Q3 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 Q3 highlight that businesses in our region continue to face significant pressures, contending with inflation and increasing labour costs, while sales remain well below the levels required.

Domestic sales in the service sector have fallen to their lowest point since autumn 2020, and although manufacturers have seen their first sales increase since October 2024, their order books remain weak. Adding to these pressures, uncertainty around tariffs and the ongoing overseas conflicts have driven export sales in Yorkshire's manufacturing sector down by 13% - the lowest level since the height of the pandemic.

There are, however, some positive signs, with both manufacturing and service sector firms reporting a growing appetite to recruit. Employers are placing greater emphasis on investing in people and skills, underlining the crucial role of Local Skills Improvement Plans (LSIPs) in ensuring our region can build the skilled workforce it needs.

Investment in regional transport infrastructure, including the ongoing TransPennine Route Upgrade, will further support these skills initiatives by making it easier for people to travel to work, college and university, helping to ease skills gaps.

With just 26% of manufacturers and 38% of service firms reporting being at full capacity, however, there is a clear gap between current labour levels and potential output.

In the upcoming Autumn Budget, the Government must create an environment that enables businesses to thrive both now and in the future. That includes clear assurances on taxation so businesses can retain their existing workforce and recruit further to drive economic growth. Our local manufacturing sector has the potential to be world-leading, but this will require sustained support and investment in infrastructure and skills, to keep the most talented workers here in West Yorkshire.

Further support is also needed for firms looking to trade overseas – something which we provide at MY Chamber through MY Export Hub, targeted to businesses seeking guidance on navigating changing tariffs and other trade challenges.

Boosting sales and recruitment is essential to driving growth across our region, helping businesses reach their full capacity, retain skilled staff, and create new opportunities. Combined with targeted support and investment in infrastructure, these efforts will ensure our region can build a resilient, competitive economy for the future.

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

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.

Robin Tuddenham
Chief Executive
Calderdale Council

In hard times for business, it's encouraging to see from the quarter three Economic Survey Report that employers have increased enthusiasm for taking on more staff.

It's also promising that businesses are moving towards greater upskilling of their staff, recognising the importance of what they can do and showing resilience amongst the challenges.

We agree that skills and talent are crucial, and we work with businesses to enable these to thrive. A key feature of Vision 34, the 10-year aspiration for our place, is that Calderdale will be full of opportunity and everyone will have reason to be full of hope.

We're supporting businesses to hire more staff by equipping people with work skills through Calderdale Employment Hub. By helping potential employees to be job-ready through advice and work experience opportunities, we're raising their aspiration levels and expanding the pool of talent available to employers.

We continue to see great results through events such as the Hub's reverse jobs fairs, where jobseekers showcase their skills and abilities to local employers, often resulting in filled vacancies.

With business investment in their people on the rise, we also recognise how important it is to help them retain talent. West Yorkshire's Healthy Working Life programme is in full swing in Calderdale, supporting employees with health conditions to return to work or stay in work.

Despite growing concern around consumer spending, 116 new businesses started up in Calderdale in July 2025 - 14 more than the previous month and eight more than in July 2024 - and referrals into our business start-up programme are up 20% from the last quarter.

We will keep supporting businesses to make sure Calderdale continues to be a great place for enterprise.

Councillor Denise Jeffery
Leader
Wakefield Council

The report reflects the continued struggles businesses are facing not just locally, but nationally.

We cautiously welcome the changing picture around businesses workforce needs and how upskilling is on the rise. It's something we recognise as a Local Authority and are working with partners to better support businesses and residents with access to skills.

With an upcoming budget, we look to Government to understand how this will support business and economic growth going forward.

Steve Mawson
Chief Executive
Kirklees Council

The results coming out of the Chamber survey results for the third quarter of 2025 unfortunately continue the trend of recent quarters. However, as we have continued to point to here in Kirklees, we are also seeing reasons to be confident that the resilience our businesses show alongside our plans for growth will lead to many reasons for optimism going forward. Indeed, we welcome some of the positive messages coming from the survey especially the enthusiasm around employment and the investment in people, particularly the desire to prioritise the skills of their staff.

