worcestershire county council

Herefordshire & Worcestershire Chamber of Commerce

# Q1 2026

## Quarterly Economic Survey

# INTRODUCTION

Carried out between 9 February and 2 March 2026, 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 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

**259**
**ORGANISATIONS**
COMPLETED THE SURVEY

# METHODOLOGY
## SUMMARY

During Quarter 1 (Q1) of 2026, a total of 259 businesses across Herefordshire and Worcestershire took part in the Quarterly Economic Survey. Data collection for this period was carried out between Monday 9 February and Monday 2 March 2026. Any reference to Quarter 4 (Q4) 2025 relates to data gathered between Monday 10 November and Monday 1 December 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.

# WHAT OUR MEMBERS SAY
## SUMMARY

“Increased taxation on business / large increase in minimum wage adding to cost pressures. We would have employed another staff member in January but increased cost made unviable. No confidence current government will not come back with further increases in near future.” - **Professional Services Business**

“We see a wide range of business. There is a big variation in the state of each one, even within same sectors. Factors include how specialised the business is which can mean there work is still slower or booming.” - **Professional Services Business**

“We have seen a distinct improvement since the beginning of the year. Prospective tenants including 'Start ups' are prepared to commit.” - **Property Business**

“ We desperately need economic growth, otherwise more cost cutting will be inevitable.” - **Manufacturing**

It is becoming increasingly difficult to make ends meet with the pressure with VAT, PAYE and cost of living. Clients are less willing to commit and take much longer to convert. It has been a difficult 12 months and I don't expect things to get any better. Very low confidence in the government support for businesses. - **Marketing, media, advertising, or communications**

