

THE SHAPE OF BRITISH INDUSTRY A DECADE OF TRANSFORMATION



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FOREWORD

Manufacturing has been central to the UK's economic strength for more than a century, and as Make UK marks its 130th year, the sector finds itself at another pivotal moment. Founded in the Glasgow shipyards and shaped by generations of engineers, innovators and employers, our organisation has always existed to champion the makers of this country. That mission remains unchanged, and is more vital than ever.

This report, *The Shape of British Industry*, reflects a sector that has evolved dramatically over the last decade. Manufacturers have faced profound geopolitical, economic and technological shifts, yet have responded with resilience, agility and ambition. Companies are investing at pace in digital technologies; AI and advanced automation; modernising factories; strengthening supply chains; and building the capabilities needed to remain competitive in an increasingly demanding global environment. At the same time, long standing challenges, such as skills shortages, high energy costs, and inconsistent regulatory and tax frameworks, continue to constrain the UK's competitiveness and limit the scale of investment our country should be attracting.

The global context has changed fundamentally. The relative stability of recent decades has given way to a more complex, more contested world in which economic security and industrial strength are increasingly inseparable. For the UK, this presents both challenge and opportunity. To thrive, we must build a more resilient industrial base, strengthen strategic supply chains, and foster the conditions for world leading innovation. Above all, this requires delivery: consistent, long term policy that endures beyond political cycles and gives businesses the confidence to invest.

The findings in this report underline the priorities shared across UK manufacturing: a skills system aligned to advanced industry; competitive and predictable energy costs; a modern, streamlined regulatory environment; and the delivery of an industrial strategy that provides clarity and direction. Manufacturers are ready to invest, ready to

innovate and ready to lead the transition to a more digital, more sustainable and more productive economy. But they need a policy environment that matches their ambition.

Our history has shown that when the UK backs its makers, they deliver, from breakthrough technologies to world class exports and high value jobs in every region of the country. Looking ahead, manufacturing has a central role to play in building a stronger, more secure and more resilient economy. We hope this report provides a clear foundation for that partnership between industry and Government, and a shared understanding of what is required to unlock the full potential of British manufacturing.



**Stephen Phipson CBE,
CEO, Make UK**



**Lord Harrington of Watford,
Chair, Make UK**

KEY DATA



HALF OF MANUFACTURERS say the UK business environment is good or very good



of manufacturers rely on the "Made in Britain" brand to drive **CUSTOMERS AND COMPETITIVENESS**

NEARLY HALF believe the UK is more competitive than the US and Germany



TWO THIRDS list improving productivity as their number one priority



say strong communication with customers and suppliers is critical **TO FUTURE GROWTH**

A THIRD SAY that their biggest barrier to growth is skills and workforce gaps



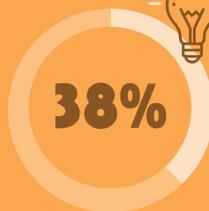
say **RAW MATERIAL** availability and cost will be key to future growth



plan to invest in **DIGITAL TECHNOLOGIES** in the next five years, overtaking plant & machinery



of manufacturers generate at least some turnover from **EXPORTS**



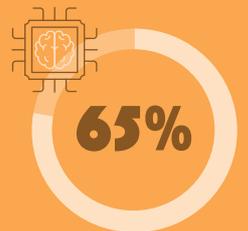
supply most of their products **DIRECTLY TO OEMs**



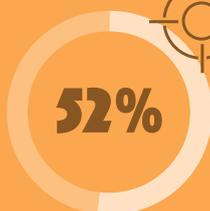
see increased cybersecurity risks as the top disadvantage of **AI ADOPTION**



believe widespread AI adoption will increase the **UK'S COMPETITIVE EDGE**



expect AI to **INCREASE** productivity



believe the UK's **NET ZERO TARGETS** are achievable for their business



say achieving **NET ZERO** would be beneficial to their operations



BUT 66% REPORT Net Zero will add significant cost



CHAPTER 1.

A LOOK BACK AT THE INDUSTRIAL LANDSCAPE

1800-1913: Industrial Revolution and mass industrialisation

Britain became the world's leading industrial economy during the 19th century, driven by mechanised textiles, steam power, iron and steel, machine tools and railways. Manufacturing employment expanded and the sector grew steadily, supporting rapid urbanisation and global trade. By the early 20th century, however, competition from the United States and Germany had eroded Britain's early dominance, especially in heavy industries such as iron and steel.^{1,2}

1919–1939: Interwar challenges and modernisation

After World War I, UK manufacturing struggled with weak demand, rising global protectionism and intensifying competition. Investment lagged, and productivity gaps widened relative to rivals. The Great Depression exposed structural weaknesses in traditional sectors like coal, textiles, shipbuilding and steel. Japanese competition was particularly disruptive, especially in cotton.³

Despite these difficulties, parts of industry modernised. Automotive firms such as Jaguar, Rolls-Royce and the Rootes Group expanded, while new technology-based companies, like English Electric, Dowty and Power Jets, emerged. Consumer-facing and pharmaceutical giants, including Unilever and Glaxo Laboratories, also took shape. These developments provided the technological foundations for post-1945 growth.

1945–2010: Rebuilding, growth and deindustrialisation

Following World War II, manufacturing remained central to the UK economy, supported by Government intervention, nationalisation and investment. Manufacturing accounted

for roughly a third of output in the early 1950s and nearly 30% of employment through the 1950s.⁴

From the late 1960s onward, the UK experienced rapid deindustrialisation. Although advanced economies all saw a relative shift from manufacturing to services, the UK's decline was steeper due to underinvestment, productivity challenges and rising competition from the US, Germany, Japan and later South Korea. Manufacturing's share of GDP fell from 32% in 1970 to 23% in 1990, alongside major job losses.⁵

In the 1990s and 2000s, financial and professional services grew rapidly, drawing capital and talent away from industry. Even so, high-value sectors such as aerospace, pharmaceuticals, automotive and high-tech machinery remained globally competitive. Between 1997 and 2007, manufacturing productivity rose by about 50%, outperforming services, yet the sector's economic share continued to fall, dropping to just 11% of output by 2010.^{6,7}

2010–Present: Attempts to rebalance and renew Industrial Strategy

From 2010, policymakers increasingly called for rebalancing the economy and strengthening manufacturing. Despite a much smaller footprint, manufacturing remained vital for exports, R&D and high-value jobs. Early policy efforts (2010–2015), however, lacked strategic coherence and consisted mainly of short-term incentives, fragmented programmes and limited sector-specific initiatives. During this period, the UK's global manufacturing share declined sharply, driven by high energy and labour costs and intensified global competition, particularly from China. EU Single Market access masked some of these structural weaknesses until Brexit, after which non-tariff barriers contributed to a significant fall in goods exports.⁸

¹Kitson, M., and Michie, J. (2014). The deindustrial revolution: the rise and fall of UK manufacturing, 1870-2010. Working Paper, Centre for Business Research, University of Cambridge.

²Allen R.C. (1979) International Competition in Iron and Steel, 1850–1913. The Journal of Economic History. Vol. 39(4):911-937. doi:10.1017/S0022050700098673

³https://www.bbc.co.uk/nationonfilm/topics/textiles/background_decline.shtml

⁴<https://www.ons.gov.uk/economy/nationalaccounts/uksectoraccounts/compendium/economicreview/april2019/longtermtrendsinukemployment1861to2018>

⁵Manufacturing: Statistics and Policy: <https://researchbriefings.files.parliament.uk/documents/SN01942/SN01942.pdf>

⁶The future of UK Manufacturing: <https://www.pwc.co.uk/assets/pdf/ukmanufacturing-300309.pdf>

⁷Historical data on industries in the UK: <https://researchbriefings.files.parliament.uk/documents/SN06623/SN06623.pdf>

⁸Brexit has deepened the British economy's flaws and dulled its strengths: <https://www.economist.com/britain/2025/12/30/brexit-has-deepened-the-british-economys-flaws-and-dulled-its-strengths>



A more structured industrial strategy was introduced in 2017, focused on innovation, skills and regional investment. Yet political instability and frequent changes in Government meant policy continuity was limited. In 2025, the Government launched *Invest 2035*, a 10-year industrial strategy designed to provide long-term policy stability, support investment and improve supply-chain resilience in key sectors such as advanced manufacturing and defence.

Current structural challenges

Decades of deindustrialisation have weakened domestic supply chains, reducing the UK's ability to produce critical inputs. The country now lacks domestic production of several essential materials for electronics, batteries and energy technologies, and no longer has full end-to-end capacity in strategic areas such as large-scale battery manufacturing. The closure of the last ammonia facility in 2023 highlighted growing dependence on imports for chemicals and other foundational industrial inputs.⁹ The chemicals sector, once in surplus, recorded an £11 billion trade deficit by 2023, raising concerns about industrial

Decades of deindustrialisation have weakened domestic supply chains, reducing the UK's ability to produce critical inputs.

resilience and national security.¹⁰

The policy shift since 2010 reflects a broader re-evaluation of manufacturing's strategic importance. The new long-term industrial strategy aims to integrate energy policy, skills, R&D, investment incentives and supply-chain resilience into a coherent framework. If delivered consistently, it has the potential to address long-standing barriers to competitiveness, strengthen industrial foundations and support sustained manufacturing growth.

However, the strategy's success will depend heavily on implementation, ensuring alignment across government departments, maintaining long-term commitment despite political cycles, and navigating an increasingly protectionist global environment. Over the coming decade, measurable progress in manufacturing growth, exports and investment will determine whether the UK can reverse the effects of long-term deindustrialisation and establish a more resilient, high-value industrial base.

⁹Industrial Resilience: Assessing the Foundations of UK Industry: https://nationalpreparednesscommission.uk/publications/industrial-resilience-assessing-the-foundations-of-uk-industry/#toc_Introduction

¹⁰Britain is losing the industry that makes everything: <https://www.youtube.com/watch?v=PQ3hT8tqZgo>

CHAPTER 2. MARKET LANDSCAPE & OPERATING ENVIRONMENT

Since 2010, manufacturers have become considerably more agile, shaped by a series of crises that necessitated changes in behaviours and mindsets.

