



Quarterly Economic Survey

INTRODUCTION

Carried out in August 2025, this edition of the Quarterly Economic Survey delivers a comprehensive overview of the current business landscape in Herefordshire and Worcestershire. Drawing on input from leaders across multiple industries, the survey explores critical themes such as business performance, innovation, sustainability, global trade, skills development, digital progress, and market adaptability.

Conducted against the backdrop of the Chancellor's latest budget, ongoing global volatility, and accelerated technological advancement, the survey offers a timely snapshot of how local businesses are responding to shifting conditions, realigning their priorities, and navigating both risk and opportunity. This quarter also includes a special focus on local government devolution and its implications for businesses across the region.

The insights gathered serve as an essential barometer for local business sentiment and inform both our strategic partners and the British Chambers of Commerce. The findings shine a light on the driving forces behind business decisions, with particular attention given to persistent challenges and most notably, digital infrastructure and connectivity.

We extend our heartfelt thanks to all who contributed to the survey. Your feedback is invaluable in shaping informed dialogue, guiding policy decisions, and strengthening the foundation for sustainable growth and innovation.

This report is intended to support ongoing collaboration and to help build a resilient, forward-looking business environment for the future of our counties.

Robert ElliotDirector of Business Engagement & Policy



280 O COMPLETED THE SURVEY



During Quarter 3 (Q3) of 2025, a total of 280 businesses across Herefordshire and Worcestershire took part in the Quarterly Economic Survey. Data collection for this period was carried out between Monday 18 August and Monday 8 September 2025. Any reference to Quarter 2 (Q2) 2025 relates to data gathered between Monday 12 May and Monday 2 June 2025.

Some results in this report are presented as balance figures, which represent the difference between the percentage of businesses reporting an increase and those reporting a decrease in a particular area of activity. A positive balance indicates growth compared to the previous quarter, while a negative balance reflects a decline.

Example:

- If 50% of respondents reported increased sales and 18% reported a
 decrease, the balance figure would be +32%, indicating an overall
 expansion.
- If 32% reported increased sales and 33% reported a decrease, the balance would be -1%, indicating a slight contraction.

To provide meaningful comparisons, results are broken down by business sector. These are defined as follows:

MANUFACTURING SECTOR

Includes businesses primarily involved in the production of goods—such as electronics or IT hardware—as well as raw material processing, construction, agriculture, fishing, mining, or utilities.

SERVICE SECTOR

Includes businesses that deliver services to other businesses or consumers, such as retail, wholesale, professional services, marketing, and other support-based industries.

BUSINESS COMMUNITY RESPONDS TO LOCAL GOVERNMENT REORGANISATION AND DEVOLUTION PLANS

Herefordshire & Worcestershire Chamber of Commerce has reviewed the implications of the newly introduced English Devolution and Community Empowerment Bill, which aims to devolve powers from central government to local and regional authorities across England.

The legislation, introduced in July 2025, will lead to the creation of Strategic Authorities with elected mayors overseeing areas of around 1.5 million people. These authorities will be responsible for key areas including transport, housing, planning, economic development, skills, and public safety. In addition, the Bill allows the Secretary of State to mandate the reorganisation of two-tier local government into unitary authorities. In Worcestershire, this means that the current seven councils will be abolished by March 2028 and replaced by one or two new authorities. Herefordshire's current structure will remain. The legislation also recognises parish and town councils as vital to delivering hyper-local services.

In a recent Chamber survey, 75% of local businesses said reorganisation and devolution could positively impact their operations. Key areas identified for improvement include local control over skills budgets (59%), planning and housing policy flexibility (41%), and targeted health and wellbeing initiatives (34%).

However, the business community also raised significant concerns. These include the need for accountability and transparency, consistency across regions, resourcing, and ensuring business voices—particularly SMEs—are heard. A majority (45%) felt their business lacked adequate representation in local decision-making, raising concerns about potential misalignment between local authorities and the needs of the business community.

WHAT OUR MEMBERS SAY SUMMARY

"Unrealistic salary expectations fueled by recruitment consultants continues. We offer staff good packages, decent salaries but then get poached from us." - **Professional Services Business**

Demotivating governmental strategies. Very low confidence for future. All policies to date have been negative to business and appear to have been idealistic and ineffective. - **Manufacturing Business**

"The costs of manufacturing in UK are constantly increasing in rates and employing people costs making us less competitive against importers with just an office pretending to manufacture in UK so we are currently seriously looking at reducing our manufacturing facilities and moving to our customers in US, Europe and Asia as costs far cheaper and less complexity exporting goods and big savings in labour costs now." - Manufacturing Business

"I am finding the commercial property sector buoyant - this is across my client base (unit owners/occupiers; developers; commercial landlords; agri) - across the UK." - **Professional Services Business**





UK SALES SUMMARY

UK sales saw a small dip in confidence during Quarter 3, with the net balance dropping to 8%, down from 11% in Q2. Interestingly, the number of businesses reporting higher sales actually ticked up slightly to 31%, showing that some firms are still seeing steady growth. However, this was balanced out by more businesses reporting a drop in sales, 23% compared to 19% last quarter.

This mixed picture suggests that while some companies are gaining ground, others are facing challenges. Possibly due to changes in customer demand, pricing pressures, or wider economic uncertainty. Meanwhile, 38% of businesses said their sales stayed about the same, pointing to a fairly stable but cautious market overall.

So, while the headline figure is slightly down, there are signs of resilience and ongoing activity, just not consistent across the board.

UK ORDERS SUMMARY

UK orders showed a modest improvement in Quarter 3, with the net balance rising to -1%, up from -2% in Quarter 2. While still negative, the slight shift suggests domestic demand may be starting to level out.

In the past three months, 20% of businesses reported an increase in UK orders—just below the 21% seen last quarter. Meanwhile, the share of firms reporting a decline fell slightly to 21%, down from 23%, indicating a small but positive movement in the right direction.

The proportion of businesses seeing no change remained steady at 43%, reinforcing the view of a relatively flat domestic market. Overall, while growth remains limited, the figures suggest a cautiously improving outlook, with fewer firms seeing a drop in orders and signs of stabilisation beginning to emerge.

UK SALES AND ORDERS CONCLUSION

Overall, Quarter 3 presents a picture of cautious stability for businesses in Herefordshire and Worcestershire. While UK sales experienced a slight dip in confidence, with the net balance falling to 8%, a modest rise in the proportion of firms reporting increased sales points to ongoing resilience.

UK MARKET SUMMARY

At the same time, UK orders showed a small improvement, with fewer businesses seeing a decline and signs that domestic demand may be starting to stabilise. Though growth remains uneven and challenges persist, particularly around consumer demand and broader economic pressures, the data suggests businesses are navigating the current climate with a degree of adaptability and steady performance.







OVERSEAS SALES SUMMARY

The net balance of overseas sales held steady in Quarter 3 at 3%, showing no change from the previous quarter. However, within that headline figure, there were some subtle shifts. The proportion of businesses reporting an increase in overseas sales dipped slightly to 12%, down from Q2, suggesting a softening in international demand or possible delays in overseas trade activity.

On a more positive note, the percentage of businesses experiencing a decline in overseas sales fell to 8%, an improvement from 10% last quarter.

Additionally, 21% of respondents reported no change in their overseas sales, reflecting a relatively stable, albeit subdued, export environment. While overseas growth remains modest, the figures suggest a degree of resilience in international markets, with fewer businesses facing setbacks and some managing to sustain or expand their overseas operations.

OVERSEAS ORDERS SUMMARY

Overseas orders remained largely unchanged in Quarter 3, with the net balance slipping slightly to 0% from 1% in the previous quarter. About 8% of businesses reported an increase in overseas orders, down from 12% last quarter, possibly reflecting ongoing global uncertainties or supply chain challenges.

The proportion of businesses experiencing a decline in orders improved to 8%, compared to 11% previously, indicating fewer firms are facing a drop in export demand.

In addition, 21% of businesses reported no change in their overseas orders, suggesting a generally stable but subdued international market. Overall, while growth has slowed, overseas demand appears to be holding steady for the time being.



OVERSEAS SALES AND ORDERS CONCLUSION

In summary, overseas activity during Quarter 3 remained relatively stable, with modest movements in both sales and orders. While the proportion of businesses seeing growth in international markets dipped slightly, fewer reported declines, indicating a level of resilience despite global uncertainties. The consistent number of businesses reporting no change suggests a steady but subdued export landscape. Although momentum has slowed, international demand appears to be holding firm, offering cautious optimism for businesses operating overseas.





The Quarterly Economic Survey collects essential data on business cash flow, enabling us to assess performance over the past three months and compare it with the previous quarter.



26% of businesses reported their cash flow has increased in the last three months, compared to 27% in the previous quarter.

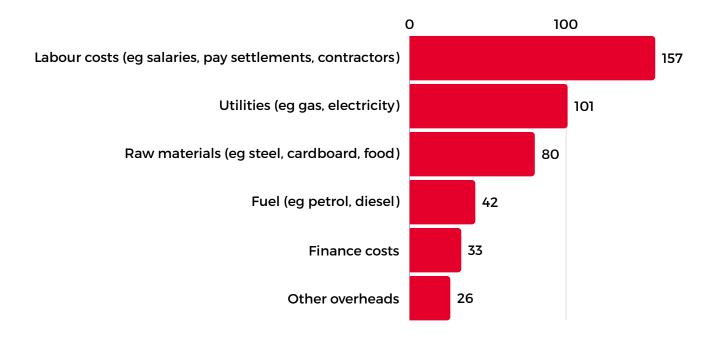


24% also reported their cashflow has worsened in the last three months, in contrast to 20% in Q2.



51% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of 2% an decrease from 7% in Q2.

The primary factors driving trading businesses to consider raising their prices were:

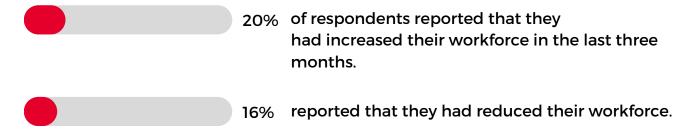


EMPLOYMENT & B RECRUITMENT SUMMARY

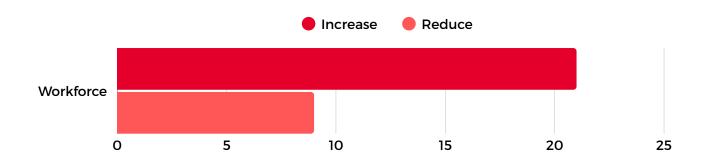
Half of the businesses that responded to this QES reported attempting to recruit staff over the past quarter. Of those, 28% experienced recruitment difficulties. While challenges remain, the proportion of businesses facing issues has declined slightly compared to previous results.

38% of businesses reported that professional/managerial roles were the most difficult to recruit for.

Businesses have also reported on their workforce changes.

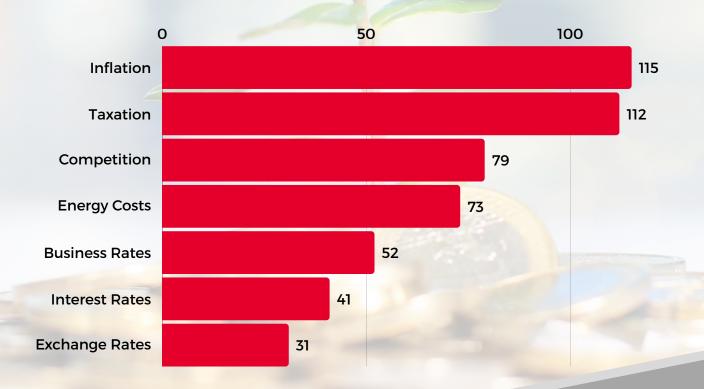


Looking ahead, 21% of businesses expect to increase their workforce over the next three months, a figure that remains largely unchanged from Q2. In contrast, 9% anticipate a reduction in staff, up slightly from 8% in the previous quarter, indicating a modest rise in caution among some employers. The majority, however, at 69%, expect their workforce to remain stable during this period, suggesting a broadly steady outlook for employment.





Investment in capital and workforce training remains a key driver of business growth and long-term development. The Quarterly Economic Survey offers valuable insight into how businesses are approaching these areas. This quarter, 16% of respondents reported an increase in their capital investment plans, down from 19% in Q2. This indicates a slight dip in confidence or available resources. Meanwhile, 24% of businesses scaled back their investment plans, potentially reflecting ongoing economic uncertainty or shifting priorities. The majority, however–61%—reported no change, suggesting that many businesses are maintaining a steady approach to investment during this period.



Training investment followed a similar trend. In the past three months, 21% of businesses increased their training spend, up slightly from 20% in Q2. Meanwhile, 18% reported a decrease, and 61% saw no change. As a result, the net balance fell to +3%, down from +6% last quarter.



Business confidence remains a key indicator of both recent performance and future expectations. The latest data from the Quarterly Economic Survey offers valuable insight into how businesses view the year ahead.

When asked about turnover expectations for the next 12 months, 45% of businesses anticipate an improvement, down slightly from 49% in Q2 this suggests a softening in overall confidence. At the same time, 16% expect turnover to decline, while 39% predict no change, pointing to a cautious but steady outlook among a significant portion of firms.

However, optimism around revenue does not necessarily translate into confidence in profitability. Only 38% of businesses expect profitability to improve over the next year, while 29% foresee a decline, highlighting continued pressure on margins amid rising costs and economic uncertainty. The remaining 33% expect no change, suggesting many businesses are bracing for stable but subdued profit levels. Together, these findings reflect a business environment marked by cautious optimism, tempered by ongoing concerns around cost pressures and demand stability.





The UK's largest business sentiment survey before next month's Budget, shows most firms remain bruised, with no improvement to business sentiment. The British Chambers of Commerce (BCC) Quarterly Economic Survey for Q3 has found confidence and investment levels remain at 2022 levels.

Less than half of responding firms (48%) are expecting increased turnover in the next 12 months, while 21% expect a decrease. Meanwhile, only 21% have increased investment and 25% have scaled back plans.

The data also shows tax remains the biggest concern for businesses alongside increased worries over inflation.

The survey was carried out by the BCC Insights Unit and the UK-wide Chamber network, with the fieldwork conducted between 18 August and 15 September. Over 4,600 businesses across the UK (91% of whom are SMEs) responded online.

Confidence flatlines ahead of the Budget

Confidence among business remains flat, with only 48% of responding firms expecting their turnover to increase over the next 12 months. That compares with 49% in Q2 and 58% before the 2024 Budget. A fifth (21%) of businesses expect turnover to worsen and 32% expect no change.

The data show wide sectoral disparities. Only 35% of retailers expect increased turnover in the next 12 months (44% in Q2), while the figure in the hospitality sector is 38% (33% in Q2).

Tax and inflation are the top concerns for business

Following the employer National Insurance Contributions (NICs) rise in April, tax continues to be the biggest concern for businesses. 59% cite tax as a worry, up from 56% in Q2. Before last year's Budget, only 36% cited tax as a concern (Q2 2024).

There has been a sharp rise in concern about inflation, cited by 57% of firms (52% in Q2), the highest level since the start of 2024. Worries about interest rates remain at relatively low levels - cited by a quarter of responding businesses (25%).

A quarter of businesses cutting back on investment

With businesses facing increased cost pressures, investment levels continue to suffer. A quarter of businesses (25%) say they have cut back on investment plans (broadly similar to 24% in Q2). The majority of firms, 54%, say their investment strategy has remained the same, while 21% have increased their plans.

The issue is more marked in certain sectors, with over a third of hospitality firms (35%) scaling back investment plans (39% in Q2). While the figure for those in the retail sector is 30%.



No improvement in business conditions

The percentage of responding businesses reporting increased domestic sales remains unchanged from last quarter – at 32%. 43% reported no change and a quarter (25%) said they had seen a decrease in sales. Sectoral breakdowns show increased sales are at their lowest among retailers (21%).

Around a quarter of businesses (24%) report an increase in cash flow over the last three months, down from 26% in the previous quarter. A third of firms (29%) report a fall in cash flow, while for 46%, cash flow remained the same.

Price rise expectations remain high

The proportion of businesses expecting to raise their prices in the next three months remains high at 44%. That's the same level as Q2 but down from a near-historic high of 55% in Q1. Just over half (54%) 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 72% of respondents (73% in Q1). The issue remains the most significant in the hospitality sector (80%) and the transport sector (78%).

What businesses say:

"The uncertainty around future tax increases to business is directly affecting investment and recruitment decisions we are making. Projects are going on hold over the next couple of months until the end of the year."

Medium sized manufacturing firm in Liverpool

"National insurance increase was a disincentive to further employment, and as a business we cannot cope with further taxation."

Small manufacturing firm in Scotland

"Increases in national insurance contributions and also uncertainty on how favourable the UK government will treat business in the future are a concern."

Micro professional services firm in Northern Ireland

"Costs are spiralling out of control in almost all cost areas.... The burden of taxation is becoming too high to live with."

Read more details of the QES here