Q2 2025

# QUARTERLY ECONOMIC REPORT

West & North Yorkshire Chamber of Commerce

IN PARTNERSHIP WITH

West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire

**Amanda Beresford**
Chair
West & North Yorkshire Chamber of Commerce

In my foreword for the previous Quarterly Economic Survey, I reported a mixed bag for our economy, with service sector firms performing well while manufacturers struggled.

For Q2 of 2025, the script has been reversed, with manufacturers reporting improving prospects while service sector firms reported a decline in sales, investment plans and confidence levels.

As a proud exporting region, it is disappointing to see international sales in such decline across all sectors, with order books fairing little better. One can only imagine the imposition by President Donald Trump of tariffs on US firms purchasing international goods and services is playing a factor in this picture.

As we feared following the Budget, the increase in National Insurance Contribution for employers is suppressing hiring intentions, with headcounts falling and likely to continue to fall. Rest assured your Chamber is campaigning heavily to ensure the tax burden does not increase further in the months ahead.

Given the strength of our region's world class business community, we will hope to see improving confidence levels for all sectors when we head in Q3 for this year.

As a Chamber we stand ready to make sure life for all of our members feels more optimistic and we will be a tireless advocate for Yorkshire businesses of all size and shapes.

**Mark Casci**
Head of Policy and Representation
West & North Yorkshire Chamber of Commerce

"Mood amongst business at the moment is poor. It's a case of just surviving." These were the words of just one business owner who contributed to the fieldwork for the latest round of our Quarterly Economic Survey. The first conducted since the introduction of increased National Insurance Contributions for employers and the heightened minimum wage, as well as the commencement of President Trump's global trade war, it has revealed an often-gloomy snapshot of business sentiment in our region.

As an eternal optimist, I take comfort from the positives revealed in our latest data set. For one, our manufacturing sector has shaken off months of negativity and delivered a range of positives, most notably around domestic sales and orders, both of which rose handsomely during the second quarter of 2025. The sector's confidence levels are clearly growing too, with profit expectations having increased for the first time in close to a year.

Less can be said for our service sector, where the strong UK sales levels seen in recent months were thrown into sharp decline. The sector has also seen its confidence levels knocked for six, with profit expectations in decline for the first time in many months. What both sectors have in common is overseas sales, where both transactions and order books both showed negative growth.

The cost of employing people is at a very high level at present, and this is taking its toll on headcounts. Hiring intent among Yorkshire firms is declining, as are plans for capital investment. Training investment levels however show off more of a mixed bag, with manufacturers showing increasing willingness to invest in their staff while service sector firms posted a decline.

Taxation levels predictably continue to top the eternal pressure table, with labour costs still show as the chief concern around costs. The uptick in inflation is clearly having an impact on overheads too, with utility and fuel costs increasingly weighing on employers' minds.

Businesses in Yorkshire have for many years now shown themselves to be in possession of remarkable levels of resilience. Uncertain international and domestic trading conditions are quite simply the norm for entrepreneurs and they will doubtless weather this latest storm and find a pathway to growth.

As a Chamber our chief concern now is to make sure that the Government's much-vaunted mission to achieve growth is achieved by freeing up constraints on our employers. We have been clear that any imperative the Treasury has to find cash to spend on services is not achieved at the expense of businesses via new methods of taxation. We continue to work closely with our colleagues at British Chamber of Commerce to make sure this message lands. We will also continue to lobby over certain measures in the forthcoming Employment Rights Bill to ensure business leaders are not handed further impositions to growth.

Despite the challenges facing employers, growth is still rising at a faster than anticipated level. Businesses stand ready to do their part to grow the economy and simply need to see an end to any further barriers being placed upon them.



**Mandy Ridyard**
Business Advisor to the Mayor of West Yorkshire
Financial Director, Produmax

These latest results of the Chamber's Quarterly Economic Survey make for sobering reading and put into stark relief many of the difficulties businesses currently face.

With fieldwork carried out between May and June, it reflects the impact both of higher National Insurance Contributions and National Minimum Wage alongside international tariffs imposed by US President Trump.

The impact of increased costs on employment is clearly already being felt. Both the manufacturing and service sectors have reduced headcount and pulled back on hiring intentions throughout summer.

More broadly, inflation remains above target with the Bank of England indicating cuts in interest rates later this year to support a stagnating UK economy.

At the time of writing, we are yet to see what lasting impact military action against Iran will have on global oil prices – again, pushing up costs for producers.

Individually, each of these pressures – wage costs, inflation, high energy costs and geopolitical uncertainty – would be a challenge to manage and overcome. Taken together, many businesses are battling to weather the storm and come out on the other side.

As a member of West Yorkshire's business community and an advisor to the Mayor, I continue to raise these issues with our region's leaders. A strong economy, built on strong, successful businesses is vital for West Yorkshire

There are some encouraging green shoots in the manufacturing sector with growth in confidence underpinned by increased in domestic sales and order books.

Export will be an essential lever to increase growth and recent international trade agreements present new opportunities in terms of goods and service exports.

The UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) offers access to some of the world's fastest growing markets that together represent 14.4% of global GDP.

Additionally, the recently signed UK-India free trade agreement will allow us to build on the already strong and growing commercial relationship between India and West Yorkshire. India is West Yorkshire's fifth largest export destination, representing £729 million in annual bilateral trade.

West Yorkshire's business community are tenacious and resourceful. These characteristics are essential in adapting to the current challenges they face. I am hopeful that I am able to report on more positive results in future economic surveys.

## METHODOLOGY

The respondents of business owner/senior manager/director/ partner status. Thirty per cent of this sample were actively trading internationally, a smaller figure than seen in the Quarter One 2025 study.

Of those businesses surveyed 49 per cent were micro, 28 per cent were small, 18 per cent were medium and five per cent were large.

Businesses were surveyed by telephone, physical and online questionnaires and by social media polling between Monday May 7 and Sunday June 8.

