worcestershire county council

Herefordshire & Worcestershire Chamber of Commerce

Q1 2025

Quarterly Economic Survey

INTRODUCTION

The quarterly economic survey, conducted in February 2025, provides a comprehensive analysis of the challenges and opportunities shaping businesses in Herefordshire and Worcestershire. Drawing on insights from leaders across various sectors, the survey explores key topics such as revenue, innovation, sustainability, international trade, workforce development, digital transformation, and market resilience. Set against the backdrop of the Chancellor's budget, global uncertainties, and evolving technologies, it offers a valuable snapshot of how businesses are adapting, prioritising their strategies, and performing at present.

The findings from the survey serve as an essential benchmark for businesses, offering valuable insights for our partner organisations and the British Chambers of Commerce. These results shed light on the main factors influencing business decisions and strategies. Additionally, the survey highlights key challenges businesses face, particularly in relation to workforce issues and absenteeism.

We would like to express our sincere gratitude to all participants for sharing their perspectives. Your input forms the basis for meaningful discussions, informed decision-making, and a collective focus on fostering growth, innovation, and resilience. This report aims to support collaborative efforts that will strengthen the long-term business environment in the counties.

Robert Elliot

Director of Business Engagement & Policy

322

ORGANISATIONS

COMPLETED THE SURVEY

METHODOLOGY
SUMMARY

During Quarter 1 (Q1) 2025, 322 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey.
Data collection took place between Monday 10 February 2025 and Monday 3 March 2025. Any reference to Quarter 4 (Q4) 2024 refers to the data collection period from Monday 11 November 2025 and Monday 2 December 2025.
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

Absenteeism in the workforce is largely influenced by mental health concerns, with depression, anxiety, or nervous disorders being the most common reason (25.96%). Other significant factors include mental illness, phobias, or nervous disorders (10.18%) and chest or breathing problems, such as asthma or bronchitis (9.82%). Additional health issues contributing to absenteeism include heart and blood circulation problems (9.47%) and stomach, liver, or digestive problems (6.67%).

To manage absenteeism, 60.82% of organisations have a sickness absence policy, and 50.37% implement return-to-work processes such as interviews and triggers for discussions around illness. Regular absence monitoring (46.27%), welfare calls (35.45%), and occupational health referrals (26.49%) are also used. However, 25.75% of respondents indicated they have no formal absence management process.

Regarding employee support, flexible working hours are the most common initiative (60.82%), followed by remote work options (44.03%) and paid leave for personal reasons (39.18%). Mental health resources, including stress management support (33.58%), mental health first aiders (30.22%), and counselling services (21.27%), are also provided by some organisations.

Currently, 60.82% of employers report that fewer than 5% of their workforce is managing a health condition or disability. Areas of interest for further support include mental health conditions (38.06%), neurodiverse conditions (12.31%), and progressive illnesses (9.70%), highlighting a need for continued focus on workplace health and well-being initiatives.

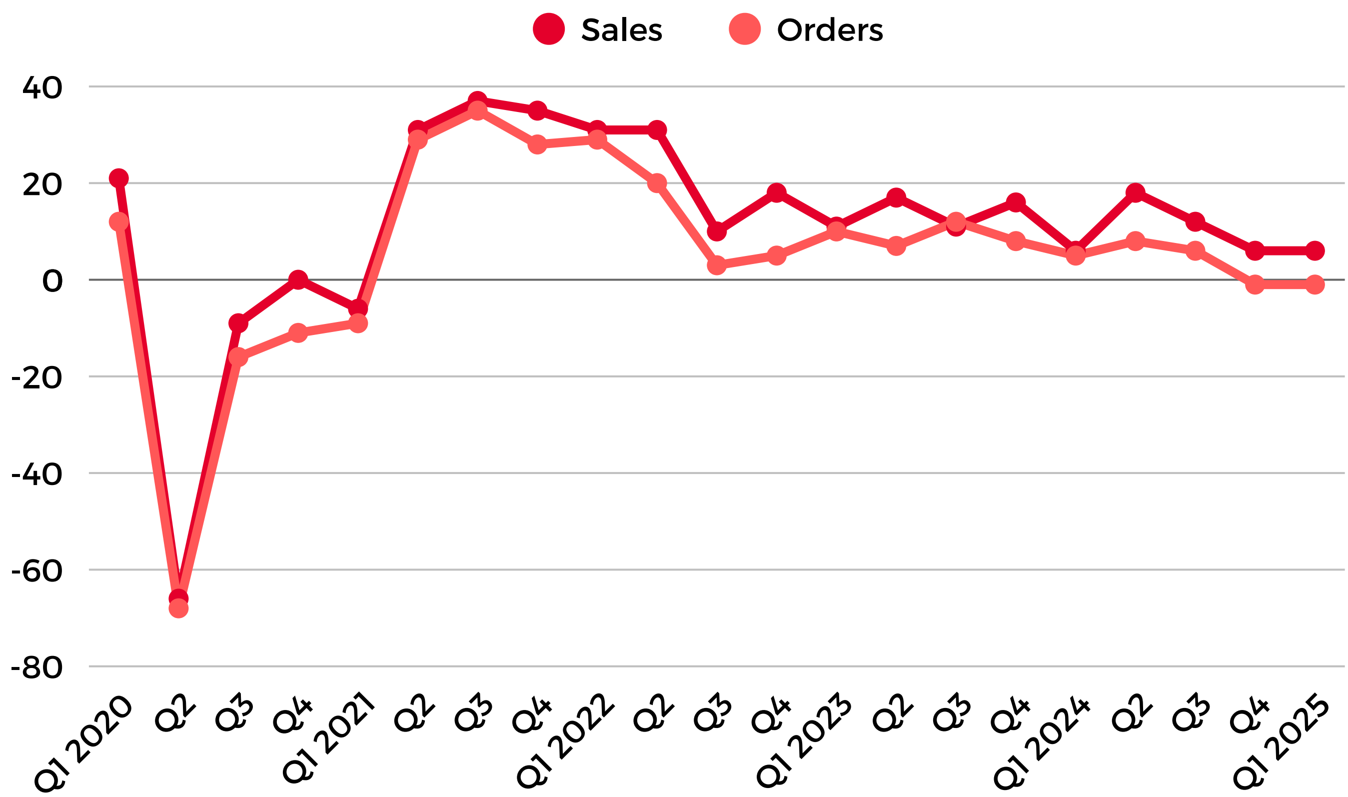
UK MARKET SUMMARY

UK SALES SUMMARY

The net balance for UK sales has remained consistent this quarter at 6%. Businesses also reported no change in both increased and decreased sales, with 30 % reporting an increase and 24% reporting a decrease. 41% of businesses reported no change, compared to 40% in Q4 2024.

UK ORDERS SUMMARY

Similarly, the net balance data for UK orders also remains consistent to the previous quarter. 24% of businesses reported an increase in UK orders over the last three months, this has increased from 23% in Q4. 25% reported a decrease, compared to 24% last quarter. 40% reported no change. The result of these figures mean the net balance has fallen remained at -1%.



UK MARKET
SUMMARY

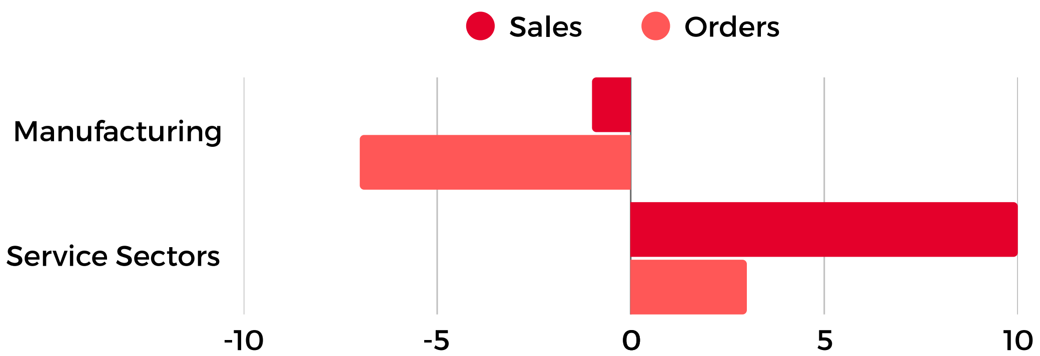
MANUFACTURING INSIGHT

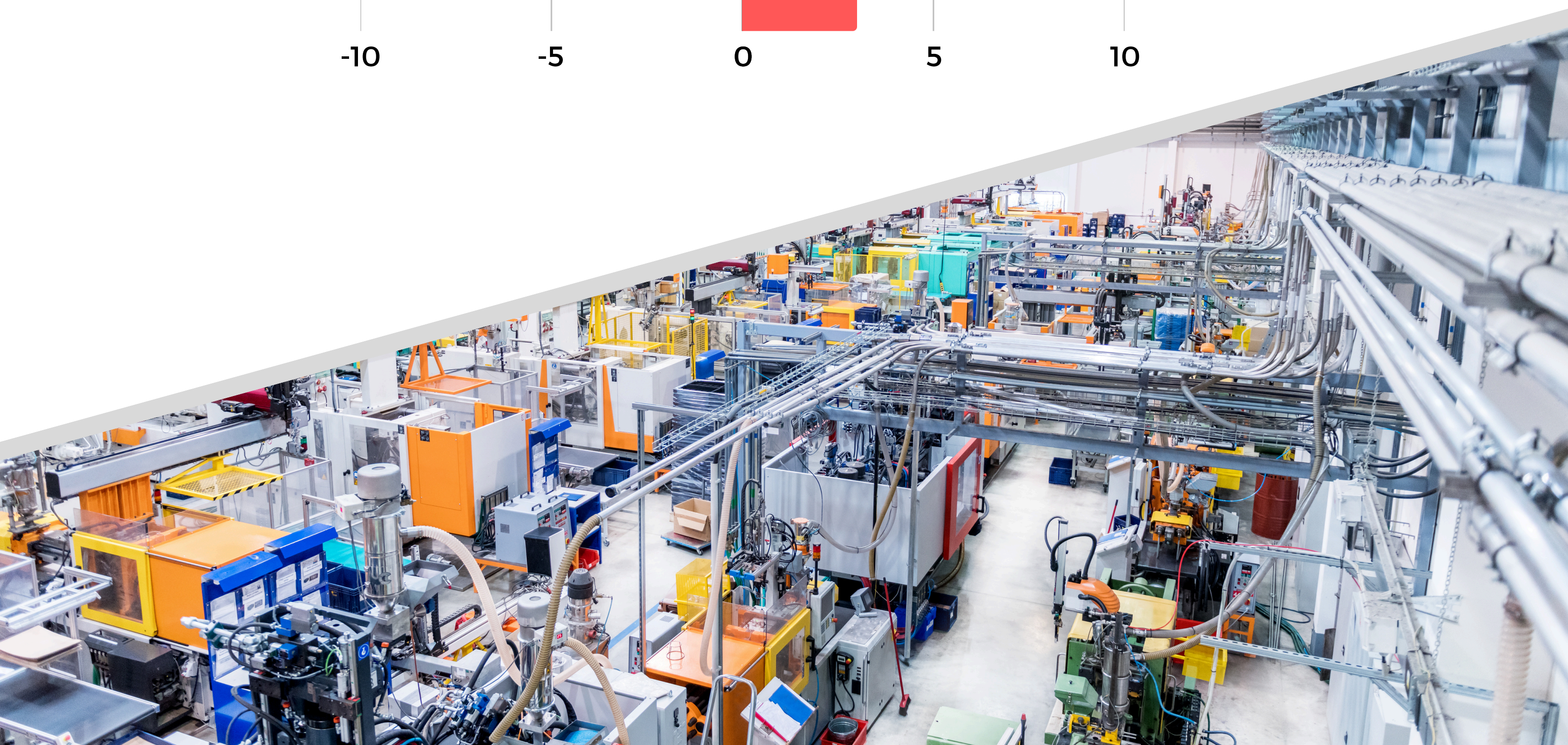
The net balance of manufacturers reporting on their UK sales was -1% this quarter. This has decreased from 8% in the previous quarter.

In terms of advanced orders, the net balance of orders also decreased to -7% compared to -5% in Q4.

SERVICE SECTOR INSIGHT

The net balance of service sector companies reporting on their UK sales has increased to 10% this quarter from 6% in Q4.
Similarly, the net balance of UK orders increased to 3% from 1% 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).





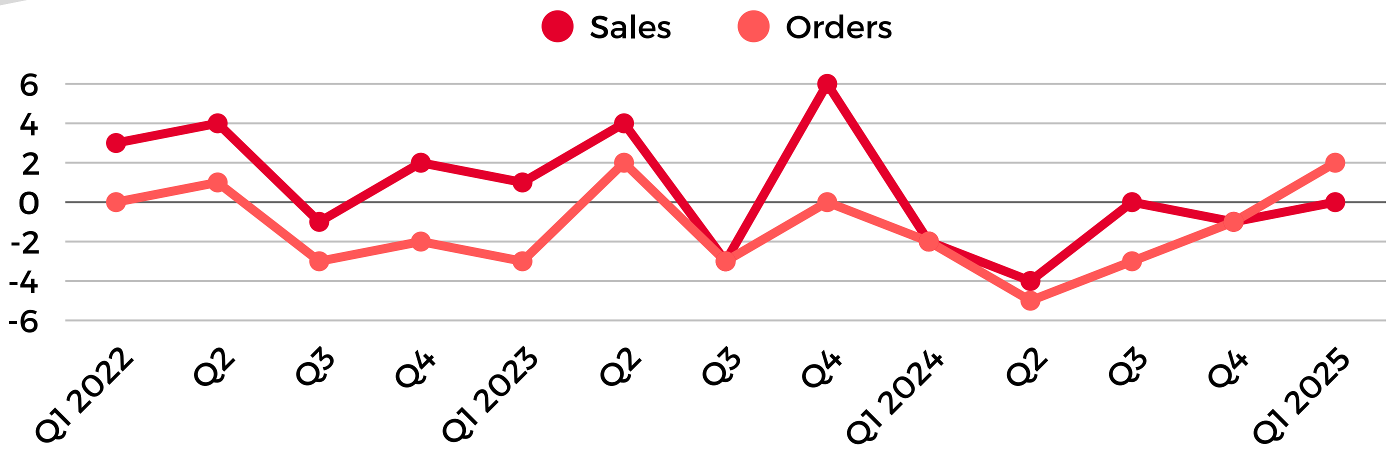
OVERSEAS ORDERS
SUMMARY

OVERSEAS SALES SUMMARY

The net balance of overseas sales has increased slightly to 0% this quarter, the figure was -1% in the previous quarter. 13% of businesses reported an increase in overseas sales, this has increased from 11% in Q4 2024. 13% reported a decrease in sales, compared to 12% of businesses reporting a decrease in sales in the previous quarter. 25% reported no change.

OVERSEAS ORDERS SUMMARY

The net balance of overseas orders has increased to 2%, from -1% in Q4. 14% of businesses reported an increase in overseas orders, compared to 10% in Q4. 12% reported a decrease in overseas orders, an improvement from 11% in Q4. 23% 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 7%, compared to -1% in the previous quarter. A significant improvement.

SERVICE SECTOR SUMMARY

The net balance of services companies reporting on their overseas sales was -1%, remaining consistent from the previous quarter. Overseas orders decreased slightly to 1% compared to 2% in Q4.

CASHFLOW
SUMMARY

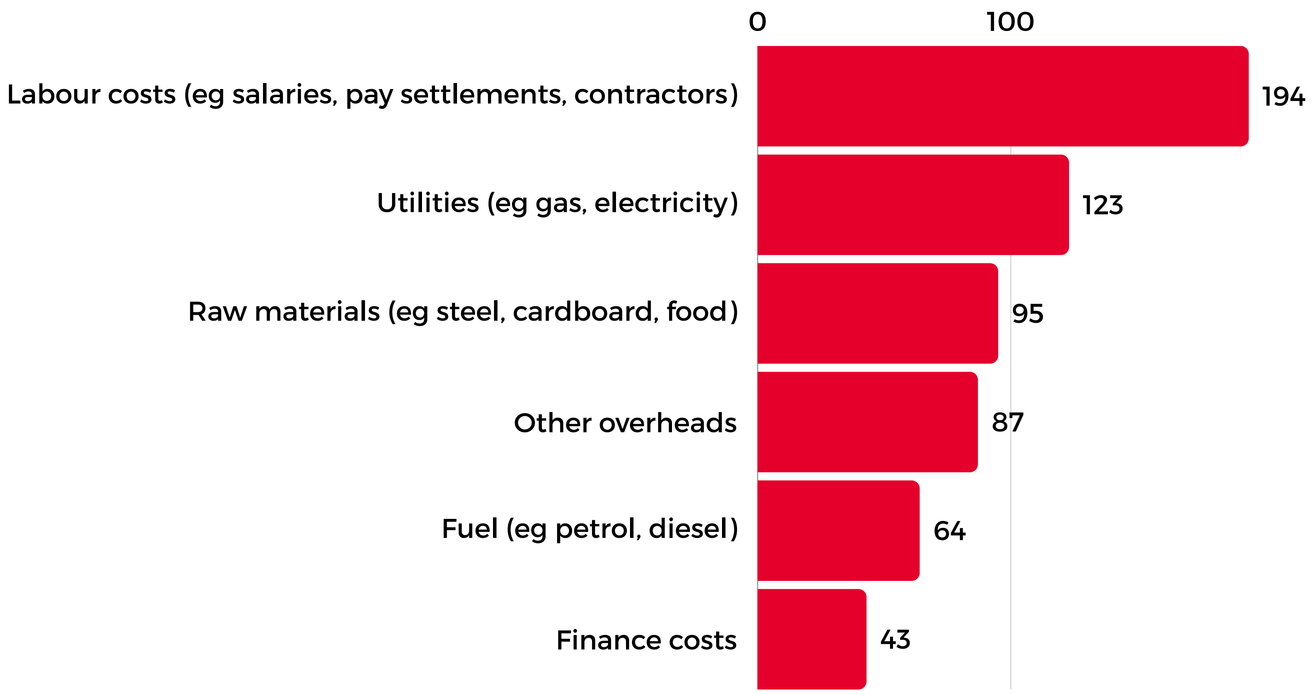
The Quarterly Economic Survey allows us to gather key information on business cash flow to be able to measure business performance over the last three months, and how this compares to the previous quarter.

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

24% — 24% also reported their cashflow has worsened in the last three months, in contrast to 25% in Q4.

52% — 52% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of -1% a decrease from 0% in Q4.

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. 56% of these businesses had experienced problems when recruiting. The number of businesses reporting difficulties is remaining consistent.

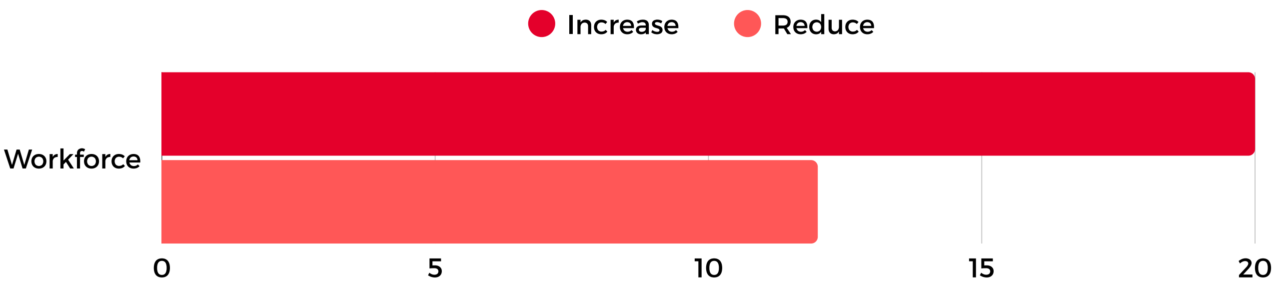
43% of businesses reported that skilled manual and technical roles were the most difficult roles to recruit for.

Businesses have also reported on their workforce changes.

14% of respondents reported that they had increased their workforce in the last three months, compared to 21% in Q4.

19% reported that they had reduced their workforce, compared to 16% in Q4. 66% reported no change.

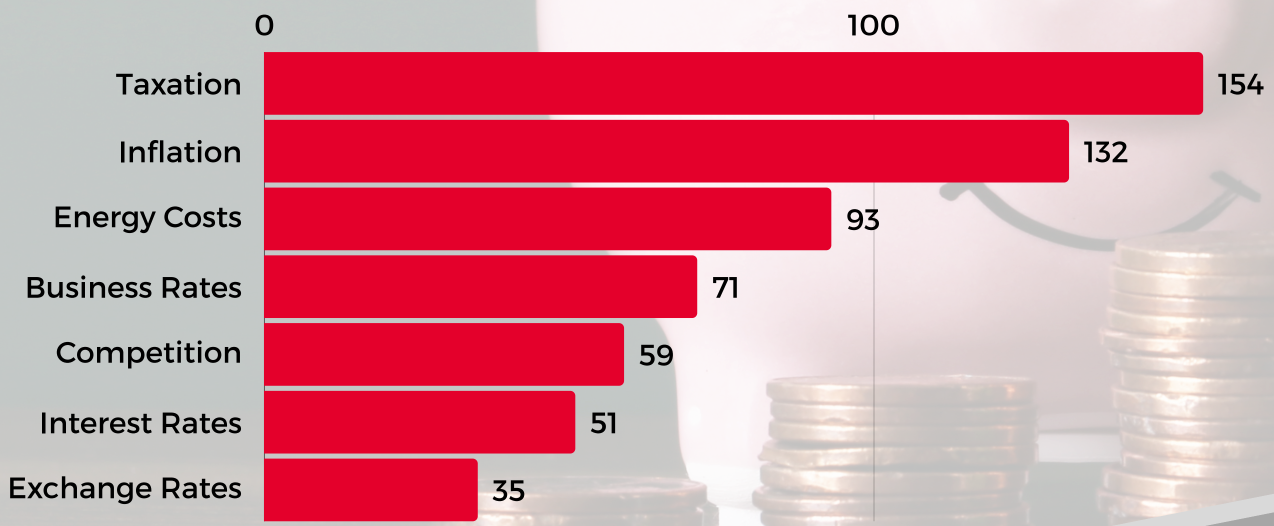
Furthermore, 20% of businesses expect to increase their workforce in the next three months, similar to 18% in Q4. 12% expect to reduce their workforce, compared to 15% in Q4. 68% expected no change over the next three months.



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, remaining consistent from Q4. 25% have revised downwards their plans for Investment, compared to 23% in Q4. 61% 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:



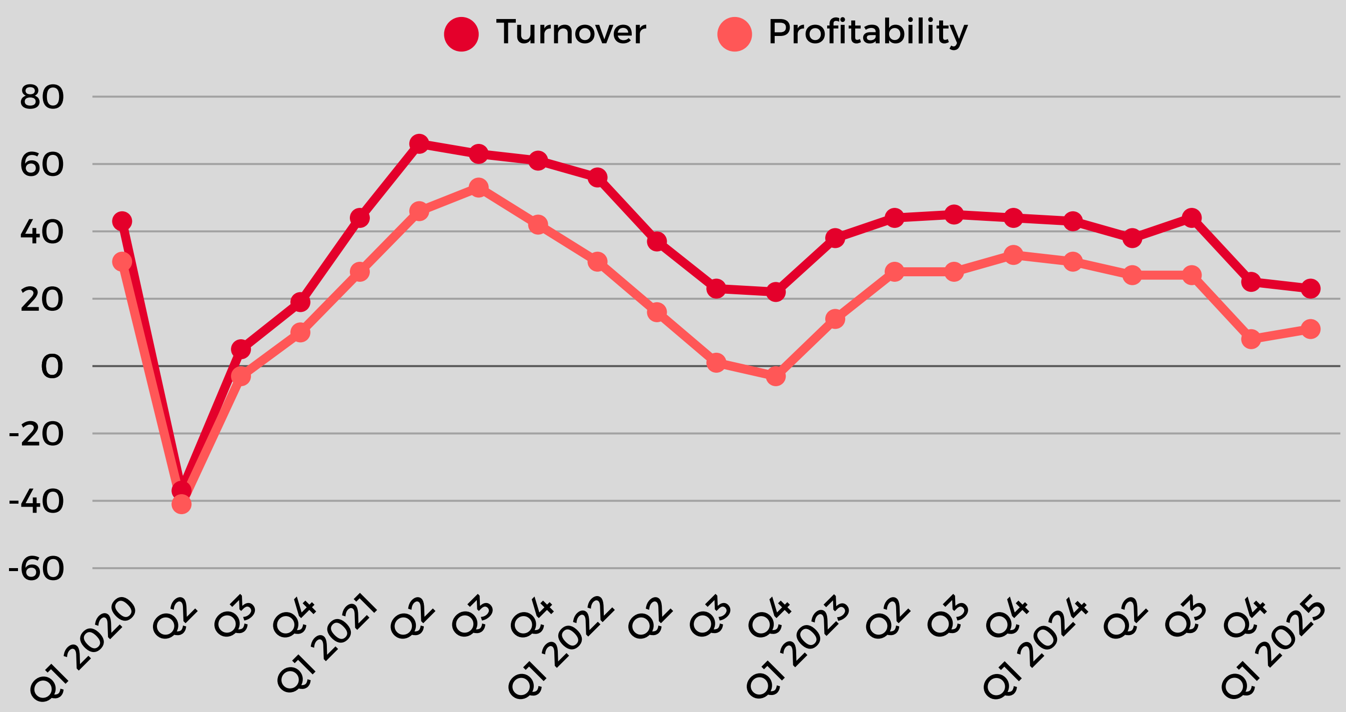
The data for investment in training paints a similar picture. 16% of businesses revised upwards their investment in training over the last three months, decreasing from 17% in Q4. 18% revised downwards, with no change compared to Q4. 65% indicated no change. Therefore, a net balance of just -2%, compared to a net balance of -1% in Q4.

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.

43% of businesses reported they expect their turnover to improve over the next 12 months, compared to 44% in Q4. 20% expect their turnover to worsen and 37% 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, remaining consistent compared to Q4. 26% expect their profitability to worsen, decreasing 29% in Q4. 37% expect no change.



BRITISH CHAMBERS OF COMMERCE

SUMMARY

Ahead of the rise in employer national insurance (NI) contributions coming into effect this Sunday, the British Chambers of Commerce Quarterly Economic Survey for Q1, shows business sentiment remains very weak as taxation continues to be the top concern.

59% of surveyed firms cite it as a worry (compared with 63% in Q4 2024), the second highest level on record. At the same time, concern about inflation has risen to 53% (compared with 47% in Q4 2024), the highest level in a year.

Business confidence remains low, with less than half of (48%) businesses expecting their turnover to increase over the next twelve months (49% in Q4). In comparison, pre-Budget confidence was 58% in Q2 2024 and 56% in Q3 2024. Confidence levels are lowest in the retail industry (38%) and the transport and logistics sector (40%).

The survey was carried out before the recent Spending Review, with the fieldwork conducted between 10 February and 10 March. The data from over 5,000 businesses across the UK (91% of whom are SMEs) also shows that most firms are expecting to raise prices.

Tax remains the top concern, with inflation worries on the rise

With the national insurance rise looming in days, concern about taxation remains the main concern for businesses – cited by 59% of responding firms, down slightly from 63% in Q4 2024. This is the second highest level of tax concern since 2017, when the BCC started asking this question. The levels in certain sectors are higher, with 68% transport and logistics firms, and 64% of production and manufacturing businesses raising tax as a concern.

Concern about inflation has increased since the previous quarter – 53% compared to 47% in Q4. Concern about inflation is most prevalent in the construction industry, with 57% of firms identifying it as a concern. Worry about interest rates remains at 28%, the same level as Q4.

Business confidence remains subdued following Budget measures

Business confidence has fallen further since the immediate aftermath of the Budget. Only 48% of firms say they expect their turnover to increase in the next twelve months, down from 49% in Q4. Once again, this is the lowest figure since the aftermath of the mini budget in late 2022. A fifth (21%) of businesses expect turnover to worsen (the same as Q4), and 31% expect no change.

Profitability confidence also continues to be hit. 39% of firms expect profits to increase over the next year (40% in Q4), while 32% of businesses expect them to fall (same as Q4).

BRITISH CHAMBERS OF COMMERCE
SUMMARY

Most businesses are planning to raise prices
Over half (55%) of responding firms say they expect to raise their prices in the next three months, the same elevated level as Q4. While 43% of businesses expect prices to stay the same, and only 3% expect them to decrease.
Labour continues to be far and away the main cost pressure for firms, cited by 73% of businesses (75% in Q4). The issue is most significant for the production and manufacturing sector with 82% reporting it as a challenge, followed by 81% of firms in the transport and logistics sector alongside hospitality businesses.

More firms have cut back on investment plans
As businesses navigate rising cost pressures, 26% of responding firms say they have cut back on investment plans in the past three months, up from 24% in Q4. 20% of business say they have increased investment plans, the same level as last quarter. 54% of businesses say their plans have remained the same.
The issue is more marked in certain sectors, with 40% of hospitality firms and 35% of retailers reporting a scaling back of investment plans.

Business conditions struggle
The percentage of respondents reporting increased domestic sales remains broadly similar to the last quarter, 31% compared to 32% in Q4. 42% reported no change and over a quarter (27%) of firms said they had seen a decrease in sales. Retailers were the most likely to have seen a fall in sales (37%) followed by manufacturers and hospitality firms (35%).
A third of businesses (33%) report a fall in cash flow over the last three months, up from 30% in Q4. Only 21% of firms have seen an increase, while for 46% cashflow has remained the same.

What businesses say:
“Recent changes to company tax and labour costs have caused us to shelve all future expansion plans for next 5-years. Over the past 6 months we have reduced staff levels and will not increase staff for the next 3-years due to the changes to company tax and labour costs. As a result, we will now be moving all future expansion and employment to the USA.”
Small manufacturing firm in Essex

“We have been doubling revenue year on year consistently for the last 4 years. There is too much cash pressure for this to be sustainable for us unless the UK government changes its policy on taxation.”
Small agriculture firm in Dundee & Angus

“NI increase will add £110K to our pay bill this year alone”
Medium sized construction firm in Greater Manchester

BRITISH CHAMBERS OF COMMERCE

SUMMARY

We will pay around £70,000 more due to change in NI, wages and tax laws."
Small hospitality firm in Shropshire

"Borrowing cost remains too high & this coupled with increased Employers NI & min Wage discourages investment & causes cashflow issues."
Medium sized agriculture firm in Shropshire

"ENICs changes will add £500k to my overheads during the period April - December 2025"
Large public sector firm in East Midlands

"Increased National Insurance costs will reduce profits by around 25%"
Medium sized logistic firm in Aberdeen

"The effects of the NIC and NLW changes from the budget are severe and will reduce investment and growth"
Medium sized manufacturing firm in Northern Ireland

"Inflationary pressures and tax are having a negative effect on confidence for us to continue to invest in projects."
Medium sized services firm in Liverpool

Shevaun Haviland, Director General of the British Chambers of Commerce, said:
"The national insurance rise has been an impending concern for months. From this weekend, it will become a toxic reality for millions of businesses across the UK.

"Our survey shows tax continues remains the top concern, with firms telling us they are planning to cut investment and raise prices, just to balance the books. In the past 24 hours exporting firms have been dealt a further hammer blow by US tariffs. The cost pressures for business at home and abroad are now huge.

"Sustained economic growth will only come through businesses, not government. While there were some limited announcements in the Spring Statement which we welcome – it is hard to get away from the bleak growth predictions.

"We urgently need the government to publish a wider tax roadmap, which includes national insurance, to give firms a direction of travel to lower cost pressures. Ministers must also focus on infrastructure projects and promoting exports, as a springboard for business growth.

“The Employment Rights Bill also threatens to fuel further costs and complexity on businesses at a very delicate time. While Government has listened and made some sensible changes – the legislation as it stands risks unintended consequences which will limit economic growth.

“The Government needs businesses to invest and grow to kickstart the economy. But unless swift action is taken to ease cost pressures and support firms, growth will remain elusive.”

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

“It is clear that business sentiment is in a slump following the Autumn Budget last year and this fresh dataset shows no improvement to that. In some indicators, we have seen a further worsening.

“This is to be expected as costs have piled on businesses simultaneously. On the domestic side, tax rises, specifically the NICs increase, are consistently cited by businesses as a concern. A global tariff war is also a major blow for both importers and exporters.

“The end result is a low growth outlook, weak investment among SMEs, and damage to global trade. As we see from the data, as more firms expect price rises, this could further fuel inflation and limit further interest rate cuts.”