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REGIONAL MANUFACTURING OUTLOOK 2022

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FOREWORD



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The eighth instalment of Make UK and BDO's *Regional Manufacturing Outlook* summarises the experiences of UK regions and nations over the last four quarters. Using our quarterly *Manufacturing Outlook* data to measure key indicators of performance in manufacturing such as Output, Orders, Employment, and Investment Intentions and comparing them to the national average.

Our last report partially covered the worst of the pandemic as well as the inklings of a rebound in economic activity which highlighted mixed experiences for different parts of the UK. Those regions with a greater concentration of resilient industries, such as Food & Drink or Pharmaceuticals, reported growth in output and orders. While those more dependent on Automotive or Aerospace cut back on their investment plans. It was a strange time for many of us, and the headwinds continue to push manufacturers to the edge.

However, our latest report shows manufacturers pushed back, and each of our metrics are high for all regions and nations. This year, no region or nation in the UK reported an average decline in any of our performance measures. Whilst some places performed relatively better than others, all parts of the UK reported positive average balances for output, orders, employment, and investment intentions. That means, between the third quarter of 2021 and the second quarter of 2022 more manufacturers expanded than those that contracted.

Strong, robust demand is the winning ingredient to the recent successes for manufacturers in the latest data. The reopening of the economy led to an above-normal reaction by consumers and businesses alike. People were willing to spend and get back to normal, and industry was eager to deliver and get their share of the pie. But this came with its own challenges. Suddenly the concept of scarce resources became a reality. As a result, manufacturers struggled to access inputs and witnessed inflation at record rates over the past year. In addition, energy and fuel prices have soared resulting in the worst squeeze on living standards since the Second World War.

It is evident from our data that businesses have faced challenges when delivering on orders. Higher costs, longer lead times, and uncontrollable external challenges make this year one of the most difficult yet. Indeed, eight out of ten regions or nations reported orders exceeding output highlighting the severe pressure supply-chains are under.

Therefore, even this year's performance is somewhat mixed. The North East reported as the top performer for output growth, which may reflect the sub-sectoral composition of the manufacturing industry here, almost a third of which is represented by Pharmaceuticals and Chemicals. The South East & London region led the way for investment intentions. Yorkshire & the Humber manufacturers reported the most widespread growth in order books whilst the South West also saw the most expansions in employment.

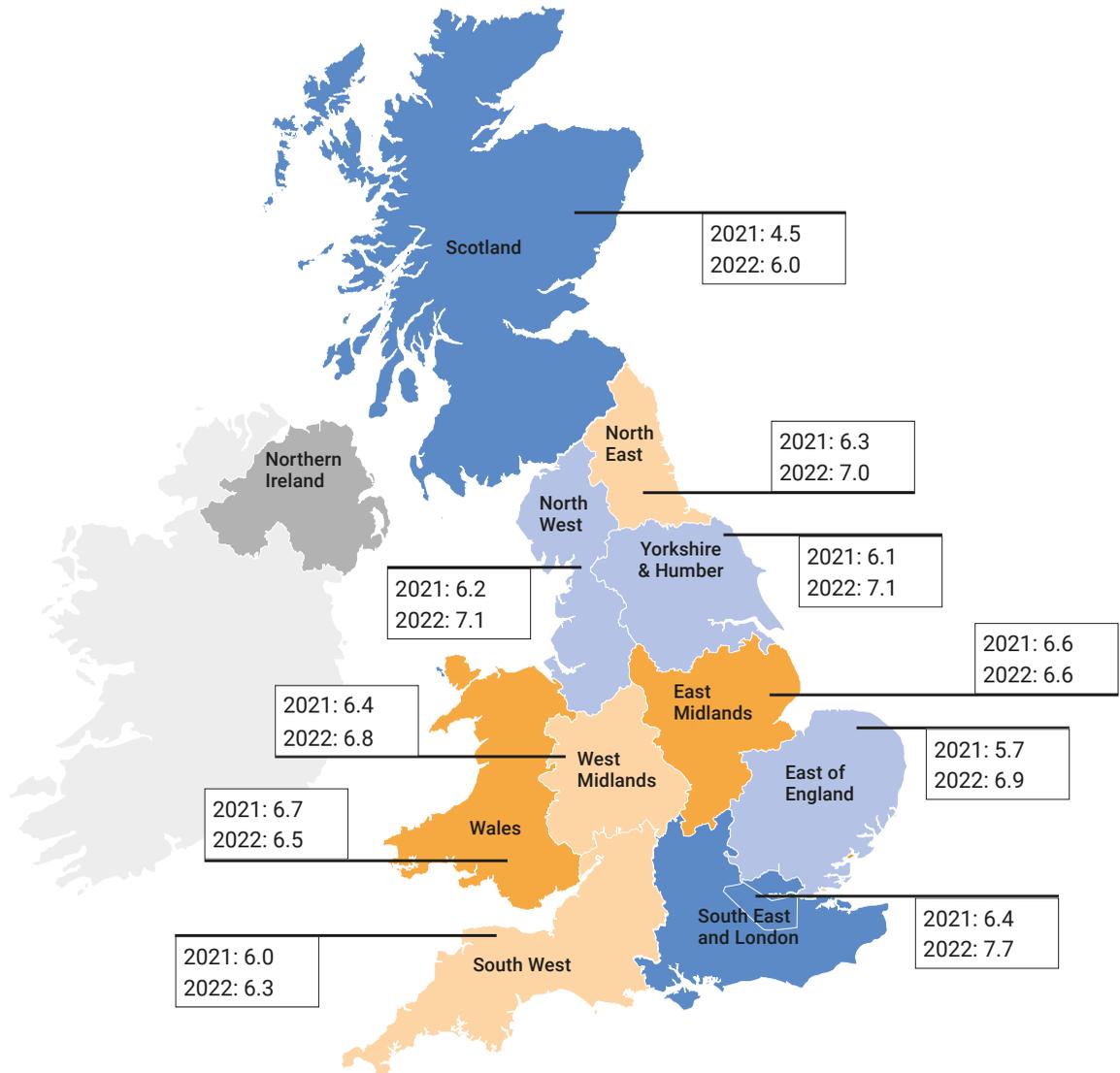
In contrast, despite no region reporting contractions, Wales reported the weakest average performance for output and employment growth. The South West similarly reported the weakest balance for orders and investment intentions.

Nevertheless, this is one of the most positive editions of *Regional Manufacturing Outlook* we have published in a long while. Albeit, it masks the true challenges of the industry and suggests growth has already peaked. Yet, it is highly encouraging to see so many manufacturers grow regardless of the challenges they face. The focus now should shift towards investment as it is clear we are in dire need of additional capacity in the industry.

REGIONAL SNAPSHOT

This year's *Regional Manufacturing Outlook* data captures what has been a period of unusually high activity as the sector embarked on its post-pandemic recovery period. However, this period looks to be a fleeting one as, by the final quarter of the year's research, headwinds had mounted sufficiently to begin clawing at

the industry's performance metrics. Nevertheless, strong performances in the first three quarters of the research year keep the average balances high by comparison, and the average business confidence level across the UK has risen compared to last year.



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

- KEY
- Positive relative change in confidence (upper quartile)
 - Positive relative change in confidence (lower quartile)
 - Negative 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 2020q3/2021q2 and 2021q3/2022q2

HOW DO THE REGIONS/NATIONS COMPARE

As this edition of *Regional Manufacturing Outlook* covers a period where the industry saw post-pandemic activity levels in excess of what were already generous forecasts, figures for year average balances of key performance metrics are quite high across the board. This is particularly true when we compare this year's average balance figures to those published in last year's edition, which captured pandemic-afflicted quarters.

Quite an unusual sight in this year's data, but to be expected as this marks the first edition where the economy was moving away from the pandemic in earnest, is that every single nation and region in the UK covered in our research saw an improvement in all metrics compared to last year. The final quarter in the year's research produced more sobering figures, and signal what looks to be the start of a significant slowdown in quarterly performance. The grouping of balances between regions this year is much less aligned than it was last year, indicative of regions recovering from the pandemic at different rates despite having

endured the downturn similarly. A lot of this effect is explained by the compositional differences seen between regions, especially impactful for those regions which have large Transport Equipment subsectors, as this has been the slowest recovering subsector due to the longer-term implications post-pandemic for the travel and aerospace industry.

Nevertheless, positive performance has been distributed throughout the UK widely enough that no single region is a top performer across more than one metric. For example, the North East saw a large year average balance figure for its output performance at +40%, Yorkshire & the Humber saw the highest year average performance for orders, with a staggering balance figure year average of +51%, the South East & London topped the charts for investment intentions, with a year average balance figure of +38%, and finally, the best employment balance figure performance was seen in the South West, with a figure of +27%.

Regional summary

% average balance of change 2021 Q3 – 2022 Q2

	OUTPUT	ORDERS	INVESTMENT	EMPLOYMENT	OUTPUT (Next 3 months)
East Midlands	26	29	13	24	33
Eastern	23	49 ↑	16	16 ↑	54
North East	40	33	26 ↑	22	22
North West	31	28	12	10	4
South East & London	35 ↑	40	38	26	21
South West	24	27	7	27	29
West Midlands	19	39	18	18	47
Yorks & Humber	33	51	19	22	26
Scotland	25	35	20	22	35
Wales	18	46	17	9	45

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 eighth-largest region in terms of gross value add (GVA). The East Midlands economy accounts for 5.8% of the UK's total output, whilst its manufacturing sector accounts for only 0.9% of the UK's total output. However, 16.3% of the East Midlands' total output is accounted for by manufacturing, which has increased compared to last year's 15.9% 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 22.2% of all manufacturing output. This is followed by Transport Equipment at 13.8%, and then the Metal Products subsector at 10.5%.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	5.8%	—
Manufacturing	0.9%	16.3%
Construction	0.4%	6.5%
Services	4.1%	72.0%
Other production	0.3%	5.1%

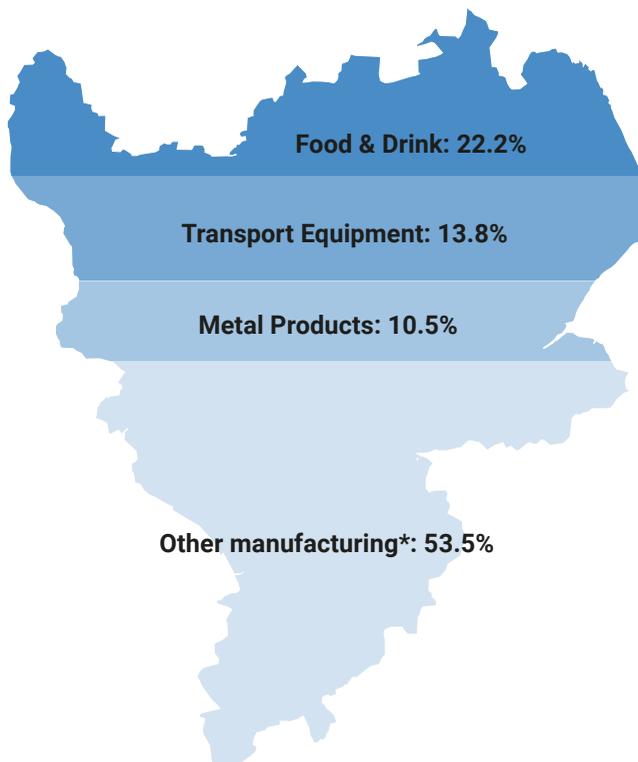
Source: ONS 2022

EMPLOYMENT

- There were 258,000 manufacturing jobs in the East Midlands in 2021, accounting for 11% of the region's total workforce and 0.7% of the UK total workforce.
- This is a decrease of 6,000 following our previous *Regional Outlook*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, the East Midlands accounted for 6% of the UK's total goods exports.
- The region's dependence on the EU for exports has increased marginally from 48% to 51% of exported goods journeying to the EU annually.
- The next largest destination for East Midlands' goods is Asia & Oceania, accounting for 22% of goods exports. Followed by North America which accounts for 14% of goods exports.

