Q1 2026

QUARTERLY ECONOMIC REPORT

West & North Yorkshire Chamber of Commerce

IN PARTNERSHIP WITH

West Yorkshire Combined Authority

Tracy Brabin Mayor of West Yorkshire

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INTRODUCTION

Amanda Beresford
Chair
West & North Yorkshire Chamber of Commerce

As well become clear in the pages ahead, businesses in our region are facing a challenging time.

Order books, optimism on profits or plans for investment are all down in this latest Quarterly Economic Survey as employers continue to wrestle with seemingly ever-increasing costs.

There are some signs of optimism in the quarter's report but it is clear that any hopes of a smooth start to 2026 have proven to be short-lived.

We may be enduring challenging times but your Chamber is always here to assist in any way we can.

Whether it be regionally, nationally or internationally we are banging the drum for a improved conditions for business, and we will continue in this manner in the months and years ahead.

We always put our members' interests front and centre and we will work tirelessly to ensure their voice is heard.

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

The first Quarterly Economic Survey of 2026 does not make for happy reading.

After a much-improved finish to 2025, employers are reporting declining order books, investment plans and expectations around profitability.

And all of this was prior to widespread disruption to supply chains caused by the military strikes in the Middle East, the impact of which I should state clearly is not reflected in this report.

It should be said that it is not all doom and gloom. Manufacturing firms improved their export sales for the second consecutive quarter and arrested the decline in its domestic activities. The sector is also looking to invest more in training its staff.

The really stark message this latest round of fieldwork revealed is the palpable absence of hiring intent among employers. It is, quite simply, very expensive to employ somebody at present, spelling bad news for people currently in the job market.

As with the last few QES reports, labour costs and taxation remain the top cost pressures facing employers. However, there are also rising concerns around inflation, as well as utility and fuel costs.

While the findings contained in this report may not make for the sunniest of reading, we should not be despondent. This region is still home to a world-class business community and our goods and services are sought after all over the planet.

As a Chamber of Commerce we stand ready to provide all the support and assistance our members need, be that with advice on international trade, marketing services, networking or lobbying around policy.

As ever if you have any thoughts or views around the findings in this report, do drop me a line at mark.casci@wnychamber.co.uk.

David Bharier
Head of Research
British Chambers of Commerce

Even before the latest escalation in the Middle East, business sentiment remained fragile and stuck in a low-growth phase.

Most SMEs continue to report no improvement in key indicators such as investment and cash flow. Sentiment remains largely unchanged since the 2024 Budget, which saw a permanent increase in the labour cost base for firms.

Businesses face a fresh wave of employer costs and burdens from this month, causing further pressure and uncertainty.

But the Iran conflict is now the major factor that could derail fragile progress. We are already seeing early impacts, with firms reporting rising energy and shipping costs, echoing the initial stages of previous global shocks.

De-escalation is the only way to prevent a deeper economic crisis. As energy costs rise the government should keep all options on the table to help businesses. Bringing forward and extending the scope of the BICS (British Industrial Competitiveness Scheme) would be a strong step, alongside reconsidering how renewable levies on business energy bills are paid.

In the longer term, breaking out of this low-momentum cycle will require delivering the industrial strategy, boosting and diversifying our exports and the broader adoption of AI to drive productivity.

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 39 per cent were micro, 35 per cent were small, 19 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 February 9 and Sunday March 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, 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
An improved performance from the region's manufacturers after a challenging 18 months. The service sector did not capitalise on its strong finish to 2025 with a decline of seven points. Order books look poor for both sectors.

EXPORT SALES
Manufacturers reported a second consecutive quarter of growth in overseas sales while the service sector slipped back from the previous quarter's growth. Order books for service sector firms improved while manufacturers reported a sharp decline.

EMPLOYMENT
Hiring intent remains poor with both sectors showing an increasing unwillingness to take on new staff. For the service sector, the number of firms looking to increase their headcount is at lows not seen since the height of the pandemic.

INVESTMENT
Willingness to invest in capital projects and machinery has declined as employers battle sky-high overheads. There was a marginal improvement in the number of manufacturers looking allocate fund to upskill their staff.

BUSINESS CONFIDENCE
Both sectors saw a decline in projections around their profitability. It is a very expensive time to be running a business of any size and this is being manifested in the findings of this report.

COSTS AND CONCERNS
Taxation and labour costs remain the chief pressures on businesses, although utility costs and fuel bills are creeping upwards on the list of measures troubling employers.


