worcestershire county council

Herefordshire & Worcestershire Chamber of Commerce

Q4 2025

Quarterly Economic Survey

INTRODUCTION

Carried out in November 2025, this edition of the Quarterly Economic Survey provides a comprehensive overview of the prevailing business environment in Herefordshire and Worcestershire. Drawing on insights from business leaders across a wide range of sectors, the survey examines key themes including business performance, innovation, sustainability, international trade, workforce skills, digital development, and market resilience.

Undertaken in the context of the Chancellor's Autumn Budget, continued global economic uncertainty, and rapid technological change, the survey offers a timely snapshot of how local businesses are adapting to evolving conditions, reassessing priorities, and responding to emerging risks and opportunities. This quarter also features a dedicated focus on work experience throughout the region.

The findings act as a vital indicator of local business confidence and contribute directly to intelligence shared with our strategic partners and the British Chambers of Commerce. The results highlight the factors shaping business decision-making, with particular emphasis on ongoing challenges—most notably the availability, reliability, and performance of digital infrastructure and connectivity.

We extend our sincere thanks to all organisations that took part in the survey. Your contributions play a crucial role in informing constructive dialogue, influencing policy development, and supporting long-term economic growth and innovation.
This report is designed to encourage continued collaboration and to help foster a resilient, adaptable, and future-focused business landscape across our counties.

Robert Elliot
Director of Business Engagement & Policy

200
ORGANISATIONS
COMPLETED THE SURVEY

METHODOLOGY
SUMMARY

During Quarter 4 (Q4) of 2025, a total of 200 businesses across Herefordshire and Worcestershire took part in the Quarterly Economic Survey. Data collection for this period was carried out between Monday 10 November and Monday 1 December 2025. Any reference to Quarter 3 (Q3) 2025 relates to data gathered between Monday 18 August and Monday 8 September 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.

WORK EXPERIENCE IS MORE THAN A BOX-TICKING EXERCISE; IT’S A POWERFUL BRIDGE BETWEEN EDUCATION AND EMPLOYMENT.

Work experience is more than a box-ticking exercise; it’s a powerful bridge between education and employment. It supports employers in identifying future talent and driving employment in their sectors and vocations. For young people, it offers real workplace experiences, providing invaluable insight into the skills, attitudes, and behaviours that employers value.

Yet, our data shows untapped potential. Many businesses surveyed do not currently offer placements, despite the clear benefits of doing so. Among those that do, the most common format is through on-site experiences such as workplace tours, placements, and careers events. Others engage through school partnerships, industry panels, and interactive projects. This variety reflects willingness but also differing capacities.

The barriers are practical, including limited staff time, supervision challenges, and concerns about health, safety, and insurance. Businesses also cite last-minute requests and uncertainty around their legal responsibilities. Encouragingly, employers, however, in the two counties do want to understand, and this is where we can help.

The rewards are significant: stronger community connections, enhanced reputation, and inspiring the next generation. Yet, most businesses are not linked to local Careers Hubs despite their interest. This is a missed opportunity that we can change by working with the Chamber of Commerce and ourselves.

Now is the time to act , even if you are offering current programmes, this agenda is changing . Embrace the change and support yourself in your recruitment future. Start small: offer a placement, host a careers talk, or explore virtual experiences. Connect with us at the Careers Hub and use us to overcome your work experience barriers.

Every step helps young people, let's help them to thrive, let's strengthen your business's future and our local economy in Herefordshire and Worcestershire.

The next generation is ready. Let’s work together to make modern work experience a reality.

To find out more about the changes to Work experience for new and current work experience employers, the Careers Worcestershire Early Careers Hub is holding an employer event on the 4th March at Sixways Stadium in Worcester. For more information or to book on contact us on cec@worcestershire.gov.uk

WHAT OUR MEMBERS SAY
SUMMARY

“Times are very challenging and pressure is being place upon small businesses. We are seeing many small business owners close their businesses or not replace employees when they leave due to the rising costs of employing people” - **Professional Services Business**

“I really value the contribution the Chamber makes to the local business community, in a wide variety of settings from networking and establishing contacts to links to apprenticeships.” - **Voluntary Business**

