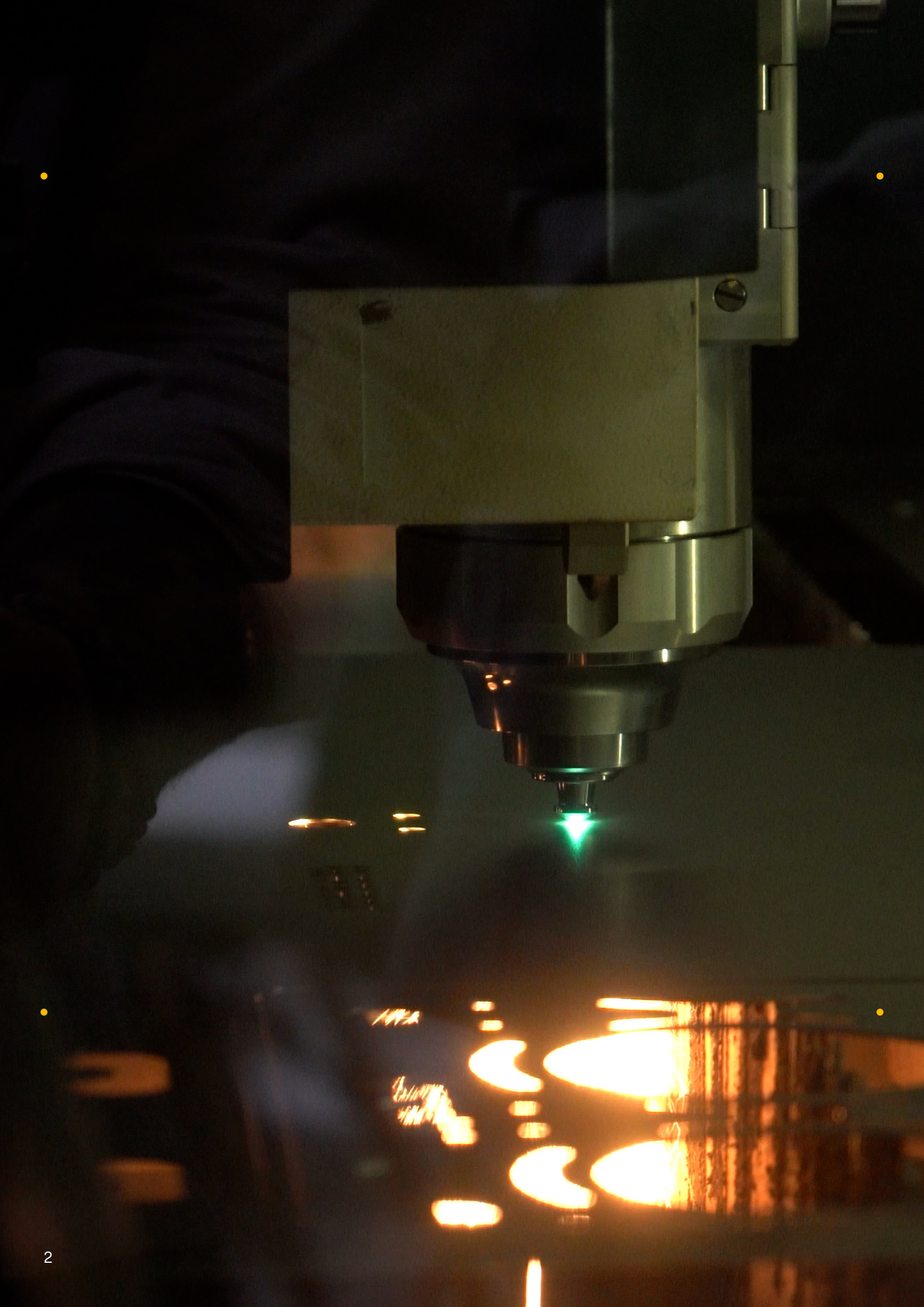


Manufacturing Outlook Report

2025

In Association with CBM





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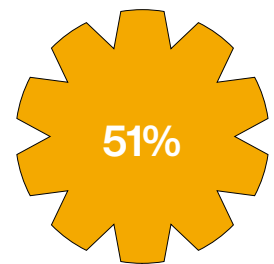
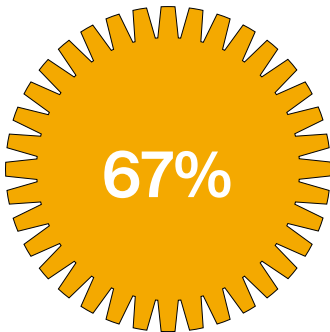
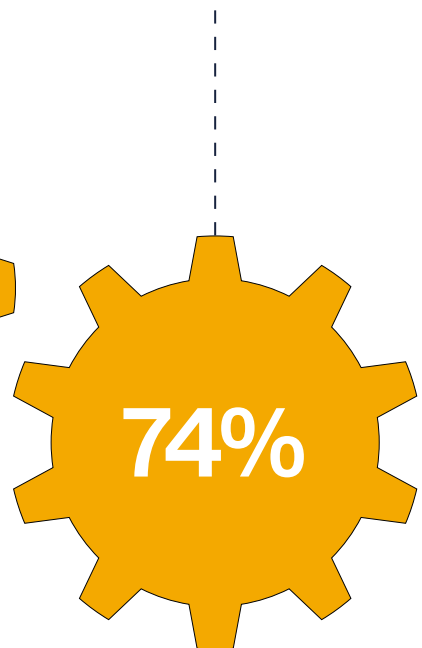
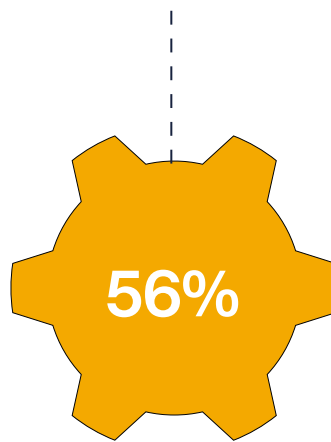
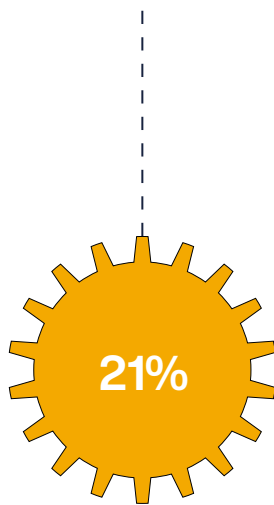
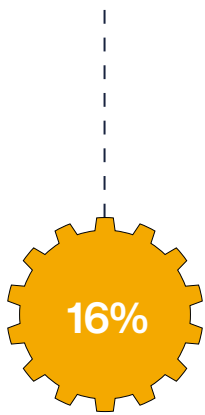
Key findings

16% expect turnover to reduce in the next 12 months (up 11%)

21% discouraged from innovating due to R&D claim changes

56% relying on own cash resources to fund their business (up 4%)

74% have taken steps to address rise in National Insurance (NI)



67% now believe that IS processes will replace traditional manufacturing

66% invested in Net Zero (down 4% on last year)

52% have adopted AI

51% would consider re-shoring (up 20%)

Foreword



Welcome to the Spring 2025 edition of our Manufacturing Outlook Report, compiled in conjunction with The Confederation of British Metalforming.

