

4
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

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The results for the final Quarterly Economic Survey of 2025 are very much a breath of fresh air.

Despite myriad challenges around costs, shifting rules around international trade and poor economic growth, it very much seems that businesses in our region are rolling up their sleeves and driving forward.

Sale levels have improved strongly and order books for the start of the year are looking strong. Capital expenditure is on the rise and the number of employers in the region who are confident of improving their profit levels is also heading in the right direction.

No business owner will be patting themselves on the back quite yet, nor should any of us think we have turned the corner.

But the results contained in this report are ones we can feel proud of.

As a Chamber we exist to support and represent our region's business community. We lobby national and regional government to ensure our members' voices are heard and campaign to give West and North Yorkshire the infrastructure, skills pipelines and landscape they require in order to not only survive but thrive.

2026 will see us fight harder than ever for the region's employers.

My best wishes for the coming year.



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

It gives me great pleasure to report that business sentiment in both West and North Yorkshire is on the rise.

Pulling together and writing the Quarterly Economic Survey has often been a dispiriting process during 2025, as I would imagine it was for those reading it.

However, as the Q4 report shows, things seem like they are improving at long last. Sales, both domestic and overseas, are on the up by enlarge, with order books looking very strong for the start of 2026.

Capital investment is has recovered across both sectors, particularly in the service sector. And the number of firms anticipating improve levels of profitability is at its highest level for more than a year.

We are a realistic bunch here in Yorkshire and none of us believe that one swallow makes a summer. However, we can settle into 2026 with hope that the torrid and turbulent year of trading in 2025 has ended on something of a high.

That is not to say the landscape is improving. Tax and labour costs are still sky high, with inflation and utility costs increasingly weighing on employers' minds.



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

The latest results of the Chambers Quarterly Economic Survey are grounds for cautious optimism as we head into 2026.

On most measures, businesses reported ending the year in a better position than it started. Despite incredible pressure, there's a sense that businesses are adapting to the current economic climate and trading conditions.

Domestic sales for the service sector were at their highest since the start of the year.

Thanks to a period of relative calm in global trade policy, the manufacturing and service sectors also showed strong improvements for international sales and order books. The recovery in Q4 suggests that fundamentals are strong in an area that is critical to the region's future economic success.

More broadly, businesses are feeling more optimistic about future profitability. Both sectors expect to see higher returns in the months ahead, with manufacturing posting its best numbers in more than a year.

But we cannot downplay the extreme pressures still facing businesses, nor the fact that results seem positive only in comparison to what they have been through over the past year and considerable future risks.

Eight in ten manufacturers and just over half service sector firms report themselves to be under-capacity. Inflation, while falling, still remains high and could be the signal of a cooling economy. Extra tax rises from the 2025 Budget are also yet to be felt, while demand for labour remains subdued in terms of future hiring intentions.

And yet, against the backdrop of too many testing years for business, we shouldn't lose sight of the fact there is a lot to celebrate about our region.

West Yorkshire consistently outperforms its size on the global stage. The region is internationally recognised for advanced manufacturing, dynamic start-ups and scale-ups, HealthTech, digital innovation, and the Northern Square Mile – the UK's largest financial centre outside London.

I am proud to promote West Yorkshire at home and abroad. I also represent the voice of business, highlighting the pressures employers face as the drivers of growth and prosperity, so am keen to hear from businesses directly.

METHODOLOGY

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

Of those businesses surveyed 41 per cent were micro, 39 per cent were small, 16 per cent were medium and four per cent were large.

Businesses were surveyed by telephone, physical and online questionnaires and by social media polling between Monday November 10 and Sunday December 7.

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

The region's service sector posted a remarkable improvement in its sale activity, up a staggering 22 per cent. No such improvement however for manufacturers who saw a two per cent decline in UK sales, rowing back on the slight improvement it witnessed in Q3. Order books for both sectors showed strong improvements a well, hinting at a strong start for our region's economy for 2026.

EXPORT SALES

Big improvements for the region's exporters with sales and orders all posting a sharp recovery from a weak few months. Manufacturers showed an enormous 54 point increase in overseas sales with service firms also up by 30 points. Order books also showed a massive recovery as Yorkshire's export prowess returns.

EMPLOYMENT

A veritable mixed bag when it comes to employing people. The service sector showed a big improvement in hiring over the last three months while manufacturers posted a more modest increase. The next three months looks less rosy, with fewer service sector firms showing willingness to take on staff, while manufacturers again posted a slight increase.

