

Lancashire Quarterly Economic Survey Report

Quarter 2 2025
(April to June)



North & Western
Lancashire
Chamber of Commerce

In partnership with
Brabners

Forewords



Jennie Jones

Partner, Brabners
Sponsors of the Lancashire Quarterly Economic Survey

While the results of this quarter's QES paint a slightly improved picture on the previous report, uncertainty remains among Lancashire businesses about the direction of travel economically, reflecting the conversations that we have with our clients on a regular basis. The reduced intention to invest, in particular, suggests there is a lack of confidence that current government policy can create the conditions for sustained economic growth anytime soon.

While Lancashire's businesses remain resilient amid short-term economic issues, we believe that the key to long-term economic growth – with momentum – comes from the regeneration of our towns and cities across the North. The Lancashire region has a rich, diverse economy with more than 55,000 businesses, supporting 728,000 jobs. By unlocking growth through thriving economic clusters, we create opportunities for everyone.

Encouragingly, there are many significant projects in Lancashire that can act as the catalyst for this regeneration. This includes the £100m Eden North, which will spearhead the redevelopment of Morecambe, and the new £45m Animate leisure scheme, Harris Quarter regeneration and University of Lancashire expansion as part of the regeneration of Preston. There is also the new National Cyber Force HQ in Salmesbury, expected to bring around 2,000 jobs to the region.

In recent weeks, we have also seen significant government announcements designed to facilitate regeneration across the UK, including Lancashire. The announcement of the National Housing Bank, which will provide £16bn of funding designed to unlock over 500,000 homes across the UK was followed up by news of the government's 10-year infrastructure strategy, promising £725bn for UK infrastructure projects.

However, it is not just government investment that will unlock the regeneration of our communities. Construction companies currently face a range of external challenges including rising energy, labour and material costs, the steps required to meet net zero and sustainability targets and the capital investment required to adopt AI and emerging technology into their business practices.

An ageing construction workforce is also contributing to a skills shortage in the sector. This is likely to be further compounded by rising employers' National Insurance contributions, which the QES suggests is impacting skills and training intentions across a range of sectors. Planning restrictions, the impact of the Building Safety Act and a lack of regulators are also causing significant delays to development projects, which is impeding the sector's ability to meet the government's housebuilding and infrastructure targets.

These challenges have been explored during our quarterly Building Links events where leading experts provide practical tips and guidance on how to address the challenges facing the sector and explore how to maximise opportunities.

Government investment into the regeneration of our towns and communities across the North is welcome, and something that we have continually called for, alongside our True North network of over 430 business leaders committed to supporting the future of the North. However, without creating the conditions that allow businesses to come alongside and invest, the private sector will not be able to support and capitalise on this huge opportunity and allow Lancashire and the wider region to reach its economic potential.

Jennie Jones



Babs Murphy

Chief Executive,
North & Western Lancashire Chamber of Commerce

The results from our latest Quarterly Economic Survey paint a picture that will feel familiar to many business leaders across Lancashire — one of cautious resilience against a backdrop of national uncertainty.

While some firms are still seeing movement in UK orders and overseas trade, momentum remains inconsistent. Export sales in particular continue to be affected by global market shifts and regulatory complexities, reminding us that international competitiveness must stay high on the policy agenda.

Perhaps most striking is the continued lack of confidence in the UK government's ability to create the conditions businesses need to thrive. Many decision-makers are clearly holding off on major investments, waiting for clearer direction and stability in the national economy.

Frustration around recruitment and skills also remains entrenched. Despite a strong appetite for growth, employers across all sectors are still battling to fill vacancies and find the right talent. It's vital that the government expands its support for training and accelerates reforms to the skills system, including extending the Local Skills Improvement Plans and unblocking access to the Apprenticeship Levy.

As ever, Lancashire businesses continue to demonstrate grit and ambition. Our role is to ensure that their concerns are heard, their priorities championed, and their potential fully supported.

Babs Murphy

About this quarter's survey

The Q2 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 12th May to 9th June
- Responses were received from 150 companies across Lancashire employing 21,785 people.
- From the manufacturing sector, 41 business employing 6,042 people responded to the survey.
- From the service sector, 109 businesses employing 15,743 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 increased domestic sales slipped from -10 to -21; with no change from last quarter in domestic orders.
- The balance of firms reporting increased export sales also levelled on the last quarter with export orders experiencing a significant dip from 6 in Q1 to -2 this quarter.
- Sobering figures on the workforce front with employment falling from -2 in Q1 to -20 this time around – a rise in employers NI will be a major contributor to this.
- Attempts to recruit skilled labour has taken a hit too in the past quarter (94 to 74) and there's an even bigger fall when trying to recruit managerial posts. In fact, all manufacturing positions have experienced a fall in attempting to recruit.
- Cashflow continues to rise though with businesses further tightening their purse strings.
- However, investment has slipped back into negative terms with less manufacturers willing to put money into machinery and training its workforce.

Key findings

Services sector



- The balance of firms reporting increased domestic sales has dipped following a good start to 2025, dropping from 12 to 7, but domestic orders have increased by 17 points from -6 to 11.
- Export sales have also dipped in the past quarter as did export orders, with both sectors struggling in the run-up to June.
- On the employment front the sector fairs slightly better than manufacturing, though it is still a grim picture with the last three months seeing a dip by six points but more encouraging news for the next three with firms hoping to recruit more, particularly when it comes to temporary staff.
- The balance of firms reporting increased cashflow has improved, but only slightly on the previous quarter, up by one point.
- Following a plateau in recent quarters, there has been an improvement with firms reporting increases in investment in equipment and training, though this has yet to reach the pre-pandemic levels of investment.
- However, the balance of firms expecting turnover to improve in the next 12 months has risen from 23 to 33, as has the sectors confidence in profitability, which is in stark contrast to that of the manufacturing sector.

