

BQ3 2026



worcestershire
county council



Herefordshire
& Worcestershire
Chamber of Commerce

Quarterly Economic Survey

INTRODUCTION

The latest Quarterly Economic Survey captures the views and experiences of businesses across Herefordshire and Worcestershire, based on responses collected between 17 August and 7 September 2026. With contributions from organisations across a wide range of industries and business sizes, the survey provides a broad picture of the current economic landscape across the two counties.

This quarter's survey considers key issues affecting local businesses, including trading performance, confidence, innovation, sustainability, international activity, skills and recruitment, digital adoption, and the ability to respond to changing market conditions. It also explores the adoption of AI and how businesses are using AI in everyday business activities.

Businesses continue to operate in a challenging and rapidly changing environment, shaped by economic uncertainty, evolving market expectations, and technological development. The findings provide insight into how businesses are managing these pressures, identifying opportunities for growth, and addressing issues affecting their ability to operate and invest.

The findings contribute to our understanding of local business confidence and form part of the wider evidence shared with strategic partners and the British Chambers of Commerce. They also highlight practical issues influencing business activity and decision-making, including ongoing concerns around the quality, reliability, and availability of digital infrastructure and connectivity.

We are grateful to every organisation that contributed its views and experiences. The information gathered helps ensure that the priorities and challenges facing local businesses are understood and reflected in future discussions and policy development.

We hope this report provides a useful overview of the current business environment across Herefordshire and Worcestershire, encourages continued engagement, and supports efforts to build a stronger, more resilient, and sustainable local economy.

Robert Elliot

Director of Business Engagement & Policy



236 
ORGANISATIONS
COMPLETED THE SURVEY

METHODOLOGY

SUMMARY



A total of 236 businesses from across Herefordshire and Worcestershire participated in the Quarter 3 (Q3) 2026 Quarterly Economic Survey. Responses were collected between 17 August and 7 September 2026. References to Quarter 2 (Q2) 2026 throughout this report relate to survey data gathered between 11 May and 1 June 2026.

Where appropriate, survey findings are presented as balance figures. These are calculated by subtracting the percentage of businesses reporting a decrease in a particular measure from the percentage reporting an increase. A positive balance indicates that more businesses experienced growth than decline compared with the previous quarter, while a negative balance suggests that more businesses reported a reduction in activity.

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



“The Skills Boost training was really beneficial to us as a business as it allowed us to get funding towards developing our employees with specific, relevant skills rather than generalised courses.” - **Construction or Engineering Business**

“We operate in a competitive market place where technology plays a critical role, therefore being able to improve in any area of our business using new technology and AI is the difference between being profitable or not.” - **Manufacturing Business**

“Our major concern for the future viability of our business is the impact of VAT on the hospitality industry.” - **Hospitality, catering, or tourism**

“It has been an incredibly tough year for the creative industry and having spoken to other businesses in the industry we are set to lose some great businesses if the market doesn't pick up.” - **Marketing, media, advertising, or communications**

“Over the last 3 months it is normal for demand to go down due to seasonality of our work usually matches the academic year.” - **Public sector, education, health, social work or voluntary**

“Our order book is currently quiet, our industry is quiet. People are not spending money, recent taxation and upcoming pension/inheritance tax changes are holding the economy back.” - **Manufacturing Business**



