AlixPartners

MANUFACTURING OVERVIEW: CY2025 – Q2

QUARTERLY SUMMARY OF KEY TRENDS & CHALLENGES

Manufacturers continue to experience slow revenue growth with weaker margins, increased inventory levels and lower capacity utilization (YoY change in Capacity Utilization: -0.4% in US, -0.5% in Germany & -1.2% in China).

Tariff mitigation efforts may have ensured business continuity. However, it is yet to be seen if this is the new normal for manufacturers and expectations on target margins may need recalibration.

LOW CAPACITY UTILIZATION

Consumer demand is currently low across all regions leading to excess capacity and reduced capacity utilization. This highlights the need for more accurate demand forecasting and manufacturing footprint optimization. Conducting line-level assessments will be critical to addressing inefficiencies and aligning resources with demand.

HIGHER PRODUCTIVITY

Increased productivity gains driven by automation are beginning 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.

TARIFF STABILIZATION

Certain regions are beginning to show stabilization following the earlier tariff disruptions. However, ongoing monitoring remains necessary, as localized policy and market responses continue to create uncertainty in global trade flows.

FINANCIAL PERFORMANCE OF MANUFACTURERS

SLOW REVENUE GROWTH, WEAKER MARGINS AND INCREASED INVENTORY LEVELS

INDUSTRY[1]	% OF COMPANIES THAT BEAT MARKET EBITDA ESTIMATES			
	Q3 '24	Q4 '24	Q1 '25	Q2 '25
Aerospace & Defense	74%	71%	79%	63%
Automotive	50%	64%	65%	60%
Chemicals	50%	46%	81%	59%
Consumer Electronics	52%	42%	56%	50%
Energy & Utilities	57%	72%	59%	74%
Food & Beverage	65%	55%	63%	70%
Health & Beauty	55%	61%	75%	80%
Household Durables	54%	54%	43%	61%
Industrial & Building Products	50%	56%	65%	77%
Metal & Mining	85%	63%	85%	69%
Paper & Pulp Products	41%	50%	61%	35%

QoQ Change | *Positive* | *Negative or flat*

INDUSTRY[2]	REVENUE TTM				GROSS MARGIN TTM				INVENTORY TURNOVER			
	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '24	Q4 '24	Q1 '25	Q2 '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

COMMENTS

- Several industries experienced slow/flat LTM revenue growth (driven by Q2 '25 vs Q2 '24)
- Additional negative pressure in gross margin & inventory turns are likely driven by tariff mitigation efforts by companies and associated cost absorptions

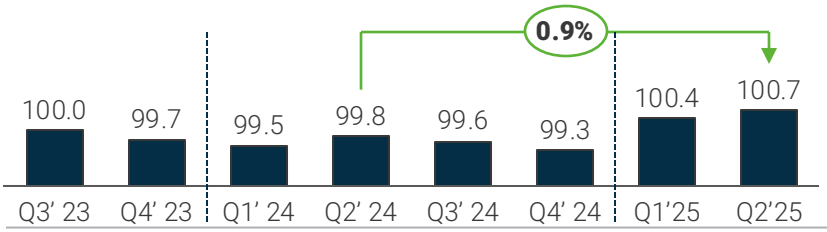
Note: Companies within Industries include Top 40 global public companies by Revenue; based on data available at time of publication
(1) based on market consensus on EBITDA estimates vs actuals, calculation based on companies with available data only
(2) metric trend based on median in industry group

MACRO KPI (USA) - PRODUCTION AND CAPACITY

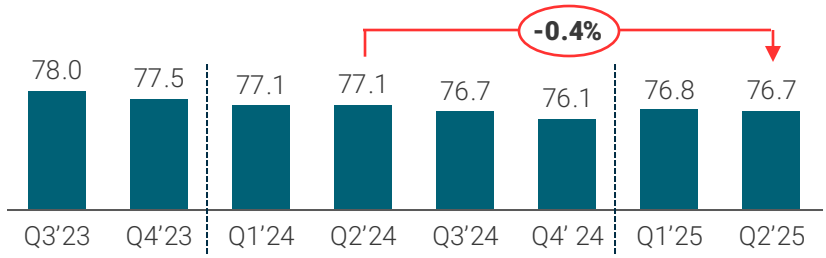
US PRODUCTION OUTPUT HAS INCREASED FOR A SECOND QUARTER IN A ROW, REVERSING THE RECENT TREND

