The Manufacturers' Organisation

In partnership with:

MANUFACTURING OUTLOOK

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With support from:

Scottish Engineering

Foreword

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The arrival of a new government in Westminster brings with it an opportunity to put manufacturing at the heart of the UK's economic agenda. Make UK welcomes the government's novel focus on reindustrialising the UK, alongside the ambition to deliver good growth in every postcode. For manufacturers, this is an important moment. The Prime Minister has highlighted how important a stronger industrial base is to the Government's policy agenda and has made clear how a strong industrial base will support better paid jobs, more resilient supply chains, and great economic opportunity across the country.

However, delivering that ambition will require the right conditions for businesses to invest, employ, and grow. There are some encouraging signs in this edition of *Manufacturing Outlook*, in partnership with S&W. Manufacturers' confidence in the UK economy has improved for the first time since mid-2025, while demand conditions in Europe remain relatively stable and continue to provide an important source of support for UK businesses. This stability has helped offset some of the continued disruption and weaker demand associated with the Middle East. It is tempting to attribute the improvement in confidence to the 'Burnham bounce', but it is too early to draw such a conclusion. What our data does show however, is that manufacturers remain capable of maintaining a degree of optimism even when the wider economic environment remains uncertain.

That optimism should not however be mistaken for a guarantee that conditions will continue to improve. Business confidence moves quickly when the underlying performance of business changes, and this quarter provides a useful reminder of this. This matters because output, orders, and investment are the key factors that shape how manufacturers view the months ahead. If these measures weaken for a sustained period, confidence is likely to follow.

This makes the policy choices facing the new government particularly important. If reindustrialisation is to become more than an ambition, manufacturers need an environment in which producing in the UK is competitive. One of the most immediate barriers is the cost of energy. UK manufacturers face industrial energy prices that are among the highest in the world, placing an additional burden on businesses that are already navigating higher costs and uncertain demand. Tackling these costs should therefore be a priority. Reducing the gap between the energy costs faced by UK manufacturers and those faced by international competitors would strengthen the ability of businesses to invest, grow, and compete.

The same principle applies to the labour market. The UK cannot deliver good growth in every postcode if young people remain locked out of employment while manufacturers struggle to find the skills they need. Tackling youth unemployment and reducing the number of young people who are not in education, employment or training must therefore be part of the industrial strategy. Government has policy levers available to make taking on young people more attractive to manufacturers, whether through the cost of employment, training, or targeted support. These levers should be used to create clearer pathways into manufacturing and give businesses greater confidence to invest in the next generation of workers.

The new government has set out an ambition to reindustrialise the UK. Make UK and manufacturers across all regions of the country share that ambition. But the evidence in this edition shows that optimism remains conditional, and that improvements in confidence can sit alongside weaknesses in output and investment. The task now is to turn that fragile optimism into sustained growth by tackling the costs and barriers that prevent manufacturers from investing, employing and expanding. Government need only to create the conditions for businesses to succeed, it is through the choices of manufacturers that reindustrialisation will be achieved, and good growth delivered to every postcode.

Headlines

Make UK's Q3 2026 *Manufacturing Outlook*, in partnership with S&W, provides an overview of the current state of UK manufacturing.

The latest quarterly survey reports a continuation of positive balances across many of our key indicators, including output, orders, investment and employment. However, many have also reported a drop in their balances compared with their performance in Q2 2026, indicative of a slowdown.

The balance for output was reported at +10%, down from +26%. This represents a relatively sharp reduction in the balance of manufacturers that increased their output in the third quarter, though it is also the fifth quarter in a row of positive balances. Although this is the lowest balance for output volumes since Q2 2025, the consistency of growth should be viewed in a positive light for the industry. UK manufacturers expect output volumes to grow further by the end of the year. As a result, forecasts for the industry have also been revised upwards.

The last several quarters have also signalled that a portion of the unusually boosted activity was the result of stockpiling, previously evidenced by output growth paralleling persistent declines in business optimism. We believe this phenomenon is ongoing, though it is now also mixed with a genuine boost to demand. This quarter, the balance for total orders was reported at +13%, down from +18% in Q2. While this represents a reduction in growth momentum, the fact that it remains positive suggests the industry is moving in the right direction. The balance for UK orders has improved from +12% to +17%, while the balance for export orders has improved from +8% to +12%, supporting the notion that the sector is in a healthy position.

Indicator	Balance	Change	
Confidence	6.6	↑	Confidence improves as orders continue to rise
Output	10%	↓	Output growth slows, though it remains positive
UK orders	17%	↑	Domestic market orders increase
Export orders	12%	↑	Exports boosted by stronger demand conditions
Employment	3%	↓	Employment growth slows sharply
Investment	15%	↑	Investment intentions strengthen and remain positive

Source: Make UK Manufacturing Outlook Survey

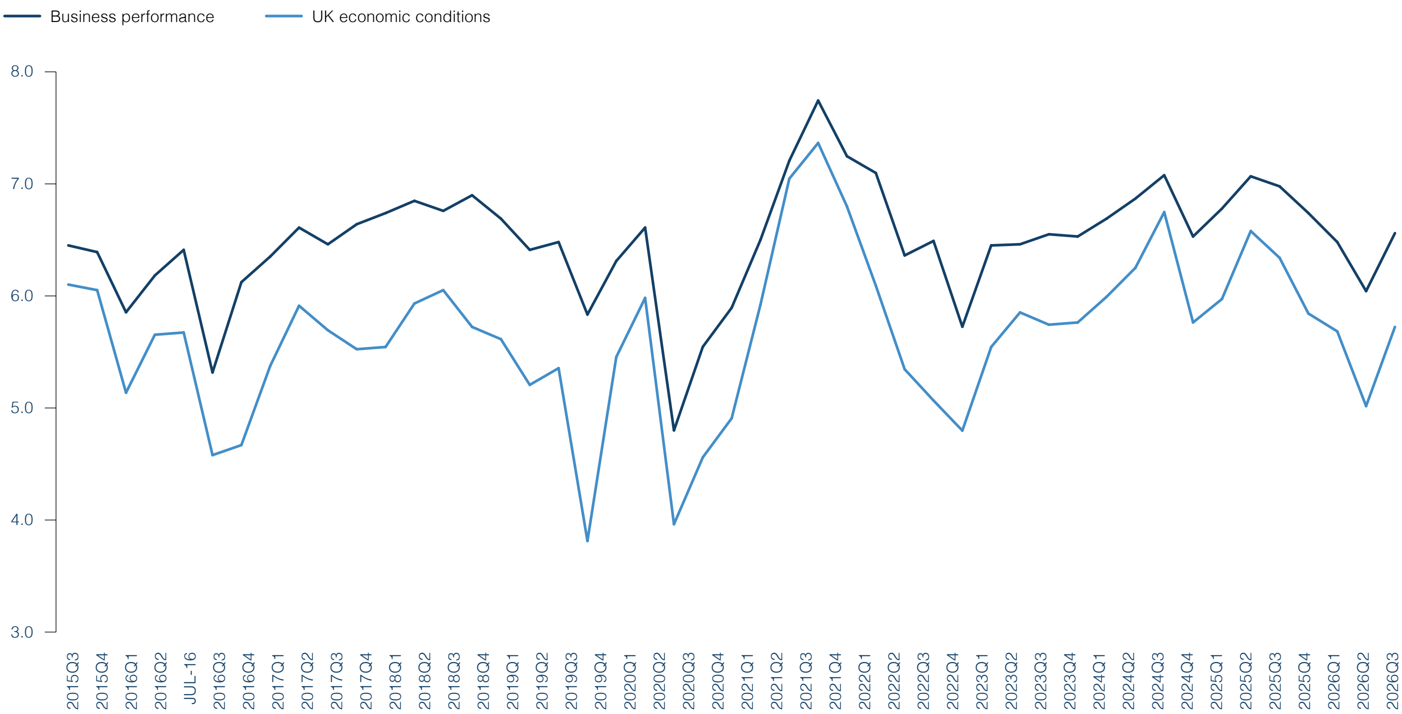
Following three quarters of back-to-back improvements, the balance for employment has dropped markedly from +15% to +3%. This is surprising given that the manufacturing sector continues to face a skills gap challenge. Nevertheless, the job vacancy ratio, the number of jobs vacant for every 100 roles, still sits at 2.0, which is slightly above the historical average and indicates that demand for labour remains high[1]. Therefore, the drop-off in recruitment may be more closely related to higher employment costs, including rising wages and compliance costs from the Employment Rights Act. While there is a willingness to hire, the ability to do so is limited. In contrast, investment intentions have moved upwards from +8% to +15%, indicating that manufacturers are planning to increase their capital expenditure.

