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MAKE uk
The Manufacturers' Organisation

MANUFACTURING OUTLOOK

2021 QUARTER 3

With support from:

Scottish Engineering
and Manufacturing NI

Environmental, Social and Governance (ESG) spotlight special

FOREWORD

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From the longest pandemic in recent history to a brief pingdemic, the UK has been through it all this past year and a half. Thankfully, manufacturers have proven that no crisis is too severe when faced with this resilient and innovative industry. The next big titan for manufacturers to tackle is climate change which will require the industry to focus on a sustainable and green recovery.

Following a series of sharp declines in output and orders last year, manufacturers have since indicated a swift bounce back as new work returned to unparalleled levels for many across the sector. Today, the pandemic almost feels like a trove of the past with many UK manufacturers focussed on the future, by investing in expanding capacity, innovating new products, and upskilling their workforce. The latest Make UK/BDO *Manufacturing Outlook* indicates manufacturers outdid their own expectations last quarter.

Both output and orders have expanded at unexpected rates as manufacturers were swamped with customers demanding their products. However, despite facing significant new barriers to trade since the start of the year, orders from overseas customers have also been recovering quarter on quarter suggesting that firms are getting back to business-as-usual. Nevertheless, there is no doubt manufacturers who trade regularly with the European Union (EU) would have achieved a greater return from the pandemic boom if not for the UK's exit from the bloc leaving many to wonder what could have been if not for the double whammy faced by businesses here. On the other hand, businesses that specialise in supplying goods for the UK market have capitalised on new opportunities to position themselves as a viable alternative to EU suppliers, leading to strong growth in the domestic market too.

Alongside the growth in output and orders, has come a plethora of challenges in various forms. The main one is supply-chain related, namely shortages of key metals, plastics and electronics resulting in rising costs for many UK manufacturers. Our latest *Manufacturing Outlook* survey indicates costs have continued to climb upwards impacting manufacturer's ability to produce cost-effectively and protect supplier-customer relationships. For some time now manufacturers took a hit on their own margins to protect those relationships, however, increasing costs can only be absorbed for so long before businesses need to pass it on to customers, and it appears that is what they have had to do for now. Yet, manufacturers remain positive and likely expect these cost pressures to diminish overtime.

The Job Retention Scheme (JRS) ends this month, and consequently many analysts expect redundancies to increase despite well-known labour shortages in certain industries. Manufacturers continue to seek new hires with great expectations to expand the labour force by the end of this year, but the impact of the recent National Insurance increase could impact those plans negatively. Coupled with this, the balance of intentions to increase investment in capital is now at the highest level ever, raising hope for significant technological advancement in the industry. Many of these investment plans are influenced by the lessons learned from the pandemic, with manufacturers focussed on building resilience and becoming more environmentally sustainable. Make UK members are increasingly engaging in the idea of building a green economy, with a focus on green technologies, green skills and developing green practices. On that topic, we are happy to include a new themed element to our quarterly *Manufacturing Outlook* report, that will focus on Environmental, Social and Governance (ESG).

With COP26 looming, many countries have already made commitments for climate related achievements. Over half of UK manufacturers surveyed now include an ESG strategy within their business. In addition to this, manufactures increasingly view Equality, Diversity, and Inclusion (EDI) as a key element in their growth plans. However, meaningful action regarding ESG still remains limited and often manufacturers are worried about the potential impact direct action could have on production and supply. For such manufacturers, we must ensure that the industry is able to prosper without sacrificing the needs of the planet. Thankfully, as our survey shows, more and more manufacturers today are realising this is an achievable target.

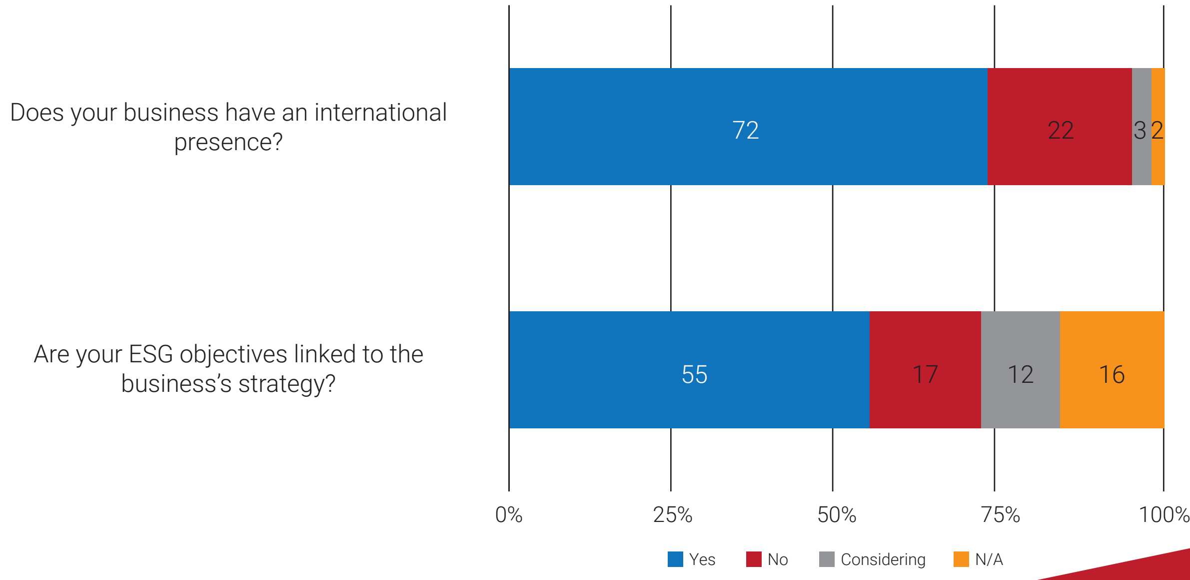
ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) – A 2021 SPOTLIGHT

This year is a milestone year, with COP26 many expect raised ambitions and more firm commitments for climate action from key nations. The UK Government itself has enshrined net-zero by 2050 within law and manufacturers are pressing ahead on their net-zero journey. Over 67% of global GDP is now covered by a 'Net Zero' target and regulators around the world are moving to back up their targets with regulation (such as the international Taskforce on Climate-Related Financial Disclosures).

While Environmental, Social and Governance (ESG) initiatives are not solely focused on environmental factors, but incorporate wider social considerations, the drive towards net zero is putting ESG in the spotlight even more so than in previous years. Indeed, over half (52%) of manufacturers already have an ESG strategy in the business, with a further 17% considering doing so. Just over a quarter (28%) of companies do not have an ESG plan and appear to not have plans to do so, at least not in the immediate future.

The growing importance of ESG combined with increased requirements on companies to report on climate risk management, including larger companies having to demonstrate sustainability in their supply chain, means that ESG strategies are increasingly linked to overall business' objectives, this is the case for over half of manufacturers with a further 12% considering doing so.

The majority of UK manufacturers have ESG concerns as part of their business strategy



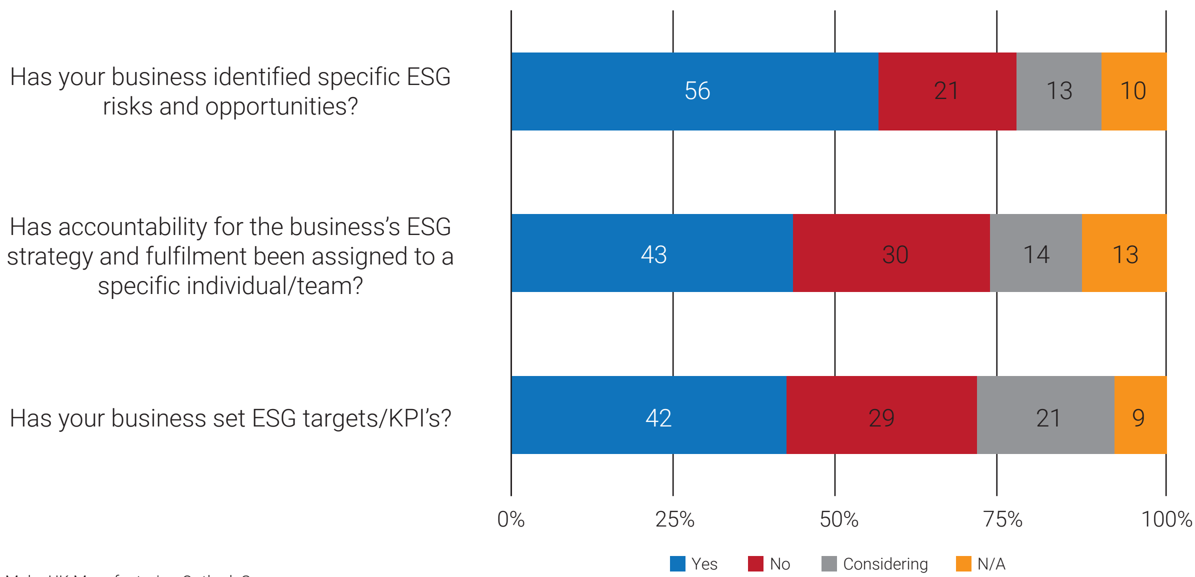
Source: Make UK Manufacturing Outlook Survey

To ensure that ESG is fully integrated within the business, over two-fifths (43%) of manufacturers have assigned a specific individual or team to ESG. The extent to which firms can do so is likely to reflect their company size. As we have seen previously with Equality, Diversity, and Inclusion (EDI) for example, where companies are more likely to have a specific owner if they are a larger business. For smaller firms, ownership tends to lie within senior leadership, and often an MD, CEO or equivalent.