CALENDAR QUARTER BY QUARTER CHANGE

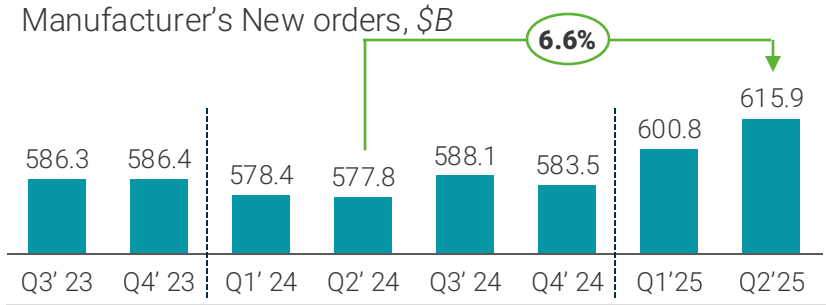
Manufacturing production *(Indexed to 2017 production)*



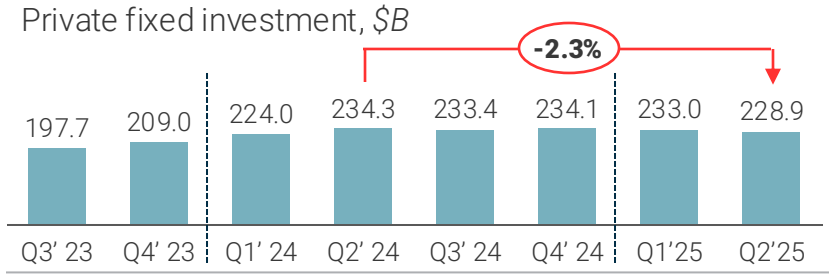
Manufacturing capacity utilization, %



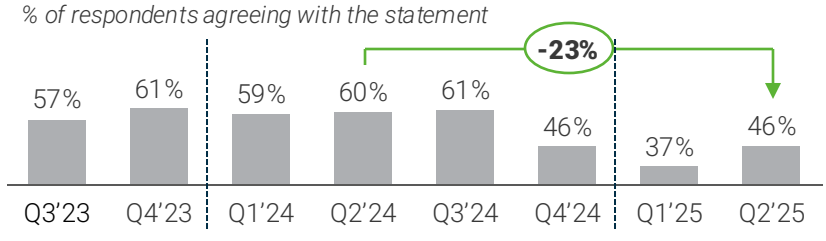
Manufacturer's New orders, *$B*



Private fixed investment, *$B*



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



HIGHLIGHTS

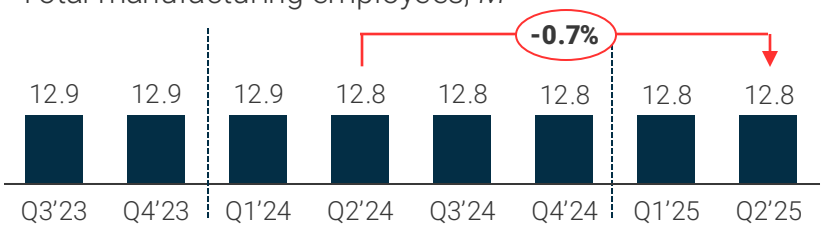
- Increase in production supported by productivity increase while demand uptick tied to proposed and/or recently implemented tariffs experienced in Q1 continues to be sustained through Q2' 25
- Capacity utilization has recovered from the lows of Q4 2024 in the first half of 2025 and seems to have leveled out
- New orders have jumped both year-over-year and quarter-over-quarter as it appears that the surge has been spurred by front-loaded purchases ahead of tariff policies
- Private fixed investment have gradually decreased from the high of 2024 due to high interest rates and uncertain economic outlook from fluctuations in policies (both potential and implemented policy changes)
- After a sharp decline in concerns around an unfavorable business climate from Q3 of 2024 to Q1 of 2025, the trend has reversed and has increased in Q2 of 2025. Instability in government regulations appears to be one of the main contributors

