



Q2 2025



Quarterly Economic Survey

INTRODUCTION

Conducted in May 2025, the Quarterly Economic Survey offers an in-depth analysis of the challenges and opportunities facing businesses in Herefordshire and Worcestershire. Featuring insights from leaders across a range of sectors, the survey covers key areas including revenue, innovation, sustainability, international trade, workforce development, digital transformation, and market resilience. Set against the context of the Chancellor's budget, global uncertainties, and rapid technological change, it provides a valuable snapshot of how businesses are adapting, setting priorities, and performing in the current economic climate.

The survey findings serve as a vital benchmark for businesses and provide valuable insights for our partner organisations and the British Chambers of Commerce. They highlight the key factors shaping business decisions and strategies, while also drawing attention to pressing challenges—particularly around digital connectivity.

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



269 

**ORGANISATIONS
COMPLETED THE SURVEY**

METHODOLOGY

SUMMARY



During Quarter 2 (Q2) 2025, 269 businesses in Herefordshire and Worcestershire responded to the Quarterly Economic Survey. Data collection took place between Monday 12 May 2025 and Monday 2 June 2025. Any reference to Quarter 1 (Q1) 2025 refers to the data collection period from Monday 10 February 2025 and Monday 3 March 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 - CONNECTIVITY



Stephen Ashton

Senior Project Manager - Broadband & Connectivity

Reliable, high quality digital connectivity is now essential to participating in everyday life. Whether you're running a business or you're a customer trying to interact with a business, a digital connection is often a vital part of the process.

Businesses and their customers regularly seek help with digital connectivity from Worcestershire County Council. Sub-standard fixed broadband infrastructure, dropped mobile calls, poor signal strength, and unreliable data connections are frequent sources of frustration.

The latest QES results provide yet more evidence that businesses see fixed and mobile digital connectivity as crucial. 99% of respondents stated digital connectivity for internet access and cloud services was either 'extremely important' or 'important'. And over 95% felt the same about mobile connectivity. However, respondents were quick to describe where both the availability and quality of fixed and mobile connectivity had proved a barrier for their businesses.

These findings chime exactly with two pieces of our own research conducted over the winter and spring of 2024-25. The first measured mobile phone signals across Worcestershire from the four UK networks revealing far worse coverage than that claimed by the mobile industry. And the second was a survey to allow residents, businesses and visitors to easily provide details of any issues with mobile signals that they encountered.

Again, this research provided a long list of practical examples that showed a bad connection isn't just about the odd dropped phone call. Rather that it is central for running a business or interacting with a business. From taking payments to communicating with clients, a reliable, high-quality connection was highlighted as critical.

We will now use the latest QES results alongside our own two powerful pieces of evidence to;

- Further facilitate the deployment of gigabit capable broadband on Worcestershire;
- Empower people to make the best decisions now by providing access to the results of our signal measurement project through the [Mobile Coverage Checker](#);
- Lobby Ofcom, the Mobile Network Operators and Government to improve coverage data accuracy now and actual coverage as soon as possible; and
- facilitate improvements in the mobile networks by working with planners and other partners, making best use of our own sites and assets, and engaging with the industry.