CURRENT QUARTER
PREVIOUS QUARTER
Q1 26
U K SALES
0%
SERVICES
U K SALES
-9%
MANUFACTURING
OVERSEAS SALES
-7%
SERVICES
OVERSEAS SALES
-7%
MANUFACTURING
CONFIDENCE - PROFITS
5%
SERVICES
CONFIDENCE - PROFITS
-2%
MANUFACTURING
WORKFORCE NEXT QUARTER
7%
SERVICES
WORKFORCE NEXT QUARTER
-10%
MANUFACTURING
INVESTMENT - CAPITAL
4%
SERVICES
INVESTMENT - CAPITAL
-7%
MANUFACTURING
INVESTMENT - TRAINING
20%
SERVICES
INVESTMENT - TRAINING
-5%
MANUFACTURING

UK SALES

SERVICES

0%

▼ -17%

MANUFACTURING

-9%

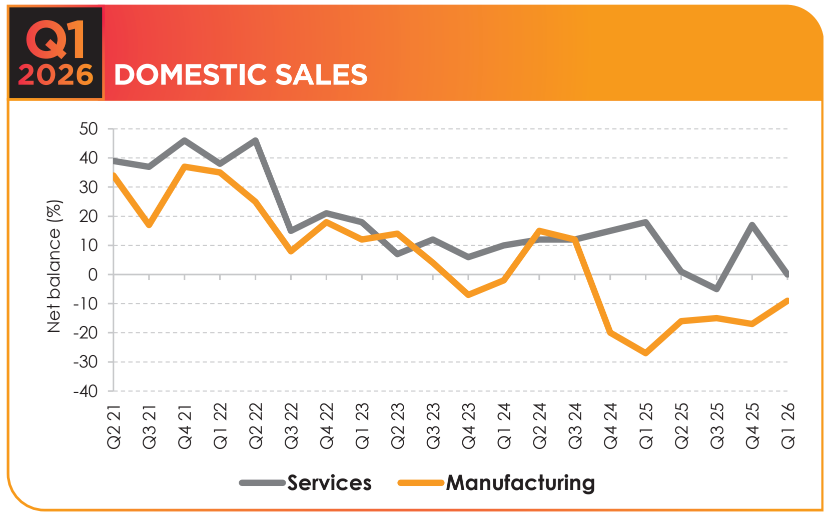
▲ 8%

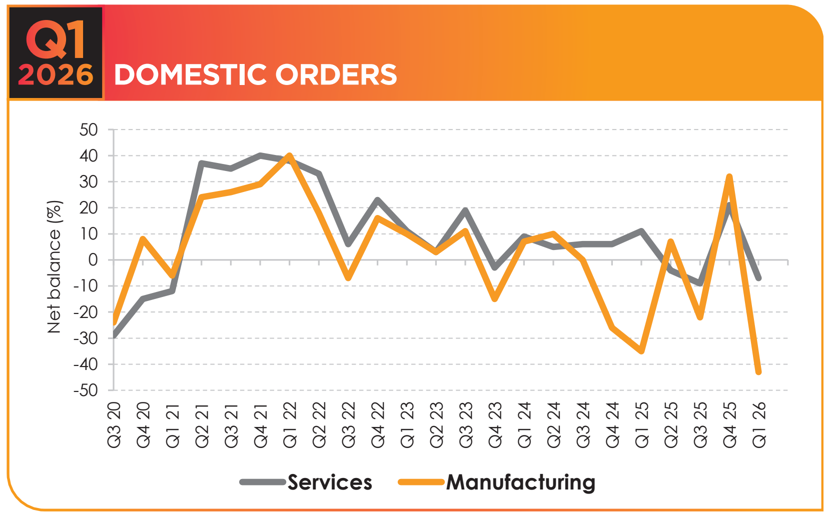
UK SALES
Manufacturers in the region moved back into more positive territory with an eight percentage point rise in domestic sales. The sector has struggled during the last 18 months with UK sales but is now back to where it was at the close of 2024.

The service sector saw its strong finish to 2025 slip backwards, down seven percentage points from Q4 of last year.

The erratic domestic sales of both sectors has been a recurring theme of the last two years as firms battle numerous external challenges.

Respondents to the latest QES in both sectors are reporting order books which are, frankly, looking rather awful, with manufacturers in particularly posting a dramatic 75 point decline in forward sales.





