



**Greater
Birmingham**
Chambers
of Commerce

QUARTERLY BUSINESS REPORT

Q1 | 2025



BIRMINGHAM CITY
University



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The latest Quarterly Business Report highlights a mixed start to 2025 for Greater Birmingham businesses.

Following the positive direction of travel on domestic demand at the end of 2024, sentiment has dipped slightly which has been driven by a notable decline in sales within the manufacturing sector. While the services sector proved more resilient, the overall domestic environment has proved challenging when it comes to stimulating business growth. Export demand has also weakened, which will have been partially driven by the uncertainty created by President Trump's recent and expected announcements of tariffs on a range of UK exports to the United States.

Despite stability in workforce headcount numbers and recruitment pressures easing slightly, difficulties persist for manufacturers when attempting to hire, with the vast majority of firms in this sector reporting facing challenges. Meanwhile, price pressures continue to grow which is evidenced by over half of firms anticipating a need to raise their prices over the next 3 months - the highest figure recorded for over two years. The combination of weakened sales demand and ongoing cost pressures facing businesses has meant that the subdued capex investment landscape of recent quarters does not yet show signs of recovery. Levels of investment in training has also fallen, but to a lesser extent than capital expenditure, showing that businesses are committed to prioritising investing in their people where possible.

Looking ahead, businesses remain cautiously optimistic about turnover growth, though profitability expectations have understandably declined given challenges in the macroeconomic environment and the measures announced in the Autumn Budget. It is pleasing to see the Chancellor's recent Spring Statement providing reassurance that taxation would not increase further, but businesses require support to navigate ongoing economic pressures, including the increases in National Minimum Wage and employers' National Insurance Contributions which take effect next quarter.

The ask from local businesses is loud and clear - a straightforward roadmap for reducing costs, reforming business rates and improving trading conditions is needed to help boost business confidence in the coming months and set the tone for a successful year ahead. The Greater Birmingham Chambers of Commerce's newly-announced Business Growth Studio offers resources to support micro and small businesses in navigating such challenges and their growth journeys with expert insights and practical workshops. More information can be found on our website.

At the point of writing, markets were braced for the introduction of trade tariffs imposed by President Trump, which may be reflected in the forthcoming Q2 2025 survey.

Despite the growth observed in Q4 2024, the export market for Greater Birmingham businesses remained relatively stable, with 58% of businesses reporting unchanged sales and bookings, compared to just over a quarter (27%) who experienced an increase. Notably, however, the manufacturing sector reported a pronounced decline in the proportion of businesses reporting increased overseas, which fell from 53% to 33% over the past three months. From a domestic perspective, the Q1 survey indicated a continued decline in sales and bookings, as reported by one in five over the last quarter.

Hiring sentiment remains positive. A notable 37% of firms anticipate workforce growth in the next three months, reflecting a +7 pp increase from Q4 2024. Additionally, 55% of businesses were attempting to recruit at the point of survey. However, just over a quarter (27%) reported actual workforce expansion over the past three months, a marginal 1% increase since the previous quarter.

Business confidence, which declined considerably in Q4 2024 (-10pp), has yet to recover. Less than half (48%) of firms expect improved profitability over the year ahead, whilst 25% anticipated a decline. Perhaps unsurprisingly, profitability concerns are increasingly tied to projected cost increases, with 53% of businesses expecting price increases in the next quarter.

Encouragingly, however, price pressures were found to have eased across the manufacturing sector, with 53% of business forecasting price hikes (-17pp since Q4 2024). Overall, however, corporate taxation remained a primary concern, with one in four businesses highlighting it as a key challenge. Additionally, worries over business rates have grown (+5 pp since Q4 2024), further weighing on overall business optimism.

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DOMESTIC DEMAND

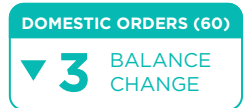
THE BALANCE SCORE FOR DOMESTIC SALES IN Q1 2025 IS 62, HAVING FALLEN BY 3 POINTS SINCE LAST QUARTER.

