MANUFACTURING OVERVIEW: CY2025 – Q4

QUARTERLY SUMMARY OF KEY TRENDS & CHALLENGES

In the fourth quarter of 2025, trade normalization remained a consistent theme. Manufacturer revenues were largely flat year over year, with margins showing mixed performance. AI and Data Center growth remain strong, driving new orders as well as manufacturing productivity. Inventory turns rose across most industries, indicating that firms were working through the stockpiles built in anticipation of trade disruptions. With uneven margins and rising costs, productivity levers will continue to be critical to improving profitability in future quarters.

PRODUCTIVITY

Productivity trends varied by region as trade tensions gradually eased. In the US, productivity declined for another quarter as earlier pull-ahead volumes subsided. Germany recorded a high for the year, driven by efficiencies realized from transformation programs. In China, gains persisted within high-tech and industrial equipment sectors, supporting continued productivity.

INVENTORY TURNS

Inventory turns sustained a positive trajectory as companies consolidated and sold existing product. Capacity utilization declined in both the US and China but rose in Germany, reflecting a stabilization phase where the US and China balanced inventories while Germany centralized facilities under margin pressures.

LABOR

Labor costs in manufacturing roles continued to rise globally, even as job openings declined. Advancing manufacturing technologies, and the evolving skills required to operate them, remained a central topic in late 2025.

FINANCIAL PERFORMANCE OF MANUFACTURERS

DECLINING REVENUES, MIXED GROSS MARGINS, AND IMPROVING INVENTORY TURNS

INDUSTRY[2]	REVENUE TTM				GROSS MARGIN TTM				INVENTORY TURNOVER TTM			
	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '25	Q2 '25	Q3 '25	Q4 '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			
	Q1 '25	Q2 '25	Q3 '25	Q4 '25
Aerospace & Defense	79%	70%	83%	75%
Automotive	65%	59%	60%	68%
Chemicals	81%	59%	81%	47%
Consumer Electronics	56%	52%	42%	55%
Energy & Utilities	59%	71%	85%	73%
Food & Beverage	63%	70%	70%	56%
Health & Beauty	75%	80%	59%	83%
Household Durables	48%	65%	57%	43%
Industrial & Building Products	65%	80%	67%	85%
Metal & Mining	85%	73%	68%	79%
Paper & Pulp Products	61%	35%	50%	31%

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

COMMENTS

- During Q4'25 several industries experienced a decline in revenue and saw mixed gross margin trends.
- Inventory turns continued to trend upwards, likely driven by normalization of tariffs related to uncertainty and historically elevated borrowing cost.

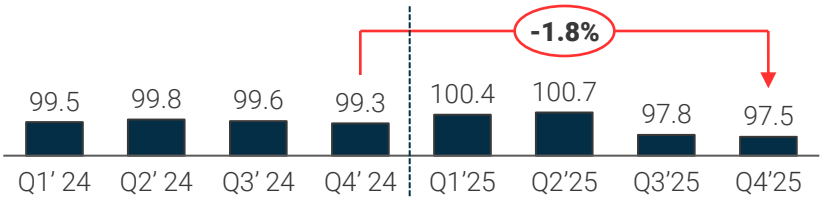
Note: Companies within industries include Top 40 global public companies by revenue; based on data available at time of publication
(1) based on market consensus on EBITDA estimates vs actuals, calculation based on companies with available data only
(2) metric trend based on median in industry group

MACRO KPI (USA) - PRODUCTION AND CAPACITY

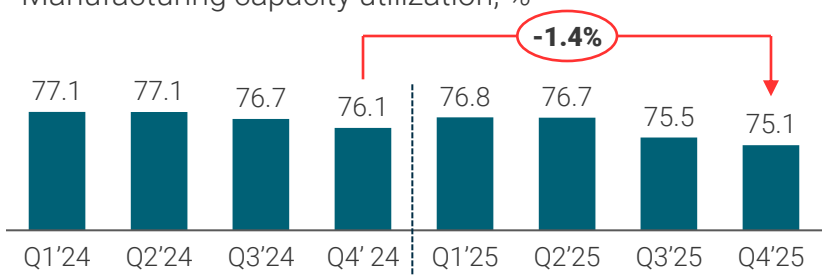
US MANUFACTURING OUTPUT CONTINUES TO SOFTEN AMID EASING POLICY PRESSURE, ORDERS REMAIN HIGH

