THE MANUFACTURER

SUPPLY CHAINS UNDER PRESSURE

How manufacturers are responding to a new era of disruption

Commissioned by

MANUFACTURING SUPPLY CHAIN & INVENTORY FORUM

Exclusive research from *The Manufacturer* reveals how geopolitical tensions, rising energy costs and logistics disruption are reshaping supply chain strategies.


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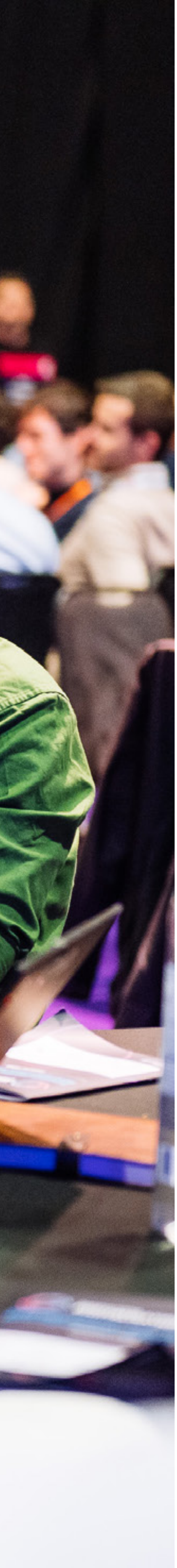


Disruption is no longer the exception

Molly Cooper, Features Editor, *The Manufacturer*

The manufacturing landscape is constantly evolving and if the last few years have taught the sector anything, it is the importance of being prepared for the unexpected. From global pandemics and geopolitical conflicts to energy market shocks and economic uncertainty, manufacturers have faced a succession of challenges that have tested the resilience of supply chains like never before.

While the immediate impacts of COVID-19 have largely settled, the aftershocks continue to be felt across global trade networks. Supply chains have not returned to the predictable, stable systems many businesses once relied upon. Instead, disruption has become a persistent feature of the operating environment, forcing organisations to rethink how they source materials, manage inventory and respond to external events.

Recent tensions in the Middle East and ongoing disruption to key shipping routes have added further pressure. Delays, longer transit times and increased freight costs have created new obstacles for manufacturers already grappling with rising operational expenses. At the same time, volatility in energy markets has driven up the cost of production, transportation and raw materials, placing additional strain on margins and competitiveness.

Against this backdrop, manufacturers are being forced to rethink how they manage supply chains, inventory and risk. The challenge is no longer simply responding to disruption when it occurs, but building organisations that can operate effectively in an environment where uncertainty has become a constant.

When it comes to inventory, one manufacturer I spoke with recently highlighted how dramatically strategies have shifted in recent years. Before the disruption caused by COVID-19, Brexit, geopolitical conflicts and supply chain bottlenecks, many manufacturers operated a 'just-in-time' model, keeping stock levels as lean as possible and relying on materials arriving exactly when needed.

Today, that approach has largely given way to a 'just-in-case' mindset, with businesses holding larger inventories to protect against future disruption. In this case, lead times increased from 48 hours to a week, prompting the company to expand its inventory holdings from one to two weeks' worth of stock to around a month's supply – a trend that reflects the experience of many manufacturers across the sector.

This whitepaper explores the experiences of manufacturers being impacted by the geopolitical and economic pressures, where the greatest operational challenges are emerging and how businesses are adapting their supply chain strategies to remain competitive.

In June 2026, *The Manufacturer* surveyed more than 230 senior manufacturing leaders about the current state of supply chains. Their insights reveal both the scale of the challenges facing industry and the opportunities available to those prepared to act.

One thing is clear: disruption is no longer the exception – it is the new normal and the operating environment manufacturers must now plan for.

The return of geopolitical risk

The latest shock to global supply chains

When senior manufacturing leaders were asked to assess the impact of recent geopolitical instability on their supply chains over the last 12 months, the results painted a clear picture of an industry under pressure.

Almost six in 10 respondents (58%) reported either a significant, severe or critical impact, with 15% describing the disruption as severe or critical and a further 43% reporting a significant effect. Another 32% experienced a moderate impact, while just 1% said they had felt no impact at all.

