



# ECONOMIC SURVEY

QUARTER 4 2025





This quarter’s QES presents a more encouraging picture for North East businesses, with cost pressures easing across all major indicators and many long-standing concerns beginning to decrease. Reductions in labour, energy and overhead costs have helped stabilise operating conditions, while improvements in UK sales, orders and investment intentions suggest that demand is gradually recovering.

Beneath this more positive headline picture, concerns remain. Workforce indicators are mixed, with recruitment activity falling and future hiring plans softening despite easing skills shortages. Capacity has edged down, and the amount of businesses exporting, while improving on the quarter, continue to lag behind last year equivalent figures. For many businesses, these factors suggest a continued focus on consolidation rather than expansion.

As economic conditions evolve, it is vital that policy decisions reinforce this emerging regional stability. Businesses need certainty on costs, regulation and support for investment if these improvements in sentiment are to be sustained. The evidence gathered through this survey plays a crucial role in shaping our engagement with policymakers at every level of government and beyond. Thank you to all businesses who contributed their time and insight this quarter.



**RHIANNON BEARNE**  
Executive director policy & representation  
and deputy CEO  
North East Chamber of Commerce



**DEBORAH WALTON**  
President  
North East Chamber of Commerce

This quarter’s results reflect a growing sense of relief among North East businesses after a prolonged period of intense pressure. Falling concerns around inflation, staff costs and energy prices have eased some of the strain on day-to-day operations, allowing businesses to look beyond immediate cost management and begin planning with greater confidence. Rising UK sales and orders, alongside renewed investment in plant and training, point to cautious optimism across the region.

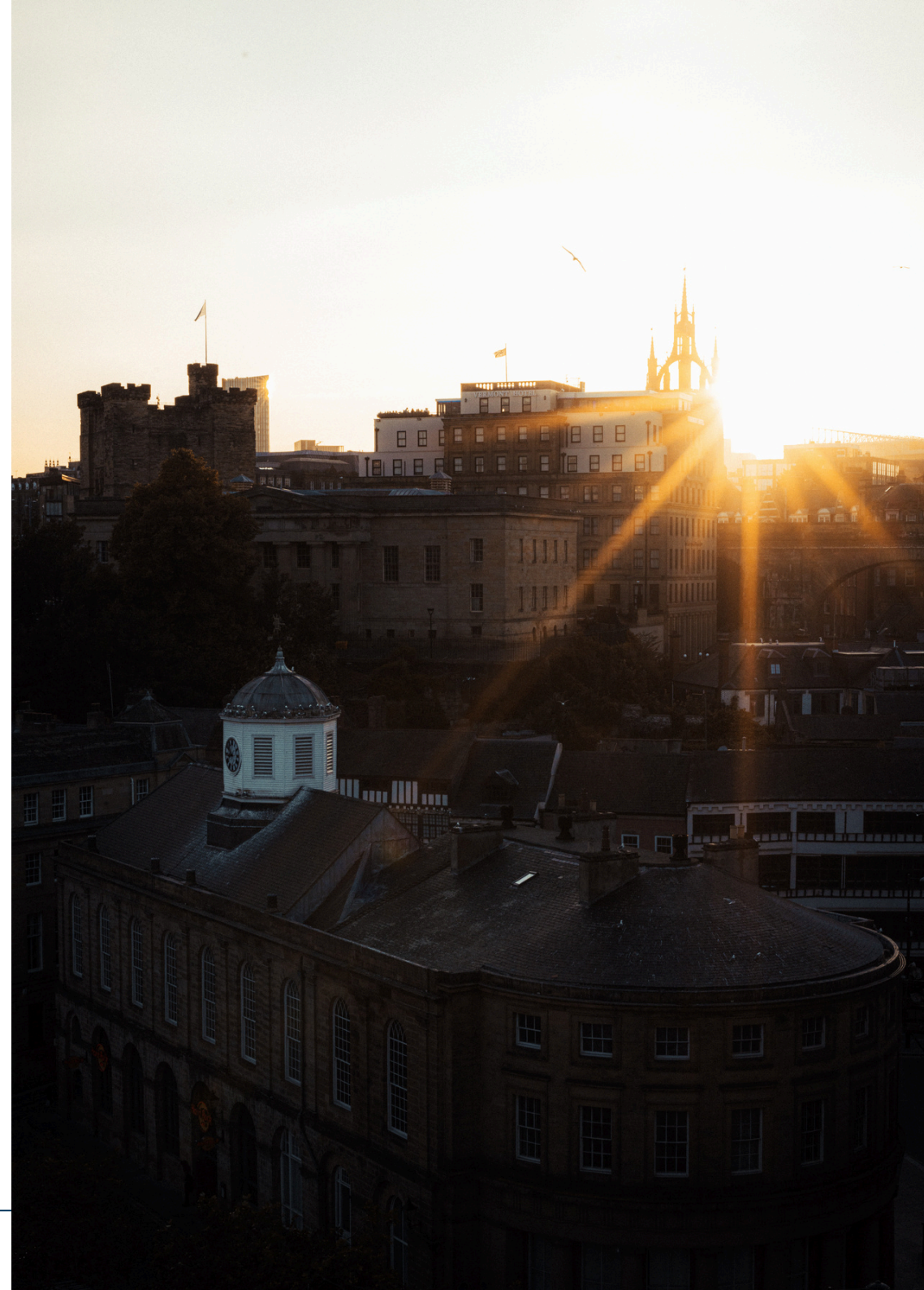
However, there is a risk that these indications of recovery could be fragile. Many businesses are still reluctant to expand their workforce, with future hiring plans edging down slightly despite an improvement in recruitment challenges across roles. Capacity constraints continue to limit growth for some businesses, particularly in sectors that remain dependent on skilled manual and technical staff. Export activity also improved this quarter, signalling renewed momentum in international markets, although levels remain below those seen this time last year.