The balances for price inflation remain concerningly high, indicating that business costs remain elevated. However, the rate of growth has cooled slightly since Q2, which is a positive sign that the speed of business cost increases is stabilising. This is also mirrored by a modest improvement in profit margins for the sector.

Business confidence has improved for the first time in more than a year, as the commercial environment proved to be stronger than expected. This transition is unexpected, though welcome, and may also reflect a change in Government leadership alongside stronger messaging around 'reindustrialising' the UK.

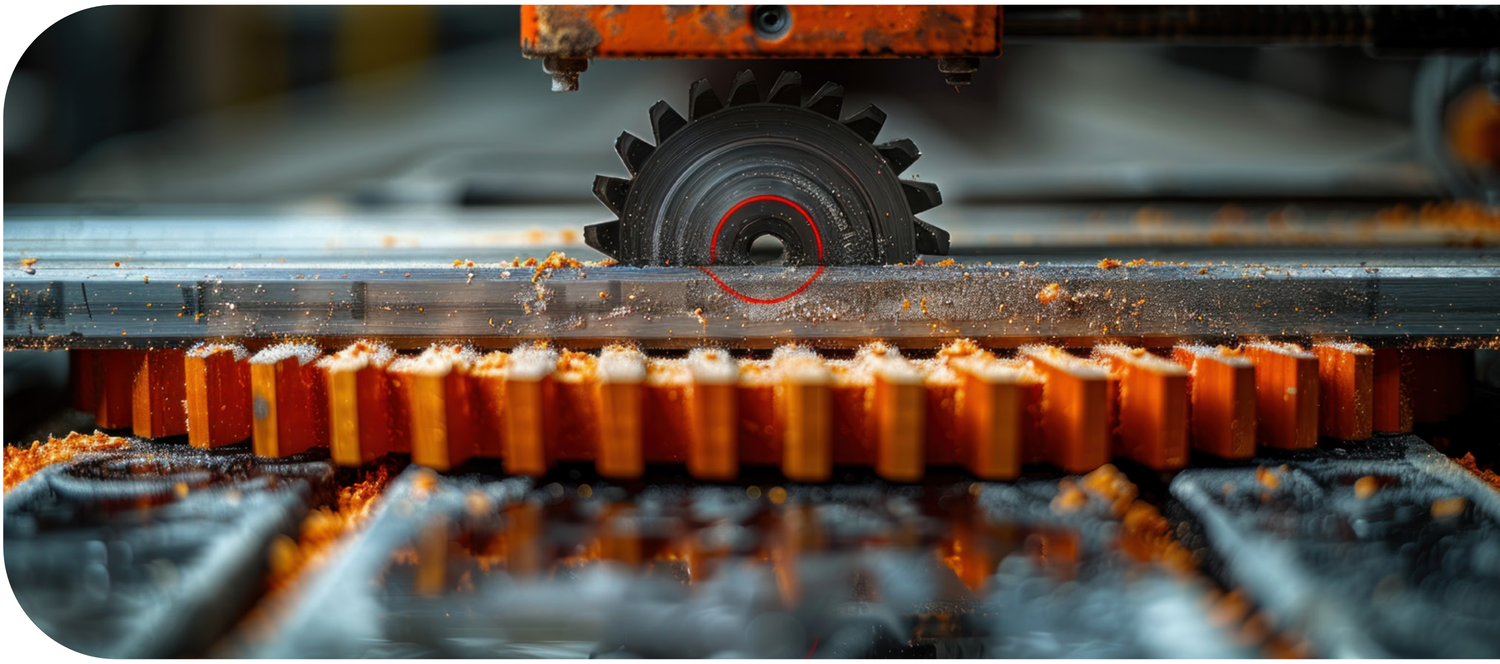
Business confidence rises for the first time since Q2 2025

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



Source: Make UK Manufacturing Outlook Survey

[1]ONS



Output

As the sector moves into the second half of 2026, output performance has cooled relative to its consecutively improving performance seen over the past three quarters.

PAST THREE MONTHS	↓ 10%	NEXT THREE MONTHS	↑ 17%

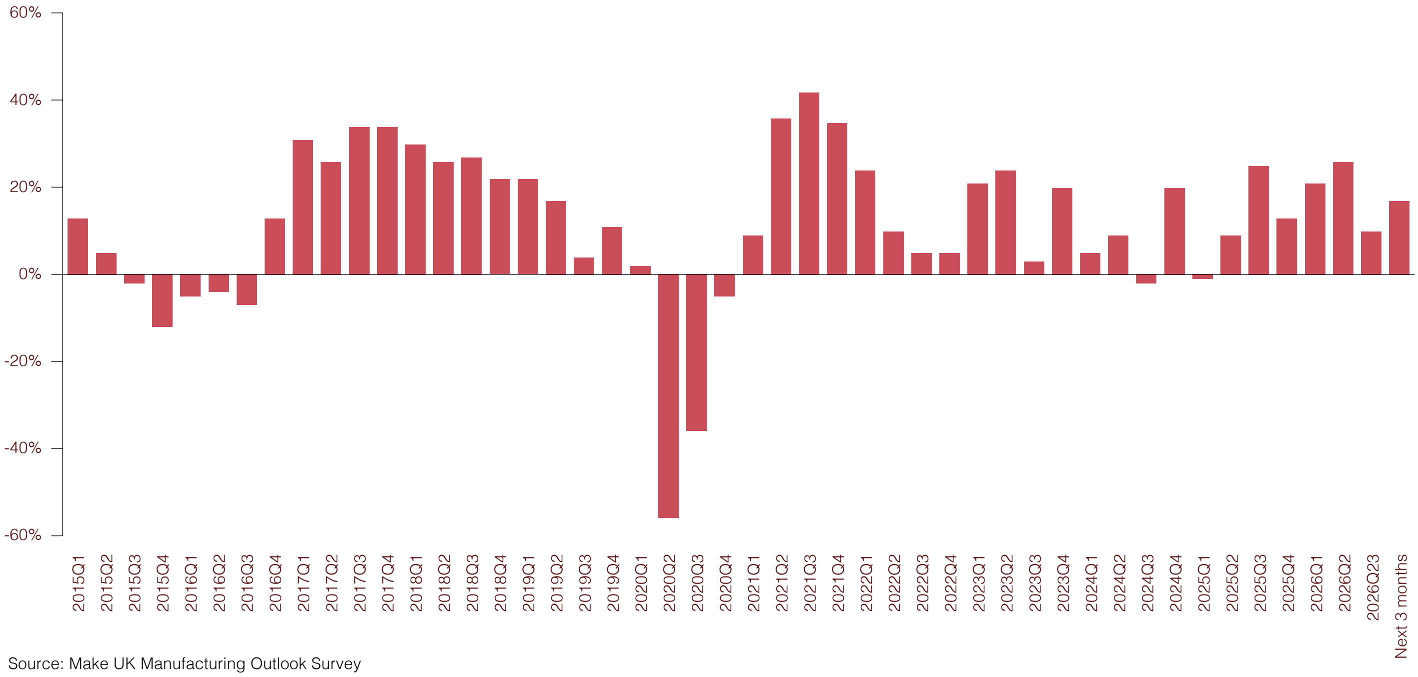
Despite this moderate cooling, performance remains positive and has become a key driver of our growth forecast improvements since the last edition of *Manufacturing Outlook*. The sector remains optimistic for continued output growth into the end of the year as well, albeit at a slower rate than in the first half of the year. The output balance figure for this quarter was reported at +10%. While still a double-digit balance figure, it's a drop relative to the particularly positive figure of +26% that was observed in the previous quarter, and the +21% figure that was seen in the first quarter of the year, dropping to levels last seen in the middle of 2025.

Performance this quarter across company size, as measured by turnover, has seen strong correlation, with those in the smallest turnover bracket reporting very little output growth at all. In the £0-9m turnover bracket, the balance figure for output was only +2%. In the £10-24m bracket, the figure reported at +17%. Finally, in the £25m+ bracket the figure reported at +28%. While there is often a skew, particularly during an upswing in performance, towards larger firms seeing more growth on a quarterly basis, the spread here in this quarter is larger than usual, especially where the relative 'flatness' of the £0-9m category of firms is concerned.

Despite overall positive performance, this quarter has seen quite a gap between how the sector had expected itself to perform compared to what actually came to pass. The 'next three months' balance figure expectation, set in the second quarter, showed the sector had ambitions of posting a balance figure for output at a significant +38%. A similar case was observed in the last quarter as well, where expectations set earlier were not met, revealing a quarterly over-optimism that is persisting within the sector's performance. However, despite this gap between expectation and reality, performance in this quarter is still well above the average between the suppressed 2022-2025 period.