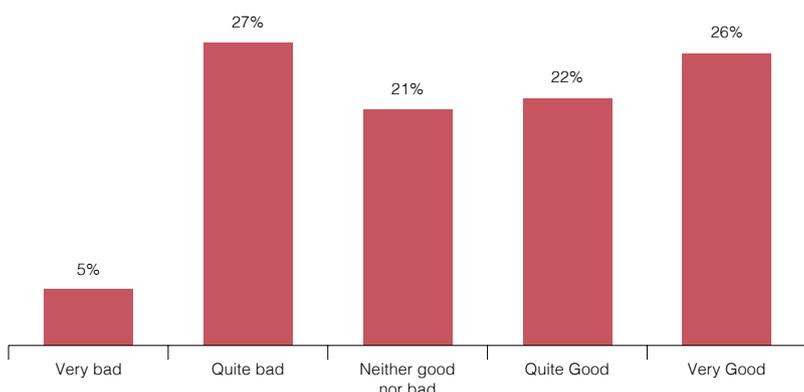
Market conditions evolve over time. The nature of the business has always been the same: businesses innovate, invest and compete to grow and flourish to support their local communities and create high-quality well-paid jobs. However, the conditions businesses face changes frequently - whether it's a result of political cycles reshaping fiscal conditions or external shocks, such as a financial crisis, a spike in oil prices or a pandemic.

Manufacturers are far more agile than they were when we last conducted this study in 2010, partly because the crises that enforced a change in behaviours and attitudes. That renewed robustness in the state of business is reflected in the latest survey data, with nearly half (48%) of firms who told us that the UK 'business environment' is either quite or very good. In comparison to 32% who said the opposite

(i.e. quite or very bad). On balance, the sector is relatively divided on this opinion, but it is positive that a greater share of manufacturers leans on the side of optimism.

Nevertheless, the state of the business environment reflects many challenges, particularly since 2010 as manufacturers experienced rising pressures due to higher industrial energy costs, tax burdens, a widening labour shortage and several seismic economic shocks. Yet this period has also sharpened our focus on the policy areas that matter most. Apprenticeships now command greater attention in debates on education and skills, tax reliefs have evolved through innovations such as the super-deduction and full expensing, and there is growing momentum behind reforming how public expenditure treats infrastructure investment.

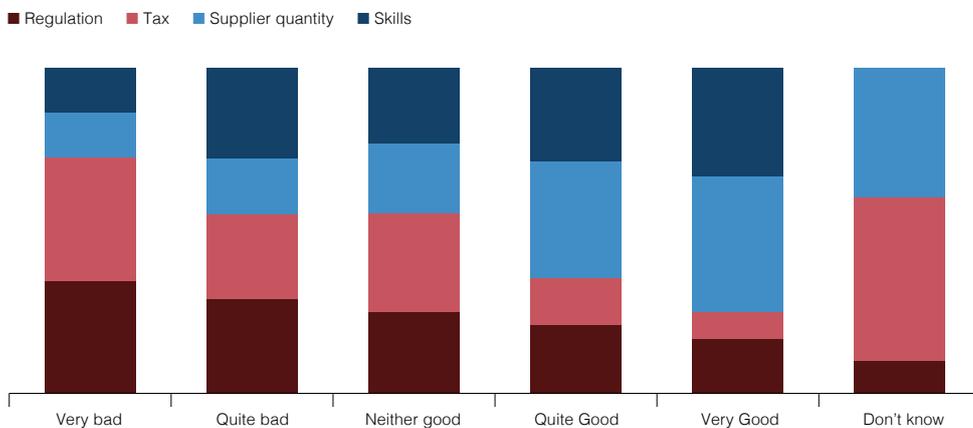
Chart 1: Manufacturers' assessment of the UK business environment
% of businesses rating current conditions



Source: Make UK, Shape of British Industry, 2026

Chart 2: 2010 survey, manufacturers' ratings of the UK business environment

% of businesses assessing each area



Source: EEF, Shape of British Industry, 2010

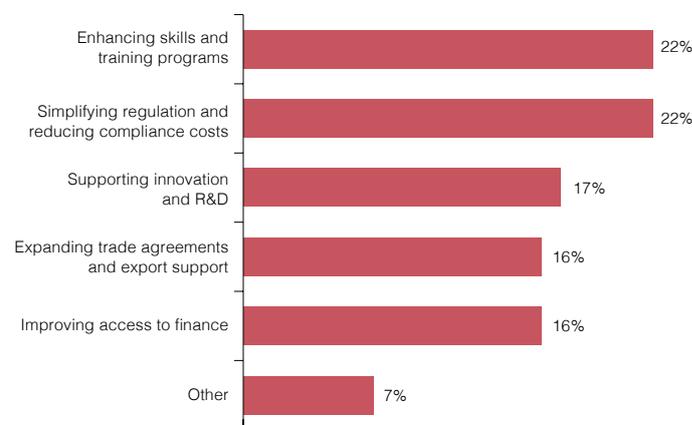
However, what is fascinating, and disappointing in the last two decades, is that little has changed in the interim. The recruitment and retention of skills remain the most important factor to growth. In 2010, more than half of manufacturers pointed to skills as a limiting factor to growth¹¹, fast forward to today almost the exact same share of manufacturers have pointed to this challenge. The manufacturing sector has always been an industry built around people, and businesses feel that will not change if they are to grow.

However, behind the scenes it's important to underline that whilst the barrier to growth remains the same on the surface, beneath it much has changed. The need for skills has evolved over time, whilst vocational training such as toolmaking and welding remain paramount for manufacturers, more manufacturers today are also concerned about access to recruiting modern skill sets such as digital and green skills to enable their ambitions to increase efficiency and be sustainable.

If we look beyond the skills challenge, in 2010 a large percentage of manufacturers pointed towards the tax system and regulations as a weakness the UK's business environment but rated highly the ability of suppliers to provide consistent quality and quality – as is the pride of just-in-time (JIT) production¹². It is no surprise that in the latest survey manufacturers say Government support should focus on enhancing skills (22%), simplifying regulations (22%), and supporting R&D (17%).

Chart 3: Priority government policy areas for growth

% of businesses identifying the policy that would most improve investment and expansion



Source: Make UK, Shape of British Industry, 2026

Overall, market conditions for manufacturers have become more complex and demanding, yet the sector has emerged more agile and resilient than in 2010. What has changed is the nature of these pressures: skills needs have evolved toward digital and green capabilities, and policy priorities have shifted toward modernised tax incentives and better treatment of infrastructure investment. As a result, manufacturers' core concerns remain familiar, but the solutions required are increasingly forward looking.

¹¹Make UK, Shape of British Industry, 2010

¹²Make UK, Shape of British Industry, 2010

CHAPTER 3. STRATEGIC PRIORITIES: 2010 VS 2026

Manufacturers’ priorities cut straight to the point about their competitiveness, investment behaviour and the barriers limiting their growth.

These priorities rarely exist by themselves - they are normally a result of the market conditions and the environment in which businesses are operating. In Make UK’s 2010 survey, the main priority for manufacturers was improving sales. When we compare the priorities of manufacturers in 2010 with those in 2026, there is an interesting shift: from a decade focused on rebuilding sales to one now centred on productivity, innovation, digitalisation and resilience.

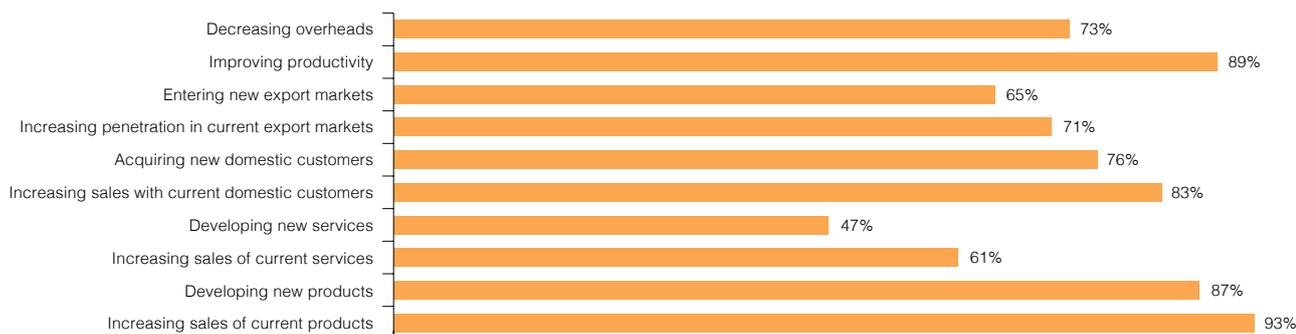
Sales was the default after the financial crash

So, why is that? In 2010, manufacturers were still navigating the aftershocks of the global financial crisis. Demand

had weakened, export markets remained volatile, and businesses were under intense pressure from rising global competition. Market recovery wasn’t just a priority, it was the priority.

This is reflected in the data. In 2010, an overwhelming 93% of manufacturers said their strategic focus was on improving sales, making it by far the dominant priority. Developing new products was also important, cited by 87%, but mainly as a means of rebuilding lost market share rather than driving breakthrough innovation. Even productivity, at 89%, was framed less as a transformation agenda and more as a necessity to stay afloat in tougher global markets.

