MANUFACTURING OVERVIEW: CY2025 – Q3

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QUARTERLY SUMMARY OF KEY TRENDS & CHALLENGES

Across industries and regions, trade pressures appear to be normalizing. In the third quarter of 2025, manufacturers experienced decreased TTM revenues with mixed margins, while inventory turns have increased. After months of US tariff uncertainty, manufacturers are learning to be agile and adapt.

Reduced spending in end markets are driving down revenues. Thus, manufacturers are lowering forecasts and enhancing productivity levers to improve margins.

PRODUCTIVITY

Increased productivity gains driven by automation continue to reshape the manufacturing workforce in certain regions, such as China. While automation delivers efficiency and cost benefits, it is also impacting the availability and nature of manufacturing jobs, requiring careful planning around workforce transitions and skills development.

INVENTORY TURNS

Inventory turns improve as manufacturing operations adapt to shifting demand patterns. With such improvements, working capital optimization becomes a critical focus for operational efficiency. However, supply chain disruptions, varying regulation, and demand volatility continue to challenge inventory planning.

LABOR

Manufacturing operations face a widening skills gap as technological advancement accelerates faster than workforce development and scalability. Shortages appear across technical engineering and practiced journeymen roles, where proficiency comes from repetition and experience.

FINANCIAL PERFORMANCE OF MANUFACTURERS

DECLINING REVENUES, MIXED GROSS MARGINS AND IMPROVING INVENTORY TURNS

INDUSTRY[2]	REVENUE TTM				GROSS MARGIN TTM				INVENTORY TURNOVER TTM			
	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '24	Q1 '25	Q2 '25	Q3 '25
Aerospace & Defense	-	+	+	+	+	-	+	+	+	-	+	+
Automotive	--	+	+	-	-	-	-	-	+	-	-	+
Chemicals	--	+	+	-	+	+	+	+	+	-	-	-
Consumer Electronics	-	+	++	-	-	-	-	-	+	+	-	-
Energy & Utilities	--	-	-	-	-	-	-	++	+	-	-	-
Food & Beverage	-	+	+	+	+	+	-	-	-	-	-	+
Health & Beauty	--	+	+	-	-	+	-	-	+	-	-	-
Household Durables	-	+	+	-	+	-	-	-	+	-	-	+
Industrial & Building Products	-	+	+	-	+	+	-	+	+	-	-	+
Metal & Mining	-	+	+	+	-	-	-	+	+	-	-	+
Paper & Pulp Products	--	+	+	-	+	-	-	-	+	-	-	+

QoQ Trend Legend		
"++" OR "- -"	Change in Revenue & Gross Margin exceed +/-5%	Change in Inventory Turn exceeds +/- 0.5
"+" OR "-"	Change in Revenue & Gross Margin within +/-5%	Change in Inventory Turn within +/- 0.5

INDUSTRY[1]	% OF COMPANIES THAT BEAT MARKET EBITDA ESTIMATES			
	Q4 '24	Q1 '25	Q2 '25	Q3 '25
Aerospace & Defense	71%	79%	65%	83%
Automotive	59%	65%	55%	57%
Chemicals	46%	81%	59%	81%
Consumer Electronics	42%	56%	52%	46%
Energy & Utilities	72%	59%	71%	85%
Food & Beverage	55%	63%	70%	70%
Health & Beauty	61%	75%	80%	56%
Household Durables	58%	48%	65%	59%
Industrial & Building Products	56%	65%	80%	67%
Metal & Mining	69%	85%	73%	76%
Paper & Pulp Products	50%	61%	35%	50%

QoQ Change	*Positive*	*Negative or flat*

COMMENTS

- Several industries experienced a decline in revenue and saw mixed gross margin trends this quarter.
- Inventory turns are trending up for some industries likely due to normalization of trade related pressures.

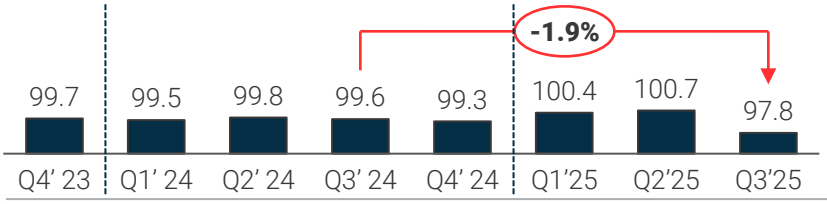
Note: Companies within Industries include Top 40 global public companies by Revenue; based on data available at time of publication
(1) based on market consensus on EBITDA estimates vs actuals, calculation based on companies with available data only
(2) metric trend based on median in industry group

MACRO KPI (USA) - PRODUCTION AND CAPACITY

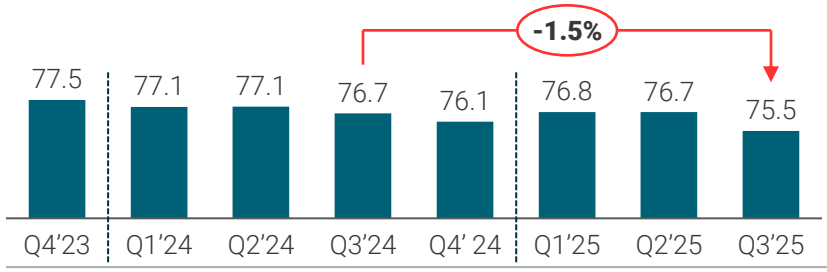
US PRODUCTION OUTPUT HAS DECREASED FROM RECENT HIGHS, IMPLYING A LEVELING AS TRADE CONCERNS EASE

