



# Lancashire Quarterly Economic Survey Report

# Forewords



## Simon Whitehead

Partner and Head of Recruitment and Workforce Solutions, Brabners

Ensuring companies have access to the right skills to innovate and grow is key to any regional economy fulfilling its full potential. However, the results of the latest Quarterly Economic Survey (QES) show that while Lancashire businesses see expansion opportunities, they are struggling to find people with the right skills to capitalise.

Over 60 per cent of manufacturers and 60 per cent of services businesses tried to recruit, a significant increase from last quarter. At the same time, there has been a rise in both sectors experiencing recruitment difficulties.

This growing Lancashire skills gap, combined with 31 per cent of manufacturers and 42 per cent of services businesses also reportedly operating at capacity, highlights that the inability to hire suitable recruits is already stifling Lancashire's economic growth.

Our county boasts three nationally renowned universities, a wealth of brilliant schools, colleges and other educational institutions. So why can't our businesses find the skills they need to grow? The feedback from our True North community in Lancashire is clear – better collaboration is needed between businesses and education providers.

There are already some brilliant Lancashire success stories, giving young people the skills they need to prepare them for a career aligned to the county's economic needs.

The Electech Innovation Cluster around Morecambe Bay and Lancaster is one example, with well-known companies such as Chiptech and

MARL International working with local education providers and Lancashire County Council on curriculum development and student progression.

Our True North community believes an important way of expanding on these brilliant examples and developing true alignment between regional economies and skills provision is greater local decision-making powers over education, giving the public and private sectors greater scope to collaborate meaningfully and co-create strong links between education and industry.

As usual, we do not have to look far for evidence supporting this, with Greater Manchester and Liverpool both experiencing increases in productivity over recent years, alongside increased education decision-making.

However, there is also a wider question of whether our national education system is truly preparing our young people for enterprise.

The three Cs of innovation are creativity, curiosity and critical thinking. In previous QES forewords, senior members of the Brabners team have discussed the generational economic opportunity that is currently at our fingertips in Lancashire. To truly capitalise on this, we need people with not just the technical skills, but the ambition and mindset to lead businesses and drive our economy forward.

Brabners' True North network stands ready to help businesses, education providers and policymakers to develop systems to do this.



## Babs Murphy

Chief Executive,  
North & Western Chamber of Commerce

The first quarter results of any new year always tends to be a mixed bag, with some businesses confident heading into the next 12 months while others can be more anxious.

And so it proves with the first quarter of 2026.

There are some positives with Lancashire businesses continuing to show their resilience in the face of economic uncertainty and having the confidence to say they can turn yet another profit in the next 12 months. There are signs that some are adapting to the stagnant growth being experienced nationally and putting plans in place to train and upskill their staff internally, mainly after experiencing attempting to recruit staff.

Domestically, much like the current state we find the economy in, the increase in sales and order books is slight, but an increase nonetheless. Internationally, sales and orders are continuing to struggle, again this seems to mirror the situation globally with fears over geopolitics and tariffs playing their part.

So while there might be quiet and very cautious optimism from some businesses, we cannot escape the elephant in the room which is recruitment and the ever increasing skills gap in the labour market.

Reports nationally have already confirmed unemployment is at its highest rate for five years and the number of young people who are not in education, employment or training (Neet) is close to one million. These are clearly shocking figures and have had an impact on the results in this survey.

While the numbers of employers attempting to recruit have risen might be encouraging, the stats showing recruitment difficulties have also risen tells its own story. Employers are struggling to find the right candidates with skilled and manual roles suffering the most. The Chamber run Local Skills Improvement Plan (LSIP) is attempting to bridge this gap between education providers and businesses but clearly there needs to be more political and strategic thought put into how this gap can be closed before we lose an entire generational workforce.

This is not a quick fix and will need all sectors and government departments working together in order to turn this negative into a positive, which will in turn lead to more prosperity for all.

# About this quarter's survey

The Q1 2026 Survey was conducted by the North & Western Lancashire Chamber of Commerce; East Lancashire Chamber of Commerce and Lancaster & Morecambe Chamber in association with Brabners LLP.

The survey collection period was from 9th February to 9th March 2026.

Responses were received from 194 businesses across Lancashire employing 21,846 people.

From the manufacturing sector, 71 businesses employing 7,015 people responded to the survey.

From the service sector, 123 businesses employing 14,831 people responded to the survey



## 194 Businesses

across Lancashire contributed their input to the survey.



## 21,846 People

the participating businesses represent a combined total of 21,846 employees.

# Methodology

QES results are generally presented as balance figures - the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is a plus it indicates expansion of activity and if the figure is a minus it indicates contraction of activity. A figure above 0 indicates growth, while a figure below 0 indicates contraction.

For example, if 50% of firms told us their sales grew and 18% said they decreased the balance for the quarter would be +32 (an expansion).

If 32% told us their sales grew and 33% said they fell the balance would be -1 (a contraction).

# Findings



Key findings

# Manufacturing sector

Following a turbulent end to 2025, manufacturers are reporting a slight increase in domestic sales but orders have slipped for the second quarter.

Export sales continue to struggle, dropping 13 points on Q4, reflecting the national trend but future orders are more promising, up slightly on the last quarter.

Employment is a real headache for this sector, with the number of companies wanting to recruit up but also failing to find the right people, especially full-time roles increasing dramatically.

Finding skilled manual employees continues to rise with more businesses struggling, up a huge 54 points on the last quarter - though more businesses have responded to this survey which might account for this rise.

There's more investment in machinery and training this sector, going up 4 points and 2 points respectively.

Despite the recruitment worries, business confidence is on the rise.

However, with the economy flatlining there are more business concerns over rising business rates, inflation and the fear of further taxes.



**70% of Manufacturers**

attempted to recruit in last three months.



**60% of Service Providers**

attempted to recruit.

Key findings

# Services Sector

The balance of firms reporting increased domestic sales has risen for the second quarter in a row by 11 points and there's further good news with UK orders also increasing.

However, like manufacturing, export sales and orders have both slipped further into the negative.

For the second quarter in a row, there is better news on the recruitment front for this sector with more firms taking on staff and expecting to take on even more at the start of 2026.

Like manufacturing, there has been problems recruiting staff in all areas from full-time and permanent roles. Fewer businesses have tried to recruit in the past three months.

