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# REGIONAL MANUFACTURING OUTLOOK 2023



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

Our last report for 2022 accounted for much of the time that included the rebound in economic activity following the pandemic. As a result, many of our key metrics produced balances that were astonishingly high for all regions and nations in the UK. This meant not a single region or nation on average reported a contraction on balance over the previous year's measured four quarters.

This year the results for the average performance of manufacturers across the UK between the third quarter of 2022 and second quarter of 2023 is relatively more tempered than last year. Several regions still performed exceptionally well, particularly due to strong performances in the beginning of 2023, whilst performances in 2022 were marred by high energy costs and supply-chain disruption.

Because of this, the last four quarters is really a story of two halves, with the second half performance markedly stronger than the first. For instance, the North West reported the largest contractionary balance for investment intentions in the UK within the measured period. Similarly, the East Midlands, East Anglia, and South West all reported an average negative balance for investment planning. In contrast, the best average balances for investment intentions were +14%, that title is held jointly by Yorkshire & the Humber and Scotland.

Whilst this year's performance in comparison to the previous appears poor, it need not be deemed so. A number of regions also reported very strong balances such as North East manufacturers who lead the nation on the average balance for output and orders. Whilst we know Scotland performed well on investment intentions, manufacturers here also reported the strongest average balance for employment with most of the growth taking place at the start of 2023. Businesses have been yearning for a period of calm and stability for many years and this year's mixed performance indicates that activity may finally be normalising.

Though calm and stability may not traditionally be viewed as a recipe for growth and success, in today's turbulent market condition it is the only ingredient needed to boost confidence, and hence investment. It is difficult to say for how long this quiet period will last and manufacturers will not wait to find out. Many businesses are already increasing investments in technologies of tomorrow, from meeting net zero targets to accelerating the transition to digitalisation.

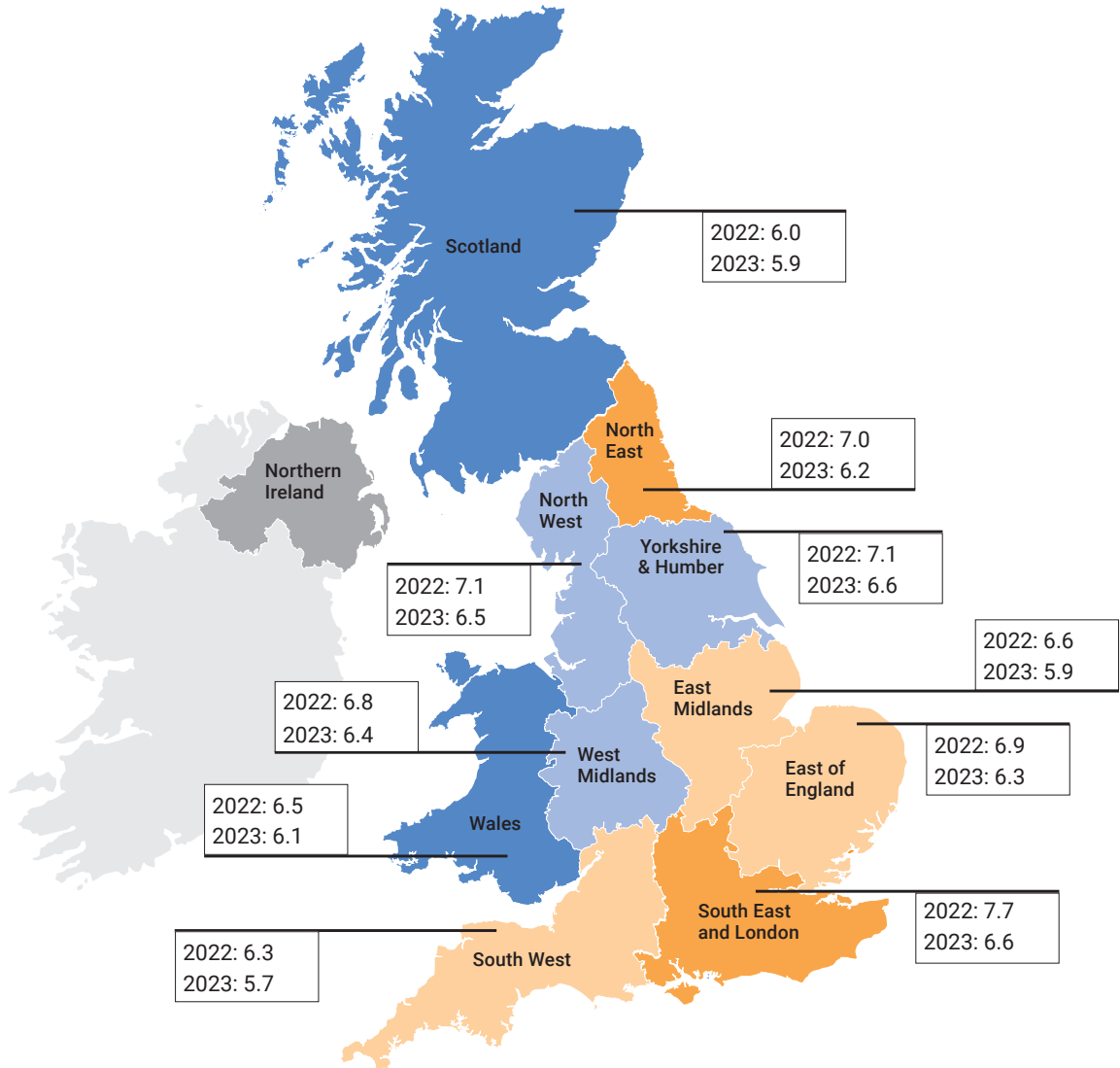
It is evident from our surveys that manufacturers continue to push forward despite prevailing uncertainties. Whilst the growth is not shared equally by all regions and nations in the UK, almost all parts of the UK have recovered or exceeded their pre-pandemic value of output for manufacturing according to national statistics by the end of 2021. The only exception is the West Midlands, whose gross value added output for manufacturing still remains 3% below its 2019 level.

Overall, this is a strong performance for UK manufacturing according to this year's *Regional Manufacturing Outlook*. The latest average balances give good reason to be confident about the next 12 months, but it is important that businesses act on this opportunity, and that we support the industry with a long-term vision for manufacturing in the UK.

# REGIONAL SNAPSHOT

This year's *Regional Manufacturing Outlook* data captures a year of expected decline and surprise improvement. The first two-quarters of the research windows exhibited a steady decline in key metrics, while still staying away from contractionary performance. The surprise came in the first quarter of 2023 when output

expectations were positively subverted and the industry posted stable and positive figures for not only that first quarter but the second quarter as well. As a result, balance figures across the nations and regions of the UK are generally positive, with less extreme variation than we have observed over previous years.



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

KEY

↑ Positive relative change in confidence (upper quartile)



↓ Negative relative change in confidence (lower quartile)



\* Business Confidence Indicator: Manufacturer's confidence about their own business performance in the next twelve months  
Map coloured to show the relative change in average confidence between 2021q3/2022q2 and 2022q3/2023q2

# HOW DO THE REGIONS/NATIONS COMPARE

As this edition of *Regional Manufacturing Outlook* covers a four-quarter period where most aggregate balances have remained positive in each quarter, it follows that this is also the case for the majority of regions and nations in the UK. The consistent story across the country is one of surprise improvement in 2023, following a long and consistent decline in growth for the preceding six quarters.

In stark contrast to last year's edition, which captured most of the post-COVID-19 recovery boom, this publication suggests that a modicum of stability and consistency is dawning across regions after several years of an unstable business environment. In the first two quarters of this edition's research window, the somewhat mute but positive figures have been dragged up to healthy positivity given the surprisingly overperforming latter two quarters of the same window.

Encouragingly, most of the strongest variance is observed positively, particularly in the case of the North East, which has posted the largest year average balances for output growth for the second consecutive year, a figure that is 2.2 times higher than the UK average. Similar highs for the same region are in its orders performance as well, which outperformed the average by a factor of 2.8.

Even where we do observe the bottom performers in the key metrics of output, orders, investment and employment, the

absolute negativity is only mild. For example, the worst-performing region or nation over the year for output, Wales, only has a negative balance figure of -2%. Similarly, the worst performing area for orders is the South West, but only with a negative balance figure of -1%. The largest negativity in the entirety of this research is seen for the North West's investment intentions average over the year, which just garners double digits at -10%.

Last year, *Regional Manufacturing Outlook* observed a much larger than usual variance between the region's year performance. This was predominately a function of different region's subsectoral compositions, as those industries within manufacturing were expanding or recovering at different rates, for example, the boom in the Pharmaceuticals industry during the pandemic, and on the other hand, the slow recovery of the Transport Equipment sector which is a cornerstone to some region's manufacturing compositions.

At the time of publication, the return to more closely grouped regional performance is indicative of subsectors within manufacturing having recovered most of their salvageable potential following the pandemic, with the manufacturing sector's limitations becoming less subsector specific and more dependent on the general business conditions in the UK.

## Regional summary

% average balance of change 2022 Q3 – 2023 Q2

	OUTPUT	ORDERS	INVESTMENT	EMPLOYMENT
East Midlands	27 ↑	10	-3	11
Eastern	19	9 ↓	-5	16
North East	28	42 ↑	10	13
North West	4	14	-10 ↓	13 ↑
South East & London	14	24	7	1 ↓
South West	10	-1	-1	5
West Midlands	14	23	4	8
Yorks & Humber	5 ↓	19	14	14
Scotland	18	22	14	19
Wales	-2	7	5	1

Source: Make UK Manufacturing Outlook Survey

- Top performer
- Bottom performer
- ↑ Improved most compared with last year
- ↓ Worsened most compared with last year

\* The ONS has made revisions to manufacturing employment counts for the previous year since the publication of *Regional Outlook 2022*. *Regional Outlook's* methodology remains consistent in comparing changes to previous editions of the report. This means in some instances, where ONS revisions have occurred, the scale of employment changes may differ.

# EAST MIDLANDS

The East Midlands is the UK's eighth-largest region in terms of gross value add (GVA). The East Midlands economy accounts for 5.8% of the UK's total output, whilst its manufacturing sector accounts for only 1% of the UK's total output. However, 16.4% of the East Midlands' total output is accounted for by manufacturing, which has increased slightly compared to last year's 16.3% share of manufacturing output. Just under half of the region's manufacturing output comes from three subsectors. The largest is the Food & drink industry, with 19.1% of all manufacturing output. This is followed by Transport Equipment at 14.6%, and then the Rubber & Plastics subsector at 11.5%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	5.8%	–
Manufacturing	1.0%	16.4%
Construction	0.4%	6.8%
Services	4.1%	71.3%
Other production	1.3%	22.0%

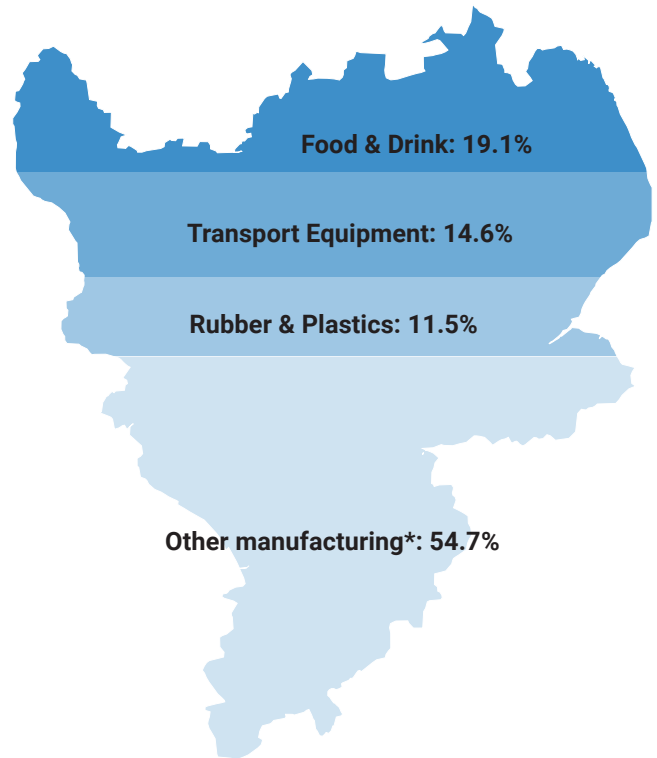
Source: ONS 2023

## EMPLOYMENT

- There were 265,000 manufacturing jobs in the East Midlands in 2022, accounting for 11% of the region's total workforce and 0.7% of the UK's total workforce.
- This is an increase of 7,000 following our previous *Regional Outlook*.