Output volumes growth slows, but has maintained positivity for six quarters back to back

% balance of change in output



Source: Make UK Manufacturing Outlook Survey

Output Summary

% balance of change

Sector	Past three months	Next three months
Basic Metals	**20%**	**20%**
Metal Products	**17%**	**25%**
Mechanical	**8%**	**23%**
Electronics	**22%**	**11%**
Electrical	**0%**	**-10%**
Rubber & Plastics	**43%**	**57%**
TURNOVER		
£0-9m	**2%**	**15%**
£10-24m	**17%**	**29%**
£25m and over	**28%**	**34%**

Source: Make UK Manufacturing Outlook Survey

Orders

The latest balance for total orders shows a more mixed picture for UK manufacturers, with the balance falling to +13% from +18% the previous quarter.

However, the balance remains positive, indicating that demand conditions across the manufacturing sector continue to hold up despite a challenging trading environment. International disruption, higher energy costs, and weaker global growth continue to drag on growth, making the resilience of order books notable.

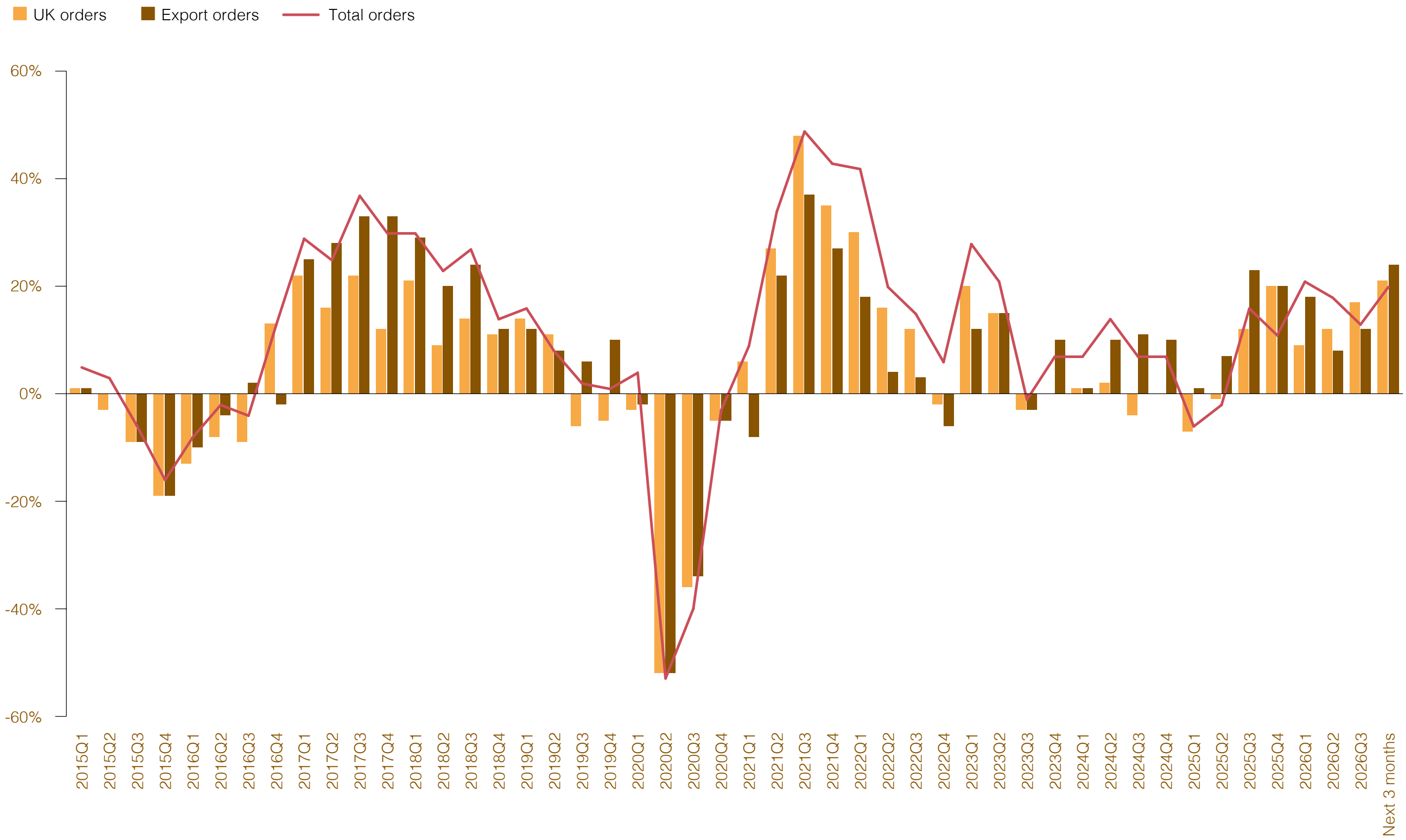
The latest results also show a change in the balance between domestic and export demand. While total orders have weakened, both UK and export orders improved in Q3. This suggests that the overall reduction in total orders has not been driven by a deterioration in either domestic or export markets, but instead a combined balance across the survey sample. Manufacturers remain positive about the next three months, indicating that demand conditions are expected to remain supportive.

UK ORDERS	PAST THREE MONTHS	↑ 17%	NEXT THREE MONTHS	↑ 21%
EXPORT ORDERS	PAST THREE MONTHS	↑ 12%	NEXT THREE MONTHS	↑ 24%
TOTAL ORDERS	PAST THREE MONTHS	↓ 13%	NEXT THREE MONTHS	↑ 20%

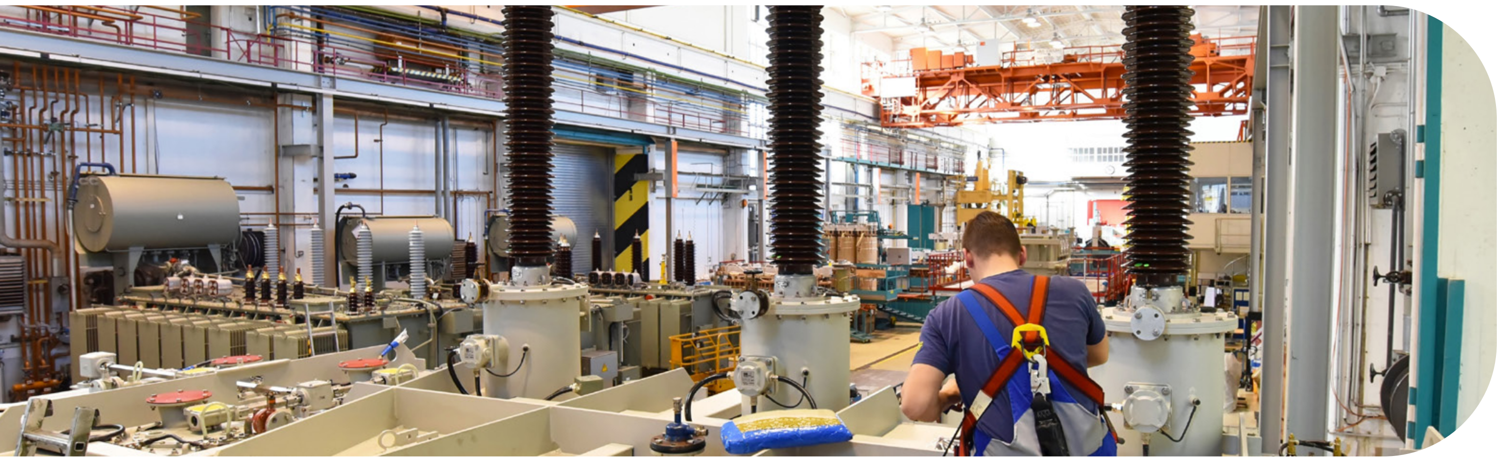
UK Orders

The balance for UK orders strengthened in Q3, reporting at +17%, up from +12% in Q2. This improvement suggests that domestic pipelines are becoming a stronger source of new work for manufacturers. This increase is encouraging given that UK demand had previously struggled to match export performance and now has outperformed international sales for back-to-back quarters. This relative difference can be a result of a strengthening of the domestic market, as well as a weakening in exports due to the impact of US tariffs or the conflict in the Middle East. Over the next three months, the balance for UK orders is forecast to increase to +21%, continuing the trend of a strong domestic market since Q2. The sectors Basic Metals and Rubber & Plastics are expected to see particularly strong increases in the balance of change for UK orders, which is a positive sign for these sectors.