CALENDAR QUARTER BY QUARTER CHANGE

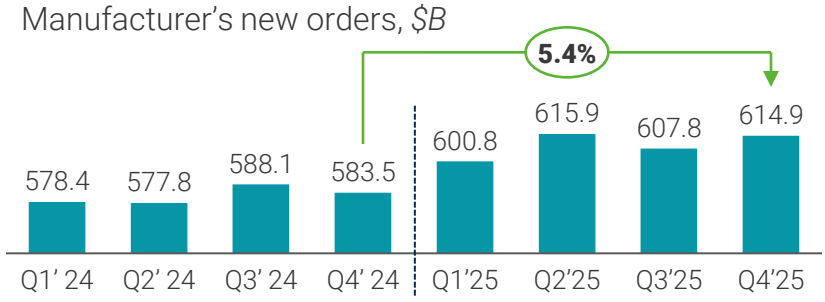
Manufacturing production *(indexed to 2017 production)*



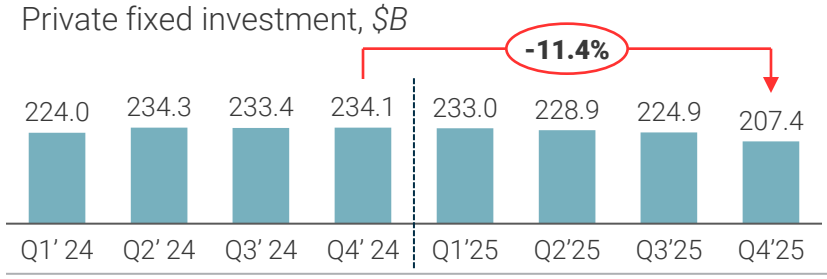
Manufacturing capacity utilization, %



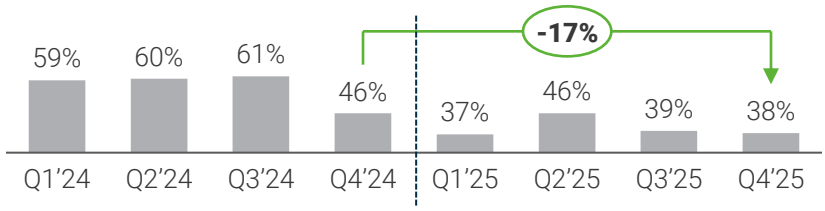
Manufacturer's new orders, *$B*



Private fixed investment, *$B*



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



HIGHLIGHTS

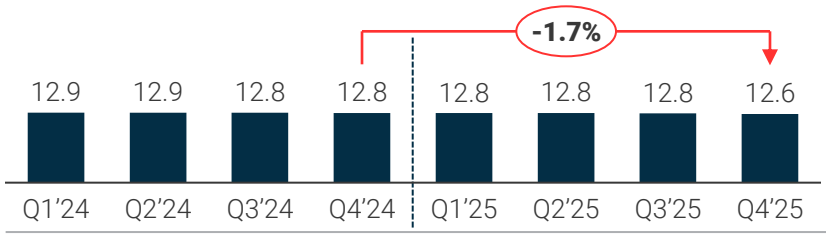
- Manufacturing production declined from its early 2025 peak, continuing a downward trajectory through year-end.
- Early-2025 production growth likely reflects pull-forward ahead of tariffs, followed by normalization later in the year as tariff impacts stabilized.
- Capacity utilization declined steadily throughout 2025, reaching a new two-year low in Q4'25.
- The persistent downward trend suggests sustained demand weakness and/or sales driven by inventory stockpiling earlier in the year.
- New orders moderated from mid-year highs but remain elevated compared to prior year levels.
- Bookings continue to show resilience, indicating underlying demand strength despite production pullbacks.
- Investment spending continued its decline from 2024 highs, reflecting ongoing capital expenditure restraint.
- Manufacturers maintained a cautious investment posture, pulling back on capital projects amid economic and policy uncertainty.
- Business climate concerns eased significantly throughout 2025, with sentiment improving notably by year-end.
- The marked improvement in regulatory sentiment suggests both reduced policy uncertainty and manufacturers' adaptation to the evolving business.

