



ECONOMIC SURVEY

QUARTER 3 2026

**WE ARE
NORTH EAST
BUSINESS**



FOREWORD

“This quarter’s findings provide an important snapshot of business confidence ahead of the Chancellor’s Budget on 28 October. With that announcement approaching, it’s perhaps not surprising that this quarter’s survey presents a mixed picture of the conditions facing North East businesses.

In September, the Chamber’s Budget submission to the Treasury set out practical, targeted measures to unlock the potential of the North East. Building on our Unlocking the North East Economy policy plan, we called for a fairer business rates system, improved access to finance and support for innovation, alongside a skills system that meets the needs of employers.

The latest survey results underline why these priorities matter. Rising concerns around taxation and crime, alongside increased pressures from overheads, finance costs and utilities, demonstrate the challenges facing businesses right now. At the same time, improvements in plant investment plans and future profitability expectations show that opportunities for growth remain. The Budget is an important opportunity for government to address the barriers businesses face and give them greater confidence to invest and trade.

The Chamber will continue to champion the priorities of North East businesses and ensure their experiences inform policy discussions at both regional and national levels.

We are North East business.”



RHIANNON BEARNE
Deputy chief executive,
North East Chamber of Commerce



NATASHA MCDONOUGH
President,
North East Chamber of Commerce

“This quarter’s QES highlights the resilience of North East businesses in a challenging operating environment. Businesses continue to show their determination to invest and plan for future growth, despite ongoing uncertainty and pressures on costs and demand.

However, this resilience is being tested. UK sales and orders have weakened this quarter, while businesses remain cautious about future workforce growth. Concerns around crime, taxation and business rates have also increased, alongside continued pressure from overheads, finance costs and utilities.

These findings underline the importance of giving businesses the confidence and support they need to grow. Our Budget submission sets out practical measures to help businesses invest, innovate, recruit and trade, including action on business rates, skills, energy, infrastructure and access to finance.

The North East has a strong and diverse business community with the ambition and resilience to make a significant contribution to regional and national growth. The Chamber will continue to work with businesses, government and partners to ensure their voices are heard and the challenges they face are addressed, helping to unlock the region’s full potential.”



WHAT IS THE QES?

The Quarterly Economic Survey is carried out by the North East Chamber of Commerce, in partnership with the British Chambers of Commerce (BCC). This survey was conducted between 17 August 2026 and 14 September 2026 and is based on the responses of 100 businesses.

Every quarter, we ask businesses about key indicators of business and economic health. For current indicators (e.g. UK sales, cashflow), they are asked whether these have increased, decreased, or remained the same throughout the past three months. For the future indicators (e.g. future workforce, future turnover), they are asked whether they think these will increase, decrease, or stay consistent over the next 3 to 12 months. The figures presented are calculated as the balance between the proportion of respondents reporting increases and those reporting decreases.



SUMMARY

This quarter's results present a mixed picture for businesses, with improvements in current workforce levels, investment plans and future profitability providing some positive signs.

However, weaker UK sales, orders and future workforce plans compared with last quarter, alongside increased concerns around crime, taxation and business rates, highlight continued uncertainty.

While many price pressures have eased over the past year, rising utilities, finance costs and other overheads indicate that businesses continue to face a challenging operating environment.





Price pressures were mixed this quarter, with increases in other overheads (+9.7%), finance costs (+1.6%) and utilities (+1.4%), while pressures relating to raw materials (-6.2%), fuel (-4.8%) and labour costs (-3.5%) decreased. Over the past year, price pressures have generally eased, particularly labour costs (-17.3%) and finance costs (-10.6%), although fuel costs increased by 11.8%. Manufacturers were most affected by raw material costs (88.2%), while labour costs remained the main pressure for service providers (55.4%).

Business concerns increased this quarter, particularly around crime (+12.2%), taxation (+8.8%) and business rates (+6%). In contrast, concerns around staff shortages (-10.4%), energy prices (-4.1%) and competition (-2.5%) decreased. Compared with last year, most concerns have eased, with the largest reductions in inflation (-20.3%), taxation (-18%) and staff shortages (-15.8%). Manufacturers were most concerned about taxation (58.8%), while service providers were most concerned about inflation (59%).