INVESTMENT

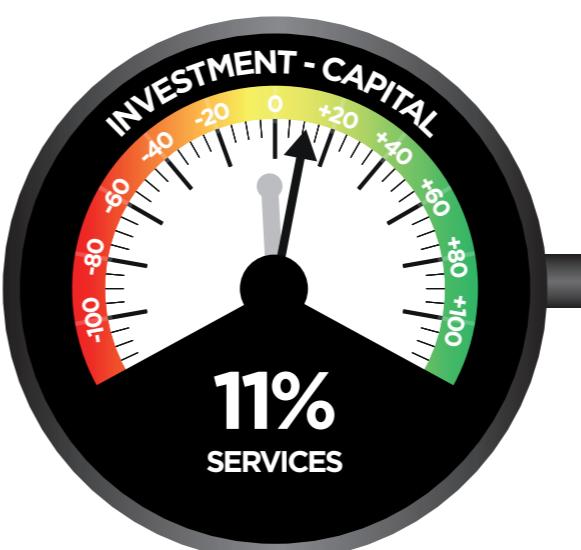
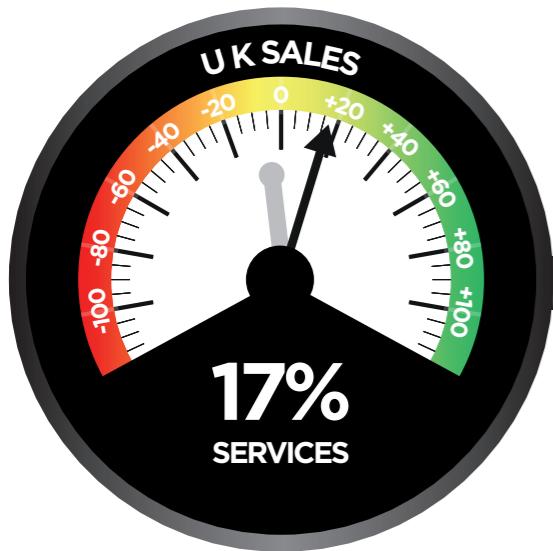
Capital expenditure showed a big recovery across both sectors, particularly in the service sector. Training investment improved in the service sector while manufacturers showed a decrease in spending.

BUSINESS CONFIDENCE

Optimism on future profitability has very much turned a corner in the region with both service sector and manufacturers expecting higher returns in the months ahead. Service sector firms led the way but manufacturers returned its best numbers in more than a year.

COSTS AND CONCERN

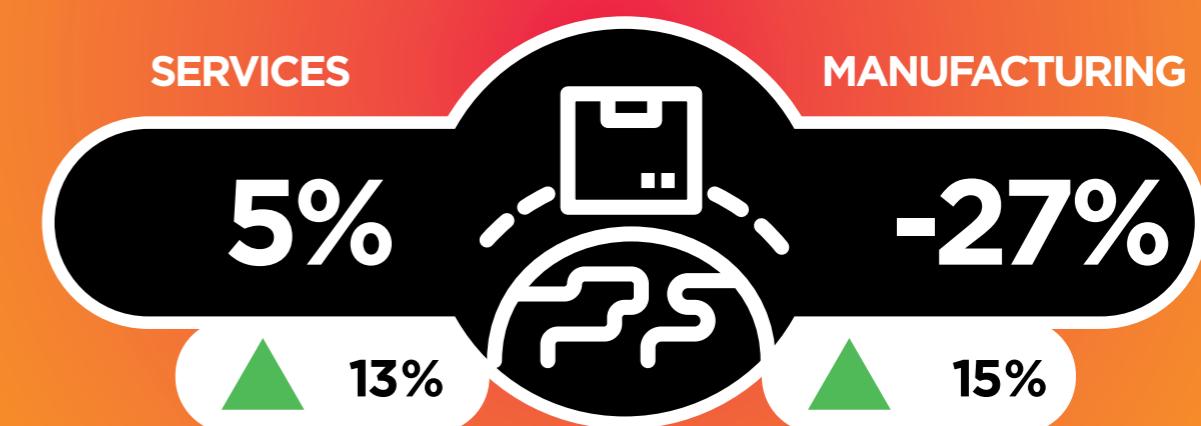
Tax and wages lead the way on the principal cost concerns, but inflation and utility costs are also on the rise. The high cost of wages will not be going away any time soon with the increase in the minimum wage and the lack of relief on tax is continuing to constrain cashflow for employers.



UK SALES



OVERSEAS SALES

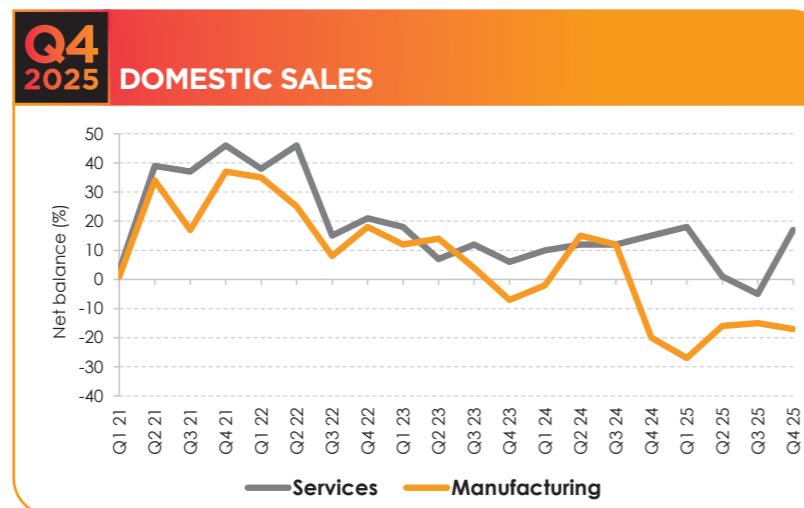


UK SALES

Service sector business displayed an astonishing return to form when it came to UK sales, with a 22 percentage point increase. One has to go back to the start of the year to see similar levels of transactions for the sector.

Our region's manufacturers were less fortunate with a two per cent decline in UK sales, moving backwards after a slight improvement in Q3.