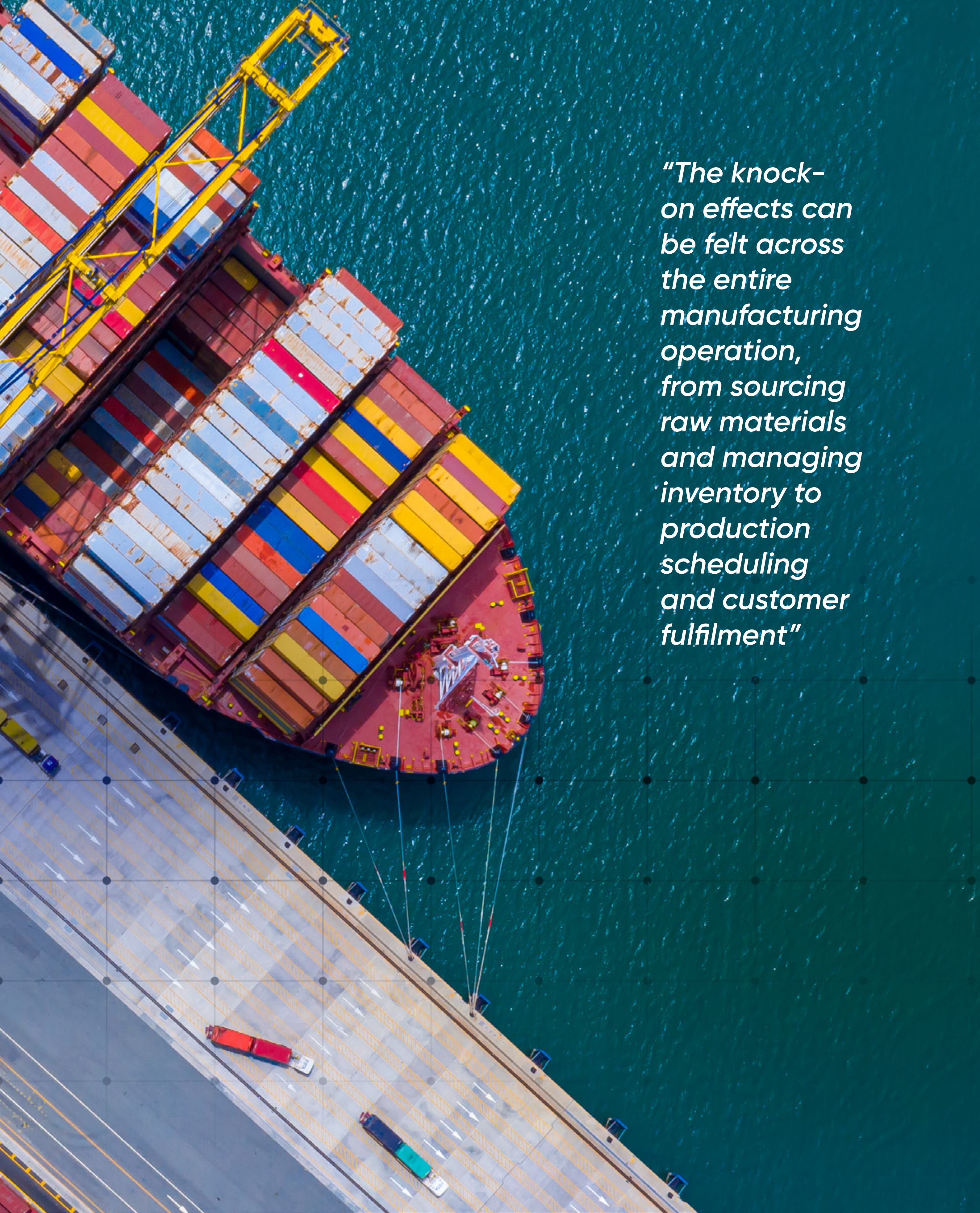
For a sector where supply chains were already operating against a backdrop of ongoing uncertainty, these findings are perhaps unsurprising. The past few years have demonstrated how quickly global events can disrupt the movement of goods, materials and components.

Most recently, conflict in the Middle East and attacks on vessels in the Red Sea have forced shipping operators to reroute around longer, more expensive routes, increasing transit times and adding further strain to global logistics networks.

The consequences extend well beyond delayed deliveries. Disruptions to key trade routes have contributed to rising freight costs and renewed volatility in energy markets, driving up the cost of oil, gas and electricity. For UK manufacturers, who already face some of the highest industrial energy costs among major economies, this creates an additional layer of financial pressure at a time when margins remain under strain.

The knock-on effects can be felt across the entire manufacturing operation, from sourcing raw materials and managing inventory to production scheduling and customer fulfilment. Greater uncertainty around lead times and supplier reliability makes planning more challenging, while financial strain continues to test competitiveness.