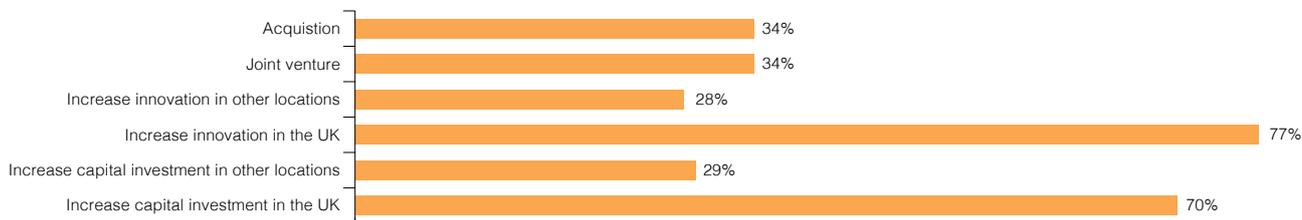
Chart 4: 2010 survey, Companies’ strategic priorities for the next three years
% of businesses selecting each priority



Source: EEF, Shape of British Industry, 2010

Chart 5: 2010 survey, how companies plan to achieve their strategic priorities

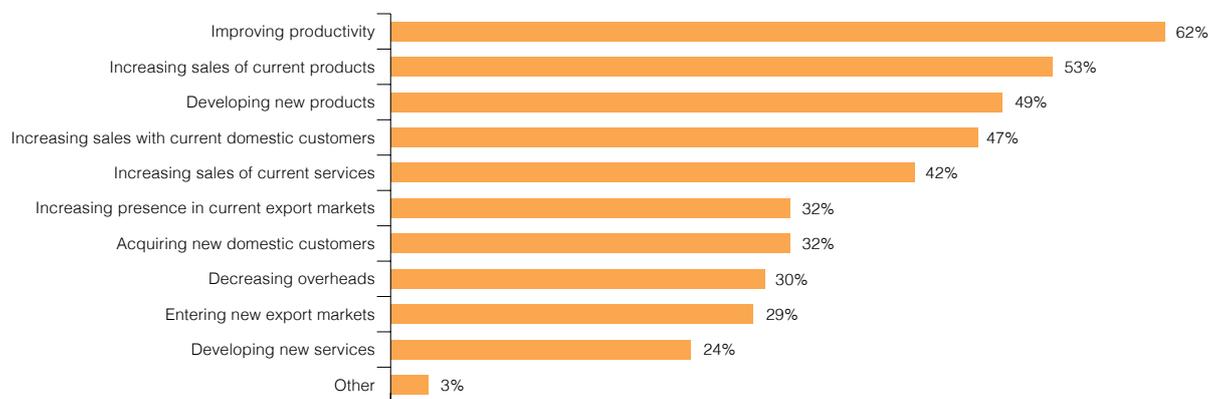
% of businesses selecting each approach



Source: EEF, Shape of British Industry, 2010

Chart 6: Companies' strategic priorities over the past three years

% of businesses selecting each priority



Source: Make UK, Shape of British Industry, 2026

Investment patterns reinforced this recovery mindset. Businesses prioritised capital equipment (70% reported capital investment as a lever to achieve strategic priorities), and incremental innovation (77% said they would increase innovation). Strategic choices were shaped by cashflow pressures, fragile export demand and intense competitive threats, leaving little room for the kind of longer term, capability building investments that define today's priorities.

Pivoting towards productivity and resilience

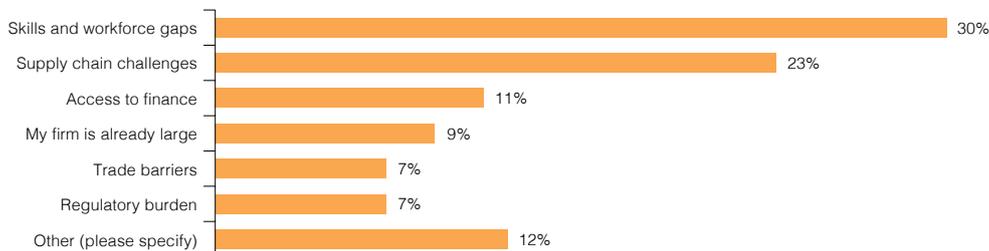
As set out in earlier chapters, the last decade has seen huge geopolitical shifts, so it is no surprise that, by 2026, the landscape has changed dramatically. Manufacturers now face a more complex set of structural pressures: persistent skills shortages, high industrial energy costs, supply chain fragility, geopolitical disruption (Brexit and the pandemic) and the need to meet net zero commitments. And it's important to remember: 'net zero' as a term (nor the regulations and commitments) didn't even exist in the mainstream in 2010. And at the same time, global competitors like China have advanced rapidly in digital manufacturing, automation and AI.

Against this stark backdrop, manufacturers have fundamentally reordered their priorities. Improving productivity now leads the agenda, reported by 62% of firms, reflecting concerns about international competitiveness (particularly in the post-Brexit environment) and the cumulative drag of long-term underinvestment. Alongside this, innovation and product development remain important, with 49% prioritising new product creation, while 53% continue to focus on increasing sales of existing products. But unlike in 2010, these growth activities now sit within a wider shift towards digitalisation, technology adoption and higher value production.

Customer focused growth still matters. Almost half (47%) of manufacturers identified increasing sales with their existing domestic customers as a strategic priority, underscoring the continued importance of deepening client relationships. At the same time, 68% said that strong communication with customers and suppliers is critical to achieving future growth, showing that customer engagement is now viewed not just as a route to higher sales, but as a foundation for greater operational resilience and long term competitiveness.

Chart 7: Biggest barriers to scaling

% of businesses identifying the factor preventing growth into mid-sized or large status



Source: Make UK, Shape of British Industry, 2026

The renewed emphasis on resilience is striking given the turbulent decade manufacturers have endured. In 2026, 23% of firms identified supply disruption as a key barrier to growth, while a further 41% reported challenges related to the availability and cost of raw materials, which is one of the most significant operational risks they face. At the same time, energy volatility and tightening regulatory requirements have become central considerations in strategic planning, pushing manufacturers to diversify sourcing, rebuild domestic capability and invest in more robust, futureproof production systems. These pressures explain why resilience now sits alongside productivity, innovation and digitalisation as a defining strategic priority for the sector.

An interesting point to note is that 12% of manufacturers selected 'other' when asked about barriers to growth. When we explored these responses, a clear pattern emerged: many firms used the free text option to express frustration about the overall tax burden. Many comments pointed to the cumulative burden of taxes and mandatory costs - from National Insurance Contributions and Corporation Tax to Business Rates and the Apprenticeship Levy - as a sustained source of margin pressure. Rather than experiencing these costs in isolation, businesses described them as an accumulating weight that is making it significantly harder to operate, plan and grow.

The way firms intend to achieve their strategic goals also reflects this transformation. In 2010, delivery relied

on traditional levers: capital investment, incremental innovation, market expansion and organisational restructuring. By contrast, 2026 priorities are being pursued through a blend of technology adoption, skills development and capacity expansion.

Firms plan to:

- **invest heavily in digital technologies, AI and advanced machinery**
- **recruit employees with new skills and grow headcount where possible**
- **build resilience through supply chain diversification and domestic sourcing**
- **modernise production processes to improve efficiency and productivity**
- **strengthen customer and supplier collaboration (which was far less common in 2010).**

These shifts show an industry no longer focused on recovery, but on building the capabilities needed to compete and thrive in a far more demanding global environment. Put simply: manufacturers are gearing up not just to survive, but to thrive.

CHAPTER 4. INVESTING IN UK MANUFACTURING'S FUTURE

Manufacturing has always been a capital-intensive industry, built on sunk costs and risks that ultimately lead to value generating businesses when successful. The sector accounts for nearly one-fifth of all business investment¹³, though the UK generally underinvests in comparison to its international peers¹⁴.

The focus on physical machinery will always be a defining characteristic of the manufacturing industry, though the fourth industrial revolution and competition from overseas have incentivised manufacturers to find more means of achieving productivity growth.

Achieving growth through traditional routes

In 2010 the manufacturing sector was far more focussed on R&D spend, 76% of businesses highlighted that investment in innovation would be prioritised to achieve their strategic priorities. Investment in capital equipment came second on that list, with 69% of businesses prioritising it, followed by exploring joint ventures and acquisition opportunities. Those days were very much focussed on growth through expansion.

Modernising growth strategies with digital technologies

Manufacturers are accelerating investment in technology and digitalisation, developments that could fundamentally reshape the industry over the next decade.

Even until recently, the last five years, investment in the physical was priority for businesses. For example, 62% of manufacturers indicated that investment in plant & machinery was a key strategy in the past five years, followed by IT hardware (61%). Investment in digital ranked

third, at 53%, whilst prominent it was not priority enough to match the pace of technological development.

However, as the fourth industrial revolution took hold, and along with the AI revolution moving at pace, a greater share of manufacturers is diverting their attention towards investment in digital. In the next five years, 65% of manufacturers will prioritise investment in digital technologies, such as AI but also on manufacturing specific technologies like Internet of Things, Digital twins, 3D printing and more. Plant & machinery has fallen to second place, indicating a change in relative importance though it remains critical to growth. This transition to focus on digital investment suggest businesses are targeting productivity growth through efficiency gains using existing capacity. It is also a reflection of changing times, as meeting goals for sustainability is far more effective with technologies that support energy consumption or waste management.

This transition is highly encouraging as the use of AI or other digital technologies benefits from network effect, meaning as the number of businesses engaging increase so does the efficiencies of the technologies. The UK is the only country of the G7 that is not one of the top ten nations for robotics density in the world¹⁵, but it can be a leader in the adoption of AI.