## EXPORTS

- In 2022, the East Midlands accounted for 7% of the UK's total goods exports.
- The region's dependence on the EU for exports has decreased from 51% to 49% of exported goods journeying to the EU annually.
- The next largest destination for East Midlands' goods is Asia & Oceania, accounting for 25% of goods exports. Followed by North America which accounts for 14% of goods exports.

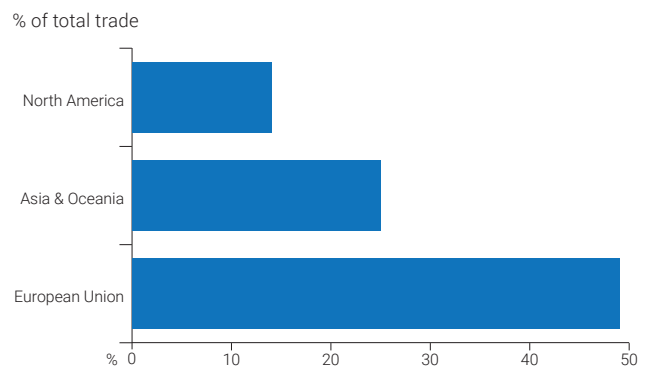


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for East Midlands' goods



Source: Uktradeinfo 2023

## MANUFACTURING PERFORMANCE IN THE EAST MIDLANDS

The East Midlands' manufacturing output performance has fared a little better on average across the past year than the UK average, with the final quarter's performance of this research window seriously exceeding the UK average. The balance figure for output growth for the East Midlands in this final quarter of research, 2023 Q2, is over twice as high as the national average.

**OUTPUT BALANCE FIGURE EXPLODES IN THE FINAL QUARTER, HIGHEST IMPROVEMENT OUT OF ALL REGIONS**

**ORDERS BELOW AVERAGE BUT OUTPERFORM IN FINAL QUARTER**

**INVESTMENT NEGATIVE OVER THE YEAR**

**EMPLOYMENT GROWTH PERFORMANCE EXACTLY IN LINE WITH INDUSTRY PERFORMANCE**

**AVERAGE BUSINESS CONFIDENCE 9TH HIGHEST IN THE UK**

In the last edition of *Regional Outlook*, the East Midlands had generally outperformed other regions, mostly in part due to a late recovery of one of its largest subsectors Transport Equipment. This year's averages for the region are now far more closely aligned with the UK aggregate, with a very notable exception seen in the region's output metric, which is just under three times as high as the average.

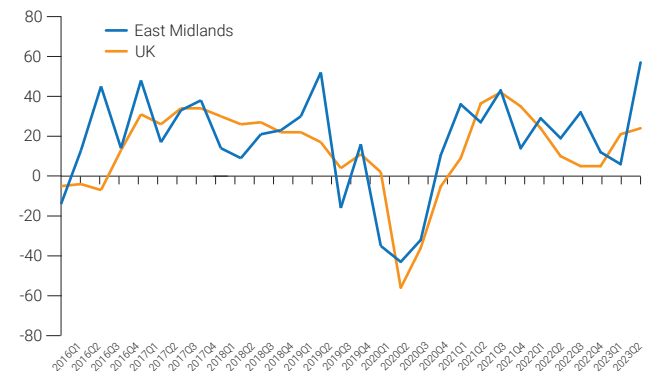
Between the research window of Q3 2022 and Q2 2023, the average output balance figure was +27%. This four-quarter average figure was significantly dragged upwards by the final quarter's balance figure of a whopping +57%. This leads the East Midlands to have the second highest overall output balance figure for the year out of all regions and nations in the UK, but is the most improved region in terms of output compared to last year.

Given the region plays host to such a large Transport Equipment sector, it's this subsector that has been a driving force in allowing the region to see the most improved relative levels of output compared to the previous quarter. This subsector saw its post-covid recovery lag over two years compared to other subsectors that were quicker to recover. The region also plays host to the second largest, and arguably largest if you were to decouple the region of London & the South East, Food & Drink subsector, as a subsector that has seen some steady positivity over the past four quarters.

In last year's edition of *Regional Outlook*, the East Midlands had the seventh highest business confidence in the UK. Now, that has fallen to 9th. The value for the region's business confidence has fallen from 6.6 to 5.9. While this does mark a decrease in business confidence, it remains above the positive/negative inflection point of '5'. That leaves the East Midlands with a business confidence value a little below the UK average value of 6.2.

### East Midlands Output balance recently outperformed the UK average

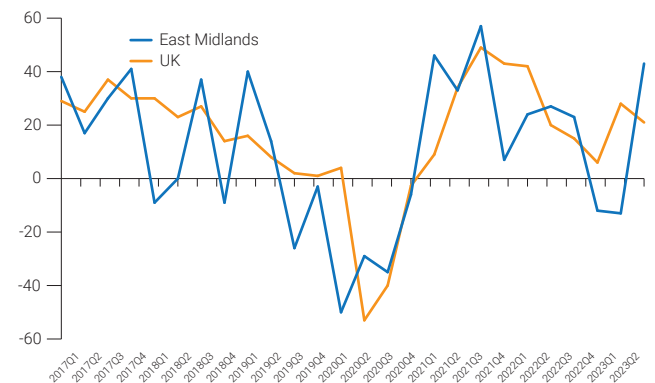
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### East Midlands' orders balance finished strong after two negative quarters

% balance of change in orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# EAST OF ENGLAND

The East of England is the UK's third largest region in terms of gross value add (GVA) and the sixth largest manufacturing sector. The manufacturing sector accounts for 10.9% of the region's total output, slightly higher than last year and above the UK average of 9.8%. The region's largest three manufacturing subsectors are the Food & drink industry (13.4%), Machinery Equipment (11.8%) and Pharmaceuticals (10.8%) combined. Out of all regions and nations in the UK, the East of England has the second largest proportion of its manufacturing made up of subsectors not included in the top three, highlighting the diverse manufacturing subsector base that the region plays host to.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	8.4%	—
Manufacturing	0.9%	10.9%
Construction	0.7%	8.7%
Services	6.4%	76.6%
Other production	1.2%	14.7%

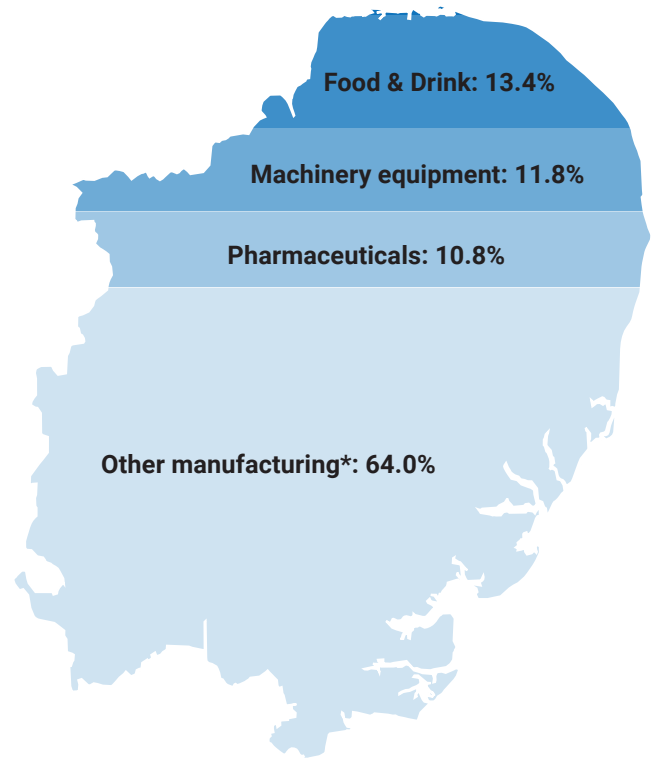
Source: ONS 2023

## EMPLOYMENT

- There were 228,000 manufacturing jobs in the East of England in 2022, accounting for 7% of the region's total workforce and 0.6% of the UK's total workforce.
- This is a significant increase of 27,000 following our previous *Regional Outlook*.

## EXPORTS

- In 2022, the East of England accounted for 9% of the UK's total goods exports.
- The region's dependence on the EU has increased from 48% of goods to 54% of goods journeying there annually. This is two percentage points above the average (52%).
- The next largest destination for East of England's goods is North America, accounting for 17% of goods exports. Followed by Asia & Oceania which accounts for 15% of goods exports.

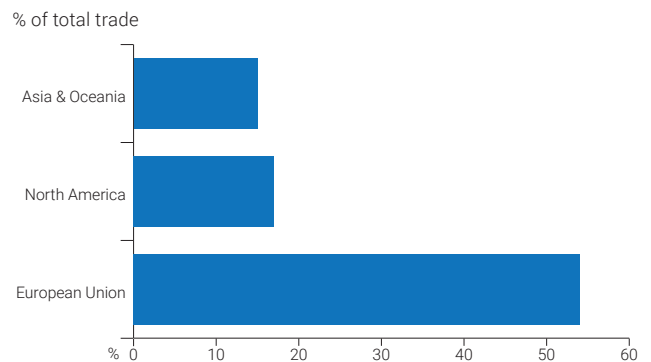


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

- The East of England's overall productivity is the 3rd best in the UK, at 94% of the average (UK=100).
- Manufacturing productivity is at 109.9% of the UK average, ranking 2nd across all regions and nations.

## Top three export markets for East of England's goods



Source: Uktradeinfo 2023



## MANUFACTURING PERFORMANCE IN THE EAST OF ENGLAND

The East of England has managed to end the year with an average output performance that exceeds the national average. Despite an underperforming first quarter of 2023, higher than average performance in the preceding two quarters has compensated for this dip. The final output metric of the year for this research saw the region score almost perfectly in line with the UK average. However, orders performance is the most worsened compared to last year out of all other regions.

