Q4 2025

QUARTERLY ECONOMIC REPORT

IN PARTNERSHIP WITH

mychamber

West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire

Neil Kendall
Chair
Mid-Yorkshire Chamber of Commerce

At Mid Yorkshire Chamber of Commerce and Industry, we cautiously welcome the signs of improvement in business activity across parts of our region in Quarter Four. The service economy has strengthened, with domestic sales and order books improving, while manufacturing order books also appear stronger and export activity has picked up.

However, the balance of evidence — and what we continue to hear directly from businesses — suggests this is not a sign of underlying momentum. Instead, it looks far more like a temporary rebound, driven by pent-up demand and decisions delayed during the uncertainty in the run-up to the last UK Budget

There is little indication that this improvement is the result of Government policy. If anything, it has occurred despite the continued absence of a clear, credible national economic direction that businesses can plan around with confidence. The uplift aligns more convincingly with external conditions, including currency weakness, which may temporarily support exporters but also raises import costs and compounds instability. This is why we should not mistake Q4's rebound for recovery. Global uncertainty and political instability could easily unwind these gains.

Unless the UK begins to address its structural economic weaknesses systematically, the uplift we see now could fade quickly. We need a more coherent strategy for prosperity — one that introduces greater flexibility into the economy, reduces unnecessary friction, and does far more to protect and enable domestic production. Without that, investment will remain fragile and productivity will continue to underperform.

Cost pressures remain a major constraint. Manufacturers continue to face rising energy costs and raw material pressures, alongside regulatory burdens that consume time and capital. Businesses are also increasingly affected by wage compression: rising minimum wages are narrowing pay differentials and forcing wider adjustments across roles and grades even where productivity has not moved at the same pace. We strongly support fair pay and higher living standards, but the unintended consequences of pay compression are real and are shaping recruitment, pricing, investment and growth plans.

In retail and hospitality, the combined impact of wage pressures and unequal business rates between online and high-street businesses is distorting competition and accelerating town centre fragility. The recent announcement that M&S will close its Wakefield city centre store is a reminder that decline should not be treated as inevitable — but it will continue unless we change the fundamental rules of the game.

This is why the case for better quality, longer-lasting business support is as urgent as ever. Chambers of Commerce are ideally placed to deliver it.

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.

Robin Tuddenham
Chief Executive
Calderdale Council

As reflected in the Economic Survey Report at a regional level, Calderdale continues to face significant pressures. Local businesses face a challenging mix of increasing operational costs, weakening consumer demand and growing economic uncertainty.

Despite all of this, it's good to start 2026 on a promising note, with the Economic Survey Report indicating a strong start for the region's economy based on overall business sales activity, improved capital investment and optimism for future profitability.

The last quarter saw the reopening of the Lloyds Banking Group HQ at Trinity Road in Halifax, a base for over 3,500 staff – consolidating our role as a key base for financial services following over £116 million of investment by the company.

As we start 2026, we remain committed to the Vision 34 that unites Calderdale as an enterprising place, full of opportunity. We don't shy away from the challenges – we know they are there, they are certainly hard, and we are determined to overcome them. This is what gives our local businesses their Yorkshire and Calderdale grit.

And in Calderdale, our business support programmes continue to help make a difference, safeguarding jobs and enabling investment. Our business team has supported more than 350 SMEs since 2021 through tailored, one-to-one advice. Businesses receiving direct support have unlocked over £300,000 in grants and loans, stimulating more than £1.1 million in private investment and safeguarding over 250 local jobs. We also have consistently strong performance in supporting start-ups.

We will continue to stand by local businesses and invest in our places to be the most thriving, enterprising borough we can be.

Councillor Denise Jeffery
Leader
Wakefield Council

As we step into 2026 with hope and optimism, we look back at 2025 and remind ourselves of the challenging economic environment our businesses have negotiated and will continue to navigate this year. We've seen some strong and admirable examples of business resilience, and this is reflected in some improving performance within certain sectors. Something we hope to see more of as we move through 2026.