OVERSEAS SALES

SERVICES

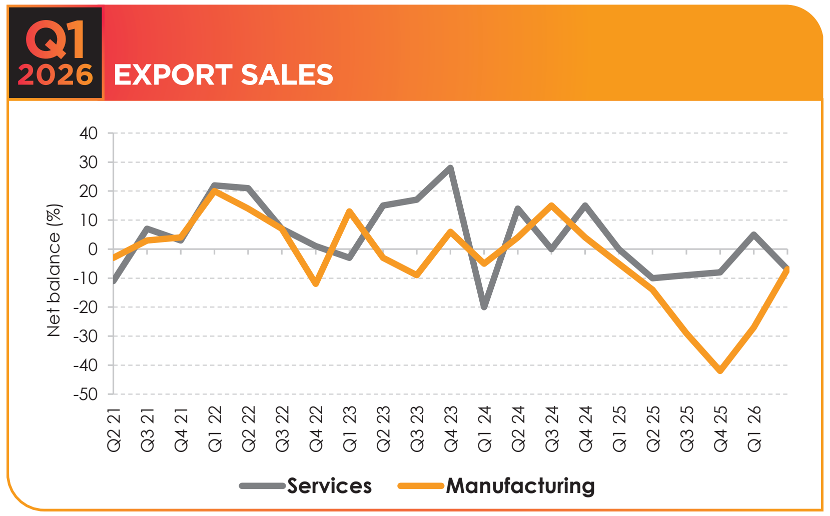
-7%

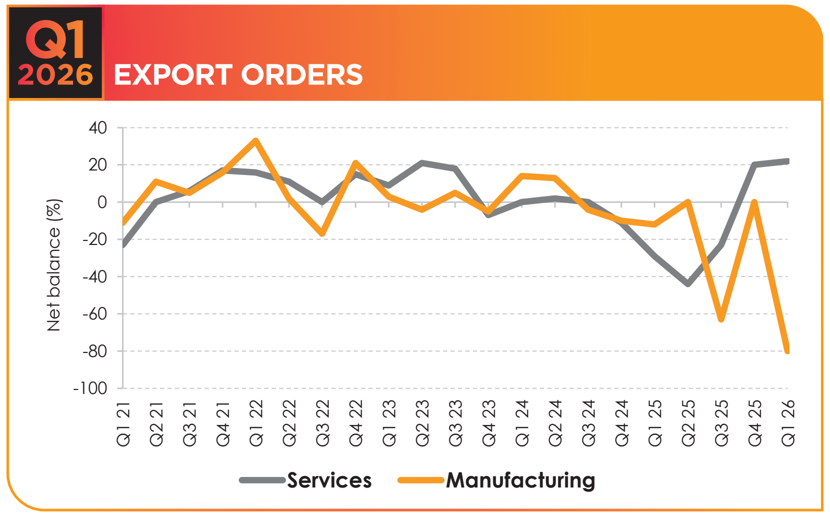
▼ -12%

MANUFACTURING

-7%

▲ 20%





INTERNATIONAL SALES
After a strong return to form at the end of 2025, the service sector saw its export performance fall back into decline, down 12 points.

After a torrid start to 2025, manufacturers in the region continued their recovery in overseas markets, heading into positive territory for the second consecutive quarter, up by 20 percentage points. The sector is in its strongest position in 12 months.

Order books are very much a mixed bag for the two sectors, with manufacturers seeing a massive plunge in overseas future sales, down to its lowest level in more than a decade. Service sector firms however reported a continuing rise in order book forward sales.

The impact of the conflicts in the Middle East will be a significant factor in the Q2 figures.

EMPLOYMENT (NEXT QUARTER)

SERVICES	MANUFACTURING
7%	-10%
▼ -9%	▼ -26%

EMPLOYMENT

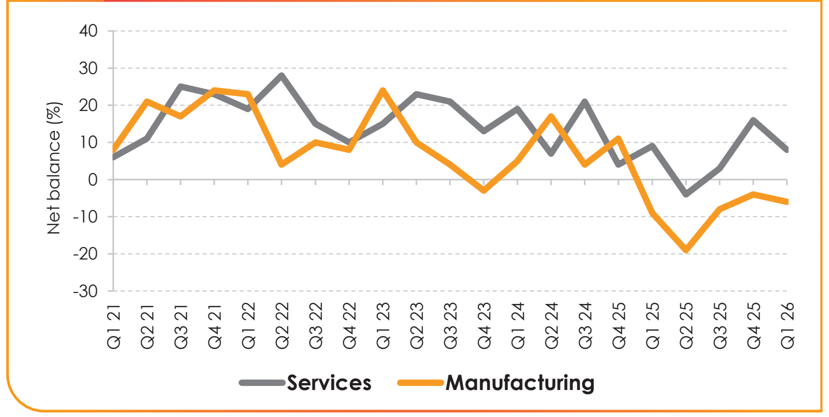
The ever-increasing costs of employing people continues to play out in the region, with hiring intent across both sectors continuing to fall.

The service sector showed a nine-point decline in its appetite to employ staff while manufacturers showed a six per cent decline.

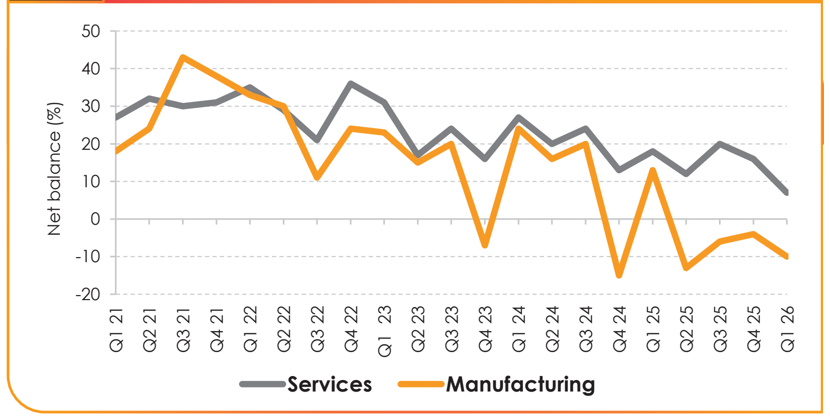
For service sector firms this represents the lowest levels seen since the hight of the pandemic.

