Q1 2025

QUARTERLY ECONOMIC REPORT

CELEBRATING 170 YEARS

Mid Yorkshire Chamber of Commerce

REPRESENTING BUSINESSES

IN PARTNERSHIP WITH

West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire

Martin Hathaway
Managing Director
Mid-Yorkshire Chamber of Commerce

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INTRODUCTION

Following the National Insurance hikes and minimum wage announcements from the Autumn budget that are now coming into force, it's no surprise that confidence was low as we entered 2025.

This has been a tough first quarter for many businesses in our region and across the nation, with many putting investment, recruitment (20 per cent down) and general growth plans on hold while they settle into these increased costs.

This apprehension is clear in the drop in sales activity throughout Q1, with more turbulence on the horizon as talks between Keir Starmer and Donald Trump continue around negotiating a trade deal with the US.

That being said, I was pleased to see a focus on long term investment plans to support manufacturers in the budget. This included £4.5bn over five years becoming available for strategic manufacturing sectors and further support through local investment zones.

This support from central Government is vital to allow confidence to grow and the economy to get going again. We have some amazing businesses and talented people here in Calderdale, Kirklees and Wakefield, but increased cost pressures and changing regulations every few months are stunting growth and making it harder for progress to be made. The harder it gets for businesses to operate, the more talent and skill will be driven away to economic hubs like London, meaning all the work done over the last few years, including our work on the Local Skills Improvement Plans (LSIPs), could be sent back to square one. We want to create a thriving economy here in West Yorkshire where businesses can excel, and people can access exceptional training and valuable, skilled jobs to sustain them.

If you would like to discuss any of these QES results or share your thoughts, please don't hesitate to contact me on martin@my-chamber.co.uk.

4 WEST YORKSHIRE COMBINED AUTHORITY

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

The latest results from the QES will make for disappointing reading, with businesses reporting significant headwinds facing the regional and national economy. It is no surprise that all businesses cite the cost pressure of taxation as the biggest external cost pressure with inflation also weighing heavily.

While it is encouraging to see our service sector doing well, the manufacturing sector faces a challenging time. We need all our key sectors to thrive to drive our regional economy.

The survey raises some hope through increased capital investment, recruitment and profitability for both sectors compared to last quarter. While capex levels are still low, it underpins improved confidence, and it is a metric we will watch closely.

Since this QES was carried out we have seen positive data, with the S&P Global Flash UK PMI hitting a six-month high in March and inflation falling by more than expected, which may point towards an improved outlook heading into spring.

As advisor to the Mayor of West Yorkshire and part of our region's business community, I know the pressures facing employers. Through the Mayor we are making sure the concerns of the region's businesses are heard by government. However, the pandemic proved that West Yorkshire is resilient and our business community is nimble. In these turbulent times these attributes are critical.

The recently announced Local Growth Plan sets out £7 billion of targeted investments to turbocharge our region. It joins the dots between the public and private sectors to support business growth, skills, a reliable public transport system, and affordable housing.

The Local Growth Plan identifies the key sectors that will be the future engines of growth for our economy. It sets out measures to support their long-term success and job opportunities.

But businesses need help here and now, and we are using our significant devolved powers and funding to tackle West Yorkshire's underperformance on skills and productivity compared to the rest of the UK.

This includes offering free courses and training in core skills to help people meet job market requirements, and driving closer collaboration between business and education to meet strategic skills needs.

Our region-wide graduate programme is supporting SMEs to find and hire a graduate, with a development scheme to better equip graduates for the world of work.

We are also putting unspent levy funding from large regional employers to better use through our apprenticeship levy service, which has helped create over a thousand apprenticeship starts.

CALDERDALE COUNCIL 5

Robin Tuddenham
Chief Executive
Calderdale Council

One of Calderdale's strengths, as highlighted by the Vision for the borough, is its enterprising people. Our entrepreneurs, plus our diverse range of economic sectors, help Calderdale through economic challenges, boost productivity, drive innovation and create high-value jobs.

The figures in this report are positive for the service sector but concerning for manufacturing, which accounts for 12 per cent of total employment in Calderdale.

In response to concerns in manufacturing, our business support team has been focusing over a third of its activity on helping the sector. Working with public and private sector partners, our Growth Managers are providing support and funding to help businesses grow, attract new investment to the area and develop the skills, energy and digital infrastructure to create jobs and prosperity.

We are also supporting West Yorkshire's Local Growth Plan, which recognises manufacturing's importance to economic growth. We are working with West Yorkshire Combined Authority to help increase start-ups, scale-ups, innovation, investment and international activity in this sector.