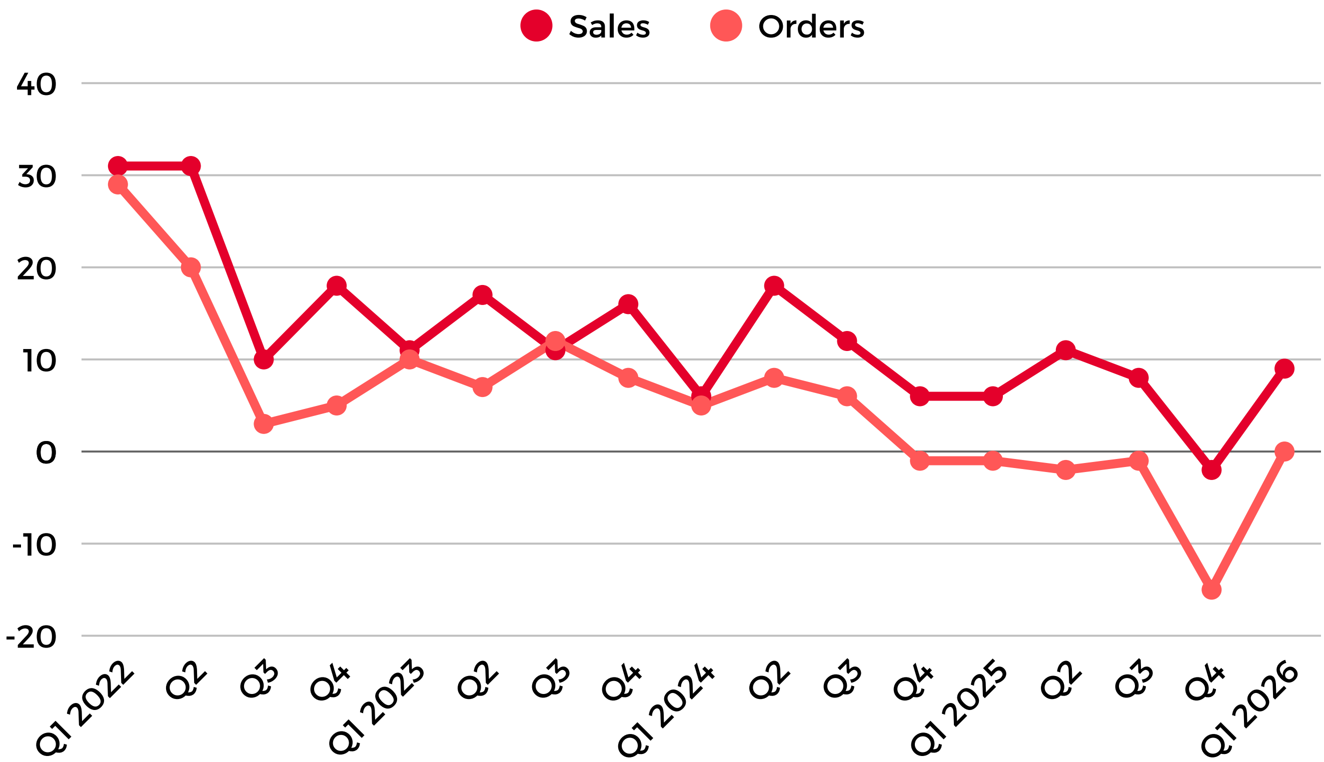
# UK MARKET SUMMARY

**UK SALES SUMMARY**

UK sales confidence strengthened in Q1, with the net balance rising to +9%, up from -2% in Q4. This improvement was driven by an increase in the proportion of businesses reporting higher sales (31%), alongside a notable decline in those experiencing a fall (22%, down from 28%). Together, these shifts indicate a positive turn in sales performance and growing momentum in the market.

**UK ORDERS SUMMARY**

UK orders showed a marked improvement in Q1, with the net balance recovering to 0% from -15% in Q4. This reflects a rise in the proportion of businesses reporting increased orders (23%, up from 16%), alongside a significant reduction in those experiencing declines (23%, down from 31%). Overall, the data suggests stabilising demand and a more balanced trading environment compared to the previous quarter.




**CONCLUSION**

Overall, Q1 data points to a clear improvement in UK market conditions, with both sales and orders rebounding from the declines seen in Q4. Rising sales activity and stabilising order books suggest growing business confidence and a gradual return to more balanced demand, indicating positive momentum heading into the next quarter.

# OVERSEAS ORDERS
## SUMMARY

**OVERSEAS SALES SUMMARY**

Overseas sales remained broadly stable in Q1, with the net balance holding at +3%, unchanged from Q4. Beneath this steady headline, there were modest shifts in performance: the proportion of businesses reporting growth edged down slightly to 10%, while those experiencing a decline fell to 8% (from 11%). Meanwhile, 20% of firms reported no change in overseas sales. Overall, these trends suggest a relatively steady international trading environment, with slight improvements in the balance of firms experiencing declines.

**OVERSEAS ORDERS SUMMARY**

Overseas orders showed a slight improvement in Q1, with the net balance edging up to -2% from -4% in Q4, though it remains in negative territory. The proportion of businesses reporting increased orders dipped marginally to 8% (from 10%), while those experiencing a decline fell to 10% (from 14%). Meanwhile, 18% of firms reported no change. Overall, this suggests a modest easing in downward pressure, but continued weakness in international demand.