Net balance figures referred to throughout this report and represented in the graphs are determined by subtracting the percentage of companies reporting decreases in a factor from the percentage of companies reporting increases.

The Chambers that conducted the survey are:

- West and North Yorkshire Chamber of Commerce (which covers Bradford. Leeds, City of York and all of the North Yorkshire Districts).
- Mid Yorkshire Chamber of Commerce (which covers Wakefield, Calderdale and Kirklees).

## BUSINESS SIZE CLASSIFICATION

Throughout the document we refer to the European standard definition of company size as follows

| | |
|---|---|
| **0 – 9** *employees* | **Micro business** |
| **10 – 49** *employees* | **Small business** |
| **50 – 249** *employees* | **Medium business** |
| **250+** *employees* | **Large business** |

## DOMESTIC SALES

A mixed bag for our region's economy with the manufacturing community reporting big improvements in both sales and orders. Conversely the service sector put behind two years of improving sales to post a 17 per cent decline in activity, with order books fairing little better.

## EXPORT SALES

The US trade war and continuing mixed message on tariff levels are clearly having an impact with both service sector firms and manufacturers reporting declining overseas sales. Order books are suffering as well as international trade proves and increasing challenge for firms.

## EMPLOYMENT

The cost of employing people is taking its toll on businesses as they wrestle with new taxes and wage demands. Employers have been increasingly cutting headcounts and the outlook for the coming months also looks to be negative.

## INVESTMENT

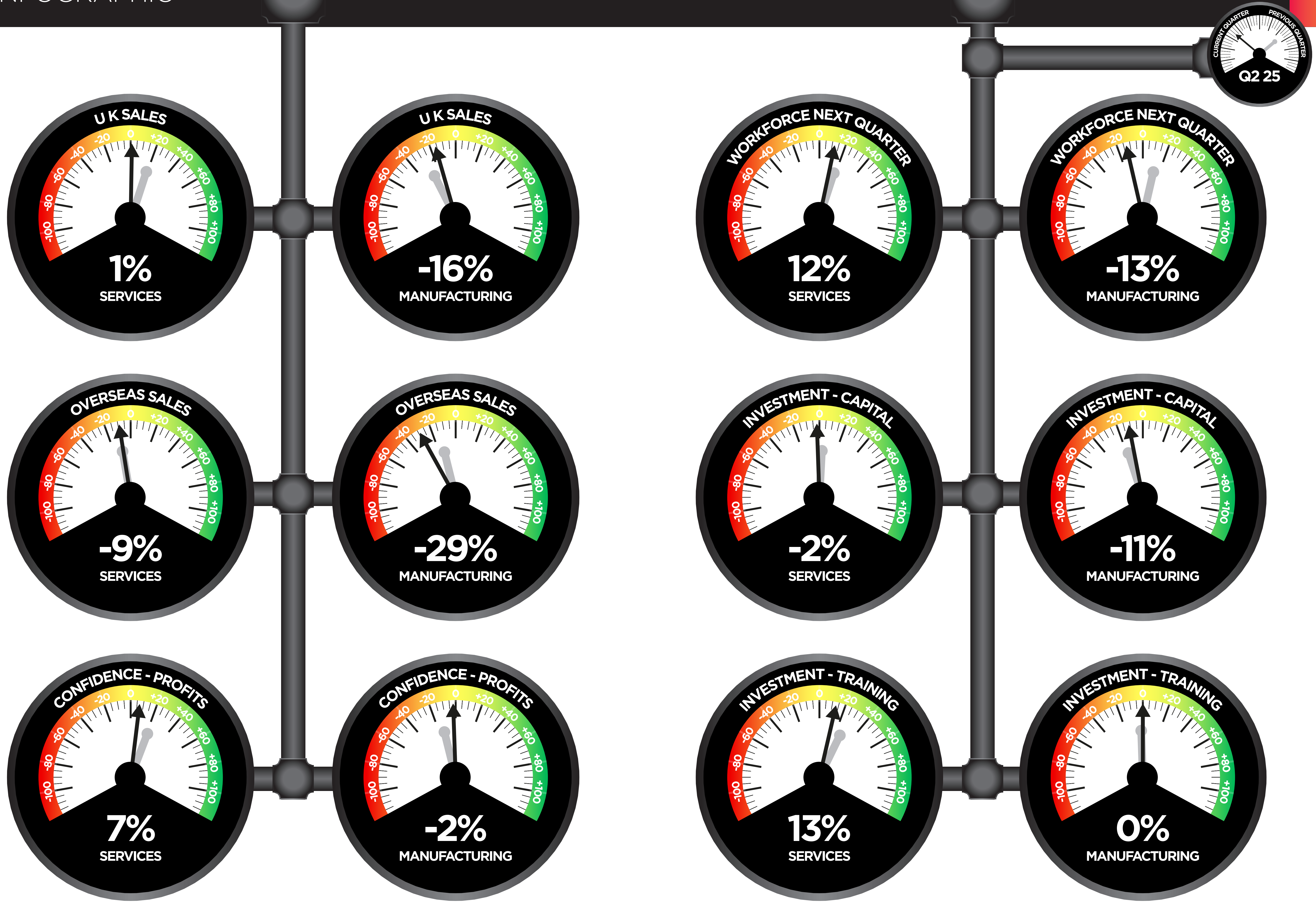
Soaring overheads have dismantled many firms' plans for investment. Capital investment in particular is in decline as employers deal with tax and wage demands.

## BUSINESS CONFIDENCE

Better news for manufacturers whose confidence around profit levels rebounded. The service sector saw a decline in confidence levels for the first time in two years.

## COSTS AND CONCERNS

Taxation and labour costs continue to top the table of business concerns. However, inflation, utility bills and fuel costs are creeping upwards on the list of issues troubling business leaders.