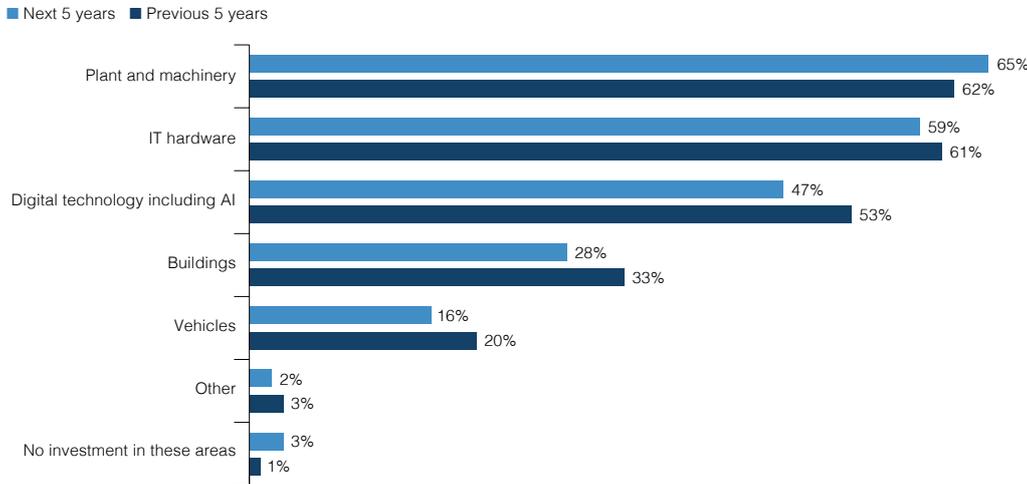
Manufacturers are far from being a stranger to digital and AI systems, but this survey suggests a change in behaviour is taking place - one which could fundamentally change the way the industry looks 10 years from now.

¹³ONS, Business Investment by industry

¹⁴OECD

¹⁵International Federation of Robotics

Chart 8: Areas of significant UK investment, past five years and next five years
 % of business selecting each area



Source: Make UK, Shape of British Industry, 2026

Funding growth plans

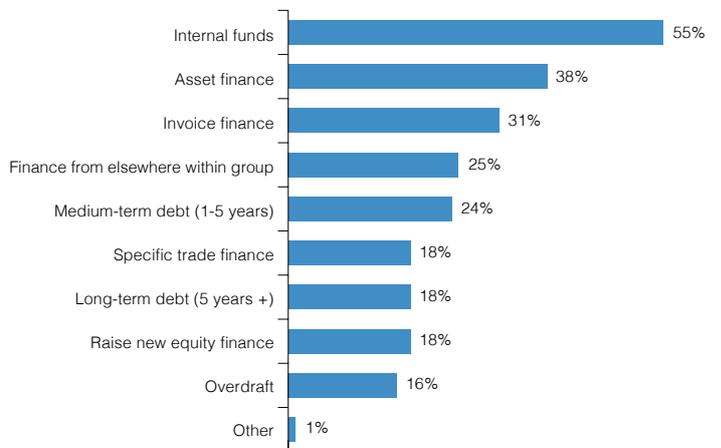
Our research shows that manufacturers continue to rely predominantly on internal funds (55%) to finance their investment activity. This strong dependence reflects structural factors shaping the current business environment: Many businesses report that the wider economic climate and policy landscape feel uncertain, making them cautious about taking on additional debt or external financial commitments. There is also the cumulative burden of taxes, levies and rising operating costs is squeezing margins, leaving businesses reluctant to increase their cost base through borrowing. Access to affordable finance remains a challenge for many manufacturers, and particularly SMEs, who often face higher lending thresholds, more onerous conditions, or limited access to patient capital. As a result, firms are choosing to self fund wherever possible, even if this constrains the scale and speed of investment. This pattern suggests a sector increasingly relying on its own resources to maintain resilience, rather than engaging with a financial system that many feel is either too costly, too complex or insufficiently aligned with manufacturing needs.

Policy recommendations:

- Businesses from higher rates when they invest in green technologies and energy efficient products will support £3 of private investment for every £1 of tax relief, driving innovation and decarbonisation across UK manufacturing
- Extending full expensing to leased plant and machinery. Allowing businesses that lease plant and machinery to deduct these costs in year 1 will unlock critical capital investment, particularly for smaller businesses. This would cost £300m in 2029-30 but would boost the economy by £160m through additional investment and productivity.

¹⁶Make UK/ERA Foundation, Scale Up report, 2025

Chart 9: How companies intend to fund their growth plans
 % of firms selecting each source of finance



Source: Make UK, Shape of British Industry, 2026

- Leverage existing Government data (e.g. HMRC data on employment and turnover) to identify different businesses at their varying stages of growth, and micro-target those businesses with information on the support that is available and relevant to them. Make UK evidence suggests businesses, particularly SMEs, are more likely to engage with business support when it is relevant to their needs.
- Reform the system to prevent disproportionate impacts on capital-intensive sites, with at least 12 months' notice of new bills after revaluation.¹⁶
- Require the VOA to clearly explain the evidence and methodology behind valuation changes, reducing uncertainty and administrative burdens.

CHAPTER 5. WORKFORCE, SKILLS & LABOUR MARKET

In 2010, manufacturers cited skills as the greatest barrier to maintaining market position and to growth. In 2026, over a decade and a half later, recruitment of skilled workers remains the most significant challenge that manufacturers face in scaling up.

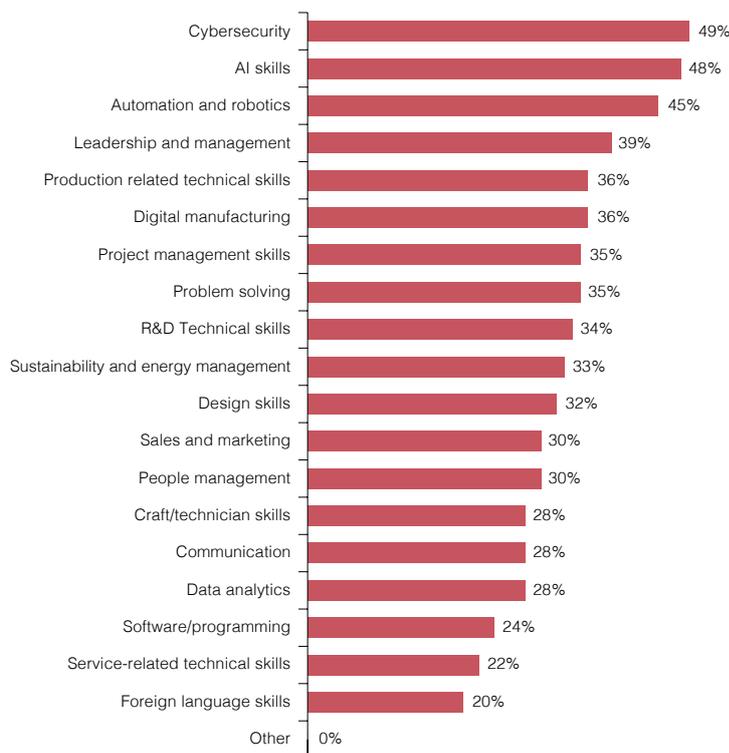
Our research emphasises the transformation of the skills and labour gap in manufacturing from a growing concern to an embedded issue within the sector. Exacerbated by constant shifts in the education landscape, the introduction of the Apprenticeship (now Growth and Skills) Levy, and a punitive immigration system for skilled workers from overseas, the gulf between aspiration and achievement for manufacturers recruiting to fill vacancies has only grown.

Without the right talent to support advanced digital systems, the sector risks being outpaced in the very technologies that will define its competitiveness

It remains the case that manufacturers require traditional technical skills, but as the sector increasingly digitalises, businesses can expect increased competition from other technology-driven sectors for digitally literate employees. Without a workforce able to maintain and troubleshoot new productivity-enhancing digital innovations, the manufacturing sector risks falling behind in the adoption and development of industry-defining technology.

This is likely the reason we have seen a pivot in demand for future skills from foundational, technical expertise to those related to AI, automation and robotics and digital manufacturing. However, as manufacturers increasingly rely on technology, not just for innovative production practices but also for administrative and communication purposes, cybersecurity skills will also be required to protect the business, its customers and the supply chain. As the rate of cyber attacks continues to rise, it is unsurprising to see the demand for these skills listed as manufacturers' number one priority for the next decade (49%).

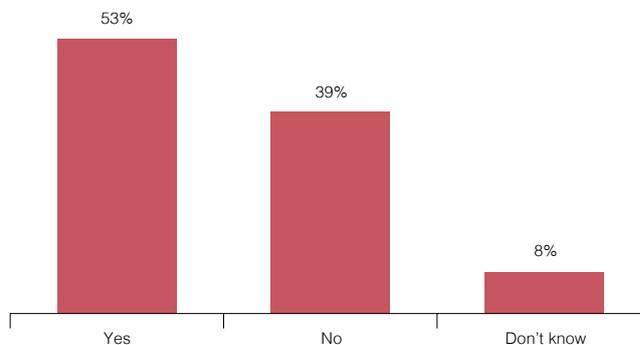
Chart 10: the skills that manufacturers will need in the next decade



Source: Make UK, Shape of British Industry, 2026

However, leadership and management skills continue to rank highly amongst desired skills for 2036. Over a third of businesses believe that these will be necessary for their vision of a highly skilled and inclusive workforce in the manufacturing sector, but just over half (53%) believe that Britain’s education system can deliver enough people with those skills before the decade is out. It will be the job of Government to provide reassurance and restore employers’ faith in the skills system, ensuring that the over 50% of manufacturers who believe that developing and upskilling their workforce will be most critical to their growth are able to invest confidently.

Chart 11: whether manufacturers believe Britain’s education system capable of delivering enough people with those skills to meet the economy’s requirements?



Source: Make UK, Shape of British Industry, 2026

Breaking Down Barriers to Investment in Skills: Lessons Learned from Make UK’s Industrial Strategy Skills Commission

In 2025, Make UK brought together a range of stakeholders to highlight challenges for employer investment in skills and propose holistic solutions to these. Extracted below are a small sample of the recommendations aimed to address manufacturers’ concerns.

Fix the foundations	Boost training for young people	Enable employer investment	Build for the future
Ringfence the Apprenticeship (Growth and Skills) Levy and Immigration Skills Charge for investment in skills	Expand the UTC model and protect academy freedoms.	Evaluate existing tax incentives for training and pilot a skills tax credit.	Ensure skills policy extends beyond young people, creating a clear path for adult upskilling.
Lift the funding band cap for apprenticeships from £27,000 to £35,000.	Develop better careers education, information, advice and guidance.	Develop a clearer picture of skills needs in industrial strategy growth sectors.	Develop a strategic approach to the adoption and impact of AI on the current and future workforce.

