Q2
2025

QUARTERLY ECONOMIC REPORT

IN PARTNERSHIP WITH

mychamber

West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire

Tim Welton
Chair
Mid-Yorkshire Chamber of Commerce

Results for Q2 show that across the board, investment, employment and training are down for both manufacturers and service sector firms, as external economic factors are continuing to take their toll on businesses in our region.

Soaring overheads, increasing tax and wage demands, and the cost of fuel are just some of the major issues West Yorkshire businesses are reporting to us.

From our conversations with MY Chamber members, the appetite for growth and upskilling is most definitely there, but businesses are struggling to stay afloat under current conditions.

Ongoing conflict overseas and changing international tariffs are making firms wary about investing and growing, as circumstances seem to be changing daily. Despite this worrying climate, it was reassuring to see West Yorkshire manufacturers reporting big improvements in their sales and order book figures in Q2, leading to increased profit and confidence levels.

Conversely, the service sector in our region saw a decline in confidence levels for the first time in two years as a result of a 17% dip in sales. It really is tough out there for businesses, who are all-too-often struggling to make any real headway, as operating costs seem to be rising daily.

The Government needs to ensure a stable environment for businesses, with real, practical support to help them not just survive, but thrive. Britain has a strong past in innovation, manufacturing and being at the forefront of industry. We have the businesses in place to be this once more, but we need the right support and infrastructure in place.

We need to ensure that we can employ people in skilled roles and provide opportunities for them to grow their careers here in West Yorkshire. We are already losing so much talent to other cities and countries.

Through the Local Skills Improvement Plan (LSIPs), we are working with skills providers and businesses in our region to ensure that skills provision meets the needs of the workforce. This vital piece of work will help us to safeguard the talent pool for generations to come and ensure that our people have decent, well-paid jobs to go to when they leave education. But we can only do that with the right structure in place.

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

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.

Robin Tuddenham
Chief Executive
Calderdale Council

We recognise the concerns raised by businesses in this latest Quarterly Economic Survey. Whilst it's good news that the manufacturing sector is recovering, we know it's an incredibly difficult time for the service sector.

We remain committed to Calderdale being a place where businesses can thrive and grow. This is underlined in the Vision 34 for Calderdale, which we launched on 26 June 2025. Our teams stand ready to support those who need a helping hand. They encourage enterprise through business start-up advice, support small to medium-sized enterprises through Business Growth Calderdale, and provide events such as the free Local Trades Business Breakfasts which aim to connect tradespeople with opportunities to help their businesses grow.

Through our investment in local towns, places and enterprise, we are also creating supportive environments for businesses to succeed, including through the Brighouse and Todmorden Town Deals, and new pop-up stalls in our multi-million-pound transformation of Halifax Borough Market, where new and established businesses can test out product and service ideas.

All of this helps to keep the economy moving during times of significant challenge, and ensures the borough continues to be a great place for enterprise.

Our mix of businesses across a wide range of sectors is a key strength for Calderdale and West Yorkshire and gives our economy great resilience, including in these challenging times. Our latest performance data shows a further increase in the number of new enterprises that are still active after three years - from 55.3 per cent to 59.8 per cent. This puts Calderdale above the regional average, and our business density remains particularly strong.

We know that local businesses care about the people that work for them and their communities and do all they can to avoid reducing their workforces. Being a place of hope and opportunity is important to us all and reflects the Vision 34 for Calderdale. We are working to bring forward more support to businesses to help their workforces to be healthy and productive, adding value and supporting inclusive economic growth.

Councillor Denise Jeffery
Leader
Wakefield Council

Although it remains a difficult environment for businesses and for the region's economy, it is encouraging to see evidence of business recovery and growth in some areas.

As a district with a strong and proud manufacturing sector, I am pleased to see some positive results around increased sales after a challenging period.

Unfortunately, these positive signs aren't reflected in the service sector and after some gradual growth since 2023, it's disappointing to read that a decline is now being felt. It is unsettling to see the uncertainty around trade tariffs and a rise in employer costs, and the additional challenges this is causing all our businesses.

