

How rising raw material costs are reshaping UK manufacturing competitiveness

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James Ellison, Sales Director at Klarius Products, Europe's largest manufacturer of aftermarket exhaust components, on how European trade measures, raw material inflation and evolving government policy are impacting UK manufacturing competitiveness in 2026.

The UK's manufacturing sector has been under pressure for decades, with the past few years seeing cost increases and shrinking order volumes¹. European steel markets are increasingly shaped by trade policy as much as by supply and demand, while raw material pricing and supply chain conditions continue to reflect a structurally tighter global landscape than we've ever seen before.

While supply has not been uniformly constrained, volatility has become a consistent feature of industrial energy markets. This creates huge amounts of uncertainty for manufacturers planning production and procurement, and for energy-intensive businesses such as steel producers, this affects both short term pricing and longer-term contract decisions.

¹ <https://www.reuters.com/world/uk/uk-factory-orders-contract-fastest-pace-since-2020-cbi-says-2026-05-21>

James Ellison explains: “Energy volatility is now a constant consideration. It directly affects how we approach production planning, procurement and pricing across the business.”

Steel and raw material inflation remains a defining cost pressure

Steel and other key industrial inputs remain a major source of cost pressure for UK manufacturers. Rather than following a stable downward trend, steel markets have remained volatile, with pricing influenced by energy costs that are 46% higher than the global average², trade policy and shifts in regional supply and demand.

In Europe, those measures have tightened sharply: from 1 July 2026, the UK and the EU both replaced their steel safeguards with stricter regimes, roughly halving tariff-free import quotas and doubling the duty on steel imported above them, from 25% to 50%.^{3,4}

These measures sit on top of long-standing anti-dumping duties, while the EU’s new carbon border levy adds a further, escalating cost to imported steel.⁵ Together they hold European steel prices above global benchmarks and limit access to cheaper supply, even when global demand softens. That combination continues to make procurement and cost forecasting more difficult for manufacturers operating at scale.

² <https://www.makeuk.org/insights/reports/tackling-electricity-prices-manufacturers>

³ <https://www.trade-tariff.service.gov.uk/news/stories/uks-steel-trade-measure-from-1-july-2026--30-june-2026>

⁴ <https://www.consilium.europa.eu/en/press/press-releases/2026/06/08/steel-overcapacity-council-greenlights-new-rules-to-protect-the-eu-steel-market-from-global-overcapacity/>

⁵ https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

These movements have been driven by a combination of higher energy costs in steel production, with UK Steel reporting that British steelmakers are paying almost 40% more for electricity than those in France⁶. This is enhanced by constrained supply in certain segments and ongoing global demand pressures.

For a manufacturer such as Klarius, which consumes steel at scale, these increases have a direct impact on production costs.

Ellison says “Steel is a key resource for us, so price movement at that level has a direct and immediate impact. When that is combined with increases in other areas, the overall pressure becomes significant.”

Government policy is increasingly central to competitiveness

Alongside market pressures, UK manufacturers are closely monitoring government policy aimed at improving industrial competitiveness. The British Industrial Competitiveness Scheme (BICS), which is designed to reduce electricity costs for energy intensive industries, has been welcomed as a step in the right direction. High industrial energy costs have long been identified as a key disadvantage for UK manufacturing when compared to international competitors.

However, questions remain around implementation timelines, eligibility and the extent to which such measures will materially reduce the competitiveness gap.

⁶ <https://www.uksteel.org/electricity-prices>

“There is clear recognition that energy costs are a challenge for UK manufacturing.” James Ellison notes. “The key issue is how quickly support can be delivered and whether it has a meaningful impact at an operational level.”

Supply chain conditions remain functional but less predictable

Variability in lead times, fluctuations in logistics costs and ongoing trade friction continue to influence procurement strategies and production scheduling. For manufacturers that rely on consistent throughput, this creates additional complexity in planning and inventory management.

Ellison explains: “The challenge now is consistency. Supply chains are working, but they are not always predictable, and that has a knock-on effect on efficiency.”

In response to these combined pressures, manufacturers are placing greater emphasis on internal efficiency and operational control. At Klarius, this includes continued investment in manufacturing processes, automation and production efficiency, as well as closer alignment between supply chain planning and factory operations. The focus is on improving productivity and maximising output from existing inputs.

“We are focused on what we can control. Improving efficiency, reducing waste and maintaining throughput are all critical in managing external cost pressures,” adds Ellison.

Resilience alone is no longer enough

UK manufacturing continues to demonstrate resilience, but the pressures facing the sector in 2026 are structural rather than temporary. Persistent trade barriers,

sustained increases in raw material costs and reduced supply chain predictability are shaping a more complex operating environment.

At the same time, government initiatives such as the British Industrial Competitiveness Scheme highlight the importance of addressing underlying competitiveness challenges.

Ellison concludes: "UK manufacturing has strong capability and expertise. Ensuring that it remains competitive depends on creating the right operating environment alongside continued investment in productivity."

Image captions:

Image 1: For Klarius, steel is a critical input shaped by energy costs, trade policy and the wider pressures facing UK manufacturing.

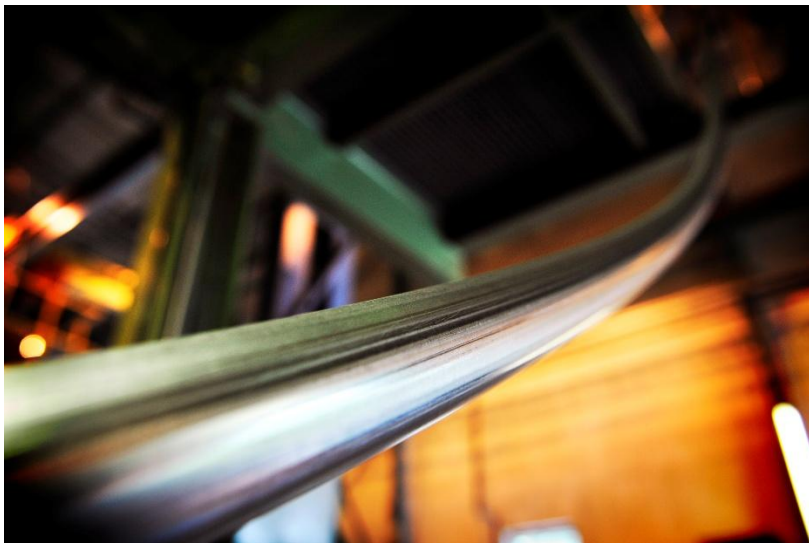


Image 2: Klarius continues to focus on efficiency, productivity and operational control to combat increasing material and energy costs.

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About Klarius Products

Klarius Products is a dedicated Emission Control Products manufacture and supply company servicing primarily the UK and EU markets. The business supplies type approved exhausts, CATs and DPFs designed, developed and manufactured in the UK and delivered via its own logistics operation. Klarius Products operations are centred on the manufacturing, R&D, test track, logistics and stock facility hub based in Cheadle in the UK.

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