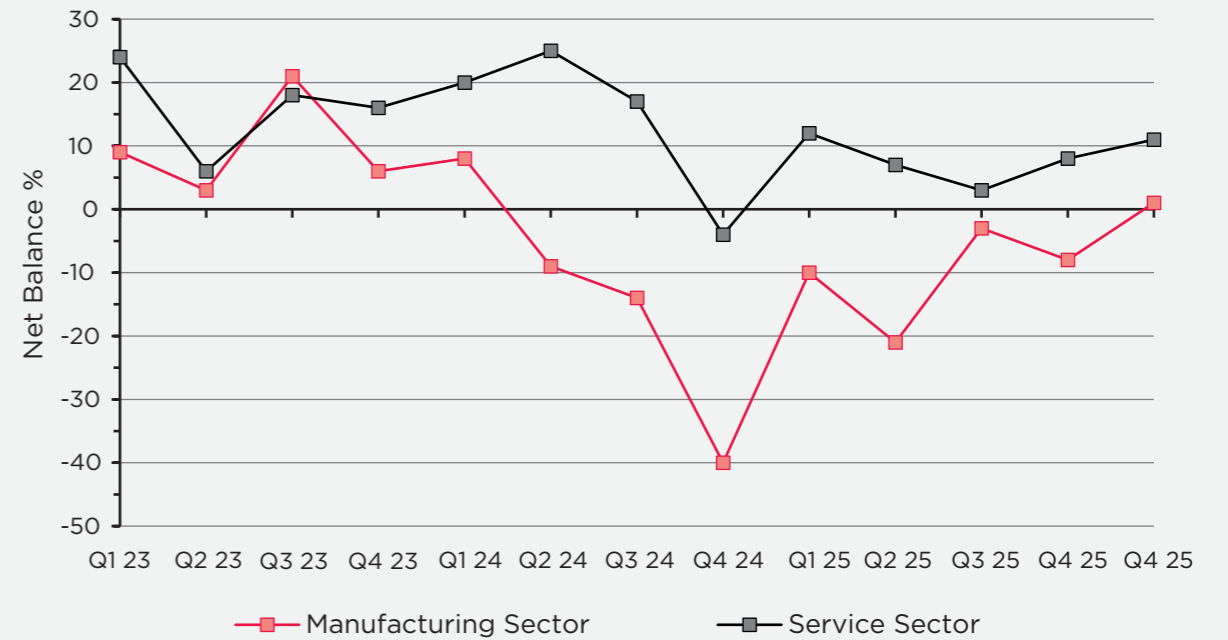
Cashflow concerns have stabilised and there has been an increase in investing in training.

Showing the resilience of Lancashire businesses, there's an increase in business confidence as we head deeper into 2026.

Like manufacturing, business rates, inflation and tax remain the main concerns.



### UK sales





### Key findings

# Domestic sales/orders

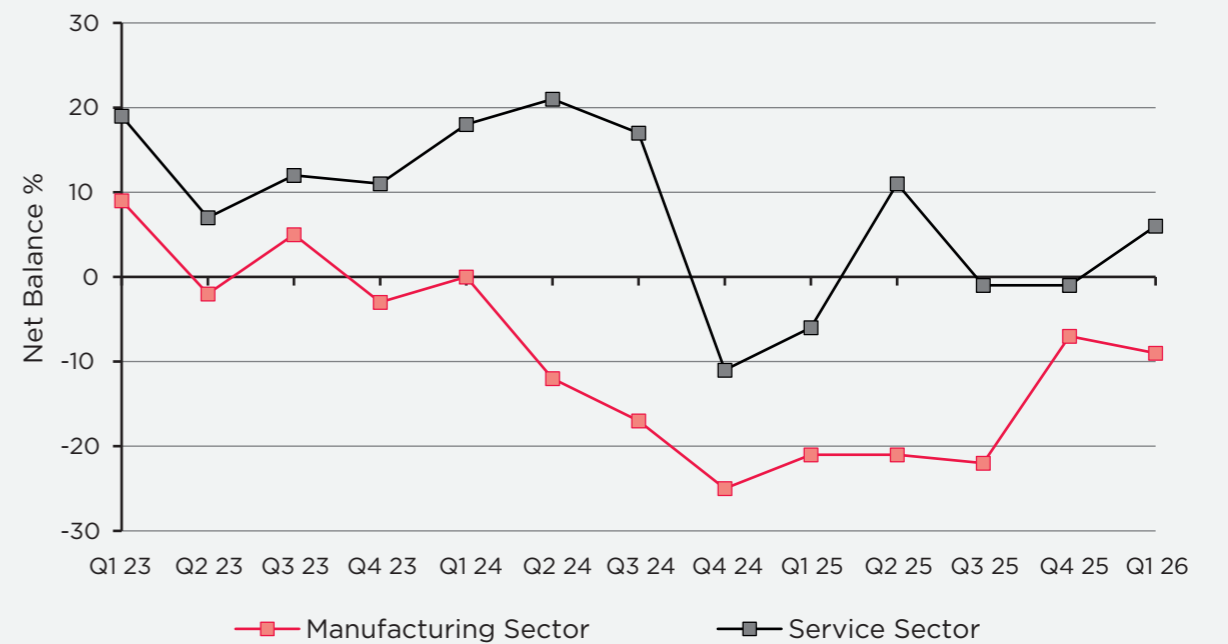
There's a mixed bag for both sectors in Q1 with over a quarter of manufacturers (26%) reporting an increase in UK sales, up on last quarter but the majority (47%) have remained static, while a further quarter have seen a fall. It's a similar picture on future orders with a fifth experiencing an increase, just over half reporting no change and the rest (29%) saying order books have declined.

The service sector is slightly better with over a third (35%) reporting an increase in UK sales and over a quarter (27%) saying order books are healthier. Almost half of all firms have seen little difference on Q4 when it comes to sales or future orders.

 **26% of Manufacturers** reported an increase in UK sales in Q1, up on the previous quarter.

 **35% of Service Sector** businesses reported an increase in UK sales in Q1.

### UK orders



Key findings

# Export sales/orders

With the international scene ever-changing, manufacturers seem to have weathered the storm, though only slightly.

Over a fifth of businesses (21%) have reported growth overseas, compared to 14% in Q4 but under a half (48%) remain the same and just under a third (30%) say sales have decreased.