The report does, however, show positivity from businesses across sectors, including manufacturing, in terms of recruitment plans. As part of our commitment to an economy that works for everyone, our Employment Hub is on hand to support businesses recruiting.

I am confident that the abundant entrepreneurialism and support in Calderdale, and across West Yorkshire, will maintain the resilience needed to drive forward the borough's Vision 2034 to be a place full of opportunity, where we can all live a larger life.

Councillor Denise Jeffery
Leader
Wakefield Council

The latest report reflects the challenging economic environment we see across all sectors in our district.

Whilst it is reassuring to see some green shoots and areas of opportunity within the service sector in terms of confidence and investment, we're also aware of the difficulties some businesses are facing. We're a district with a long and strong heritage in traditional sectors like manufacturing, and so it is important we all continue to work with these businesses to support them through this challenging time.

However, we're encouraged by a positive outlook on recruitment and that sectors seek to increase their headcount in the coming 12 months, providing much needed jobs for local people.

Our Economic Strategy is focused on improving the wellbeing of our people and community, by nurturing a just economy. We're working hard to provide support to key quality sectors that will have a positive impact on our local economy and our people. And we are committed to supporting businesses at all stages from start-up through to scale-up.

Last year we also celebrated culture through Our Year and welcomed visitors from near and far to access our diverse cultural offering and raise the profile of Wakefield. We hope this leaves a lasting legacy that helps boost our local economy going forward."

Steve Mawson
Chief Executive
Kirklees Council

'We don't make anything in this country any more'. I'm sure we've all heard that trotted out by commentators and politicians alike in recent years. In West Yorkshire and especially Kirklees that simply isn't the case. Our manufacturing and engineering sectors are the cornerstone on which our economy is built and reflect a proud industrial heritage spanning several hundred years that has shaped many of our places and communities. Manufacturing and engineering now account for around 25% of our economic output (GVA) and 20% of our jobs. These businesses have real resilience, demonstrated not only by their longevity but often also a business model based on supplying a diverse mix of economic sectors rather than an over dependence on a single market. We can truly lay claim to be the supply chain to the nation.

So whilst the latest Chamber survey results suggest a divergence in economic performance between the manufacturing and services sector with a number of suggested contributory factors, it is important that collectively we don't fall into the trap of talking our economy down. Certainly in Kirklees, we're seeing a number of exciting business growth projects continue to progress, with manufacturing and engineering employers at the forefront.

Syngenta have recently announced that Plinazolin, a new active pharmaceutical ingredient, will be manufactured in Huddersfield, helping to secure the future of their Leeds Road site. This is the culmination of many years of research and development and investment by the business.

PC Specialist, who manufacture high end gaming and business PCs and laptops and is a global market leader in their field, recently secured planning consent to develop a major new manufacturing facility in Kirklees with the potential to create several hundred new jobs. The business was established here by a local entrepreneur twenty years ago and their growth has been exceptional.

Reliance Precision, one of our most successful precision engineering firms serving sectors from space and aerospace through to health tech, is developing plans to expand its existing site at Fenay Bridge. The expansion could create up to 80 jobs. Key defence sector business David Brown Santasalo expects to create a further 100 jobs through its ongoing expansion.

Longstanding furniture design and manufacturing business HSL has recently launched it's design-led LIVHOME brand. Building on an initial presence at Aintree the business plans to roll out a network of UK stores over the next few years.

We're incredibly fortunate that these and other innovative businesses want to remain and grow here and embed their presence in the communities which host them. And in my job as local authority Chief Executive I'll continue to showcase their achievements and help to create the right environment for their growth.

METHODOLOGY

The respondents of business owner/senior manager/director/partner status. Thirty-eight per cent of this sample were actively trading internationally, a smaller figure than seen in the Quarter One 2024 study.

Of those businesses surveyed 63 per cent were micro, seven per cent were small, 27 per cent were medium and three per cent were large.

Businesses were surveyed by telephone, physical and online questionnaires and by social media polling between Monday February 10 and Friday March 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

A veritable mixed bag with service sector firms seeing their third consecutive quarter of sales growth, with an uplift of three per cent. However, the pain for manufacturers continues with a drop of seven per centage points. The sectors are split on orders with service sector firms looking healthy while manufacturers continuing to see their domestic order books decline.

EXPORT SALES

International sales were poor for both manufacturers and service sector firms who saw declines of nine and 10 per centage points respectively, the first time both sectors found themselves in negative territory since the end of 2023. Order books for overseas sales in both sectors are also in decline.

EMPLOYMENT

The last quarter of 2024 was a grim period for recruitment among manufacturers with employment down by 20 per centage points. Service sector firms recovered with a return to growth. Prospects going forward however look far healthier with the level of services and manufacturers looking to recruit having grown by four and 18 per cent respectively.

INVESTMENT

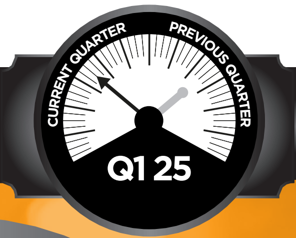
Another mixed set of results when it comes to training investment, which saw the service sector soar by an impressive 26 per cent while manufacturers witnessed a decline of two per cent. Capital expenditure however was a different matter, with both firms seeing investment spending increasing by seven per cent, a welcome boost given the dire scenes witnessed at the end of 2024.

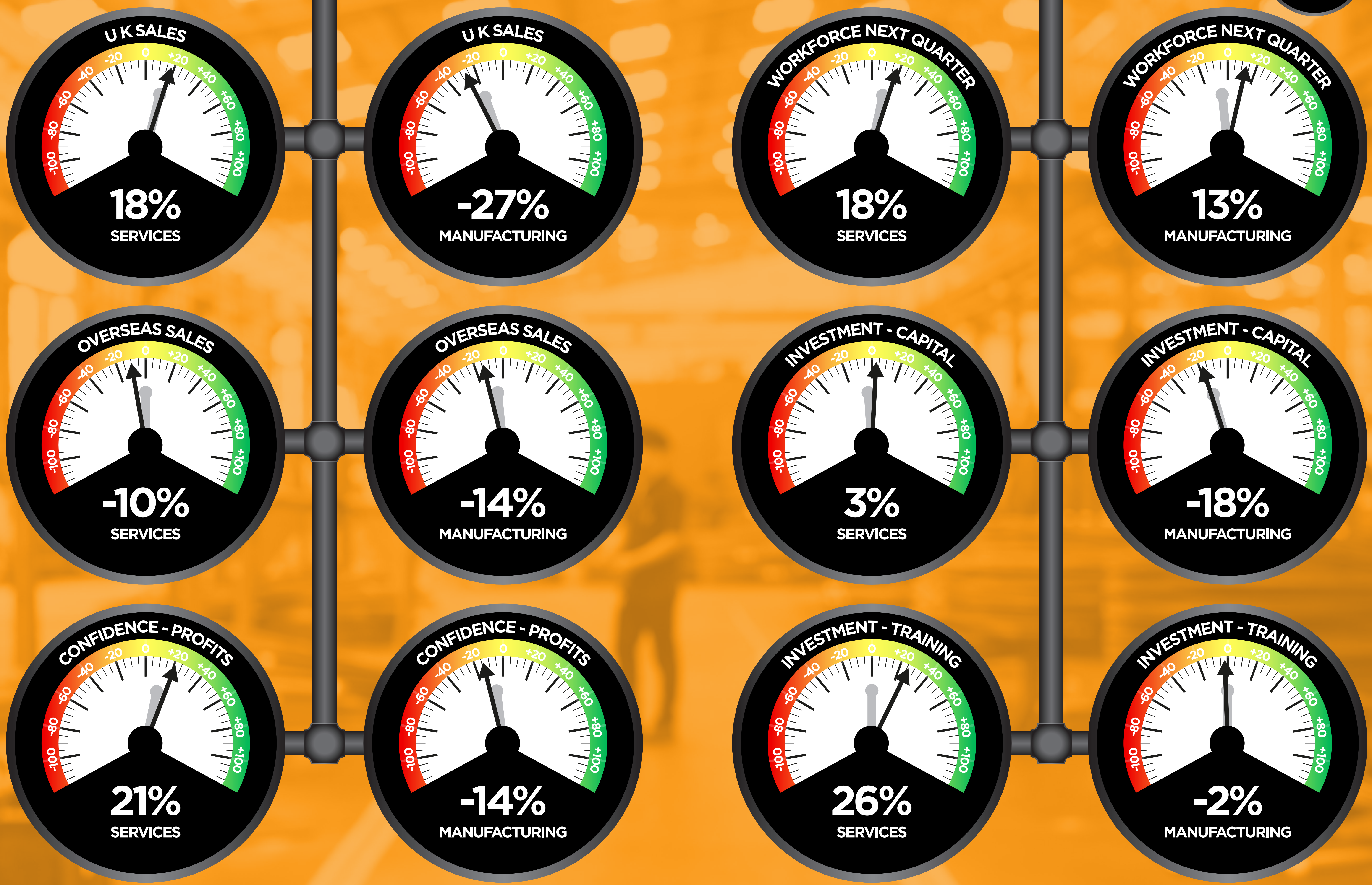
BUSINESS CONFIDENCE

The division between the manufacturing and service sectors could not be starker when it comes to expectations on profits. Service sector businesses are feeling strong with the number of firms expecting to grow profits up by nine points, the highest they have been since the start of the summer. However, the level of manufacturers anticipating improved profit levels fell by a disappointing seven per centage points to the lowest level seen since the height of the Covid 19 lockdowns seen five years ago.