Key findings

UK sales and orders

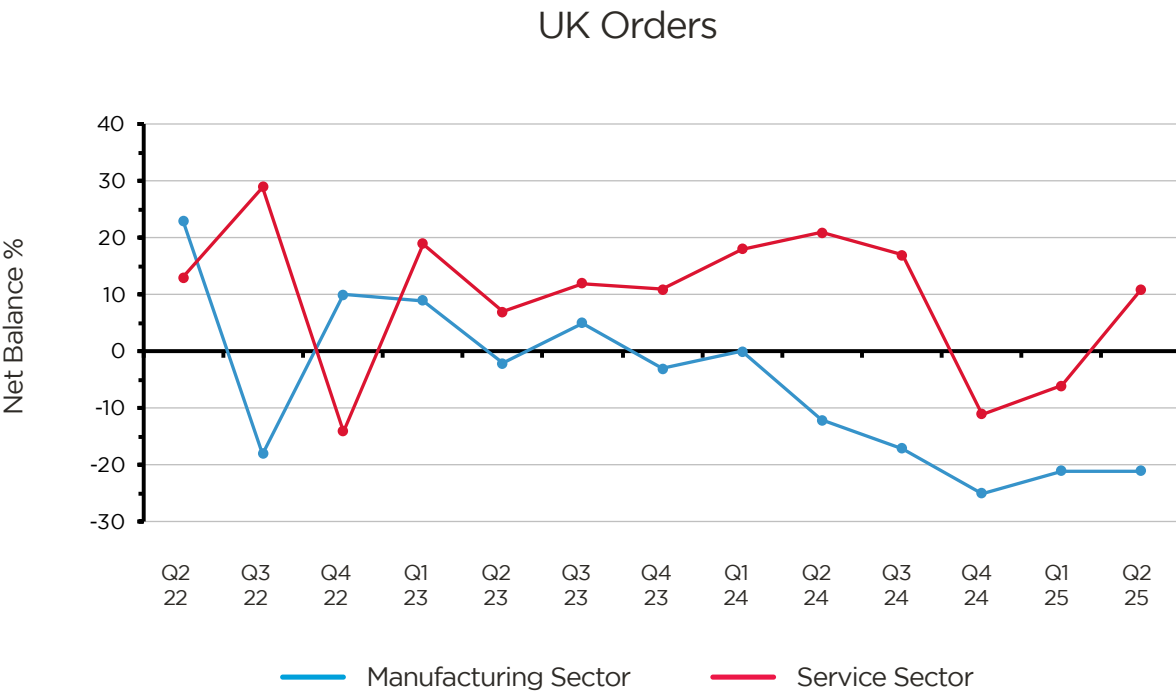
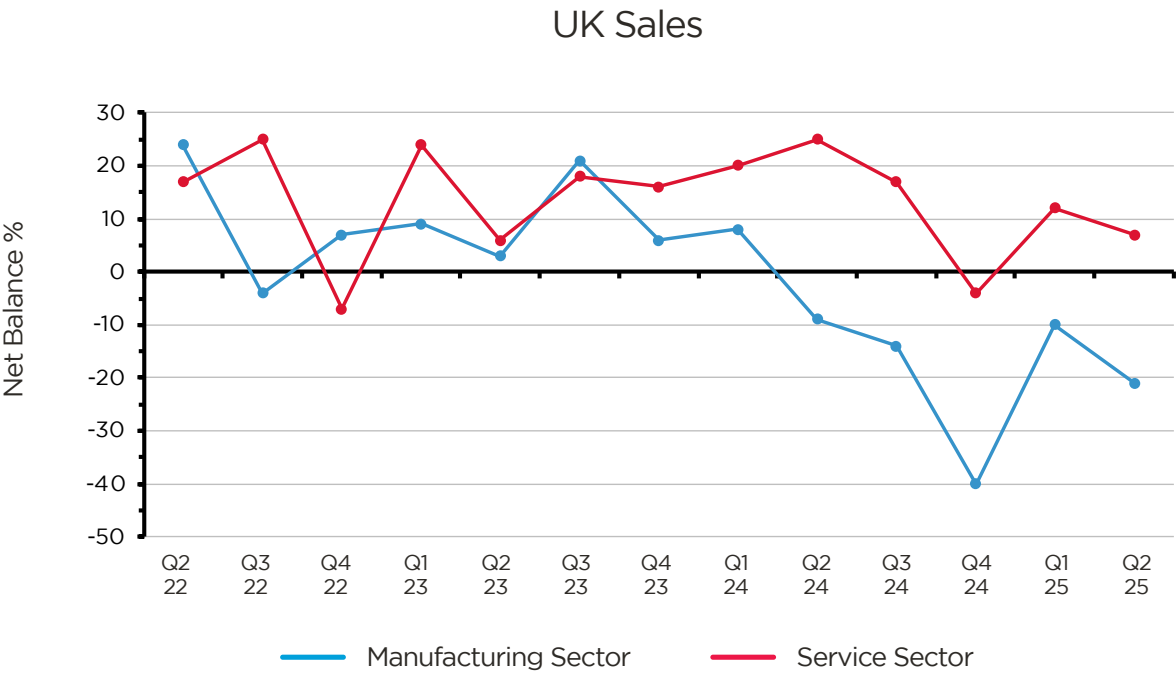


Whatever optimism there was in Q1 has diminished with the latest sales with only 17% of manufacturers reporting an increase, compared with almost a quarter in Q1. Over a third reported a dip in sales with the majority (45%) saying it remained constant.

The service sector has fared slightly better with a third saying UK sales have increased, while just over a quarter of responses reporting a decrease and 41% saying it has

remained constant. It's a similar story for order books with almost a third reporting an increase in advanced sales and the majority expecting no change. A stagnant UK economy, which has barely shown any signs of real growth in six months paints a similar picture closer to home.

Key findings



Key findings

Export sales and orders

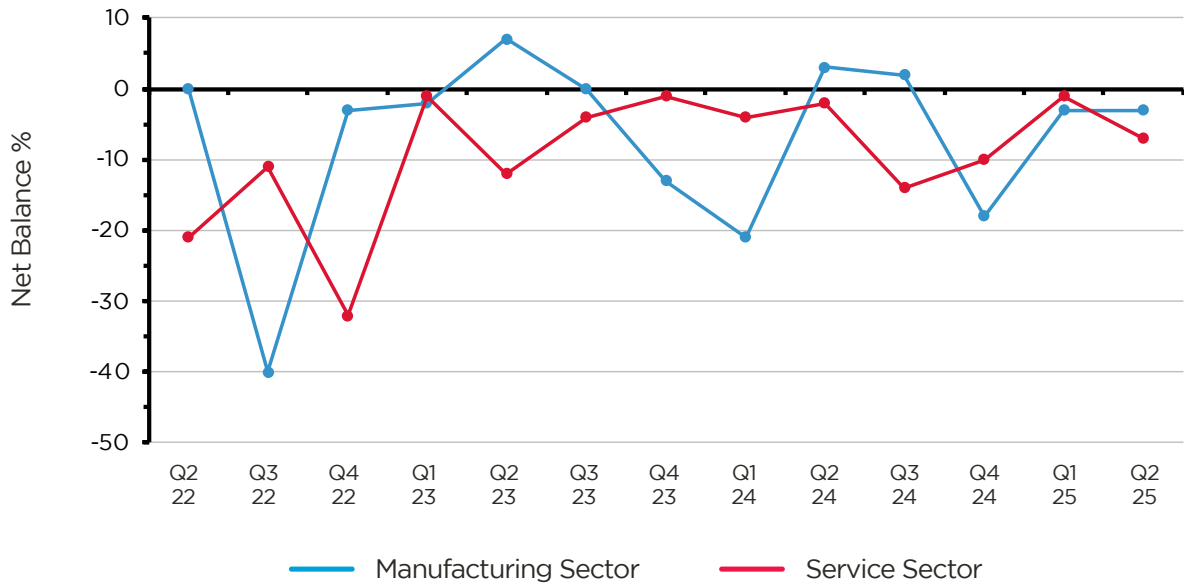


The international picture is not any brighter this quarter with only 13% of manufacturers reporting an increase in sales – down from almost a quarter in Q1, but the service sector has improved with 18% reporting an increase, compared to 14% last quarter. The lack of growth in the economy also means many businesses saying their export sales have plateaued, while 15% of manufacturing and a quarter of services have experienced a dip.