**OUTPUT BALANCE FINISHED THE YEAR IN POSITIVITY**

**ORDERS PERFORMANCE 3RD LOWEST, AND MOST WORSENE**

**INVESTMENT INTENTIONS SECOND LOWEST OVER THE YEAR COMPARED TO ALL REGIONS, ALTHOUGH NOT SEVERE**

**EMPLOYMENT METRIC LEVELS 2ND HIGHEST IN THE UK**

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

In last year's edition of *Regional Outlook* the East of England had the largest improvement in both its order balance average and its employment balance average compared to all other UK regions and nations. Now, at the end of the 2023 research period, the inverse has happened for orders performance. While the average figure for the regions' orders isn't negative, and not too far away from the UK average, it has fallen the most compared to last year's research when compared to other regions. This relative fall does more to illustrate just how high the region scored last year, rather than a poor performance this year.

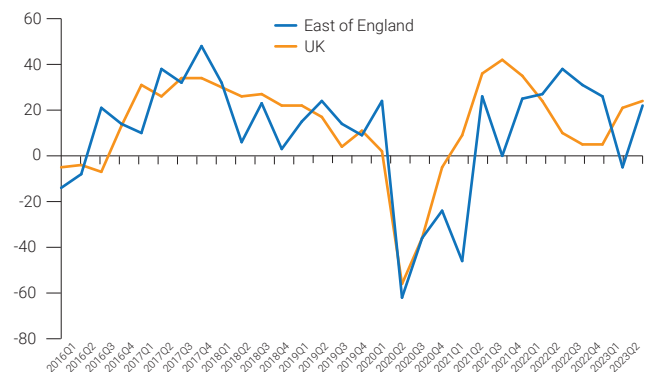
The East of England's output performance over the year is the third highest in the UK, with a balance figure of +19%, six percentage points above the national average of +13%. Conversely to last year, where within this region there was a significant output gap, i.e. orders outpacing output, this year it is the reverse, with the scale of the average output balance being approximately twice as high as that of orders.

The region is one where the average balance figure for investment is negative, at -5%. While this is not a particularly severe figure, it is below the positive national average of +5%. A slowdown in both orders activity and investment appetite is likely linked to the size of the pharmaceuticals industry in the region, the third largest sector within it, which following a covid-related boom in performance, is still cooling down relative to the highs of activity witnessed two years ago.

Business confidence averages over the past year have only just exceeded the average at 6.3, above the UK figure of 6.2. This places the East of England as the 5th most confident region in the UK.

### East of England's output balance rebounded quickly following a contractionary Q1

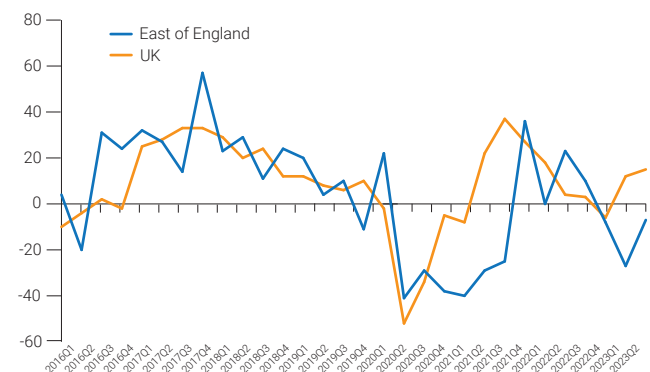
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Export order performance contracted on balance for three quarters

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



Source: Make UK Manufacturing Outlook Survey

# NORTH EAST

The North East is the UK's tenth largest region in terms of gross value add (GVA). The region's manufacturing sector is relatively small accounting for 0.4% of the UK's total output. However, the manufacturing sector is of significant importance to the North East, accounting for 15% of its own economic output, above the UK average of 9.8%. The top three subsectors in the region are accounted for by Pharmaceuticals (17.9%), Metal Products (12.8%) and Machinery Equipment (11.9%).

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	2.8%	—
Manufacturing	0.4%	15.0%
Construction	0.2%	5.6%
Services	2.1%	74.4%
Other production	0.6%	20.0%

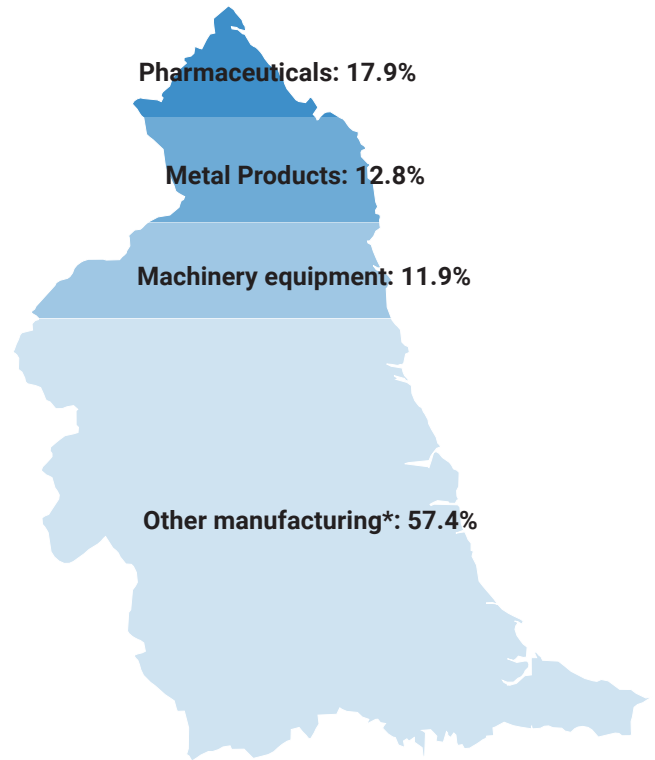
Source: ONS 2023

## EMPLOYMENT

- There were 104,000 manufacturing jobs in the North East in 2022, accounting for 8% of the region's total workforce and 0.3% of the UK's total workforce.
- This is a decrease of 4,000 following our previous *Regional Outlook*.

## EXPORTS

- In 2022, the North East accounted for 3% of the UK's total goods exports.
- The region maintains one of the highest dependencies (3rd) on the EU for exports amongst other regions and nations, with 57% of exported goods journeying to the EU. This is a decrease from last year's figure of 58%.
- The next largest destination for North East goods is Asia & Oceania, accounting for 15% of goods exports. Followed by North America which accounts for 12% of goods exports.

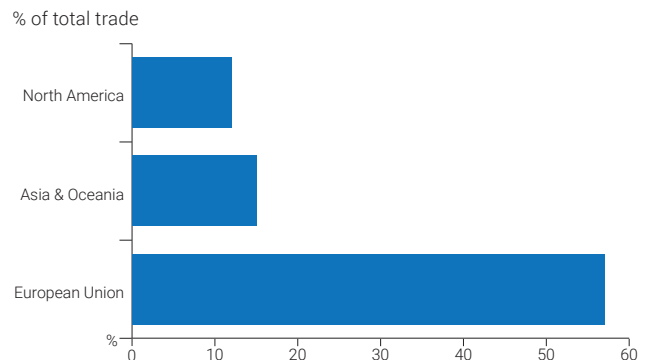


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for North East's goods



Source: Uktradeinfo 2023

## MANUFACTURING PERFORMANCE IN THE NORTH EAST

The North East, for the second year consecutively, has had the highest output balance over the year. Not only that, but it also has both the highest average orders balance over the year, and the most improved orders balance year average compared to all other UK regions and nations. The height in output balance for the year is mostly attributed to trend-bucking high performance in the earlier quarters of this research as the two most recent quarters have been underperforming compared to the average.

**OUTPUT BALANCE FIGURE YEAR AVERAGE HIGHEST IN THE UK**

**ORDERS PERFORMANCE AVERAGE HIGHEST IN THE UK AND MOST IMPROVED**

**INVESTMENT INTENTIONS TWICE AS STRONG AS THE NATIONAL AVERAGE**

**EMPLOYMENT TRENDS POSITIVE AND IN LINE WITH UK AVERAGE**

**6TH HIGHEST BUSINESS CONFIDENCE IN UK**

In a rather unusual feat for *Regional Outlook* the North East has posted the highest year average for output out of all UK regions and nations for the second consecutive year. With an average balance figure for output of +28%, this is just over double the national average of +13%. Orders performance is a similar story, with the year average balance figure coming in at +42%, just shy of triple the national average for orders performance of +15%. An impressive accolade, especially concerning output, as the North East's performance actually underperformed the UK average in both the first and second quarter of the year.

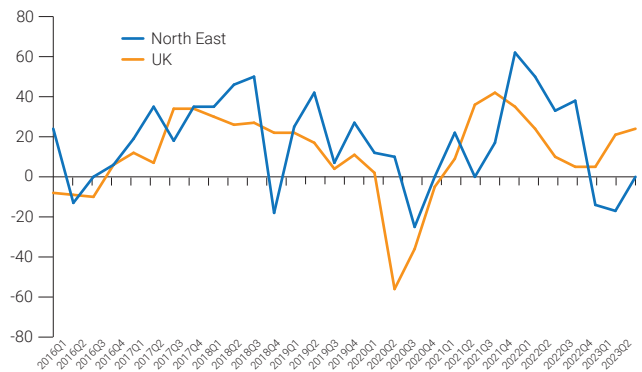
It lends some explanation then, as to why the North East sees its most recent investment intentions data diverging positively from the UK average. While both the UK average and the North East's investment intentions are positive, the North East's are showing signs of trending upwards while it is the inverse for the UK overall.

However, the booming output metrics may not be here to stay, as the largest manufacturing subsector in the region is the Pharmaceuticals industry, which accounts for 17.9% of all manufacturing value here. Given this subsector has seen extraordinary expansions in output over the last two years related to COVID-19 interventions, the rate of that phenomenal growth is inevitably cooling off, and so too it will likely have a significant impact on the North East's overall growth figures in the coming year.

The North East's average business confidence is 6.2, which is above the UK average and places it 6th in the UK. While this is a decline on last year's confidence value, it is still in line with the UK average which is also at 6.2.

### North East output performance strong due to mid-2022 activity

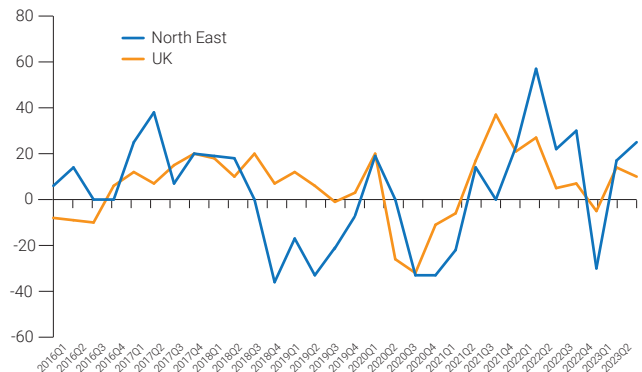
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Investment intentions rebounded quickly following a negative Q4 2022

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



Source: Make UK Manufacturing Outlook Survey

# NORTH WEST

The North West is the UK’s second largest region in terms of gross value add (GVA). The entire region makes up almost a tenth of the UK economy (9.6%). The manufacturing sector here accounts for only 1.4% of the total UK output, but 14.4% of the region’s total output, above the UK average of 9.8%. The three subsectors that dominate North West manufacturing include Chemicals (16%), Transport Equipment (15.8%), and Pharmaceuticals (13.5%).

