# Manufacturing and supply chains adapt and innovate amid rising costs and regulatory changes



The manufacturing and supply chain sectors are poised for a year of adaptation and innovation in 2025, amid pressures such as rising employment and energy costs, according to a recent Executive Survey 2025 published by Make UK. The survey highlights that nearly one-third of manufacturers are investing in technology to enhance productivity and reduce overheads, while almost half aim to broaden their product portfolios.

In parallel, Retail Week’s Supply Chain 2026 report underscores efforts to streamline and future-proof supply chains by leveraging near-shoring, AI-enabled tools, warehouse automation, and smarter stock management systems. Global consultancy Kearney and the World Economic Forum have introduced a report offering manufacturers guidance on managing global risks by strategically designing future supply chain networks and manufacturing footprints.

Trade policies remain a contentious element in the US, where several legal challenges have been launched against the Trump administration’s imposition of trade tariffs. Groups including civil rights organisations, small businesses, multiple US states, and non-profit litigation firms question the administration’s authority to enact tariffs without Congressional approval. In response to political and market pressures, President Trump has announced a 90-day pause on tariffs across all countries except China.

Environmental regulation in packaging will tighten with the Packaging and Packaging Waste Regulation published on 22 January 2025, coming into effect from 12 August 2026. This legislation mandates reusable packaging targets, restrictions on single-use packaging, and encourages a circular economy model prioritising reuse and high-quality recycling. It includes targets of up to 65% recycled content in single-use plastic bottles by 2040 and introduces labelling requirements to assist consumer sorting. The UK’s Department for Environment, Food and Rural Affairs (Defra) has also issued guidance on packaging data reporting under the Extended Producer Responsibility (EPR) scheme and launched PackUK as the administrator for the UK’s producer responsibility, shifting costs from taxpayers to businesses using packaging.

From 31 March 2025, UK businesses are required to separate food waste for collection, necessitating an understanding of waste types and storage methods. The Food & Drink Federation has released the 'Powering Communities – UK food and drink manufacturing regional report 2025,' providing regional insights into this vital sector.

However, supply chain complexities persist globally. Reports have emerged of gum arabic, an essential ingredient in the food and drink industry, being trafficked from conflict zones in Sudan, complicating supply assurance for Western companies. Additionally, global natural rubber production is projected to fall short of consumption for the fifth consecutive year in 2025, influenced by factors affecting the industry and market dynamics.

In sustainability developments, the EU’s Omnibus Simplification Package aims to ease administrative burdens related to sustainability due diligence and reporting by postponing deadlines for the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD). The deadlines for Member States’ transposition of CSDDD are extended to July 2027, with compliance deadlines shifted to 2028, allowing more preparation time for businesses.

The UK government and EU have also issued guidance and regulation proposals impacting manufacturing and product marking, ecodesign (applicable from 2026), and emissions standards. Notably, UK manufacturing saw a significant increase in value added per worker between 2018 and 2023, surpassing major economies such as Germany and Japan, according to FourJaw Manufacturing Analytics.

Innovation funding has extended to bio-based manufacturing in Scotland, with £5 million allocated through Innovate UK's Launchpad programme supporting projects in biotechnology, biomass supply chains, sustainable production, and skills development.

In legal and ethical matters, a Court of Appeal decision allows migrant workers’ claims against Dyson concerning alleged forced labour in Malaysian factories to be heard in English courts, with Dyson appealing to the Supreme Court. The UK Joint Committee on Human Rights is investigating forced labour in supply chains, assessing the Modern Slavery Act 2015 and considering international best practices for strengthening UK legislation.

The Home Office updated its statutory guidance on transparency in supply chains under the Modern Slavery Act on 24 March 2025, reinforcing requirements for businesses with annual turnovers above £36 million to publish annual slavery and human trafficking statements.

Controversy surrounds online retailer Temu, accused of ultra-low pricing linked to forced labour in supply chains. Temu representatives gave evidence to the UK Business and Trade Committee in January 2025, providing some assurances about company practices. By contrast, SHEIN’s General Counsel expressed minimal confidence in the integrity of its supply chains during the same session.