“It is very worrying that our workload has decreased, as many of our clients have put their spending on hold except for essential Health and Safety requirements. They are not allowed to spend more because their costs are increasing, and people are cutting back on their own spending. As a result, our clients’ income is dropping significantly, leaving them with less available to pay their suppliers and contractors, including us. This reduction is affecting everyone all the way down the chain. With the ongoing discussions about further tax increases, I honestly cannot see how anyone is expected to survive in these conditions. The government is already planning or implementing several major tax rises that will put further pressure on businesses, and that could make it even harder for us to stay afloat.” - **Construction/Engineering**

UK MARKET SUMMARY

UK SALES SUMMARY
UK sales confidence weakened in Quarter 4, with the net balance falling to -2%, down from 8% in Quarter 3. The proportion of businesses reporting increased sales declined to 26%, indicating that while a segment of firms continues to experience stable growth, momentum has slowed overall. At the same time, the share of businesses reporting a fall in sales rose to 28%, up from 23% in the previous quarter, reinforcing signs of a more challenging trading environment.

Overall, the Quarter 4 results point to a softening in UK sales performance, reflecting heightened uncertainty and pressure on demand. While pockets of resilience remain, the balance of responses suggests that businesses are entering the next quarter with more cautious expectations, underlining the importance of targeted support and confidence-building measures to help stimulate growth.

UK ORDERS SUMMARY
UK orders recorded a notable deterioration in Quarter 4, with the net balance falling sharply to -15%, compared with -1% in Quarter 3. This marked shift highlights a significant weakening in order books and signals growing pressure on domestic demand.

Over the past three months, 16% of businesses reported an increase in UK orders, a slight decrease from 20% in the previous quarter, suggesting that fewer firms are benefiting from rising demand. In contrast, the proportion of businesses experiencing a fall in UK orders rose substantially to 31%, up from 21% in Quarter 3. This widening gap between positive and negative responses indicates that declines in demand are becoming more widespread across the business community.

Taken together, the Quarter 4 results point to a clear softening in the UK orders outlook. The sharp movement into negative territory reflects increasing caution among customers and a challenging trading environment for many firms. While some businesses continue to secure new work, the overall trend suggests weakening momentum heading into the next quarter, reinforcing the need for confidence-building measures and policies that support demand and business investment.

UK MARKET
SUMMARY

OVERSEAS ORDERS
SUMMARY

OVERSEAS SALES SUMMARY

The net balance of overseas sales remained unchanged in Quarter 4 at 3%, matching the position recorded in the previous quarter. Beneath this stable headline figure, however, there were modest movements in performance. The share of businesses reporting growth in overseas sales edged down to 11%, slightly lower than in Quarter 3, pointing to softer international demand or delays in overseas trading activity.

At the same time, the proportion of firms experiencing a fall in overseas sales rose to 11%, up from 8% in the previous quarter. A further 23% of respondents indicated that their overseas sales remained unchanged, highlighting a trading environment that is broadly stable but muted.

Overall, while growth in overseas markets continues to be limited, the results suggest a level of underlying resilience. International trade conditions remain challenging, yet many businesses are managing to maintain their export performance, with fewer experiencing significant downturns and some continuing to grow their overseas presence.