These findings reinforce the importance of targeted, practical support that enables businesses to invest, recruit and grow sustainably. The Chamber will continue to work with partners and policymakers to ensure that the improving outlook translates into long-term resilience for the North East economy. Thank you to all our members who shared their experiences and helped shape this quarter’s survey results.

# 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 has been conducted between 10th November 2025 and 8th December 2025 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 stayed consistent 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 values above are the 'balance' of the amount of 'increase(d)' and 'decrease(d)' answers we received.





# SUMMARY

This quarter's results present a more encouraging picture for businesses, with price pressures easing and concerns falling across most indicators. However, mixed signals across workforce planning and business capacity indicate that underlying fragilities remain.

Price pressures decreased across all indicators this quarter, with substantial reductions in labour costs (-13.3%), fuel (-9.2%), utilities (-8.7%), finance costs (-8.6%) and other overheads (-8.5%). Over the year, most indicators also saw declines, particularly labour costs (-16.3%) and utilities (-9.6%), although finance costs rose slightly (+0.9%). Sectoral differences persisted: manufacturers remained most affected by raw material prices (63.2%), while service providers were most exposed to labour cost pressures (61.7%). Labour cost concerns also remained quite elevated for manufacturers (52.6%), whereas overheads were the second-highest concern for service providers (54.3%).

Business perceptions reflected a broad easing of concerns this quarter. The sharpest quarterly declines were reported for inflation (-15.3%), staff costs (-12.9%) and energy prices (-11.9%). Nevertheless, some issues moved in the opposite direction, with concerns rising around crime (+6.9%), congestion (+3.8%) and red tape (+1.7%). Manufacturers continued to be most worried about taxation and inflation (both 68.4%), while service providers identified inflation as their primary concern (61.7%). Year-on-year, most concerns fell significantly, including staff costs (-20.9%), staff shortages (-16.2%), taxation (-12.4%) and exchange rates (-12.1%), although inflation increased slightly (+3%).

Workforce indicators offered a cautious improvement. The current workforce measure rose by 6.5% on the quarter, though it remains 7.1% lower than a year ago. Future workforce plans edged down slightly (-0.2%) and are 5.5% below last year, indicating continued hesitancy about hiring. Recruitment activity softened, with notable declines in part-time (-10.8%), temporary (-4.7%) and permanent roles (-4.3%). Encouragingly, concerns about staff costs dropped significantly (-12.9% quarterly and -20.9% annually). Recruitment difficulties eased across all categories, particularly in professional and managerial roles (-14.3%), semi and unskilled roles (-10.7%) and clerical positions (-9.6%). Despite this easing, both manufacturers (31.6%) and service providers (28.4%) continued to struggle most to recruit skilled manual and technical staff.