Workforce indicators showed an improvement in current staffing levels, increasing by 14.7% quarterly and 18.5% year-on-year. However, future workforce plans declined by 10.4% from last quarter, while recruitment of full-time (-5%) and part-time (-8.7%) staff also weakened. Recruitment difficulties decreased across all categories, while concerns around staff costs rose slightly this quarter but remained significantly below last year's level (-13.9%).

Business activity was mixed, with full-capacity operations increasing by 3.2% quarterly and plant investment rising by 3.4%. Businesses exporting goods or services declined by 8.9% on the quarter but remained above last year's level (+7.3%).

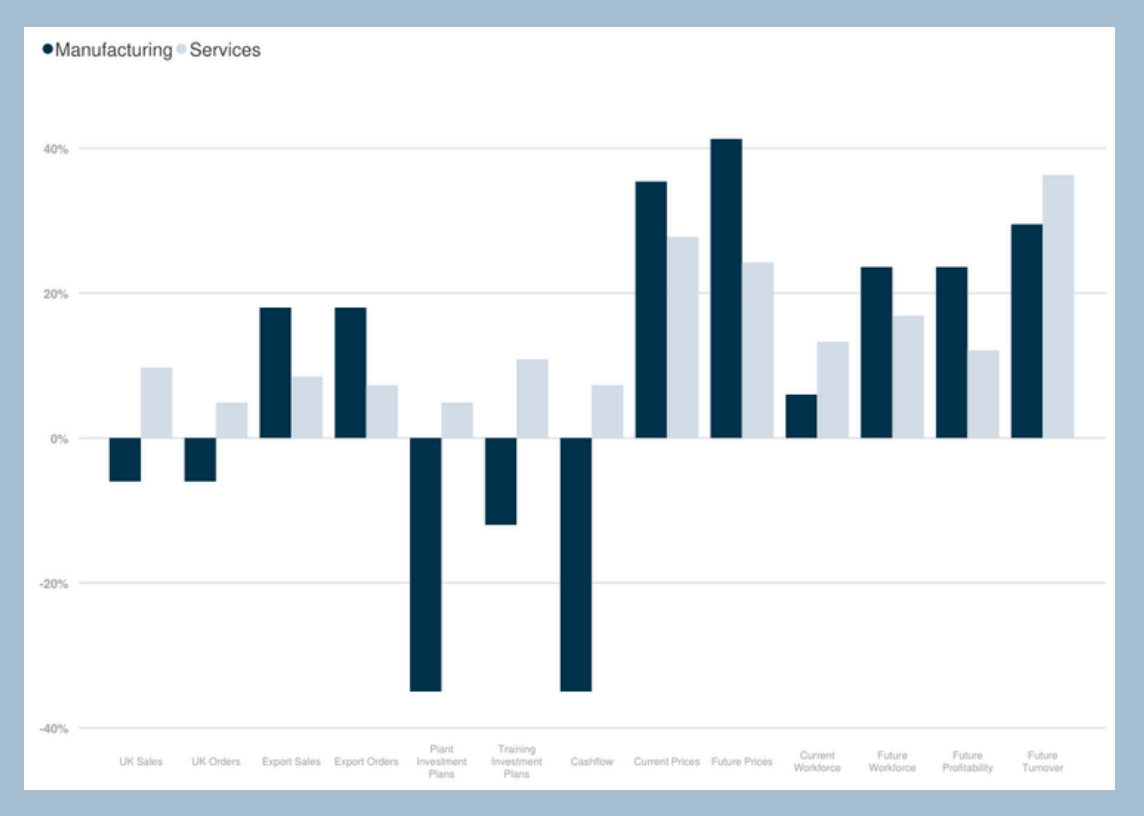
UK sales and orders also weakened quarterly, falling by 10.6% and 9.2% respectively, although both remained higher year-on-year. Training investment increased by 17.3% year-on-year, while future profitability strengthened by 11.3% quarterly and 8.6% annually.

Exporting remains an important part of the North East economy, particularly for manufacturing businesses. While 82.4% of manufacturers reported exporting goods or services, this compared with 22.9% of service providers, highlighting the significant difference in export activity between the two sectors. This reflects the particularly strong international trading links of the region's manufacturing sector, while also demonstrating the varied extent to which businesses across different sectors engage in international markets.