CALENDAR QUARTER BY QUARTER CHANGE

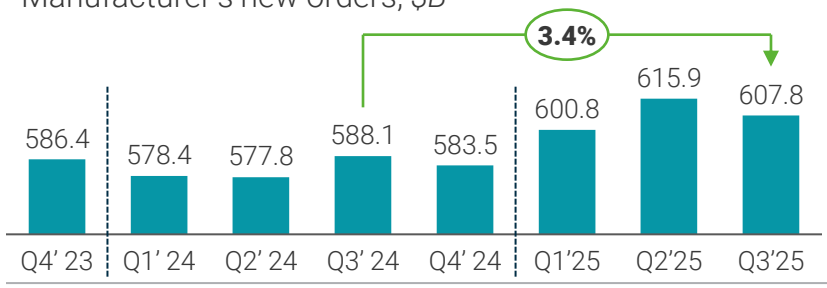
Manufacturing production *(indexed to 2017 production)*



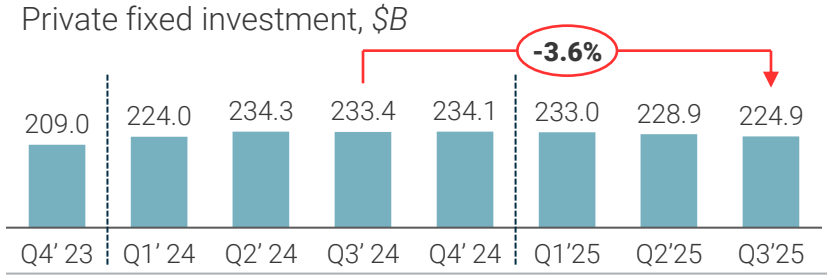
Manufacturing capacity utilization, %



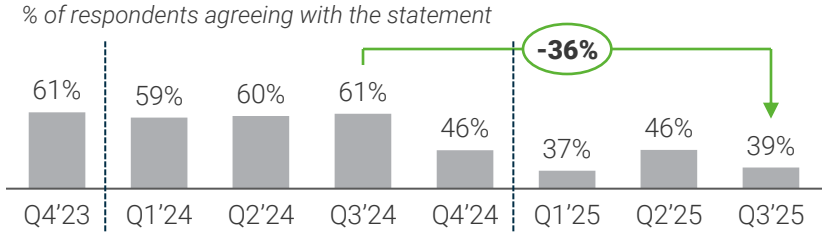
Manufacturer's new orders, *$B*



Private fixed investment, *$B*



Unfavorable business climate (taxes, regulations, etc.),
% of respondents agreeing with the statement



HIGHLIGHTS

- Manufacturing production has decreased from previous year and previous quarter.
- First half of 2025 production increase likely tied to preparations for tariff impacts, with a rebalancing in Q3'2025 as tariff impacts normalize.

- Capacity utilization reached a new low for last two years, likely tied to lower overall production.

- New orders remain high year-over-year but have dropped since Q2'2025, likely tied to a leveling of front-load purchases as trade concerns ease.

- Private fixed investments have continued to decrease from the high of 2024, driven by high interest rates and uncertain economic outlook.
- There is a cautious optimism for 2026 that rates may decrease and stabilize markets.

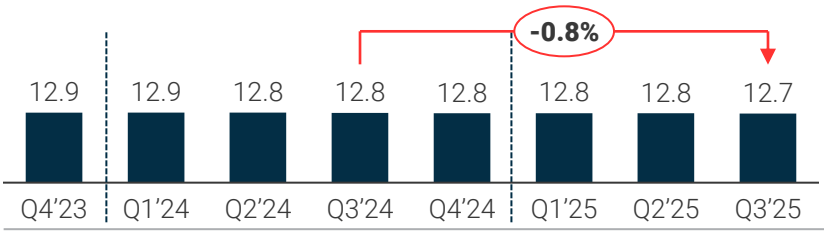
- Concerns over proposed government regulations are often discussed in the news for US manufacturers, yet fewer respondents highlighted it as important in Q3'2025.
- Possibility that because of the broader focus on tariff impact to business, companies have not been as concerned with the localized regulation by countries.

MACRO KPI (USA) - LABOR

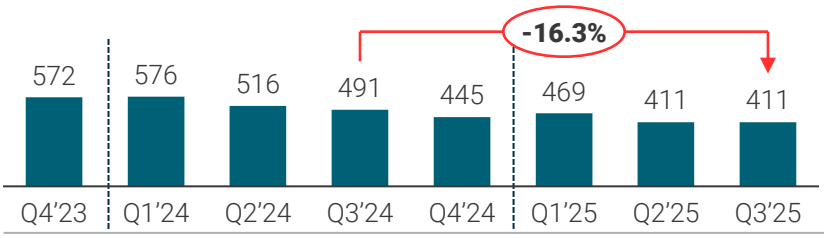
US MANUFACTURING LABOR MARKETS REMAIN TIGHT, SUSTAINING UPWARD PRESSURE ON WAGES

