

MANUFACTURING OVERVIEW: CY2026 – Q2

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QUARTERLY SUMMARY OF KEY TRENDS & CHALLENGES

Several companies across industries are showing modest increase in revenues in this year's second quarter snapshot. New orders are up across US, Germany, and China with exports from Germany and China returning to pre-2025 levels.

Input costs remain elevated, adding to ongoing margin pressures for manufacturers. Increased raw material, energy and freight costs, along with challenges in retaining skilled labor remain key focus areas for manufacturers in recent months.

TRADE RESILIENCE

New orders are up across major markets YoY, but tariff positions shifted repeatedly through 2026 and can shift again. Resilience now means dual-sourced footprints and pass-through terms written into customer contracts, so one policy decision does not set the year's margin.

MATERIAL RISK/SCRAP REDUCTION

Input costs remain elevated and freight has turned from a tailwind into a headwind, which makes material yield a faster source of savings than another round of price negotiation. Where inventory turns are slipping and earnings are coming in below market expectations, scrap and working capital are the first place to look.

LABOR PRODUCTIVITY

Wage rates keeps rising even as headcount needs decline, so output per hour, not hiring, is the live margin lever. Where capacity has been rightsized, utilization has recovered ahead of production; elsewhere production and capacity have slipped despite stronger new orders.



FINANCIAL PERFORMANCE OF MANUFACTURERS

REVENUE GROWS ACROSS MOST INDUSTRIES WHILE RISING INPUT COSTS KEEP MARGIN GROWTH FLAT

INDUSTRY ²	REVENUE TTM				GROSS MARGIN TTM				INVENTORY TURNOVER TTM			
	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '25	Q4 '25	Q1 '26	Q2 '26	Q3 '25	Q4 '25	Q1 '26	Q2 '26
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 “- - -”
“+” OR “-”

Change in Revenue & Gross Margin exceeds +/-5% | Change in Inventory Turn exceeds +/- 0.5
Change in Revenue & Gross Margin within +/-5% | Change in Inventory Turn within +/- 0.5

INDUSTRY ¹	% OF COMPANIES THAT BEAT MARKET EBITDA ESTIMATES			
	Q3 '25	Q4 '25	Q1 '26	Q2 '26
Aerospace & Defense	83%	65%	67%	85%
Automotive	60%	71%	72%	54%
Chemicals	81%	45%	71%	67%
Consumer Electronics	42%	52%	78%	76%
Energy & Utilities	85%	74%	85%	87%
Food & Beverage	75%	57%	68%	86%
Health & Beauty	59%	75%	81%	80%
Household Durables	57%	43%	46%	62%
Industrial & Building Products	67%	85%	55%	55%
Metal & Mining	68%	73%	68%	71%
Paper & Pulp Products	50%	31%	41%	53%

QoQ Change

Positive

Negative or flat

COMMENTS

- Revenues are generally up as trade and production volumes trend up globally; margin growth continues to stagnate as input costs (esp. raw materials, energy & freight) remain high³
- Energy and utilities growth outpaces peer groups mainly due to rapid build out of data centers and supporting infrastructure

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

(3) concluded based on recent interactions with clients across sectors

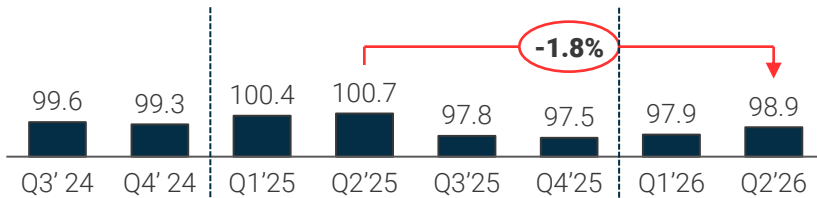
Manufacturing Overview: CY2026 – Q2

MACRO KPI (USA) - PRODUCTION AND CAPACITY

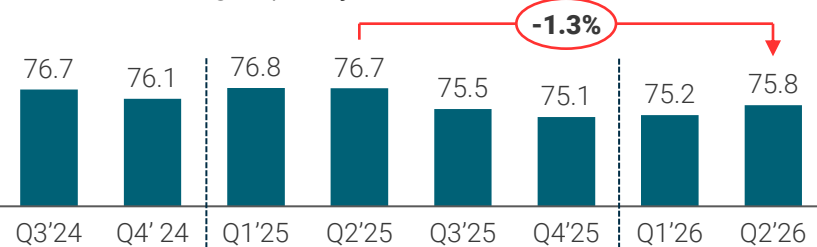
AI DEMAND IS DRIVING US MANUFACTURING GROWTH WHILE RESHAPING CAPITAL ALLOCATIONS