This quarter, alongside colleagues at The University of Huddersfield and the 3M BIC, we have been compiling this years Kirklees Top100 list, and the results will again highlight the excellent businesses located here in Kirklees, all of which can be proud of their continued success and the contribution they make to the district. The list will be available for all to see this coming quarter.

In my Q2 column I highlighted some of the regeneration projects in progress district wide here in Kirklees. The TransPennine Route Upgrade continues at pace, and the first phase of the redevelopment of Huddersfield Train Station has just completed. The expansion of the station will improve connectivity which will be vital in supplementing the ongoing works within the Town Centre, including the Cultural Heart project and the improvements to the look and feel of areas such as John William Street.

In addition to the regeneration of Huddersfield work progresses in our main town centres in North Kirklees and in some of our rural town centres too. All the projects highlighted, and others, will continue throughout the coming years and serve as examples of the investment both public and private sectors are making as we all recognise the importance of the changing dynamic of high streets.

Another notable multi-year project I was delighted to be part of launching during Q3 of this year was the Huddersfield Health Innovation Incubator. Working with partners at the University of Huddersfield, the 3M BIC and the Combined Authority the 'HHII' project will showcase Kirklees as a leading centre for the Health and Life Science sector. In addition, the HHII will be the catalyst for our Station 2 Stadium gateway, attracting further investment into the region. We look forward to the development of these areas.

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.

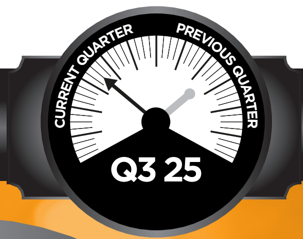
Capital investment confidence remains non-existent.

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
-100 -80 -60 -40 -20 0 +20 +40 +60 +80 +100

UK SALES

SERVICES

-5%

▼ -6%

MANUFACTURING

-15%

▲ 1%

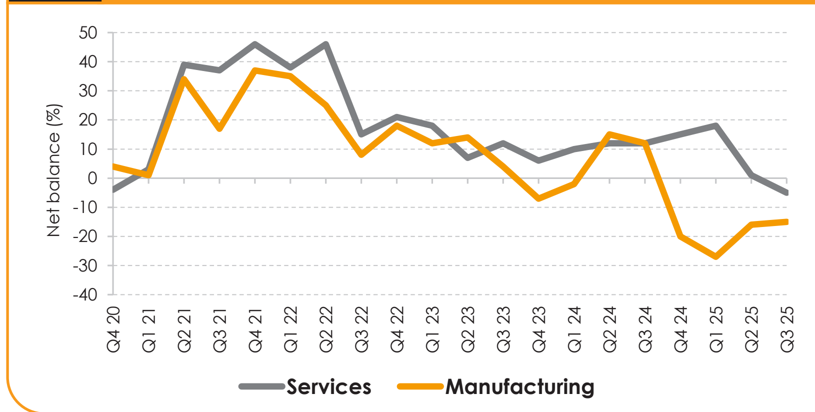
UK SALES

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.

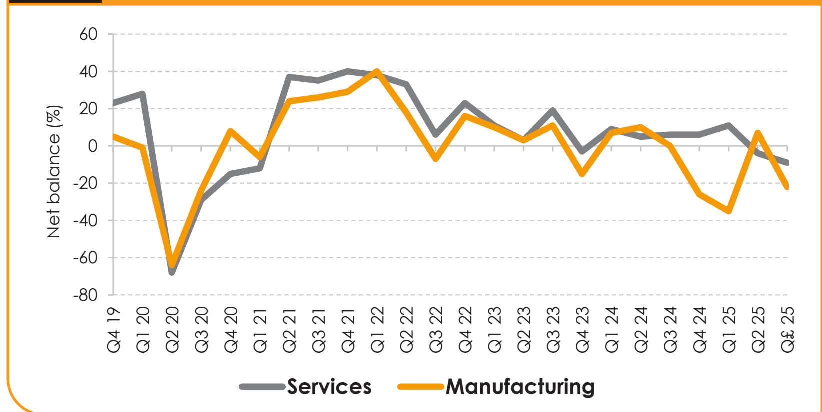
For manufacturers there were very small crumbs of comfort as sales picked up slightly, the first time they have done so in 12 months. While it is a long road back to positive territory for producers, it is encouraging to see the sector move back into a positive direction on domestic sales for the first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