CALENDAR QUARTER BY QUARTER CHANGE

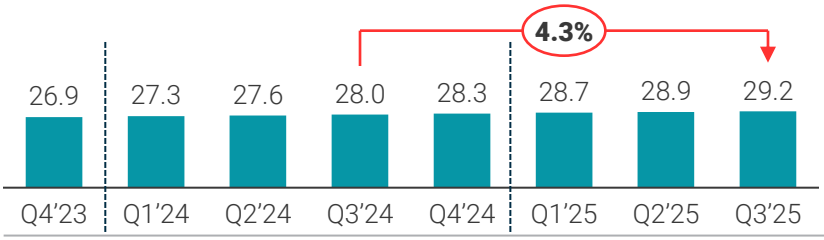
Total manufacturing employees, *M*



Total manufacturing job openings, *K*

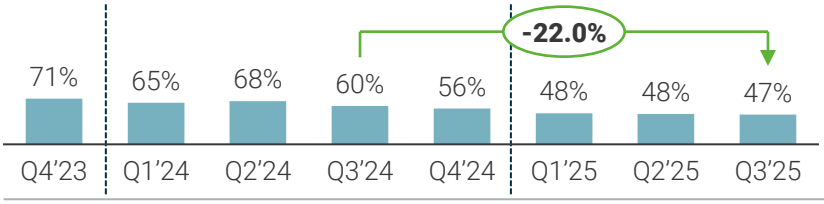


Manufacturing hourly wage rates, *$/hr*



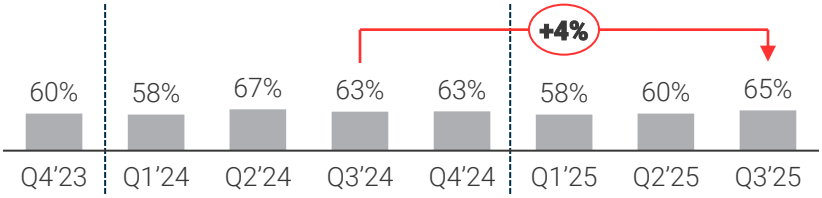
Attracting & Retaining Workforce

% of survey respondents agreeing with the assertion is a concern



Rising Healthcare/Insurance Costs

% of survey respondents agreeing with the assertion is a concern



HIGHLIGHTS

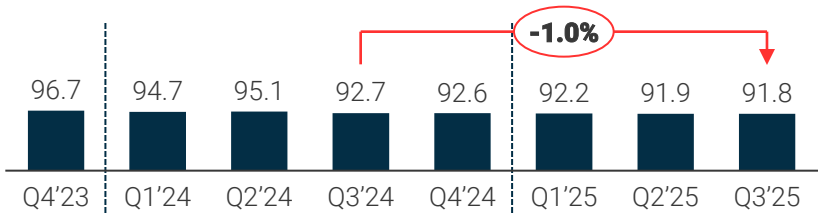
- Manufacturing employment continues a modest decline from past two years sitting close to pre-pandemic numbers.
- Decrease likely driven by a combination of lower manufacturing production, increased automation, labor shortage, and skills gaps.
- Total job openings remains flat quarter over quarter as the labor market remains tight compared to 2024.
- Slower economic growth and productivity gains from automation and high-tech enablement may be drivers of the reduction.
- Manufacturing wages continue an upward trend, increasing slightly more on a percentage basis than overall wages in the US.
- Focused concerns around hiring and retaining employees has eased year-over-year, flatlining in 2025.
- Manufacturers continue to struggle to fill roles with specific skills requirements.
- Concern over rising healthcare and insurance costs is near 2024 highs for companies in Q3'2025, especially among small and medium-sized firms.

MACRO KPI (GERMANY) - PRODUCTION AND CAPACITY

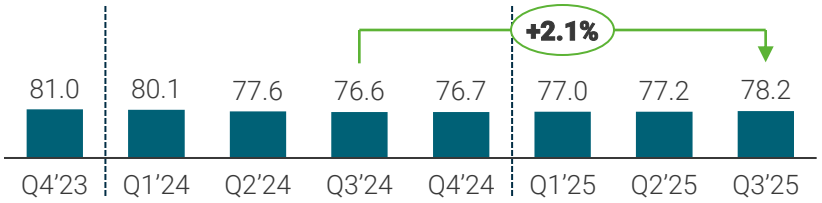
THE GERMAN ECONOMIC ENVIRONMENT REMAINS CHALLENGING, BUT COMPANIES ARE MORE OPTIMISTIC

CALENDAR QUARTER BY QUARTER CHANGE

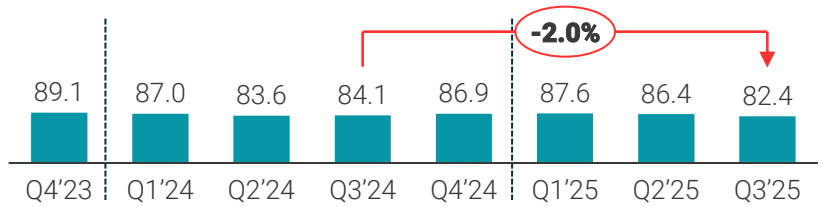
Manufacturing production *(indexed to 2021 production)*