MACRO KPI (USA) - LABOR

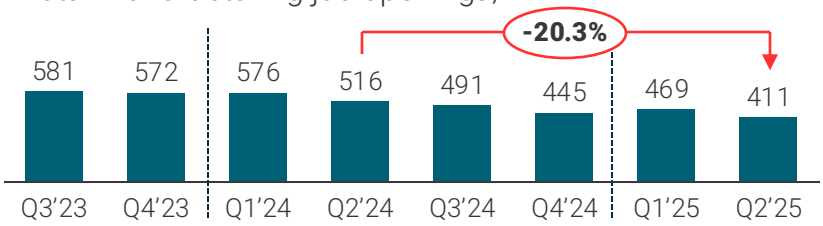
US MANUFACTURING LABOR MARKET TIGHTENS BUT CONTINUES TO HAVE UPWARD WAGE PRESSURE

CALENDAR QUARTER BY QUARTER CHANGE

Total manufacturing employees, *M*



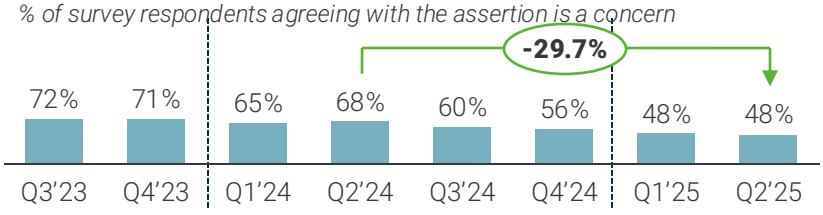
Total manufacturing job openings, *K*



Manufacturing hourly wage rates, *$/hr*

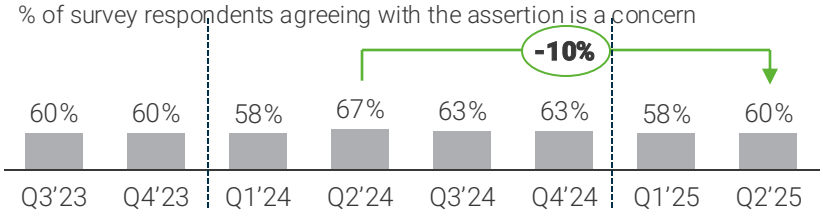
Attracting & Retaining Workforce

% 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 to be stagnant/slightly declining even as production increases likely from increased automation
- Labor market has significantly tightened from 2024 amid slower economic growth and productivity gains from automation and high-tech enablement
- Manufacturing wages continue an upward trend, increasing slightly more on a percentage basis than overall wages in the US
- Concerns around hiring & retaining employees has eased year-over-year, but flatlined since last quarter as it seems that low skill jobs are easier to fill, but manufacturers are still struggling to fill jobs in some areas, like skilled trades
- Slight increase since last quarter, but overall concerns around healthcare costs are likely to stay high as healthcare costs continue to increase or stay at current rates

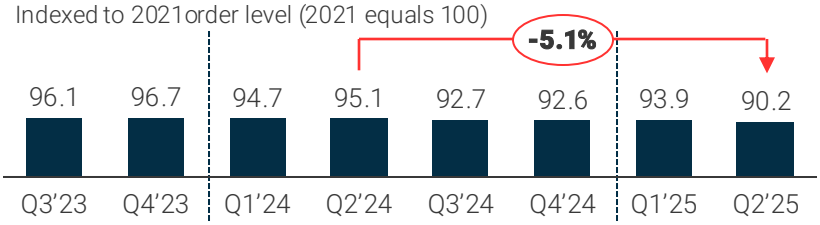
MACRO KPI (GERMANY) - PRODUCTION AND CAPACITY