COSTS AND CONCERNS

Given the impact the cost-of-living crisis has had on wage bills and the measures outlined in the Budget, both on the minimum wage and on Employer National Insurance Contributions, it should come as no surprise that taxation and labour costs are the two biggest headaches facing Yorkshire businesses.


CURRENT QUARTER
PREVIOUS QUARTER
Q1 25


U K SALES
18%
SERVICES
U K SALES
-27%
MANUFACTURING
WORKFORCE NEXT QUARTER
18%
SERVICES
WORKFORCE NEXT QUARTER
13%
MANUFACTURING
OVERSEAS SALES
-10%
SERVICES
OVERSEAS SALES
-14%
MANUFACTURING
INVESTMENT - CAPITAL
3%
SERVICES
INVESTMENT - CAPITAL
-18%
MANUFACTURING
CONFIDENCE - PROFITS
21%
SERVICES
CONFIDENCE - PROFITS
-14%
MANUFACTURING
INVESTMENT - TRAINING
26%
SERVICES
INVESTMENT - TRAINING
-2%
MANUFACTURING

UK SALES

SERVICES	MANUFACTURING
18%	-27%
▲ 3%	▼ -7%

DOMESTIC SALES

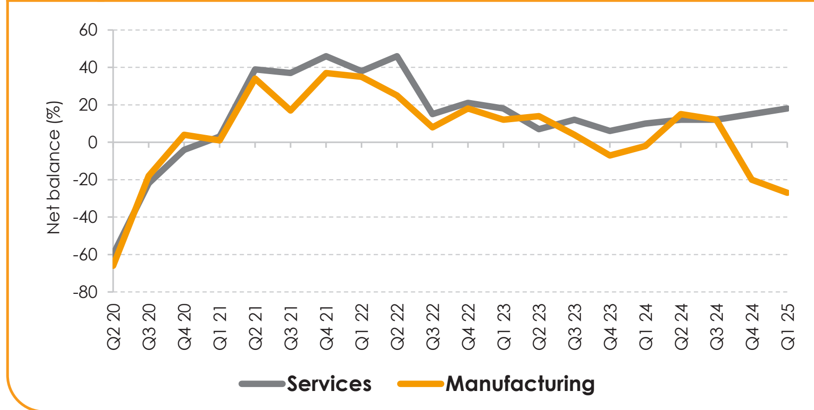
The service and manufacturing sectors are heading in opposite directions, spelling good news for the former and poor news for the latter.

The level of service sector firms who witnessed a growth in their sales rose by three per cent, the third consecutive quarter of growth.

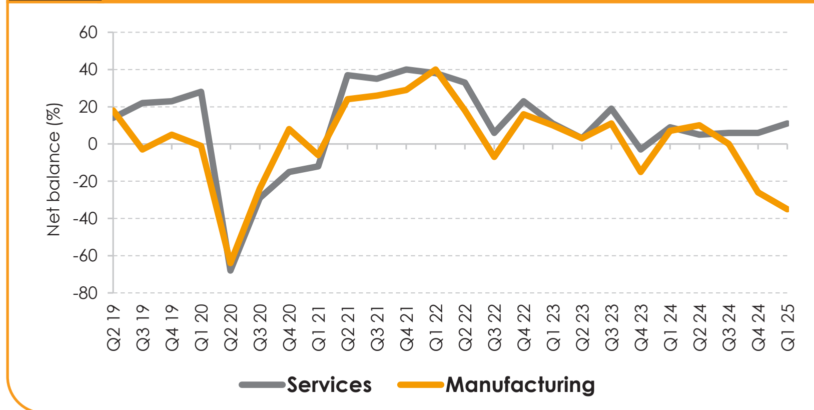
Manufacturing sadly faired far worse with the number of firms growing their sales having declined by seven per centage points.

The sectors are also split when it comes to orders. Service sector firms looking healthy, up by five points while manufacturers continuing to see their domestic order books decline, down by nine points.