However, order books are looking better for manufacturers with a quarter reporting an increase and a fifth saying they have fallen compared to the last three months of 2025.

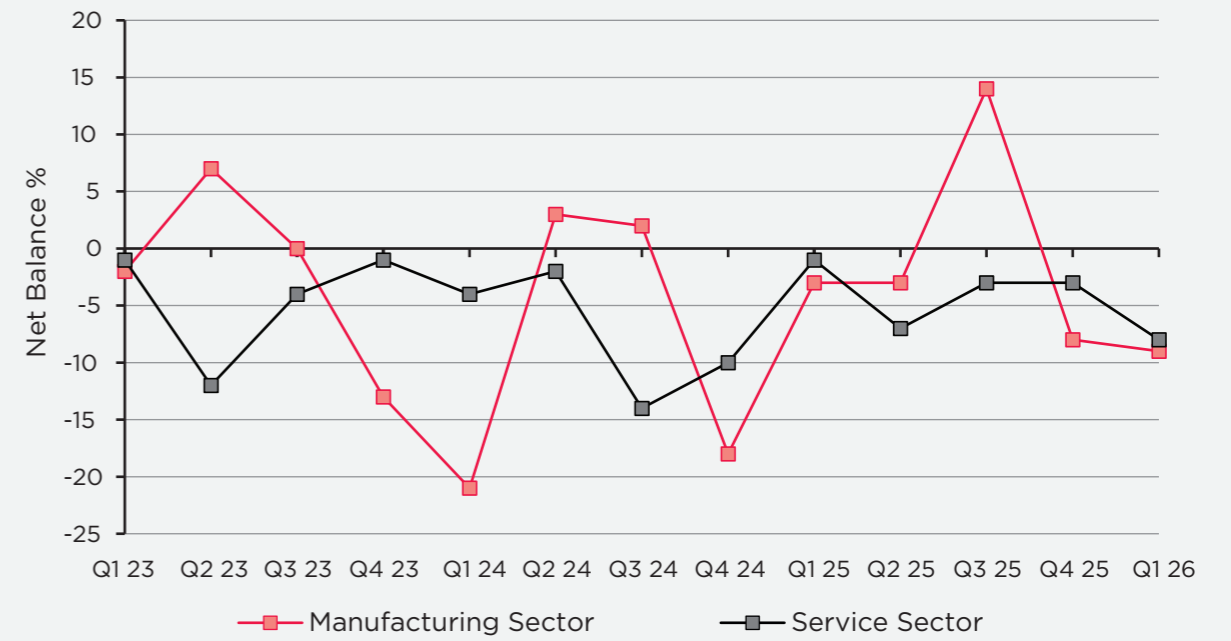
For the service sector, it's a similar landscape with almost two thirds of businesses reporting no change in overseas sales and orders (64% and 63% respectively) There has been a slight increase in overseas sales on the last quarter.



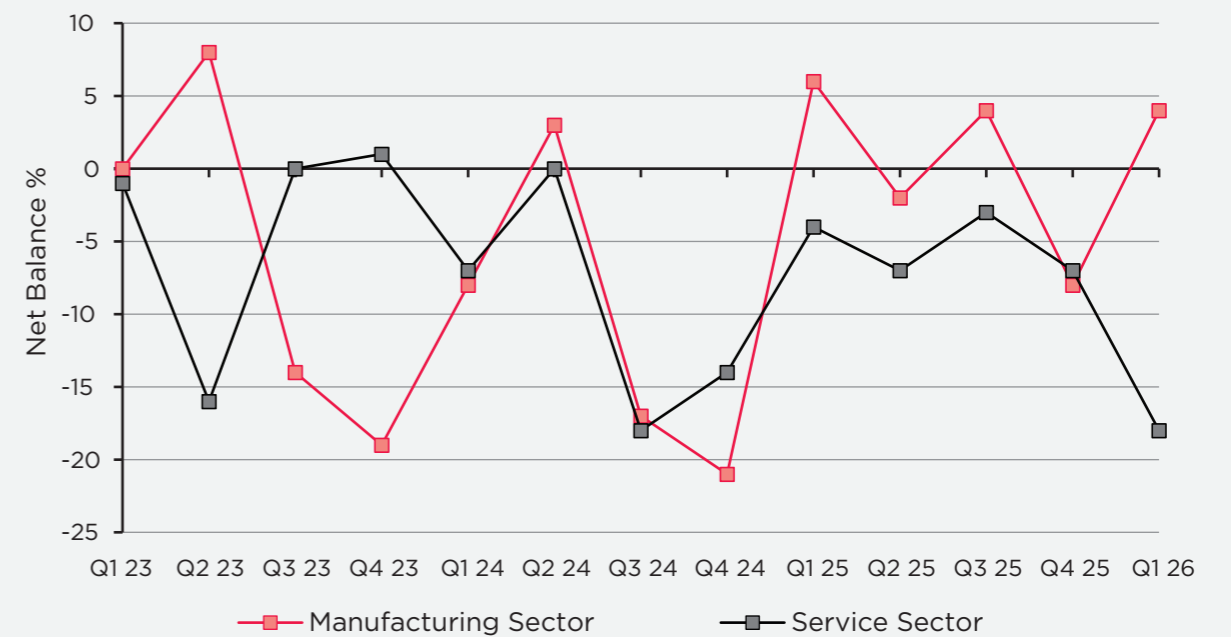
**50%+ Businesses**

say turnover will improve in 2026.