The figures from the latest round of fieldwork show a continuing decline in vacancies, with no indication that they will improve anytime soon.

Q1 2026 WORKFORCE CHANGES - LAST QUARTER



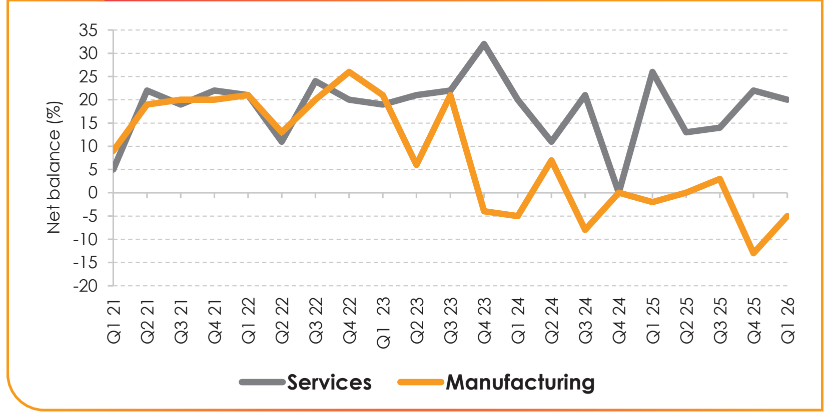
Q1 2026 WORKFORCE CHANGES - NEXT QUARTER



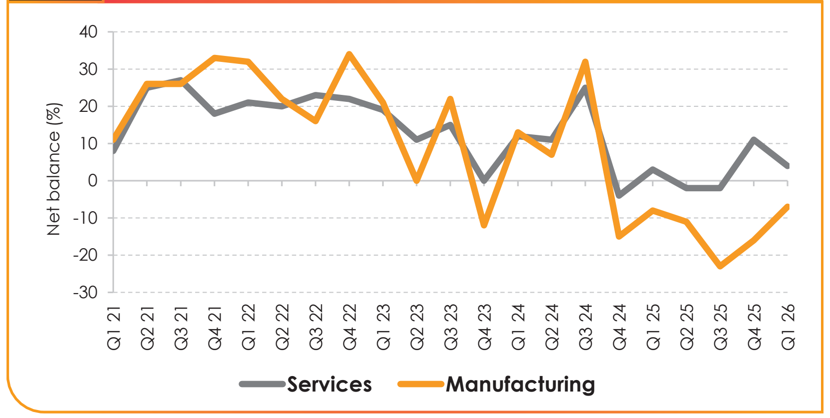
INVESTMENT (CAPITAL)

SERVICES	MANUFACTURING
4%	-7%
▼ -7%	▲ 9%

Q1 2026 TRAINING INVESTMENT



Q1 2026 CAPITAL INVESTMENT



INVESTMENT

A big improvement was shown in It is clear from the latest round of fieldwork that firms in Yorkshire have ever decreasing plans to invest in plant and machinery. Capital investment plans for service sector firms fell by seven points for service sector firms and nine points for manufacturers, continuing a downward decline that began last summer.

Training investment plans improved for manufacturers, up by eight percentage points from the close of 2025, perhaps hinting that employers in this sector are looking to upskill their existing staff rather than take on new hires in the wake of increasing costs of employing people. There was a small decline for the service sector.

CAPACITY (FULL)

SERVICES

43%

-2%

MANUFACTURING

23%

5%

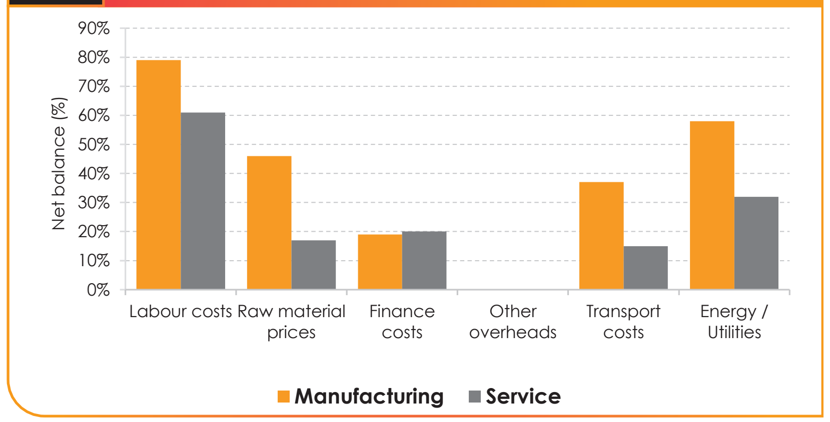
CAPACITY & COST PRESSURES

When it comes to external measures putting pressure on businesses, it will come as no surprise for readers to know that taxation and wages are the two largest factors.