Domestic market growth marginally outpaces export growth % balance of change in orders



Source: Make UK Manufacturing Outlook Survey

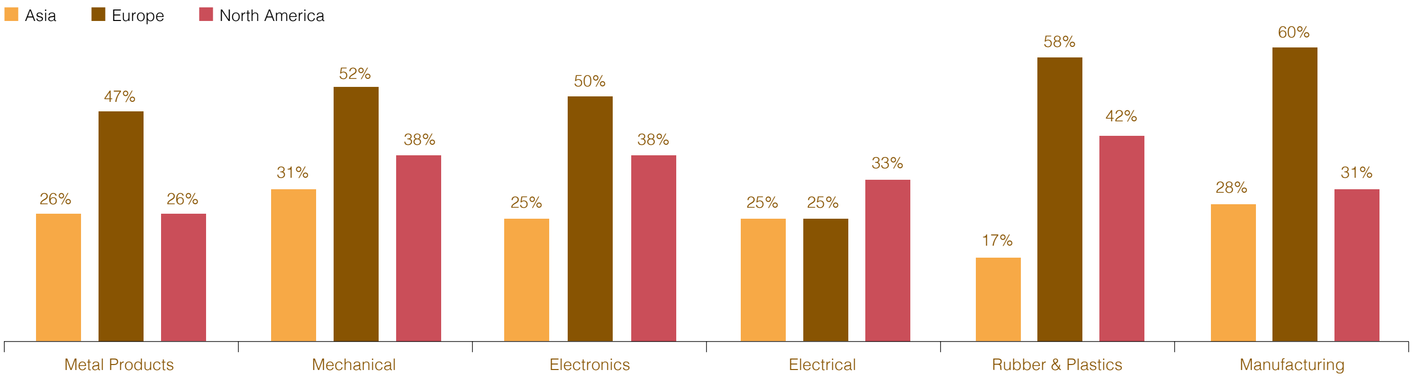


Export Orders

Export orders also improved in Q3, increasing from +8% to +12%. Although this remains below the +18% balance recorded in Q1, the latest result points to some stabilisation in international demand. Trade with Europe remains strong, although demand from the Middle East has slowed. Europe therefore continues to provide an important source of demand for UK manufacturers. North America also remains generally positive, although the wider international outlook remains uncertain. The improvement in export orders should consequently be viewed as a positive development, rather than evidence that external trading pressures have disappeared.

Strong demand for intermediate goods from all major regions

% of companies reporting positive demand conditions by market

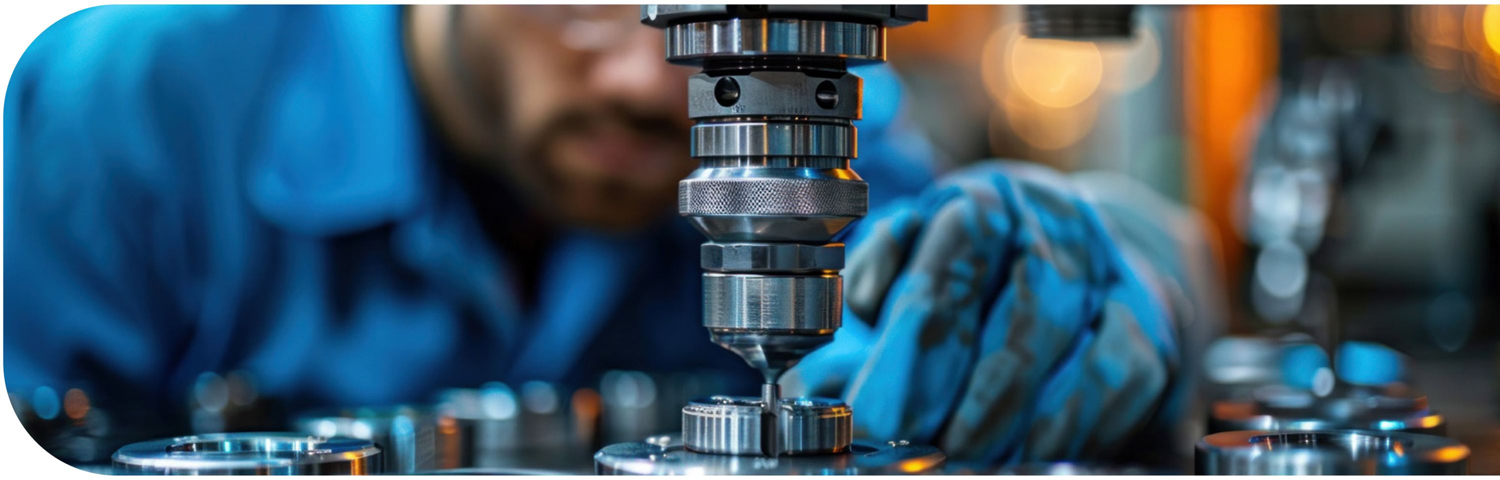


Source: Make UK Manufacturing Outlook Survey

Orders Summary % balance of change

	UK ORDERS		EXPORT ORDERS		TOTAL ORDERS	
Sector	Past three months	Next three months	Past three months	Next three months	Past three months	Next three months
Basic Metals	40%	60%	20%	40%	40%	20%
Metal Products	20%	23%	15%	8%	22%	17%
Mechanical	12%	16%	10%	31%	10%	21%
Electronics	33%	22%	22%	-11%	22%	33%
Electrical	19%	19%	5%	42%	-5%	24%
Rubber & Plastics	50%	36%	38%	38%	36%	43%
TURNOVER						
£0-9m	8%	19%	-1%	15%	8%	19%
£10-24m	14%	23%	17%	32%	21%	29%
£25m and over	38%	31%	37%	38%	28%	40%

Source: Make UK Manufacturing Outlook Survey



Employment & Investment

The balance figures for employment over the past few years have rarely broken into double-digit territory, but have generally remained positive even where the scale of any growth was diminutive. Last quarter we saw employment performance hit a relative high for a single-quarter score, although that was short lived as the latest figures show activity has frozen.

The employment balance figure for this quarter reported at +3%, which is close to a 'no-change' score. It had been theorised that we would likely observe this, given the findings in the second quarter of the year around the intensifying cost pressures the sector is facing. Recent history has shown us that when the sector looks to conserve its cash, employment activity is one of the first signals of that conservation, or in other terms, hiring freezes.

Also weighing on employment prospects are the changes coming from the Employment Rights Act (ERA), which despite being broad and too complex for discussion here, generally increase the cost and/or complexity for manufacturers to hire.

The industry's own expectation is that the employment balance figure will improve next quarter, however, in the case of employment, the future intention metric is typically more representative of the desire to increase headcount, rather than a practical signal that firms will hire more in the coming quarter. It's our view that the employment balance will remain supressed in the coming quarter due to the combination of increasing costs and further ERA measures coming into play.

As of July 2026, there were 57,000 live vacancies in the UK's manufacturing sector, a decrease from the 61,000 that were reported in the previous quarter's edition of this report. As a ratio, that is for every hundred jobs in the sector, 2.0 are vacant, down from 2.2 in last quarter's report.