# CASHFLOW
## SUMMARY

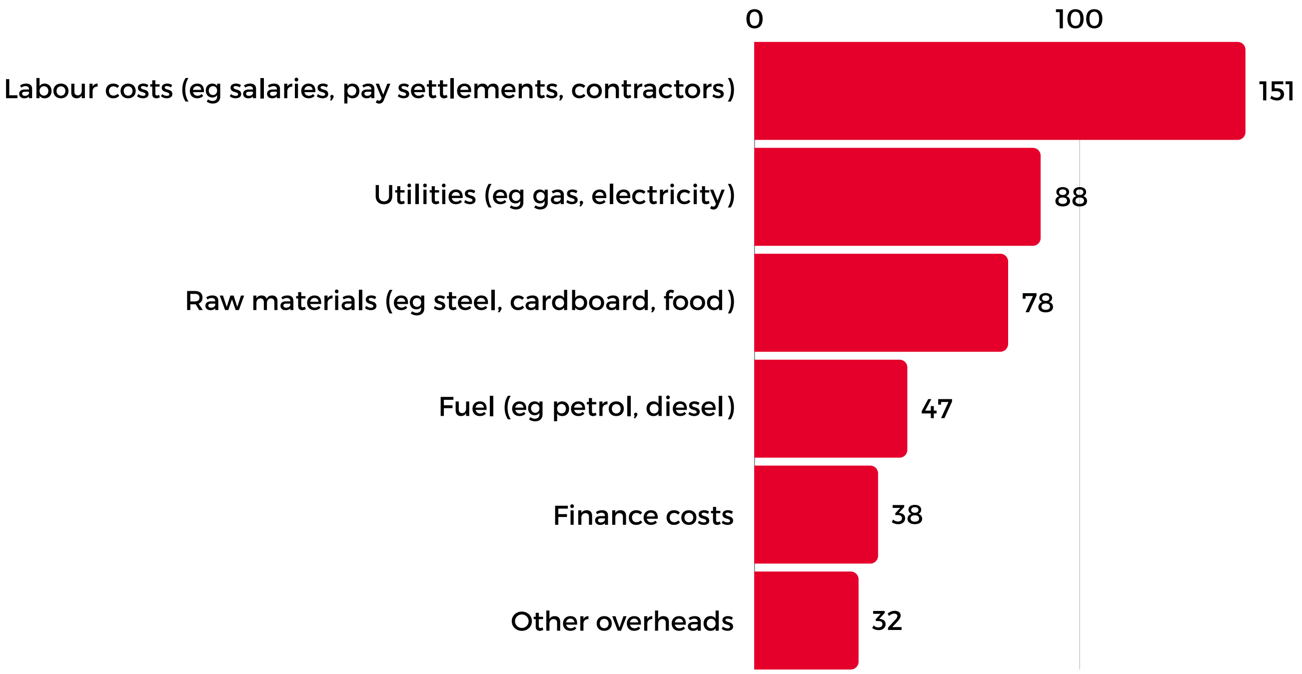
The Quarterly Economic Survey collects essential data on business cash flow, enabling us to assess performance over the past three months and compare it with the previous quarter.

25% — 25% of businesses reported their cash flow has increased in the last three months, compared to 28% in the previous quarter.

30% — 30% also reported their cashflow has worsened in the last three months, in contrast to 33% in Q4.

45% — 45% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of -5%.

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



# EMPLOYMENT & RECRUITMENT
## SUMMARY

Half of responding businesses attempted to recruit staff over the past quarter, with 38% reporting difficulties in doing so. Although recruitment challenges persist, the proportion of firms experiencing issues has eased slightly compared to previous quarters.

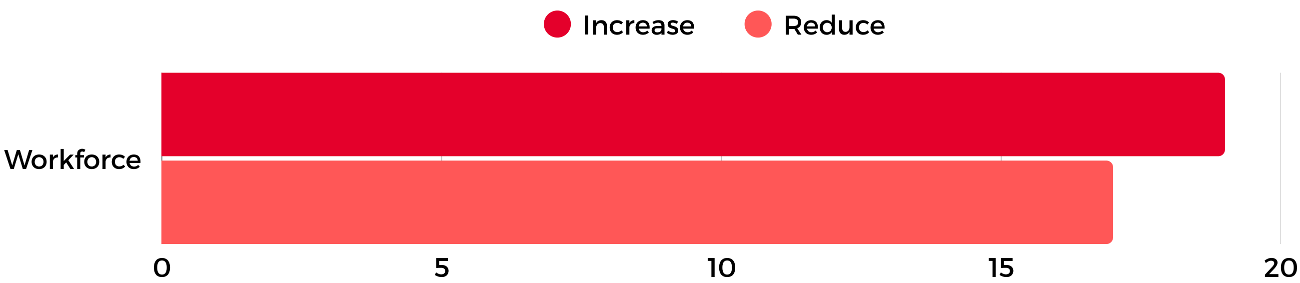
**48% of businesses reported that professional/managerial roles were the most difficult to recruit for.**

Businesses have also reported on their workforce changes.