The first quarter of the year has seen a slight dip in domestic sales growth, with 44% of respondents having increased their UK sales volumes in Q1 2025, which marks a fall of 3 percentage points since Q4 2024. 36% cite that their domestic sales remained constant throughout the first quarter of the year (up from 35% in Q4) while 20% have seen a decrease in this area (compared to 19% the previous quarter). The fall in domestic sales demand has been felt most acutely by manufacturers – while 44% reported an increase in sales in Q4 2024, this fell to 31% in Q1 2025, which is 6 percentage points lower than one year ago. 28% saw constancy in their domestic sales and 41% reported a decrease, which marks the most significant fall in sales volumes for manufacturers since Q2 2020. By comparison, Q1's sales landscape has been more optimistic for services firms, with 45% reporting an increase in domestic business (a 2-percentage point decrease from Q4). 37% retained existing sales volumes and 17% saw a decrease.

Similar to domestic sales performance, there has been a slight downward trend with domestic

orders. 40% across all sectors saw an increase in advance UK sales this quarter, slightly lower than 42% the previous quarter, with the balance score falling from 63 to 60 during this time period. 30% of manufacturers increased their domestic order volumes in Q1 (down from 44% in Q4), as did 41% of services firms (down one percentage point from the previous quarter).

The slight fall in local domestic performance is reflected in January's national Gross Domestic Product (GDP) data from the Office for National Statistics. Monthly real GDP (economic output adjusted for inflation) is estimated to have fallen by 0.1% in January 2025, mainly caused by a fall in the production sector, after growth of 0.4% in December 2024. Production output fell by 0.9% in January 2025, following growth of 0.5% in December 2024, and was mainly driven by a fall in the performance of the manufacturing industry. Construction output also fell during this period by 0.2% in January 2025, following a fall of 0.2% in December 2024. By contrast, the monthly services output grew by 0.1% in January 2025, following growth of 0.4% in December 2024.



EXPORT DEMAND

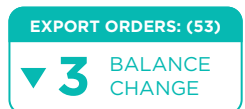
SIMILAR TO THE CHALLENGES SEEN IN DOMESTIC SALES, THE BALANCE SCORE FOR EXPORT SALES DECREASED BY 2 POINTS TO 56.

While Q4 2024 showed tentative signs that the challenges facing overseas trade throughout the year were beginning to ease, Q1 2025 has seen a downturn in business confidence for exporters. 27% of respondents cited seeing an increase in their export sales in Q1, having decreased from 33% the previous quarter, which falls into line with figures recorded throughout earlier quarters of 2024. 58% of firms indicated that their export sales remained constant throughout the first quarter (up from 49%) and 15% saw a decrease. Looking at the sectoral breakdown, services firms have fared better this quarter than the last, with the proportion of services respondents seeing an increase in their export sales rising from 20% in Q4 2024 to 25% in Q1 2025. By contrast, while a third (33%) of manufacturers have increased their export sales volumes this quarter, this figure compares unfavourably to the 53% that reported doing so in Q4 2024.

Challenges have also been encountered across both sectors with export orders – 24% increased their overseas order volumes in Q1 2025, which marks a fall from 35% in Q4 2024. This is also significantly lower than this time last year when 37% reported an increase in advance export sales. Nevertheless, the proportion of

respondents citing a decline in export orders decreased from 23% to 18% and stability in order volumes has improved this quarter, with 58% reporting maintaining existing order quantities (up from 42% last quarter). 27% of manufacturers increased their export orders in Q1 2025, with this figure having fallen from 53% in Q4 2024 and to the lowest figure recorded since Q4 2023. Meanwhile, 23% of services providers increased their export orders, marking a more modest fall from 26% the previous quarter.

Underpinning the trend seen within Greater Birmingham that export growth picked up at the end of 2024, the total value of exports from the West Midlands reached £9.3bn in Q4 2024, having increased from £8.2bn the previous quarter. The value of non-EU exports from the region increased by £0.6bn to reach £5.5bn in the final quarter of 2024 and EU exports followed a similar trend, growing in value by £0.4bn to £3.7bn. While these results are positive for the region, the weeks that followed brought concerning developments for global trade with the imposition of tariffs on an array of goods imported into the United States. Subsequent weeks will allow us to measure the impact of such measures on Greater Birmingham businesses.