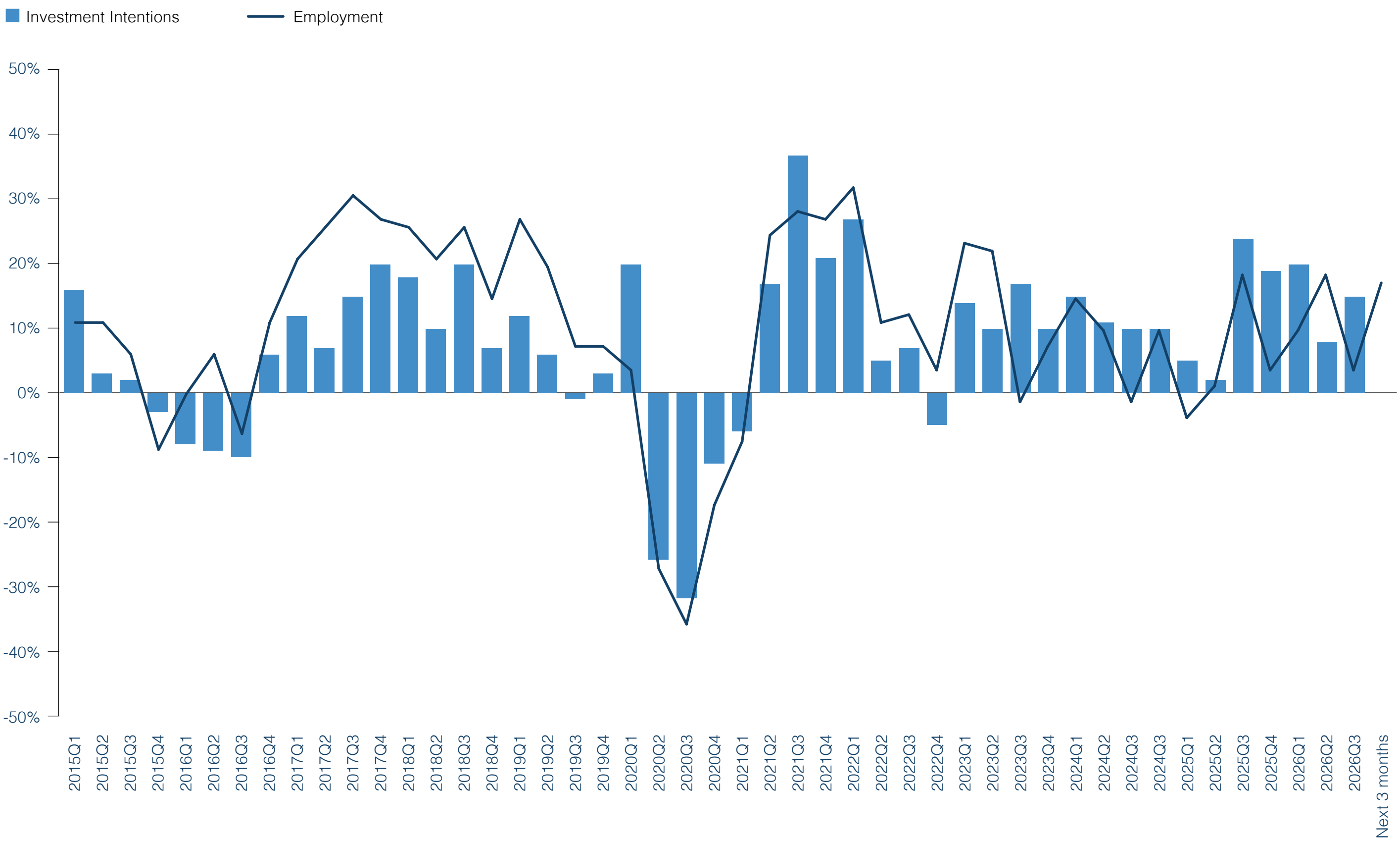
The vacancy ratio data for the sector dates back to 2001, and the long-run average for the ratio, pre-pandemic (i.e. 2021), stands at approximately 1.8. Since the peak of 4.0 in late 2022, this ratio has been steadily reducing, albeit over a long period of time. We had previously reported at the end of last year that the vacancy ratio had fallen as low as 1.9, almost returning to its long run average position. However, revisions to ONS statistics now show that the lowest it has fallen over the same period is now 2.0. It is expected that by next quarter there is a good chance the vacancy ratio will fall back to the long-term average of 1.9

EMPLOYMENT	**PAST THREE MONTHS**	↓ 3%	**NEXT THREE MONTHS**	↑ 14%
INVESTMENT	**NEXT TWELVE MONTHS**	↑ 15%		

The investment intentions metric, which measures the sector's intention to invest over the coming 12 months, has recovered a little following a sudden decline in investment sentiment that was seen last quarter. If anything, its as equally surprising as it is encouraging to see investment intentions increase this quarter given the backdrop of accelerating costs and faltering margins, particularly where we see other signals of cash-concern, namely in employment, appear.

Nevertheless, the reported balance figure for investment intentions of +15% is still beneath the three quarters preceding the second quarter of this year, so they remain well below the average of that period.

Businesses increase their investment plans, but hold off on recruitment % balance of change



Source: Make UK Manufacturing Outlook survey

Employment and Investment summary % balance of change

	EMPLOYMENT		INVESTMENT
Sector	Past three months	Next three months	Next twelve months
Basic Metals	0%	-20%	-50%
Metal Products	7%	-20%	-23%
Mechanical	-10%	-11%	-16%
Electronics	-22%	0%	11%
Electrical	-10%	-24%	0%
Rubber & Plastics	-33%	-7%	-38%
TURNOVER			
£0-9m	-7%	-16%	-6%
£10-24m	-13%	-20%	-18%
£25m and over	-8%	-17%	-28%

Source: Make UK Manufacturing Outlook Survey

Prices & Margins

The first two editions of *Manufacturing Outlook* this year brought particular attention to pricing behaviour within the industry. Despite relatively modest headline performance, the data indicated that pricing behaviour was rising quarter-on-quarter for the first time since 2021, the time at which there was significant inflation caused by the post-pandemic boom in activity.

Because of this, we have been focussed on the prices metric, and other inflation data, as there is a risk that pricing behaviour may well exacerbate already established issues to do with the cost of production.

This quarter shows that, on aggregate, the sector is continuing to increase prices. The balance figure for which is a little below what we saw last quarter, but is still above the three-year average.

The balance figure for UK price setting behaviour and export price setting behaviour reported at +30% and +24% respectively. This is only slightly down from the previous quarter's figures of +36% and +29% respectively and reveals there is still significant inflationary behaviour within the sector.

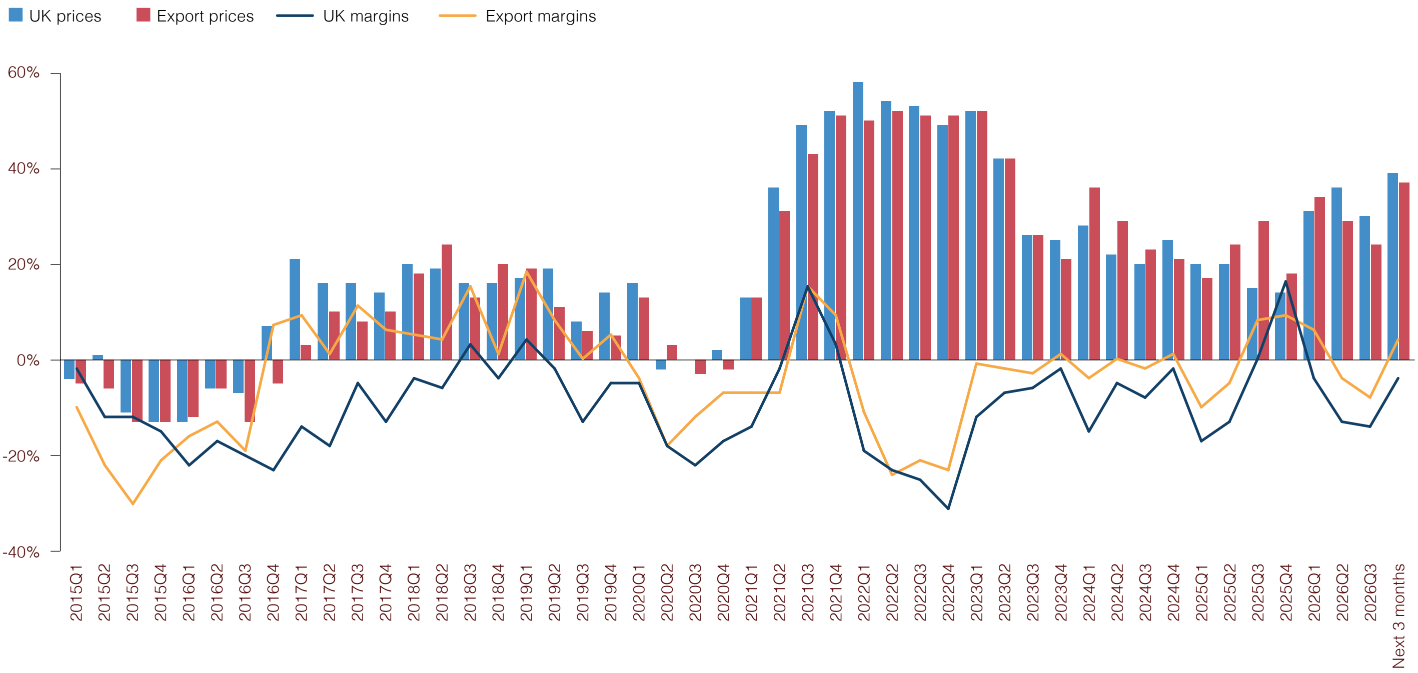
Even with these pervasive quarterly price increases, margins are not recuperating. UK margins and export margins reported at -16% and -10% respectively, down from the previous quarter's -15% and -10%. Even though this hasn't been as significant of a decline in margins, the fact that they remain somewhat unchanged in their negativity despite consistently increasing pricing behaviour indicates that the cost increases for manufacturers are outpacing their ability to price-through these challenges at a rate sufficient enough to grow margins.

