Lancashire Quarterly Economic Survey Report

Quarter 3 2025
(July to September)

North & Western Lancashire Chamber of Commerce

In partnership with Brabners

Forewords

Robert White

Chief Executive, Brabners
Sponsors of the Lancashire Quarterly Economic Survey

The results of this Quarterly Economic Survey show the remarkable resilience of Lancashire's business community amid ongoing economic and political pressures.

This strength of the owner-managed business community, and its importance to the region's overall growth, is a central theme of Brabners' True North initiative. It's a community that's often overlooked and several reports highlight limited access to capital is holding businesses back.

Attracting external investment into our county's businesses is key to providing this cash and accelerating growth. So, what does Lancashire need to do to attract this investment?

Evidence shows that when the public sector invests in its own economy, the private sector follows, creating a lasting multiplier effect. Between 2015 and 2023, the Greater Manchester Combined Authority's investment funds pumped £1.2bn in the local economy. It has been growing faster than the UK economy for around a decade and it's no coincidence that the region is home to many of the region's best-known equity and debt providers, including Palatine, Maven Capital Partners, YFM and Shawbrook.

Other areas of the North with a similar approach to public sector investment include Liverpool City Region. Its Strategic Investment Fund has supported some of the area's most high-profile recent developments, while York and North Yorkshire Combined Authority also has a £540m mayoral investment fund for economic development.

The common denominator is these regions all have a framework to allow the public sector to determine priorities then invest accordingly, giving confidence for the private sector to follow. While it's naive to think devolution is a silver bullet for all economic issues, the data indicates that done correctly, it can catalyse public and, in turn, private investment by providing a framework for long-term growth which transcends political cycles.

Lancashire already has many of the building blocks for a sustained period of economic expansion. There is a strong and growing entrepreneurial culture, with a record number of new companies registered in 2023 – while the success of initiatives such as FHunded and the Northern Powerhouse Investment fund shows these young, growing businesses are open to external investment to fuel expansion.

There is also a shift in the wider UK investment community toward domestic opportunities. The Mansion House Accord, signed in May by 17 major workplace pension providers managing around £50bn in institutional funds, pledged to increase investment in growth-driving assets – including private equity.

Following the publication of the Lancashire Growth Plan in September, the county now has an overarching economic strategy – an important step for Lancashire's decision-makers in working toward a common economic goal. Now is the time for the county to seize the opportunity offered by greater devolution. With the right framework, Lancashire can maximise both public and private investment to harness true economic growth for the next generation.

Babs Murphy

Chief Executive,
North & Western Lancashire Chamber of Commerce

As Lancashire businesses brace themselves for an autumn of uncertainty, this quarter's results throw in a curveball which is as unexpected as it is welcomed.

Manufacturing has suffered more than most, pretty much since the UK came out of the Covid cloud and add to that the issues of leaving the EU, a cost-of-living crisis and a new government intent on delivering growth but largely failing to stimulate the economy and you have all the ingredients of a continued slump for this sector.

This, however, does not seem to be the case, albeit for the past three months with manufacturing businesses experiencing increases in export sales and orders and dipping their toes into the labour market, a trend which has not happened for over a year.

While the service sector continues to plateau with barely any movement, manufacturing, overall, is carrying on the Lancashire trend of showing resilience in the face of economic gloom which threatens to get worse before it gets better.
This might well be a short-term upturn in fortunes, but it is one which has provided a real boost to a sector which continues to adapt to adversity, and long may it continue.

While there is optimism in parts of this sector though, there are continued concerns for cashflow which remains a real headache for many businesses. This needs to be addressed if companies wish to continue to keep their heads above the choppy economic waters.

About this quarter’s survey

The Q3 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 18th August to 15th September.
- Responses were received from 141 companies across Lancashire employing 20,451 people.
- From the manufacturing sector, 33 business employing 2,803 people responded to the survey.
- From the service sector, 108 businesses employing 17,648 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 rose on the last quarter from -21 to -3; there was a slight dip by a point in domestic orders.
- The balance of firms reporting increased export sales received a major boost from -3 in the last quarter to plus 14 in Q3 with orders also getting a boost from -2 to plus 4 – this could be down to seasonal production.
- There's also good news on the employment front with Q2 plummeting to -20 and a rise to plus 22 – again, this could be due to seasonal and temporary staff.
- Temporary staff are the main recipients of this boost in employment in the sector with a rise in 13 points, this could be down to them being a cheaper alternative due to the hike in national insurance brought in the last Budget.
- Cashflow continues to be a concern in the sector, however, with more businesses tightening their purse strings ahead of possible more expected tax hikes in the forthcoming Budget.
- More manufacturers have invested in machinery and there has been a slight rise in investing in training too.
- This has led to an upturn in confidence within the sector, according to this quarterly set of results. It might be too early to suggest the sector has turned a corner but it's promising compared to Q2.

Key findings

Services sector

- The balance of firms reporting increased domestic sales has dipped again following a positive start to 2025, dropping from 7 to 3, as have domestic orders, slumping from 11 to -1 in this quarter.
- Export sales have risen slightly, as have export orders but they are still to post positive numbers in 2025.
- On the employment front the sector has also experienced a rise, though not on the same levels as manufacturing, but there is more encouraging news than in the last quarter. However, projected employment for the next three months does not make great reading, down on the last quarter.
- Attempts to recruit are a mixed bag with part-time and temporary receiving a boost but there are dips in full-time and permanent positions.
- The balance of firms reporting increased cashflow has decreased, but only slightly on the previous quarter, by three points.
- Following a plateau in recent quarters, there has been a dip in firms reporting increases in investment in equipment and training.
- Unlike manufacturing, this sector is not as confident when it comes to turnover, though they are slightly more upbeat when it comes to profit.