## Export sales

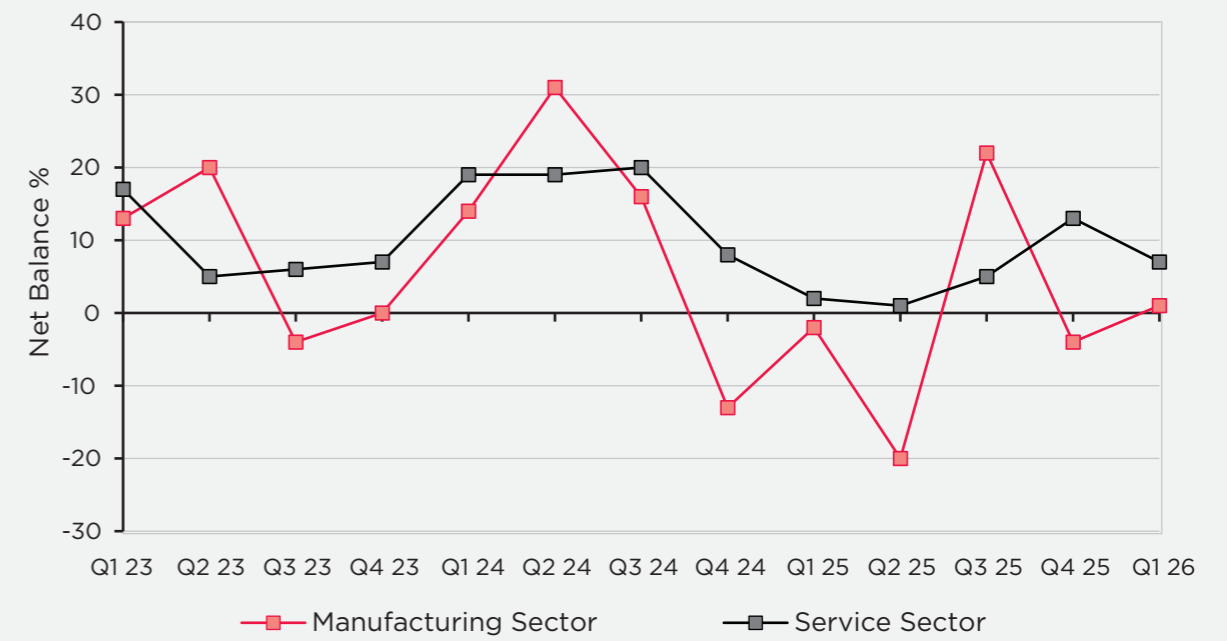


## Export orders

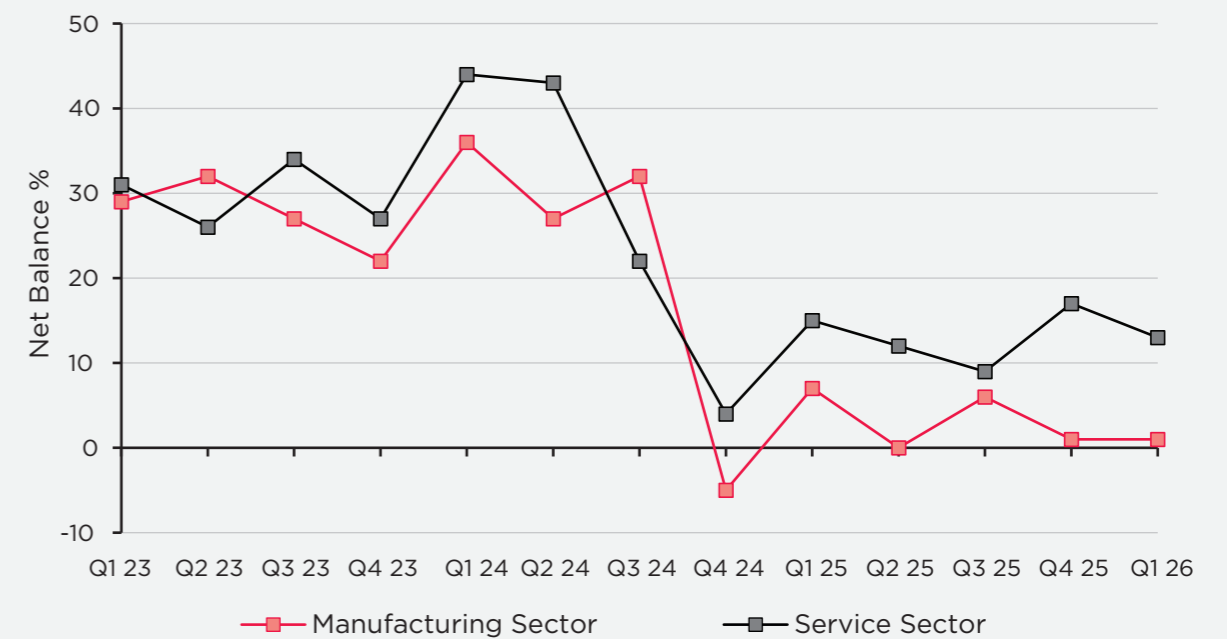




### Employment – last three months



### Employment – next three months



#### Key findings

# Employment

In the last report, some firms skipped the recruitment/employment section which may have skewed the results. This time, almost all responses have answered about their plans and it shows the labour market and the skills gap has some serious concerns for this year. While it's encouraging that both sectors are looking to, or have attempted to employ, they have failed in finding the right staff for the roles.

Most employers have reported they expect their workforce to remain the same over the next three months with 17% of manufacturers and 13% of service providers expecting a decrease.



#### 17% of Manufacturers

expect their workforce to decrease over the next three months.



#### 13% of Service Sector

businesses also anticipate a reduction in staffing levels.

