

Lancashire Quarterly Economic Survey Report

Quarter 4 2025
(October to December)



North & Western
Lancashire
Chamber of Commerce

In partnership with
Brabners

Forewords



Robert White

Chief Executive, Brabners
Sponsors of the Lancashire Quarterly Economic Survey

It is undoubtedly true that business confidence fuels economic growth. It acts as the catalyst for companies to expand, innovate, seek new markets and form successful strategic partnerships. In doing so, it drives high-level employment, investment and increased public spending that follows from increased tax receipts. It breeds a cycle of greater prosperity.

This quarter's QES results illustrate a stark contrast between short-term and long-term business confidence in Lancashire.

When taking a long-term view, there is emerging evidence the government's key commitments since coming into power, including devolving more economic decisions locally, and supporting that with place-based regeneration and infrastructure investment, are starting to influence Lancashire business confidence.

A large, and consistent, proportion of businesses suggest they are likely to benefit from regeneration projects (page 20), whether they are directly benefiting (6.45%), expecting future direct benefits (22.58%) or saying Lancashire's regeneration gives them greater confidence in economic growth in the future (46.77%).

And why not? The Lancashire Growth Plan, published by the Combined Authority this year, outlined a £20bn investment programme over the next decade.

That includes the £13.2m investment to bring the National Cyber Force to Salford, and with it around 2,000 new jobs to Lancashire, improved rail infrastructure, such as new stations and the proposed Preston Station Quarter; significant upgrades to the county's roads, including investment in the M65 corridor, as well as high-profile developments such as Blackpool's £60m Silicon Sands data centre.

However, despite that, there appears to be a continuing degree of apathy among Lancashire businesses towards the benefits the county's devolution journey can bring. This is perhaps

understandable given the ongoing lack of clarity, cohesion and communication in that regard. Although, on balance, more see the benefits of devolution than not.

This measured optimism about long-term economic growth prospects is consistent with our engagement with our clients, and the broader community of Lancashire's privately owned, owner-managed businesses.

However, it is not mirrored by a similar level of optimism when thinking about the short term, amplified – and illustrated – by the lead up to the recent Autumn Budget. A series of news conferences, U-turns and media leaks in the weeks before the statement, followed by the Chancellor's address itself, did little 'for' and to build business confidence as we head into the new year.

This is a sentiment that clearly appears to have impacted this quarter's QES results in those areas that reflect short-term confidence. Investment intentions are down, cash flow remains tight and there is limited confidence in increased turnover over the next quarter.

If only these needlessly competing – and thus far conflicting – strands could be brought together, through a collaborative pro-business, confidence building approach, there is a blue touch paper waiting to be lit – for short-term and long-term benefit.

In this, the naturally optimistic privately owned, owner-managed business community, who understand the long-term benefit of devolved decision-making and a place-based approach to regeneration, can also play its part by investing in the short term – and thereby get started on unlocking and maximising the opportunity.

Let's hope that 2026 marks the year that we start to make meaningful progress – and start to deliver the long-term economic growth and inclusive prosperity that is so desperately needed.



Babs Murphy

Chief Executive,
North & Western Lancashire Chamber of Commerce

Throwing in the Autumn Budget halfway through the fieldwork for the final quarter results for the QES was always going to present an interesting scenario.

Some responders got in before the Chancellor had chance to open the famous red briefcase while others decided to wait until Rachel Reeves had delivered a Budget which, thankfully, didn't hit as hard as her first 12 months ago. In fact, some Chamber members described it as a "meh" Budget, offering very little for businesses to get excited about.

However, the effects of Labours first Budget in 14 years have affected how Lancashire businesses are feeling and like the current state of the economy, the lack of growth and business confidence is plain to see.

The improvements seen in Q3 have all but disappeared with manufacturing sales falling both on the domestic and international front; both sectors revealing ever-gaping holes in the labour market and skills, and cashflow and investment remaining tight as businesses continue to feel the pinch.

What businesses require is an economic roadmap which gives them the confidence to invest in their futures and a labour market where skills are plentiful. What they have at present is uncertainty and a government which has growth as its flagship plan but a plan which is failing to gather any sort of momentum.

Having said that, Lancashire businesses have always been a resilient bunch and despite the choppiness of the economy and uncertainty for the next 12 months, they are confident their businesses will turn a profit.

The question is, will that be enough to propel businesses forward over the next year.

2026 is sure to be a very interesting year.

About this quarter's survey

The Q4 2025 Survey was conducted by the North & Western Lancashire Chamber of Commerce; East Lancashire Chamber of Commerce and Lancaster & Morecambe Chamber in conjunction with Brabners LLP.

- The survey collection period was from 10th November to 8th December 2025
- Responses were received from 149 companies across Lancashire employing 18,087 people.
- From the manufacturing sector, 44 businesses employing 5687 people responded to the survey.
- From the service sector, 105 businesses employing 12,400 people responded to the survey



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).

Summary



Findings



Key findings

Manufacturing sector



- The balance of firms reporting decreased domestic sales dipped on the last quarter from -3 to -8; there was a rise in domestic orders following last quarter's results.
- International sales slowed down in manufacturing following last quarters surprise boost, with sales falling from 14 in Q3 to -8, a big downturn. Orders for manufacturing also fell for both sectors.
- The labour market is a real pain point for manufacturing suffering a major wobble, down 26 points on last quarter. All areas of recruitment have suffered in this sector, particularly full-time employees with the sector seeking temporary solutions with those actually taking on staff.
- The skills crisis continues for this sector with businesses struggling to bring in skilled manual employees and replacing an ageing workforce.
- Better news for cashflow with manufacturing still in the red though it has increased in the last quarter.
- While funds remain tight, both investment in machinery and training has dipped for the second successive quarter.
- With most of this making grim reading, confidence in turnover has fallen, though there has been a rise in businesses hoping to turn a profit in the next quarter.