MACRO KPI (USA) - LABOR

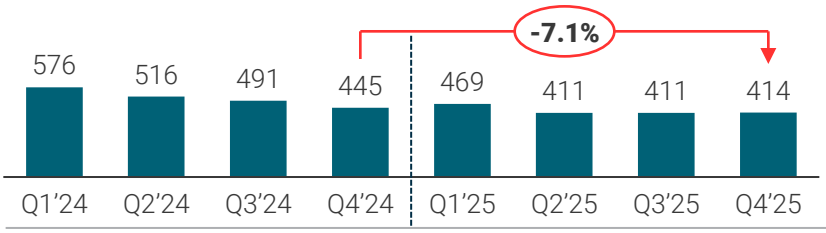
US MANUFACTURING LABOR MARKET REMAINS TIGHT AS LABOR COST INCREASES ENDURE

CALENDAR QUARTER BY QUARTER CHANGE

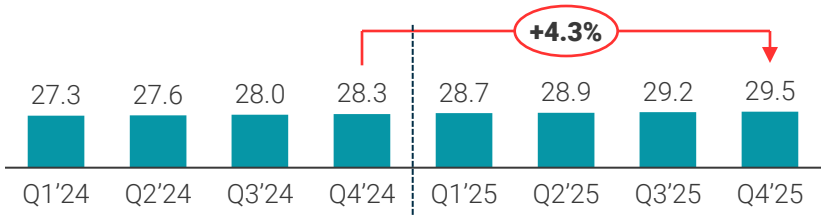
Total manufacturing employees, *M*



Total manufacturing job openings, *K*

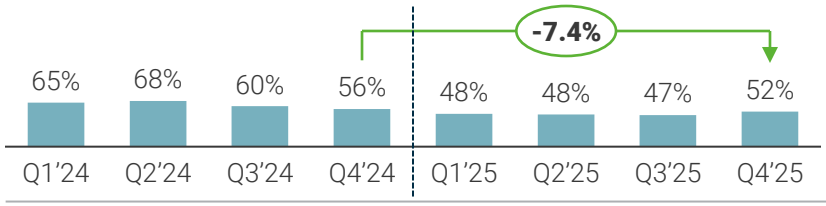


Manufacturing hourly wage rates, *$/hr*



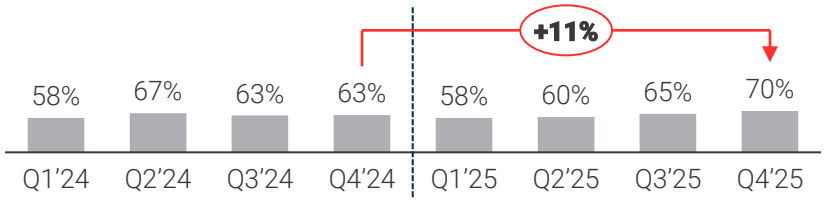
Attracting & Retaining Workforce

% 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

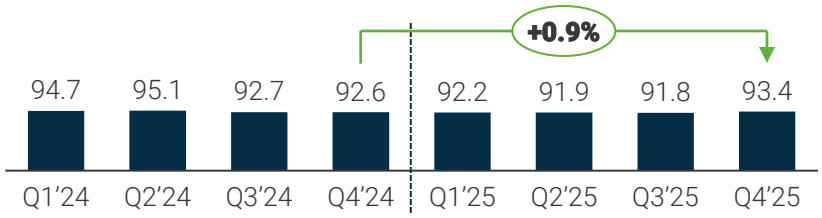
- Manufacturing headcount edged down slightly from early 2025.
- Employers appear to be managing staffing through attrition and efficiency gains rather than large-scale cuts.
- Job postings stepped down from prior peaks, pointing to a cooler but still supportive hiring backdrop.
- Hiring needs appear to be shifting from aggressive expansion toward targeted replacement and upskilling of existing teams.
- Manufacturing wages continued to rise steadily each quarter, reinforcing an ongoing upward cost trend.
- Persistent wage growth indicates manufacturers still need to pay up to attract and retain skilled workers.