GERMANY'S MANUFACTURING ORDER BOOKS SLOWLY IMPROVING, UTILIZATION HOWEVER, IS STILL TOO LOW

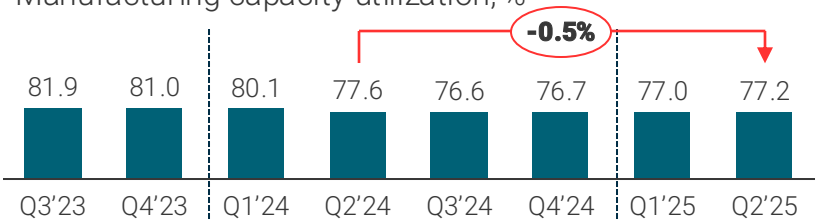
CALENDAR QUARTER BY QUARTER CHANGE

Manufacturing production, index

Indexed to 2021order level (2021 equals 100)

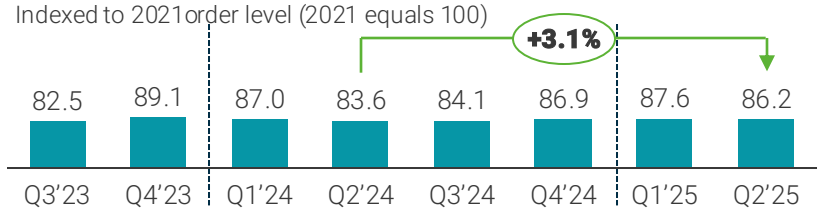


Manufacturing capacity utilization, %

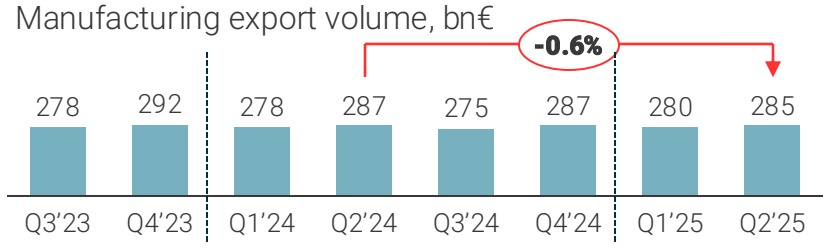


Manufacturing new orders, index

Indexed to 2021order level (2021 equals 100)

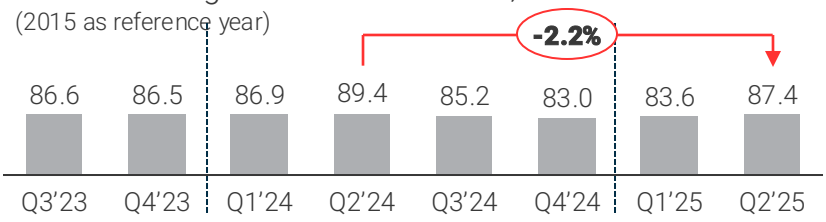


Manufacturing export volume, bn€



Manufacturing Ifo business climate, index

(2015 as reference year)



HIGHLIGHTS

- Gross value creation has been declining over the past 2 years. Correcting for inflation, manufacturing value add has been declining. Competitiveness needs to be improved to revert the downwards trend

- Capacity utilization seems to slowly recover. However, the low utilization/ overcapacity is still concerning
- Consolidation of factories should be in focus for German manufactures

- New orders went up 3.1% compared to the pervious year's orders. This is a good sign and provides hope for German manufactures
- Clarity on future tariffs a likely contributor to new orders growth

- Export is unchanged compared to the previous year
- With new orders increasing, a slight improvement in export volumes can be expected in the future

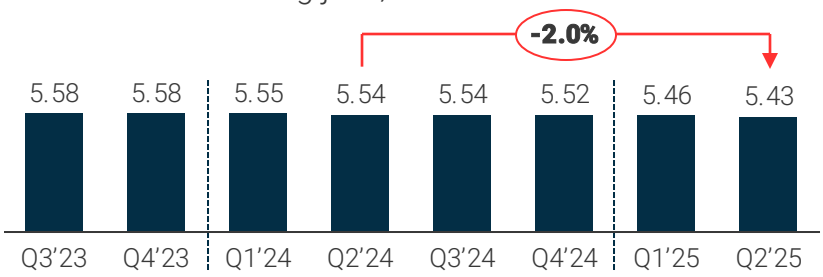
- Sentiment has gone-up compared to the previous quarters. Expectations towards the future are more positive.
- This is related to increased orders and clarity on future tariffs