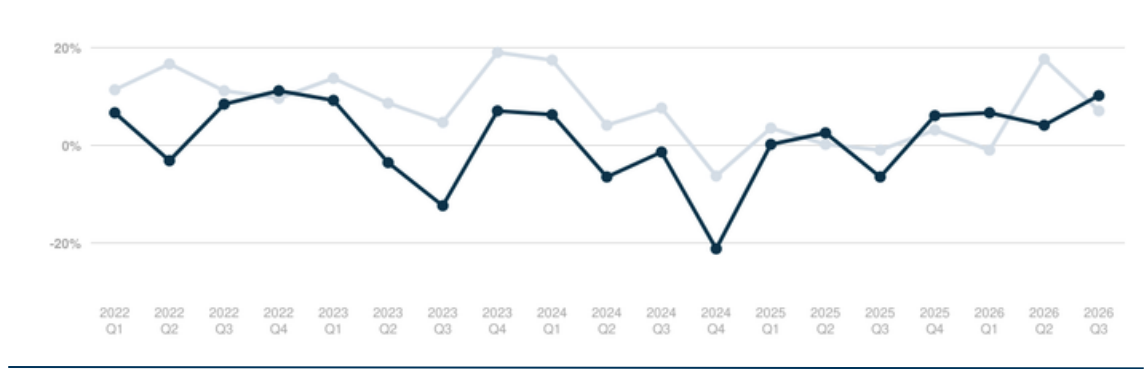
Energy remained an important concern, with 54% of businesses reporting concern about energy prices. However, 62% had taken action to reduce energy expenditure, most commonly through encouraging staff behaviour change, reducing energy usage and investing in energy-efficient equipment. There were also notable increases in businesses switching tariffs or providers and investing in energy efficiency measures.

Taken together, this quarter's findings point to a mixed business environment, with stronger current workforce levels, investment activity and profitability expectations providing some positive signs. However, weaker UK sales, orders and recruitment intentions, alongside continued cost pressures and concerns around taxation and crime, suggest that businesses remain cautious about the outlook.

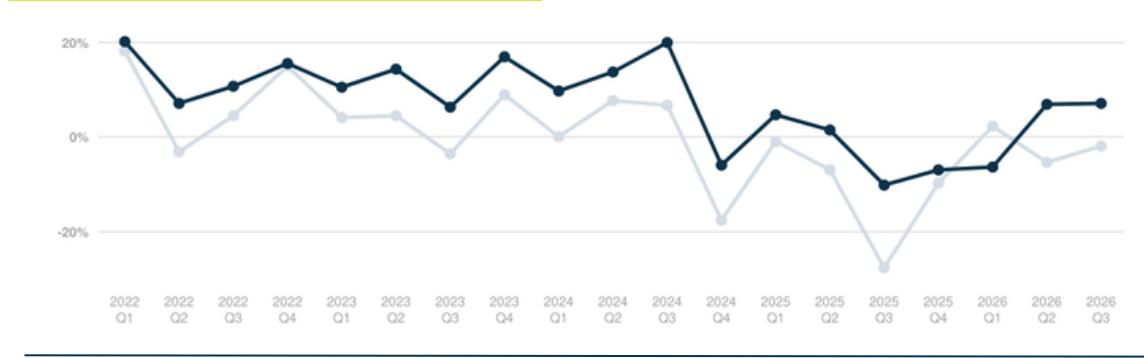
THIS QUARTER'S KEY INDICATORS



FIVE YEAR TREND - SALES



FIVE YEAR TREND - INVESTMENT



PERCEPTIONS AND CONCERNS

Perception scores reflect whether issues affecting respondents and their businesses are greater or lesser concerns now compared to the last quarter. The scores represent the proportion of respondents who indicated they were more concerned about these issues than last quarter.