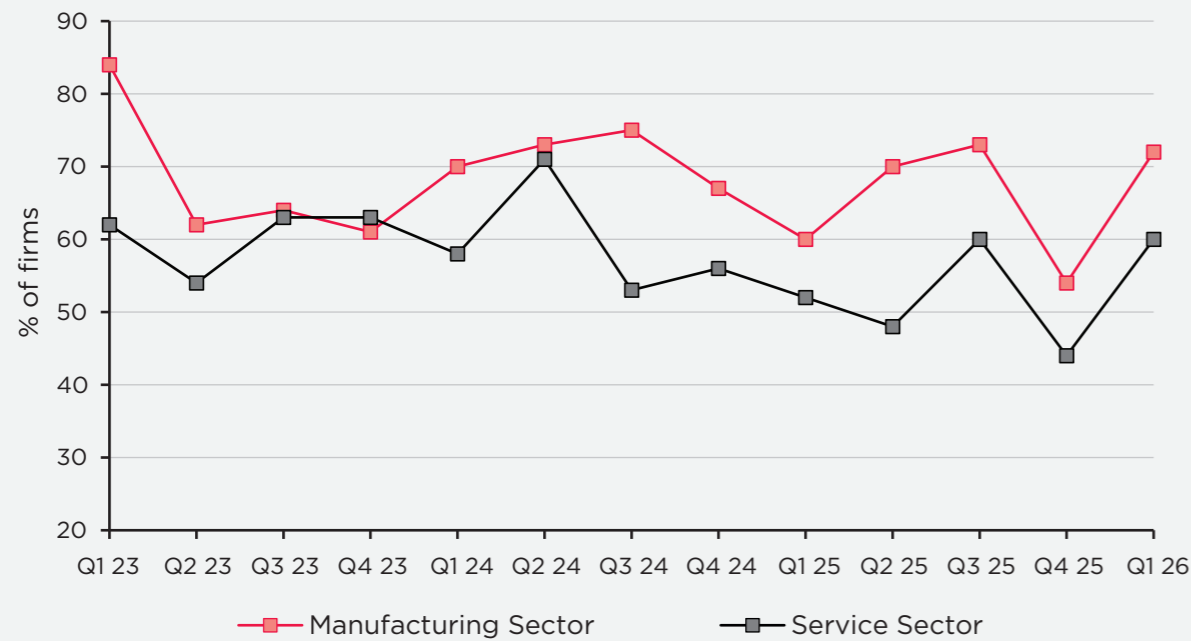
Key findings

# Recruitment

More than 70% of manufacturers and 60% of the service sector have attempted to recruit, which is encouraging but almost the same amount - 60% manufacturers and 60% services - have experienced difficulties in finding the right staff. The highest percentage of these being skilled and manual workers.

This could account for an ageing workforce and sectors seeking to replace them on the shop floor. It's a similar story for other roles but national news about the increasing skills gap across the country is clear in Lancashire with skilled and manual workers either unable to find work or not have the right skills.

## Tried to recruit



## Recruitment difficulties



Key findings

# Capacity

The skills shortages being experienced by both sectors really hits home when you take into consideration the question over capacity. Just under a third (31%) of manufacturers claim they are working at full capacity, with the rest saying they are below, meaning there is a gaping hole in the labour market that this sector cannot fill. With services, the split of 42/58, meaning the skills gap needs to be addressed.



### 60% of Businesses

have experienced difficulties in recruiting.



### Increasing Skills Gap

making it difficult to find people with the right skills.



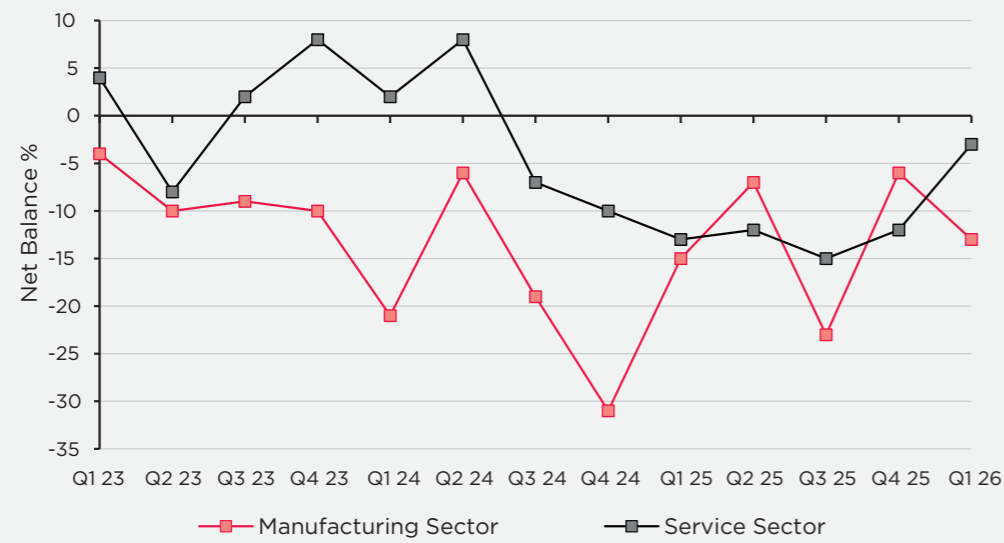
Key findings

# Cashflow

Businesses continue to keep budgets tight going into 2026 but the situation has seen a slight improvement on Q4 data with a quarter of manufacturers saying it has improved, while 28% of services saying the same.

As with a lot of the data this quarter though, the majority of responses say budgets remain as they were for the majority of last year with businesses keeping an eye on how the rest of the economy shapes up.