MACRO KPI (GERMANY) - LABOR

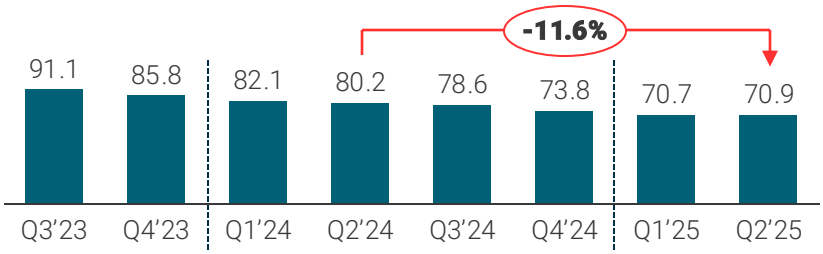
PRODUCTIVITY INCREASE WILL BE ONE OF THE MAIN DRIVERS TOWARDS A BETTER FUTURE

CALENDAR QUARTER BY QUARTER CHANGE

Total manufacturing jobs, M

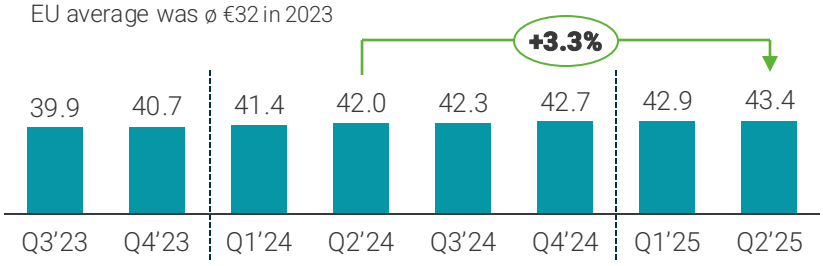


Total manufacturing job openings, K



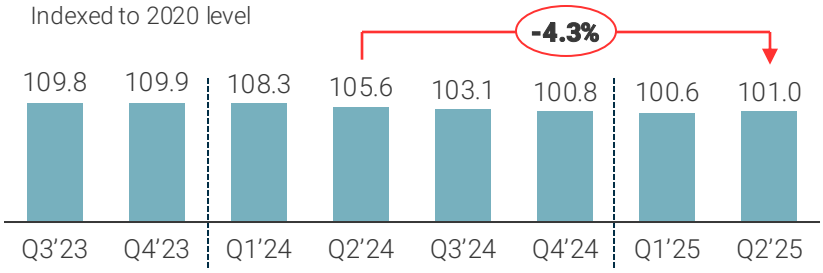
Manufacturing hourly wage rates (12month view), €/hr

EU average was ø €32 in 2023



Productivity per hour, #

Indexed to 2020 level



HIGHLIGHTS

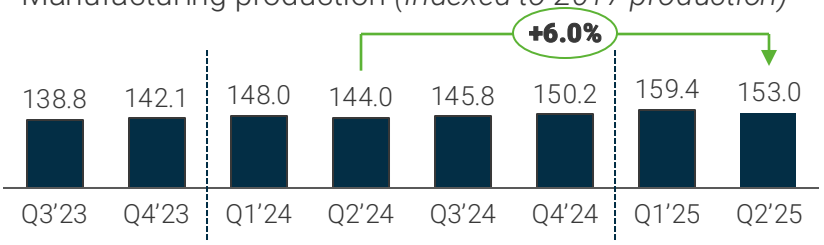
- Companies have been reducing their headcount related cost because of low utilization, reduced revenues and an increase in labor cost. More job losses are expected in the upcoming quarters
- Job openings have been decreasing significantly (-11.6%) compared to the previous year's quarter
- However, there is a slight upwards trend compared to the previous month, but it is not expected that this trend remains
- Note now is the time to grab talent
- Wages have been increasing over the past years
- HC related cost are too high in Germany especially considering Germany's drop in productivity (see below)
- Q2 shows a slight productivity increase compared to the previous two quarters but is still considerably below pervious year's productivity (-4.3%)
- It is obvious that the current workforce needs to be better utilized (see our highlight topic)