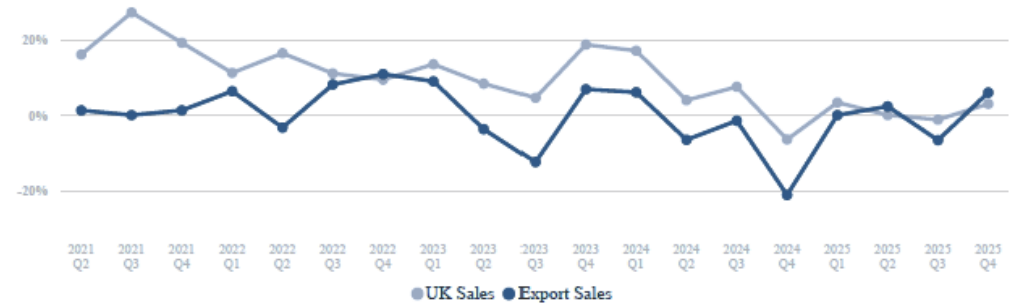
Business activity remained subdued in some areas but strengthened in others. The proportion of respondents operating at full capacity fell slightly (-1.3% quarterly and -1.8% annually). Businesses exporting goods or services increased on the quarter (+2.3%) but is still well below last year (-4.5%). The sector gap persisted, with 78.9% of manufacturers exporting compared with 16% of service providers. However, domestic demand indicators improved: UK sales rose by 4.2% on the quarter and 9.5% year-on-year, while UK orders increased sharply (+12.7% quarterly and +1% annually). Investment intentions also strengthened, with plant investment up (+17.7% quarterly and +7.7% annually) and training investment rising modestly (+3.3%), despite remaining below last year (-1%). Profitability expectations increased (+3.6%) but continued a slight annual decline (-2.5%).

Energy concerns remained steady, with 41% of respondents reporting concerns about energy prices this quarter. In terms of sectors, 31.6% of manufacturers expressed concern compared with 43.2% of service businesses. Only 13% of firms reported taking action to reduce energy expenditure, with mixed patterns of behaviour. Some measures increased -turning off equipment (+7%), changing work patterns (+37%), installing local energy generation (+10%) and investing in efficiency measures (+11%) - while others declined, including behaviour-change initiatives (-3%), investment in efficient equipment (-3%) and switching tariffs (-15%).

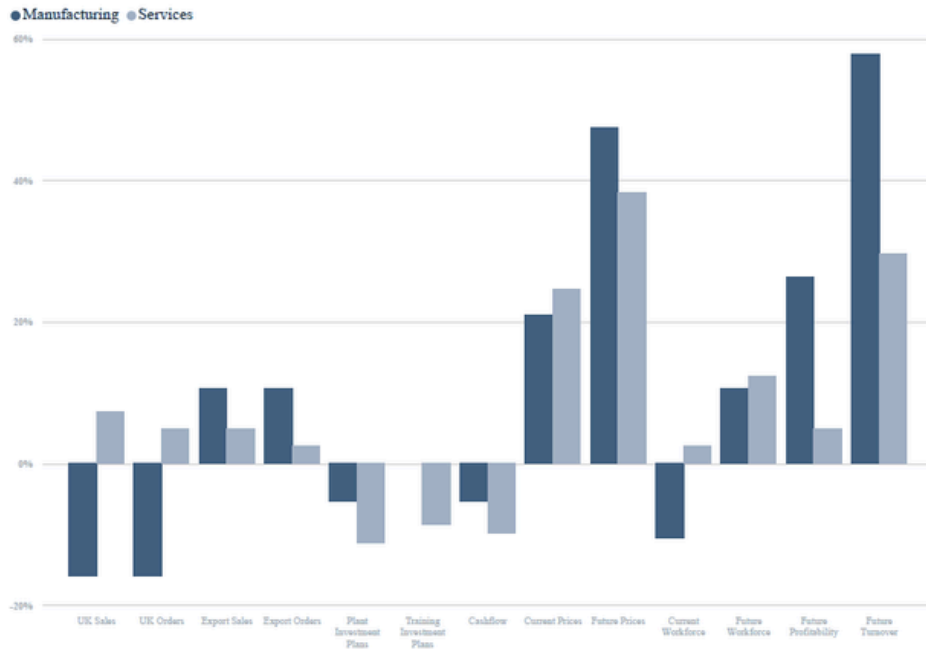
Taken together, this quarter's findings indicate broad relief from cost pressures and improving demand conditions. Yet persistent challenges in capacity and recruitment of skilled staff highlight that while conditions are improving, many businesses continue to operate within a constrained and uncertain environment.