CURRENT QUARTER
PREVIOUS QUARTER
Q2 25
U K SALES
1%
SERVICES
U K SALES
-16%
MANUFACTURING
OVERSEAS SALES
-9%
SERVICES
OVERSEAS SALES
-29%
MANUFACTURING
CONFIDENCE - PROFITS
7%
SERVICES
CONFIDENCE - PROFITS
-2%
MANUFACTURING
WORKFORCE NEXT QUARTER
12%
SERVICES
WORKFORCE NEXT QUARTER
-13%
MANUFACTURING
INVESTMENT - CAPITAL
-2%
SERVICES
INVESTMENT - CAPITAL
-11%
MANUFACTURING
INVESTMENT - TRAINING
13%
SERVICES
INVESTMENT - TRAINING
0%
MANUFACTURING

## UK SALES

**SERVICES**

1%

-17%

**MANUFACTURING**

-16%

11%

## OVERSEAS SALES

**SERVICES**

-9%

1%

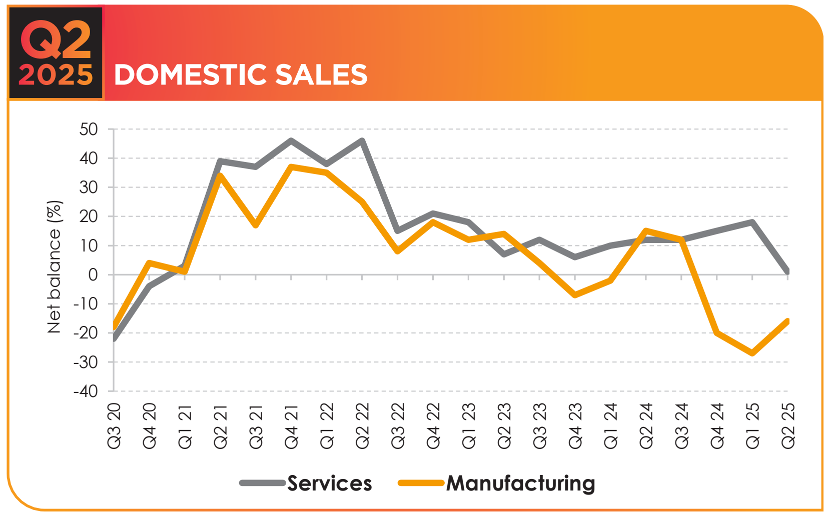
**MANUFACTURING**

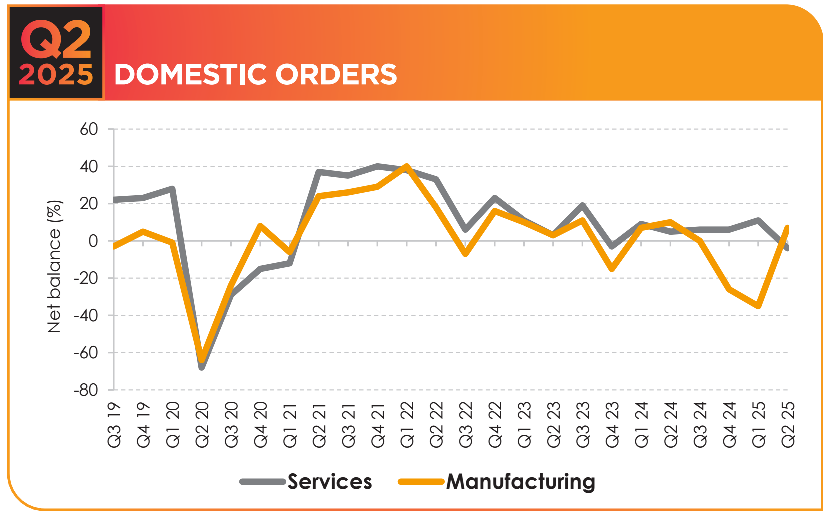
-29%

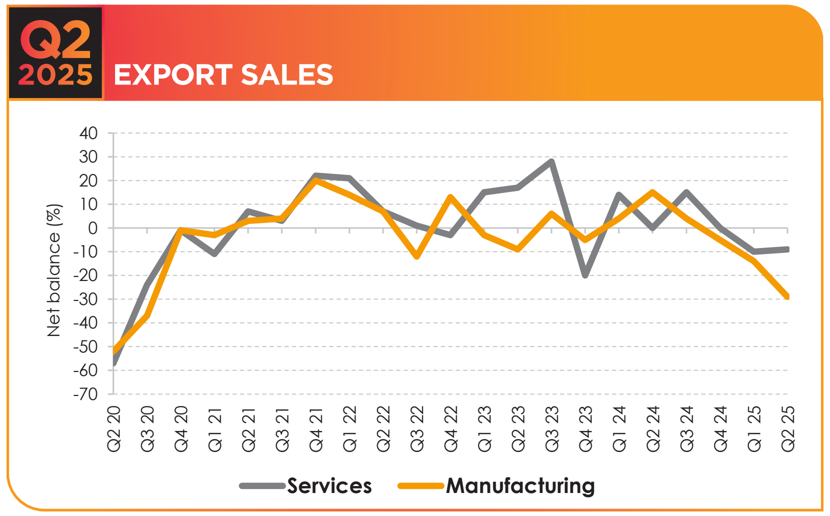
-15%

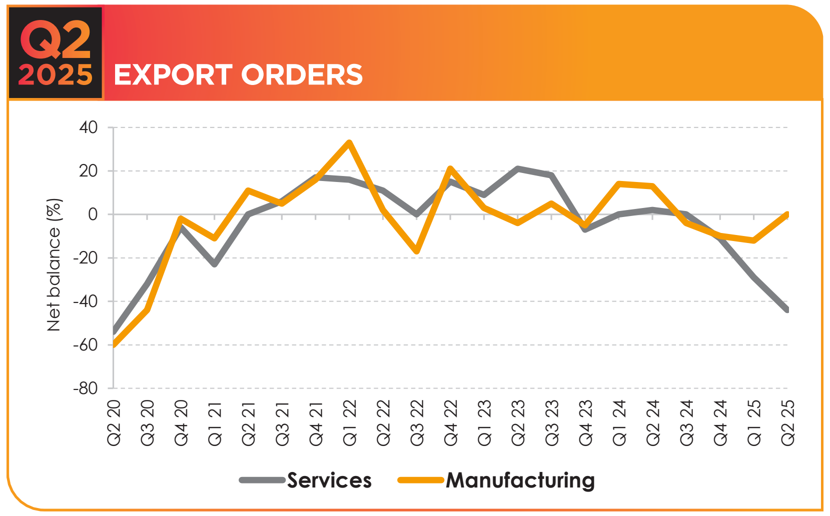
**UK SALES**
Given the mire manufacturers have found themselves in during the last few months, it was encouraging to see producers' sales finally heading in the right direction. After three consecutive quarters of negative growth, manufacturers sales picked up by 11 per centage points. Manufacturers look to have the wind in their sales too, with order books up by a hugely impressive 42 points. This must be taken against a backdrop of an appalling second half of 2024 for manufacturers' future orders.

The picture was less impressive for the service sector which saw sales decline for the first time since the second half of 2023. Service sector sales activity had been growing steadily for five quarters but sadly declined by 17 points during Q2 of this year. There was no respite to be found in order books either, with a 15-point decline being felt during Q2.




**INTERNATIONAL SALES**
The gloomy outlook for Yorkshire exports continued during Q2. The dramatic decline in overseas sales for manufacturers has further accelerated, down by 15 per centage points, the third consecutive quarter of negative activity.