MACRO KPI (CHINA) - PRODUCTION AND CAPACITY

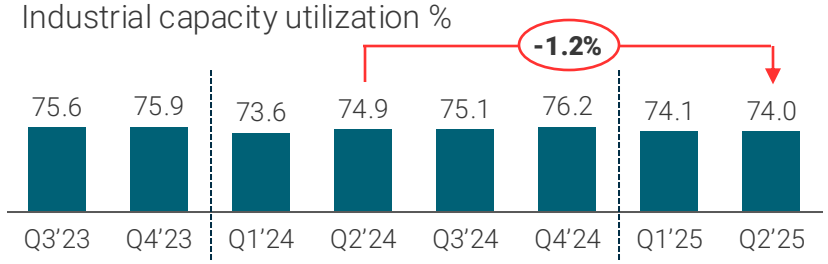
CHINA MANUFACTURING IS UNDER TRANSITION - PERFORMANCE IS IMPACTED BY INTERNAL STRUCTURAL ADJUSTMENT AND EXTERNAL TRADE WAR FACTORS

CALENDAR QUARTER BY QUARTER CHANGE

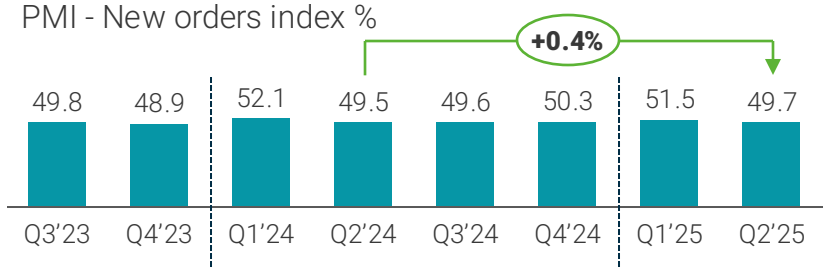
Manufacturing production *(Indexed to 2017 production)*



