Q3 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

The latest set of findings in the Chamber's Quarterly Economic Survey do not make for cheery reading for our employers.

The downbeat sentiments expressed by respondents underscore what we all know, this is a challenging time for business.

Taxation and labour costs are posing problems for employers of all sizes, putting paid to expectations around profits and sales activity – particularly overseas – is heading in the wrong directions.

It is perhaps testimony to the resilience of our region's business community that there are some areas of encouragement.

Firms are showing increasing levels of investing in the training of their workforces and in many cases are looking to increase their headcounts in the months ahead. These are encouraging signs.

However, we cannot escape the reality that many of our region's firms are having a tough time, nor the fact that we are falling behind the rest of the country in performance terms.

We urgently need measures from policy makers to give our employers the optimism and confidence they need to get back on track. Here's hoping the last QES of 2025 brings us cheerier news.

The Chamber stands ready to offer any support it can to its members during these challenging times.

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

The results of the Quarterly Economic Survey for Q3 of 2025 do not make enjoyable reading in many places.

Sales, domestically and overseas, are not in a great place and profitability levels are very poor, most notably for manufacturers.

However, amid the doom and gloom there are some signs of optimism, with hiring intent finally improving after months of decline. Interest in upskilling preexisting workforces too is on the rise.

Given the challenges employers are facing around taxation and labour costs, it is hardly surprising that this latest QES is showing such downbeat sentiments. Rising inflation is clearly taking its toll too.

Perhaps the most challenging issue facing the reason concerns international trade. For a region which has had such a rich and proud heritage when it comes to exporting our goods and services to the world, to see sales and order books where they are is disheartening. Given the ever-changing and unpredictable approach of the occupant of the Oval Office when it comes to tariffs on American firms using overseas good and services, along with ongoing geopolitical uncertainty, it is understandable why Yorkshire firms are finding themselves struggling with overseas trading.

What is crystal clear is that the forthcoming Autumn Budget in late November has to create a climate that allows business to flourish. As a Chamber we have made it clear that there is no room in our economy for any further rises in taxation. If the Government wants to grow the economy it needs to give businesses the landscape to invest and grow, rather than hunker down into a defensive crouch.

Thank you to the hundreds of employers who contributed to this latest QES. If you have any matters you wish us to raise with the Treasury ahead of the Budget, please drop me a line at mark.casci@wnychamber.co.uk.

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

In many ways the results of the latest Quarterly Economic Survey feel like stepping into a time machine to the height of the Covid pandemic.

On nearly every measure, business sentiment has fallen to the same levels as it was between 2020 and 2022 period, when the country was rocked by lockdowns, furlough and tiered restrictions.

The results of the QES are reflected by the Combined Authority's own business survey, carried out in spring and summer, which also showed business confidence at its lowest level since the pandemic.

We cannot hide from or disguise the fact that businesses are pessimistic. From poor export sales to stalled domestic markets, a fall in capital investment and the majority of businesses working at less than full capacity, the outlook for revenues and profit expectations is at its worst for years.

However, we are seeing some signs that employers are getting to grips with the increased costs of tax and labour caused by changes to National Insurance and the National Minimum Wage.

More employers are confident than not about hiring and are putting more emphasis on training and upskilling their existing staff.

The ongoing uncertainty surrounding the international trade environment is clearly weighing on overall business sentiment. But even here there are potential bright spots, with HMRC data showing an increase in the number of West Yorkshire firms engaging in export in recent months – perhaps a reflection of companies exploring new markets in response to the US tariff situation.

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. I am in no doubt that they understand the difficult environment we are operating in and recognise that we cannot achieve everything we hope to for West Yorkshire without a strong economy, built on strong, successful businesses.

Much will depend on what the Chancellor announces in November and whether we will see actions that support growth and business.

For businesses feeling the strain, I would urge them to contact their local Chamber of Commerce and explore the range of local and national support and funding available via the Combined Authority to help boost productivity and resilience.

If I had a time machine, I would gladly look into the future to see what the results of the next QES will bring. As it stands, I can only hope that there will be better news to report on next time. West Yorkshire's businesses demonstrated their resilience during the pandemic and I am optimistic that they can overcome current challenges in a similar way.

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

Of those businesses surveyed 39 per cent were micro, 29 per cent were small, 24 per cent were medium and seven per cent were large.

Businesses were surveyed by telephone, physical and online questionnaires and by social media polling between Monday August 8 and Sunday September 14.

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
Further declines in the service sector down to its lowest level since the autumn of 2020.

Crumbs of comfort for the manufacturing sector where sales picked up slightly, the first time they have done so in 12 months.

Order books looking poor.

EXPORT SALES
A very poor quarter for overseas trading.

Export sales for manufacturers at their lowest ebb since the height of the pandemic.

Service sector firms show a modest increase.

Order books looking poor.

EMPLOYMENT
A more positive picture emerging with employers showing increased enthusiasm for hiring more people.

