, all balance figures for the year remain in single-digit territory.

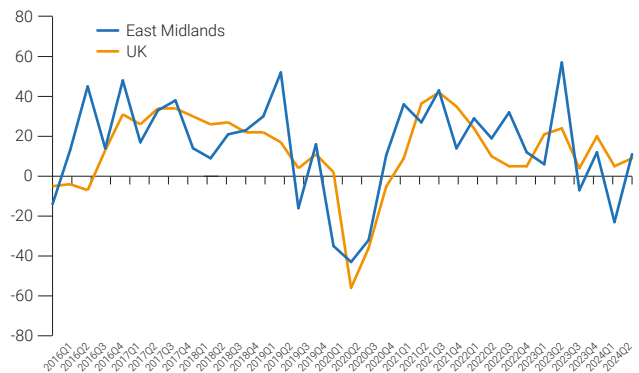
Between the research window of Q3 2023 and Q2 2024, the average output balance figure was just -2%. This average figure would have been lower if it wasn't for improved output performance relative to the average in the final quarter of the research year. This negative, albeit marginal, output balance figure for the year makes the region only one of two that hold negative output balance figure averages in this year's edition of the research.

This tempered performance will be related to the modest growth seen by the region's two largest manufacturing subsectors, Food & Drink and Transport Equipment. This is particularly true in the case of the Transport Equipment subsector, a subsector that saw growth in 2023 at a rate just over six times the manufacturing average but has since seen forecasted growth for 2024 cool in scale.

In last year's edition of *Regional Outlook*, the East Midlands had the ninth-highest business confidence in the UK. Now, that has risen to 8th. The value for the region's business confidence has risen from 5.9 to 6.4. This is a fairly significant increase in the sector's confidence in the region over the year and is the 3rd largest increase across all regions and nations. Despite the region coming in at 8th in terms of business confidence, the grouping in this edition is very close, with all regions and nations reporting positive confidence. The East Midlands business confidence rating is only marginally behind that of the average, which stands at 6.6.

### The East Midlands' output balance recently outperformed the UK average

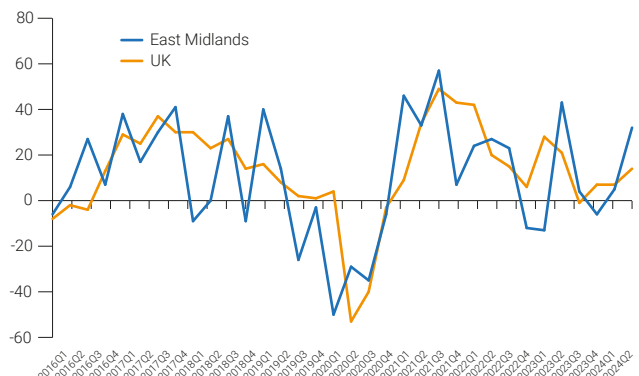
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### The East Midlands' orders balance finished strong after two below average quarters

% balance of change in orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# EAST OF ENGLAND

The East of England is the UK's third largest region in terms of gross value add (GVA) and the sixth largest manufacturing sector. Its economy accounts for 8.4% of the UK's total output, whilst its manufacturing sector accounts for 0.9% of this. The manufacturing sector accounts for 10.4% of the region's total output, slightly lower than last year (10.5%) and above the UK average of 9.4%. The region's three largest manufacturing subsectors are the Food & Drink industry (13.3%), Pharmaceuticals (12%) and Machinery Equipment (10.8%). Out of all regions and nations in the UK, the East of England has the largest proportion of its manufacturing made up of subsectors not included in the top three, highlighting the diverse manufacturing subsector base that the region plays host to.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	8.4%	—
Manufacturing	0.9%	10.4%
Construction	0.7%	8.8%
Services	6.5%	77.5%
Other production	1.2%	13.7%

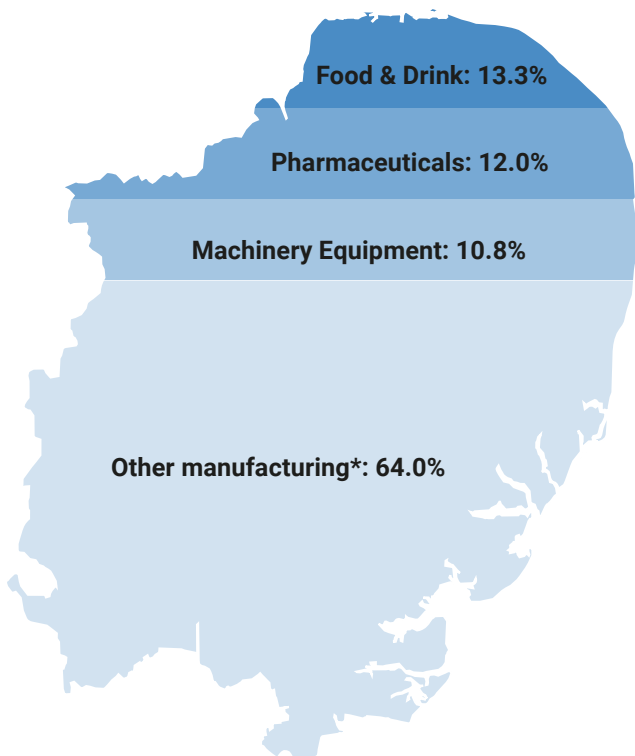
Source: ONS 2024

## EMPLOYMENT

- There were 229,000 manufacturing jobs in the East of England in 2024, accounting for 7% of the region's total workforce and 0.6% of the UK's total workforce.
- This is an increase of 7,000 in the last 12 months.

## EXPORTS

- In 2023, the East of England accounted for 9% of the UK's total goods exports.
- The region's dependence on the EU has decreased from 54% of goods to 49% of goods journeying there annually. This is one percentage point below the UK average (50%).
- The next largest destination for the East of England's goods is North America, accounting for 21% of goods exports. Followed by Asia & Oceania which accounts for 14% of goods exports.

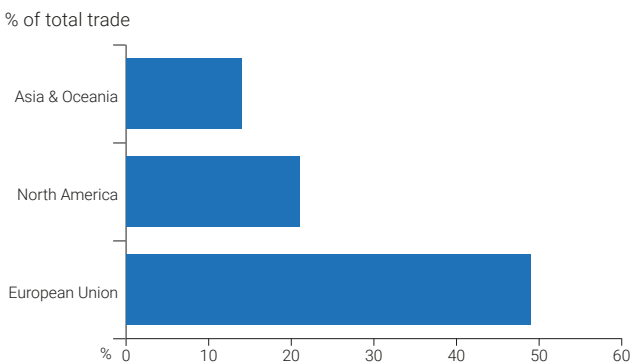


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The East of England's overall productivity is the 3rd best in the UK, at 94% of the UK average (UK=100).
- Manufacturing productivity is at 109.9% of the UK average, ranking 2nd across all regions and nations.

## Top three export markets for East of England goods



Source: Uktradeinfo 2024



## MANUFACTURING PERFORMANCE IN THE EAST OF ENGLAND

Having trailed below the UK output balance figure average for the year, the East of England has ended this research window by posting a severely negative balance figure for output in the final quarter of this research. The region has posted output balance figures consistently beneath that of the UK average over the past four months, but this final quarter's significantly negative balance figure will drag the region's year average down. Orders had fared better than output over the year, but it also saw a nose dive in the final quarter, 2024 Q2.

**OUTPUT PERFORMANCE DROPS DRASTICALLY IN THE FINAL QUARTER, POSTING THE LOWEST YEAR AVERAGE IN THE UK**

**ORDERS BARELY AVERAGE POSITIVITY AFTER A FINAL QUARTER SLUMP**

**INVESTMENT INTENTIONS MODERATELY NEGATIVE, BUT THE BOTTOM UK PERFORMER**

**EMPLOYMENT METRIC MOST WORSENE D COMPARED TO LAST YEAR, AND BOTTOM PERFORMER**

**AVERAGE BUSINESS CONFIDENCE REMAINS STEADFAST, 6TH HIGHEST IN THE UK**

Last year's edition of *Regional Outlook* noted that the East of England shared some of the worst performance for orders relative to the year prior. Now in 2024, similar is seen in the region's output performance, with the year average balance figure for output being both the bottom performer in the UK and the most worsened compared to last year. Much of this decline in the average balance figure for output is attributable to exceptionally negative output performance in the final quarter of the research year, where the balance figure was recorded at -39%, subsequently dragging the average down drastically.

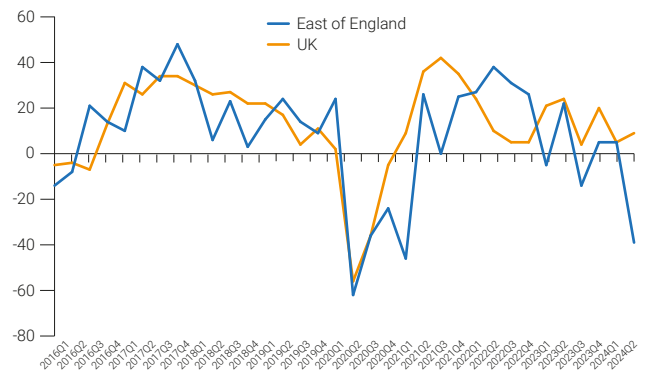
The year average balance figure for output is -11%, one of only two regions to hold a negative average balance figure for output in 2024. Orders just remain in positivity with a balance figure of 2%, although this metric has suffered a similar fate to that of output, seeing its year average dragged down by a particularly poor performance in 2024 Q2. The balance figures for the region would be far closer in keeping with other UK regions had it not been for this final quarter of data skewing the region's average prospects.