A successful economy means successful people, places and communities and we remain committed to delivering an economy that works for everyone and where no one is excluded from benefits or opportunities. With partners from across the region, we continue to work with businesses and suppliers to turn that ambition into a reality.

I'd like to take this opportunity to commend our businesses and the organisations and people that support them. These positive signs are tribute to the hard work and resilience built within our business community, and I hope that improving confidence levels will be reported soon."

Steve Mawson
Chief Executive
Kirklees Council

The latest Chamber survey results for the second quarter of 2025 continue to highlight market volatility, both globally and in the UK. In my Q1 column, I highlighted the range of exciting projects in the pipeline across the manufacturing sector in Kirklees and it is encouraging to see West Yorkshire manufacturers reporting increased domestic sales and a more positive outlook. These businesses are in it for the long-haul and their resilience over the last few years is testament to that.

Consumer confidence is also a vital indicator of the state of our economy, often reflected very visibly in the performance of our town centres and high streets. We all know the ingredients for successful town centre regeneration - adopting a more mixed use, family friendly and community-oriented approach which reduces the dependency on shopping whilst focusing on visitor experience – but achieving this is not always easy.

To this end, recently I was delighted to attend the launch of 'The Light,' a major new cinema and entertainment/leisure venue in Huddersfield's Kingsgate Shopping Centre. This is a flagship investment and a significant statement of confidence in the town centre by a key national leisure developer and operator, as well as a great example of public/private partnership.

The Light is already beginning to act as a catalyst for the regeneration of King Street and adjoining town centre streets. The first phase of the Cultural Heart project – a new food hall, library and civic space – will build firmly on this success when it opens in Spring 2026, with the Goerge Hotel to follow in 2027.

In Dewsbury, we're confident that the iconic, listed Arcade building will have a similar effect when its restoration is complete, reinforced by the refurbishment of the Market and the creation of a vibrant new civic space. The Council also continues to invest across our network of Local Centres – Batley, Cleckheaton, Heckmondwike, Holmfirth and Marsden – to build investor confidence and support their long-term diversification and resilience as vital hubs for the communities they serve. All these projects highlight the importance of the public and private sectors working in partnership to create the places our residents and visitors want to live, work and play in.

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
WORKFORCE NEXT QUARTER
12%
SERVICES
WORKFORCE NEXT QUARTER
-13%
MANUFACTURING
OVERSEAS SALES
-9%
SERVICES
OVERSEAS SALES
-29%
MANUFACTURING
INVESTMENT - CAPITAL
-2%
SERVICES
INVESTMENT - CAPITAL
-11%
MANUFACTURING
CONFIDENCE - PROFITS
7%
SERVICES
CONFIDENCE - PROFITS
-2%
MANUFACTURING
INVESTMENT - TRAINING
13%
SERVICES
INVESTMENT - TRAINING
0%
MANUFACTURING