The future three-month expectation from the sector expects to see even further increased price setting behaviour at a level that exceeds any quarter so far this year, with balance figures for UK prices and export prices at +39% and +37% respectively. However, with this significant hike in the proportion of manufacturers increasing their prices next quarter, so too improves the expectation of seeing margins improve at the same time, with UK margins expected to increase to -6% and export margins to +2%.

The latest ONS Producer Price Inflation[2] (PPI) rose by 4.9% in the year to April, down from 7.4% reported in March. This reflects this quarter's *Manufacturing Outlook* data, which sees continued price increase behaviour, but at a slightly slower rate than before.

[2]Producer price inflation, UK - Office for National Statistics

Cost inflation cools slightly this quarter as margins remain negative % balance of change

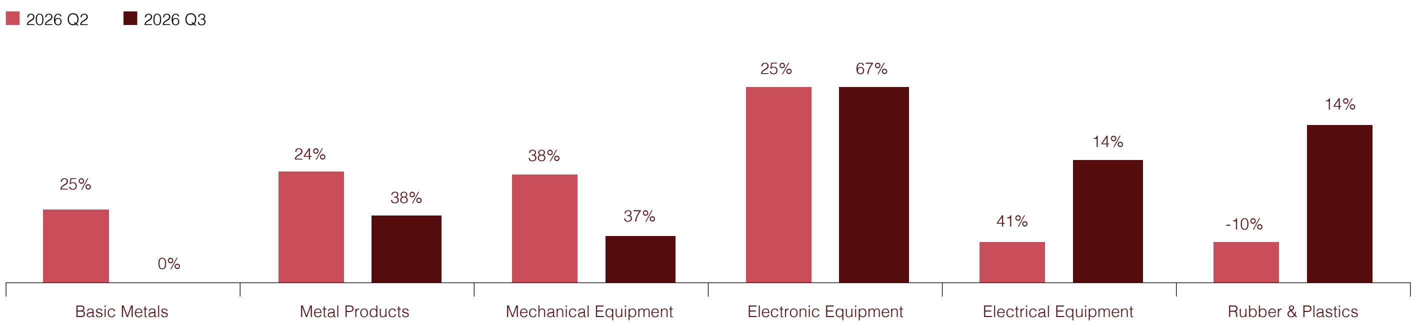


Source: Make UK Manufacturing Outlook Survey

UK PRICES	**PAST THREE MONTHS**	↓ 30%	**NEXT THREE MONTHS**	↑ 39%
EXPORT PRICES	**PAST THREE MONTHS**	↓ 24%	**NEXT THREE MONTHS**	↑ 37%
UK MARGINS	**PAST THREE MONTHS**	↓ -16%	**NEXT THREE MONTHS**	↑ -6%
EXPORT MARGINS	**PAST THREE MONTHS**	↓ -10%	**NEXT THREE MONTHS**	↑ 2%

Export prices rise further for electronic goods as demand for AI increases

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



Source: Make UK Manufacturing Outlook Survey

National & Regional

Manufacturers across the UK remain optimistic about their prospects, with business confidence strengthening nationally and all regions and nations reporting above the ‘5’ inflection point.

Manufacturers across the UK remain optimistic about their prospects, with business confidence strengthening nationally and all regions and nations reporting above the ‘5’ inflection point. National business confidence rose to 6.6 from 6.0 in Q2, while confidence in the UK economy increased to 5.7 from 5.0. The regional and national picture is more mixed, however, with confidence ranging from 7.0 in Yorkshire & the Humber to 5.2 in Wales.

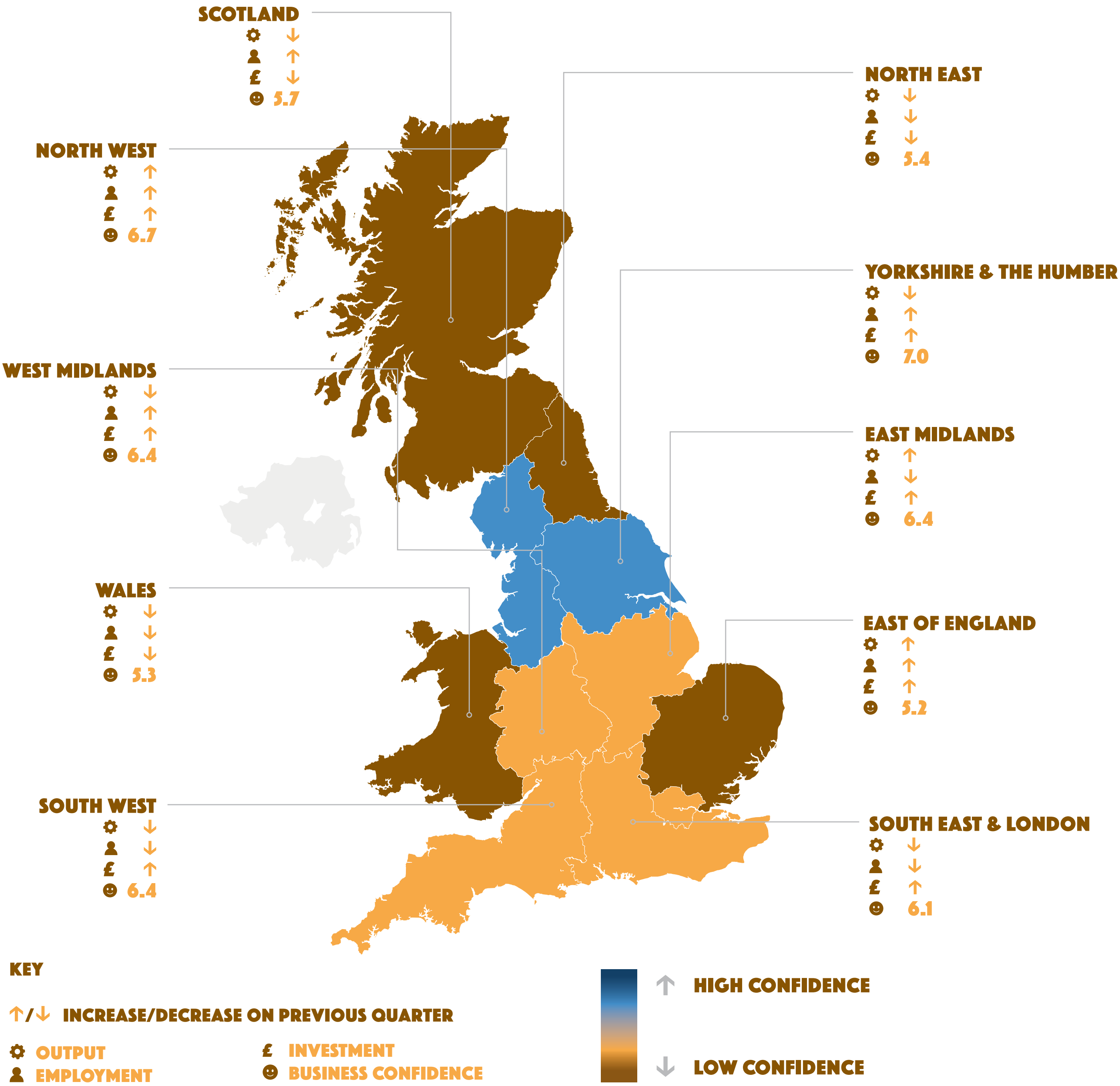
The improvement in national confidence is notable given that wider economic conditions have not materially eased. It suggests manufacturers remain relatively resilient about their own prospects, despite continued pressure from costs and uncertainty. It may also reflect the recent change in Government, alongside increasing messaging for ‘reindustrialisation’ that has boosted hopes of stronger industrial policy for the sector. The regional data also points to differences in the experience of manufacturers across the UK, with some areas recording stronger activity across output, employment and investment than others.

Regional business confidence

Business confidence is positive across every region and nation. Yorkshire & the Humber recorded the highest confidence at 7.0, closely followed by the North West at 6.7. East Midlands (6.4), West Midlands (6.4) and the South West (6.4) are also relatively strong. South East & London stands at 6.1, while Scotland scored 5.7 and the North East 5.4. The lowest scores were Wales at 5.3 and the East of England at 5.2, although both remain above the inflection point.

The regional activity data helps put this variation into context. The North West, for example, recorded a strong +55% balance of change in output over the past three months, alongside positive employment and investment intention balances, which would account for the increase of 1.2 in confidence since Q2 2026. Yorkshire & the Humber also recorded positive experiences for output, orders and employment. These indicators suggest that regional confidence may reflect differences in current business conditions as well as expectations for the year ahead.