UK MARKET SUMMARY

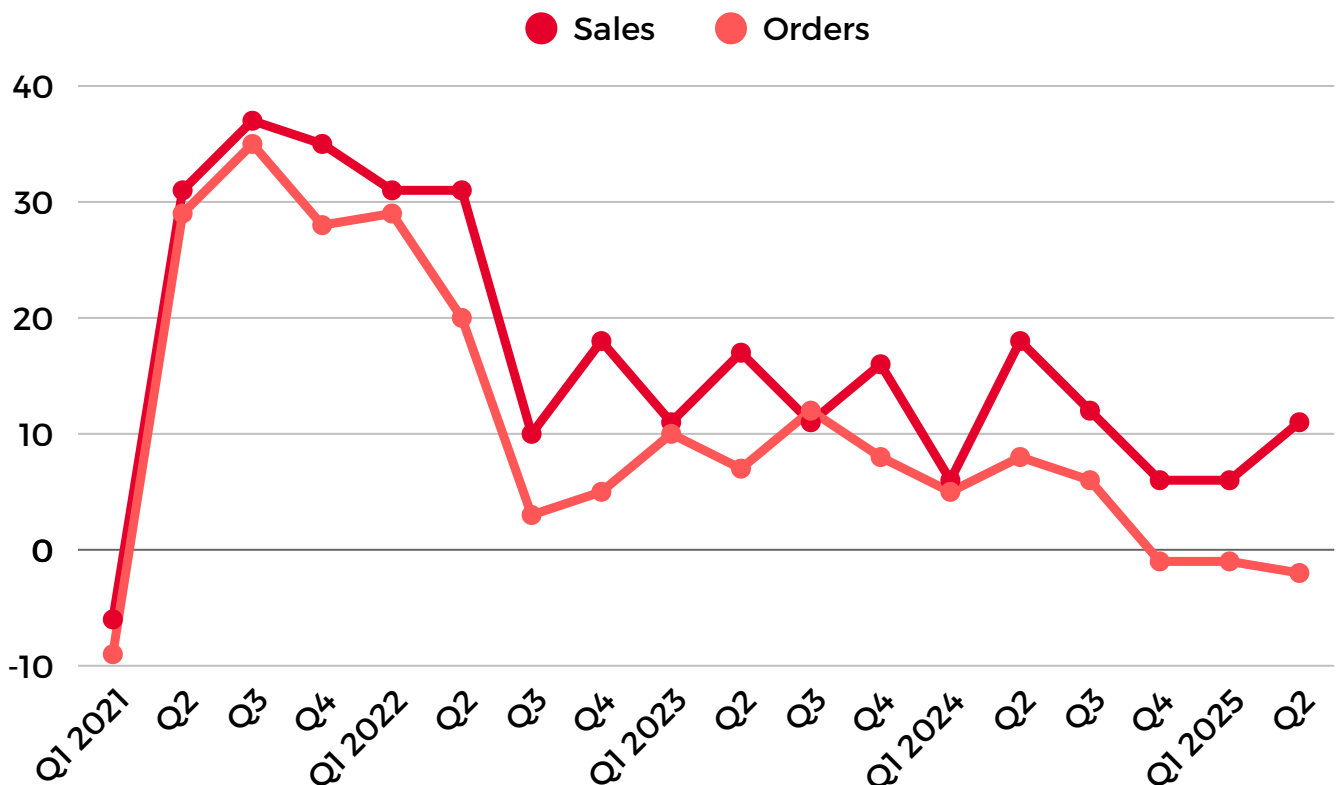


UK SALES SUMMARY

The net balance for UK sales rose to 11% this quarter, reflecting a modest improvement in trading conditions. The proportion of businesses reporting increased sales held steady at 30%, indicating consistent positive momentum. Meanwhile, the share of businesses experiencing a decline in sales fell to 19%, down from the previous quarter, suggesting some easing in downward pressures. At the same time, 41% of businesses reported no change in sales, pointing to a degree of stability across the market.

UK ORDERS SUMMARY

"The net balance for UK orders edged down from -1% in Q1 to -2% in Q2, indicating a marginal softening in demand. Over the past three months, 21% of businesses reported an increase in UK orders, a slight decline from 24% in the previous quarter. At the same time, 23% of businesses experienced a decrease in orders, compared to 25% in Q1. The proportion of businesses reporting no change remained steady at 41%, suggesting a broadly stable but subdued trend overall.