Q1 2025 DOMESTIC SALES



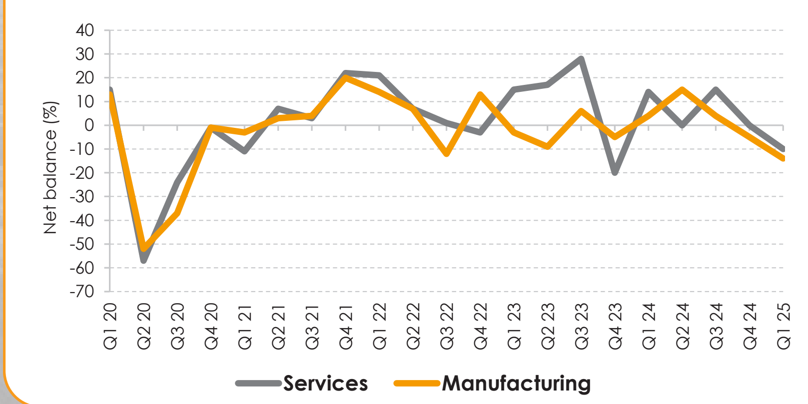
Q1 2025 DOMESTIC ORDERS



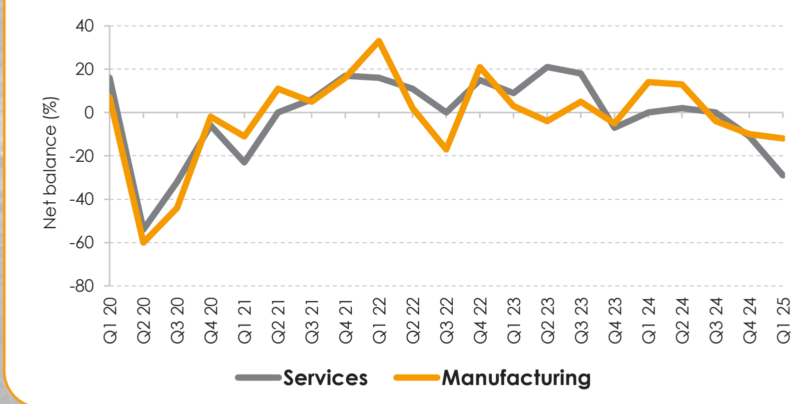
OVERSEAS SALES

SERVICES	MANUFACTURING
-10%	-14%
▼ -10%	▼ -9%

Q1 2025 EXPORT SALES



Q1 2025 EXPORT ORDERS



INTERNATIONAL SALES

For a region which has given the world everything from the first motion picture to the mousetrap, it was dispiriting to see such palpable declines in international sales and orders. Export sales were down by 10 and nine per centage points respectively for service and manufacturing businesses.

Order books were likewise poor, having fallen by 17 points for services and two points for manufacturing.

Both sectors have the worst order books seen since the end of 2020.

INDUSTRY VOICE:

"We no longer work in the European market as we are not competitive enough due to Brexit."

EMPLOYMENT (NEXT QUARTER)

SERVICES	MANUFACTURING
18%	13%
▲ 5%	▲ 28%

INVESTMENT (CAPITAL)

SERVICES	MANUFACTURING
3%	-8%
▲ 7%	▲ 7%

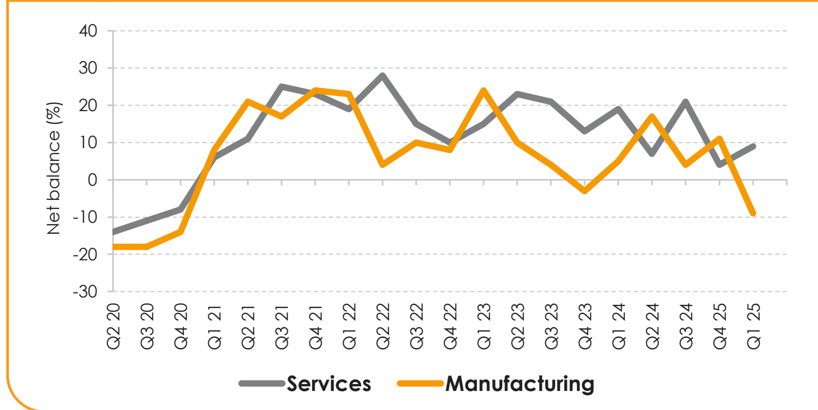
EMPLOYMENT

One area that both sectors can look upon with confidence is future hiring intent with both sectors looking to increase their headcounts in the next three months.