UK MARKET SUMMARY

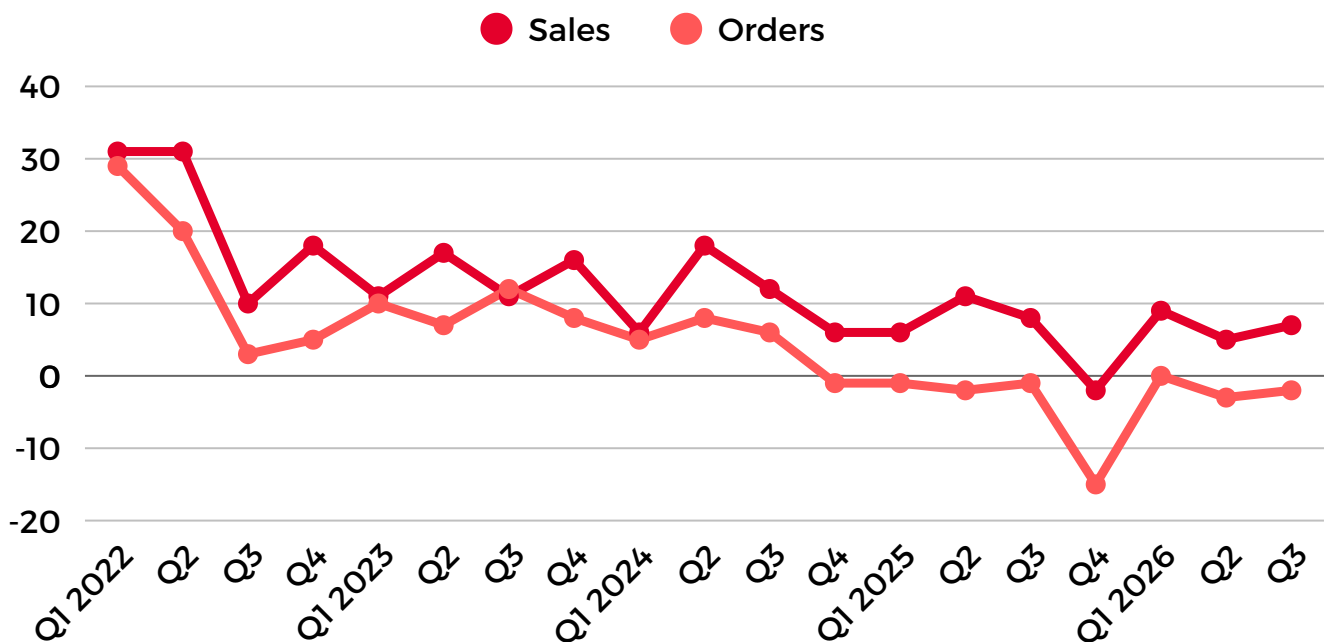


UK SALES SUMMARY

Confidence in UK sales strengthened further during Q3, with the net balance rising to 7%, compared with 5% in Q2. The proportion of businesses reporting an increase in sales also edged upwards, reaching 31% in Q3, compared with 30% in Q2. At the same time, the proportion reporting a reduction in sales declined to 24%, from 25% in Q2.

UK ORDERS SUMMARY

UK orders also recorded a modest improvement during Q3, with the net balance increasing from -3% in Q2 to -2% in Q3. The proportion of businesses reporting an increase in orders rose slightly to 22%, compared with 21% in Q2. Meanwhile, the proportion reporting a decrease in orders remained unchanged at 24%.



CONCLUSION

Overall, the Q3 results indicate a modest strengthening in UK business performance, with both sales and orders showing incremental improvements compared with Q2. The increase in the net balance for sales, alongside a slight improvement in the orders balance, suggests a gradual improvement in business confidence and trading conditions. While the changes remain relatively limited, the reduction in the proportion of businesses reporting declining sales and the stability in reported order reductions provide further evidence of a more positive outlook for the UK market in Q3.