Key findings

Services sector



- The balance of firms reporting increased domestic sales has risen after last quarters slump from 3 points to 8 and there was also a rise in domestic orders by three points from Q3.
- There was no change in export sales from Q3 and a slight dip on the order book for the next three months.
- 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 to temporary. However, looking at the survey, the number of firms skipping this section is higher than usual, for both sectors.
- Again, cashflow remains a sticky subject, though there has been a rise on the last quarter, which has led to more investment in machinery and a like-for-like for training on Q3.
- The service sector is certainly faring better this quarter and confidence for both turnover and profitability is up by 21 points and 10 points respectively.

Key findings

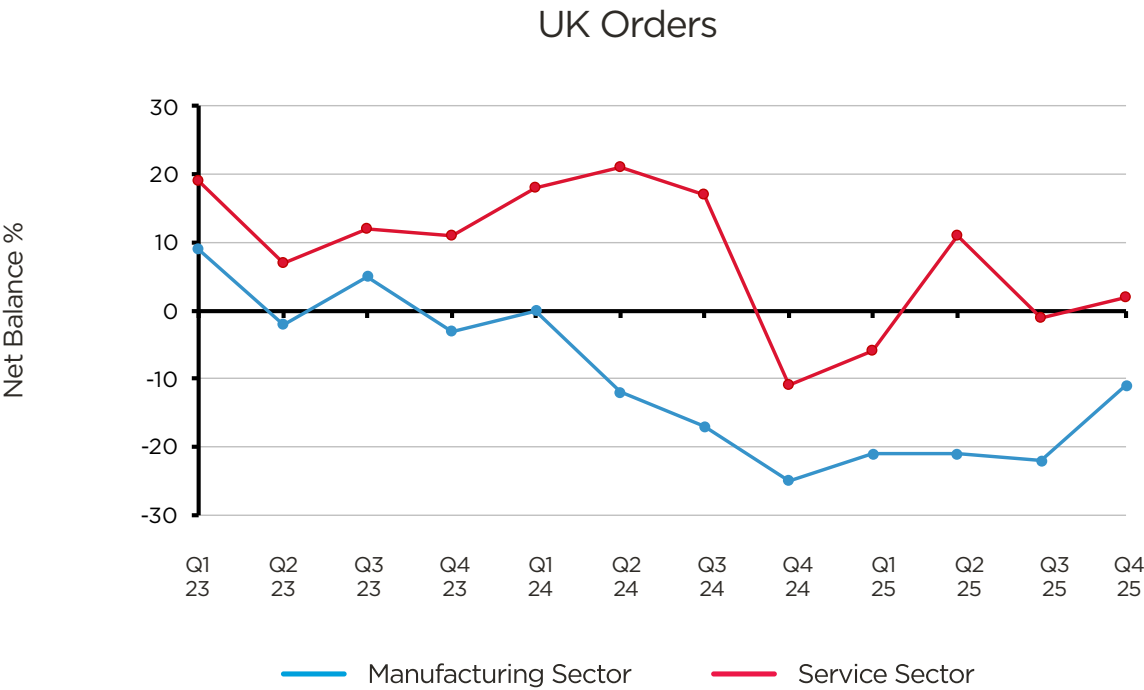
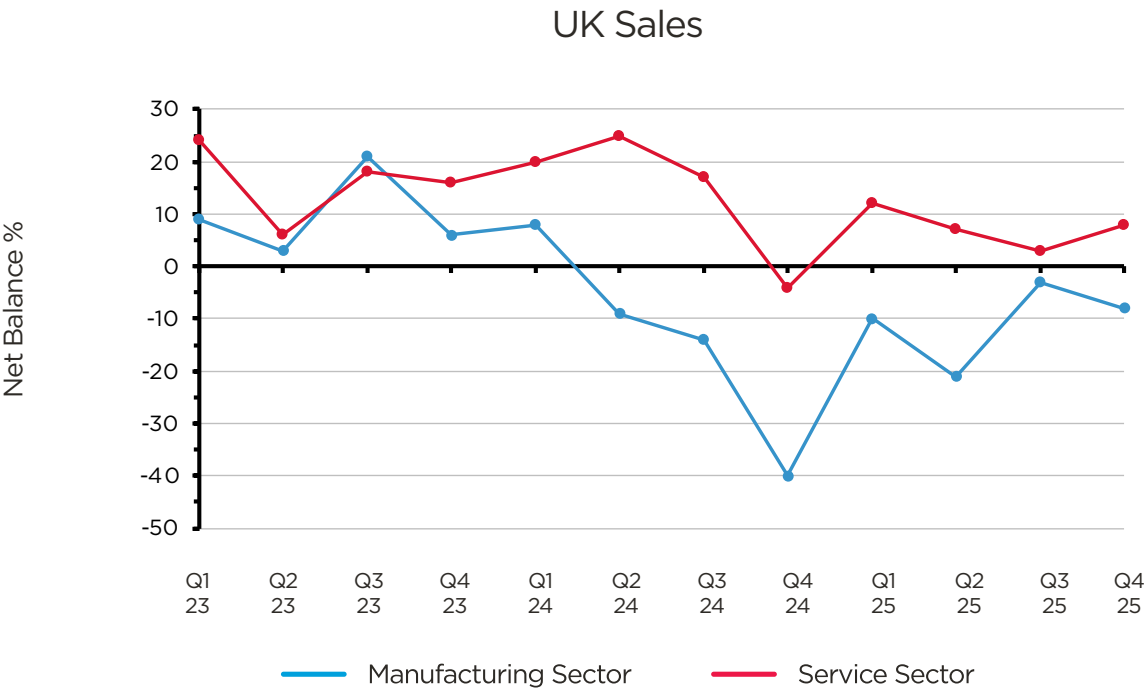
UK sales and orders



Productivity has remained pretty much constant for the manufacturing sector over the past three months with half of respondents to the QES saying sales have plateaued, with just 16% seeing an increase and 34% seeing a fall domestically. It's a better picture for services, with 39% seeing an increase in sales, slightly up on Q3 with under a third remaining the same and the seeing a fall.