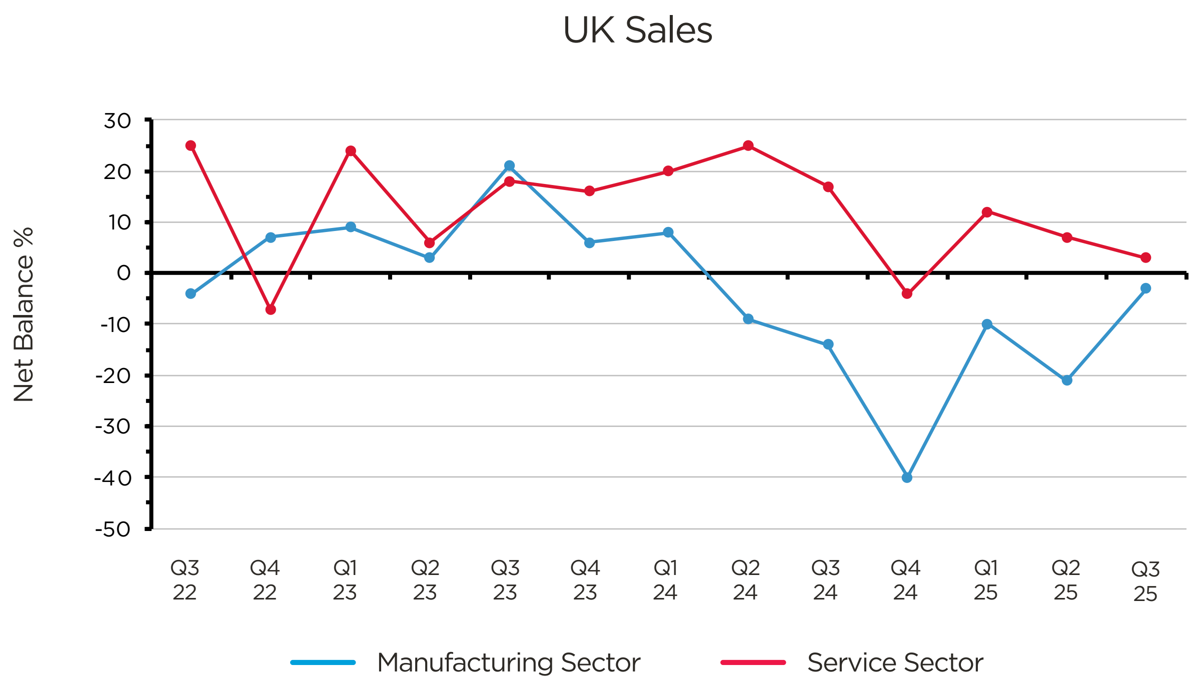
Key findings

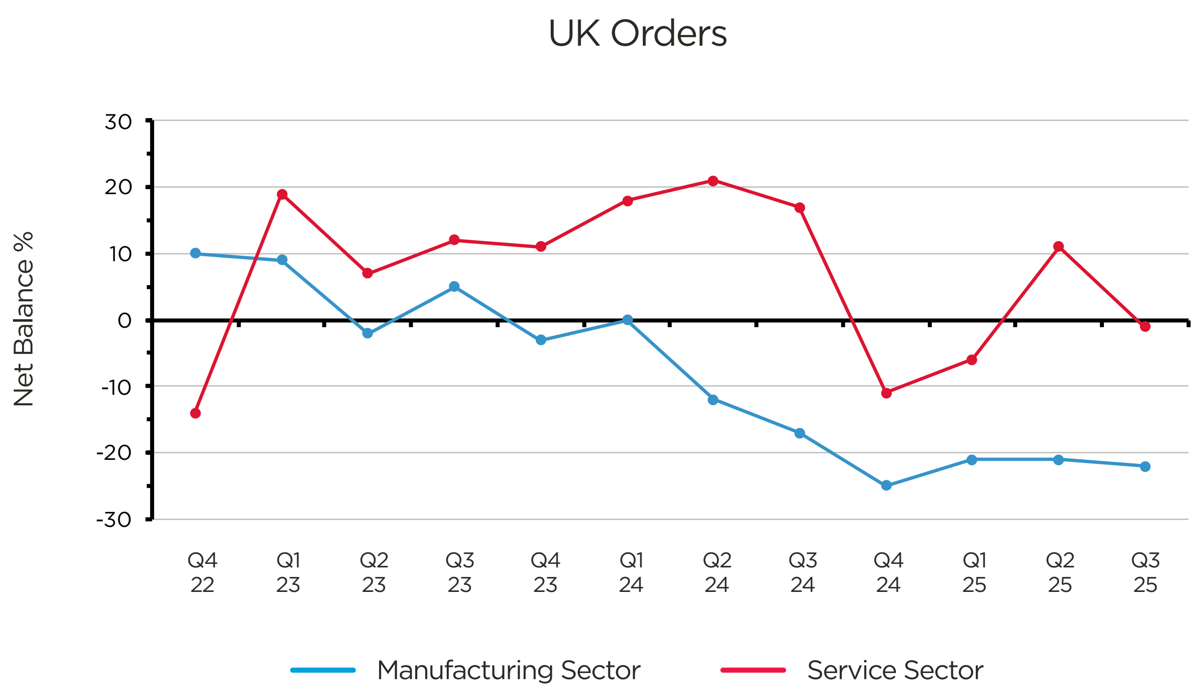
UK sales and orders

Although there are less responses in the manufacturing sector compared to Q2, their sales have increased with 29% reporting an upturn in domestic sales, though the vast majority remains plateaued. Under a third (32%) reported a dip in sales, fairing better than Q2 (38%). Order books for this sector are up slightly on the previous quarter, 25% in Q3 to 21% in Q2. There is also a slight fall in orders.

In the service sector, not much has changed compared to Q2 with a two per cent change downwards in domestic orders and the same when it comes to falling orders. Order books remain stagnant with not much movement across the board, with only a couple of per cent movement – concerning times for the sector.

Key findings





Key findings

Export sales and orders

Following a few months in the doldrums, the international market has come alive for manufacturing in the past quarter with almost a third (32%) of firms reporting an increase in export sales, compared to just 13% in Q2. This is good news for the sector which has suffered over the past two quarters. Future bookings are also experiencing a purple patch with 29% of firms (15% in Q2) saying their order books are fuller, though a quarter have seen a slow down in export orders.

It is not such good news for the service sector though, with overseas sales down by three per cent on Q2 and the vast majority (68%) remaining the same as the previous quarter, though fewer firms have reported a decrease in export sales. Future orders don't fare much better with just 11% (18% in Q2) reporting an increase and almost three quarters saying it remains pretty much the same as previous quarters.

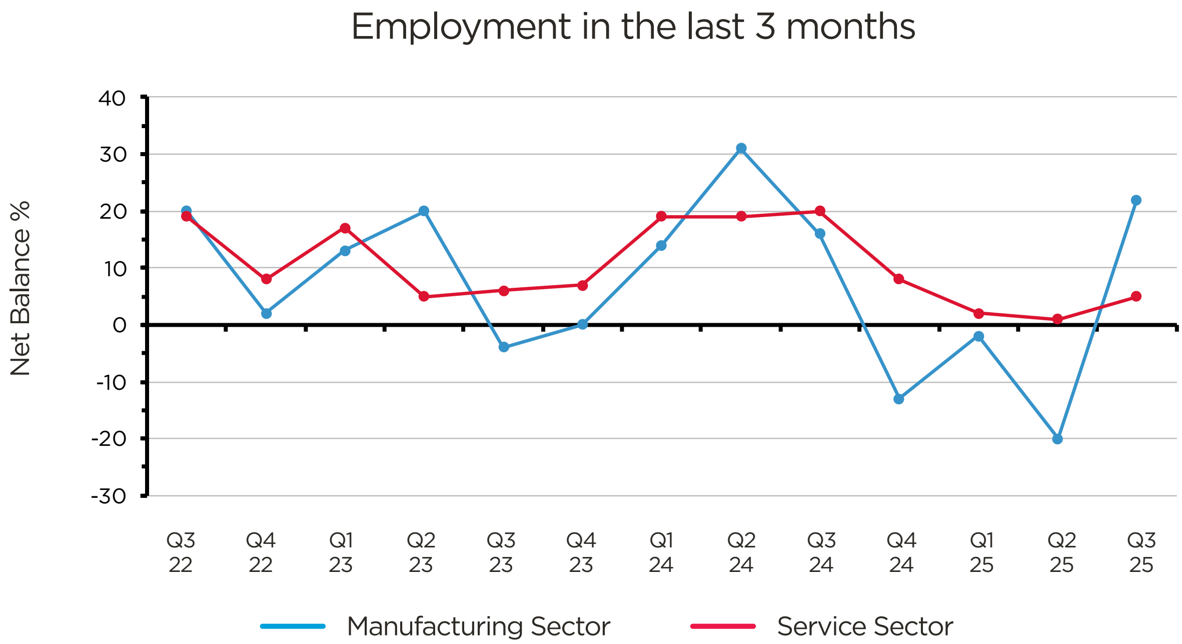
Key findings

Key findings

Employment

The positive news continues on the labour front for the manufacturing sector with 38% of businesses saying they have taken on more staff in the past quarter. This is up by a fifth on Q2 – many of these are in part-time or temporary roles but it shows how the sector is using the available workforce to up its capacity when it comes to the upturn in orders, particularly on the international front. The sector is also managing to retain staff with only 16% reporting a decline in the workforce, while it was close to 40% in the previous set of results. That confidence doesn't quite stretch to the next three months, however, with just 19% hopeful of taking more staff on.

Service businesses too have reported an increase in their workforce with over a quarter of the 108 businesses saying they have more staff on their books, with over a fifth (21%) reporting a decrease. Overall, a third of the two sectors have reported an increase in employment, up 10 per cent on the last quarter so there are reasons to be cheerful after many quarters of reporting a lack of investment in the employment market.