## Cashflow - over last three months



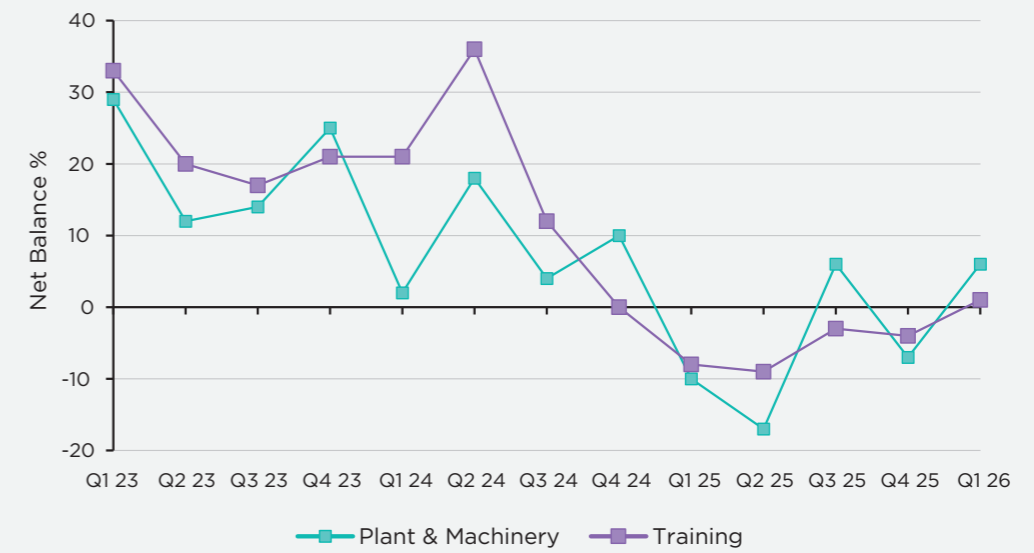
Key findings

# Investment intentions

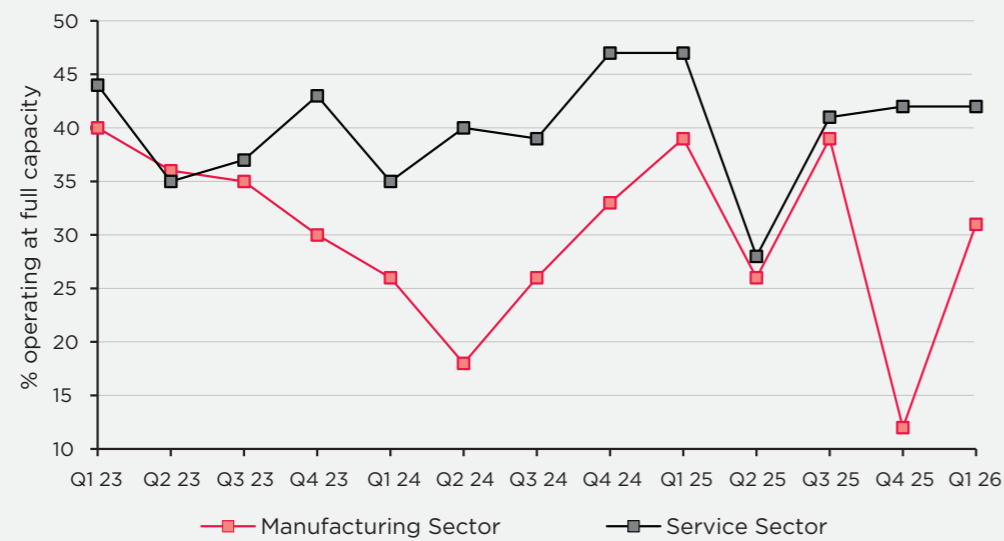
With businesses saying that cashflow has improved some have invested in their organisations, with 29% of manufacturers revising their plans to invest in machinery and a quarter investing in their workforce with training.

Less service businesses are investing in equipment, but they have also revised their plans to invest in training with similar figures to manufacturing.

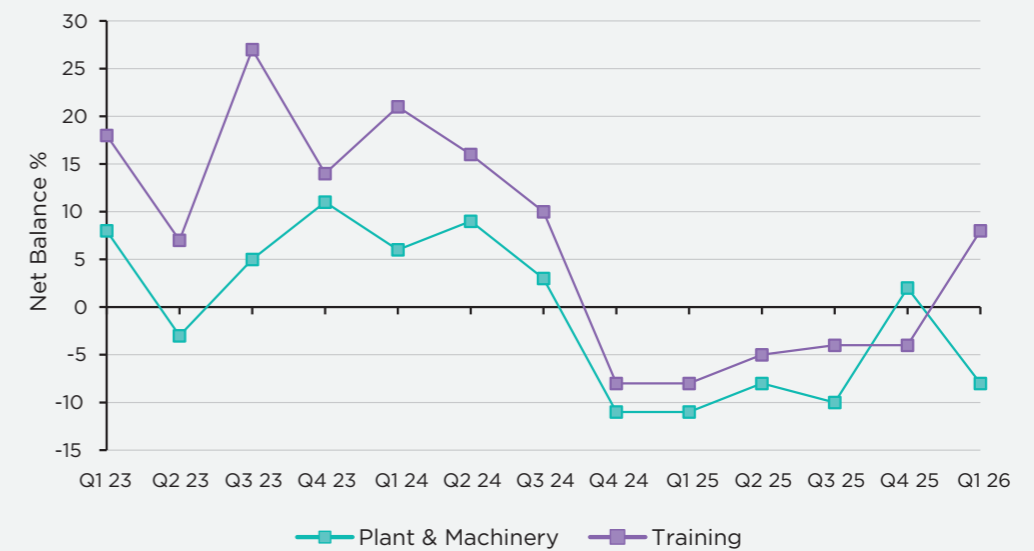
## Manufacturing investment plans



## Capacity utilisation



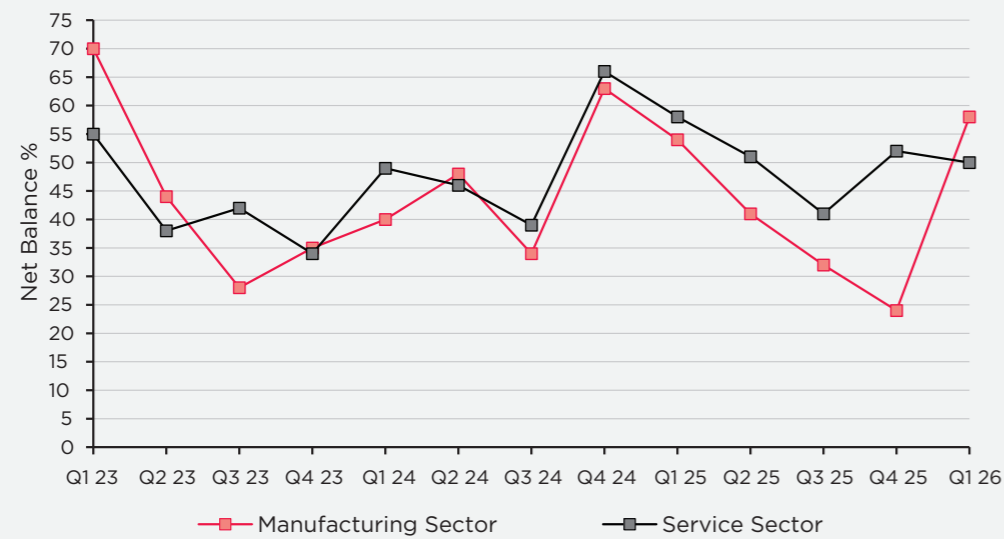
## Service sector investment plans



## Key findings Prices

There could also be a correlation with some businesses choosing to invest in their workforce and pay settlements being the highest when it comes to prices. Over three quarters of manufacturers (76%) cite pay as their biggest outlay, with raw materials and utilities coming next. It could be that upskilling their current workforce means they are increasing their salaries. With this, 61% of manufacturers and 55% of services say they will be increasing their prices over the next three months.