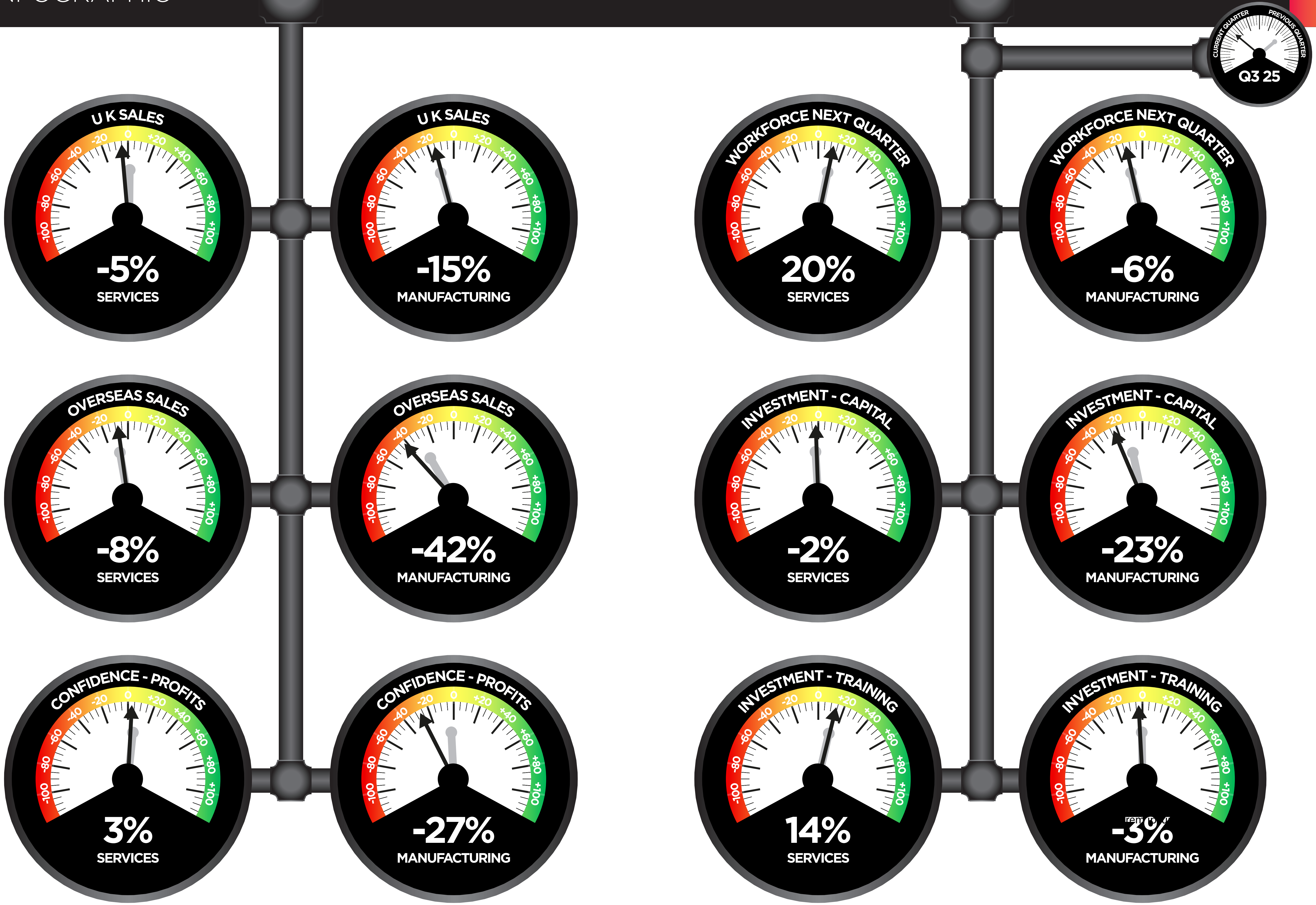
The forthcoming Budget will be key as to whether this trend continues.

INVESTMENT
Firms far keener on investing in upskilling their staff, with positive news on this front.

Capital investment confidence remains non-existent.

BUSINESS CONFIDENCE
Service sector expectations down for the third consecutive quarter while manufacturing sector is dire. Turnover remains a challenge, with revenues declining sharply.

COSTS AND CONCERNS
Tax and labour costs remain the twin issues causing business the most concerns. Inflation rises up the list of external pressures.


CURRENT QUARTER
PREVIOUS QUARTER
Q3 25
U K SALES
-5%
SERVICES
U K SALES
-15%
MANUFACTURING
WORKFORCE NEXT QUARTER
20%
SERVICES
WORKFORCE NEXT QUARTER
-6%
MANUFACTURING
OVERSEAS SALES
-8%
SERVICES
OVERSEAS SALES
-42%
MANUFACTURING
INVESTMENT - CAPITAL
-2%
SERVICES
INVESTMENT - CAPITAL
-23%
MANUFACTURING
CONFIDENCE - PROFITS
3%
SERVICES
CONFIDENCE - PROFITS
-27%
MANUFACTURING
INVESTMENT - TRAINING
14%
SERVICES
INVESTMENT - TRAINING
-3%
MANUFACTURING