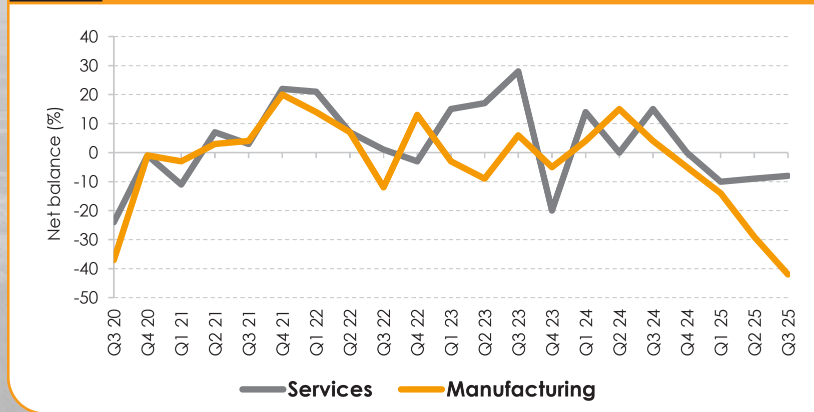
▲ 1%

MANUFACTURING

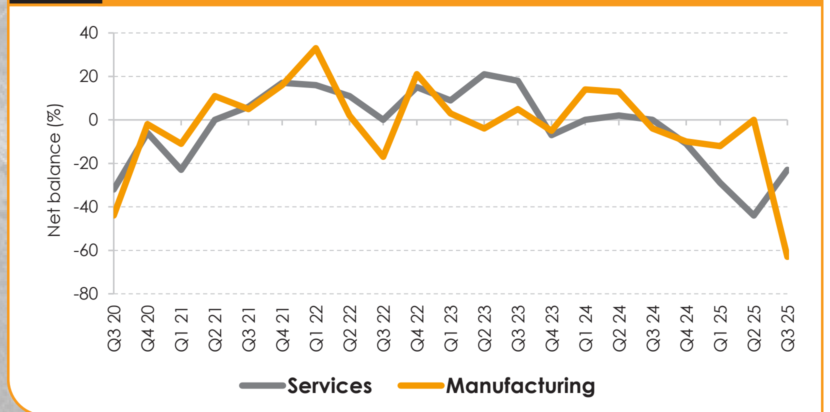
-42%

▼ -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)

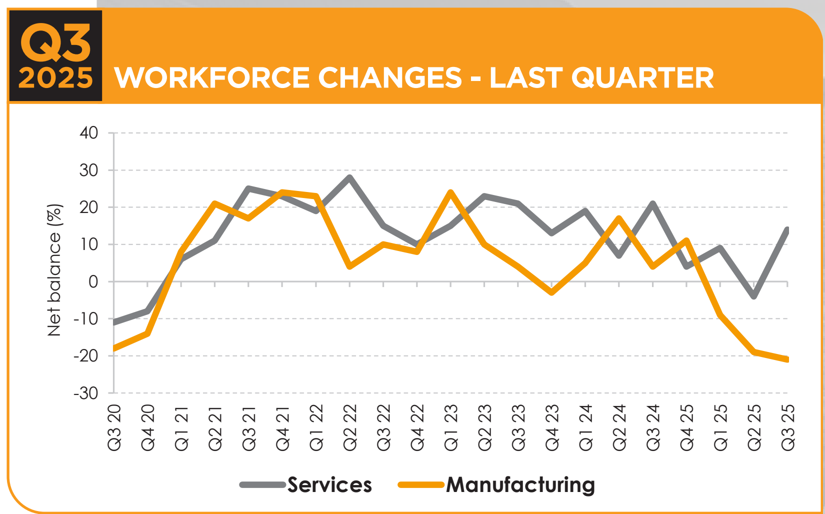
SERVICES	MANUFACTURING
20%	-6%
▲ 8%	▲ 7%