Alas, the negativity does not stop there. The region also holds the most negative average balance figures for both investment and employment across all UK regions and nations, while also seeing employment balance worsen the most relative to the previous year's performance. The investment intentions average balance came out at -6%, and employment average balance came out at -8%. While these figures aren't encouraging for the region's sector, the total scale of the negative is modest, with only one of the metrics' year averages having negativity beyond single digits. It's the relative positivity that other regions have reported in their metrics that contrasts starkly with this region.

Business confidence averages over the past year have only just fallen below the average at 6.5, beneath the UK figure of 6.6. This places the East of England as the 6th most confident region in the UK.

### East of England manufacturers saw more widespread declines in output than the UK average

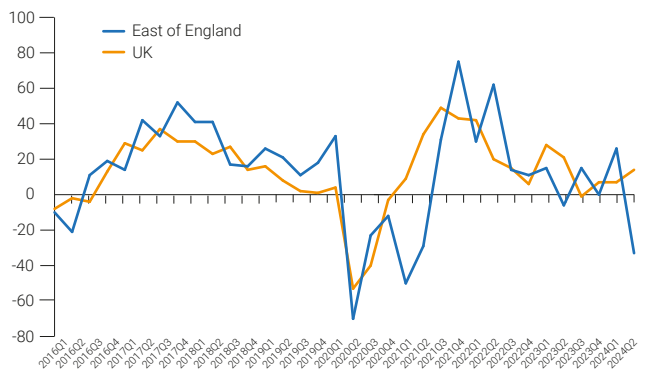
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### A contraction in order books resulted in declining output for manufacturers in the East of England

% balance of change in export orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# NORTH EAST

The North East is the UK's tenth largest region in terms of gross value add (GVA). The region's manufacturing sector is relatively small accounting for 0.4% of the UK's total output. However, the manufacturing sector is of significant importance to the North East, accounting for 14.9% of its own economic output, above the UK average of 9.4%. The top three subsectors in the region are accounted for by Pharmaceuticals (23.8%), Transport Equipment (17.7%) and Metal Products (10.7%).

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	2.8%	–
Manufacturing	0.4%	14.9%
Construction	0.2%	6.3%
Services	2.1%	75.2%
Other production	0.5%	18.5%

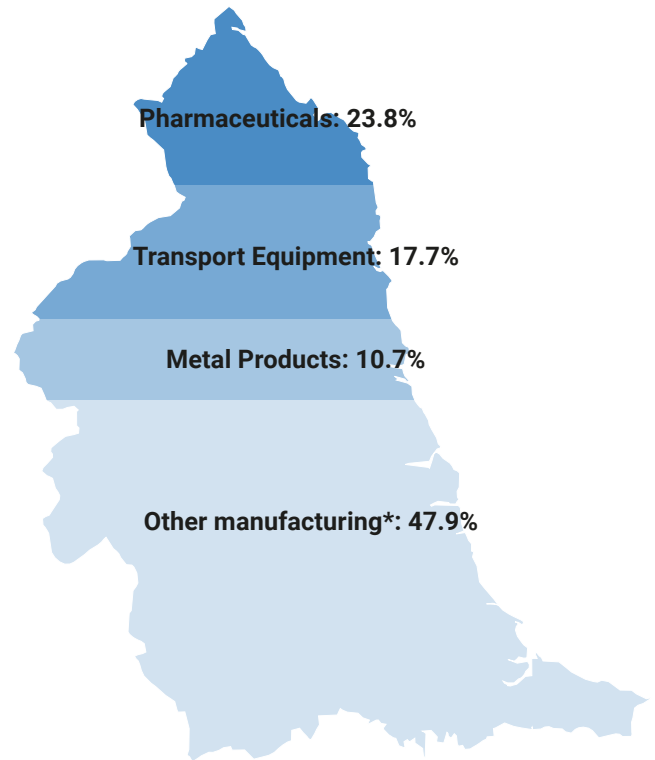
Source: ONS 2024

## EMPLOYMENT

- There were 110,000 manufacturing jobs in the North East in 2024, accounting for 9% of the region's total workforce and 0.3% of the UK's total workforce.
- This is a decrease of 2,000 in the last 12 months.

## EXPORTS

- In 2023, the North East accounted for 3% of the UK's total goods exports.
- The region maintains one of the highest dependencies (3rd) on the EU for exports amongst other regions and nations, with 58% of exported goods journeying to the EU. This is an increase from last year's figure of 57%.
- The next largest destination for North East goods is North America, accounting for 14% of goods exports. Followed by Asia & Oceania which accounts for 13% of goods exports.

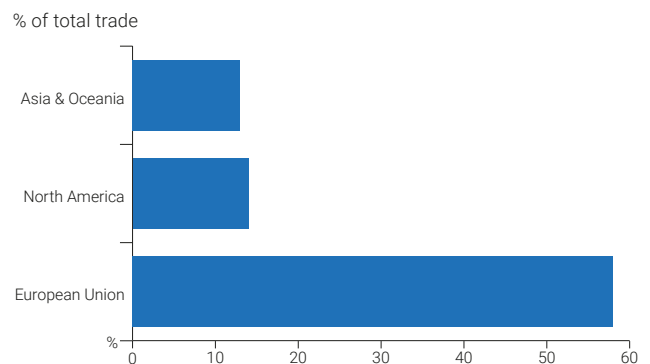


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The North East's overall productivity is the 7th best in the UK, at 86.2% (UK=100).
- Manufacturing productivity is at 105.4% of the UK average, ranking 5th across all regions and nations.

## Top three export markets for the North East's goods



Source: Uktradeinfo 2024

## MANUFACTURING PERFORMANCE IN THE NORTH EAST

The North East has seen its output balance figure exceed that of the UK average in all four of the quarters in this edition's research, and by quite some margin in a couple of those quarters. The same can be said of its orders performance, which also exceeded the UK average across all four quarters. The combined strength of both of these metrics, consistently holding high across the year, bodes well for the sector's performance in this region in the year ahead.

- OUTPUT BALANCE FIGURE AVERAGE HIGHEST IN THE UK
- ORDERS PERFORMANCE AVERAGE HIGHEST IN THE UK
- INVESTMENT MODEST BUT WORST PERFORMING RELATIVE TO LAST YEAR
- EMPLOYMENT TRENDS CLOSE TO AVERAGE
- 4TH HIGHEST BUSINESS CONFIDENCE IN UK

Last year's *Regional Outlook* detailed the impressive performance of the North East's manufacturing sector, output coming in top out of all UK regions and nations for the second year in succession. The region has again achieved this result for now the third year in a row. This year, the North East can add the region's orders performance which also tops the UK's charts in this edition.

The year average balance figure for output came in at +35%, even higher than the chart-topping +28% average the region posted for output last year. The average orders balance figure came in at a similarly impressive +29%, although beneath last year's +42%.

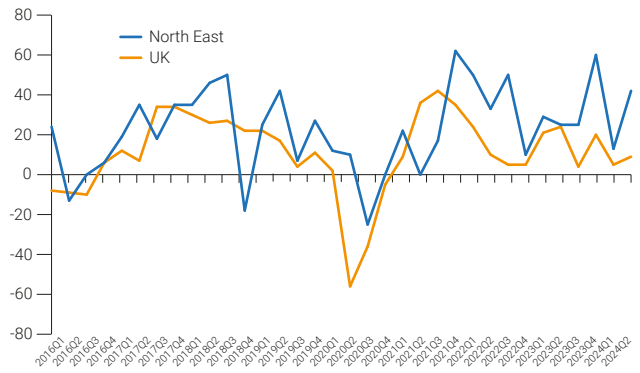
Driving this region's trailblazing output and orders performance over the past couple of years, and now into 2024 also, has been the performance of the Pharmaceuticals sector that the region plays host to. As the largest manufacturing subsector in the North East, accounting for 23.8% of all value-added output, the Pharmaceuticals subsector has had significant influence on the manufacturing sector's performance in the region. The Pharmaceuticals subsector continues to be one of the best performing, in terms of GVA growth, subsectors in the UK manufacturing ecosystem, continuing to ride a wave of growth that surged in the midst of the pandemic.

In contrast, investment and employment average balances receive less fanfare. With modest year average balance figures for investment of +6% and employment of +9%, the region's manufacturing sector is not seeing booming growth across all metrics. In the case of investment, the North East has seen the greatest worsening of the investment balance figure compared to last year. As is the case with many regions this year, the average employment balance figure is in keeping with the mode of other region's performance.

The North East's average business confidence is 6.8, which is above the UK average (6.6) and places it 4th in the UK. This is the second-highest improvement in confidence in the UK, leading to a 2-position upgrade compared to other regions in the UK.

### North East output balances performed exceptionally well compared to the national average

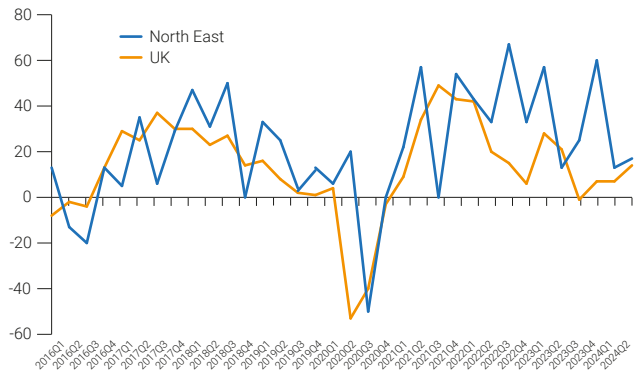
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### A large boost to orders in Q4 2023 sustained output growth during the first half of this year

% balance of change in Investment intentions (next 12 months)



Source: Make UK Manufacturing Outlook Survey

# NORTH WEST

The North West is the UK's second largest region in terms of gross value add (GVA). The entire region makes up almost a tenth of the UK economy (9.8%). The manufacturing sector here accounts for only 1.3% of the total UK output, but 13.4% of the region's total output, above the UK average of 9.4%. The three subsectors that dominate North West manufacturing include Transport Equipment (20%), Food & Drink (15.0%), and Chemicals (14.1%).