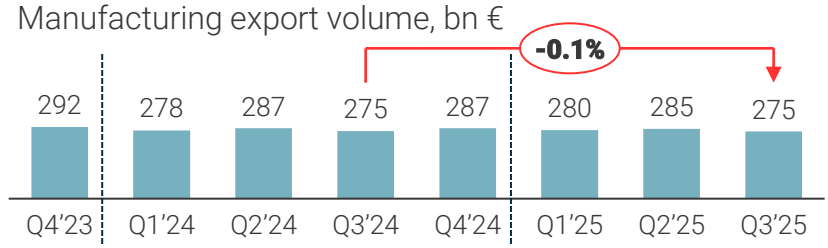
Manufacturing capacity utilization, %



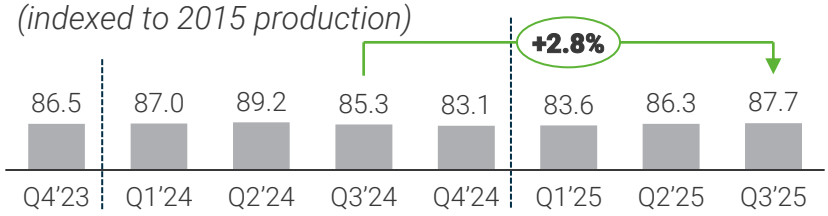
Manufacturing new orders *(indexed to 2021 production)*



Manufacturing export volume, bn €



Manufacturing IFO business climate *(indexed to 2015 production)*



HIGHLIGHTS

- Gross value creation continues to decline, appearing to plateau in 2025.
- Increased costs, weak demand, and structural change remain the key challenges manufacturers are facing in Germany.

- Manufacturing capacity utilization has increased 2.1%, approaching 2024 levels.
- Consolidation of factories is still a priority for German manufacturers while overcapacity remains a concerning topic.

- New orders declined due to decrease in global demand for German goods.
- Companies are focused on improving their inventory turnover after the achieved tariff agreements.

- Export volume is unchanged compared to the previous year.
- The trend shows similar behavior to the decline in the previous years from Q2 to Q3.

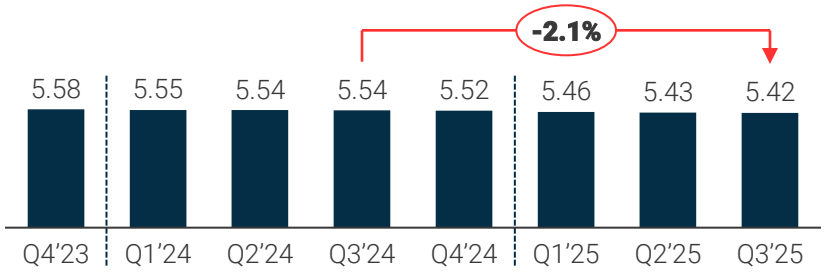
- Despite the difficult economic environment, the IFO index rose as companies are more optimistic about the upcoming months.

MACRO KPI (GERMANY) - LABOR

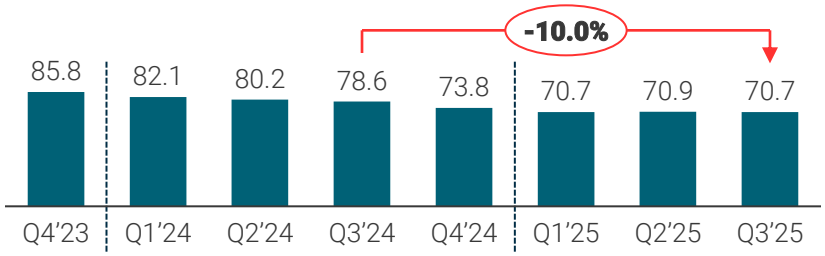
MODEST PRODUCTIVITY GAINS SIGNAL A PROMISING OUTLOOK FOR THE GERMAN ECONOMY

CALENDAR QUARTER BY QUARTER CHANGE

Total manufacturing jobs, M

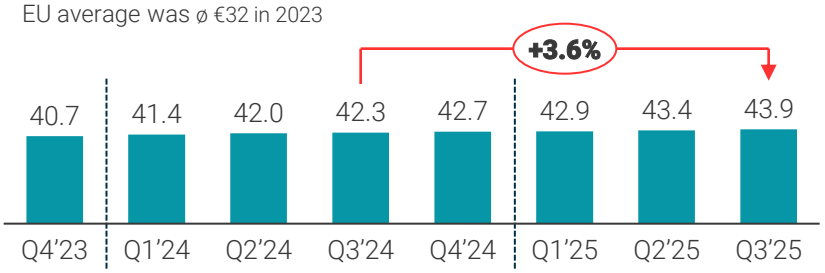


Total manufacturing job openings, K

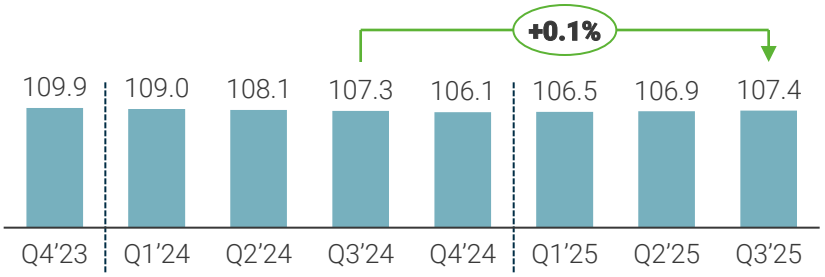


Manufacturing hourly wage rates (12-month view), €/hr

EU average was ø €32 in 2023



Productivity per hour *(indexed to 2020 production)*



HIGHLIGHTS

- Companies continue to reduce headcount year over year.
- Low utilization, high labor cost, high energy cost, and high bureaucracy remain key drivers for the reduction in jobs.