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	9.6%	—
Manufacturing	1.4%	14.4%
Construction	0.6%	5.9%
Services	7.3%	76.4%
Other production	1.7%	17.8%

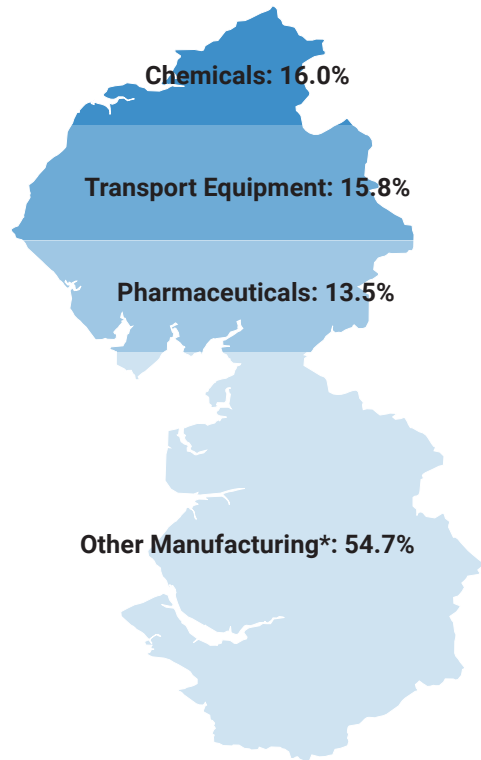
Source: ONS 2023

## EMPLOYMENT

- There were 314,000 manufacturing jobs in the North West in 2022, accounting for 8% of the region’s total workforce and 0.9% of the UK’s total workforce.
- This is a decrease of 21,000 following our previous *Regional Outlook*.

## EXPORTS

- In 2022, the North West accounted for 9% of the UK’s total goods exports.
- The region has a below average dependence on the EU for exports, with 50% of exported goods journeying to the EU, two percentage points below the average.
- The next largest destination for the North West’s goods is Asia & Oceania, accounting for 17% of goods exports, followed by North America at 16%.

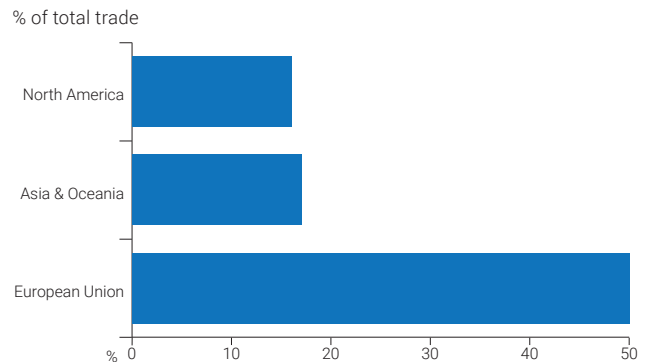


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for North West’s goods



Source: Uktradeinfo 2023



## MANUFACTURING PERFORMANCE IN THE NORTH WEST

Overall, the North West's performance this year has fallen behind that of other regions and nations in the UK. All metrics exhibit balance figures that are below that of the average, with the exception of employment which is just above. However, despite this, the only negative metric is that of investment, which is the lowest in the UK and the most worsened compared to last year's publication.

**OUTPUT BALANCE FOR THE YEAR 2ND LOWEST**

**ORDERS IN LINE WITH THE UK AVERAGE**

**INVESTMENT INTENTIONS LOWEST IN THE UK, AND ALSO THE MOST WORSENERD**

**EMPLOYMENT GROWTH THE MOST IMPROVED, BUT ONLY SLIGHTLY ABOVE AVERAGE**

**3RD HIGHEST BUSINESS CONFIDENCE**

In this edition of *Regional Outlook*, the North West has posted some of the lower average balance figures across the UK, albeit, none are particularly negative save for the investment metric. Output balances over the past year have near-enough followed the UK average with a negative divergence only emerging in the final quarter of this research, Q2 2023.

The region's employment performance has also closely mirrored that of the wider UK manufacturing sector, which in itself isn't particularly noteworthy, but set against the context of the previous year it's assuring news. The North West saw extreme variability in its employment performance in 2021-2022, with a large COVID-19-related boom in the recovery period, followed by a commensurate bust. This variability was tied to the fortunes of the Chemicals subsector, which is the largest subsector in the North West accounting for 16% of all manufacturing value in the region.

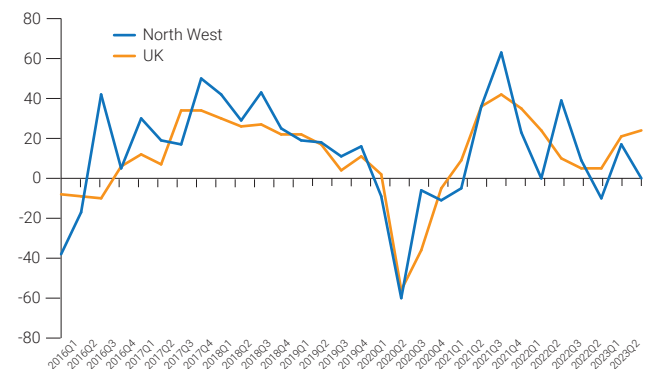
This list of the three biggest subsectors in the region is completed by Transport Equipment and Pharmaceuticals, also two industries that have seen abnormal performance patterns over the past two years. In the case of Pharmaceuticals, the subsector is cooling down from a COVID-19-related boom, and in the case of the Transport Equipment subsector, a slower than average recovery following the pandemic.

Perhaps the most concerning aspect of the region's outlook lies within its investment prospects, being one of only three regions or nations to have a negative average balance for investment intentions over the year. It's possible that the relative negativity in these intentions is also associated with the winding down of expansionary activity seen in both the Pharmaceuticals and Chemicals subsectors over the past two years.

Average business confidence in the North West is the 3rd highest, reporting a figure of 6.5. Despite the underwhelming year averages for the core metrics, business confidence remains relatively high compared to other regions and is above the UK average of 6.2.

### North West output balance ended the period on flat growth

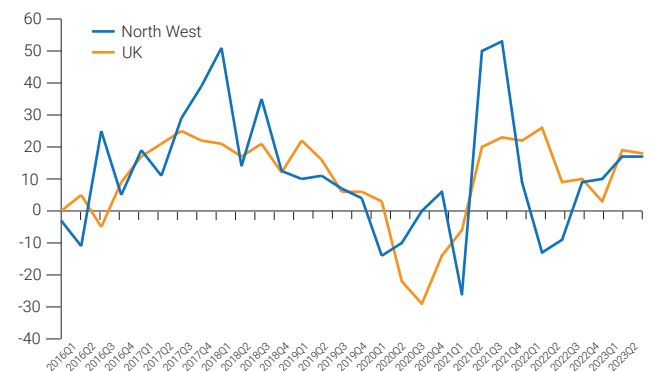
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### North West employment activity closely tracked the UK average from Q3 2022

% balance of change in employment (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# SOUTH EAST AND LONDON

The South East and London is the UK's largest region in terms of gross value add (GVA). The region makes up a significant share of the UK economy, accounting for 38.7% of the nation's output. As the region also plays host to the largest share of the service industry too, the manufacturing sector here accounts for only 4.3% of the region's total output, well below the UK average of 9.8%. The top three manufacturing subsectors here include Food & Drink (13%), Electronics (11.3%) and Pharmaceuticals (10.4%). The remaining 65.3% of the manufacturing sector here accounts for all other subsectors.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	38.7%	—
Manufacturing	1.7%	4.3%
Construction	2.0%	5.2%
Services	34.1%	88.2%
Other production	2.6%	6.6%

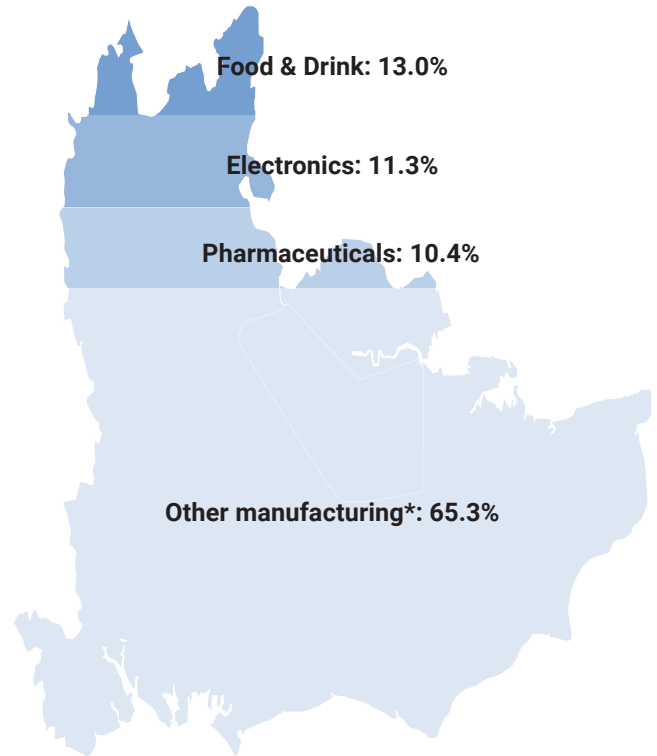
Source: ONS 2023

## EMPLOYMENT

- There were 430,000 manufacturing jobs in the South East and London in 2022, accounting for 4% of the region's total workforce and 1.2% of the UK's total workforce.
- This is an increase of approximately 3000 following our previous *Regional Outlook*.

## EXPORTS

- In 2022, the South East and London accounted for 24% of the UK's total goods exports.
- The region maintains below average dependence on the EU for exports amongst other regions and nations, with 50% of exported goods journeying to the EU, two percentage points below the average.
- The next largest destination for South East and London's goods is Asia & Oceania, accounting for 18% of goods exports. Followed by North America which accounts for 16% of goods exports.

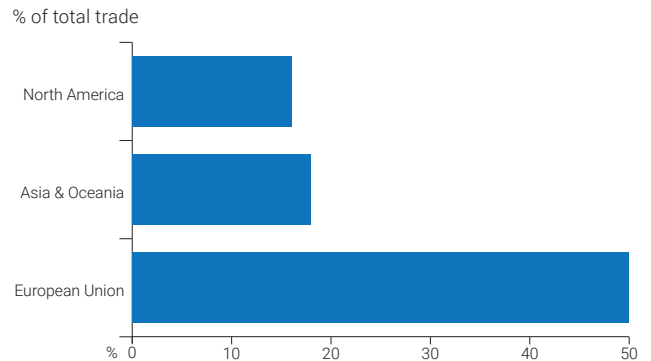


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

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



Source: Uktradeinfo 2023

## MANUFACTURING PERFORMANCE IN THE SOUTH EAST AND LONDON

Although the region has a very large service sector by comparison, the manufacturing sector remains a major employer and value generator in absolute terms. The region's two largest divergences from the UK manufacturing average over the past year are seen in its orders and employment performance. Orders balance figures, on the one hand, have exceeded the average, while employment growth has underperformed the average. The South East & London's balance figure for employment over the past year is both the lowest figure out of all UK nations and regions, and also the most worsened.