Order books for both sectors, however, are looking really strong, hinting at a strong start for our region's economy for 2026. Manufacturers showed a 54 per cent point increase in domestic orders, the highest level seen since the start of 2022, while the service sector held its own with a 30 point improvement.

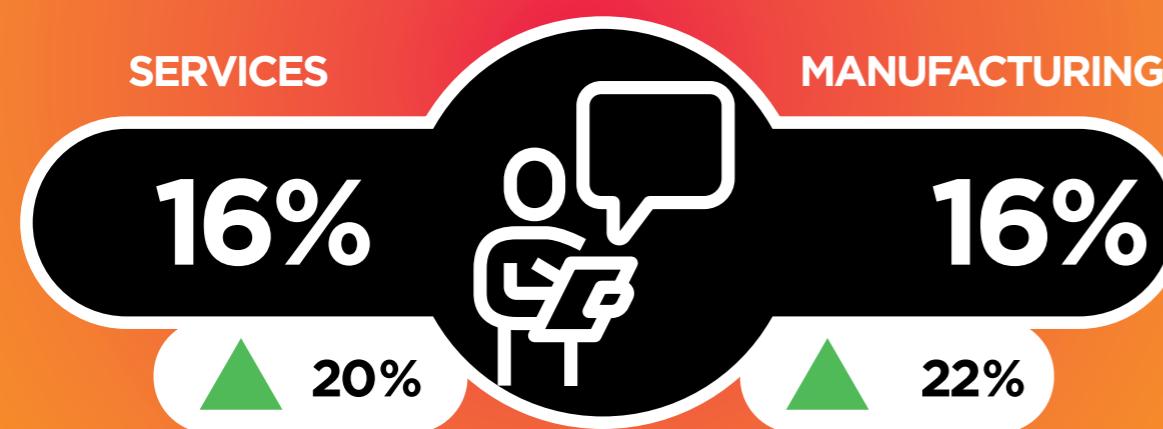


INTERNATIONAL SALES

After a torrid few months, Yorkshire's manufacturers posted a real return to form when it came to overseas sales. Manufacturers showed a 25 point improvement in export sales while service sector firms improved by 13 points. The figures are the highest both sectors have shown for many months, hopefully meaning that the region's reputation as an import/export hub is being restored to glory.

It doesn't look like Q4 is a flash in the pan either, with order books up by an incredible 63 per cent points for manufacturers and by 43 points for service sector firms. The increase is the highest seen since the easing of the Covid restrictions.

EMPLOYMENT (NEXT QUARTER)



INVESTMENT (CAPITAL)