Almost six in ten (56%) manufacturers say they have identified specific risks and opportunities associated with ESG; such risks may include direct or physical risks such as production and/or raw material supply disruptions and infrastructure and property losses due to rising sea levels and extreme natural disasters. In addition, there are transitional risks such as higher exposure to loss of value if they do not move fast enough toward sustainable options affecting their creditworthiness, or litigation risks for companies emitting more carbon than others who could face demand for compensation from people or nations in coastal regions directly impacted by climate events. Meanwhile, ESG carries many opportunities. Indeed, firms that are environmentally responsible are less likely to suffer from the financial implications of climate risks and a good ESG score will enhance their product and service brands and increase their edge over their competition. Moreover, investors will want to ensure they are not only able to operate successfully but are properly prepared to anticipate and adapt to a variety of climate disruptions.

In a bid to lead in areas around ESG, two-fifths (42%) of manufacturers have set ESG targets or KPIs, these can range from CEO tenure, female executives, and five-year employee growth to carbon footprint. Once again, the ambition and complexity of these targets are likely to differ across manufacturers, dependent on size and even sector. A further one in five companies are considering introducing ESG targets or KPIs within their business.

Assumption of ESG responsibility to a specific role just in the minority



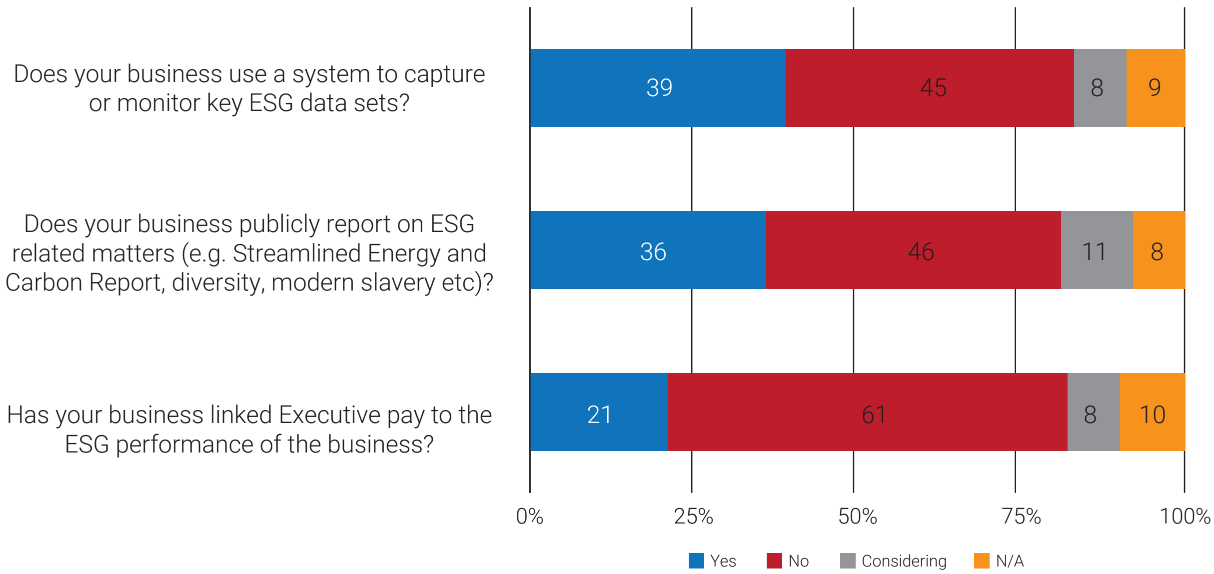
Source: Make UK Manufacturing Outlook Survey

The growing importance of ESG has led to some companies going even further on their ESG commitments, with one in five (21%) saying they have linked Executive pay to ESG performance.

Other companies are taking bolder measures to report on ESG. Over a third (36%) have publicly reported on ESG related matters, for example, energy and carbon reporting, diversity, or modern slavery. For some, such reporting requirements are required by law. Gender pay gap reporting is required by businesses with 250 employees or more and modern slavery reporting is tied to turnover and other criteria. Others will have reported voluntarily, and we have seen this with gender pay gap reporting and more recently ethnicity pay gap reporting.

Reporting ESG data can only truly take place if the information is captured in the first instance. Almost two-fifths (38%) of manufacturers are currently capturing or monitoring key data sets. While we have already mentioned the requirements around gender pay and modern slavery, there will also be requirements around mandatory climate-related risks such as the Task Force on Climate-Related Financial Disclosures which will be expected to be extended to medium and smaller sized companies around the mid-2020s.

1 in 5 manufacturers linking Executive pay to business' ESG performance



Source: Make UK Manufacturing Outlook Survey

It will also be of increasing importance for manufacturers to consider their supply chain, and we are beginning to see this occur with again two-fifths (38%) saying they are building ESG into their supply chain decisions.

There is little doubt that our latest research on ESG in UK manufacturing reflects what will be an area of increased focus for businesses in the coming years. Those businesses that are already progressively factoring in ESG concerns into their operation will be best prepared as ESG guidance moves ever toward mandated regulation in the future, whilst also being able to capitalise on the growth and competition opportunities arising along the path of their business' ESG-forward journey.

BDO Commentary

The manufacturing sector is considered by many to be ahead of the pack in comparison to others and intense scrutiny continues as a result of high-profile failings and indeed global leaders in this space over the years.

Whilst it is reassuring that over 50% do have a strategy and have assessed risks and opportunities, there is a long way to go for many who have not started considering such actions or indeed those who believe it is not relevant.

The ongoing increase in regulation has clearly been the stick for many in terms of the actions undertaken to date, however the growing demands of a wider range of stakeholders particularly investors and a more discerning consumer, will drive the need for greater consideration and transparency around the wider ESG agenda.

Events of the last year have clearly fast-tracked considerations and highlighted wider dimensions of ESG such as the importance of local supply chains through to the ability to attract and retain the right workforce in a shrinking market.

Failure to take action now is no longer an option as ESG will remain top of the boardroom agenda for many years to come.

HEADLINES

Make UK's Q3 2021 *Manufacturing Outlook* report, in partnership with BDO, highlights the sector's return to growth following many months of turmoil.

Last quarter manufacturers reported output levels expanding at record rates, thanks mainly to growth in domestic orders. However, export orders have also continued to improve since the start of the year as manufacturers from the UK side better adapt to new trading conditions. Yet, some risks remain as manufacturers from the EU side are only beginning to understand the weight of the changes in the UK-EU relationship.

The third quarter's figures have shown remarkable improvement across all our primary metrics, with 8 out of 10 rising to record heights. The latest data confirms that the bounce back which started early this year has maintained speed till now with only supply-chain disruptions highlighted as the main barrier holding manufacturers back. Still, we are yet to achieve any new growth as on average manufacturers are still clawing back lost output from 2020.

INDICATOR	BALANCE	CHANGE	
Confidence	7.7	↑	Business confidence reaches a new peak
Output	42%	↑	Output balance highest on record
UK orders	48%	↑	UK orders balance highest on record
Export orders	37%	↑	Export orders recovering quickly
Employment	23%	↑	Jobs continue to grow but at a slower rate
Investment	37%	↑	Investment intentions highest on record

Source: Make UK Manufacturing Outlook Survey

An output balance of 42% this quarter indicates that the largest ever share of manufacturers have increased their output levels, relative to those that have reported a decrease. This continual expansion in output is mirrored by the continual growth in order books both domestically and internationally.