Boosts in activity in most regions



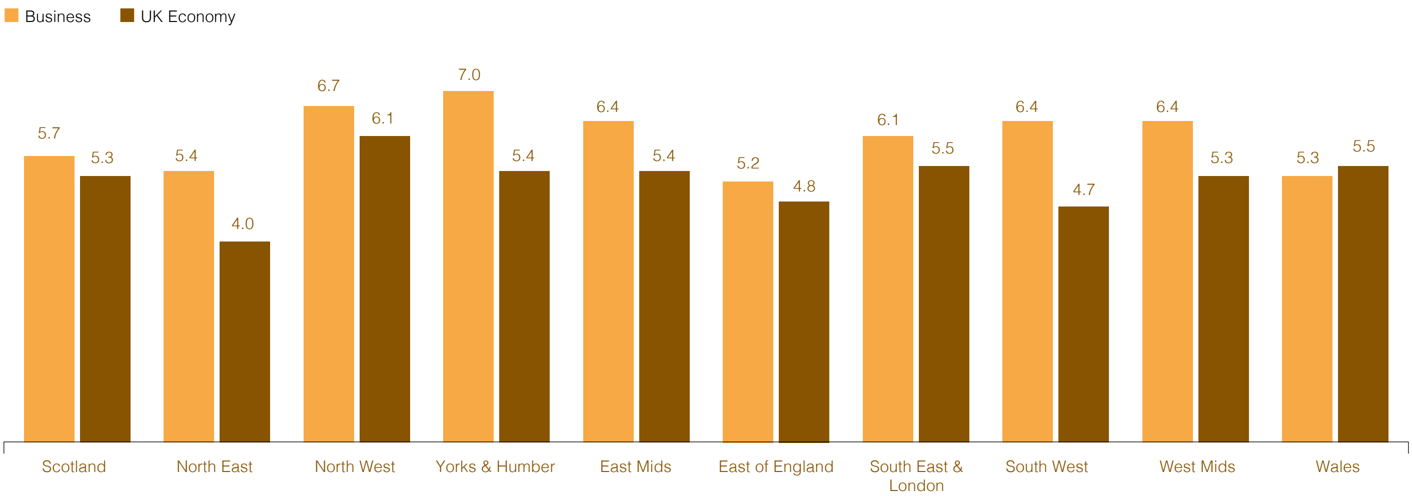
UK economy confidence

Manufacturers' confidence in the overall UK economy also improved, reaching 5.7 compared with 5.0 in Q2. However, the regional picture is less uniformly positive than for business confidence. The North West reported the strongest UK economy confidence at 6.1, a change of 1.4 on Q2, followed by South East & London at 5.5 and Wales at 5.5. Yorkshire & the Humber and East Midlands reported around 5.4, while Scotland and the West Midlands scored 5.3.

Three regions remained below the 5-point inflection point on UK economy confidence: the North East at 4.0, the South West at 4.7 and the East of England at 4.8. This suggests that, despite the improvement in the national measure, some manufacturers continue to expect economic conditions to deteriorate over the next 12 months. The contrast between relatively strong business confidence and weaker views of the wider economy is therefore an important feature of this quarter's results.

All UK regions and nations report positive business confidence

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



Source: Make UK Manufacturing Outlook Survey

Regional summary % balance of change

	OUTPUT		TOTAL ORDERS		EMPLOYMENT	
Region	Past three months	Next three months	Past three months	Next three months	Past three months	Next three months
Scotland	11	21	10	24	13	16
North East	0	0	40	40	0	20
North West	55	15	35	68	14	14
Yorks & Humber	10	38	29	52	5	33
East Mids	23	0	23	14	5	14
East of England	8	18	8	-15	15	0
South East & London	6	32	17	31	9	14
South West	14	29	29	-14	-14	57
West Mids	-3	38	16	22	0	22
Wales	-50	-25	-50	-25	33	0

Source: Make UK Manufacturing Outlook Survey

Economic Environment

The third quarter of 2026 has been one of many changes, as we welcomed the new government led by former Manchester mayor Andy Burnham. The manufacturing industry welcomed the appointment of Jonathan Reynolds as Business Secretary.

At the Farnborough Airshow in July, the Business Secretary announced a £600 million package of support for the UK aerospace industry, including £500 million for aerospace R&D. Other recent developments for manufacturing include the announcement of the Critical Minerals Accelerator grant scheme, which will provide £25 million to support the critical minerals sector. From September, the UK has had access to the £13 trillion CPTPP trading bloc, which is expected to deliver around £2 billion a year to the UK economy.

In this context, the economic environment in Q3 remains one of modest growth and continued uncertainty for UK manufacturers. The latest forecasts point to a gradual expansion in the UK economy, with GDP expected to grow by 1% in 2026 before slowing to 0.9% in 2027. UK GDP has continued to be driven by services, continuing the trend seen since January. Manufacturing is forecast to perform slightly better than the wider economy in 2026, with output growth of 1.2%, although this is expected to ease to 0.3% in 2027. This suggests that manufacturers are continuing to show resilience despite a challenging domestic and international environment.

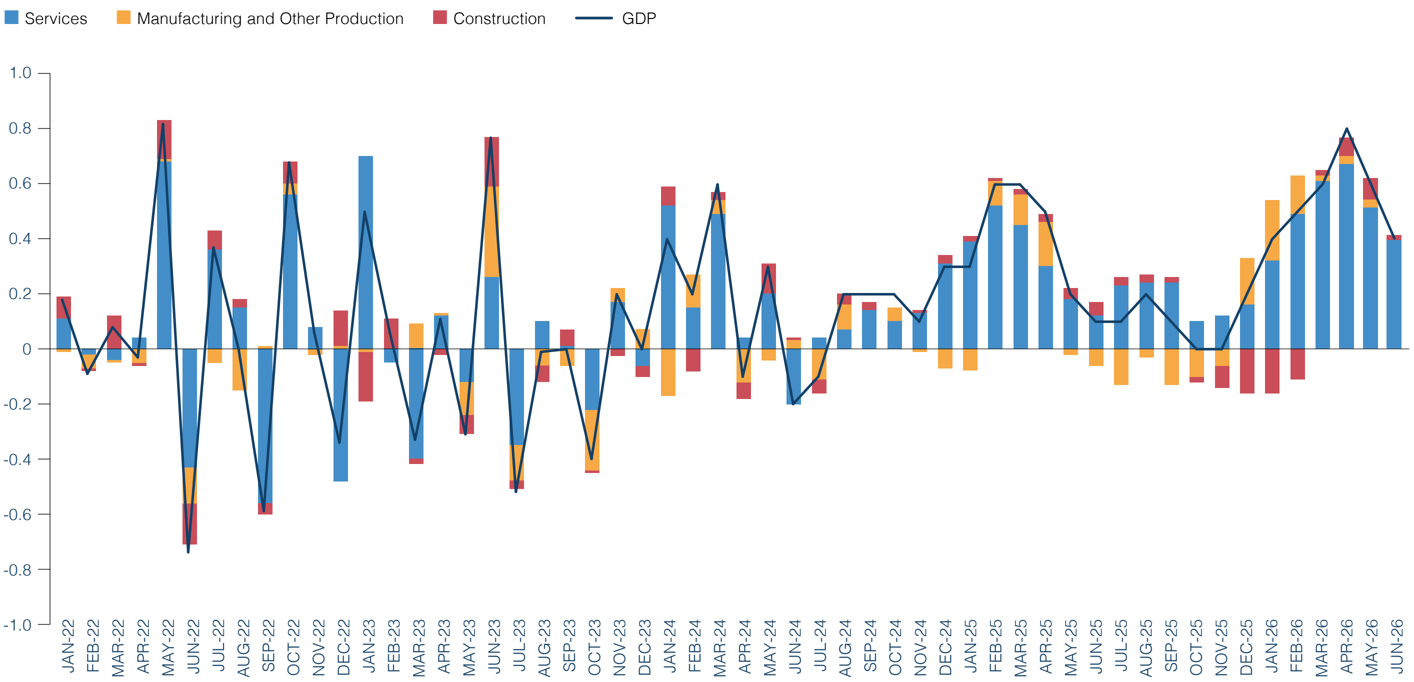
Inflation and input costs remain elevated, whilst average earnings are forecast to increase by 4% in 2026. For manufacturers, continued wage growth adds to operating costs at a time when businesses are already seeking to improve productivity and manage employment levels. Energy costs are also a concern, with the Brent crude oil price forecast to average $88.02 per barrel in 2026, significantly above the 2025 forecast of $69.10 due to the continued conflict in the Middle East. These cost pressures will continue to weigh particularly heavily on energy-intensive industries.