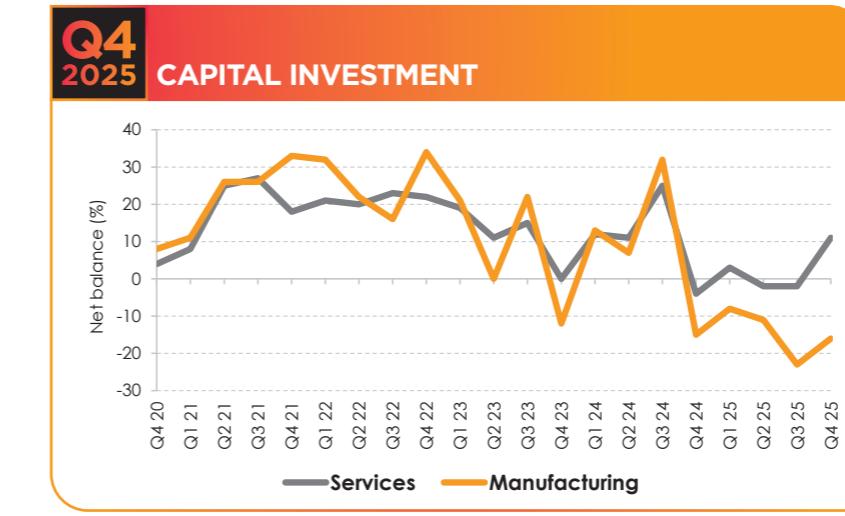
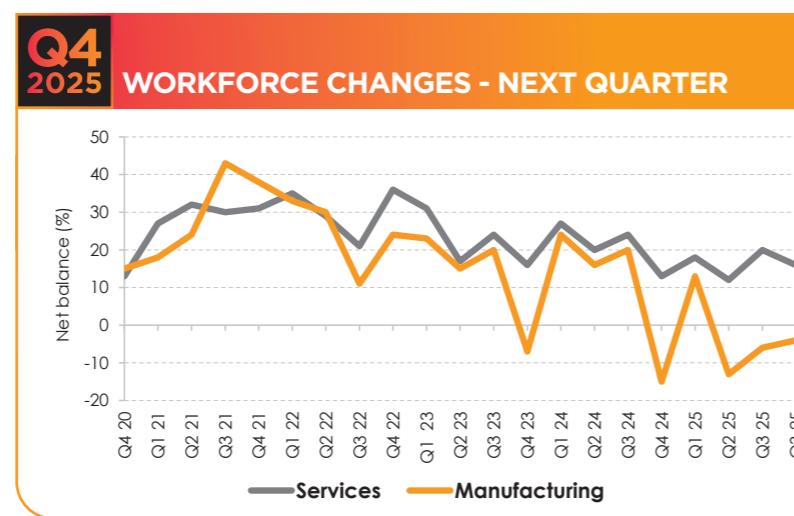
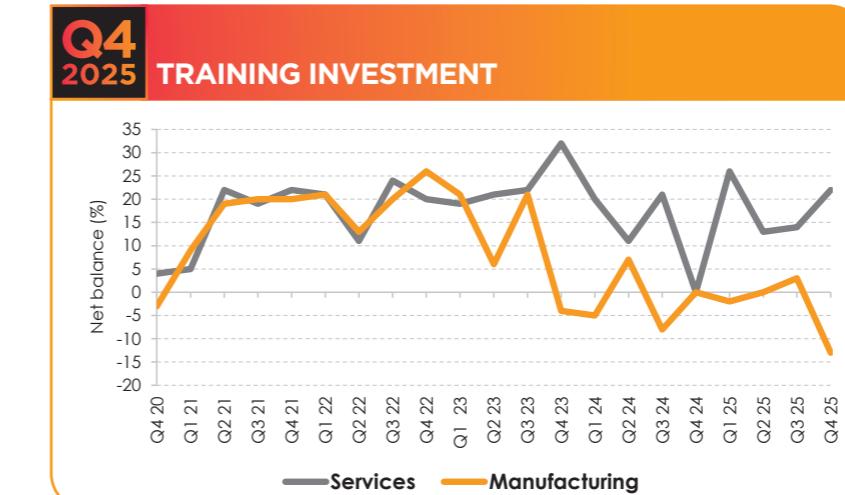
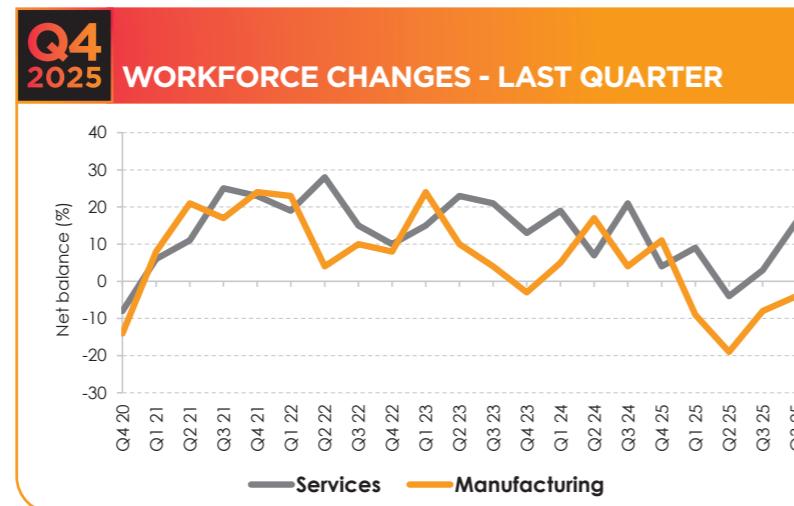
EMPLOYMENT

The cost of employing people is clearly continuing to take its toll on employers' willingness to grow their headcounts, with service sector firms showing a decreasing intent to take on more staff and with manufacturers showing a very modest increase of just two percentage points.

The figures are an improvement on those seen when the National Insurance Contributions and increased minimum wage were phased back in April. With the minimum wage set to rise again, there will be more reluctance from employers to take on new hires in the face of what seems to be ever increasing costs.

INDUSTRY VOICE:

"The budget and costs of running a business concerns me massively."



INVESTMENT

A big improvement was shown in capital investment across the region.

Service sector businesses showed their highest levels of capital investment in a year, while manufacturers moved into more positive territory as well. Service firms were up by 13 points while manufacturers showed an eight-point improvement.

Training investment increased by eight percentage points in the service sector while manufacturers showed a decrease in spending on training, down by 16 points.

INDUSTRY VOICE:

"Labour budget leaks and plans are stifling consumer and business confidence."

CAPACITY (FULL)