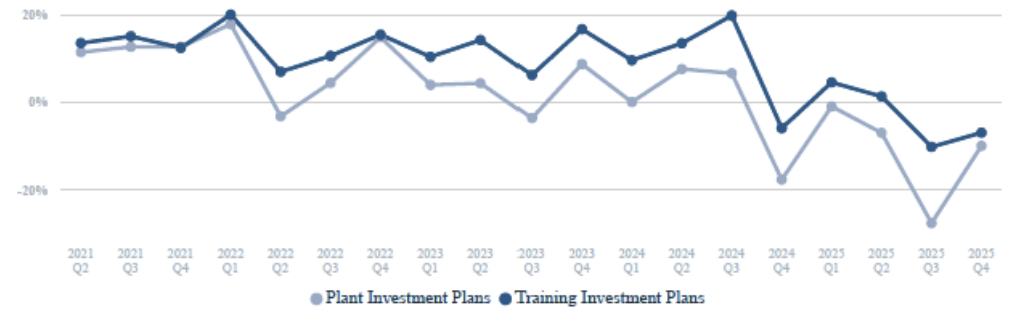
## FIVE YEAR TREND - SALES



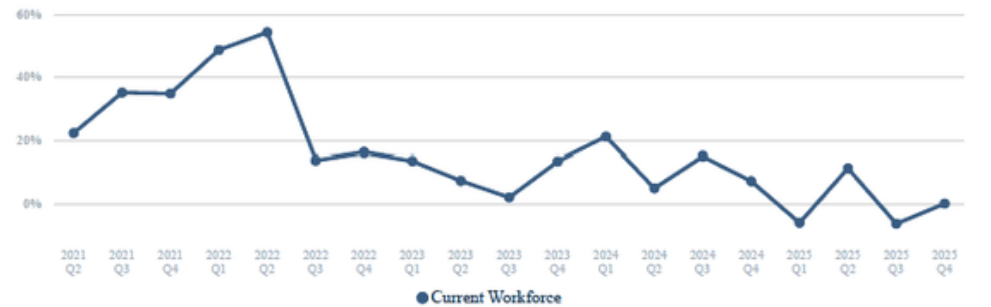
## THIS QUARTER'S KEY INDICATORS



## FIVE YEAR TREND - INVESTMENT



## FIVE YEAR TREND - WORKFORCE





# PRICE PRESSURES

## THIS QUARTER

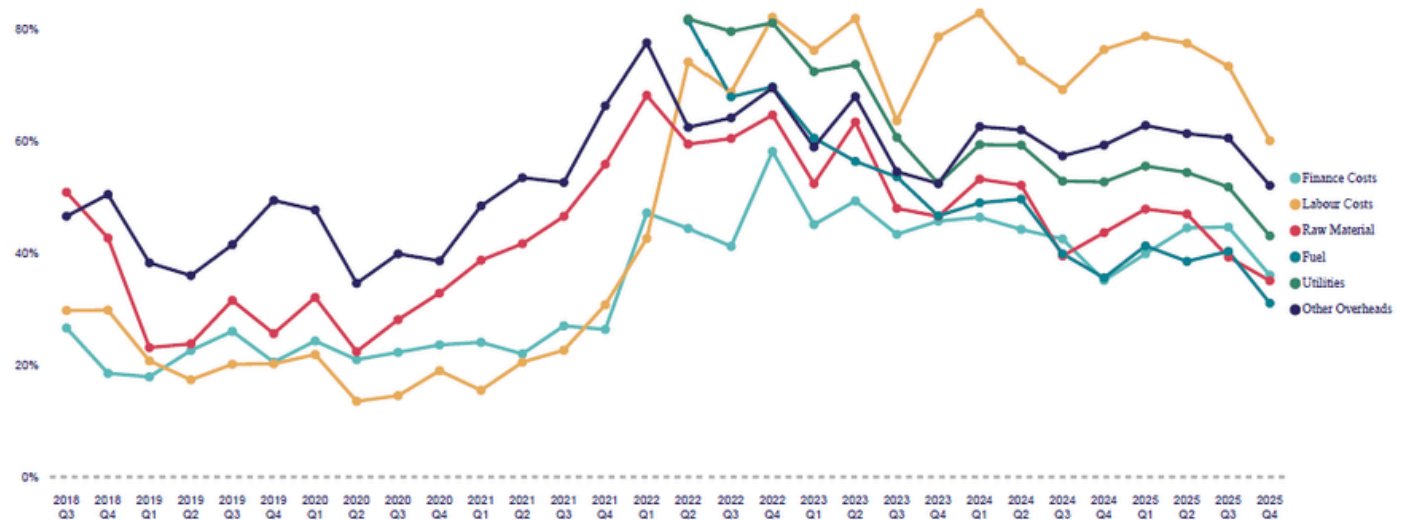
Price pressures have seen a general decrease across all indicators this quarter: labour costs (-13.3%), fuel (-9.2%), utilities (-8.7%), finance costs (-8.6%) and raw material (-4.2%).

Over the course of the last 12 months price pressures have decreased across most indicators except for an increase in finance costs (+0.9%). The most significant decreases in price pressures over the past year have been seen across labour costs (-16.3%) and utilities (-9.6%) indicators.

Across sectors, manufacturers have been affected the most by the prices of raw materials (63.2%), while service providers by labour costs (61.7%). Concerns about labour costs remained also fairly high for manufacturers (52.6%), while service providers' second biggest concern was over overheads (54.3%).

INDICATOR	All Companies	Change On Last Quarter	Change On Last Year	Manufacturing	Services