- There was a decrease in job openings of 10% compared to Q3'24.
- Companies continue to reduce cost base and hiring.
- Now is an important time to ensure a company is finding the high potential candidates in the market.

- Wages continue to increase year over year as strong unions push companies to adjust wages for increased inflation.
- High headcount cost paired with decreasing productivity is a major challenge for the German manufacturing industry.

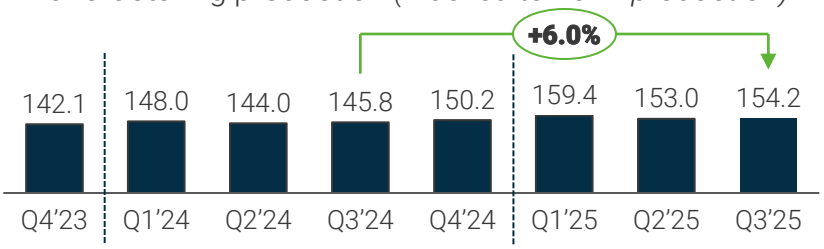
- Productivity increased quarter over quarter in 2025 now exceeding Q3'24.
- To achieve productivity levels seen in 2023, companies must continue to streamline operations and improve automation levels.

MACRO KPI (CHINA) - PRODUCTION AND CAPACITY

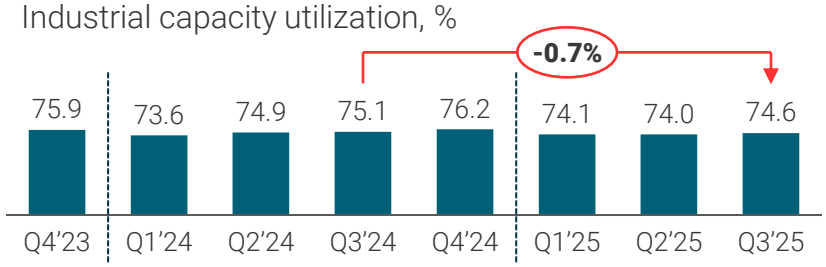
CHINA CAPACITY UTILIZATION AND NEW ORDER INDEX REMAIN LOW, YTD FOREIGN INVESTMENT ALSO DECLINED

CALENDAR QUARTER BY QUARTER CHANGE

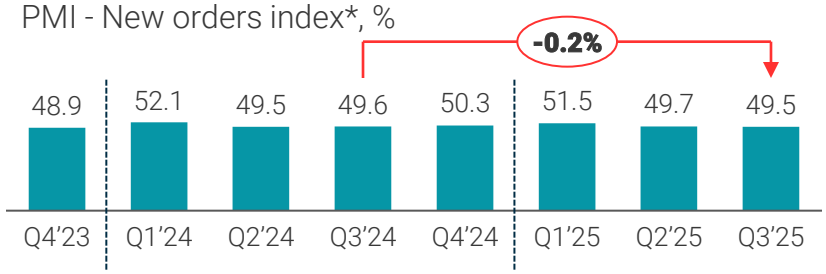
Manufacturing production *(Indexed to 2017 production)*



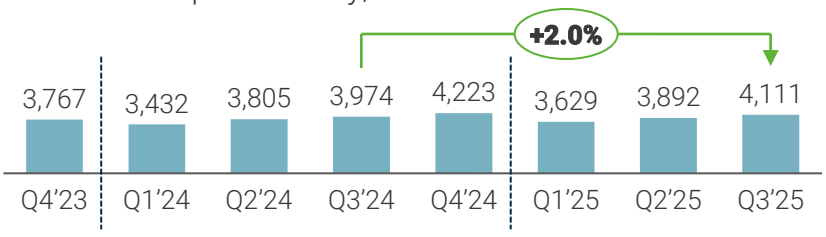
Industrial capacity utilization, %



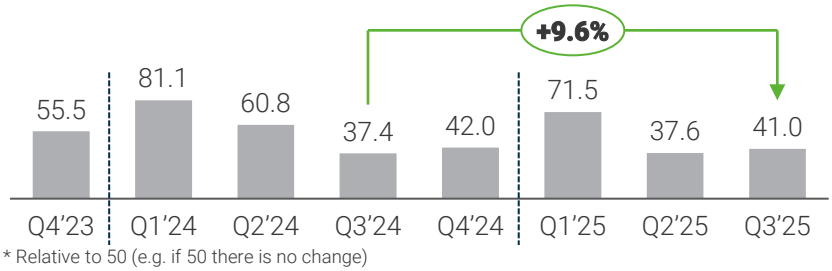
PMI - New orders index*, %



Industrial export delivery, bn RMB



Foreign capital used in manufacturing, bn RMB



HIGHLIGHTS

- The industrial output, despite fluctuations, has shown an upward trend from Q3'24.
- Volume rebounded, driven by high-tech and new-energy segments.
- Industrial capacity utilization rate is lower than that of the US and Germany, reflecting necessity for structural change.
- Despite overall low, decreased local demand and inefficient resource allocation caused overcapacity in certain sectors.
- New orders index remains at low levels slightly below Q3'24.
- Business confidence remains low with the adjustments to tariff impacts and market demand.
- Q3'25 continues a multi-quarter upward trend, reflecting the resilience of China's industrial export sector.
- Increase was driven by electrical machinery, road vehicles, and general industrial equipment.
- Q3'25 increased from 2024 low with new investment driven by non-US countries and concentrated in high-tech sectors.
- Manufacturing FDI inflows are projected to remain weak, full year result unlikely to beat 2024 (RMB 220B) due to geopolitical headwinds.