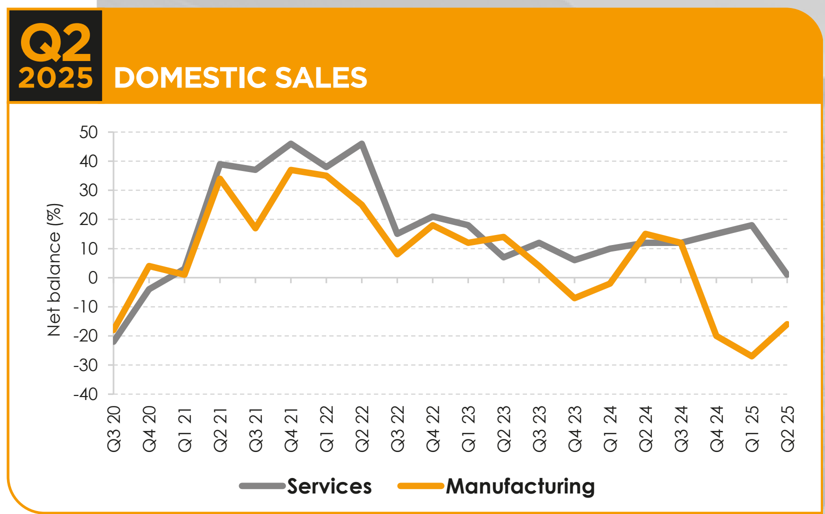
UK SALES

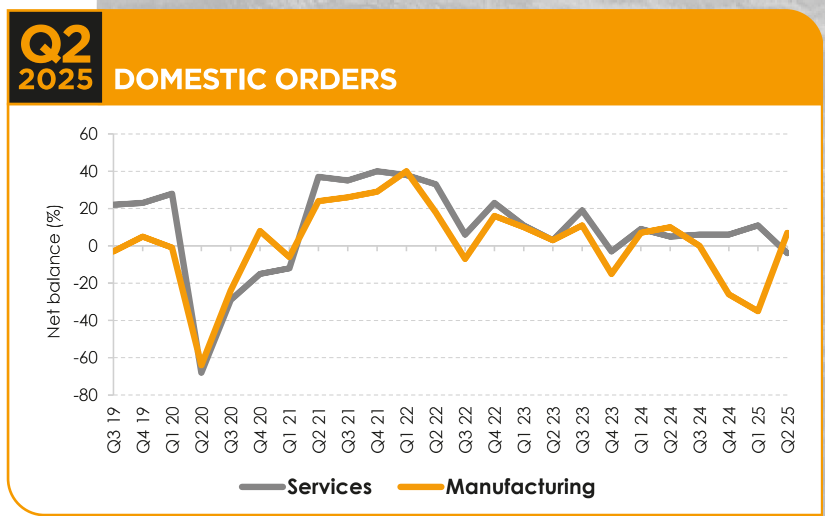
	SERVICES	MANUFACTURING
Current	1%	-16%
Change	▼ -17%	▲ 11%

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.

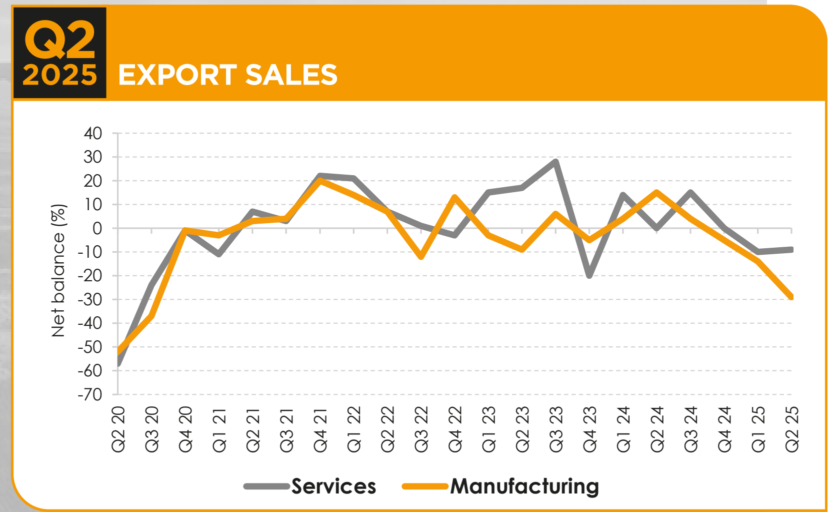
The picture was less impressive for the service sector which saw sales decline for the first time since the second half of 2023. Service sector sales activity had been growing steadily for five quarters but sadly declined by 17 points during Q2 of this year. There was no respite to be found in order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