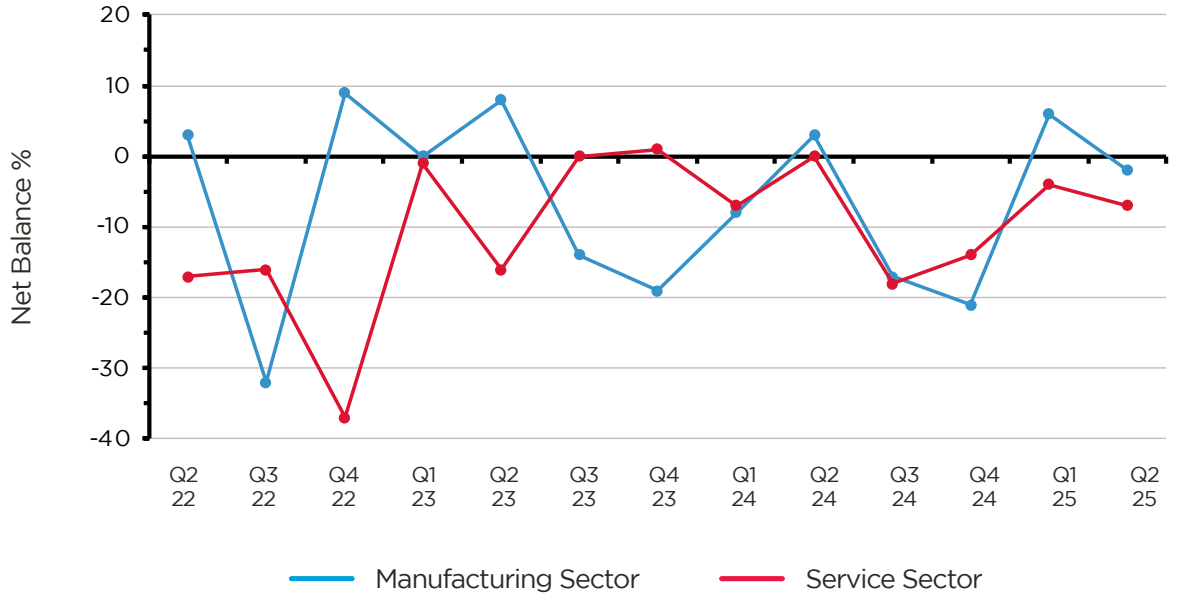
There is no improvement on future orders either with manufacturing showing a 10% decrease in advanced sales on Q1 though the service sector has slightly improved its outlook by three per cent on the first three months of 2025. Like the domestic market there is very little room for improvement with firms admitting not much is happening on the global market for export sales and advanced orders.