UK MARKET SUMMARY

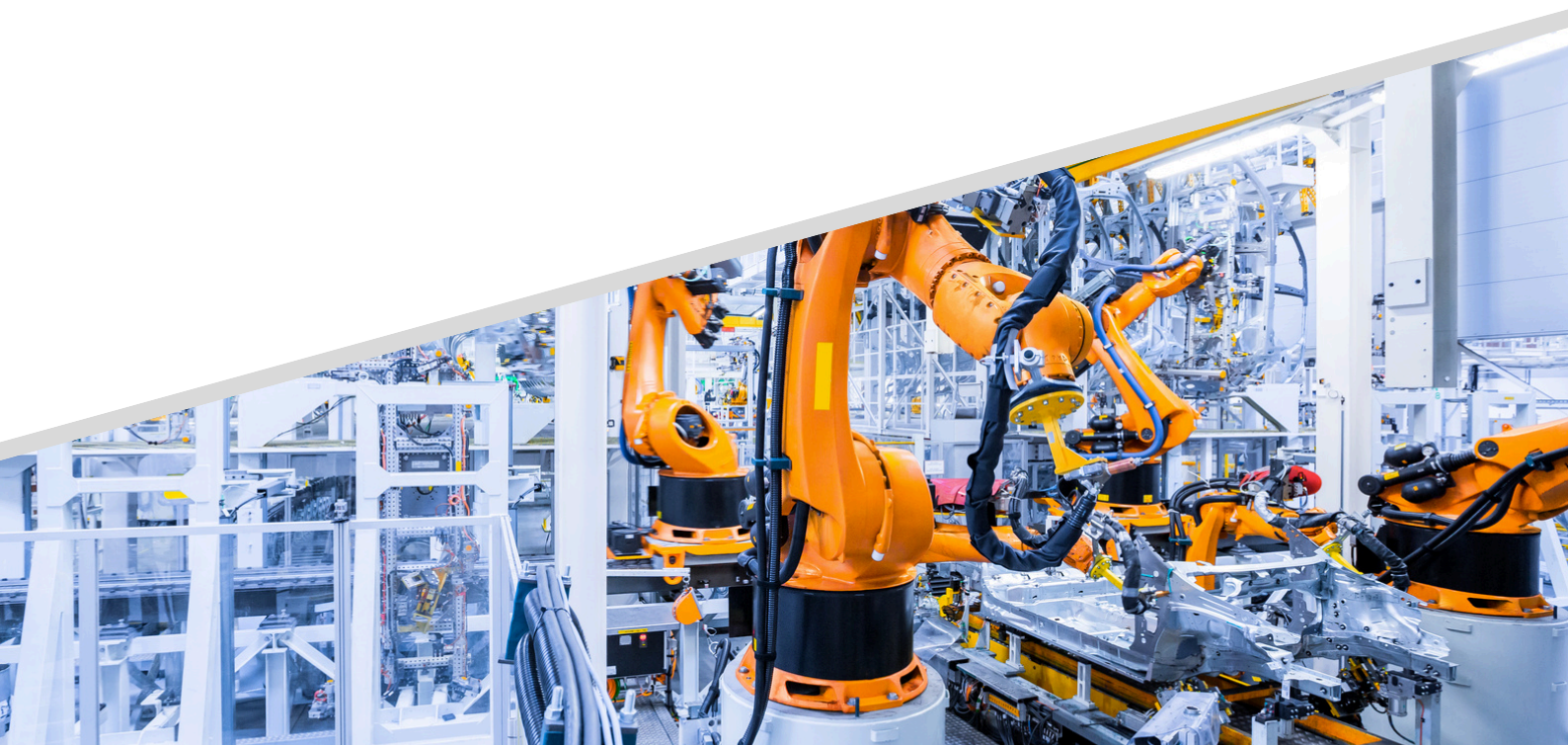
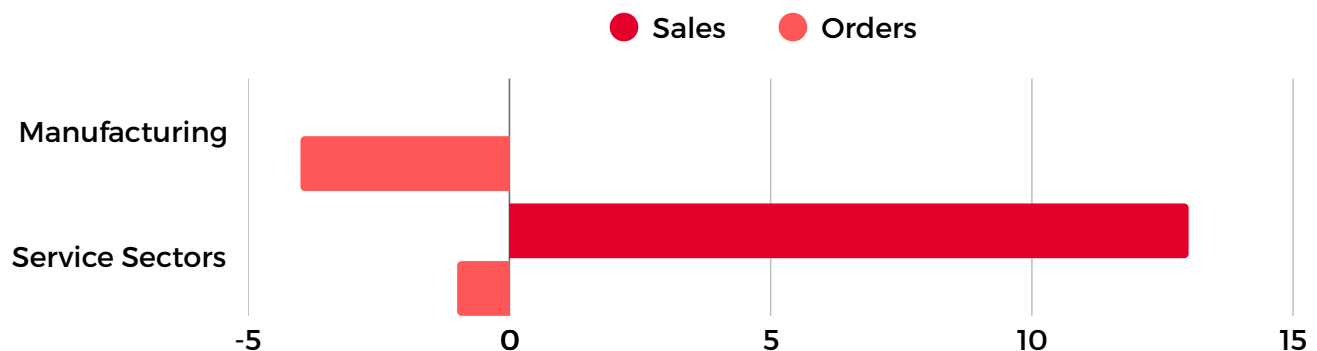


MANUFACTURING INSIGHT

The net balance of manufacturers reporting on their UK sales was 0% this quarter. This has increased from -1% in the previous quarter. In terms of advanced orders, the net balance of orders also increased to -4% compared to -7% in Q1.

SERVICE SECTOR INSIGHT

The net balance of service sector companies reporting UK sales rose to 13% this quarter, up from 10% in Q1. In contrast, the net balance for UK orders declined to -1%, down from 3% in the previous quarter. The service sector includes businesses whose primary activity involves delivering services to other businesses or end consumers—such as those in retail, professional services, marketing, and the public sector.





OVERSEAS ORDERS SUMMARY

OVERSEAS SALES SUMMARY

The net balance of overseas sales rose slightly to 3% this quarter, up from 0% in the previous quarter. The proportion of businesses reporting an increase in overseas sales remained unchanged at 13%. Meanwhile, 10% reported a decline in sales, an improvement from 13% in Q1. A further 23% of businesses indicated no change in their overseas sales.

OVERSEAS ORDERS SUMMARY

The net balance of overseas orders declined slightly to 1% this quarter, down from 2% in Q1. A total of 12% of businesses reported an increase in overseas orders, compared to 14% in the previous quarter. Meanwhile, 11% noted a decrease, a slight improvement from 12% in Q1. Additionally, 21% of businesses reported no change in their overseas orders.





OVERSEAS ORDERS SUMMARY

MANUFACTURING SUMMARY

The net balance of manufacturers reporting overseas sales remained unchanged at -1% this quarter, consistent with the previous quarter. For overseas orders, the net balance rose slightly to 8%, up from 7% in Q1, indicating a modest improvement.

SERVICE SECTOR SUMMARY

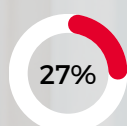
The net balance of service sector companies reporting overseas sales stood at -1%, unchanged from the previous quarter. In contrast, the net balance for overseas orders declined slightly to -2%, down from 1% in Q1.



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.



27% of businesses reported their cash flow has increased in the last three months, compared to 23% in the previous quarter.

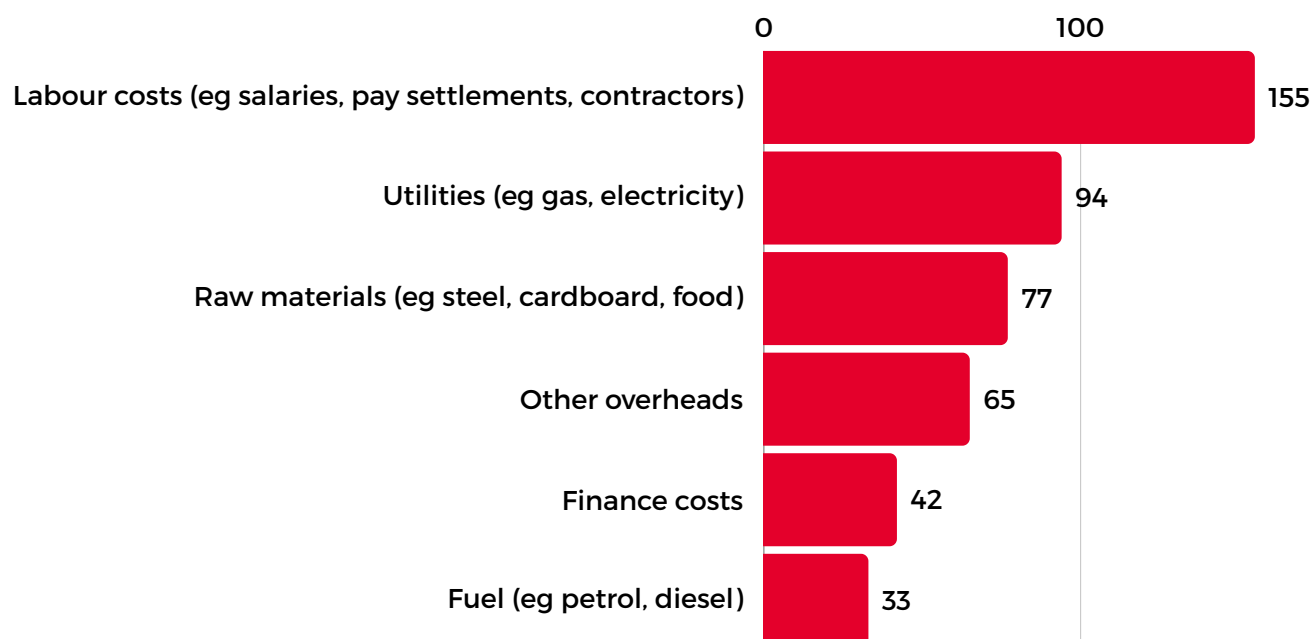


20% also reported their cashflow has worsened in the last three months, in contrast to 24% in Q1.



53% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of 7% an increase from -1% in Q1.

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





EMPLOYMENT & RECRUITMENT SUMMARY

Half of the businesses that responded to this QES reported attempting to recruit staff over the past quarter. Of those, 48% experienced recruitment difficulties. While challenges remain, the proportion of businesses facing issues has declined slightly compared to previous results.

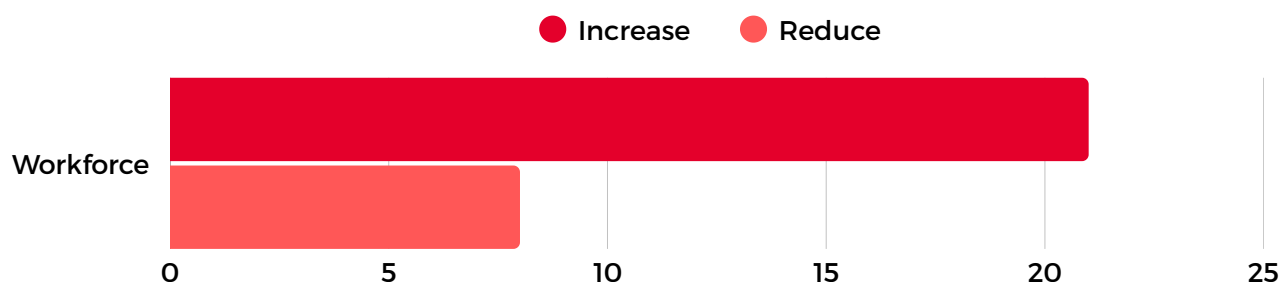
41% of businesses reported that skilled manual and technical roles were the most difficult roles to recruit for.

Businesses have also reported on their workforce changes.

 20% of respondents reported that they had increased their workforce in the last three months, compared to 14% in Q1.

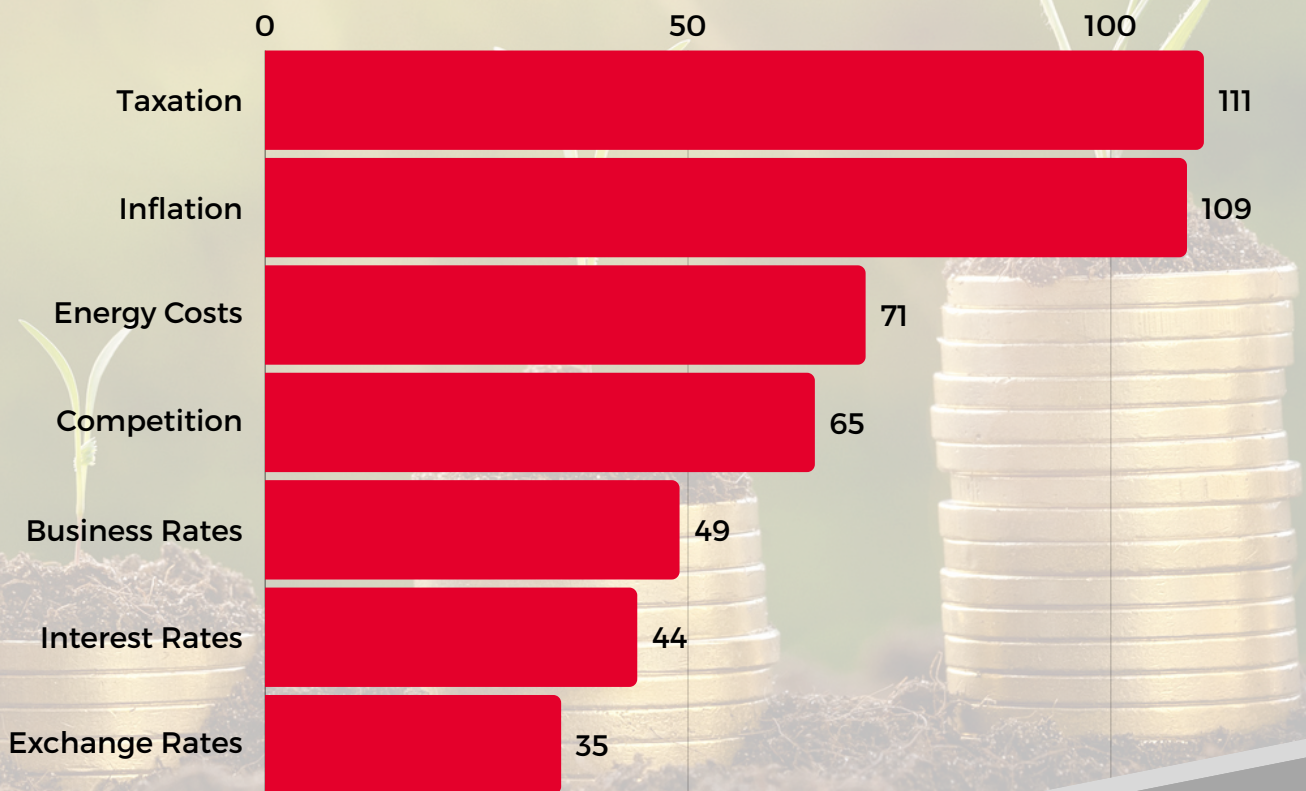
 16% reported that they had reduced their workforce, compared to 19% in Q1. 64% reported no change.

Additionally, 21% of businesses expect to increase their workforce over the next three months, a figure largely unchanged from 20% in Q1. Meanwhile, 8% anticipate a reduction in staff, down from 12% in the previous quarter. The majority—71%—expect no change in their workforce during this period.



INVESTMENT SUMMARY

Investment and training are crucial for business growth and development. The QES provides insights into companies' plans in these areas. This quarter, 19% of businesses reported an increase in their capital investment plans, up from 14% in Q1. Meanwhile, 23% revised their investment plans downward, a slight improvement from 25% in the previous quarter. The majority—58%—indicated no change.



The data on training investment shows a similar trend. Over the past three months, 20% of businesses increased their investment in training, up from 16% in Q1. Meanwhile, 14% reported a decrease, a slight improvement from the previous quarter. The majority—66%—indicated no change. As a result, the net balance rose to 6%, compared to -2% in Q1.

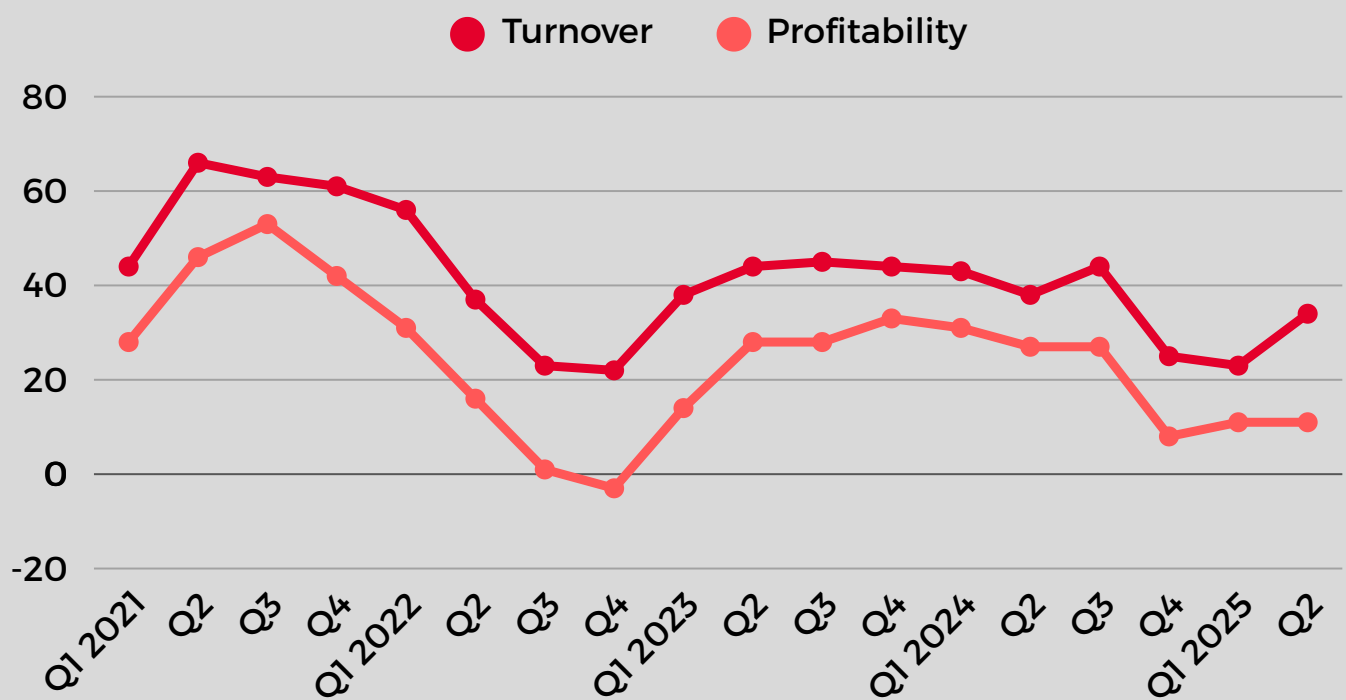
BUSINESS CONFIDENCE SUMMARY



Business confidence data provides valuable insight into how companies have been performing and their expectations for the year ahead. This quarter, confidence has increased in both turnover and profitability projections.

Nearly half (49%) of businesses expect their turnover to improve over the next 12 months, up from 43% in Q1. Meanwhile, 15% anticipate a decline, and 36% expect turnover to remain unchanged.

Despite this optimism, there are still concerns around profitability. While 37% of businesses expect profitability to improve—unchanged from Q1—26% foresee a decline. The remaining 37% anticipate no change in their profitability outlook.



BRITISH CHAMBERS OF COMMERCE



SUMMARY

In the largest survey of business sentiment since April's employer National Insurance rise, the British Chambers of Commerce (BCC) Quarterly Economic Survey for Q2, shows confidence among firms remains weak.

While price rise expectations have eased back from near historic highs in Q1 – tax remains the biggest concern cited by firms. Only a third say domestic sales have grown over the last three months.

The survey was carried out by the BCC Insights Unit and the UK wider Chamber network after the National Insurance rise came into force, with the fieldwork conducted between 12 May and 9 June. Over 4,500 businesses across the UK (93% of whom are SMEs) responded online.

Business confidence remains subdued

Levels of confidence among businesses remain weak, with only 49% of responding firms expecting their turnover to increase over the next 12 months. That's up only slightly from 48% in Q1. This is the second lowest figure since the aftermath of the mini budget in late 2022. A fifth (20%) of businesses expect turnover to worsen and 31% expect no change. Confidence levels remain lowest in the hospitality sector (33%) and retail (44%), showing the continued struggles these sectors face.

Profitability confidence has improved slightly but remains low. 41% of firms expect profits to increase over the next year (39% in Q1), while 28% expect them to worsen (32% in Q1).

Fewer firms planning to increase their prices

The proportion of businesses saying they expect to raise their prices in the next three months stands at 44%; down from a near-historic high of 55% in Q1. This suggests a moderation in new price rises after firms made adjustments ahead of the NICs increase. Just over half (53%) say their prices are likely to remain the same, and only 3% are expecting them to decrease.

Labour costs continue to be far and away the main cost pressure for firms, cited by 73% of respondents – the same as the previous quarter. The issue is most significant for transport and logistics businesses (88%) followed by the hospitality sector (83%).

Tax remains the biggest concern as NI rise bites

Following the employer NI contribution rise at the start of April, tax continues to be the biggest worry for businesses, although concerns have eased slightly. 56% cite tax as a worry, down from 59% in Q1. This quarter's figure is the third highest on record, following the previous two quarters.

Concern about inflation also remains high among businesses – 52% compared with 53% in the previous quarter. Worries about interest rates continue to fall with 24% citing them in Q2, down from 28% in Q1.

BRITISH CHAMBERS OF COMMERCE



SUMMARY

No significant improvement in business conditions

The percentage of responding businesses reporting increased domestic sales has shown no noticeable improvement, 32% compared with 31% in Q1. 42% reported no change and over a quarter (26%) said they had seen a decrease in sales. Hospitality firms were the most likely to have seen a fall in sales (36%) followed by those in the retail sector (34%).

Over a quarter of businesses (26%) report an increase in cash flow over the last three months, up from 21% in the previous quarter. 30% report a fall in cash flow (down from 33% in Q1), while for 45% cash flow remained the same.

Most firms struggling to invest

As businesses face increased cost pressures, nearly a quarter, 24%, say they have cut back on investment plans (compared with 26% in Q1). 55% of firms say their investment strategy has remained the same, while only 21% have increased their plans.

The issue is more marked in certain sectors, with 39% of hospitality firms and 32% of transport firms reporting a scaling back of investment plans.

What businesses say:

“Rising employment costs, including increases in National Insurance and minimum wage, are placing significant pressure on margins – particularly for SMEs.”

Small manufacturing firm in Liverpool

“The current tax burden imposed by the UK government remains a significant challenge for businesses, particularly given the frequency of regulatory changes and the ongoing uncertainty in fiscal policy. This unpredictability makes it increasingly difficult for companies to plan ahead with confidence.”

Small services firm in Northern Ireland

“The impact of inflation and tax on the business environment is our main concern, as this impacts our clients.”

Micro services firm in Northamptonshire

“NI and NMW increases have all created increased costs. We are seeing more redundancy projects being requested to levels not seen since 2008.”

Small professional services in Suffolk

“The government missed an opportunity in the last budget to invest in business and support growth, instead taxing businesses until they are no longer viable.”

Micro manufacturing firm in the West of England

BRITISH CHAMBERS OF COMMERCE



SUMMARY

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

“The rising cost of doing businesses means confidence levels remain at their lowest levels since 2022.

“However, it’s encouraging to see a drop in the number of firms planning to raise prices. Any signs of inflationary pressures easing is good news for business and the wider economy. But prices remain volatile.

“Last week, the Prime Minister acknowledged at the BCC’s Global Annual Conference that business has been asked to shoulder a huge tax burden. We now need the Government to rule out any further business taxes in this year’s Budget.

“Businesses have welcomed the series of long-term strategies from Government in recent weeks, all designed to drive forward economic growth. Our research shows businesses are stuck in a rut and more needs to be done at pace by ministers to turbocharge the economy and boost business confidence.

“Our Blueprint for Growth report provides a clear set of proposals to drive business innovation and investment. We urge ministers to work with us to implement these ideas.

“Businesses are clear – they want their costs reduced, regulation reformed, and skills barriers removed. Action by policymakers now, will help businesses out of this confidence slump and give firms the tools to boost growth.”

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

“Business sentiment in Q2 remains fundamentally subdued, following last autumn’s tax increase announcements and the more recent introduction of global tariffs.

“April’s rise in National Insurance contributions has cemented tax as the dominant concern for firms. Businesses are entering a new employment landscape marked by structurally higher labour costs and administrative requirements, fuelling increased anxiety about redundancies.

“While there has been some easing in our price expectations indicator, this follows a spike to near historic highs in Q1 and may indicate that firms already baked in the recent NICs increase. Inflation is likely to remain volatile in the short term, as any escalation in global conflict could trigger renewed shocks to commodity and shipping prices.

“SMEs are operating in an increasingly unpredictable world and have limited capacity to absorb further disruption. A meaningful improvement in business conditions will depend on a roadmap to ease the tax and admin burden, de-escalation of geopolitical tensions, implementing improvements to the UK-EU trading deal, and further mitigation of US tariffs.”