WORKFORCE & RECRUITMENT

IN Q1 2025, THE WORKFORCE BALANCE SCORE INCREASED BY 2 POINTS TO 58.

The first quarter of the year has seen relative stability in businesses' headcount, with 27% of respondents reporting having increased their workforce headcount in Q1 (compared to 26% in Q4) and 61% retaining existing staffing levels. While this news of recent stability is relatively positive given ongoing labour market issues, other data shows that staffing challenges have become increasingly profound over the past 12 months, especially given that one year ago in Q1 2024, 36% cited increasing their headcount. Looking at data on recruitment, businesses have shown resilience in their hiring efforts, with 55% having attempted to do so throughout Q1 2025 (up one percentage point from last quarter). 54% of services firms attempted recruitment this quarter, which is the same proportion as last quarter, as did 67% of manufacturers (up from 56% last quarter but down from 78% this time last year).

Following many months of recruitment difficulties, this quarter's data shows a welcome downward trend. The proportion of firms citing challenges in this area fell from 66% in Q4 2024 to 60% in Q1 2025, which is the lowest figure recorded since Q2 2021 and 3 percentage points lower than this time last year. Nevertheless, stark differences can be noted between sectors - while 56% of services firms reported hiring challenges this quarter (having fallen from 63%

in Q4 and down from 67% this time last year), 89% of manufacturers encountered recruitment difficulties. For manufacturing, this marks an increase from 86% recorded last quarter, is 10 percentage points higher than this time last year and is the highest figure recorded since Q4 2018. Looking ahead to Q2, the data indicates that businesses across all sectors are more optimistic about growing their workforce in the next 3 months. On average, 37% of firms expect to grow their workforce in Q2 (39% of manufacturers and 36% of services firms).

Reflecting on trends in the wider region, ONS data shows that the employment rate for the West Midlands reached 74.0% between November 2024 and January 2025, having increased by 0.1 percentage points from between August and October 2024. By contrast, the national employment rate sat slightly higher at 75.0% between November and January, having increased by the same amount in the previous three-month period. By comparison to other areas of the UK, the highest employment rate was in the Southwest (79.1%) and the lowest was in Wales (69.9%). The West Midlands unemployment rate between November 2024 and January 2025 was 4.5% - one percentage point higher than the national rate.



**Please note that the ONS Labour Force Survey (LFS) estimates have been affected by increased volatility, resulting from smaller achieved sample sizes, meaning that estimates of change should be treated with additional caution.*

PRICE PRESSURES & EXTERNAL FACTORS

THE PRICE INDEX BALANCE SCORE ROSE BY 1 POINT TO REACH 76 IN Q1 2025 - THE HIGHEST RECORDED SINCE Q4 2022.

Price pressures have been a burgeoning issue in recent quarters, with the proportion of businesses anticipating a need to raise their prices growing by 12 percentage points between Q2 and Q4 last year. Q1 2025 has seen this sentiment grow, with 53% citing that their prices are likely to increase over the upcoming quarter - 3 percentage points higher than Q4 and marking the highest figure recorded since Q4 2022. This result applies to both manufacturers and services firms, with labour costs being the key driver of price pressures across both sectors (as cited by 32%, having decreased by only one percentage point since Q4).

As for the external factors affecting business confidence, taxation remains the most prevalent concern, as cited by 26%. While this has fallen from 32% recorded in Q4, it is still the second highest figure ever recorded in the QBR dataset dating back to 1997. Furthermore, the tax burden remains of greater concern to manufacturers, with 31% identifying this as a key threat to their business (remaining unchanged since last quarter), while this fell to 25% amongst services firms (from 32% in Q4). Inflation concerns have also diminished slightly but remain prevalent, as cited by 21% in Q1 2025 compared to 24%

in Q4 2024. By contrast, this quarter saw a 5-percentage point uptick in the proportion of firms reporting apprehension around business rates, having risen to 16% which is the highest figure recorded since Q1 2021. Exchange rate concerns have also seen an increase, albeit more modest from 2% to 5%.

Reflective of local sentiment trends indicating that inflation concerns settled slightly in Q1 2025, UK inflation slowed in February 2025. CPIH rose by 3.7% annually, down from 3.9% in January, while CPI increased by 2.8%, down from 3.0%. Monthly inflation for both CPIH and CPI was 0.4%, lower than February 2024's 0.6%. The biggest downward pressure came from clothing, with additional CPIH declines from housing and household services. Core inflation also eased, with core CPIH at 4.4% (down from 4.6%) and core CPI at 3.5% (down from 3.7%). CPIH and CPI goods inflation slowed to 0.8%, while services inflation remained relatively stable. While these figures are welcome news of inflationary pressures easing, April 2025 will bring increases in employers' National Insurance Contributions and the National Minimum Wage. These will exacerbate labour cost pressures, which are already a prevalent issue for businesses.



EXTERNAL FACTORS	
INFLATION	21%
INTEREST RATES	13%
TAXATION	26%
COMPETITION	20%
BUSINESS RATES	16%
EXCHANGE RATES	5%

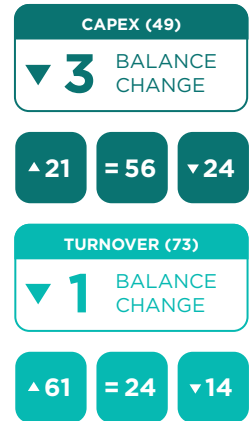
INVESTMENT & BUSINESS CONFIDENCE

THE BALANCE SCORE FOR TURNOVER HAS FALLEN SLIGHTLY BY ONE POINT TO 73, WHILE FOR PROFITABILITY IT FELL BY 2 POINTS TO 62.

Similar to previous quarters, investment intentions remain subdued, especially in relation to capex. The balance score for capital expenditure this quarter fell by 3 points to 49 – marking the first time that it has fallen into negative territory below 50 since Q3 2022. 21% of businesses across all sectors increased their capex investment in Q1 2025 (down from 22%), 56% retained existing levels of expenditure and 24% revised spending downwards. These figures indicate a trend of declining investment levels given that fewer businesses reported increasing their capex investment than those citing a decrease. This is especially prevalent amongst manufacturers, of which 17% increased capex investment throughout Q1, compared to 30% that revised their investment levels downwards. The proportion of manufacturers decreasing capex spending is the highest recorded since Q1 2021. Within the services sector, 21% revised expenditure upwards and 23% decreased capex spending. The landscape for expenditure on training is similarly challenging, but slightly more resilient than capex investment. The balance score for training investment fell by 3 points to 52 in Q1 2025. Although it remains in positive territory, this is the lowest balance score recorded since Q1 2021. 23% of respondents cited increasing their training spend, 58% retained existing levels and 19%

revised expenditure downwards. While 25% of respondents from the services sector indicated having increased their training expenditure in Q1, showing relative consistency with recent quarters, only 10% of manufacturers did so which is the lowest figure ever recorded.

Looking at business confidence, sentiment around turnover projections continues to be more resilient than profitability. In Q1 2025, 61% of respondents cited expecting their turnover to improve over the next 12 months, compared to 59% in Q4 2024. 24% expect that it will remain constant and 14% anticipate seeing a decrease. 64% of manufacturers estimated that their turnover will increase over the coming year, compared to 61% of services firms. While the proportion of respondents expecting an improvement in their profitability has increased by one percentage point to 48% in Q1, the overall balance score fell from 64 to 62. This was driven by a 5 percentage point increase in the proportion of firms expecting their profitability to diminish over the coming year, rising from 20% to 25%. 43% of manufacturers expect to see an improvement in their profitability in the next 12 months (down from 47% the previous quarter) and this rises to 49% for services firms (having increased by two percentage points since Q4).



RAJ KANDOLA

DIRECTOR OF EXTERNAL AFFAIRS,

GREATER BIRMINGHAM CHAMBERS OF COMMERCE

The Chancellor's self-imposed fiscal rules leave very little headroom as we approach a crucial period for businesses.

At the recent Spring Statement, the Chancellor made it clear that taxes would not go up – businesses up and down the country no doubt breathed a sigh of relief given the disproportionate impact they suffered from the announcements made in the October Budget. However, as our latest analysis shows, concerns around corporate taxation remain prevalent as businesses begin to adapt to the changes to the National Insurance framework and the National Living Wage. In addition, price pressures are at the highest point we've seen since the autumn of 2022 as the UK continued to battle with the economic fallout from the pandemic.

Although the Chancellor used the Spring Statement to highlight the economic growth that's likely to be stimulated by planning reform and opportunities created by extra defence spending, businesses on the whole were likely to have been left feeling a bit flat. Our data revealed that profitability projections fell to a level we've not seen since the summer of 2022 and its to fair to say the Chancellor could have used the Statement as a proactive tool to help restore this fragile business confidence.

The uncertainty surrounding the escalation of global tariffs is likely to have a knock on impact on UK GDP which in itself is likely to have a direct impact on the precarious fiscal headroom the Chancellor has created as a result of the measures announced over the last year. It remains an uncertain period for businesses as they look ahead to the summer.

ABOUT THE QUARTERLY BUSINESS REPORT

The Greater Birmingham Chambers of Commerce's (GBCC) Quarterly Business Report offers an up-to-date snapshot of the performance of the Greater Birmingham business community.

It is the most comprehensive, regular report of its kind in the city-region. Underpinning our report is data gathered from quarterly surveys on key indicators such as sales, exports, investment intentions and the workforce. The Greater Birmingham Quarterly Business Report launched in 2016, succeeding the previous Quarterly Economic Survey Report.

The Chamber surveys businesses across the Greater Birmingham area, which includes Birmingham, Solihull, Sutton Coldfield, Lichfield and Tamworth, Cannock Chase and Burton-on-Trent. Balance figures are determined according to business responses to the indicators: an increase (multiplied by 1), remain constant (multiplied by 0.5), decrease (multiplied by 0). A figure over 50 is indicative of growth; a figure under 50 represents contraction.

ABOUT GREATER BIRMINGHAM CHAMBERS OF COMMERCE



The Greater Birmingham Chambers of Commerce is a membership-led, business support organisation that has acted as the voice of local businesses since 1813. Today, we continue to connect, support and grow local businesses.

We are one of the largest Chambers in the country, with 2,500 member companies covering six geographic areas across the region (Birmingham, Burton, Cannock Chase, Lichfield and Tamworth, Solihull and Sutton Coldfield) and four themed divisions (Asian Business Chamber of Commerce, Future Faces, the Transatlantic Chamber of Commerce and the Greater Birmingham Global Chamber of Commerce).

Members range from young professionals to SMEs and large, high-profile organisations, including 39 Chamber Patrons comprising companies such as HSBC, HS2 and The NEC Group.

ABOUT BIRMINGHAM CITY UNIVERSITY



Birmingham City University (BCU) is a dynamic practice led, research inspired anchor institution with 30,000 students from 126 countries, contributing £392m GVA annually to regional GDP (£532m nationally). It comprises four faculties delivering 1,000+ courses, supported by 1,545 practice-based academics.

BCU's 'University for Birmingham' mission reflects its civic university role, with a strategy which places regional engagement at the core of its ambition. The University has an established national and international profile for its work on STEAM (STEM with Arts) - an approach that uses inter-disciplinary and trans-disciplinary thinking, stimulating new knowledge and ideas, supporting open innovation and regional growth, and driving talent to support future employer needs.

BCU actively engages with 3,000+ businesses regionally, nationally and internationally and has extensive sector linkages driving research, collaboration and innovation around identified priority areas and economic strengths including creative and digital, health, and green technologies. In 2021, the University secured the Investor in Innovation standard from the Institute for Innovation and Knowledge Exchange in recognition of its work with businesses and partners to drive innovation and growth - just the second university in the country to be handed the accreditation.

QUARTERLY BUSINESS REPORT CONTACTS

If you have any further questions on the report, please contact Gemma Dilkes on G.Dilkes@birmingham-chamber.com

For more information, go to greaterbirminghamchambers.com

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