Advance orders remain a struggle for manufacturing in Lancashire with just 15% seeing an increase but a third in the service sector, which is better news. It's a worrying quarter for manufacturing with 41% seeing a decrease on future orders while just over a quarter of businesses in services have seen a fall.

Key findings



Key findings

Export sales and orders

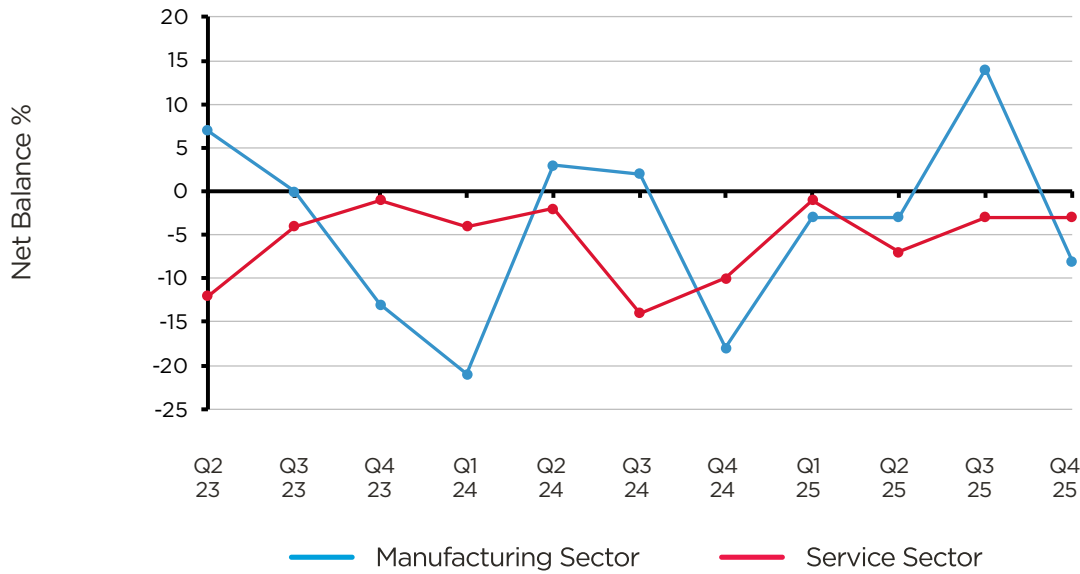


The international market is like a rollercoaster for manufacturing in the county over the past few quarters, hitting peaks in Q3 and falling into troughs this quarter, and it's a similar picture for the service sector. Just 14% of manufacturers saw overseas sales increase, with 19% in services while both sectors have remained constant which can be seen as a positive in the current economic climate where growth has stalled.

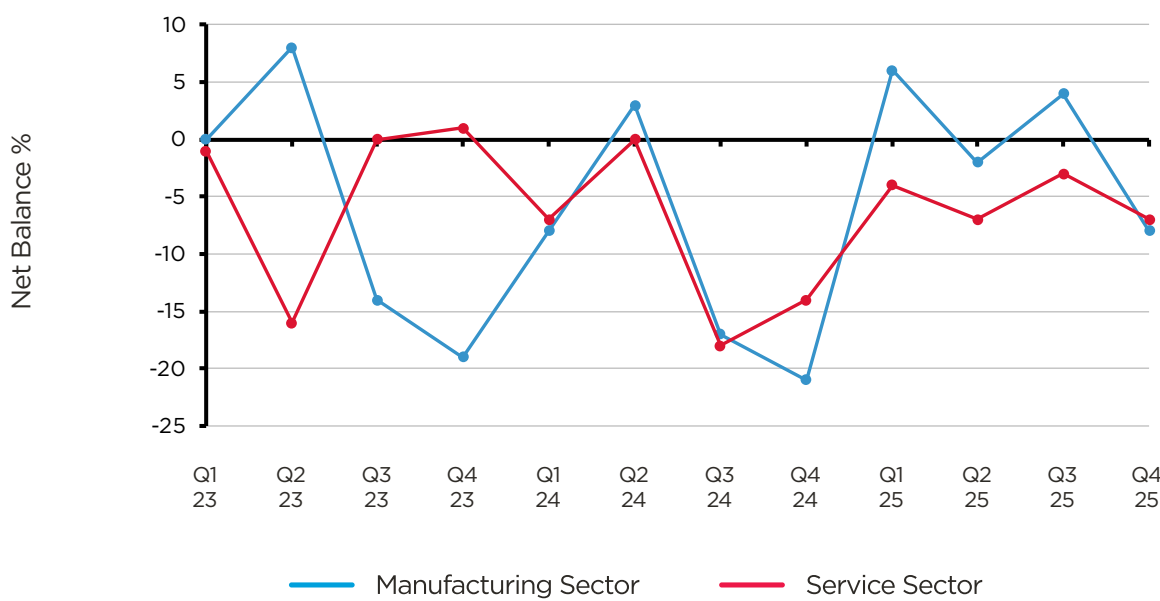
It's the same story for advanced orders with both sectors remaining constant, however, 40% of manufacturers say overseas orders have decreased, based on their Q3 percentages. Services fare better with almost two-thirds of businesses remaining the same and 28% reporting a decrease.