19% of respondents reported that they had increased their workforce in the last three months.

17% reported that they had reduced their workforce.

Looking ahead, 23% of businesses expect to increase their workforce over the next three months, broadly in line with Q4. Meanwhile, the proportion anticipating a reduction in staff has edged down to 10% (from 14%), suggesting slightly fewer businesses are planning cutbacks. With 67% expecting no change, the overall outlook points to a largely stable employment picture.



# BRITISH CHAMBERS OF COMMERCE
## SUMMARY

Confidence among firms remained fragile at the start of 2026, despite some small shoots of recovery, according to the UK's largest business sentiment survey. The British Chambers of Commerce (BCC) Quarterly Economic Survey also shows labour costs continued to be the biggest concern for businesses, followed by energy.

Going into the Iran conflict, around half (49%) of responding firms said they expected their turnover to improve in the next 12 months. Meanwhile even before recent energy price shocks, 52% of businesses cited utilities as a cost pressure.

Ahead of new employment costs and legislation coming into force for businesses this month, the survey shows 73% of firms cited labour costs as a price pressure.

The survey was carried out by the BCC Insights Unit and the UK-wide Chamber network, largely before the full impact of the Middle East conflict started to be felt. The fieldwork was conducted between 9 February and 9 March. Over 4,500 businesses across the UK (91% of whom are SMEs) responded online.

In over 600 'free text comments' to the BCC, businesses raised concern over the likely impact of the Iran conflict on energy costs and inflation. They also highlighted domestic cost pressures including minimum wage and employment rights legislation.

**Confidence remained fragile before Iran conflict**

Business confidence remained fragile at the start of the year, as firms digested the Autumn budget. 49% of responding firms said they expected their turnover to improve in the next 12 months (compared with 46% in Q4 2025). Meanwhile, 31% said they expected no change, and 20% expected a decrease.

Retail and hospitality continue to be the sectors suffering the most. 39% of hospitality firms expected increased turnover, while over a quarter (27%) expected a decrease. 41% of retailers expected improved turnover, while 29% expected a decrease.

**Labour and energy costs continue to hit firms**

Labour costs continue to be far and away the biggest cost pressure for businesses, cited by 73% of responding firms (the same level as Q4). In the hospitality sector 85% of businesses cite labour as cost pressure. While in transport and logistics the figure is 84%, and manufacturing 78%.

Meanwhile, even before the Iran conflict hit global energy prices, over half (52%) of businesses said utilities were a cost pressure (the same as Q4). The pressure is highest in the hospitality sector (75%) and manufacturing (60%).

**Tax remains the biggest concern**

Despite concern easing tax remains the biggest worry for business, cited by 54% of firms (down from 63% in Q4). Half of firms (50%) remain concerned about inflation.

Levels of concern about business rates rose in the first few months of the year, ahead of revaluation. 41% of responding firms cited business rates as a concern, (the highest level since 2017) up from 34% in Q4.

**Investment levels remain in negative territory**

With businesses facing a raft of persistent cost pressures, investment levels in plant, machinery and equipment, are stuck in negative territory for the sixth quarter in a row. A quarter (24%) of businesses say they have cut back on investment plans, while 56% say they have remained unchanged, and just 21% of firms increased their plans.

The issue is more marked in certain sectors. A third of hospitality firms (33%) and retail businesses (32%) reported they'd scaled back investment plans.

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