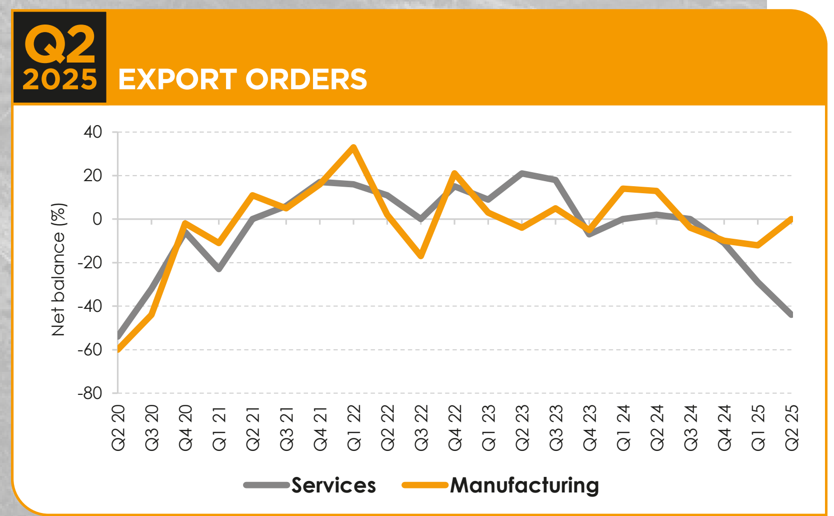




OVERSEAS SALES

	SERVICES	MANUFACTURING
Current	-9%	-29%
Change	▲ 1%	▼ -15%





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%

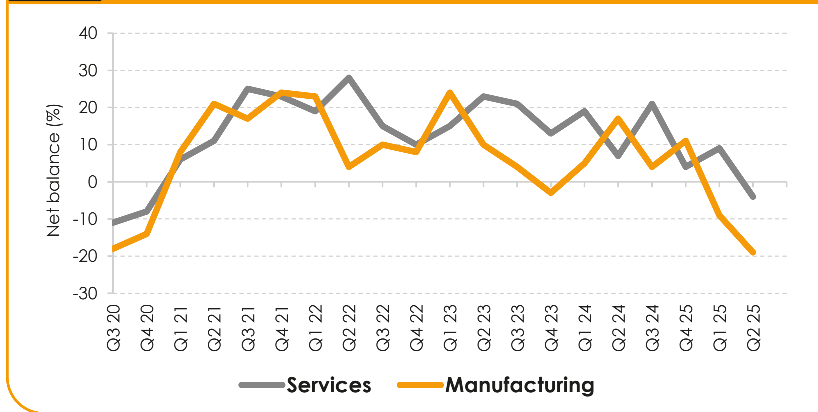
EMPLOYMENT

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.

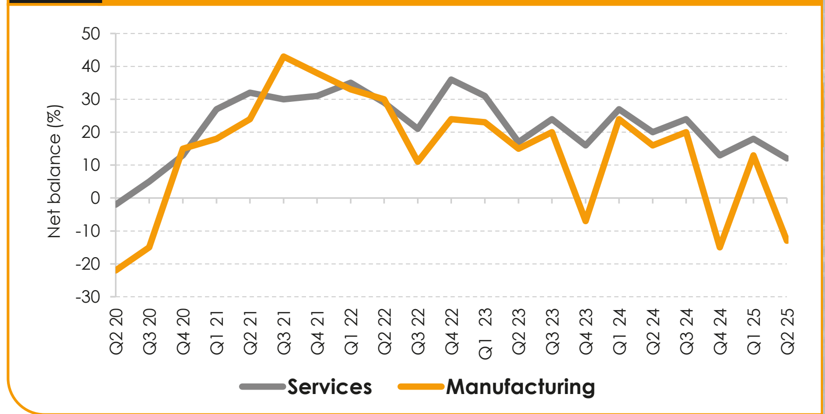
Following many months of salary increases and new taxes coming into further increase overheads, the cost of employing people is, to put it simply, a significant challenge for businesses of all sizes. Before long the Autumn Budget will be upon us and many firms will be fearing for further increases in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



INVESTMENT (CAPITAL)