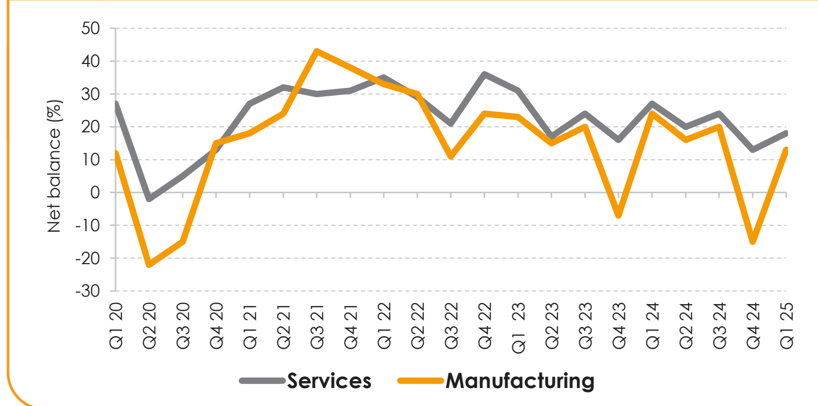
The level of service sector firms looking to hire is up by five per cent with manufacturers looking to do the same thing up by an impressive 18 per centage points.

This follows a rather dire few months and comes as welcome news to the region's economy which has struggled with recruitment now for years.

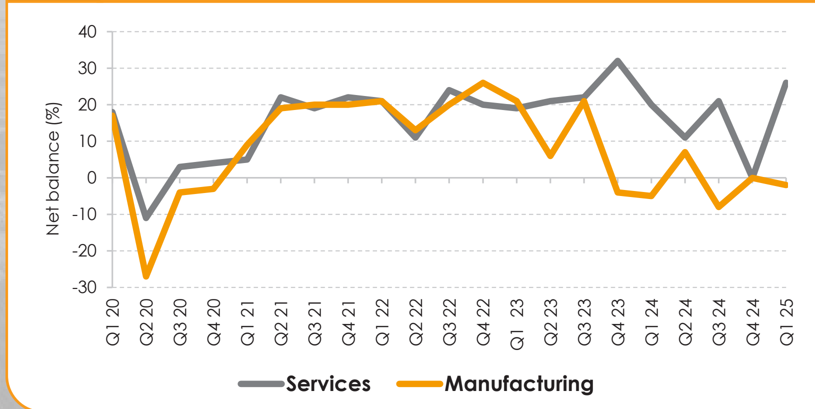
Q1 2025 WORKFORCE CHANGES - LAST QUARTER



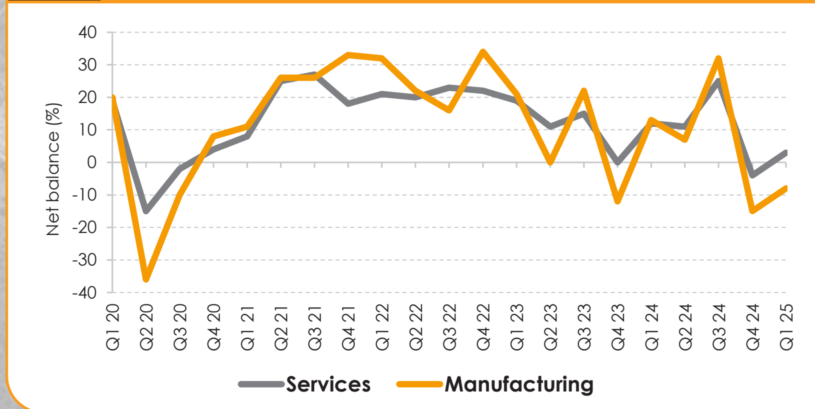
Q1 2025 WORKFORCE CHANGES - NEXT QUARTER



Q1 2025 TRAINING INVESTMENT



Q1 2025 CAPITAL INVESTMENT



INVESTMENT

Capital investment in Yorkshire is back with both sectors reporting an increase in spending.

Both manufacturers and service sector enterprises reported a seven per centage point increase in their intention to invest into plant and machinery.

However, another mixed set of results was seen around training investment, which saw the service sector soar by an impressive e 26 per cent while manufacturers witnessed a decline of two per cent.

CAPACITY (FULL)

SERVICES

36%

0%

MANUFACTURING

32%

6%

CAPACITY & COST PRESSURES
Given the sizeable uplifts the Chancellor announced at the autumn Budget to both the levels of minimum wage and Employer National Insurance Contributions, it was always going to be the case the chief pressures facing employers were going to be taxation and wage bills.

The eye-watering tax burden facing businesses is taking its toll across a range of issues.