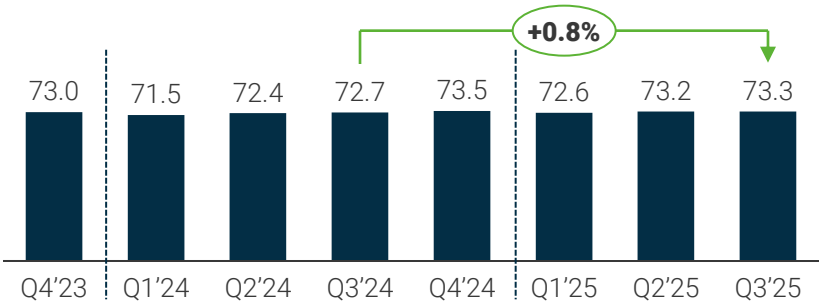
* Relative to 50 (e.g. if 50 there is no change)

MACRO KPI (CHINA) - LABOR

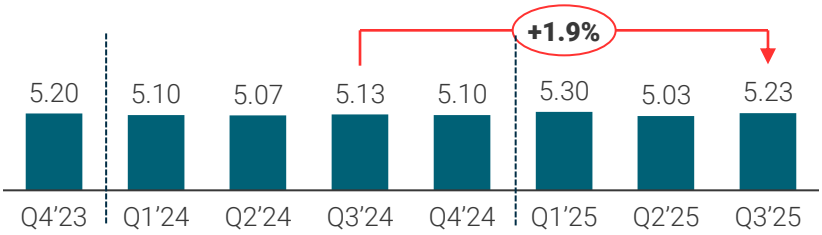
CHINA SEES HIGHER UNEMPLOYMENT RATE AS HISTORIC NUMBER OF GRADUATES ENTERS THE JOB MARKET

CALENDAR QUARTER BY QUARTER CHANGE

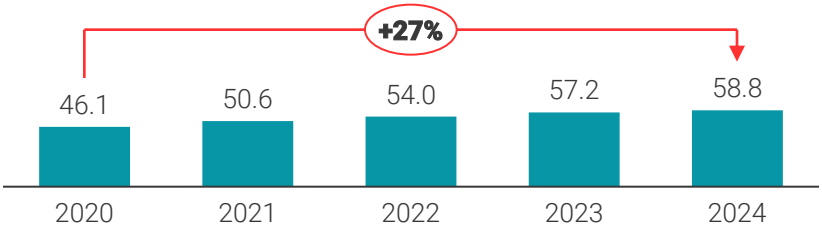
Total industrial employees, *M*



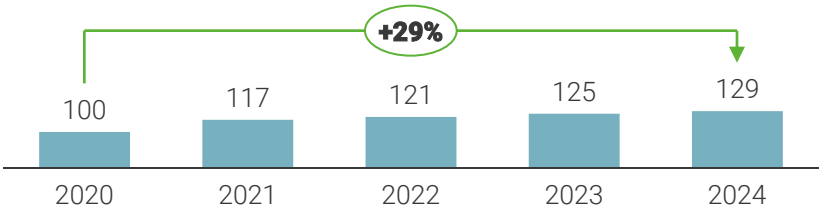
Registered unemployed rate in urban areas, %



Hourly wage rate in urban, non-private units, RMB/hour



Labor productivity (indexed to 2020*)



HIGHLIGHTS

- Industrial employee count remains stable while facing structural adjustments and external challenges, suggesting China will remain a manufacturing center.
- New job creation in emerging sectors continues to surge with new energy vehicles (+19.6%), smart hardware (+17.5%), and home appliances (+15.4%) leading as the primary drivers of labor market growth.
- Unemployment rate increased slightly since Q2'25, reflecting a dynamic equilibrium between market demand and labor supply.
- The 2025 cohort of university graduates will reach 12.2 million, an increase of 430,000 year-over-year which is a historic high, intensifying competition for entry-level employment.
- Manufacturing wages continue an upward trend.
- At the same time, the pace of inflation has moderated, reflecting a balancing between structural adjustments and labor market supply.
- Labor productivity is steadily improving, indicating that adjustments are occurring via options such as, industrial upgrades and resource allocation optimization.

* Inflation factor not considered

TOPIC HIGHLIGHT

ASIAN APPAREL MANUFACTURERS: HOW NEW OPERATING MODELS CAN RELIEVE MARGIN SQUEEZE

In today's apparel manufacturing landscape, many Asian factories that have long depended on low-cost labor and cost arbitrage now face shrinking margins, inefficient labor utilization, and rising demand volatility. Much of this pressure stems from factories attempting to serve multiple, fundamentally different customer segments using the single, uniform operating model and organizational structure.

This "one-model-fits all" approach of the past has created instability on the manufacturing floor.