OVERSEAS ORDERS SUMMARY

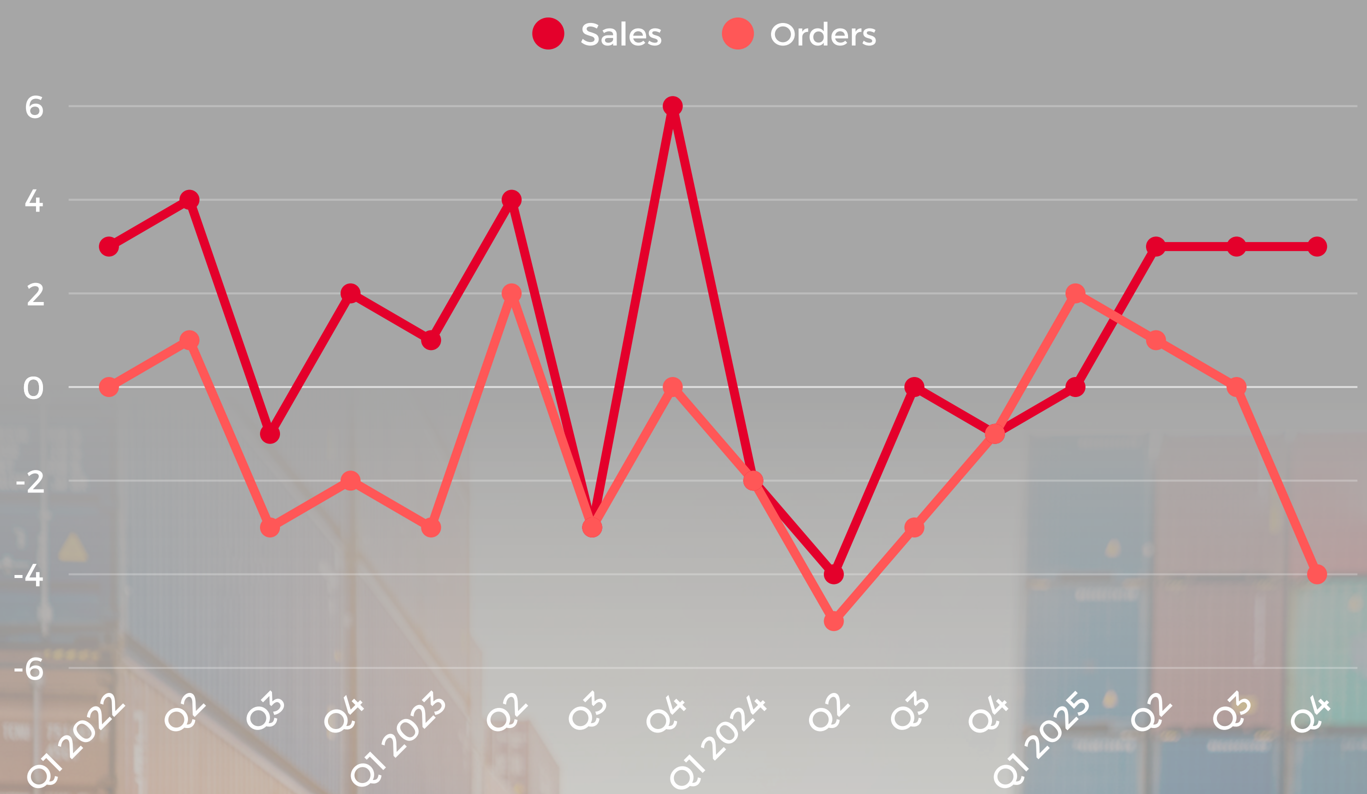
Overseas orders weakened in Quarter 4, with the net balance moving into negative territory at -4%, down from 0% in the previous quarter. Around 10% of businesses reported an increase in overseas orders, up slightly from 8% in Quarter 3, though this modest improvement continues to be constrained by global uncertainty and ongoing supply chain pressures.

Conversely, the share of firms reporting a fall in overseas orders rose to 14%, compared with 8% previously, indicating that a greater number of businesses are experiencing softer export demand. Alongside this, 21% of respondents reported no change in overseas orders, pointing to an international trading environment that remains broadly stable but subdued.

Taken together, the findings suggest that while momentum in overseas orders has slowed, demand has not deteriorated sharply. Export markets continue to show signs of resilience, with many businesses maintaining steady order levels despite persistent global challenges.

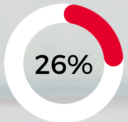
OVERSEAS ORDERS
SUMMARY

OVERSEAS SALES AND ORDERS CONCLUSION
Overall, the Quarter 4 results point to a stable but subdued overseas trading environment. While growth in both overseas sales and orders has softened and pressures remain from global uncertainty, the absence of a sharp downturn suggests a degree of resilience in export markets. Many businesses are continuing to maintain their international activity, indicating that overseas demand, though muted, is holding steady for the time being.

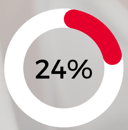


CASHFLOW SUMMARY

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.