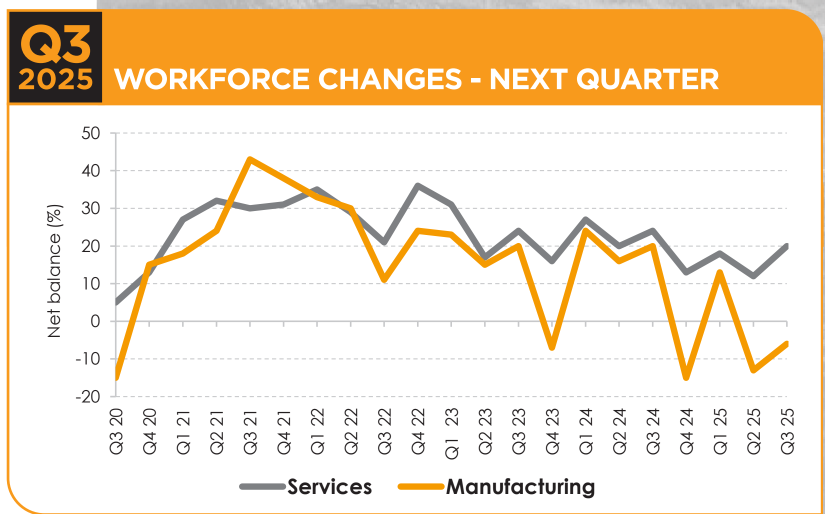
EMPLOYMENT
Some positive news to report on employment intent this quarter, as both sectors signalled increased enthusiasm for taking on more staff.

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.

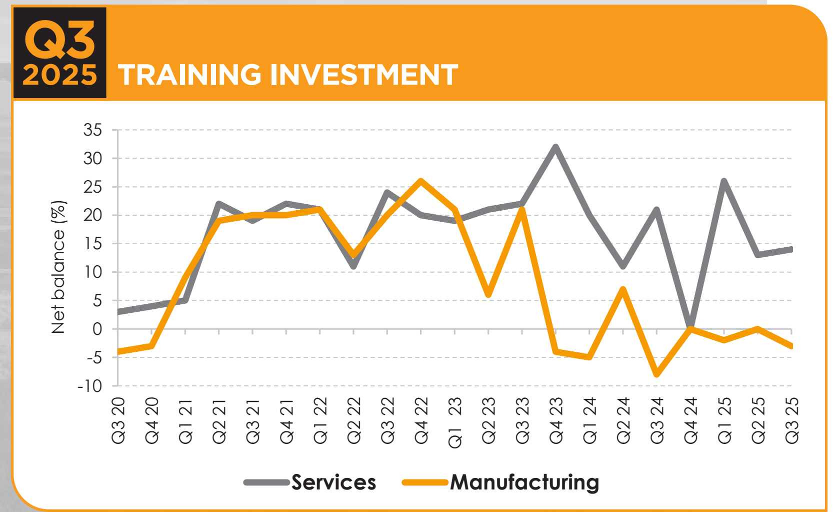
All eyes will now turn to the forthcoming Budget on November 26 as business anxiously awaits news as to whether taxes will be raised further on what is already an overwhelming burden.

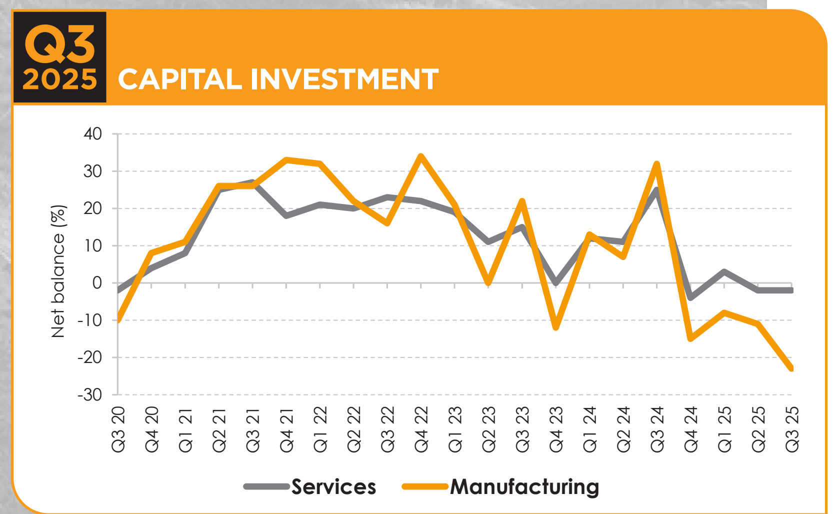




INVESTMENT (CAPITAL)