SERVICES

-2%

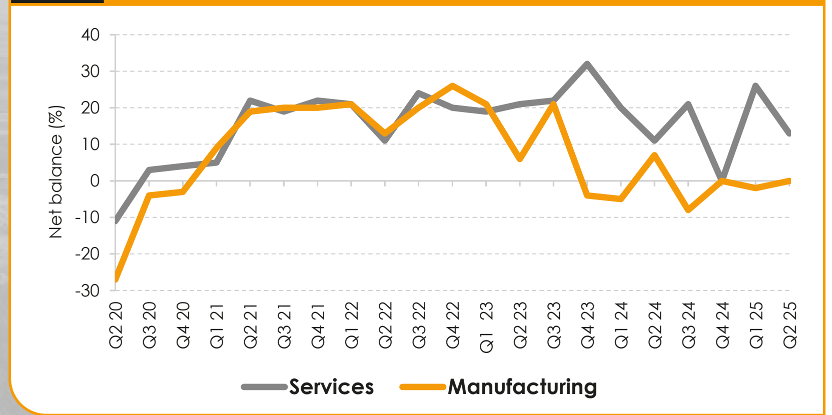
▼ -5%

MANUFACTURING

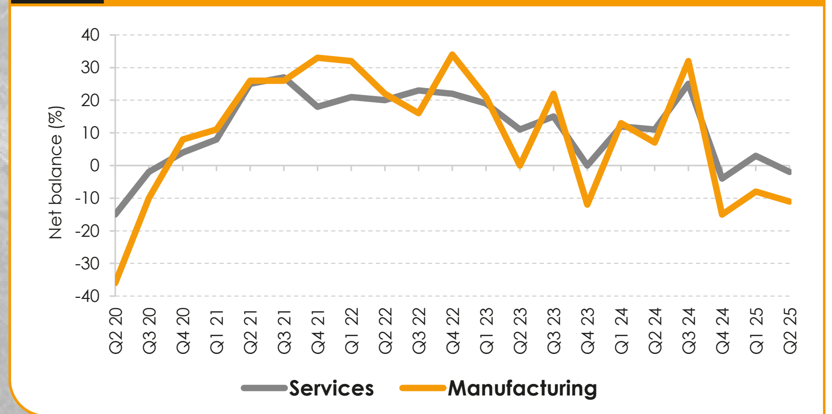
-11%

▼ -3%

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%

PRICES

SERVICES 38% ▼ -11%

MANUFACTURING 51% ▼ -5%

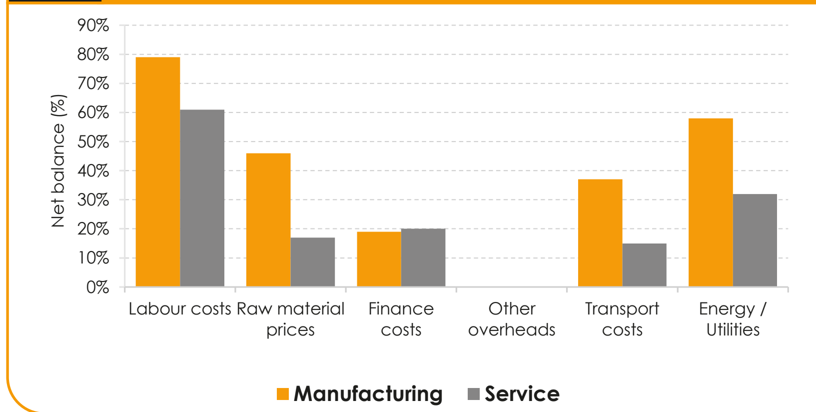
CAPACITY & COST PRESSURES
Taxation and wage bills continue to dominate as the two twin cost pressure demands on employers.

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.

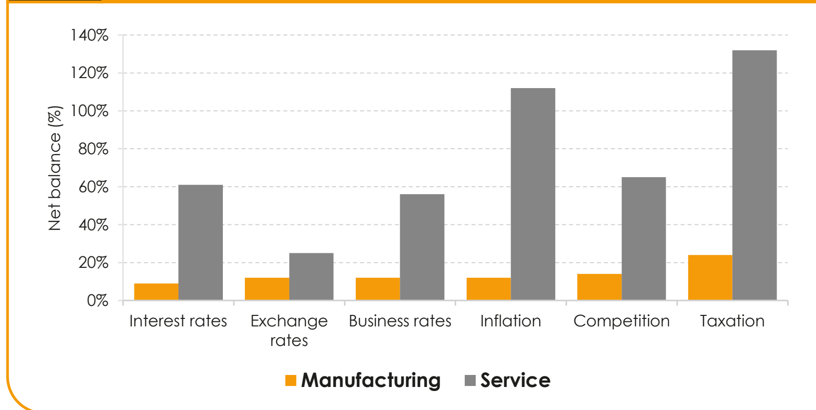
A huge percentage of Yorkshire firms are continuing to report being under capacity with nearly four out of every five manufacturing firms showing themselves to be so.