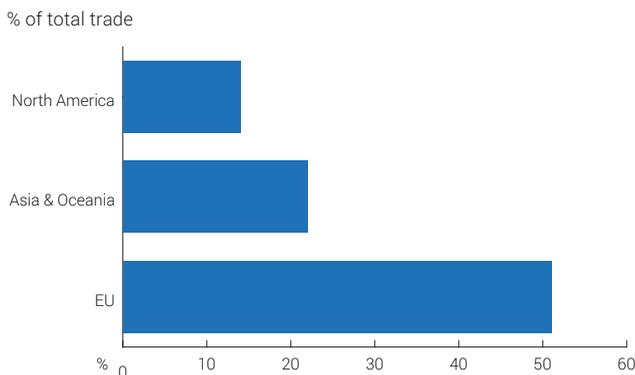


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The East Midlands' overall productivity is the 7th best in the UK, at 85.9% (UK=100).
- Manufacturing productivity is at 91.6% of the UK average, ranking 9th across all regions and nations.

Top three export markets for East Midlands' goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN THE EAST MIDLANDS

The East Midlands' manufacturing output performance has largely fared in line with the UK's manufacturing performance average, with the exception of underperformance in the final quarter of 2021, where output performance was about half as strong as the national average. However, the region ends the research year, the second quarter of 2022, with an output balance above the sector average. Nevertheless, output growth rates have been on a downward trajectory since the third quarter of 2021.

OUTPUT BALANCE IS ON A DECLINING TRAJECTORY, THOUGH HEALTHIER THAN THE UK AVERAGE

UK ORDERS NOTABLY STRONG AGAINST AVERAGE, EXPORT ORDERS JUST ABOVE AVERAGE

INVESTMENT INTENTIONS DIP IN LINE WITH THE UK AVERAGE

LATEST EMPLOYMENT BALANCE POSITIVE FOR THE EAST MIDLANDS

AVERAGE BUSINESS CONFIDENCE IS 7TH HIGHEST IN THE UK

In the last edition of *Regional Outlook*, the East Midlands had a slower start to its recovery period than other regions. This was due to the scale of the Transport Equipment subsector in this region, a subsector that saw a much slower route to regaining lost value during the pandemic. While we do not see trend-breaking growth, the East Midlands has emerged from its suppressed performance period and is now tracking UK manufacturing average performance.

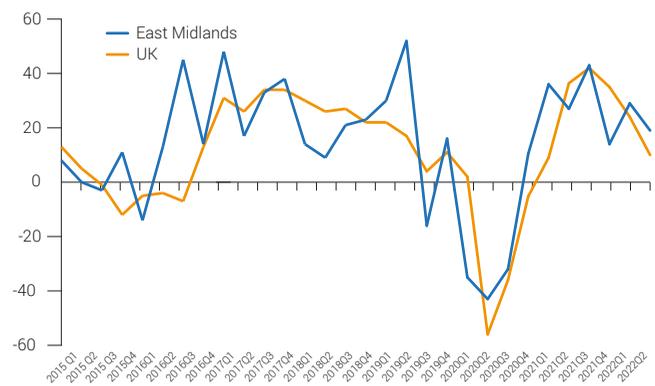
Overall, when we look at this year's research window of Q3 2021 and Q2 2022, the region's manufacturing performance has been strong, especially if we ignore for a moment that activity levels have been much higher in the past year compared to the previous three years due to the pandemic. The average output balance figure for the year for the East Midlands was +26%. Of course, all regions and nations in the UK were subject to the pandemic's suppression, and subsequent recovery period. Nevertheless, a healthy average balance figure for the region's year average is good news given the unique challenges the sector faced in the past three years with suppressed demand for transport equipment.

Contributing to this steady year of performance has been the unshackling of the Food & Drink subsector, the region's largest subsector by gross value added. The East Midlands plays host to the UK's second-largest Food & Drink subsector, and in fact, the largest if you were to decouple the regions of South East & London. Strong demand from the Hospitality and Retail sectors following extended lockdowns in 2020 provided the driving force behind the region's performance recovery in this research window.

In last year's edition of *Regional Outlook*, the East Midlands had the second-highest business confidence in the UK. Now, that has fallen to 7th. The region's confidence value has remained unchanged, at 6.6 (but statistically it has declined by 0.04), between this year and last. What has caused the region's confidence to fall in ordinality is that other regions have reported much higher confidence levels this year on average. The average UK business confidence value over the past year is 6.8.

East Midlands output balance has remained positive since Q4 2020

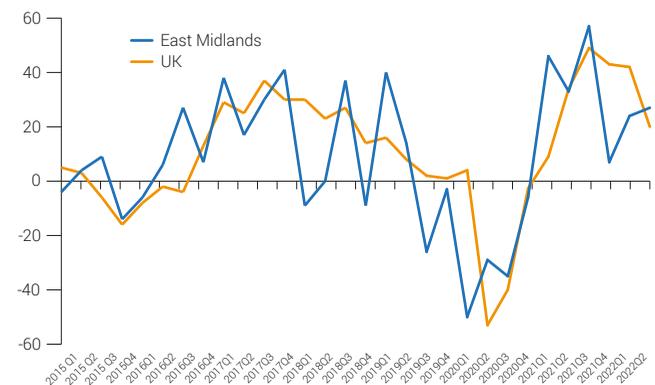
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

East Midlands' orders recently outperformed the UK average

% 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. The manufacturing sector accounts for 10.6% of the region's total output, slightly lower than last year and above the UK average of 9.6%. The region's largest three manufacturing subsectors are the Food & drink industry (14.9%), Electronics (11%) and Metal Products (10.1%) combined. 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%	10.6%
Construction	0.7%	8.5%
Services	6.5%	77.5%
Other production	0.3%	3.5%

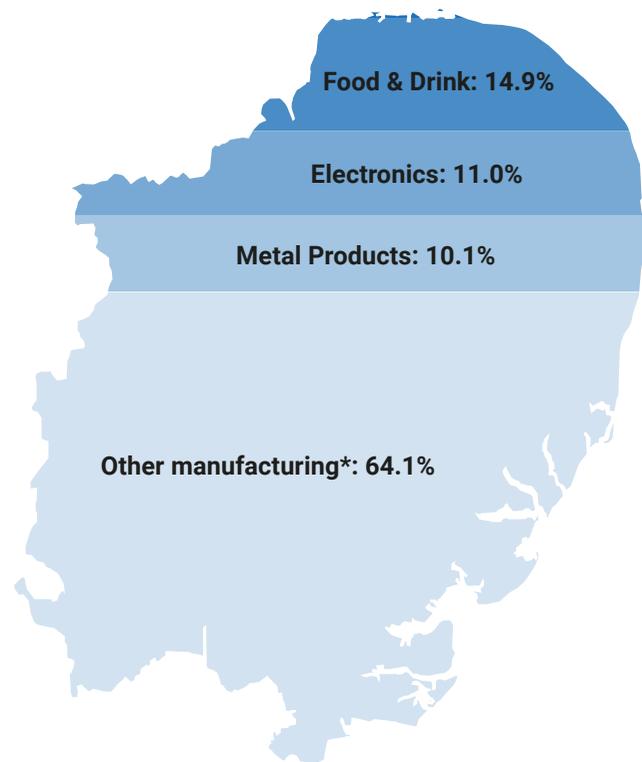
Source: ONS 2022

EMPLOYMENT

- There were 201,000 manufacturing jobs in the East of England in 2021, accounting for 6% of the region's total workforce and 0.6% of the UK's total workforce.
- This is a decrease of 8,000 following our previous *Regional Outlook*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, the East of England accounted for 9% of the UK's total goods exports.
- The region's dependence on the EU has increased from 46% of goods to 48% of goods journeying there annually. This is one percentage point below the average (49%).
- The next largest destination for East of England's goods is Asia & Oceania, accounting for 18% of goods exports. Followed by North America which accounts for 17% of goods exports.

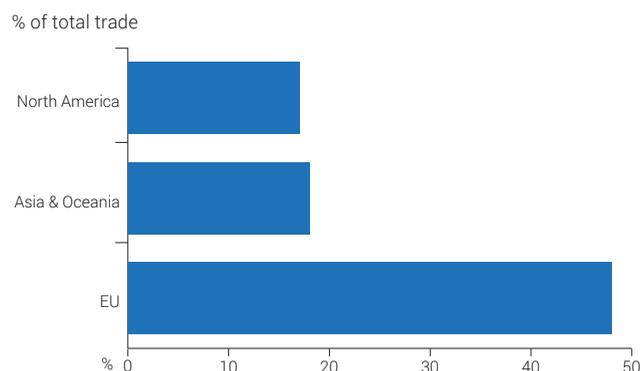


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The East of England's overall productivity is the 3rd best in the UK, at 94% of 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's goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN THE EAST OF ENGLAND

Despite the East of England ending the last quarter in the research year with output performance that outpaces the average, the whole year average output performance sees the region take second from last place. The same can be said for a number of other metrics, while this year's East of England performance is not always beneath the UK average, it is often towards the lower end of the scale when compared to other UK nations and regions.

OUTPUT BALANCES BEHIND THE NORM BUT THE MOST RECENT BALANCE BUCKING THE TREND

EXPORT ORDERS PERFORMED ABOVE AVERAGE, UK ORDERS BELOW

INVESTMENT INTENTIONS WERE THIRD-LOWEST OVER THE YEAR COMPARED TO ALL REGIONS

EMPLOYMENT LEVELS REPORTED NEGATIVE BALANCES SINCE Q2 2020, ENDING AT 0% FOR THE LATEST QUARTER.

AVERAGE BUSINESS CONFIDENCE POSITIVE AND JUST ABOVE UK AVERAGE, PLACING 5TH

In last year's edition of *Regional Outlook*, it was reported that the East of England was the worst performer in terms of orders, investment intentions and employment. This year, performance has fared significantly better, with the East of England showing the largest improvement in both its order balance average and employment balance average over the year compared to all other UK regions and nations.