Key findings

Export Sales



Export Orders



Key findings

Employment

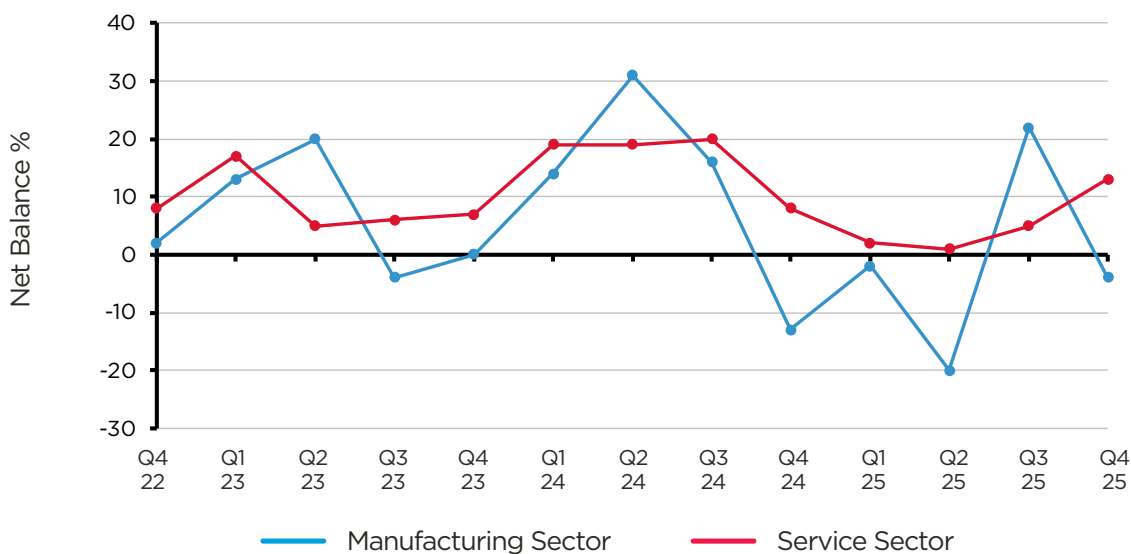
While it was quite a positive outlook on the labour market front last quarter, it's all change in the latest data from businesses which replied to the survey. Delving deeper, it seems a number of businesses skipped the recruitment/employment section which could mean they have shelved their plans due to constraints over the rise in NI rates and the cost of employing people, or they have no future plans to dip their toes into the market.

The large majority of companies in both sectors say their workforce remains unchanged, while 23% of manufacturers

have seen a decrease, compared to 16% in the service sector.

Regards future employment, the majority say they plan to stay the same – 63% manufacturing, 58% services – with a fifth of manufacturers hoping to recruit and almost a third in services doing the same. The data suggests businesses might have been waiting to see what came up in the Budget in order to make a decision and the date of the Chancellors speech came right in the middle of the latest fieldwork carried out by the Chamber.

Employment in the last 3 months



Employment in the next 3 months



Key findings

Recruitment

It's virtually a 50/50 split on the manufacturing front when asked whether they have attempted to recruit in the last quarter with 53% saying yes and 47% saying they haven't. Whereas 62% of services have tried, with 38% keeping the same level of staff as in Q3.

Almost 80% of manufacturers have had difficulty in recruiting staff over the past quarter with the majority (82%) in skilled and technical category, showing the extent of the skills shortage for this sector.