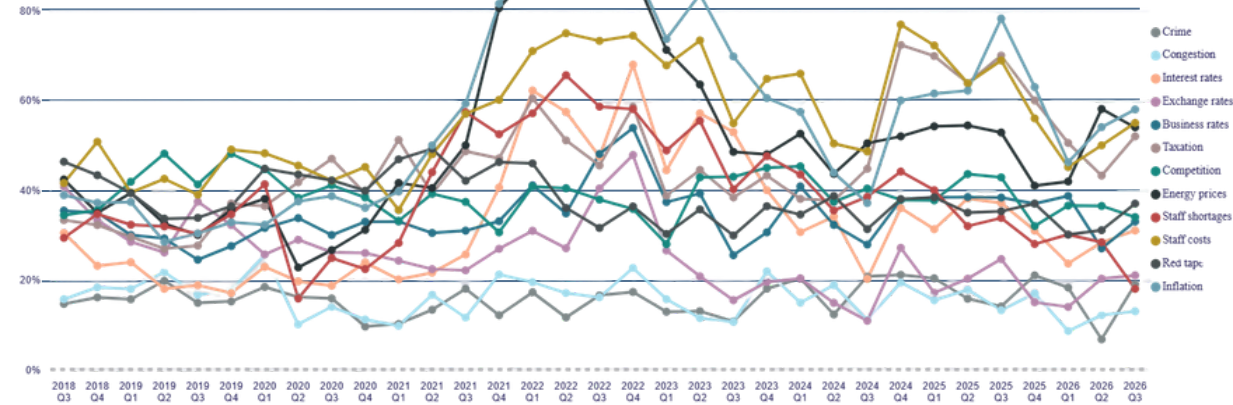
This quarter shows a general increase in concerns for businesses. For Q3 2026, the highest areas of increased concern were crime (+12.2%), taxation (+8.8%) and business rates (+6%). On the other hand, only a few indicators saw a decrease from last quarter: staff shortages (-10.4%), energy prices (-4.1%) and competition (-2.5%). Manufacturers reported being the most worried by taxation (58.8%), while service providers were more concerned by inflation (59%).

From this time last year, most concern indicators decreased except for a small increase in crime (+4.9%), red tape (+1.7%) and energy prices (+1.1%). The biggest decreases year-on-year were inflation (-20.3%), taxation (-18%), staff shortages (-15.8%) and staff costs (-13.9%).

THIS QUARTER

INDICATOR	All Companies	Change On Last Quarter	Change On Last Year	Manufacturing	Services
Taxation	52.0%	8.8%	-18.0%	58.8%	50.6%
Inflation	58.0%	3.9%	-20.3%	52.9%	59.0%
Staff costs	55.0%	5.0%	-13.9%	47.1%	56.6%
Competition	34.0%	-2.5%	-8.9%	35.3%	33.7%
Energy prices	54.0%	-4.1%	1.1%	47.1%	55.4%
Exchange rates	21.0%	0.7%	-3.6%	29.4%	19.3%
Staff shortages	18.0%	-10.4%	-15.8%	23.5%	16.9%
Interest rates	31.0%	2.6%	-6.1%	11.8%	34.9%
Red tape	37.0%	5.9%	1.7%	17.6%	41.0%
Business rates	33.0%	6.0%	-5.4%	17.6%	36.1%
Crime	19.0%	12.2%	4.9%	11.8%	20.5%
Congestion	13.0%	0.8%	-0.2%	11.8%	13.3%

FIVE YEAR TREND





WORKFORCE AND RECRUITMENT

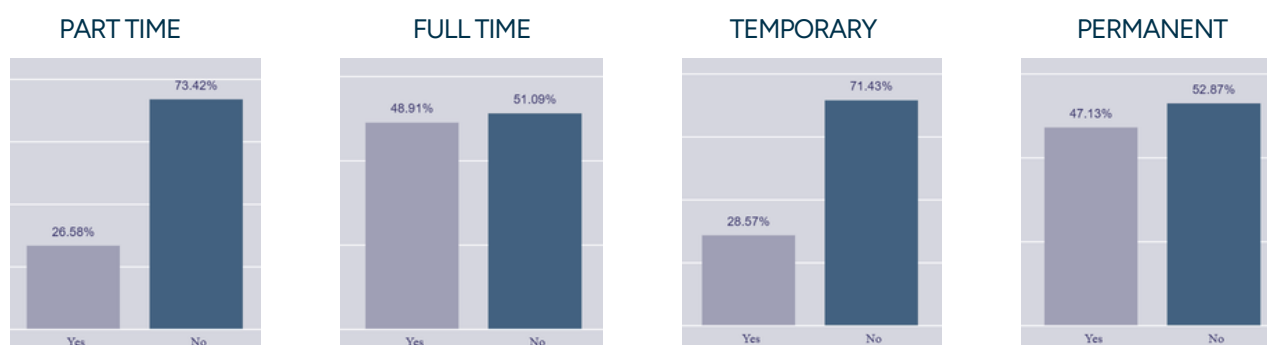
The current workforce indicator has increased, up by 14.7% since last quarter, and by 18.5% since Q3 2025. However, businesses responding reported a notable quarterly 10.4% decrease in future workforce plans, against a 5.8% increase since last year.