- Concerns around workforce attraction and retention eased from prior peaks but ticked higher at the end of 2025.
- Employers still face notable hiring and retention challenges, particularly for roles requiring specialized skills.
- Concern over healthcare and insurance costs rose, reaching a new two-year high in Q4'25.
- Benefits expenses remain a growing pressure point, particularly for small and mid-sized manufacturers.

MACRO KPI (GERMANY) - PRODUCTION AND CAPACITY

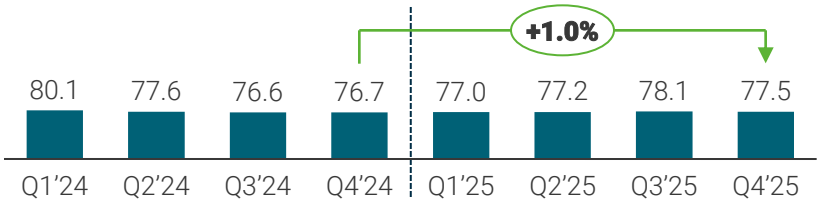
GERMAN MANUFACTURING SAW AN INCREASE IN NEW ORDERS, YET LEADERS REMAIN WARY

CALENDAR QUARTER BY QUARTER CHANGE

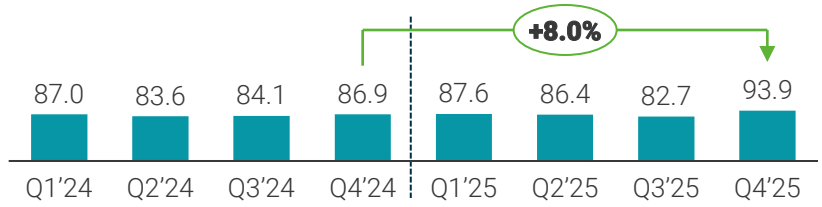
Manufacturing production *(indexed to 2021 production)*



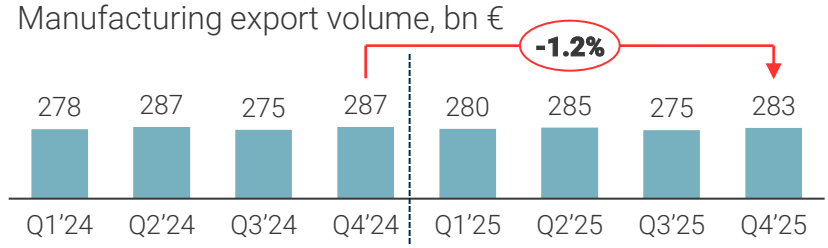
Manufacturing capacity utilization, %



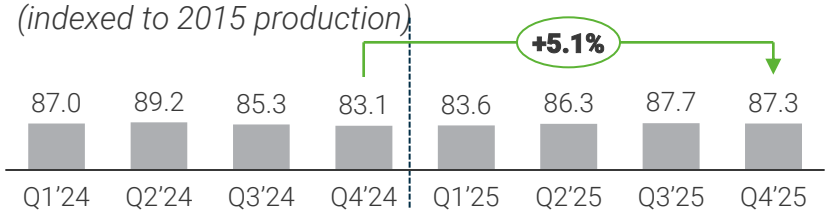
Manufacturing new orders *(indexed to 2021 production)*



Manufacturing export volume, bn €



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



HIGHLIGHTS

- Gross value creation rose for the first time in 2025 above even Q4'24.
- Efficiency and transformation programs seem to be realizing benefits.