While there was a tiny improvement in service sector activity abroad, sales remain poor.

It is hard not to draw a line between these results and the introduction of, and continual chopping and changing to, tariffs on US firms for using international goods. With the current president seemingly changing his mind on how much to punish US firms for using foreign goods and services, it will remain to be seen how this impacts UK firms going forward.

Order books represented a genuine mixed bag as well, with manufacturers seeing a marked improvement on what had been a challenging 2024, showing a 12-point increase in orders. Service sector firms sadly saw order books plummet by 15 points.

# EMPLOYMENT (NEXT QUARTER)

**SERVICES**

**12%**

-6%

**MANUFACTURING**

**-13%**

-26%

# INVESTMENT (CAPITAL)

**SERVICES**

**-2%**

-5%

**MANUFACTURING**

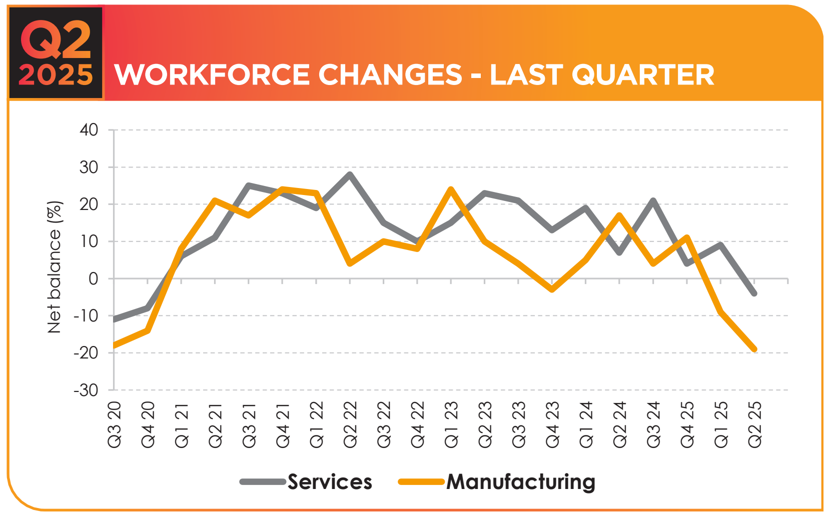
**-11%**

-3%

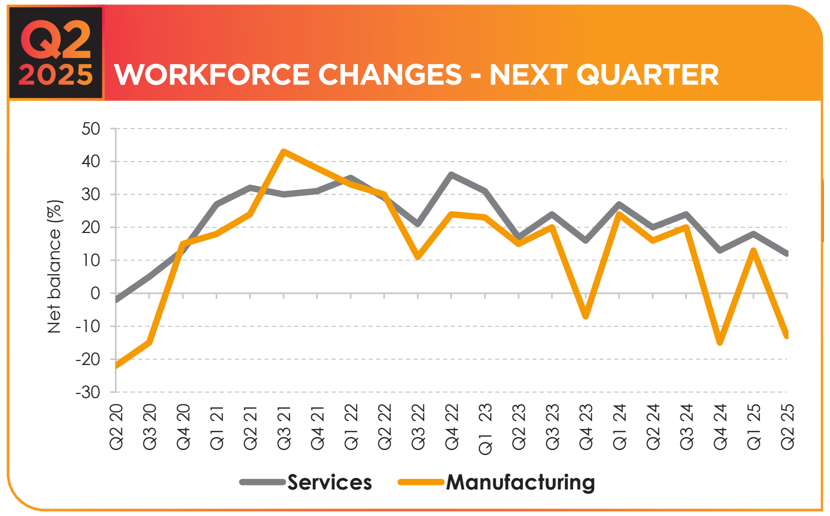
**EMPLOYMENT**
With the increases in Employer National Insurance Contributions and the Minimum Wage now upon us, it is now clear to see what impact this is having on employers. The level of businesses reducing headcount over the preceding quarter has increased sharply. Service sector firms lead the charge on this front, with a 13 per centage point decrease in headcount, closely followed by manufacturers with 10 per cent. The outlook for the next quarter looks equally gloomy, with the service sector showing a six-point reduction in hiring intent. For the manufacturing sector the landscape looks even poorer, with a 26-point reduction in those looking to take on more staff.

Following many months of salary increases and new taxes coming into further increase overheads, the cost of employing people is, to put it simply, a significant challenge for businesses of all sizes. Before long the Autumn Budget will be upon us and many firms will be fearing for further increases in the tax burden.