UK SALES

SERVICES

-5%

▼ -6%

MANUFACTURING

-15%

▲ 1%

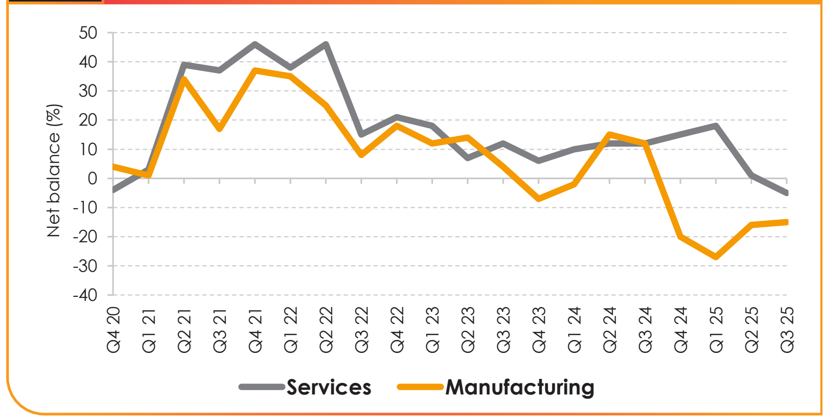
UK SALES

The decline in the sales performance of the service sector in the region has hastened again, down by six per centage points to reach its lowest level since the autumn of 2020 when Covid restrictions were still reaping havoc with the world's economy. Service sector firms had been enjoying incremental increases in sales for more than year until the last two quarters, when thereafter they have sharply declined. Given this corresponds with the imposition of increased National Insurance Contributions for employers, it is hard not to draw a correlation between the two.

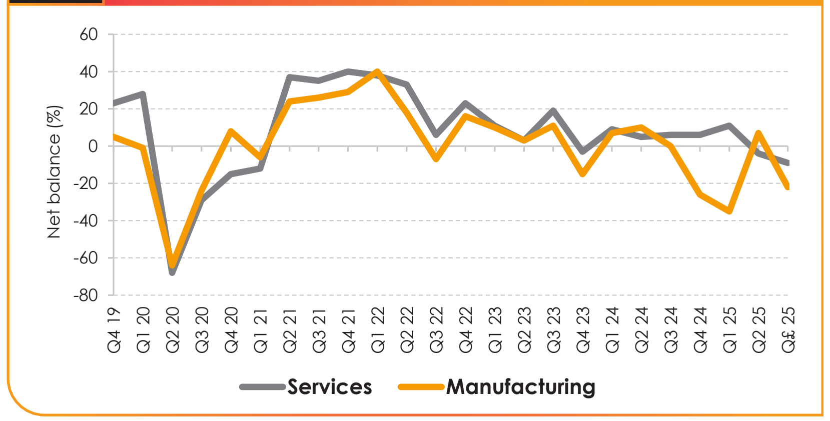
For manufacturers there were very small crumbs of comfort as sales picked up slightly, the first time they have done so in 12 months. While it is a long road back to positive territory for producers, it is encouraging to see the sector move back into a positive direction on domestic sales for the first time in more than a year.

However domestic order books in both sectors are looking very poor, with both posting very negative numbers indeed.

Q3 2025 DOMESTIC SALES



Q3 2025 DOMESTIC ORDERS



OVERSEAS SALES

SERVICES

-8%

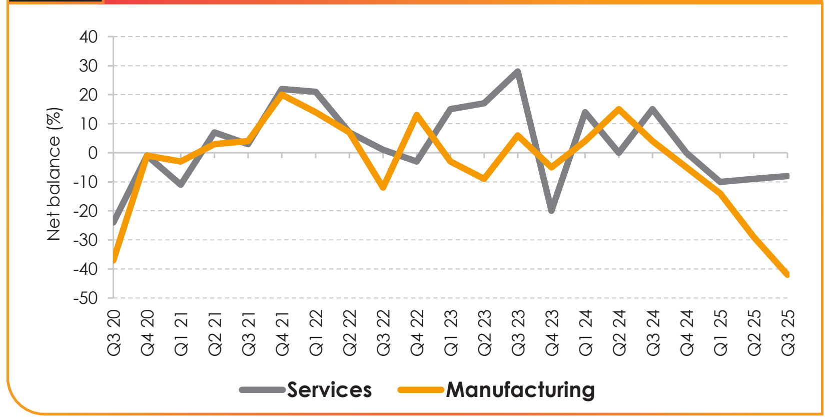
▲ 1%

MANUFACTURING

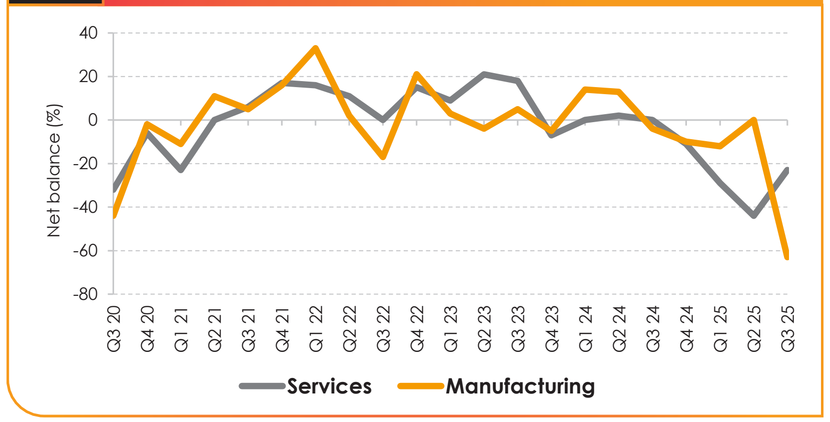
-42%

▼ -13%

Q3 2025 EXPORT SALES



Q3 2025 EXPORT ORDERS



INTERNATIONAL SALES

Export sales for Yorkshire's manufacturing sector are now at the lowest level since the hight of the pandemic, having fallen 13 per centage points – the fourth consecutive quarter of negative growth for the sector. Order books for manufacturers look even worse, down by a whopping 63 per centage points, putting paid to any of the more optimistic signs we saw in Q2.