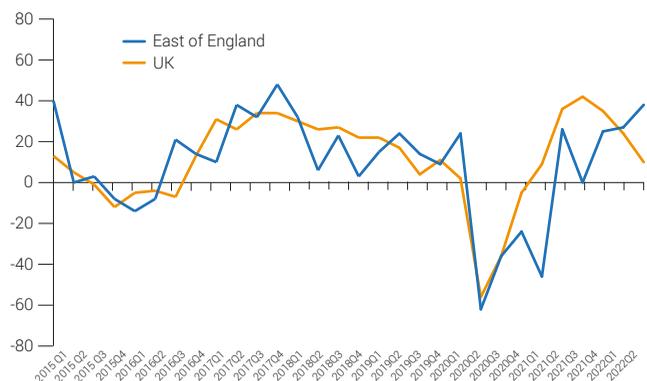
Not only does the East of England hold the accolade of the most improved orders metric, but it's also the second-highest balance recorded this year, at an average figure of +49%. Output balance average was also staunchly positive, at +23%, but remains significantly below order growth, revealing a significant output gap. While this output gap can be observed in many other regions, the East of England holds one of the largest.

However, manufacturers in this region expect this output to begin to close soon, with a very high output balance figure expectation for Q3 2022 of 54%. While it's unlikely to reach these highs, as the detracting headwind of cost inflation continues to take effect, it's encouraging that the industry here is optimistic about its output growth, especially after worse than average performance recorded last year.

Business confidence averages over the past year have only just exceeded the average at 6.9, above the UK figure of 6.8. However, given such high expected output growth from the region in the coming quarters, it would have been expected to see higher than average business confidence to add more faith in the region's expectations.

East of England's output performance exceeds UK average for the first time in Q1

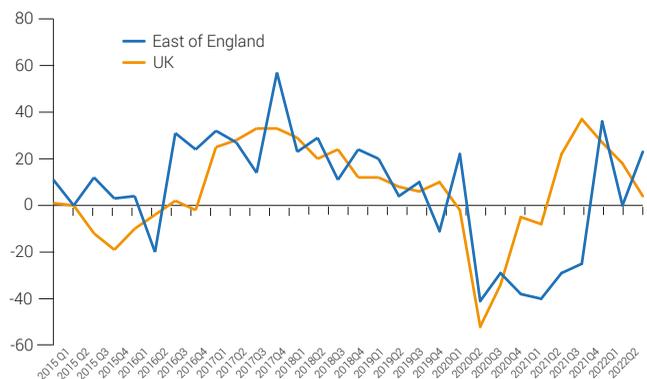
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

Export orders performed worse than the UK average in 2021 but recovered this year

% 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% of its own regional economic output, above the UK average of 9.6%. The top three subsectors in the region are accounted for by Pharmaceuticals (14.8%), Metal Products (13.9%) and Chemicals (12.7%).

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	2.8%	—
Manufacturing	0.4%	14.0%
Construction	0.2%	5.6%
Services	2.1%	75.5%
Other production	0.1%	4.9%

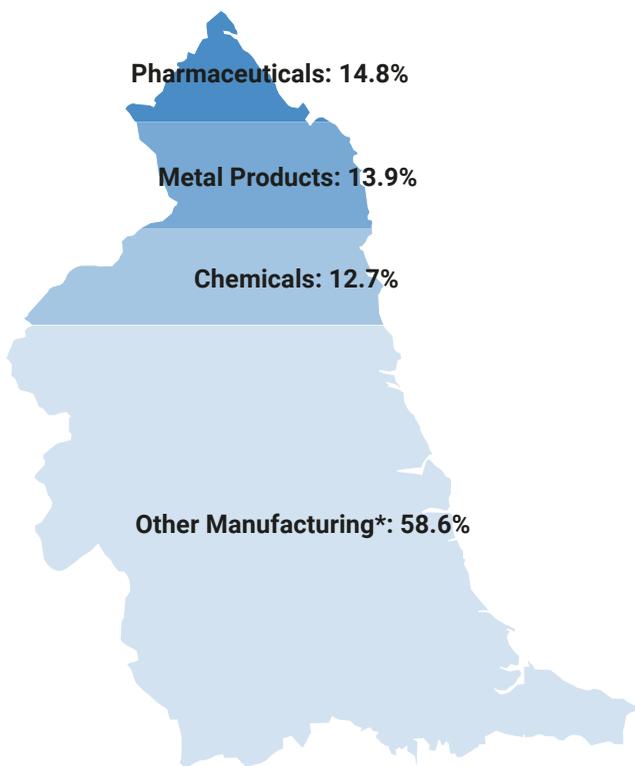
Source: ONS 2022

EMPLOYMENT

- There were 108,000 manufacturing jobs in the North East in 2021, accounting for 9% of the region's total workforce and 0.3% of the UK's total workforce.
- This is an increase of 3,000 following our previous *Regional Outlook*.

EXPORTS

- In 2021, the North East accounted for 4% 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 on last year's figure of 56%.
- The next largest destination for North East goods is Asia & Oceania, accounting for 14% of goods exports (a decrease from 17%). Followed by North America which accounts for 13% of goods exports.

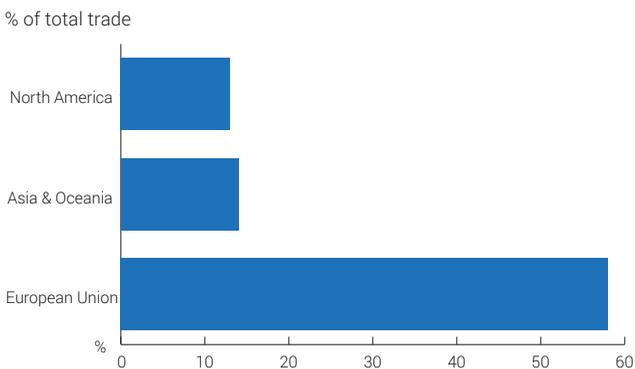


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The North East's overall productivity is the 8th best in the UK, at 85.9% (UK=100).
- Manufacturing productivity is at 92.3% of the UK average, ranking 6th across all regions and nations.

Top three export markets for North East's goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN THE NORTH EAST

Despite having underperformed the UK average in terms of output in the last two quarters, the year average sees the North East just pip above the UK's year average output performance. In fact, the North East is the top performer in terms of its average output balance this year. The region has outperformed the UK's output average for the past three quarters, although the size of the positive gap has reduced in the most recent quarters.

OUTPUT BALANCE FIGURE YEAR AVERAGE HIGHEST IN THE UK

UK ORDERS IN LINE WITH AVERAGE, EXPORT ORDERS SEE SIGNIFICANT SLOWDOWN

INVESTMENT INTENTIONS SUBSTANTIALLY OUTPERFORMED UK AVERAGE SINCE Q4 2021

EMPLOYMENT TRENDS OVER THE YEAR ARE IN LINE WITH THE AVERAGE, ALTHOUGH THE MOST RECENT QUARTER'S ARE HIGH

4TH HIGHEST BUSINESS CONFIDENCE IN THE UK

Between the fourth quarter of 2021 and the first quarter of 2022, output performance spiked significantly, outpacing the UK average. The latest data, Q2 2022, shows that the North East continues to outperform the UK average but by a lesser degree. Nonetheless, the North East attains the accolade this year of having the highest average balance of change figure for output over the past four quarters, at +40%. However, quarterly performance has been more pedestrian than the accolade suggests, as it is a single impressively high figure for output in Q4 2021 (+62%) that has skewed the region's year average upward.

The North East has historically had a high proportion of its regional exports go to EU shores, but this has increased again, despite challenges with the new trading relationship with the EU. 58% of all North East exports go to the EU, which is a significantly higher proportion than the UK average which stands at 49%.

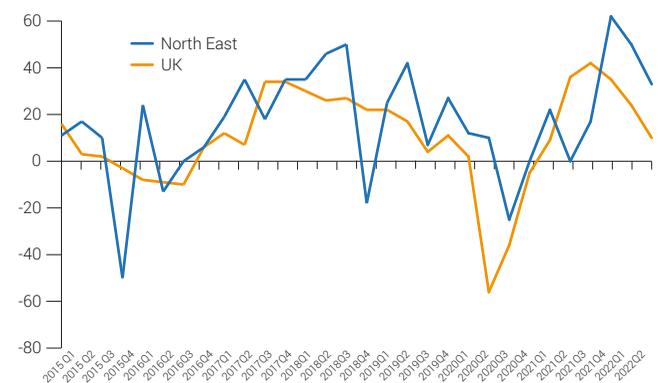
Out of all regions and nations in the UK, this makes the North East the 3rd most dependent on the EU market for its exports. As first and second place are held by Northern Ireland and Wales respectively, both nations, the North East is technically the most dependent region in the UK on EU exporting.

However, as the Pharmaceuticals and Chemicals subsectors both feature in the North East's largest manufacturing subsectors, it's likely the region will be exposed to a slowdown in performance more than other regions as these subsectors experienced explosive growth as they provided interventions for both the domestic and foreign Covid-19 crises. As the furore of demand for these interventions cools, so too will the growth prospects for these subsectors.

The North East's average business confidence is 7.0, which is above the UK average and places it 4th in the UK. This confidence is also an improvement on last year's average business confidence, which stood at 6.3.

North East output ends latest period above the UK average

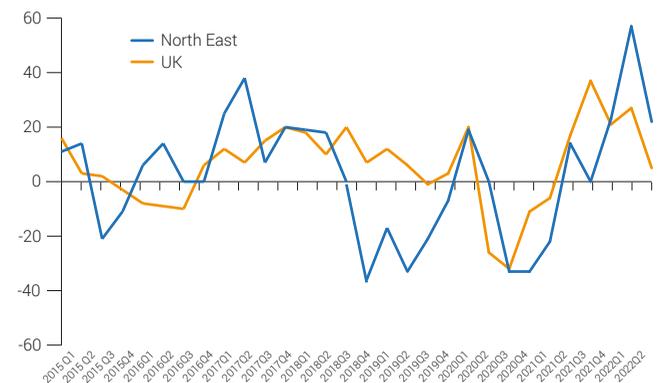
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

North East investment intentions outperforming UK average since Q4 2021

% 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 (9.6%). The manufacturing sector here accounts for only 1.4% of the total UK output, but 14.3% of the region’s total output, above the UK average of 9.6%. The three subsectors that dominate North West manufacturing include Transport Equipment (15.8%), Chemicals (15.3%), and Pharmaceuticals (14.8%).

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	9.6%	–
Manufacturing	1.4%	14.3%
Construction	0.5%	5.7%
Services	7.4%	77.0%
Other production	0.3%	3.1%

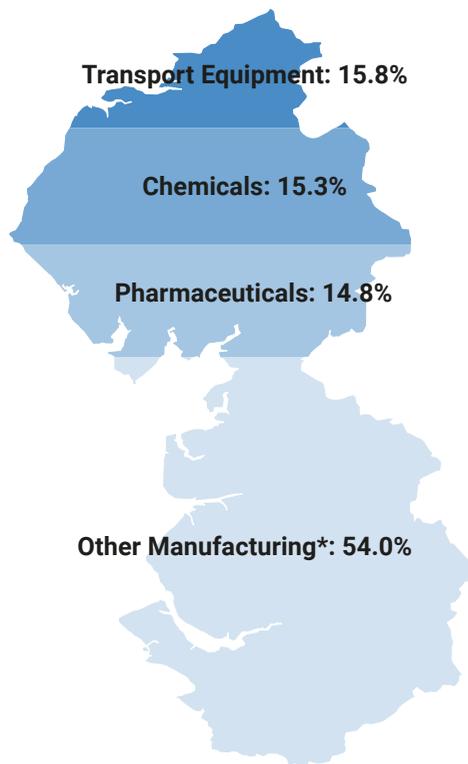
Source: ONS 2022

EMPLOYMENT

- There were 335,000 manufacturing jobs in the North West in 2021, accounting for 9% of the region’s total workforce and 1% of the UK’s total workforce.
- This is an increase of 16,000 following our previous *Regional Outlook*.

EXPORTS

- In 2021, the North West accounted for 9% of the UK’s total goods exports.
- The region has an above-average dependence on the EU for exports, with 51% of exported goods journeying to the EU, eight percentage points above the average. This share is down a single percentage point from the previous year.
- The next largest destination for the North West’s goods is Asia & Oceania, accounting for 17% of goods exports, followed by North America at 16%.

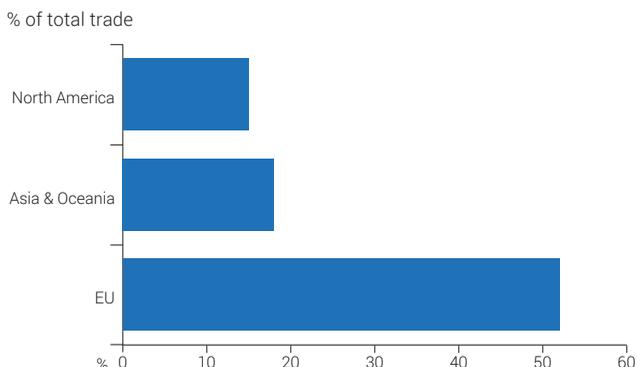


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The North West’s overall productivity is the 6th best in the UK, at 88% (UK=100).
- Manufacturing productivity is at 109.8% of the UK average, ranking 3rd across all regions and nations. This is a fall from 1st place in the previous edition.

Top three export markets for North West’s goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN THE NORTH WEST

Even though the North West has posted generally positive metrics for its year averages, there are notable exceptions in employment and investment intentions to a lesser degree. Furthermore, expectations for Q3 2022 output in the region are the most pessimistic out of all UK regions and nations, even if the expectation is still marginally within the realm of positivity itself.

OUTPUT BALANCE FOR THE YEAR JUST PIPS ABOVE THE UK AVERAGE

ORDERS, WHILE VERY POSITIVE BY HISTORICAL STANDARDS, ARE NOT QUITE UP TO UK AVERAGE PACE

INVESTMENT INTENTIONS 3RD LOWEST OVER THE YEAR, BUT LATEST DATA HIGH

EMPLOYMENT GROWTH YEAR AVERAGE 2ND LOWEST

JOINT 2ND HIGHEST BUSINESS CONFIDENCE

In this edition of *Regional Outlook*, the stand-out observation for the region is seen in its employment performance. Although output is normally the metric of focus, the North West's output performance has largely tracked the UK's average performance over the past four quarters, with it finishing the research year in Q2 2022 above the average.

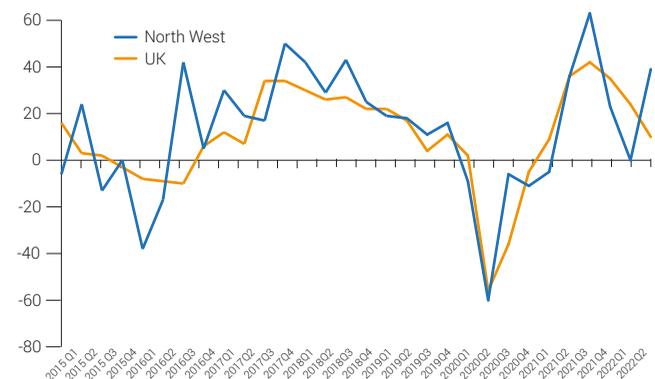
The latest quarterly employment figures have been negative for the North West for two quarters in a row. However, this blow is tempered somewhat by figures from last year's data, 2021 Q2 and Q3, which posted shockingly high balances for employment, far surpassing the UK average at the time. Indeed, when we look at national statistics on total numbers employed in the manufacturing industry in the region, we see another case where they have actually increased in this edition compared to the previous, by 16,000 people. This comes amongst a climate of total employment decline in the industry for many regions.

The North West's largest manufacturing subsector is the Transport equipment subsector, and so due to the sector's struggle to rebound in the post-pandemic 'recovery' period, manufacturing's overall performance will have been limited. However, the subsector is now starting to recoup in earnest losses made during the pandemic, so this will no doubt trickle through to bolder the North West's manufacturing performance metrics.

Average business confidence in the North West is joint 2nd highest, reporting a figure of 7.1. This is the joint 2nd highest confidence figure in the UK, only bested by the South East & London. Compared to last year's edition, business confidence has improved by almost a whole point, as it stood at 6.2 last year.

North West experienced more output volatility over the last 12 months than the UK average

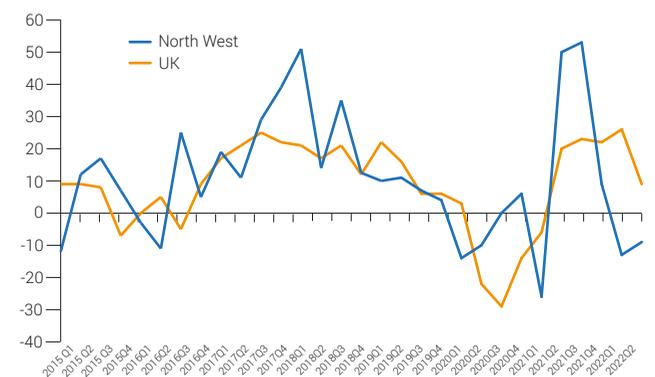
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

North West employment falling quickly following positive growth last year

% 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 38.9% of the nation's output. As the region also plays host to the largest share of the service industry too, the manufacturing sector here accounts for only 4.3% of the region's total output, well below the UK average of 9.6%. The top three manufacturing subsectors here include Food & Drink (14.5%), Electronics (12.2%) and Pharmaceuticals (10.7%). The remaining 62.6% of the manufacturing sector here accounts for all other subsectors.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	38.9%	—
Manufacturing	1.7%	4.3%
Construction	2.0%	5.1%
Services	34.4%	88.5%
Other production	0.8%	2.1%

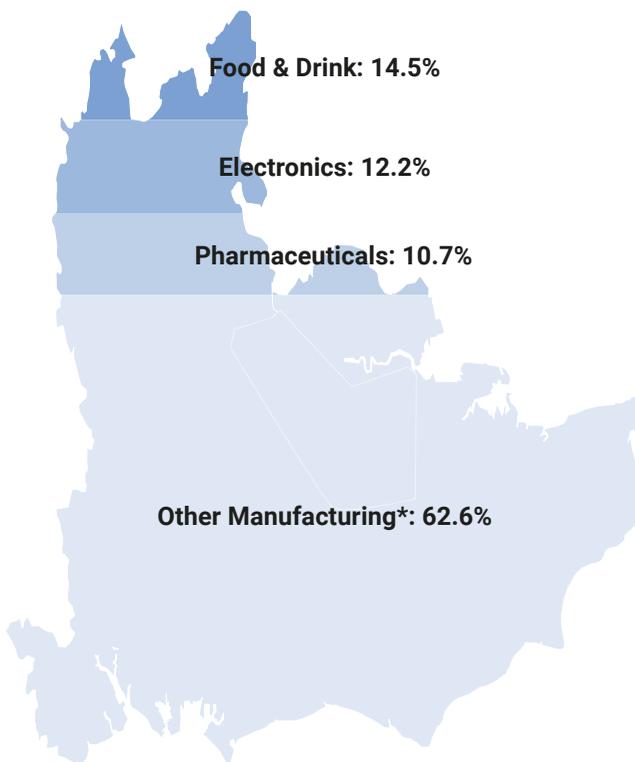
Source: ONS 2022

EMPLOYMENT

- There were 427,000 manufacturing jobs in the South East and London in 2021, accounting for 4% of the region's total workforce and 1.2% of the UK's total workforce.
- This is a decrease of approximately 1000 following our previous *Regional Outlook*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, the South East and London accounted for 24% of the UK's total goods exports.
- The region maintains below-average dependence on the EU for exports amongst other regions and nations, with 47% of exported goods journeying to the EU, two percentage points below the average.
- The next largest destination for South East and London's goods is Asia & Oceania, accounting for 20% of goods exports. Followed by North America which accounts for 18% of goods exports.

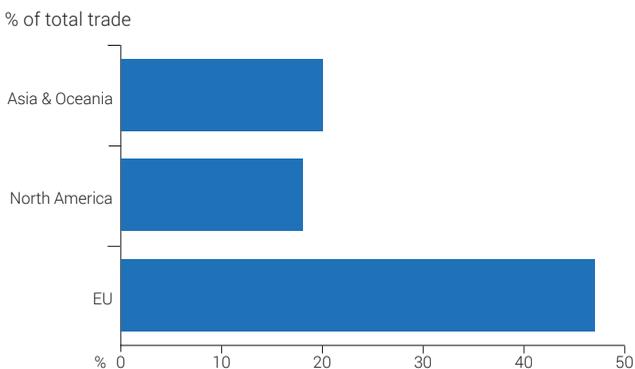


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The South East and London's overall productivity is the best in the UK, at 119.4% (UK=100).
- Manufacturing productivity is at 100.1% of the UK average, ranking 5th across all regions and nations.

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



Source: Uktradeinfo 2022

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. The average balances between Q3 2021 and Q2 2022 for this region are some of the strongest observed in this edition. This is because the South East & London is one of the best performing regions in our quarterly *Manufacturing Outlooks*.

OUTPUT BALANCE MOST IMPROVED SINCE LAST YEAR

ORDERS SLIGHTLY OUTPACE OUTPUT OVER THE YEAR, OUTPUT GAP EXISTS ON THE YEAR AVERAGE

TOP-PERFORMING REGION FOR INVESTMENT INTENTIONS

EMPLOYMENT GROWTH BALANCE AVERAGE SECOND HIGHEST IN THE UK

AVERAGE BUSINESS CONFIDENCE IS VERY POSITIVE AND THE HIGHEST IN THE UK

The South East & London started the first half of the research year outperforming the UK average in terms of its output balance figures. Performance dipped a little in the penultimate quarter before finishing the year ahead of the sector average. However, the region has not been immune to the overall slowdown seen in the second half of the year right the way across the industry, with performance in the second half of the research year significantly below the first half.

As the largest manufacturing subsector in the region is the Food & Drink industry, stronger than average performance in the first half of the research year likely arose from the strong rebound in demand for the subsector's products during the height of the post-pandemic 'recovery' period. Strong hospitality demand translated into much higher commercial demand for the Food & Drink subsector's products, which stands in contrast to the previous two years during the pandemic when commercial demand for food products was severely limited.