SERVICES	MANUFACTURING
-2%	-23%
▶ 0%	▼ -12%





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 38% ▲ 9%

MANUFACTURING 26% ▲ 3%

PRICES

SERVICES 27% ▼ -11%

MANUFACTURING 30% ▼ -21%

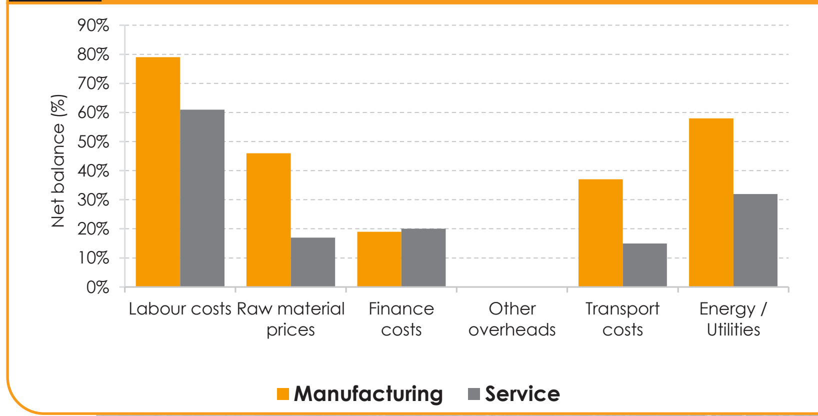
CAPACITY & COST PRESSURES
While taxation remains the number one external burden, increasing rates of inflation have seen it rise to challenge as the chief issue facing Yorkshire businesses.

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.

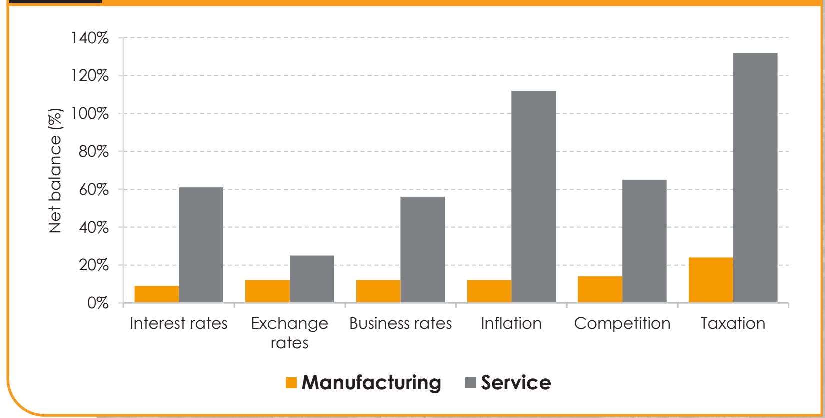
Capacity remains another huge issue in the region, with just 26 per cent of manufacturers and 38 per cent of service firms reporting themselves to be at full capacity.

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."