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	9.8%	—
Manufacturing	1.3%	13.4%
Construction	0.6%	6.3%
Services	7.6%	77.7%
Other production	1.6%	16.1%

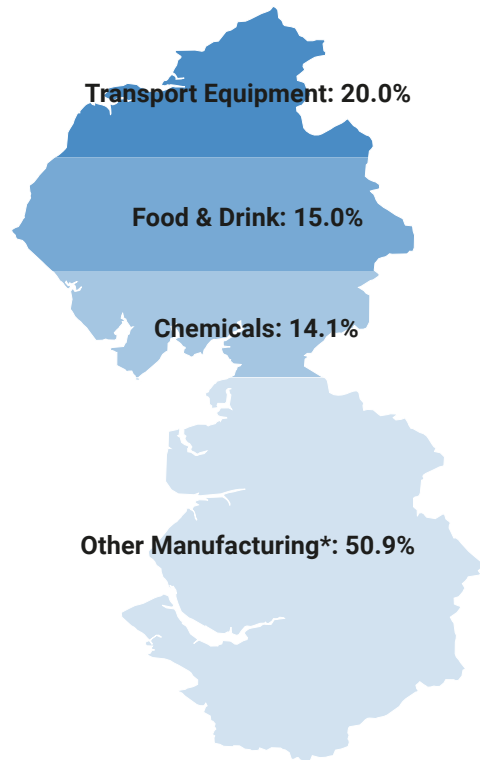
Source: ONS 2024

## EMPLOYMENT

- There were 330,000 manufacturing jobs in the North West in 2024, accounting for 8% of the region's total workforce and 0.9% of the UK's total workforce.
- This is a decrease of 12,000 in the last 12 months.

## EXPORTS

- In 2023, the North West accounted for 9% of the UK's total goods exports.
- The region has an exactly average dependence on the EU for exports, with 50% of exported goods journeying to the EU, the same as the UK aggregate regional average.
- The next largest destination for the North West's goods is North America, accounting for 17% of goods exports, followed by Asia & Oceania also at 17%.

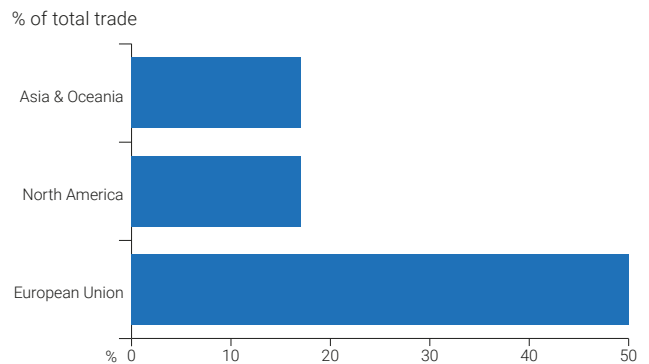


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The North West's overall productivity is the 5th best in the UK, at 90.5% (UK=100).
- Manufacturing productivity is at 108% of the UK average, ranking 3rd across all regions and nations.

## Top three export markets for North West's goods



Source: Uktradeinfo 2024



## MANUFACTURING PERFORMANCE IN THE NORTH WEST

The North West has performed well in terms of its output performance over the year, trading blows with the average but notably surging ahead in the final quarter of the research window. Orders fared similarly, but with an even greater positive deviation from the average in the final quarter of the year, leaving its average orders performance just behind that of the top performer.

**OUTPUT PERFORMANCE ROBUST AND 4TH IN THE UK**

**ORDERS PERFORMANCE DRAGGED UP BY LAST QUARTER BOOM, 2ND IN THE UK**

**INVESTMENT INTENTIONS SINGLE DIGIT POSITIVE, BUT BELOW THE AVERAGE**

**EMPLOYMENT GROWTH IS IN LINE WITH THE AVERAGE**

**2ND HIGHEST BUSINESS CONFIDENCE**

The North West has performed well in the key metrics of output and orders, seeing a final quarter boost to both which helped pull up its year averages. Having been in the lower end of the performance spectrum last year, the region now sits towards the top of the pile for performance in this 2024 edition of *Regional Outlook*.

The region's output balance average for the year came in at +16%, placing the sector just above average in this regard. However, much of this positivity occurred just in the most recent quarter, where the output balance figure for 2024 Q2 was reported at +42%. Having skirted just above and below the UK average for most of the preceding quarters in the year, this final quarter boost helped nudge the region into above-average performance territory.

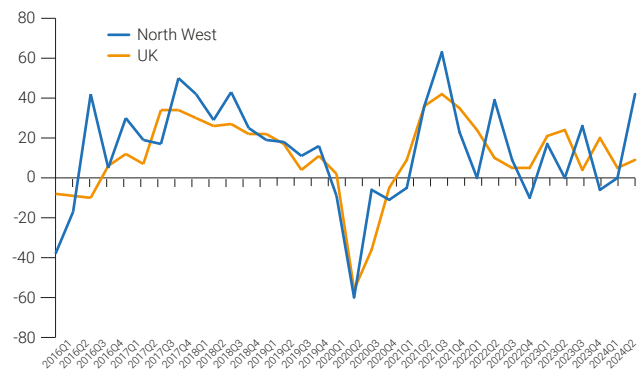
Orders performance in that same final quarter of the year was even greater in scale, coming in at +58%, indicating a significant surge in demand for the region's products and allowing the region to post a year average orders balance figure of +26% just beneath that of the most performant region.

As is the case with other regions that have seen strong performance across output and orders for the year, employment and investment performance is not growing in lock-step. The year average investment intentions balance figure came in at +8%, and employment at +9%, both in single digits and in stark contrast to the performance of the region's leading metrics. Though the official data indicates employment has declined for some businesses, our surveys suggest the overall picture may be more mixed.

Average business confidence in the North West is the 2nd highest, reporting a figure of 6.9. This is an increase of 0.4 compared to last year, seeing the ranking of the region move from the 3rd to the second most confident region.

### North West output balance spiked sharply in the second quarter of this year

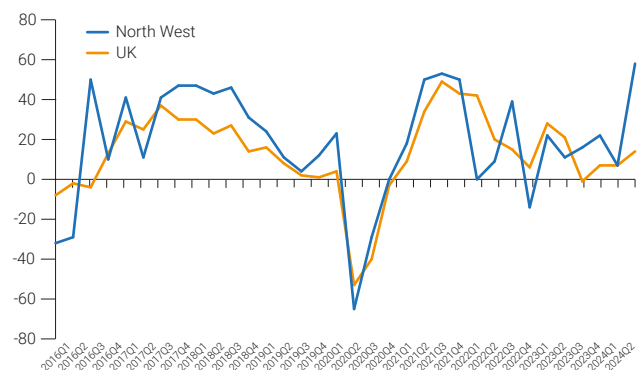
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### North West order books grew for a substantial share of manufacturers in Q2 2024

% balance of change in employment (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# SOUTH EAST AND LONDON

The South East and London is the UK's largest region in terms of gross value add (GVA). The region makes up a significant share of the UK economy, accounting for 38.1% of the nation's output. As the region also plays host to the largest share of the service industry, the manufacturing sector here accounts for only 4.2% of the region's total output, well below the UK average of 9.4%. The top three manufacturing subsectors here include Food & Drink (19.7%), Electronics (12.4%) and Pharmaceuticals (8.6%). The remaining 59.2% of the manufacturing sector here accounts for all other subsectors.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	38.1%	–
Manufacturing	1.6%	4.2%
Construction	2.0%	5.3%
Services	33.7%	88.6%
Other production	2.4%	6.2%

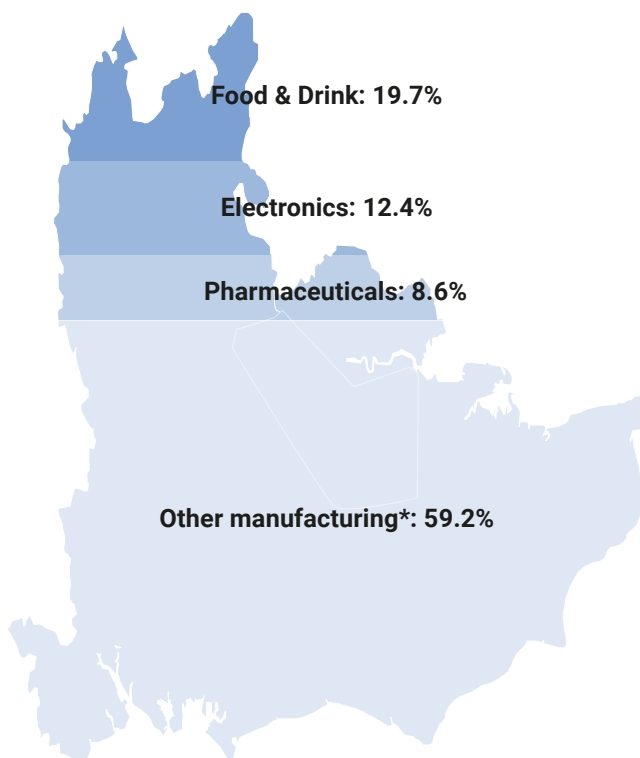
Source: ONS 2024

## EMPLOYMENT

- There were 401,000 manufacturing jobs in the South East and London in 2024, accounting for 3% of the region's total workforce and 1.1% of the UK's total workforce.
- This is a decrease of 13,000 in the last 12 months.

## EXPORTS

- In 2023, the South East and London accounted for 24% of the UK's total goods exports.
- The region maintains an average dependence on the EU for exports amongst other regions and nations, with 50% of exported goods journeying to the EU, in line with the wider UK's aggregate average.
- The next largest destination for South East and London's goods is Asia & Oceania, accounting for 17% of goods exports. Followed by North America which accounts for 16% of goods exports.

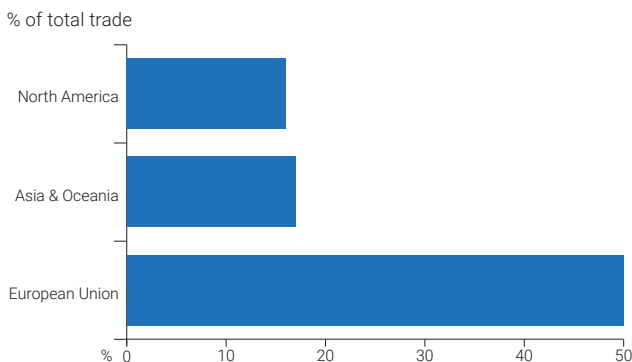


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The South East and London's overall productivity is the best in the UK, at 119.9% (UK=100).
- Manufacturing productivity is at 107% of the UK average, ranking 4th across all regions and nations.

## Top three export markets for South East and London's goods



Source: Uktradeinfo 2024

## MANUFACTURING PERFORMANCE IN THE SOUTH EAST AND LONDON

Although the region has a very large service sector by comparison, the manufacturing sector remains a major employer and value generator in absolute terms. Output performance over the past year has on balance exceeded the national average, and even greater gains have been seen in the region's orders. Most notable for the region is its strong investment intentions balance figure for the year, having the strongest year average balance figure for investment out of all UK regions and nations.

**OUTPUT BALANCE 3RD MOST PERFORMANT**

**ORDERS STRONG WITH PERFORMANCE GAINS IN THE SECOND HALF OF THE RESEARCH YEAR**

**MOST POSITIVE BALANCE FIGURE FOR INVESTMENT INTENTIONS IN THE UK**

**EMPLOYMENT GROWTH IS IN LINE WITH THE UK AVERAGE**

**AVERAGE BUSINESS CONFIDENCE IS POSITIVE AND HIGHEST IN THE UK, REPEATING LAST YEAR**

The South East & London region has ended the research year on a favourable footing. Year averages for output and orders, while not the highest in the UK, are robust and in the upper echelons of the spread. As has been seen with some other highly performing regions this year, a lot of the positivity contributing to its high year averages has come about in the latter two quarters of the research year, indicating an improving outlook for the sector both in this region and across the UK.

The output balance figure average for the year was reported at +20% and the orders balance figure for the year was reported at +22%. This small weighting towards orders as an average of the year is a healthy sign for the region, indicating that demand only slightly outstripped production capacity, which is favourable to the inverse in the longer term.

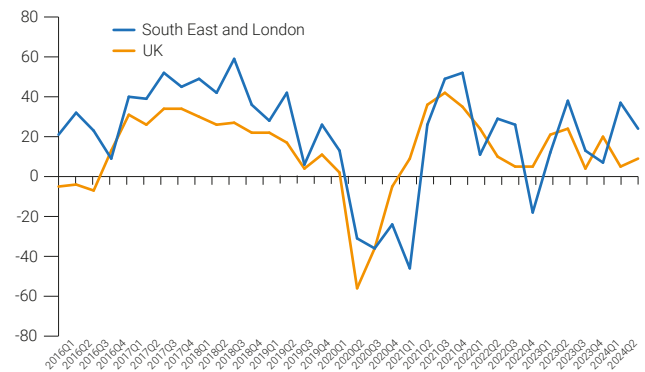
The top three subsectors in the region, in terms of their value added to the economy, are Food & Drink, Electronics and Pharmaceuticals, in that order. Both the Food & Drink and Pharmaceuticals subsectors have seen trend-beating growth so far in 2024, and that trend is expected to continue for the rest of the year. The performance of these two subsectors will continue to bolster the prospects of this region's manufacturing performance.

Most notable for the region is the particularly strong year average balance figure for investment intention. It's the highest figure, +27%, across all UK regions and nations and is also well above the national average. A proportion of this effect will be attributable to the 'London' effect, meaning those businesses located within and near London tend to have higher business confidence and are subsequently likely to be more confident in capital expenditure.

Average business confidence in the South East and London came in at 7.1, which is quite above the UK's average confidence for the year at 6.6 and the highest recorded business confidence in the UK over the year. This is an increase in the index by 0.5 points compared to last year.

### South East and London output balance outperformed the UK average in the first two quarters of 2024

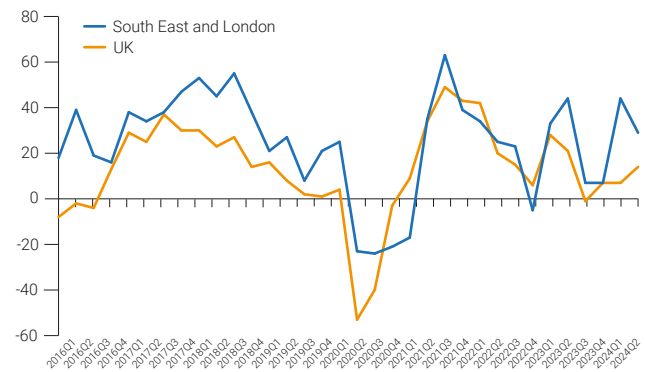
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### South East & London orders books activity indicates output growth will be sustained in the medium term

% balance of change in export orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# SOUTH WEST

The South West is the UK's fourth-largest region in terms of gross value add (GVA). The region accounts for 7.7% of the UK's total output, with the manufacturing industry contributing 0.8% of the UK's total output. The South West generates 10.3% of its regional output from manufacturing, which is similar to the UK average of 9.4%. Three major subsectors account for just under half of the South West's manufacturing output. The largest is the Transport Equipment subsector, with 21.6% of all manufacturing output. This is followed by Food & Drink at 15%, and then the Electronics subsector at 12.3%. This is return to normality following a change in the previous report when Mechanical Equipment overtook Electronics.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.7%	—
Manufacturing	0.8%	10.3%
Construction	0.5%	6.9%
Services	6.0%	78.5%
Other production	1.1%	14.6%

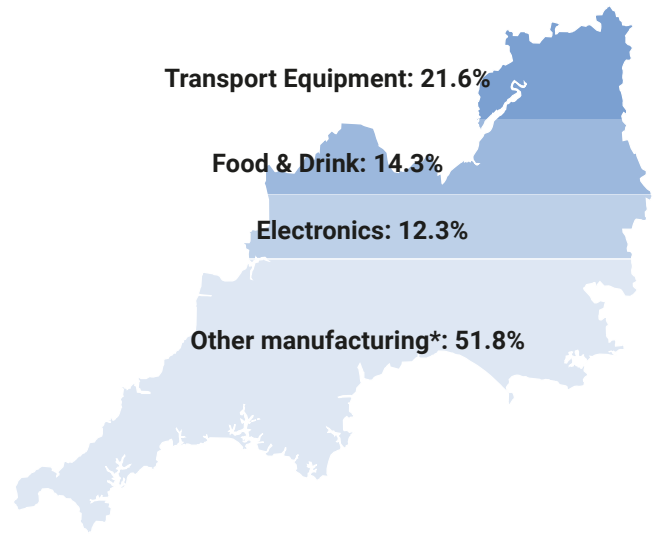
Source: ONS 2024

## EMPLOYMENT

- There were 243,000 manufacturing jobs in the South West in 2024, accounting for 8% of the region's total workforce and 0.7% of the UK's total workforce.
- This is a decline of 5,000 in the last 12 months.

## EXPORTS

- In 2023, the South West accounted for 6% of the UK's total goods exports.
- The region sees 44% of its exports go to the EU, which is less than the national average of 50%. As a result, the South West remains one of the least dependent on the EU for its exports.
- The next largest destination for South West's goods is North America, accounting for 20% of goods exports. Followed closely behind by Asia & Oceania which accounts for 19% of goods exports. Unchanged from 2022.

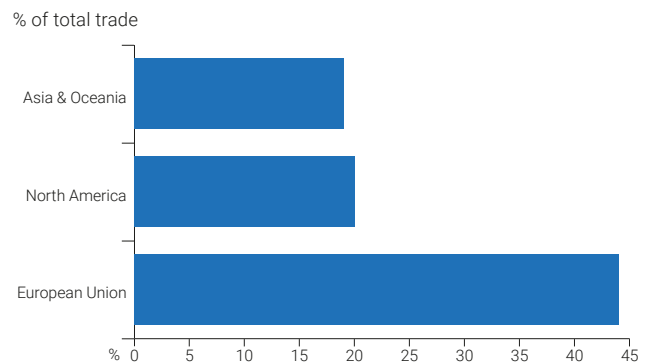


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The South West's overall productivity is the 3rd best in the UK, at 94.1% (UK=100).
- Manufacturing productivity is at 97.8% of the UK average, ranking 7th across all regions and nations.

## Top three export markets for the South West's goods



Source: Uktradeinfo 2024



## MANUFACTURING PERFORMANCE IN THE SOUTH WEST

The South West reported some of the weakest average balances in the UK over the past four quarters. In particular, both the average balances for order books and investment intentions reported at -3%, with the former being the lowest in the UK. This is quite concerning as the previous edition of *Regional Outlook* also indicated a challenging year for the South West region. Therefore, it is not surprising that this region also has the second lowest confidence in the UK, though a recent boost to planned investment activity suggests output and orders may improve.

**OUTPUT BALANCES UNDERPERFORMED THE UK AVERAGE IN THE FINAL THREE QUARTERS**

**AVERAGE TOTAL ORDERS REPORTED THE MOST NEGATIVE BALANCE ACROSS FOUR QUARTERS**

**INVESTMENT INTENTIONS TURNED POSITIVE AGAIN IN Q1 2024**

**EMPLOYMENT BALANCE SUGGESTS WEAKNESS**

**AVERAGE BUSINESS CONFIDENCE 2ND LOWEST IN THE UK**

Furthermore, though in the previous year the average balance for output indicated more modest growth in production for manufacturers, the latest average balance between Q3 2023 and Q2 2024 only reported at +3%. This suggests that output growth was depressed in the region following weak indications of demand growth. It is not entirely clear the cause of the recent poor performances given the region is dominated by transport equipment and electronic manufacturers who have reported a boost in demand in other parts of the country.

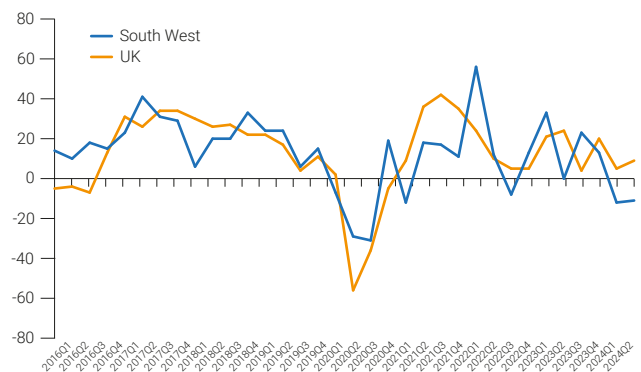
Aerospace orders continue to recover as investment in defence and passenger aircrafts increase in the last year. The weaker performance in the region may be a result of the other, non-dominant, subsectors which make up more than half of the region's manufacturing sector underperforming more generally. However, looking forward, businesses in this region should be hopeful as general UK manufacturing activity is on an upward trend, the benefits of which will certainly extend to businesses across the nation, including the South West.

Inspecting trade dependencies indicate that South West manufacturers maintain a below average reliance on the European Union for its exports, with 44% of goods being sold there in 2023. However, looking at the next largest destination for most regions, North America, there appears to be a downward trend in exports falling from 23% in 2019, to just under 20% in 2023. This is in comparison to Asia, which has maintained a steady export share of approximately 19%.

The South West, though reporting one of the lowest average business confidences in the UK, saw a general improvement from last year. Confidence increased from 5.7 to 6.5 which is in line with a general upward movement for most parts of the UK, where manufacturers have collectively become more positive in the last twelve months despite any turbulence in economic conditions.

### South West production activity falls into negativity in 2024

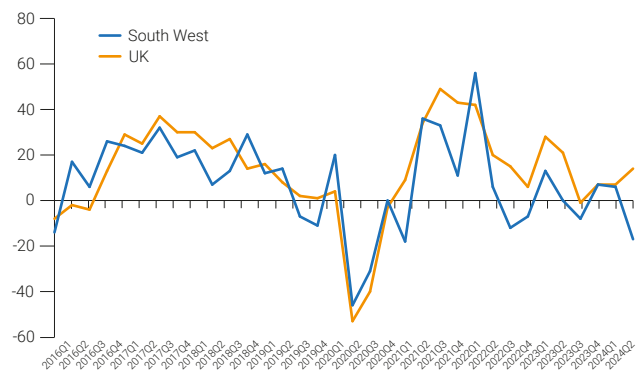
% balance of change in output (past three months)



Source: Make UK Manufacturing Outlook Survey

### The region's order books collapsed in the second quarter of this year

% balance of change in UK orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# WEST MIDLANDS

The West Midlands is the UK's sixth largest region in terms of gross value add (GVA), and the third largest manufacturing region. The region accounts for 7.1% of the UK's total output, with the manufacturing industry here contributing to 0.9% of the UK's total output. The West Midlands generates 13.1% of its regional output from manufacturing, well above the UK average of 9.4%. Three major subsectors account for just over half of the West Midlands' manufacturing economy. The Transport Equipment subsector accounts for 20.7% of manufacturing output, a significant drop from 28.3%. This is followed by Metal Products at 18.1%, and then the Machinery Equipment subsector at 12%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.1%	–
Manufacturing	0.9%	13.1%
Construction	0.5%	6.4%
Services	5.5%	76.9%
Other production	1.2%	16.8%

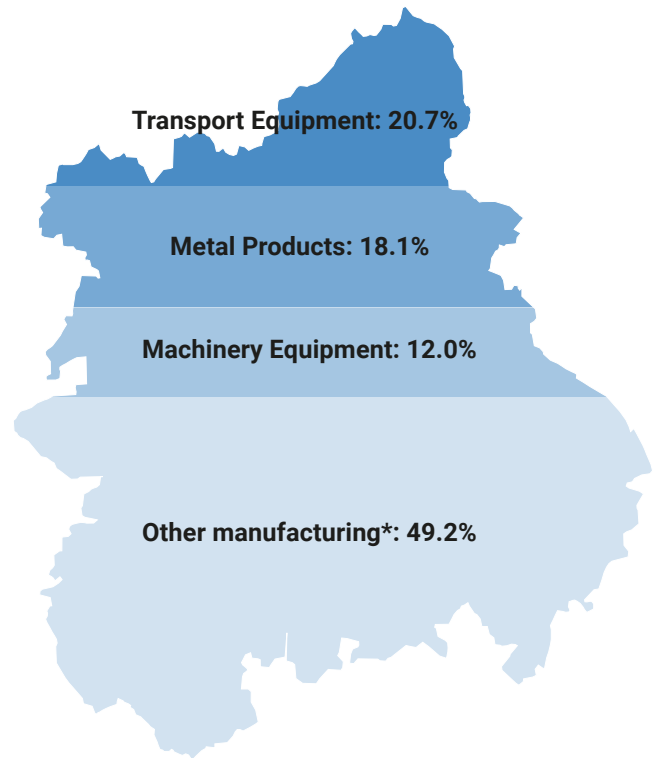
Source: ONS 2024

## EMPLOYMENT

- There were 296,000 manufacturing jobs in the West Midlands in 2024, accounting for 10% of the region's total workforce and 0.8% of the UK's total workforce.
- This is a decrease of 21,000 in the last 12 months.

## EXPORTS

- In 2023, the West Midlands accounted for 8% of the UK's total goods exports.
- The region's dependence on the EU for goods exports decreased from 45% to 44%. This is below the UK average of 50% and continues on a downward trend from 2022.
- The next largest destination for West Midlands' goods is North America, accounting for 23% of goods exports. Followed by Asia & Oceania which accounts for 18% of goods exports.

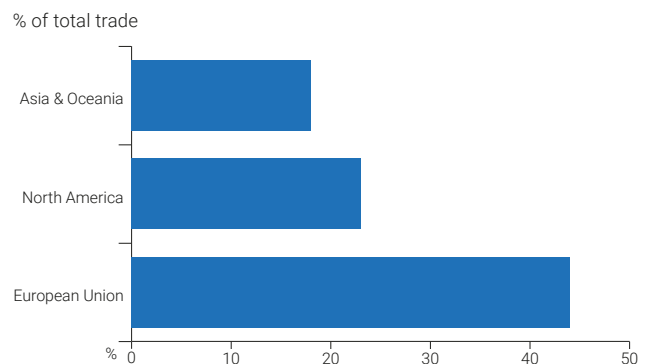


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The West Midlands' overall productivity ranks 8th in the UK, at 86.1% (UK=100).
- Manufacturing productivity is at 83.4% of the UK average, ranking at the bottom of the table. However, the decline in productivity is more a reflection of reduced GVA in 2022 due to difficulties faced by dominant industries in the region, rather than an overall decline in worker productivity.

## Top three export markets for West Midlands goods



Source: Uktradeinfo 2024

## MANUFACTURING PERFORMANCE IN THE WEST MIDLANDS

The West Midlands performance across the key indicators of manufacturing activity is quite mixed. Whilst there are no superstar performances, the region matched its average balance for order books growth compared to last year, reporting at +23%. This is followed by the reporting for investment intentions which finds that an average balance of +22% of manufacturers indicate they plan to increase their capital expenditure. This is unsurprising, given the region’s dominance to automotive and mechanical equipment manufacturers that are investing heavily in new technologies, such as electrification and clean energy solutions.

**AVERAGE OUTPUT BALANCES WERE POSITIVE FOR THE YEAR, BUT TURNED NEGATIVE IN THE FINAL QUARTER**

**ORDER BOOKS RECOVERED IN THE FINAL TWO QUARTERS IMPROVING THE OVERALL AVERAGE BALANCE**

**INVESTMENT INTENTIONS ACCELERATED ABOVE THE UK AVERAGE IN Q2 2024**

**EMPLOYMENT GROWTH FELL INTO NEGATIVITY IN Q4 2024**

**AVERAGE BUSINESS CONFIDENCE 5TH HIGHEST IN THE UK**

However, manufacturers in this region fared less well when measuring overall, average, output volumes. Despite strong order books, only a balance of +8% of manufacturers reported an increase in their production levels. This reflects continued constraints applied by global supply-chains that have made it more challenging to acquire critical materials and components, such as semi-conductors, various precious metals and non-metallics too. Though, since supply-chain disruption has eased sharply recently it is unlikely that production levels will remain subdued in the region.

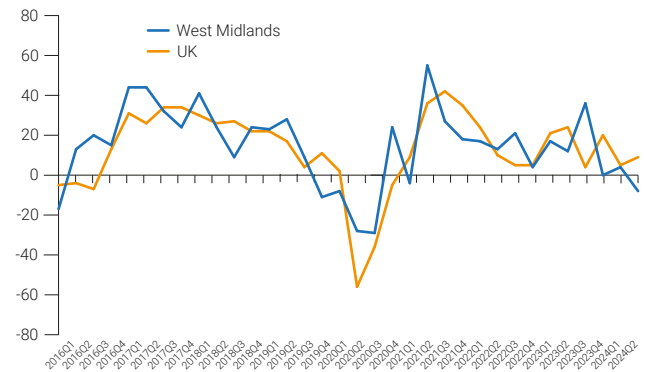
According to the official statistics, albeit the data being slightly lagged against our survey, there is a concerning trend in the West Midlands region. As it currently stands, the West Midlands remains the only region where its total manufacturing output (gross value added) is still below its pre-pandemic output. This is in contrast to every other part of the UK (except for Northern Ireland) that has already recovered.

This again may reflect the activities of specific subsectors. In this case, the dominance of Transport Equipment in the region has markedly declined in the last few years, with its share of output contribution to total manufacturing output falling to approximately 20% in the latest available data. In comparison, the percentage share was approximately 26% in the previous report, and is far below the contribution transport equipment made to West Midlands manufacturing in 2019, which exceeded 30% at the time. Automotive manufacturing is a critical industry in the region which also supports manufacturers across the supply-chain, such as the next two largest subsectors: Metal Products and Machinery Equipment.

Lastly, average business confidence improved slightly in the West Midlands, increasing by 0.3 to 6.7. This is consistent with the rest of the UK with confidence remaining high despite a challenging economic environment for certain subsectors.

### West Midlands output balances indicate supply-chain challenges persist

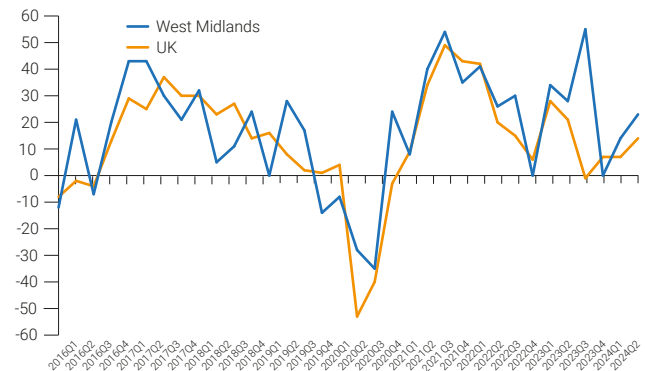
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### The recent improvements in order books balances suggest production output will increase too

% balance of change in employment (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# YORKSHIRE & THE HUMBER

Yorkshire & the Humber is the UK's seventh largest region in terms of gross value add (GVA), and the third largest manufacturing region. The region accounts for 6.7% of the UK's total output, with the manufacturing industry contributing 1% of the UK's total output. Yorkshire & the Humber generates 14.6% of its regional output from manufacturing, significantly above the UK average of 9.4%. Three major subsectors account for just under half of Yorkshire & the Humber's manufacturing output. The largest being the Chemicals subsector, with 17.5% of manufacturing output. This is followed by the Food & Drink industry, with 17.4% and then the Metal Products subsector at 14.1%. This marks a surprising change with the Chemicals subsector overtaking food and drink in the region.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	6.7%	–
Manufacturing	1.0%	14.6%
Construction	0.4%	6.4%
Services	5.1%	75.3%
Other production	1.2%	18.3%

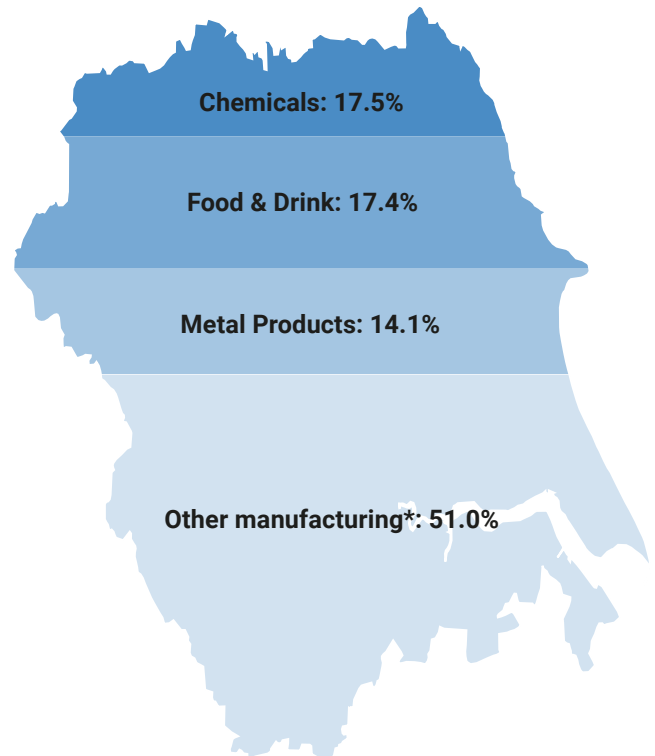
Source: ONS 2024

## EMPLOYMENT

- There were 287,000 manufacturing jobs in Yorkshire & the Humber in 2024, accounting for 10% of the region's total workforce and 0.8% of the UK's total workforce.
- This is a decline of 8,000 in the last 12 months.

## EXPORTS

- In 2023, Yorkshire & the Humber accounted for 5% of the UK's total goods exports.
- The region's dependence on the EU reported at 56%, well above the UK average of 50%. This makes this region one of the most dependent on exports to the EU.
- The next largest destination for Yorkshire & the Humber's goods is North America, accounting for 16% of goods exports. Followed by Asia & Oceania which accounts for 12% of goods exports.

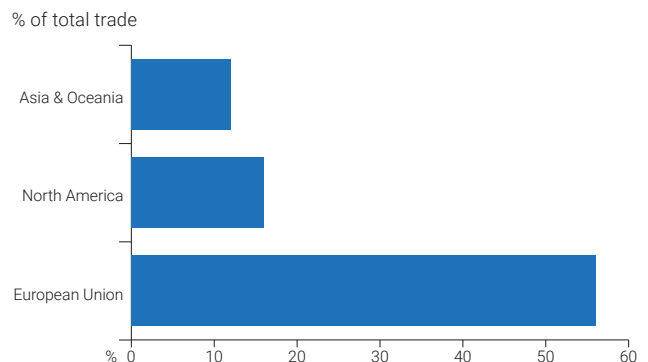


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- Yorkshire & the Humber's overall productivity ranks 6th in the UK, at 88.2% (UK=100).
- Manufacturing productivity is at 98.5% of the UK manufacturing average, also ranking 6th across all regions and nations.

## Top three export markets for Yorkshire & the Humber's goods



Source: UKtradeinfo 2024



## MANUFACTURING PERFORMANCE IN YORKSHIRE & THE HUMBER

The Yorkshire & the Humber region reported very modest growth in output, orders and investment intentions, though not employment this year. The average balance for output volumes reported at +15% this year highlighting improved production levels for most manufacturers. This is expected, as order books on average has also improved in the region with an average balance of +11% of manufacturers reporting better pipelines. Investment intentions have similarly improved in tandem with an average balance of +11% of manufacturers planning to increase their capital expenditure.

**OUTPUT BALANCES BOUNCED BACK IN THE SECOND QUARTER OF 2024**

**ORDER BOOKS RECOVERED IN Q2 2024, FOLLOWING A CONTRACTION IN Q1**

**INVESTMENT INTENTIONS FLAT IN THE FINAL TWO QUARTERS**

**AVERAGE EMPLOYMENT BALANCE 2ND MOST NEGATIVE IN THE UK**

**AVERAGE BUSINESS CONFIDENCE 3RD HIGHEST IN THE UK**

The only negative balance for the Yorkshire & the Humber region came from the employment metric. An average balance of -5% is the second lowest in the UK, the lowest being the East of England region. This decline in employment is also reflected in the official statistics which reported a reduction of 8,000 workers in the region's manufacturing workforce, compared to this time last year. However, the fluctuations in employment is not surprising given employment also increased markedly last year. This volatility in the region's workforce may reflect a higher dependency on the usage of temporary workers which can skew both official and surveyed data.

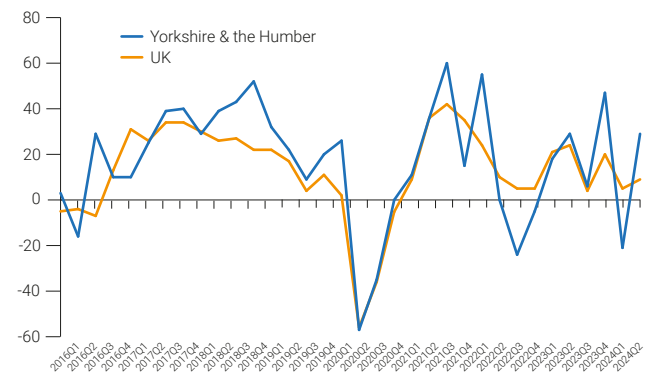
Alternatively, the higher intentions to invest in capital equipment may also reflect an industry that is looking to further automate, and invest in new technologies like AI or IoTs. Changing perspective to look at specific subsectors, one of the largest subsectors in the region, Chemicals, has recently reported declining growth as demand continues to wind down from its post pandemic boom.

Yorkshire & the Humber remains one of the most reliant on exports to the EU accounting for 56% of goods going there, worth more than £10bn to the region. This export share is unchanged from last year's reporting, though the value has declined slightly. In comparison, the next two largest destinations (North America and Asia) for exports combined is only worth £5.4bn to the region. However, trade with North America has been increasing in recent years as the export share has increased from 13% in 2020, to 16% in 2023.

Yorkshire & the Humber reported a small improvement in average business confidence, increasing by 0.2 to 6.8 (up from 6.6). This is consistent with wider confidence in the UK with most regions or nations reporting an overall improvement in optimism despite a challenging economic environment with higher interest rates and costs.

### Y&H output performance experiences more volatility in the last 12 months

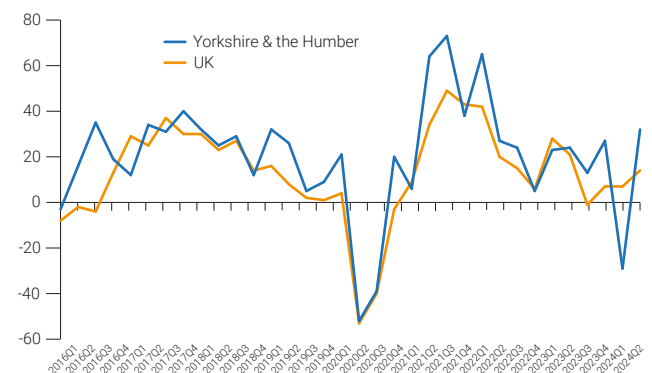
% balance of change in output balance (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Y&H orders activity faced similar volatility to output volumes

% balance of change in UK orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# SCOTLAND

Scotland is the UK's fifth largest nation/region in terms of gross value add (GVA) and the eight largest manufacturing economy. The nation accounts for 7.4% of the UK's total output, with the manufacturing industry here contributing to 0.8% of the UK's total output. Scotland generates 10.2% of its regional output from manufacturing, slightly above the UK average of 9.4%. Three major subsectors account for just under half of Scotland's manufacturing output. The largest is the Food & Drink industry, with 30.8% of all manufacturing output. This is followed by Electronics at 8.4%, and then the Chemicals subsector at 8.1%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.4%	-
Manufacturing	0.8%	10.2%
Construction	0.4%	5.8%
Services	5.7%	77.1%
Other production	1.3%	17.2%

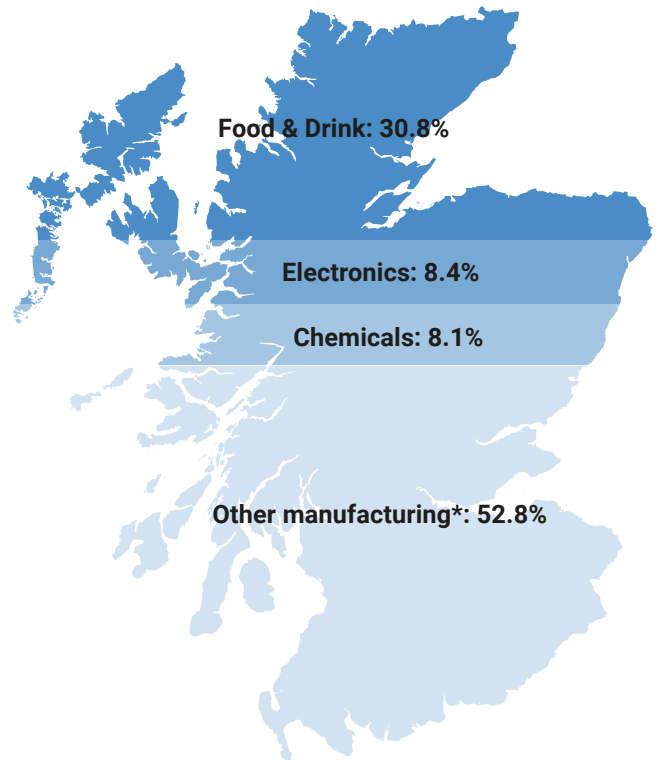
Source: ONS 2024

## EMPLOYMENT

- There were 183,000 manufacturing jobs in Scotland in 2024, accounting for 6% of the region's total workforce and 0.5% of the UK's total workforce.
- This is an increase of 10,000 in the last 12 months.

## EXPORTS

- In 2023, Scotland accounted for 10% of the UK's total goods exports.
- The region's dependence on the EU for exports reported at 57% (down from 59%). This makes Scotland the 3rd most dependent on the EU for exports (excluding Northern Ireland).
- The next largest destination for Scotland's goods is Asia & Oceania, accounting for 14% of goods exports. This is currently equaled by North America which also accounts for 14% of goods exports.

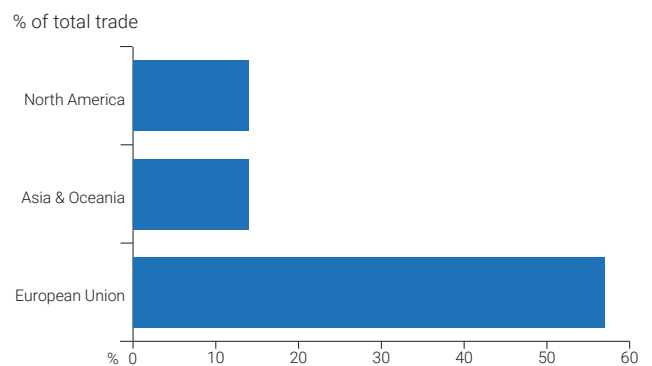


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- Scotland's overall productivity is the 2nd best in the UK, at 96.9% (UK=100).
- Manufacturing productivity is at 116% of the UK manufacturing average, ranking 1st across all regions and nations.

## Top three export markets for Scotland's goods



Source: Uktradeinfo 2024

## MANUFACTURING PERFORMANCE IN SCOTLAND

Scotland is often an outlier in the annual *Regional Outlook* review. Either the nation posts outstanding results, or average balances that fall far below the national performance. Historically, the nation has maintained a strong investment appetite, a feature which continues in the latest report. However, Scottish manufacturers have faced challenges attracting customers with a low average balance of +1% for order books growth. In comparison to last year's report, Scotland reported the biggest decline (or slowdown) in average order books growth too.

**SCOTLAND ENDS THE PERIOD WITH AN OUTPUT BALANCE SLIGHTLY HIGHER THAN THE UK AVERAGE**

**ORDERS BALANCES STEADILY IMPROVED QUARTER ON QUARTER**

**INVESTMENT INTENTIONS MAINTAINS POSITIVITY THROUGHOUT THE PERIOD**

**EMPLOYMENT GROWTH EXCEEDED THE UK AVERAGE BY Q2 2024**

**AVERAGE BUSINESS CONFIDENCE LOWEST IN THE UK\***

\* It should be noted confidence in Scotland follows a different survey collection method so should not be compared to the rest of the UK like for like.

Despite this, output volumes continued to grow for a balance of +9% of manufacturers and employment also expanded for some businesses. This is reflected in the official statistics also, with total employment increasing by 10,000.

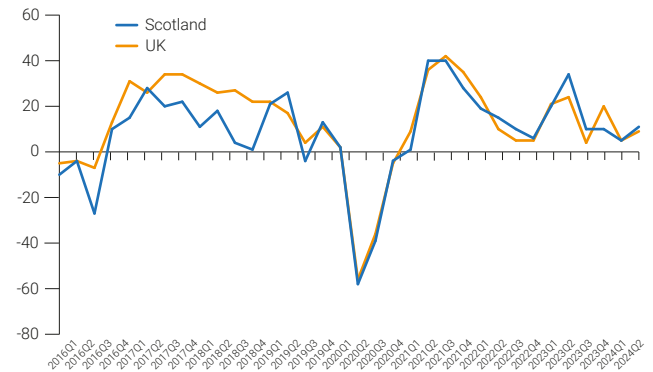
The fascinating feature of the Scottish manufacturing economy is that, by value, Food and Drink vastly dominates the overall manufacturing sector. The nation is home to several well known beverage brands, such as BrewDog, Heineken and Irn Bru. As a result, the subsector accounts for 30.8% of the nation's manufacturing output and is currently worth £5.1bn to the Scottish economy.

The European Union continues to play a significant role in Scotland's prosperity, accounting for 57% of the nation's exports, and worth nearly £20bn to the economy. Excluding the EU, Asia has historically been an important source of customers for Scottish manufactured goods, but recently the share of exports travelling to Asia has been falling in favour of the EU. In 2020, 18% of Scotland's goods exports went to Asia despite supply-chain challenges during the pandemic, compared to 14% today. In contrast, the share of exports to the EU has increased from 52% to 57% in the same time period. This development may in fact be a response to unprecedented supply-chain disruption during this period which has led manufacturers to review their supply-chain strategies and focus more on delivery security to reduce risks.

Finally, average business confidence in Scotland ranks the lowest in the UK, though on balance manufacturers here are still optimistic. They are only relatively less optimistic than their peers in the rest of the UK. Historically, confidence in Scotland has been marginally lower regardless of the actual performance of businesses which may be an inherent characteristic of businesses here.