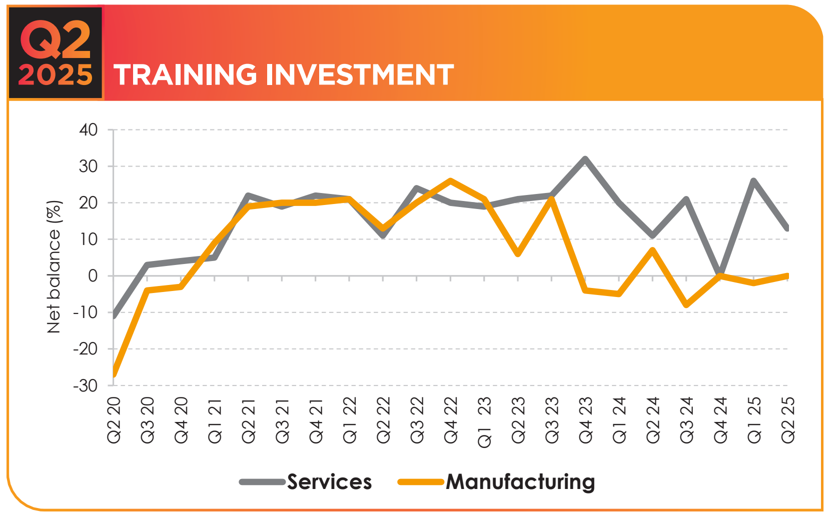
The Chamber network will be lobbying strongly on behalf of all employers to convince the Chancellor to refrain from any further tax increases.



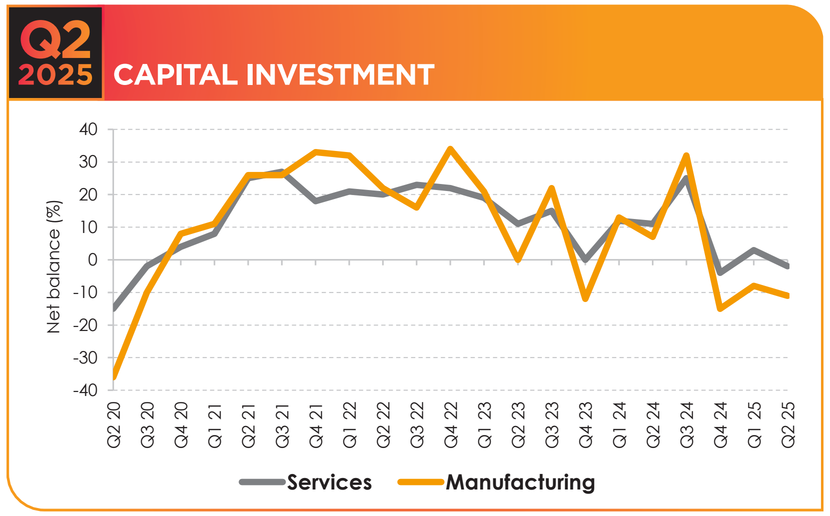

Q2 2025 WORKFORCE CHANGES - LAST QUARTER




Q2 2025 WORKFORCE CHANGES - NEXT QUARTER




Q2 2025 TRAINING INVESTMENT




Q2 2025 CAPITAL INVESTMENT

**INVESTMENT**
The challenging headwinds facing businesses look to be increasingly forming barrier to investment. Plans to invest in new plant and machinery fell further during Q2, with a three-point reduction in investment plans among manufacturing firms and a five-point decline among service businesses.

Training investment proved more of a mixed bag, with manufacturers showing a slight uptick of two per centage points. Service firms meanwhile posted an alarming 13 pointy decline.

With the labour marketing picture looking so bleak, and costs being so high, it is perhaps unsurprising that so many employers are putting any investment plans on ice for now.

**INDUSTRY VOICE:**
*"We've cut a shift pattern and reduced the workforce by 15-20 per cent. UK orders are quiet, driven by lack of customer confidence (we are B2B) cutting inventory."*

## CAPACITY (FULL)

**SERVICES** 29% ▼ -7%

**MANUFACTURING** 23% ▼ -9%

### CAPACITY & COST PRESSURES

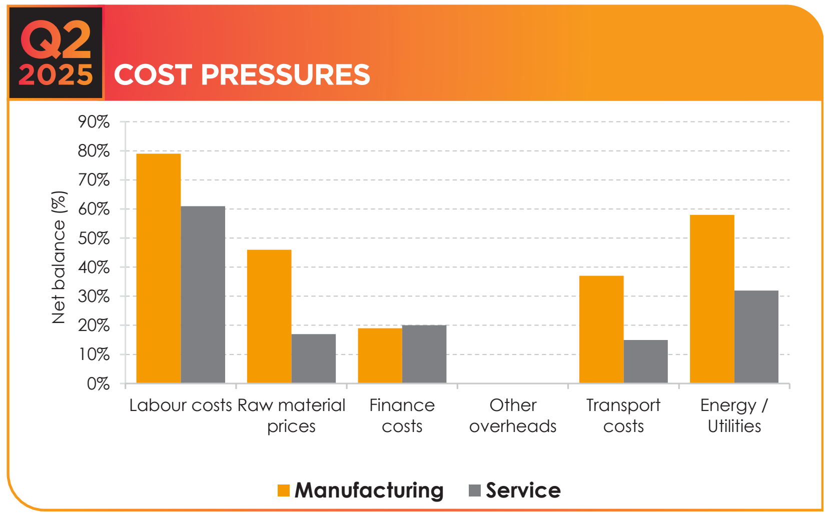
Taxation and wage bills continue to dominate as the two twin cost pressure demands on employers.