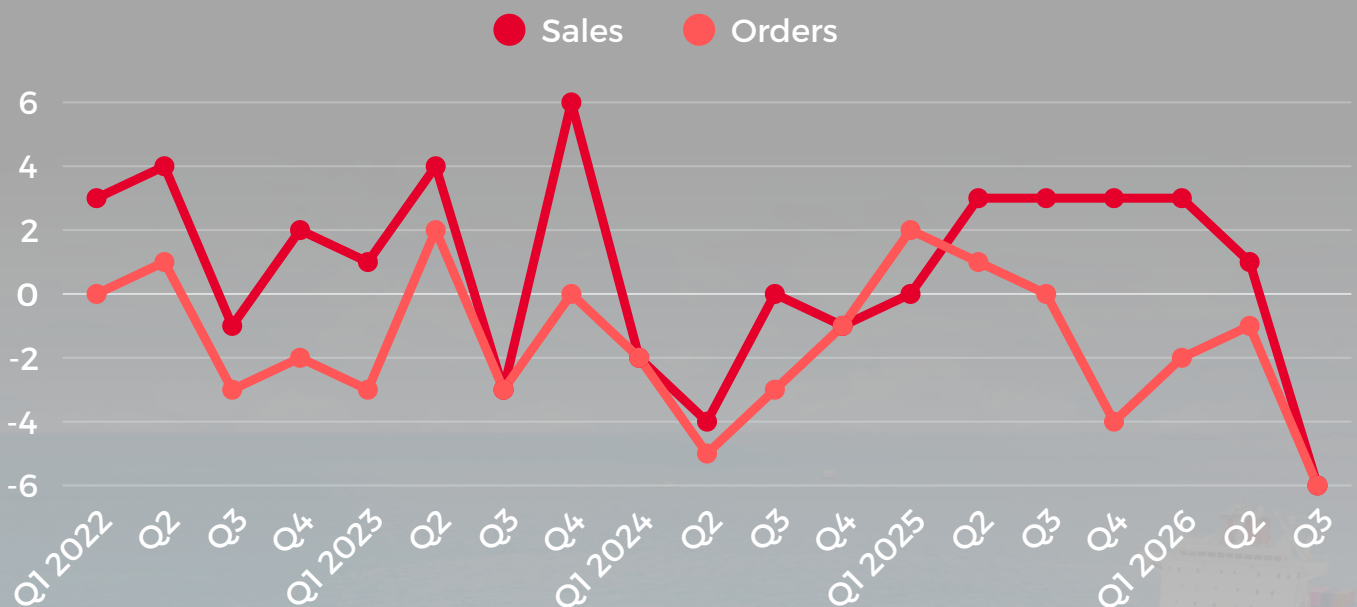
OVERSEAS ORDERS SUMMARY

OVERSEAS SALES SUMMARY

Overseas sales weakened during Q3, with the net balance declining to -6%, indicating a more subdued trading environment. The proportion of businesses reporting increased sales fell to 5%, compared with 11% in Q2. Meanwhile, 18% reported no change in sales, while 11% reported a decrease. Overall, the figures suggest continued weakness in overseas demand during Q3.

OVERSEAS ORDERS SUMMARY

Overseas orders followed a similar trend, with the net balance also falling to -6%. The proportion reporting increased orders declined to 5%, compared with 9% in Q2, while 16% reported no change and 11% reported a decrease. This suggests that overseas order activity remained subdued, with limited evidence of growth during Q3.



CONCLUSION

Overall, overseas sales and orders weakened during Q3, with both recording a net balance of -6%. The decline in businesses reporting increased activity suggests that international demand remained subdued, highlighting continued challenges across overseas markets.



CASHFLOW SUMMARY



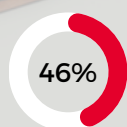
The Quarterly Economic Survey collects essential data on business cash flow, enabling us to assess performance over the past three months and compare it with the previous quarter.



The proportion of businesses reporting an increase in cash flow over the past three months stood at 28%, a slight decrease from 29% in the previous quarter.