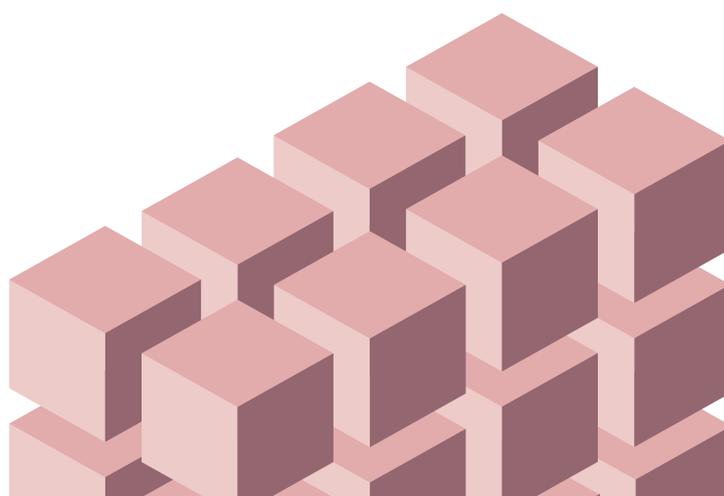
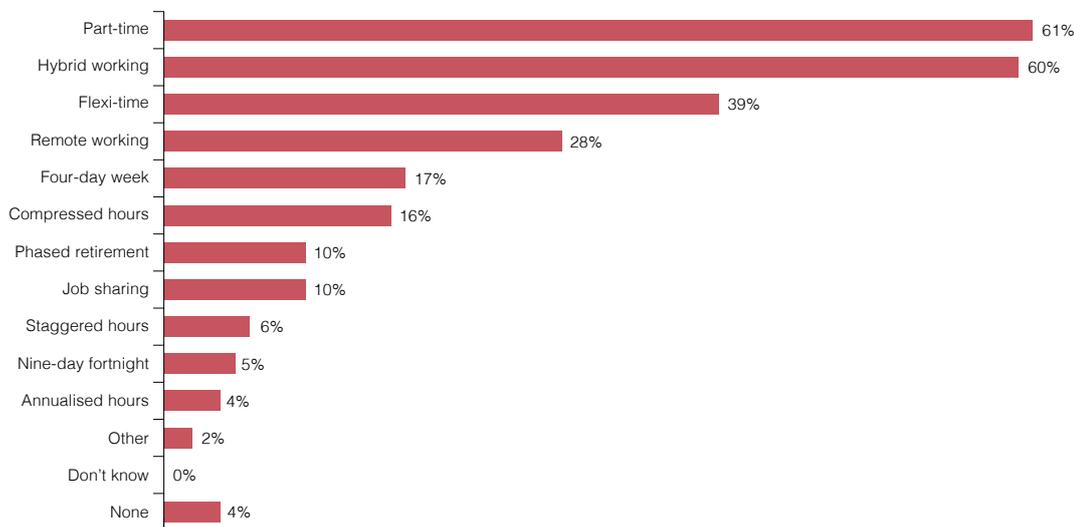


Chart 12: 96% of manufacturers offer some form of flexible working. Types of flexible working offered by companies
% of businesses providing each option



Source: Make UK, Labour Market and Absence Turnover, 2026

As the skills required for manufacturing change, so too will the shape and structure of the workforce. Here, businesses are positive, with 65% of manufacturers expecting to employ more people by 2036 and 32% expecting, as a result of AI, a reduction in the need for low-skilled labour. This only re-emphasises the vision of manufacturing established in our research as a highly skilled sector, with digitalisation and innovation at its heart.

Manufacturers, already adjusting to new requirements set to be implemented under the Employment Rights Act, are also modernising their workplaces at pace. Cognisant of the need to compete for workers whose skills demand interest from multiple sectors, manufacturers are adopting flexible work practices, comprehensive benefit packages, and enhanced health and wellbeing measures where possible.

These strategies not only benefit recruitment, but also retention. As manufacturers look to build a more inclusive workforce and support older employees to remain in work,

passing on their industry knowledge, forward-looking employment practices will play their part in a new vision for manufacturing as a modern, resilient and globally competitive.

Policy recommendations:

- Ringfenced employer funded skills revenue. Ensure all Levy and Skills Charge revenues are used for skills, preventing diversion to non training purposes.
- Apprenticeship Levy reform. Increase flexibility in how Levy funds can be used, supporting both new entrants and existing workers while maintaining apprenticeship quality.
- Strengthened further education provision. Raise funding bands to reflect real delivery costs and support investment in equipment and specialist FE staff.
- Support for upskilling and retraining. Expand access to flexible training routes, including Skills Bootcamps and Higher Technical Qualifications at levels 4 and 5.
- Align skills policy with Industrial Strategy. Develop clear skills forecasts for key growth sectors to inform funding, provision and careers guidance.

CHAPTER 6. THE CHANGING LANDSCAPE OF SUPPLY CHAINS & TRADE

The research’s findings describe a sector that is structurally dependent on international trade, forming the backbone to many represented businesses’ operations and going far beyond simply a welcome supplement to their revenue.

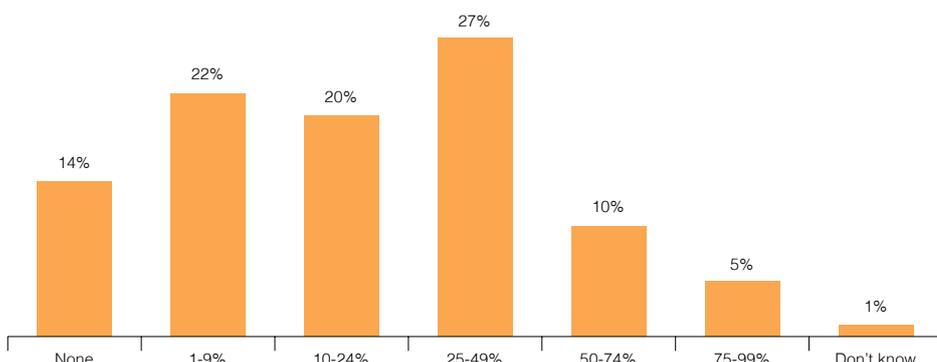
However, it also reveals a sector that is increasingly preoccupied with the trappings associated with enhanced international trade in recent months and years, namely the frictions and volatility that is now so often associated with trading abroad.

The survey shows that the overwhelming majority of respondents generate revenue from export, with 86% reporting that at least some of their annual turnover arises from export, with a further 43% suggesting that over a quarter of their revenue is generated through export, representing the intensive and structurally export dependent group. Understanding this level of export exposure for the sector brings into focus just how important trade conditions are for manufacturers prospects, moving it from less of a distant macro geopolitical concern into one that clearly presents itself as a binding constraint on ambitions for growth.

These ambitions manifest themselves in the strategic priorities that firms have reported in the data over the past three years. Just under a third (29%) say that entering new export markets has been a strategic priority for their business, while a slightly larger 32% say that expanding volumes within existing export markets has formed core to their business’ strategy. Between these two sentiments, we see there is a similar balance across firms not wanting to just increase the scale of existing trading relationships but also to prospect further.

32% of businesses report that expanding volumes within existing export markets has formed core to their business’ strategy

Chart 13: Percentage of Annual Turnover Accounted for by Overseas Exports
% of firms selecting each category



Source: Make UK, Shape of British Industry, 2026

Supply chain reliability as a limiting factor for growth

Intuition so often presumes that that the triple threat of costs, labour and demand have the determinate impact on UK manufacturers' growth prospects. Many also recognise challenges in the supply chain as disruptive for manufacturers, but it is less common to perceive supply chain reliability as a determinant for growth. It is perhaps surprising, then, to see that as part of this research manufacturers cited supply chain challenges as their most pervasive barrier to growth, with 23% suggesting as much, only coming in second in scale to skills and workforce gaps for which 30% reporting as much.

These findings rapidly elevate supply chain concerns as a major limiting factor for growth, beyond what is so often seen to be the drivers of industrial growth in the UK. In recent years, UK manufacturers have endured supply chain disruption more consistently than any period in the decade before. It's also the emergent nature of the disruption faced by the sector over the past years which makes it increasingly difficult to rally against. Supply chain disruption emerges from many places, whether it be a COVID-19 pandemic, a blocked Suez canal, soaring energy prices subsequently ceasing production or new tariffs making existing relationships unviable, all events such as these ultimately disrupt the flow of intermediate goods into UK manufacturers, subsequently hindering their ability to deliver on time, at the contract price, or deliver at all.

Trade frictions are now sharpening the sector's business focus and policy asks

The survey results show that, looking forward, manufacturers are looking to prioritise investing in their foreign activity with 37% reporting that investing in export and trade expansion is an investment priority for their business in the coming three years. Investing in trade goes far beyond just increased production, it comprises of enhancing the focus on the concerns that enable trade, namely the commercial and compliance overheads required to expand trade effectively. With tariffs and international product regulations becoming increasingly unpredictable and pervasive, commitments to enhanced compliance and the relevant business overheads that accompany it will no doubt be making up part of reason why these manufacturers are committed to investing in their trade capabilities in the coming years.

Despite a wide range of domestic policy priorities, a notable 16% of manufacturers still identify expanding trade agreements and strengthening export support as their top policy objective for the year ahead. This underscores that trade policy remains a meaningful and influential priority for a significant share of the sector, and forms an important part of manufacturers' calls for government action to improve the business environment.

Multi-tiered supply chains

What stands out in this data is how deeply embedded manufacturers are within structured, multi tiered supply chains - something that separates the sector from many others in the UK economy. With 38% of manufacturers supplying most of their products directly to OEMs, and a further segment supplying all or a large proportion of output to OEM customers, manufacturers operate in an environment where demand is shaped by long cycle procurement decisions, production schedules, and the strategic investment patterns of large anchor firms. This is in stark contrast to sectors driven primarily by consumer demand or short term service contracts. OEM oriented supply chains create both opportunity and vulnerability: they offer stable, long term relationships and predictable volumes, but they also mean that manufacturers are exposed to fluctuations in OEM order books, inventory strategies, and investment confidence. As a result, manufacturing faces a unique dependency structure, where growth, capacity planning, skills investment and innovation are all closely tied to the growth and decision making of large domestic and global OEMs in a way unmatched in most other sectors of the economy.

Competing through resilience

41% of businesses believe the availability and cost of raw materials is key to future growth

As part of the fieldwork, manufacturers were asked to define what facets would support a prosperous sector in the future. Just under four in ten, 37%, said that 'resilient supply chains and domestic capability' would form a core part of that future, placing it as one of the most commonly cited features of a successful future sector. This is further supported by another finding about what will enable that future growth, with 41% identifying the 'availability and/or cost of raw materials' as a core enabler of any future growth.

Predictability and certainty of input product emerge from the data as a keystone to future resilience, and very likely a sentiment that has enhanced over the past year with geopolitical tensions manifesting as a direct disruptor to international product flows

CHAPTER 7. HARNESSING AI FOR INDUSTRIAL COMPETITIVENESS

Artificial Intelligence (AI) is rapidly reshaping global manufacturing, redefining what productivity, efficiency and competitiveness look like for the next decade. For UK manufacturers, AI offers huge potential. The counter balance to this is that adoption also raises new challenges, from workforce transformation to cybersecurity and investment risk.

AI as a competitive advantage

The majority of manufacturers believe AI represents a net gain for the UK economy. 78% of respondents think rapid and widespread AI adoption will increase Britain’s global competitiveness, while only 22% believe it will burden industry with more costs.

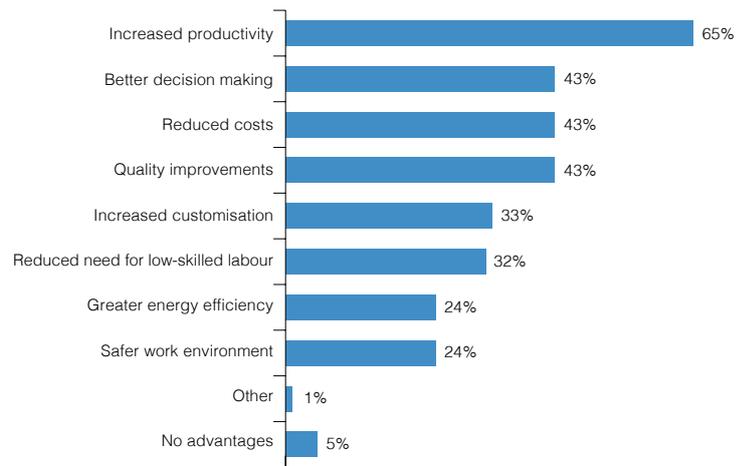
This optimism stands out. It suggests that industry leaders see AI not simply as a tool, but as a strategic necessity, which is critical for competing with global manufacturing businesses we are already investing aggressively in automation, advanced analytics and digital factories.

Importantly, this confidence persists even though many businesses are still early in their AI journey. Manufacturers appear to accept that initial investment may be high, but the longer-term gains (productivity, efficiency, quality and innovation) are too significant to ignore.

Manufacturers were equally clear about the benefits they expect from AI. The dominant advantage, selected by 65%, is increased productivity - an area where the UK lags its international competitors and where AI could unlock major gains.

Just 5% of manufacturers reported no advantages, indicating broad belief in AI’s long-term value even among firms that remain cautious about implementation.

Chart 14: Advantages of Increasing AI Use
% of businesses identifying each benefit



Source: Make UK, Shape of British Industry, 2026

Concerns over AI

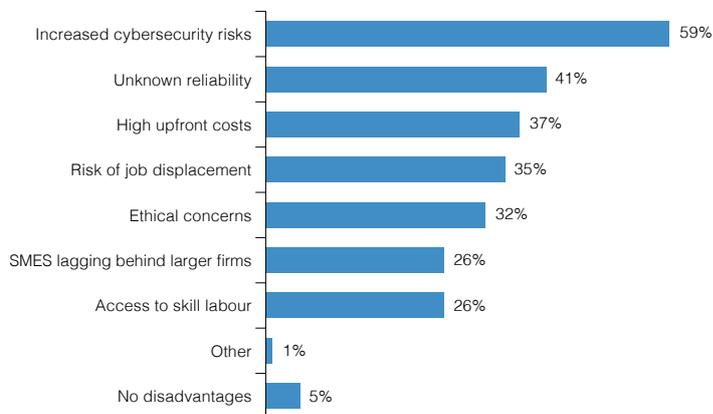
Manufacturers are also not blind to the obstacles that the rise of AI may pose. When asked about the disadvantages of AI over the next five years, the most commonly cited concern is increased cybersecurity risks, reported by 59% of businesses.

This reflects a clear understanding that as factories become more digitally advanced, they also become more exposed to cyber attacks, data breaches and operational disruption. Only 5% of manufacturers see no disadvantages at all, clear evidence that industry is approaching AI with a balanced and pragmatic mindset rather than uncritical enthusiasm.

A sector who is taking a pragmatic approach

Manufacturers are clear that AI has the potential to be genuinely transformative, it can help improve productivity, sharpen decision making and drive significant gains in product quality. At the same time, they recognise the scale of the challenges that come with adoption, from heightened cybersecurity risks and high upfront costs to concerns around system reliability and the widening gap between large firms and SMEs that are already struggling to keep pace. Despite these obstacles, the overall sentiment across the sector is distinctly positive: AI is viewed not as a threat, but as a major strategic opportunity that must be managed carefully to ensure its benefits can be fully realised.

Chart 15: Disadvantages of Increasing AI Use
% of firms identifying each concern



Source: Make UK, Shape of British Industry, 2026

In other words, the sector is neither resistant nor naïve. Manufacturers want to adopt AI, but they need the right conditions to do so confidently and effectively.

By addressing the obstacles identified in this chapter, the UK can unlock the competitive advantage manufacturers clearly believe AI offers—and position itself as a leader in the next wave of industrial transformation.





Policy Recommendations

1. Government must shift from “AI awareness” to real “AI adoption capability”

- Strengthen Made Smarter and other advanced tech adoption schemes with hands-on AI expertise. SMEs need practical help - this should include AI readiness checks, cyber and data guidance, help identifying use cases, support with procurement, and coaching to move from pilots to full rollout. Some of this could be delivered through AI tools themselves (e.g., automated benchmarking, personalised guidance, or digital road mapping tools) to make support scalable for smaller firms.
- Create nationally recognised AI Skill Standards for manufacturing. With half of firms unsure what skills they need, Government should define clear, job-specific competency frameworks for operators, technicians, engineers, supervisors, and managers.
- Add manufacturing as a dedicated sector in the AI Skills Hub. As a core pillar of the UK’s industrial strategy, manufacturing needs tailored access to AI training and practical learning. Including the sector formally in the Hub will ensure firms get the skills support they need to deploy AI safely, boost productivity, and strengthen supply chains.
- Back flexible training models that work for factories. Since time is the biggest barrier to upskilling, Government should support modular, shift-friendly, bite-sized learning aligned with real production schedules.
- Embed responsible AI adoption as standard.

All guidance should require transparency, workforce involvement, commitments to job quality, and strong data-governance practices.

2. Education and training providers must deliver manufacturing-specific, deployment-led training Manufacturers need training that fits the factory floor, including:

- Real manufacturing case studies
 - Role-based, modular content
 - Alignment to specific AI use cases
 - Integrated cyber, data governance, and change-management content
- Training already exists — but providers must make it practical, trusted, and directly linked to real factory needs.

3. What manufacturers should do themselves Our survey findings point to clear, actionable steps:

- Build foundation skills for everyone – especially data literacy, problem-solving, and responsible AI basics.
- Link training directly to real projects, not treat it separately.
- Put governance and capability-building in place early so adoption is safe and effective.
- Involve the workforce openly and transparently to build trust and ensure uptake.

How Make UK will act on these findings

Make UK will:

- Drive its new Working Group on AI Skills & Adoption, mapping the AI ecosystem, showcasing practical SME adoption paths, and working closely with Professor Chris Dungy, National AI Champion for manufacturing.
- Work with the DBT AI Champion to turn member evidence into a national adoption offer focused on deployment, not experimentation.
- Develop practical tools for members, including readiness checklists, responsible-AI principles, and real operational case studies.

CHAPTER 8. THE NET ZERO TRANSITION

The journey of net zero has been analogous to that of the Industrial Strategy from 2010 with a conceptual shift from fragmented and piecemeal interventions into a structured, long-term approach that integrates the broad spectrum of responsibility needed to deliver an outcome on net zero. This adjustment has seen industry adopting climate change measures, not only to fulfil legislation requirements but as part of a strategy to remain competitive amongst global tides.

Diagram 1: A timeline of Carbon Legislation in the UK



Source: A timeline of Carbon Legislation in the UK, ISO Compliance Register

The adoption Climate Change Act in 2008 was a landmark moment setting legally binding targets for the UK to reduce its greenhouse gas emissions (GHG) by at least 80% by 2050 compared to 1990. It was the first legislation of its kind and made it a model for other nations. Despite this, public consensus took longer to adjust with the proportion of adults who believed that climate change was “definitely” a reality dropping from 44% to 31%.¹⁷ Within this febrile atmosphere and concrete policy interventions did not take place until the 2010s meaning that industry action lagged behind. This indifference in public opinion was reflected in our 2010 report where we did not enquire about sectoral views on net zero creating an interesting study in how consensus has developed over time.

Throughout the 2010s, public perception changed and reached a zenith in 2019 when polling revealed that 85% of Britons were concerned about climate change.¹⁸ This was reflected in policy as Government adopted a legally

binding net zero target becoming the first major economy to do so demonstrating a leadership role in this space. With manufacturing contributing to 12% of the UKs total emissions in 2018¹⁹, action would be required meaning a greater focus on the sustainability of the sector.

This report comes at an interesting time for net zero with political winds bringing it back into the spotlight and resurfacing debates around the cost and effectiveness of transition. Whilst polling is still indicating high levels of concern around the issue of climate change (72% are concerned about the impact in the UK), consensus is dropping on whether the UK should more (33%) and a larger percentage of people are expressing concern around the cost of transition (44%).²⁰ This data is reflective of views in the sector and it demonstrates the challenge that policy makers have in maintaining the pace of transition whilst bringing down costs as the business environment changes.

¹⁷Concern about climate change reaches record levels with half now 'very concerned' | Ipsos

¹⁸Concern about climate change reaches record levels with half now 'very concerned' | Ipsos

¹⁹Sector-summary-Manufacturing-and-construction.pdf

²⁰Britain sees double digit drop in those who feel individual action on climate change is needed, as world passes 1.5°C temperature increase | Ipsos

Manufacturers remain buoyant on the ability of the UK to achieve their climate goals with 52% believing the current targets are achievable for their businesses and it shows how industry has largely embraced their role in the transition. This data goes against recent political trends questioning the value of and targets set by the Climate Change Act.²¹ In fact, many manufacturers (57%) feel that achieving our targets would be beneficial to their operations demonstrating an understanding of the opportunity presented by net zero. The opportunities vary between different manufacturing types, but our research has often shown that they have found that decarbonisation has led to efficiency benefits reducing their overall operating costs; future proofing their businesses against global trends and creating new revenue streams through participation in the circular economy.²²

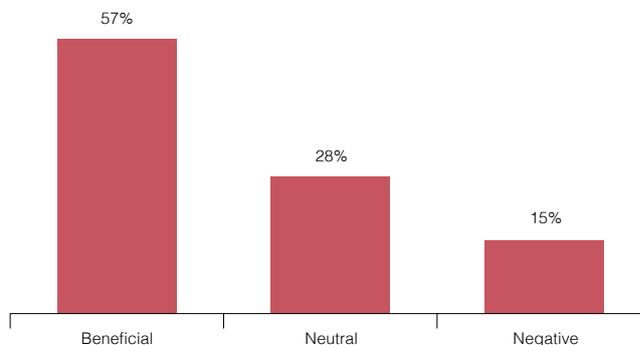
The value that manufacturers see in the UK's climate targets indicates the benefit that is created from Government having clear policy goals and remaining strategically committed to those (which can be equally applied when thinking about the Industrial Strategy). Our research has previously found that policy uncertainty is the biggest blocker to investment as this allows them to strategically plan their future operations with confidence.²³

Interestingly, despite the opportunities felt by the sector, net zero is less important when manufacturers consider their future vision with 28% feeling that UK manufacturing should be green and sustainable in the next 10 years. However, it is important to consider this stat alongside related priorities which provide important context. For instance, 42% of manufacturers have highlighted a desire to adopt digital modern factories and 40% emphasised focus on innovation and increased spend on R&D. It is fair to consider that the adoption of new digitalised technology will come with co-benefits that reduce the emissions of operations and therefore continue to contribute to our net zero goals. This is strongly verified by previous research where we have found that over a third of manufacturers felt that digitalisation was an important area to help them reach net zero and 33% were keen to adopt new technologies as part of that process.²⁴ It is therefore important that policy people continue to make argument that the advent of new technology and greater digitalisation are tools that can further assist in the journey towards net zero.

The outlook becomes more concerning when we look at how manufacturers are experiencing the costs of net zero. Our research found that 66% of respondents felt net zero would add a significant cost to their business. This tracks to public polling and indicates where the fault lines are beginning to

Chart 16: Perceived impact of achieving Net Zero targets

% of firms viewing the outcome as beneficial, neutral or negative



Source: Make UK, Shape of British Industry, 2026

show amongst a challenging and increasingly expensive business environment.

It is no surprise that manufacturers are highlighting this cost. Recent data from the National Energy System Operator (NESO) demonstrates the immediate challenge behind reaching net zero with data showing that even in the most ambitious green scenario costs peak at about £460bn by 2029 before beginning to decline to about 5% of GDP by 2050 or roughly £220bn a year. This cost is eventually offset over the next 25 years saving £36bn a year compared with a scenario in which the UK takes slower climate action.²⁵ It is important to also consider that the cost of inaction would be much higher fiscally and socially. Despite this, many manufacturers will be concerned about their immediate survival within this environment and currently, it is hard to see how Government is managing to effectively balance these costs across the whole of society (which was highlighted as a priority by the CCC).

Policy makers have the tools to support the transition and lower the costs felt by manufacturers. The sector has consistently highlighted their need for more support to help achieve net zero and operate effectively in this business environment. For instance, we have spent much of the last year focused on campaigning for a reduction in industrial energy bills as UK manufacturers face electricity costs over 60% higher than the IEA member countries' median, and the highest in the G7.²⁶ Our research shows that despite recent Government intervention through the British Industrial Competitiveness Scheme, there remains a desire for more

²¹Kemi Badenoch vows to repeal Climate Change Act | Environment | The Guardian

²²manufacturing-a-sustainable-future-report.pdf

²³manufacturing-a-sustainable-future-report.pdf

²⁴manufacturing-a-sustainable-future-report.pdf

²⁵Future Energy Scenarios (FES) | National Energy System Operator

²⁶Industrial energy price statistics



support in accessing lower cost energy with 43% highlighting this as essential to reach net zero. This exemplifies the need for Government to communicate a long-term vision for addressing the challenges in the energy system and the current paralysis over the cost of energy is creating the conditions for industrial decline which would bring with it lost tax revenues, higher unemployment costs, and ultimately expensive emergency interventions to save strategically important firms.²⁷

Over half of participants have highlighted that tax incentives or capital allowances would be essential to help achieve net zero goals alongside grants for investment into green technology.

Necessary support is not limited to energy costs and Government must consider how to reduce upfront capital costs to galvanise investment into green technologies which would further address the cost concerns outlined. Over half of participants (52%) have highlighted that tax incentives or capital allowances would be essential to help achieve net zero goals alongside grants for investment into green technology (44%).

These stats when taken in conjunction with the belief that net zero target are achievable and potentially beneficial for business indicates that manufacturers are still bought into the direction of net zero but need barriers to be broken down. This requires policy support in capital costs, reducing the initial investment into green technology, and operating costs reducing the overall cost of powering operations. These are areas that are in the grasp of policy makers and levers are needed to be pulled to maintain pace and support for net zero. Overall, the transition from the 2010s to now is staggering and demonstrates the progress made when policy is firm and supportive, but Government must do more to maintain the support of the sector and continue to achieve their targets alongside strengthening public sentiment on the area.

Policy recommendations:

- Implement the British Industrial Competitiveness Scheme (BICS) for all manufacturers from April 2026, with backdating if required.
- Broaden BICS to support 130,000 manufacturers - boosting the economy by £3.3bn per year, strengthening growth and reducing inflation.
- Provide a clear long term energy cost strategy, as levy exemptions alone are not enough to restore competitiveness.

²⁷In 2025, 51% of manufacturers cited energy costs as their biggest risk. Facilities like the Ineos Grangemouth refinery, Electric Glass Fiber UK and Royal Stafford all closed in the last year, with high energy costs a major driver.

CHAPTER 9. CLEARING THE PATH TO GROWTH

The UK can only attract investment and compete globally if its policies, regulations, skills system and infrastructure actually work for industry. Survey findings show a sector that is proud of its capabilities and optimistic about its potential, but is acutely aware of structural weaknesses that limit its ability to scale, compete and lead globally.

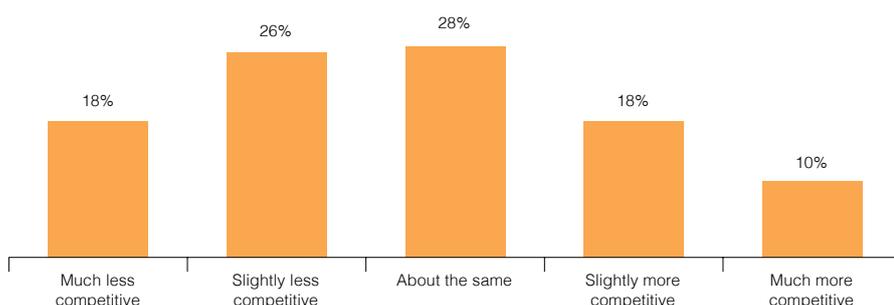
How competitive is the UK today?

UK manufacturers continue to view the UK as a strong global player. When asked to benchmark the UK against major industrial nations such as Germany and the United States, 44% of businesses said the UK is much or slightly more competitive, compared with 28% who said it is less competitive. This level of confidence underlines the sector's belief in the UK's engineering excellence, advanced manufacturing strengths, and strong research base, which has been the backbone of British industry.

The UK is competitive, in the nation's manufacturer's eyes, because of the ingenuity of its businesses, not because the business environment makes it easy.

Though on balance more manufacturers believe that the UK's business environment is good, it is important to contextualise this relative to how other nations are performing and manufacturer's views on this. Businesses asked to rate the UK's competitiveness relative to countries like the US or Germany showed great enthusiasm in support of our nation. 44% of manufacturers said the UK is much, or slightly more, competitive than international competitors like the US or Germany, and only 28% felt the opposite. In practice, however, whilst this mood music is certainly positive, there are several factors that makes can make the UK a very 'uncompetitive' place to run a manufacturing business. The most important is high electricity prices, which the UK sits near the top of the league for energy costs. Secondly, disproportionate property taxes, namely Business Rates, penalises companies for improving/growing their businesses, and the skills crisis has already been highlighted as a major challenge.

Chart 17: Competitiveness of UK manufacturing compared to international competitors
% of firms selecting each rating



Source: Make UK, Shape of British Industry, 2026

Context does need to be added to this positive outlook: Manufacturers distinguish between the UK's industrial capabilities and the business environment that underpins them, which they see as inconsistent and often difficult to navigate. The UK is competitive, in the nation's manufacturer's

eyes, because of the ingenuity of its businesses, not because the business environment makes it easy.