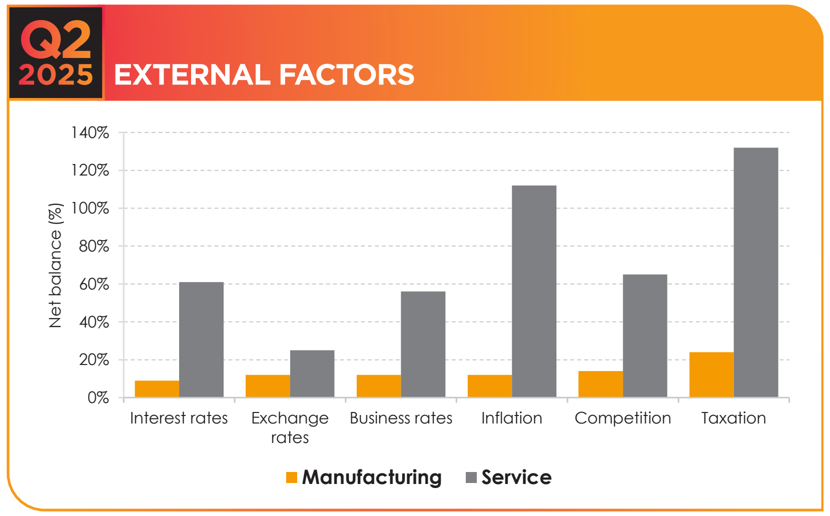
The increases seen inflation and the subsequent impact on bills saw these areas increasingly on the radar for employers, with fuel and utilities showing an increasing impact on businesses.

A huge percentage of Yorkshire firms are continuing to report being under capacity with nearly four out of every five manufacturing firms showing themselves to be so.

**INDUSTRY VOICE:**

*"There appears to be a shocked reaction to the severe increase in Employers NIC which significantly increased employment costs and is causing employers to review their staffing levels."*



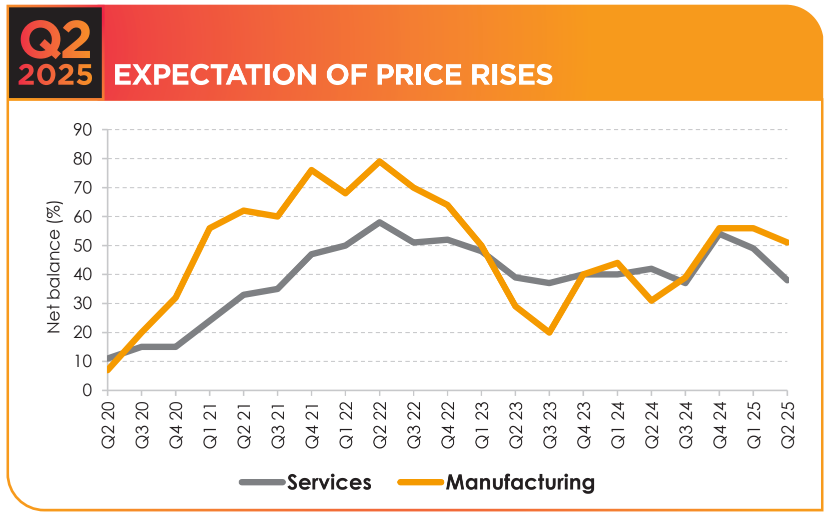






## PRICES

**SERVICES** 38% ▼ -11%

**MANUFACTURING** 51% ▼ -5%




### PRICES

For the third consecutive quarter in a row, the level of businesses anticipating decreases in their costs has declined. The increase in inflation, sluggish growth nationally, increasing geopolitical uncertainty, President Trump's tariff wars and the ongoing conflicts in Ukraine and Gaza will have all contributed to this challenging landscape.

The fieldwork also concluded before Israel's strikes on Iran which, as a producer of three per cent of the world's oil, is likely to lead to further price increases.

Overheads show no sign of coming down any time soon and, for many employers, it will remain a case of having to simply get comfortable with being uncomfortable.

**INDUSTRY VOICE:**

*"Continued pressure from cheap imports from China. Exceptionally cheap prices but much inferior product."*

# CASHFLOW

**SERVICES**

**-10%**

-12%

**MANUFACTURING**

**-22%**

0%

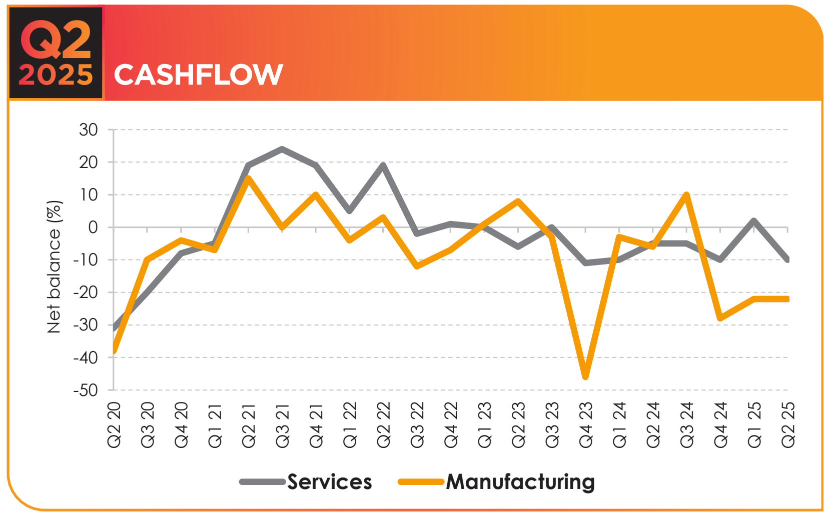
**CASHFLOW**
Following two months of declining cashflows for manufacturers, the line has finally levelled off, while the service sector saw a drop of 12 percentage points. Cashflow for Yorkshire businesses across the board has been volatile in recent years and this shows no sign of changing any time soon.

The poor state of UK sales will doubtless have contributed to the cashflow decline for service firms.