We see reasons to be confident, and our business support services remain committed to supporting businesses to tackle the challenges and opportunities. We know a large proportion of our business community in Wakefield is within manufacturing and whilst we welcome some positive data recorded through international sales, we're cautiously celebrating this success as it sits alongside a decrease in UK sales and minimal changes within employment outlook.

These are all issues that are informing our new Economic Growth Plan, and we look forward to sharing that with the wider business community in the coming months."

Steve Mawson
Chief Executive
Kirklees Council

The latest survey results for the fourth quarter of 2025 highlight a much more positive outlook for businesses in the Mid Yorkshire Chamber area, with notable improvements in domestic and export sales, capital investment and business confidence.

From a Kirklees perspective it is especially pleasing to see the manufacturing sector reporting an improved outlook, whilst noting that prospects for recruitment remain more challenging for all sectors over the next few months. This is despite a slow down in UK economic growth during the second half of 2025.

I have witnessed this positivity first hand in attending recent business events including the Huddersfield Unlimited Annual Conference and the annual launch of the Kirklees Top 100 When we get it right, there is something inherently powerful in the private and public sectors speaking as one to promote the opportunities for economic growth and regeneration in our places and the Mid Yorkshire Chamber continues to be a vital stakeholder and partner in this effort. We'll be holding an Economic Summit at Kirklees College's Pioneer House campus in Dewsbury on 4th March to showcase opportunities for private investment in the town and more widely across North Kirklees.

Looking forward, what does 2026 have to hold? Reinforcing the key message about business confidence, we're expecting a number of our key local businesses to deliver their expansion plans this year, including key SMEs like PC Specialist, Paxman Scalp Cooling and Reliance Precision. Our town centre regeneration plans will also continue apace with the first phase of Huddersfield's Our Cultural Heart project, delivering a new library hub, food hall and public square; and the restoration of the iconic Dewsbury Arcade to create new shop units and studios both scheduled for completion during 2026.

May I take this opportunity to wish all of our businesses a very happy and prosperous 2026.

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.