Price of goods/services over next three months

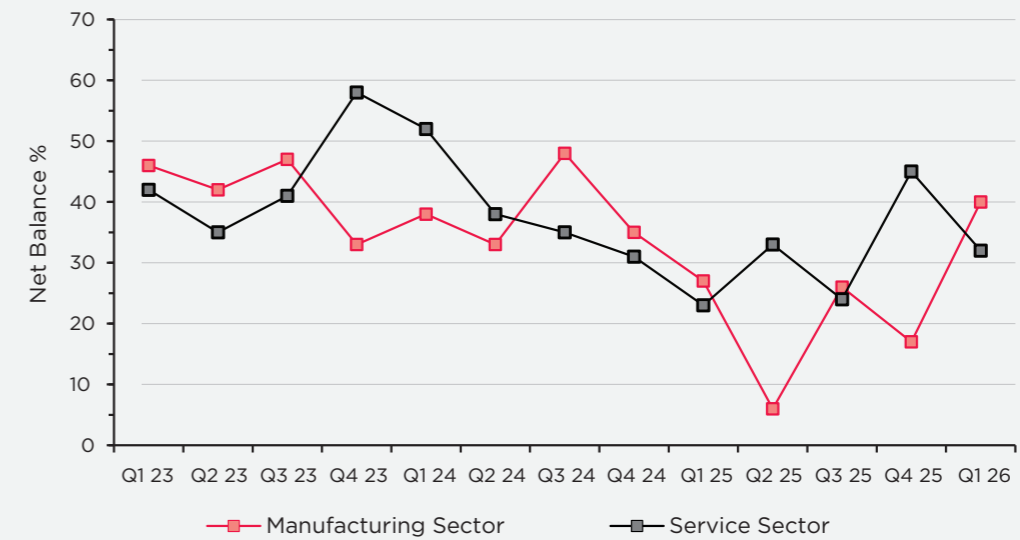


## Key findings Business confidence

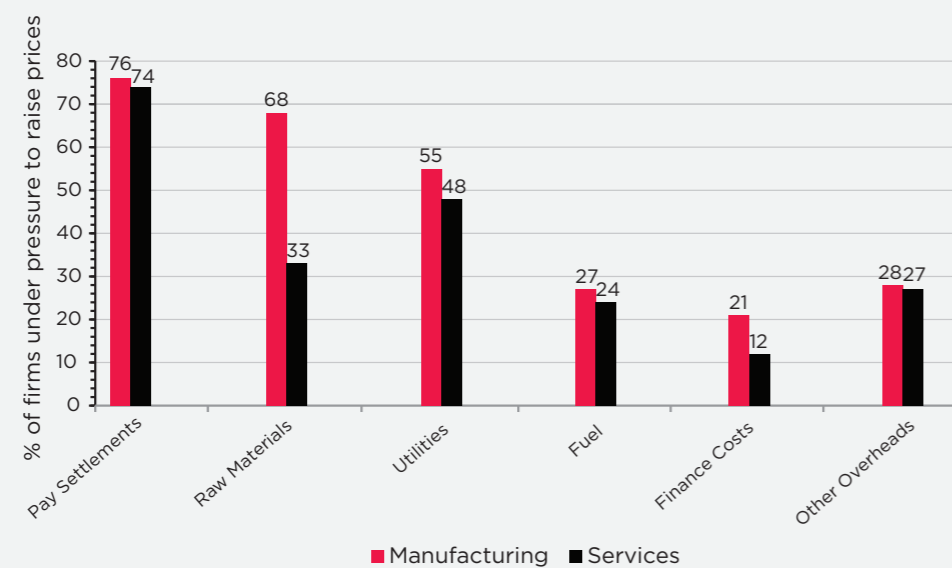
Q4 data was very bleak and Q1 paints a slightly better picture and this is reflected in business confidence as the ever-resilient Lancashire businesses continue to predict turnover will improve for both sectors.

It's similar profit-wise too with manufacturing and services saying they expect to turn a profit over the coming months.

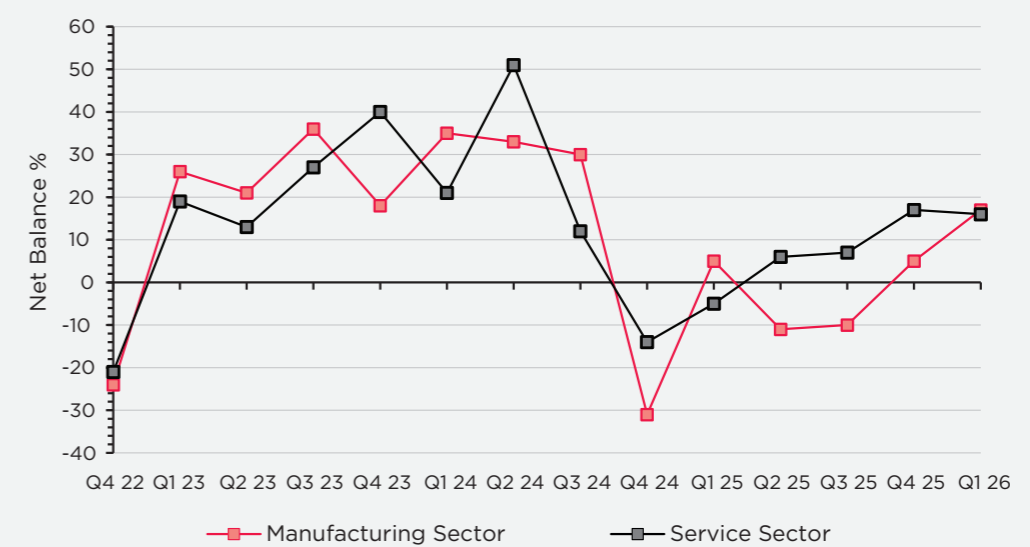
Business confidence - turnover



Factors affecting prices



Business confidence - profitability



Key findings

# External factors

## Manufacturing

With talk of business rates increasing, it's no surprise that concern about taxes continues to dominate manufacturing worries. Tax increases account for 55% of responses, with business rates, inflation and competition.