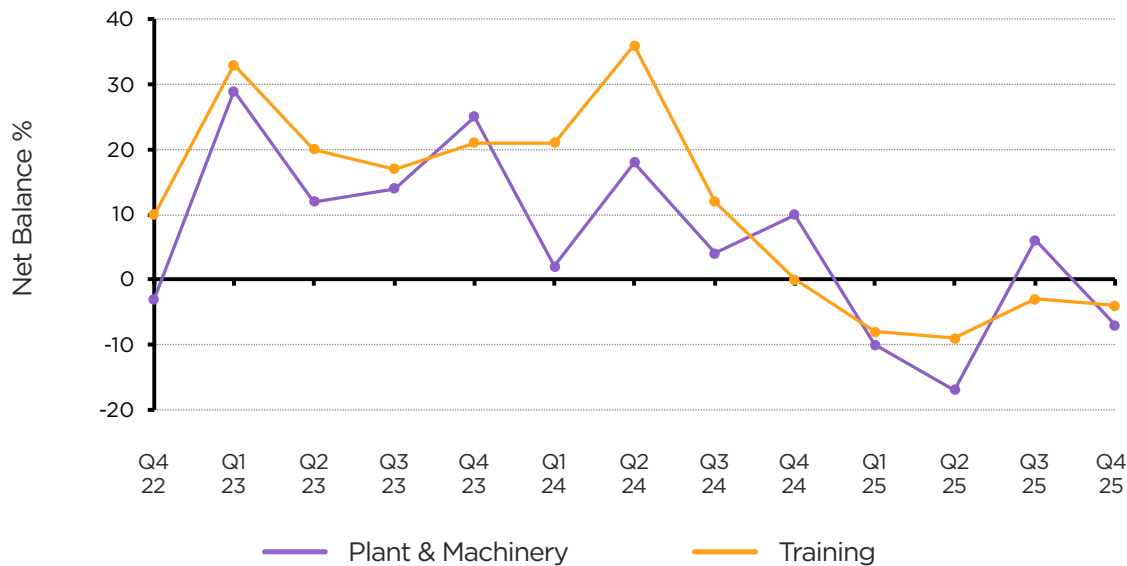
Key findings

Investment intentions

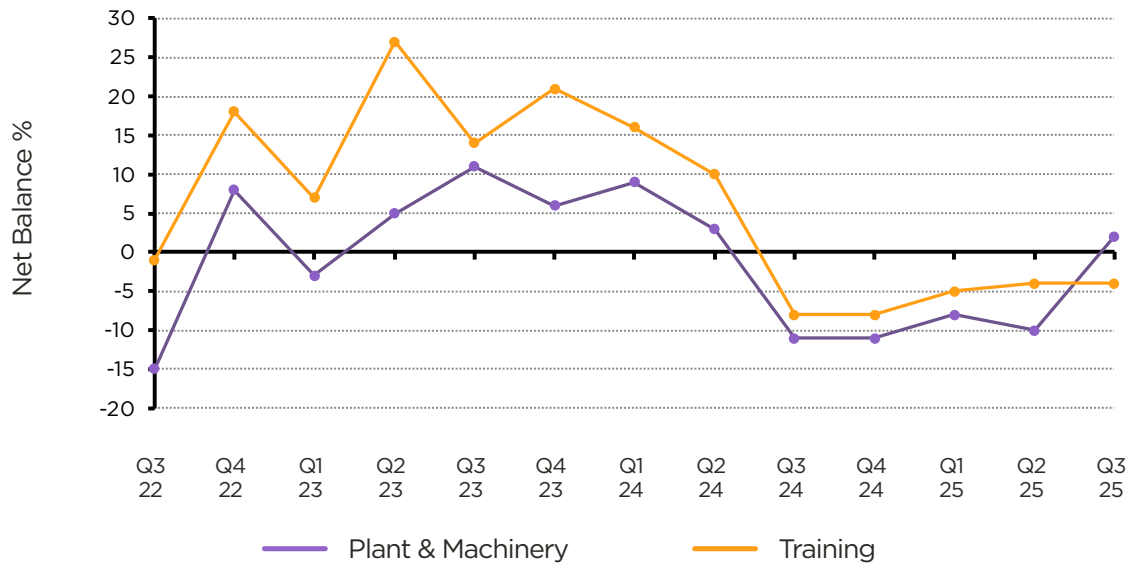
As with cashflow and recruitment, 12 months on from a Budget which targeted businesses, both sectors remain reluctant to invest, either having to shelve plans or redistribute elsewhere. Almost half of both manufacturers and services have said there is no change in their plans, while over a third of manufacturers have revised their plans downwards with a quarter of services doing the same.

It's the same story for training with only 14% of manufacturers investing in training and 22% for services. Over half of both sectors say they have no change in their plans to invest in training their staff.

Manufacturing investment plans



Service sector investment plans

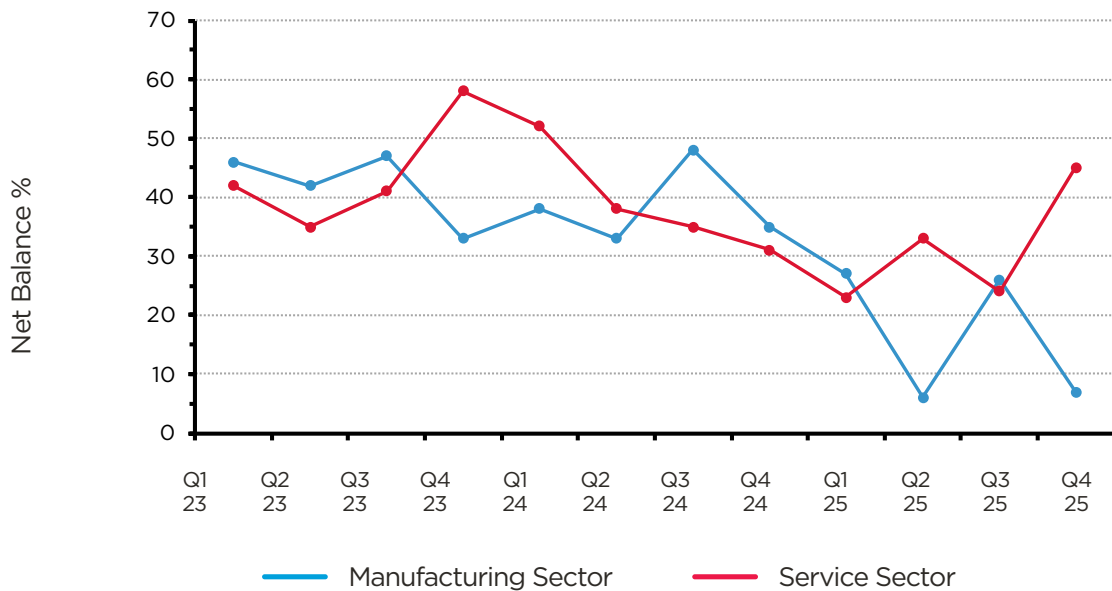


Key findings

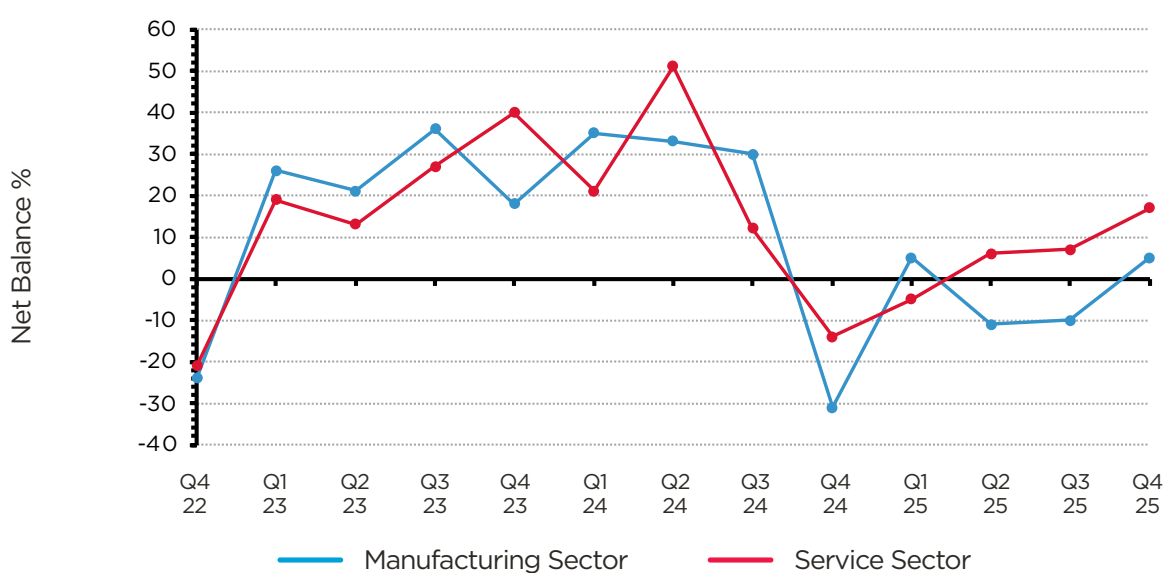
Business confidence

Even with Q4 data painting a rather bleak picture when it comes to recruitment and investment plans, both sectors remain resilient in the face of the economic climate and are confident that turnover (44% M, 60% S) will improve and will post a profit (40% M, 46% S) However, these are both slightly down on Q3.