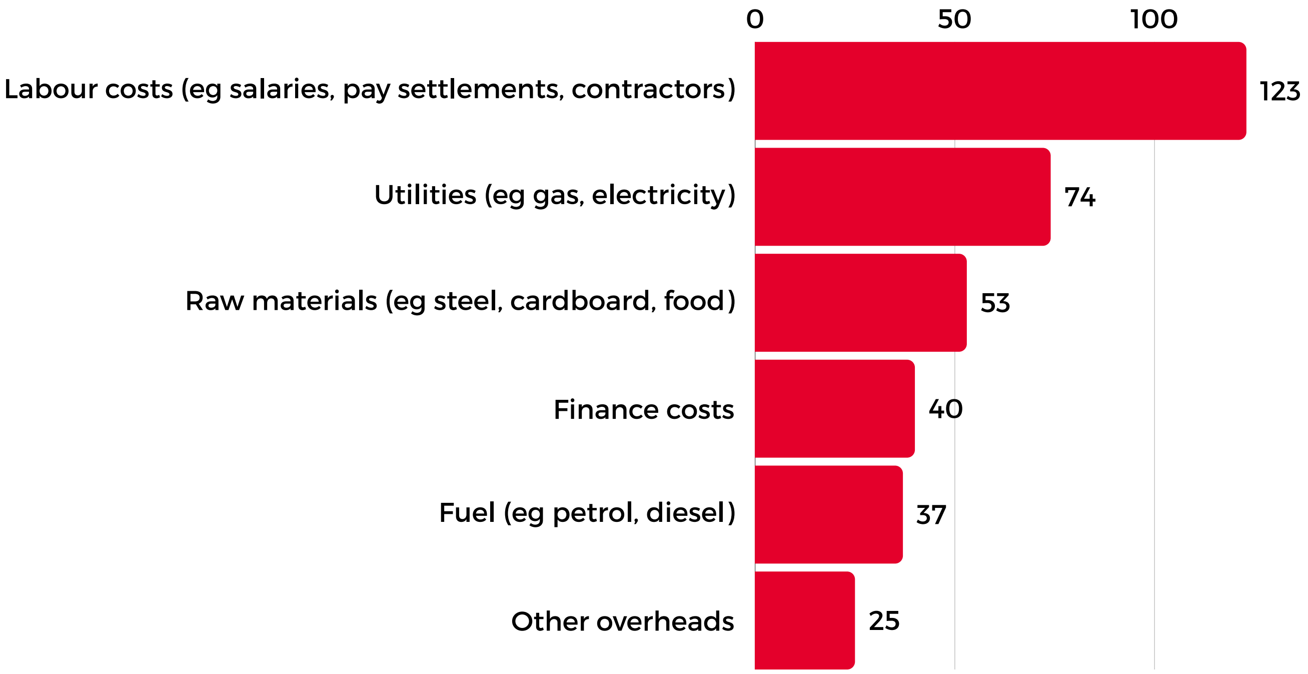
28% of businesses reported their cash flow has increased in the last three months, compared to 26% in the previous quarter.



33% also reported their cashflow has worsened in the last three months, in contrast to 24% in Q3.

39% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of -5% a decrease from 2% in Q3.

The primary factors driving trading businesses to consider 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, 40% experienced recruitment difficulties. While challenges remain, the proportion of businesses facing issues has increased slightly compared to previous results.

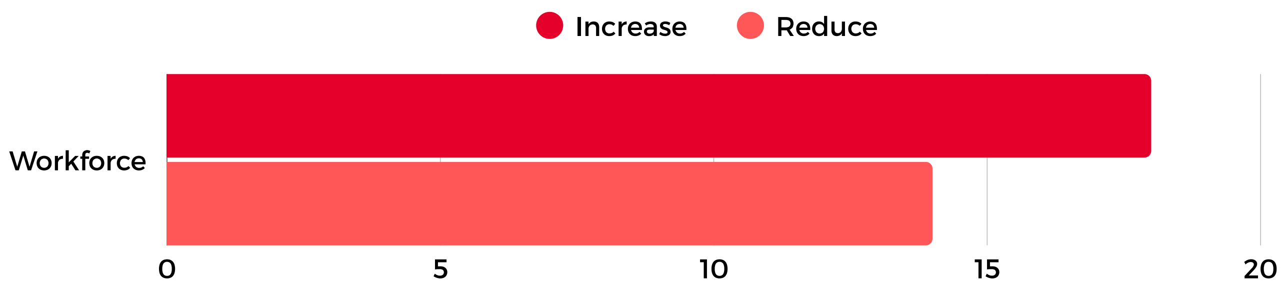
45% of businesses reported that professional/managerial roles were the most difficult to recruit for.

Businesses have also reported on their workforce changes.

16% of respondents reported that they had increased their workforce in the last three months.

14% reported that they had reduced their workforce.

Looking ahead, 18% of businesses expect to increase their workforce over the next three months, a figure that remains largely unchanged from Q3. In contrast, 14% anticipate a reduction in staff, up slightly from 9% in the previous quarter, indicating a modest rise in caution among some employers. The majority, however, at 68%, expect their workforce to remain stable during this period, suggesting a broadly steady outlook for employment.



BRITISH CHAMBERS OF COMMERCE

SUMMARY

Confidence among firms has continued to weaken, with tax remaining the biggest concern, according to the UK's largest business sentiment survey. The British Chambers of Commerce (BCC) Quarterly Economic Survey also found more businesses now expect to raise prices in 2026.

Less than half of responding firms (46%) are expecting increased turnover over the next 12 months (compared with 48% in Q3), while nearly a quarter (24%) expect a decrease (21% in Q3). Meanwhile, only 19% have increased investment and 27% have scaled back plans.

The survey was carried out by the BCC Insights Unit and the UK-wide Chamber network, before and after the Budget, with the fieldwork conducted between 10 November and 8 December. Over 4,600 businesses across the UK (91% of whom are SMEs) responded online. Some pre-and-post Budget comparisons are possible, particularly on tax concerns, but the full impact of the Chancellor's speech will be clearer in the Q1 2026 results.

Confidence continues to fall

Confidence among business has fallen again, with only 46% of responding firms expecting an increase in turnover (compared with 48% in Q3). This is the lowest level in three years. Meanwhile, 30% expect no change, and 24% expect a decrease in turnover.

Retail and hospitality continue to be the sectors suffering the most. Only a third (33%) of hospitality firms expect increased turnover in the next 12 months, with 38% expect a decrease. 36% of retailers expect increased turnover, while a third (33%) forecast a decrease. 42% of manufacturers and 43% of firms in the construction industry are expecting increased turnover.

All sales indicators decline

The percentage of responding businesses reporting increased domestic sales has fallen to 29% (from 32% in Q3). 42% reported no change, and over a quarter (28%) said they had seen a decrease in sales (up from 25% in Q3). Sectoral breakdowns show increased sales were at their lowest among hospitality (22%) and manufacturers (23%).

The percentage of firms reporting a fall in cashflow over the last three months has risen to 32%, compared with 29% in Q3. 23% report an increase in cash flow, while 45% say it remained the same.

Tax remains the top concern

Tax remains the biggest concern for business, cited by 63% of firms, up from 59% in Q3. This is the same level of concern seen in Q4 2024, after the previous Budget.

However, concern about taxation was heightened prior to the Budget on 26 November. Before the Chancellor's statement, 68% of businesses who had taken part in the survey said tax was a concern. After the Budget tax concern fell to 61% of responding firms. Worries about inflation remain high, cited by 56% of firms, broadly similar to Q3.

Investment levels down for fifth consecutive quarters

With businesses facing a raft of persistent cost pressures, investment levels in plant, machinery and equipment, are stuck in negative territory for the fifth quarter in a row.

BRITISH CHAMBERS OF COMMERCE

SUMMARY

Over a quarter (27%) of businesses say they have cut back on investment plans, while 53% say they have remained unchanged, and just 19% of firms increased their plans.
The issue is more marked in certain sectors. Over a third of hospitality firms (37%) and retail businesses (36%) report scaling back investment plans. While 32% of manufacturers say they have cut back their investment plans.

More firms expecting to raise their prices

Over half of firms (52%) are expecting to raise their prices in the next three months, up significantly from the previous quarter (44% in Q3). 45% say their prices are likely to remain the same in the early part of 2026, and only 3% are expecting to cut prices.
Labour costs continue to be far and away the main cost pressure for firms, cited by 72% of respondents, unchanged from Q3. The issue remains the most significant in the hospitality sector (82%) and manufacturing (80%).

What businesses say:

Pre-Budget

"Market sentiment has been badly affected by uncertainty caused directly by the government in the run up to the budget." Micro services firm in Hertfordshire

"Rise in Employer national insurance contributions had an impact on overhead costs which reduces investment in our current employees." Medium construction firm in Greater Manchester

"Decisions on new orders appear to be getting delayed pending the Autumn Budget" Medium construction firm in East Midlands

Post-Budget

"The impact of employer national insurance and doubling of business rates continues to hit hard. Food inflation continues to hit our cost base, as does an increase in electricity prices." Micro transport firm in Hampshire

"Government induced uncertainty over the Budget has worsened the sense of indecision and low confidence in the market" Micro professional services in Cambridgeshire

"Now that we have visibility on the current position, we can at least move forward, but confidence remains subdued." Medium professional services in Liverpool

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

"Our data shows more clouds have gathered over business confidence, and the outlook for SMEs in 2026 is unsettled."