



# BQ4 2024



Quarterly Economic Survey

# INTRODUCTION

This quarterly economic survey, conducted in November 2024, offers an in-depth exploration of the challenges and opportunities influencing businesses across Herefordshire and Worcestershire. Drawing on insights from leaders across diverse industries, the survey examines critical themes such as revenues, innovation, sustainability, international trade, workforce development, digital transformation, and market resilience. Against the backdrop of the chancellor's budget, global uncertainties, and changing technologies, it provides a valuable snapshot of how businesses are adapting and prioritising for the future, and performing currently.

The survey findings serve as a crucial snapshot and benchmark for businesses, valuable information for our partner organisations, and for the British Chamber of Commerce shedding light on the key issues driving business decisions and strategies. This survey has also highlighted issues that will form the Chamber's Manifesto for 2025/26. This manifesto will drive activities throughout the year and will be launched at our Economic Conference on March 7th.

We extend our sincere thanks to all participants for sharing their perspectives. Your contributions provide the foundation for meaningful dialogue, informed decision-making, and a shared commitment to fostering growth, innovation, and resilience. This report aims to guide collaborative efforts that strengthen the counties business environment for the long term.

## **Robert Elliot**

Director of Business Engagement & Policy



**278** 

**ORGANISATIONS**

**COMPLETED THE SURVEY**

# METHODOLOGY SUMMARY



During Quarter 4 (Q4) 2024, 278 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey. Data collection took place between Monday 11 November 2024 and Monday 2 December 2024. Any reference to Quarter 3 (Q3) 2024 refers to the data collection period from Monday 19 August 2024 and Monday 9 September 2024.

In this document some of the QES results are presented as balance figures. Balance figures show the difference between the increase and decrease in activity. If the figure is a plus, it indicates an expansion of activity. If the figure is a minus, it indicates a contraction of activity against the previous quarter.

For example, if 50% of firms told us their sales increased and 18% said their sales decreased, the balance for the quarter would be +32% (an overall expansion). If 32% told us their sales increased and 33% said their sales decreased, the balance would be -1% (an overall contraction).

Throughout the document business sectors are used to make comparisons of activity. The sectors are defined below:

## **MANUFACTURING SECTOR**

Main business activity includes manufacturing of goods (including electronic or information technology goods) and production of raw materials, construction, agriculture, fishing, mining, or utilities.

## **SERVICE SECTOR**

Main business activity provides a service to businesses as well as final consumers (including retailing/wholesaling, professional services, and marketing).

# WORCESTERSHIRE COUNTY COUNCIL - SKILLS & ATTITUDE



**Judy Gibbs**

Head of Service Skills and Employability.  
Worcestershire County Council

Over recent years, the Worcestershire Skills Strategy has focused on improving outcomes for young people, a challenge that feels ongoing. Each generation of young people arrives fresh-faced, keen, and dreaming of entering the world of work. Unlike business and infrastructure projects, where success can often be measured by completion, the world of skills and early careers is ever-evolving. Technology advances rapidly, and the challenges shift, making it impossible to simply build and walk away. However, with your support, we can continue improving and shaping the environment these young people enter.

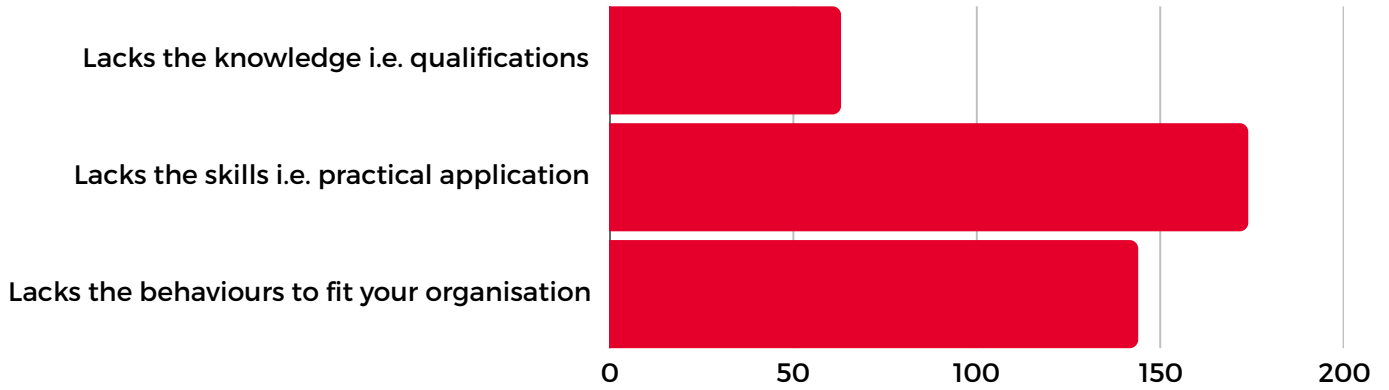
If I had a pound for every employer who told me young people aren't ready for work, I'd have retired long ago. This issue isn't new; young people rarely meet expectations of being "work-ready" right away. Reflecting on my own experience, I was once an 18-year-old who knew little beyond school. I was fortunate to have a manager who took the time to guide me, demonstrating how to improve my behaviours, a support many young people still need today. Young people now face even greater challenges.