Business confidence - turnover



Business confidence - profitability



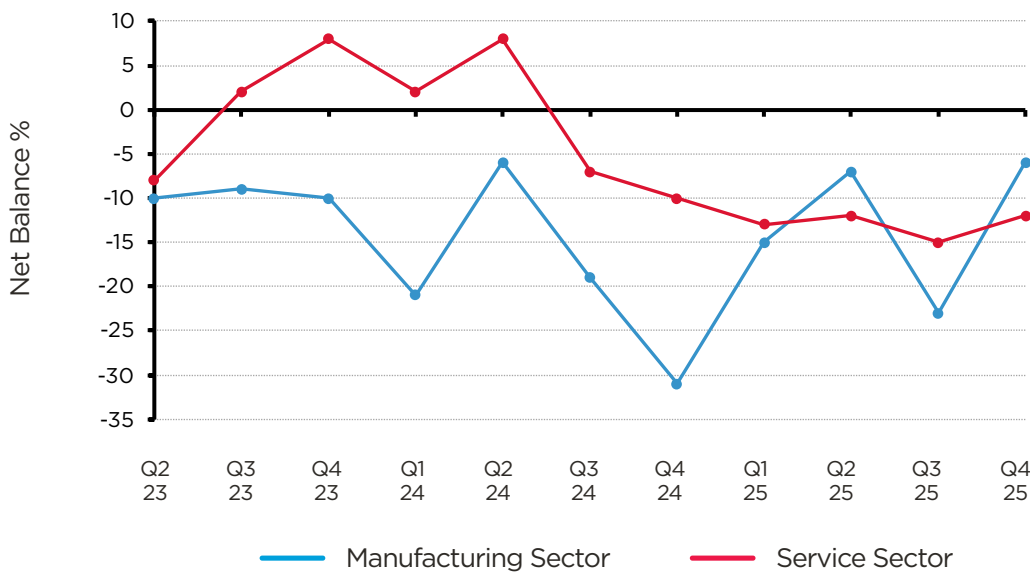
Key findings

Cashflow

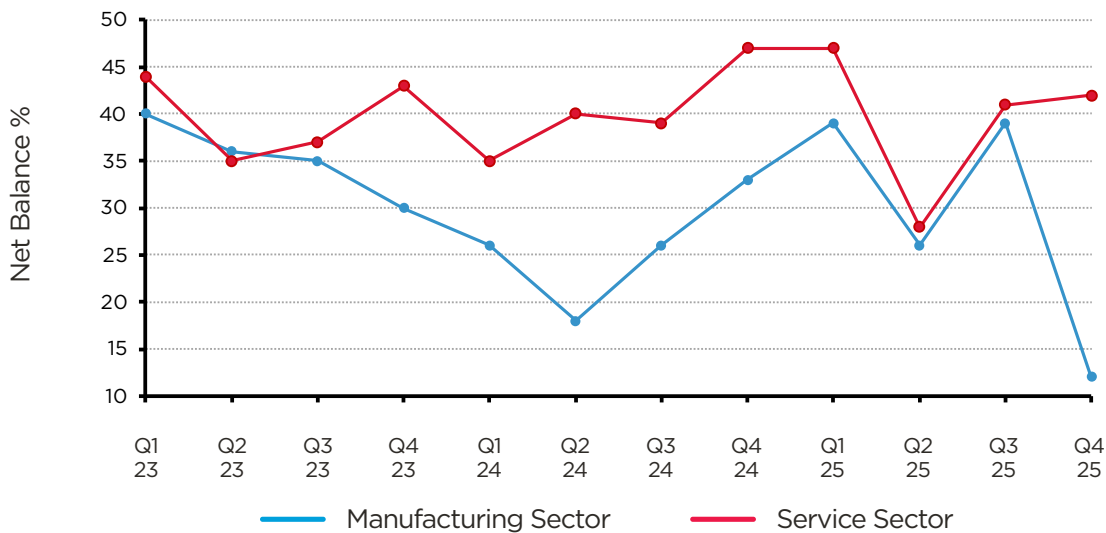
The tightening of budgets has continued into Q4 with both sectors being constrained by policies impacted on them through the current government. With NI and employment fees starting to bite following the 2024 Budget, both sectors are feeling the pinch with 15% of manufacturers and 23% of service businesses saying cashflow has improved.

This is a slight improvement on Q3 but neither sector have gone into plus points since Q4 of 2022. Looking at the graph you can see how much the manufacturing sector in Lancashire is suffering because of this skills shortage.

Business confidence – cashflow



Business confidence – capacity utilisation

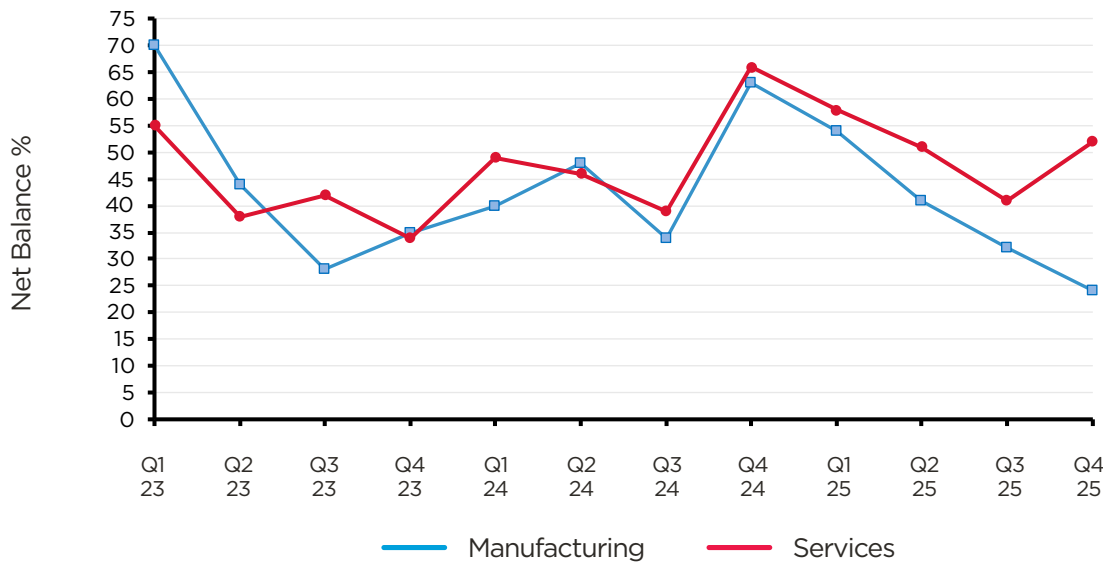


Key findings

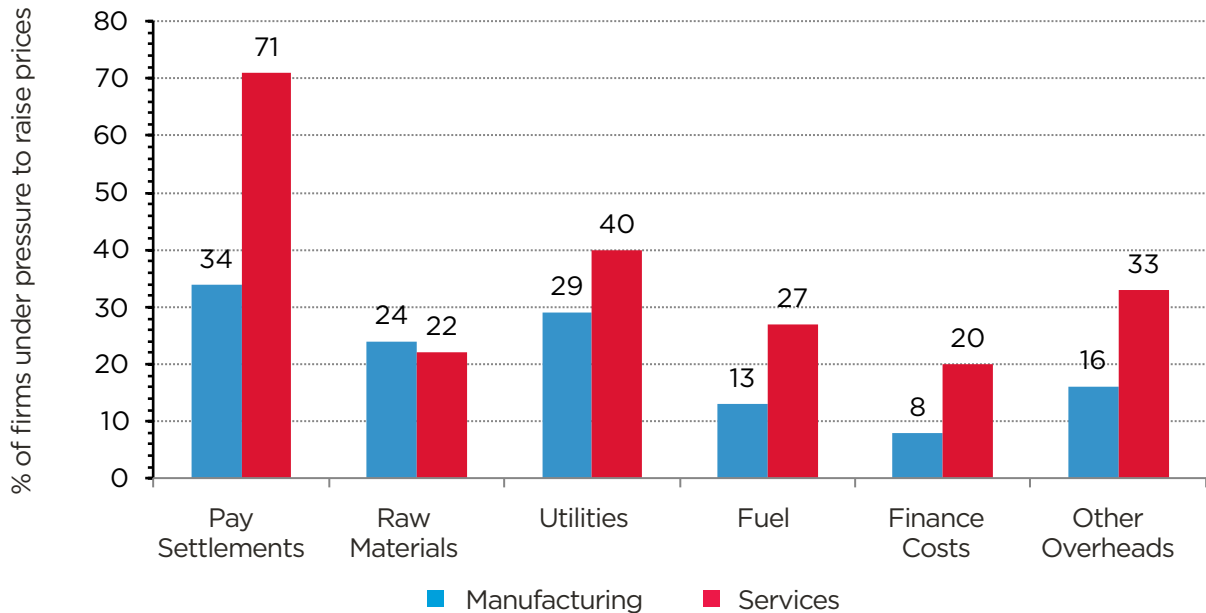
Prices

Both sectors expect to raise prices of goods and services over the next quarter with 57% of manufacturers and 56% of service saying they will increase and only two per cent of this sector saying they will cut prices. And with inflation continuing to be a headache for both sectors (see below), they are being forced to pass on the costs.

Price of goods and services over next three months



Factors affecting prices



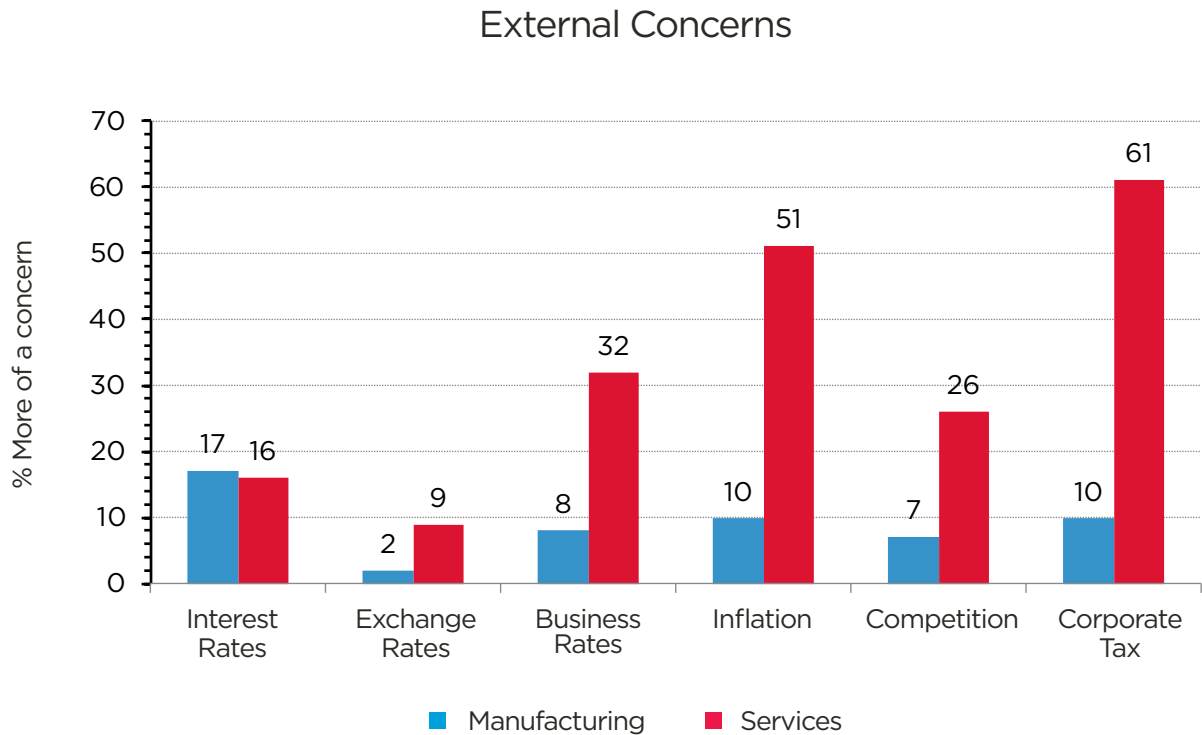
Key findings

External factors | manufacturing

Interest rates (39%) tops the charts with both corporation tax and inflation continuing to be concerns for this sector. Business rates remain a priority for manufacturers, as does competition, while concern over interest rates has leapt in the past three months despite the Bank of England remaining steady on its decision to hold them and saying a cut could be close.

External factors | services

Inflation is the biggest headache for this sector, alongside corporation tax and business rates, both a concern for all Lancashire sectors and Chamber members. Exchange rates are a low priority for both sectors.



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.

		Q1	Q2	Q3	Q4
To what extent do you think devolution will improve conditions for business growth in Lancashire?	Strongly Agree	1.11%	16.67%	5.80%	8.06%
	Agree	20%	0%	27.54%	25.81%
	Neither agree nor disagree	67.78%	58.33%	60.87%	56.45%
	Disagree	5.56%	25%	4.35%	3.23%
	Strongly Disagree	5.56%	0%	1.45%	6.45%
Are you planning on increasing investment in digital infrastructure and/or skills to grow your business in the next 12 months?	Yes to both	22.22%	25%	40.58%	43.55%
	Yes to digital infrastructure	21.11%	16.67%	20.29%	14.52%
	Yes to skills	22.22%	33.33%	10.14%	19.35%
	No to both	34.44%	25%	28.99%	22.58%
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)			8.70%	6.45%
	Expected future direct benefit			13.04%	22.58%
	No direct benefit but Lancashire's regeneration gives me confidence in the county's future economic growth			56.52%	46.77%
	None of the above			21.74%	24.19%



COUNT ON THE CHAMBER TO SUPPORT, GROW AND REPRESENT YOUR BUSINESS

The North & Western Lancashire Chamber of Commerce is an independent membership organisation. We support, grow and represent over 1,600 businesses in Lancashire and drive the economic wellbeing of the county.

We are part of the British Chambers of Commerce (BCC) which represents 75,000 businesses in the UK, employing over five million people. Our members range from large organisations with over 300 employees to early-stage businesses.

They count on the Chamber for a range of services including growth and development, protection, training, international trade, representation, events and networking, start-up advice, carbon reduction programmes and exclusive discounts.

We're also part of a global network of Chambers operating in all major industrial nations.

Whatever your business needs, you can count on the Chamber for support, growth and representation.

Join today and reap the benefits.

Net balances

	Manufacturing		Services	
	Q3 2025	Q4 2025	Q3 2025	Q4 2025
Domestic Sales	-3	-8	3	8
Domestic Orders	-22	-11	-1	2
Export Sales	14	-8	-3	-3
Export Orders	4	-8	-3	-7
Employment last 3 months	22	-4	5	13
Employment next 3 months	6	1	9	17
% Tried to recruit	73	23	60	63
% Part-time	21	4	34	20
% Full-time	92	22	77	51
% Temporary	13	4	23	14
% Permanent	21	12	38	23
% Recruitment difficulties	62	22	76	40
% Skilled manual	106	18	45	12
% Professional/Managerial	44	15	57	29
% Clerical	50	4	25	13
% Semi and unskilled	50	11	37	5
Cashflow	-23	-6	-15	-12
Investment - plant/machinery	6	-7	-10	2
Investment - training	-3	-4	-4	-4
Confidence - turnover	26	7	24	45
Confidence - profitability	-10	5	7	17
% Full capacity	39	12	41	42
Prices	32	24	41	52
% Pay Settlements	76	34	71	71
% Raw materials	45	24	29	22
% Utilities	39	29	44	40
% Fuel	15	13	27	27
% Financial costs	18	8	20	20
% Other overheads	36	16	39	33

External Factors of more concern than 3 months ago

% Interest rates	27	17	21	16
% Exchange rates	27	2	12	9
% Business rates	33	8	31	32
% Inflation	58	10	55	51
% Competition	45	7	25	26
% Tax	58	10	67	61

Quarterly Change

Manufacturing	Services
Q4 2025	Q4 2025
-5	5
11	3
-22	0
-12	-4
-26	8
-5	8
-50	3
-17	-14
-70	-26
-9	-9
-9	-15
-40	-36
-88	-33
-29	-28
-46	-12
-39	-32
17	3
-13	12
-1	0
-19	21
15	10
-27	1
-8	11
-42	0
-21	-7
-10	-4
-2	0
-10	0
-20	-6
-10	-5
-25	-3
-25	1
-48	-4
-38	1
-48	-6

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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