Both the UK order and export order balances have expanded to record levels this quarter, reporting at 48% and 37% respectively. The UK order balance has grown in positive territory for the last three quarters now, meaning the domestic market may well be establishing itself as a reliable source of demand for UK manufacturers. This is likely driven partly by the increased frictions between UK-EU trade leading to some manufacturers seeking new relationships with suppliers at home. However, exports are also improving with the orders balance here jumping from 22% to 37% this quarter.

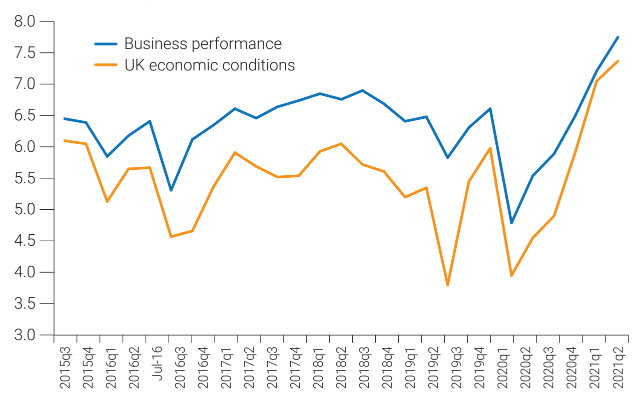
The biggest issue to dominate UK manufacturer's agenda in recent months are supply-chain related issues, which in turn are leading to rising cost pressures and increased selling prices. Both UK and Export prices reported at a record high balance of 49% and 43% respectively, with expectations prices would rise further in Q4. For the first half of this year manufacturers were passing on costs only partially, as evidenced by negative balances scores for margins. However, this quarter it appears margins are increasing again indicating that manufacturers are passing on higher costs at greater rates down the supply-chain.

With the Job Retention Scheme (JRS) closing this month, there remains concerns that redundancies will increase in various segments of the economy. However, the recent boom in activity suggests the impact of these job losses will be relatively mute on the overall economy. The employment and investment intentions balance have now expanded for two quarters in a row, with the latter reporting a particularly high figure highlighting the impact greater certainty had on manufacturers confidence in investing.

Both business and economic confidence have achieved a new peak since data collection for this metric began in Q3 2014. The result continues to be fuelled by the reopening of the economy and new work returning to manufacturers up and down the UK.

Optimism grows further to reach a new high

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



Source: Make UK Manufacturing Outlook Survey

OUTPUT

Now in the third quarter of the year, manufacturers have reported another record-breaking balance of change figure for output, at 42%. This is now the second consecutive quarter where record-breaking output figures have been posted, with last quarter's unprecedented figure standing at 36%. The rate of growth in this balance of change figure has certainly cooled compared to the leap we saw in output balances between the first and second quarters of 2021. Nonetheless, such high figures are reflective of the fevered activity within the sector as the industry storms out of the post-pandemic recovery gates.

Last quarter, manufacturers predicted that they would post another record-breaking figure in this third quarter, by virtue of the 'next three months' figure. Again, we find ourselves in a position where manufacturers expect to see next quarter, the fourth quarter of the year, to be yet another record-breaking quarter for output, as shown by the ambitious expectation of a 53% balance figure for output next quarter.

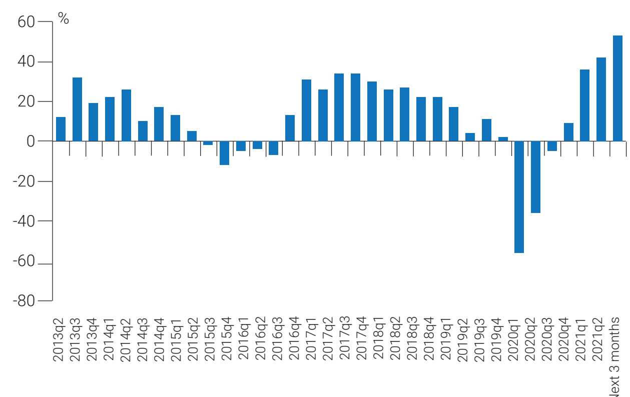
As is the case for most metrics in this edition of *Manufacturing Outlook*, those companies on the larger side of the business scale spectrum are experiencing greater balances of change for Output than those on the smaller side. For example, in the largest turnover category, £25m+, the balance figure for output is 50%. In the smallest category, £0-£9m, the output balance figure stands at 34%. While a positive balance of output of 34% is high in its own right, historically speaking, it is still a way off the magnitude of change in the balance of output larger companies are experiencing. Nevertheless, the gap in output balances between larger and smaller companies is smaller than it was last quarter. Current manufacturers' predictions, via the 'next three months' metric, expect to see this gap roughly unchanged, yet both large and small are expecting improved output balances in the coming quarter regardless.

PAST THREE MONTHS	↑ 42%	NEXT THREE MONTHS	↑ 53%

Despite this quarter's figure being the highest ever recorded for output, it still doesn't quite match the magnitude of the worst negativity seen during the height of the pandemic in the second quarter of 2020, where the output balance figure was reported at -56%. Even though the growth in output is significant, the total Gross Value Added (GVA) of the industry isn't expected to reach pre-pandemic levels until at least 2022.

Record-breaking output balance for second consecutive quarter

% balance of change in output



Source: Make UK Manufacturing Outlook Survey

Output summary

% balance of change

SECTOR	PAST 3 MONTHS	NEXT 3 MONTHS
Basic Metals	18%	45%
Metal Products	50%	40%
Mechanical	39%	43%
Electronics	33%	60%
Electrical	19%	71%
Rubber & Plastics	25%	75%
TURNOVER		
£0-9m	34%	45%
£10-24m	32%	41%
£25m and over	50%	63%

Source: Make UK Manufacturing Outlook Survey

ORDERS

The total orders balance in the latest *Manufacturing Outlook* Survey reported positively for the third quarter in a row, with a balance of 49% of UK manufacturers indicating widespread growth in orders. Like many of our metrics this quarter, this is the highest in the survey's history.

Nevertheless, as is the case with output levels, the sector continues to play the catch-up game as it returns from the pitfall of 2020. Despite supply-chain constraints, the newest figure is a sign of positive problems impacting manufacturers who now have a reason to grow their business. However, the rate of change between quarters is slowing, following a sharp increase in the balance from 9% to 34% between Q1 and Q2, a smaller 15% jump to a 49% balance.

UK ORDERS	PAST THREE MONTHS	↑	48%	NEXT THREE MONTHS	↑	50%
EXPORT ORDERS	PAST THREE MONTHS	↑	37%	NEXT THREE MONTHS	↑	38%
TOTAL ORDERS	PAST THREE MONTHS	↑	49%	NEXT THREE MONTHS	↓	46%

As expected, unlimited growth would be unsustainable in the long-run and for this reason we expect some of the survey's metrics to slow down. As the economy continues its reopening, and society returns to normal levels of activity businesses expect to face a turbulent journey ahead but are equally taking this opportunity to invest in expanding or altering their offering through investment.

A balance of 49% for total orders is above the expectation's manufacturers had forecast (42%) in the previous report. Though they did not outperform those expectations to the same magnitude as last quarter, which was approximately double their predictions in Q1, it indicates businesses continue to be surprised by the improvement in demand for their goods. This is despite the pandemic still ongoing, and additional layers of challenges when doing business with the EU. Although, both issues still account for the top risks often cited by businesses looking to grow.

UK ORDERS

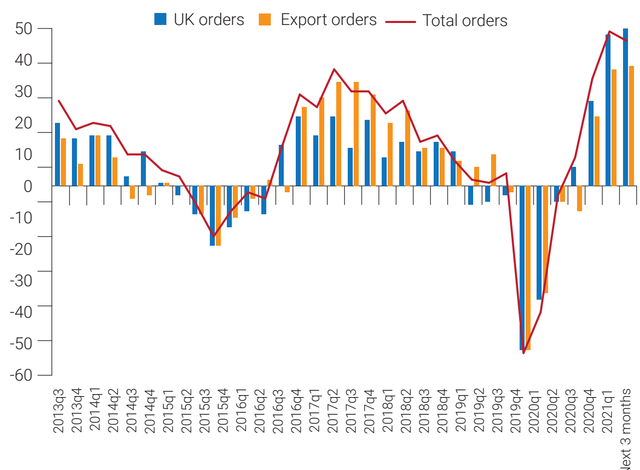
Following last quarter's record-breaking high balance of 27%, the UK orders balance has expanded again to a balance of 48%, the new highest on record.

The impact of returning from a pandemic, as well as the UK's exit from the EU, has created opportunities for manufacturers to capitalise on new customers. The benefits have accrued more so to those firms that are more specialised in the UK markets than overseas, with new customers who are struggling to source goods abroad now seeking to re-shore or on-shore their supply-chain.

For the first time this year, all intermediate subsectors monitored within the survey have reported positive balances for new orders. The growth indicated in UK orders in most cases have outperformed their export orders. Those noticed for worthy mentions include Metal Products, reporting a UK orders balance of 60%. Followed by Electrical Equipment

Orders expand across the board as demand exceeds supply

% balance of change in orders



Source: Make UK Manufacturing Outlook Survey

at a 48% balance meaning the domestic market's robust growth is filtering to many areas of manufacturing.

There are similar expansions recorded for the other subsectors, as well as for Motor Vehicles (+55%) and Paper & Printing (+67%) for UK orders. However, both industries are also hindered by shortages in critical components that are not unique to the UK market.

For now, UK manufacturers expect the domestic market to continue growing till the end of the year, although they expect the pace of that growth to slow down.

EXPORT ORDERS

Export orders reported a balance of 37%, a strong indication of the bounce back in trade continuing for two quarters in a row.

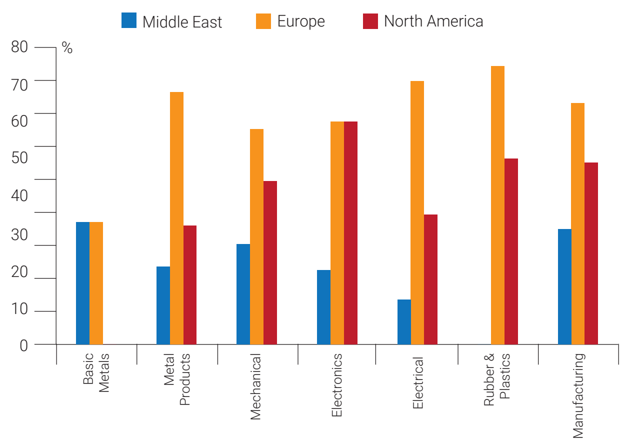
Exports continuing to pick up pace following the trade deal secured with the EU suggests manufactures are likely getting better at dealing with new processes, such as filling in custom declaration forms. Granted, many challenges still exist as UK manufacturers navigate the new relationship with their neighbours, particularly from the context of sending workers abroad which will undeniably impact the longevity of supplier-customer relationships across borders. In addition, many of the challenges currently affecting businesses are outside of their control, with shipping prices spiralling, raw materials scarce and HGV drivers missing.

According to official statistics, however, despite exports improving to near pre-pandemic levels, imports are not returning as quickly. Analysts have theorised this reflects the increased level of reshoring in the UK, partially backed up by the outstanding levels of UK orders. However, the weak growth in imports may also reflect the difficulties in sourcing components whether that's from the EU or elsewhere.

Manufacturers continue to report positive demand conditions in the EU, with that average positivity having grown since the last quarter. This is followed by North America as usual, and the Middle East as a new entry to 3rd place. The Middle East's growth is likely explained by the resurgence of COVID-19 infections rising in Asia impacting exports to key countries such as China.

Demand conditions remain strongest in the EU despite trading challenges

% 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 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS
Basic Metals	45%	36%	40%	20%	45%	36%
Metal Products	60%	43%	20%	12%	62%	31%
Mechanical	44%	40%	27%	28%	37%	38%
Electronics	40%	60%	54%	38%	40%	27%
Electrical	48%	76%	38%	52%	38%	71%
Rubber & Plastics	25%	75%	50%	75%	50%	100%
TURNOVER						
£0-9m	35%	35%	19%	20%	39%	33%
£10-24m	44%	41%	17%	17%	46%	41%
£25m and over	51%	58%	47%	60%	54%	61%

Source: Make UK Manufacturing Outlook Survey

EMPLOYMENT & INVESTMENT

This is now the second consecutive quarter where both our employment and investment metrics have shown positive balance figures, having previously been negative since the second quarter of 2020. While expansion in both metrics is significant, a positive balance figure of 37% for investment is particularly notable, far exceeding the 17% figure reported in the second quarter of the year.

Employment, with a positive balance figure of 23%, is very close to posting what would be the highest figure for employment over the past eight years of manufacturing history, the peak of which came in the third quarter of 2017 with a positive balance figure of 25%. However, while the balance figure for this quarter's employment metric is higher than the previous quarter, 3 percentage points up, the growth in this metric has come far below what manufacturers had expected when they reported their views in the second quarter, in which they predicted a balance figure of 34%.

Growth in employment over the last quarter in the manufacturing industry hasn't risen at the rate expected chiefly due to the challenges posed by labour shortages in the industry across the skill spectrum. While longstanding issues such as the ageing-workforce contribute to these challenges, it is more recent additions such as the challenges of hiring from the continent brought about by the UK's new relationship with the EU, massively reduced manufacturing apprenticeships and training programme enrolment during the pandemic, and rapidly rising wage costs as firms struggle to retain key staff.

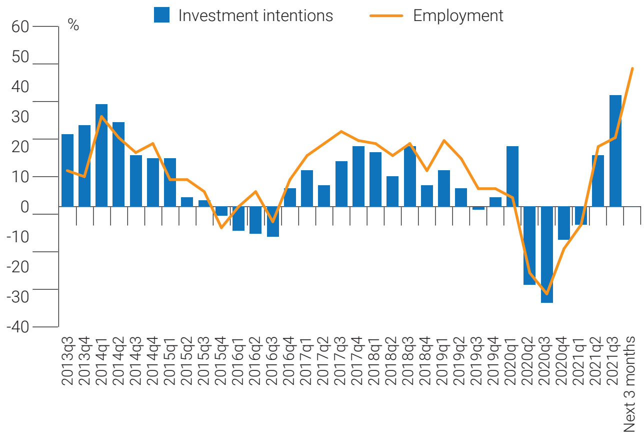
Regarding investment, a positive balance of 37% represents the highest ever figure recorded in *Manufacturing Outlook* history, since these metrics were tracked in their current form starting in 1998. The previous highest result came in the first quarter of 2014, where the balance figure was reported at 34%.

As was the case in the second quarter of this year, where we saw sizeable expansions in investment intentions, it is difficult to identify how much of this sudden uptick in investment is being driven exclusively by the Government's 'Super Deduction' scheme, a scheme which gives relief at 130% of the qualifying cost of capital investments compared to the usual 18% writing down allowance for investment in capital assets. We asserted last quarter that we would expect to see continued contributary effects of this policy on investment growth this quarter, although, the industry remains anxious about just how artificially stimulated this investment growth is.

We reported last quarter that growth in investment expectations was inequitable between smaller and larger firms across the spectrum, with those in the larger category experiencing surging investment intentions, and those in the smallest bands seeing little-to-no change. Now in this third quarter, the investment outlook within the manufacturing SME space has improved considerably, with the balance figure for investment improving to a positive 23% from 3% for the £0-9 million turnover bracket of firms.

Investment leaps into unprecedented growth while employment remains in steady expansion

% balance of change



Source: Make UK Manufacturing Outlook survey

EMPLOYMENT	PAST THREE MONTHS	↑	23%	NEXT THREE MONTHS	↑	46%
INVESTMENT	NEXT TWELVE MONTHS	↑	37%			

Employment and Investment summary

% balance of change

	EMPLOYMENT		INVESTMENT
SECTOR	**PAST THREE MONTHS**	**NEXT THREE MONTHS**	**NEXT TWELVE MONTHS**
Basic Metals	0%	36%	30%
Metal Products	50%	47%	43%
Mechanical	16%	42%	26%
Electronics	33%	47%	36%
Electrical	20%	52%	38%
Rubber & Plastics	50%	25%	50%
TURNOVER			
£0-9m	24%	37%	23%
£10-24m	22%	41%	24%
£25m and over	33%	46%	42%

Source: Make UK Manufacturing Outlook Survey

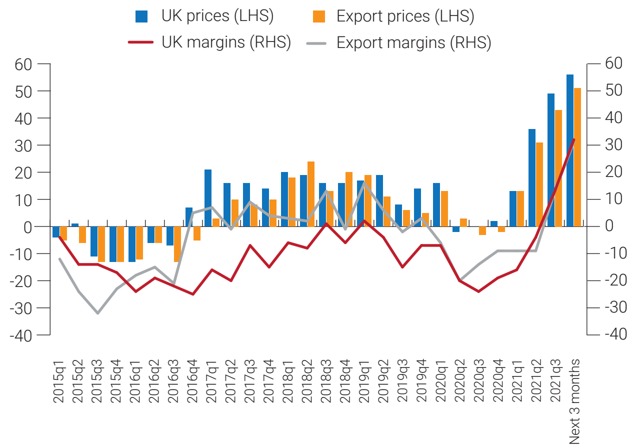
PRICES & MARGINS

In recent months, the rising threat of inflation has garnered more media attention than is usual for an indicator that could have a substantial impact on businesses and consumers choices. The last few quarterly surveys indicated both domestic and international prices were rising amidst increasing challenges associated with trade disruptions, shortages of raw materials and labour, all cumulatively increasing costs for businesses. However, in that time frame profit margins for manufacturers where not improving as businesses, particularly smaller ones, were absorbing the costs to protect relationships with customers. In some cases, businesses were unable to pass on these costs due to contractual obligations instead. Our latest survey data for Q3 2021 indicates on balance, 49% of manufacturers reported an increase in UK prices. Whilst a balance of 43% of manufacturers reported an increase in export prices.

Margins have also turned positive for both UK and export goods, reported at 13% for both. This is the first time UK margins have been positive since Q1 2019, and the highest in the survey's history. Similarly, export margins have reported positively for the first time since Q4 2019 and is also amongst the highest on record. The latest numbers on margins suggest costs are being passed through as higher prices at a greater rate, and this is resulting in an improvement in profits for manufacturers. Nevertheless, the improvement in margins is far below the balances reports for price increases indicating there is still a lag effect in play.

Both selling prices and margins expand in Q3 2021

% balance of change



Source: Make UK Manufacturing Outlook Survey

UK PRICES	PAST THREE MONTHS	↑	49%	NEXT THREE MONTHS	↑	56%
EXPORT PRICES	PAST THREE MONTHS	↑	43%	NEXT THREE MONTHS	↑	51%
UK MARGINS	PAST THREE MONTHS	↑	13%	NEXT THREE MONTHS	↑	32%
EXPORT MARGINS	PAST THREE MONTHS	↑	13%	NEXT THREE MONTHS	↑	31%

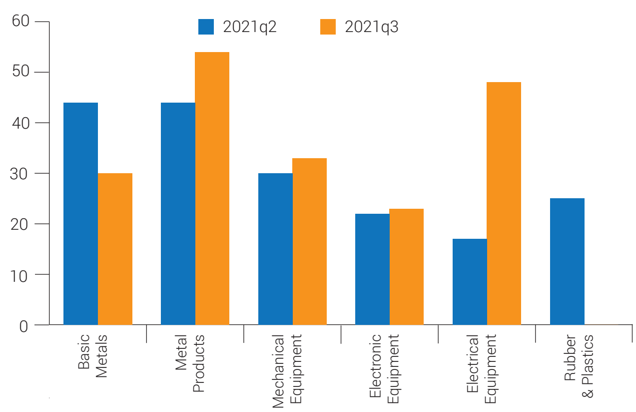
All key intermediate subsectors also indicated widespread increases in average prices for export goods, with the highest balances reported by Metal Products and Electrical Equipment. These price increases reflect shortages in critical components such as electronic chips and various precious metals from these subsectors, which in turn filter into the costs of businesses that rely on components from those subsectors.

Manufacturers expect prices and margins will grow again in Q4 2021.

In the latest data the European Brent Price of oil averaged approximately $68 per barrel during Q2 2021. A continued increase in the average cost of oil prices is likely to exasperate business costs further, although it could also increase investments in green technologies. In contrast, the Sterling-Euro exchange reported a minimal average change between Q1 and Q2 of 2021, rising from £1.14 to £1.15.

Export prices of intermediate goods increasing

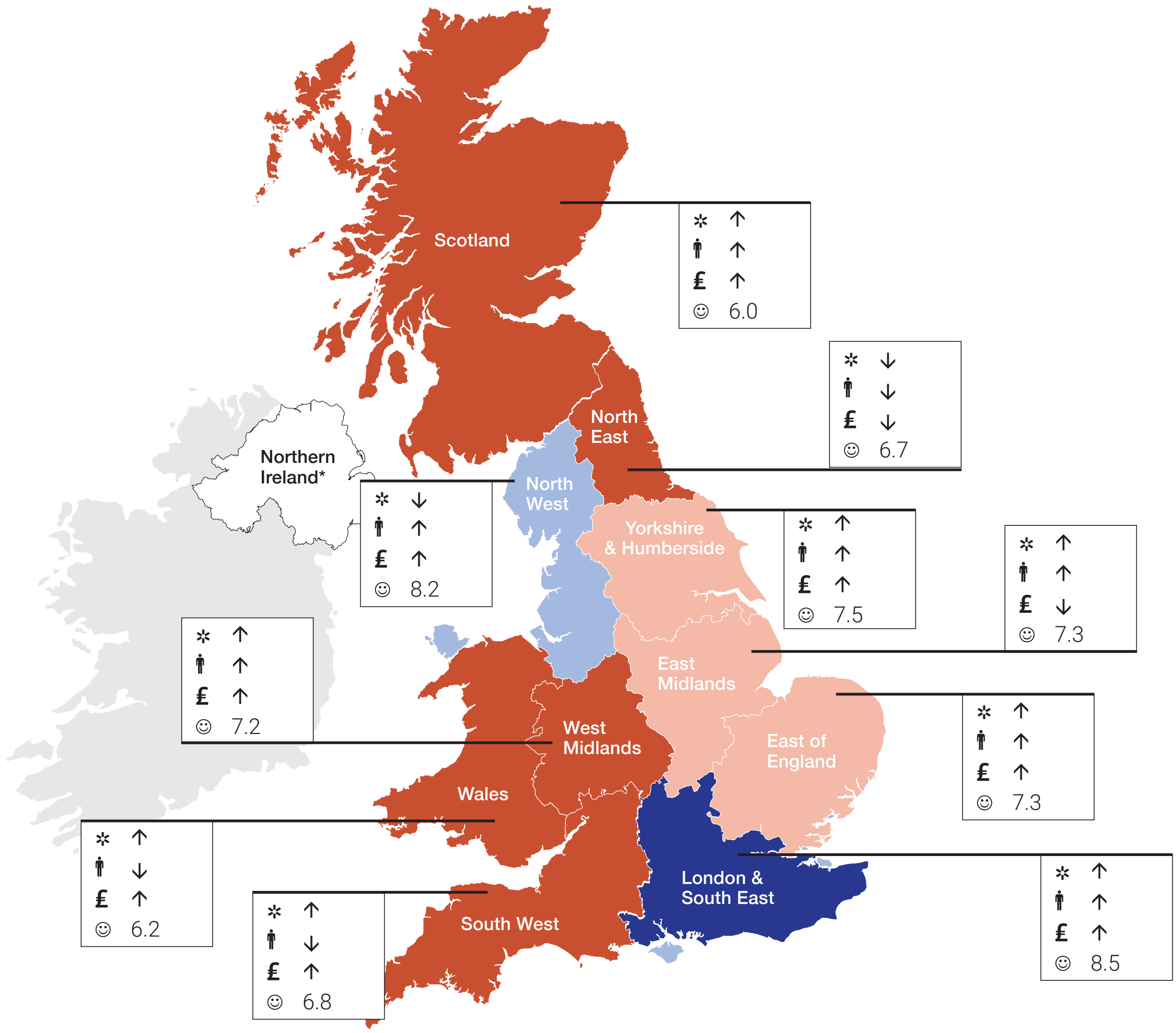
% balance of change in export prices in the past three months



Source: Make UK Manufacturing Outlook Survey

NATIONAL & REGIONAL

Confidence in the business and economic environment has continuously improved quarter after quarter since it crashed in Q2 2020. Now both business confidence and UK economy confidence has reached its highest level since data collection for this metric began in 2014. However, despite the positivity amongst the business community, confidence is volatile to daily changes in mood and political stories, and therefore we should only cautiously consider confidence as an indicator of the future. Nevertheless, the upward trend is encouraging and aligns with our expectations of the manufacturing industry's bounce back.



KEY:

↑/↓ INCREASE/DECREASE ON PREVIOUS QUARTER

✲ OUTPUT

EMPLOYMENT

£ INVESTMENT

☺ BUSINESS CONFIDENCE

* INSUFFICIENT NI DATA FOR CALCULATION IN THIS INSTANCE

The map is coloured according to the business confidence levels difference from average UK business confidence

HIGH CONFIDENCE

LOW CONFIDENCE

Source: Make UK Manufacturing Outlook Survey

Seven regions and nations reported improvements in their business confidence this quarter, whilst the remainder reported only minor declines. However, all regions and nations reported positive business confidence (above the '5' inflexion point), even Scotland, a nation that has been reporting negative confidence levels till now. However, the confidence measurement in Scotland follows a different survey elicitation method, which means Scottish confidence values should be compared with other Scottish confidence values only. The most confident region was the South East & London, reporting a business confidence level of 8.5, followed by the North West at 8.2.