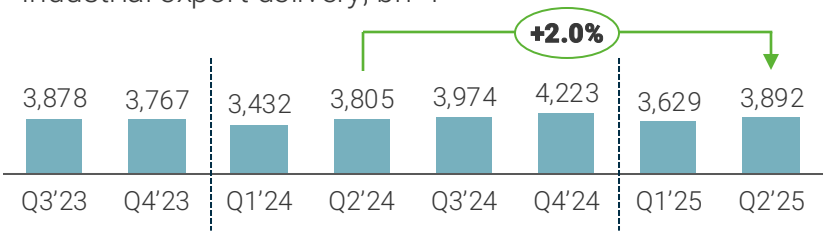
Industrial capacity utilization %



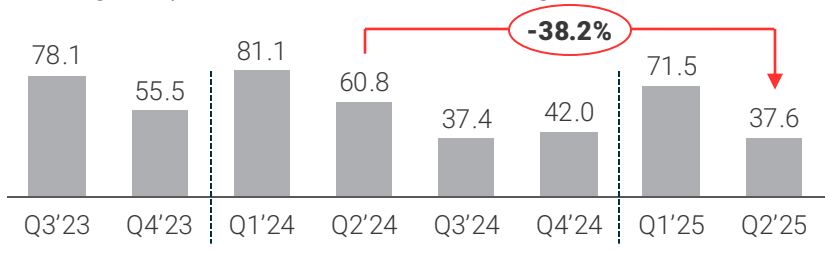
PMI - New orders index %



Industrial export delivery, bn ¥



Foreign capital used in manufacturing, bn ¥



HIGHLIGHTS

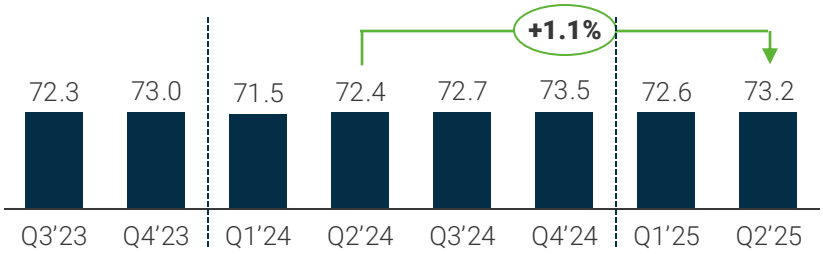
- The industrial output, despite fluctuations, has shown a consistent upward trend
- China's industrial capacity utilization rate is lower than that of the US and Germany, reflecting necessity for structural change. (Flattened local demand plus inefficient resource allocation caused overcapacity for certain sectors.)
- New orders index remains at low level. Affected by tariff, market demand and business confidence remains not high
- The low export number in Q1 was mainly due to the long Chinese New Year holiday
- Q2 continues a multi-quarter upward trend, reflecting the resilience of China's industrial export sector
- China's foreign direct investment has declined year-over-year amid high global interest rates and geopolitical tensions
- Investment is shifting towards high-tech sectors

MACRO KPI (CHINA) - LABOR

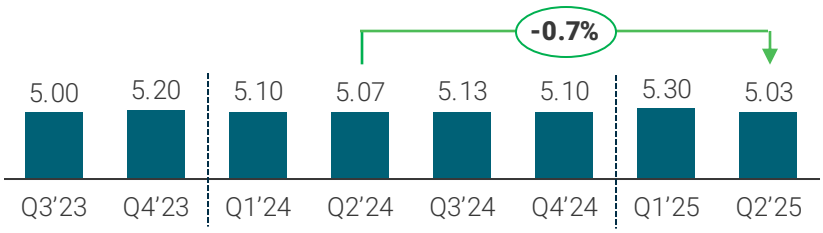
CHINA MANUFACTURING LABOR MARKET CONTINUES TO IMPROVE BUT IS FACING UPWARD WAGE PRESSURE

CALENDAR QUARTER BY QUARTER CHANGE

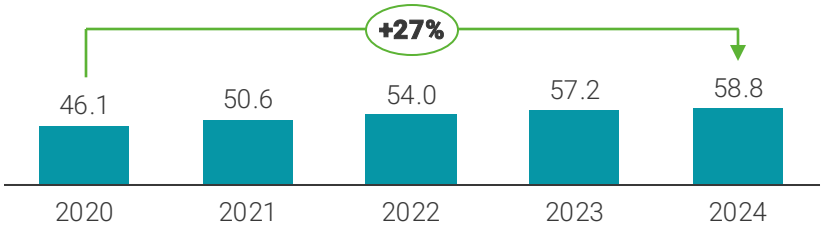
Total industrial employees, *M*



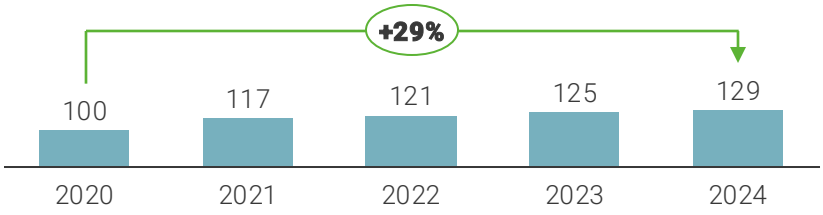
Registered unemployed rate in urban areas, %



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



Labor productivity (Indexed to 2020)*



HIGHLIGHTS

- Manufacturing employment continues to grow even facing structural adjustments and external pressure. China continues to maintain its status as a manufacturing center.
- Slight decrease since last quarter, with overall stable, reflecting a dynamic equilibrium between the economy and the labor market supply.
- Manufacturing wages continue an upward trend. The inflation pace has been moderated, reflecting a positive balance between structural adjustments and labor market supply.
- Labor productivity is steadily improving, indicating that the structural adjustment had begun to take effect (i.e., industrial upgrade and resource allocation optimization).