Key findings

Export Sales



Export Orders



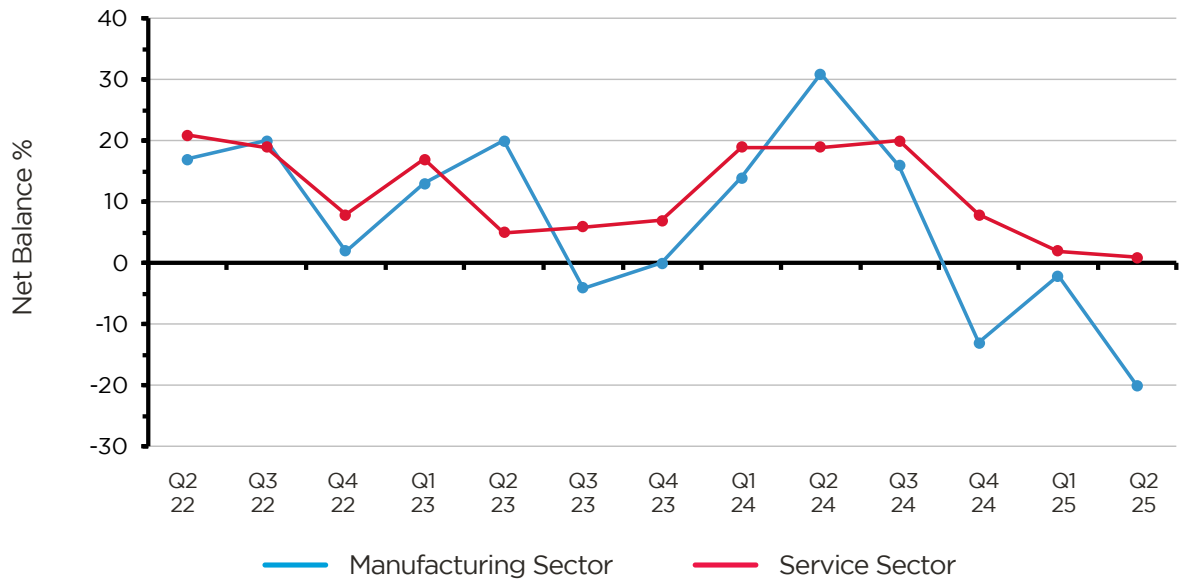
Key findings

Employment

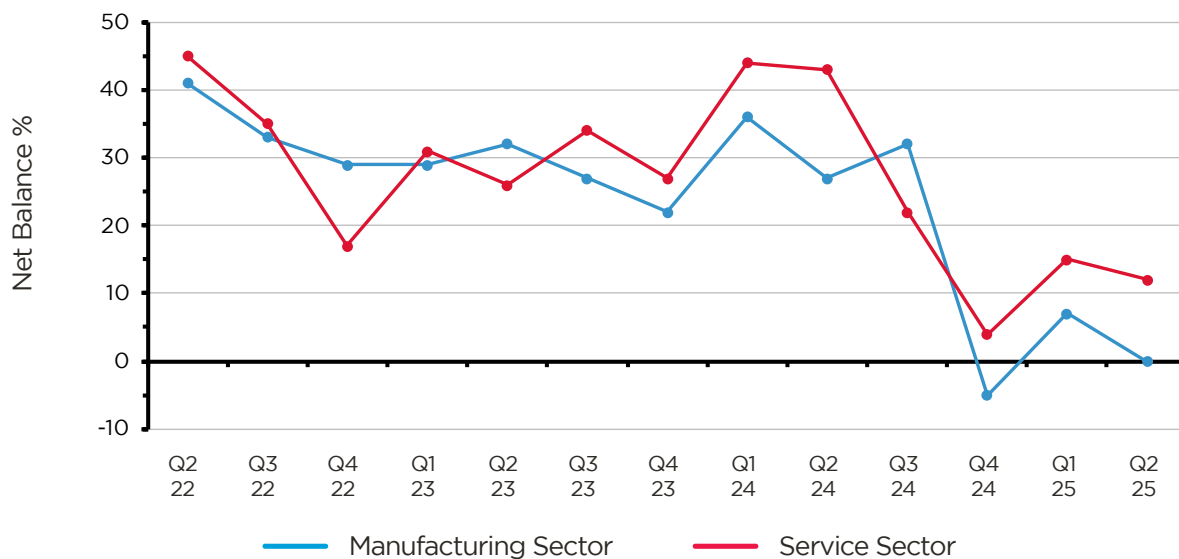
With the economy stagnant it is little surprise that the labour market continues its struggles at the mid-point of the year with both sectors reporting recruitment has pretty much flatlined. As many businesses take on the added responsibility of increases in employer NI and a rise in employment very few have opted to recruit and those that have found difficulties with over two-thirds of manufacturers and 62% of services saying they've experienced problems in finding new staff.

Almost 40% of manufacturers who responded to the survey have decreased their workforce while 20% of services have done the same. The majority are holding on to their current staff numbers and probably waiting for the economy to improve before they dip their toes into the labour market pool.

Employment in the last 3 months



Employment in the next 3 months

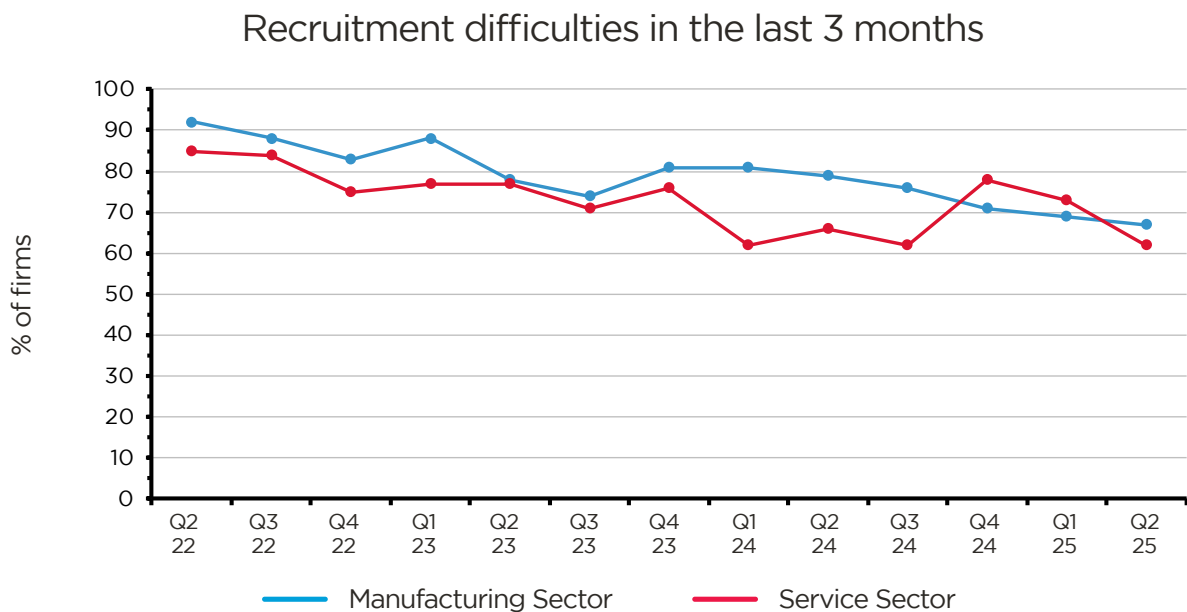
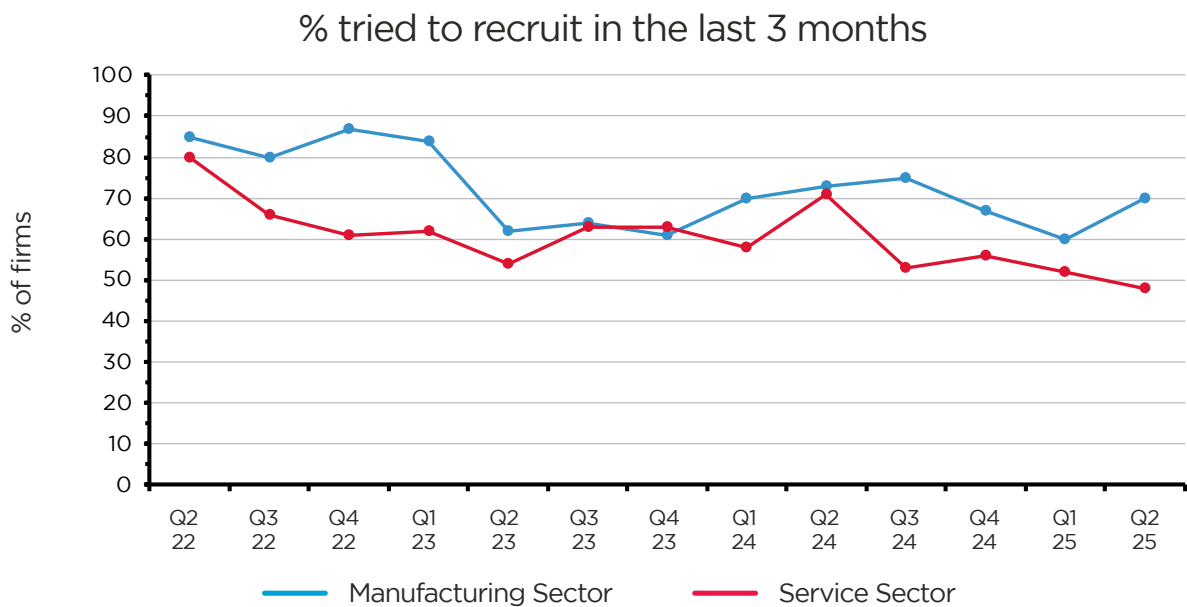


Key findings

Recruitment

Finding skilled workers continues to be a struggle in the manufacturing sector with 75% of firms saying they are the hardest to employ. For the service sector, employing managerial staff is the biggest headache.

Where businesses are recruiting, it seems that full-time positions are the most popular with 94% of manufacturers and 88% of services looking for them. Temporary jobs in the manufacturing sector have flatlined with no-one in this sector saying they are offering such work.



Key findings

Investment intentions

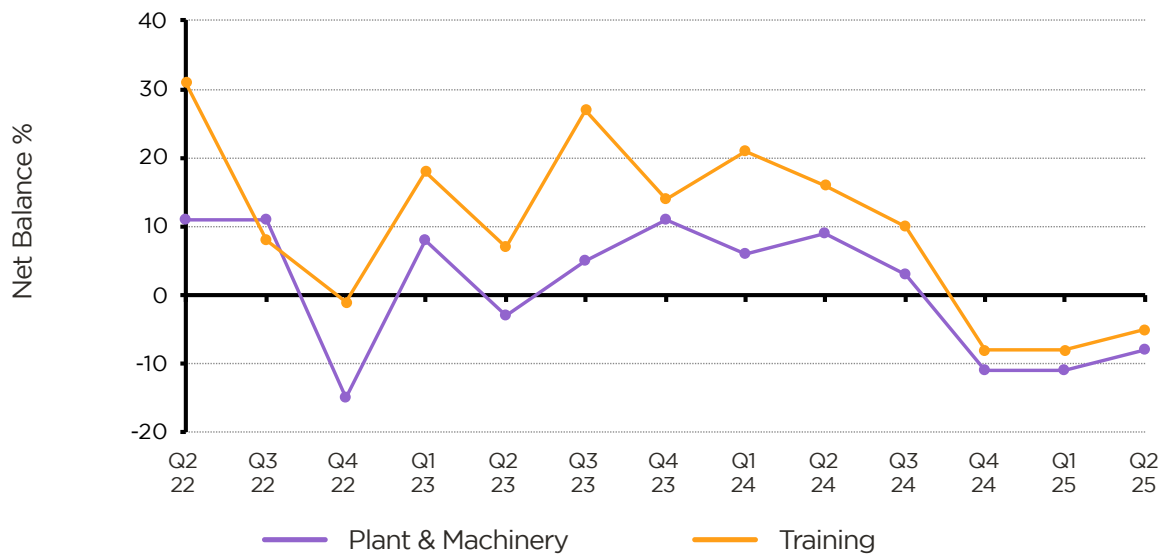
With businesses having to absorb the NI hikes and other subsidiary tax rises it comes as little surprise they have been able to commit to investing either in their training or new machinery and equipment. Just 20% of both sectors say they plan to invest, though this is up on Q1 but many have revised their plans with 37% of manufacturing and 28% saying they have changed their plans due to other overheads.

As a running theme throughout this quarter, both sectors are sitting tight on their intentions to invest and awaiting an improvement in the wider economy before committing.

Manufacturing investment plans



Service sector investment plans



Key findings

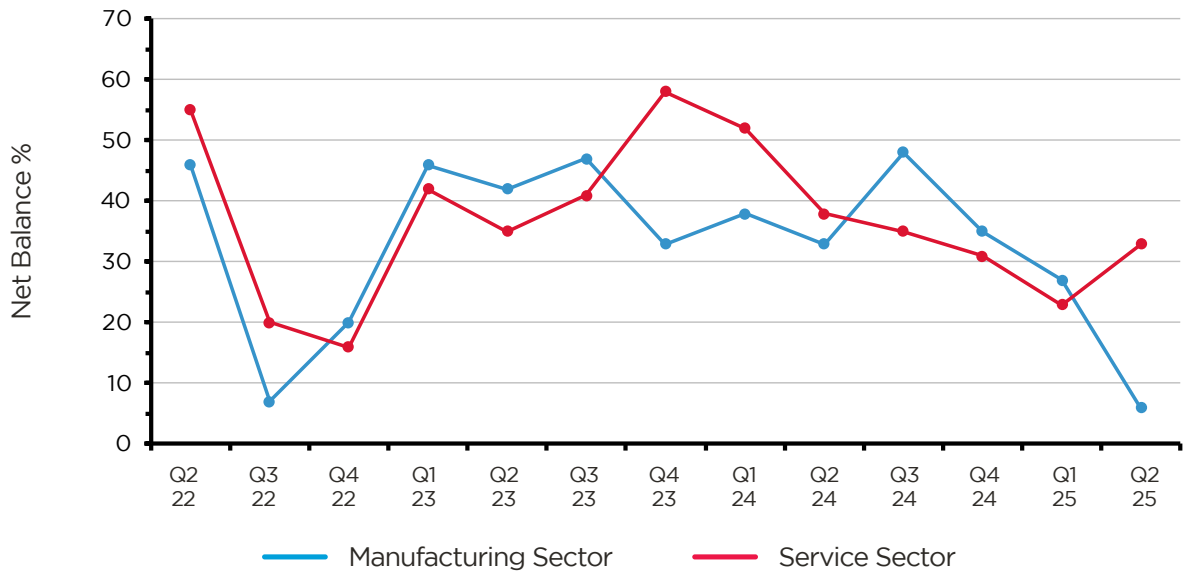
Business confidence

It may not come as a surprise but with UK and global sales remaining stagnant, the national economy barely moving forward and recruitment struggling, there is not a lot of confidence about. While Q1 might have shown a flutter following Christmas, the green shoots of recovery are not being experienced with manufacturers reporting a downturn in turnover and profitability.

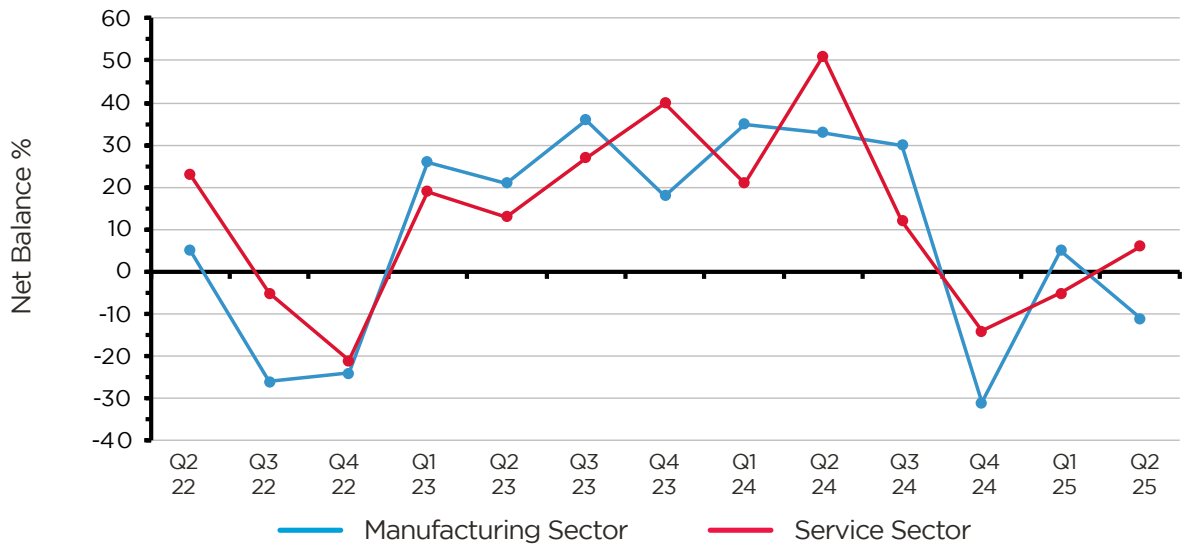
Buoying the trend – of only slightly – is the service sector – with over a half of respondents saying they are confident in an increase in turnover and 42% hoping to make a profit.

Over a third of both sectors are expecting profits to dip. Clearly, decision-makers are looking at the national picture and this is reflecting on local results with many businesses unwilling to take a chance until the UK economy starts to move forward, rather than remaining flat. Even though the government continues to bang the growth drum, the sentiment is not being heard at the coal face, where the real decisions are being made.

Business confidence - turnover

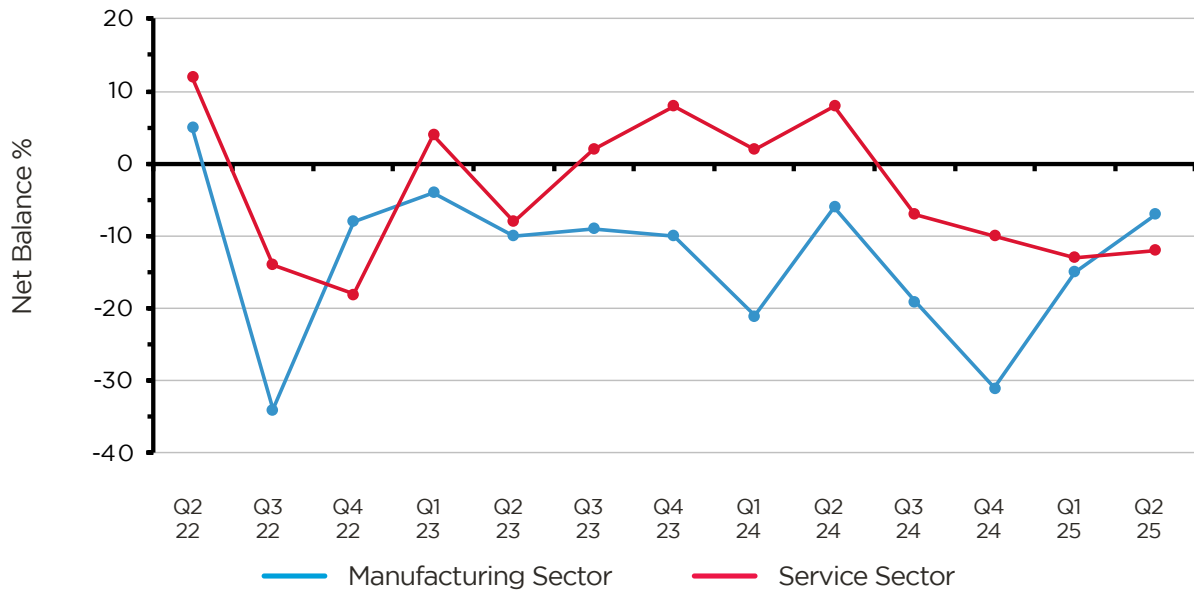


Business confidence - profitability

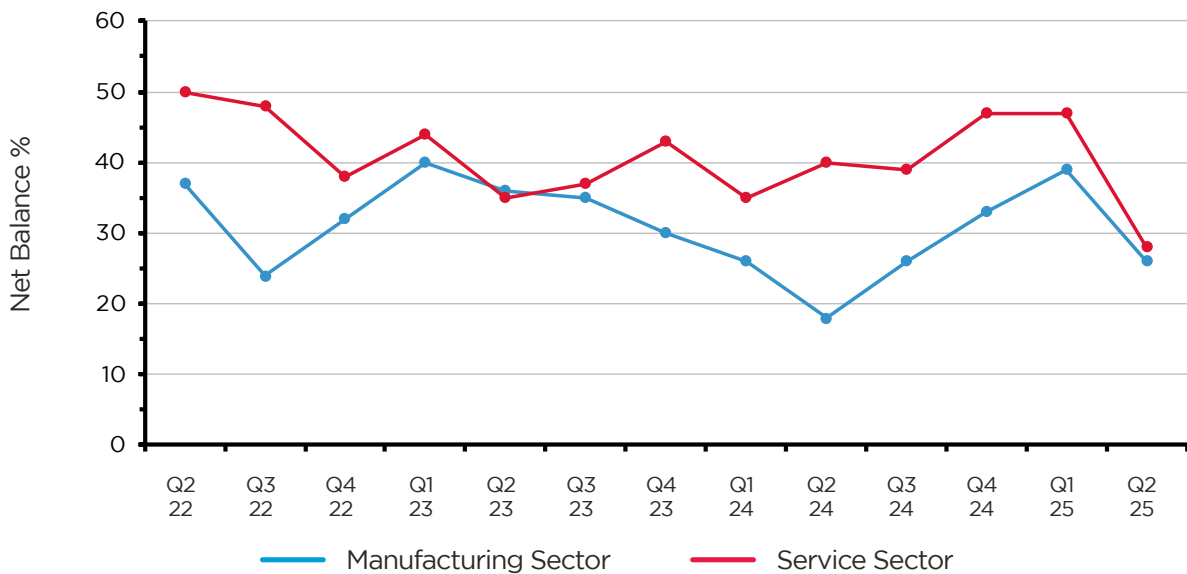


Key findings

Business confidence – cashflow



Business confidence – capacity utilisation



Key findings

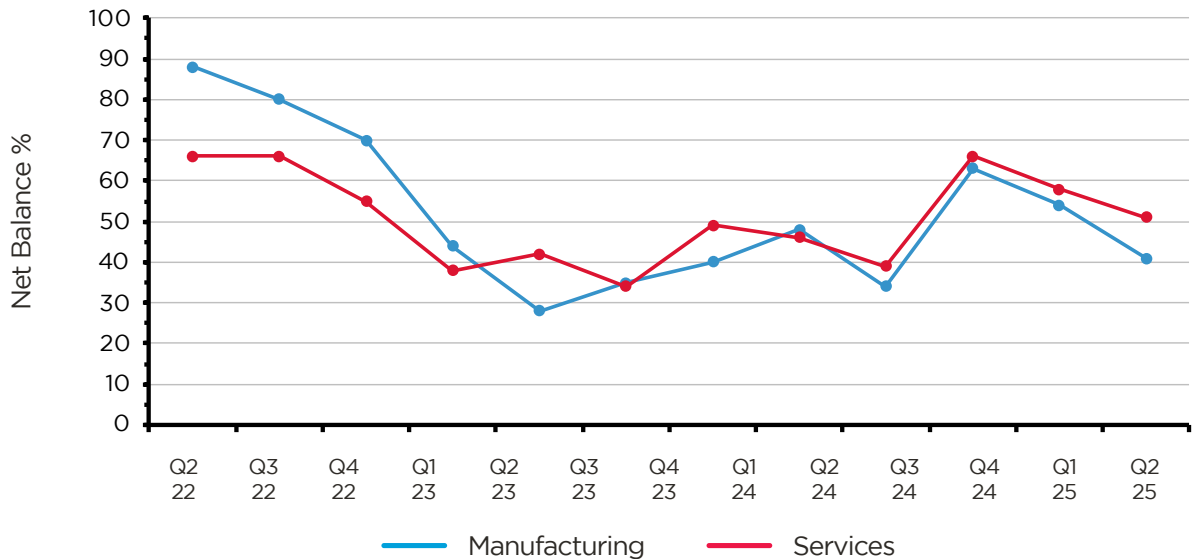
Prices

Businesses across Lancashire are expecting to put their prices up over the next quarter with customers expected to shoulder the burden of the price of doing business rising. This has altered based on Q1 where 60% of both sectors says prices will go up – now only half of respondents expect to pass on the prices and only 4% of manufacturers and 2% of services say they will reduce prices.

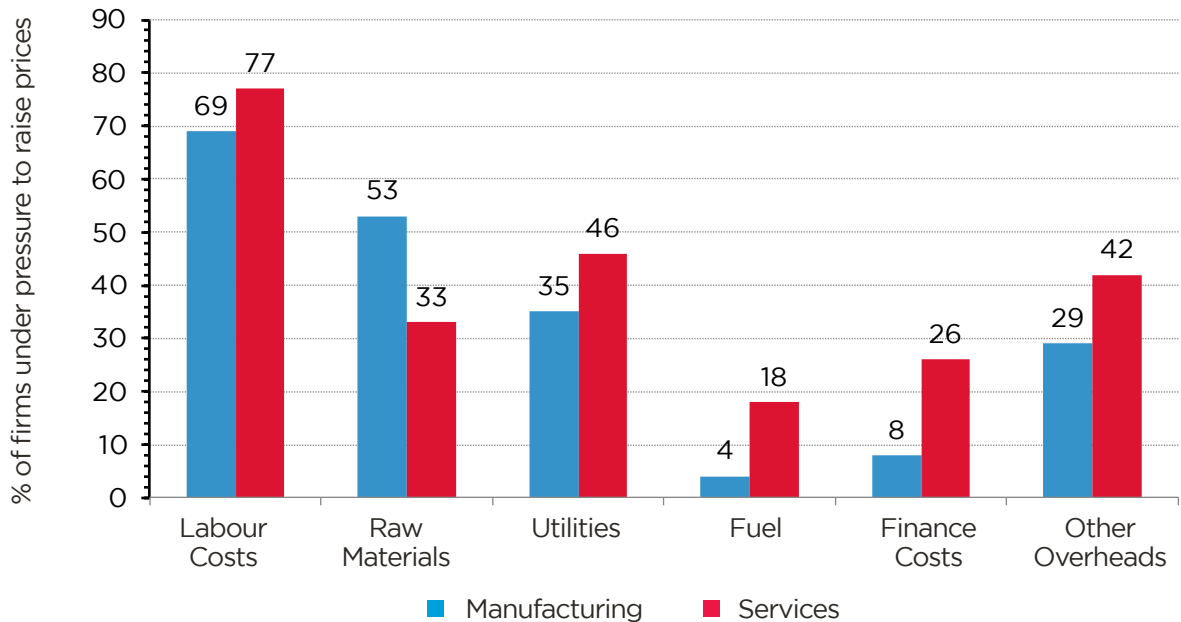
As expected, salaries and pay settlements are top of the list

where businesses are feeling the pressure with half of both sectors saying the reason for price rises is to give their staff an increase in pay. Raw materials have also risen, though there is a continued drop in fuel costs, reflecting the geo-political market and the prices at the pump remaining low, though this could change in the next quarter with the current Middle East tensions.

Price of goods and services over next three months



Factors affecting prices



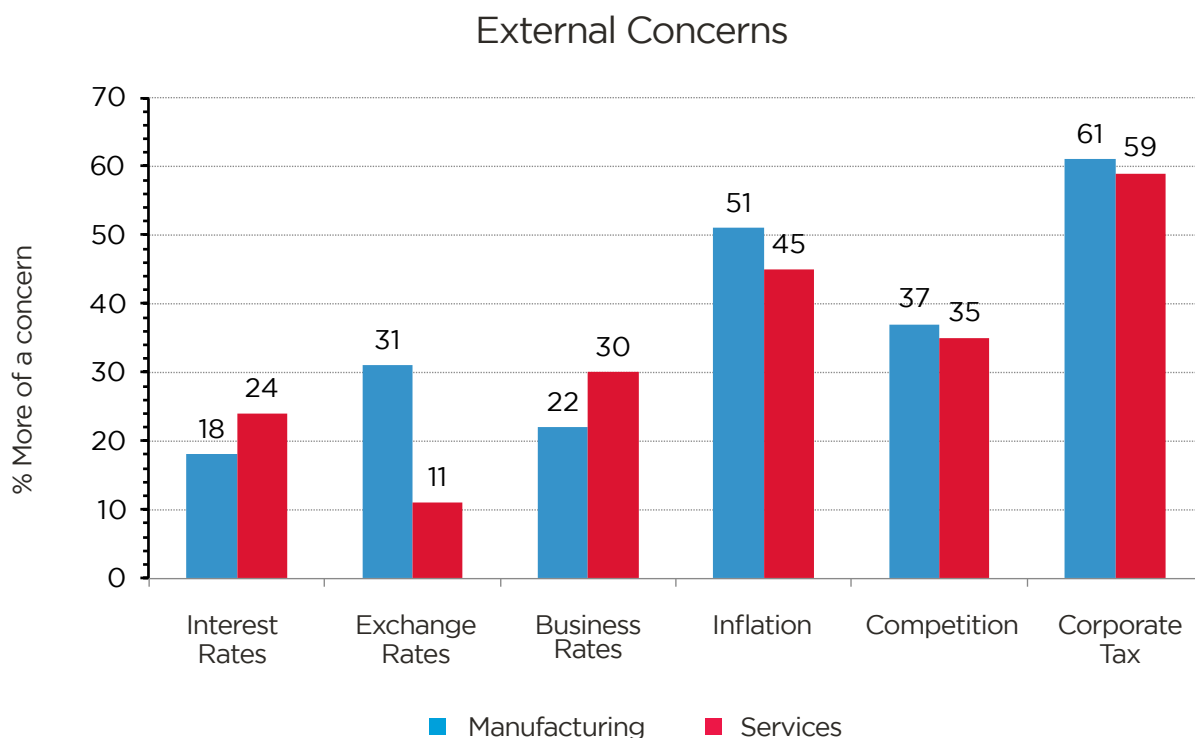
Key findings

External factors | manufacturing

While concerns over interest rates dominated Q1, two consecutive cuts means their attention has turned to corporation tax and what could be happening in the next Budget, even if it is a few months away. The Chancellor has not ruled out tax increases but it is hoped businesses will be let off more than they have been recently. With inflation continuing to creep up, there are concerns from members that more pain could be on the way before the situation improves.

External factors | services

Like manufacturing, the uncertainty surrounding corporation tax remains a headache for the service sector, though competition is a concern, rising slightly on the last quarter. Similarly, inflation remain the highest concern, alongside the constant battle with business rates, though exchange rates fair slightly less in the minds of service sector bosses.



Additional Questions

As part of Brabners' sponsorship of this and the previous two economic surveys, we asked respondents the same three additional questions on the firm's behalf about devolution, skills and investment intentions over the next 12 months.

| | | Q3 | Q4 | Q1 | Q2 |
|---|-------------------------------|--------|--------|--------|--------|
| To what extent do you think devolution will improve conditions for business growth in Lancashire? | Strongly Agree | 5.83% | 3.28% | 1.11% | 16.67% |
| | Agree | 16.50% | 21.31% | 20% | 0% |
| | Neither agree nor disagree | 69.90% | 62.30% | 67.78% | 58.33% |
| | Disagree | 3.88% | 9.84% | 5.56% | 25% |
| | Strongly Disagree | 3.88% | 3.28% | 5.56% | 0% |
| Q21 Do you feel your workforce has the skills needed to support the growth of your business over the next three years? | Yes | 66.02% | 72.13% | 78.89% | 58.33% |
| | No | 33.98% | 27.87% | 21.11% | 41.67% |
| Are you planning on increasing investment in digital infrastructure and/or skills to grow your business in the next 12 months? | Yes to both | 40.78% | 34.43% | 22.22% | 25% |
| | Yes to digital infrastructure | 13.59% | 19.67% | 21.11% | 16.67% |
| | Yes to skills | 16.50% | 16.39% | 22.22% | 33.33% |
| | No to both | 29.13% | 29.51% | 34.44% | 25% |



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 | |
|------------------------------|---------------|------------|----------|------------|
| | Q1 2025 | Q2 2025 | Q1 2025 | Q2 2025 |
| Domestic Sales | -10 | -21 | 12 | 7 |
| Domestic Orders | -21 | -21 | -6 | 11 |
| Export Sales | -3 | -3 | -1 | -7 |
| Export Orders | 6 | -2 | -4 | -7 |
| Employment last 3 months | -2 | -20 | 2 | 1 |
| Employment next 3 months | 7 | 0 | 15 | 12 |
| % Tried to recruit | 60 | 70 | 52 | 48 |
| % Part-time | 4 | 19 | 29 | 35 |
| % Full-time | 100 | 94 | 72 | 88 |
| % Temporary | 8 | 0 | 17 | 23 |
| % Permanent | 50 | 44 | 33 | 52 |
| % Recruitment difficulties | 69 | 67 | 73 | 62 |
| % Skilled manual | 94 | 75 | 42 | 48 |
| % Professional/Managerial | 67 | 42 | 51 | 97 |
| % Clerical | 39 | 21 | 29 | 45 |
| % Semi and unskilled | 33 | 29 | 22 | 24 |
| Cashflow | -15 | -7 | -13 | -12 |
| Investment - plant/machinery | -10 | -17 | -11 | -8 |
| Investment - training | -8 | -9 | -8 | -5 |
| Confidence - turnover | 27 | 6 | 23 | 33 |
| Confidence - profitability | 5 | -11 | -5 | 6 |
| % Full capacity | 39 | 26 | 47 | 28 |
| Prices | 54 | 41 | 58 | 51 |
| % Pay Settlements | 46 | 69 | 52 | 77 |
| % Raw materials | 46 | 53 | 27 | 33 |
| % Utilities | 41 | 35 | 48 | 46 |
| % Fuel | 41 | 4 | 41 | 18 |
| % Financial costs | 27 | 8 | 32 | 26 |
| % Other overheads | 51 | 29 | 51 | 42 |

External Factors of more concern than 3 months ago

| | | | | |
|------------------|----|-----------|----|-----------|
| % Interest rates | 49 | 18 | 55 | 24 |
| % Exchange rates | 39 | 31 | 20 | 11 |
| % Business rates | 24 | 22 | 41 | 30 |
| % Inflation | 27 | 51 | 35 | 45 |
| % Competition | 32 | 37 | 27 | 35 |
| % Tax | 54 | 61 | 50 | 59 |

Quarterly Change

| Manufacturing | Services |
|---------------|----------|
| Q2 2025 | Q2 2025 |
| -11 | -5 |
| 0 | 17 |
| 0 | -6 |
| -8 | -3 |
| -18 | -1 |
| -7 | -3 |
| 10 | -3 |
| 15 | 6 |
| -6 | 15 |
| -8 | 6 |
| -6 | 19 |
| -3 | -12 |
| -19 | 6 |
| -25 | 46 |
| -18 | 16 |
| -4 | 2 |
| 9 | 1 |
| -7 | 3 |
| -1 | 3 |
| -20 | 11 |
| -16 | 12 |
| -13 | -18 |
| -13 | -7 |
| 23 | 25 |
| 7 | 6 |
| -7 | -3 |
| -37 | -23 |
| -19 | -6 |
| -23 | -10 |
| | |
| -30 | -31 |
| -8 | -9 |
| -2 | -11 |
| 24 | 10 |
| 5 | 8 |
| 8 | 9 |

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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