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."

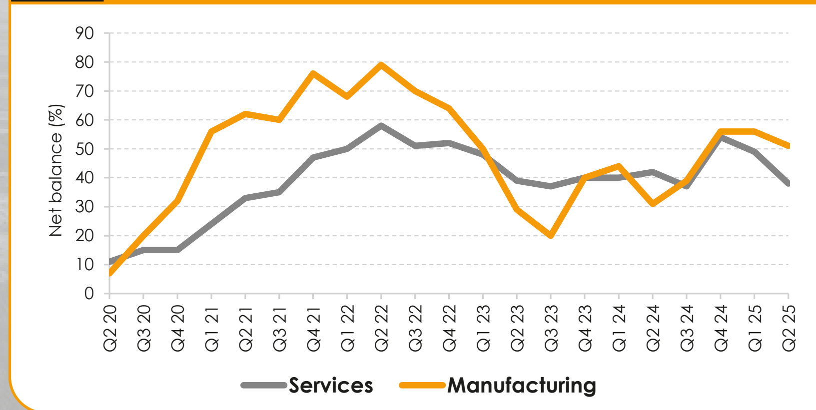
Q2 2025 COST PRESSURES



Q2 2025 EXTERNAL FACTORS



Q2 2025 EXPECTATION OF PRICE RISES



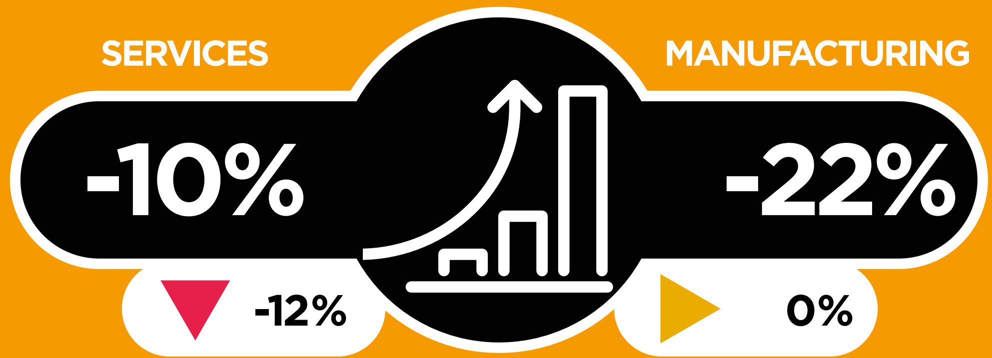
PRICES
For the third consecutive quarter in a row, the level of businesses anticipating decreases in their costs has declined. The increase in inflation, sluggish growth nationally, increasing geopolitical uncertainty, President Trump's tariff wars and the ongoing conflicts in Ukraine and Gaza will have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

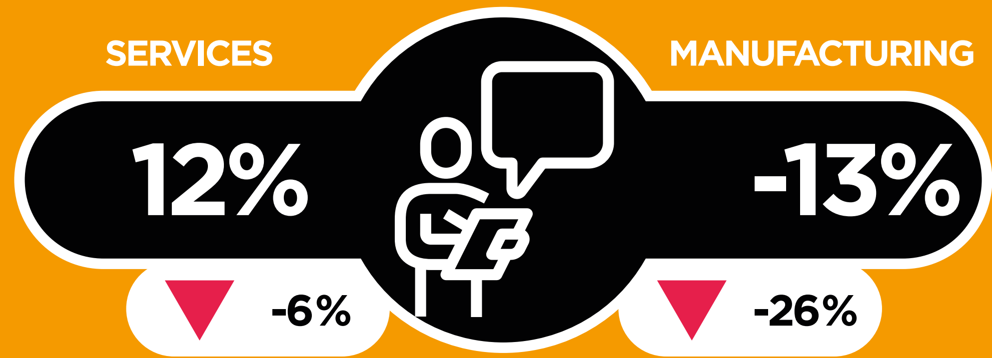
Overheads show no sign of coming down any time soon and, for many employers, it will remain a case of having to simply get comfortable with being uncomfortable.