Trying to fit all operating models within the same organization results in lost differentiation, higher waste, and persistent margin pressure. Manufactures must adopt segment-appropriate operating models and reconfigure the value chain from product development through manufacturing and supply chain to support them.

To address these challenges, manufacturers must focus on the below five high-impact levers:
Read more at AlixPartners Insights.

Short Term

1. **Segment the Operating Model** — Design distinct production models for each customer segment based on requirements rather than forcing all segments into one model
2. **Tailor Daily Management to Each Segment** — Apply differentiated KPIs and governance systems for each operating model to manage performance and to make data-driven decisions
3. **Strengthen Pre-Production Integration** — Align product development, planning, and factory readiness with digital integration early to prevent late changes that disrupt production
4. **Optimize Procurement & Material Flow** — Build a strong procurement function to establish the right pricing models with suppliers and to improve material visibility to reduce delays
5. **Redesign Factory Layout & Workforce** — Configure lines, skills, and workflows with the appropriate automations to match the needs of each operating model rather than a single structure

Long Term

Source: AlixPartners Insights - Asian apparel manufacturers: How new operating models can relieve margin squeeze

AlixPartners has core competencies across the value chain including planning, sourcing, manufacturing, logistics and sales & marketing

Sample areas of AlixPartners capabilities across industries

MANUFACTURING

- Digitalization
- Shop floor productivity improvement (e.g., OEE, CI)
- Automation/Smart Factory
- Manufacturing footprint optimization
- Plant closure/(re)open
- Co-pack/co-man cost optimization
- Manufacturing strategy, make/buy

MARKETING/ INNOVATION

- Marketing mix, effectiveness
- Digital, B2B, DTC, eCommerce
- New Product Development/innovation
- Portfolio management/SKU rationalization
- Category management
- Customer and product profitability optimization
- Trade spend optimization
- Brand management
- Design to value

PLANNING

- S&OP/IBP
- Demand planning/forecasting
- Supply planning
- Digital strategy
- Order management
- SC operating model

SOURCING

- Strategic sourcing (direct/indirect)
- Procurement excellence
- Supply risk management and resilience
- Supplier relationship
- Commodity price management
- Tariff Mitigation/Task Force

SALES

- New market entry, route-to-market model
- Omni-channel strategy
- Sales force effectiveness (own, distributor)
- Commercial excellence
- Pricing effectiveness
- Customer service

LOGISTICS

- Transportation management (inbound, middle/last mile, load efficiency, fleet)
- Warehouse & fulfillment improvement (e.g., DC productivity, load optimization, service level improvement)
- Distribution network planning/footprint optimization
- Supply chain sourcing (e.g., 3PL eval, contracting, cost assessment)
- Inventory optimization

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DATA SOURCES GLOBAL & USA

KPI	Source
% of Companies that beat market EBITDA estimates	Publicly available Financial filings of Top 40 Companies via S&P Capital IQ Calculation: Quarterly results taken
Revenue	Publicly available Financial filings of Top 40 Companies via S&P Capital IQ Calculation: Quarterly results taken
Gross Margin	Publicly available Financial filings of Top 40 Companies via S&P Capital IQ Calculation: Quarterly results taken
Inventory Turnover	Publicly available Financial filings of Top 40 Companies via S&P Capital IQ Calculation: Quarterly results taken
Manufacturing production, index	Federal Reserve Bank of St. Louis Calculation: Quarterly results taken
Manufacturing capacity utilization, %	Federal Reserve Bank of St. Louis Calculation: Quarterly results taken
Manufacturer's New orders, *$B*	United States Census Bureau Manufacturers' Shipments, Inventories, and Orders, Seasonally Adjusted Calculation: Quarterly results taken
Private fixed investment, *$B*	Federal Reserve Bank of St. Louis Calculation: Quarterly results taken
Unfavorable business climate, % concerned	National Association of Manufacturers – NAM Manufacturers' Outlook Survey Calculation: Quarterly results taken
Total manufacturing employees, *M*	Federal Reserve Bank of St. Louis Calculation: Quarterly results taken
Total manufacturing job openings, *K*	Federal Reserve Bank of St. Louis Calculation: Quarterly results taken
Manufacturing hourly wage rates, *$/hr*	Federal Reserve Bank of St. Louis Calculation: Quarterly results taken
Attracting & Retaining Workforce, % concerned	National Association of Manufacturers – NAM Manufacturers' Outlook Survey Calculation: Quarterly results taken
Rising Healthcare/Insurance Costs, % concerned	National Association of Manufacturers – NAM Manufacturers' Outlook Survey Calculation: Quarterly results taken

