

NORTH-EAST

QUARTERLY ECONOMIC SURVEY

Q4
2025

BROUGHT TO YOU BY



Outlook

Confidence crisis deepens in North-east as policy chokes growth and opportunity

This latest edition of the North-east Quarterly Economic Survey – run by Aberdeen & Grampian Chamber of Commerce, in partnership with law firm Gilson Gray LLP – paints another concerning picture for the region's economy with the results continuing to reveal unfavourable divergence between the North-east and the rest of the UK.

A highly concerning trend is emerging in the North-east with increasing numbers of firms seeing declining sales. Only 14% saw growth in Q4 2025, less than half the number nationally.

And it's a similar picture when forecasting forwards. 25% of UK businesses report expecting increased orders with only 30% decreased but in this region, it is 12% and 49% respectively.

Overseas sales recovered slightly for North-east exporters towards the end of the year with 29% seeing growth and only 17% citing decreasing activity. This compares favourably to the national data. Although the historical gap has closed with the UK, North-east businesses continue to lead the way in export activity. But this also provides further evidence of the 'offshoring' of our energy supply chain.

Taxation replaced inflation as the dominant concern for businesses in 2024 and these remain the two key factors constraining growth. The impact of taxation on firms in the North-east is markedly greater than for the rest of the UK, demonstrating the negative headwinds that the EPL is creating for all parts of the region's economy.

Businesses continue to face strong and persistent cost pressures, specifically from labour and utilities with this also being felt more acutely in the North-east than elsewhere.

2025 saw the highest number of regional firms since 2020 report decreased cash flow. The 37% citing this in Q4 was five percentage points worse than the UK score. And only 17% of NE companies said their cash position had improved in Q4, six percentage points behind peers nationally.

As a result of all of this, nearly half of NE businesses expect to increase prices over the next three months, while a similar proportion anticipate prices remaining stable.

Overall, expectations of price rises have eased significantly since Q1. Historically, we have seen that companies in the North-east were more likely to increase prices than their peers nationally. In Q1 & 2, firms here were 7 percentage points more likely to do so. But in Q4 we saw a higher number of UK-wide respondents forecasting price increases (52%) than the North-east sample indicating some easing of inflationary pressure or, perhaps more likely, firms here needing to remain competitive in their markets to retain and secure business.

Since early 2024 we have been seeing a concerning increase in the number of regional respondents reporting that their workforce is decreasing. Overall, 2025 saw the acceleration of the trend in the North-east of jobs being cut due to the economic conditions. Currently we are seeing the lowest number of regional firms increasing staffing levels since 2020 confirming the stiffer headwinds being seen in the North-east economy.

The last five quarters have seen the largest number of regional respondents forecasting that their future workforce will decrease since the height of the pandemic and only just over a tenth of regional firms are expecting to increase staff levels as we head into 2026. This is in stark contrast to the UK as a whole - despite lack of economic growth nationwide- pointing to specific regional issues.

Over the past six quarters, businesses in Aberdeen & Grampian report investing less in staff training than since the pandemic. Only 12% having increased investment plans for training compared to 21% nationally.

Businesses nationally appear less cautious about capex plans than companies in the NE, pointing to greater local economic uncertainty compared with the wider UK.

The toxic cocktail of challenges for the North-east economy highlighted in this report are manifesting themselves most clearly in future revenue forecasts. Less than a quarter of regional firms are expecting to see turnover grow in 2026, with nearly 40% expecting it to decrease- the worst position since the depths of Covid. And the widening gap between local and national levels of confidence has clearly accelerated since the 2024 UK General Election.

Challenged revenue expectation is translating directly to the bottom line with a remarkable 50% of NE respondents forecasting declining profits in 2026- nearly 20-percentage points worse than the UK-wide figure.

As a result, almost 1/3 of businesses say their key business priority in 2026 is simply survival.

And as firms seek to mitigate challenges by becoming leaner, more than half of respondents in the region report using innovation or digital technology extensively or moderately across several areas in order to improve productivity and efficiency and/or reach new customers.

AI and automation are the most widely adopted technologies, used to improve efficiency and reduce manual tasks. Digital systems and software also play a key role in streamlining operations, while customer-facing digital tools and physical/technical innovations are used less frequently but provide niche or operational advantages. Overall, most businesses are increasingly leveraging technology to stay competitive and improve performance.

The evidence continues to point to the fact that, as a result of government policy and rhetoric, the North-east is being subjected to anything but a just transition. And the frustration is that it simply doesn't need to be this way.



Russell Borthwick
Chief Executive

Survey and methodology

Established in 1989, the British Chambers of Commerce Quarterly Economic Survey is the UK's largest and longest running independent business sentiment report. It is widely referenced by government, its agencies, the Bank of England and national media as a definitive barometer of the health of the economy.

The QES Q4 field period ran between 10th November – 5th of December 2025 and this latest edition was completed by 4,669 companies collectively employing over one million staff, across Chamber networks nationwide.

In the North-east, 150 firms employing more than 12,000 people took part – providing a strong, representative sample from which to compare regional and national data.

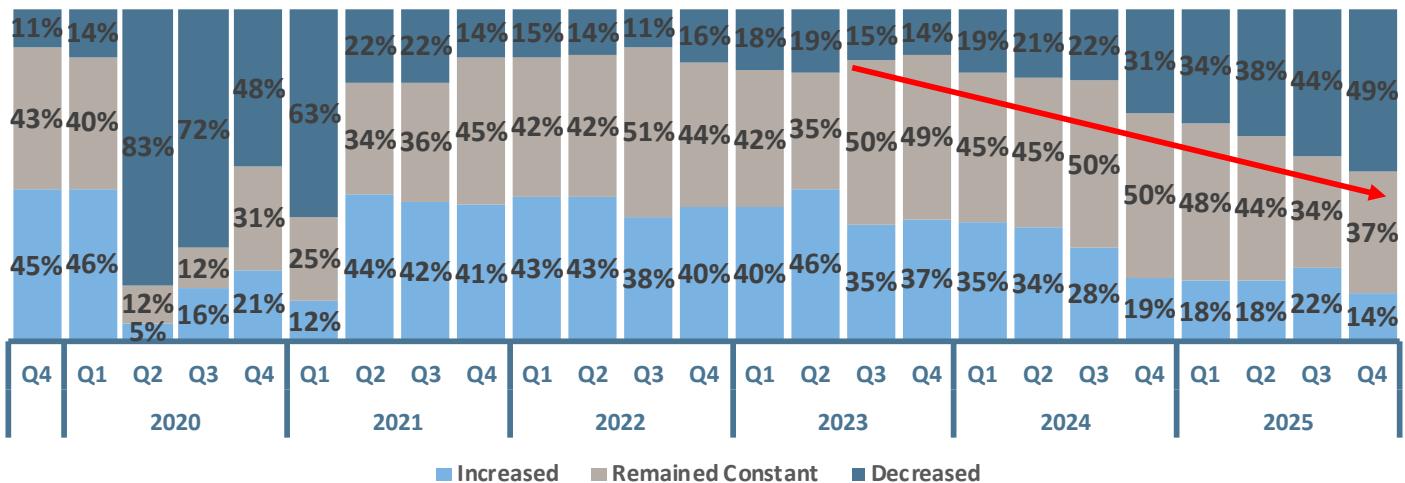
Only 32% of local respondents operated in the energy sector, with the remainder drawn from a broad range of sectors and business types across the region.

Of the regional sample, 112 businesses completed the survey prior to the UK Budget announcement on 26 November, with a further 38 responding afterwards.

Domestic activity

A highly concerning trend is emerging in the North-east over the last two years where, quarter on quarter, more firms are seeing declining sales. Only 14% saw growth in Q4 2025, less than half the number nationally. And it's a similar picture when forecasting forwards.

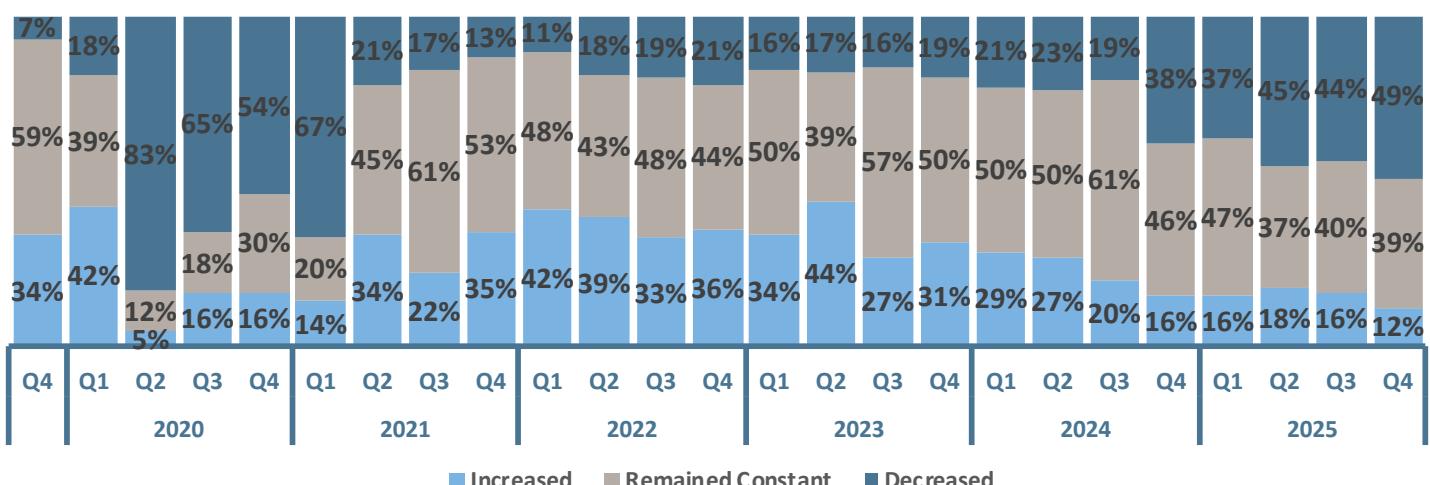
Q: Excluding seasonal variations, over the past 3 months 'UK sales/custom/bookings' have...



UK COMPARISON

29% of UK businesses reported increased sales in the quarter, 42% remained constant, and 28% decreased. Not a rosy picture but significantly better than in the North-east.