This quarter has seen a decrease in the proportion of businesses looking to recruit staff, with the biggest decreases in the recruitment of part-time (-8.7%) and full-time (-5%) staff. The only indicator that has seen an increase this quarter is the recruitment of permanent staff (+1.8%).

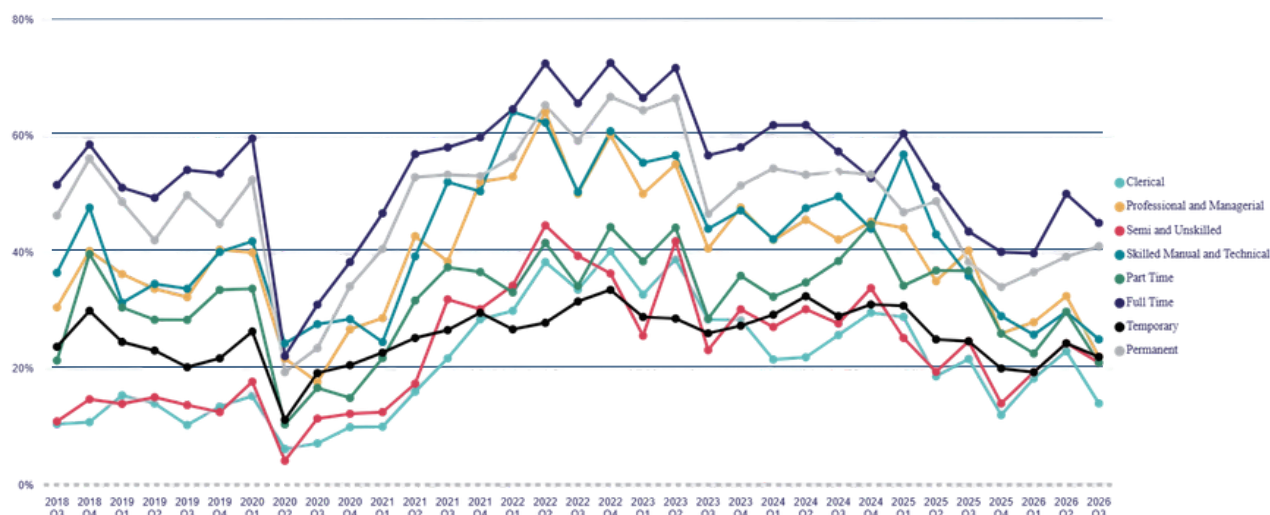
Businesses concerned about staff costs have increased this quarter (+5%), but with a significant decrease year-on-year (-13.9%).

In terms of recruitment difficulties, all indicators have seen a decrease this quarter, with the most notable decreases in professional and managerial (-10.4%) and clerical (-9%) staff. By sector, manufacturers struggled the most to employ semi and unskilled staff (35.3%), while service providers faced the greatest difficulties recruiting skilled manual and technical staff (26.5%).

THIS QUARTER



FIVE YEAR TREND



BUSINESS CAPACITY, UK SALES AND EXPORTS

The proportion of businesses reporting that they were operating at full capacity have increased by 3.2% from last quarter but slightly decreased by 1.3% from the same time last year. 33% of all respondents declared exporting goods and/or services which represents a 8.9% decrease since last quarter against a 7.3% increase from last year. In terms of sectors, 82.4% of manufacturers reported exporting goods and/or services against 22.9% of service providers.

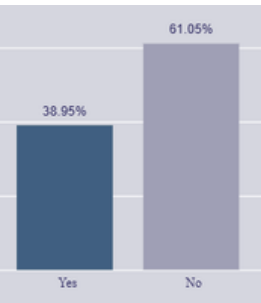
UK sales activity saw a decrease this quarter of 10.6%, against an increase of 8.2% from Q3 2025. UK orders have also seen a decrease of 9.2% quarterly, with a 14.7% increase year-on-year.