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DATA SOURCES GERMANY

KPI	Source
Manufacturing production, index	Statistisches Bundesamt: Code: 42153-0001 Produktionsindex für das Verarbeitende Gewerbe: Deutschland, Monate, Original- und bereinigte Daten, Wirtschaftszweige (Hauptgruppen und Aggregate) Calculation: Average over the three month in the quarter
Manufacturing capacity utilization, %	ifo Institut: Ifo Konjunkturperspectiven x/202x Calculation: Quarterly results taken
Manufacturing new orders, index	Statistisches Bundesamt: Code: 42151-0004 Auftragseingang im Verarbeitenden Gewerbe (Volumenindex): Deutschland, Monate, Original- und bereinigte Daten, Absatzrichtung, Wirtschaftszweige (Hauptgr. und Aggregate) Calculation: Average over the three month in the quarter
Manufacturing Ifo business climate, index	Ifo Institute: Verarbeitendes Gewerbe Calculation: Geschäftsklima = ((Lage+200)(Erwartungen+200))^0.5-200 Calculation: Index= (Saldo im Berichtsmonat +200)/(Durschnittlicher Saldo im Basisjahr +200)*100 (Reference year is 2015)
Manufacturing export volume, bn€	Statistisches Bundesamt: Code: 42111-0002 Beschäftigte und Umsatz der Betriebe im Verarbeitenden Gewerbe: Deutschland, Monate, Wirtschaftszweige (WZ2008 Hauptgruppen und Aggregate) Calculation: Sum over the three month in the quarter
Total manufacturing jobs, M	Statistisches Bundesamt: Code: 42111-0002 Beschäftigte und Umsatz der Betriebe im Verarbeitenden Gewerbe: Deutschland, Monate, Wirtschaftszweige (WZ2008 Hauptgruppen und Aggregate) Calculation: Average over the three month in the quarter
Total manufacturing job openings, K	Bundesagentur für Arbeit: Gemeldete Arbeitsstellen nach Wirtschaftszweigen - Deutschland, West/Ost und Länder (Monatszahlen) Calculation: Average over the three month in the quarter
Manufacturing hourly wage rates, €/hr	Statistisches Bundesamt: Code: 81000-0018 VGR des Bundes - Produktivität, Arbeitnehmerentgelt, Brutto- löhne u. -gehälter, Lohnstückkosten: Deutschland, Quartale, Original- und bereinigte Daten, Wirtschaftsbereiche Calculation: For each quarter, the average of the past 12 months was calculated
Average number of sick days per quarter, days	Institut für Arbeitsmarkt- und Berufsforschung: Durchschnittliche Arbeitszeit und ihre Komponenten in Deutschland Calculation: Quarterly results taken
Productivity per hour, #	Statistisches Bundesamt: Code: 81000-0018 VGR des Bundes - Produktivität, Arbeitnehmerentgelt, Brutto- löhne u. -gehälter, Lohnstückkosten: Deutschland, Quartale, Original- und bereinigte Daten, Wirtschaftsbereiche Calculation: For each quarter, the average of the past 12 months was calculated

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DATA SOURCES CHINA

KPI	Source
Manufacturing production (Value-added of Industry)	National Bureau of Statistics of China Calculation: Using industrial value added as the base for manufacturing production. Set March 2017 as the index base (100). Monthly year-on-year growth rates are then used to calculate the March 2018 index, which is subsequently used to back-calculate the indices for April–December 2017. This process is repeated to derive monthly industrial value-added indices from 2018 through 2025.
Industrial capacity Utilization %	National Bureau of Statistics of China Calculation: Quarterly results taken
PMI - New orders index %	National Bureau of Statistics of China Calculation: Average over the three month in the quarter
Industrial Export Delivery, bn ¥	National Bureau of Statistics of China Calculation: Average over the three month in the quarter
Foreign capital used in manufacturing, bn ¥	National Ministry of Commerce of China Calculation: Use year-to-date foreign direct investment data and back-calculate quarterly totals from the monthly figures.
Total industrial employees, M	National Bureau of Statistics of China Calculation: Average over the three month in the quarter
Registered unemployed rate in urban areas, %	National Bureau of Statistics of China Calculation: Average over the three month in the quarter
Hourly wage rate in urban, non-private units, ¥/hour	National Bureau of Statistics of China Calculation: Dividing the annual average wage of urban non-private employees by 12 months, 22 working days per month and 8 hours per day.
Labor Productivity (Indexed to 2020)*	National Bureau of Statistics of China Calculation: Dividing the annual industrial value added by the number of industrial employees to obtain per capita industrial value added. The 2020 value is set as the base year (index = 100) to derive the productivity index for 2021–2024.

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KEY CONTACTS:

Parmesh Bhaskaran (US)
Partner & Managing Director

Global Leader of End-to-End Supply Chain

+1 (630) 561-3350

pbhaskaran@alixpartners.com

Steven Hilgendorf (US)
Partner & Managing Director

Global Co-Leader of Manufacturing & Operations

+1 (262) 951-1907

shilgendorf@alixpartners.com

Nicolas Franzwa (Germany)
Partner & Managing Director

Global Co-Leader of Manufacturing & Operations

+49 172 1 30 43 89

nfranzwa@alixpartners.com

Dr. Xing Zhou (Germany)
Partner & Managing Director

Automotive & Industrial Goods

+49 (0) 172 88 10 474

xzhou@alixpartners.com

Ignatius Tong (China)
Partner & Managing Director

Greater China Co-Leader

+86 186-0210-3703

itong@alixpartners.com

Michael Mo (China)
Partner & Managing Director

China & Southeast Asia

+65 9010-2973

xmo@alixpartners.com

CONTRIBUTORS:

Akshay Balachandran
Americas

Narayan Natarajan
Americas

Robbie Ehlers
Americas

Lydia Whipple
Americas

Damian Almaraz
Americas

Connor Cook
Americas

Jens Wunderlin
Germany

Kristof Adomaitis
Germany

Dick Liu
China

Tino Shi
China

ABOUT US:

For more than 40 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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