**OUTPUT BALANCE COMFORTABLY POSITIVE AND IN LINE WITH UK TREND**

**ORDERS OUTPACING OUTPUT, AND OUTPACING THE AVERAGE**

**INVESTMENT BALANCES ONLY SINGLE DIGIT POSITIVE, BUT IN LINE WITH UK AVERAGE**

**EMPLOYMENT GROWTH BALANCE THE LOWEST IN THE UK**

**AVERAGE BUSINESS CONFIDENCE POSITIVE AND HIGHEST IN THE UK**

Unlike what has been seen in many other regions and nations across the UK, the South East & London region has seen a COVID-19 era style output gap persist. That is when orders consistently outpace output, indicating that demand is higher for the region's manufactured goods than the pace at which the sector can deliver them. This seems especially true when we consider that the region's output balance figure average over the year is close to the UK aggregate, implying that the limitations on output capacity are consistent across the country, but demand for companies both residing and headquartered in this region are experiencing higher levels of demand than other parts of the country. Output balance figures for the year were reported at +14% (UK average +13%) and orders balances were reported at +24% (UK average +15%).

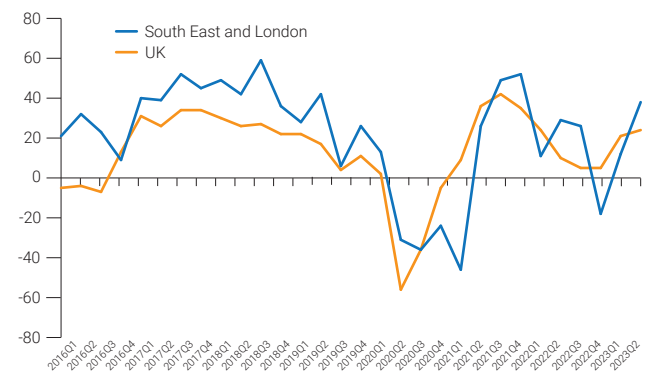
Employment growth over the year has remained extremely flat, as revealed by the +1% balance figure average across the year for the metric in the region. Given that the data suggests that demand for labour has been very strong both within the region and across the UK for manufacturing labour, the lack of growth observed is a testament to the tightness of the labour market in the region, particularly relevant when we consider that London serves as a large services sector labour hub, and coemption for appropriate manufacturing labour will likely be tougher than in other regions in the UK.

The employment metric for the region is both the joint-worse performer and the most worsened compared to the previous year, further highlighting the challenges manufacturers are facing in this region to acquire, and subsequently retain, labour.

Average business confidence in the South East and London came in at 6.6, which is a little above the UK's average confidence for the year at 6.2 and the highest recorded business confidence in the UK over the year. Nevertheless, this is a decrease in the average business confidence across last year for the region, which stood at 7.7.

### South East and London output balance contracted only once in the last four quarters

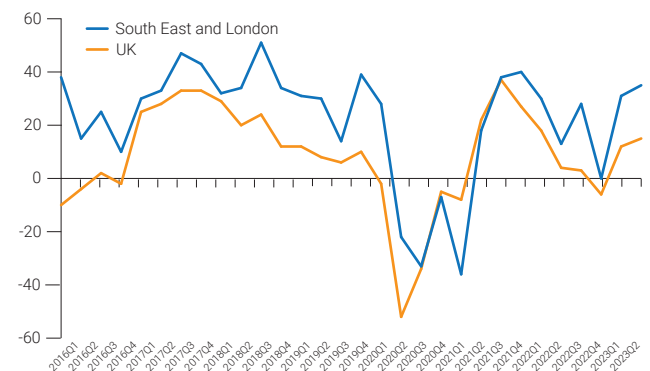
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### South East & London export order activity continues to outpace the UK average

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



Source: Make UK Manufacturing Outlook Survey

# SOUTH WEST

The South West is the UK's fifth-largest region in terms of gross value add (GVA). The region accounts for 7.3% of the UK's total output, with the manufacturing industry contributing 0.8% of the UK's total output. The South West generates 10.5% of its regional output from manufacturing, which is similar to the UK average of 9.8%. Three major subsectors account for just under half of the South West's manufacturing output. The largest is the Transport Equipment subsector, with 21% of all manufacturing output. This is followed by Food & Drink at 12.7%, and then the Machinery Equipment subsector at 9.6%. This is a slight change from 2022 when Electronics was previously the 3rd biggest subsector in the South West.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.3%	—
Manufacturing	0.8%	10.5%
Construction	0.5%	6.6%
Services	5.7%	77.7%
Other production	1.2%	15.7%

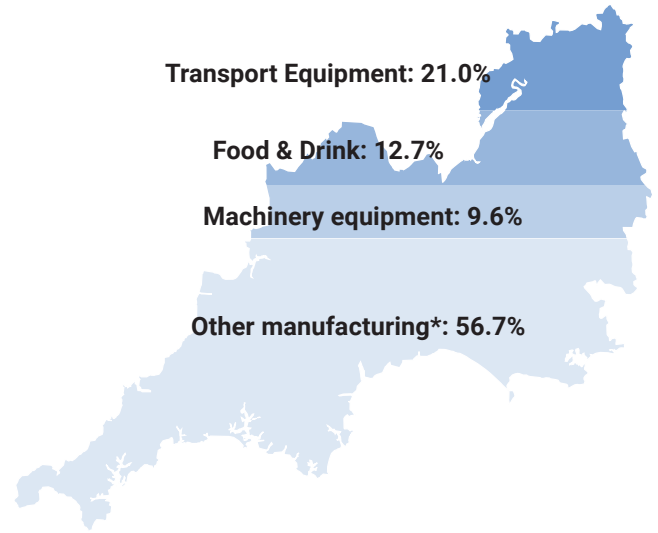
Source: ONS 2023

## EMPLOYMENT

- There were 249,000 manufacturing jobs in the South West in 2020, accounting for 8% of the region's total workforce and 0.7% of the UK's total workforce.
- This is an increase of 28,000 following Regional Outlook 2022. The latest data reflects the high level of demand for labour which has persisted for the last 12 months.

## EXPORTS

- In 2022, the South West accounted for 6% of the UK's total goods exports.
- The region sees 42% of its exports go to the EU, which is less than the national average of 52%. As a result, the South West remains the least dependent on exports to the EU.
- The next largest destination for South West's goods is North America, accounting for 20% of goods exports. Followed closely behind by Asia & Oceania which accounts for 19.7% of goods exports.

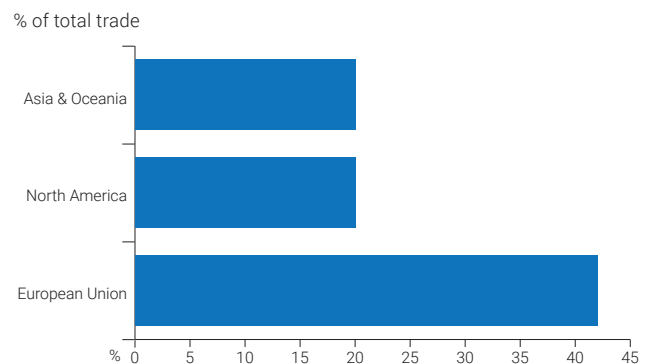


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for South West's goods



Source: Uktradeinfo 2023



## MANUFACTURING PERFORMANCE IN THE SOUTH WEST

The South West reported modest growth in its average output balance compared to the previous four quarters. However, unlike last year, two indicators averaged negative over the measured period. This includes both order books and investment reporting an average balance of -1% of manufacturers indicating contraction for these metrics. The South West also reported the worst overall average performance for order books growth amongst all other regions and nations.

**OUTPUT BALANCES SHOWED HIGH VOLATILITY, ENDING THE PERIOD ON A 0% BALANCE**

**TOTAL ORDERS PERFORMED WORSE THAN THE UK AVERAGE THROUGHOUT THE PAST 4 QUARTERS**

**INVESTMENT INTENTIONS NEGATIVE ON AVERAGE FOR THE YEAR**

**EMPLOYMENT LEVELS INCREASED ON BALANCE OVER THE PAST 4 QUARTERS**

**AVERAGE BUSINESS CONFIDENCE LOWEST IN THE UK**

Last year, the South West's annual average performance between Q3 2021 and Q2 2022 saw very positive balances across all measured indicators due to the rebound in activity following the pandemic. However, the latest average performance during the quarters Q3 2022 and Q2 2023 report more modest growth.

The output balance on average reported at +10%, though down from +24% last year, is a strong performance for the region. However, as order books and investment declined on an average balance indicates the region likely did not experience as much growth as its neighbours.

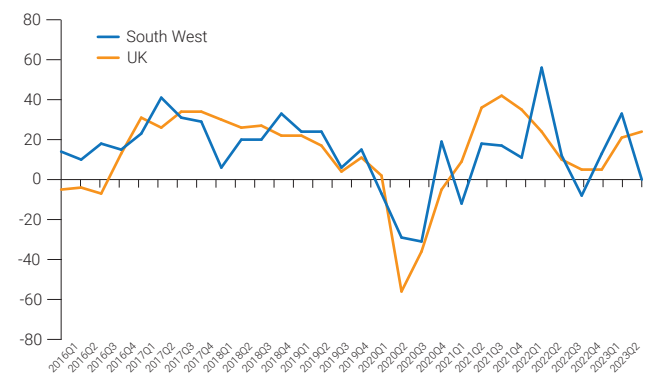
The relatively more negative performance may be down to the specific subsectors that dominate the South West, which include transport (mainly aerospace) and food & drink and machinery equipment. The aerospace subsector continues to recover from the pandemic but high levels of inflation and rising fuel costs have made accessing travel an expensive endeavour for consumers. Additionally, survey data over the last four quarters also indicates that export performance fell short of the UK average reporting negative balances for 3 of the last 4 quarters.

However, employment in the region increased by 28,000 between the end of 2021 and the end of 2022 as rising demand for goods resulted in rising demand for workers. This created its own challenges for South West manufacturers as many businesses faced challenges to fill roles, across both high and low-skill work. But as demand cools off the rate of growth for employment is likely to ease in the next 12 months.

The South West reported a decline in average business confidence this year, falling by 0.64 to 5.7. This is the 4th worst decline in the UK and represents the lowest confidence relative to all other regions and nations. However, an average confidence of 5.7 is still above the inflection point which determines at which point overall optimism is more positive than negative.