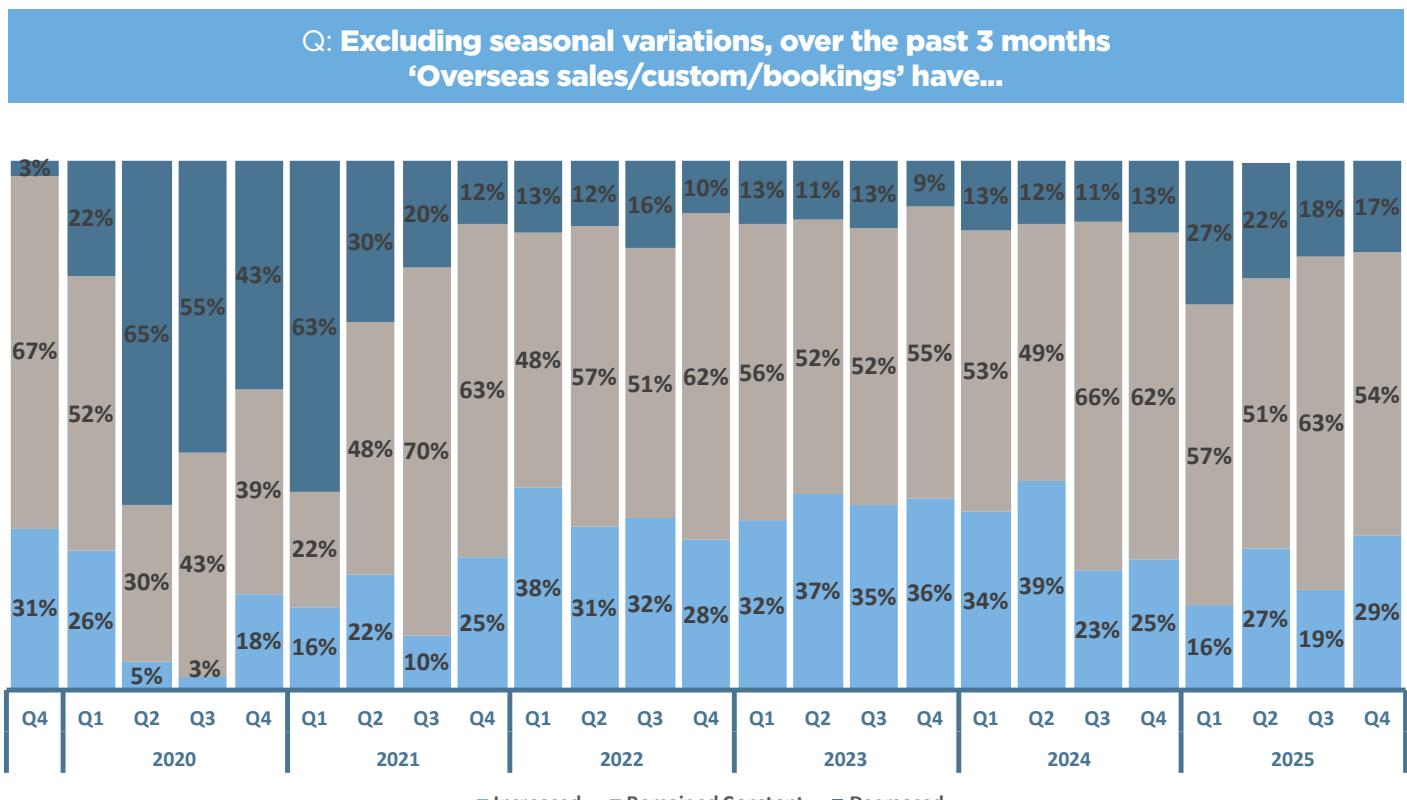
Q: Excluding seasonal variations, over the past 3 months 'UK orders/advance custom/bookings' have...



UK COMPARISON

Looking at forward demand, 25% of UK businesses reported expecting increased orders with only 30% decreased. Again, the regional v national sentiment is stark.

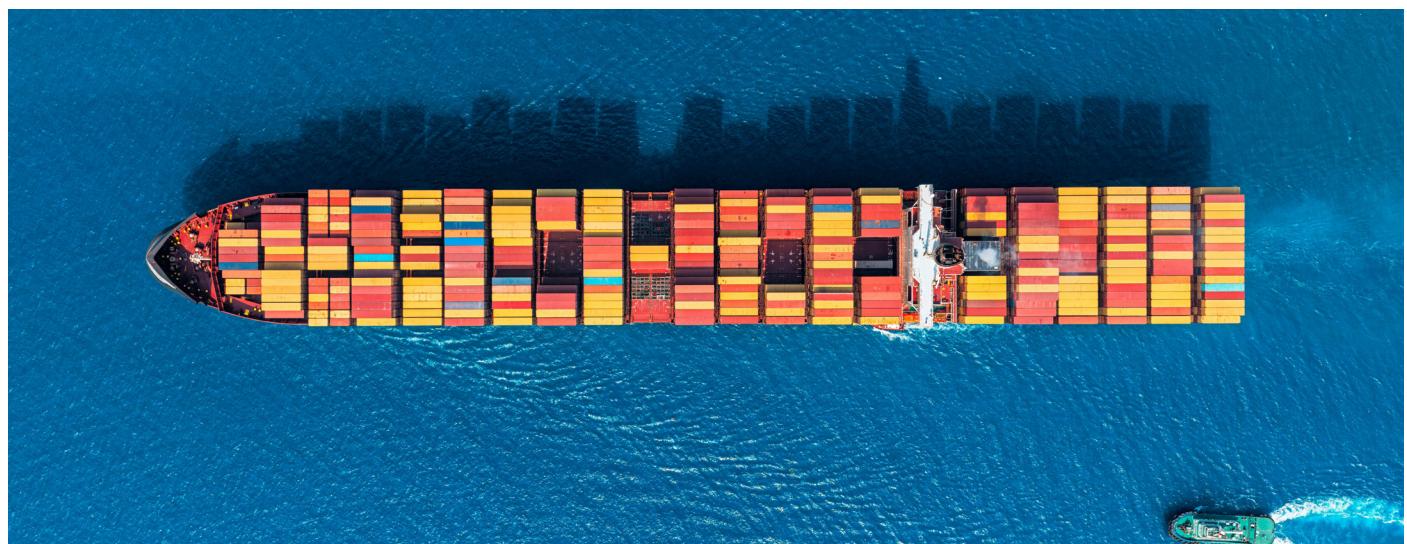
International activity in Q4



UK COMPARISON

Nationally, 24% of businesses reported increased overseas business in the quarter while 25% reported a decrease (in line with Q3). Although the gap has closed with the UK data, North-east businesses continue to lead the way in export activity. But this is also further evidence of the 'offshoring' of our energy supply chain.

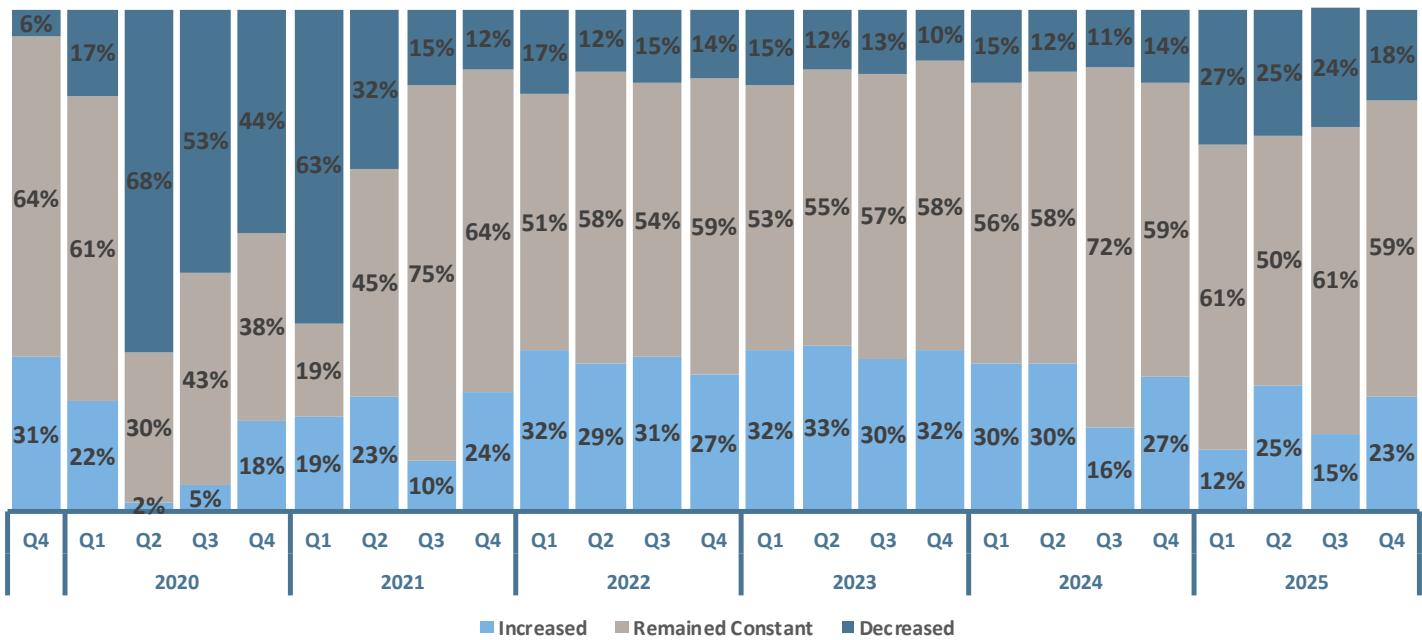
	Aberdeen & Grampian	UK	% point difference, region v UK
Increase	29%	24%	+5%
Remain the same	54%	51%	+3%
Decrease	17%	25%	-8%



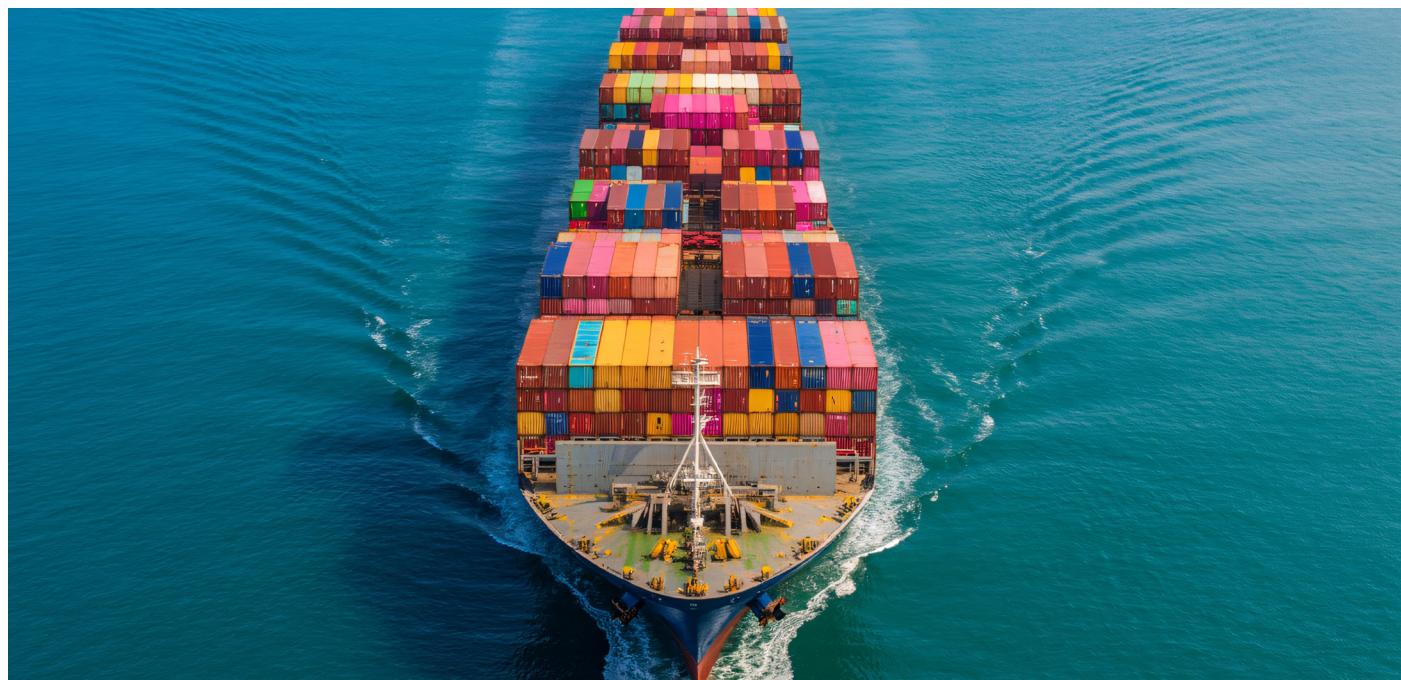
International demand forecasts

Q1 2022 to Q2 2024 saw ten quarters of relative stability in terms of forward forecasting of export sales by regional firms. Since then, we have seen regular fluctuations but with an overall downward trend. Q4 2025 data provides some relief with only 18% of companies expecting decreased activity into 2026 compared to 28% nationally.