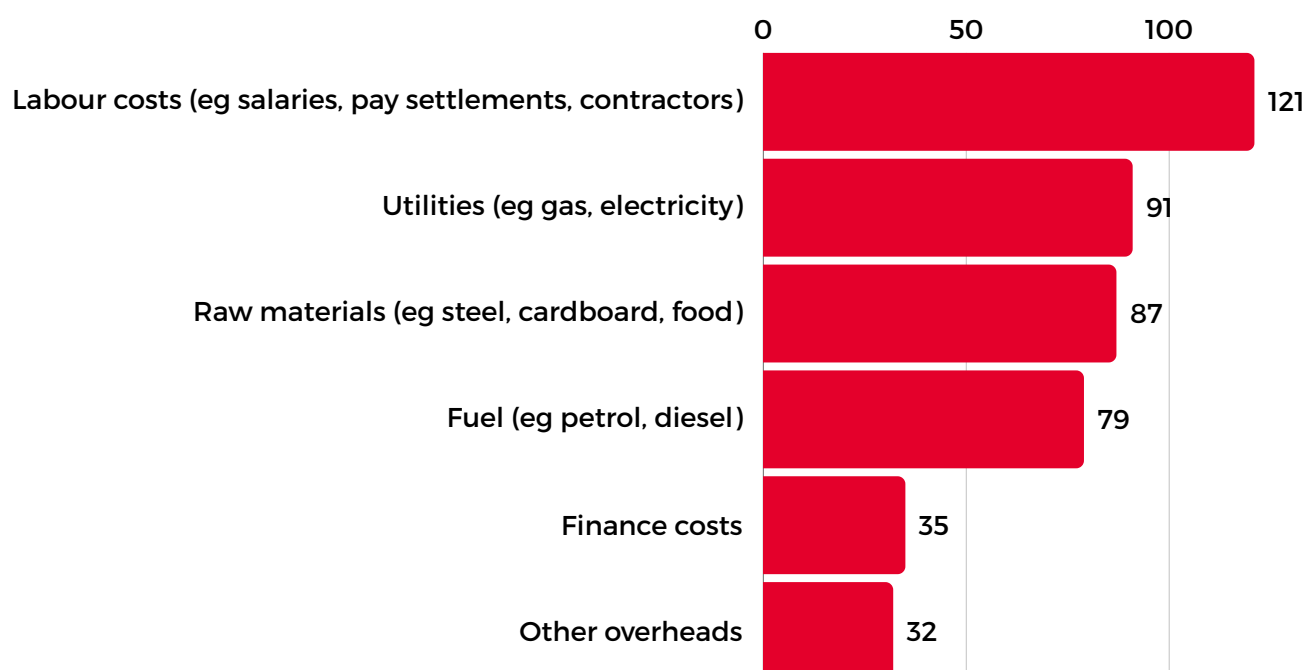


The proportion of businesses reporting a deterioration in cash flow over the past three months stood at 25%, a slight decrease from 26% in Q2.



46% reported their cashflow has remained the same. Therefore, cashflow has indicated a net balance of 3%.

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



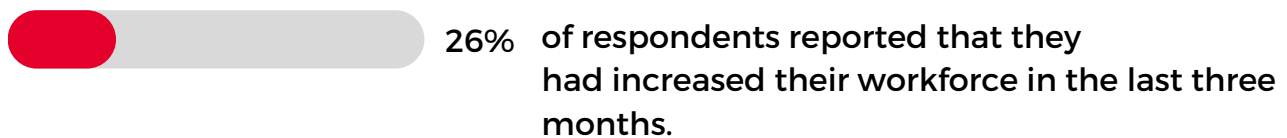
EMPLOYMENT & RECRUITMENT SUMMARY



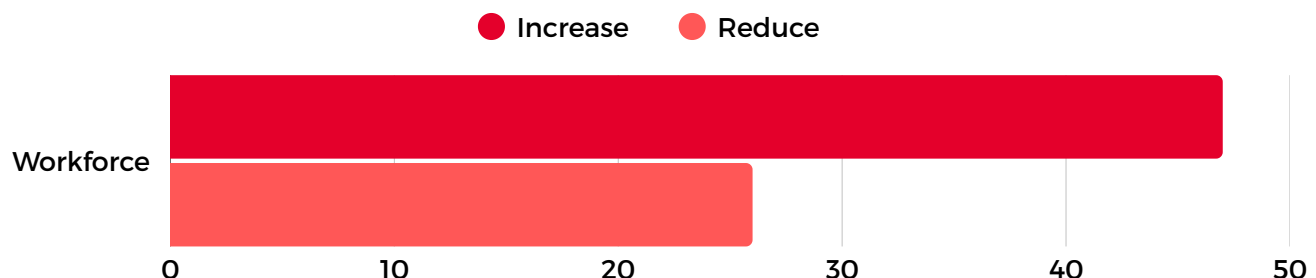
More than half of responding businesses sought to recruit staff during the quarter, with 47% reporting difficulties in filling vacancies. This indicates that recruitment challenges remain a significant concern for employers, despite continued demand for new staff and ongoing recruitment activity.

42% of businesses reported that skilled manual/technical 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, broadly unchanged from Q2. Meanwhile, the proportion anticipating a reduction in staffing levels has increased slightly to 10%, compared with 7% in Q2. With 65% expecting no change to workforce levels, the overall outlook remains broadly stable, with limited expectations for significant changes in employment.



CONCLUSION

Overall, the employment outlook remains broadly stable, with recruitment activity continuing despite ongoing difficulties in filling vacancies. While most businesses expect workforce levels to remain unchanged, the modest increase in those anticipating a reduction in staffing suggests a degree of caution around future employment levels.



AI IN WORCESTERSHIRE BUSINESS: START SMALL, BUT START

Worcestershire businesses are ready to give AI a go, and your responses to the latest Quarterly Economic Survey show that many already have.

I'll be honest about where I'm coming from. As I write this, I have 26 AI agents working for me across several threads. I run a team of AI assistants across research, procurement and day-to-day admin in my own businesses. I don't say that to show off. I say it because I've seen at firsthand how much time these tools give back to a busy owner. It's also why, as Deputy Leader, I'm pushing hard for the same awakening inside the County Council. If AI can take hours of admin out of a small firm, it can do the same in public services, where every hour saved goes back into what residents actually need.

The survey backs that up. Most of the AI use you reported is in admin, writing, research and customer communications. That's exactly the right place to start, because even small gains there make a real difference to a stretched team. At a time when firms are dealing with costs, capacity and recruitment all at once, that matters. The next step is using AI to make better decisions, tighten up processes and develop new products and services. That depends on knowing what your business needs, bringing your staff's skills along and checking the technology really delivers.

Not everyone is starting from the same place. Some of you are already expanding your use of AI. Others aren't sure where to begin, and questions about cost, data protection and cyber security are completely sensible ones to ask. My advice is to involve your people early. Those closest to the work usually spot the best uses first, and they're best placed to judge whether the results are any good.

There's good local help available. The Chamber's AI Academy offers learning tailored to different roles across both counties. Worcestershire Growth Hub gives free advice and points you to the right local and national support. Established SMEs that are eligible can get AI mentoring through Elevate Worcestershire. BetaDen runs public workshops to build practical skills, and BetaDen Incubate and the Digital & AI BootCamp offer more specialist support for eligible tech and digital founders.

Your responses also tell us what's missing. You want practical examples that fit your sector and role, help choosing what's worth doing, and clear guidance on using AI responsibly. We'll use that to shape future support. I'd also like to see more local businesses share what they've tried, including the time it took, what it saved and what they'd do differently, because nothing persuades a business owner like another business owner.

If you haven't started yet, start small. Pick a familiar task where little can go wrong and decide what success looks like. Then try a tool using information that's safe to share, check what comes out and review it with the people who do that job. One manageable trial will teach you more than any amount of reading about it.

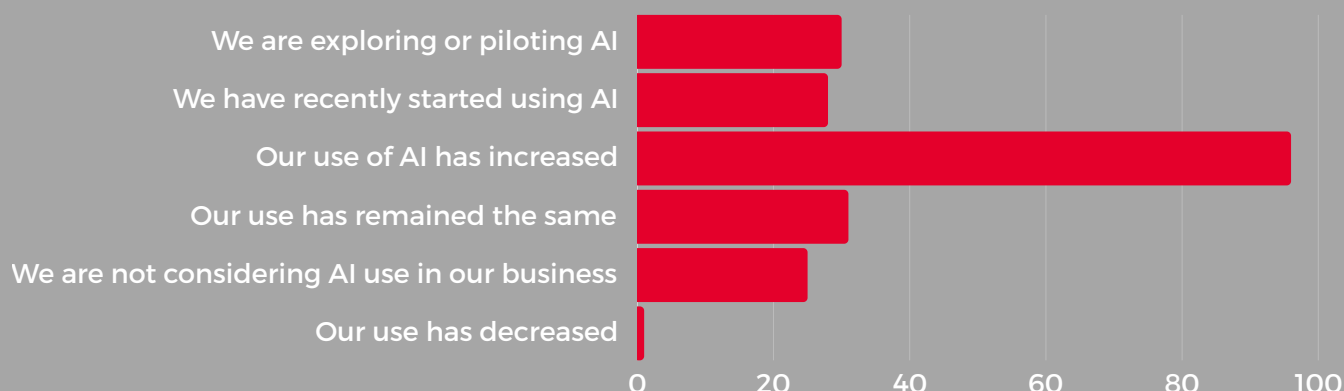
The appetite is clearly there. My job, and the council's, is to help every Worcestershire business turn it into better productivity, stronger teams and real growth.

Cllr Adam Kent
Deputy Leader, Worcestershire County Council
Cabinet Member for Finance, Corporate Services and Business



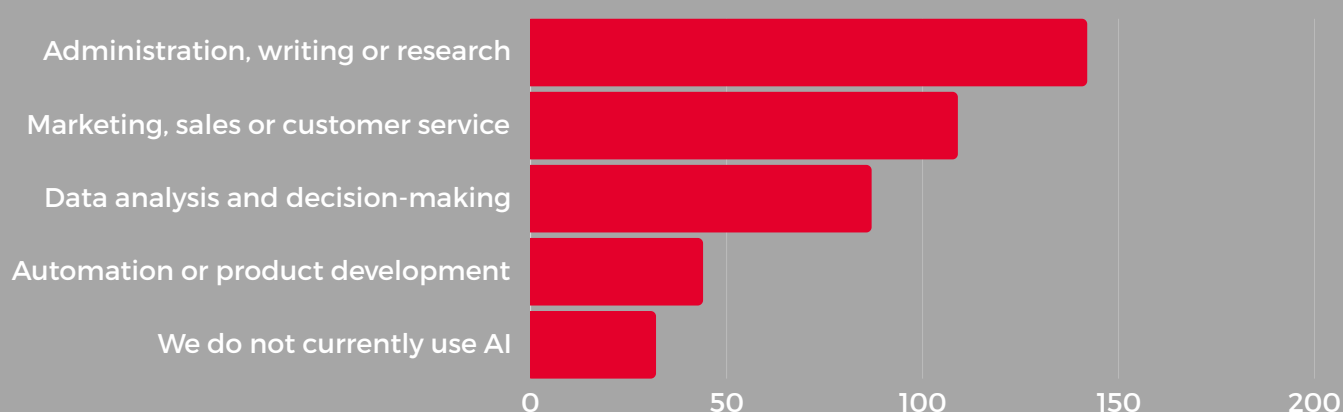
WORKFORCE HEALTH & WELLBEING SUMMARY

HOW HAS YOUR ORGANISATION'S USE OF AI CHANGED OVER THE PAST 12 MONTHS?



Overall, the results indicate strong and increasing adoption of AI among businesses, with the vast majority reporting increased use. While some businesses remain at an exploratory or early adoption stage, only 1% reported a decrease, highlighting the growing importance of AI within business operations.

WHICH OF THE FOLLOWING ARE YOUR ORGANISATION'S MAIN USES OF AI? (SELECT ALL THAT APPLY)

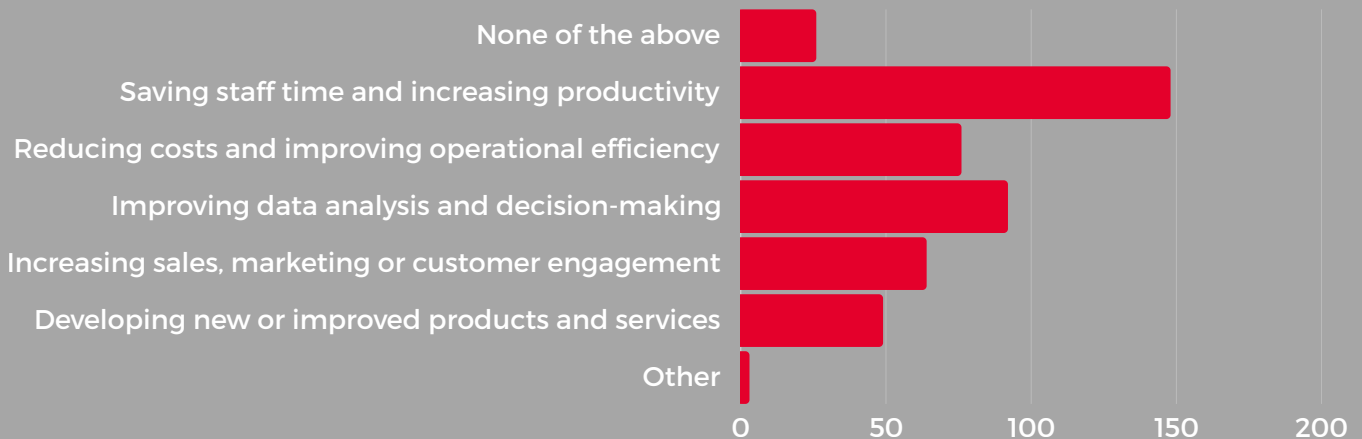


Overall, AI is being used predominantly for administrative, writing and research tasks, followed by marketing, sales and customer service. Use in data analysis and decision-making is also significant, while fewer businesses are currently applying AI to automation or product development. Only 32 businesses reported not currently using AI, indicating broad adoption across a range of business activities.



WORKFORCE HEALTH & WELLBEING SUMMARY

WHAT HAVE BEEN THE MOST SIGNIFICANT BENEFITS YOUR ORGANISATION HAS GAINED OR HOPES TO GAIN FROM USING AI? (SELECT ALL THAT APPLY)



WHAT ARE THE MAIN BARRIERS TO PREVENTING YOUR ORGANISATION FROM MAKING GREATER USE OF AI?

- Lack of knowledge or practical skills
- Uncertainty about suitable business uses
- Sustainability or ethical concerns
- Cost, time or access to technology
- Data protection, cybersecurity or gover...
- Lack of strategy or leadership support



WHAT AI TRAINING, GUIDANCE OR SUPPORT WOULD MOST HELP YOUR ORGANISATION DURING THE NEXT 12 MONTHS?

- Practical introductory AI training
- Help identifying suitable AI use cases a...
- Role- or sector-specific workshops and...
- Guidance on governance, data protecti...
- Support selecting, implementing and i...