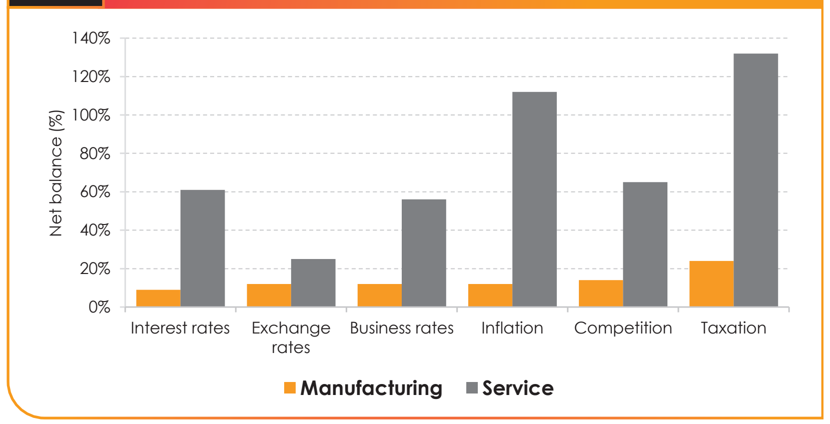
Concerns around inflation rose significantly since the turn of the new year, something the conflict in Middle East looks highly likely to exacerbate. This is feeding directly into employers' day to day concerns, with growing levels of worry around utility and fuel costs.

Elsewhere, just 23 per cent of manufacturers reported themselves at full capacity, with the service sector showing 43 per cent.

Q1 2026 COST PRESSURES



Q1 2026 EXTERNAL FACTORS



PRICES

SERVICES

46%

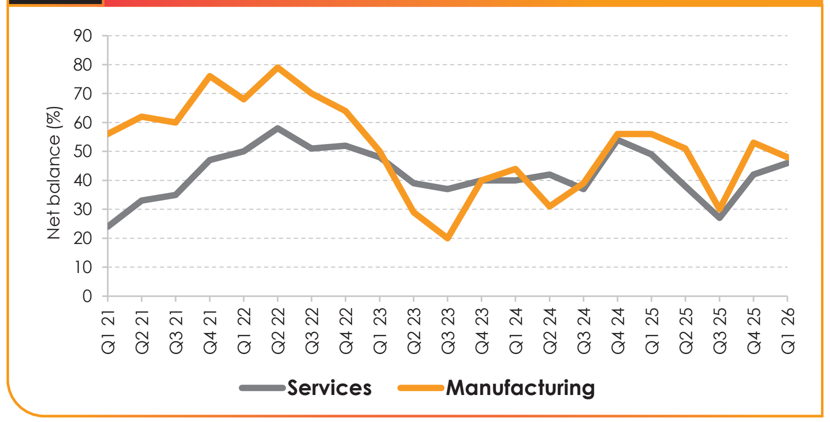
4%

MANUFACTURING

48%

-5%

Q1 2026 EXPECTATION OF PRICE RISES



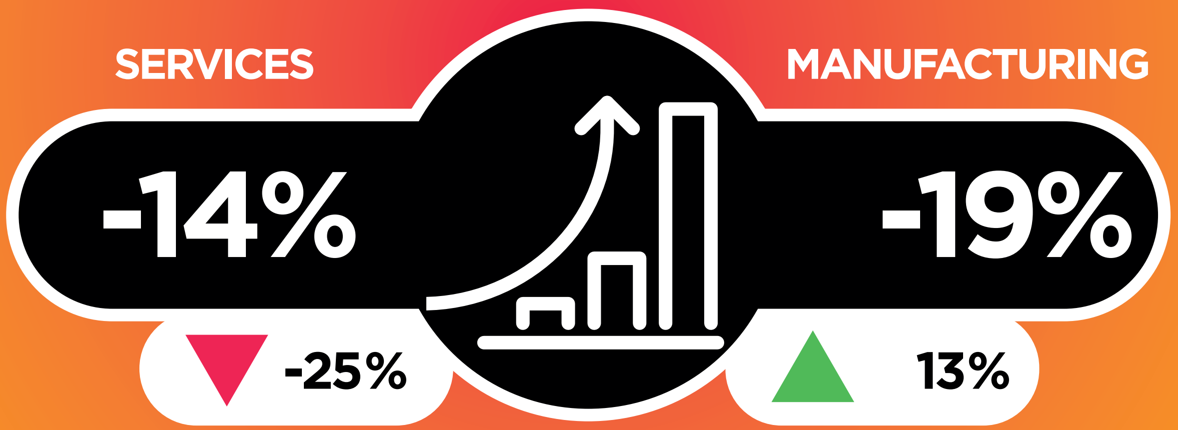
PRICES

Perhaps the most surprising data set the latest QES delivered was that manufacturers reported that they expected prices to fall. The sector showed a five percentage point decline in those firms expecting prices to increase.