This distinction is critical for policy: confidence in national potential cannot compensate for systemic weaknesses.

The structural weaknesses

Manufacturers identify several persistent barriers that limit their ability to compete internationally. These are not new concerns (many have existed for more than a decade) but they have intensified as global competition has accelerated.

1. High energy costs

Energy remains the single biggest competitive disadvantage for UK manufacturers. The UK continues to face some of the highest industrial electricity prices in the G7, placing firms at a structural cost disadvantage compared to European and global competitors. This combination of high and volatile energy costs erodes margins, deters investment in energy-intensive industries, and slows the adoption of electricity-based modern technologies.

2. An uncompetitive tax environment

Manufacturers remain hampered by a property-tax system that penalises companies when they invest in productivity-enhancing assets. Business rates increase as firms expand sites, install new machinery or upgrade equipment, the opposite of what a growth-focused tax system should encourage. Although recent reforms to capital allowances have helped, the underlying structure remains a barrier.

3. The deepening skills crisis

Skills shortages, which is consistently the top barrier to growth, have broadened from traditional engineering skills into digital, automation, AI and green capabilities. The data shows this clearly: around 50% of manufacturers identified skills as the biggest constraint in both 2010 and 2026, highlighting how persistent and structural the issue has become. The nature of the gap has also shifted, with 49% now specifically needing cybersecurity skills, reflecting the growing importance of digital resilience across the sector. Looking ahead, the pressure on the labour supply is set to intensify, as 65% of manufacturers expect to employ more people by 2036, despite already struggling to fill critical technical and digital roles. Without a reliable pipeline of technicians, engineers, data specialists and energy-transition skills, the UK's competitiveness will continue to erode, regardless of how much firms invest in technology.

4. Supply chain gaps and missing industrial capability

The UK has lost key parts of its industrial base over the last two decades, including foundational industries that underpin advanced manufacturing. Essential inputs such as critical minerals, chemicals, battery components and ammonia are no longer manufactured domestically at scale. This hollowing out increases reliance on volatile global supply chains, weakening resilience and competitiveness.

5. Regulatory and border friction

Brexit has introduced persistent challenges: rules of origin, regulatory divergence and customs delays add cost, complexity and risk. Half of manufacturers point to customs friction as a major barrier to competitiveness, reducing the UK's attractiveness as a location for both production and investment.

A decade of change: what has improved?

Three areas stand out:

Advanced manufacturing subsectors are outperforming

Aerospace, automotive, pharmaceuticals, electronics and defence have continued to innovate and export successfully. These sectors anchor high-value clusters across the Midlands, North West, Wales and the South East.

Productivity within manufacturing has grown faster than services

Manufacturing productivity rose by around 50% between 1997 and 2007, and has continued to outperform most service subsectors in recent years. The challenge is not capacity but consistency: a small subset of firms leads the world, while the long tail underperforms.

Business confidence remains high

As mentioned in an earlier chapter, despite economic turbulence, 48% of manufacturers view the UK business environment as good or very good, nearly 15% higher than those who rate it poorly. This optimism reflects belief in UK engineering talent, strong research institutions and high quality products that compete on reliability and innovation.

An interesting finding from industry surveys is that 85% of manufacturers actively emphasise the “Britishness” of their products. This is more than branding; it is a strategic asset tied to perceptions of quality, reliability, safety and ethical production. In a global market where trust, traceability and standards matter, “Made in Britain” remains a valuable differentiator.

But relying on reputation alone is not a long-term strategy. Competitor nations are investing heavily in industrial capacity, digitalisation and green technologies. Without similar commitment, the UK risks falling behind.



CHAPTER 10. DELIVERY IN THE DECADE AHEAD

UK manufacturing enters the next decade with clear strengths, with world class advanced subsectors, strong productivity potential and a global reputation for quality, yet persistent structural constraints continue to limit competitiveness. Skills shortages remain the biggest brake on growth, digital and AI adoption has become the primary investment priority, Net Zero is seen as broadly beneficial but costly, and firms continue to face high energy prices, trade frictions and regulatory complexity.

Manufacturers are clear about the changes needed to strengthen competitiveness: 22% prioritise improving skills and training pathways, matched by 22% calling for simpler regulation and reduced compliance burdens, while 17% emphasise stronger support for R&D and innovation. Firms also highlight the importance of lowering industrial energy costs, improving planning processes and rebuilding domestic supply chain resilience. Underpinning all of this is a call for long term policy stability and predictable investment conditions.

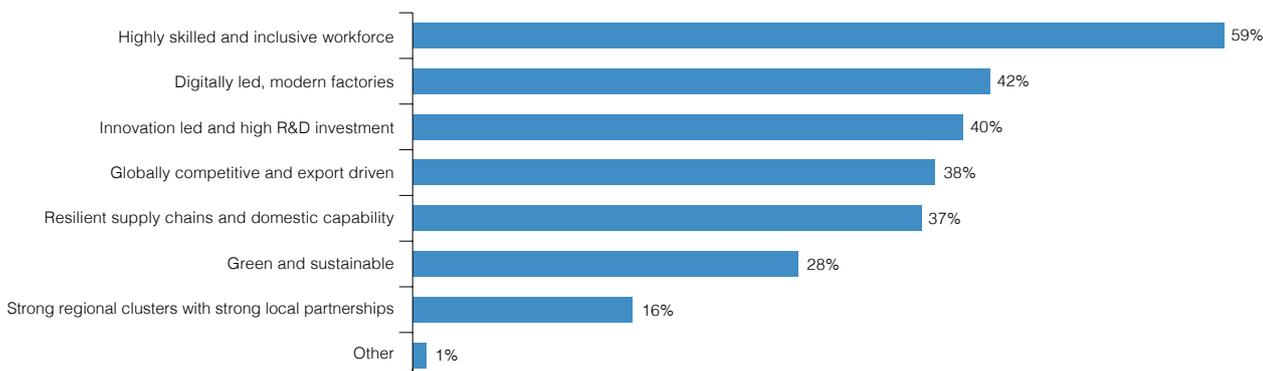
Looking ahead, manufacturers have set out an ambitious vision. A highly skilled and inclusive workforce (59%) is the top priority, followed by digitally led factories (42%) and innovation driven by high R&D investment (40%). Businesses also aim for a globally competitive, export oriented sector (38%) supported by resilient supply chains (37%). While 28% want a greener, more sustainable industrial base, only 16% prioritise stronger

regional clusters, suggesting place based policies remain underdeveloped. Collectively, the sector’s ambition is clear: a more skilled, more digital, more innovative and more resilient manufacturing base, and a policy environment capable of turning strategy into delivery.

Delivering the Industrial Strategy

The Government has set its vision to 2035 through its Industrial Strategy: a globally competitive, digitally enabled, highly skilled and resilient manufacturing sector that drives national prosperity. But setting the vision is only the first step. To translate ambition into measurable industrial outcomes, the next decade must be defined by delivery, consistency and long-term partnership between Government and industry. The evidence in this report makes clear what must happen next.

Chart 18: Future vision for UK manufacturing over the next 10 years



Source: Make UK, Shape of British Industry, 2026

Policy recommendations:

- Maintain consistent, visible delivery momentum across all Industrial Strategy pillars.
- Set clear success metrics, including investment levels, productivity gains, innovation outcomes and job creation.
- Provide long term certainty to ensure manufacturers can plan, invest and scale with confidence.

MAKE UK OVERARCHING RECOMMENDATIONS

1. The UK must close its long-standing productivity and innovation gaps through stable, long-term incentives that crowd in investment rather than suppress it.

Decades of underinvestment have left too many firms operating below potential, with frontier companies pulling far ahead compared to SMEs. A predictable environment for R&D, capital allowances and modern factory investment is essential if manufacturers are to upgrade ageing assets and adopt the technologies that underpin global competitiveness.

2. Industry need clarity on regulation, standards, data sharing, and cyber security to confidently scale digital systems.

Digitalisation and AI adoption now sit at the heart of manufacturers' strategies, but progress will stall without a policy framework that is predictable, pro-innovation and secure. They also need practical support (like testbeds) to accelerate the shift from pilots to full deployment across factories and supply chains.

3. The Industrial Strategy needs to re-focus it's delivery on skills, rebuilding apprenticeship pathways, reviewing the school to industry talent pipeline, boosting mid-career retraining, and aligning regional skills provision with the needs of advanced manufacturing businesses.

4. Manufacturers need policies that strengthen domestic capability in foundational industries, diversify supply chains, reduce exposure to volatile energy markets, and ensure reliable access to the inputs essential for production. The last decade has exposed vulnerabilities

in global supply chains, energy systems and critical materials that cannot be ignored. Resilience is no longer a defensive concept, it is a source of competitiveness.

5. The Industrial Strategy must continue to be consistent, credible and long-term. The investments manufacturers are being asked to make, for example, in people, technology, infrastructure and decarbonisation, are multi-year and capital intensive. Stop-start policymaking erodes confidence, delays investment and weakens competitiveness. If the UK is to meet its 2035 ambitions, Government must commit to policy stability, cross-departmental coordination and delivery mechanisms that survive political cycles.

This overarching recommendations provides the delivery mechanisms to turn those priorities into investment, jobs and competitiveness. The prize is significant: a higher-productivity, lower-carbon, more resilient industrial base that anchors prosperity in every region of the UK. The task now is straightforward: move from strategy to delivery, and keep going.

If we choose to act with focus and consistency, the UK can turn its industrial potential into national advantage. The path is clear, the capabilities are here, and the opportunity is ours to seize. What comes next will be defined not by the challenges we face, but by the decisions we make, and whether we commit to building the resilient, innovative and competitive industrial future this country deserves.



Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region, and Wales. Collectively we represent 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology, and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate, and grow. From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enable businesses to remain safe, compliant, and future-focused.

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