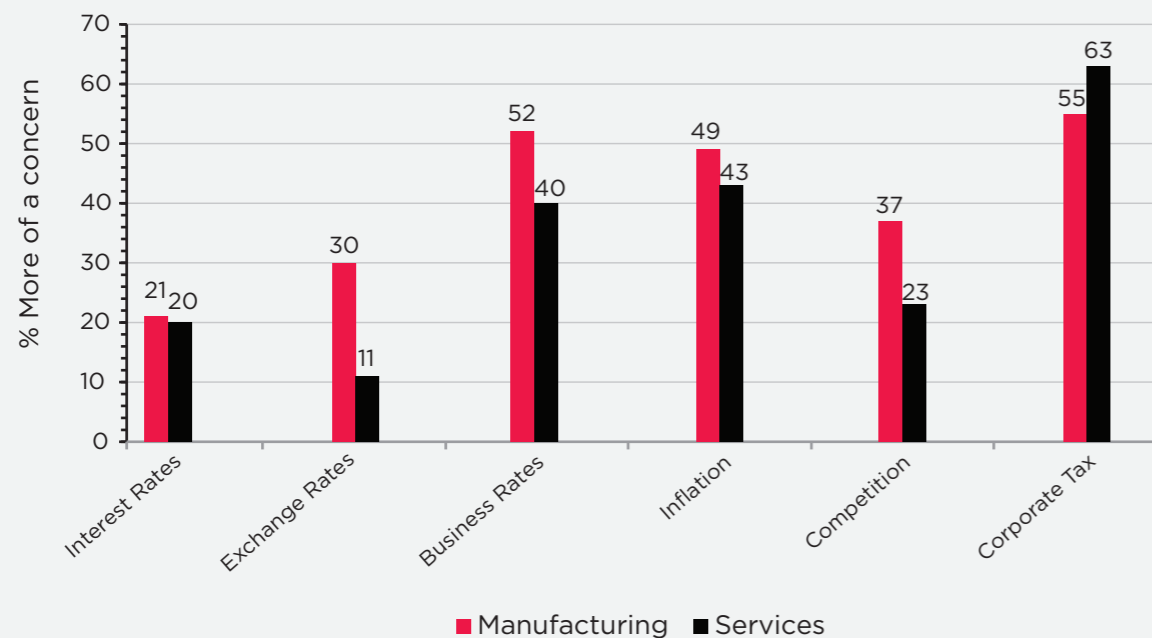
Key findings

# External factors

## Services

Tax headaches dominate the thoughts of service businesses with 63% of responses, while inflation and business rates are also high on their lists. Like Q4, exchange rates are a low priority for both sectors.

### External concerns



## Additional questions

As part of Brabners' continued sponsorship of the Quarterly Economic Survey, we asked survey participants three additional questions on devolution, investment and regeneration.

To what extent do you think devolution will improve conditions for business growth in Lancashire?

	Percentages	Responses
Strongly Agree	9.21%	7
Agree	22.37%	17
Neither agree nor disagree	59.21%	45
Disagree	5.26%	4
Strongly Disagree	3.95%	3
Total responses		76

Are you planning on increasing investment in digital infrastructure and/or skills to grow your business in the next 12 months?

Yes to both	26.32%	20
Yes to digital infrastructure	15.79%	12
Yes to skills	15.79%	12
No to both	42.11%	32
Total responses		76

Do key regeneration projects across Lancashire affect your business and give you confidence to invest for the future?

Current direct benefit (such as helping to deliver regeneration project)	6.58%	5
Expected future direct benefit	17.11%	13
No direct benefit but Lancashire's regeneration gives me confidence in the county's future economic growth	53.95%	41
None of the above	22.37%	17
Total responses		76

# Net balances

	Manufacturing		Services	
	Q4 2025	Q1 2026	Q4 2025	Q1 2026
Domestic Sales	1	0	3	14
Domestic Orders	-7	-9	-1	6
Export Sales	4	-9	-2	-8
Export Orders	1	4	-2	18
Employment last 3 months	7	1	5	7
Employment next 3 months	2	1	9	13
% Tried to recruit	24	72	64	60
% Part-time	5	4	22	34
% Full-time	22	94	49	82
% Temporary	3	4	15	14
% Permanent	5	20	24	41
% Recruitment difficulties	16	61	51	60
% Skilled manual	17	71	23	46
% Professional/Managerial	7	59	29	48
% Clerical	8	24	13	28
% Semi and unskilled	8	32	19	44
Cashflow	-7	-13	-15	-3
Investment - plant/machinery	2	6	-9	-8
Investment - training	-1	1	-4	8
Confidence - turnover	8	40	25	32
Confidence - profitability	-3	16	7	16
% Full capacity	12	31	42	42
Prices	10	58	42	50
% Pay Settlements	25	76	77	74
% Raw materials	15	68	31	33
% Utilities	13	55	48	48
% Fuel	5	27	29	24
% Financial costs	6	21	22	12
% Other overheads	12	28	42	27

## External Factors of more concern than 3 months ago

% Interest rates	9	21	23	20
% Exchange rates	9	30	13	11
% Business rates	11	52	33	40
% Inflation	19	49	59	43
% Competition	15	37	27	23
% Tax	19	55	72	63

# Quarterly change

	Manufacturing	Services
	Q1 2026	Q1 2026
	1	11
	-2	7
	-13	-6
	3	-16
	-6	2
	-1	4
	48	-4
	-1	12
	72	33
	11	-1
	15	17
	45	9
	54	23
	52	19
	16	15
	24	25
	-6	12
	4	1
	2	12
	32	7
	19	9
	19	-0
	48	8
	51	-3
	53	2
	42	-0
	22	-5
	15	-10
	16	-15

	12	-3
	21	-2
	41	7
	30	-16
	22	-4
	36	-9



## Hiring demand has surged

72% of manufacturers and 60% of service firms attempted to recruit in Q1 2026. This represents a 48-point quarterly jump in manufacturing recruitment activity, signalling a sharp increase in demand for staff.



## Businesses are struggling to recruit

61% of manufacturers and 60% of service businesses reported recruitment difficulties. Shortages are particularly acute in skilled manual roles, where 71% of manufacturers experienced hiring problems.



## Price pressures remain high

Prices increased for a net balance of 58% of manufacturers and 50% of service firms. Cost pressures are still being driven by raw materials, utilities, and wage settlements.



## Tax and inflation remain top business concerns

55% of manufacturers and 63% of service firms say tax is a greater concern than three months ago. Inflation also remains a major issue, worrying 49% of manufacturers and 43% of service businesses.



## Lancashire Quarterly Economic Survey

**The Lancashire Quarterly  
Economic Survey (QES) is  
brought to you by the North  
& Western Lancashire Chamber  
of Commerce, in partnership  
with Brabners.**

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