### Output performance finished the period on flat growth

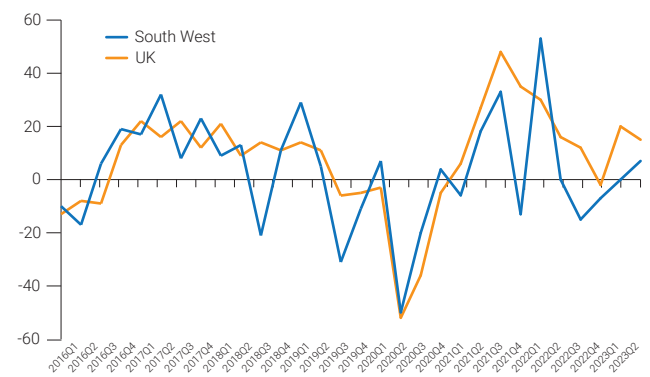
% balance of change in output (past three months)



Source: Make UK Manufacturing Outlook Survey

### UK Orders remains volatile as performance recovered in the latest quarter

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



Source: Make UK Manufacturing Outlook Survey

# WEST MIDLANDS

The West Midlands is the UK's sixth largest region in terms of gross value add (GVA), and the third largest manufacturing region. The region accounts for 7.2% of the UK's total output, with the manufacturing industry here contributing to 1% of the UK's total output. The West Midlands generates 14.4% of its regional output from manufacturing, well above the UK average of 9.8%. Three major subsectors account for just under 60% of the West Midlands' manufacturing economy. The largest is the Transport Equipment subsector, with 28.3% of all manufacturing output. This is followed by Metal Products at 16.1%, and then the Machinery Equipment subsector at 11.8%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.2%	–
Manufacturing	1.0%	14.4%
Construction	0.4%	6.2%
Services	5.3%	74.7%
Other production	1.4%	19.1%

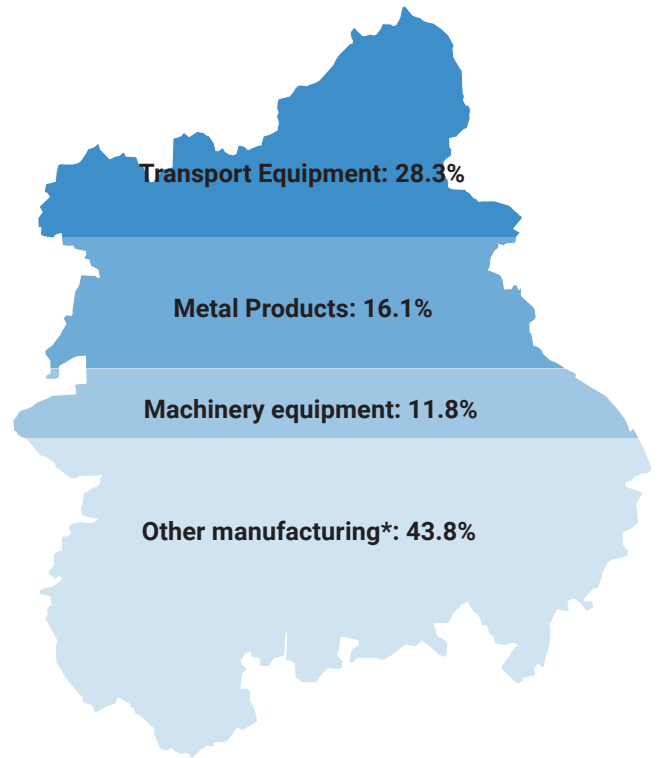
Source: ONS 2023

## EMPLOYMENT

- There were 310,000 manufacturing jobs in the West Midlands in 2021, accounting for 10% of the region's total workforce and 0.9% of the UK's total workforce.
- This is an increase of 18,000 from *Regional Outlook 2022*. The latest data reflects the high level of demand for labour which has persisted for the last 12 months.

## EXPORTS

- In 2022, the West Midlands accounted for 8% of the UK's total goods exports.
- The region's dependence on the EU for goods exports decreased from 46% to 45%. This is below the UK average of 52%.
- The next largest destination for West Midlands' goods is North America, accounting for 24% of goods exports. Followed by Asia & Oceania which accounts for 17% of goods exports.

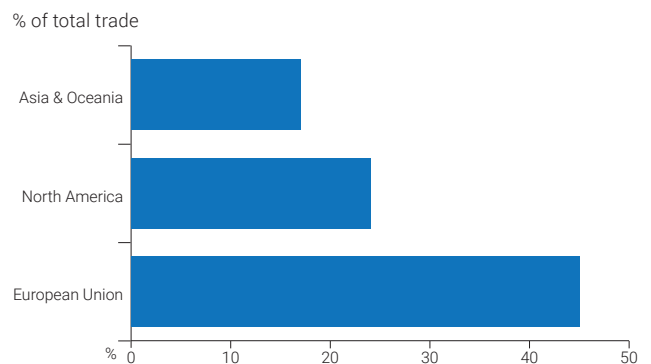


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for West Midlands' goods



Source: Uktradeinfo 2023

## MANUFACTURING PERFORMANCE IN THE WEST MIDLANDS

The West Midlands reported a strong year with positive balances across all major indicators. Similar to last year there were no stand-out performances with orders books producing their best balance figure of +23%. This shows the region continues to head in a positive direction for two years in a row now. However, the average balance for investment intentions was reported at +4% which is only marginally positive and indicates that whilst the regional industry grew there were not many manufacturers who had plans to increase investment.

**OUTPUT GROWTH PERFORMED WELL BUT FELL BELOW THE UK AVERAGE BY THE END**

**ORDERS BALANCE EXCEED THE UK AVERAGE IN THE FINAL TWO QUARTERS**

**FOLLOWING 3 QUARTERS OF DECLINE, INVESTMENTS INTENTIONS REBOUNDED IN Q2 2023**

**EMPLOYMENT GROWTH ACCELERATED TOWARD THE END OF THE PERIOD**

**AVERAGE BUSINESS CONFIDENCE 4TH HIGHEST IN THE UK**

The West Midlands reported strong performance across all measured metrics in both the previous and current *Regional Outlook* report. However, in comparison to last year, the average performance was markedly lower indicating the region experienced an overall slowdown in activity. Nevertheless, similar to last year whilst order books growth on balance remained strong it is clear the last 4 quarters were marred by supply-chain challenges as the average output balance was reported at +14% compared to the +23% for the orders balance.

However, the latest survey results for specifically Q2 2023 are beginning to indicate that supply-chain disruption may be easing for manufacturers. Although this does not yet seem evident in the West Midlands the improving situation for the average manufacturer should eventually benefit businesses in this region too.

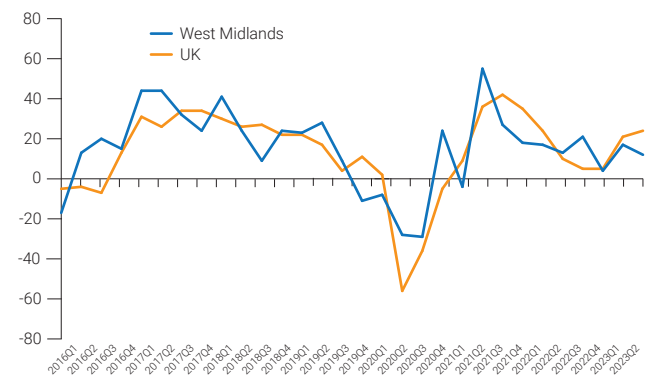
The generally positive performance reported in this region may be due to specific subsectors that are finally returning to growth following the pandemic. In particular, the Transport Equipment subsector, which is worth almost one-third of the West Midlands manufacturing sector, is dominated by automotive manufacturers and is worth nearly £5bn in value. A challenging environment for supply chains, namely in accessing critical inputs such as semi-conductors had delayed the subsector's recovery which is extremely important to the West Midlands. However, as the supply of semiconductors continues to improve it is benefitting those subsectors that faced the biggest challenge from the shortages of these inputs.

Additionally, the regional manufacturing workforce increased by 18,000 compared to this time last year indicating that demand for workers is high in the West Midlands. Shortages of skilled workers have held back many manufacturers from realising their growth ambitions and West Midlands manufacturers will likely be in the same boat.

Average business confidence worsened slightly in the West Midlands, falling by 0.48 to 6.4. Whilst this is consistent with the rest of the UK, confidence remains above 5 meaning more manufacturers are optimistic than those that are more pessimistic about the future.

### West Midlands output balances maintain consistent positive streak

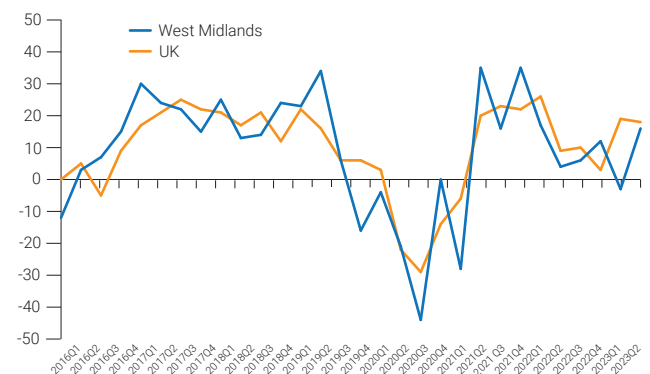
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Employment growth rebounded sharply following a poor start to the year

% balance of change in employment (past 3 months)



Source: Make UK Manufacturing Outlook Survey

# YORKSHIRE & THE HUMBER

Yorkshire & the Humber is the UK's seventh largest region in terms of gross value add (GVA), and the fourth largest manufacturing region. The region accounts for 6.5% of the UK's total output, with the manufacturing industry contributing 1% of the UK's total output. Yorkshire & the Humber generates 15.4% of its regional output from manufacturing, significantly above the UK average of 9.8%. Three major subsectors account for just under half of Yorkshire & the Humber's manufacturing output. The largest is the Food & Drink industry, with 16.2% of all manufacturing output. This is followed by Chemicals at 15.4%, and then the Metal Products subsector at 13.9%. This is a slight change from last year when Chemicals was third and Metal Products was second.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	6.5%	—
Manufacturing	1.0%	15.4%
Construction	0.4%	5.7%
Services	4.9%	74.6%
Other production	1.3%	19.7%

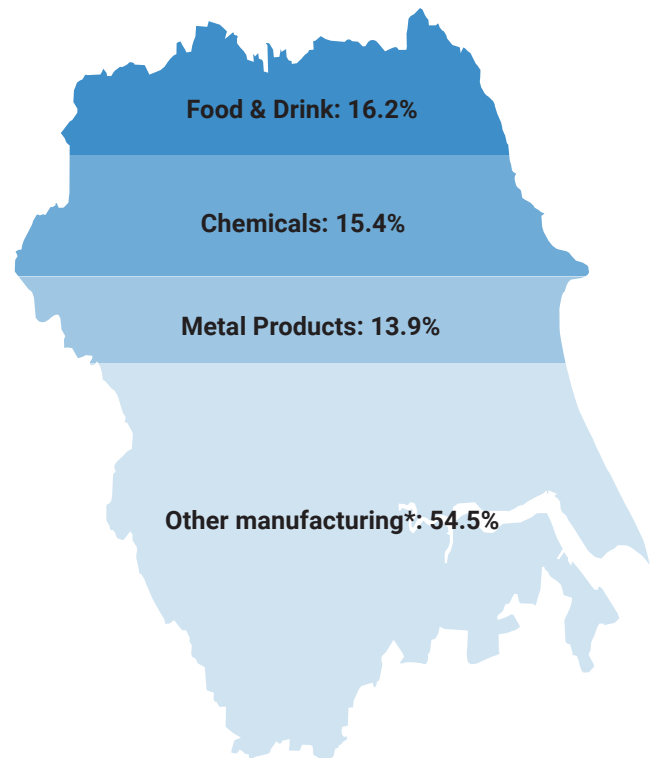
Source: ONS 2023

## EMPLOYMENT

- There were 316,000 manufacturing jobs in Yorkshire & the Humber in 2021, accounting for 11% of the region's total workforce and 0.9% of the UK's total workforce.
- This is an increase of 46,000 following our previous *Regional Outlook 2022*. The latest data reflects the high level of demand for labour which has persisted for the last 12 months.