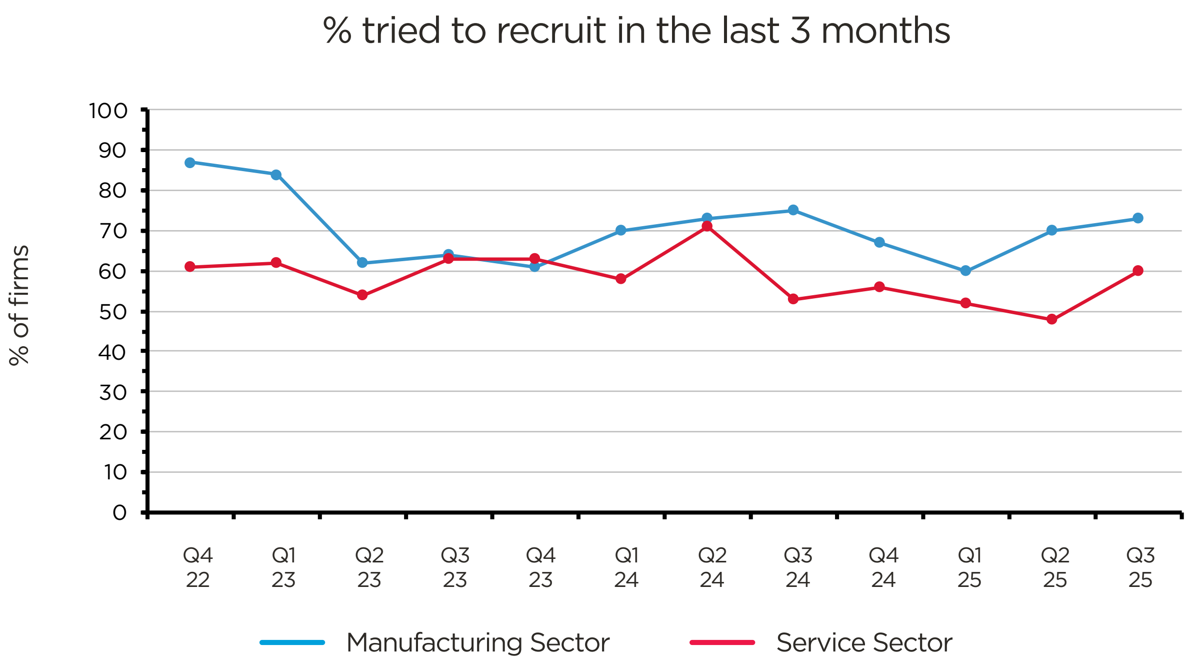


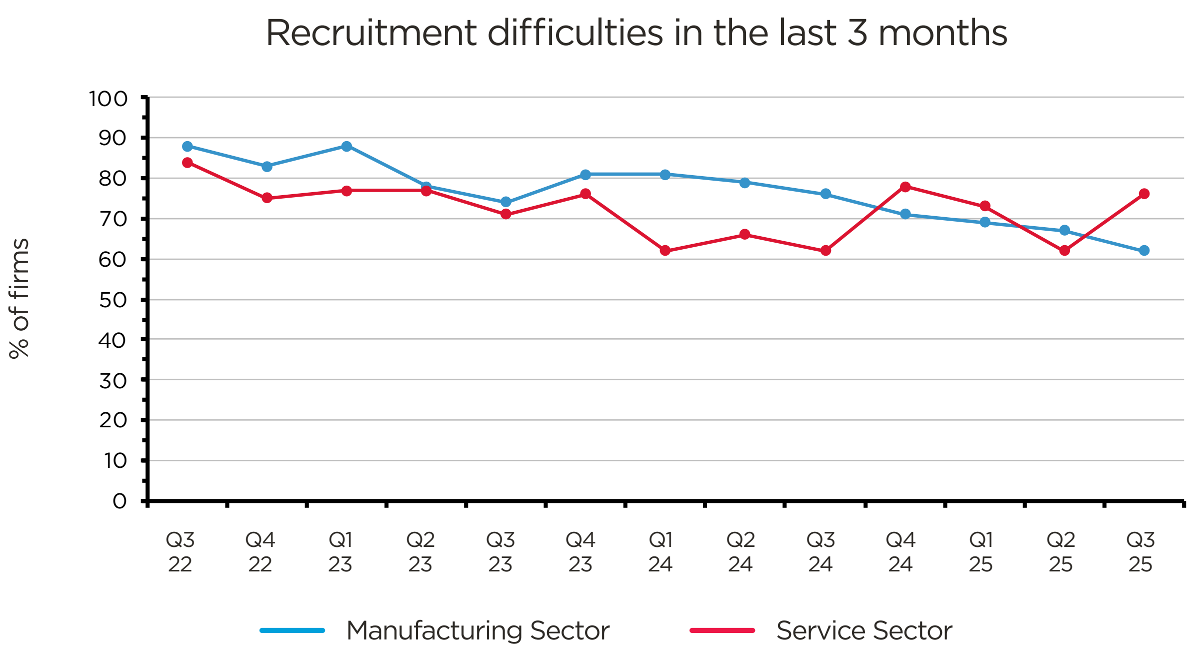
Key findings

Recruitment

Finding skilled workers continues to be a struggle in the manufacturing sector with 72% of firms saying they are the hardest to employ, down by two per cent on Q2. For the service sector, employing managerial staff remains its biggest headache.

Skilled and manual labour in the manufacturing sector received a huge boost – coinciding with export orders and employment demands, while there are more vacancies for part-time and temporary workers in both sectors.





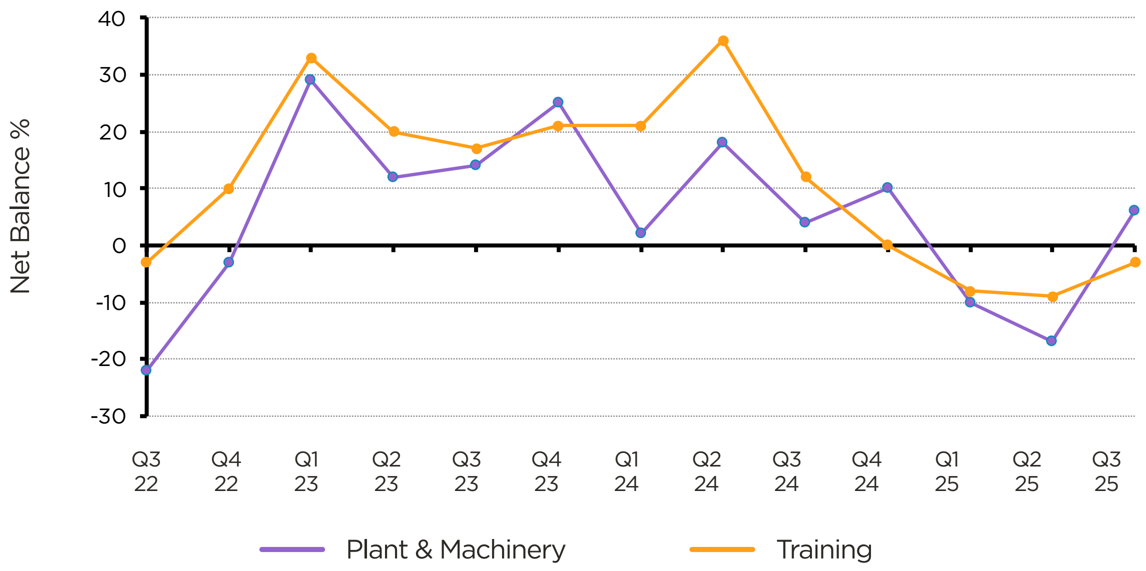
Key findings

Investment intentions

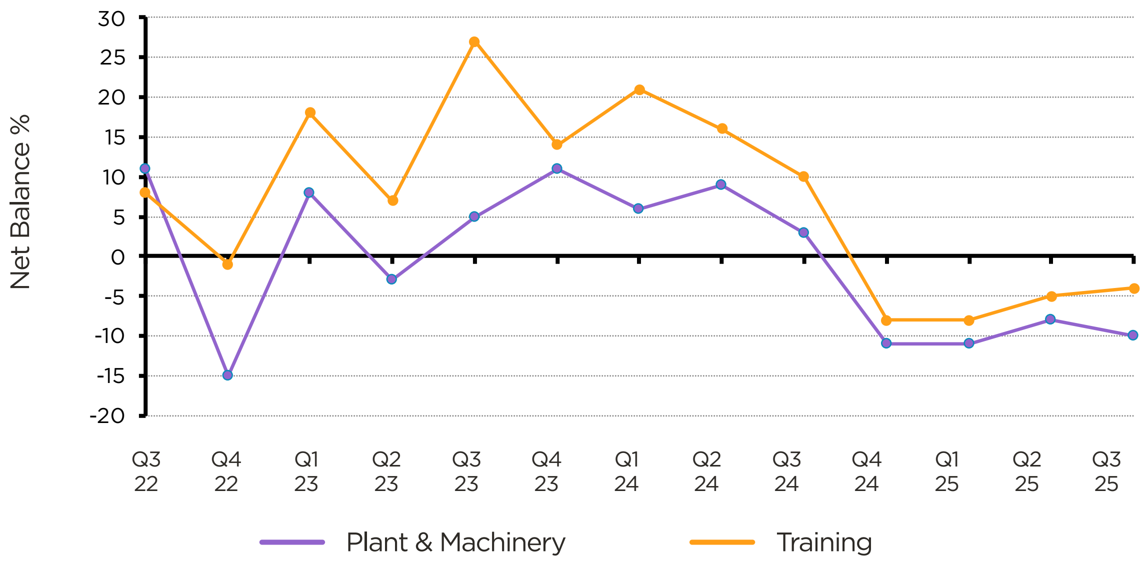
Manufacturing once again leads the way, following an upturn in export sales and orders and a dip into the labour market. Almost a third (32%) of the firms responding to the survey say they have invested in equipment while there has been little change in in the service sector.

When it comes to training, the manufacturing sector has revised its plans slightly downwards compared to Q2, which comes as a surprise but might offer an explanation as to the sector bringing in temp staff as opposed to full-time recruits. There has been hardly any change in the service sector over the past three months.

Manufacturing investment plans



Service sector investment plans

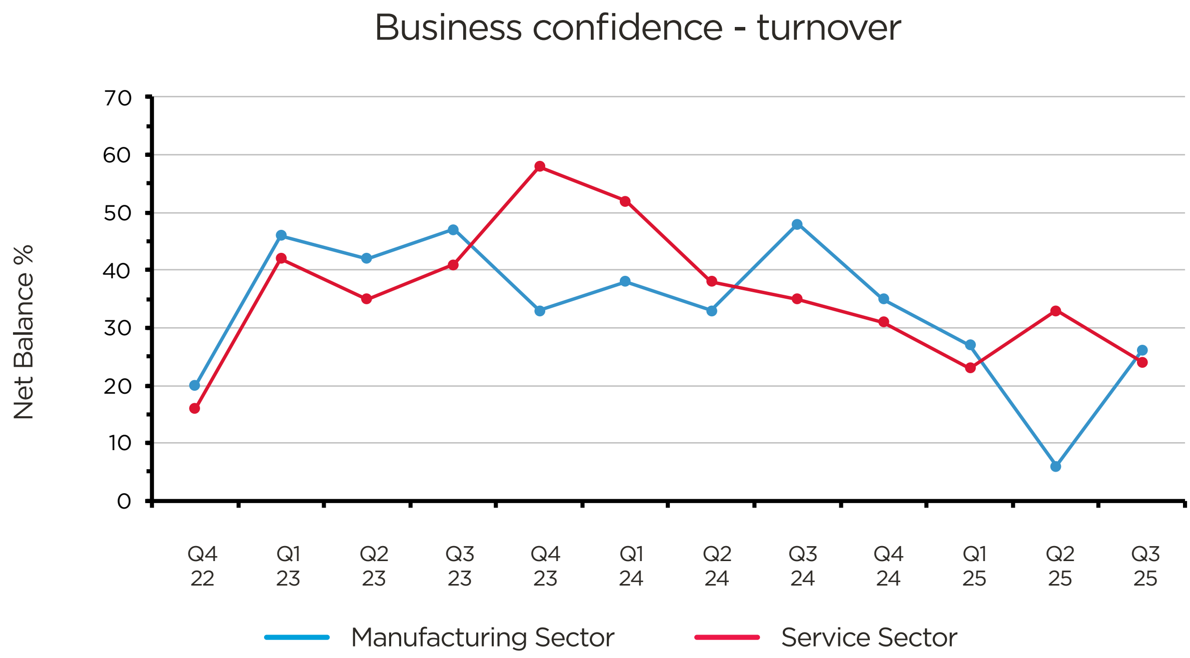


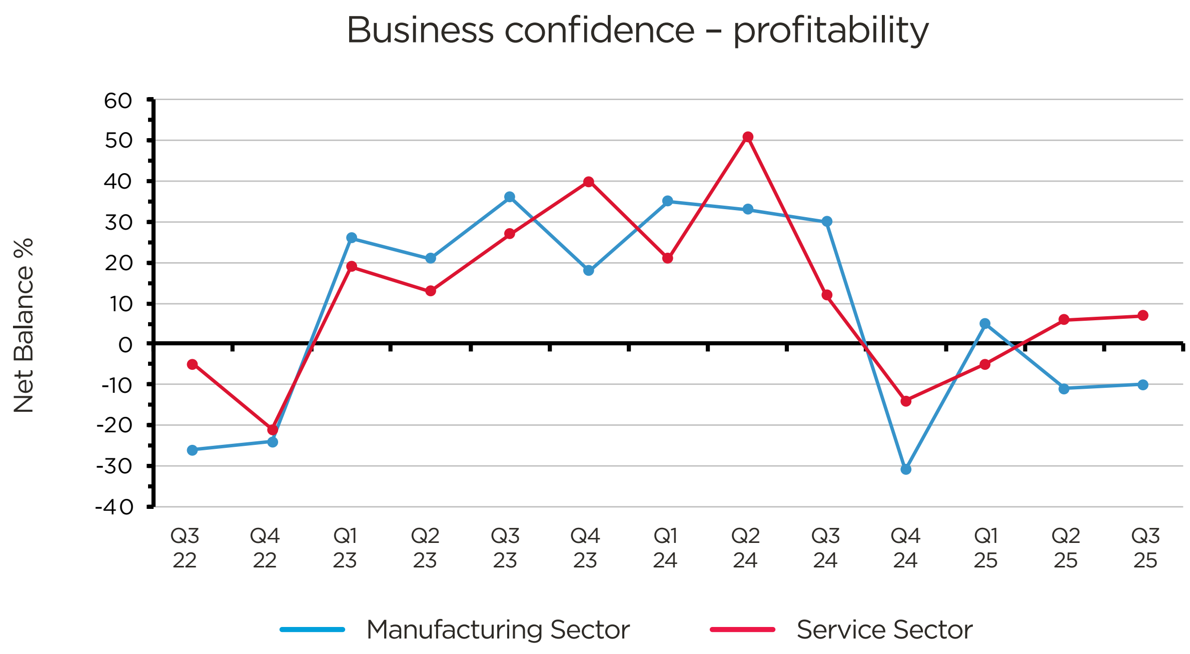
Key findings

Business confidence

With export orders and employment on the up, it is hardly surprising that there is an air of confidence when it comes to the manufacturing sector with almost half (48%) hopeful turnover will improve over the next 12 months – this is compared to 38% in Q2. Turning that confidence into profit fares slightly less but both sectors remain on par to Q2.

The service sector though is not as confident as they were in Q2 with 48% saying they expect their turnover will improve, compared to over half (54%) in the last quarter. Expectations of profitability over the next year remains pretty much the same as Q2.



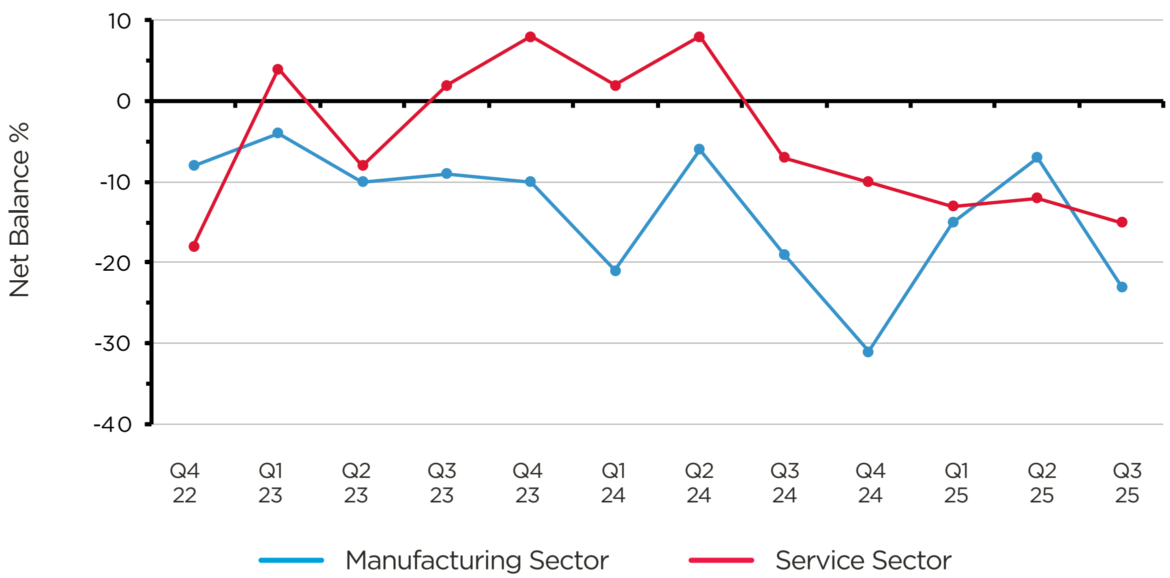


Key findings

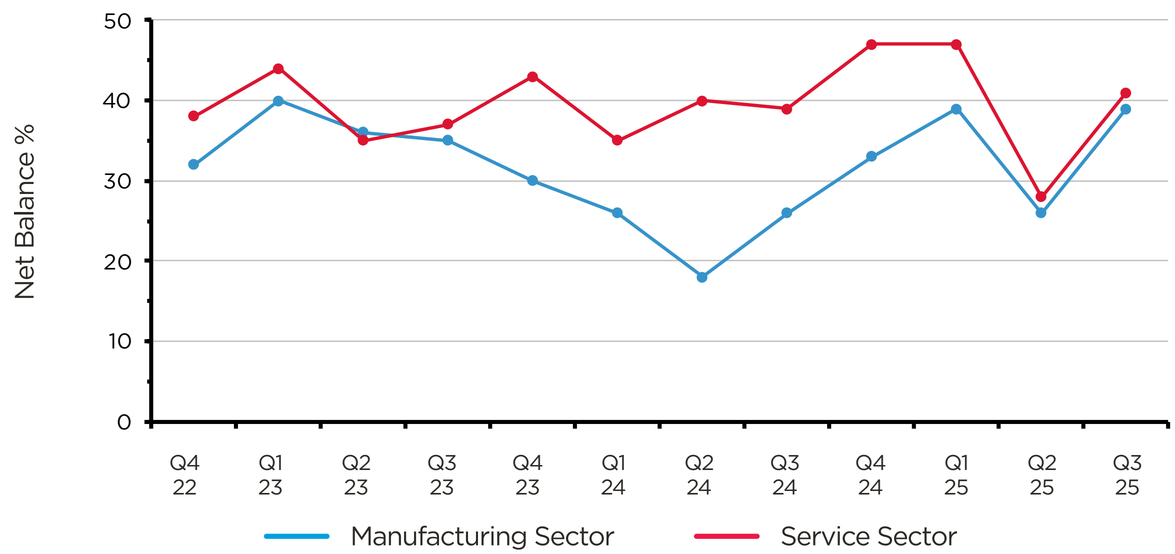
Cashflow

For both sectors, cashflow remains a major concern. Since Q4 in 2022 – despite a little surge for the service sector – neither sector have reported plus points. This could be down to a number of reasons, including the pressure on businesses to increase wages to keep in line with the cost-of-living increases, demands on the business from national insurance increases, business overheads and having to move money around in order to keep the books balanced.

Business confidence – cashflow



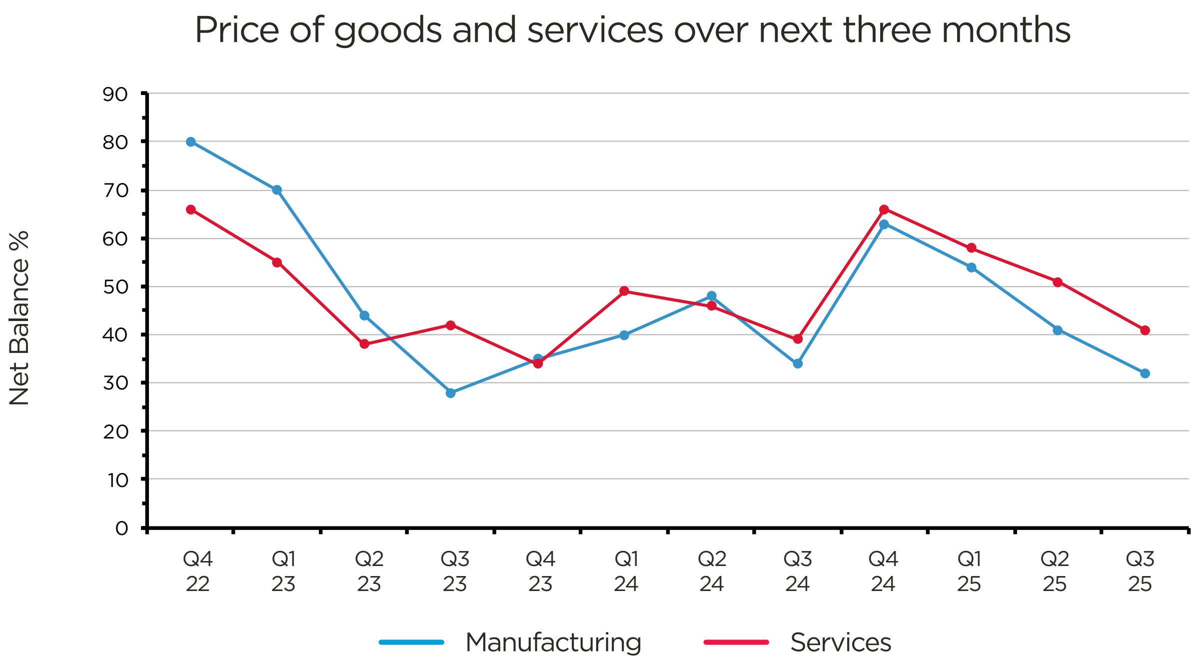
Business confidence – capacity utilisation

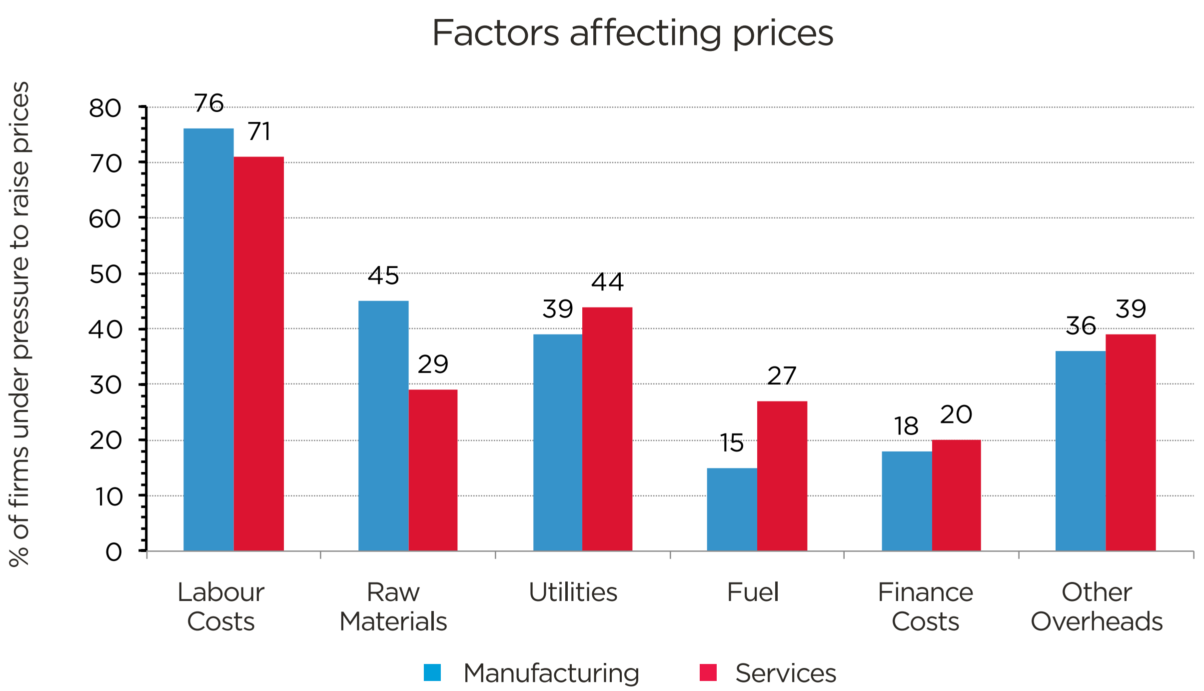


Key findings

Prices

With many businesses across Lancashire having to find extra cash or move money around in order to levy the national insurance increases – and some expecting more tax rises in the Autumn Budget, the majority do not expect to raise their prices, with almost a third (32%) of manufacturers expecting an increase and 43% of service providers.