The pandemic worsened mental health issues due to isolation, while social media's influence continues to grow. A tighter labour market has made traditional entry-level jobs in hospitality and retail harder to find. Additionally, policy changes, such as the removal of the business administration apprenticeship, have cut vital pathways into employment.

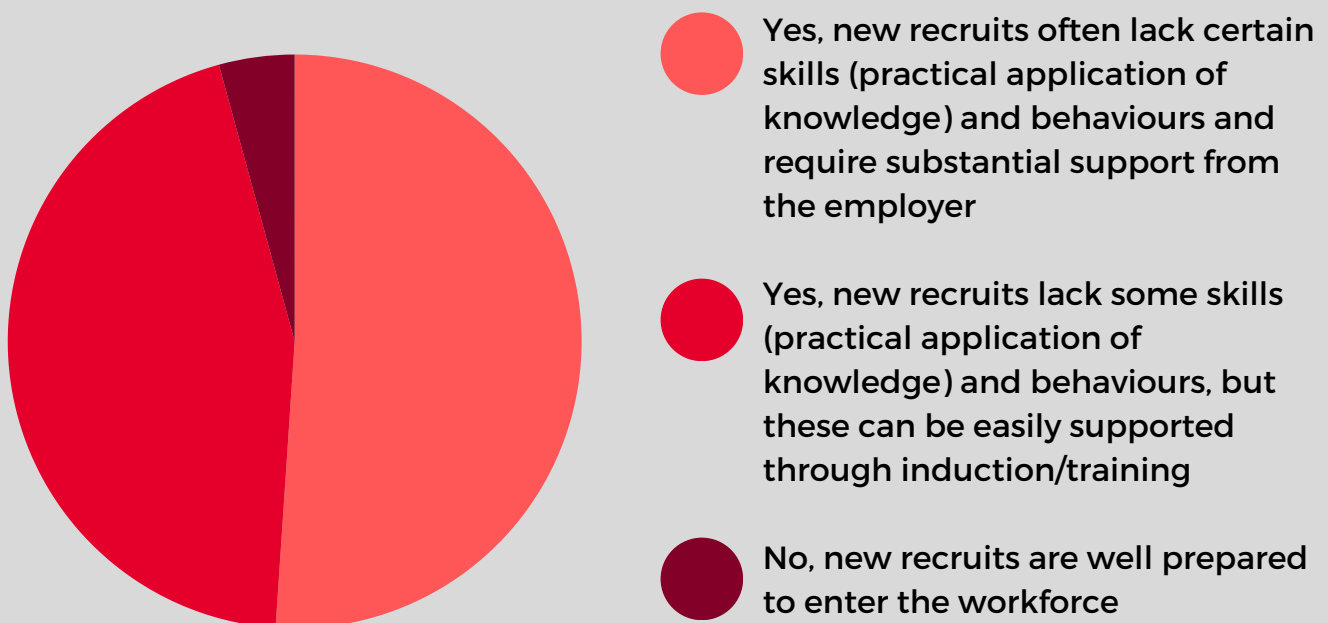
Despite these challenges, this Quarterly Economic Survey provides hope. It highlights a valuable list of employer-desired behaviours and skills that can be taught to young people to prepare them for the workplace. Sharing these behaviours with education providers, along with tools to teach them, could secure brighter futures for students and help them meet employers' expectations.

We thank all respondents for shaping this list and contributing to this important work. Worcestershire LEP and Worcestershire County Council remain committed to supporting employers in developing their future workforce, upskilling the current workforce, and building the county's resilience to support its economy now and in the future.

