MAKE uk
The Manufacturers' Organisation

In association with:
pwc

EXECUTIVE SURVEY 2026

TIME FOR MISSION GROWTH

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FOREWORD

We're at a pivotal moment for the industrial landscape. Shaped by rapid digitisation, growing costs and evolving global dynamics, manufacturing is transforming. Despite the pressures they face, manufacturers are innovators at heart. And this year they're doubling down on innovation - developing new products, investing in marketing, and embedding technology to drive growth.

It's encouraging to see manufacturers take a strategic and more customer-centric approach that focuses on growth despite rising costs. Marketing and product innovation are moving up the agenda as top priorities for 2026. Businesses that prioritise expansion, diversification and investments in technology, will be better placed to offset risks, build resilience and set themselves up for long-term success. In fact, despite economic uncertainty, nearly two-thirds of manufacturers (65%) believe opportunities to succeed in 2026 outweigh the risks.

Building on last year's results, manufacturers are investing in digital transformation, with a heightened focus on new product development and digital technologies, AI and automation. By combining market insight with engineering expertise, manufacturers can design products that meet real customer needs and deliver commercial impact. This offers an exciting opportunity, but to capitalise further, businesses must become more agile and responsive to evolving customer needs.

Given this boost in technology, it's not surprising that cybersecurity has risen up the agenda. Over the last 12 months we have seen first-hand how cyber-attacks can impact businesses. Manufacturers need to continue building digital resilience and prioritising cybersecurity otherwise they risk being on the backfoot in the future. Balancing cost-cutting with the need to invest in technology and cybersecurity is crucial.

Meanwhile, cost concerns continue to climb again this year from soaring employment costs to rising technology and IT costs. Increases to the Living Wage and National Insurance contributions are squeezing cost pressures further, particularly for labour-intensive manufacturers.

Concerns around energy costs also remain high and will need to be addressed to ensure long-term growth. While cost pressures are undoubtedly challenging, this is an opportunity for manufacturers to reflect, transform and position themselves to drive sustainable growth. That means recognising the importance of investing in technology and AI, alongside investing in their people to train and upskill them for the future.

Manufacturers are optimistic about the role of the Industrial Strategy, with 63% believing it will increase their investment plans. The strategy appears to have tipped the balance in favour of confidence in the UK's manufacturing competitiveness. The share of companies that expect the UK to remain a competitive manufacturing location in 2026 has risen to 57%, up from 49% last year. Yet only 41% of non-UK businesses currently view the UK as an attractive place to invest. While starting from a strong position, there is still significant work needed to strengthen the UK's reputation and competitiveness and to address structural obstacles to growth such as energy costs, skills gaps and access to finance.

We are pleased to be supporting Make UK with the Executive Survey again this year and encouraged to see manufacturers remain optimistic as we head into 2026. It's clear that manufacturers are ambitious in their mission to drive growth. Challenges remain, but those investing in technology and customer-focused strategies today will be well-positioned for long-term success.

Cara Haffey
Leader of Industrials & Services,
PwC UK

EXECUTIVE SUMMARY

For UK manufacturers, 2026 is shaping up to be a year of change. Costs are rising across the board, but businesses are determined to push forward. Almost nine in ten expect employment costs to go up, with energy prices still eating into margins and technology spending climbing as firms invest in digital tools. These pressures are real, yet manufacturers are responding with ambition rather than consolidating costs.

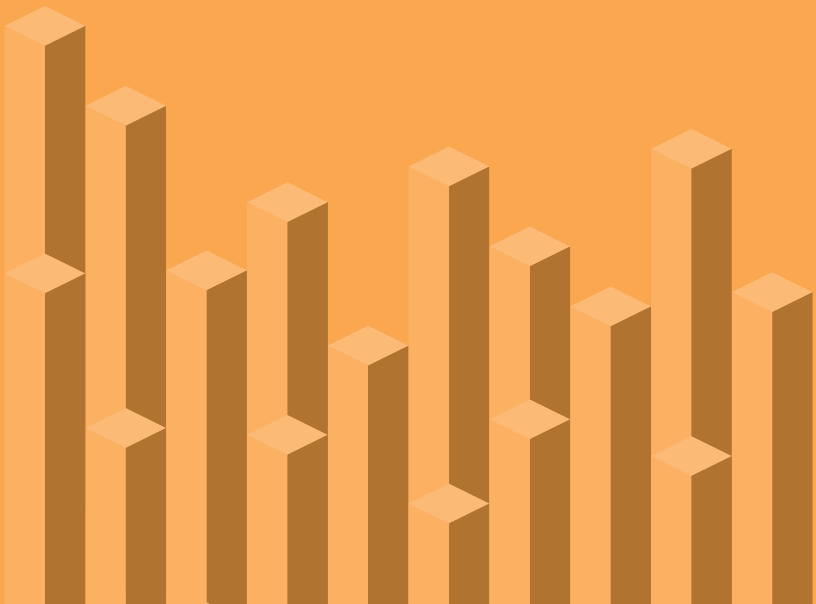
The Executive Survey 2026, delivered by Make UK in association with PwC UK, shows a mood of cautious optimism. Nearly two-thirds believe the opportunities ahead outweigh the risks, and many are prioritising growth strategies over cost-cutting. The Government's Industrial Strategy is a big part of that confidence, with most companies planning to increase investment as a result. Views on the UK's competitiveness are mixed: while over half see the UK as a good place to manufacture, fewer overseas businesses share that view.

Innovation and diversification are front and centre of manufacturers' minds. More than half of manufacturers plan to expand their product ranges; 42% are looking to new export markets; and 60% are increasing investment in digital technology, AI and automation. Marketing and customer engagement are also moving up the agenda, signalling a shift towards more customer-focused business models.

Cost pressures remain the biggest risk, alongside economic uncertainty and political instability. Cybersecurity has surged up the priority list, with 55% of firms planning investment in digital resilience, up from 45% last year and just 5% the year before. This sharp rise reflects the tough choices businesses face: balancing investment for growth with enhanced cyber security protection. Skills shortages continue to bite, prompting businesses to invest in training and upskilling to keep pace with automation.

Despite all the challenges, manufacturers continue to be ambitious. They plan to invest in new products, technology and sustainability initiatives and are keeping an eye on export opportunities particularly in Europe and North America. The year ahead won't be easy but the sector is ready to adapt and grow. The Industrial Strategy provides a solid foundation for businesses. Now Government needs to deliver the detail and create the right conditions for investment.

For manufacturers, the focus is clear: growth.



UK MANUFACTURING: THE FACTS

THE UK IS THE **11TH LARGEST** MANUFACTURING ECONOMY GLOBALLY BY VALUE OF OUTPUT

MANUFACTURING ACCOUNTS FOR **10% OF UK GDP** AND **42%** OF THE UK'S **TOTAL EXPORTS**

THE SECTOR PROVIDES **2.6 MILLION JOBS**

£220BN OF OUTPUT COMES FROM **THE UK MANUFACTURING** SECTOR

THE MANUFACTURING SECTOR HAS **48,000** LIVE VACANCIES

48% OF ALL UK BUSINESS **RESEARCH AND DEVELOPMENT**

AND

17% OF TOTAL UK BUSINESS INVESTMENT **IS MADE BY MANUFACTURERS**

MANUFACTURERS PAY **8% HIGHER WAGES** THAN THE WHOLE ECONOMY AVERAGE

[1]UK Manufacturing: The Facts 2025, Make UK

KEY SURVEY FINDINGS

2 IN 5 SEE EXPORTING INTO NEW MARKETS AS THE BIGGEST OPPORTUNITY IN THE YEAR AHEAD

68% HAVE FIRM PLANS TO BOOST INVESTMENT IN NEW PRODUCT DEVELOPMENT

1 IN 2 MANUFACTURERS SEE ECONOMIC UNCERTAINTY AS A MAJOR RISK

65% OF MANUFACTURERS BELIEVE THE OPPORTUNITIES WILL OUTWEIGH THE RISKS IN 2026

57% STILL BELIEVE THE UK IS A COMPETITIVE PLACE TO DO MANUFACTURING BUSINESS

37% ARE FOCUSED ON MARKETING THEIR BUSINESS AS A KEY GROWTH STRATEGY

NEARLY 2/3 OF FIRMS IDENTIFY EMPLOYMENT COSTS AS THE KEY RISK TO THEIR BUSINESS IN 2026

86% SAY EMPLOYMENT COSTS WILL INCREASE IN THE NEXT 12 MONTHS

63% BELIEVE THE INDUSTRIAL STRATEGY WILL INCREASE PLANS FOR INVESTMENT

55% PLAN TO INVEST IN DIGITAL RESILIENCE AGAINST CYBER-ATTACKS

PART 1:
PRESSURE INTO PROGRESS – INCREASED COSTS BOOST TECH DRIVE IN 2026

Manufacturers are facing significant cost pressures as they enter 2026, balancing rising operational expenses with the need to invest in technology. While employment costs remain a major challenge, technology and IT costs are increasing faster than any other area. Despite broad cost increases, businesses are ensuring their resilience by shifting their focus towards growth strategies rather than just cost-cutting measures, committing to improving efficiency and prioritising innovation to boost revenue.

"If employment costs rise more...automation becomes an easy choice."
Executive Survey 2026 respondent

Managing cost rises across the board

For the second year in a row, manufacturers report employment costs as their top concern with 86% citing it as their biggest pressure point. This reflects the continued impact of the 2024 Autumn Budget. Employment costs ranked particularly highly among firms with 10-249 employees as they face pressure to both absorb increases to the National Living Wage for workers, as well as maintain pay differentials across the business.

"We can't afford for the cost of employment to increase as much as it did in 2025."
Executive Survey 2026 respondent

Energy costs remain a concern for UK manufacturers, with 66% expecting prices to rise. Over the past two years other cost pressures have moved higher up the agenda, in areas such as marketing and training, adding to the complexity of managing overall costs. However, energy remains critical, not only because of price volatility but also due to growing demand.

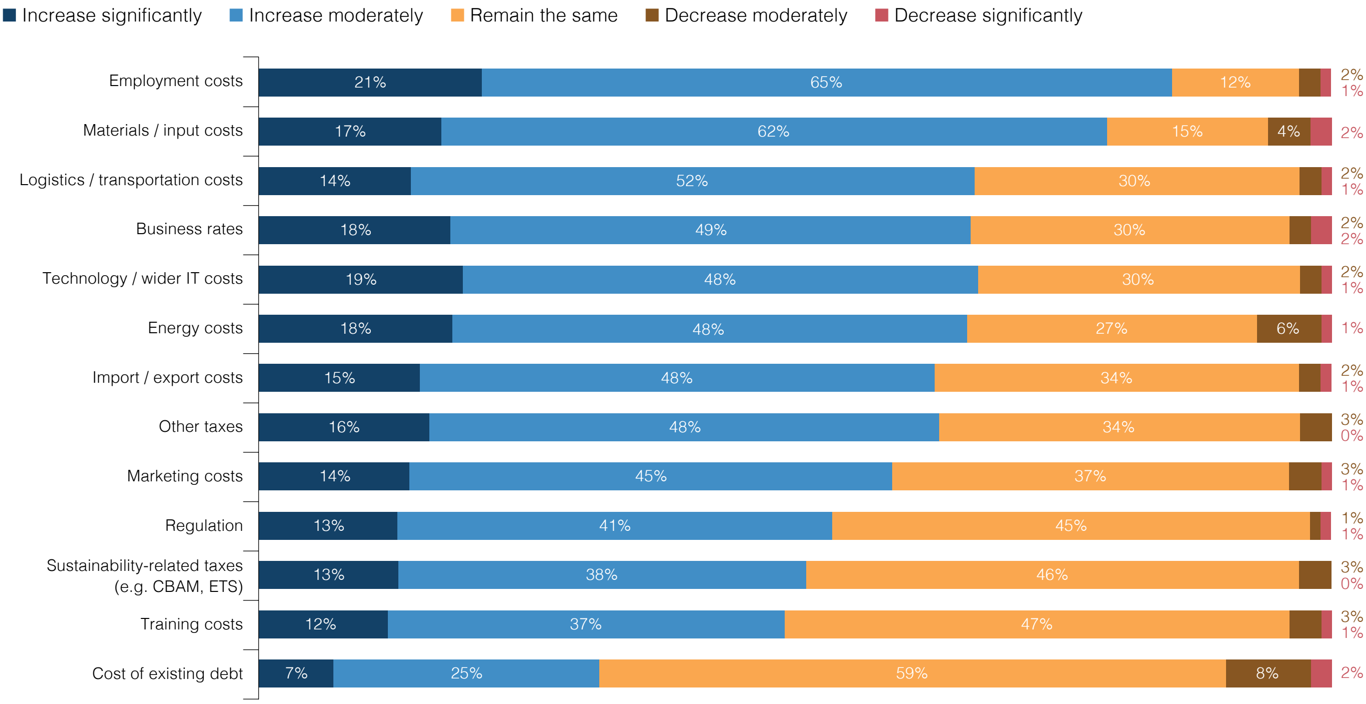
Technology is the leading driver of this trend, with 34% of business executives citing energy-intensive technologies and the digitalisation of processes as the most important factor behind rising energy use.[2] As manufacturers accelerate tech adoption, the strain on the energy system will intensify, making it essential to maintain focus on energy affordability and resilience to keep pace with digital transformation.

Technology and wider IT costs have risen, with 17% more manufacturers reporting an increase in 2026 compared to 2025. When we look deeper, nearly half of manufacturers (49%) report increases of between 1-10%, with a further 38% reporting increases of 11-25%. While some of the increase reflects higher underlying costs, a significant proportion is driven by deliberate investment and expansion in technology and digital capabilities. Despite broader cost pressures, manufacturers are prioritising tech adoption to boost productivity and competitiveness.

[2] PwC UK, Energy Survey 2025

Chart 1a: Rising costs remain a challenge in 2026

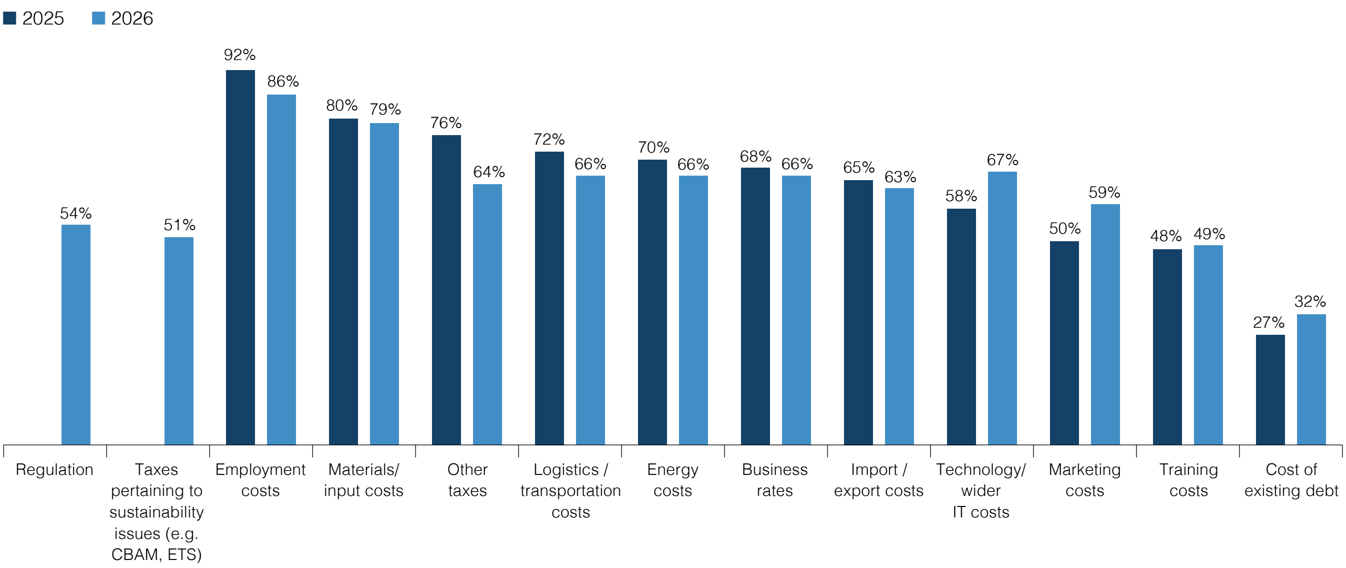
% firms citing extent to which costs will increase



Source: Make UK and PwC UK, Executive Survey 2026

Chart 1b: Higher cost expectations compared, 2025 vs 2026

% firms citing extent to which costs will increase (significantly or moderately)

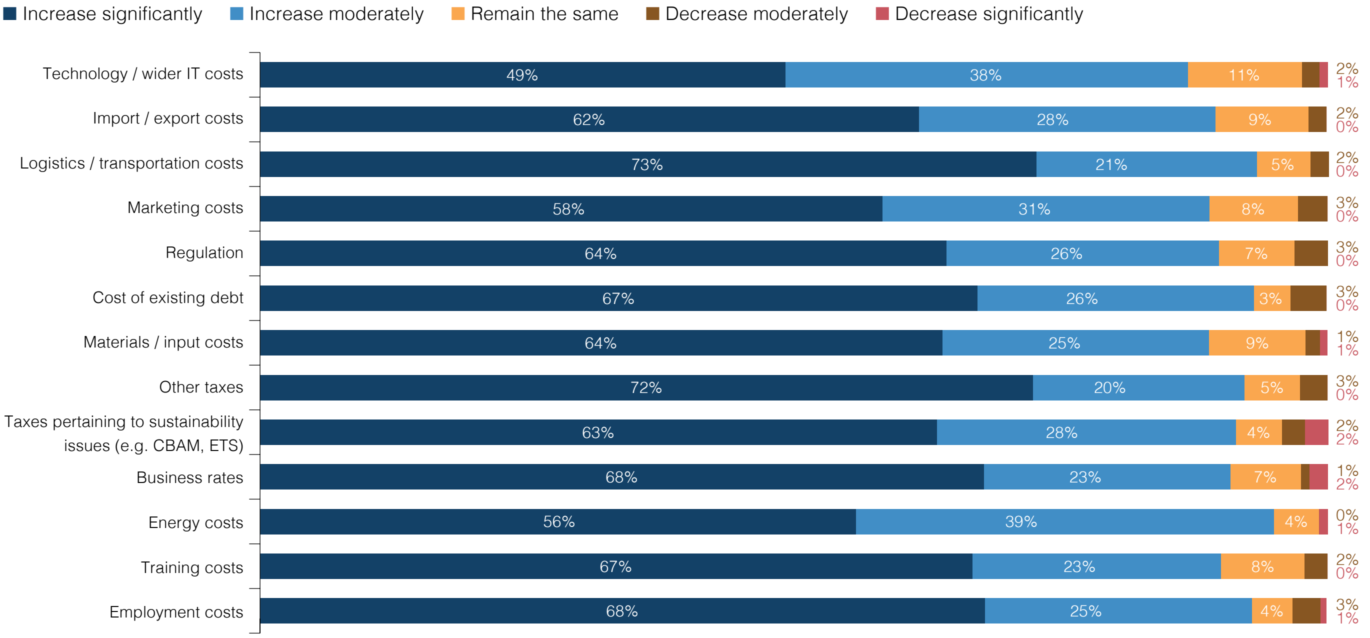


*No data for 2025 for regulation and taxes pertaining to sustainability (e.g. CBAM)

Source: Make UK and PwC UK, Executive Survey 2026

Chart 2: Some costs will make a big dent in overall business costs

% firms citing the amount which costs will increase



Source: Make UK and PwC UK, Executive Survey 2026

THE IMPACT OF THE EMPLOYMENT RIGHTS ACT

The Employment Rights Act is the Government's flagship piece of legislation aiming to give "the biggest upgrade to workers' rights in a generation". The Act is far-reaching and includes new measures which offer employees, amongst other things; 'day one' rights to flexible working, a right to guaranteed hours for those on zero or low hours contracts and a right to proportionate compensation for shifts cancelled at short notice. There will also be new requirements for employers in areas such as workforce consultation on collective redundancy and the easing of requirements on trade unions when proposing to take industrial action. The measures from the Act will take effect over the course of 2026 and 2027.

In November 2025, the Government made the decision to retain a six-month qualifying period for the right to protection from unfair dismissal, rather than making this a day-one right of employment as originally planned. This reflects major concerns from businesses, whose likely response to the day-one right would have been to reduce hiring - especially among those candidates who need additional support, training and flexibility during their initial period of employment.

However, there is still much in the Act which worries manufacturers. The decision to uncap the compensation that can be awarded in unfair dismissal claims risks undermining the Government's move on the qualifying period. Long-planned changes such as introducing a right to guaranteed hours contracts for those on zero or low hours contracts poses a major risk to manufacturers reliant on hiring workers flexibly according to seasonal fluctuations in demand. Moving eligibility for Statutory Sick Pay to the first day of sick leave and removing the lower earnings limit imposes the biggest financial cost on manufacturers of any measure in the Act. Trade union reforms which make access, organising and industrial action easier could incur higher costs for businesses and slow down productivity.

Make UK will continue to work with the Government as measures from the Act are phased in over the next two years to make the legislation work for manufacturers - minimising disruption, keeping costs as low as possible and enabling businesses to hire the workers they need.

Choosing expansion over reduction

Rather than relying solely on cost-cutting measures, manufacturers are increasingly focusing on growth strategies to offset cost pressures. Businesses see marketing (37%) and product innovation (36%) as key drivers of revenue and competitiveness, as well as diversifying markets and investing in new ideas. Despite a challenging environment, manufacturers are once again demonstrating the true resilience of the sector, forging ahead regardless of the circumstances.

When asked where they are focusing their growth strategies, 36% of manufacturers said they plan to launch new products or services in 2026. To support this, firms can use their marketing strategies to educate customers on new launches and services, tailoring messages for different sub-sectors and needs. Our data also indicates that 30% of manufacturers intend to invest in digital tools such as AI. This can help analyse historical sales, predict demand through market trends, align production with marketing campaigns and streamline processes to segment audience.

However, when it comes to exploring new sectors, there is clear room for growth. While more than half (51%) of manufacturers are considering new sectors, there is a significant opportunity for remaining businesses to reassess diversification strategies for growth in the year ahead. Only 8% of manufacturers are considering mechanical equipment or aerospace, and 7% are looking at food and drink, chemicals, or electronics. Common obstacles for not diversifying include uncertainty about demand, perceived skills gaps, and investment risk. Overcoming these barriers could unlock new revenue streams and strengthen resilience.

YOUR GROWTH STRATEGY IS YOUR CUSTOMER STRATEGY

If growth depends on new products, markets, and customers, then both your front office and your factory must be designed around the customer.

What this means for manufacturers

- Shift from “selling what we make” to “making what customers want”: Use AI and data analytics to mine customer, sales and market insights to shape product roadmaps, pricing, and value propositions by segment.
- Treat brand, experience and service as core to competitiveness in exports and new sectors – not just as communications.
- Align sales, marketing and service KPIs around lifetime value, share of wallet and retention – not just short-term orders.

“2026 will be a year we focus on innovative products.”
Executive Survey 2026 respondent

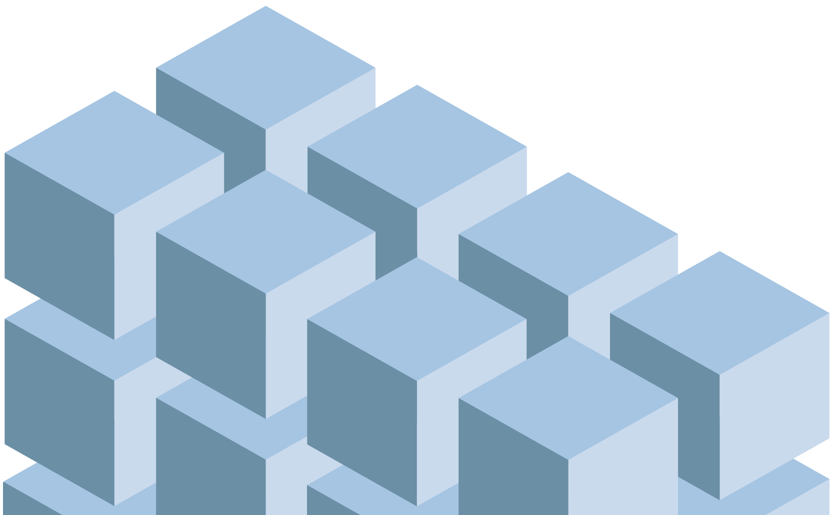
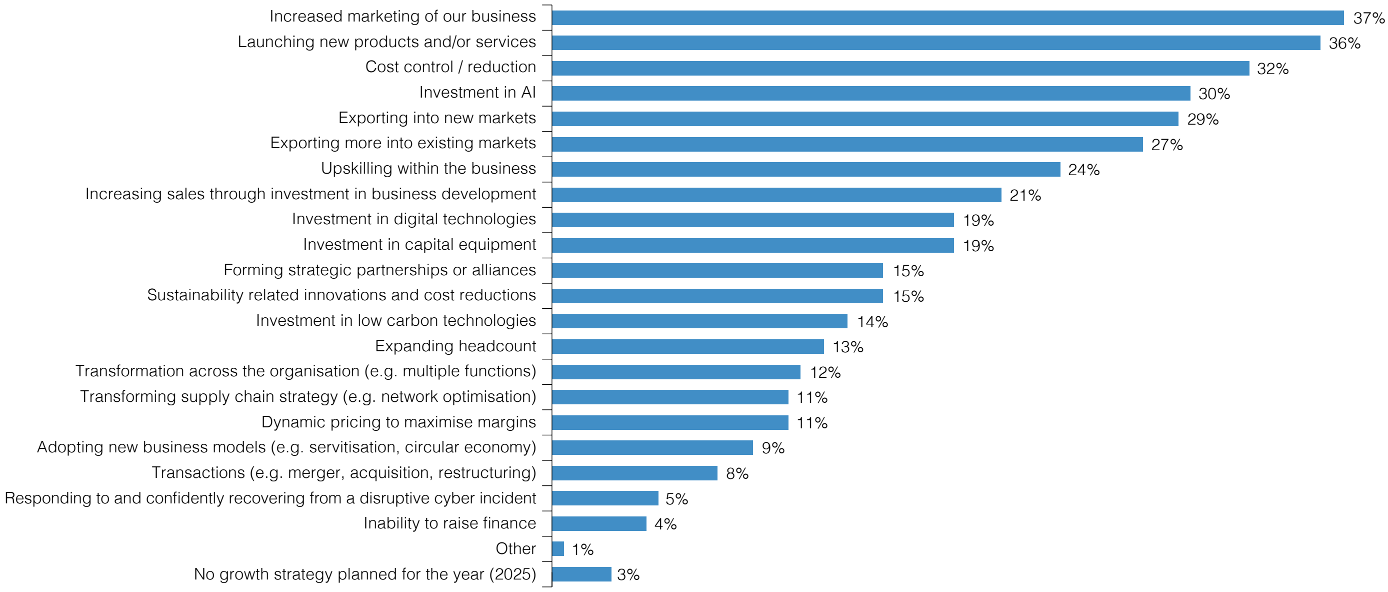


Chart 3: Strategic opportunities for growth

% firms citing areas of growth in the year ahead



Source: Make UK and PwC UK, Executive Survey 2026

2025 Autumn Budget: The impact on manufacturers

The trail of media headlines before the Budget left many manufacturers braced for further employer taxes, but these were not increased in the wholesale manner that many expected. Although recent announcements include measures intended to support manufacturers, many businesses still face significant financial hurdles that limit operations and investment.

Restricting tax relief on salary sacrifice for pensions and National Living Wage increases

Currently, employees can contribute unlimited amounts to their pension via salary sacrifice without incurring National Insurance contributions (NICs). From April 2029, only the first £2,000 of sacrificed contributions will remain NICs-exempt, with any excess subject to both employee and employer NICs. Though this change is three years away, it will significantly impact businesses offering enhanced pensions as an employee benefit. Coupled with the planned increase to the Living Wage (up 4.1% to £12.71 per hour from April 2026) and the previous Budget's rise in employer NICs, these factors will squeeze margins and could further slow hiring.

Skills and apprenticeships for under-25s

Since the Apprenticeship Levy was introduced in 2017, only employers with a payroll exceeding £3 million have been required to pay into the levy at a rate of 0.5% of salary costs. These contributions fund the entire apprenticeship system, including covering 95% of training costs for apprentices in non-levy-paying businesses (with the additional 5% normally covered by SME (Small and Medium-sized Enterprise) co-investment payments).

However, in 2024, the 5% co-investment payment for SMEs when hiring an apprentice under the age of 22 was removed. In the 2025 Autumn Budget, this was extended further for all SME apprentices under 25.

This is good news for SME manufacturers who want to target the under-25 demographic, though the funding for this announcement may mean less capacity for apprenticeships for over 25s (in particular, for existing workers who are looking to retrain or upskill). Make UK's Industrial Strategy Skills Commission revealed that while levy receipts from businesses are expected to exceed £4 billion, the apprenticeship budget has been set lower than this, with an estimated £800 million~ in Growth and Skills (formerly, Apprenticeship) Levy contributions unaccounted for. It is critical that, as we move into 2026, all funding paid into the levy by businesses is ringfenced for use on skills, given the changes to apprenticeship funding detailed below.

The Government also announced that the expiry window for spending levy funds will be reduced from 24 months to 12 months. This means levy payers will have an even shorter timeframe to use their funding, increasing the risk of being timed out of spending it. This change could influence decisions on how many apprentices a business takes on, particularly if employers cannot use their levy contributions in good time.

Writing down capital allowances
The Government also announced a change in capital allowances relief for businesses: a new 40% first year allowance for expenditure incurred from January 2026. This is intended to encourage investment where neither full expensing nor Annual Investment Allowance is available.

However, the rate of writing down allowances will reduce from 18% to 14% per year. This will impact the scheduling for claims as it delays tax reliefs for depreciating assets and may incentivise businesses to hold onto these assets for longer to claim the maximum amount feasible from their tax bills. This is a positive step for sustainability, but negative for the adoption of new vehicles (especially electric vehicles) in the fleet market.

Business rates
Manufacturers are to face another revaluation of their rateable values in 2026, though the Government has also committed to overhauling the business rates system. Businesses may be concerned that they need to prepare for a second wave of cost rises in addition to other rising costs across the board.

The current system disproportionately impacts investment-heavy industries, like manufacturing. In 2023, when the Valuation Office Agency reviewed commercial property values, the industry sector saw their rateable values go up by on average 27.1%, four times the national average. As business rates are a pre-profit tax, they are accounted for as part of the total cost base of a business, directly impacting investment and recruitment decisions.

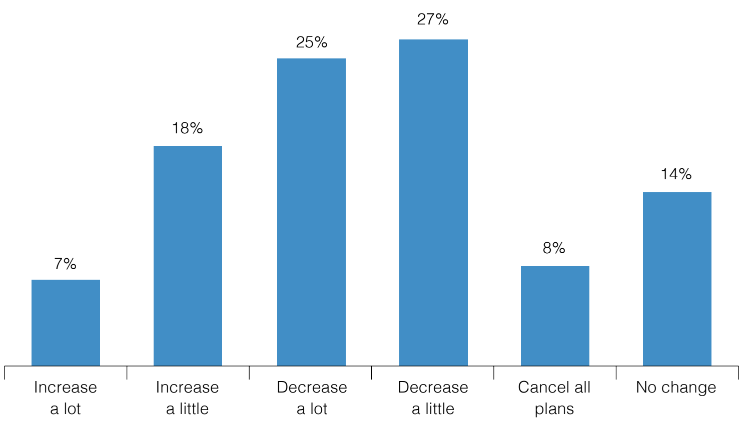
Whilst manufacturers can let out a small sigh of relief that there wasn't a wholesale increase in business tax, the Budget announcements may chip away at business confidence and plans to invest. When we asked manufacturers, prior to the Budget, how their investment plans would change if there were further taxes on businesses, over half reported that they would decrease their planned investment, with 8% reporting that they would cancel all investment plans.

"For 2026, the main challenge remains investment confidence, which is still fragile across UK manufacturing. Many customers are delaying capital equipment decisions."
Executive Survey 2026 respondent

These figures are a stark reminder that business confidence is always impacted by fiscal events and clearly highlight how announcements in the Budget could have gone further to deliver on the ethos of the Industrial Strategy: building economic growth by supporting key sectors like manufacturing.

Chart 4: Tax rises are deterring investment

% manufacturers reporting the effect of further tax rises on investment plans



Source: Make UK and PwC UK, Executive Survey 2026

PART 2: OVERCOMING RISKS TO UNLOCK REWARD

UK manufacturers' risk outlook for 2026 is not dominated by a single identified risk, rather, the results show a dense clustering of macro, financial and geopolitical concerns. In fact, the proportion of the sector that think there are no major risks to their business in 2026 is vanishingly small, at 4%.

While increasing employment costs is the headline risk for 65% of respondents, the wider picture is one of more pervasive uncertainty, with general economic uncertainty (52%) being the second highest risk for the year ahead. This is closely, and perhaps unsurprisingly, followed by political and geopolitical instability (50%). This aligns with pedestrian and somewhat on-the-fence economic forecasts for the sector's prospects in 2026. With Make UK's own growth forecast for the manufacturing sector in 2026 standing at a diminutive -0.5% and the forecast for the UK economy not faring much better at 0.9%.

Other cost pressures for the coming year include energy costs (53%), other business costs (43%) and input costs (36%) which are squeezing capital across the sector. Although wholesale energy prices have fallen significantly since their 2023 peak, this raw market cost reduction is not being passed onto to the sector's bottom line. Poorly timed contract renewals, energy suppliers holding onto margins and costly UK industrial energy policies have created a triple squeeze, which widens the gap between wholesale energy prices and what manufacturers actually pay when the bill arrives. Concerns over the security (18%) and access to energy (9%) are present but remain in the shadow of the threat of its cost.

If the melange of risks wasn't yet sufficient, views on the UK's monetary environment are playing a significant role in risk management for 2026. Businesses are worried about their customers' ability to pay, along with their own. Consistently high interest rates have served to stoke the flames of this risk, with 26% explicitly worried about the interest rate itself, which will support identifying customers' debt (28%) and their own debt (18%) as significant risks. This concern is ultimately manifesting in the expectation of extended payment terms in the coming year (31%).

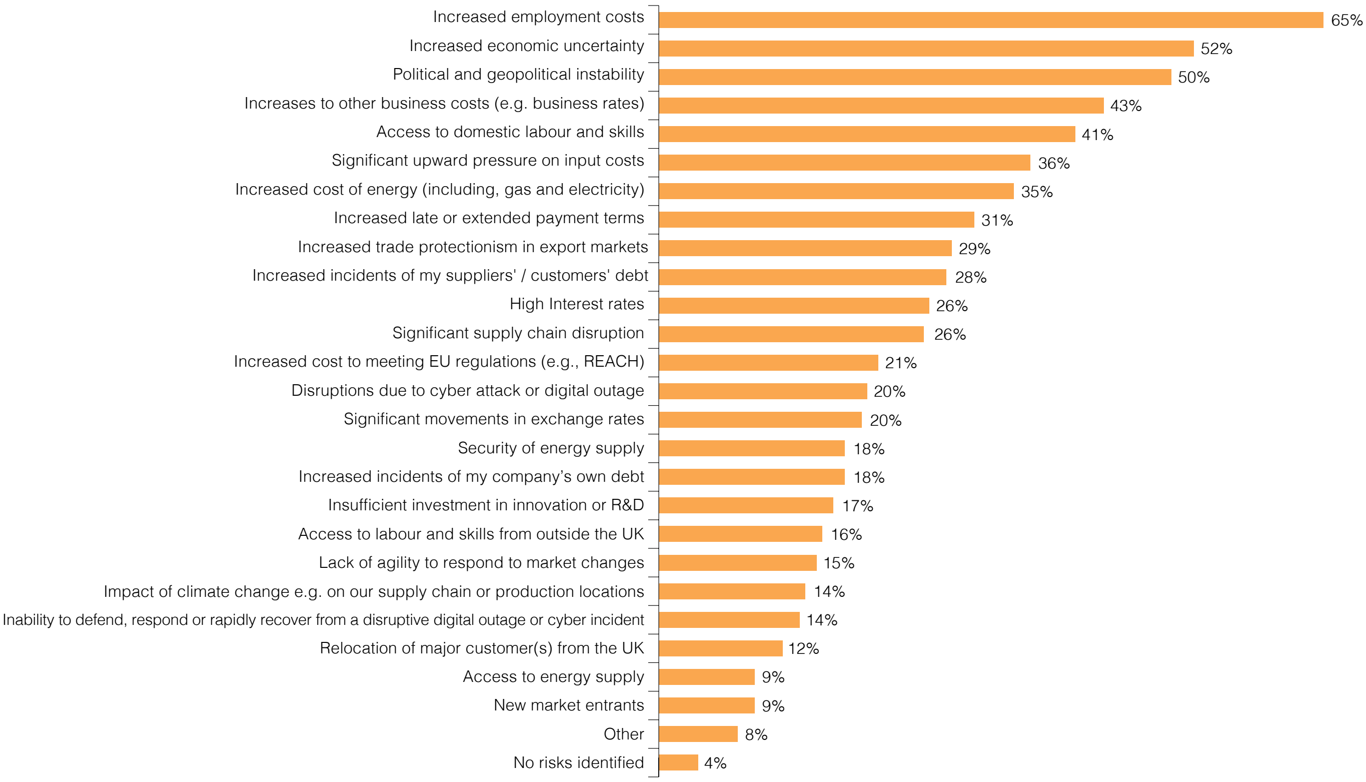
"Looking ahead to 2026, I believe our main challenges will continue to centre around resource capacity, supply chain stability, and maintaining competitiveness in a market that is evolving rapidly with new technologies and customer expectations."

"I think our vision is to stay sustainable and profitable at the same time."

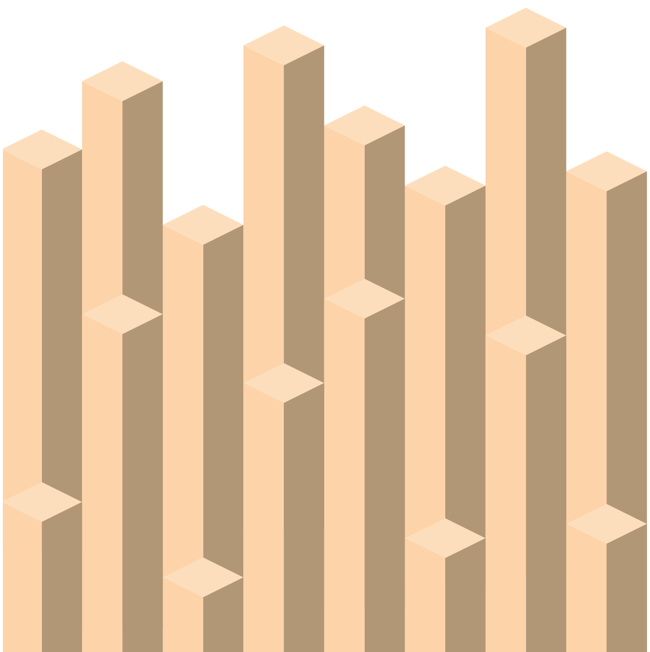
Executive Survey 2026 respondents

Chart 5: Costs and uncertainty remain top threats in the year ahead

% firms citing risks to their business in 2026



Source: Make UK and PwC UK, Executive Survey 2026



"All we want is a stable economic climate so we can plan for the future."
Executive Survey 2026 respondent

Manufacturers are doubling down on innovation and digital transformation to drive growth and resilience

Expansion, diversification and investment in technology offer key opportunities to offset risks. Our data on investment priorities highlights how manufacturers are responding to rising costs and economic uncertainty by focusing on growth and resilience.

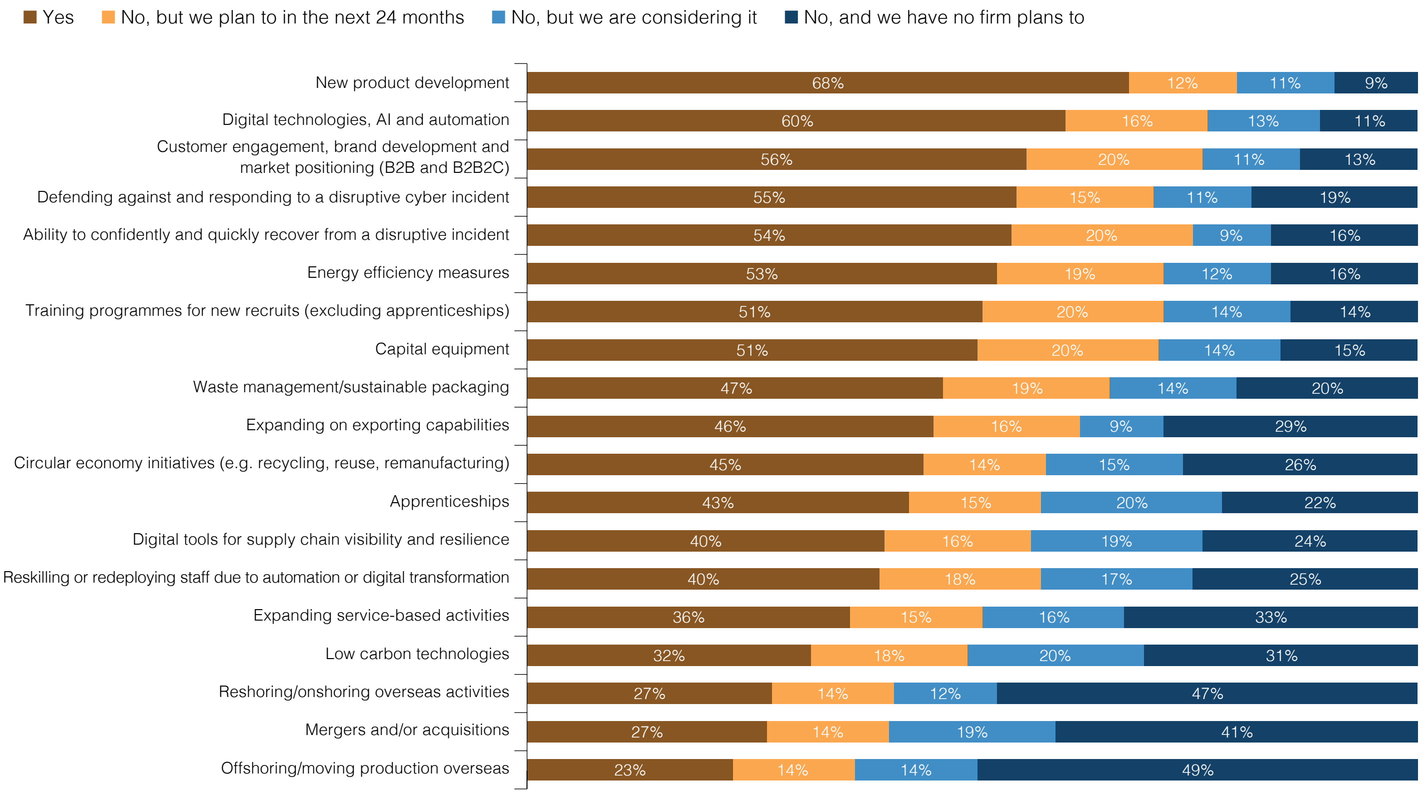
New product development leads at 68%, followed by digital technologies, AI and automation at 60%, with customer engagement and brand positioning close behind (56%). At the same time, 55% of firms plan to increase investment in cyber security in 2026, up from 45% the previous year, highlighting the difficult choices manufacturers must make between growth and security.

"We face rising costs and supply challenges, but tech upgrades and sustainability offer real growth opportunities."
Executive Survey 2026 respondent

While it's encouraging that businesses are increasing investments in cybersecurity, more can be done across the sector particularly given the regular targeting of manufacturing businesses. Balancing cost-cutting with investments in this space is key. Manufacturers focusing on immediate cost pressures rather than long-term digital resilience put themselves at significant risk as they could leave themselves vulnerable to operational disruptions, data breaches and reputational damage if they underestimate cyber threats. Looking ahead, manufacturers need to do both. Modernisation of IT systems can support improved resilience, while cyber measures can be more robust and cost-effective if embedded.

Chart 6: Manufacturers see expansion, diversification and technology investment as key opportunities to offset risks

% firms citing plans to invest over the next 12 months



Source: Make UK and PwC UK, Executive Survey 2026

A SPOTLIGHT ON PEOPLE

A skilled workforce is essential for the success of any new product, process or brand positioning. With manufacturing vacancies at 48,000, businesses are prioritising retraining and upskilling in leadership and management (66%), higher-level technical skills (58%), digital skills (37%) and data analytics (29%). Moderate demand exists for cybersecurity (21%), programming/coding (15%) and green skills (14%).[3]

Manufacturers understand the value of their people. Over 50% in our survey planning training for new recruits and 40% looking to upskill their existing workforce, specifically for redeployment as a result of automation and digitalisation. This figure increases for firms with more than 1000 employees.

Manufacturers are looking ahead to the next two years, with 20% of businesses intending to invest in new workforce skills, while 18% plan to invest in improving existing workforce skills. This shows a strong focus on both bringing in fresh capabilities and enhancing current talent to stay competitive.

This is not surprising given Make UK's Q3 HR Bulletin[4], which found that nearly three-quarters of manufacturers see a shortage of technical skills as the biggest barrier to recruitment. As reforms to apprenticeships begin to take shape, (including the introduction of foundation apprenticeships,) manufacturers who rely on apprenticeships for recruitment and training will appreciate the new flexibility that these policies create. However the absence of funding will remain a concern.

HONING IN ON SUSTAINABILITY OPPORTUNITIES

Manufacturers are consistently seizing net zero opportunities through investments into energy efficiency, circularity and renewable energy sources, which help to reduce waste and drive down costs. With the launch of the Industrial Strategy, the Government has provided the sector with a unifying approach that highlights their commitment to meet net zero targets and establishes a springboard for opportunities.

In 2026, manufacturers will continue to adopt green technologies across their operations. This includes investing in digitisation, taking advantage of upgrades to the energy grid and maintaining the UK's leadership in circular production models. Support schemes are already in place, such as the electricity subsidy for Energy Intensive Industries which reduces the cost of electricity by 40-60% for relevant businesses and plays a valuable role in helping firms manage energy costs while advancing sustainability initiatives. However, to make the UK more competitive, the cost of energy must come down. Government needs to match industry's ambition with timely and effective action.

There has been some progress through the proposed British Industry Competitiveness Scheme (BICS), announced in the Autumn Budget, which aims to cut energy bills by 25% for around 7,000 manufacturers. For this scheme to make a real difference, its scope should be widened to cover all manufacturers and implemented well before the current 2027 timeline.

[3]Salary Guide 2025, Make UK
[4]HR Bulletin 2025 Q3, Make UK

Manufacturers are actively pursuing diversification of products and sectors, new markets and tech adoption

Our survey findings show that expanding product and service portfolios is the leading opportunity for 55% of businesses with 10-499 employees as they respond to evolving customer needs and competitive pressures. Exporting into new markets (42%) and entering new sectors (37%) also rank highly, reflecting the intention to reduce reliance on UK-only demand. Leveraging digital technologies, cloud solutions and AI (36%) shows manufacturers are serious about long-term resilience and competitiveness.

This shift is prompting manufacturers to rethink business models and adapt product portfolios to meet changing market demands. Skills in areas like engineering are increasingly sought after in sectors including defence and energy infrastructure supply chains. These markets offer real opportunities for manufacturers to apply their expertise in new ways, broaden revenue streams and build greater resilience against fluctuations in domestic demand.

"It is going to be a more productive year by...integrating AI."

"[My business is] excited to see how AI can help our business reduce costs and improve performance."

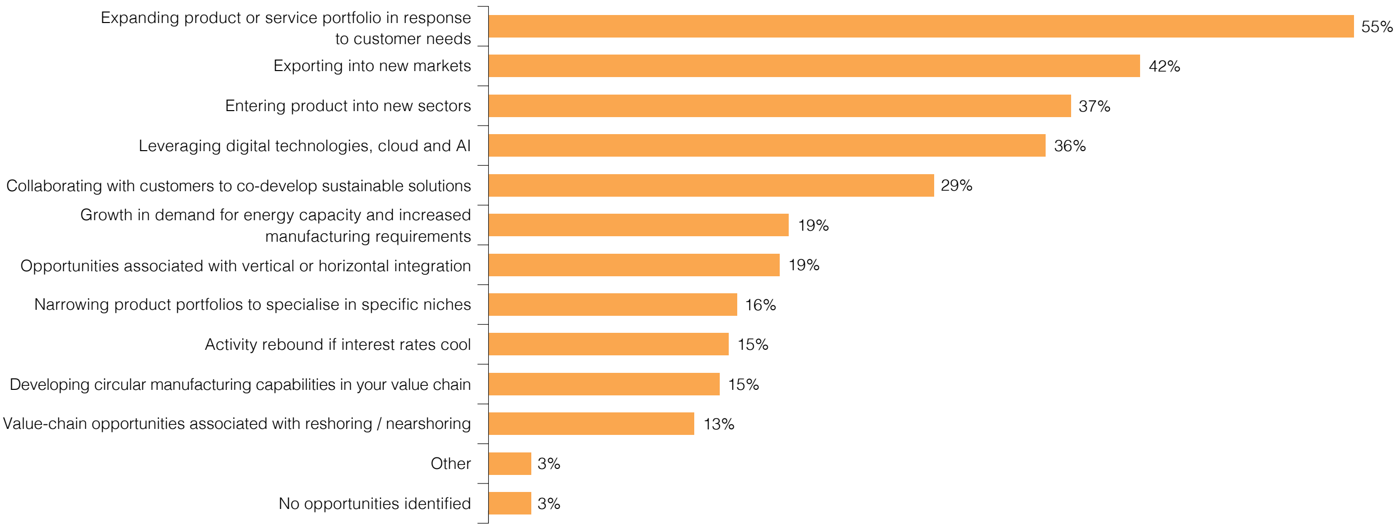
Executive Survey 2026 respondents

International markets and tariff impacts

On balance, expectations for international exports are cautiously positive, with the proportion of those expecting growth higher than those expecting decline. However, if stationary and negative export expectations are taken together, a less positive narrative emerges.

Chart 7: New products, new markets, new sectors

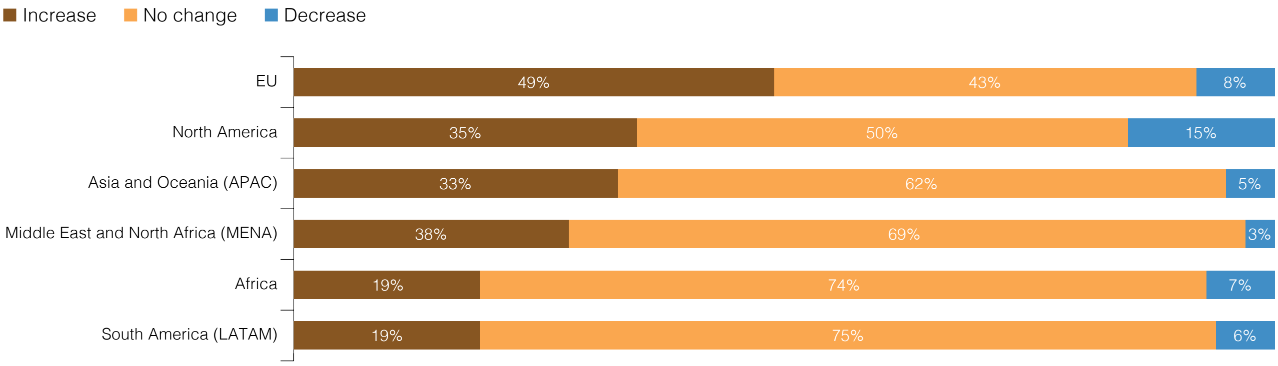
% firms citing biggest opportunities in 2026



Source: Make UK and PwC UK, Executive Survey 2026

Chart 8: The sector reveals where it expects growth markets for its exports to be in 2026

% firms citing expected markets for growth this year



Source: Make UK and PwC UK, Executive Survey 2026

The most mixed picture is seen in the industry's view of how EU trade will evolve in the coming year. Even though 49% of respondents expect export orders from the bloc to increase, 43% expect no change while 8% expect their orders from the EU to decrease. Given the retained pace of inflation and other pressures squeezing UK businesses, no change is perhaps not the safe harbour it previously would have been considered.

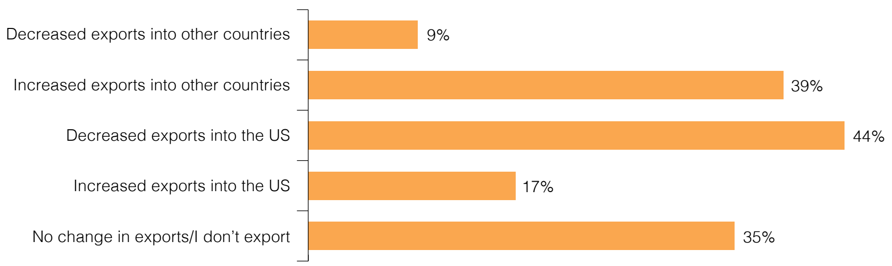
The North American market is the only one which sees a double-digit proportion of firms expecting a fall in orders, with 15% reporting as much. While 35% expect growth from this market, the turmoil arising from the recent US tariff regime is evident in the data, indicating a split experience depending on which subsectors businesses operate in and whether they have special tariff measures applied. On the other hand, some of the positivity for those businesses that expect North American trade to increase in 2026 may well have been the beneficiaries of some trade diversion towards UK suppliers. Generally, those competing businesses in the EU are currently subject to a more punitive tariff regime.

Despite order book expectations remaining relatively robust, the strategic response from the sector to tariffs would indicate that the industry is set to look further afield to mitigate disruption and find greater reliability in their export relationships. Just under four in ten manufacturers plan to increase their exports to other countries as a direct response to changes in US tariff policy. A similar quantity (44%) plan to reduce exports to the US, indicating that the sector has a strategic ambition to diversify trade volumes away from the US and into other countries at a commensurate rate.

Only 1 in 3 think they will be unimpacted by the change to the US tariff regime, with 35% reporting that they will make no strategic changes to their export strategy or that they didn't export in the first place.