As a result, manufacturers are being forced to reconsider long-established supply chain assumptions. Global sourcing models built around cost and efficiency are now being tested against a growing need for stability, visibility and responsiveness. With geopolitical uncertainty showing little sign of easing, supply chain risk has become a board-level concern rather than a purely operational issue.



"The knock-on effects can be felt across the entire manufacturing operation, from sourcing raw materials and managing inventory to production scheduling and customer fulfilment"

The ripple effect across manufacturing

While geopolitical events may originate thousands of miles away, their consequences are being felt across every part of the manufacturing operation. The survey findings reveal how disruption is moving beyond logistics and procurement to affect profitability, production performance and customer service.

The leaders who responded to the survey identified pricing and profit margins as the area experiencing the greatest impact from geopolitical tension in the last 12 months, with 57% reporting disruption from rising costs, supply constraints and market uncertainty.

At the operational level, logistics and freight transportation (45%) and raw material and component sourcing (45%) were among the most affected areas. Ongoing disruption to global trade routes, shifting tariffs and supply shortages have increased lead times and reduced predictability, resulting in delayed components and greater uncertainty around material availability.

These challenges are having a direct impact on production planning. More than a third of manufacturers (34%) cited production planning and lead times as a key area of concern, as fluctuating delivery schedules make it harder to optimise capacity, schedule production efficiently and respond quickly to changing customer requirements. Even relatively small disruptions can have knock-on effects throughout the manufacturing process, creating bottlenecks and increasing operational complexity.

Inventory management is also becoming more difficult, with 16% of respondents highlighting it as a significant challenge. Manufacturers are increasingly caught between holding additional stock to mitigate supply risks and controlling inventory costs in an uncertain economic environment. This balancing act can place pressure on working capital while still leaving organisations vulnerable to disruption.

Q.

Where have geopolitical tensions hit your manufacturing supply chain the hardest in thelast 12 months?

For many organisations, inventory strategy is becoming a critical competitive lever. Holding too little stock increases exposure to shortages and delayed deliveries, while holding too much can tie up valuable cash and reduce operational flexibility. Finding the right balance between service levels, risk mitigation and working capital management is becoming increasingly challenging as lead times fluctuate and demand patterns remain unpredictable.

The cumulative effect is growing pressure on customer delivery performance. When materials arrive late or production schedules need to be revised, manufacturers face greater challenges in meeting delivery commitments and maintaining customer satisfaction.

The findings demonstrate that geopolitical instability is no longer simply a supply chain issue. Its impact is being felt across operations, finance and customer fulfilment, creating a ripple effect throughout manufacturing organisations. As a result, resilience, visibility and flexibility are becoming critical capabilities for manufacturers seeking to maintain competitiveness in an increasingly volatile global environment.

> *"Manufacturers must look beyond risk mitigation and focus on where future opportunities lie"*
>
> **Luke Hampton**

Hearing from the industry

Luke Hampton,
Head of Supply Chain, SMMT

For automotive manufacturers in particular, resilience has evolved from an operational challenge into a strategic priority. Geopolitical tensions, trade uncertainty, rising costs, cyber threats and skills shortages are influencing everything from sourcing decisions to investment planning and future vehicle programmes.

As OEMs review their supply chains and seek greater localisation, suppliers are under increasing pressure to demonstrate agility, reliability and long-term resilience. The businesses best positioned for growth will be those that can respond quickly to disruption while supporting customers through the industry's transition to electrification.

As Luke Hampton, Head of Supply Chain at SMMT, explained: "The winners will be those that treat resilience as a route to competitiveness." He argued that manufacturers must look beyond risk mitigation and focus on where future opportunities lie, particularly as demand for UK-sourced automotive components grows and supply chains become increasingly strategic.

For boards, resilience is no longer simply about protecting operations. It is becoming a key factor in competitiveness, investment decisions and long-term growth.

The energy challenge that cannot be ignored

Energy costs emerge as the biggest consequence of supply chain disruption

While the impact of geopolitical instability is often measured through delayed shipments and disrupted trade routes, manufacturers are increasingly feeling the effects through a less visible but equally significant channel: energy costs.

When manufacturers were asked which operational challenges they had experienced as a direct result of the recent conflict in the Middle East and associated shipping and security disruptions, energy-driven price hikes emerged as the most significant issue by a considerable margin. More than two-fifths (42%) of respondents identified rising energy costs as their primary challenge, ahead of surging freight surcharges (18%), rerouting delays (14%), component stockouts (13%) and equipment or container shortages (3%).