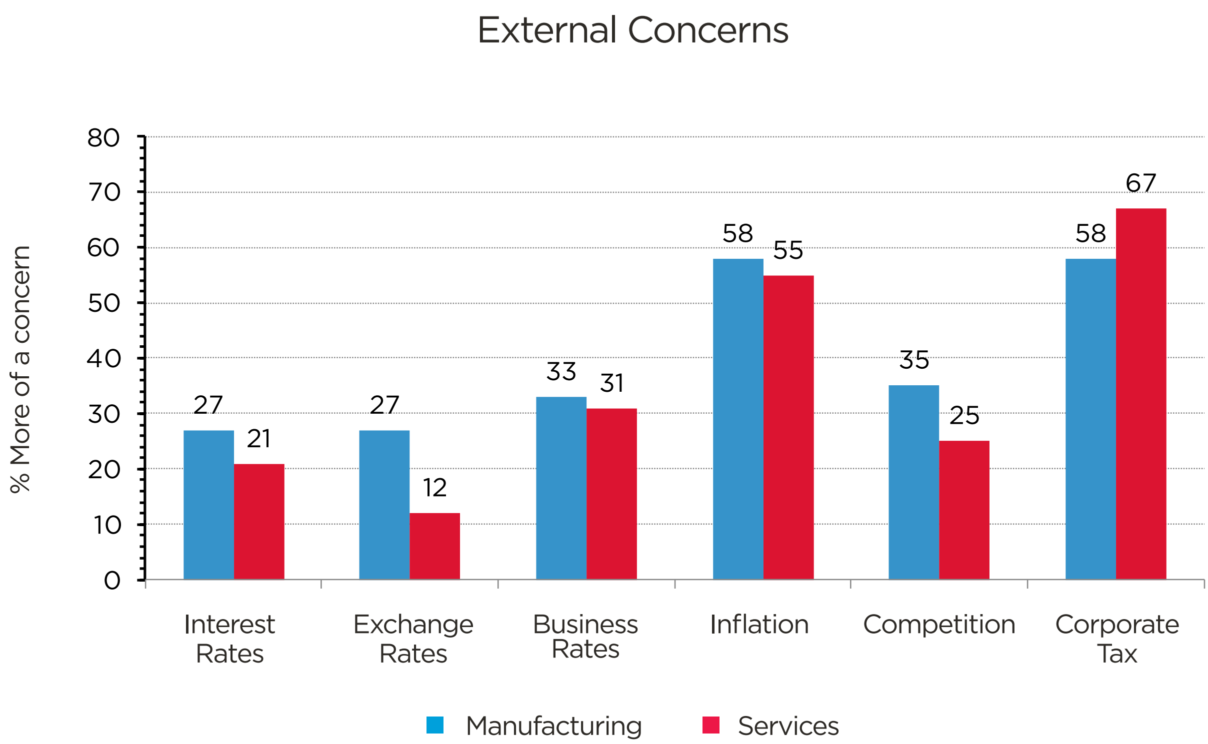
Key findings

External factors | manufacturing

With inflation continuing to creep up, there are concerns from members that more pain could be on the way before the situation improves. Business rates remain a high 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.

External factors | services

Corporation tax remains the biggest headache for this sector, alongside inflation – which is a concern for all Lancashire sectors and Chamber members. And as with all sectors, external factors remain a threat to businesses in this year of economic uncertainty.



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.

The answers to Question 1 and 2 show responses compared to previous surveys, while this QES was the first time Question 3 has been asked.

		Q4	Q1	Q2	Q3
To what extent do you think devolution will improve conditions for business growth in Lancashire?	Strongly Agree	3.28%	1.11%	16.67%	5.80%
	Agree	21.31%	20%	0%	27.54%
	Neither agree nor disagree	62.30%	67.78%	58.33%	60.87%
	Disagree	9.84%	5.56%	25%	4.35%
	Strongly Disagree	3.28%	5.56%	0%	1.45%
Are you planning on increasing investment in digital infrastructure and/or skills to grow your business in the next 12 months?	Yes to both	34.43%	22.22%	25%	40.58%
	Yes to digital infrastructure	19.67%	21.11%	16.67%	20.29%
	Yes to skills	16.39%	22.22%	33.33%	10.14%
	No to both	29.51%	34.44%	25%	28.99%

		Q3
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%
	Expected future direct benefit	13.04%
	No direct benefit but Lancashire's regeneration gives me confidence in the county's future economic growth	56.52%
	None of the above	21.74%

Net balances

	Manufacturing		Services	
	Q2 2025	Q3 2025	Q2 2025	Q3 2025
Domestic Sales	-21	**-3**	7	**3**
Domestic Orders	-21	**-22**	11	**-1**
Export Sales	-3	**14**	-7	**-3**
Export Orders	-2	**4**	-7	**-3**
Employment last 3 months	-20	**22**	1	**5**
Employment next 3 months	0	**6**	12	**9**
% Tried to recruit	70	**73**	48	**60**
% Part-time	19	**21**	35	**34**
% Full-time	94	**92**	88	**77**
% Temporary	0	**13**	23	**23**
% Permanent	44	**21**	52	**38**
% Recruitment difficulties	67	**62**	62	**76**
% Skilled manual	75	**106**	48	**45**
% Professional/Managerial	42	**44**	97	**57**
% Clerical	21	**50**	45	**25**
% Semi and unskilled	29	**50**	24	**37**
Cashflow	-7	**-23**	-12	**-15**
Investment - plant/machinery	-17	**6**	-8	**-10**
Investment - training	-9	**-3**	-5	**-4**
Confidence - turnover	6	**26**	33	**24**
Confidence - profitability	-11	**-10**	6	**7**
% Full capacity	26	**39**	28	**41**
Prices	41	**32**	51	**41**
% Pay Settlements	69	**76**	77	**71**
% Raw materials	53	**45**	33	**29**
% Utilities	35	**39**	46	**44**
% Fuel	4	**15**	18	**27**
% Financial costs	8	**18**	26	**20**
% Other overheads	29	**36**	42	**39**

External Factors of more concern than 3 months ago

% Interest rates	18	**27**	24	**21**
% Exchange rates	31	**27**	11	**12**
% Business rates	22	**33**	30	**31**
% Inflation	51	**58**	45	**55**
% Competition	37	**45**	35	**25**
% Tax	61	**58**	59	**67**

Quarterly Change

Manufacturing	Services
Q3 2025	Q3 2025
18	-4
-1	-12
17	4
6	4
42	4
6	-4
3	11
2	-1
-2	-11
13	1
-23	-15
-5	14
31	-3
2	-40
29	-19
21	13
-17	-3
24	-2
5	1
19	-9
1	0
13	13
-9	-10
6	-6
-8	-4
5	-1
11	9
10	-5
8	-3
9	-2
-3	1
11	1
7	10
9	-10
-4	7

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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