* Inflation factor not considered

TOPIC HIGHLIGHT

AMERICA'S FACTORY GAMECHANGER IS ALREADY ON THE PAYROLL

In the current manufacturing climate, reshoring pressures in the US and skilled labor shortages globally are exposing inefficiencies on the factory floor. Hiring alone cannot close this gap! (e.g., +400k open manufacturing jobs in US). The fastest and most sustainable path forward lies in unlocking the full capabilities of the existing workforce.

Current workforce is not being effectively leveraged.

There are gaps in skill sets, work allocation and cross-training. Limited leadership presence has contributed to persistent firefighting highlighting lack of planning. A sample study showed that only 46% of time on a 12-hour shift was spent on value-added activities. There is an opportunity to rethink roles and redeploy labor more effectively.

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

1 Assess & Analyze

Use time studies and skills assessments to identify inefficiencies and align workforce capabilities with operational needs

2 Clean-Sheet the Process

Rethink workflows and task groupings to eliminate outdated practices and optimize how work is performed

3 Capture Knowledge and Improve Access

Preserve tribal knowledge through documentation and digital tools, to reduce variability and accelerate onboarding

4 Develop and Cross-Train

Build a flexible, resilient workforce by addressing skill gaps and enabling employees to adapt to shifting production demands

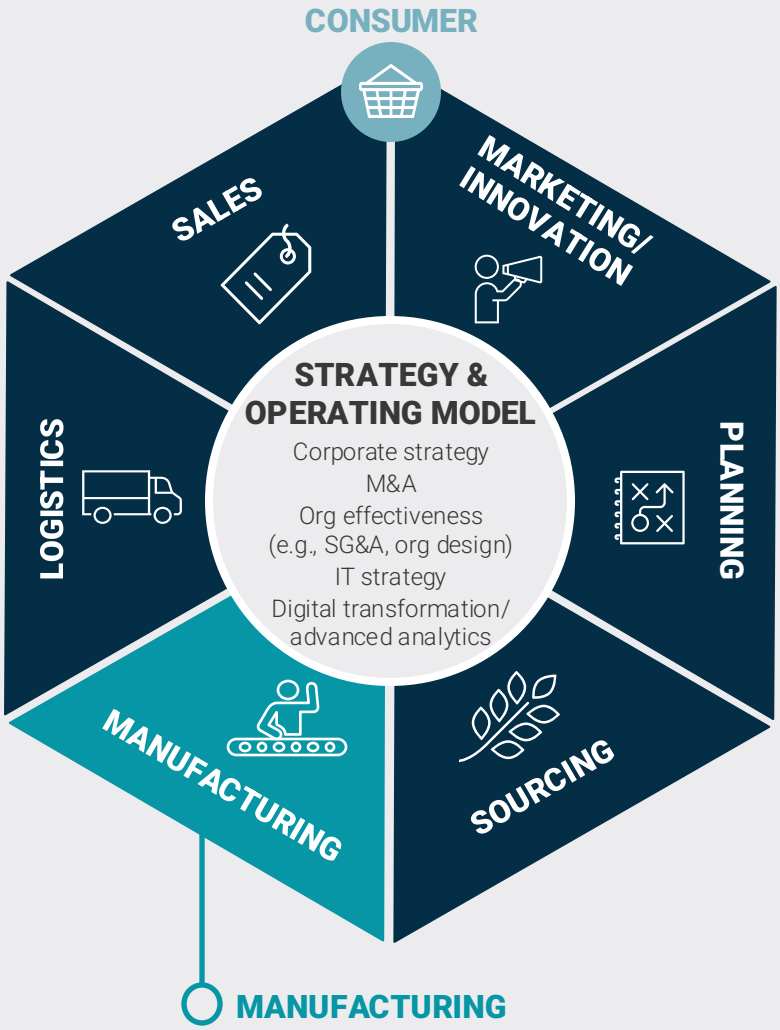
5 Lead and Coach Proactively

Establish structured leadership routines to ensure accountability, reduce firefighting, and strengthen floor-level supervision

Source: AlixPartners Insights - America's factory gamechanger is already on the payroll

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, eComm
- 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 of 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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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.