The findings underline the extent to which energy has become a critical supply chain issue. While disruptions in the Red Sea and other key shipping routes have increased transit times and logistics costs, they have also contributed to volatility in global oil and gas markets. For manufacturers, this creates a ripple effect across operations, increasing the cost of production, transportation, warehousing and raw materials simultaneously.

The challenge is particularly acute in the UK, where manufacturers continue to face some of the highest industrial electricity prices among developed economies. According to the Department for Energy Security and Net Zero's latest Industrial Energy Price Statistics, energy costs remain a major concern for industrial businesses, with manufacturing among the most energy-intensive sectors of the economy.

Official government data shows regular monitoring of fuel and electricity prices paid by manufacturers, reflecting the strategic importance of energy to industrial competitiveness.

Recent warnings from industry body Make UK suggest the issue is becoming increasingly urgent. Manufacturers are facing electricity costs significantly higher than international competitors, with some firms delaying investment, reducing employment or considering moving production overseas as a result of sustained energy price pressures. Industry leaders have argued that rising energy costs are now one of the greatest threats to UK manufacturing competitiveness.

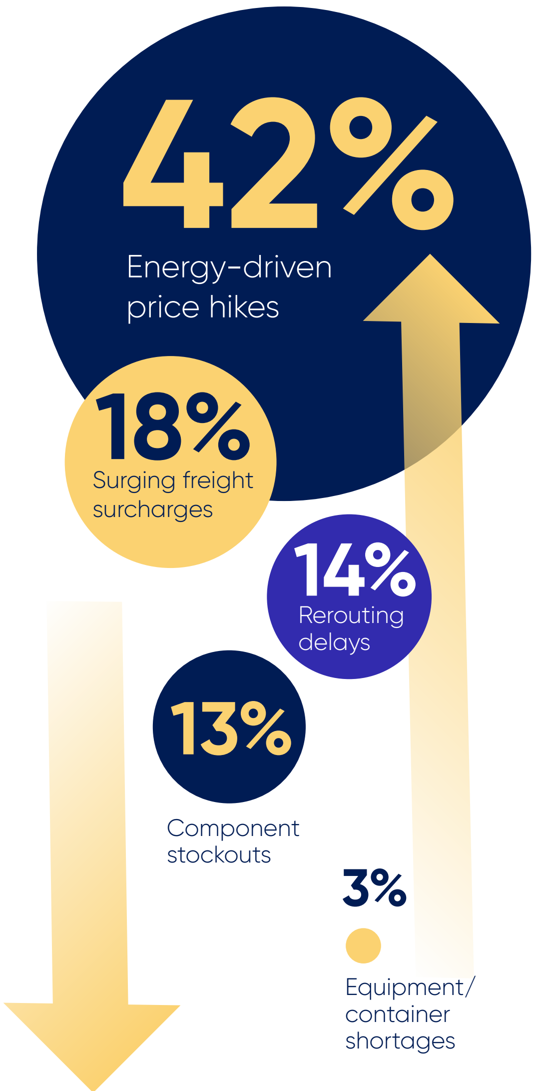
The government's response has included measures designed to reduce electricity costs for energy-intensive industries, including discounts on network charges and the expansion of support schemes aimed at improving industrial competitiveness. However, many manufacturers continue to report limited relief, particularly outside the most energy-intensive sectors.

The survey results suggest that energy volatility is now extending far beyond utility bills. As geopolitical tensions continue to influence global energy markets, manufacturers are increasingly being forced to factor energy resilience into wider supply chain planning. The challenge is no longer simply securing materials and components; it is managing the escalating costs associated with producing and moving them.

In an environment where disruption can quickly translate into higher operating expenses, energy security is rapidly becoming a cornerstone of supply chain resilience.

Q.

Which specific operational challenges has yourorganisation experienced as a direct result ofthe recent war in the Middle East and theassociated shipping/ security disruptions?



Hearing from the industry

"We've ended up with layers of levies piled on top of already high wholesale energy costs"

Stephen Phipson, Chief Executive, Make UK

For many UK manufacturers, energy costs have become one of the most pressing business challenges, with implications that extend far beyond the factory gate. High industrial energy prices are increasing operating costs, squeezing margins and reducing the competitiveness of UK manufacturers compared with international rivals.