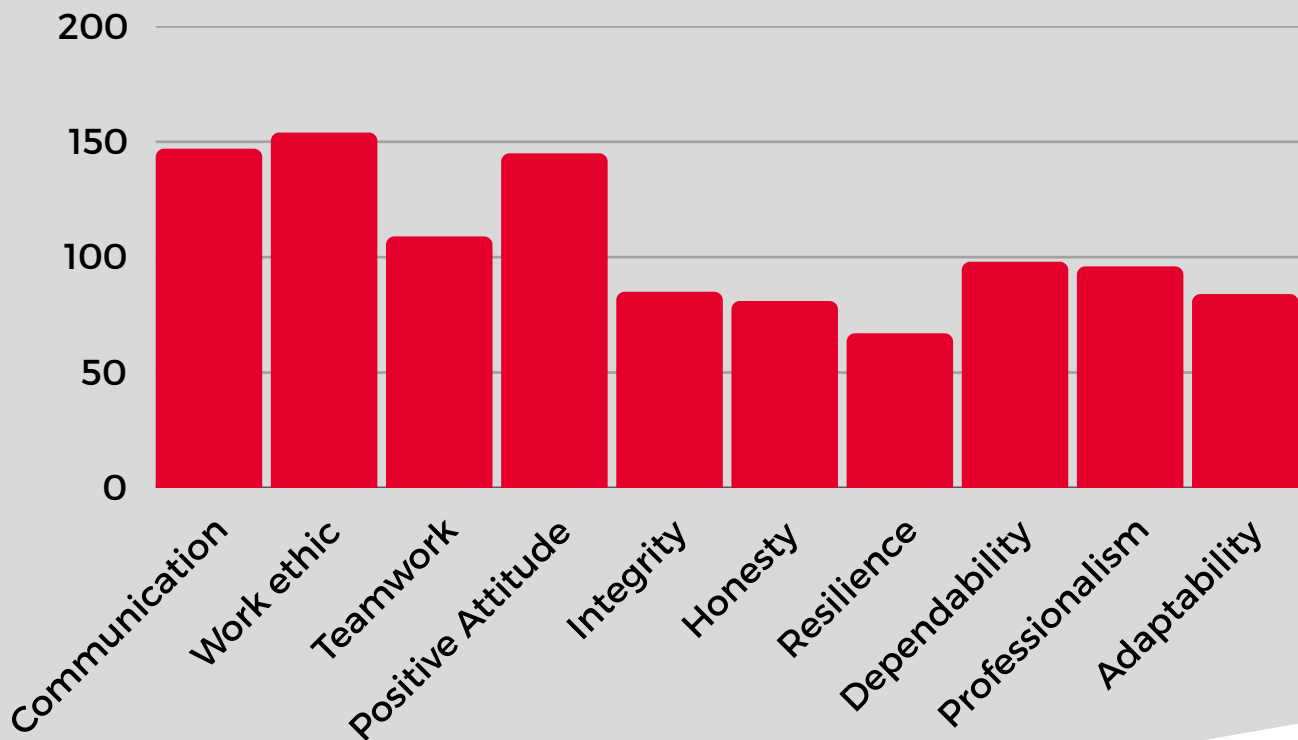
When recruiting as an employer, if you cannot find your ideal candidate, what is the prevalent reason? Please tick the two most prevalent reasons.



Previous Quarterly Economic Surveys have found that new employees entering the workforce often are considered by employers to lack certain practical application of skills and the required behaviours by an employer, would you agree?



In relation to the sector you work in, what do you think are the most important behaviours you require. Please select your top three.



From the behaviours you identified as being the most important for working in your sector, are these behaviours that you find new recruits lack when they enter the workforce?



# BUSINESS PERSPECTIVE

THESE ARE A FEW COMMENTS FROM LOCAL BUSINESSES ABOUT CONCERNS FOR 2025...

“We are not going to look to increase our workforce due to the increased employment costs - they are restricting our growth and our ability to support our local community with increasing employment opportunities. The taxes now make wanting to run your own business seem completely not worth it.”

**Construction and Engineering Business (6-10 employees)**

“Lack of support for independent businesses; everything is raising except the turnover because of the cost of living for consumers. They are spending less but our bills are increasing all the time so at some point I don't expect to see many independent businesses left.”

**Retail or Wholesale Business (1-5 employees)**

“National Insurance is the number one problem, Minimum wage increase of 6.7% and Inheritance tax on agricultural land.”

**Hospitality, catering, or tourism (20-30 employees)**

“Taxation is far too high and therefore retaining enough to fund wage growth and reinvestment is a big challenge.”

**Professional Services Business (60-70 employees)**

“Short term funding doesn't allow for sufficient planning and sustainability of maintaining or growing the business. this affects staff retention and satisfaction.”

**Voluntary Sector Business (6-10 employees)**

“Current corporation tax rates, current business rates, new employer's NI rates and proposed changes to employee rates effectively increasing the employment cost for the business. Lack of action in the Middle East & Ukraine causing shipping costs and other material and energy costs to remain higher than they should be.”

**Manufacturing Business (50-60 employees)**

“NI increase means very real decisions about hiring new people and growth plans by investment.”