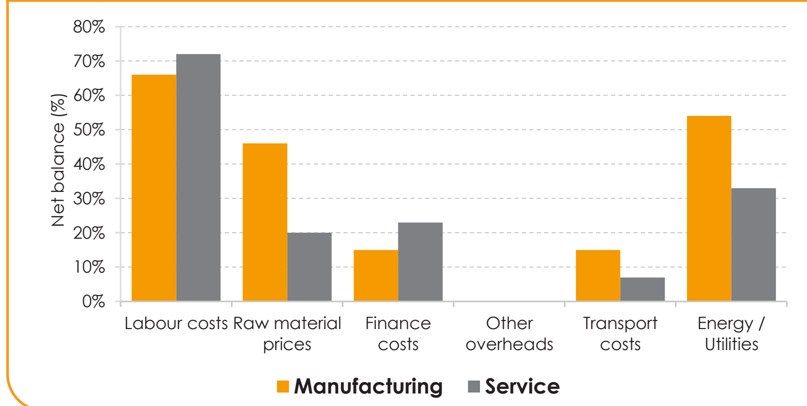
Interestingly, utilities were cited by an increasing volume of employers when it comes to overhead challenges, while interest rates and inflation are not going away when it comes to the headaches faced by firms.

Meanwhile just 36 per cent of firms in service industries and 32 per cent of manufacturers find themselves at full capacity.

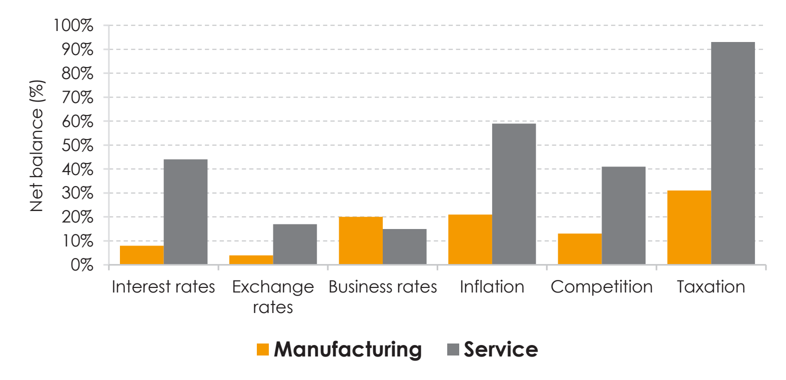
INDUSTRY VOICE:
"I paid more tax than I paid myself in 2024."

INDUSTRY VOICE:
"The changes NI is killing SMEs."

Q1 2025 COST PRESSURES



Q1 2025 EXTERNAL FACTORS



PRICES

SERVICES

49%

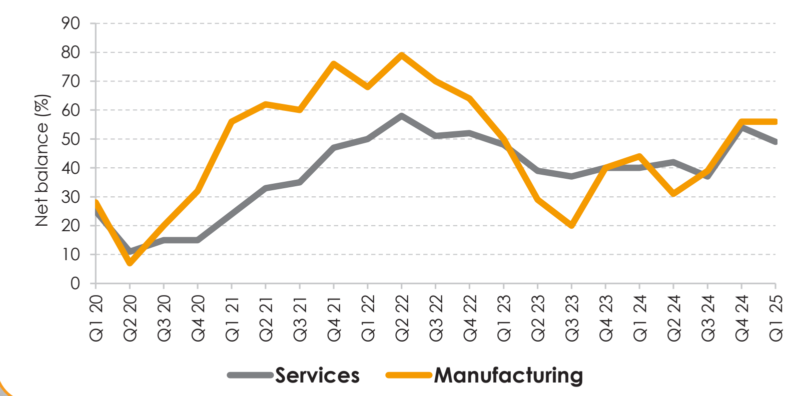
-5%

MANUFACTURING

56%

0%

Q1 2025 EXPECTATION OF PRICE RISES



PRICES
The level of manufacturers anticipating a decline in prices remained the same as seen in the final quarter of 2024, while the service industry showed worsening optimism around prices.

Five years after lockdown and the aftershocks of the pandemic, coupled with geopolitical uncertainty and foreign wars are still making trading uncertain, with no sign overheads will decline any time soon.

INDUSTRY VOICE:
"The cost of everything is almost at an unaffordable price. This is then passed onto the consumer. At some point, people will stop paying the required price regardless of quality."

INDUSTRY VOICE:
"Very frustrated that business is having to accommodate the poor decisions from government to cover the black hole."