Manufacturers in the East of England reported the largest improvement in confidence since Q2 2021, increasing by 1.5 points to 7.3, slightly below the UK average of 7.7. In contrast, the only regions or nations to report a slight decline in business confidence were the North East, West Midlands, and Wales, which are all locations with large transport equipment manufacturers. Both the Automotive and Aerospace industries have been damaged by the pandemic, and more recently shortages in critical components such as electronic chips that have likely impacted prospects for the end of the year.

Interestingly, last quarter only one region saw a decline in confidence indicating between now and then it is possible we are seeing a slowdown in the upward trend in optimism. As expected, even if business conditions are improving manufacturers remain wary of the impending risks of the pandemic returning, Government support being withdrawn and the expected challenges of the UK-EU trading relationship as EU manufacturers learn to deal with the new arrangements.

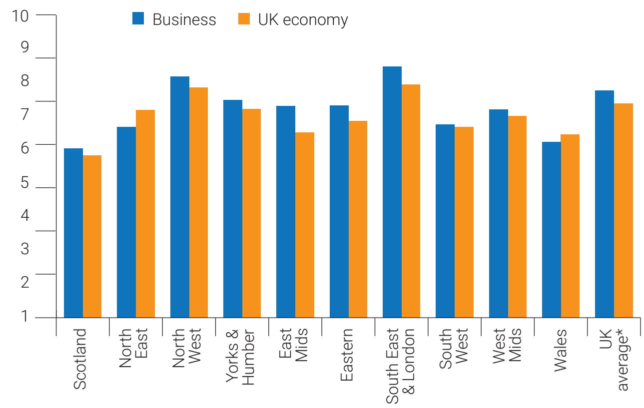
The headline UK average for business confidence is 7.7, the highest level reported for a consecutive quarter. The new peak in optimism is unsurprising given manufacturers have been reporting rising levels of output and orders at record-breaking levels this quarter. The leading issues often cited by firms now are supply-related, as well as growing issues around labour shortages despite the end of the covid restrictions. However, it is encouraging that in the face of these challenges' manufacturers remain confident in their resilience.

UK ECONOMY CONFIDENCE

Manufacturer's view on the overall UK economic condition reported a 7.4, the highest since data collection began for this metric in 2014. However, the gap between business and UK economy confidence appears to have widened since Q2 2021. This is indicative of manufacturers treating their optimism in the wider economy, which includes factors outside of their control, with more cautiousness than they would their own business – which they are better able to forecast performance.

Both firm-level and UK economy confidence has increased for most regions

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



* Average =/= component parts due to instances of undeclared regionality

Source: Make UK Manufacturing Outlook Survey.

Regional summary

% balance of change

	OUTPUT		TOTAL ORDERS		EMPLOYMENT	
REGION	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS	PAST 3 MONTHS	NEXT 3 MONTHS
Scotland	40	50	48	46	33	37
North East	17	33	33	-17	-17	50
North West	63	47	53	53	53	37
Yorks & Humber	60	67	80	67	20	40
East Mids	43	50	50	50	14	0
Eastern	0	23	31	15	0	46
South East & London	49	69	46	60	25	56
South West	17	33	42	17	25	50
West Mids	27	54	42	50	16	40
Wales	56	67	33	44	22	56
Northern Ireland*	–	–	–	–	–	–

* Insufficient NI data for calculation in this instance

Source: Make UK Manufacturing Outlook Survey

ECONOMIC ENVIRONMENT

After more than a year of the economy being locked down by the pandemic, the UK as well as many other countries are finally diverting their attention to growth rather than preservation. There is now hope that society may revert to normal or at least to the new normal.

In recent months since the reopening of the economy, the UK has consistently demonstrated regular growth despite a series of challenges including the "pingdemic" and raw material shortages raising fears of empty shelves in the local supermarket. According to the Office of National Statistics (ONS), the UK's level of GDP grew for five months in a row, reaching 1% growth in the recent available data for June 2021. Though, the economy remains at least 2.2% below its pre-pandemic level the data does indicate the nation has recouped much of its lost value faster than anticipated.

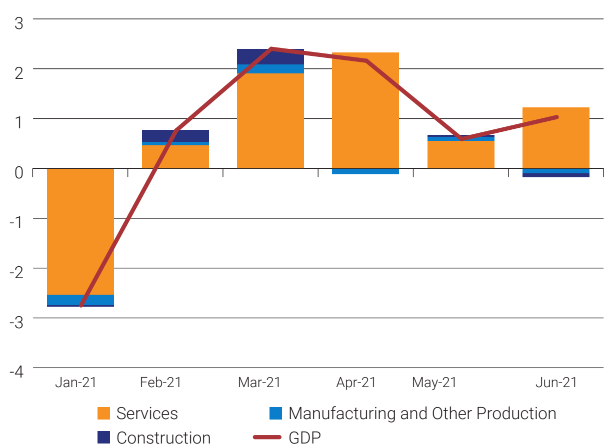
Most of this growth has been dominated by food & drink service activities, as consumers hurry back to restaurants and recreational activities to recoup lost hours of utility, or wellbeing, just as the UK is recouping its lost output. This growth is expected to continue over the next few months as the data is yet to include the impact of the summer holiday which will result in a boost to the food & drink economy. The main risk to watch out for are labour shortages, and supply-chain challenges creating shortages in popular products, such as poultry and meat. There have already been instances of well-known retailers, such as Nando's, that have closed shop due to a shortage of chicken.

Even if the growth in services is substantially contributing to the return of the UK, other industries are still suffering due to a plethora of issues not limited to those already cited above (raw materials, labour, input prices etc.). This has resulted in construction declining by 1.3% between May and June 2021, whilst manufacturing only grew by 0.2% in the same time frame. According to the ONS's Index of Production (IoP) data, this growth was driven by a 7.4% growth in the production of transport equipment, but significantly offset by a decline in the pharmaceutical industry's output by 12.4%. The pharmaceutical industry was one of the great beneficiaries of the pandemic given it is the primary producer, and inventor, of critical medicines and vaccines. However, as a greater proportion of the population is vaccinated, and serious infections fall it is expected the subsector's output levels will fall. However, this is by no means a negative as the decline in pharmaceuticals is more a reflection of firms returning to normal levels of output rather than experiencing a meaningful contraction in value.

UK industry is currently grappling with a labour crisis. What this means for each manufacturer depends on the situation they are now dealing with following the reopening of the economy. Some manufacturers no longer need access to the Job Retention Scheme (JRS) and instead are struggling to fill vacancies for both high-skill and low-skill roles. In addition, the logistics industry is also facing a shortage of 100,000 drivers for lorries and heavy goods vehicles (HGVs) creating problems for businesses even if they can satisfy their labour needs. On the other hand, other manufacturers who are yet to benefit from the boom in activity or are being increasingly slowed down by shortages of raw materials, are still reliant on the JRS and risk increasing redundancies once the scheme expires in September 2021. This leaves the UK Government to make a choice on whether some additional support will still be required post the JRS, whether that involves a short extension or the

UK GDP growth being led by mainly services

Contributions to monthly GDP, percentage points, January to June 2021



Source: ONS

introduction of a new scheme. Nevertheless, the Office of Budget Responsibility (OBR), predicts the unemployment rate will still peak at 6.5% by the end of this year, before returning to below 5% by mid-2023.

These forecasts are more optimistic than previous ones, and indicates the UK is on the right track despite many challenges remaining. Including trade between the UK and European Union (EU) which has fallen since the start of the year and with many of its challenges yet to be borne out. Additionally, UK manufacturers should remain wary of various challenges, including a rise in infections across the East Asian markets impacting supply-chains, input inflation as well as climate change. Managing these challenges appropriately will be critical to businesses navigating the UK's current economic environment.