Finance Costs	36.0%	-8.6%	0.9%	31.6%	37.0%
Labour Costs	60.0%	-13.3%	-16.3%	52.6%	61.7%
Raw Material	35.0%	-4.2%	-8.6%	63.2%	28.4%
Fuel	31.0%	-9.2%	-4.5%	26.3%	32.1%
Utilities	43.0%	-8.7%	-9.6%	42.1%	43.2%
Other Overheads	52.0%	-8.5%	-7.2%	42.1%	54.3%

## FIVE YEAR TREND





# PERCEPTIONS AND CONCERNS

Perceptions scores reflect whether issues affecting respondents, and their business activity are greater or lesser concern now compared to the last quarter. The scores represent the proportion of respondents which indicated they were more concerned about these issues than last quarter.

This quarter shows a general decrease in most concern indicators. For Q4 2025, the highest areas of decreased concern were inflation (-15.3%), staff costs (-12.9%) and energy prices (-11.9%). Respondents reported an increase in concerns about crime (+6.9%), congestion (+3.8%) and red tape (+1.7%).

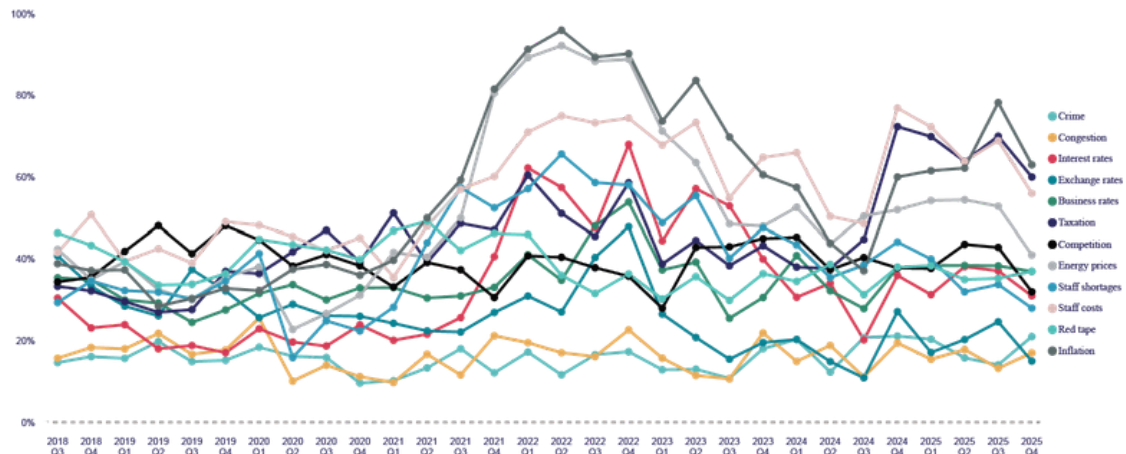
Manufacturers reported being the most worried by taxation and inflation (68.4%), while service providers were more concerned by inflation alone (61.7%).