Plant investment plans have increased by 3.4% from last quarter with a stronger increase of 25.7% from the same time last year. Training investment plans have seen a slight increase on last quarter (+0.2%) with a more substantial 17.3% increase from Q3 2025.

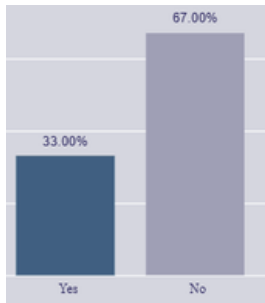
Future profitability showed an increase on last quarter (+11.3%) and year-on-year (+8.6%).

THIS QUARTER

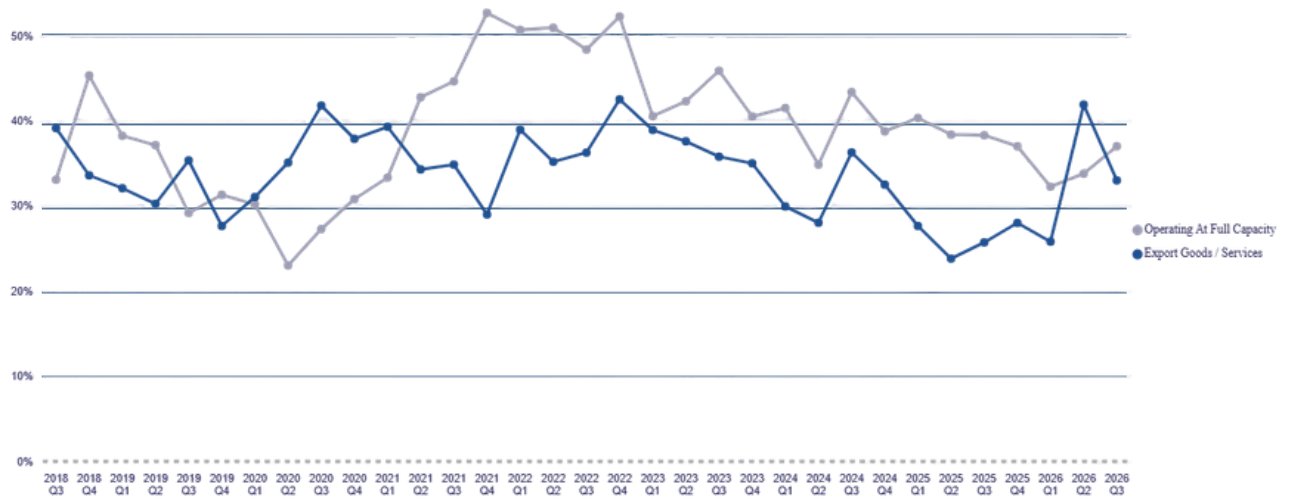
OPERATING AT FULL CAPACITY



EXPORT GOODS OR SERVICES



FIVE YEAR TREND





ENERGY USAGE

This quarter, 54% of our respondents were concerned about energy prices. By sector, this was 47.1% of manufacturing businesses and 55.4% of service businesses responding to the survey.

62% of businesses said they had taken action to try to reduce expenditure on energy. Of those respondents:

- 67% encouraged staff behaviour change to improve efficiency (an increase of 12% from last quarter)
- 61% reduced energy usage by turning off equipment (an increase of 10% from last quarter)
- 56% invested in new, more energy-efficient equipment (an increase of 11% from last quarter)
- 48% switched tariffs or providers (an increase of 24% from last quarter)
- 43% invested in energy efficiency measures (including windows, insulation, etc.) (an increase of 21% from last quarter)
- 25% introduced local energy generation (e.g. solar panels) (an increase of 15% from last quarter)
- 16% changed work patterns to reduce energy usage on site (a decrease of 6% from last quarter)

GET INVOLVED

The next Quarterly Economic Survey opens on **9 November 2026**. Look out for the link and please take a couple of minutes to feed into this vital research.

If you'd like to discuss any of this report further, or add your voice to the conversation, please get in touch with our knowledge and research executive Erika Armanino at erika.armanino@necc.co.uk

CHAMBER PARTNERS