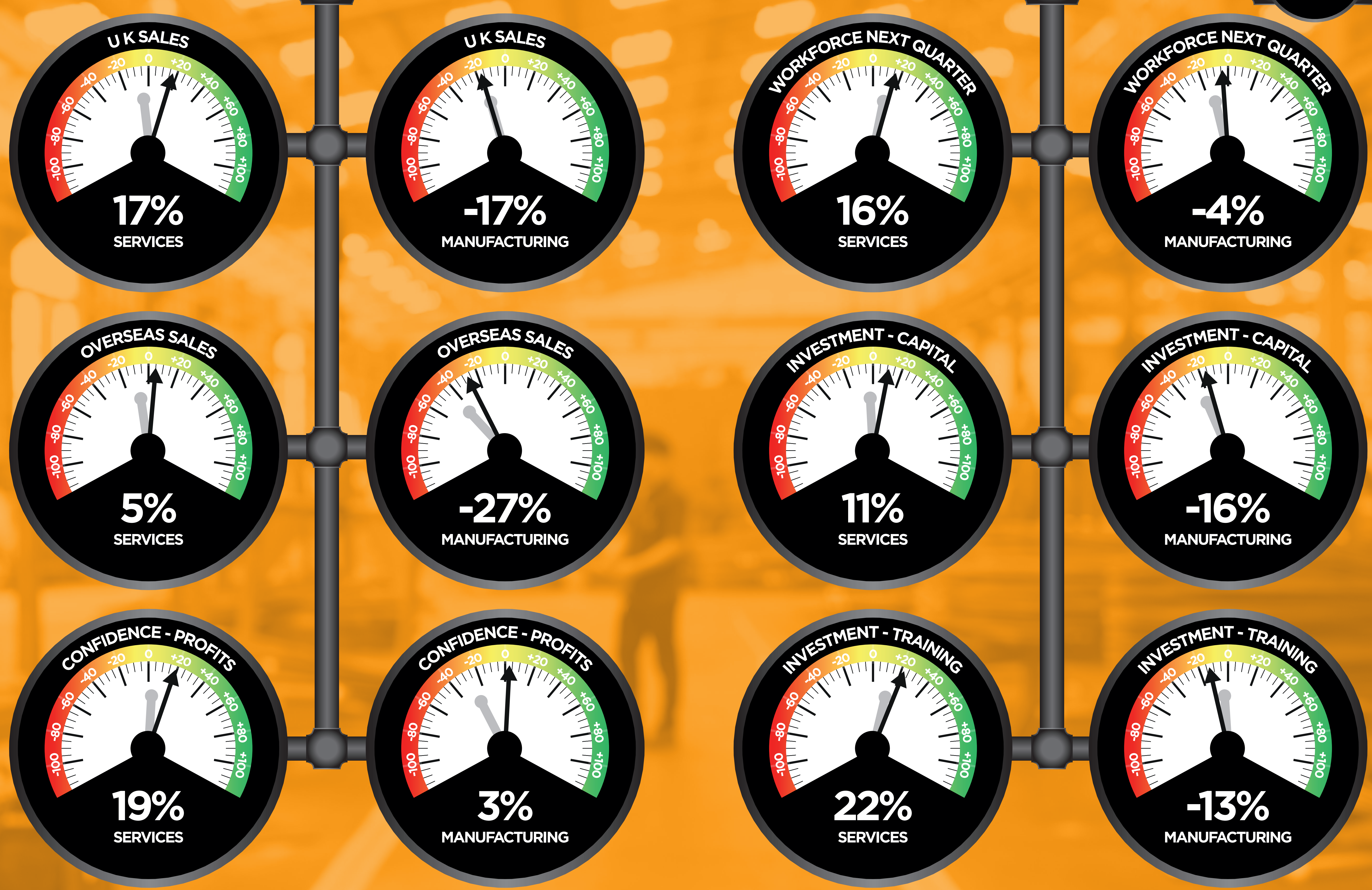
EMPLOYMENT
A veritable mixed bag when it comes to employing people. The service sector showed a big improvement in hiring over the last three months while manufacturers posted a more modest increase. The next three months looks less rosy, with fewer service sector firms showing willingness to take on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


CURRENT QUARTER
PREVIOUS QUARTER
Q4 25


U K SALES
17%
SERVICES
U K SALES
-17%
MANUFACTURING
WORKFORCE NEXT QUARTER
16%
SERVICES
WORKFORCE NEXT QUARTER
-4%
MANUFACTURING
OVERSEAS SALES
5%
SERVICES
OVERSEAS SALES
-27%
MANUFACTURING
INVESTMENT - CAPITAL
11%
SERVICES
INVESTMENT - CAPITAL
-16%
MANUFACTURING
CONFIDENCE - PROFITS
19%
SERVICES
CONFIDENCE - PROFITS
3%
MANUFACTURING
INVESTMENT - TRAINING
22%
SERVICES
INVESTMENT - TRAINING
-13%
MANUFACTURING

UK SALES

SERVICES

17%

22%

MANUFACTURING

-17%

-2%

OVERSEAS SALES

SERVICES

5%

13%

MANUFACTURING

-27%

15%

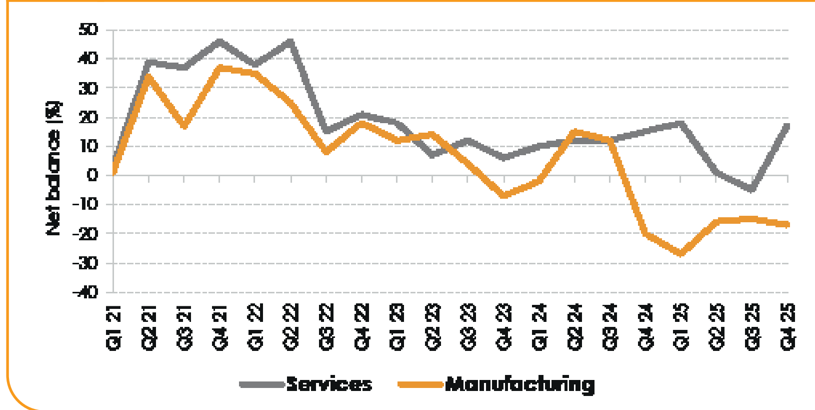
UK SALES

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

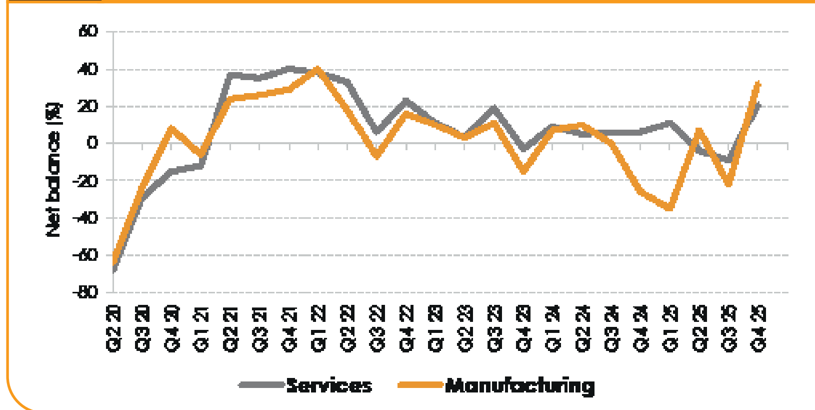
Our region's manufacturers were less fortunate with a two per cent decline in UK sales, moving backwards after a slight improvement in Q3.

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 centage 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.

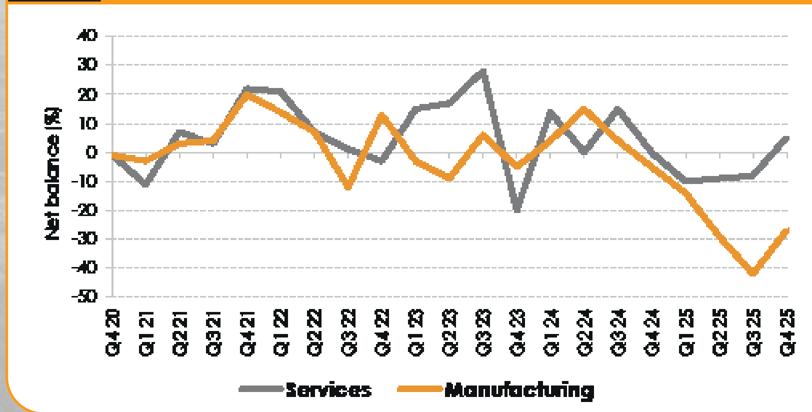
Q4 2025 DOMESTIC SALES



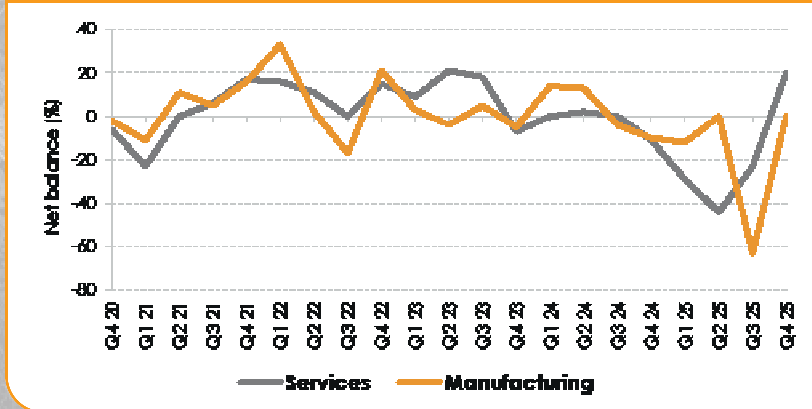
Q4 2025 DOMESTIC ORDERS



Q4 2025 EXPORT SALES



Q4 2025 EXPORT ORDERS



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 centage 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)

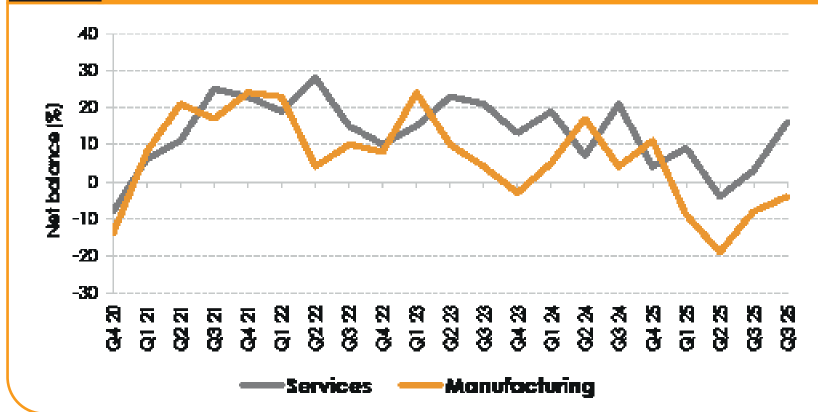
	SERVICES	MANUFACTURING
Current	16%	16%
Previous	20%	22%

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 per centage points.

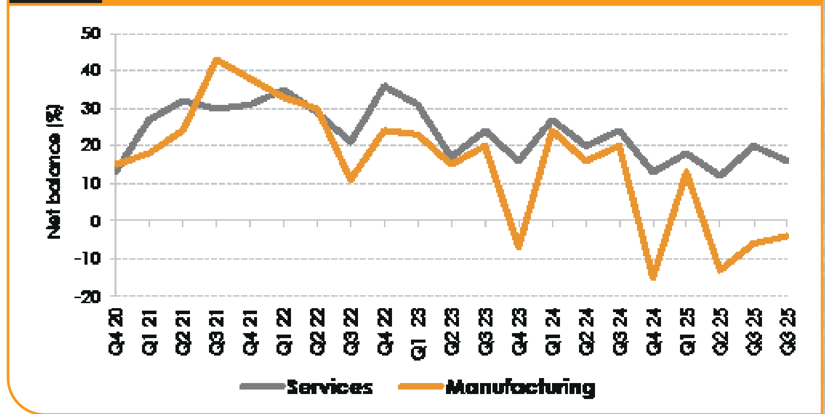
The figures are an improvement on those seen when the National Insurance Contributions and increased minimum wage were phased back in April. With the minimum wage set to rise again, there will be more reluctance from employers to take on new hires in the face of what seems to be ever increasing costs.

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

Q4 2025 WORKFORCE CHANGES - LAST QUARTER



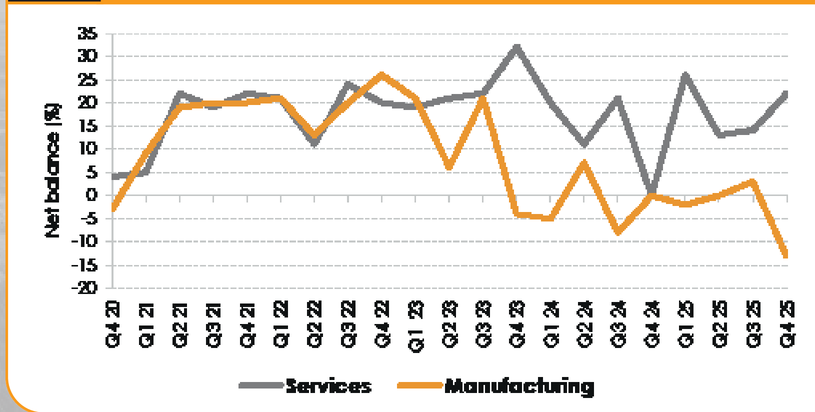
Q4 2025 WORKFORCE CHANGES - NEXT QUARTER



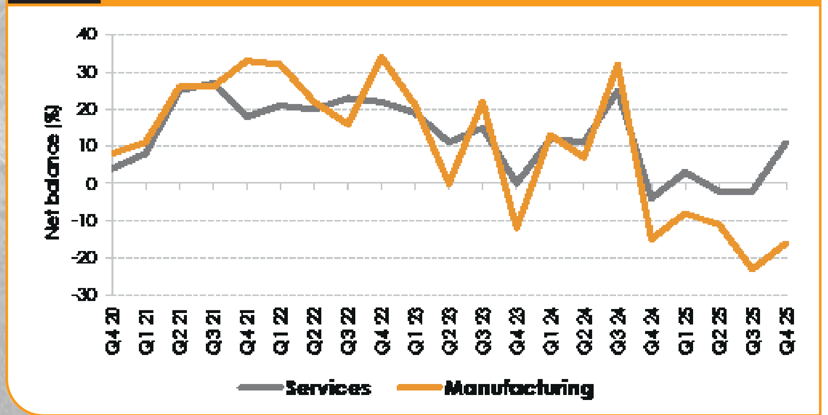
INVESTMENT (CAPITAL)

	SERVICES	MANUFACTURING
Current	11%	-16%
Previous	13%	7%

Q4 2025 TRAINING INVESTMENT



Q4 2025 CAPITAL INVESTMENT



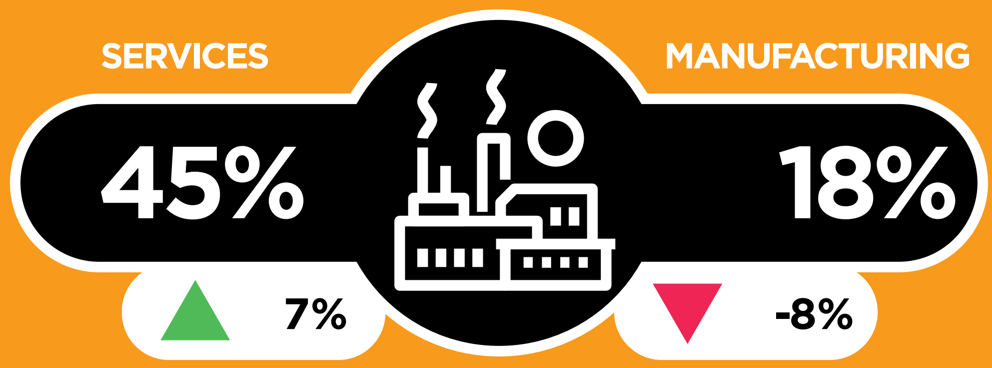
INVESTMENT
A big improvement was shown in capital investment across the region.

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 per centage 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)

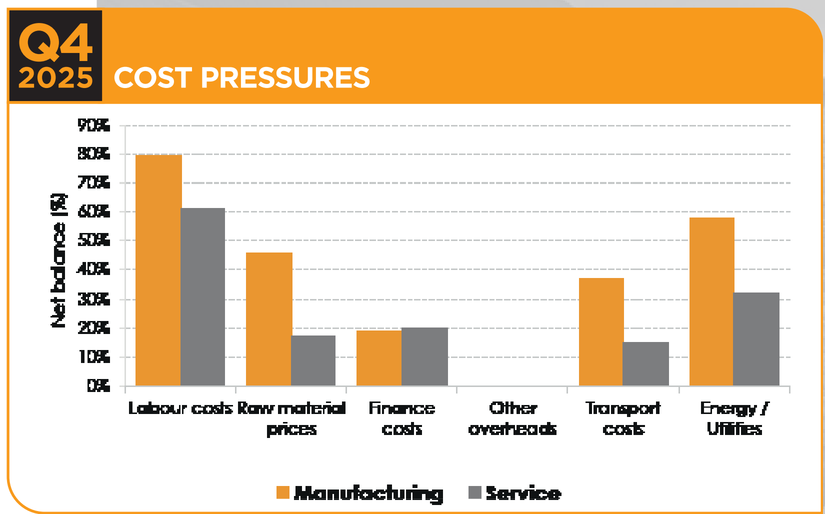


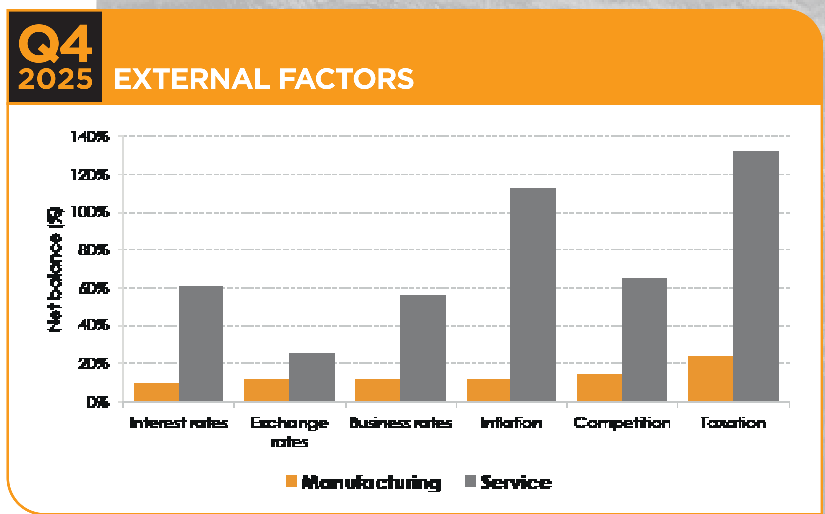
PRICES

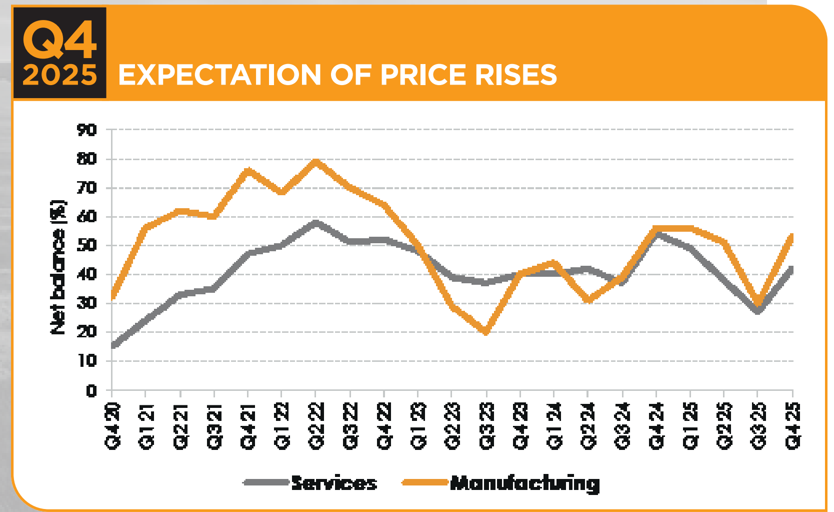
CAPACITY & COST PRESSURES
Taxation and the cost of labour remain the chief pressures faced by employers. However, inflation and utility costs are also on the rise when it comes to matters concerning business owners. The Budget's further hike in the minimum wage will place additional strain on employers.

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

SERVICES

11%

▲ 26%

MANUFACTURING

-32%

▲ 6%

CONFIDENCE (PROFITABILITY)

SERVICES

19%

▲ 16%

MANUFACTURING

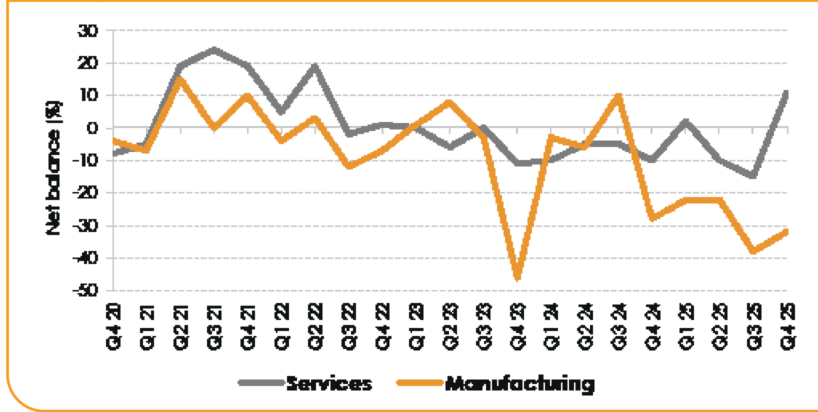
3%

▲ 30%

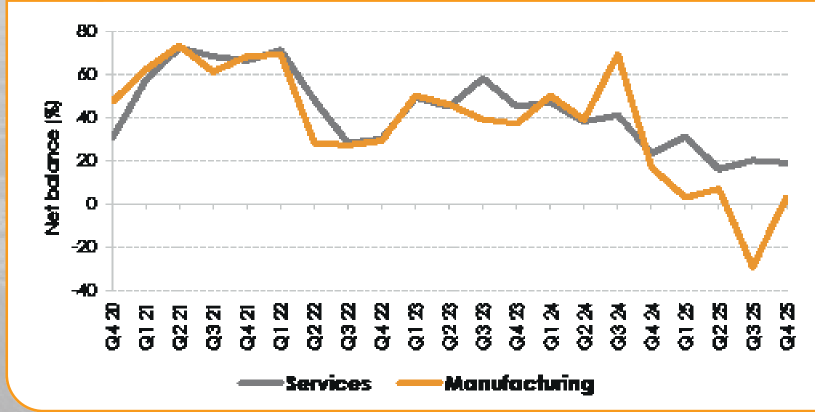
CASHFLOW

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

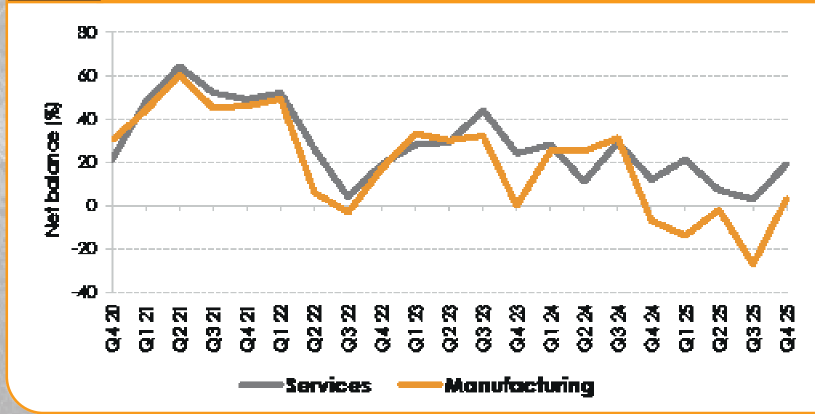
Q4 2025 CASHFLOW



Q4 2025 TURNOVER EXPECTATIONS



Q4 2025 PROFITABILITY EXPECTATIONS



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.

CONTACT US

E getconnected@my-chamber.co.uk

W my-chamber.co.uk

T 01484 483679

IN PARTNERSHIP WITH

mychamber

West Yorkshire Combined Authority | Tracy Brabin Mayor of West Yorkshire