Chart 9: The industry's strategic export ambitions in response to US tariffs

% firms citing their strategic response to US tariffs



Source: Make UK and PwC UK, Executive Survey 2026

Marketing and customer engagement is a priority again for 2026 when it comes to investment

In line with growth strategies to expand product and service portfolios, export into new markets and tap into new sectors, it is not surprising that manufacturers have firm plans to invest in product development (68%), expand exporting capabilities (46%), and articulate brand development and marketing positioning (56%).

A SPOTLIGHT ON CUSTOMER-FOCUSED STRATEGIES

Taking a customer-centric approach

Customer engagement is now the third highest investment priority for manufacturers. To retain and attract clients, businesses must be more agile as they respond to changing priorities. Customers want faster delivery and responsiveness, integrated end-to-end solutions, and personalised products and services. The businesses that address this while staying true to their brand and values, will be well placed for success.

However, barriers remain as skills and workforce capability (40%), the cost of transformation (38%) and legacy systems and processes (38%) hold manufacturers back.

"We need to improve our ability to react to changing markets and increase design speed to try and give customers confidence in delivery."
Executive Survey 2026 respondent

Closing the gap with GenAI and automation

Despite the challenges of cost and skills, AI and agentic "digital co-workers" can deliver real value. By capitalising on this technology, manufacturers have an opportunity to drive significant improvements for their marketing, sales and service retention. For marketing, AI can be used to generate campaign content, deliver variants and translations at scale and deploy agents to test and optimise by sector and geography. To enhance sales, businesses can equip teams with AI copilots to create quotes and proposals and to suggest actions for effective cross-selling and upselling. And for service retention, AI agents can be used as 24/7 technical advisors to triage issues and to predict churn through IoT and historical data.

Data, design and trust: front office essentials

Without connected customer data and strong governance, GenAI will remain stuck in pilot mode. Manufacturers must look to build a front-office data spine, design human-in-the-loop processes and implement IP, security and accuracy guardrails from day one.

Most manufacturers are already experimenting with AI but few have a joined-up customer transformation. To make the most of this technology and to get ahead, businesses should be prioritising high-value journeys, forming a cross-functional "customer and AI" squad to industrialise use cases and hard-wiring value tracking to link AI-enabled journeys to revenue, margins and customer outcomes.

PART 3: IT'S TIME FOR MISSION GROWTH

Despite what some might describe as choppy conditions for the nation's makers given last year's changes in tariffs, high-profile cyber security attacks and wider economic concerns, manufacturers are predicting that the greatest change in conditions will be in the deployment of new technologies (69%) and physical equipment (65%).

Over the past two years, manufacturers have rapidly adopted AI and digital technologies, such as predictive maintenance and integrated production systems. Many firms now have a clearer ROI case for investments that once seemed risky. Historically, uncertainty has led manufacturers to defer capital expenditure, but our findings suggest 2026 could be the year those backlog projects are delivered.

This is likely due to the long-awaited announcement of a ten-year Industrial Strategy. Launched in June 2025, it finally laid the foundations that industry has longed for to ensure certainty and vision for the manufacturing sector. As had been hoped, the publication of the Industrial Strategy has increased positivity about the future, but optimism is cautious.

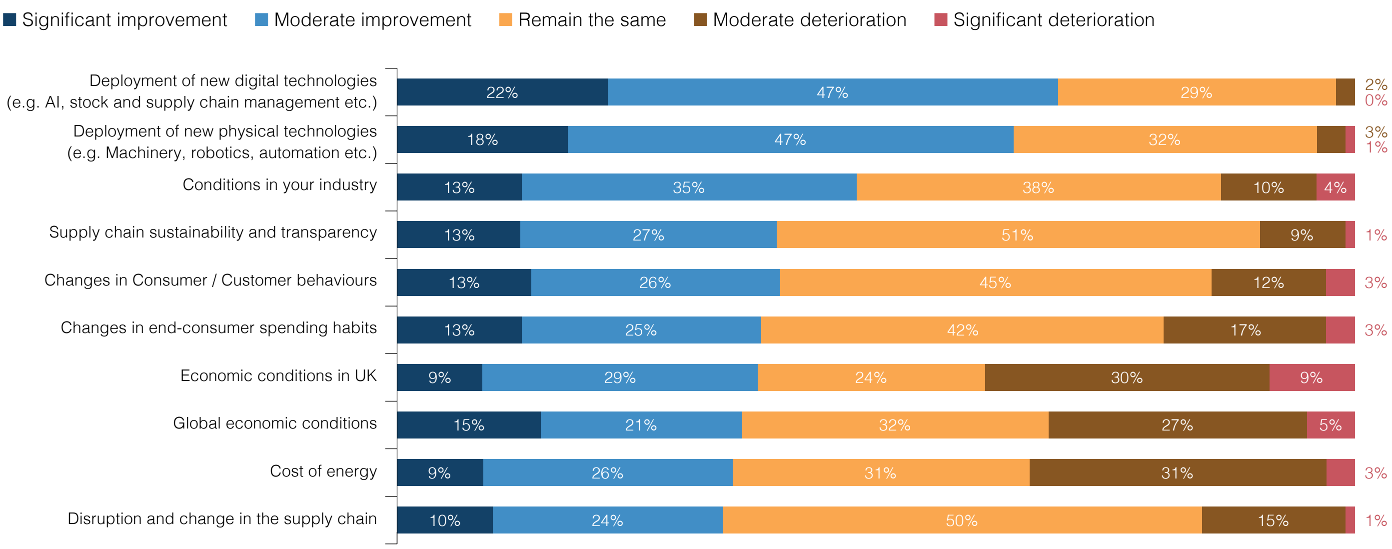
"Without an industrial strategy to encourage growth within the automotive sector, there will be no automotive manufacturing in the UK."
Executive Survey 2026 respondent

63% of businesses agree that introducing a long-term Industrial Strategy will increase their investment plans, no doubt even more so for those within the now defined 'Advanced Manufacturing' and 'Frontier' sectors such as batteries and agri-tech.

The presence of an Industrial Strategy has tipped the balance with more companies agreeing that the UK will remain a competitive location for manufacturing in 2026

Chart 10: Improvements in the deployment of physical and digital technologies expected in 2026

% firms citing expected change in conditions this year



Source: Make UK and PwC UK, Executive Survey 2026

(57%), up from 49% the previous year. However, it took some time for the UK to publish an Industrial Strategy, and implementation will take a lot longer. Effective and timely implementation will be essential to make the UK more attractive. Currently just 41% of UK manufacturers agree that the UK will be an attractive place for them to invest, with almost the same number of the opposite view.

Whilst the Industrial Strategy has been published there is a perception that the detail required to support firms to plan and invest is still missing. In 2026 the Government will need to push ahead with both the detail of the Industrial Strategy and also its implementation.

“We’re seeing UK customers continue to delay planned investment, we know the money and intent is there, but this won’t change until there is a sensible plan.”

“We are already lagging behind other European countries. We need more support to make the UK attractive to investments.”

Executive Survey 2026 respondents

In summarising the outlook for 2026 - more costs, more compliance, regulatory burdens - it may look as if the year ahead is dominated by financial hazards. However, the focus on growth and emphasis on new products, new sectors and new markets, has led almost two-thirds (65%) of manufacturers to believe that opportunities will outweigh the risks.

“The Government needs to announce boosts to business to ignite the economy.”
Executive Survey 2026 respondent

While firms are nervous about the economic conditions in the UK (39% believe they will deteriorate vs 37% who think there will be an improvement), they remain more optimistic about conditions in their own industry, with 48% of manufacturers citing a belief in improvement in 2026.

With the launch of the new Industrial Strategy, manufacturers are more inclined to invest in growth, so long as the policy and the business environment continues to provide certainty. But implementation must be coupled with an internationally competitive cost base which tackles huge barriers such as energy costs, skills and access to finance.

Manufacturers know that economic progress can only be achieved with industrial advancement. The strategy is in place; the investment is there: it’s time now for mission growth.

Make UK
The Manufacturers' Organisation

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 enable businesses to remain safe, compliant, and future-focused.

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