CALENDAR QUARTER BY QUARTER CHANGE

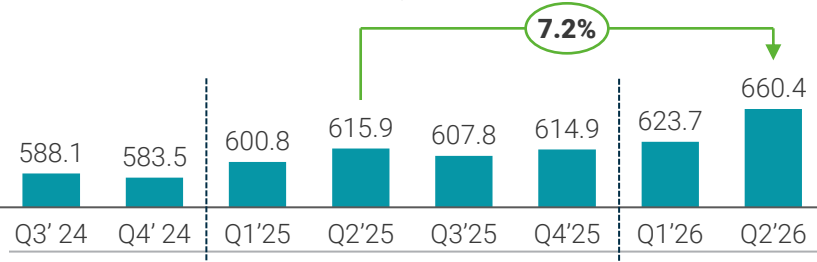
Manufacturing production (indexed to 2017 production)



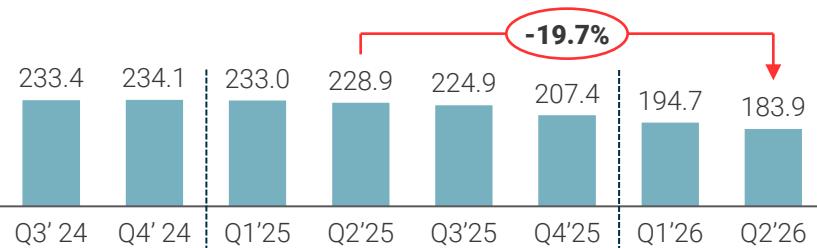
Manufacturing capacity utilization, %



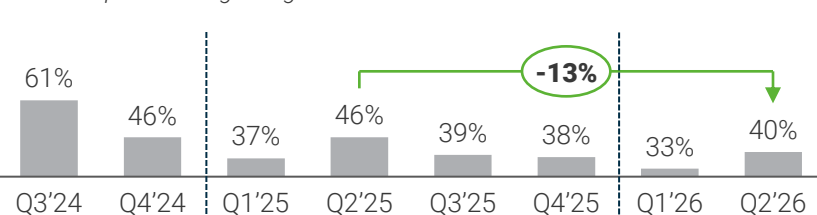
Manufacturers' new orders, \$B



Private fixed investment, \$B



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



HIGHLIGHTS

- Output grew QoQ while decreasing YoY with 2025 high likely distorted by the early 2025-tariff pull-forward.
- Growth is narrow. Durables gained 0.7% while nondurables fell 0.4% and autos dropped 2.1%.

- Slack remains as manufacturing utilization sits about 2 points below its 50-year average.
- The 2022-24 capacity build is now a fixed-cost overhang. Sub-average operating rates keep unit costs elevated.

- Order strength is real and AI-led. Core capital goods orders are up 14% YoY with computer and electronic products up 9 of the last 10 months.
- Backlog is building faster than output converts. Unfilled durable goods have risen 23 of the last 24 months.

- Private data center construction is up to \$60B, taking share from plant CapEx and signaling a capital rotation.
- Manufacturing-related construction is declining as the CHIPS and Science Act subsidies wind down.

- Improvement in business sentiment is cost-driven. Concern over input costs jumped 26 points to 83%, with 72% citing higher energy inputs.
- Despite the alternative concerns, optimism improved only to be in line with historical averages.

US MANUFACTURING LABOR SCARCITY HAS SHIFTED FROM HEADCOUNT TO SKILLS, PUSHING COSTS HIGHER

CALENDAR QUARTER BY QUARTER CHANGE	HIGHLIGHTS																		
Total manufacturing employees, M <table><thead><tr><th>Quarter</th><th>Employees (M)</th></tr></thead><tbody><tr><td>Q3'24</td><td>12.8</td></tr><tr><td>Q4'24</td><td>12.8</td></tr><tr><td>Q1'25</td><td>12.8</td></tr><tr><td>Q2'25</td><td>12.8</td></tr><tr><td>Q3'25</td><td>12.8</td></tr><tr><td>Q4'25</td><td>12.6</td></tr><tr><td>Q1'26</td><td>12.6</td></tr><tr><td>Q2'26</td><td>12.6</td></tr></tbody></table>	Quarter	Employees (M)	Q3'24	12.8	Q4'24	12.8	Q1'25	12.8	Q2'25	12.8	Q3'25	12.8	Q4'25	12.6	Q1'26	12.6	Q2'26	12.6	• Manufacturing is now outperforming the wider labor market. The sector added jobs in Q2, while total payrolls declined. • Quits continue to run roughly double of layoffs, indicating managed attrition rather than distress.
Quarter	Employees (M)																		
Q3'24	12.8																		
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Total manufacturing job openings, K <table><thead><tr><th>Quarter</th><th>Openings (K)</th></tr></thead><tbody><tr><td>Q3'24</td><td>491</td></tr><tr><td>Q4'24</td><td>445</td></tr><tr><td>Q1'25</td><td>469</td></tr><tr><td>Q2'25</td><td>411</td></tr><tr><td>Q3'25</td><td>411</td></tr><tr><td>Q4'25</td><td>414</td></tr><tr><td>Q1'26</td><td>472</td></tr><tr><td>Q2'26</td><td>498</td></tr></tbody></table>	Quarter	Openings (K)	Q3'24	491	Q4'24	445	Q1'25	469	Q2'25	411	Q3'25	411	Q4'25	414	Q1'26	472	Q2'26	498	• Retirements are a structural risk. Roughly 1.8M manufacturing workers are expected to retire within five years. • Unfilled openings are increasing operating risk. Skilled roles stay open longest, and peers are competing for the same talent.
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Manufacturing hourly wage rates, \$/hr <table><thead><tr><th>Quarter</th><th>Wage Rate (\$/hr)</th></tr></thead><tbody><tr><td>Q3'24</td><td>28.0</td></tr><tr><td>Q4'24</td><td>28.3</td></tr><tr><td>Q1'25</td><td>28.7</td></tr><tr><td>Q2'25</td><td>28.9</td></tr><tr><td>Q3'25</td><td>29.2</td></tr><tr><td>Q4'25</td><td>29.5</td></tr><tr><td>Q1'26</td><td>29.8</td></tr><tr><td>Q2'26</td><td>30.2</td></tr></tbody></table>	Quarter	Wage Rate (\$/hr)	Q3'24	28.0	Q4'24	28.3	Q1'25	28.7	Q2'25	28.9	Q3'25	29.2	Q4'25	29.5	Q1'26	29.8	Q2'26	30.2	• Wage growth is outpacing inflation with no sign of easing. Wage rates have climbed every quarter for two years. • Pay keeps rising even with headcount flat, meaning employers are paying premiums for talent that they cannot source.
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Attracting & Retaining Workforce <i>% of survey respondents agreeing with the assertion as a concern</i> <table><thead><tr><th>Quarter</th><th>Concern (%)</th></tr></thead><tbody><tr><td>Q3'24</td><td>60%</td></tr><tr><td>Q4'24</td><td>56%</td></tr><tr><td>Q1'25</td><td>48%</td></tr><tr><td>Q2'25</td><td>48%</td></tr><tr><td>Q3'25</td><td>47%</td></tr><tr><td>Q4'25</td><td>52%</td></tr><tr><td>Q1'26</td><td>45%</td></tr><tr><td>Q2'26</td><td>47%</td></tr></tbody></table>	Quarter	Concern (%)	Q3'24	60%	Q4'24	56%	Q1'25	48%	Q2'25	48%	Q3'25	47%	Q4'25	52%	Q1'26	45%	Q2'26	47%	• Retention pressure eased but remains a concern. Roughly half of manufacturers still consider it, but well off the 60% peak. • Pay alone is no longer the fix. Wages are up while the concern is flat, pointing to skills development as the primary challenge.
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Rising Healthcare/Insurance Costs <i>% of survey respondents agreeing with the assertion as a concern</i> <table><thead><tr><th>Quarter</th><th>Concern (%)</th></tr></thead><tbody><tr><td>Q3'24</td><td>63%</td></tr><tr><td>Q4'24</td><td>63%</td></tr><tr><td>Q1'25</td><td>58%</td></tr><tr><td>Q2'25</td><td>60%</td></tr><tr><td>Q3'25</td><td>65%</td></tr><tr><td>Q4'25</td><td>70%</td></tr><tr><td>Q1'26</td><td>70%</td></tr><tr><td>Q2'26</td><td>70%</td></tr></tbody></table>	Quarter	Concern (%)	Q3'24	63%	Q4'24	63%	Q1'25	58%	Q2'25	60%	Q3'25	65%	Q4'25	70%	Q1'26	70%	Q2'26	70%	• Benefits are now the fastest-growing labor cost. Employer health costs are projected to rise near double digits for a fourth straight year. • The burden is not being passed through as employers are absorbing an estimated ~80% of plan costs.
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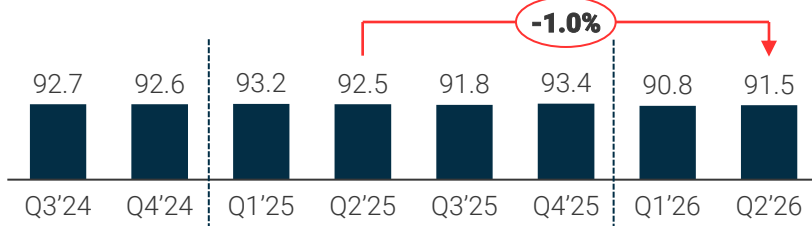
MACRO KPI (GERMANY) - PRODUCTION AND CAPACITY

GERMAN MANUFACTURING IMPROVED YOY, BUT PRODUCTION HAS YET TO RECOVER

CALENDAR QUARTER BY QUARTER CHANGE

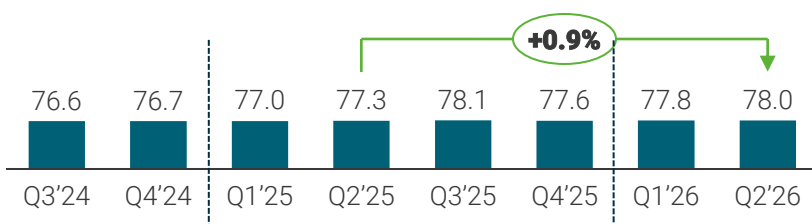
HIGHLIGHTS

Manufacturing production (indexed to 2021 production)



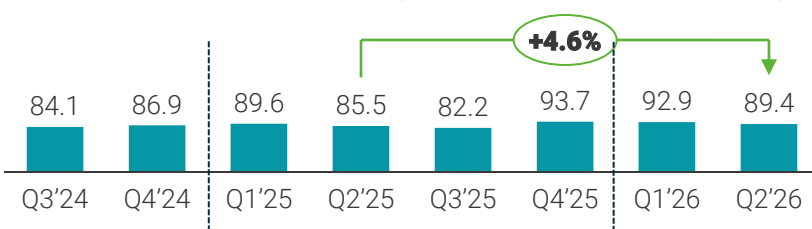
- Production improved QoQ but still sits 1 point below Q2'25.
- Manufacturers expect output to rise over the upcoming months, the first forward-looking upturn in more than a year.

Manufacturing capacity utilization, %



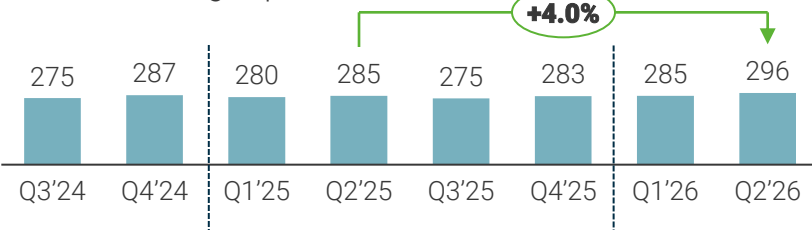
- Utilization increased again to 78%, a fifth straight quarter above 77%.
- The gain is still too small to absorb fixed costs, so utilization remains the primary profitability lever.

Manufacturing new orders (indexed to 2021 production)



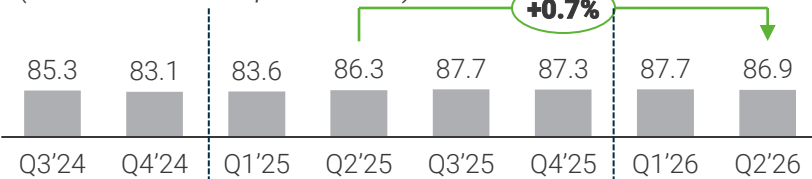
- New orders fell 3.5 points QoQ yet remain 3.9 points above Q2'25.
- Order backlogs remain well filled, so softer intake does not yet threaten output. Defense spend remains the main driver.

Manufacturing export volume, bn €



- Export volume hit a series high of in Q2'26, up 4.1% QoQ and 4.0% YoY.
- US tariffs and Chinese competition in autos and machinery are now a clearer risk to exports than the Middle East conflict.

Manufacturing IFO business climate (indexed to 2015 production)

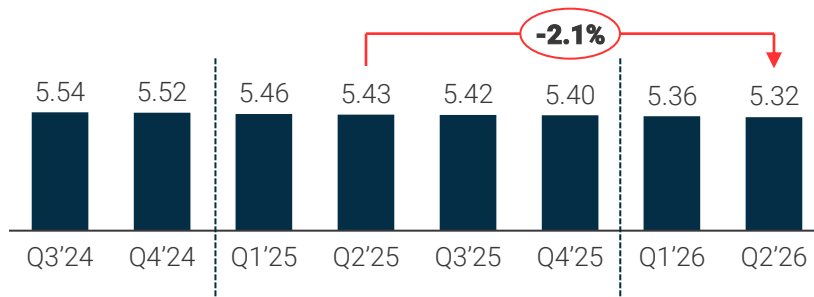


- Quarterly average slipped to 86.9 from 87.7 as the Middle East conflict pushed energy prices sharply higher.
- The dip appears temporary, as sentiment has generally improved in recent months.

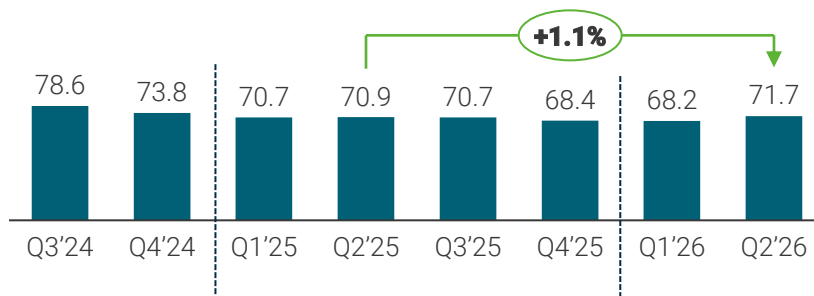
GERMAN MANUFACTURING KEEPS SHEDDING JOBS WHILE WAGES AND PRODUCTIVITY CONTINUE TO CLIMB

CALENDAR QUARTER BY QUARTER CHANGE

Total manufacturing jobs, M

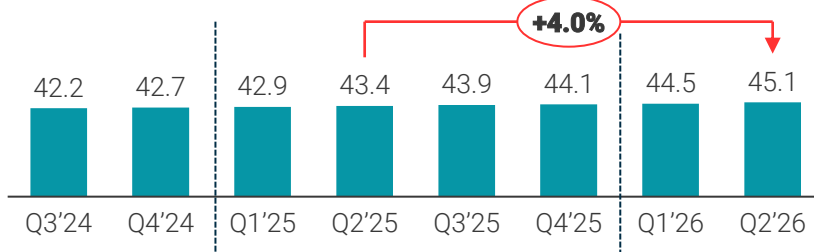


Total manufacturing job openings, K

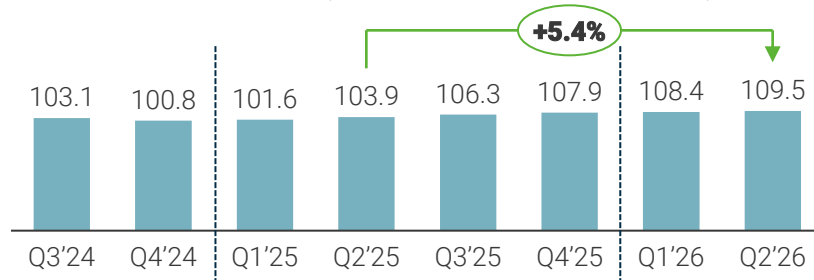


Manufacturing hourly wage rates (12-month view), €/hr

European Union average was ø €34.90 in 2025



Productivity per hour (indexed to 2020 production)



HIGHLIGHTS

- Headcount fell again to 5.32M in Q2'26, a seventh consecutive decline QoQ and roughly 220K jobs below Q3'24.
- Energy costs, regulations, and weak output keep these reductions structural rather than cyclical.

- Openings rose 5.1% QoQ to 71.7K, the first clear rebound in the series and back above the Q2'25 level.
- Vacancies across the wider economy have also picked up, an early sign that hiring freezes are starting to lift.

- Wages reached €45.1 per hour, up 1.3% QoQ and 3.9% YoY, well above the 2025 EU average.
- Higher energy prices and renewed inflation put real wages under pressure for the rest of the year.

- Productivity per hour reached 109.5 in Q2'26, up 1.1 points QoQ and 5.6 points YoY.
- Productivity gains match close to YoY wage growth; automation and AI continue to remain competitive levers.

CHINESE MANUFACTURING GROWTH IS UNBALANCED, AI AND HIGH-TECH SECTORS ARE CLEARLY LEADING

CALENDAR QUARTER BY QUARTER CHANGE	HIGHLIGHTS																		
Manufacturing production (<i>Indexed to 2017 production</i>) <table><tr><th>Quarter</th><td>Q3'24</td><td>Q4'24</td><td>Q1'25</td><td>Q2'25</td><td>Q3'25</td><td>Q4'25</td><td>Q1'26</td><td>Q2'26</td></tr><tr><th>Value</th><td>145.8</td><td>150.2</td><td>159.4</td><td>153.0</td><td>154.2</td><td>157.6</td><td>168.4</td><td>160.1</td></tr></table>	Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Value	145.8	150.2	159.4	153.0	154.2	157.6	168.4	160.1	- High-tech and equipment manufacturing make significant contributions to industrial growth, particularly in the electronic equipment sector. - The increasing adoption of AI and digital transformation is driving improvements in quality and efficiency.
Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26											
Value	145.8	150.2	159.4	153.0	154.2	157.6	168.4	160.1											
Industrial capacity utilization, % <table><tr><th>Quarter</th><td>Q3'24</td><td>Q4'24</td><td>Q1'25</td><td>Q2'25</td><td>Q3'25</td><td>Q4'25</td><td>Q1'26</td><td>Q2'26</td></tr><tr><th>Value</th><td>75.1</td><td>76.2</td><td>74.1</td><td>74.0</td><td>74.6</td><td>74.9</td><td>73.6</td><td>73.0</td></tr></table>	Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Value	75.1	76.2	74.1	74.0	74.6	74.9	73.6	73.0	Capacity utilization fell to 73%, the lowest level in the last 8 quarters, mainly dragged down by mining, petrochemical and real estate.
Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26											
Value	75.1	76.2	74.1	74.0	74.6	74.9	73.6	73.0											
PMI - New orders index¹ <table><tr><th>Quarter</th><td>Q3'24</td><td>Q4'24</td><td>Q1'25</td><td>Q2'25</td><td>Q3'25</td><td>Q4'25</td><td>Q1'26</td><td>Q2'26</td></tr><tr><th>Value</th><td>49.6</td><td>50.3</td><td>51.5</td><td>49.7</td><td>49.5</td><td>49.6</td><td>49.8</td><td>50.6</td></tr></table>	Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Value	49.6	50.3	51.5	49.7	49.5	49.6	49.8	50.6	- A phased recovery in overseas demand led to a rebound of PMI. - High-tech and equipment manufacturing sectors had strong order demand, driven by global AI industry investment and China domestic industry upgrading.
Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26											
Value	49.6	50.3	51.5	49.7	49.5	49.6	49.8	50.6											
Industrial export delivery, bn RMB <table><tr><th>Quarter</th><td>Q3'24</td><td>Q4'24</td><td>Q1'25</td><td>Q2'25</td><td>Q3'25</td><td>Q4'25</td><td>Q1'26</td><td>Q2'26</td></tr><tr><th>Value</th><td>3,974</td><td>4,223</td><td>3,629</td><td>3,892</td><td>4,111</td><td>4,174</td><td>3,863</td><td>4,312</td></tr></table>	Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Value	3,974	4,223	3,629	3,892	4,111	4,174	3,863	4,312	- A steady recovery and accelerated growth are up YoY, also primarily driven by the global AI and high-tech sectors demand - Government support has also led to increased exports as tariffs lift.
Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26											
Value	3,974	4,223	3,629	3,892	4,111	4,174	3,863	4,312											
Foreign capital used in manufacturing, bn RMB <table><tr><th>Quarter</th><td>Q3'24</td><td>Q4'24</td><td>Q1'25</td><td>Q2'25</td><td>Q3'25</td><td>Q4'25</td><td>Q1'26</td><td>Q2'26</td></tr><tr><th>Value</th><td>37.4</td><td>42.0</td><td>71.5</td><td>37.6</td><td>41.0</td><td>35.4</td><td>71.5</td><td>33.6</td></tr></table>	Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	Value	37.4	42.0	71.5	37.6	41.0	35.4	71.5	33.6	- Foreign direct investment has slowed since 2025, while investment in high-tech manufacturing remained. - R&D & design services, electronics, and communication equipment are the principal areas of capital inflow.
Quarter	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26											
Value	37.4	42.0	71.5	37.6	41.0	35.4	71.5	33.6											

1. Relative to 50 (e.g. if 50 there is no change)
Manufacturing Overview: CY2026 – Q2

CHINA'S MANUFACTURING POPULATION CONTINUES TO DECLINE, WHILE LABOR PRODUCTIVITY KEEPS INCREASING

CALENDAR QUARTER BY QUARTER CHANGE	HIGHLIGHTS																		
Total industrial employees, M <table><thead><tr><th>Quarter</th><th>Employees (M)</th></tr></thead><tbody><tr><td>Q3'24</td><td>72.7</td></tr><tr><td>Q4'24</td><td>73.5</td></tr><tr><td>Q1'25</td><td>72.6</td></tr><tr><td>Q2'25</td><td>73.2</td></tr><tr><td>Q3'25</td><td>73.3</td></tr><tr><td>Q4'25</td><td>73.4</td></tr><tr><td>Q1'26</td><td>71.6</td></tr><tr><td>Q2'26</td><td>72.2</td></tr></tbody></table>	Quarter	Employees (M)	Q3'24	72.7	Q4'24	73.5	Q1'25	72.6	Q2'25	73.2	Q3'25	73.3	Q4'25	73.4	Q1'26	71.6	Q2'26	72.2	- Q2'26 employment increased QoQ but remains below Q2'25 levels as employers primarily maintained existing workforce rather than expand. - Industries are accelerating on digital transformation, replacing labor intensive processes with robots to reduce reliance on employees needed.
Quarter	Employees (M)																		
Q3'24	72.7																		
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Registered unemployment rate in urban areas, % <table><thead><tr><th>Quarter</th><th>Rate (%)</th></tr></thead><tbody><tr><td>Q3'24</td><td>5.20</td></tr><tr><td>Q4'24</td><td>5.03</td></tr><tr><td>Q1'25</td><td>5.27</td></tr><tr><td>Q2'25</td><td>5.03</td></tr><tr><td>Q3'25</td><td>5.23</td></tr><tr><td>Q4'25</td><td>5.10</td></tr><tr><td>Q1'26</td><td>5.30</td></tr><tr><td>Q2'26</td><td>5.10</td></tr></tbody></table>	Quarter	Rate (%)	Q3'24	5.20	Q4'24	5.03	Q1'25	5.27	Q2'25	5.03	Q3'25	5.23	Q4'25	5.10	Q1'26	5.30	Q2'26	5.10	- In Q2'26, urban unemployment decreased slightly QoQ, recovering from the Chinese New Year festival effects. - The labor market remains generally stable with slight variations QoQ as economic uncertainty limits labor market growth.
Quarter	Rate (%)																		
Q3'24	5.20																		
Q4'24	5.03																		
Q1'25	5.27																		
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Hourly wage¹ rate in urban, non-private units, RMB/hour <table><thead><tr><th>Year</th><th>Rate (RMB/hour)</th></tr></thead><tbody><tr><td>2021</td><td>50.6</td></tr><tr><td>2022</td><td>54.0</td></tr><tr><td>2023</td><td>57.2</td></tr><tr><td>2024</td><td>58.8</td></tr><tr><td>2025</td><td>61.3</td></tr></tbody></table>	Year	Rate (RMB/hour)	2021	50.6	2022	54.0	2023	57.2	2024	58.8	2025	61.3	- Manufacturing hourly wage continued to be on the upward trend, the degree of increase from 2024 to 2025 beat that of 2023 to 2024. - In 2026 the hourly wage is expected to continue increasing, but at a lower rate.						
Year	Rate (RMB/hour)																		
2021	50.6																		
2022	54.0																		
2023	57.2																		
2024	58.8																		
2025	61.3																		
Labor productivity (Indexed to 2020) <table><thead><tr><th>Quarter</th><th>Productivity (Indexed to 2020)</th></tr></thead><tbody><tr><td>Q3'24</td><td>151.4</td></tr><tr><td>Q4'24</td><td>160.9</td></tr><tr><td>Q1'25</td><td>148.1</td></tr><tr><td>Q2'25</td><td>155.6</td></tr><tr><td>Q3'25</td><td>154.3</td></tr><tr><td>Q4'25</td><td>166.3</td></tr><tr><td>Q1'26</td><td>158.0</td></tr><tr><td>Q2'26</td><td>171.0</td></tr></tbody></table>	Quarter	Productivity (Indexed to 2020)	Q3'24	151.4	Q4'24	160.9	Q1'25	148.1	Q2'25	155.6	Q3'25	154.3	Q4'25	166.3	Q1'26	158.0	Q2'26	171.0	Productivity improved QoQ and YoY, largely driven by rapid development of technology-intensive industries, and gradual down-sizing of low-value-add industries.
Quarter	Productivity (Indexed to 2020)																		
Q3'24	151.4																		
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Q1'26	158.0																		
Q2'26	171.0																		

1.Hourly wage of urban state-owned & foreign invested companies (whose social benefits and bonuses are better than private units), inflation factor not considered
Manufacturing Overview: CY2026 – Q2

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TOPIC HIGHLIGHT

BOTTLENECK ANALYSIS: MAKE MORE WITH WHAT YOU HAVE IN YOUR FACILITIES

Manufacturers that need extra capacity face a stark tradeoff. They can commit to slow, capital-intensive expansion, or they can unlock hidden capacity sitting on their factory floors.

To build more capacity is a challenge. Since 2020, nonresidential construction costs have risen roughly 43% and have outpaced the broader commodity basket by nearly eight percentage points with sign of recovery. Timelines compound the problem. Greenfield projects still take 24 to 48 months before the first unit ships, with permitting, equipment lead times, and workforce availability routinely pushing timelines further.

When speed and volume are critical, the cost of additional capacity is as important as when it arrives. The reality for many manufacturers is that plants are not running at true capacity.

A line that is “at capacity” is rarely at capacity at every step. Using a bottleneck analysis approach helps to find and convert hidden capacity into reliable throughput.

What latent capacity looks like

At a high-level the facility appears to be facing capacity constraints, but the rest of the line is often waiting on a single choke point:

- The heat-treat stage that sets the ceiling on throughput
- The filling center that paces everything downstream
- The conveyance system that starves the next asset in sequence

In large, automated environments, the gap between perceived capacity and actual system potential is commonly 5 to 10% or more beyond current production.

What the bottleneck analysis is, and is not

Bottleneck analysis is structured, engineering-driven process. It isolates the true rate-limiting steps, establishes the sustainable run rate of the line, then sizes each fix and ranks the business cases by ROI.

- As equipment degrades, gaps grow between actual, expected, and potential performance and which bottleneck analysis helps provide a clearer picture of true potential.
- Bottleneck analysis is not just another efficiency initiative. Downtime, maintenance, labor productivity, and changeover work all matter, but none raises the system ceiling while the core constraint stands

Where the analysis pays off most

Bottleneck analysis has highest impact for environments with the below characteristics:

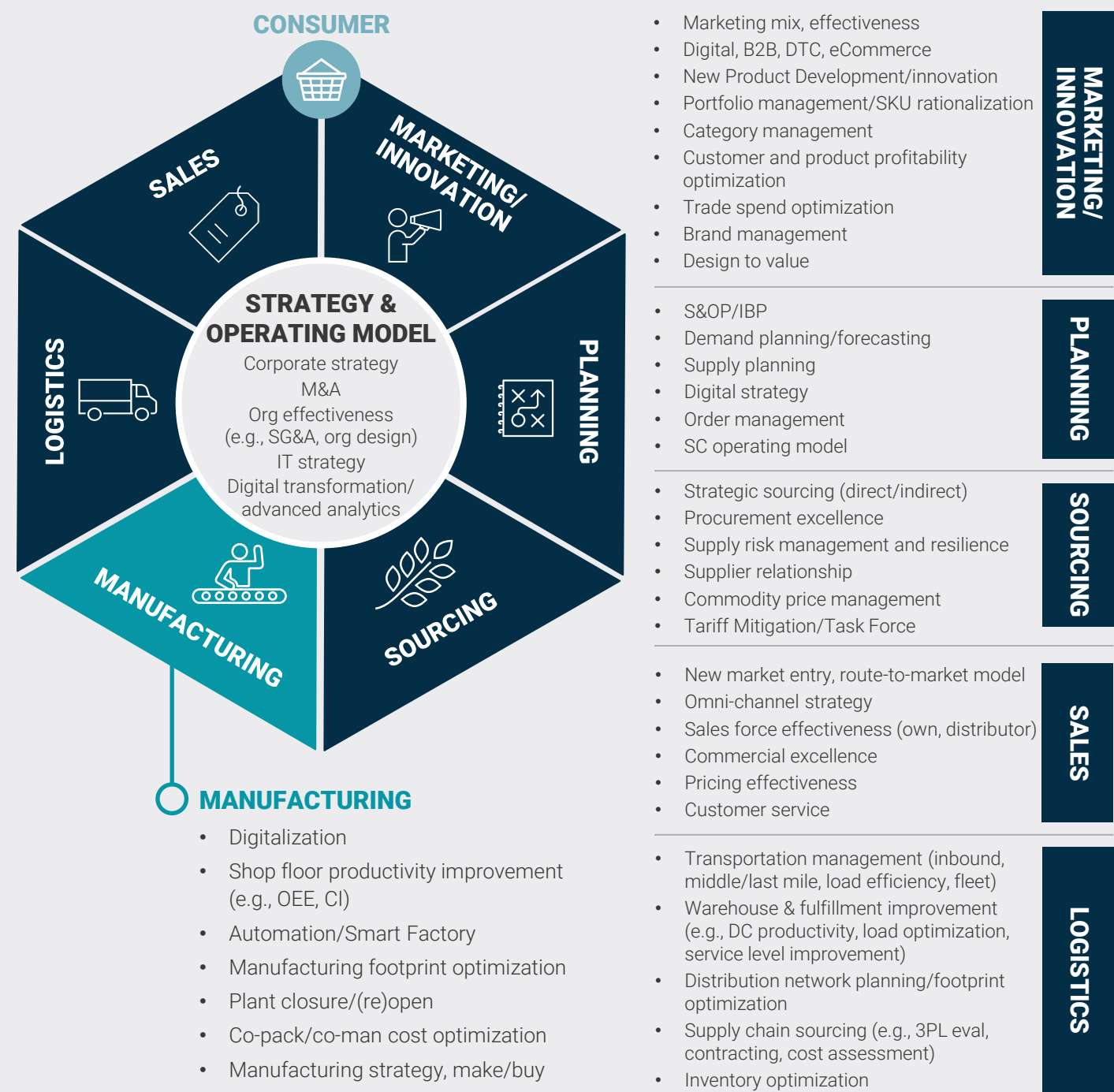
- Large, highly automated, multi-plant networks where small percentage gains carry real value
- Aging but fundamentally sound facilities that have never undergone system-wide optimization
- Near or fully capacity-constrained plants where a long greenfield commitment is a non-starter
- Teams ready for strategic catch-up CapEx and willing to focus on projects with largest impact rather than spread value evenly across a site

Assessing components of the manufacturing system can provide capacity uplift without requiring new facility builds. Relieving structural bottlenecks also buys a second return that is often overlooked - flexibility. Plants can run more SKUs, tolerate more frequent changeovers, and shift volume across formats with less sacrifice to total throughput.

Before committing to new bricks and mortar, test how far the existing footprint can go.

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

Sample areas of AlixPartners capabilities across industries



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
Manufacturers' 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

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 Konjunkturperspektiven 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 manufacturing hourly wage rates in Europe, €/hr	Statistisches Bundesamt: EU-Vergleich der Arbeitskosten je geleistete Stunde 2025 im Produzierenden Gewebe und Dienstleistungsbereich (ohne WZ O) in EUR
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

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 months in the quarter
Industrial Export Delivery, bn ¥	National Bureau of Statistics of China Calculation: Average over the three months 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 months in the quarter
Registered unemployment rate in urban areas, %	National Bureau of Statistics of China Calculation: Average over the three months 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 quarterly industrial value-added by the number of industrial employees to obtain per capita industrial value added. The 2020 Q1 value is set as the base year (index = 100) to derive the productivity index for 2020–2026.

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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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