Ther service sector meanwhile showed a four percentage point increase in expectations prices would rise.

Again, against the backdrop of potential increased inflation, the next round of fieldwork is likely to see a great deal of focus on pricing.

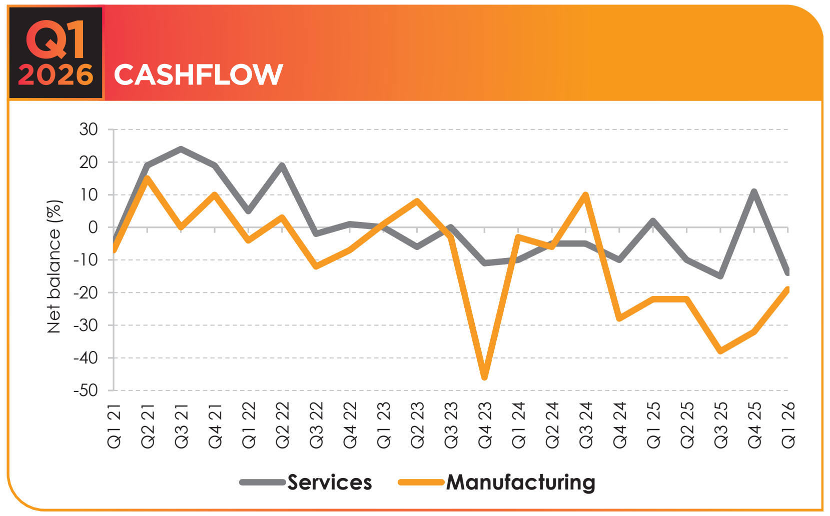
CASHFLOW



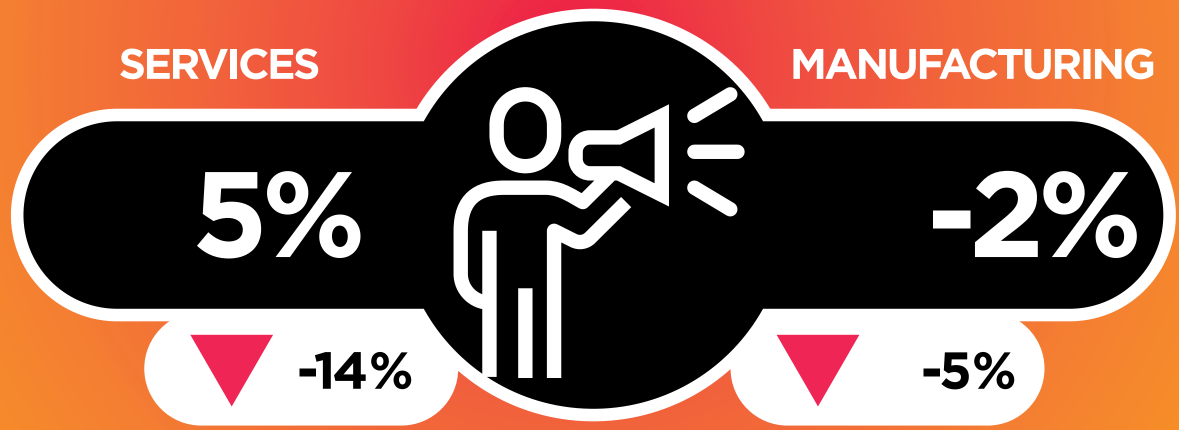
CASHFLOW
Again, the two sectors showed diverging experiences.

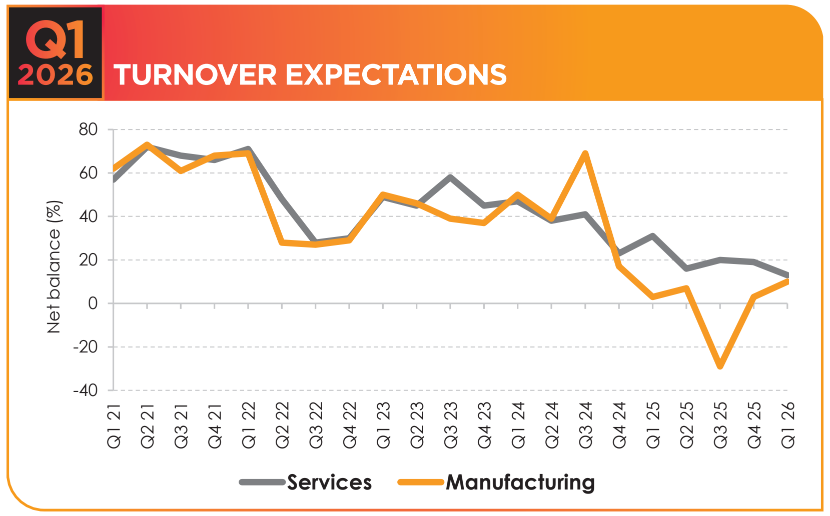
Having seen big improvements in cashflow in Q4 of 2025, the service sector declined back to previously held positions.