Regarding artificial intelligence (AI), the UK government has published the First Independent International AI Safety Report, marking a comprehensive scientific understanding of advanced AI risks. The government has also launched the “Blueprint for Digital Government,” emphasising joined-up public services, AI utilisation, funding reforms, and digital procurement enhancements. The EU’s AI Act began enforcement of literacy requirements in February 2025, accompanied by regulatory guidance, with ongoing updates expected. Meanwhile, AI’s agentic capabilities—autonomous decision-making and task execution—are highlighted as a key trend, exemplified by Amazon’s introduction of Alexa+, an AI assistant with autonomous internet navigation features.

In the logistics sector, the UK government has approved the Development Consent Order for the Lower Thames Crossing, deemed critical for reducing delays and unlocking logistics efficiency nationwide. Senior business leaders have urged recognition of the logistics sector’s importance and inclusion in strategic government councils. The UK Warehousing Association advocates extending programmes like Generation Logistics and securing long-term funding for freight innovation.

Transport strategies are evolving to focus on decarbonisation and modernisation. The Department for Transport (DfT) recently launched a maritime decarbonisation strategy, incorporating the UK Emissions Trading Scheme for maritime sectors and exploring future fuels and shore power. Separately, the DfT is consulting on reforming the railway system, including establishing Great British Railways.

Sustainability efforts include the Circular Economy Taskforce prioritising sectors such as textiles, transport, construction, agri-food, and chemicals/plastics. The government is also reviewing plans to transition to zero-emission vehicles, aiming for an end to new petrol and diesel car sales by 2030. The European Commission released an Industrial Action Plan for the automotive sector focused on zero-emission vehicle adoption and subsidy reform.

Emerging technology in infrastructure has brought innovations such as AI-designed asphalt capable of self-repair, potentially addressing the UK’s pothole problems while advancing net zero goals. In aviation fuel, the majority of sustainable aviation fuel used in the UK originates from imported used cooking oil, though supply uncertainties loom with impending mandates in China.

The UK's planning and environmental policies are undergoing reform. The newly introduced Planning and Infrastructure Bill aims to streamline processes, mandate training for planning committees, and establish nature restoration funds. The government has proposed narrowing statutory consultee roles in planning decisions and requiring performance reporting from key consultees. Biodiversity and environmental commitments are framed within the National Biodiversity Strategy and Action Plan for 2030 and ongoing reforms addressing nutrient neutrality and habitat regulations.

In waste management, legal proceedings initiated by the campaign group Fighting Dirty challenge the government’s export policies on waste tyres. The Environment Agency has pledged a review following allegations that exported tyres intended for recycling are being incinerated.

This comprehensive overview draws from multiple sector reports and government publications, presenting a detailed snapshot of the manufacturing, supply chain, logistics, environment, and regulatory landscapes as they stand in early 2025. The information is intended to provide an informed picture of ongoing developments and emerging challenges across these interconnected fields.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.pwc.co.uk/industries/manufacturing/insights/make-uk-executive-survey.html> - This survey reveals that nearly one-third of UK manufacturers are investing in technology, cloud, and AI to enhance productivity and reduce overheads, aligning with the article's claim about manufacturers' technological investments in 2025.
2. <https://www.pwc.co.uk/industries/manufacturing/insights/make-uk-executive-survey.html> - The survey indicates that almost half of manufacturers aim to expand their product portfolios in 2025, supporting the article's statement about manufacturers' plans to broaden their product offerings.
3. <https://www.pwc.co.uk/industries/manufacturing/insights/make-uk-executive-survey.html> - The survey highlights that UK manufacturers are focusing on technology adoption to boost productivity and reduce costs, corroborating the article's mention of manufacturers investing in technology to enhance productivity and reduce overheads.
4. <https://www.pwc.co.uk/industries/manufacturing/insights/make-uk-executive-survey.html> - The survey notes that manufacturers are investing in new product lines and business development to seize growth opportunities, aligning with the article's point about manufacturers aiming to broaden their product portfolios.
5. <https://www.pwc.co.uk/industries/manufacturing/insights/make-uk-executive-survey.html> - The survey emphasizes the importance of upskilling and retraining staff to maintain human-led skills such as critical thinking, creativity, and judgment, supporting the article's mention of the need to upskill the workforce.
6. <https://www.pwc.co.uk/industries/manufacturing/insights/make-uk-executive-survey.html> - The survey highlights that manufacturers are focusing on decarbonization efforts and green jobs, aligning with the article's mention of sustainability efforts in the manufacturing sector.
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