### Scotland's output performance slightly better than the UK average in the latest quarter

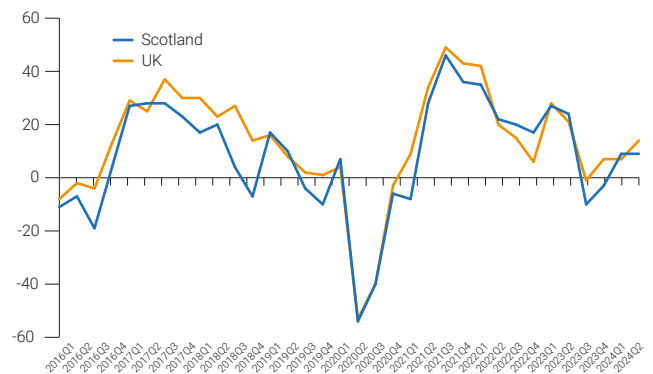
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Following two quarters of decline, Scotland's order books growth rebounded to modest levels

% balance of change in investment intentions (next 12 months)



Source: Make UK Manufacturing Outlook Survey

# WALES

If Wales were a region, it would have the ninth largest economy in the UK, and the ninth largest for manufacturing too. The nation accounts for 3.3% of the UK's total output, with the manufacturing industry here contributing to 0.5% of the UK's total output. Wales generates 15.4% of its national output from manufacturing, which is well above the UK average of 9.4%. Three major subsectors account for just under half of Wales' manufacturing output. The largest is the Transport Equipment industry, with 15.5% of all manufacturing output. This is followed by the Food & Drink subsector at 14.7% and then the Metal Products subsector at 13.7%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	3.3%	–
Manufacturing	0.5%	15.4%
Construction	0.2%	6.4%
Services	2.4%	73.1%
Other production	0.7%	20.5%

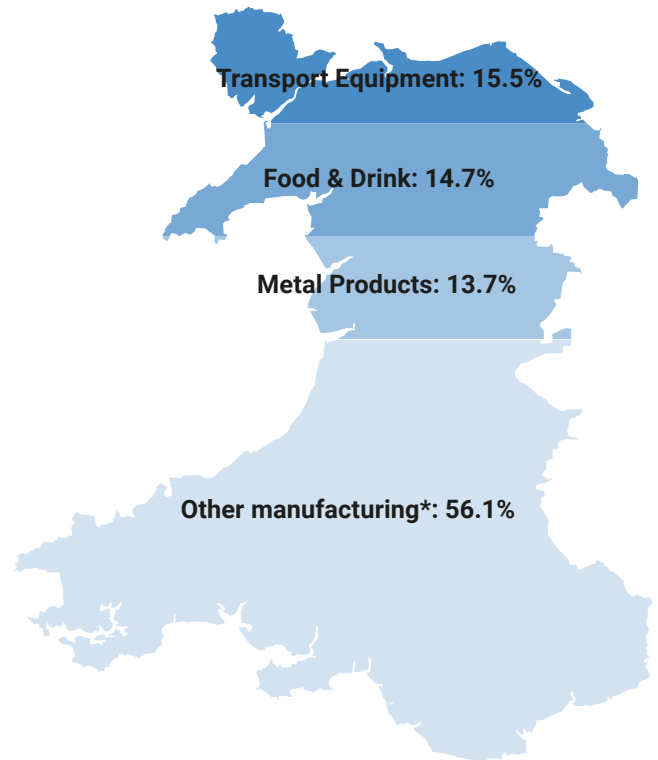
Source: ONS 2024

## EMPLOYMENT

- There were 154,000 manufacturing jobs in Wales in 2024, accounting for 10% of the region's total workforce and 0.4% of the UK's total workforce.
- This latest figure is an increase of 13,000 jobs in the last 12 months.

## EXPORTS

- In 2023, Wales accounted for 6% of the UK's total goods exports.
- The nation sees 59% of its exports go to the EU (up from 56%) and well above the UK average of 50%. This makes Wales the most dependent on the EU for exports (when excluding Northern Ireland).
- The next largest destination for Wales' goods is North America, accounting for 17% of goods exports. Followed by Asia & Oceania which accounts for 11% of goods exports.

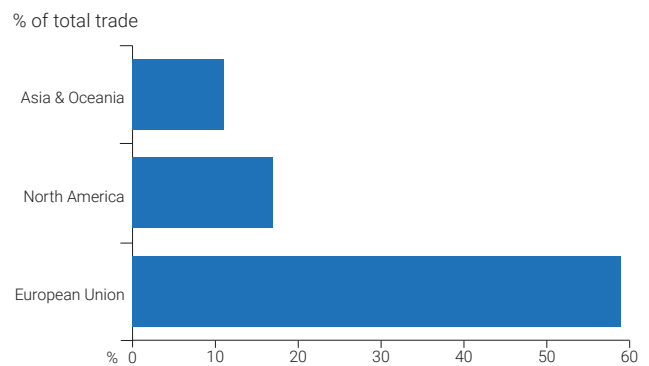


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- Wales' overall productivity ranks 10th in the UK (lowest), at 82.3% (UK=100).
- Manufacturing productivity is at 94.5% of the UK average, ranking 9th across all regions and nations, a sharp drop from 5th place in 2019.

## Top three export markets for Wales' goods



Source: Uktradeinfo 2024

## MANUFACTURING PERFORMANCE IN WALES

Manufacturers in Wales experienced a very productive year, with a sharp bounce back in order books. In all four of the major metrics under scope for this year's *Regional Outlook*, Wales reported the most improved average balance for each one. For example, the average balance of output reported at +21%, following last year's average of -2%. Similarly, order books grew for an average balance of +22% of manufacturers which is a positive sign for the nation. As a result, investment intentions have surged too, posting Wales' best performance at an average balance of +26%. Finally, the average balance for employment is not only the most improved in the UK, but also the single best result in the country.

AVERAGE OUTPUT BALANCE MOST IMPROVED IN THE UK

AVERAGE ORDER BOOKS BOUNCED BACK SHARPLY DUE TO Q1 BOOST

AVERAGE INVESTMENT INTENTIONS 2ND BEST IN THE UK

AVERAGE EMPLOYMENT BALANCE BEST AND MOST IMPROVED IN THE UK

AVERAGE BUSINESS CONFIDENCE RANKS 7TH IN THE UK

The overall performance of Welsh manufacturers in the last twelve months is surprising, especially since in the previous year the very same businesses fared much worse in comparison to other regions. The uptick in order books is likely the key to the manufacturing sector's performance with specific industries, such as aerospace, food and metal fabricators, benefitting from greater demand.

Specifically, the aerospace and defence sector is worth more than £1.1bn to the Welsh economy, more than double the size of the automotive subsector. The nation hosts several key players such as Airbus, BAE Systems and British Airways, making aerospace and defence a critical industry for the Wales economy.

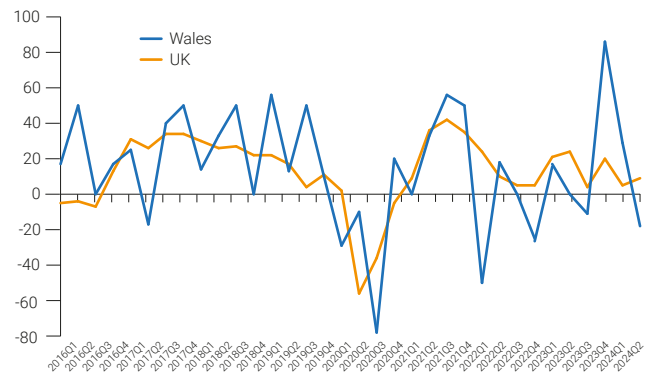
Fortunately, this industry has benefitted from a resurgence in demand for its goods, particularly for passenger flights as more people return to their pre-pandemic travel habits, and an increase in demand for air freight capacity as more manufacturers seek alternatives, or back-up options, to shipping freight which has faced significant disruption in recent years. A rise in order books for aerospace manufacturers can often bring significant stability to these manufacturers for several years due to the lengthy lead times in the production process.

Investment in the region is also increasing with a large base of foundation industries that are striving to decarbonise, such as through the transition to electrification and digitalising through the adoption of modern automated technologies, and AI. A critical element to continue to support manufacturers in Wales should also acknowledge the high dependency on the European Union for its exports, as the UK's closest economic neighbours remains an important partner for these manufacturers.

Like the rest of the economy, business confidence on average improved. Here, the average improved from 6.1 to 6.5, making Wales the 7th most confident in the UK.

## Output performance remains highly volatile in Wales

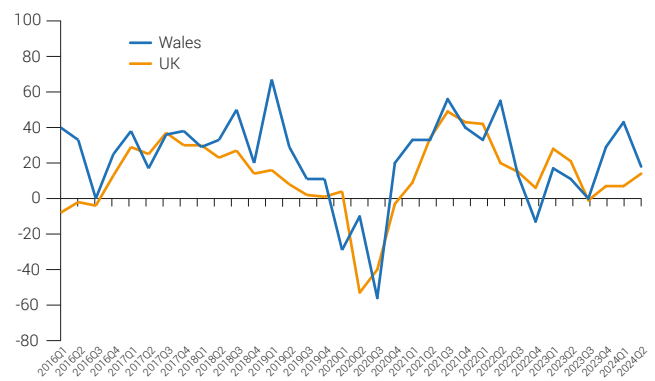
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

## Wales' manufacturing orders books performance signals more growth to come

% balance of change in orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey









Make UK works for the success of more than 2.7 million men and women employed in UK manufacturing. Representing member companies – from small businesses to multinationals – across every industrial sector, we are the most influential voice of manufacturing, enabling our members to connect, share and create opportunities together.

We stimulate success for manufacturing and technology related businesses, enabling them to meet their objectives and goals. We empower individuals and inspire the next generation.

We create the most supportive environment for UK manufacturing growth and success and we represent the issues that are most important to our members, working hard to ensure UK manufacturing remains in the government and media spotlight.

Our extensive knowledge of manufacturing means that we're able to influence policy-making at local, national and international levels. We push for the policy changes that our members want to see. We are the voice of manufacturing.

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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](mailto:research@Makeuk.org)

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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.

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