Q: Excluding seasonal variations, over the past 3 months
 'Overseas orders/advance custom/bookings' have:



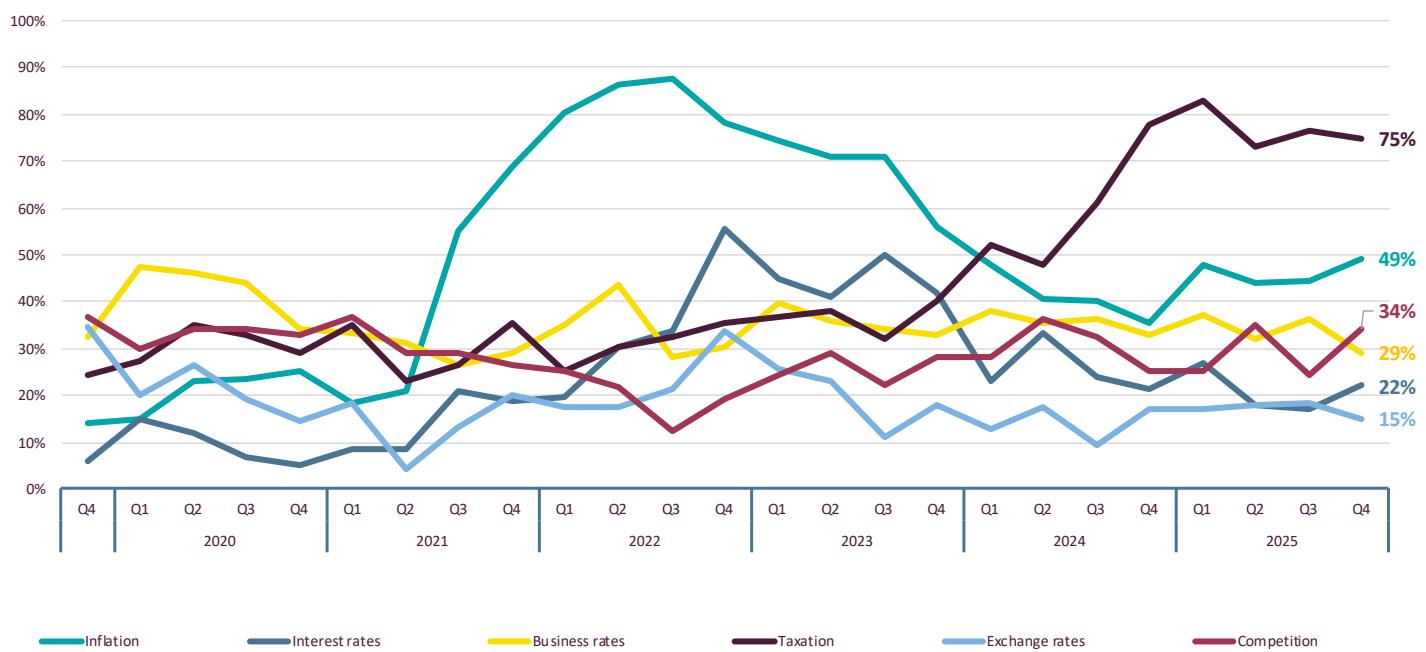
	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	23%	22%	+1%
Remained Constant	59%	50%	+9%
Decreased	18%	28%	-10%



Constraints to growth

Taxation replaced inflation as the dominant concern for businesses in 2024 and these remain the two key factors constraining growth. The impact of taxation on firms in the North-east is markedly greater than for the rest of the UK, demonstrating the negative headwinds that the EPL is creating for all parts of the region's economy.

Q: Please indicate which of these following factors are more of a concern to your business than 3 months ago



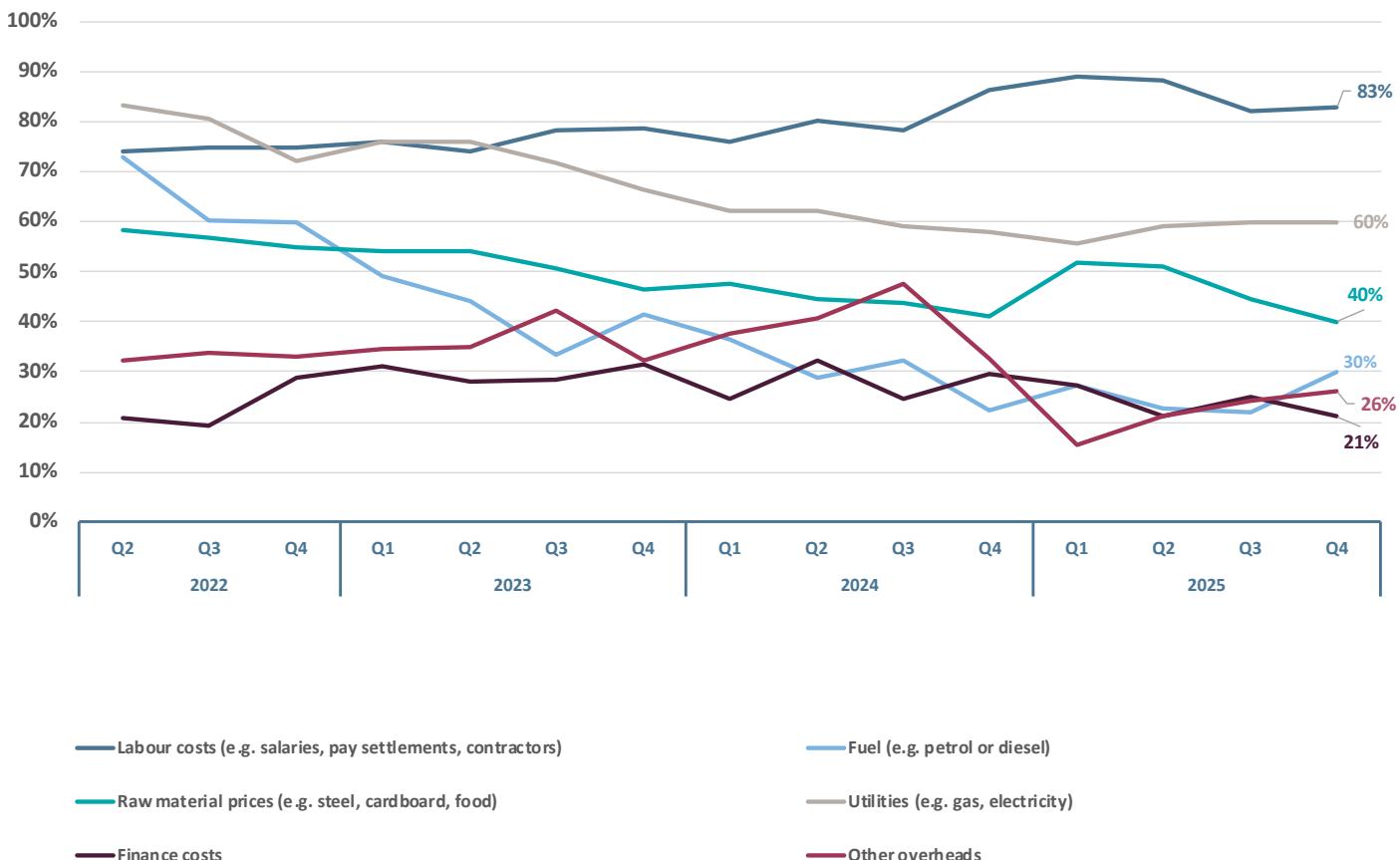
	Taxation	Inflation	Business rates	Competition	Exchange rates	Interest rates
Aberdeen & Grampian	75%	49%	29%	34%	15%	22%
UK	63%	56%	34%	35%	16%	27%



Cost pressures

Businesses continue to face strong and persistent cost pressures, stemming from labour and utilities in particular, with this being felt more acutely in the North-east than elsewhere.

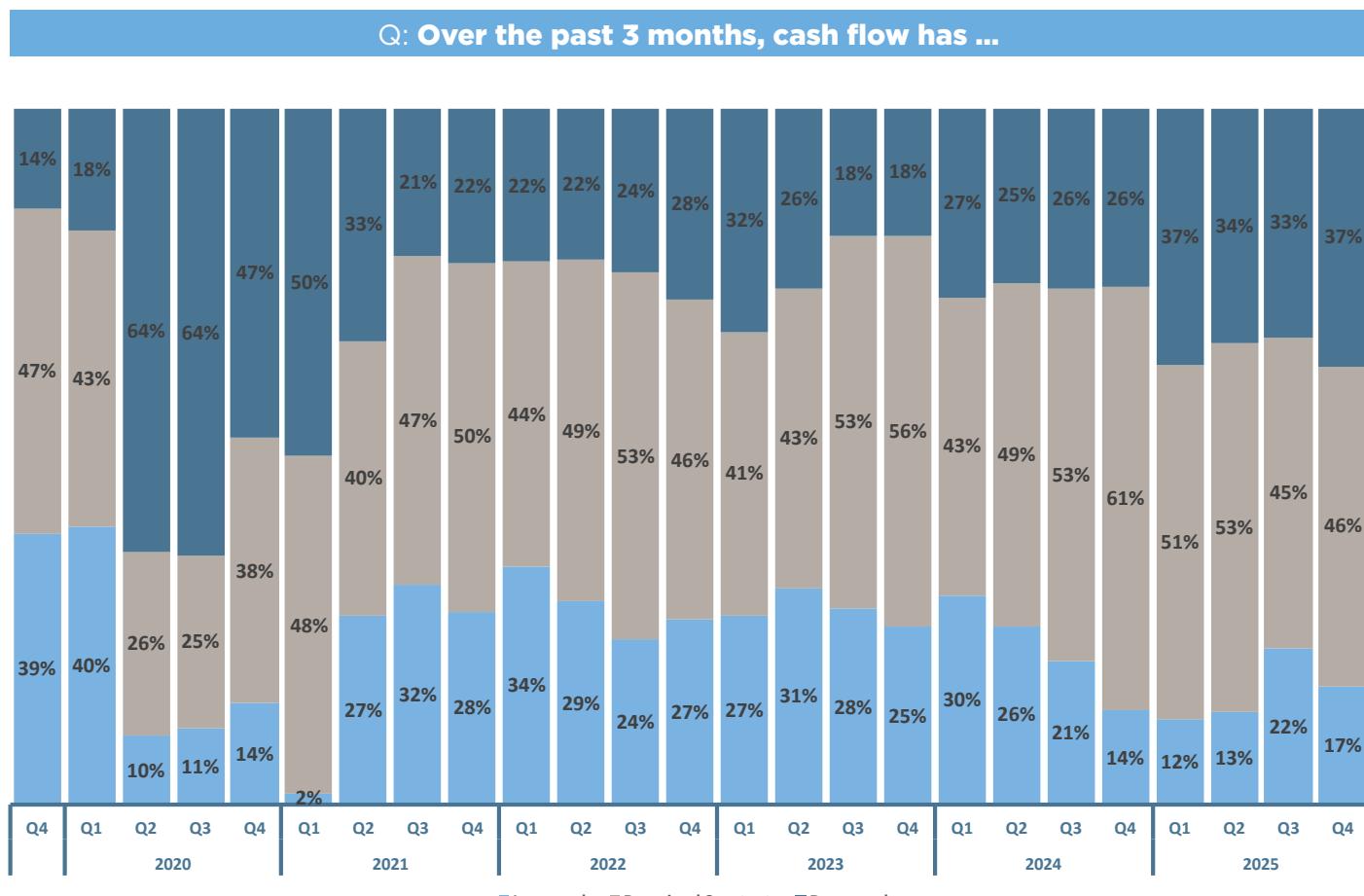
Q: Is your business currently suffering pressures to raise its prices from any of the following?