CASHFLOW

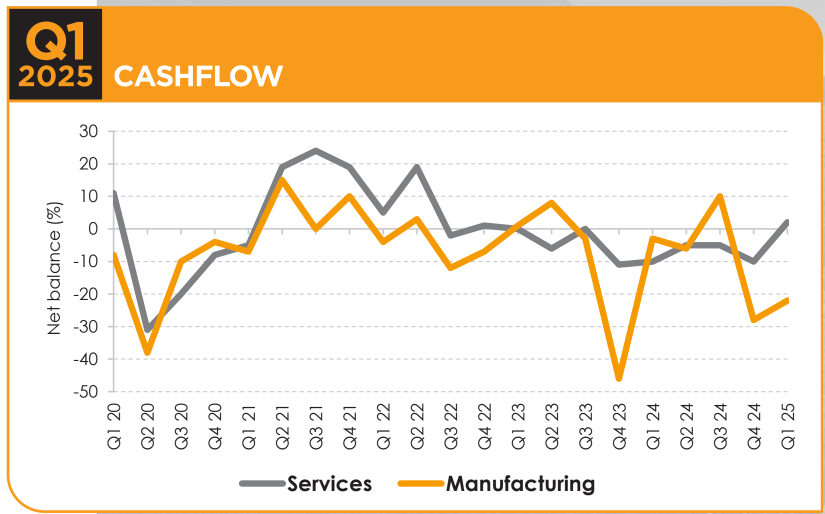
SERVICES 2% ▲ 12%

MANUFACTURING -22% ▲ 6%

CASHFLOW
Following a very poor end to 2024, cashflow appears to be moving in the right direction for both sectors, with the levels of firms presenting an improving picture up by 12 per cent of the service industries and six per cent of manufacturers.

INDUSTRY VOICE:
"Consumer spending is below expectations. Average spend has decreased."

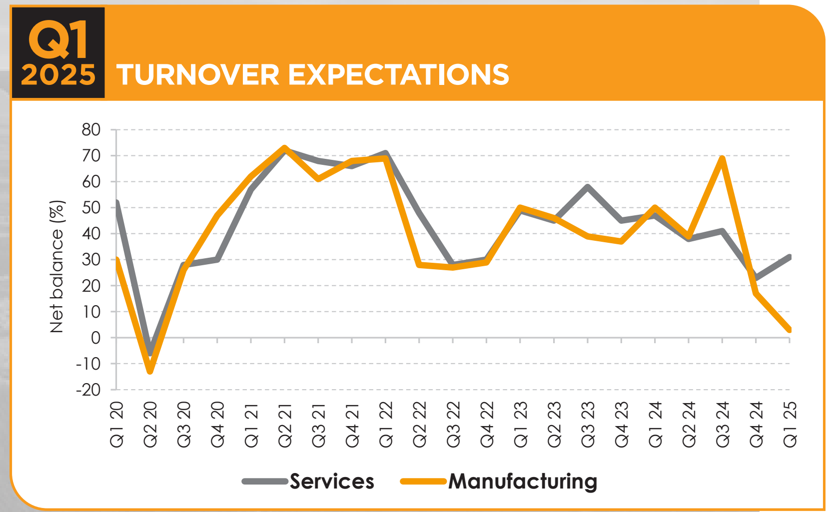
INDUSTRY VOICE:
"Very challenging climate at the moment."

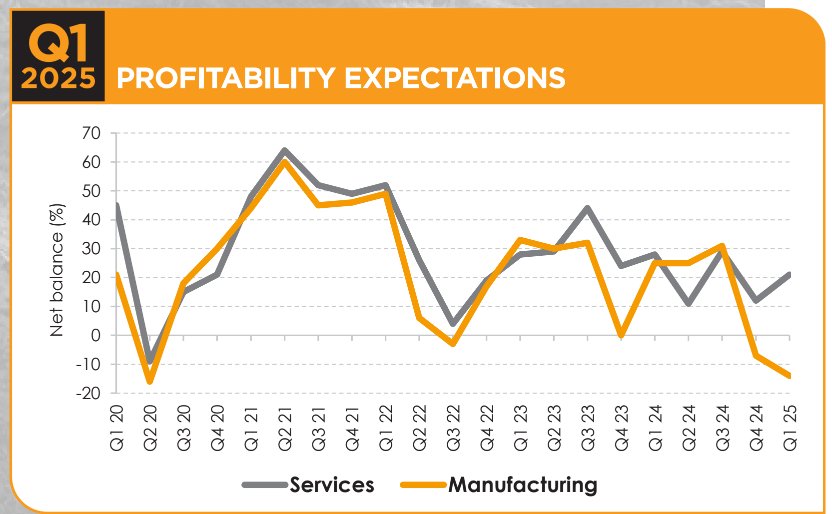


EMPLOYMENT (NEXT QUARTER)

SERVICES 18% ▲ 5%

MANUFACTURING 13% ▲ 28%





BUSINESS CONFIDENCE
Capping off a gloomy start to 2025 for manufacturers, the level of manufacturers anticipating improved profit levels fell by seven per centage points to the lowest level seen since the height of the Covid 19 lockdowns seen five years ago.

Service sector businesses are feeling strong with the number of firms expecting to grow profits up by nine points, the highest they have been since the start of the summer.

Again, one most go back to the outbreak of Covid 19 to see such low expectations on turnover for manufacturers, whilst the service sector is looking more bullish.

CONTACT US

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