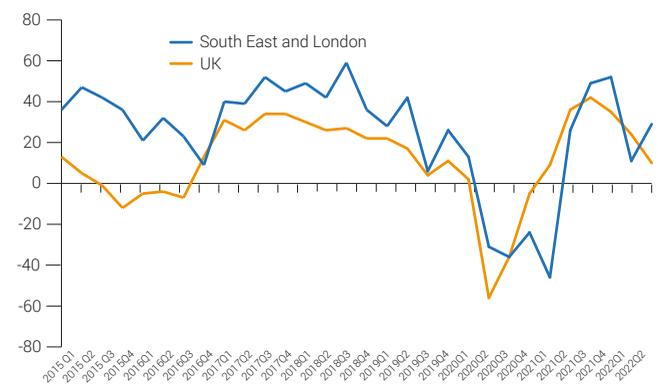
Despite having posted the most improved score for output, spurred by the above reason, immediate expectations for the region's performance in the upcoming third quarter of the year are below average, although not concerningly low.

This year the region's average investment intentions reported at a high balance of +38%. This figure, by comparison, is over twice the size of the UK's average balance figure for investment intentions over the year which stands at +18%. While the region will certainly have been a beneficiary of the 'capital' effect, where regions which contain capital cities are more likely to benefit from more optimistic investment positions, driving this high figure will be the composition of the manufacturing sector here. After Food & Drink, the next two largest subsectors in this region are the Electronics and Pharmaceuticals subsectors, subsectors which drive higher investment levels than the average.

Average business confidence in the South East and London came in at 7.7, which is significantly above the UK's average confidence for the year at 6.8 and the highest recorded business confidence in the UK over the year. This figure is also a notable improvement on the confidence figures the South East & London reported last year, at 6.4.

South East & London output balance outperforming the UK average in latest results

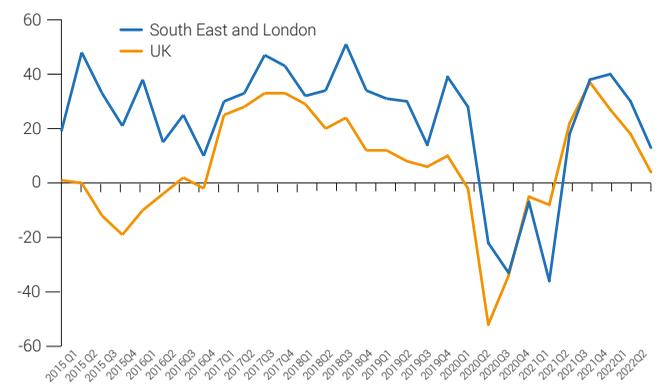
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

South East & London export order activity exceeding the UK's average growth since Q3 2021

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



Source: Make UK Manufacturing Outlook Survey

SOUTH WEST

The South West is the UK’s fifth-largest region in terms of gross value add (GVA). The region accounts for 7.2% of the UK’s total output, with the manufacturing industry contributing 0.8% of the UK’s total output, with no change from the previous year. The South West generates 10.6% of its regional output from manufacturing, which is similar to the UK average of 9.6%. Three major subsectors account for just under half of the South West’s manufacturing output. The largest is the Transport Equipment subsector, with 20.2% of all manufacturing output. This is followed by Food & Drink at 14%, and then the Electronics subsector at 10%.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.2%	—
Manufacturing	0.8%	10.6%
Construction	0.5%	6.3%
Services	5.7%	78.0%
Other production	0.4%	5.1%

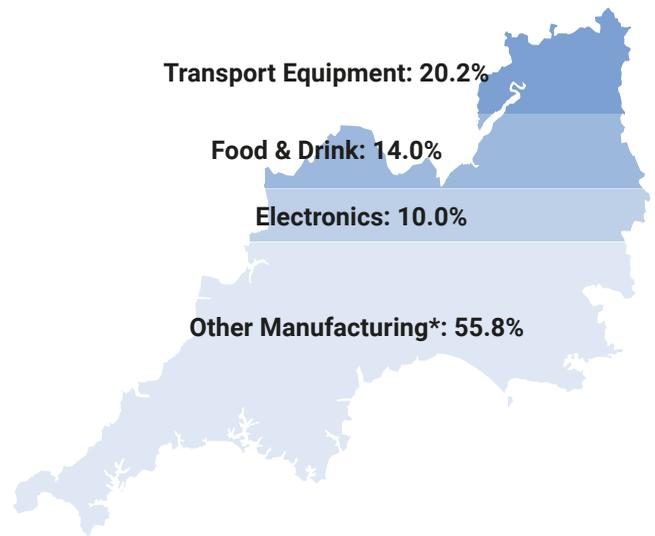
Source: ONS 2022

EMPLOYMENT

- There were 221,000 manufacturing jobs in the South West in 2021, accounting for 7% of the region’s total workforce and 0.6% of the UK’s total workforce.
- This is a decrease of 6,000 following *Regional Outlook 2021*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, the South West accounted for 6% of the UK’s total goods exports.
- The region sees 45% of its exports go to the EU, which is less than the national average of 49%. As a result, the South West remains the least dependent on exports to the EU.
- 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.

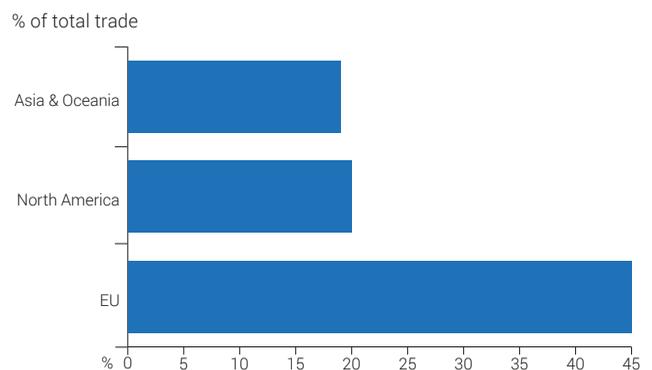


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The South West’s overall productivity is the 5th best in the UK, at 89.4% (UK=100).
- Manufacturing productivity is at 92.9% of the UK average, ranking 7th across all regions and nations.

Top three export markets for South West’s goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN THE SOUTH WEST

The South West reported more modest growth figures in comparison to other regions and nations in the UK. However, all indicators averaged positive as most manufacturers benefited from the rebound in economic activity seen earlier this year. Still, when compared to many of its neighbours, the South West reported the lowest average balance for total orders, at +27% which is very strong and investment intentions, at +7%. On the other hand, the region reported the highest average balance in the UK for employment, at +27%.

OUTPUT BALANCES SHOWED HIGH VOLATILITY, REPORTING AT NEAR UK AVERAGE IN THE LATEST QUARTER

TOTAL ORDERS REPORTED WEAKEST BALANCE IN THE UK FOR Q2 2022

INVESTMENT INTENTIONS TRAILING BEHIND THE UK AVERAGE

EMPLOYMENT GROWTH DIPPED QUICKLY FOLLOWING GROWTH AT THE START OF THE YEAR

AVERAGE BUSINESS CONFIDENCE 2ND LOWEST IN THE UK

Last year, the South West's annual average performance between Q3 2020 and Q2 2021 saw negative balances across all measured indicators as a sign of the impact of the pandemic. Twelve months later all indicators are now above zero, suggesting overall growth for manufacturers in the region. However, for the last two years the South West's performance on investment intentions has been comparatively poor. This is concerning given one of the largest industries in the region, by value, is Electronics. This subsector accounts for 10% of the region's manufacturing industry and regularly consumes high-tech investments to stay competitive.

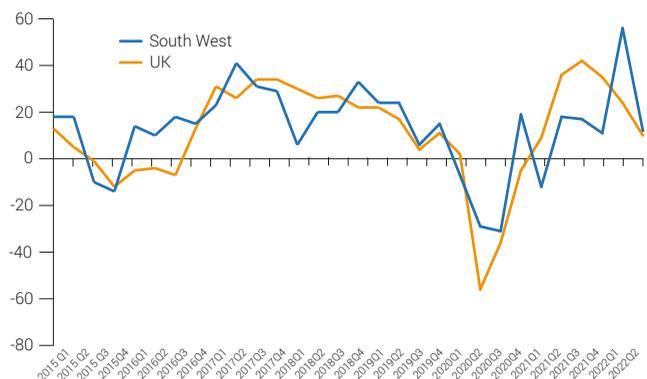
However, the poor investment performance may be more closely related to the Transport Equipment subsector, which is twice the size of the electronics industry here. Both the automotive and aerospace subsector faced a harsh economic environment because of the pandemic, and then during the recovery period saw limited access to the supply of critical components. For example, the shortage of semi-conductors will have impacted both transport and electronics in the region which in turn led to a decline in investment intentions. Nevertheless, this indicator on balance is above zero indicating there are at least more manufacturers looking to invest more, than there are those looking to invest less.

The most recent balance for employment in the region saw the South West slow down its hiring. However, the region supports 221,000 workers in manufacturing. Despite this being a decline on our previous report, it is unlikely representative of the current situation. Manufacturers are reporting strong demand for their goods and have been looking to hire aggressively but have faced many challenges along the way. From rising wages to shortages in skills which have made it more difficult to hire more workers.

The South West saw only a modest improvement in average business confidence this year, improving by only 0.3 to 6.3. Although this improvement pales in comparison to some other regions, it being above the '5' inflexion point highlights that manufacturers in this region remain optimistic about the future.

Output performance has remained volatile since late 2020

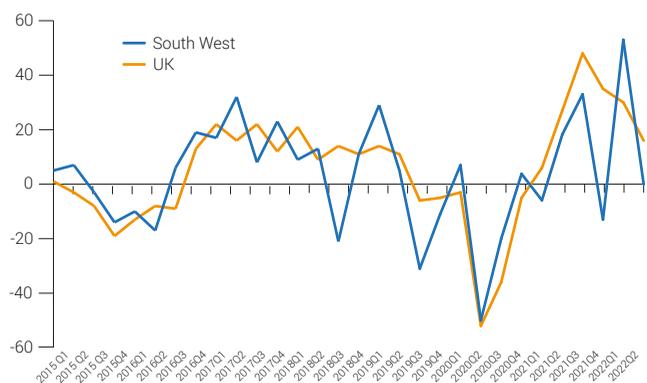
% balance of change in output (past three months)



Source: Make UK Manufacturing Outlook Survey

UK Orders remains historically volatile, but currently underperforming the UK average

% 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 7.2% of the UK’s total output, with the manufacturing industry here contributing to 1% of the UK’s total output. The West Midlands generates 14.1% of its regional output from manufacturing, well above the UK average of 9.6%. Three major subsectors account for just under 60% of the West Midlands’ manufacturing economy. The largest is the Transport Equipment subsector, with 30.6% of all manufacturing output. This is followed by Metal Products at 17.4%, and then the Machinery Equipment subsector at 9.2%.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.2%	–
Manufacturing	1.0%	14.1%
Construction	0.4%	6.0%
Services	5.4%	75.4%
Other production	0.3%	4.4%

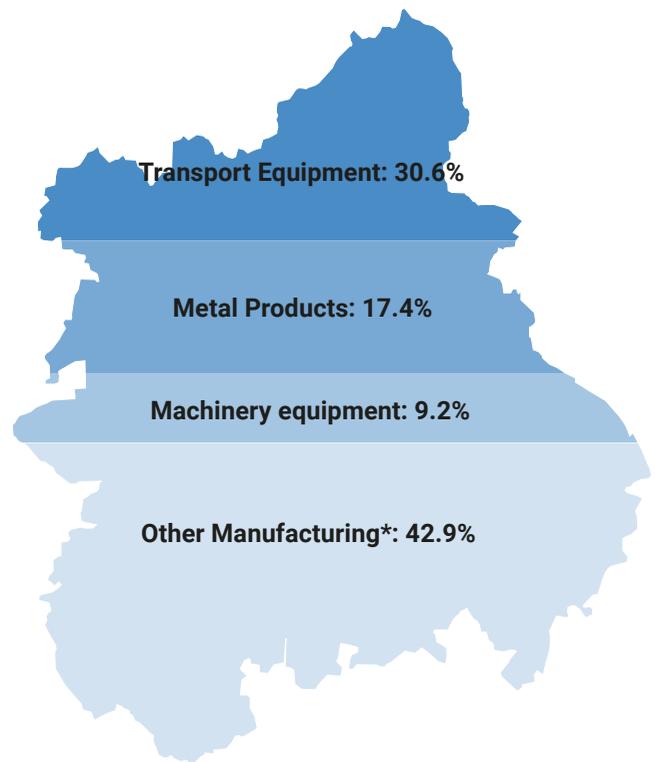
Source: ONS 2022

EMPLOYMENT

- There were 292,000 manufacturing jobs in the West Midlands in 2021, accounting for 10% of the region’s total workforce and 0.8% of the UK’s total workforce.
- This is unchanged from our previous *Regional Outlook*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, the West Midlands accounted for 8% of the UK’s total goods exports.
- The region’s dependence on the EU for exports stayed the same at 46% for goods. However, this is below the UK average of 49%.
- The next largest destination for West Midlands’ goods is North America, accounting for 22% of goods exports. Followed by Asia & Oceania which accounts for 18% of goods exports.

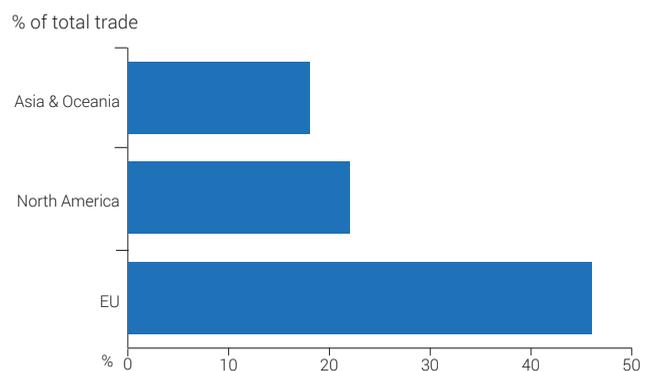


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- The West Midlands’ overall productivity is the 6th best in the UK, at 88.9% (UK=100).
- Manufacturing productivity is at 100.9% of the UK average, ranking 6th across all regions and nations.

Top three export markets for West Midlands’ goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN THE WEST MIDLANDS

The West Midlands reported modest positive balances this year for all major indicators. Although there were no standout performances, the results are a good indication that the industry is heading in the right direction. The West Midlands reported an average balance of +19% for output between Q3 2021 and Q2 2022. A balance of +39% for orders, and +18% for both employment and investment intentions respectively.

OUTPUT GROWTH BEGINNING TO SLOW DOWN IN RECENT RESULTS

ORDERS FINISHED SURVEY PERIOD STRONGLY, BUT TRENDING DOWNWARDS

INVESTMENT INTENTIONS RECOVERED SLIGHTLY IN Q2 2022

EMPLOYMENT GROWTH SLOWING DOWN FASTER THAN THE UK AVERAGE

AVERAGE BUSINESS CONFIDENCE 6TH HIGHEST IN THE UK

Last year, the West Midlands reported the most positive average output balance during the four periods covered last year. This year the region did not outperform any, nor did it fall far short of any of our economic metrics. However, when looking at the region's performance exclusively, it has outperformed on order books growth with many manufacturers reporting more work. Yet, the average output balance has fallen far short of orders indicating the significant supply-chain pressure manufacturers are facing here.

Whilst order books are strong, businesses continue to report difficulties in delivering on those orders due to limited access to raw materials and components, as well as increasing freight costs and labour shortages. This has meant that output growth has not been able to meet demand for goods over the last four quarters.

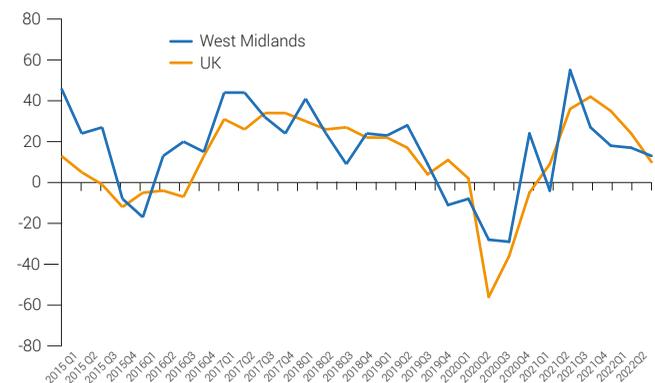
The supply-chain challenges evident in the data reflects the industries that have been more severely impacted being quite prominent in the West Midlands. By value, almost one-third of the manufacturing industry here is accounted for by Transport Equipment, or mainly automotive, manufacturers. This subsector experienced significant declines during 2020, and whilst 2021 was due to be the comeback year for these manufacturers, difficulties in accessing materials such as semiconductors pushed back its return.

It is likely these challenges have also pushed back investment plans for some businesses. The investment intentions metric over the last four quarters shows at the start of this year, whilst the UK looked to invest more in plant and machinery, the West Midlands indicated an overall contraction. Albeit this metric recovered somewhat in the most recent quarter, it remains very close to zero and sensitive to further downturns in the future. Until there is more certainty in supply it is unlikely manufacturers will invest in expanding capacity to deal with the increase in demand.

Average business confidence has improved slightly in the West Midlands, increasing by 0.4 to 6.8. Although, manufacturers are optimistic despite the challenges faced over the last 12 months, it has reported a lower improvement than other regions and nations.

West Midlands output balances holds strong positive position this year

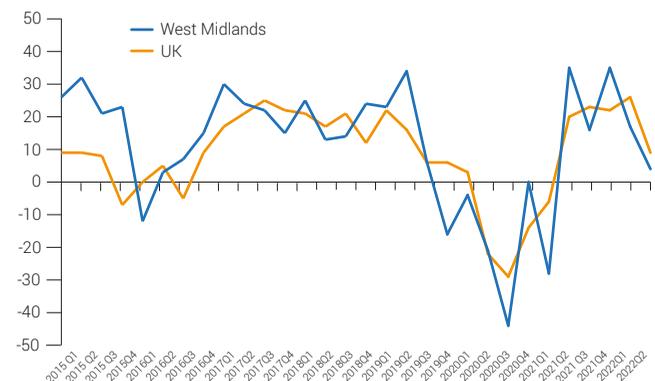
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

West Midlands employment growth slowed sharply from the start of this year

% 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 fourth-largest manufacturing region. The region accounts for 6.5% of the UK's total output, with the manufacturing industry contributing 0.9% of the UK's total output. Yorkshire & the Humber generates 14.6% of its regional output from manufacturing, significantly above the UK average of 9.6%. Three major subsectors account for just under half of Yorkshire & the Humber's manufacturing output. The largest is the Food & Drink industry, with 19.5% of all manufacturing output. This is followed by Metal Products at 16.1%, and then the Chemicals subsector at 11.4%.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	6.5%	–
Manufacturing	0.9%	14.6%
Construction	0.4%	5.7%
Services	4.9%	75.7%
Other production	0.3%	4.1%

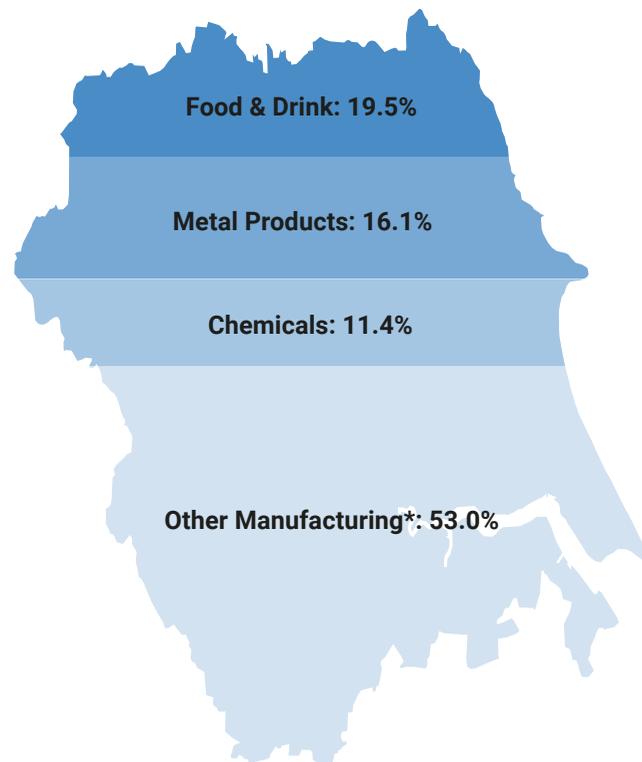
Source: ONS 2022

EMPLOYMENT

- There were 270,000 manufacturing jobs in Yorkshire & the Humber in 2021, accounting for 10% of the region's total workforce and 0.8% of the UK's total workforce.
- This is a decline of 23,000 following our previous *Regional Outlook*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, Yorkshire & the Humber accounted for 5% of the UK's total goods exports.
- The region's dependence on the EU reported at 57%, above the UK average of 49%. This makes this region the 2nd most dependent in England on exports to the EU (behind the North East).
- The next largest destination for Yorkshire & the Humber's goods is North America, accounting for 15% of goods exports. Followed by Asia & Oceania which accounts for 13% of goods exports.

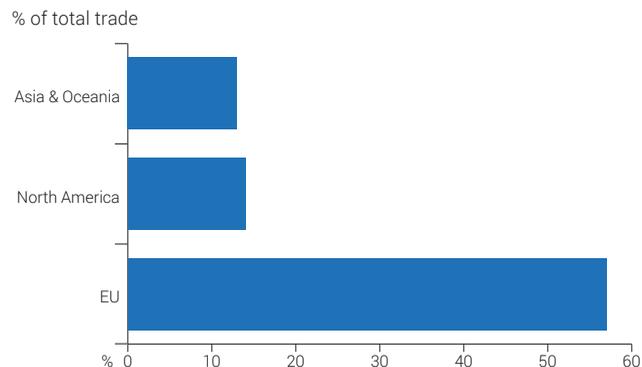


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- Yorkshire & the Humber's overall productivity is the 10th best in the UK, at 82.8% (UK=100).
- Manufacturing productivity is at 82.3% of the UK average, ranking 11th (bottom) across all regions and nations.

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



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN YORKSHIRE & THE HUMBER

Yorkshire & the Humber has posted the best result out of all UK regions and nations in terms of its orders average balance change between Q3 2021 and Q2 2022. An average balance of +51% of manufacturers reported orders expanding during this period. Additionally, across the other metrics the region reported positive balances for output, investment and employment which are mainly attributed to the pandemic recovery over the last few months. Despite the growth, manufacturers in this region are facing many challenges due to inflation and difficulties in accessing talent.

OUTPUT EXPERIENCED MORE VOLATILITY AND IS CURRENTLY SLOWING FASTER THAN AVERAGE

AVERAGE ORDERS PERFORMED THE BEST IN THE UK FOR THE 2ND YEAR IN A ROW

INVESTMENT INTENTIONS TRENDING DOWNWARDS ALONGSIDE THE UK AVERAGE

EMPLOYMENT PERFORMANCE GREATLY IMPROVED IN THE MOST RECENT QUARTER

AVERAGE BUSINESS CONFIDENCE 4TH MOST IMPROVED IN THE UK

In this year's average outlook performance, Yorkshire & the Humber's performance improved in all aspects. This is like how other UK regions have also performed, although more manufacturers in this region reported better growth. The average balance for output in this region also reported remarkable growth at +33%, the third-highest in the UK. The weakest indicator is investment, but even this posted a balance of +19% indicating a large share of manufacturers are looking to invest more in plant and machinery.

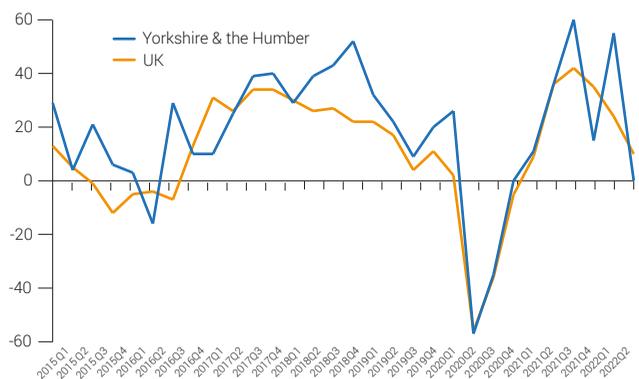
The strong performance of this region may partially be attributed to the sub sectoral composition of manufacturers. One-fifth of the total manufacturing output produced here is accounted for by Food & Drink manufacturers, which is traditionally a recession proof sector. Therefore, even in times of hardship many manufacturers in Yorkshire and the Humber perform well. Nevertheless, recent inflationary pressures are now beginning to hit the food sector as well which presents possible risks for the industry going forward. In addition, the next two largest industries, Metal Products and Chemicals are both facing difficult challenges ahead, particularly as these subsectors rely heavily on inputs from overseas.

In recent quarters, export orders in Yorkshire and the Humber have been outperforming the average UK performance, indicating the region has not faced as many challenges from Brexit as expected. This may be down to the high level of demand for goods which has overshadowed the increase in friction in trade. This region sees around 57% of its exports go to the EU, making it the second most dependent region in England. However, this dependency does also mean the region is more exposed to supply-chain challenges, such as accessing components and raw materials. Nevertheless, domestic orders have been outperforming the average UK manufacturers since the end of 2020.

Yorkshire & the Humber reported a 1-point improvement in average business confidence, increasing from 6.1 to 7.1. This also makes Yorkshire only one of four regions to report a 7 or more. However, most of this confidence boost is related to earlier quarters as many regions have been reporting falling confidence levels recently.

Y&H output performance ends period on a flat balance

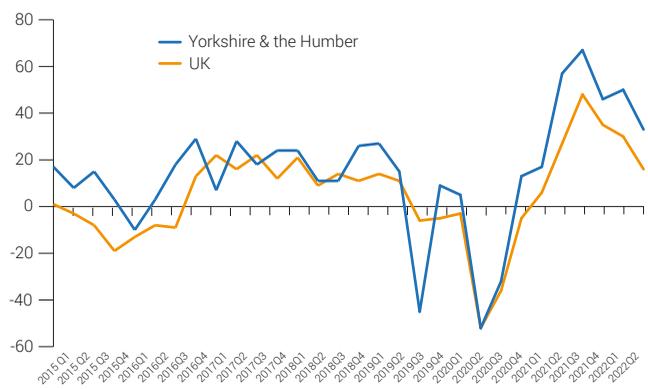
% balance of change in output balance (past 3 months)



Source: Make UK Manufacturing Outlook Survey

Y&H domestic orders growth continues to outpace the UK average

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



Source: Make UK Manufacturing Outlook Survey

SCOTLAND

Scotland is the UK’s fourth-largest nation/region in terms of gross value add (GVA). The nation accounts for 7.4% of the UK’s total output, with the manufacturing industry here contributing to 0.7% of the UK’s total output. Scotland generates 10% of its regional output from manufacturing, marginally above the UK average of 9.6%. Three major subsectors account for just under half of Scotland’s manufacturing output. The largest is the Food & Drink industry, with 27% of all manufacturing output. This is followed by Pharmaceuticals at 9%, and then the Metal Products subsector at 9%.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.4%	–
Manufacturing	0.7%	10.0%
Construction	0.4%	5.3%
Services	5.8%	77.7%
Other production	0.5%	7.0%

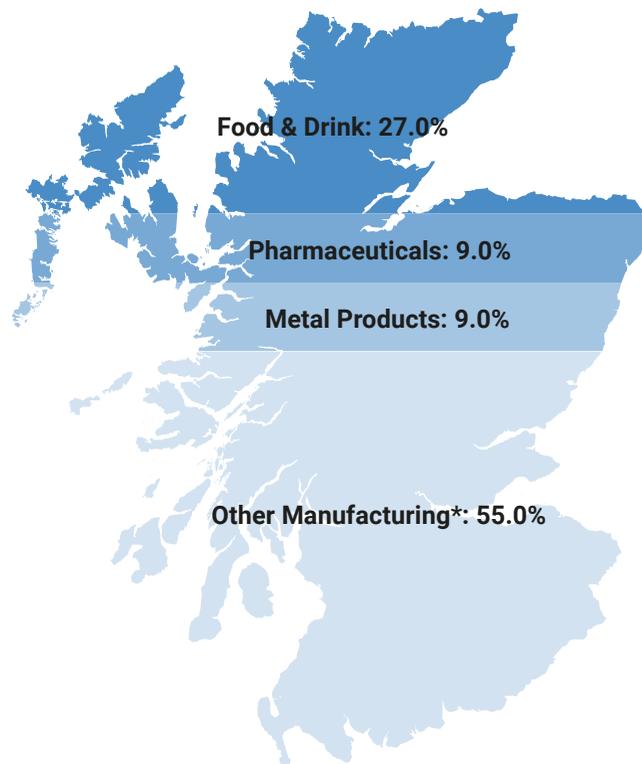
Source: ONS 2022

EMPLOYMENT

- There were 193,000 manufacturing jobs in Scotland in 2021, accounting for 7% of the region’s total workforce and 0.5% of the UK’s total workforce.
- This is an increase of 16,000 compared to the previous edition of *Regional Outlook*.

EXPORTS

- In 2021, Scotland accounted for 9% of the UK’s total goods exports.
- The region’s dependence on the EU for exports increased to 54% (from 51%) of the nation’s exported goods journeying to the EU annually. This is above the UK average of 49%.
- The next largest destination for Scotland’s goods is Asia & Oceania, accounting for 16% of goods exports. Followed by North America which accounts for 14% of goods exports.

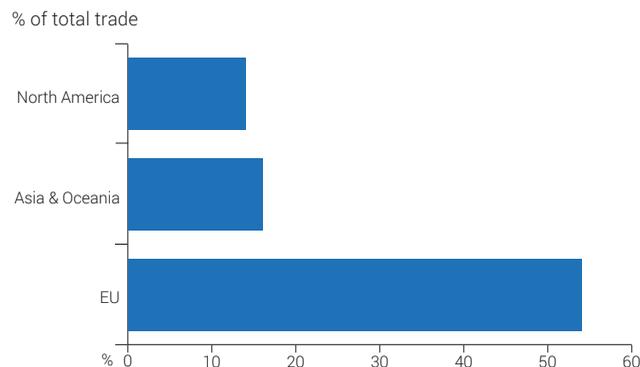


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- Scotland’s overall productivity is the 2nd best in the UK, at 96.8% (UK=100).
- Manufacturing productivity is at 108.5% of the UK average, ranking 3rd across all regions and nations.

Top three export markets for Scotland’s goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN SCOTLAND

Scotland has posted strong average balances across output, orders, investment, and employment between Q3 2021 and Q2 2022. However, none of these indicators stood out as exceptional when compared to other parts of the UK. Order books growth outperformed all the other indicators, reporting an average balance of +35%, however output growth fell short of this at an average balance of +25%. This is a common trend which has been seen across many parts of the UK and highlights the challenges manufacturers have faced in meeting demand for their goods.

AFTER TRAILING BEHIND THE UK AVERAGE, SCOTLAND ENDS THE PERIOD WITH A HIGHER OUTPUT BALANCE

ORDERS GROWTH CONSISTENTLY BELOW THE UK AVERAGE UNTIL THE LATEST QUARTER

INVESTMENT INTENTIONS OUTPERFORMING THE UK IN THE MOST RECENT QUARTER

EMPLOYMENT GROWTH POSITIVE THROUGHOUT THE LAST FOUR QUARTERS

AVERAGE BUSINESS CONFIDENCE MOST IMPROVED 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.

Since the third quarter of last year, the output performance in Scotland has relatively underperformed the UK average until the latest quarter. Currently the balance for output in Scotland sits at +15%, in comparison to the UK's +10% balance for Q2 2022. A similar trend was observed for total orders too, which grew at a slower pace than the UK average before finishing above the UK by the second quarter of this year.

An interesting development which has occurred in the official statistics is the change in the top three manufacturing subsectors by value for this nation. Food & Drink remains top in Scotland, but its share of contribution has fallen slightly between 2019 and 2020. Additionally, previously the Electronics subsector held the seat for the second most valuable manufacturing industry in Scotland, but this industry has been dethroned in the latest available data by Pharmaceuticals.