	Aberdeen & Grampian	UK	% point difference, region v UK
Labour costs	83%	72%	+11
Utilities	60%	52%	+8
Raw materials	40%	36%	+4
Fuel	30%	29%	+1
Other	26%	38%	-12
Finance	21%	28%	-7

Cash flow

2025 saw the highest number of regional firms since 2020 report decreased cash flow. The 37% citing this in Q4 was five percentage points worse than the UK score. And only 17% of NE companies said their cash position had improved in Q4, six percentage points behind peers nationally.

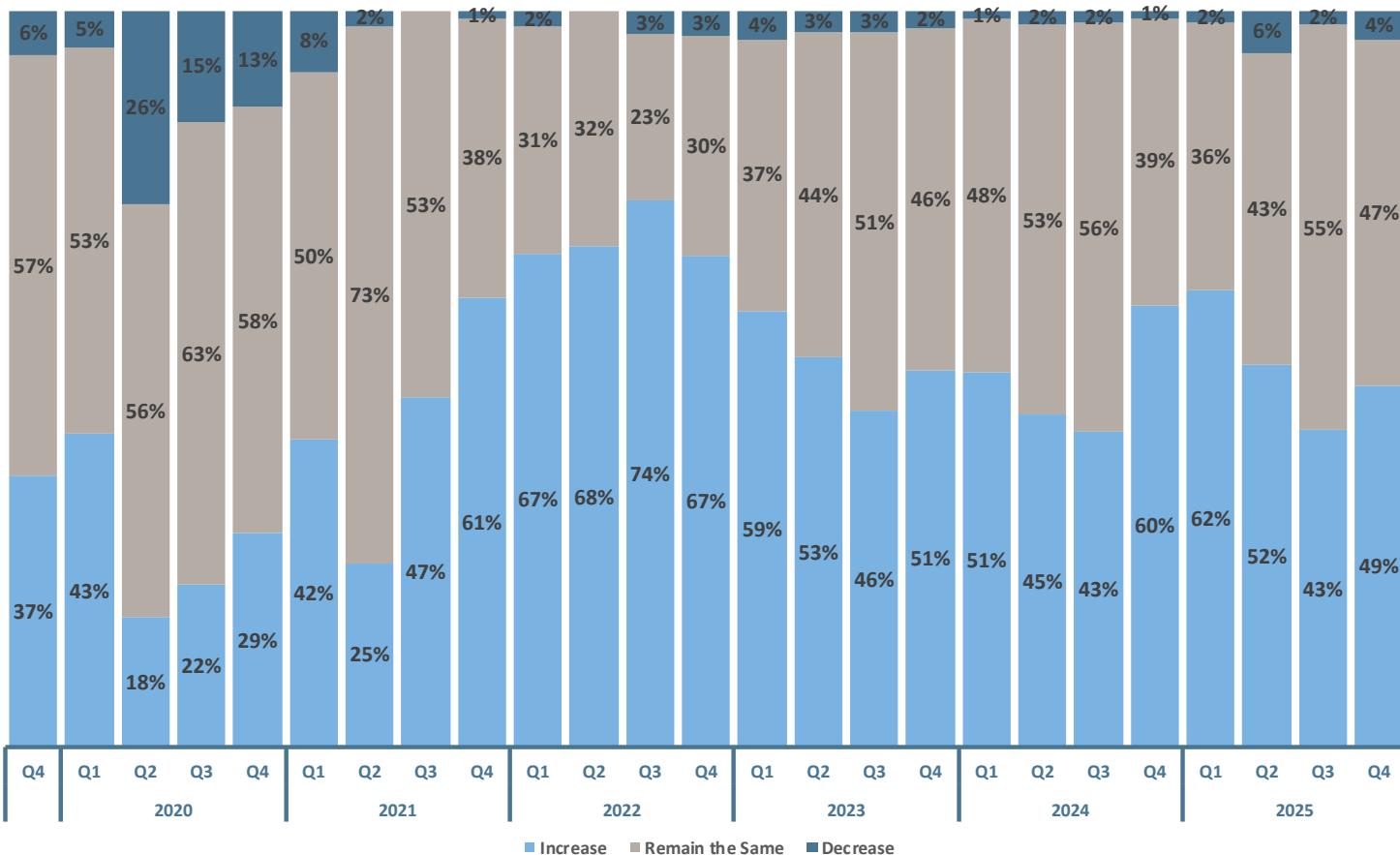


		Aberdeen & Grampian				UK				% point difference, region v UK			
Increased		17%				23%				-6%			
Remained the same		46%				45%				+1%			
Decreased		37%				32%				+5%			

Pricing

As a result, nearly half of NE businesses (49%) expect to increase prices over the next three months, while a similar proportion (47%) anticipate prices remaining stable. Overall, expectations of price rises have eased significantly since Q1, falling from 62% indicating some easing of inflationary pressure or possibly issues of firms needing to remain competitive in their markets to retain and secure business.

Q: Over the next 3 months, do you expect the price of your goods/services to...



		Aberdeen & Grampian	UK	% point difference, region v UK
Increase		49%	52%	-3
Remain constant		47%	45%	+2
Decrease		4%	3%	+1

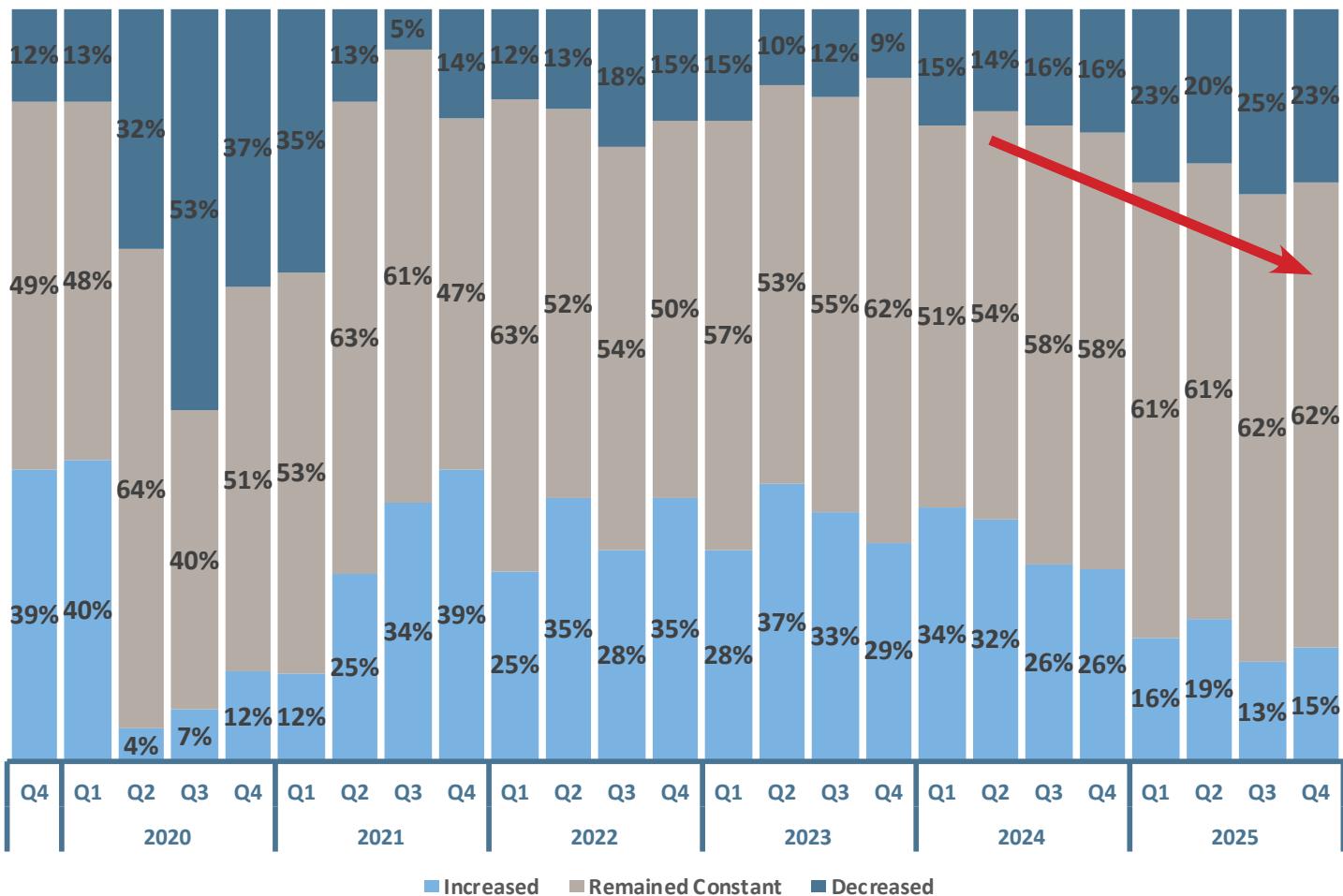
UK SNAPSHOT

Historically, we have seen that companies in the North-east were more likely to increase prices than their peers nationally. In Q1 & 2, firms here were 7 percentage points more likely to do so. But in Q4 we saw a higher number of UK-wide respondents forecasting price increases (52%) than the North-east sample.

Workforce trends

Since early 2024 we have been seeing a concerning increase in the number of regional respondents reporting that their workforce is decreasing. Overall, 2025 saw the acceleration of the trend in the North-east of jobs being cut due to the economic conditions. Currently we are seeing the lowest number of regional firms increasing staffing levels since 2020.

Q: Over the past 3 months has your workforce?