## EXPORTS

- In 2022, Yorkshire & the Humber accounted for 5% of the UK's total goods exports.
- The region's dependence on the EU was reported at 56%, well above the UK average of 52%. This makes this region the 2nd most dependent region on exports to the EU.
- The next largest destination for Yorkshire & the Humber's goods is North America, accounting for 17% of goods exports. Followed by Asia & Oceania which accounts for 12% of goods exports.

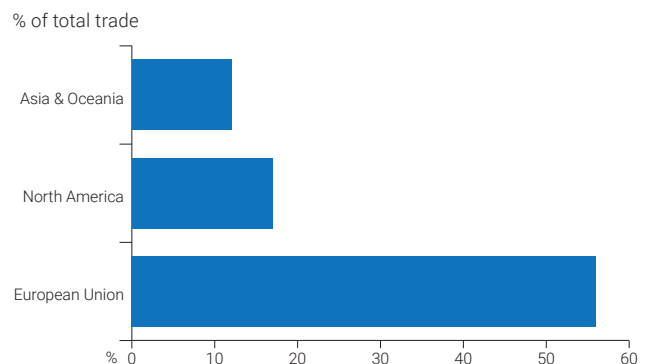


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

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



Source: Uktradeinfo 2023



## MANUFACTURING PERFORMANCE IN YORKSHIRE & THE HUMBER

This year the Yorkshire & the Humber region reported the joint best result out of all UK regions and nations for investment intentions between Q3 2022 and Q2 2023. An average balance of +14%, matched only by Scotland, is a small decline from last year's +19% average balance for investment intentions. However, given this is one of the best results in the UK highlights that the economic environment has been challenging for investment confidence.

**OUTPUT BALANCES BOUNCED BACK FOLLOWING A CHALLENGING 2022**

**AVERAGE ORDERS TRENDED CLOSE TO THE UK AVERAGE**

**INVESTMENT INTENTIONS OUTPERFORMING THE UK AVERAGE BY FINAL QUARTER**

**EMPLOYMENT BALANCES WERE MORE VOLATILE DURING THE PERIOD, BUT FINISHED STRONG**

**AVERAGE BUSINESS CONFIDENCE 2ND BEST IN THE UK**

Though the Yorkshire & the Humber region reported the joint best performance for investment intentions on average, the region also reported the biggest fall in average output balance compared to the previous report. The average output balance declined from +33% to +5% which indicates on average the industry still grew but for a significantly lower share of manufacturers. Similarly, the average balance for orders also fell sharply from +51% to +19% indicating that activity in the region slowed down sharply in the last four quarters.

However, the majority of this slowdown took place in 2022 when the UK was afflicted by high energy prices and supply-chain disruption. Fortunately, the outlook looks more positive today as recent balances have been more positive for the region. It is not clear whether this period of modest growth will continue going forward.

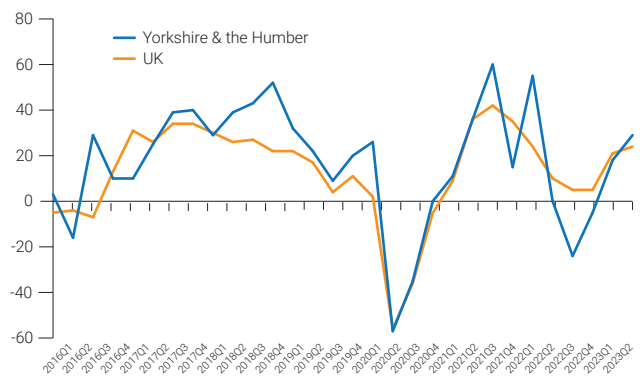
The slowing performance in this region may be related to the subsectors that dominate here, namely food & drink which accounts for 16.2% of the region's manufacturing sector. Food and drink manufacturers have faced significant inflationary challenges which have resulted in high prices being passed on with many consumers having to cut back to save their own pockets. In addition, the second and third largest subsectors here (chemicals and metal products) are both highly energy intensive and were likely more severely impacted by high gas prices than other subsectors were.

As before, Yorkshire & the Humber remains one of the regions most reliant on exports to the EU accounting for 56% of goods going there, worth more than £11bn to the region. In comparison, the next two largest destinations (North America and Asia) for exports combined are only worth £5.8bn to the region. Around half the value of the EU. This overreliance on the EU does mean that manufacturers here remain relatively more exposed to new trading arrangements than manufacturers in other parts of the UK.

Yorkshire & the Humber reported a 0.58 decline in average business confidence, falling to 6.6. Despite falling the region reported the 2nd best average confidence in the UK indicating that manufacturers here are quite optimistic about the future. The majority of this confidence boost is down to positive performances reported by the region for 2023 rather than for its performance in 2022.

### Y&H output performance exceeded the UK average by Q2 2023

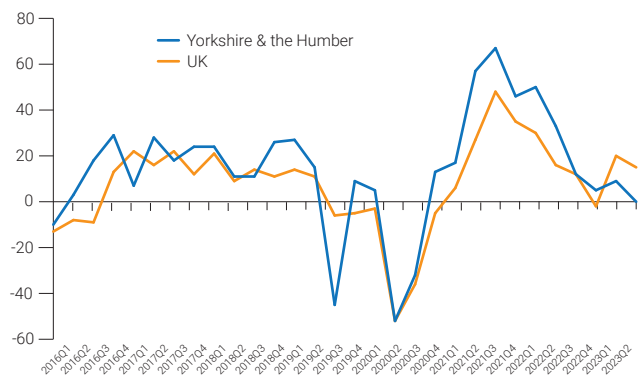
% balance of change in output balance (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Y&H domestic market performance showing signs of slowing down

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



Source: Make UK Manufacturing Outlook Survey

# SCOTLAND

Scotland is the UK's fourth largest nation/region in terms of gross value add (GVA) and the eighth largest manufacturing economy. The nation accounts for 7.3% of the UK's total output, with the manufacturing industry here contributing to 0.8% of the UK's total output. Scotland generates 10.5% of its regional output from manufacturing, slightly above the UK average of 9.8%. Three major subsectors account for just under half of Scotland's manufacturing output. The largest is the Food & Drink industry, with 26.6% of all manufacturing output. This is followed by Chemical at 10.6%, and then the Pharmaceuticals subsector at 8.4%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	7.3%	–
Manufacturing	0.8%	10.5%
Construction	0.4%	5.5%
Services	5.6%	76.3%
Other production	1.3%	18.2%

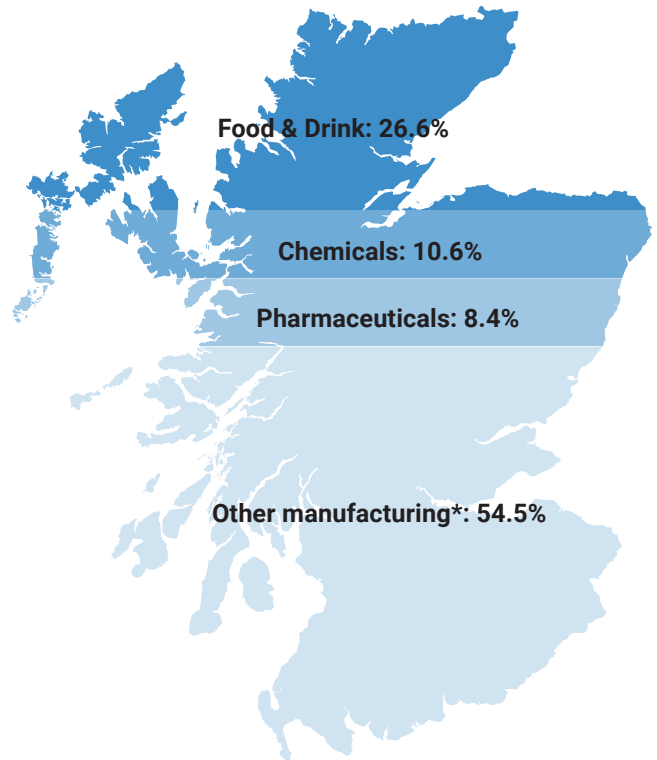
Source: ONS 2023

## EMPLOYMENT

- There were 183,000 manufacturing jobs in Scotland in 2022, accounting for 7% of the region's total workforce and 0.5% of the UK's total workforce.
- This is a decrease of 10,000 compared to the previous edition of *Regional Outlook*.

## EXPORTS

- In 2022, Scotland accounted for 10% of the UK's total goods exports.
- The region's dependence on the EU for exports increased to 59% (from 54%) of the nation's exported goods journeying to the EU annually. This makes Scotland the most dependent on the EU for exports (excluding Northern Ireland).
- The next largest destination for Scotland's goods is Asia & Oceania, accounting for 14% of goods exports. Followed by North America which accounts for 13% of goods exports.

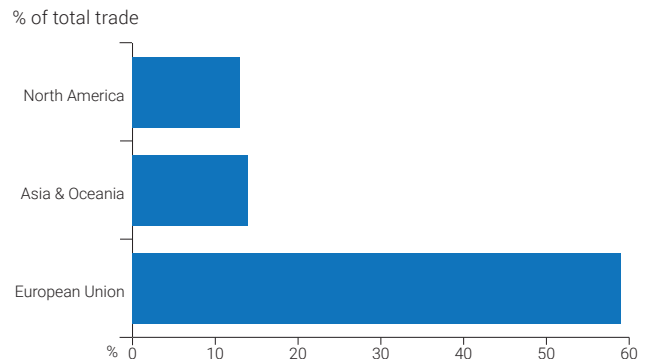


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for Scotland's goods



Source: Uktradeinfo 2023

## MANUFACTURING PERFORMANCE IN SCOTLAND

Scotland posted a very strong performance, with average balances positive across the board. In particular, the nation reported the joint best average balance for investment intentions at +14%, only managed by manufacturers in the Yorkshire & the Humber region. Additionally, the nation posted the best figure for average employment balance at +19%. Though the official statistics indicate a decline in jobs, the survey data which accounts for more recent months of activity may suggest that the majority of this employment growth took place in 2023.

**SCOTLAND ENDS THE PERIOD WITH AN OUTPUT BALANCE HIGHER THAN THE UK AVERAGE**

**ORDERS PERFORMED BETTER THAN THE UK AVERAGE FOR MOST OF THE PERIOD**

**INVESTMENT INTENTIONS MAINTAINS POSITIVITY THROUGHOUT THE PERIOD**

**EMPLOYMENT GROWTH ACCELERATED SHARPLY BY Q2 2023**

**AVERAGE BUSINESS CONFIDENCE RANKS 8TH IN THE UK\***

\* It should be noted confidence in Scotland follows a different survey collection method so should not be compared to the rest of the UK like for like.

The output balance largely performed well reporting at +18% between Q3 2022 and Q2 2023. In comparison to the rest of the UK, this is one of the stronger performances for production. Only the East Midlands, Eastern and North East posted better balances in this regard. Similarly, the balance for orders has on average exceeded the average balance for output indicating that supply-chain disruption may have eased in the last 12 months.

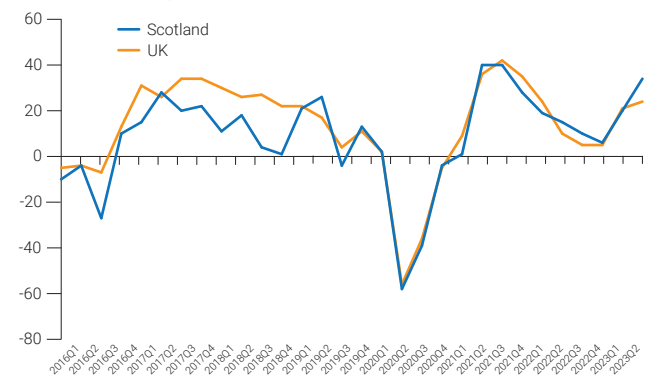
The composition of industries in Scotland is somewhat similar to the UK with manufacturing accounting for around a tenth of the nation's total output. However, Scotland is significantly more dependent on its food & drink base accounting for more than a quarter of the nation's manufacturing output. In comparison, the UK's food & drink subsector accounts for approximately 18% of the UK's manufacturing output value. Nevertheless, the nation also boasts a strong chemicals and pharmaceuticals base worth nearly £3bn to Scotland's economy.

An interesting change in national trade statistics shows that Scotland has increased its dependence on exports to the EU, jumping from 54% of total exports to 59% making Scottish manufacturers the most reliant on the EU for sales when excluding Northern Ireland. Although the EU is critical to Scottish manufacturers, many businesses also trade extensively with Asia which is tricky under the current geopolitical climate with countries such as the US aggressively developing policies to reduce reliance on inputs from countries like China.

Although the average business confidence in Scotland is the 8th lowest when compared to the rest of the UK, beaten only by the East Midlands and South West in a race to the bottom, in comparison to the previous year's report Scottish manufacturers also reported the smallest negative change in confidence falling by 0.1. This indicates that confidence in this nation may have been more stable over the last two years.

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

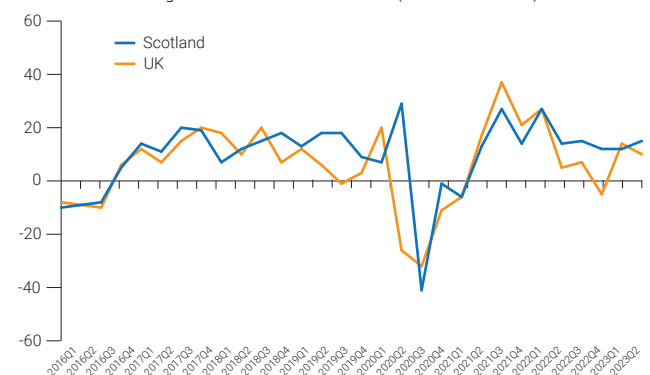
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Investment intentions consistently maintained a positive balance since Q2 2021

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



Source: Make UK Manufacturing Outlook Survey

# WALES

Wales is the UK's ninth largest in terms of gross value add (GVA) across UK regions and nations and also the ninth largest for manufacturing too. The nation accounts for 3.4% of the UK's total output, with the manufacturing industry here contributing to 0.6% of the UK's total output. Wales generates 17.3% of its national output from manufacturing, which is well above the UK average of 9.8%. Three major subsectors account for just under half of Wales' manufacturing output. The largest is the Transport Equipment industry, with 16% of all manufacturing output. This is followed by Chemicals at 13.7%, and then the Food & Drink subsector at 13.4%.

## REGIONAL SUMMARY

	% UK OUTPUT	% REGIONAL OUTPUT
Total GVA	3.4%	–
Manufacturing	0.6%	17.3%
Construction	0.2%	5.9%
Services	2.4%	70.9%
Other production	0.8%	23.1%

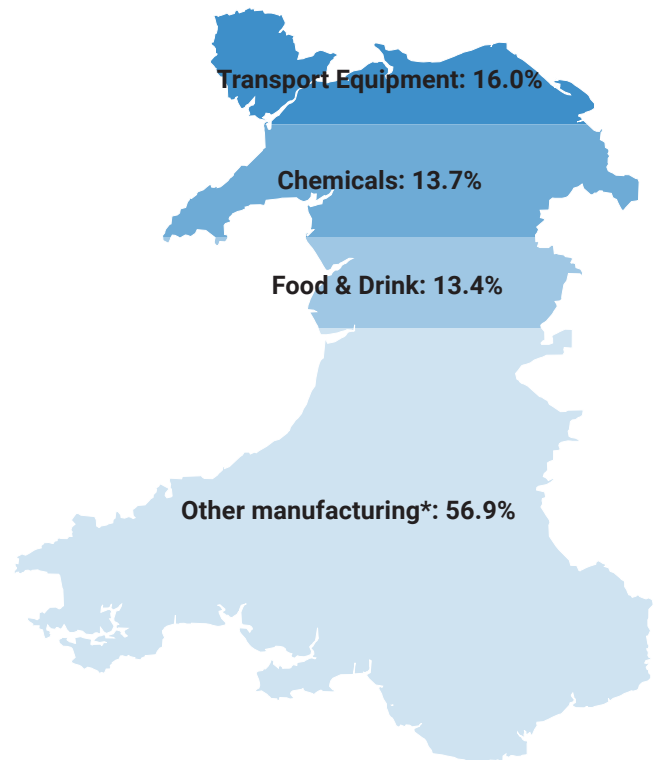
Source: ONS 2023

## EMPLOYMENT

- There were 147,000 manufacturing jobs in Wales in 2022, accounting for 10% of the region's total workforce and 0.4% of the UK's total workforce.
- This latest figure is an increase of 1,000 jobs from the previous edition of *Regional Outlook*. The change reflects a stable labour market which previously only declined by 1000 workers across manufacturing.

## EXPORTS

- In 2022, Wales accounted for 6% of the UK's total goods exports.
- The regions depend on the EU for 56% of its goods exports, well above the UK average of 52%. However, this is a drop from 59% last year meaning that Wales is no longer the most dependent nation or region on the EU.
- The next largest destination for Wales' goods is North America, accounting for 17% of goods exports. Followed by Asia & Oceania which accounts for 12% of goods exports.

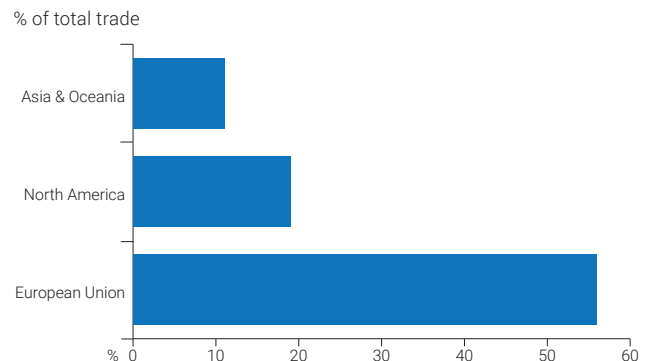


\* The sum of subsectors not included in the top 3

## PRODUCTIVITY

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

## Top three export markets for Wales' goods



Source: Uktradeinfo 2023

## MANUFACTURING PERFORMANCE IN WALES

Wales' performance in the last four quarters was a lot weaker in comparison to the previous average results reported in our last *Regional Outlook*. The most notable difference between Wales and other parts of the UK this time is that the average output balance is at -2%. Though it is only just marginally negative, it is the weakest result for output balance in the UK. However, it should be noted that the majority of the negative performance is a result of an output balance in Q4 2022 which was reported at -25%. Excluding this the start of 2023 has been positive for the nation.

**OUTPUT BALANCES TRENDED BELOW THE UK AVERAGE**

**ORDERS GREW SLOWER THAN THE UK AVERAGE**

**INVESTMENT INTENTIONS WEAK ON AVERAGE BUT PERFORMED STRONGLY IN Q1 2023**

**EMPLOYMENT GREW SLOWER THAN THE UK AVERAGE**

**AVERAGE BUSINESS CONFIDENCE RANKS 7TH IN THE UK**

The average balances reported in Wales for key metrics for the period between Q3 2022 and Q2 2023 are sharply lower in comparison to the previous period. As a result, the average performance of Wales for the period is somewhat weaker than the rest of the UK, particularly for the balances of output and employment. Whilst the former is negative on average the latter, the indicator for jobs growth, averaged at +1% on balance. Albeit, still marginally positive this figure represents the lowest average balance for employment in the UK indicating that manufacturers in this nation have been more cautious about hiring than their peers elsewhere.

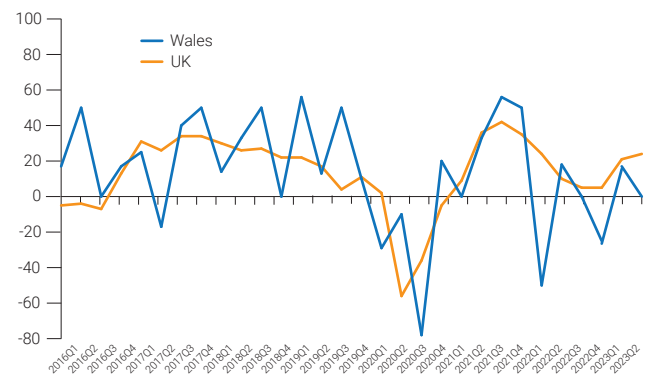
However, there is a lot to look forward to in Wales, particularly on net zero technology investment. The government recently announced £20bn of investment in CCUS which will mainly take place in Northern Wales and bring jobs there. In addition, the transport equipment (namely aerospace) subsector remains a huge contributor of value to Wales, contributing £1.3bn in 2021 to the nation. The nation also boasts a strong chemicals base worth over £1.6bn.

Previously, Wales was the most dependent on exports to the EU, accounting for 60% of all exports going there. However, in the latest review that share has dropped to 56%. Whilst this remains above the UK average of 52% it indicates reliance on the EU for exports may be falling in Wales.

Like the rest of the economy, business confidence on average declined slightly from 6.5 to 6.1 making Wales the 7th most confident in the UK. Despite the decline the metric for confidence remains above 5 indicating that Welsh manufacturers are largely more optimistic about the future than they are pessimistic.

### Output performance remains highly volatile in Wales

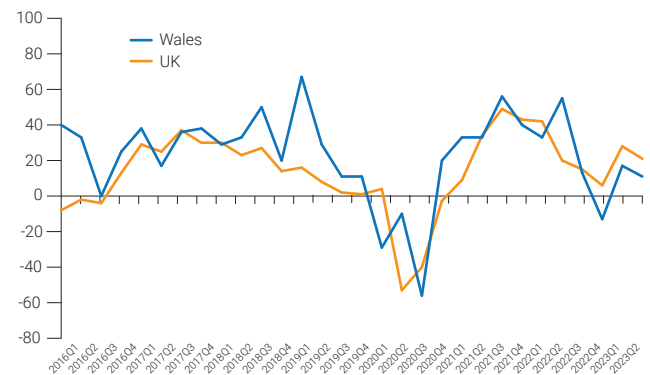
% balance of change in output (past 3 months)



Source: Make UK Manufacturing Outlook Survey

### Wales manufacturing orders consistently performed worse the UK average

% balance of change in orders (past 3 months)



Source: Make UK Manufacturing Outlook Survey









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

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

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

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

#### **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](mailto:research@Makeuk.org)

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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 accountancy, tax and business advice to patent box and research and development claims and M&A opportunities to help our clients grow in the UK and overseas. We also provide manufacturing businesses and organisations with robust, independent audits.

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: advanced manufacturing, aerospace, automotive, building products, chemicals and pharmaceuticals, food and drink, electronics, industrials, test and measurement and technology. 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](http://www.bdo.co.uk)

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