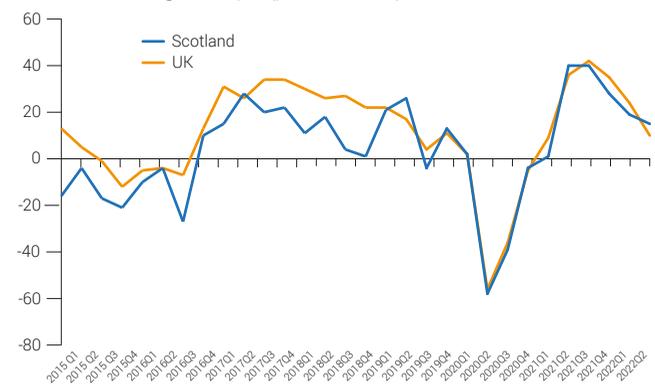
Given the latest regional statistics reported by the Office of National Statistics (ONS) extends only to 2020 these results are not surprising. The Pharmaceutical industry saw massive growth during the pandemic year due to an increase in demand for its healthcare products and services, whilst Electronics also saw some growth it was dwarfed by the growth of Pharmaceuticals.

The relative importance of trading partners has stayed the same in the latest results, but figures show there has been a slight increase in the EU's share of goods from Scotland indicating the impact of the new trade relationship may have not been felt as severely here. This is likely down to the large Food & Drink subsector which is less exposed to economic downturns and benefits the Scottish economy by shielding it from significant shocks.

Average Scottish business confidence reported the best improvement in optimism since our last report as economic conditions improved for manufacturers.

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

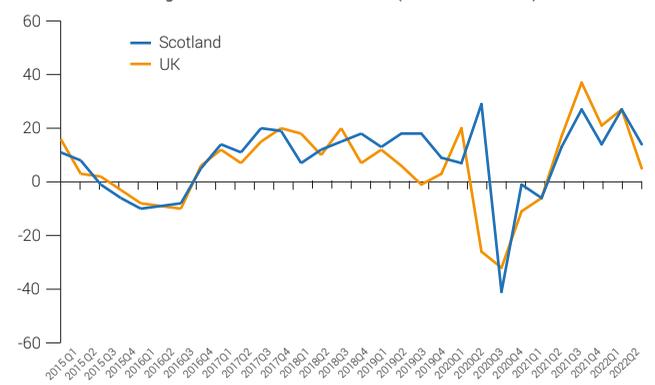
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

Investment intentions consistently maintained a positive balance since Q2 2021

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



Source: Make UK Manufacturing Outlook Survey

WALES

Wales is the UK's ninth-largest region in terms of gross value add (GVA). The region accounts for 3.4% of the UK's total output, with the manufacturing industry here contributing to 0.5% of the UK's total output. Wales generates 16.1% of its regional output from manufacturing, which is well above the UK average of 9.6%. Three major subsectors account for just under half of Wales' manufacturing output. The largest is the Food & Drink industry, with 15.5% of all manufacturing output. This is followed by Transport Equipment at 14.9%, and then the Metal Products subsector at 12%.

REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	3.4%	—
Manufacturing	0.5%	16.1%
Construction	0.2%	5.8%
Services	2.5%	72.6%
Other production	0.2%	5.5%

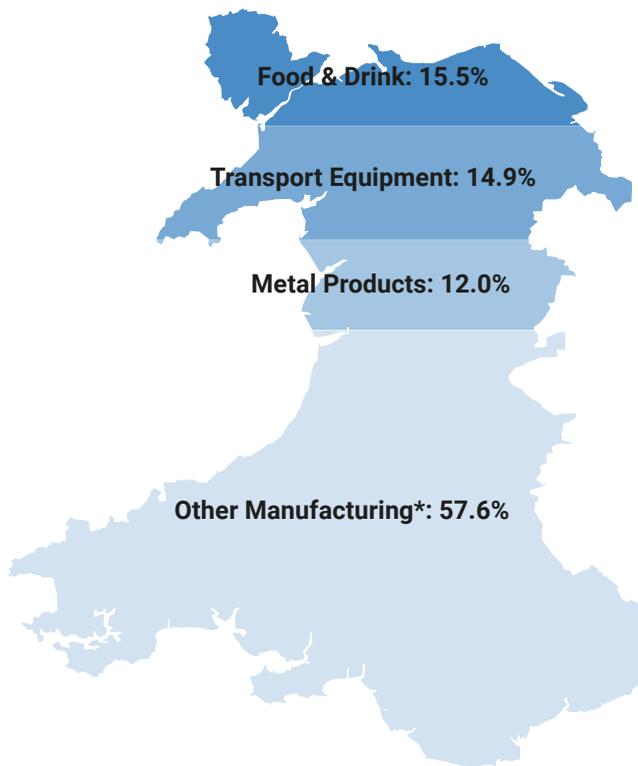
Source: ONS 2022

EMPLOYMENT

- There were 146,000 manufacturing jobs in Wales in 2021, accounting for 10% of the region's total workforce and 0.4% of the UK's total workforce.
- This latest figure is a decline of 1,000 jobs from the previous edition of *Regional Outlook*. The latest data is not reflective of the current economic environment as the demand for labour is high right now and businesses are likely hiring more where they are able to.

EXPORTS

- In 2021, Wales accounted for 5% of the UK's total goods exports.
- The regions depend on the EU for 60% of its goods exports, well above the UK average of 49%. In this report, Wales has the highest percentage of its exported goods journeying to the EU (except for Northern Ireland which has a share of 63%).
- 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.

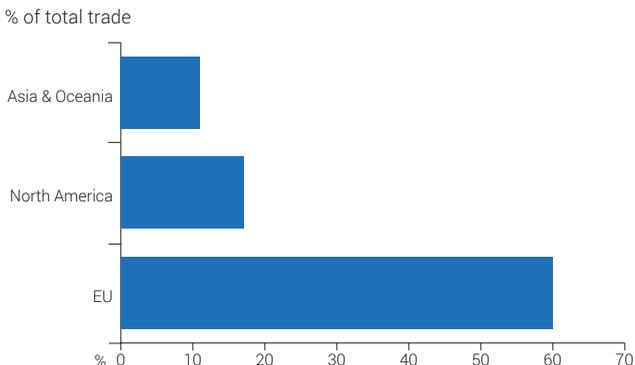


* The sum of subsectors not included in the top 3

PRODUCTIVITY

- Wales' overall productivity is the lowest (11th) in the UK, at 82.1% (UK=100).
- Manufacturing productivity is at 101.5% of the UK average, ranking 5th across all regions and nations.

Top three export markets for Wales' goods



Source: Uktradeinfo 2022

MANUFACTURING PERFORMANCE IN WALES

Just like all other parts of the UK, Wales reported a positive balance for all key metrics over the last four quarters. However, on two indicators – output and employment – the nation posted the weakest average balance at +18% and +9% respectively. Despite these growing at a slower rate than the UK average the positive balance indicates overall growth for manufacturers in Wales. Splitting orders between domestic and export goods shows manufacturers contracted at the start of this year, but growth bounced back in the latest data in our quarterly *Manufacturing Outlook* report.

OUTPUT PERFORMANCE VOLATILE BUT ENDS IN POSITIVE TERRITORY

ORDERS ACTIVITY STABLE AND TRENDING ABOVE THE UK AVERAGE

INVESTMENT INTENTIONS POSITIVE FOR THE LAST FOUR QUARTERS

EMPLOYMENT GROWING IN LATEST QUARTER DATA

AVERAGE BUSINESS CONFIDENCE AT 6.5, ONLY ONE OF TWO AREAS TO REPORT OVERALL DECLINE

Whilst the UK average performance in output has been exhibiting a gradual slowdown in activity over the past few quarters, manufacturers in Wales have been experiencing more volatility. Output contracted for most manufacturers in Wales at the start of this year, bouncing back to positivity in the latest quarter. However, despite the output volatility, the balances for orders over the last four quarters have been more stable. In fact, in the latest available data the balance for total orders in Wales grew faster as the UK average indicated it was slowing down.

This may be strongly related to the major subsectors that operate in Wales. Although the official statistics reported the share of value contribution of Transport Equipment declined relative to Food & Drink, aerospace manufacturing is still very large here. This industry has been reporting a resurgence in demand as passenger flights return. Now, the main barrier to growth for this industry are supply-chain challenges preventing access to critical components and raw materials.

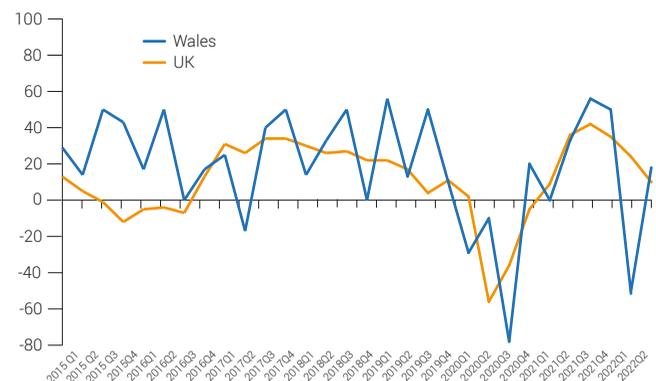
Employment growth in the nation also reported a bounce back following a decline at the start of this year and investment intentions have remained stable in positive territory since Q3 2021. However, the indicator for investment has been slowing down consistently over the last few quarters, sitting at a balance of just +9% in the latest data.

Wales remains the most dependent nation on exports to the EU, reporting 60% of all goods produced here being sent there in 2021. This is excluding Northern Ireland, which has a dependence of 63% of goods exported to the EU.

Business confidence on average declined slightly from 6.7 to 6.5. It is one of two parts of the UK to report average confidence to fall. However, a 6.4 is still very high and indicates optimism over the last four quarters is strong. But recent economic challenges have been weighing on manufacturers in Wales.

Wales manufacturers reported a sharp bounceback in output growth in Q2

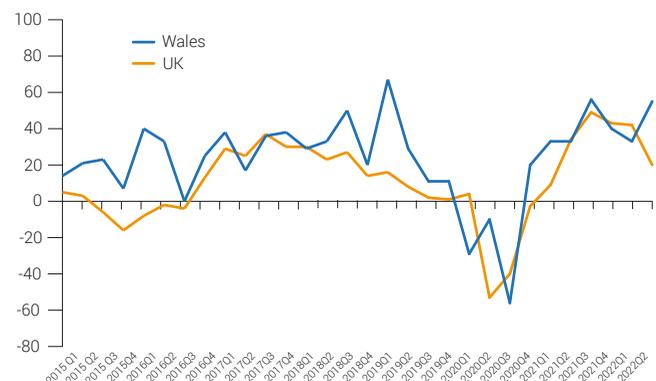
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

Wales manufacturing orders growth ends period by outperforming the UK average

% balance of change in domestic 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

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Accountancy and business advisory firm BDO LLP is the UK member firm of BDO International, which has more than 1,700 offices in 164 countries. We operate from 18 offices across the UK, employing 6,130 people offering tax, audit and assurance, and a range of advisory services.

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

We provide real solutions to industry issues, utilising our capabilities in everything from sector-specific tax, audit and business advice to patent box, research and development claims and acquisition opportunities to help our clients grow in the UK and overseas.

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

Manufacturing remains one of the key industries of the UK economy. We are delighted to be able to play an active role in supporting the businesses that operate in this vibrant, changing and challenging sector.

For further information about our business and services, please visit our website: www.bdo.co.uk

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