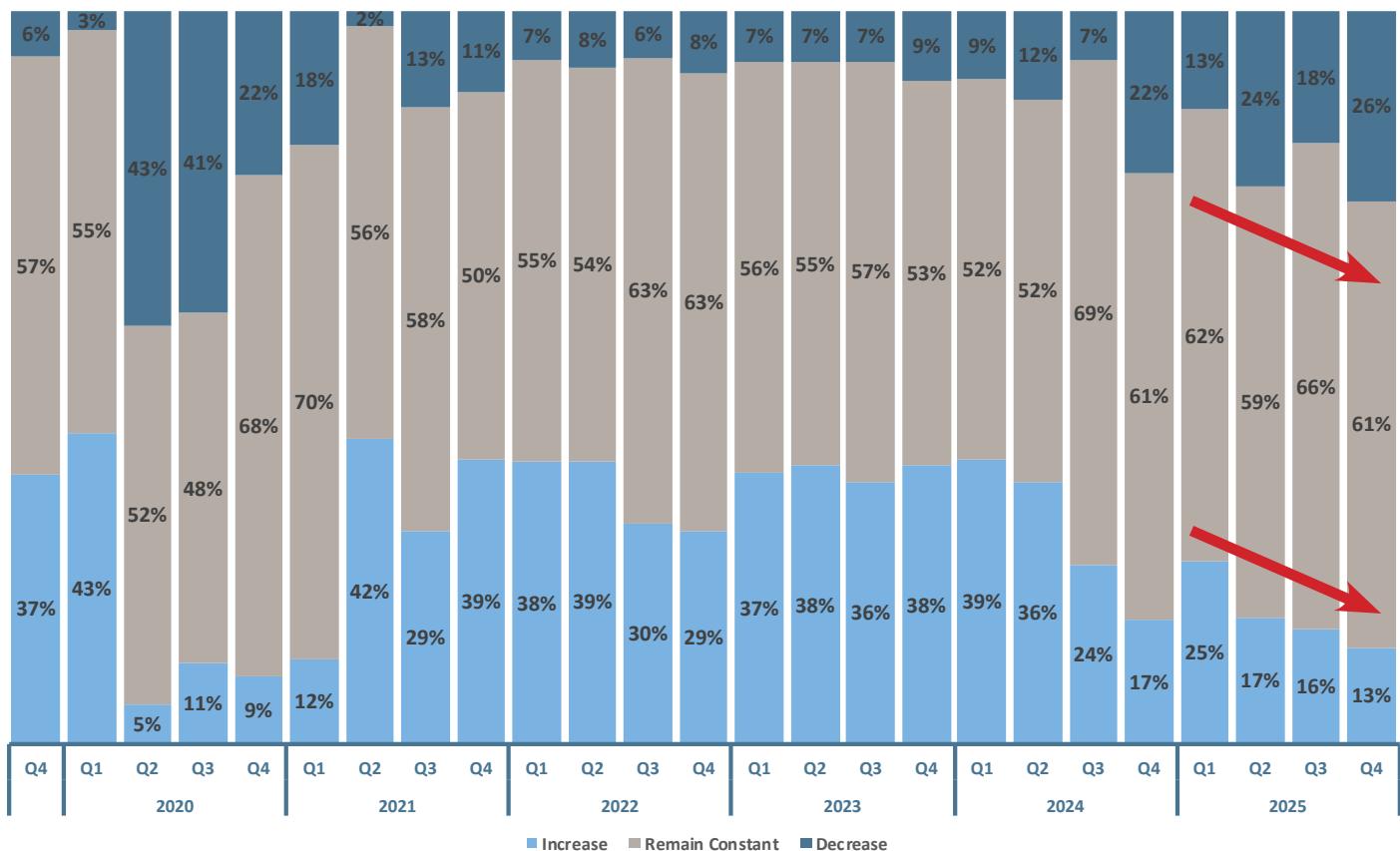
UK COMPARISON

Nationally, 21% of businesses have increased their workforce over the past three months, compared to just 15% in the region, while fewer UK businesses have reduced staff (17%) than in Aberdeen & Grampian (23%), confirming the stiffer headwinds being seen in the North-east economy.

Workforce outlook

The last five quarters have seen the largest number of regional respondents forecasting that their future workforce will decrease since the height of the pandemic and only just over a tenth of firms are expecting to increase staff levels as we head into 2026. This is in stark contrast to the UK as a whole - despite lack of economic growth nationwide- pointing to specific regional issues.

Q: Over the next 3 months, do you expect your workforce to...

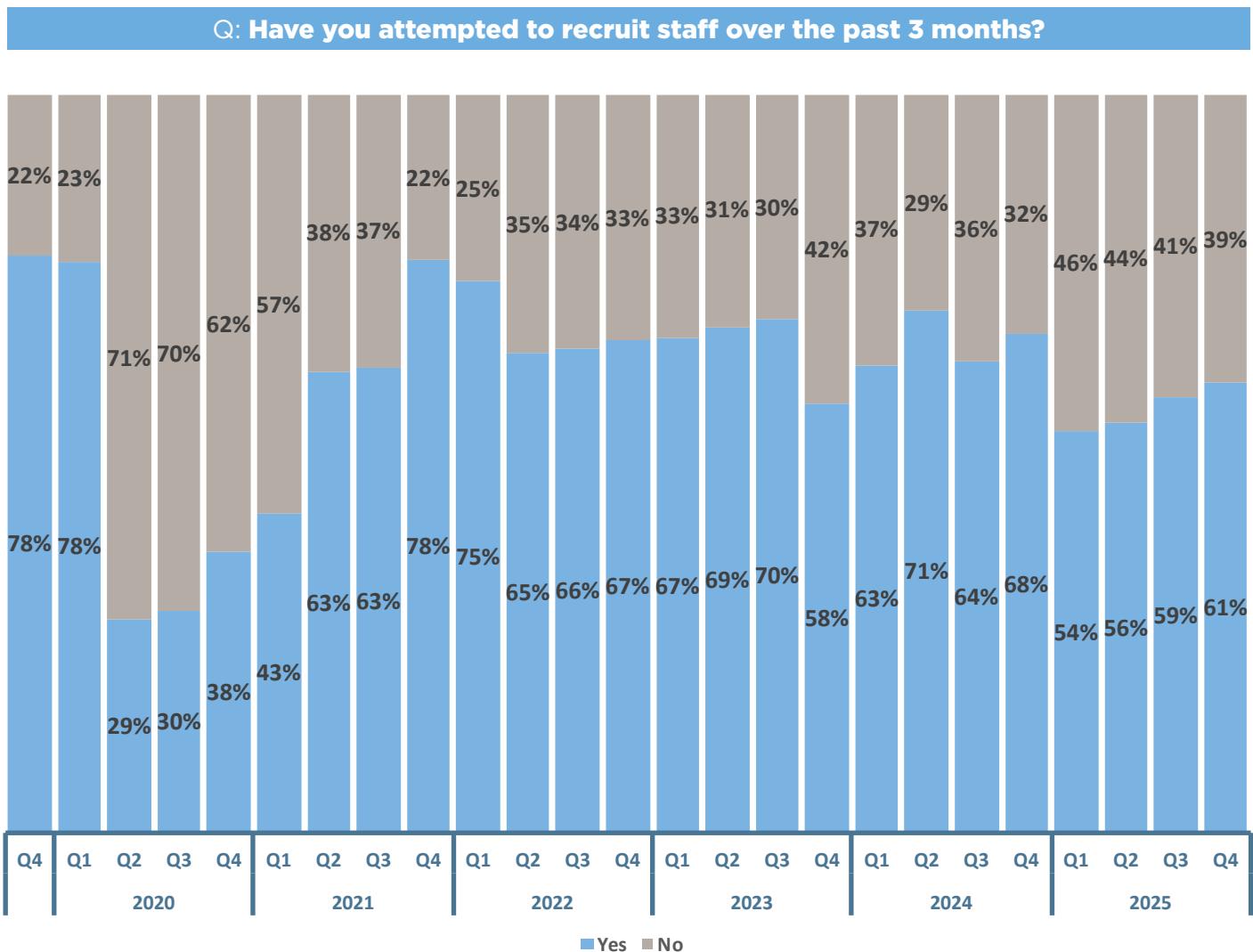


UK SNAPSHOT

23% of UK businesses expect to increase their workforce in 2026, 63% expect staffing levels to remain unchanged, and 14% anticipate a reduction. Although fewer businesses nationally are planning to expand their workforce than compared to the beginning of 2025.

Recruitment activity

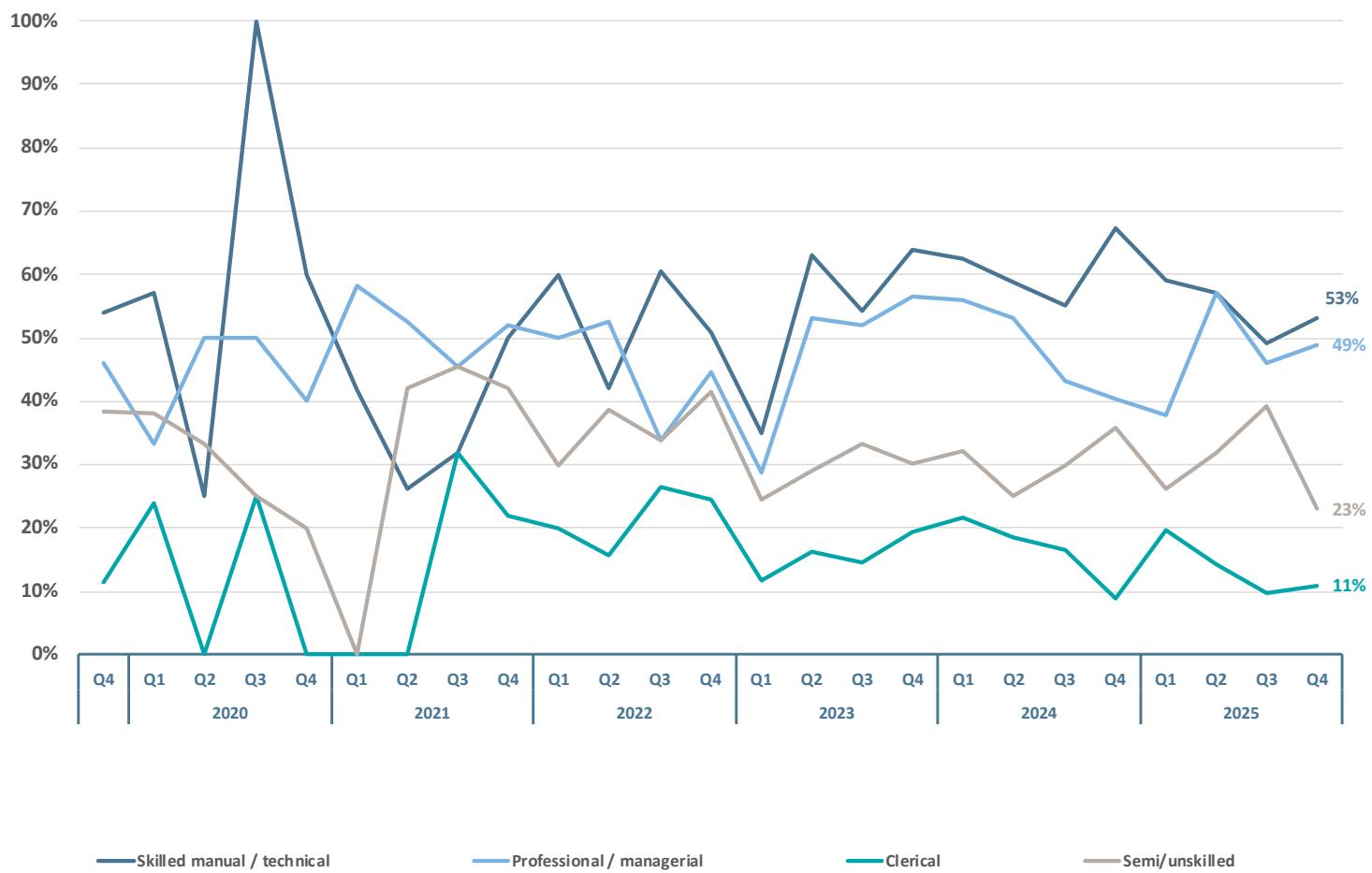
Since late 2021 we have seen a steady downward trend in the number of North-east firms looking to recruit staff although the 61% doing so in Q4 compared favourably to the national figure of 52%.



Recruitment challenges

Unsurprisingly, we have seen a significant reduction in the number of firms in the North-east reporting difficulty in recruiting staff during 2025; decreasing from 89% in Q1 to 70% in Q4. In terms of types of role, there has been a noticeable easing in ability to recruit semi/unskilled staff.

Q: If you attempted to recruit, did you experience any difficulties finding suitable staff? If yes, for which of the following categories of employee?

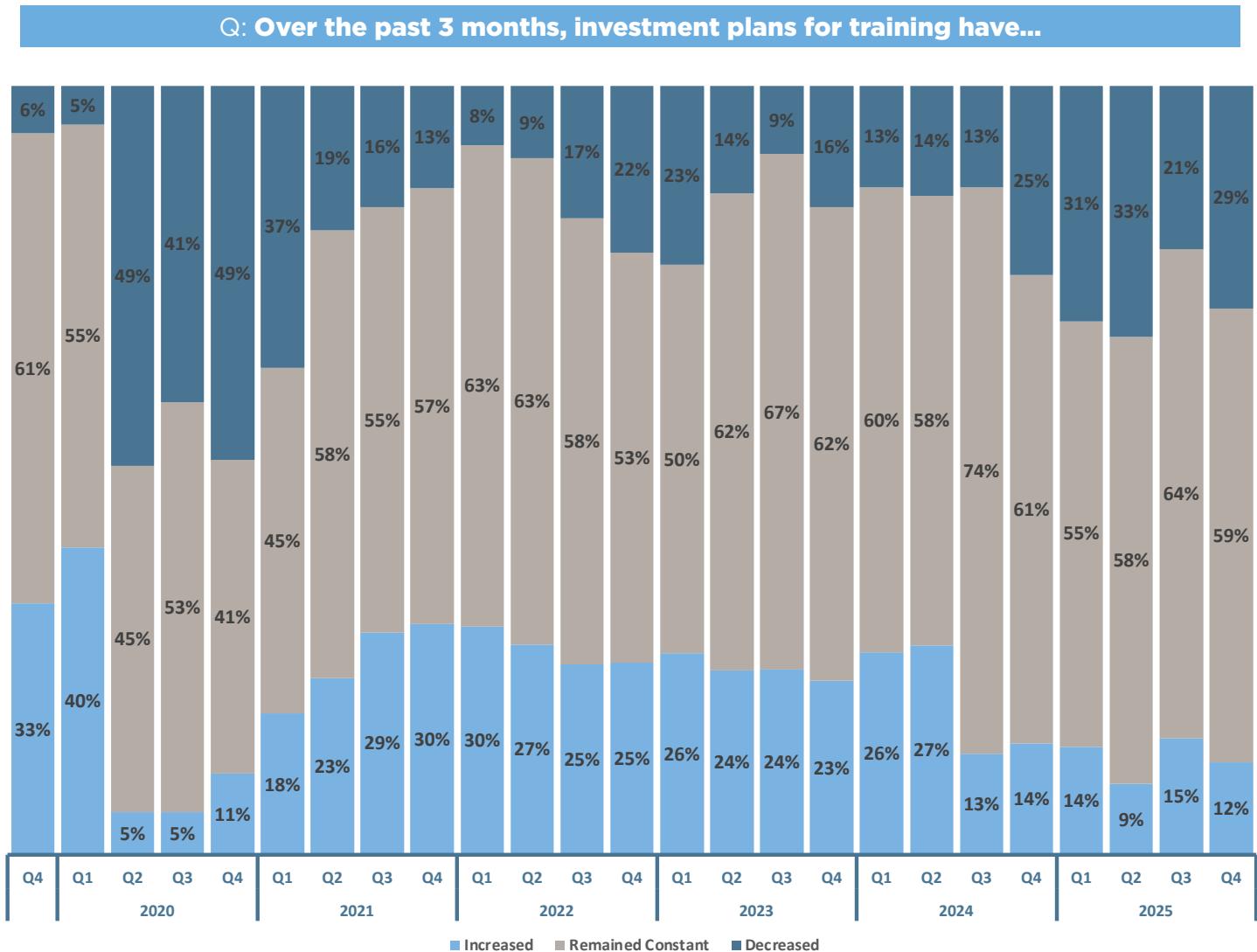


UK COMPARISON

At national level, 70% of businesses reported difficulty recruiting suitable staff in Q4- in line with the North-east figure- continuing a gradual easing across the year.

Staff training

Over the past six quarters, businesses in Aberdeen & Grampian report investing less in staff training than since the pandemic. Only 12% having increased investment plans for training in Q4 compared to 21% nationally.

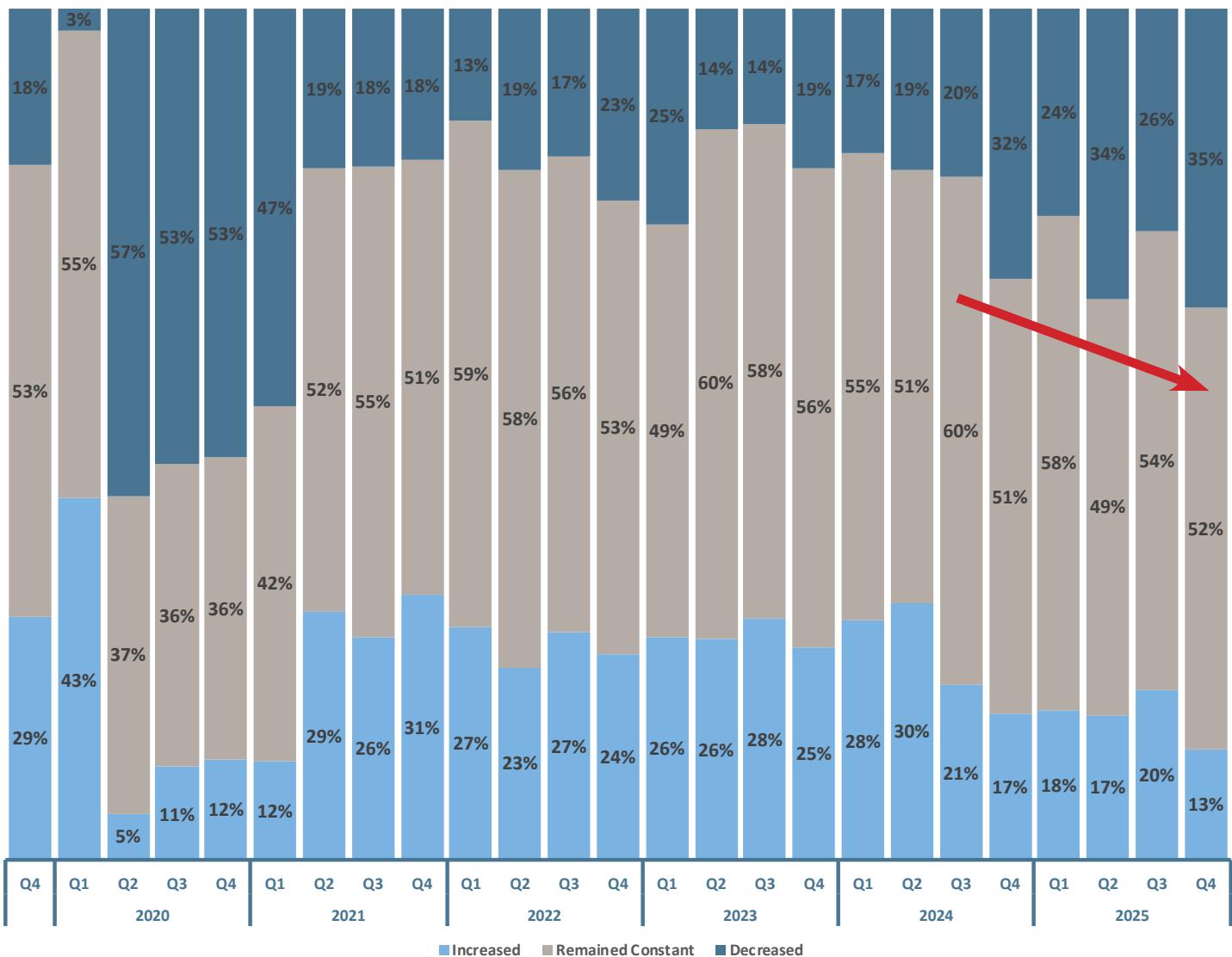


		Aberdeen & Grampian		UK		% point difference, region v UK	
Increased		12%		21%		-9%	
Remained the same		59%		57%		+2%	
Decreased		29%		22%		+7%	

Capital investment

Investment activity has weakened over the last five quarters, with a 15-percentage point increase in the number of NE firms reducing the amount being invested in their plant, machinery and premises

Q: Over the past 3 months, investment plans for plant/machinery/equipment have..



		Aberdeen & Grampian	UK	% point difference, region v UK
Increased		13%	19%	-6%
Remained the same		52%	54%	-2%
Decreased		35%	27%	+8%

UK SNAPSHOT

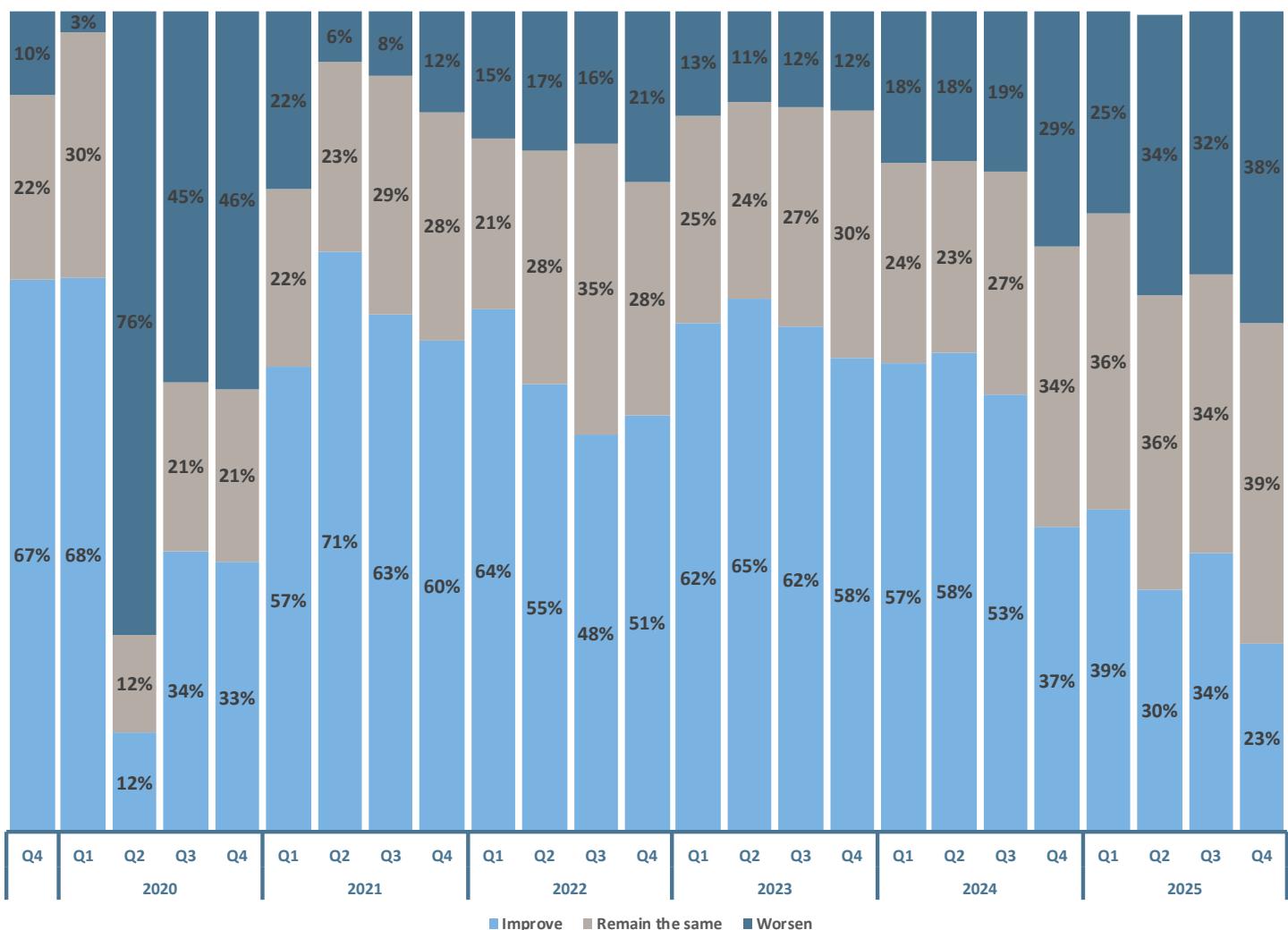
Businesses nationally appear less cautious about capex plans than companies in the NE.

This points to greater local economic uncertainty compared with the wider UK

Turnover

The toxic cocktail of challenges for the North-east economy highlighted in this report are manifesting themselves most clearly in future revenue forecasts. Less than a quarter of regional firms are expecting to see turnover grow in 2026, with nearly 40% expecting it to decrease- the worst position since the depths of Covid. And the widening gap between local and national levels of confidence has clearly accelerated since the 2024 UK General Election.

Q: Over the next 12 months, do you believe your business's turnover will...

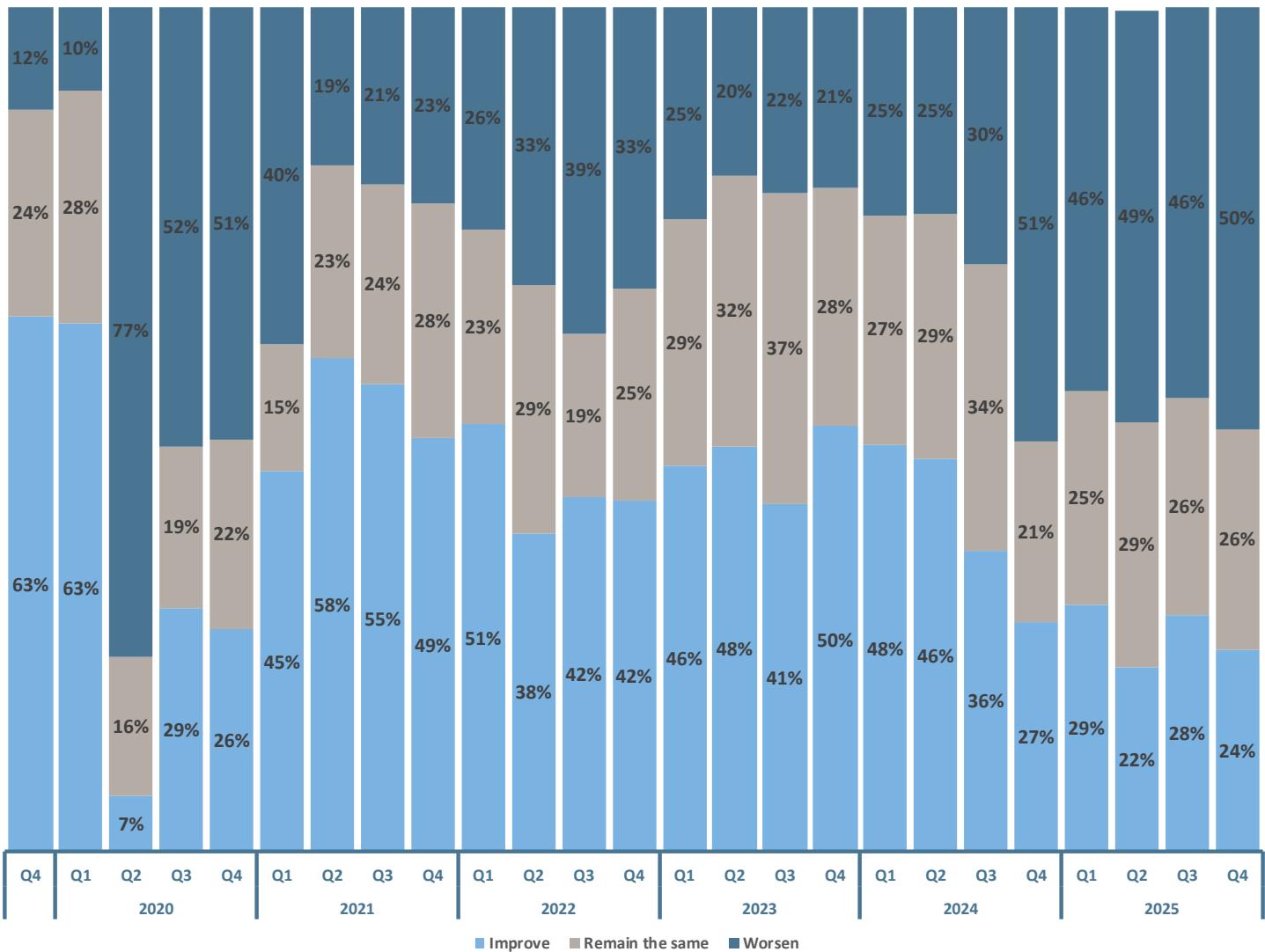


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	23%	46%	-23%
Remained the same	39%	30%	+9%
Decreased	38%	24%	+14%

Profitability

And revenue expectation is translating directly to the bottom line with a remarkable 50% of NE respondents forecasting worsening profits in 2026- nearly 20-percentage points worse than the UK-wide figure.

Q: Over the next 12 months, do you believe your business's profitability will...

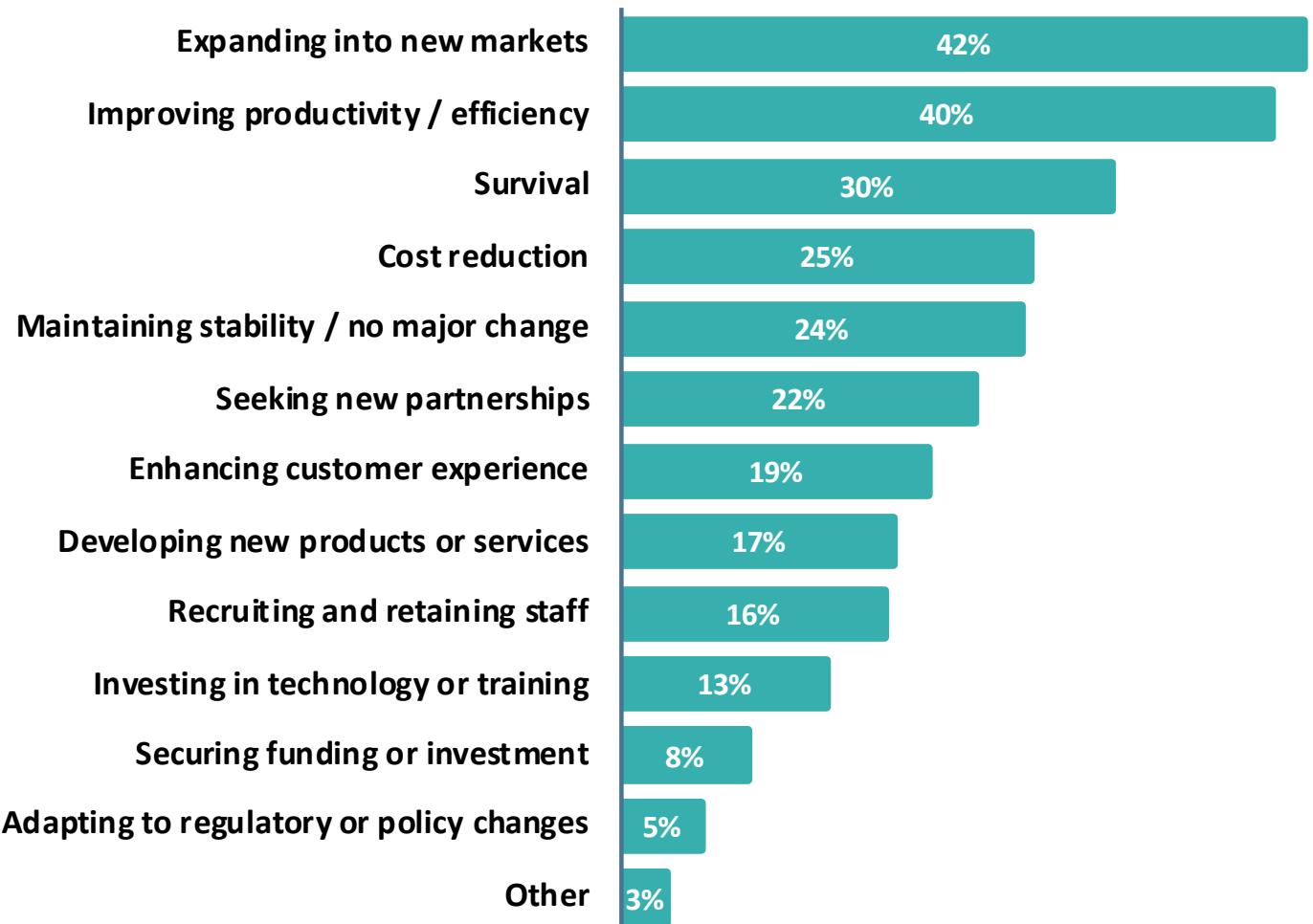


	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	24%	37%	-13%
Remained the same	26%	32%	-6%
Decreased	50%	31%	+19%

Business priorities

Almost 1/3 of businesses say their key business priority is survival.

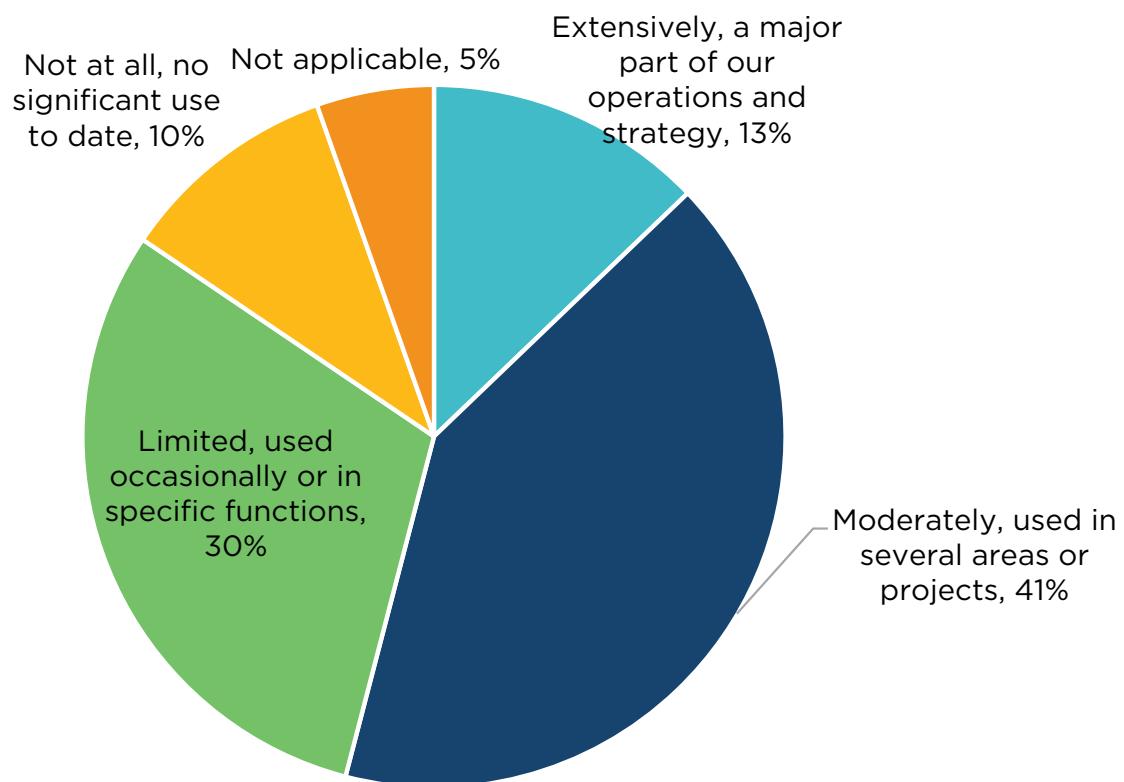
Q: What are your business's top priorities for the next 12 months?



Digital adoption 1

More than half of respondents in the region use innovation or digital technology extensively or moderately across several areas in order to improve productivity and efficiency and/or reach new customers. Around a third use it occasionally, while only 10% have not adopted it in any significant way.

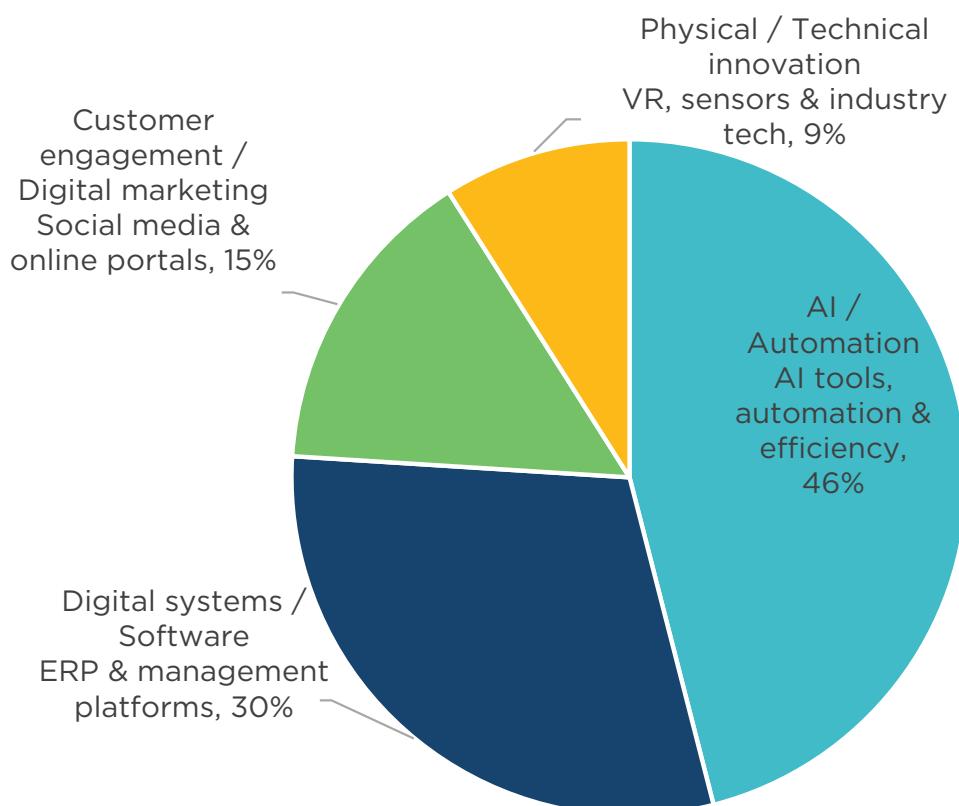
Q: Over the past year, how much has your organisation used innovation or digital technology to remain competitive or reach new customers?



Digital adoption 2

AI and automation are the most widely adopted innovations, used to improve efficiency and reduce manual tasks. Digital systems and software also play a key role in streamlining operations, while customer-facing digital tools and physical/technical innovations are used less frequently but provide niche or operational advantages. Overall, most businesses are increasingly leveraging technology to stay competitive and improve performance.

Q: Briefly describe the most effective innovation or technology your organisation has adopted and the impact it has had.



Theme	Examples / Notes	Number of responses
AI / Automation	AI for report writing, tendering, social media, marketing, meeting notes, administrative tasks; CoPilot; robotic process automation; AI integrated into business systems	28
Digital systems / Software	ERP, management systems, project tracking, QHSE software, case management systems, online ordering platforms, e-commerce enablement platforms	18
Customer engagement / Digital marketing	Social media campaigns, online portals for customers/contractors, e-learning platforms, CRM systems	9
Physical / Technical innovation	VR for engineering or customer experience, handheld tools, sensors, remote monitoring, offshore technology, subsea inspection, specialised equipment, new products	6

National Viewpoint

David Bharier, Head of Research at the British Chambers of Commerce, said:

“Our data shows more clouds have gathered over business confidence, and the outlook for SMEs in 2026 is unsettled.

“Firms tell us they are worried about tax, struggling to invest and fear they'll have to put their prices up in the months ahead. Firms' confidence in their turnover growth has been stuck stubbornly below 50% for the last 12 months.

“After a long period of uncertainty and speculation heading into the Budget, concerns about major new tax rises eased somewhat in the aftermath. However, a Budget fundamentally light on growth measures did little to boost business confidence, and sentiment overall has worsened since the previous quarter.

“It is now critical that 2026 is a year of delivery. The Government needs to turn last year's strategies into action; boost investment, significantly expand trade, and ease the myriad burdens facing businesses. Only then will the economic outlook shift from its current low-growth trajectory.”

What businesses around the UK say:

Pre-Budget

“Market sentiment has been badly affected by uncertainty caused directly by the government in the run up to the budget.” Micro services firm in Hertfordshire

“Rise in Employer national insurance contributions had an impact on overhead costs which reduces investment in our current employees.” Medium construction firm in Greater Manchester

“Decisions on new orders appear to be getting delayed pending the Autumn Budget” Medium construction firm in East Midlands

Post-Budget

“The impact of employer national insurance and doubling of business rates continues to hit hard. Food inflation continues to hit our cost base, as does an increase in electricity prices.” Micro transport firm in Hampshire

“Government induced uncertainty over the Budget has worsened the sense of indecision and low confidence in the market” Micro professional services in Cambridgeshire

“Now that we have visibility on the current position, we can at least move forward, but confidence remains subdued.” Medium professional services in Liverpool

Sponsor Viewpoint

Crisis narrative ... and strategic reckoning: Something new may be forming in the North-East data

Over the last six quarters, the dominant narrative emerging from the North-east Quarterly Economic Survey has been one of increasing crisis: collapsing confidence, policy-induced stagnation, and a region falling further behind the UK average. That narrative remains strong in the pages of this quarter's report. One would be forgiven for being somewhat downtrodden when faced with the rather banal consistency of the quarter-on-quarter statistical creep downward in the North-east figures. Particularly when, as Russell Borthwick rightly points out in the closing remarks of his executive summary, “the frustration is that it simply doesn't need to be this way”.

However, I believe the data also speaks to something even more consequential. Whilst it is abundantly clear that the North-east economy continues to be directly impacted by external forces, it appears that it is undergoing a painful structural reckoning that will determine whether it truly adapts for the medium to long term, or entrenches long-term fragility.

The North-east headlines are bleak. Sales growth lags badly behind the UK, forward orders are weak, and nearly 40% of firms expect turnover to fall in 2026, with half forecasting declining profits. Yet the striking feature is not just the depth of pessimism, but its concentration. Unlike the national picture, where weakness is diffuse and tentative, North-east sentiment is decisive and directional.

Businesses are not confused about the outlook; they are acting as if a lower-growth environment is now the base case.

This matters because it explains several other trends that we see in the report. Workforce contraction, reduced training spend, and subdued capital investment are often framed as evidence of economic malaise. However, they are also rational responses to an ongoing environment in which firms expect volatility, policy risk, and constrained margins to persist. In effect, many businesses are choosing balance-sheet resilience over expansion. Whilst that is not optimism, neither is it outright crisis - it is direction that is becoming embedded.

The same is true of pricing behaviour. While almost half of North-east firms expect to raise prices, this proportion is now lower than the UK average. That is not a sign of easing cost pressure — labour and utilities remain acute — but rather of competitive constraint. Firms appear acutely aware that pricing power is limited in their markets, particularly for those exposed to national or international competition. In that sense, the region appears to be adjusting faster to post-inflation realities than some of its UK peers.

Perhaps the most striking signal in the report is the contrast between domestic weakness and relative export strength. North-east firms continue to outperform nationally on overseas sales and forward export expectations. This export orientation reflects a region that has long operated in globally competitive sectors and is therefore structurally better equipped to seek demand elsewhere beyond a stagnating domestic economy. Whilst there is a clear risk here of an increasing offshoring of the supply-chain, the real systemic risk is perhaps that the domestic ecosystem becomes too thin to support them.

The widespread adoption of digital tools, AI, and automation reinforces this point. Over half of regional firms are using innovation extensively or moderately, primarily to drive productivity and

efficiency. Together these are not the behaviours of an economy in retreat, but of firms attempting to decouple performance from local demand constraints. Innovation, in this context, is not about growth narratives; it is about survival and optionality.

That framing also sheds light on the stark statistic that almost a third of businesses cite “survival” as their top priority. This is often read as terminal pessimism. But survival is also a strategy. It implies prioritisation, cost discipline, and selectivity — traits that, if combined with the region’s export capability and technical skill base, could form the foundations of a leaner but more durable economy.

Government policy, taxation, regulatory uncertainty, and the uneven impact of national decisions continue to impact more heavily on the North-east than elsewhere. But the more uncomfortable issue raised by the data is that it suggests many firms no longer expect policy reversal to restore confidence any time soon — and are reorganising accordingly.

The real risk, then, is not just one of short-term decline which we have witnessed over these past six quarters, but a slow normalisation of lower expectation. Whether the North-east emerges weaker or more resilient will depend on whether today’s defensive adaptations become a ceiling for future growth — or create tomorrow’s platform for renewal.



Findlay Anderson,
Partner, Head of Corporate
Gilson Gray LLP

BROUGHT TO YOU BY



Aberdeen &
Grampian
Chamber of
Commerce

&