From this time last year, all concern indicator decreased except for an increase in inflation (+3%). The biggest decreases year-on-year were staff costs (-20.9%), staff shortages (-16.2%), taxation (-12.4%) and exchange rates (-12.1%).

## THIS QUARTER

INDICATOR	All Companies	Change On Last Quarter	Change On Last Year	Manufacturing	Services
Taxation	60.0%	10.0%	-12.4%	68.4%	58.0%
Inflation	63.0%	-15.3%	3.0%	68.4%	61.7%
Staff costs	56.0%	-12.9%	-20.9%	36.8%	60.5%
Competition	32.0%	-10.9%	-5.8%	36.6%	32.1%
Energy prices	41.0%	-11.9%	-11.0%	31.6%	43.2%
Exchange rates	15.0%	-9.6%	-12.1%	31.6%	12.3%
Staff shortages	28.0%	-5.8%	-16.2%	26.3%	28.4%
Interest rates	31.0%	-6.1%	-5.0%	26.3%	33.3%
Red tape	37.0%	1.7%	-1.0%	21.1%	40.7%
Business rates	37.0%	-1.4%	-0.8%	15.8%	42.0%
Crime	21.0%	6.9%	-0.1%	10.5%	23.5%
Congestion	17.0%	3.8%	-2.4%	10.5%	16.5%

## FIVE YEAR TREND





# WORKFORCE AND RECRUITMENT

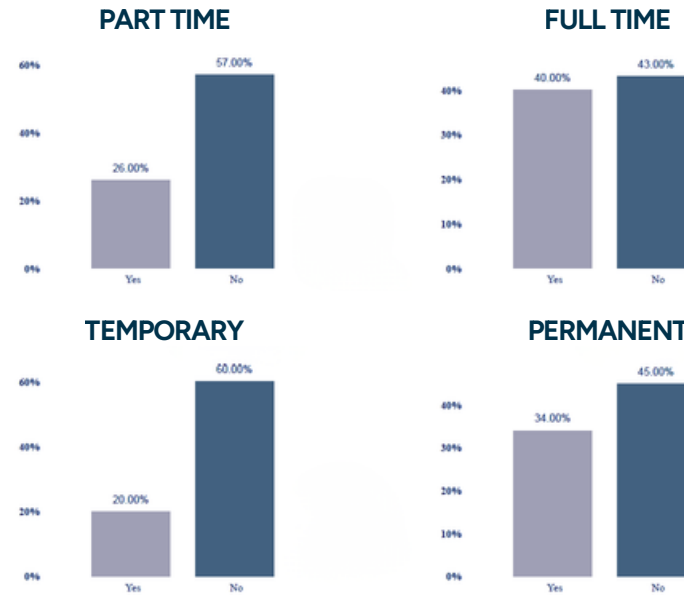
The current workforce indicator has positively increased, up by 6.5% since last quarter, against an annual 7.1% decrease against Q4 2024. However, businesses responding also reported a slight quarterly 0.2% decrease in future workforce plans, with a 5.5% decrease since last year. Taken together these indicators do suggest a timid positivity that is still affected by wider economic conditions.

This quarter has seen a decrease amongst businesses who are looking for staff. The biggest decreases were seen in the recruitment of part-time (-10.8%), temporary (-4.7%) and permanent staff (-4.3%).