**Professional Services Business (1-5 employees)**

# UK MARKET SUMMARY



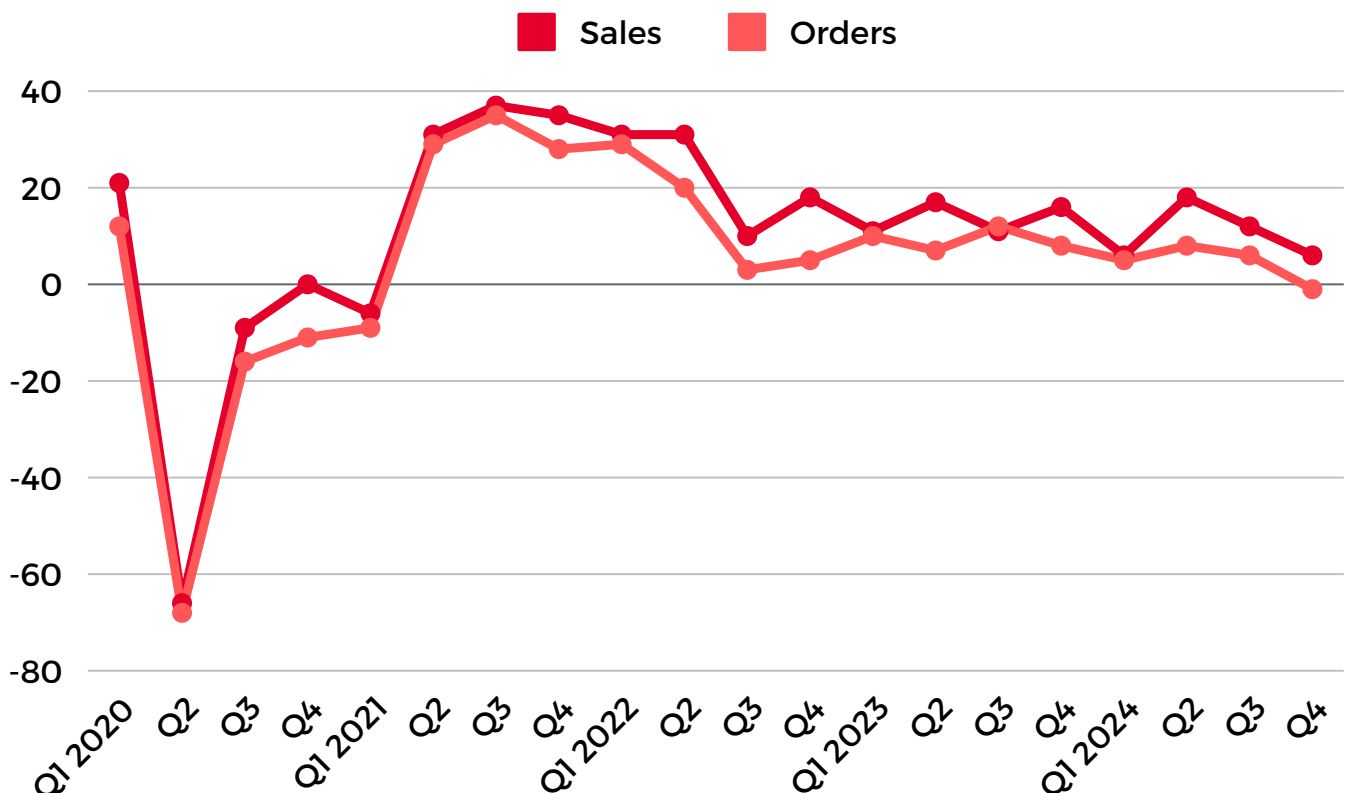
## UK SALES SUMMARY

The net balance for UK sales has decreased once again this quarter to 6%, in comparison to 12% in Q3. This figure has been on a steady decline since the start of 2024. 30% of businesses indicated an increase in UK sales, this has remained the same since the previous quarter.

24% of businesses reported a decrease in UK sales over the last three months, this figure has significantly increased compared to last quarter (18%). 40% reported no change to their UK sales.

## UK ORDERS SUMMARY

Similarly, the net balance data for UK orders also shows a slight decrease from the previous quarter. 23% of businesses reported an increase in UK orders over the last three months, this has fallen from 24% in Q3. 24% reported a decrease, compared to just 18% last quarter. 39% reported no change. The result of these figures mean the net balance has fallen to -1% from 6% in Q3.

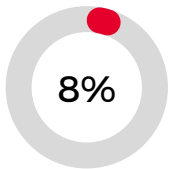




# UK MARKET SUMMARY



## MANUFACTURING INSIGHT



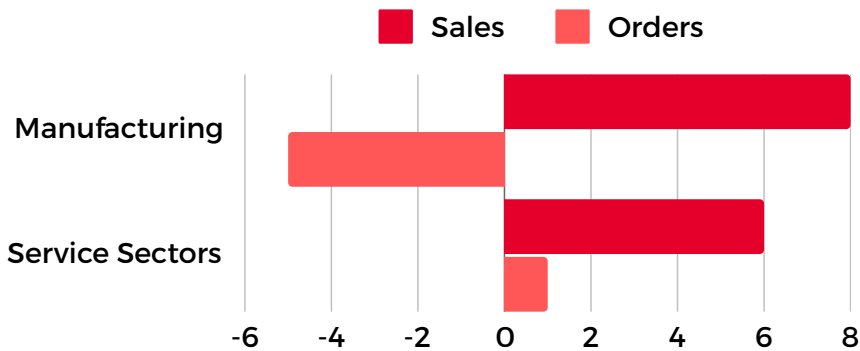
The net balance of manufacturers reporting on their UK sales was 8% this quarter. This has slightly decreased from 10% in the previous quarter.

In terms of advanced orders, the net balance of orders have significantly decreased to -5% compared to 3 in Q3.

## SERVICE SECTOR INSIGHT

The net balance of service sector companies reporting on their UK sales has decreased to 6% this quarter from 16% in Q3.

Similarly, the net balance of UK orders decreased to 1% from 9% in the previous quarter. We categorise the service sector as businesses who's main business activity provides a service to businesses as well as final consumers (retail, professional services, marketing, public sector).





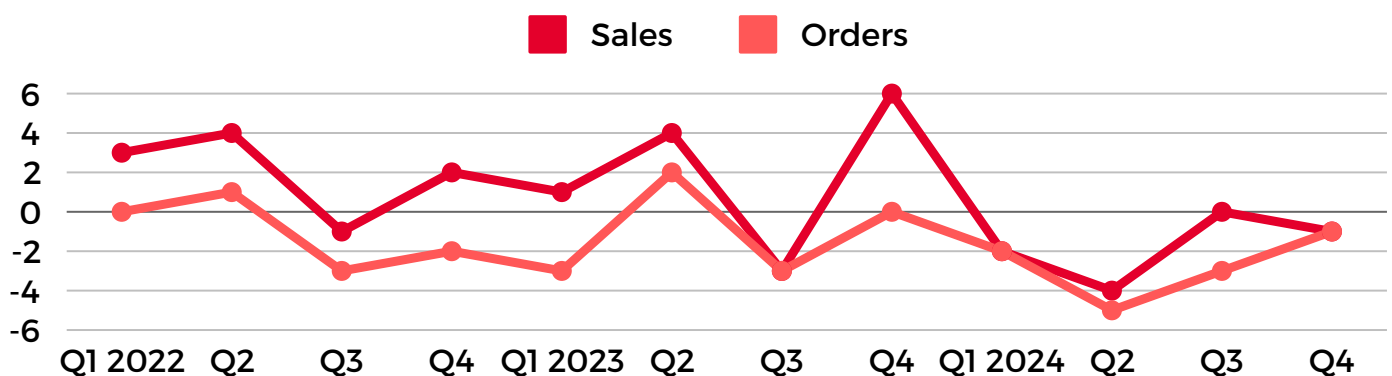
# OVERSEAS ORDERS SUMMARY

## OVERSEAS SALES SUMMARY

The net balance of overseas sales has decreased slightly to -1% this quarter, the figure was 0% in the previous quarter. 11% of businesses reported an increase in overseas sales, this has remained the same since Q3. 12% reported a decrease in sales, compared to 11% of businesses reporting a decrease in sales in the previous quarter. 18% reported no change.

## OVERSEAS ORDERS SUMMARY

The net balance of overseas orders has increased to -1%, from -3% in Q3. 10% of businesses reported an increase in overseas orders, compared to 8% in Q3. 11% reported a decrease in overseas orders, an improvement from 12% in Q3. 16% reported no change at all.





# OVERSEAS ORDERS SUMMARY

## **MANUFACTURING SUMMARY**

The net balance of manufacturers reporting on their overseas sales was -1% this quarter, remaining the same since the previous quarter.

In terms of overseas orders, the net balance was -1%, compared to -10% in the previous quarter. A significant improvement.

## **SERVICE SECTOR SUMMARY**

The net balance of services companies reporting on their overseas sales was -1%, decreasing from -2% in the previous quarter. Overseas orders have remained consistent at 2%.



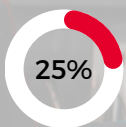
# CASHFLOW SUMMARY



The Quarterly Economic Survey allows us to gather key information on business cash flow to be able to measure business performance over the last three months, and how this compares to the previous quarter.



25% of businesses reported their cash flow has increased in the last three months, compared to 23% in the previous quarter.

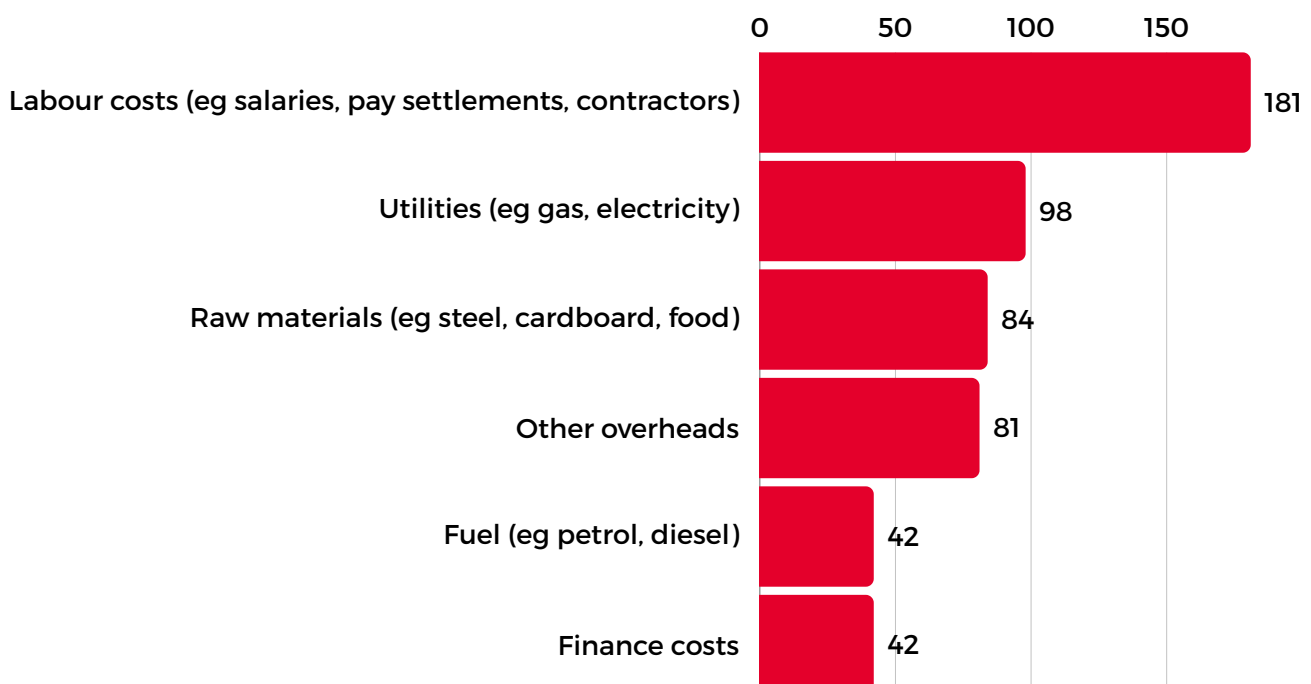


25% also reported their cashflow has worsened in the last three months, in contrast to 27% in Q3.



50% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of 0% an improvement from -3% in Q3.

The most reported reasons for why trading businesses are considering raising their prices were:




# EMPLOYMENT & RECRUITMENT SUMMARY




46% of businesses that answered this QES attempted to recruit staff over the last quarter. 52% of these businesses had experienced problems when recruiting. The number of businesses reporting difficulties is remaining consistent.

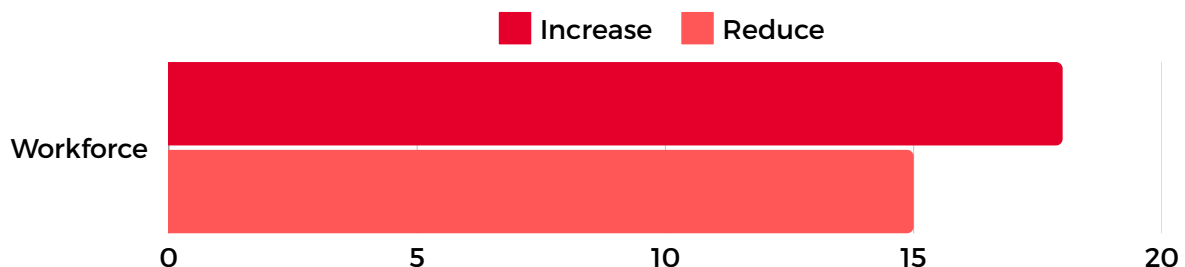
**44% of businesses reported that skilled manual and technical roles were the most difficult roles to recruit for.**

Businesses have also reported on their workforce changes.

 21% of respondents reported that they had increased their workforce in the last three months, compared to 22% in Q3.

 16% reported that they had reduced their workforce, compared to 12% in Q3. 63% reported no change.

Furthermore, 18% of businesses expect to increase their workforce in the next three months, similar to 20% in Q3. 15% expect to reduce their workforce, compared to 10% in Q3. This increase could be as a result of the recent budget announcements. 67% expected no change over the next three months.

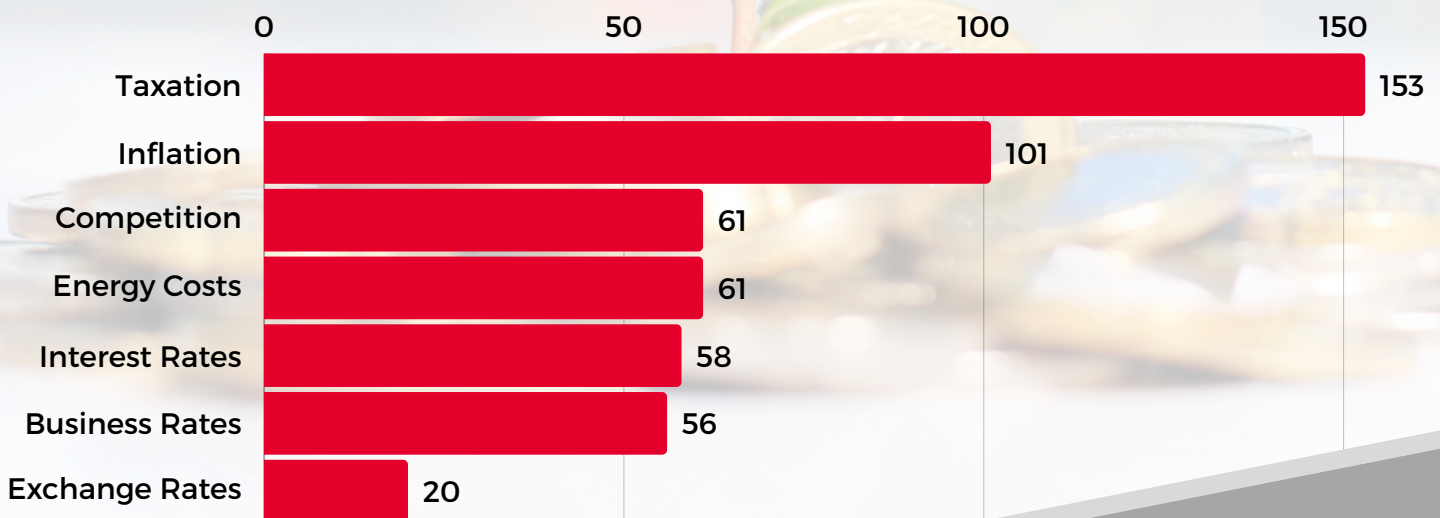




# INVESTMENT SUMMARY

Investment and training are essential for any business to develop. From the QES, we can gather data on businesses plans for investment and training. 14% of businesses revised upwards their Capital Investment plans, a slight decrease from 15% in Q3. 23% have revised downwards their plans for Investment, compared to 21% in Q3. 63% reported no change.

This data is disappointing after a positive increase in plans for Capital Investment in the previous quarters. It suggests businesses currently have other priorities such as tackling high inflation and the recent changes to taxation due to the recent Autumn budget. As a result plans for Capital Investment have been put to one side. This theory is backed up by businesses main concerns:



The data for investment in training paints a similar picture.

17% of businesses revised upwards their investment in training over the last three months, decreasing from 18% in Q3. 18% revised downwards, compared to 15% in Q3. 65% indicated no change. Therefore, a net balance of just -1%, compared to a net balance of 2% in Q3.

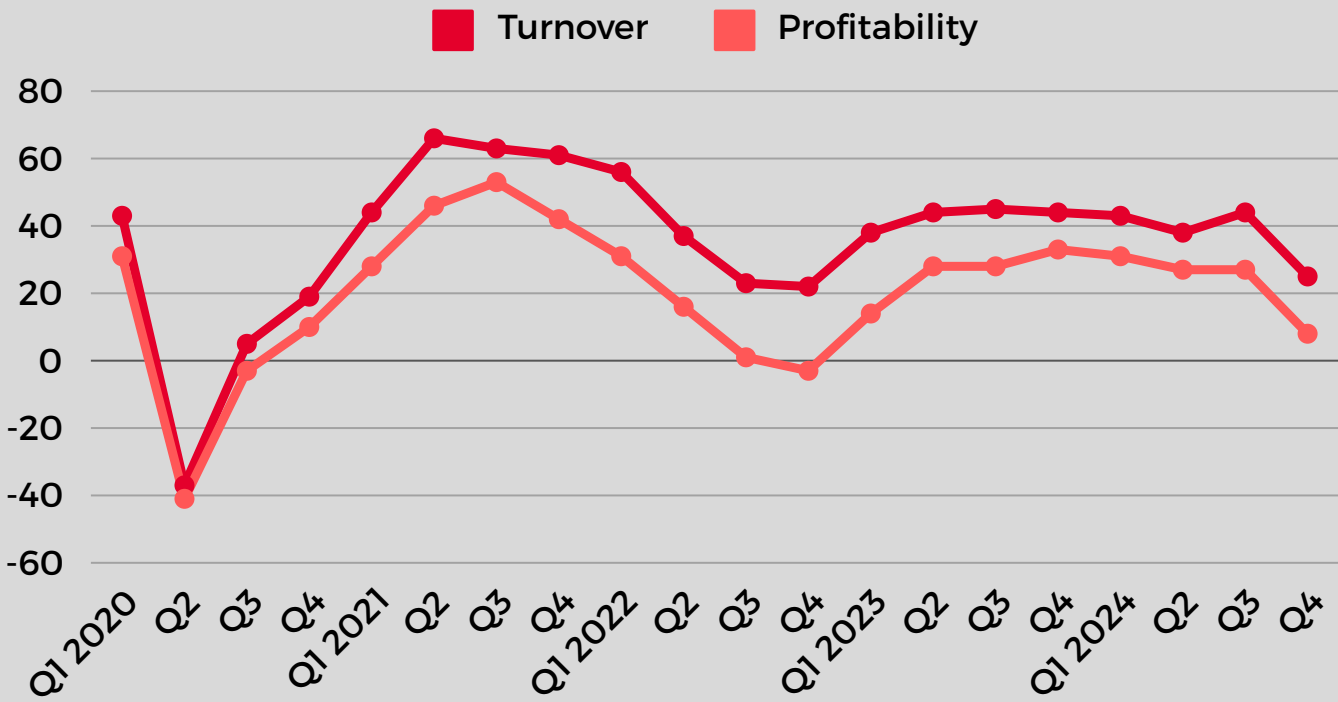
# BUSINESS CONFIDENCE SUMMARY



Business Confidence data is highly valuable in quantifying how businesses have been performing and how they expect their business to perform over the next 12 months. In this quarter, we have seen a decrease to business confidence in turnover and profitability.

44% of businesses reported they expect their turnover to improve over the next 12 months, compared to 56% in Q3. 19% expect their turnover to worsen and 36% reported they expect their turnover to remain the same.

The survey indicates there is pressure on business profitability. 37% expect their profitability to improve over the next 12 months, compared to 45% in Q3. 29% expect their profitability to worsen, increasing from 18% in Q3. 34% expect no change.



# BRITISH CHAMBERS OF COMMERCE



## SUMMARY

In the largest poll of business sentiment since October's Budget, the BCC's Quarterly Economic Survey, shows concern about tax, including national insurance, has spiked. Following the Chancellor's autumn statement, 63% of firms cited it as a worry (compared with 48% in Q3), the highest level on record. Concern about inflation and interest rates remains at similar levels to Q3.

Business confidence has declined significantly with 49% of responding companies expecting their turnover to increase over the next twelve months (compared with 56% in Q3). Confidence levels are lowest in the retail and hospitality sectors (39% and 42% respectively).

The survey was conducted after the Budget, with the fieldwork carried out between 11th November and 9th December. The data from over 4,800 businesses across the UK (91% of whom are SMEs – fewer than 250 employees) also shows that the majority of firms are expecting to raise prices.

### **Tax now by far the top external concern**

Following the Budget, concern about taxation is now cited by 63% of responding firms, up from 48% in Q3. This is the highest level of tax concern since 2017, when the BCC started asking this question. The levels in certain sectors are higher, with 72% of production and manufacturing firms, and 68% of construction and engineering businesses raising tax as a concern. Concern about inflation remains broadly similar to the previous quarter – 47% compared to 46% in Q3. Worry about interest rates has fallen slightly to 28% (29% in Q3).

### **Business confidence hit by Budget measures**

There has been a significant drop in business confidence since the Chancellor's statement. Only 49% of firms say they expect their turnover to increase in the next twelve months, down from 56% in Q3. This is the lowest figure since the aftermath of the mini budget in late 2022. A fifth (21%) of businesses expect turnover to worsen, up from 15% in Q3, and 30% expect no change. Profitability confidence has also been hit, 40% of firms expect profits to increase over the next year (48% in Q3), while 32% of businesses expect them to fall.

### **More businesses expecting to raise prices**

Over half (55%) of responding firms say they expect to raise their prices in the next three months, compared with 39% in Q3. While 43% of businesses expect prices to stay the same, and only 2% expecting to decrease.

Labour continues to be the main cost pressure for firms – but the issue is now raised by 75% of businesses, up from 66% in Q3. The issue is most significant for the hospitality sector with 87% reporting it as a challenge, followed by 84% of firms in the transport and logistics sector.



# BRITISH CHAMBERS OF COMMERCE

## SUMMARY



### **Fewer firms have increased investment plans**

Only 20% of businesses say they have increased investment plans over the last quarter, down from 23% in Q3. 24% of firms say they have cut back investment plans, a steep rise from the Q3 figure of 18%. 56% of businesses say their plans have remained the same. The issue is more marked in certain sectors, with 42% of retail and hospitality firms reporting a scaling back of investment and 30% of manufacturers.

### **Business conditions struggle**

The percentage of respondents reporting increased domestic sales has fallen again to 32%, compared to 35% in Q3. 42% reported no change and 26% of firms said they had seen a decrease in sales.

Retailers were the most likely to have seen a fall in sales (36%) followed by manufacturers (33%).

### **What business say**

“The budget has been devastating, the failure to introduce the promised business rate reform while introducing the NI changes will have a detrimental impact on the high street and the wider economy.” Large hospitality firm in North West England

“NIC Increases will have a significant impact on costs which as a price taker we are unable to pass on to customers so this will hit our profitability” Large manufacturing firm in Northern Ireland

“Labour’s decision to increase National Insurance for businesses has been a hammer blow to business confidence & has caused reversal in plans to increase investment.” Small Construction Firm in Scotland

“The NI increase is a real concern for us; we are a hospice. It will add £225k to our payroll, and we cannot afford it.” Medium public sector firm in East of England

Shevaun Haviland, Director General of the British Chambers of Commerce said:

“The worrying reverberations of the Budget are clear to see in our survey data. Businesses confidence has slumped in a pressure cooker of rising costs and taxes.

“Firms of all shapes and sizes are telling us the national insurance hike is particularly damaging. Businesses are already cutting back on investment and say they will have to put up prices in the coming months.

“The Government is rightly coming up with long-term strategies on industry, infrastructure and trade. But those plans won’t help businesses struggling now.

“Business stands ready to work in partnership to make the proposed Employment Rights legislation work for all, but the current plans will add further costs on firms.

“To help business we need to see quick action in three specific areas. Firstly, ministers should accelerate business rate reform to create a system that incentives investment.

# BRITISH CHAMBERS OF COMMERCE

## SUMMARY



“We also need the Government to speed up infrastructure investment, to help SMEs in supply chains across the country. Finally, it’s crucial to support exports, prioritising a better trading deal with the European Union.

“Without urgent Government action to ease the pain on businesses, the challenging economic landscape will get worse before it gets better.”

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

“This dataset is a clear signal that business sentiment has been significantly impacted following recent policy announcements, notably national insurance increases. Taxation is now by far the biggest concern, cited by 63% of businesses.

“Confidence has now dipped to 2022 levels, with less than half of firms expecting improved turnover over the next year and over a fifth now expecting it to worsen.

“Faced with rising costs, our survey paints a difficult picture and shows businesses are having to make some very difficult decisions. Many tell us they expect to push up prices and cut back on investment and we expect this to lead to a low or no-growth economic climate in the coming months.”