Since starting this initiative in 1999, we have seen the sector endure a lack of funding following the global economic crisis, the global pandemic, the effects of the war in Ukraine and the Middle East, the commodity and energy crises and automotive transition. In addition to those challenges the sector now faces the ongoing 'trade war' over global tariffs and yet another, raw material supply crisis.

Despite this 'backscene' the UK manufacturing sector continues to demonstrate foresight, innovation and resilience, despite all that has been, and continues to be thrown at it.

UK manufacturing businesses are currently grappling with significant challenges:

- 1. Supply Chain Disruptions:** Ongoing global supply chain issues continue to affect the availability and cost of raw materials and components. This has been exacerbated by geopolitical tensions and trade policy changes.
- 2. Skills Shortage:** There is a persistent shortage of skilled labour in the manufacturing sector. This is due to an aging workforce, insufficient training programmes, and competition for talent from other industries.
- 3. High Operational Costs:** Rising costs, including energy prices, labour costs, and regulatory compliance, are putting pressure on manufacturers. These increased costs are challenging profitability and competitiveness.

The results of our survey highlight this.

We opened this survey just as businesses were starting to evaluate and plan for the effects of the 2024 Autumn Budget and whilst the vast majority of replies will have been received before 'Liberation Day' as Mr Trump called it, the effects of a more robust global trading environment were generally expected and planned for.

It's no surprise therefore that the results we see here, in keeping with other recent surveys both in the sector and within the wider economy, are the most pessimistic that we have seen since the pandemic.

We have for some time been promoting our 'Art of Thrival' process that helps businesses focus on what you can influence and change, rather than just hunkering down and hoping for the best. The very best of businesses have been doing this throughout the trials outlined above and will continue to build on their **Resilience's**, identify and exploit the **Opportunities**, limit their **Exposures** and minimise the effects of their **Risks (ROER)**.

There's a growing school of thought that, in the face of so much global turmoil, this could really be the time for the UK manufacturing sector to act like the proverbial cornered Lion; and **ROER**.

For the first time in a generation, there is a clear need for the UK to seek greater protection by relying more on domestic sources and supply chains; not just in terms of military equipment, but also in terms of domestic raw material, energy, technology, medical, food production and much more.

The Industrial Strategy "white paper" is due to be released by the summer and manufacturing plays a key role in most of the eight key growth areas identified in the green paper issued back in the autumn.

Crowe UK LLP and the CBM will continue to support British manufacturing in playing a key role in securing a more robust future, which is why we are part of the campaign of a dedicated Minister for manufacturing to facilitate that success.

Please make use of our findings and this outlook report to plan your Thrival plan for the future; have a go at our free diagnostic and most importantly, start the conversation.



Scan the QR code or click [here](#) to begin our diagnostic.



Jonathan Dudley >

Partner, Head of Manufacturing
Crowe



Views from The CBM



It's clear that our CBM members and UK manufacturing as a whole is facing a convergence of challenges that are significantly impacting the sector. This is being compounded by escalating operational costs across energy, labour, and compliance; many of which have been influenced by successive government policies but none more so than the recent budget impacting on minimum wage, NI contributions and business rates.

Added to this we have a chronic skills shortage, linked to an ageing workforce and a lack of effective training pipelines, hindered by the apprenticeship levy; which has seen a systematic reduction in apprentices coming through the system.

Supply chain disruptions driven by global instability and shifting trade policies continue to affect business planning and stability.

These pressures are forcing manufacturers to become more self-reliant, with a growing consensus that the UK must strengthen domestic supply chains not only in defence, but across critical areas like raw materials and energy. The upcoming Industrial Strategy white paper is critical, if manufacturing is expected to play a central role in most of the eight identified growth sectors.

It's no surprise in the survey results that companies are not optimistic about the future and it's very concerning that over half are relying on internal cash reserves for investment, indicating limited access to external finance.

It is however encouraging to see those surveyed are moving toward technological adoption, resilience-building, and strategic reshoring but support from government policy, particularly through the aforementioned Industrial Strategy, will be critical in translating this momentum into long-term competitiveness and growth.

As ever the reliance of our sector is shining through but without constructive support that can only last for so long!

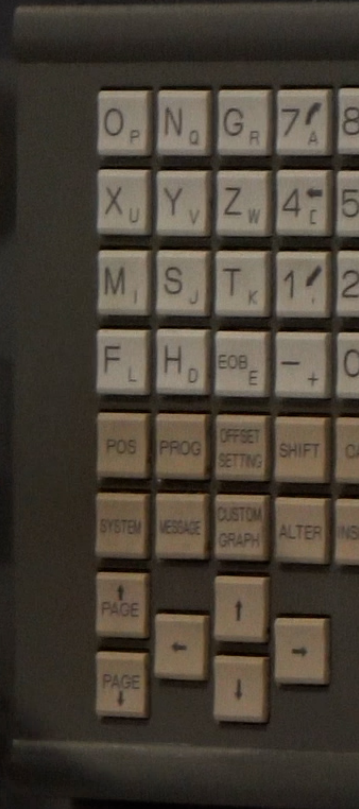


Stephen Morely >

President, The CBM



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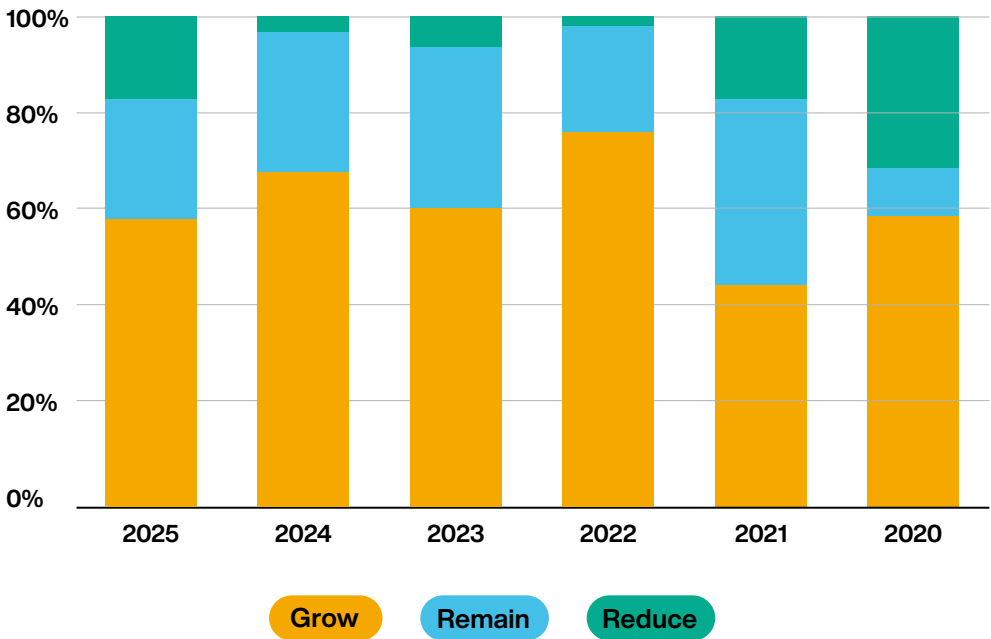
Commercial outlook