PRICES



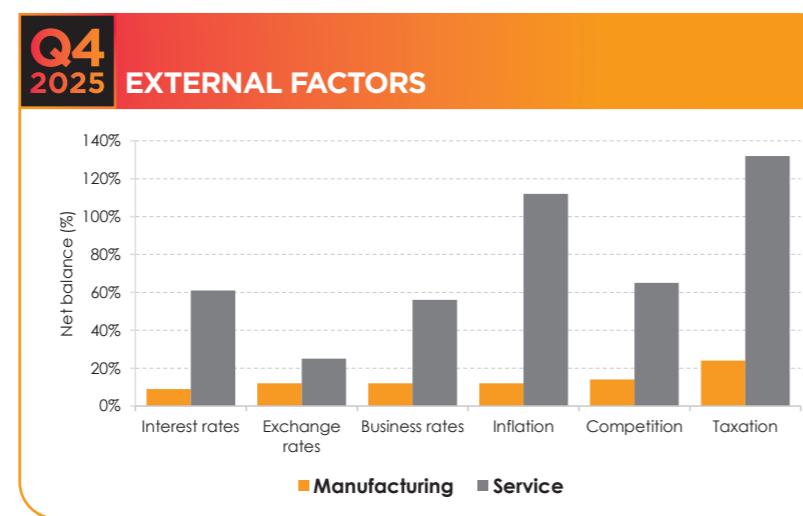
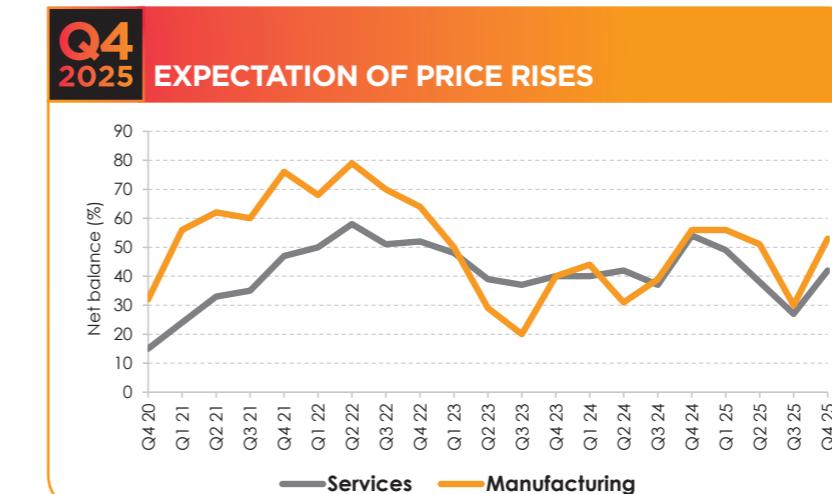
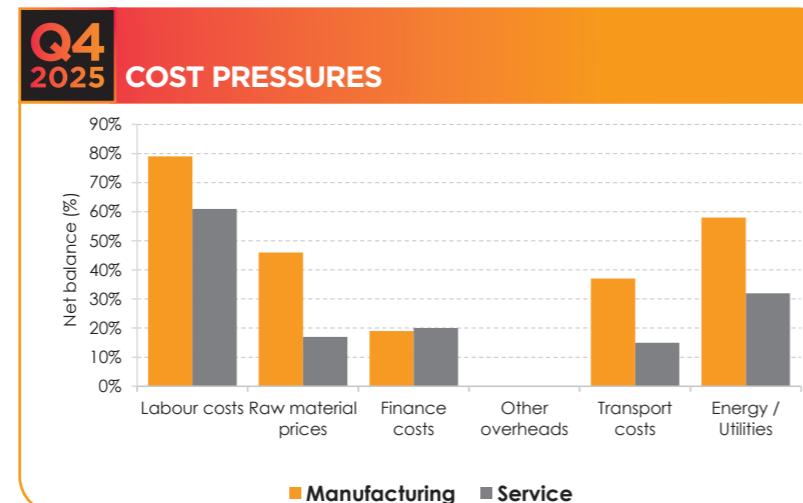
CAPACITY & COST PRESSURES

Taxation and the cost of labour remain the chief pressures faced by employers. However, inflation and utility costs are also on the rise when it comes to matters concerning business owners. The Budget's further hike in the minimum wage will place additional strain on employers.

Capacity continues to prove an issue, with 82 per cent of manufacturers reporting themselves to be under capacity, as compared with 55 per cent of service sector firms.

INDUSTRY VOICE:

"A lot of economic benefit is lost in our industry because Local Authorities are focused solely on price. That means 'out of area' providers who provide hourly rates that are in breach of the National Minimum Wage benefit from the work but it isn't of economic benefit to the local economy. The National Social Value portal estimate that a full-time care worker generates around £34k a year benefit for the local economy."



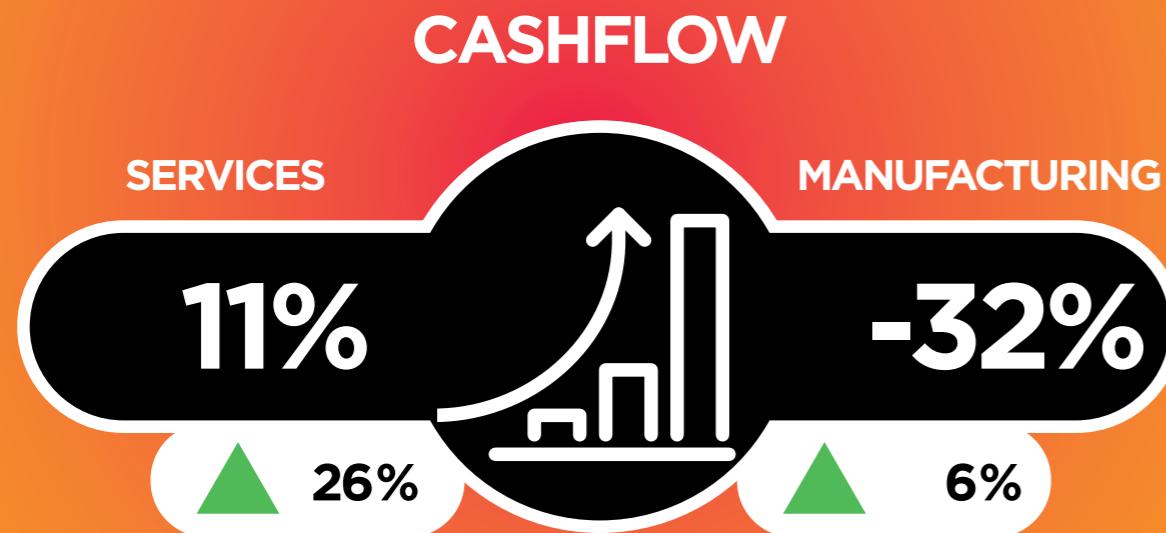
PRICES

Anyone reading this latest QES report will know that prices are not coming down and, as the results of this survey show, nobody is anticipating a decrease any time soon.

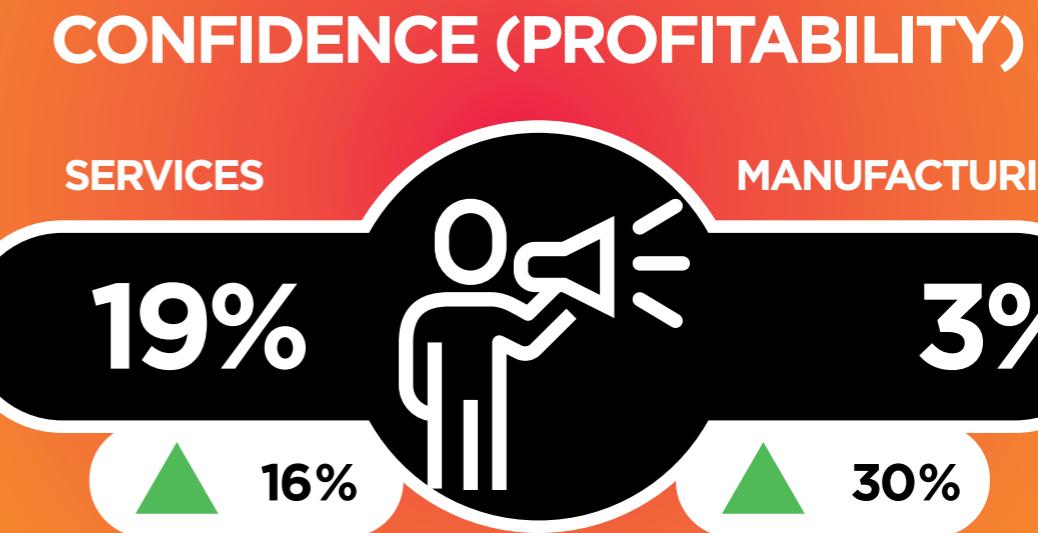
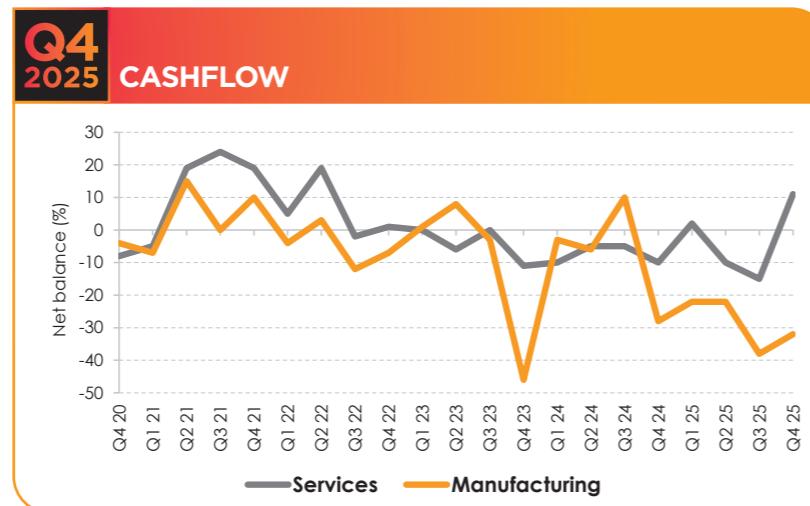
One has to go back to the start of the year to see expectations over increased prices at such high levels. The level of service sector firms expecting prices to increase rose by 25 per centage points during Q4, with the figure for manufacturers up by 23 points.

INDUSTRY VOICE:

"General concern regarding running a business in this economy (and following the budget) makes it hard to focus on maintaining and growing success as I'm concerned about the future."

**CASHFLOW**

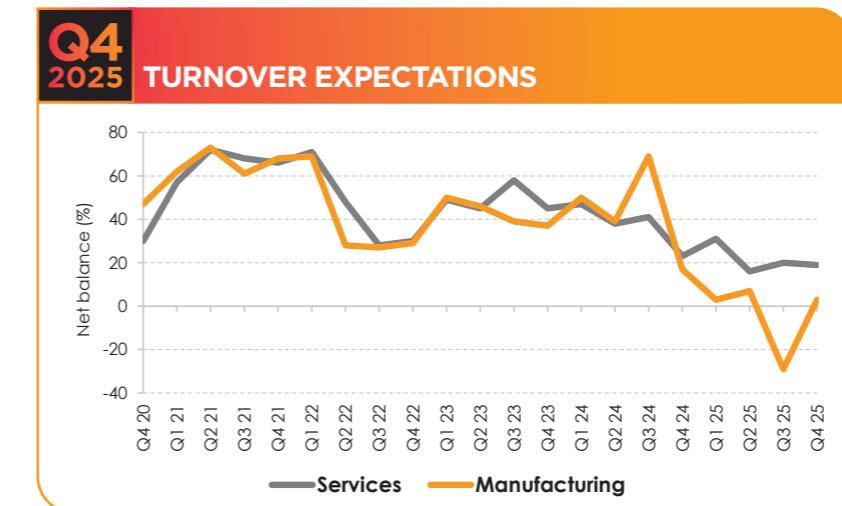
Volatility around cashflow persists in our region. Service sector firms showed a strong improvement during Q4 of 26 percentage points, moving to its highest level in nearly three years, while manufacturers also moved in the right direction, albeit by only six points.

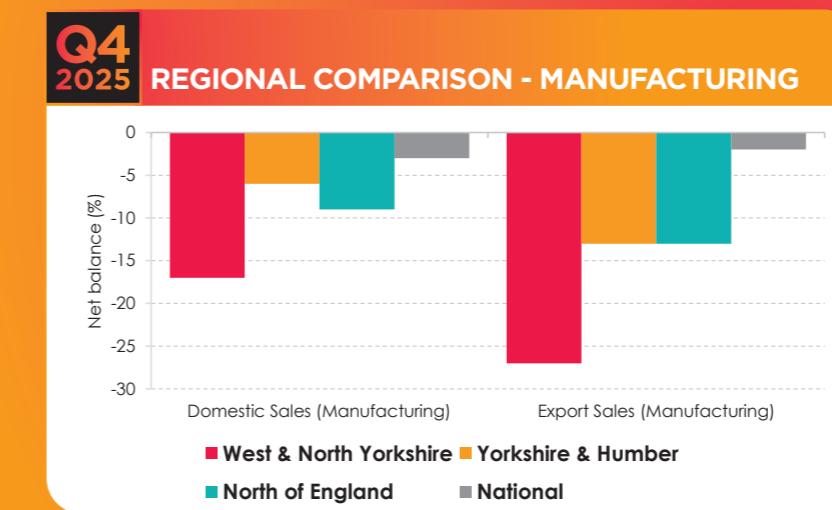
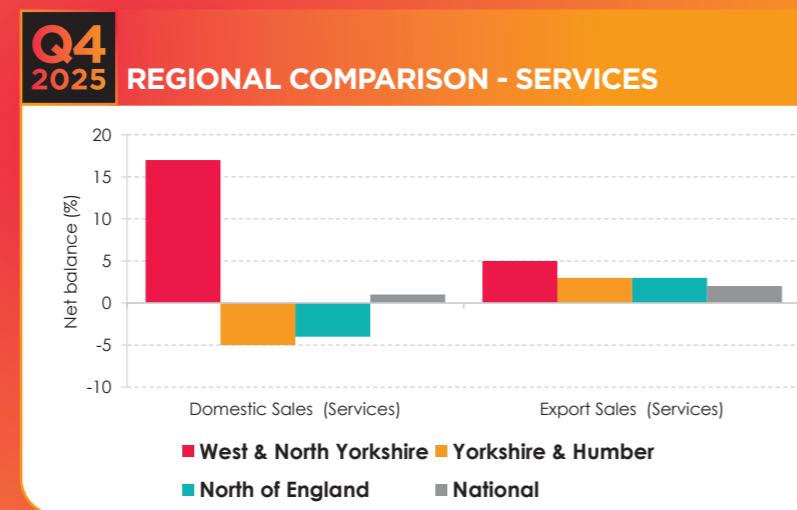
**BUSINESS CONFIDENCE**

After a fairly gloomy 2025, it is most pleasing to see both sectors posting considerable increases in expectations around profitability.

Manufacturers in particular reversed a year almost devoid of optimism, posting a 30 point improvement in confidence levels, while service sector firms improved by 16 points.

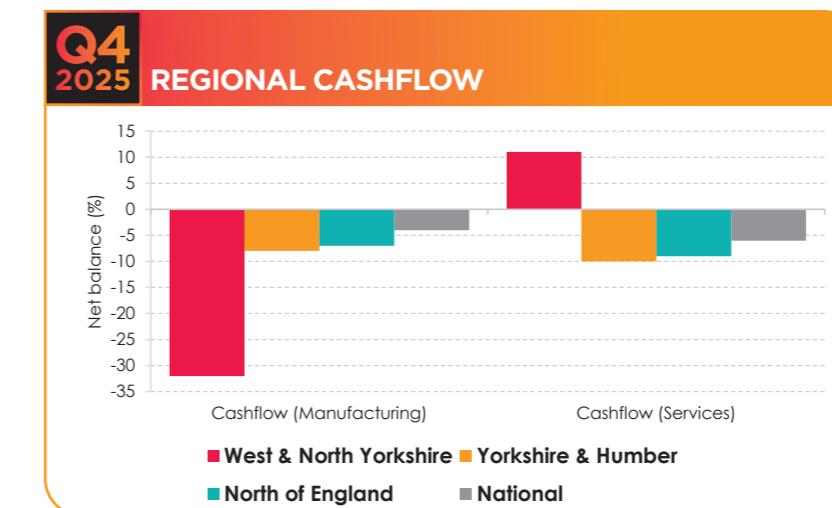
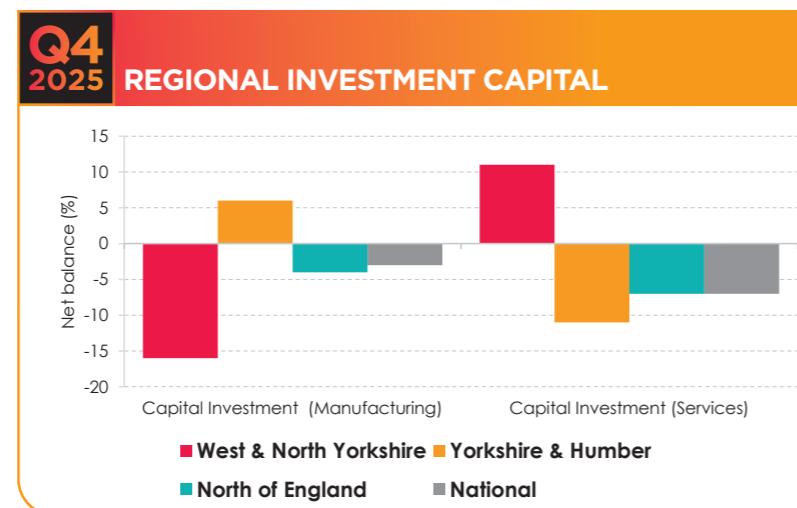
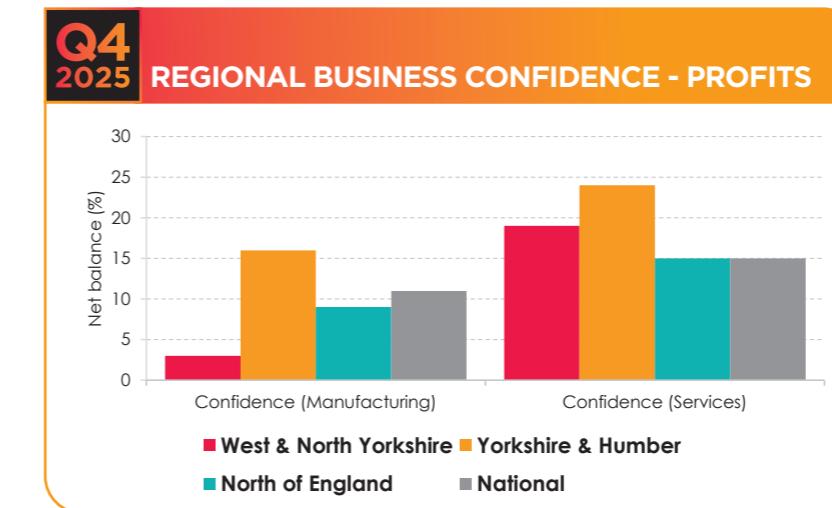
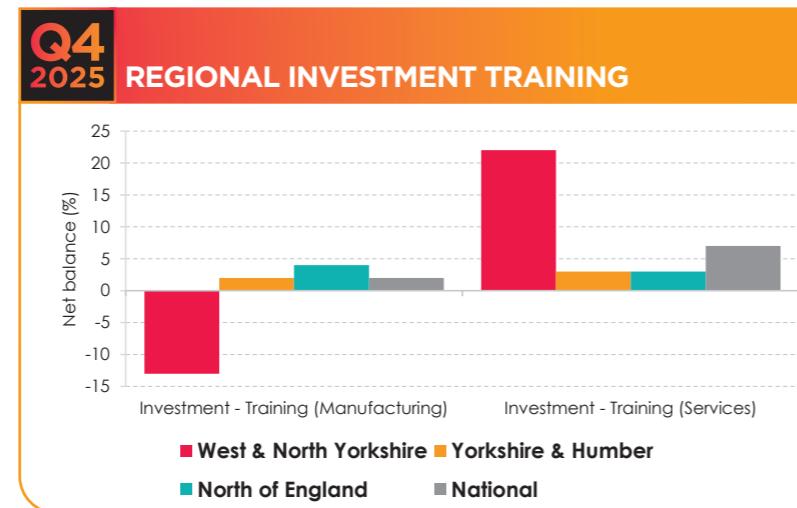
The proof will be in the pudding in the first QES of 2026 as to whether or not these numbers are a one off, or the start of a period of improved trading.





NATIONAL AND REGIONAL COMPARISONS

Very much an ever-changing picture. Domestic service sales and profit confidence outperforming the UK average. Manufacturing sales however continue to lag.





David Bharier
Head of Research
British Chambers of Commerce

Our data shows more clouds have gathered over business confidence, and the outlook for SMEs in 2026 is unsettled.

Firms tell us they are worried about tax, struggling to invest and fear they'll have to put their prices up in the months ahead. Firms' confidence in their turnover growth has been stuck stubbornly below 50% for the last 12 months.

Tax remains the biggest concern for business, cited by 63% of firms, up from 59% in Q3. This is the same level of concern seen in Q4 2024, after the previous Budget.

However, concern about taxation was heightened prior to the Budget on 26 November. Before the Chancellor's statement, 68% of businesses who had taken part in the survey said tax was a concern. After the Budget tax concern fell to 61% of responding firms. Worries about inflation remain high, cited by 56% of firms, broadly similar to Q3.

After a long period of uncertainty and speculation heading into the Budget, concerns about major new tax rises eased somewhat in the aftermath. However, a Budget fundamentally light on growth measures did little to boost business confidence, and sentiment overall has worsened since the previous quarter.

It is now critical that 2026 is a year of delivery. The Government needs to turn last year's strategies into action; boost investment, significantly expand trade, and ease the myriad burdens facing businesses. Only then will the economic outlook shift from its current low-growth trajectory."

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