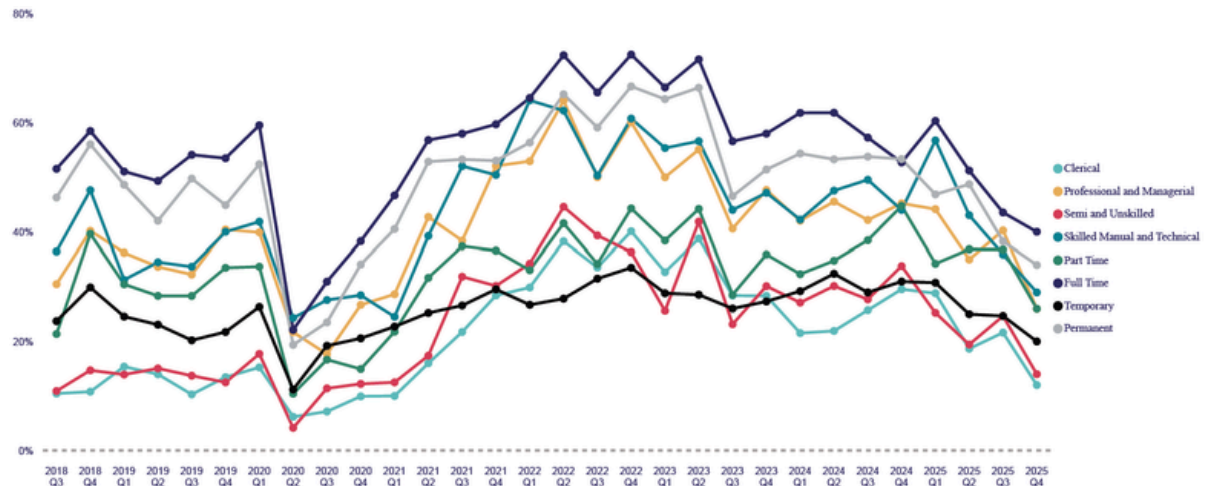
Businesses concerned about staff costs have significantly decreased this quarter (-12.9%), with a more significant decrease year-on-year (-20.9%).

In terms of recruitment difficulties, all indicators have seen a decrease this quarter, with the most notable decreases in professional and managerial (-14.3%), semi and unskilled (-10.7%) and clerical positions (-9.6%). By sector, both manufacturers and service providers professionals struggled the most to employ skilled manual and technical staff (31.6% of manufacturers against 28.4% of service providers).

## THIS QUARTER



## FIVE YEAR TREND





# BUSINESS CAPACITY, UK SALES AND EXPORTS

Businesses reporting operating at full capacity have slightly decreased by 1.3% from last quarter and by 1.8% since last year. 28% of all respondents declared exporting goods and/or services which represents a 2.3% increase since last quarter and a 4.5% decrease from last year. In terms of sectors, 78.9% of manufacturers reported exporting goods and/or services against 16% of service providers.

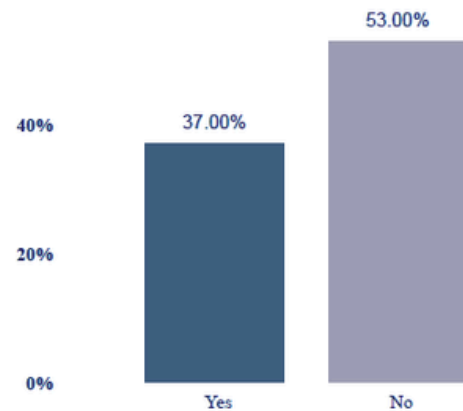
UK sales activity saw an increase this quarter of 4.2%, with a more notable increase of 9.5% from Q4 2024. UK orders have also seen a notable increase of 12.7% quarterly, with a 1% increase year-on-year.

Plant investment plans have increased by 17.7% from last quarter and by 7.7% from the same time last year. Training investment plans have also seen a slight increase on last quarter (+3.3%) against a 1% decrease from Q4 2024.

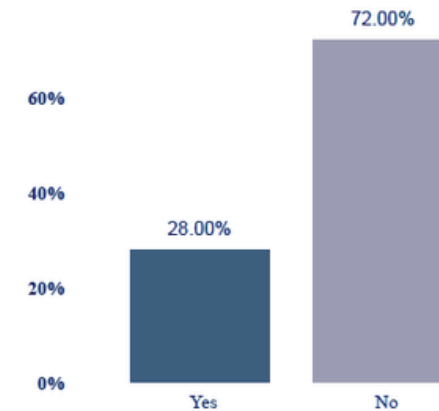
Future profitability also showed an increase on last quarter (+3.6%) but continuing its downward trend year-on-year (-2.5%).