UK Economic Forecasts

% change except where stated

	2020	2021	2022
TRADING ENVIRONMENT			
Exchange rate (€/£)	1.13	1.16	1.17
Exchange rate ($/£)	1.28	1.39	1.42
Exports	-13.2	3.0	8.1
Imports	-17.8	3.7	10.1
Current account (% GDP)	-3.4	-2.9	-3.3
OUTPUT			
Manufacturing	-9.9	7.1	4.1
GDP	-9.9	7.3	6.7
COSTS AND PRICES			
Average earnings	1.6	4.2	0.5
Oil price (Brent Oil $/bl)	41.8	68.5	65.2
EMPLOYMENT			
Manufacturing (000s)	2,618	2,553	2,584
Rest of economy (000s)	35,029	34,805	35,717
Unemployment rate (%)	4.5	4.8	4.6

Source: Oxford Economics and Make UK

International Economic Forecasts

% change

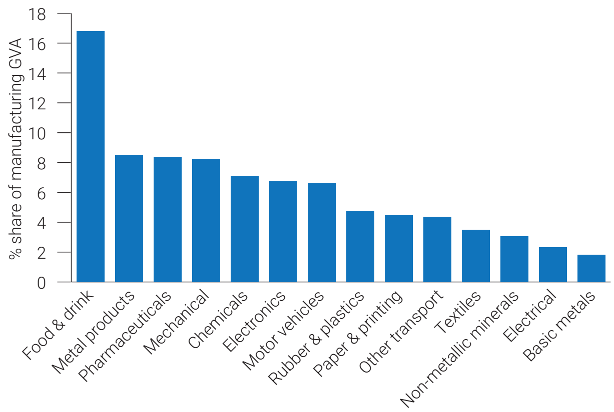
	GDP			INFLATION		
	2020	2021	2022	2020	2021	2022
US	-3.5	6.1	4.8	1.3	4.1	2.7
Eurozone	-6.8	4.8	4.6	0.3	2.1	1.5
France	-8.3	6.3	4.5	0.5	1.6	1.5
Germany	-5.3	2.9	4.6	0.5	2.8	1.6
Japan	-5.0	2.3	3	0.0	0.1	0.4
China	2.3	8.4	6.1	2.5	1.4	2.7
India	-7.1	8.8	7.1	6.6	5.4	4.8
World (2015 PPPs)	-3.6	12.6	5.8	2.8	4	3.3

Source: Oxford Economics

SECTOR FORECASTS

Q3 2021 Manufacturing Sector composition by GVA (% share)

Subsector share of Manufacturing Gross Value Added



Source: ONS

FOOD & DRINK

Following the previous quarter, in which the **Food & Drink** subsector saw its total share of manufacturing gross value added (GVA) drop, it has now risen by a similar measure, accounting for 16.8% of all of UK manufacturing's GVA. Nonetheless, this is still approximately a tenth of a percent lower than where it stood in the first quarter of this year. While there have been revisions to other subsectors' expected overall performance, the food & drink subsector's output forecast for 2021 remains at 3.1%. Although this is below the manufacturing average of 7.1%, the food & drink subsector sustained an output loss approximately half as severe as the wider industry in 2020. This was chiefly driven by domestic demand for food & drink throughout the pandemic, as international logistics seized and exporting countries also prioritised domestic food & drink provision. Employment within the subsector is expected to grow in 2021 by 2.3%, which is just over twice the employment growth expected within the manufacturing sector overall.

ELECTRONICS

The **Electronics** subsector is somewhat in the limelight at the moment due to the infamous sustained global shortage of semiconductor components. Naturally, firms within the electronics subsector use semiconductors, almost always sourced from abroad, as a key input. Demand for the subsector's products is high, and order books are swelling, but firms within this subsector will be struggling to fulfil all those orders in good time as the industry scrabbles for materials. Shortages in the semiconductor supply chain are expected to persevere well into 2022, with industry analysts suggesting that the backlog of work is now so severe, that even if supply issues resolved overnight, it would be mid-2022 before the backlog of orders would be cleared. As a result of these sustained supply issues, the output forecast has been revised significantly downward for the electronics subsector, to 4.7% for 2021. This is approximately half of what was forecast in the previous quarter. Subsequently, the employment forecast for the subsector has also been revised downward, to -1.9%.

BASIC METALS AND METAL PRODUCTS

The **Basic Metals** subsector had been forecast for a slower than industry average recovery in 2021 following a decline in output that was in line with the manufacturing average in 2020 of -9.5%. The forecast had been marginally positive last quarter, especially as the momentum of activity within the manufacturing sector both here in the UK and abroad was high, which filters into demand for the basic metals subsector. A significant slowdown within the automotive subsector, and continued suppression within the aerospace subsector, will be weighing on metals producer's order books. Nonetheless, demand is still high with significant price increases across a multitude of basic metals as demand outpaces supply. The current forecast for 2021 output in the basic metal subsector is -0.2%, with employment expected to contract a little further at -1.0%.

Just as has been the case throughout the year so far, the **Fabricated Metals** subsector has a more positive outlook. The output forecast has been marginally revised upward, to 9.0% growth expected in 2021. Performance of the fabricated metals subsector is tightly linked to wider manufacturing activity in the UK, hence why its subsector forecast is near to that of the overall manufacturing industry forecast. Employment is forecast to decline somewhat, away from the UK manufacturing average, at -2.7%.

MECHANICAL EQUIPMENT

The **Mechanical Equipment** subsector was one of the worst-hit industries in terms of output loss in 2020. With a decline of -20.1% of output in that year, it was the third-worst performing subsector in 2020 after Other Transport and Motor Vehicles. Forecasted growth for the mechanical equipment subsector had been strong last quarter, and now that has been further revised upward, with 20.5% growth in output expected in 2021. This significant growth forecast makes the mechanical equipment subsector the industry with the highest growth forecast for the year. The subsector is typically a recipient of domestic investment expenditure, such as when businesses want to upgrade their machinery and plant equipment. This quarter's *Manufacturing Outlook* research reveals that investment intentions within the manufacturing sector are currently very high, and this increased capital expenditure will no doubt filter into sales in the coming year for the mechanical equipment subsector. Despite this, employment within the subsector is expected to contract a little, by -1.6% in 2021.

TEXTILES

The **Textiles** subsector's bounce back is still on track. Having endured a decline of -14.6% in output in 2020, the current output forecast for 2021 stands at 16.8%. However, this figure has been revised downward by approximately two percentage points since last quarter. Nonetheless, a growth output forecast of 16.8% is still very positive. It means that the textiles subsector is on course for the third-largest growth in output out of all subsectors covered in *Manufacturing Outlook*, only being beaten out by the non-metallic minerals subsector and the mechanical equipment subsector. It also means that expected growth this year in the subsector is forecast to be approximately twice the rate of the manufacturing industry average. Despite this, employment is expected to decline by -4.4%. The UK textiles industry previously had many EU workers within it, and this greater than average decline in employment will be associated with the new challenges firms are facing with hiring workers from the EU.

PAPER & PRINTING

The **Paper & Printing** subsector's forecast has remained stable this quarter. Having previously been forecast to grow in output by 5.0% in 2021 last quarter, this quarter expectations have been revised upward moderately to 5.5% improvement in output in 2021. While this remains below the UK manufacturing average of 7.1%, a steadier pandemic recovery will provide its own merits within the subsector, not least in the form of more predictable demand. Employment within the sector is expected to grow almost perfectly in line with the wider industry average, at 1.2% in 2021. However, it should be noted that the paper & printing subsector was one of the few subsectors in 2020 that endured a double-digit percentage decline in employment figures, so despite this expected growth, total employment levels within this subsector will remain below their pre-pandemic total.

ELECTRICAL EQUIPMENT

While it might be expected that the **Electrical Equipment** subsector would have been forecast a similar fate as that of the electronic subsector, in other words, a significant downward revision to output forecasts, the subsector is not as exposed to the semiconductor shortage crisis as it may seem on the surface. Often, products produced by the electrical equipment industry are of a far greater 'infrastructural' nature, and so while they'll certainly interface with more semiconductor-dependant products, it's this difference that allows for the circumstance we see here: a double-digit growth expected in the electrical equipment subsector's output for 2021 at 12.3%. Employment in the subsector is expected to decline by -3.7% in 2021. Nonetheless, it should be noted that some of the decline in employment expected will be arising from labour shortages rather than the loss of roles.

NON-METALLIC MINERALS

For a second consecutive quarter, the **Non-metallic Mineral's** subsector is seeing its output forecast revised upward, now standing at 17.2% output growth for 2021, which makes it the subsector with the second-largest growth forecast for 2021 after that of the mechanical equipment subsector. The sustained growth in output for the subsector has been driven by the resumption of high levels of construction activity within the UK since the peak of the pandemic. This construction activity is set to continue for the rest of the year, albeit limited by labour supply shortages that are affecting the whole industry alike. Employment in this subsector is forecast to increase just above the UK manufacturing average, by 1.6% in 2021.

PHARMACEUTICALS

The **Pharmaceuticals** subsector saw its output levels supported throughout the pandemic due to the unprecedented demand for coronavirus-related interventions. It was the only subsector to post double-digit output growth in 2020, with only one other subsector posting a positive figure, which came out of the chemical's subsector. However, growth is now cooling off in the pharmaceuticals industry, and a moderately positive forecast for output in 2021 has now been revised down to a marginally positive forecast of 0.7%. While the growth forecast may be low, the subsector is starting from a high base given the 13.6% growth experienced in output throughout 2020. Employment is expected to decline by -4.4% in 2021, however, this must be contrast with the gain in employment experienced in the subsector in 2020 by 14%. Therefore, total employment levels in the pharmaceutical's subsector are higher now than they were before the pandemic, and will continue to be so, despite a negative employment change expected within 2021.

CHEMICALS

The **Chemicals** subsector, while managing to post positive performance throughout the pandemic, never saw the heights of growth that the pharmaceuticals subsector did. While coronavirus-related demand for its goods saw demand spike for many of the subsector's products, other traditional demand streams were reduced, resulting in only marginal growth. Now, for 2021, forecasts have been revised up, with a 4.9% growth in output expected. However, the employment forecast for the subsector in 2021 stands at a negative -2.9%.

RUBBER & PLASTICS

Plastics have been cited as a key input in many manufacturing supply-chains that are experiencing a significant shortage. While the heightened demand is good for the subsector, an inability to supply customers limits the subsector's potential. While output levels are expected to maintain double-digit growth, orders are continuing to outpace output.

The recent challenges and expected suppression of automotive output will be bad news for the rubber subsector, as so much of rubber production in the UK is linked to the tyre market. Notwithstanding, the **Rubber & Plastics** subsector together is forecast to experience a growth of output by 10.5% this year, albeit this figure has been revised downward a couple of percentage points compared to last quarter. Employment is forecast to decline by -5.2% this year as well, however, the industry experienced growth in employment greater than this in 2020, so overall levels of employment within this subsector are still just higher than the pe-pandemic period.

MOTOR VEHICLES (AUTOMOTIVE)

Perhaps the largest upset in this edition of *Manufacturing Outlook's* sector forecasting is found in the **Motor Vehicles** subsector. Following disastrous declines in output in 2020, the largest across the entire manufacturing industry in the UK, an exceptionally strong bounce back had been expected during the first two quarters of the year as pent-up demand was released and production lines returned to form. Supply chain shortages, most notably in the semiconductor space, have severely hampered UK car manufacturer's ability to return to pre-pandemic finished vehicle production levels. As a result, the 2021 output forecast for the subsector has been revised downward heavily, now at 11.3%, tumbling from 23.6% last quarter. While an output growth figure of 11.3% is still exceptionally positive, when contrasted against last year's steep declines, it means that it is now extremely unlikely that the motor vehicles subsector will be able to make up the majority of lost output in 2020 this year. Employment is expected to decline moderately in the subsector in 2021, by -1.7%.

OTHER TRANSPORT

The story in the **Other Transport** sector has remained, unfortunately, largely unchanged from the previous quarter, and this is reflected too in the only slightly adjusted forecasts. The subsector was the only one that has been forecast up until this point to experience negative output growth over 2021, while the rest of the UK manufacturing industry went through its recovery period. While the subsector's output forecast has been revised upward, to -6.9% from -7.8%, it remains in negative territory. Couple this with the -22.2% decline in output that the subsector endured in 2020 and the sustained value-loss in the industry is apparent. Other Transport is comprised of the core industries Defence, Aerospace and Shipping. It's these industries, particularly in the case of aerospace, that continue to suffer significantly because of restrictions, and loss of demand, for international travel. The outlook for employment within this subsector is also significantly negative, with a decline of -9.7% forecast for 2021, again retaining the accolade of the most negative employment forecast out of all manufacturing subsectors.

Sector growth rates and forecasts

% change

	OUTPUT			EMPLOYMENT		
	2020	2021	2022	2020	2021	2022
Basic metals	-9.5	-0.2	1.5	-4.9	-1.0	-4.7
Metal products	-9.5	9.0	4.1	-13.8	-2.7	2.1
Mechanical	-20.1	20.5	9.4	-5.1	-1.6	5.9
Electronics	-7.3	4.7	3.6	2.7	-1.9	-0.5
Electrical	-11.8	12.3	1.0	-11.2	-3.7	3.7
Motor vehicles	-25.6	11.3	14.3	-10.8	-1.7	4.5
Other transport	-22.2	-6.9	7.3	-2.8	-9.7	-1.9
Food & drink	-5.7	3.1	4.1	-1.0	2.3	0.9
Chemicals	2.7	4.9	-2.8	0.1	-2.9	-7.3
Pharmaceuticals	13.6	0.7	3.3	14.0	-4.4	-2.7
Rubber and plastics	-8.2	10.5	1.9	6.7	-5.2	4.2
Non-metallic minerals	-10.4	17.2	2.0	2.5	1.6	3.7
Paper and printing	-11.5	5.5	1.6	-10.6	1.2	3.4
Textiles	-14.6	16.8	2.6	9.1	-4.4	0.6
Manufacturing	-9.9	7.1	4.1	-2.8	1.1	-0.2

Source: Oxford Economics

Source: Oxford Economics

BDO VIEWPOINT

UNDERSTANDING THE 'WHY' AND THE 'HOW' OF ESG REPORTING IN MANUFACTURING

EVOLVING STAKEHOLDER DEMANDS

The pandemic has brought significant opportunity for many manufacturers, but it has also sharpened the focus on the ESG agenda and the ongoing debate of profit vs purpose.

While the top five ESG related themes for manufacturers (Greenhouse gas emissions; Resource usage, Diversity, Waste; and Health and Safety) are unsurprising, stakeholder demand for increased, transparent, and measurable reporting is growing.

The key drivers leading to the growth of this agenda are as follows:

- Environmental concerns, including the role that businesses can play in the transition to a low carbon economy. Purchasing decisions are increasingly bound up in social issues, meaning companies must focus not only on the quality and cost of their products and services, but also on establishing sustainable, socially responsible, environmentally aware business practices to win and retain customers.
- ESG is becoming a greater factor in a company's success in attracting, engaging, and retaining employees. Millennials are now the major demographic representing 34% of today's workforce, while generation Z consists of 21%. These demographic groups value the issues addressed by ESG.
- Consumer interest in sustainable investment, where investors wish to earn a return but 'do no harm'. Recent surveys highlight that a third of consumers did business with a company based on its stance on social issues.
- A perception that to build trust in business, businesses need to demonstrate a wider purpose beyond making profit. Shareholders and institutional investors are making it clear that they expect companies they invest in to commit to and report on ESG criteria.

PROFIT VS PURPOSE – THE ONGOING DEBATE

Historically many have not seen the benefit of investing in this agenda viewing it as an unnecessary cost or regulatory requirement. However, investment does not necessarily mean a reduction in profit. A company may reduce its emissions far beyond the level that would lead to a fine, due to its sense of responsibility to the environment, yet benefit because customers, employees, and investors are attracted to a firm with such values.

Investing with the primary goal to serve society rather than generate profits ends up more profitable than if profits were the sole end goal. This also demonstrates the leadership and good governance that is so essential to sustainable growth and delivering long term pay offs.

WHAT SHOULD I BE DOING NOW?

Valuable time is being lost by those businesses (just under half in our recent ESG survey), who have not yet started on their journey. There are some key steps manufacturers should be taking now to ensure they don't get left behind:

- Define your value proposition – understand who your wider stakeholders are and what is important to them.
- Build a program – including development of a clear strategy with materiality assessment of key areas of consideration.
- Identify the data that will be used to measure and track agreed areas.
- Progress monitoring and reporting – agree the optimum way to provide the transparency and confidence required by stakeholders.
- Governance risk management – design the optimum framework to manage and horizon scan for evolving ESG related risks.

If manufacturers want to maintain a competitive advantage and thrive in the future, they must begin to prioritise ESG efforts now. Our BDO team of ESG experts can help you throughout all stages of this journey.

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

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

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

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

MakeUK.org

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The data used in this survey have been provided by UK manufacturers including members of Scottish Engineering, Manufacturing NI, and Make UK. Contributing to our surveys helps to accurately reflect trends and behaviours that shape the UK manufacturing sector. If you would like to participate in future surveys, please contact our Information and Research team research@Makeuk.org

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Accountancy and business advisory firm BDO LLP is the UK member firm of BDO International, which has more than 1,600 offices in 167 countries. We operate from 18 offices across the UK, employing 5,650 people offering tax, audit and assurance, and a range of advisory services.

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

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

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

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

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

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Ref: 21.04.POL.JB.FK.NB