**INDUSTRY VOICE:**
*"Need a focus on smaller companies as opposed to larger ones. Becoming harder to operate and feels like things are being ignored.*

*"Was going to hire another staff member but national insurance and pension contributions are too much.*

*"Cashflow is slower as businesses want to keep hold of their money."*






# CONFIDENCE (PROFITABILITY)

**SERVICES**

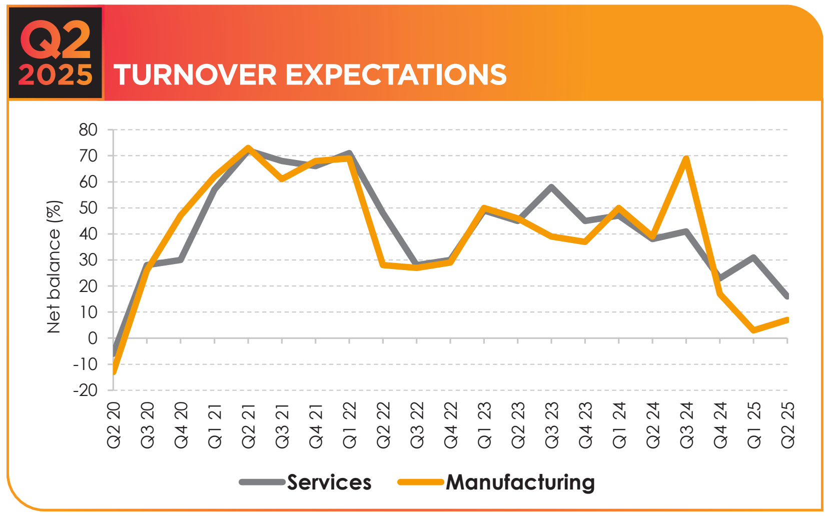
**7%**

-14%

**MANUFACTURING**

**-2%**

12%





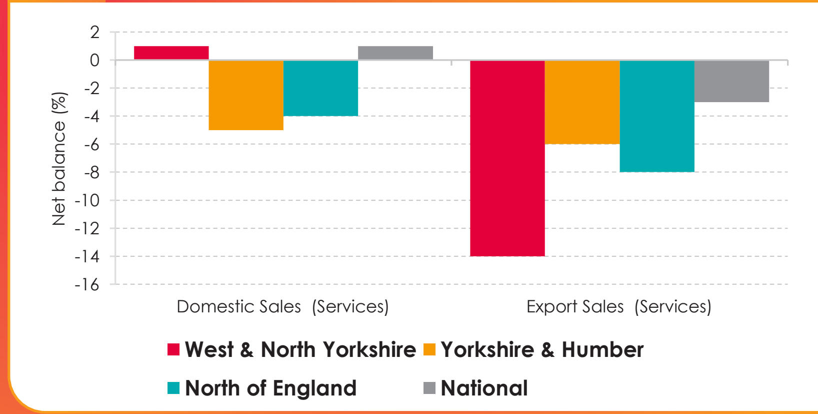
**BUSINESS CONFIDENCE**
After a torrid few months, it was encouraging to see the level of manufacturers anticipating improved profitability levels to be on the rise. The sector put behind it three successive quarters of declining confidence levels to post a modest rise of two percentage points.

The service sector however headed in the opposite direction, with unhealthy 14-point decline. For reasons outlined in this report, it is clear that many businesses are strapping themselves in for a turbulent and challenging few months.

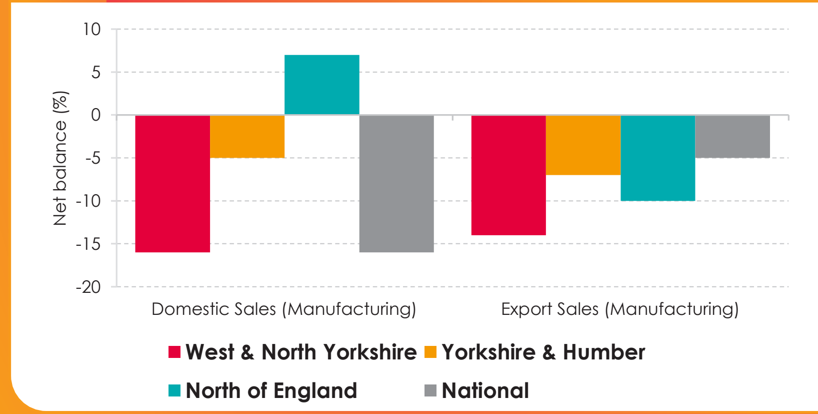
**INDUSTRY VOICE:**
*"Taxation presently is difficult for many small businesses. Busy shopping streets in affluent cities and towns cannot attract tenants as the rents and business rates are simply not possible to make a profit over the top of."*

*"Mood amongst business at the moment is poor. It's a case of just surviving."*

Q2 2025 REGIONAL COMPARISON - SERVICES




Q2 2025 REGIONAL COMPARISON - MANUFACTURING




**NATIONAL AND REGIONAL COMPARISONS**

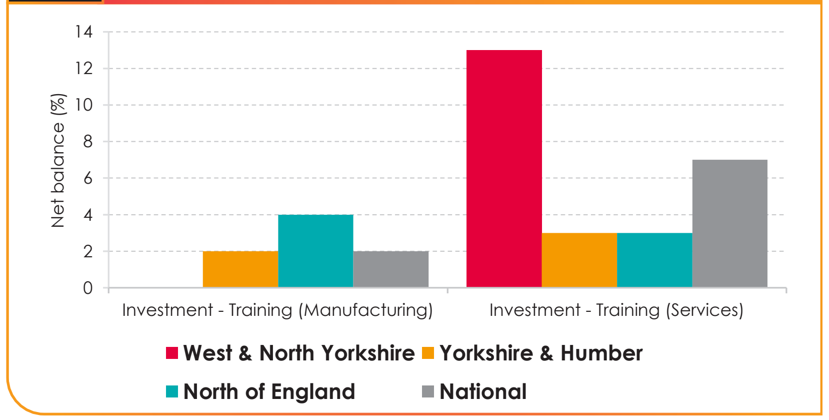
Again, very much a mixed bag.

Domestics sales have tracked the national average for the service sector wheras manufacturing lags behind. Overseas sales for both sectors are faring worse than the rest of the country.

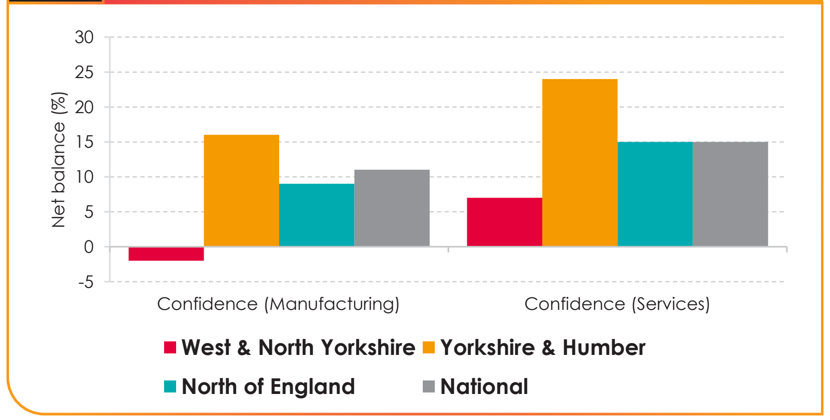
Training investment for service firms is way ahead of the regional and national average.

Confidence around future profitability lags behind sentiments seen elsewhere in the county, as does cashflow, in some cases quite heavily.

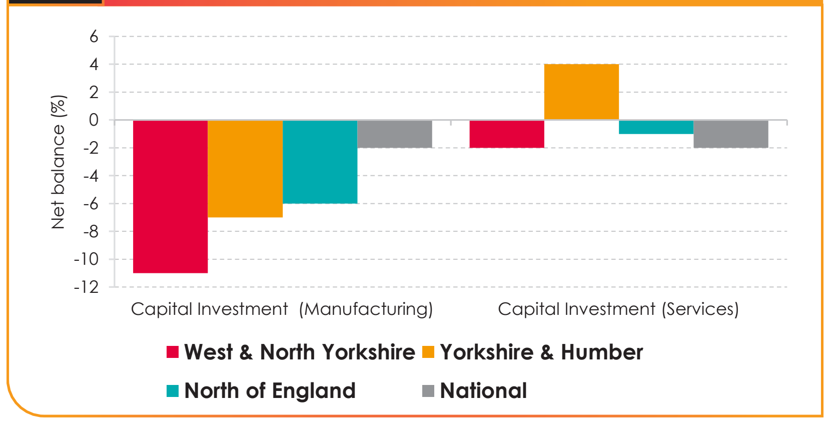
Q2 2025 REGIONAL INVESTMENT TRAINING



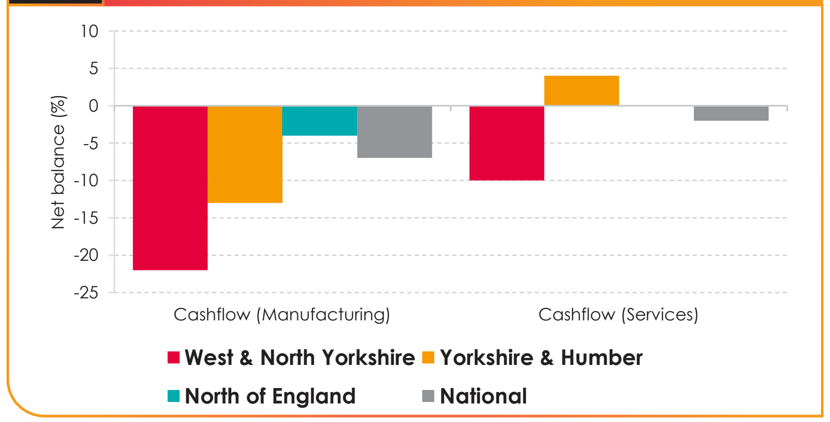

Q2 2025 REGIONAL BUSINESS CONFIDENCE - PROFITS




Q2 2025 REGIONAL INVESTMENT CAPITAL




Q2 2025 REGIONAL CASHFLOW



**David Bharier**
Head of Research
British Chambers of Commerce

Business sentiment in Q2 remains fundamentally subdued, following last autumn's tax increase announcements and the more recent introduction of global tariffs.

April's rise in National Insurance contributions has cemented tax as the dominant concern for firms. Businesses are entering a new employment landscape marked by structurally higher labour costs and administrative requirements, fuelling increased anxiety about redundancies.

While there has been some easing in our price expectations indicator, this follows a spike to near historic highs in Q1 and may indicate that firms already baked in the recent NICs increase. Inflation is likely to remain volatile in the short term, as any escalation in global conflict could trigger renewed shocks to commodity and shipping prices.

SMEs are operating in an increasingly unpredictable world and have limited capacity to absorb further disruption. A meaningful improvement in business conditions will depend on a roadmap to ease the tax and admin burden, de-escalation of geopolitical tensions, implementing improvements to the UK-EU trading deal, and further mitigation of US tariffs.

**Shevaun Haviland**
Director General
British Chambers of Commerce

The rising cost of doing businesses means confidence levels remain at their lowest levels since 2022.

However, it's encouraging to see a drop in the number of firms planning to raise prices. Any signs of inflationary pressures easing is good news for business and the wider economy. But prices remain volatile.

Last week, the Prime Minister acknowledged at the BCC's Global Annual Conference that business has been asked to shoulder a huge tax burden. We now need the Government to rule out any further business taxes in this year's Budget.

Businesses have welcomed the series of long-term strategies from Government in recent weeks, all designed to drive forward economic growth. Our research shows businesses are stuck in a rut and more needs to be done at pace by ministers to turbocharge the economy and boost business confidence.

Our Blueprint for Growth report provides a clear set of proposals to drive business innovation and investment. We urge ministers to work with us to implement these ideas.

Businesses are clear – they want their costs reduced, regulation reformed, and skills barriers removed. Action by policymakers now, will help businesses out of this confidence slump and give firms the tools to boost growth.

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West & North Yorkshire Chamber of Commerce

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