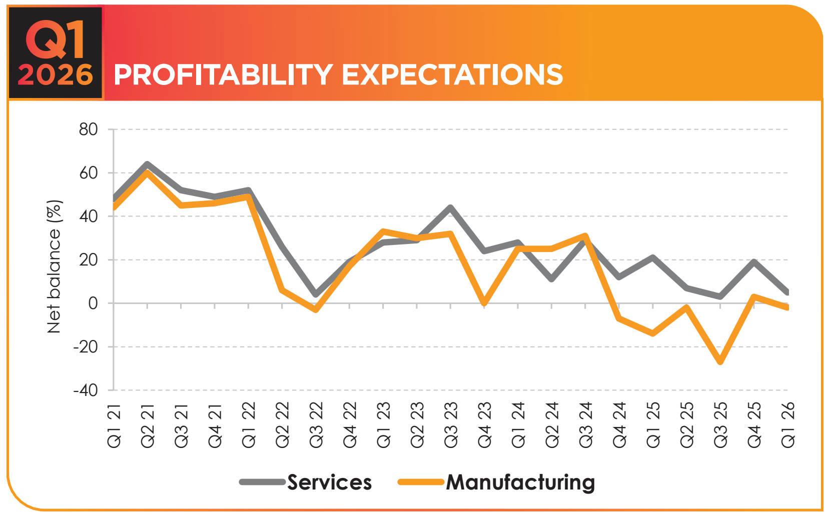
Manufacturers meanwhile posted a third consecutive quarter of improvement, up to levels unseen since the Autumn of 2023.



CONFIDENCE (PROFITABILITY)





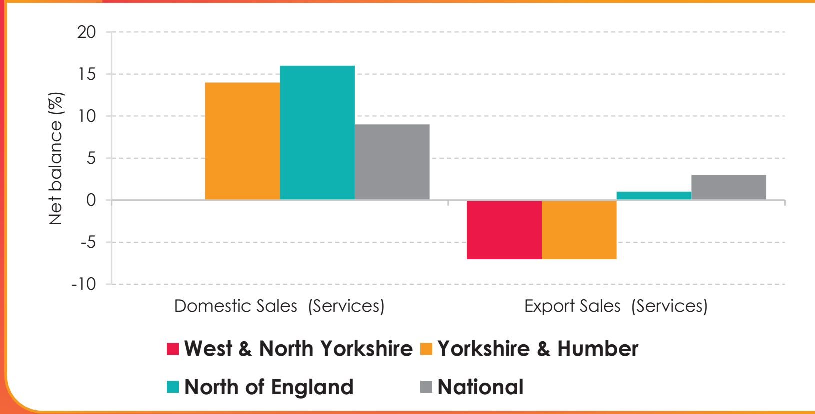


BUSINESS CONFIDENCE
The significant improvement in the number of service sector firms expecting profits to rise that was seen in the previous QES has proven to be short-lived, having declined by 14 points in Q1 of this year. However, the figure is still higher it had been previous to Q4's report.

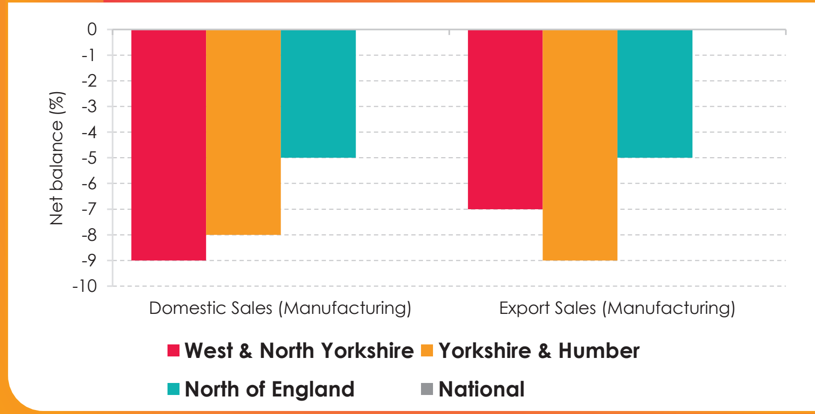
Manufacturers showed a further decline in optimism on profits but did report increasing expectations around turnover, a surprise given the sector has indicated it expects prices to fall in the weeks ahead.

The volatile picture can hardly be a surprise given the gloomy sentiments expressed by respondents to this report.