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While most respondents still expect turnover growth, the percentage has slightly decreased from 2024 and the number of respondents expecting a shrinkage has taken a significant ‘uptick’.

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Over the next 12 months, what are your turnover expectations?



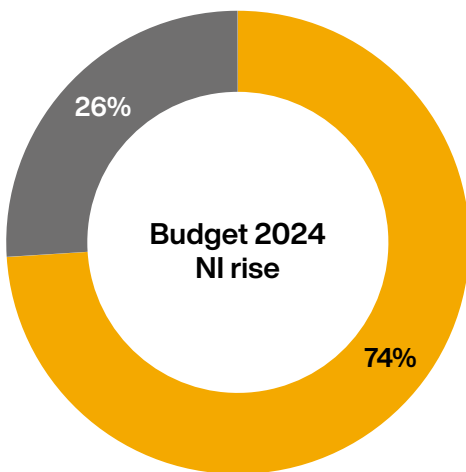
In the face of continuing, relatively high inflationary pressures, the underlying trend is one of stagnation, contrary to the government’s stated desire, to drive economic growth and prosperity to drive tax revenues to fund its plans.

As we shall detail later, the indicators continue to imply that investment is being held back, in the air of economic and geopolitical uncertainty and real growth is still not being effectively stimulated by tax breaks for capital investment, alone.

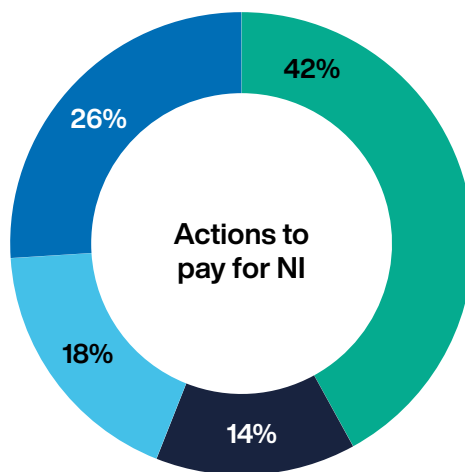
Our survey, this time, focussed on some specific questions concerning the effects of specific supply chain and economic challenges.

Firstly, the effects on day-to-day costs of the 2024 Autumn Budget:

Have you taken steps to calculate the effects of the budget on your people costs?



Yes No



Increase prices Reduce headcount
Reduce recruitment plans Other

The NI increase announced took effect from April 2025, and has already generated action by 74% of respondents. While this number is high, this still implies that a significant minority remains, for which we will see the effects in the future. Analysis of the steps taken by that 74% is even more significant, in that just 42% (less than a 1/3rd of the total respondents) felt that they could plan to increase prices, while

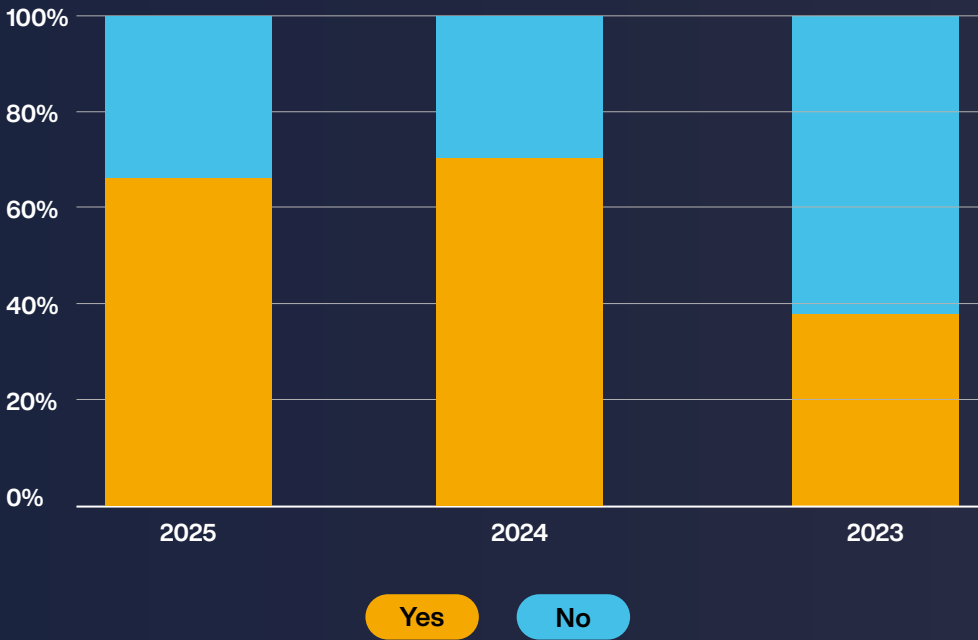
32% of the 74%, (43% of the whole, i.e. more than those looking to raise prices) are either cutting headcount and or cutting back on recruitment.

Given that this measure was made to plug a 'fiscal black hole', if the above statistics read across the market, then not only will the employers NI contribution be less than forecast for the Treasury; employees NI income and Income Tax will also be reduced.

Coupled with the effects of recent global events that the Chancellor could not factor into her spring statement, the likelihood of increased taxes, though politically undesirable, are likely to become more economically imperative.

We might have expected downward pressure on wages against this background, however our survey indicates otherwise, no doubt driven by a continued shortage of labour and 'gap maintenance' requirements over the national minimum wage, (which also increases by much more than inflation this month than inflation from April 2025):

Have your wages increased in line with inflation/the cost of living?

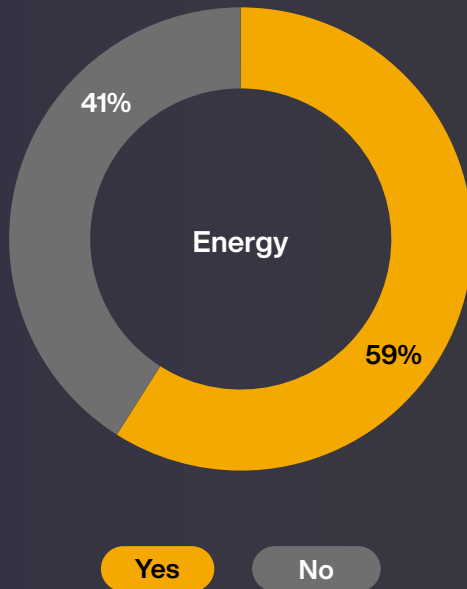


While there is a 2% fall back on last year's result, at 68%, it remains a significant majority that

indicate that they have increased wages in line with inflation and significantly more than 2023.

Moving on to energy and resources, our respondents consistently identified significant challenges:

Is the cost of your energy significantly affecting the competitiveness of your products/services?



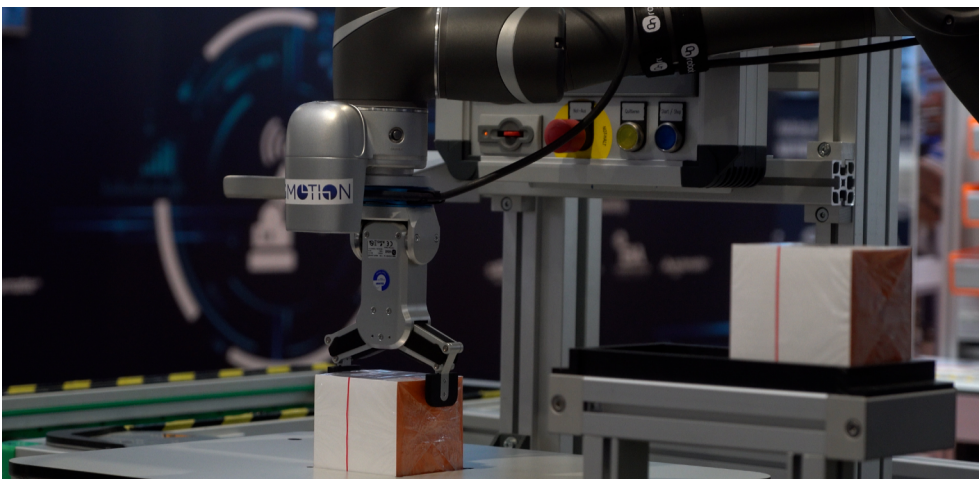
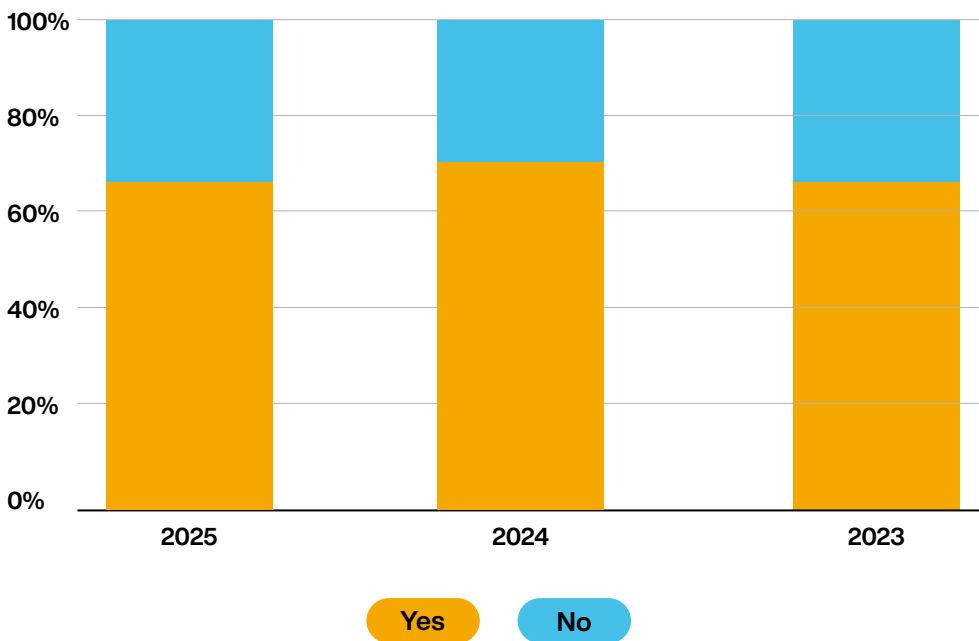
The only surprise here, is that 41% responded that the cost of energy has not affected their competitiveness; this could be due to these respondents having low energy usage. In the past, this would have been lower on the 'concerns list' but in an environment where UK energy costs are a staggering four times that in the USA and 33% or

more, than in Europe, this single factor can now be considered a major issue for businesses. Crowe was privileged to be invited to a regional consultation with the Department for Business on the new Industrial Strategy, and the prevailing issue discussed around the table was the need for government to intervene with these uncompetitive energy costs.

Last year, for the first time, we saw an increased interest in the route to Net Zero, which clearly was influenced by the impact of these spiralling costs.

This year's survey suggests that Net Zero initiatives may be less of a priority, possibly due to even bigger concerns elsewhere such as spiralling payroll costs.

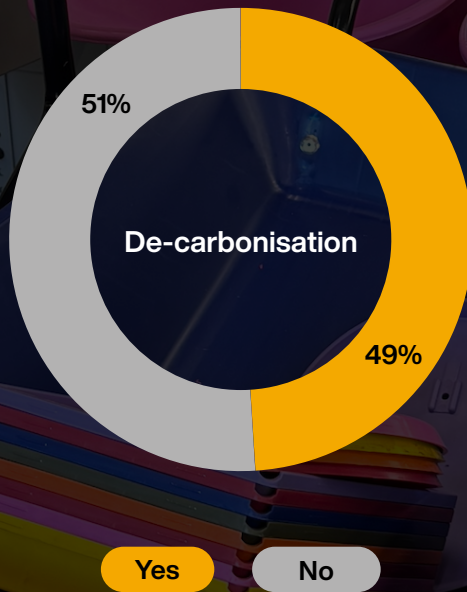
Have you invested in becoming carbon neutral?



It is true that many businesses, depending on their location, can get grant help and technical support in investing in Net Zero and of course, the prospect of leased premises needing to meet higher Energy Performance

Certificate (EPC) rates by 2028 should serve to push this higher up the agenda over time. The survey suggests that access to the necessary funding and the knowledge of grants and assistance available, could be improved.

Are you aware of the support available to de-carbonise?



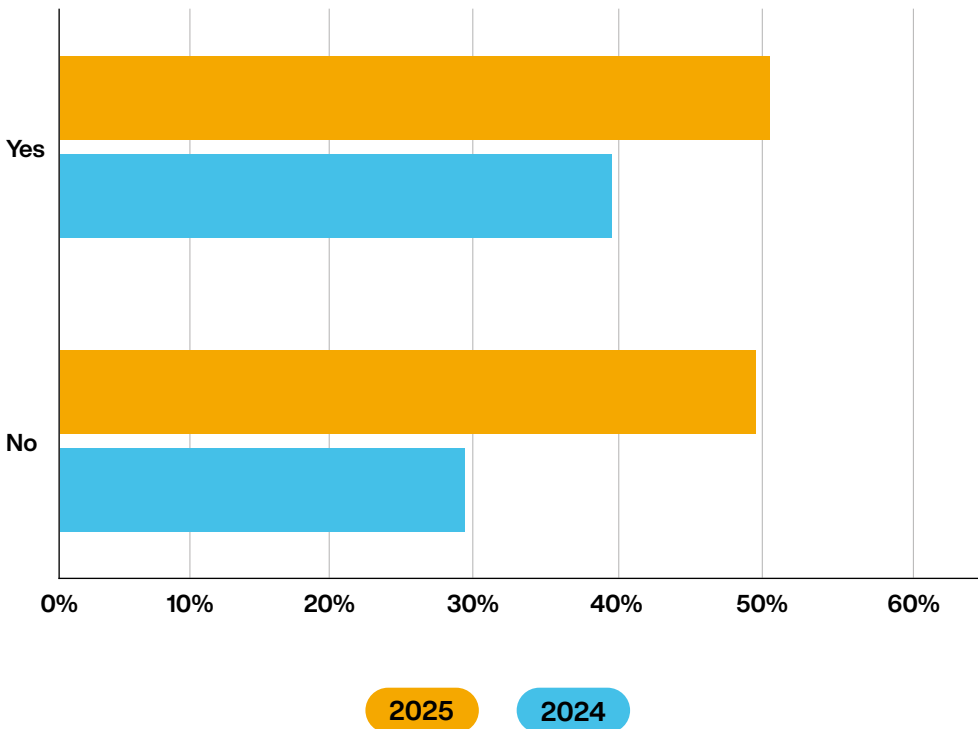
51% of our respondents said that they were not aware of grant funding available to decarbonise their processes which possibly influences the level of investment achieved, so far in that area.

For further assistance and advice on how to go about achieving sustainability please start the conversation with one of the team.

On the matter of supply chain, 57% of respondents had identified issues and 54% said that they had been adversely affected by the availability and pricing of raw materials.

The prospect of a trade war will only inflate this issue and therefore the question on reshoring, asked for the second year in 2025 showed a slight increase with more than 50% of respondents stating that they would consider this.

If your source abroad, would you consider re-shoring?



Very recent consultations with manufacturing businesses garnered by government consultation, came with clear messaging that retaliatory sanctions by the UK against US tariffs imposed on the UK are likely to be ineffective.

However, there is a clear call to protect domestic production and supply against 'dumping' of materials and product by nations tariffed highly by the US, in the UK. It remains to be seen whether and how any domestic measures will transpire.

Indeed, the tariff agreements announced between the UK and US governments, at the time of writing this report, should hopefully render such action, unnecessary.

Reshoring to the UK, if it can be achieved, and critically, if essential skills, components and raw materials can be sourced and supplied competitively, actually enables businesses to better control their carbon emissions, their measurement of them, (which, with UK Carbon Border Adjustment Mechanism (CBAM) on the horizon, will become increasingly important) and also improve lead times, stock holding and of course provide job prospects and security for the UK workforce. This would serve to support the government's drive for growth and help lessen the chance of that 'fiscal black hole' needing to be addressed further.

Therefore, what is clearly a government in 'listening mode', is likely to support initiatives to retain our UK strategic capacity, especially with the need to maintain our national security on a more independent basis than ever before. This has clearly been signalled by the urgent action taken over Easter, 2025, to secure British Steel production at Scunthorpe.

To achieve a robust and secure supply chain, as well as materials, energy, political and economic enthusiasm, there needs to be availability of skills, innovation and funding. More of which, below.

We will be providing a gap analysis, one year on from producing our Manifesto for Manufacturing, shortly. We would welcome, as before, input from organisations 'at the coal face' in compiling this document to add real life credibility to what will be a key lobbying document. To play a part, please get in touch.

Increased performance involves strategic growth, but it also requires reduction in waste. Crowe have a successful waste reduction programme that is both effective, affordable and transformational. To find out more, please reach out to one of the contacts listed at the **end of this report**.



Skills

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The continuing skills shortage in manufacturing remains an issue with regular polls identifying that a lack of adequate skills, as well as quantity of quality individuals entering the sector as a career, is seen as an even bigger threat than the lack of funding.

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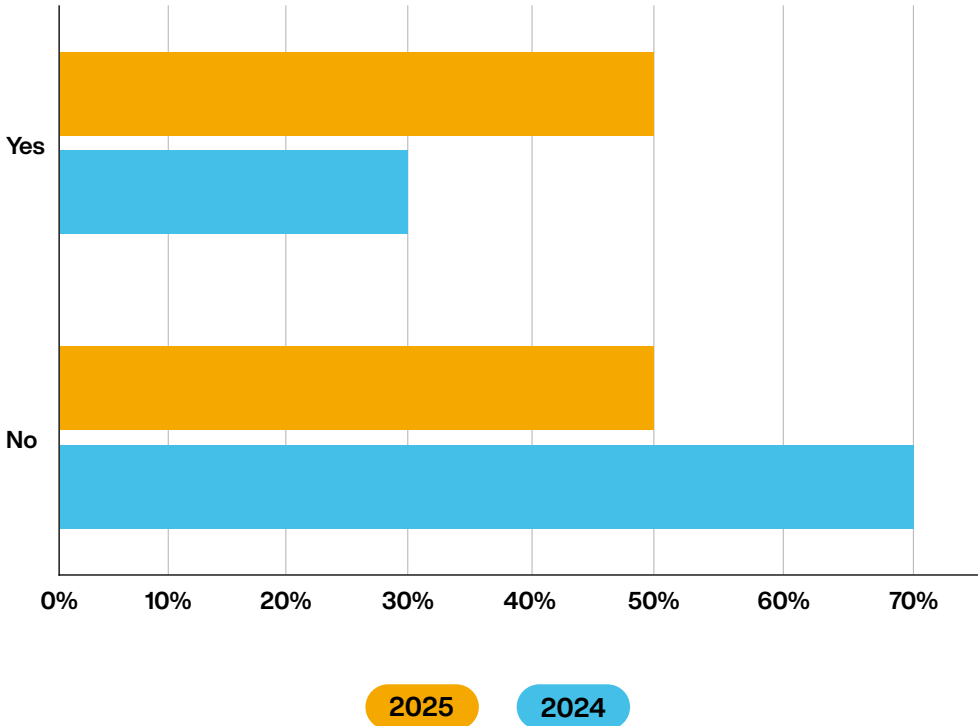
Some great work is being done by specialist training agencies but there is a real need for more young people to choose the sector as the exciting and well paid career it presents, as well as the ability for more mature individuals to retrain and upskill themselves.

However, early indications have implied that this reform is likely to be an exercise in cost saving, rather than reform or waste reduction, and a fear that the whole system, including, the elements that work well could go along side that which needs reform.

The government have heralded a reform process for the apprenticeship scheme which has been welcomed by a sector who for a long time has called for reform, not least of which is in the past versions of this survey.

Our survey results this time show a clear 50:50 split for the very first time with a significant change to just a year ago.

Does the apprenticeship scheme work for your business?



Much has been written about the possible removal of level 7 (postgraduate) apprenticeships from support overall. 19% of respondents said that this would affect them and clearly, in an environment where considerable innovation, expertise, research and application will be needed to drive effective, competitive supply chains and products, there will be a continuing need to attract and retain our best engineering (and other) talent in the UK.

It's hoped that the government listen carefully in their reform of the apprenticeship programme to drive forward this essential component in the Industrial Strategy.

Crowe's manufacturing network and collaborations can signpost you to organisations that can help you upskill you and your workforce. Do please make contact and start the conversation.

Innovation

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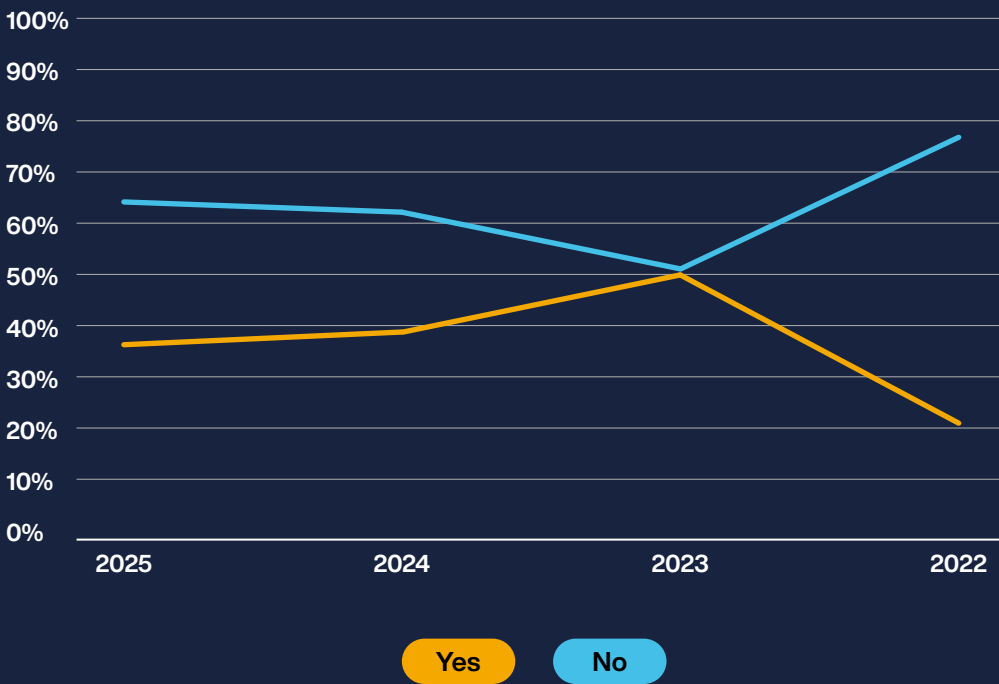
Successive manufacturing surveys in the past have measured the number of respondents making R&D claims and it was good to play our part, encouraged by the government of the day, to promote the merits of making a suitably advised and legitimate claim.

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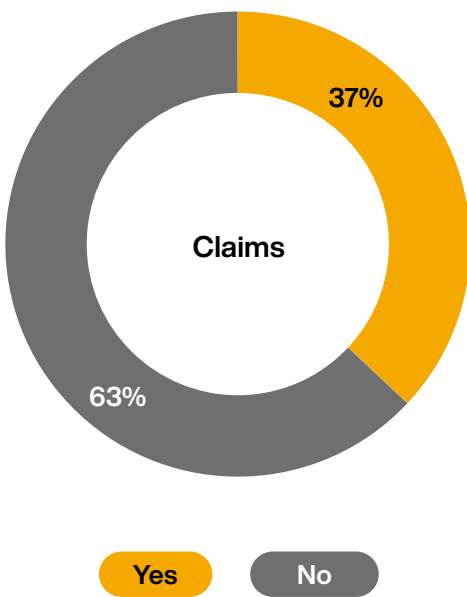
Sadly, the approach of HMRC influenced by a minority of 'rogue claims' from around 2023, has had the effect of reversing the impetus for companies making claims and even more worrying, the inclination for manufacturers to innovate at all.

On response to our survey, our respondents said:

Have you made an R&D claim in the last 12 months?



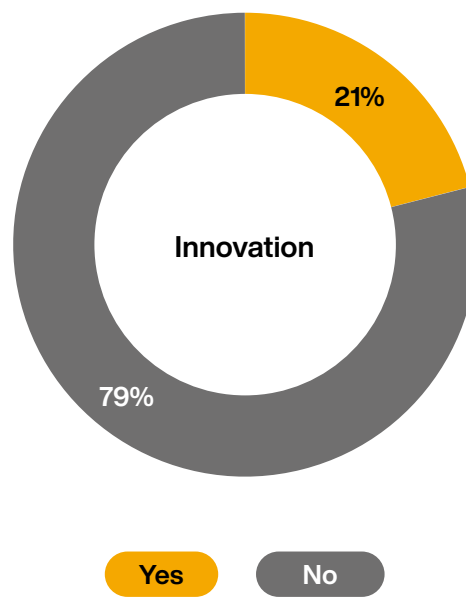
If no, have the new procedures and available tax reliefs discouraged you from making a claim?



The results this year are rather more encouraging than the recent historical results, however questioning about innovation itself was rather more 'telling'.

While a healthy majority acknowledged that the changes in the R&D tax credit rules had not discouraged innovation, it is a real concern that as many as 21% of the respondents admitted that they had been deterred from innovating

Have the new R&D rules discouraged innovation in your business?



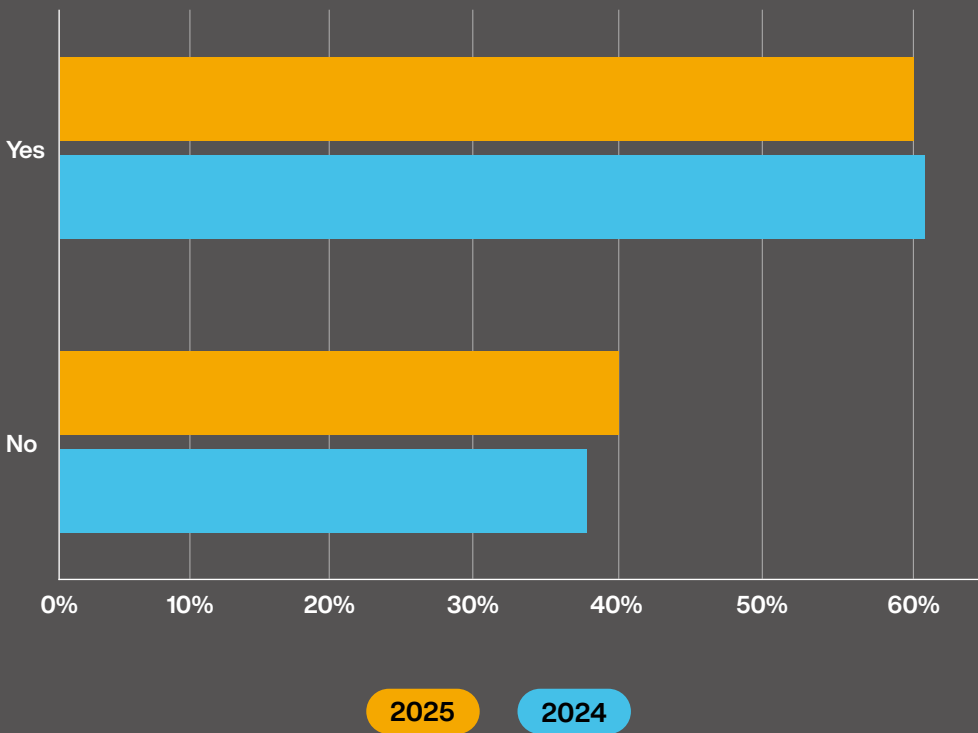
as a result of the changes. Innovation in this context is likely to be viewed as an intentional decision to invest R&D in advances in science or technology rather than the normal decisions a business makes to stay competitive.

This clearly indicates a negative effect upon the drive for innovation for a relief that is designed to incentivise it.

Collaboration with universities and educational institutions will also drive innovation; and Innovate UK have a number of schemes which are designed to drive excellence and efficiency and the commercialisation process, especially where that collaboration exists.

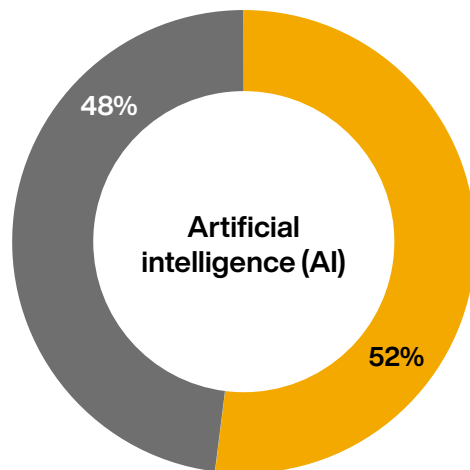
Our respondents showed that collaboration takes place at an encouraging level, although, perhaps, again as a result of increased focus on more pressing aspects of running the business, this has dropped back slightly over the last year.

Does educational collaboration drive innovation?



What our survey has made clear however is that the impact of Artificial Intelligence (AI) has grown significantly over the last few months with 52% of respondents saying that they have implemented it in their processes.

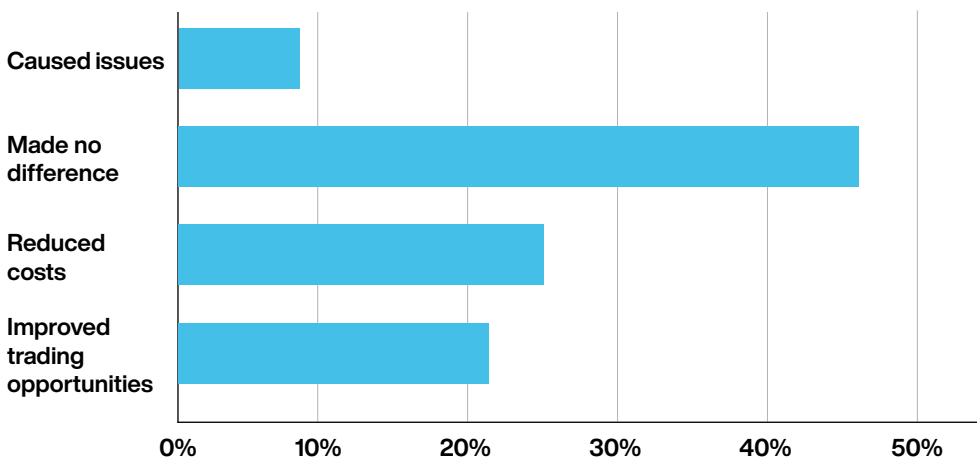
Have you adopted the use of AI?



Yes No



Of those that said yes, the respondents added the following concerning the outcomes:



Clearly a mixed bag of responses indicative of the need for further research, innovation, and potentially training, before its real effect can have a positive benefit across the board. This is another key objective for the skills agenda.

Innovation and creative manufacturing, requires cutting edge investment in what has now become known as Industry 5 (I5), rather than Industry 4, as it was previously termed. Investment in robotics, wider digitisation than just AI and of course additive processes, will be necessary to maintain and gain global competitiveness and drive innovation in the key sectors identified in the Industrial Strategy. However, this has been an area where the UK has lagged behind our European competitors for some time, not to mention further afield.

Resistance has generally been driven by inertia of past investment, coupled with a clear skills gap and a lack of funding for investment. However, the absence of skills in sufficient quantities

and within a sustainable age range, necessitates that businesses have had to consider increasingly digitisation as part of their forward planning in terms of succession, regardless of the commercial benefits elsewhere.

Our survey this year revealed that, for the first time, over 2/3rds of respondents (67%) replied that they believed that 'I5' processes will replace more traditional methods, whereas, this percentage was previously much lower with just 63% stating that digital techniques would replace traditional methods either wholly or partially a year ago and just 54% a year earlier.

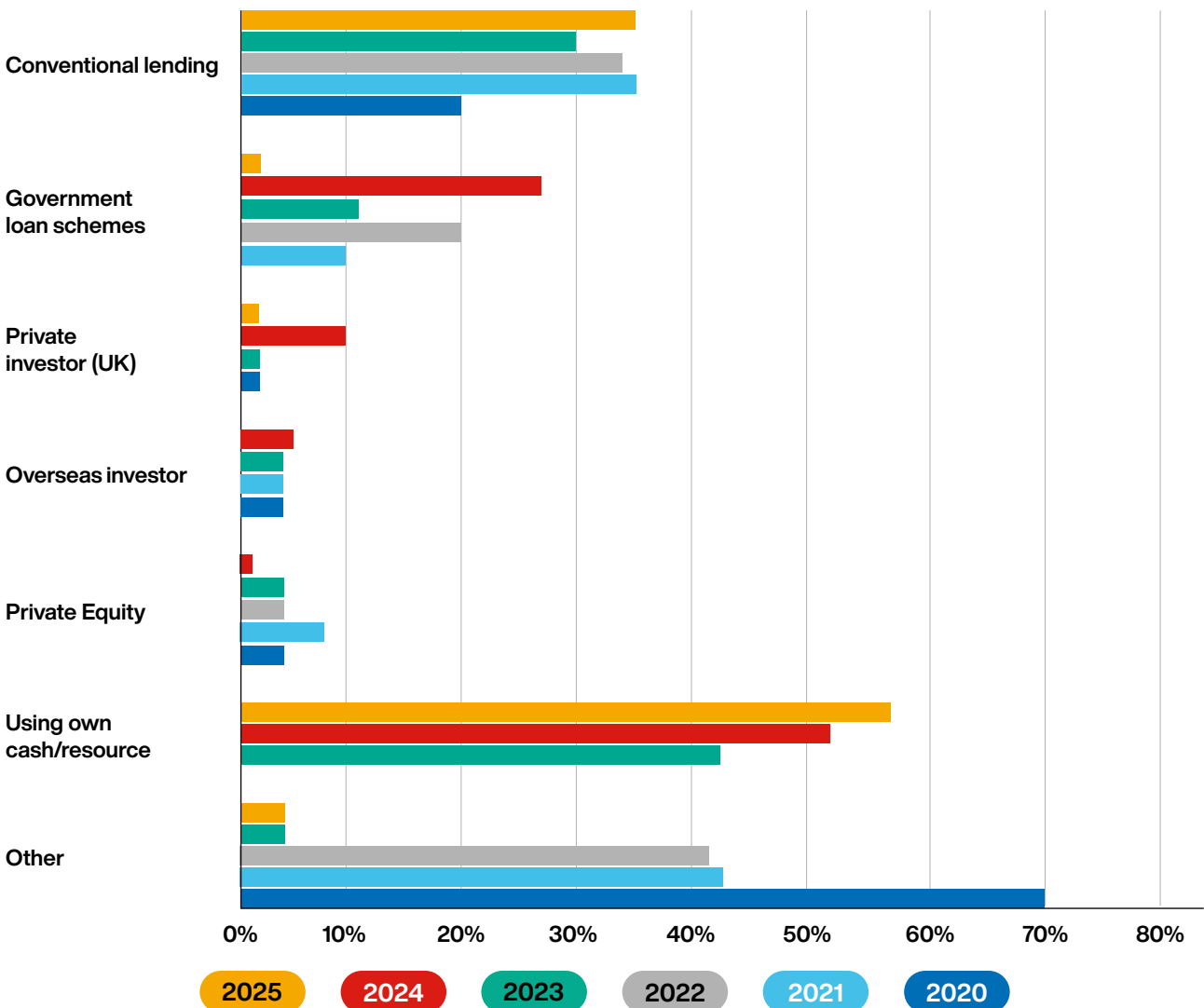
The need to improve efficiency, competitiveness and match the sustainability of businesses and supply chains is hopefully changing mindsets, albeit slowly.

For help and advice on how to go about investing in AI, I5 or R&D, consult the team listed at the end of this report.

Funding

“ Investment and growth require funding of course and our question on how businesses are being funded reveals a continued reliance on ‘internal resources’, over borrowing, or taking of equity investment etc.

What are your sources of funding?



The 'Other sources' that featured high during the pandemic and its aftermath are now being wound down and while there has been an improvement on conventional lending during the last year, 'own resources' continued to be the largest single funding source. This clearly indicates a continuing reluctance to borrow and invest for growth and a definitive turn away from businesses taking third party investment, specifically private equity or angel investors.

Given the need to encourage investment in new processes, skills enhancement and next generation equipment and in a fiscal environment where full expensing of investment against profits should provide tax incentive; there clearly isn't enough faith in the strength of the economy to adequately encourage the investment that's needed.

Anecdotal evidence would suggest that banks have money to lend and there is certainly institutional investment available in various sectors. However, there continues to be a need for a 'pump prime' to investment that was so effectively deployed in the past, through capital grant schemes driven on a national basis. Crowe called for this to be implemented in our 2024 Manifesto for Manufacturing and we have also fed back the need for this in our response to the Industrial Strategy white paper. We see the above feedback as indicative of a continued reluctance to invest and we will continue to lobby accordingly, using these results.

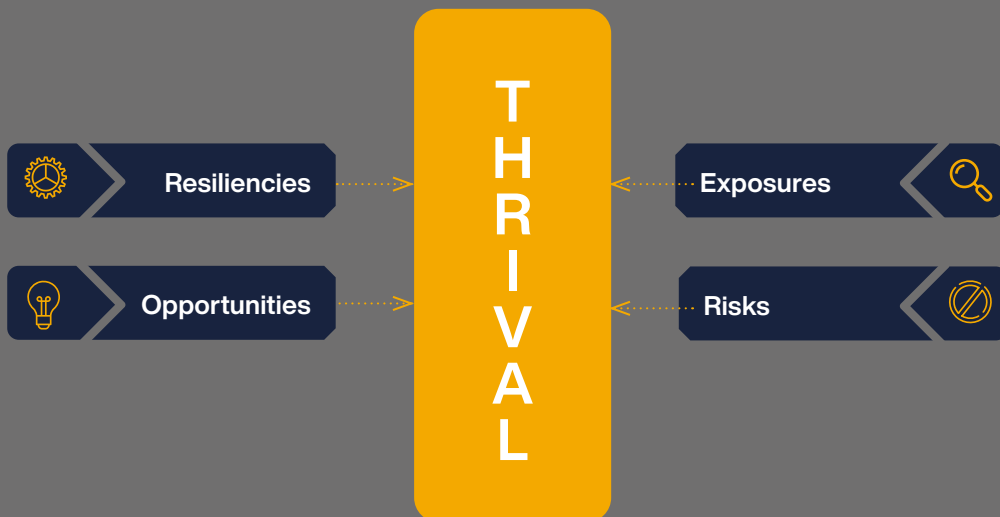
In the meantime, the Crowe UK Access to Finance Service continues to assist businesses across the UK in the securing of funding appropriate to both investment capital, fixed asset investment and working capital as well as sourcing advising on and securing of grants.

For more details, start the conversation with our experts listed at the end of this document.



Make sure your business thrives

How can you double the power of your resilience and opportunity, while halving your exposures to market forces, global events and risks?



Speak to us to find out how we can support your Thrival plans.

Providing advice and support to manufacturing and engineering businesses.





Smart
decisions.

Lasting
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Start the conversation

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We work with our clients to build something valuable, substantial and enduring. Our aim is to become trusted advisors to all the organisations and individuals with whom we work. Close working relationships are at the heart of our effective service delivery.

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