Internationally, growth remains uneven. The US economy is forecast to grow by 2.2% in 2026, while Eurozone growth is expected to be weaker at 0.8%. Germany is forecast to grow by 0.8%, while China remains stronger at 4.8% and India at 6.7%. Global GDP growth is forecast at 2.5% in 2026, before improving to 3.1% in 2027. These differences underline the importance of manufacturers maintaining access to stronger international markets, such as through CPTPP and other trade agreements.

The economic environment for 2026 and 2027 will be characterised by increasing demand from industries supplying growth sectors, such as renewables, data centres and defence. Equally, these opportunities for growth will test businesses' ability to manage inflationary pressures, as energy and input cost increases weigh on their ambitions.

GDP growth primarily led by services since January 2026

Contributions to monthly GDP, percentage points, January 2022 to June 2026



Source: ONS

UK Economic Forecasts % change except where stated

	2025	2026	2027
Trading environment			
Exchange rate (€/£)	1.32	1.34	1.30
Exchange rate ($/£)	1.17	1.15	1.12
Exports	1.91	1.07	0.78
Imports	4.11	1.87	-0.28
Current account (% GDP)	-3.13	-3.43	-3.00
Output			
Manufacturing	-0.97	1.17	0.31
GDP	1.31	1.04	0.93
Costs and prices			
Average earnings	4.83	4.03	3.54
Oil price (Brent Oil $/bl)	69.10	88.02	71.93
Employment			
Manufacturing (000s)	2528.8	2472.0	2425.6
Rest of economy (000s)	34149.3	34412.6	34587.8
Unemployment rate (%)	4.4	4.4	4.5

Source: Oxford Economics and Make UK

International Economic Forecasts % change

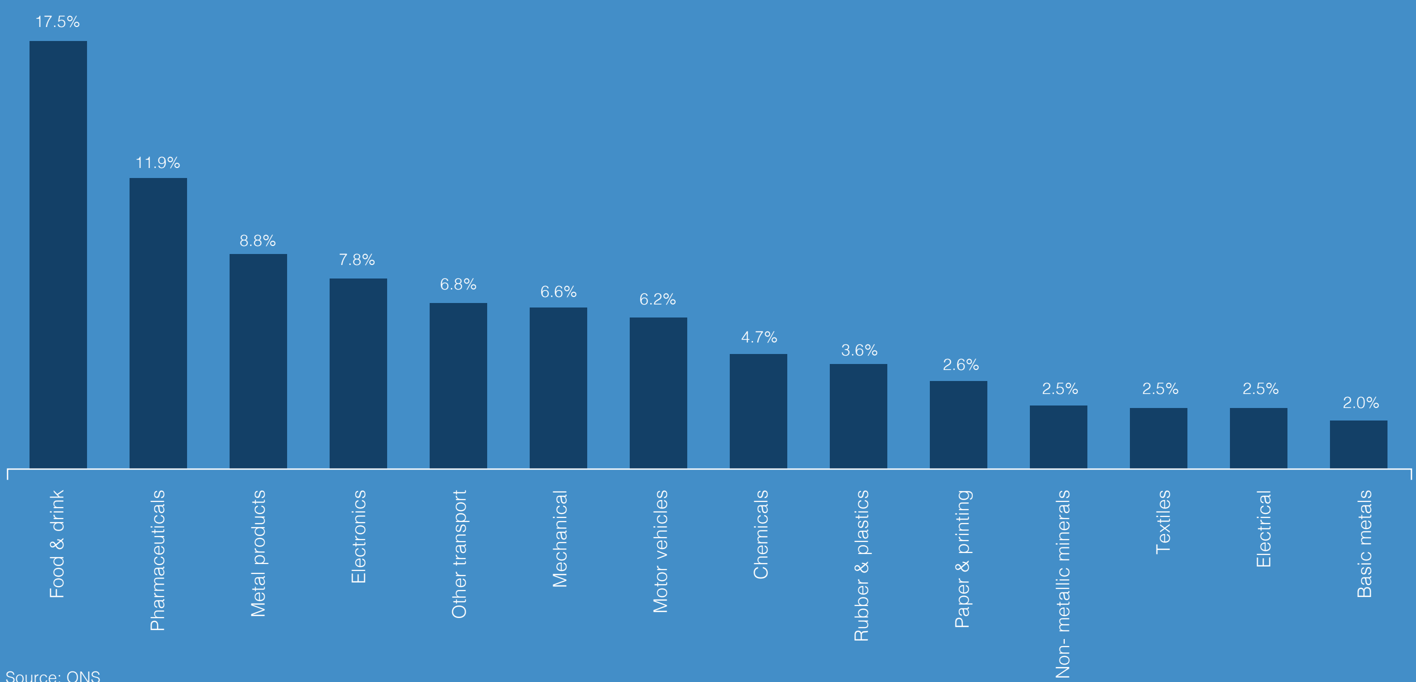
	GDP			INFLATION		
	2025	2026	2027	2025	2026	2027
US	2.1	2.2	2.7	2.7	3.2	2.3
Eurozone	1.3	0.8	1.4	2.1	2.8	2.1
France	0.9	0.6	0.8	0.9	2.1	1.9
Germany	0.3	0.8	1.4	2.2	2.7	2.3
Japan	1.1	0.5	0.5	3.2	1.9	2.8
China	4.9	4.8	4.6	0.0	1.1	1.2
India	7.5	6.7	6.8	2.2	4.5	5.0
World (US$ weighted)	3.0	2.5	3.1	3.8	4.4	3.7

Source: Oxford Economics

Sector Forecasting 2026 Q3

Q2 2026 Manufacturing Sector composition by GVA (% share)

Subsector share of Manufacturing Gross Value Added



Source: ONS

The manufacturing sector on balance is expecting a blip of positivity for 2026. Output (gross value added) is forecast to increase by 1.2% in 2026, an upward revision from 0.3% in Q2, while employment is expected to fall by 2.1%. This combination of greater output and lower employment may reflect productivity growth for the industry as investment in AI and automation technologies pay dividends. Performance also varies considerably across subsectors, with pharmaceuticals, electronics and metal products among the stronger cohort expecting above average growth, likely benefitting from rising demand for goods in sectors such as advanced manufacturing, defence and even data centres.

On the other hand, several sectors are forecast to contract this year including basic metals, non-metallic minerals and mechanical equipment. The overall picture is a significant mixed bag despite the upgraded sector-wide average for growth for output. Furthermore, the largest manufacturing sector, food & drink, which accounts for 17.5% of the industry, is forecasting only 0.3% growth in its output. It is the only sector forecasting flat growth, which may come as welcome news given six subsectors are forecasting contractions for the year. Looking at 2027, the majority of manufacturing subsectors are forecasting either flat or negative growth, with other transport (aerospace and defence) the only industry predicting modest growth.

Overall, the Q3 forecasts point to a manufacturing sector experiencing modest output growth but significant differences between industries. Stronger performance in technology, pharmaceuticals and metal products is offset by continued weakness in energy-intensive and construction-linked sectors. The continuing gap between output and employment also suggests that productivity improvements will remain central to manufacturers' response to the current trading environment.

Sector growth rates and forecasts % change

	OUTPUT			EMPLOYMENT		
	2025	2026	2027	2025	2026	2027
Basic metals	-13.4	-5.9	-1.8	-13.1	-0.9	-0.9
Metal products	-6.5	5.9	0.5	-7.1	-4.0	0.4
Mechanical	4.0	-2.3	0.9	0.2	3.8	-2.2
Electronics	2.1	6.4	-2.0	1.0	-1.6	-4.7
Electrical	2.6	3.2	0.3	2.1	-3.6	-1.2
Motor vehicles	-11.0	1.3	0.4	-0.4	-3.3	-3.0
Other transport	3.3	2.4	2.0	5.1	1.0	-2.2
Food & drink	-0.1	0.3	0.0	0.7	-2.8	-2.6
Chemicals	-3.8	-2.4	0.7	-6.6	1.0	-2.9
Pharmaceuticals	7.8	3.1	1.3	6.0	9.1	0.1
Rubber and plastics	-1.6	2.6	-0.8	-6.4	-5.0	0.0
Non-metallic minerals	-6.3	-6.1	-0.7	-5.6	-1.6	1.3
Paper and printing	-2.6	-3.6	-2.5	10.5	-3.7	-4.1
Textiles	-3.7	-1.5	-3.6	-2.6	3.3	-4.6
Manufacturing	-1.0	1.2	0.3	-1.4	-2.1	-1.8

Source: Make UK and Oxford Economics

Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK's economic engine and the world's workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world's biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

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