Q1 2026 REGIONAL COMPARISON - SERVICES



Q1 2026 REGIONAL COMPARISON - MANUFACTURING

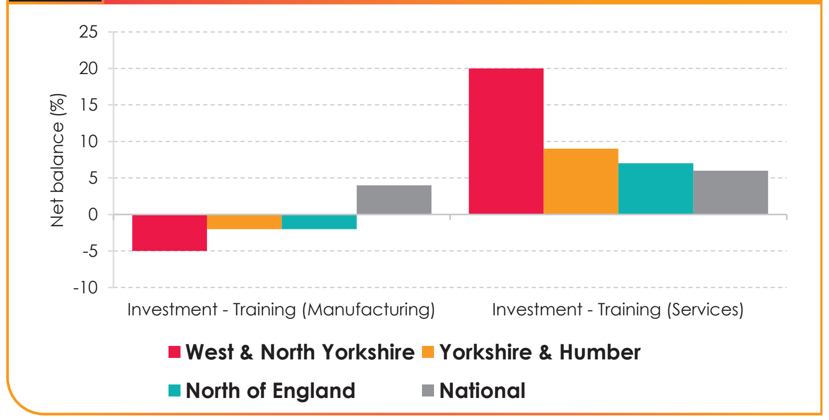


NATIONAL AND REGIONAL COMPARISONS

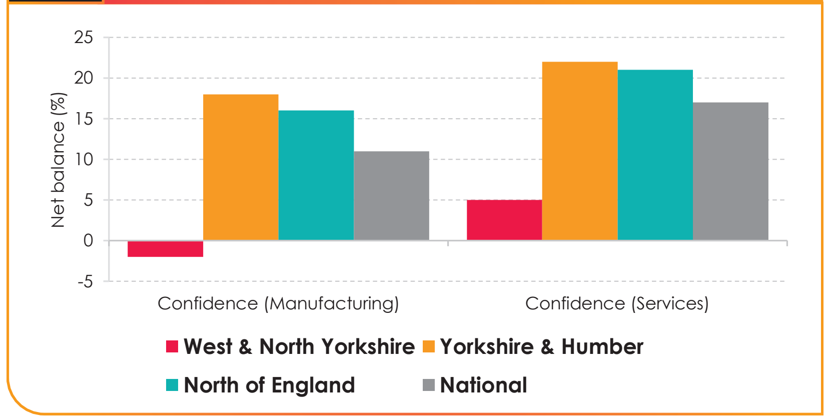
There is a stark dividing line between the service sector and manufacturers, with the former outperforming the national average and other economies across the North of England.

Investment levels in West and North Yorkshire remain weak as we continue to see an inconsistent pattern across most indices, reflecting a turbulent economy.

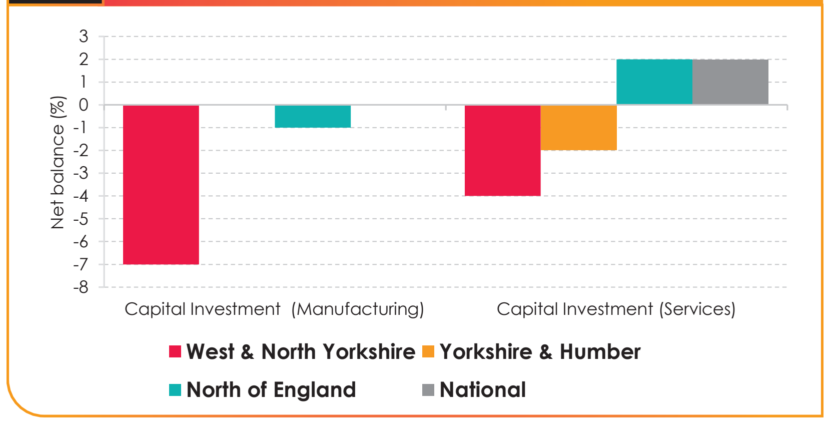
Q1 2026 REGIONAL INVESTMENT TRAINING



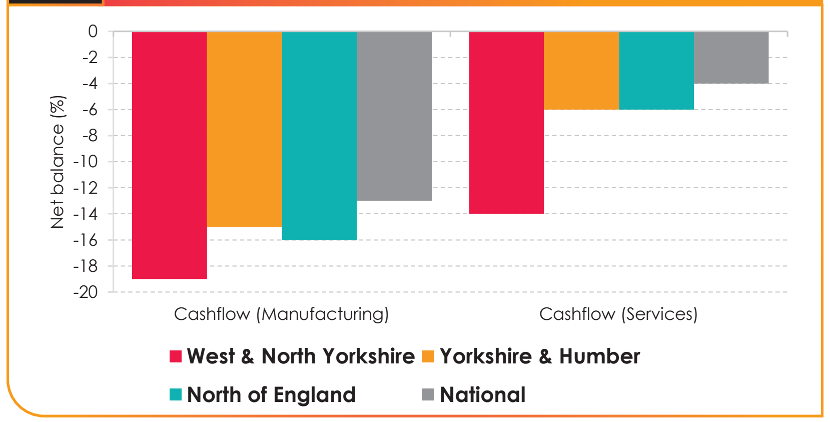
Q1 2026 REGIONAL BUSINESS CONFIDENCE - PROFITS



Q1 2026 REGIONAL INVESTMENT CAPITAL



Q1 2026 REGIONAL CASHFLOW



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