In an exclusive interview with *The Manufacturer*, Stephen Phipson, Chief Executive of Make UK, said the issue is now reaching a critical point. "We've ended up with layers of levies piled on top of already high wholesale energy costs, which adds up to UK industrial energy being twice the price of Germany and four times that of the US."

The impact is being felt throughout manufacturing supply chains. Cost pressures can affect sourcing decisions, supplier viability and long-term investment plans, while smaller businesses in particular face increasing pressure to absorb higher overheads. Some manufacturers are also delaying expansion plans or technology investments as they focus on managing immediate cost pressures.

As energy markets remain volatile, improving affordability is becoming not just an economic issue, but a key factor in strengthening supply chain resilience and long-term industrial competitiveness.

From resilience to agility

How manufacturers are adapting

Manufacturers may not be able to influence geopolitical events, energy markets or global trade routes, but they can influence how effectively they prepare for and respond to change. Increasingly, the focus is shifting from simply recovering from disruption to building more agile and responsive supply chain operations.

What comes next?

How *The Manufacturer* is helping industry

The findings in this report paint a picture of an industry facing mounting pressure. Increased expenditure, supplier uncertainty, inventory challenges and increasing operational complexity are forcing manufacturers to rethink how supply chains are managed.

The question for many businesses is no longer whether disruption will occur, but how best to respond. That is why *The Manufacturer* is bringing together senior manufacturing leaders for a dedicated Manufacturing Supply Chain and Inventory Forum focused exclusively on the practical challenges facing UK industry today.

Designed specifically for manufacturing decision-makers, the event will provide a place for supply chain directors, operations leaders, inventory managers, procurement professionals and business leaders to discuss the issues shaping day-to-day operations.

Discussion topics will include forecasting and demand management, inventory and production flow, supplier performance, digital supply chains, ERP and AI adoption, working capital optimisation and supply chain resilience.

Attendees will have the opportunity to benchmark their own approaches against peers while exploring practical solutions that can be implemented within their organisations.

>> Looking ahead

The manufacturers best positioned for future success will be those that combine efficiency with flexibility. In a market characterised by volatility, the ability to anticipate risk, make informed decisions quickly and adapt operations with confidence is becoming a defining source of competitive advantage.

Five actions manufacturers are taking today

1. Improve supply chain visibility
Greater insight into supplier performance, inventory levels and logistics movements allows organisations to identify risks earlier and make more informed decisions before problems escalate. Increasingly, manufacturers are investing in digital supply chain tools, ERP systems and data-driven planning to support faster, more confident decision-making.

2. Diversify suppliers and sourcing strategies
Relying heavily on a single supplier, region or transport route can leave businesses exposed when disruption occurs. Developing alternative sourcing strategies and strengthening supplier relationships can help reduce risk and improve operational continuity.

3. Reassess inventory strategies
Recent disruption has highlighted the importance of balancing efficiency with resilience. Many manufacturers are reviewing stockholding policies, safety stock levels and inventory planning processes to ensure critical materials remain available when lead times become unpredictable.

4. Strengthen cross-functional planning
Supply chain, procurement, operations and finance teams must work together to balance service levels, inventory requirements and working capital pressures. As conditions change more rapidly, alignment across the business is becoming increasingly important.

5. Build energy resilience into operations
With 42% of manufacturers citing energy-driven price hikes as their biggest challenge, organisations are increasingly exploring energy efficiency initiatives, alternative energy sources and improved forecasting to reduce exposure to future volatility.

The event comes at a time when manufacturers are facing increasing pressure to improve agility while maintaining cost control. With volatile demand, supplier uncertainty and rising operational costs continuing to affect businesses across the sector, sharing experiences and learning from others has become a valuable source of competitive advantage.

More than just a networking event, the Manufacturing Supply Chain and Inventory Forum is designed to equip manufacturers with actionable insights, new perspectives and stronger professional connections. In an era where disruption has become the norm, bringing the manufacturing community together to tackle shared challenges has never been more important.

We can't wait to see you there.

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GET THE PARTNERSHIP PACK

MANUFACTURING SUPPLY CHAIN & INVENTORY FORUM

UK manufacturers are navigating the most complex supply chain environment in a generation. This invitation-only Forum brings together senior leaders to cut through the noise no vendors, no sales pitches. Just practitioners, peer insight, and real conversations about what comes next.

Date: 24 September 2026

Venue: The Eastside Rooms, Birmingham

Save your spot here