## THIS QUARTER

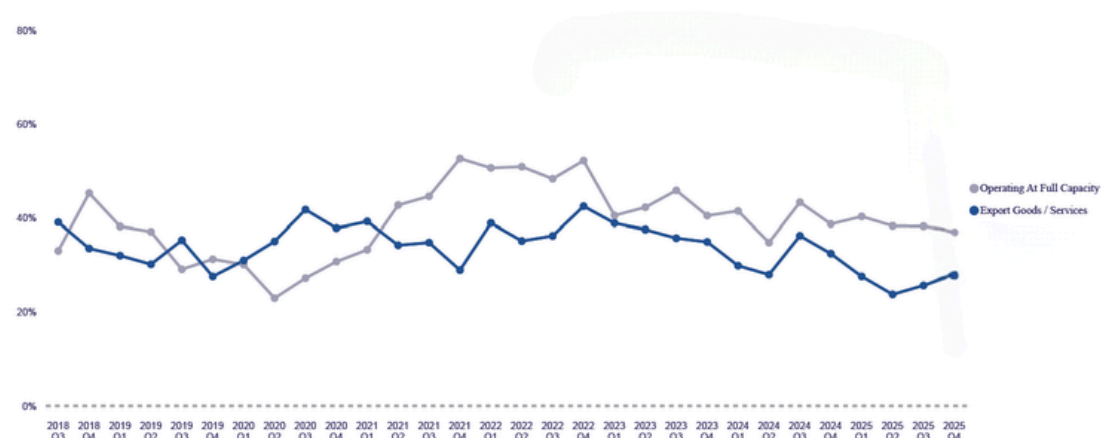
### OPERATING AT FULL CAPACITY



### EXPORT GOODS OR SERVICES



## FIVE YEAR TREND





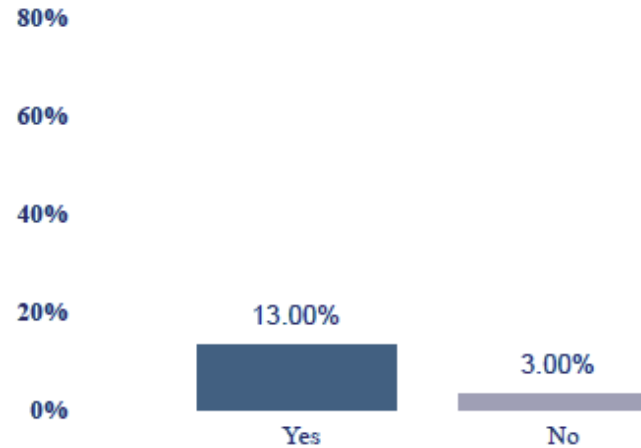
# ENERGY USAGE

This quarter, 41% of our respondents were concerned about energy prices. By sector, this was 31.6% of manufacturing businesses and 43.2% of service businesses responding to the survey.

13% of businesses said they had taken action to try to reduce expenditure on energy. Of those respondents:

- 54% encouraged staff behaviour change to improve efficiency (a decrease of 3% from last quarter)
- 54% reduced energy usage by turning off equipment (an increase of 7% from last quarter)
- 46% changed work patterns to reduce energy usage on site (an increase of 37% from last quarter)
- 38% invested in new, more energy-efficient equipment (a decrease of 3% from last quarter)
- 23% switched tariff or provider (a decrease of 15% from last quarter)
- 23% introduced local energy generation (e.g. solar panels) (an increase of 10% from last quarter)
- 23% invested in energy efficiency measures (including windows, insulation, etc.) (an increase of 11% from last quarter)

# BUSINESSES TAKING ACTION TO REDUCE ENERGY EXPENDITURE



# GET INVOLVED

The next quarterly economic survey opens on **9th February 2026**. Look out for the link and please take a couple of minutes to feed into this vital research.

You can also access our previous quarterly reports [here](#).

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](mailto:erika.armanino@necc.co.uk)



## OUR PARTNERS



Connect with us