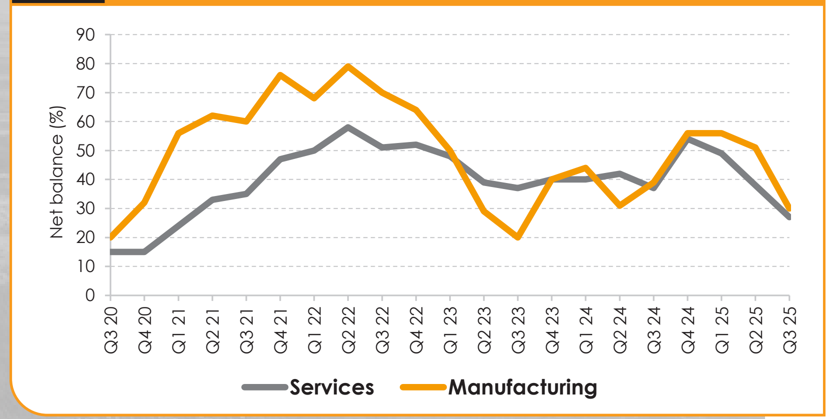
Q3 2025 COST PRESSURES



Q3 2025 EXTERNAL FACTORS



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%

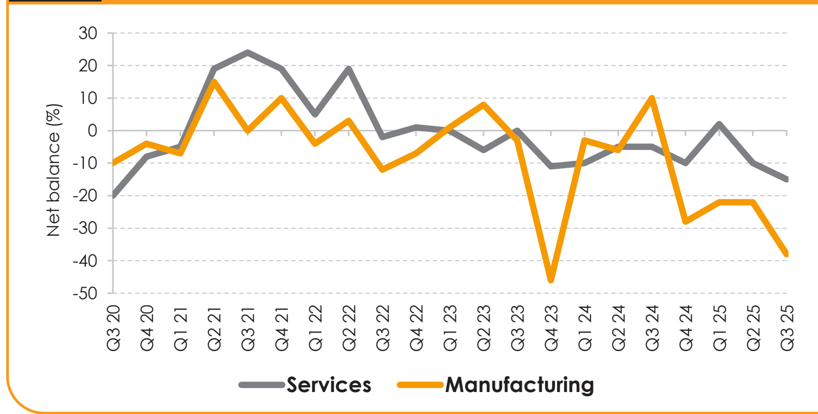
CASHFLOW
There is no disguising the fact that cashflow remains a giant issue for employers in the region.

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

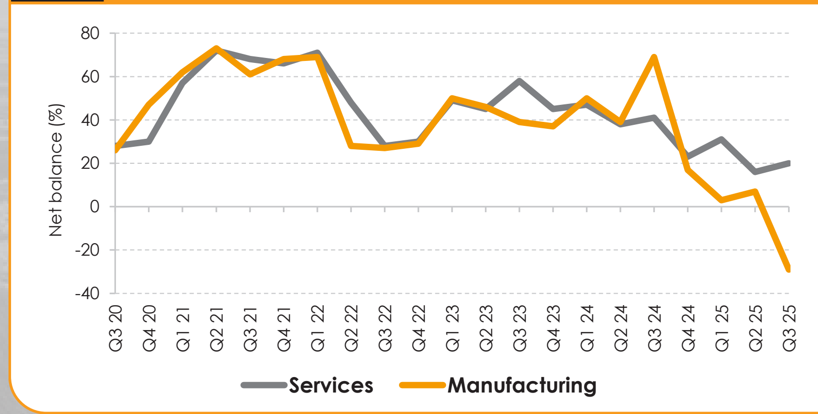


CONFIDENCE (PROFITABILITY)

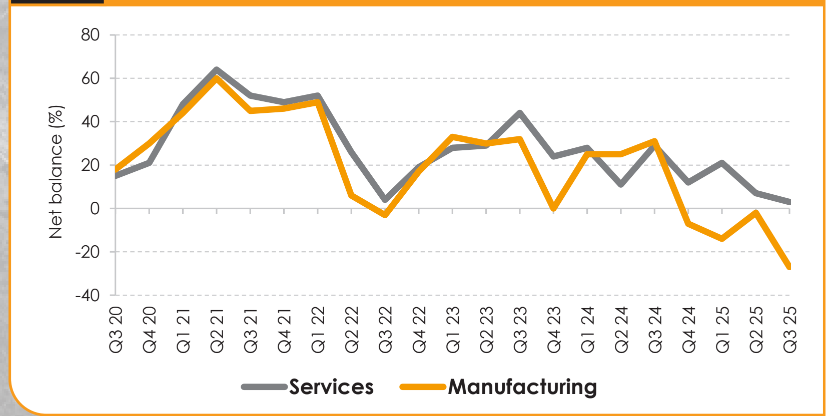
SERVICES 3% ▼ -4%

MANUFACTURING -27% ▼ -25%

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."

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