- Manufacturing capacity utilization remained compared to 2024 levels.
- Improving utilization through consolidation of underutilized factories remains high on the C-level agenda.

- New orders increased significantly in Q4'25 reaching a new high in recent years.
- The boom in defense spend remains a key driver, yet companies do not believe it will be sustainable per IFO below.

- Export volume decreased compared to the previous year but improved upon previous quarter.
- Trade wars did not impact exports as significantly as expected in 2025.

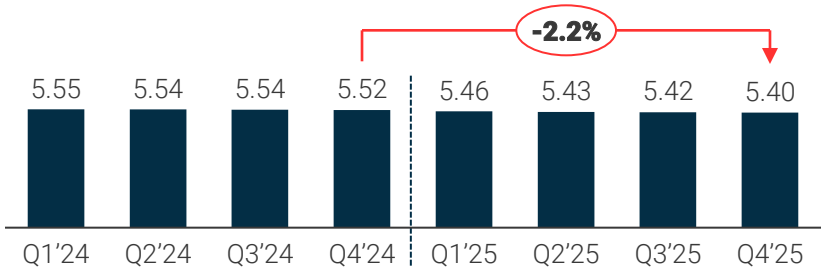
- IFO index exceeded that of Q4'24 but declined slightly from previous quarters.
- Sentiment has improved, but companies remain wary in the end of 2025 despite a more positive outlook compared to 2024.

MACRO KPI (GERMANY) - LABOR

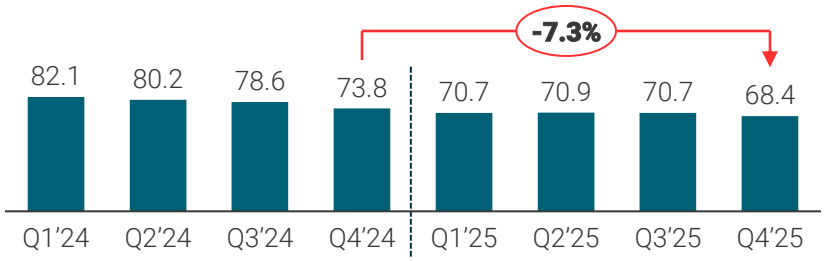
CONSOLIDATION LEADS TO PRODUCTIVITY GAINS IN GERMANY AS LABOR RATES CONTINUE TO CLIMB

CALENDAR QUARTER BY QUARTER CHANGE

Total manufacturing jobs, M

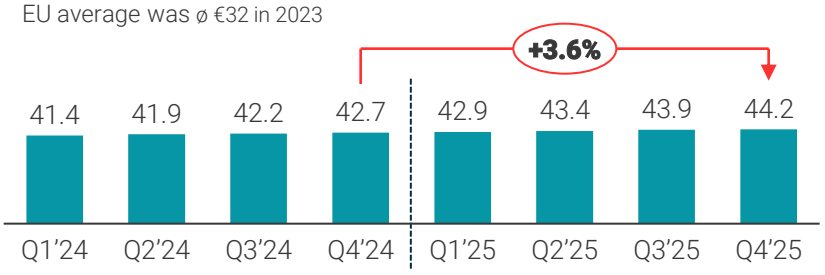


Total manufacturing job openings, K

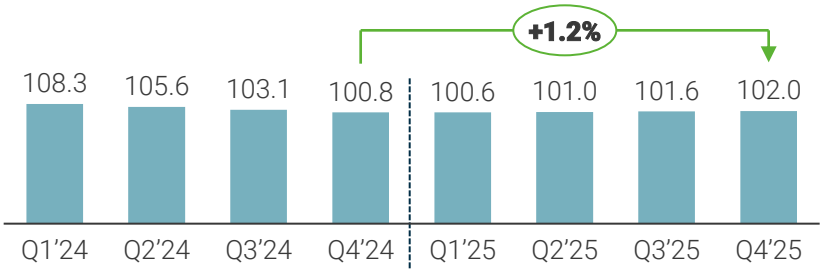


Manufacturing hourly wage rates (12-month view), €/hr

EU average was ø €32 in 2023



Productivity per hour *(indexed to 2020 production)*



HIGHLIGHTS

- Headcount continued to steadily decline in Q4'25 .
- Low utilization, high labor cost, low productivity, high energy cost, and high bureaucracy remain key drivers for the reduction in jobs.

- Job openings followed a similar path and continued to decrease more drastically than in Q3.
- Consolidation efforts across the manufacturing industry mean fewer jobs available.

- Wages increased in Q4'25 as we have seen through the entirety of 2025.
- Similarly to the US, as wages increase and jobs are more limited, companies will have to ensure they are paying competitively for the skilled labor they require.

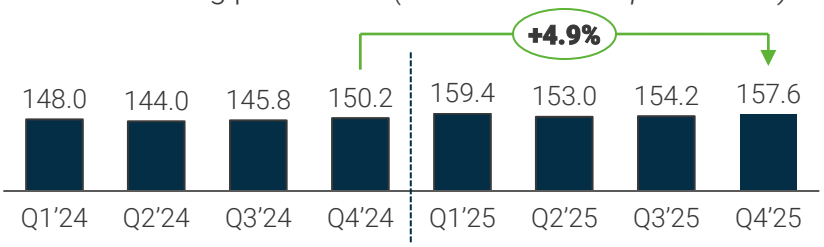
- Productivity improved in the quarter reaching a high for the year.
- Rightsizing is the main driver for the improvements, but to stay competitive moving forward, companies will need to tackle their investment backlog.

MACRO KPI (CHINA) - PRODUCTION AND CAPACITY

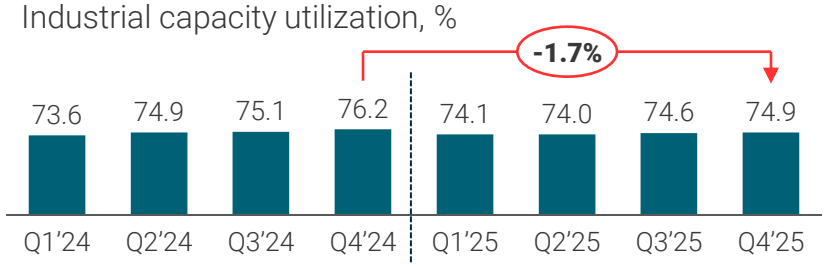
CHINA MANUFACTURING SUCCESS IN TECH SECTORS, DESPITE GENERAL FALL IN UTILIZATION AND EXPORTS

CALENDAR QUARTER BY QUARTER CHANGE

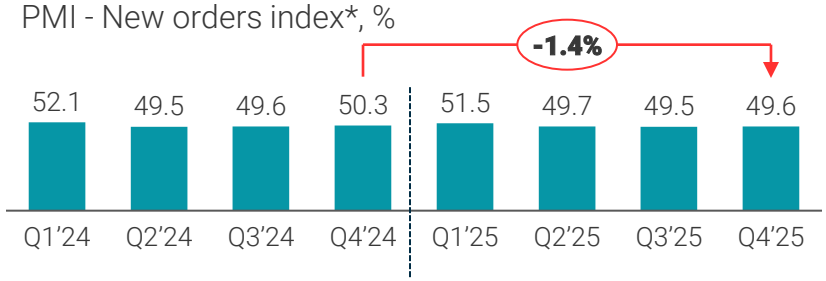
Manufacturing production *(Indexed to 2017 production)*



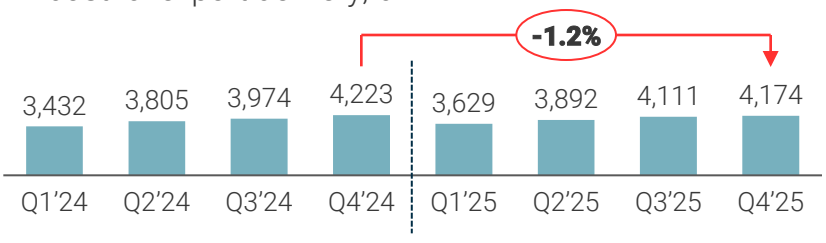
Industrial capacity utilization, %



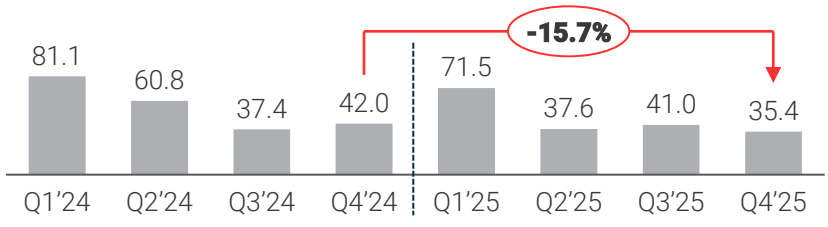
PMI - New orders index*, %



Industrial export delivery, bn RMB



Foreign capital used in manufacturing, bn RMB



HIGHLIGHTS

- Q4'25 production increased YoY, nearing the highs seen in Q1.
- High-tech and equipment sectors play a significant role in driving the overall volume increases.

- Industrial capacity utilization rose QoQ but remains below utilization at the end of 2024.
- The decrease reflects the pressure of lower demand and "involution" (over-competition) in low-tech, traditional manufacturing industries.

- New orders index stabilized in Q4'25 but remains lower than previous year.
- A low PMI reflects weak demand from both domestic and global markets.

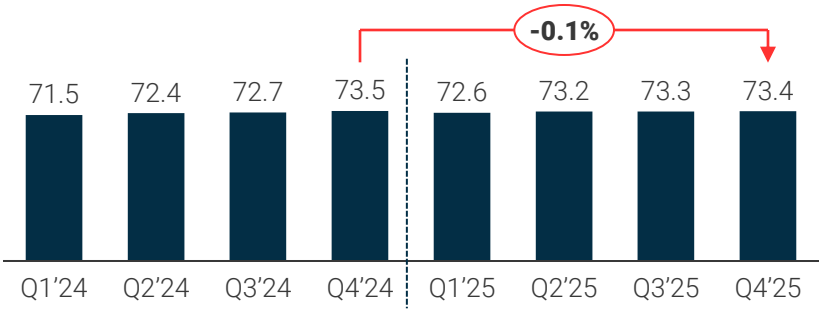
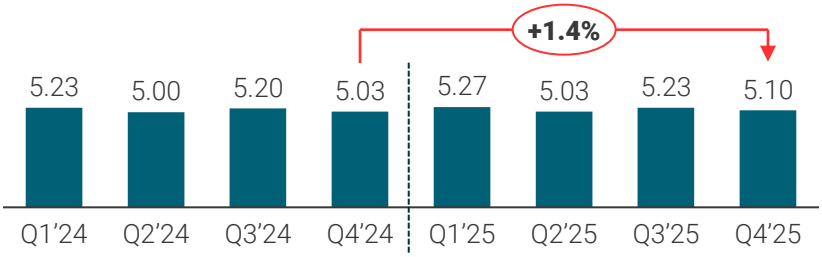
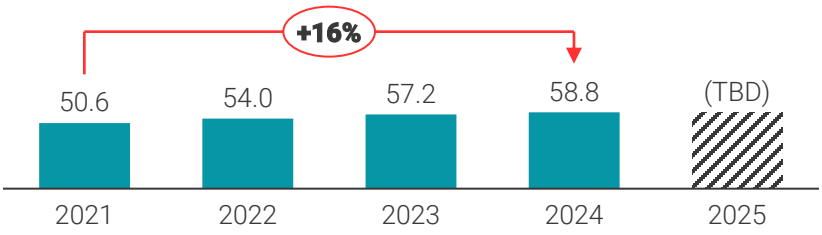
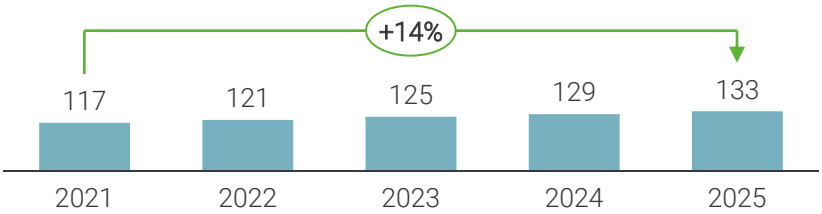
- Industrial export deliveries increased QoQ but remain below 2024 high, following a similar behavior to last year.
- The lower exports overall do still indicate the slow-down of global demand from China manufacturing.

- Foreign investment decreased QoQ and YoY, reaching a new low for the last two years.
- The metric is highly variable yet still indicates the trend and impact of supply chain regionalization and geopolitical influences.

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

MACRO KPI (CHINA) - LABOR

OUTPUT IN CHINA DRIVEN BY LABOR PRODUCTIVITY IMPROVEMENT, RATHER THAN HEADCOUNT INCREASE

CALENDAR QUARTER BY QUARTER CHANGE	HIGHLIGHTS
Total industrial employees, *M* 	• Industrial employment remained stable despite production volume rise. • Manufacturing efficiency continues to increase in China through implementation of automation and AI applications.
Registered unemployed rate in urban areas, % 	• In Q4'25 urban unemployment increased slightly. • The labor market remains general stable with slight variations QoQ tied to the persistence of economic uncertainty.
Hourly wage rate in urban, non-private units, RMB/hour 	• *No changes from Q3'25 update but will likely see the latest numbers in Q1'26.* • Manufacturing wages continue running with an upward trend.
Labor productivity (indexed to 2020*) 	• Productivity increased in Q4, outpacing labor growth and supporting manufacturing competitiveness. • The steady improvement indicates efficiency gains driven by automation, digitalization, and industrial upgrading.

* Inflation factor not considered

TOPIC HIGHLIGHT

THE FUTURE OF MANUFACTURING: AI AUTOMATION ROADMAP

In today's manufacturing landscape, many plants that once relied on manual processes and incremental lean improvements are now constrained by shrinking margins, inconsistent quality, and rising demand volatility. AI and automation have become essential to unlock step-change improvements in OEE, scrap reduction, and labor productivity rather than relying solely on traditional efficiency programs.

Much of the pressure comes from sites deploying disconnected point solutions.

This fragmented approach creates complexity on the shop floor, underutilized assets, and limited impact on true end-to-end performance.

Forcing every use case into a single, generic automation approach leads to misaligned investments, higher operating costs, and persistent "pilot purgatory". Manufacturers need a clear automation roadmap that links specific technologies to business KPIs, and sequences deployment from pilot cell to full production line. We suggest a phased approach below:

Short Term

1 **Phase 1** — **Envision:** Set a clear AI ambition, outcomes, and factory transformation roadmap. Work with integrators to identify solutions or practical roadmaps

2 **Phase 2** — **Enable:** Build data, infrastructure, and skills to support scalable AI deployment

3 **Phase 3** — **Embed:** Integrate successful AI solutions into daily operations, standards, and routines.

4 **Phase 4** — **Evolve:** Continuously extend AI across plants, partners, and end-to-end ecosystem

Long Term

Source: Supply Chain Management Review – Reshoring is on the rise; how smart is your factory? - Supply Chain Management Review
Manufacturing Overview: CY2025 – Q4

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.