INDUSTRY VOICE:
"Continued pressure from cheap imports from China. Exceptionally cheap prices but much inferior product."

CASHFLOW



EMPLOYMENT (NEXT QUARTER)



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.

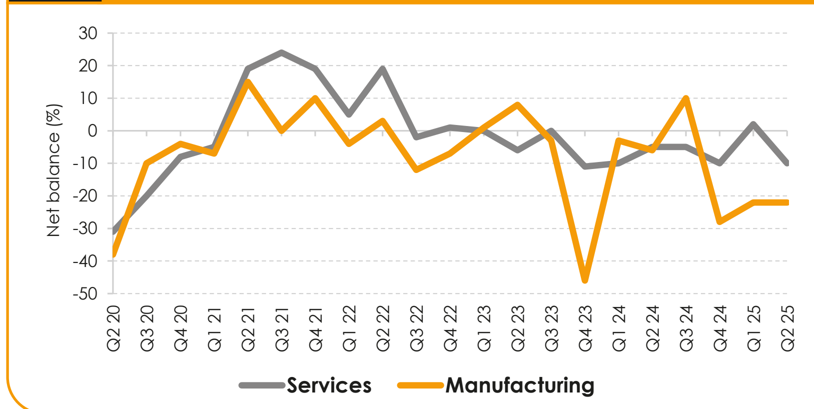
The poor state of UK sales will doubtless have contributed to the cashflow decline for service firms.

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

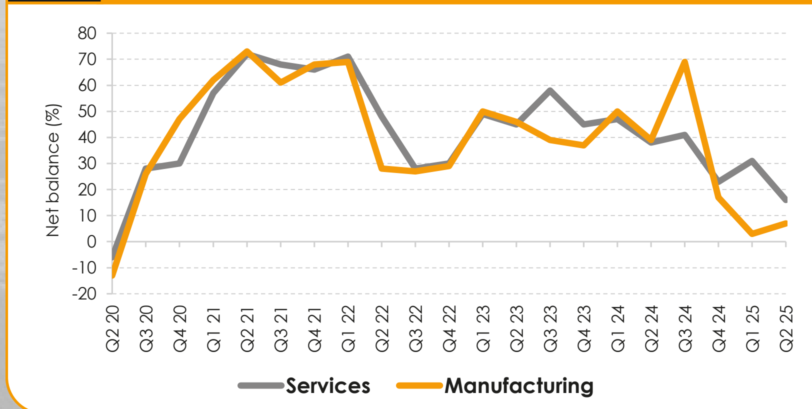
"Was going to hire another staff member but national insurance and pension contributions are too much.

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

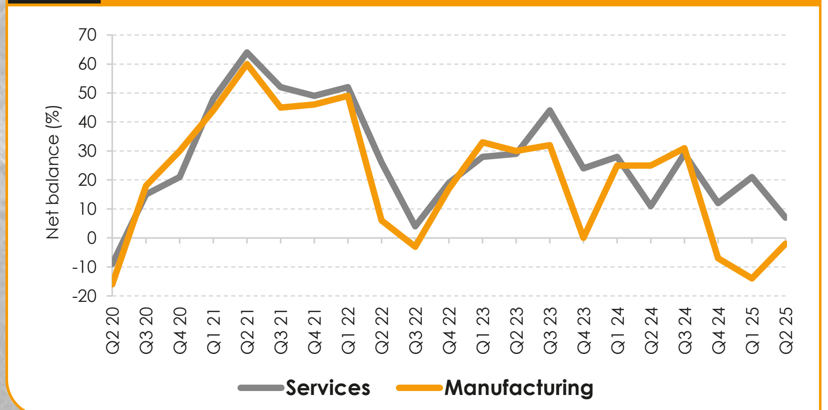
Q2 2025 CASHFLOW



Q2 2025 TURNOVER EXPECTATIONS



Q2 2025 PROFITABILITY EXPECTATIONS



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."

CONTACT US

E getconnected@my-chamber.co.uk

W my-chamber.co.uk

T 01484 483679

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West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire