NORTH-EAST

QUARTERLY ECONOMIC SURVEY

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Q3 2025

Introduction

With the Chancellor's next Budget just weeks away, the latest Quarterly Economic Survey from Aberdeen & Grampian Chamber of Commerce and Gilson Gray paints a sobering picture of business sentiment across the North-east.

Far from recovering, many firms remain bruised by sustained cost pressures, falling demand and an ever-growing tax burden that has left them in no mood for another fiscal blow.

The findings, drawn from 137 responses employing more than 15,000 people across the region, show a business community that is holding its breath ahead of the Budget.

Across almost every key measure – from sales and orders to profitability and recruitment – local results lag behind the UK average, underlining a widening confidence gap between the North-east and the rest of the country.

The quarter's data reveal that 44% of North-east firms saw domestic sales fall, while only 22% reported growth – the weakest result since the pandemic lows of early 2021. Advance orders are equally depressed, suggesting that pipelines remain thin and that demand is failing to recover meaningfully.

In contrast, UK-wide figures show a far more balanced picture, with only a quarter of businesses reporting declines. This divergence signals growing regional fragility. The North-east economy remains heavily exposed to the twin effects of weak consumer confidence and fiscal uncertainty in the energy sector.

With major investors spooked by the Energy Profits Levy and wider tax instability, the region's traditional strengths are being undermined at precisely the time when it needs to attract capital and talent to power the transition.

Nowhere is business frustration clearer than on taxation. A record 77% of North-east firms identify it as a key concern – up four points on the previous quarter and almost 20 points higher than the UK average.

Employers consistently cite the combined weight of National Insurance rises, business rates and energy-related levies as key factors suppressing investment and expansion.

Price pressures continue to stem overwhelmingly from wages, with 82% of firms citing labour costs as their main driver of price increases – ten points above the UK benchmark.

This squeeze is clearly visible in profitability expectations. Nearly half (46%) of North-east businesses expect profits to decline over the next year – almost twice the national figure. Only 28% expect an improvement. The result is a community still cautious, constrained and craving clarity from government.

Confidence remains subdued. Just one-third (34%) of local firms expect turnover to rise in the year ahead, compared with almost half nationwide. Recruitment activity has edged up slightly, with 59% attempting to hire, but outcomes are weak: only 13% actually increased headcount, while three-quarters faced difficulties filling vacancies.

Even optimism about Aberdeen's future sits on a knife-edge. While a quarter of firms are upbeat about regeneration progress and opportunities from the energy transition, 39% remain pessimistic and the rest are undecided – a reflection of uncertainty about both policy direction and economic delivery.

As the Chancellor prepares to deliver her statement, the message from the North-east is clear: businesses cannot withstand another Budget battering. The region's firms are seeking stability, not surprise; incentives for growth, not further tax hikes.

If the Government is serious about supporting productivity, investment and transition in one of the UK's most strategically important regions, this Budget must offer a clear, credible plan for recovery – one that rewards work, unlocks capital and restores confidence in the North Sea energy sector.

Methodology

The field period for this survey ran between 18th August – 12th of September 2025, QES Q3.

AGCC achieved 137 responses, with the total number across the UK being 4,669. Regionally, businesses that completed the survey employ over 15,000 individuals.

The Quarterly Economic Survey (QES) asks businesses to report whether they have experienced an **increase, decrease or no change** across a range of key business indicators compared to the previous quarter. These indicators include domestic sales, export activity, cashflow, investment intentions, workforce changes, and confidence in turnover and profitability.

To ensure results are **statistically robust and reflective of local economic conditions**, we secure a representative sample of businesses across the region—covering a wide range of sectors, sizes and geographies. This robust regional base enables meaningful **comparison with national trends**, as our data is fed into the UK-wide QES coordinated by the British Chambers of Commerce. The national survey is recognised by the UK Government, Bank of England and Treasury as a leading indicator of business sentiment.

All responses are collected via an online survey over a three-week fieldwork window and are analysed to produce both headline and detailed results. These findings provide timely insights into the business landscape and inform economic planning and policymaking at regional and national levels.

The headlines

Persistent pressures for North-east businesses

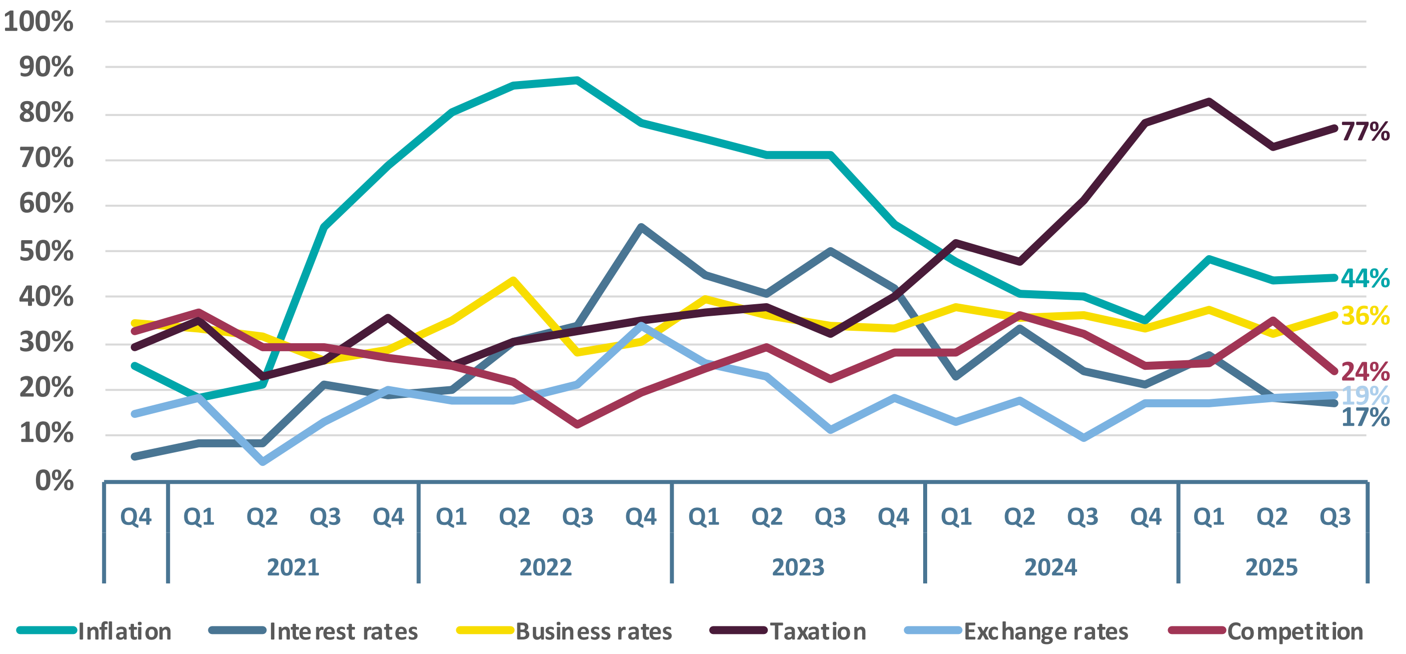
As we move through Q3, North-east firms continue to grapple with the same structural challenges that have shaped the year so far. Labour, the price of raw materials and utility costs, a growing tax burden, and weakening demand are placing sustained pressure on profitability and growth across the region.

Tax and regulation still biting – and now the dominant concern

Taxation remains the single biggest constraint on growth. A record 77% of North-east firms cite it as a key barrier – up from 73% in Q2 and far higher than the UK average. Concern around business rates has also risen to 36%, underscoring frustration with government-driven costs at both national and local levels.

While worries over competition have eased slightly (down from 35% to 24%), inflation and interest rates continue to recede as headline concerns, suggesting that the weight of taxation and regulation is now more damaging than market forces. Employers highlight the Energy Profits Levy, National Insurance contributions and wider fiscal instability as the biggest factors holding back confidence and investment.

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



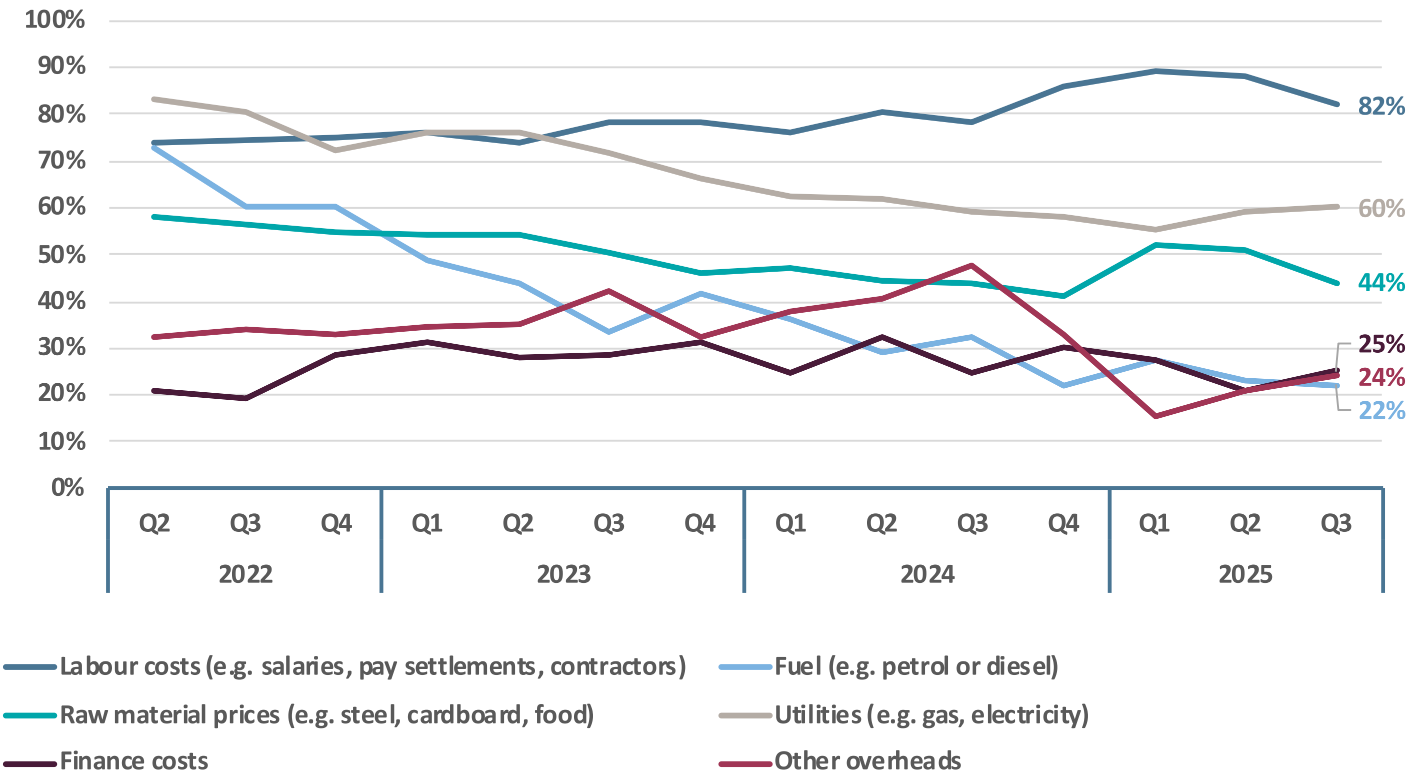
	Inflation	Interest rates	Taxation	Business rates	Exchange rates	Competition
Aberdeen & Grampian	44%	17%	77%	36%	19%	24%
UK	57%	25%	59%	31%	15%	35%

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Labour costs remain the top driver of price rises

Labour costs continue to be the main source of pricing pressure for North-east firms, with more than eight in ten (82%) citing them as a key reason for increasing prices – well above the UK average. Utilities (60%) and raw materials (44%) also remain significant cost drivers, though to a lesser extent. While pressures from finance and fuel have eased, the concentration of cost increases around people and energy highlights the ongoing challenges facing regional businesses as they balance rising wage demands with the need to stay competitive.

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	82%	72%	+10
Utilities	60%	50%	+10
Raw materials	44%	37%	+7
Finance	25%	27%	-2
Other	24%	39%	-15
Fuel	22%	27%	+5

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

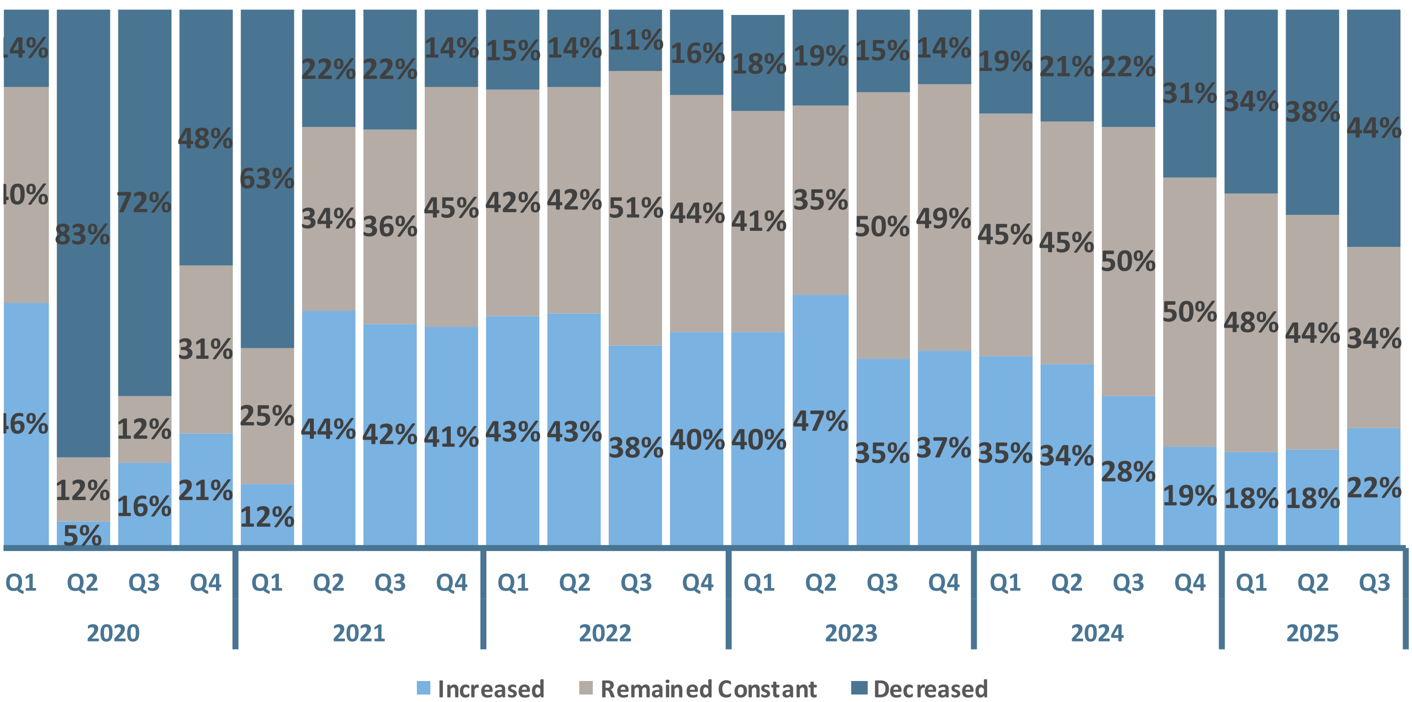
Domestic outlook worsens – North-east lags further behind UK

Falling sales (44%) and declining advance orders (44%) continue to weigh heavily on North-east firms – the weakest readings since the pandemic lows of early 2021. Both indicators remain stubbornly poor, showing little sign of recovery and pointing to ongoing fragility in local demand.

By contrast, the UK-wide picture remains relatively steady. Nationally, 32% of businesses reported growth in domestic sales, with 43% seeing no change and 25% experiencing a decline. For advance orders, 27% reported growth, 46% no change, and 27% a fall – a far more balanced outlook than seen in the North-east.

This widening gap between regional and national performance highlights a deepening divergence. While the UK economy shows tentative signs of stabilisation, firms in North-east Scotland are facing a far tougher trading environment, marked by falling demand, weak pipelines, and rising uncertainty about the months ahead.

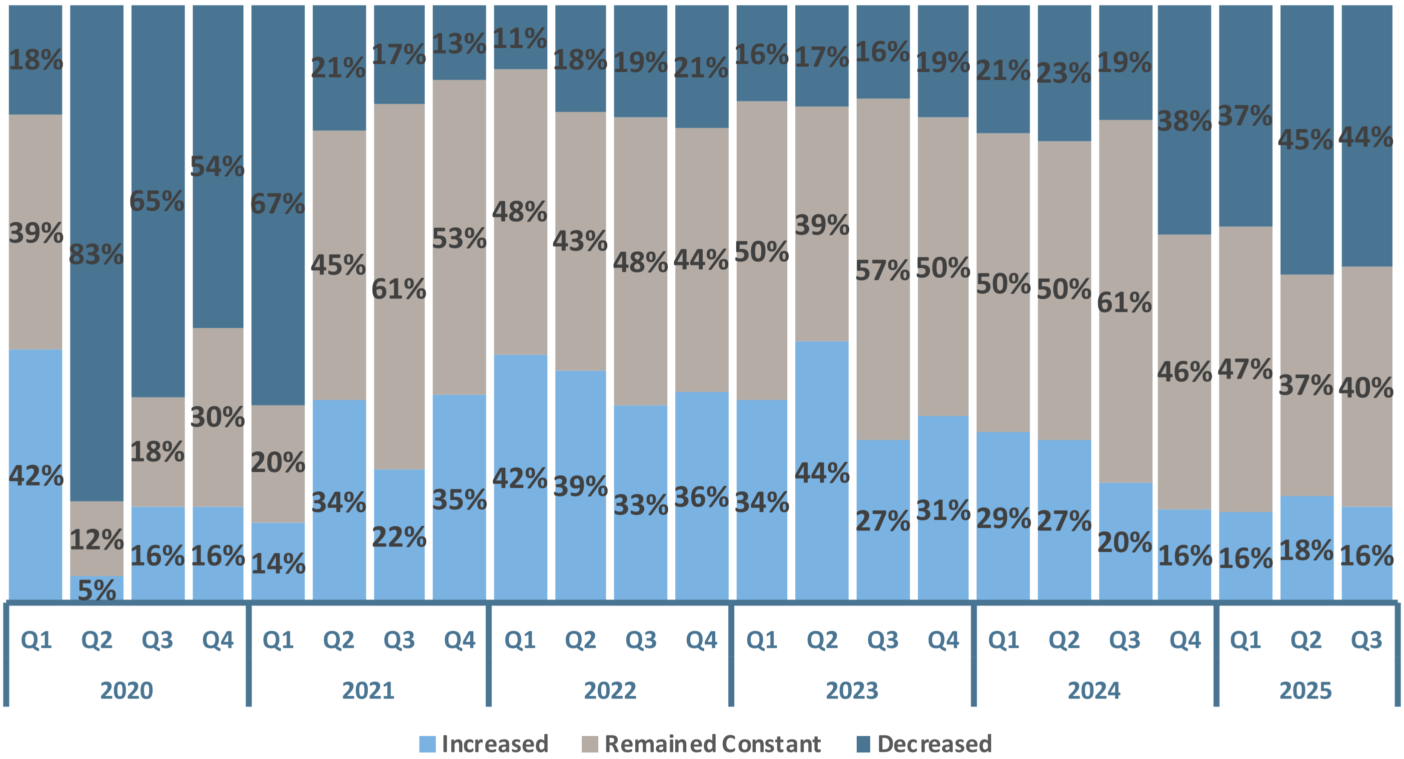
Q: Excluding seasonal variations, over the past 3 months 'UK sales/custom/bookings' have:



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	22%	32%	-10
Remained Constant	34%	43%	-9
Decreased	44%	25%	+19

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

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



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	16%	27%	-11
Remained Constant	40%	46%	-6
Decreased	44%	27%	+17

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

International demand stalls – recovery momentum fades for North-east exporters

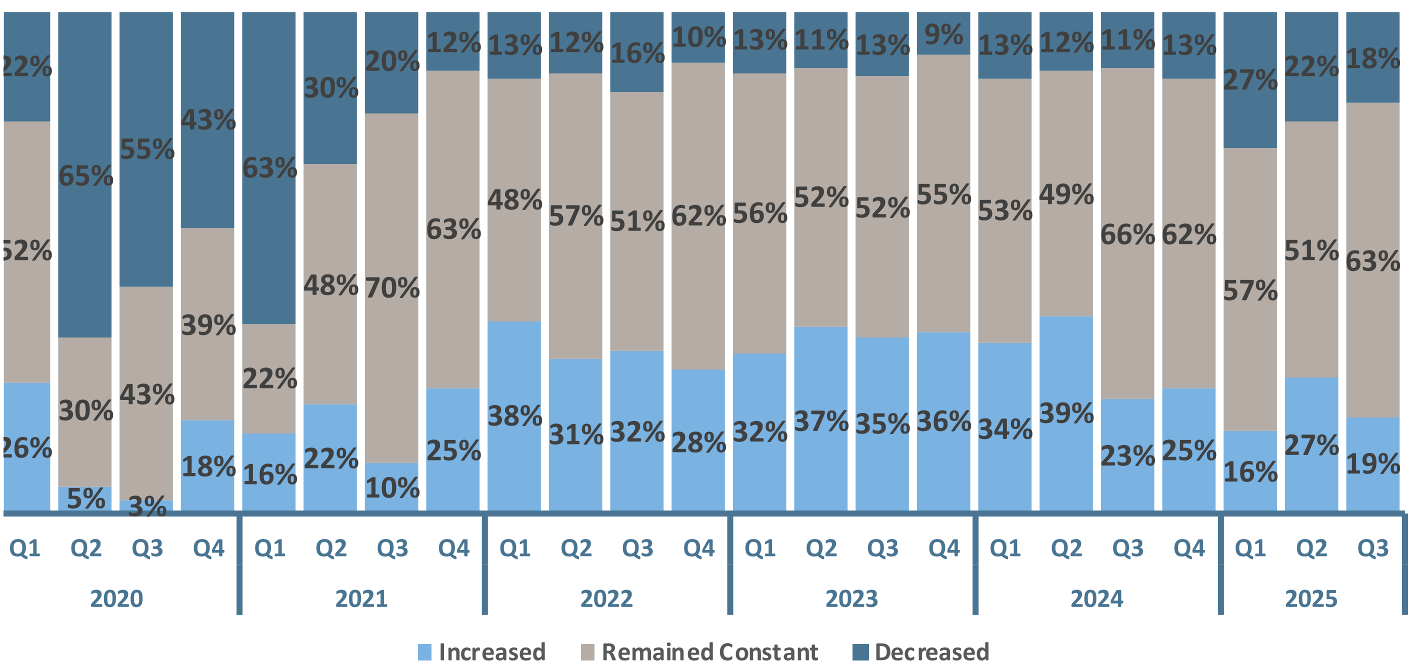
After showing signs of recovery earlier in the year, international activity has slowed once again across the North-east. The share of businesses reporting increased overseas sales has dropped from 27% in Q2 to just 19% in Q3, while those seeing a decline fell slightly from 22% to 18%. Most firms (63%) report no change, signalling a flat and uncertain picture overall.

A similar trend is seen in advance orders, where the proportion of firms reporting growth has fallen sharply from 25% to 15%, with 61% saying levels have remained steady. These shifts suggest that while major declines have eased, growth momentum in export markets has largely evaporated.

Nationally, the picture is more balanced. Around a quarter of UK firms report growth in international sales and orders, with similar shares noting declines, indicating a relatively stable trading environment.

The North-east, however, appears more static and uncertain. Exporters face ongoing headwinds from weak global demand, political instability, and the effects of the Energy Profits Levy on investment confidence – all of which are limiting the region's ability to capitalise on emerging opportunities abroad.

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



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	19%	24%	-5
Remained the same	63%	52%	+11
Decreased	18%	24%	-6

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

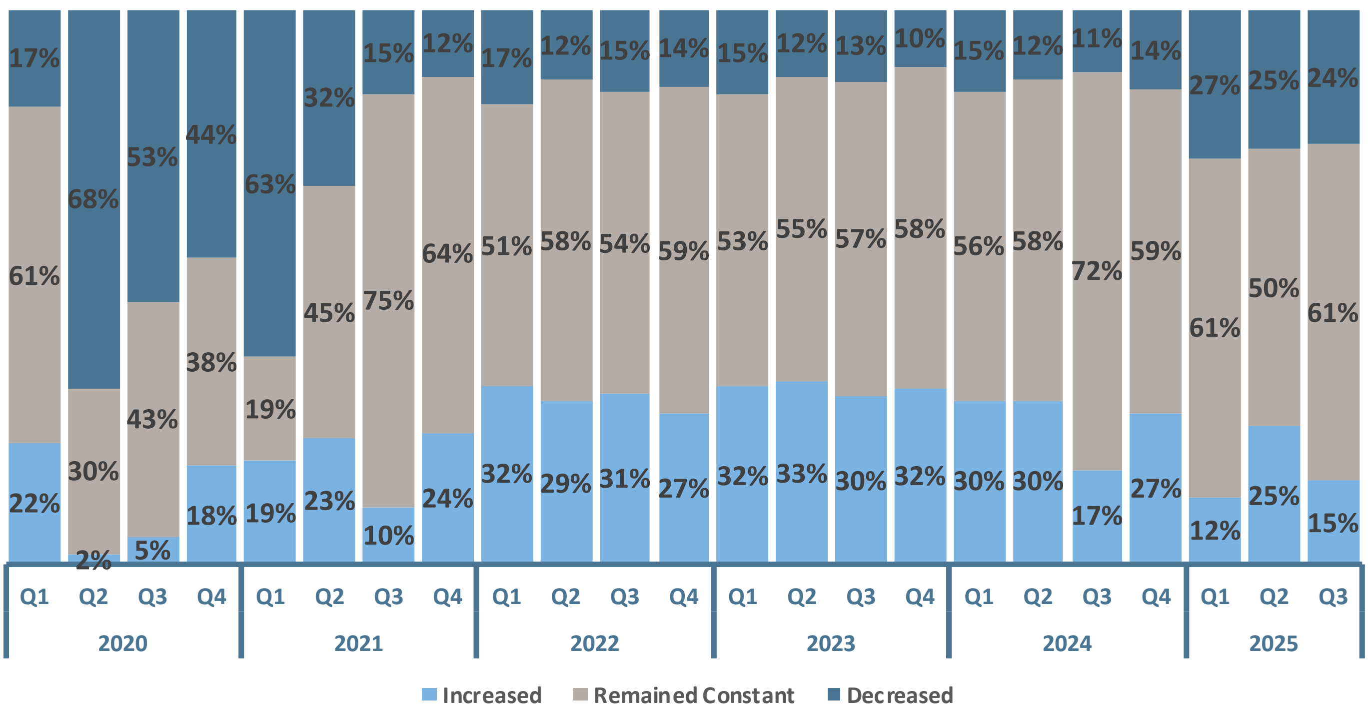
Advanced international orders weaken as uncertainty grows

After a brief rebound earlier in the year, forward-looking indicators for international demand have turned negative once again. The share of North-east businesses reporting increased overseas orders has fallen sharply from 25% in Q2 to just 15% in Q3, while those reporting a decline edged down slightly from 25% to 24%. The majority of firms (61%) now say their order books have remained unchanged.

This points to a period of stagnation rather than recovery, with growth momentum in overseas markets fading as uncertainty mounts. While the national picture remains relatively balanced – with roughly a quarter of UK firms reporting both increases and decreases – the regional outlook is notably weaker.

For many exporters, fragile global demand, shifting trade dynamics, and domestic policy pressures are combining to slow progress, leaving the North-east's international pipeline looking increasingly fragile heading into the final quarter of the year.

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



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	15%	22%	-7
Remained Constant	61%	53%	+8
Decreased	24%	25%	-1

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

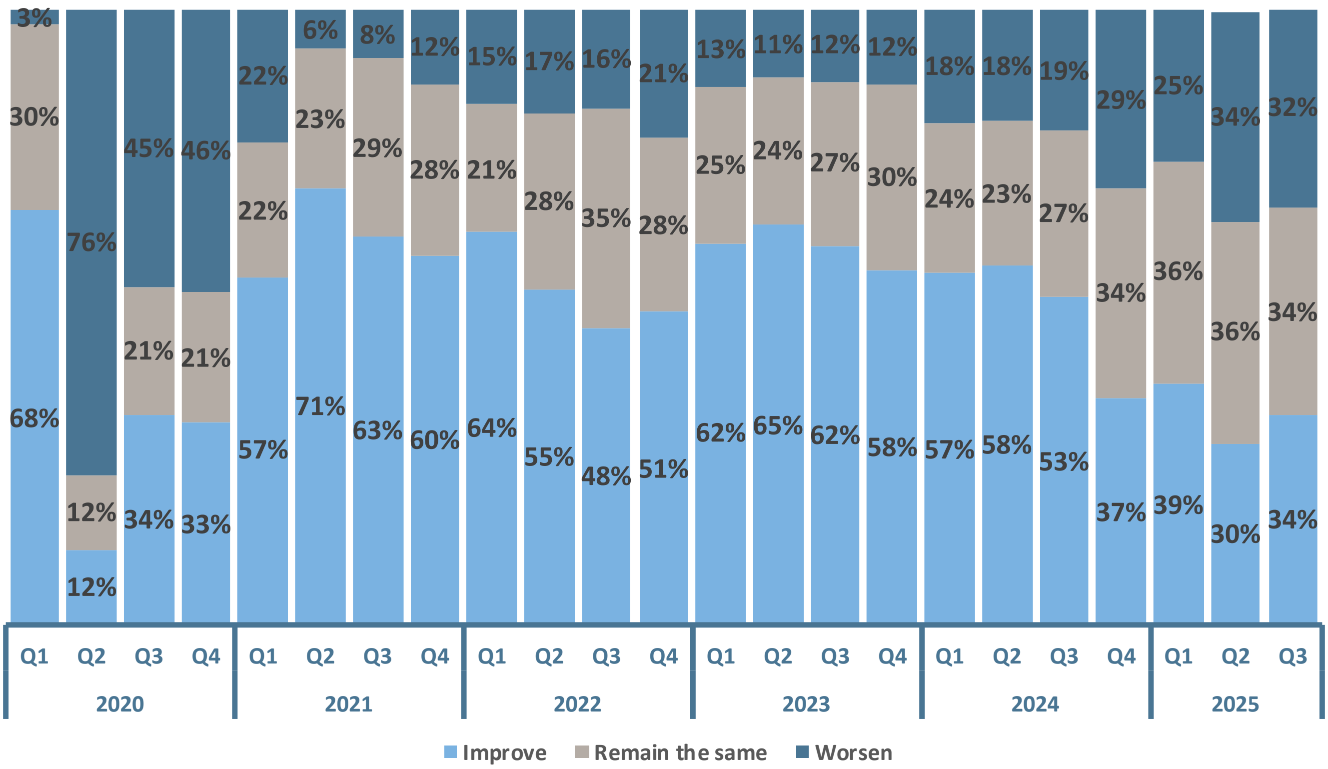
Turnover expectations edge up – but confidence gap with UK widens

Business confidence in future turnover has shown a slight improvement this quarter, but optimism in the North-east remains far below national levels. Around a third (34%) of firms now expect turnover to rise over the next 12 months – up from 30% in Q2 – while those anticipating a decline have fallen marginally from 34% to 32%.

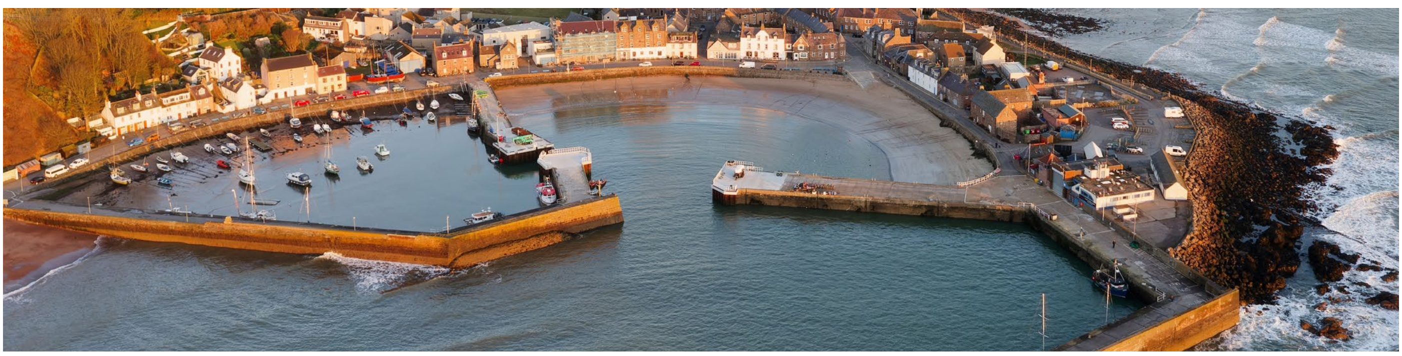
While these shifts suggest a modest easing of concern about future trading conditions, overall confidence remains fragile. Many businesses continue to report limited visibility and uncertainty around future demand. Nationally, nearly half (48%) of firms expect turnover to grow, underscoring the widening confidence gap between the North-east and the rest of the UK.

The results point to a business community still in recovery mode – one that remains cautious, constrained by policy and tax burdens, and waiting for clearer signs of stability before committing to long-term growth.

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



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	34%	48%	-14
Remained the same	34%	31%	+3
Decreased	32%	21%	+11



N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

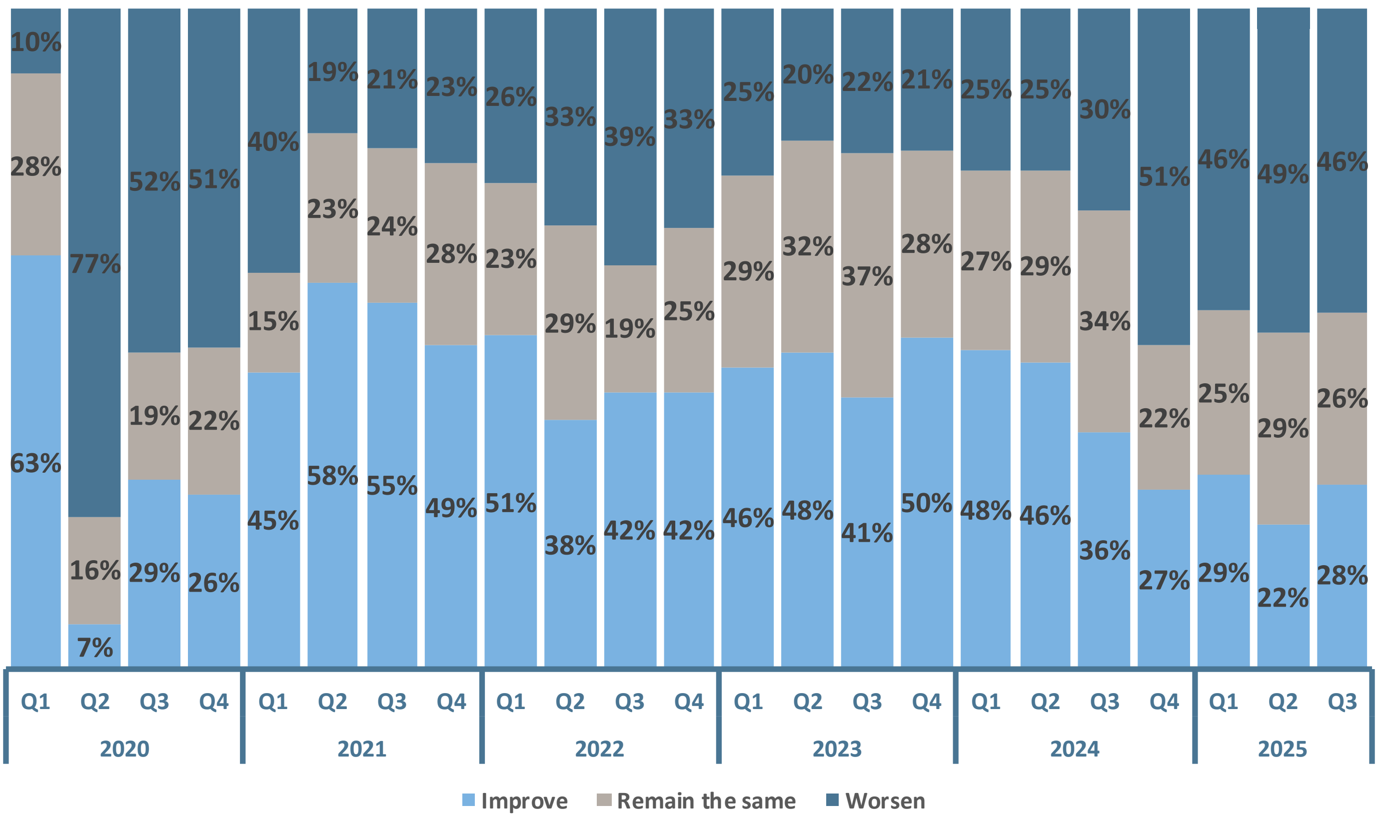
Profitability outlook deteriorates – confidence gap with UK persists

Businesses in the North-east remain downbeat about profitability, with confidence slipping further in Q3. 46% of firms now expect profits to fall over the next 12 months – and while 28% of firms anticipate improvement, up 6% -points from Q2, the figure remains well below pre-pandemic norms. More firms now expect no change in profitability, reflecting a mood of caution rather than recovery.

Compared with the national picture, the divide remains striking. Across the UK, businesses are considerably more optimistic, with far fewer forecasting a drop in profitability. This persistent confidence gap suggests that firms in Aberdeen and Grampian continue to face tougher trading conditions, higher costs, and deeper uncertainty than their counterparts elsewhere in the UK.

Fewer North-east businesses now plan to raise prices in the next three months – 43%, down 9%- points from the previous quarter. At the same time, the share expecting to lower prices has fallen slightly to 2% (down 4 points), while a growing majority (55%) anticipate no change. This shift suggests easing inflationary pressure and a period of greater price stability across the region.

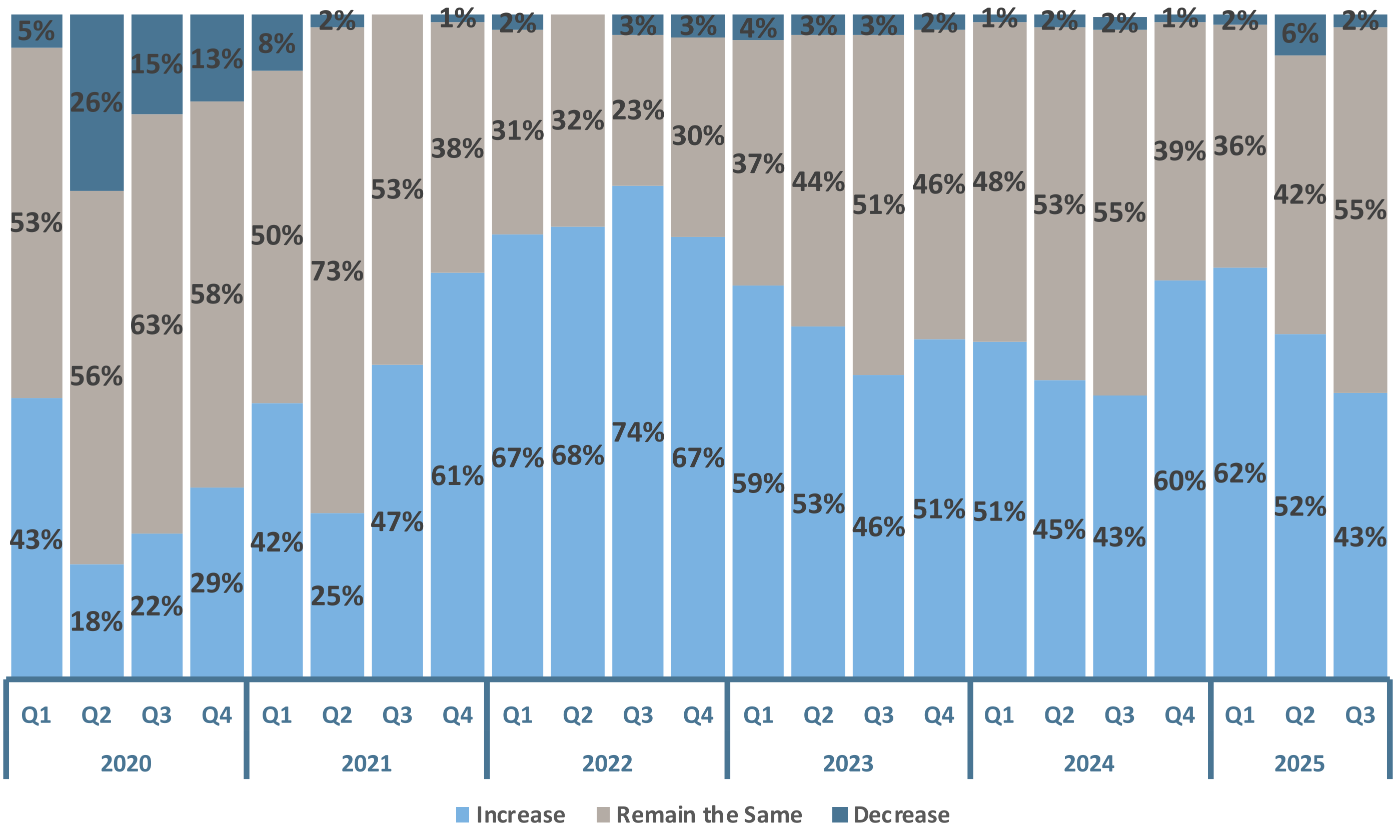
Q: Over the next 12 months, do you believe your business's profitability will:



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	28%	40%	-12
Remain the same	26%	32%	-6
Decreased	46%	28%	+18

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

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



	Aberdeen & Grampian	UK	% point difference, region v UK
Increased	43%	44%	-1
Remained the same	55%	54%	+1
Decreased	2%	2%	-

What does this mean for the labour market?

Workforce trends point to continued caution

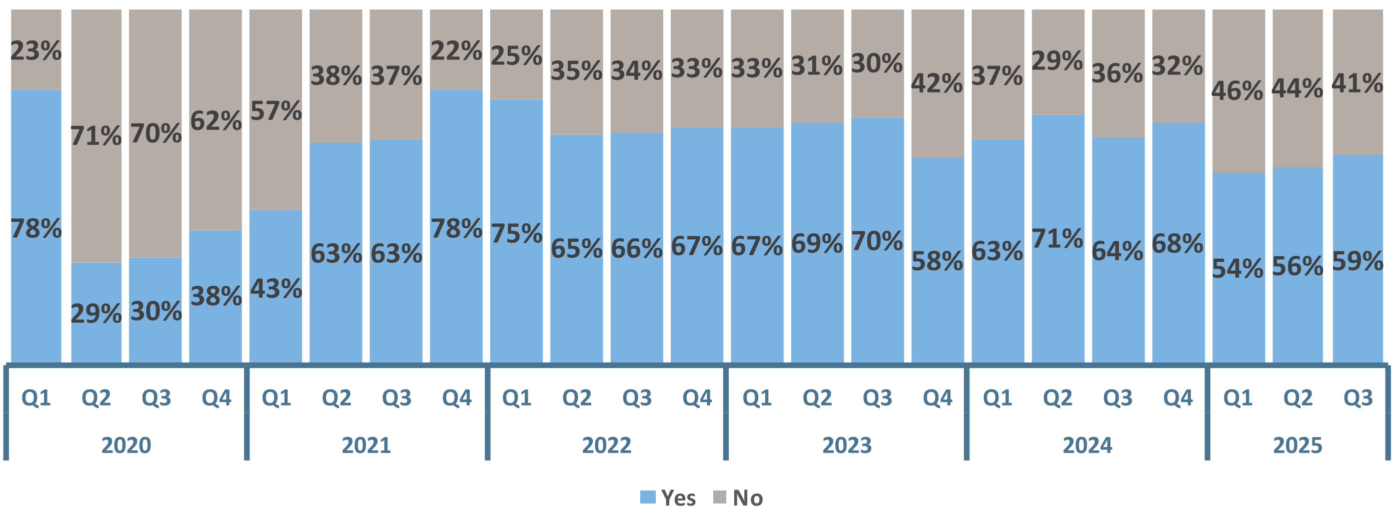
Although 59% of North-east businesses attempted to recruit in Q3 – up slightly from 56% last quarter – only 13% managed to increase headcount. Most firms reported no change or a reduction in staff, reflecting continued recruitment challenges and a cautious approach to workforce growth.

Recruitment activity in the region remains broadly in line with the UK average (54%), but outcomes continue to lag behind. Nationally, 22% of businesses increased their workforce over the past three months, compared with just 13% in Aberdeen & Grampian, while fewer UK firms reduced staff (16%) than in the North-east (25%).

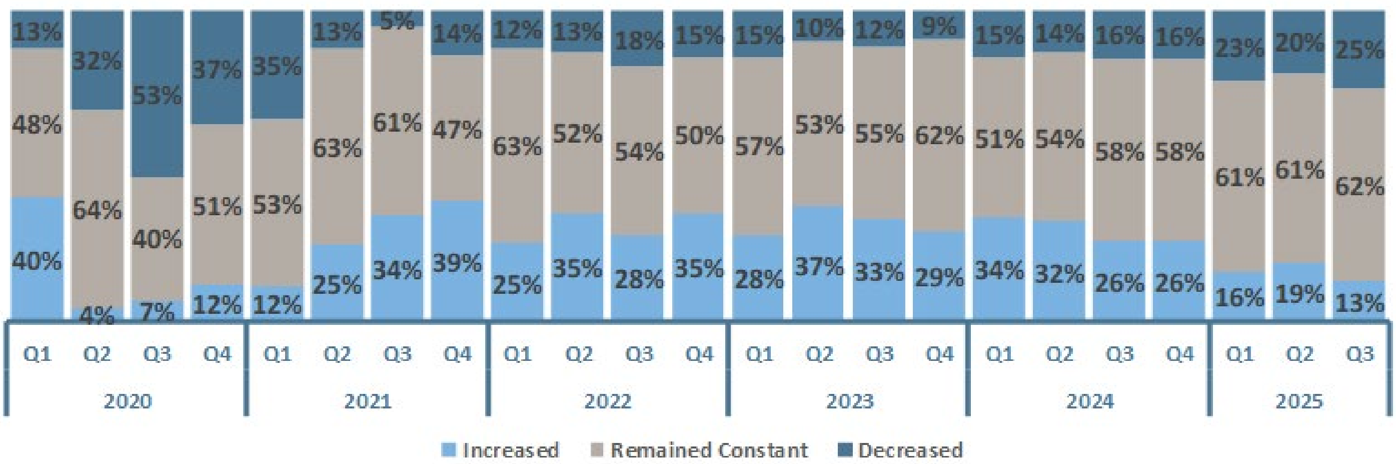
Hiring intentions remain subdued, with only 16% of businesses expecting to increase their workforce—broadly unchanged from Q2 (17%) and continuing the downward trend seen since mid-2024. The share anticipating reductions has eased from 24% to 18%, while two-thirds (66%) now expect staffing levels to remain constant, the highest proportion since Q1 2024. This points to a stabilising labour market, with businesses maintaining a cautious approach to workforce growth.

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

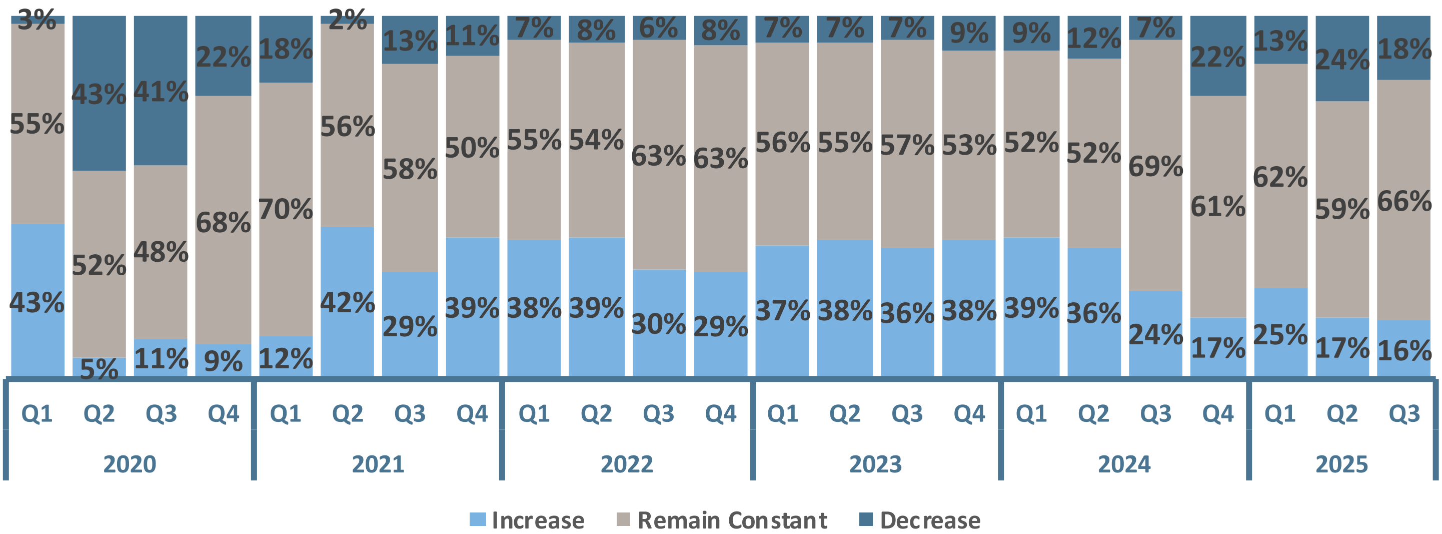
Q: Have you attempted to recruit staff over the past 3 months



Q: Over the past 3 months, has your workforce



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



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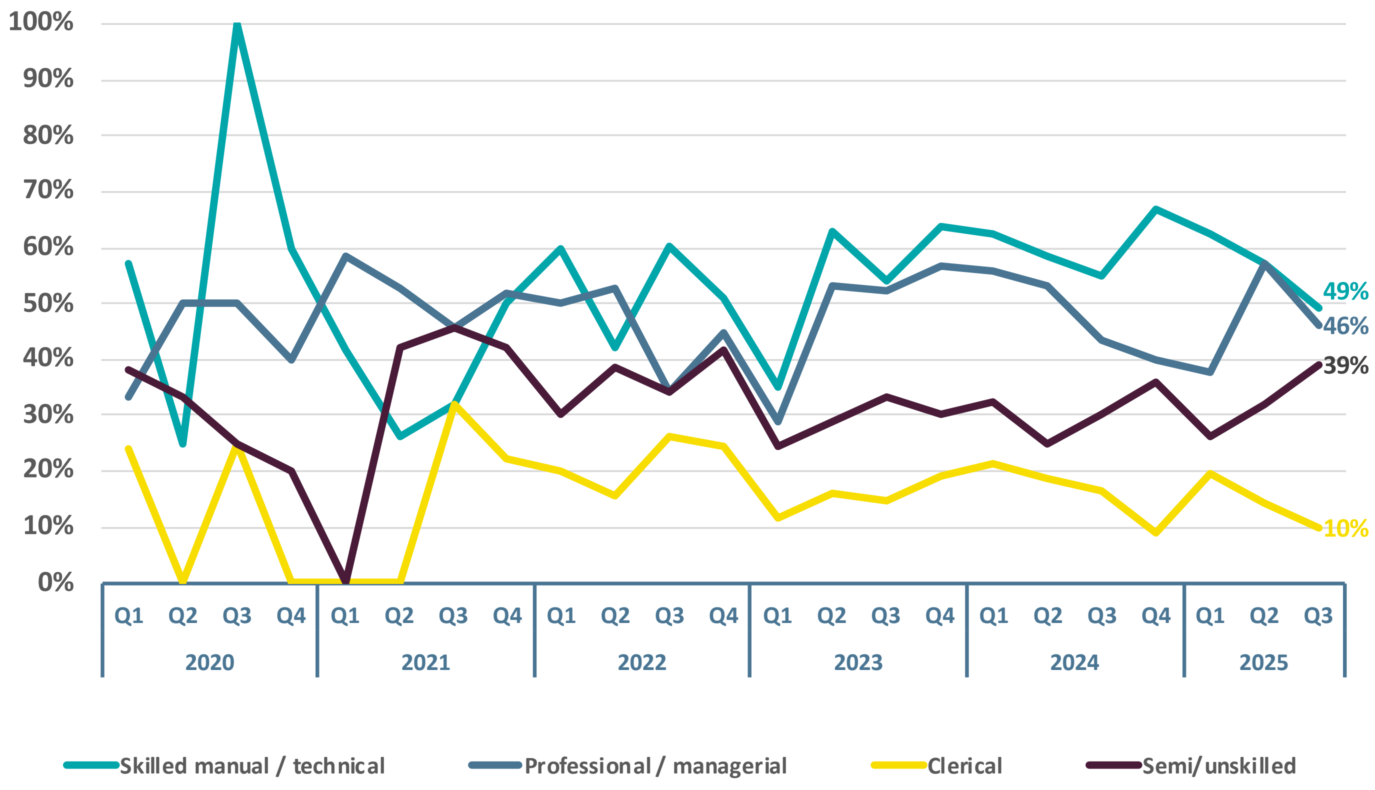
Recruitment challenges persist, but pressure eases slightly

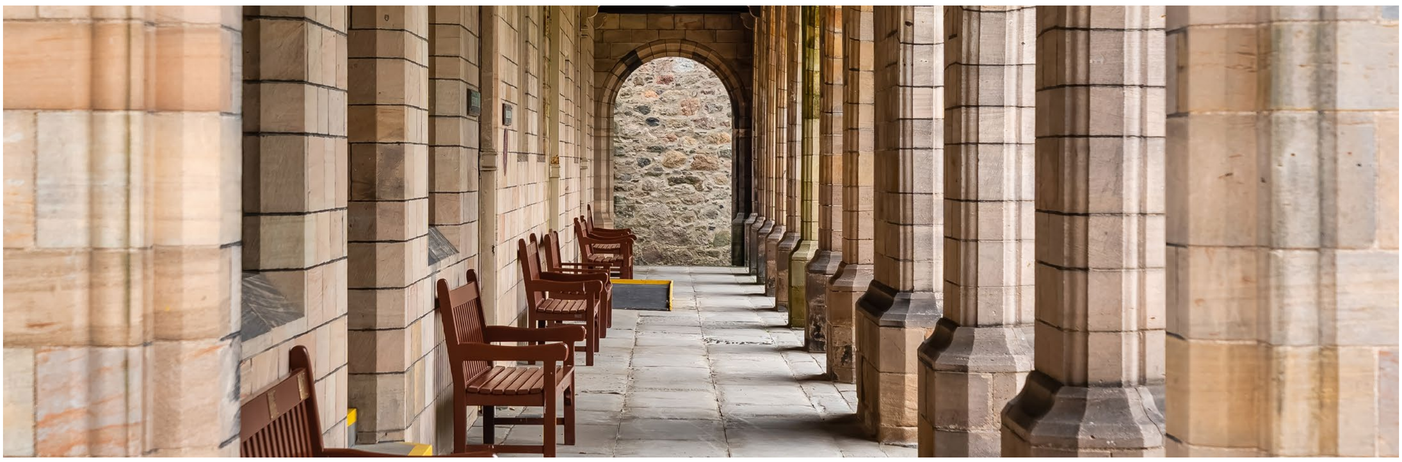
Of North-east businesses that attempted to recruit in Q3, 75% reported difficulties finding suitable staff – a 5-point decrease from last quarter. Challenges filling professional and managerial roles dropped sharply by 11 points to 46%, while difficulty recruiting for skilled manual roles also eased slightly, down from 57% to 49%. However, semi- and unskilled positions have become harder to fill, rising 7 points to 39%, making them almost as difficult to recruit for as the traditionally higher-skilled roles.

Nationally, recruitment remains a widespread issue, with 75% of UK businesses also reporting difficulties – up 2 points on Q2. Skilled manual and professional roles continue to be the hardest to fill across the country, cited by 49% and 50% of firms respectively. Clerical (20%) and semi/unskilled (28%) positions remain less affected at the national level.

Although pressures have eased slightly in the North-east, recruitment challenges remain entrenched – reflecting ongoing skill shortages, tight labour supply, and persistent uncertainty across multiple sectors.

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

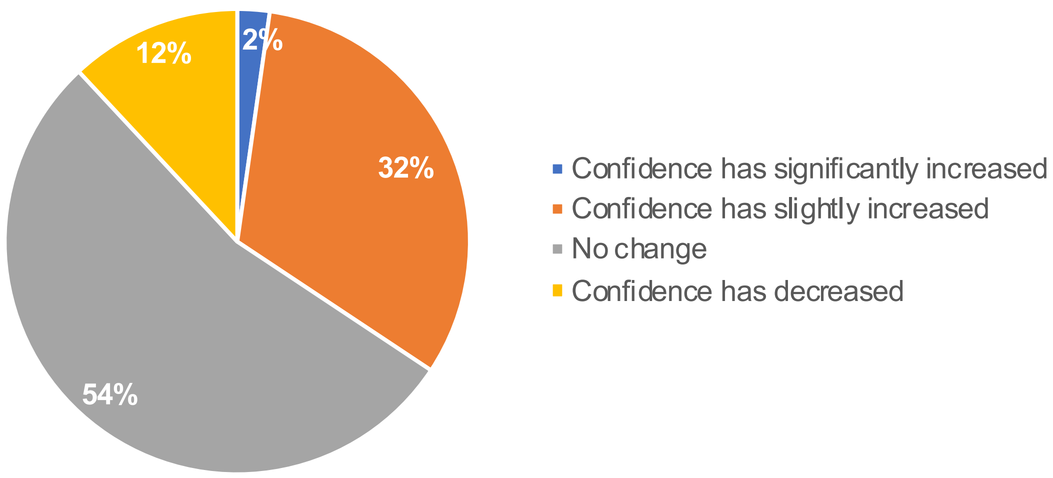




N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

Regional Focus

Q: To what extent have recent events and regeneration developments — such as the Tall Ships Aberdeen 2025 and progress on the City Centre Masterplan — increased your confidence in the future of the area and the regional economy?



Q: What major events would you like to see come to the region in future years?

- **Large-scale cultural/sporting events**
  Tall Ships (desire for return/rotation)
  Major golf tournaments
  Large sporting events
  Music, arts, and food & drink festivals

- **Business, energy, and conference-related events**
  Big tech and energy conferences
  Expanding meetings, incentives, conferences & exhibitions (MICE) to utilise venues like TECA and fill hotels.

- **Recurring/annual event strategy**
  Annual calendar of events rather than one-offs.
  Events that "rotate" or return regularly

- **Broader aspirations / 'wish list'**
  FIFA World Cup, Olympics, Oscars, G7

Despite the resouding success of Aberdeen Tall Ships 2025 even, only 34% cited that their confidence in the future of the area and the regional economy has increased off the back of the event and the progression of the city masterplan work. For most (54%) there has been no change to their confidence in the region.

Q: **On a scale of 1 to 10, how optimistic are you right now about Aberdeen's future?**

While a quarter (25%) of businesses are optimistic about Aberdeen's future, more than a third (39%) are firmly pessimistic and 36% sit in the middle, reflecting caution. Overall, businesses see potential in Aberdeen's regeneration and long-term assets but confidence will depend on how successfully the city navigates the energy transition, addresses governance concerns and ensures that growth is inclusive and sustainable

Q: **What makes you say that?**

Optimistic businesses highlight Aberdeen's resilience, skilled workforce and ongoing regeneration projects, alongside the opportunities presented by the energy transition. However, even within this group, there is acknowledgement that future prosperity depends on stable policy and effective delivery.

Those with cautious views recognise positive developments in city regeneration and some emerging opportunities in renewables and housing but remain concerned about the pace of change, the limited job creation from new industries, and the impact of high costs on local businesses.

Pessimism is driven primarily by energy policy and the decline of oil and gas, which many see as accelerating due to government taxation and regulation. Concerns about council decision-making, infrastructure delays, and the visible decline of the city centre reinforce this negative outlook.

N.B. figures are rounded to the nearest whole number/percentage; consistent with previous survey editions.

National Viewpoint

David Bharier,
Head of Research,
British Chambers
of Commerce

"Ahead of the Chancellor's statement next month, our survey shows many firms remain bruised and are not ready for another Budget battering. The research reveals no clear improvements to key indicators we track. For twelve months, SMEs have told us the same story: rising costs, weak investment, and little sense of relief on the horizon.

"The Employer NICs increase has been the most widely cited source of pressure, hitting investment and pushing up prices. The proportion of businesses expecting to raise prices remains worryingly high, driven primarily by labour costs. Inflation now sits alongside taxation as a top concern. The global shift towards protectionism and tariffs has also been a major compounding factor.

"Persistent weak sentiment this quarter may suggest that many firms have already priced in a tough Budget. But further surprise measures that hit business, like those seen in 2024, could drive confidence even lower.

"What businesses need now is certainty and a long-term strategy, not more ad hoc policy shifts. The AI revolution could be a real productivity game changer and our recent research shows that more SMEs are adopting it, but firms need the space to invest and adapt if the UK is to seize the opportunity.

"Our message to the Chancellor ahead of the Budget is clear – no further tax rises on business. SMEs are calling for urgent action to tackle skills shortages, a bold push to boost exports, and more investment in infrastructure. Without that, confidence could deteriorate further, putting economic growth at risk".

Sponsor Viewpoint

Rebuilding confidence is critical for the North-East economy

The latest North-east Quarterly Economic Survey, published by Aberdeen & Grampian Chamber of Commerce in partnership with Gilson Gray LLP, offers a stark but familiar diagnosis: the region's economic future remains fragile, confidence is eroding, and the policy environment is doing little to help.

Sadly it seems the North-east's current economic state is not about capability – it's about confidence. The fundamentals are still here: world-class skills, energy expertise, and a growing ecosystem of innovation around transition technologies. Yet businesses are increasingly struggling to translate that potential into growth because the conditions to plan, invest, and believe in the future continue to be impacted by policy and regulation.

Policy uncertainty inevitably leads to investment paralysis

For much of the past five years, inflation and interest rates were the main drivers of business anxiety. However the current enemy of growth is policy uncertainty with a record number of North East businesses citing taxation and government-driven costs as their greatest constraint — well above national levels.

The Energy Profits Levy has lingered long enough to erode investor confidence across the regional and national energy system and beyond. Combined with shifting fiscal signals and a patchwork of local and national regulation, it has created a landscape in which businesses cannot plan with confidence — and without confidence, capital stays on the sidelines, or worse still… finds new markets for investment elsewhere.

The result is clear throughout the survey: falling sales, reducing order books, and cautious hiring. But more troubling from an investment perspective - firms are holding back on training, technology, and expansion not because they lack ambition, but because they cannot see a stable horizon.
For a region defined by its ability to take long-term bets — on new energy plays and on engineering and technology — this represents a disturbing and ongoing picture. If the North-east is to recover its momentum, policy clarity must become a competitive advantage, not a casualty of short-term politics.

Regional divergence and the confidence gap

A key takeaway from the QES is the widening gap between the North-East and the rest of the UK. Across the country, nearly half of firms expect turnover to rise over the coming year. In the North East, only a third do. Even fewer anticipate higher profits. This divergence matters because it speaks to the risk of regional imbalance.

The North-east has historically been a driver of national prosperity. Today it risks becoming an outlier of underperformance. And the irony is that the very policies designed to accelerate the energy transition — policies that should be empowering this region to lead — have arguably become the main contributors to its slowdown.

Holding out for a smarter transition

The North East continues to embrace the global energy transition, diversifying into offshore wind, hydrogen, carbon capture and more. The challenge is not a lack of direction, but a lack of alignment between ambition and policy. What businesses need is not more or less transition, but a smarter one: a framework that rewards investment in ongoing and balanced decarbonisation rather than penalising it through tax and regulatory uncertainty. With the right incentives and policy framework, this region can remain a global energy capital powered by a mix of energy technologies and by confident enterprise.

Confidence is key

Businesses want to invest in Aberdeen and the region's renewal; but they need to know that the investment will be met with stability and partnership. The North East needs a reset — one that prioritises predictability over short-term politics, long-term competitiveness over short-term gain, and a clear understanding that sustainable growth is built on confidence, not constraint.

Confidence is not only a consequence of success. It's also the starting point. And it's the one commodity the North-East cannot afford to run out of.

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Findlay Anderson,
Partner, Head of Corporate
Gilson Gray LLP

Notes

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