Service sector firms posted a very modest increase of one per centage point but overseas sale figures still remain in negative territory. Order books however are moving in the right direction, up by 21 points.

Tariffs imposed on US firms using UK goods and services will have certainly impacted the figures, with stagnant global market, particularly in Europe, almost certainly impacting this quarter.

INDUSTRY VOICE:

"There seems to be a slowdown in the market in general, in particular those who may have considered overseas markets but are now not, due to costs and uncertainty, for example, in selling goods to the US with Trump's tariffs."

EMPLOYMENT (NEXT QUARTER)

SERVICES 20% ▲ 8%

MANUFACTURING -6% ▲ 7%

EMPLOYMENT

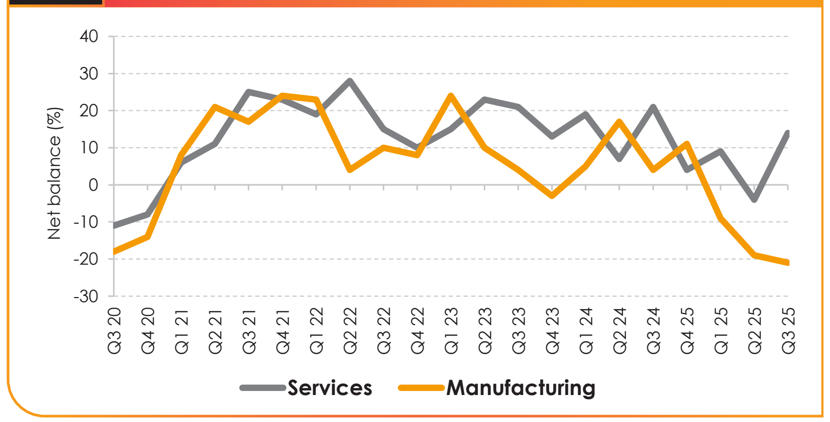
Some positive news to report on employment intent this quarter, as both sectors signalled increased enthusiasm for taking on more staff.

Service sector and manufacturing sector firms showed an eight and seven per centage point increase in hiring intent for the coming months, a welcome boost given Q2's dreary numbers.

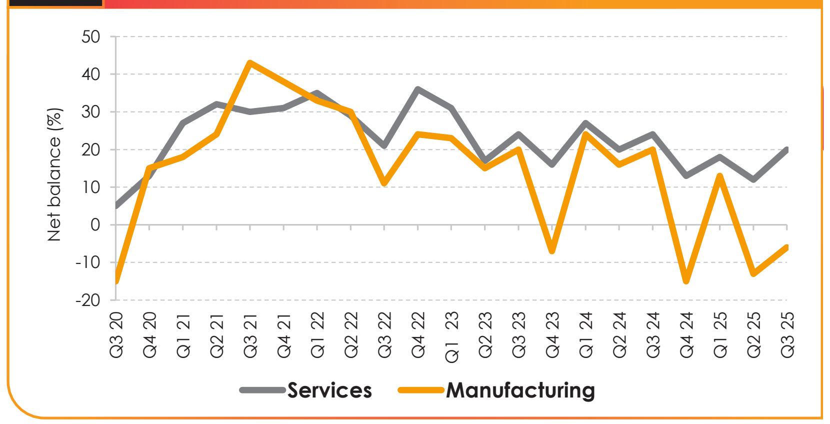
While it is early days, this could be a potential sign that employers are now learning to live with the increase in NICs contributions and looking to boost their headcounts.

All eyes will now turn to the forthcoming Budget on November 26 as business anxiously awaits news as to whether taxes will be raised further on what is already an overwhelming burden.

Q3 2025 WORKFORCE CHANGES - LAST QUARTER



Q3 2025 WORKFORCE CHANGES - NEXT QUARTER

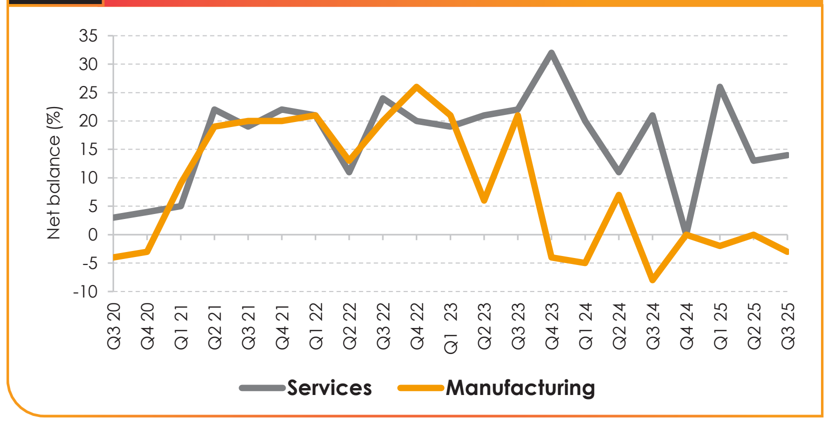


INVESTMENT (CAPITAL)

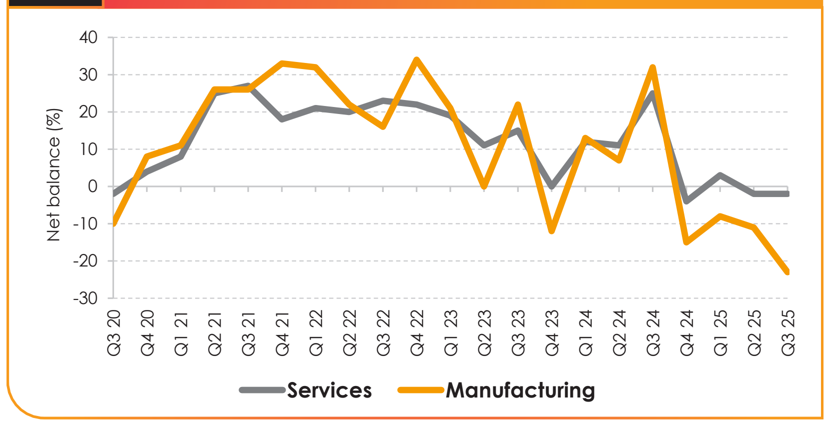
SERVICES -2% ► 0%

MANUFACTURING -23% ▼ -12%

Q3 2025 TRAINING INVESTMENT



Q3 2025 CAPITAL INVESTMENT



INVESTMENT

A clear dividing line has emerged between investment in people and investment in infrastructure, with employers prioritising the skill levels of their staff. Sky high overheads have made investment more of an aspiration than a reality. However, Q3 saw employers in both manufacturing and service sectors look to spend more money training their staff.

Manufacturers posted an increase in training investment, up by three per centage points in Q3. Service sector firms meanwhile, reported a more modest increase of one per centage point, a welcome return to growth after the sharp decline reported in Q2.

Capital investment, however, remains non-existent. Manufacturers reported a 12 point decline in intent to invest in plant and machinery upgrades while service sector businesses remained static with no change since Q2. Confidence in this area of capital investment has clearly been rocked, and employers will again be anxiously awaiting the Chancellor's forthcoming Budget for measures that unlock the doors to investing in their firms.

CAPACITY (FULL)

SERVICES	MANUFACTURING
38%	26%
▲ 9%	▲ 3%

CAPACITY & COST PRESSURES

While taxation remains the number one external burden, increasing rates of inflation have seen it rise to challenge as the chief issue facing Yorkshire businesses.

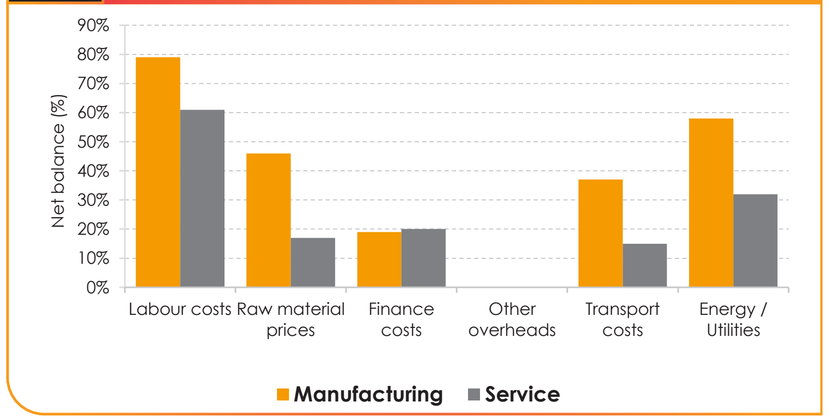
It will come as no surprise to employers that labour costs remain the chief cost pressure facing employers. Energy costs remain a significant issue for manufacturers, with raw materials another rising issue.

Capacity remains another huge issue in the region, with just 26 per cent of manufacturers and 38 per cent of service firms reporting themselves to be at full capacity.

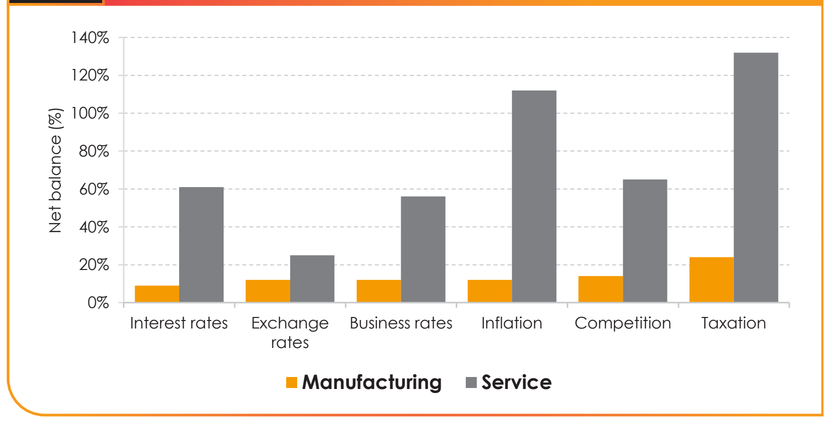
INDUSTRY VOICE:

"We are having to work much harder to get the same return, lots of external events which has a cost to them. Wage and tax increases have had an impact."

Q3 2025 COST PRESSURES



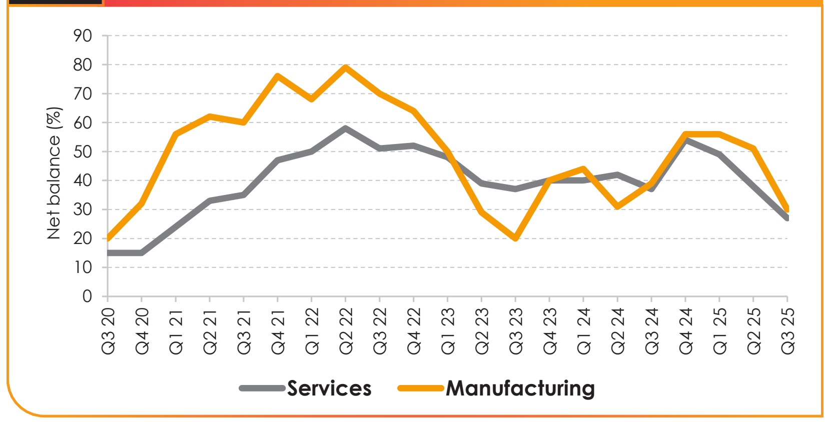
Q3 2025 EXTERNAL FACTORS



PRICES

SERVICES	MANUFACTURING
27%	30%
▼ -11%	▼ -21%

Q3 2025 EXPECTATION OF PRICE RISES



PRICES

Expectation on prices showed surprising levels of optimism among employers.

Anticipation of price increases among service sector firms fell to their lowest level since the start of 2021 and one would have to travel back to 2023 to see similar levels of optimism among manufacturers.

The number of manufacturers expecting prices to rise fell by 21 points and the number of service firms expecting increased prices declined by 11 points.

INDUSTRY VOICE:

"Delays caused by the planning system are increasing costs for development schemes."

CASHFLOW

SERVICES -15% ▼ -5%

MANUFACTURING -38% ▼ -16%

CONFIDENCE (PROFITABILITY)

SERVICES 3% ▼ -4%

MANUFACTURING -27% ▼ -25%

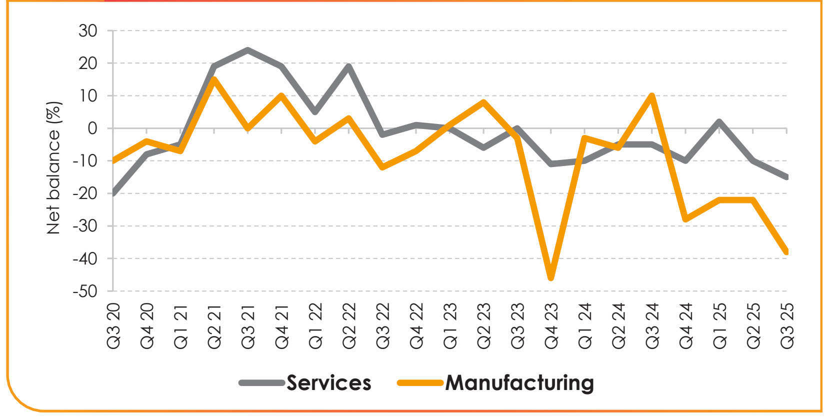
CASHFLOW
There is no disguising the fact that cashflow remains a giant issue for employers in the region.

Service firms saw cashflow decline by five points while manufacturers saw a 16-point decline.

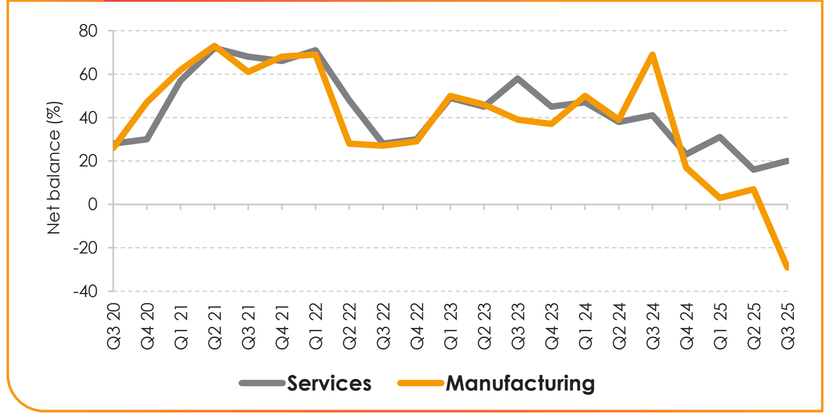
With overheads at such a high level and sales declining, it is hardly surprising to see such low levels of money circulating amongst employers.

INDUSTRY VOICE:
"New business opportunities feel few and far between at the moment, and that certainly seems to be the general vibe among other business owners I speak to. I'm cautiously optimistic about the future - with emphasis on the cautiously!"

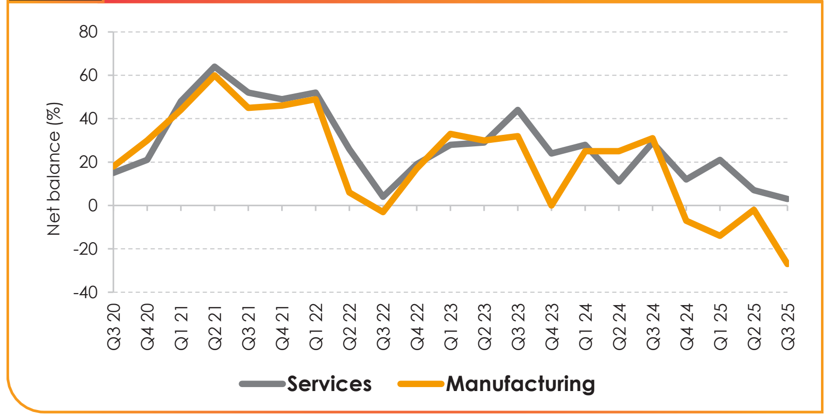
Q3 2025 CASHFLOW



Q3 2025 TURNOVER EXPECTATIONS



Q3 2025 PROFITABILITY EXPECTATIONS



BUSINESS CONFIDENCE
Profit expectations are not in a good place in our region. For the third consecutive quarter, service sector employers are reporting decreased optimism, down by four points in Q3.

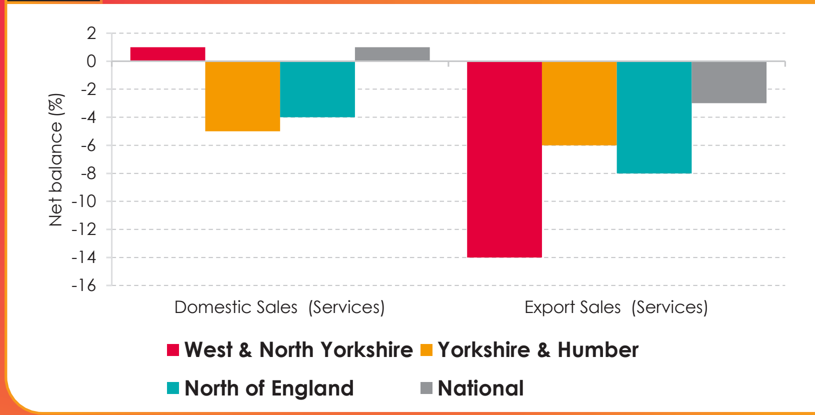
In the manufacturing sector things are particularly dire, down by a colossal 25 points. Turnover in the sector was equally poor, with revenues declining sharply.

INDUSTRY VOICES:
"Disastrous Government policies re minimum wage and increase in employers NI have decimated the hospitality sector in which we operate."

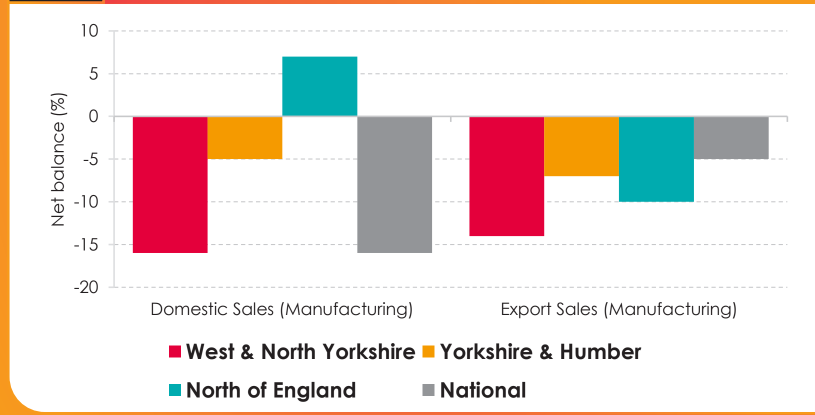
"We remain concerned about the broader economic direction that the current government is taking, in particular its approach to treating industry as a cash cow to be taxed to fund public services."

"This government has completely destroyed business confidence in a very short period of time. Their total lack of economic or business knowledge is destroying businesses. Their lack of planning is shocking."

Q3 2025 REGIONAL COMPARISON - SERVICES



Q3 2025 REGIONAL COMPARISON - MANUFACTURING



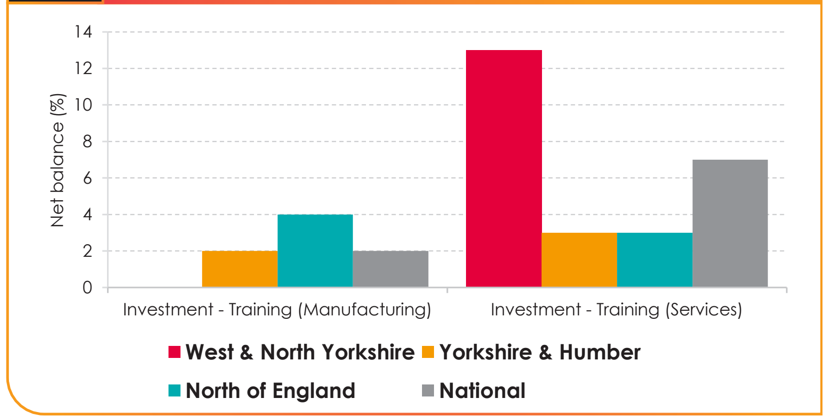
NATIONAL AND REGIONAL COMPARISONS

It is very disappointing to report that we are lagging behind the rest of the country. On virtually all measures the rest of the UK is outperforming our region's employers.

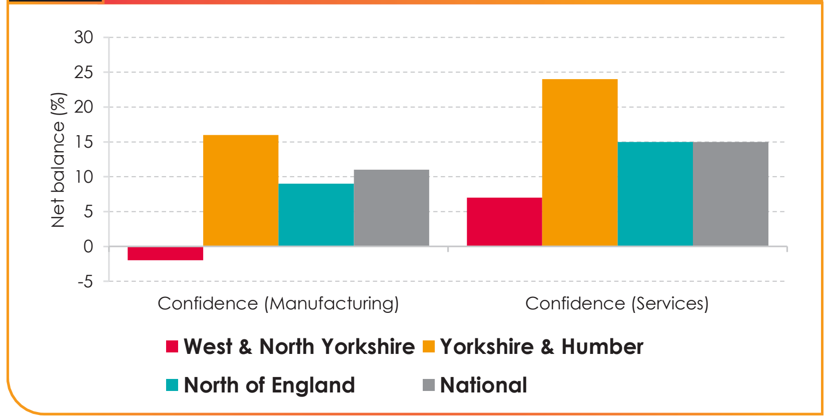
The one notable exception is training investment for the service sector, where we outperform the rest of the UK.

For a region home to so much talent and achievement, we hope to be back where we belong soon at the front of the pack. But for now, work needs to be done.

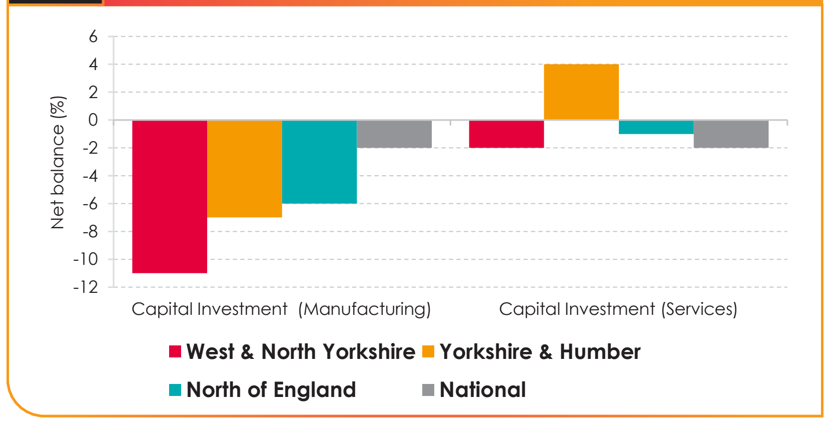
Q3 2025 REGIONAL INVESTMENT TRAINING



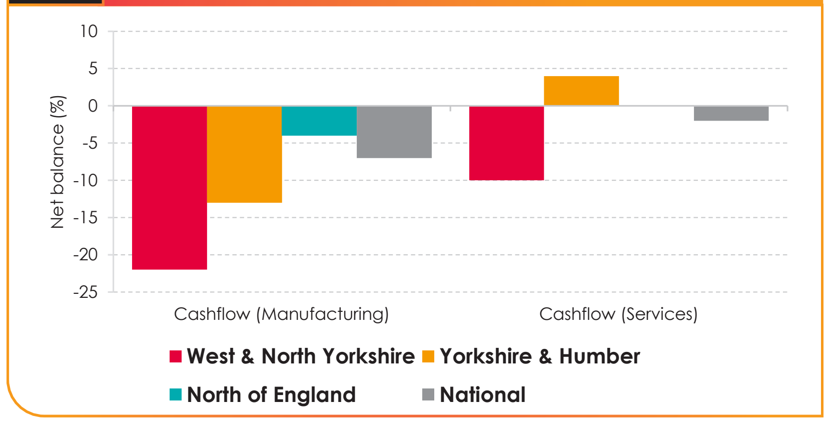
Q3 2025 REGIONAL BUSINESS CONFIDENCE - PROFITS



Q3 2025 REGIONAL INVESTMENT CAPITAL



Q3 2025 REGIONAL CASHFLOW



David Bharier
Head of Research
British Chambers of Commerce

Ahead of the Chancellor's statement next month, our survey shows many firms remain bruised and are not ready for another Budget battering. The research reveals no clear improvements to key indicators we track. For twelve months, SMEs have told us the same story: rising costs, weak investment, and little sense of relief on the horizon.

The Employer NICs increase has been the most widely cited source of pressure, hitting investment and pushing up prices. The proportion of businesses expecting to raise prices remains worryingly high, driven primarily by labour costs. Inflation now sits alongside taxation as a top concern. The global shift towards protectionism and tariffs has also been a major compounding factor.

Persistent weak sentiment this quarter may suggest that many firms have already priced in a tough Budget. But further surprise measures that hit business, like those seen in 2024, could drive confidence even lower.

What businesses need now is certainty and a long-term strategy, not more ad hoc policy shifts. The AI revolution could be a real productivity game changer and our recent research shows that more SMEs are adopting it, but firms need the space to invest and adapt if the UK is to seize the opportunity.

Our message to the Chancellor ahead of the Budget is clear – no further tax rises on business. SMEs are calling for urgent action to tackle skills shortages, a bold push to boost exports, and more investment in infrastructure. Without that, confidence could deteriorate further, putting economic growth at risk.

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

IN PARTNERSHIP WITH

West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire