Greater Birmingham Chambers of Commerce

QUARTERLY BUSINESS REPORT

Q2 | 2026

BIRMINGHAM CITY University

RAJ KANDOLA

DEPUTY CHIEF EXECUTIVE OFFICER

GREATER BIRMINGHAM CHAMBERS OF COMMERCE

The latest results from our Quarterly Business Report reiterate cautious optimism and highlight the underlying resilience of our business community, with growth in domestic demand, an easing of recruitment difficulties, increases in cashflow, and the highest business confidence outlook since Q1 2025.

Regionally, ONS data shows that unemployment is trending gently downwards, albeit still higher than the national average, meanwhile, nationally, the Bank of England has held interest rates at 3.75%.

However, this quarter is also beginning to show the impact of the US-Iran conflict with export sales and international advanced bookings significantly down. Businesses are also still facing significant cost pressures. Labour costs remain the most significant factor, with early signs that this is beginning to ease, but firms are also reporting concerns about the cost of utilities, and survey data shows that fuel costs have jumped 8 points. Similarly, manufacturers are also experiencing cost pressures from the price of raw materials.
At the time of publication President Trump has signed a 14-point peace plan with Iran and the strait of Hormuz is once again open, which should hopefully ease trade difficulties, although we anticipate that businesses will continue to feel the impact of the conflict, particularly in fuel prices, for some time.

The end of June marked the tenth anniversary of the Brexit referendum. Europe remains our region's biggest export market, followed closely by the United States and the Government will need to continue its current path of cultivating closer ties with both whilst also managing geo-political uncertainty if we are to drive growth.
As always, the GBCC will continue to work with firms at every stage of their international journey, from first-time exporters through to established global businesses in order to cement our region's position as a powerhouse in international trade.

HEIKE SCHUSTER-JAMES

ASSOCIATE DIRECTOR BUSINESS DEVELOPMENT

BIRMINGHAM CITY UNIVERSITY

Business performance across the West Midlands strengthened in Q2 2026, with 40% of businesses reporting increased UK market sales, up from 34% in Q1 2026.

Growth was driven largely by the manufacturing sector, where the proportion of businesses experiencing higher sales more than doubled from 25% in Q1 2026 to 55% in Q2 2026. Business confidence has also continued to improve over the past year, with 56% of firms expecting turnover to increase over the next 12 months, compared with 52% in Q2 2025. Meanwhile, 45% expect profitability to improve, up from 41% a year earlier.

Labour market conditions remained relatively stable, with 64% of businesses reporting no change in workforce levels over the past three months and 59% expecting staff levels to remain steady in the next quarter. However, confidence in the manufacturing sector is reflected in stronger hiring intentions, with 50% of manufacturers expecting their workforce to grow over the next three months, up from 42% in Q1 2026. In addition, 75% of manufacturing businesses are currently attempting to recruit staff.

These findings highlight the importance of continued investment in innovation, skills and business support across the region. The new £50 million Local Innovation Partnerships Fund (LIPF) will support businesses and universities to develop and scale new technologies, while strengthening collaboration between industry, researchers and local leaders to drive growth across the West Midlands.

Institutions such as Birmingham City University will play a key role in supporting business innovation, helping to connect research, skills and commercial opportunities across the region. This is also reflected in the proposed Digbeth Business Improvement District (BID), which aims to strengthen collaboration, representation and investment in one of Birmingham's fastest-growing commercial and creative areas.

> **"this quarter is also beginning to show the impact of the US-Iran conflict with export sales and international advanced bookings significantly down..."**

DOMESTIC DEMAND

THE BALANCE SCORE FOR DOMESTIC SALES HAS STRENGTHENED THIS QUARTER AFTER FIVE CONSECUTIVE QUARTERS OF DECLINE.

Domestic demand strengthened over the second quarter of 2026, with the overall sales balance rising by four points to 60, with a growing proportion of firms reporting higher sales over the past three months. Advanced bookings also edged up, increasing by one point to 58, suggesting that forward-looking demand is continuing to build quarter on quarter.

Within the services sector, sales improved modestly, increasing by two points to 59. This increase was driven by a higher share of businesses experiencing growth in their sales. Services advanced bookings were unchanged at 56, although more firms reported stability in their UK activity, indicating a degree of resilience in pipeline demand.

Manufacturing saw particularly strong growth this quarter, with sales rising sharply by 20 points to 70. This was driven by a 30% increase in the proportion of firms reporting improved sales performance, reaching its highest level since Q1 2022.

Advanced bookings in the sector also strengthened, increasing by five points to 65, as a result of a greater number of firms noting growth in their order books. However, it should be noted that the manufacturing sample size remains relatively small, meaning there can be more significant fluctuations in quarterly data.

Looking at the national picture, the UK economy grew modestly in the three months to April 2026, with GDP rising by 0.7%, although output declined slightly in April itself, suggesting some loss of momentum. Against this mixed national backdrop, the Q2 2026 results point to firmer domestic demand across Greater Birmingham, with business sentiment appearing more resilient locally than the wider UK picture might suggest.

DOMESTIC SALES (60)

▲ 4 BALANCE CHANGE

▲40 =40 ▼20

DOMESTIC ORDERS (58)

▲ 1 BALANCE CHANGE

▲33 =49 ▼18

EXPORT DEMAND

THE BALANCE SCORE FOR EXPORT SALES DECREASED THIS QUARTER TO THE LOWEST WE'VE SEEN SINCE Q3 2025.

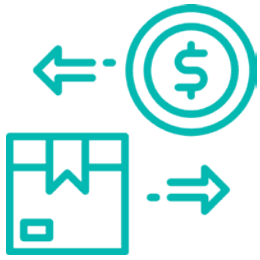
Export demand weakened over Q2 2026, with the overall export sales balance score declining by four points to 51, its lowest level since Q3 2025. This downturn was largely driven by a shift among firms that had previously reported constancy in international sales, now indicating a reduction in export activity. Export advanced bookings also decreased this quarter, falling by seven points to 48, returning to negative territory and marking the lowest level since Q3 2025.

The decline was more pronounced in the services sector. Services export sales decreased by 8 points to 42, placing the balance firmly in negative territory and at its lowest level since Q3 2020. Services export advanced bookings also decreased, falling by 2 points to 43, again the lowest level since Q3 2020. When looking at UK-wide trends, this data echoes what the April GDP data showed, with a 0.2% drop in services output evident in the ONS analysis.

In contrast, manufacturing export sales increased slightly, rising by 1 point to 65, supported by an 11% increase in businesses reporting increased sales.

However, this improvement in sales was not reflected in future demand. Manufacturing export advanced bookings saw a significant decrease, falling by 16 points to 57, with a 14% increase in businesses who reported a decrease in bookings.

The national data showed that UK exports increased modestly by 1.8% in the three months to April 2026, although this growth was uneven. Gains were largely driven by stronger demand from EU markets, while exports to non-EU countries declined and services exports remained broadly flat. Against this backdrop, the more pronounced decline in local export indicators suggests that global demand pressures are feeding through particularly strongly into business sentiment across Greater Birmingham.



EXPORT SALES (51)

▼ 4 BALANCE CHANGE

▲28 =46 ▼26

EXPORT ORDERS: (48)

▼ 7 BALANCE CHANGE

▲19 =58 ▼23

WORKFORCE & RECRUITMENT

THE WORKFORCE BALANCE SCORE EDGED DOWNWARDS THIS QUARTER, WHILE RECRUITMENT DIFFICULTIES EASED.

Labour market conditions showed signs of softening in Q2, with the overall workforce balance score over the past three months edging down by one point to 54 and fewer firms increasing headcount. Looking ahead, the workforce balance score for the next three months also decreased by 1 point to 62, with business responses largely consistent with the previous quarter. Despite this, recruitment activity remained relatively steady, with 52% of firms attempting to hire, a slight increase of 1% on the previous quarter. At the same time, recruitment difficulties eased further, falling to 53%, marking the lowest level since Q2 2021.

In the services sector, workforce growth slowed this quarter. The workforce balance score over the past three months decreased by 3 points to 54, while the balance score for the next three months also decreased by 3 points to 60, with fewer firms expecting to increase their workforce. At the same time, 48% of firms attempted to recruit, up 1% on last quarter, while 46% reported recruitment difficulties, down 8% compared to Q1.

In contrast, manufacturing saw an increase in workforce growth. The workforce balance score over the past three months increased by 8 points to 55, driven by a 10% increase in businesses increasing their workforce. Looking ahead, the workforce balance score for the next three months increased by 7 points to 72, with 50% of firms expecting to increase their workforce. Recruitment activity also increased, with 75% of firms attempting to recruit, up 4% on last quarter, while 76% reported recruitment difficulties, down 8% compared to Q1.

National data suggests the labour market is beginning to cool, with employment levels broadly stable and fewer vacancies pointing to softer hiring demand. Regional employment data for February to March 2026 showed a more resilient picture that seen nationally, with employment in the West Midlands up by 0.7%. However, the region still has higher unemployment than the national average and unemployment in the West Midlands remains 0.9% higher than it was a year ago, in February to March 2025.

LABOUR FORCE (54)

▼ 1 BALANCE CHANGE

▲22 =64 ▼14

52%

OF BUSINESSES ATTEMPTED TO RECRUIT

OF WHICH:

53%

FACED RECRUITMENT DIFFICULTIES

PRICE PRESSURES & EXTERNAL FACTORS

THE PRICE INDEX BALANCE SCORE REMAINED STABLE THIS QUARTER, HOWEVER INFLATION REMAINS THE LARGEST CONCERN FOR GREATER BIRMINGHAM BUSINESSES.

Price pressures remained high in Q2 2026, with the overall price index balance score staying at 71. Around 44% of businesses are still expecting to raise their prices over the next three months. Labour costs continued to be the main source of pressure for businesses, reported by 27% of firms. Utilities were the second highest pressure at 20%, while pressure from fuel costs increased this quarter, rising by 8 points to 16%. Inflation remained the most commonly reported external factor impacting businesses, with the proportion of firms citing concerns about inflation increasing by 8 points to 28%. Concerns around interest rates also increased, rising by 3 points to 14%, while concern about corporate taxation decreased by 5 points to 21%.

In the services sector, price pressures remained broadly unchanged. The price index balance score stayed at 70, with businesses reporting similar pricing expectations to last quarter.

Labour costs remained the most frequent source of pressure, although this decreased slightly to 26%. Utilities remained the second highest at 20%, while concerns about fuel costs increased by 7 points to 16%.

In manufacturing, price pressures increased further this quarter. The price index balance score increased by 5 points to 82, with 63% of businesses expecting to raise prices in the next three months. Labour costs remained the most frequently cited source of price pressures at 27%, closely followed by raw material costs at 26%, which increased slightly on last quarter. Concerns about fuel costs also increased, rising by 10 points to 15%. Corporate taxation remained the main external factor of concern for manufacturers at 25%, followed by inflation at 23%, which increased by 3 points.

PRICE INDEX (71)

▶ 0 BALANCE CHANGE

▲44 =54 ▼1

EXTERNAL FACTORS	
INFLATION	28%
INTEREST RATES	14%
TAXATION	21%
COMPETITION	17%
BUSINESS RATES	16%
EXCHANGE RATES	5%

INVESTMENT & BUSINESS CONFIDENCE

THE CASHFLOW BALANCE SCORE INCREASED THIS QUARTER HOWEVER REMAINS IN NEGATIVE TERRITORY, WHILE INVESTMENT IN BOTH TRAINING AND EQUIPMENT WEAKENED.

Investment and business confidence presented a mixed picture in Q2 2026. Overall cashflow increased by 5 points to 45. At the same time, business confidence strengthened, with confidence in turnover increasing by 4 points to 73, the highest level seen since Q1 2025, and confidence in profitability increasing by 5 points to 64.

Despite this improvement in confidence, investment activity weakened over the quarter. Investment in equipment decreased by 3 points to 44, the lowest since Q3 2025. Additionally, investment in training also decreased slightly, falling by 2 points to 49.

In the services sector, cashflow increased slightly by 2 points to 44. Confidence in turnover increased by 3 points to 72, while confidence in profitability increased by 3 points to 64.

However, investment intentions weakened, with investment in equipment decreasing by 3 points to 45 and investment in training decreasing by 2 points to 48 as more firms revised their plans downwards.

Manufacturing saw a stronger improvement this quarter. Cashflow increased by 18 points to 49, with a 25% reduction in firms reporting decreased cashflow. Confidence in turnover increased by 11 points to 77, while confidence in profitability increased by 5 points to 55. Investment in equipment remained unchanged at 42, while investment in training increased by 6 points to 58, with more businesses revising their plans upwards.

CAPEX (64)

▲ **5** BALANCE CHANGE

▲45 | = 37 | ▼19

TURNOVER (73)

▲ **4** BALANCE CHANGE

▲56 | = 33 | ▼11

EMILY STUBBS

HEAD OF POLICY

GREATER BIRMINGHAM CHAMBERS OF COMMERCE

The data from Q2 points to recruitment challenges starting to ease, with the percentage of firms reporting challenges in sourcing staff the lowest on record since the summer of 2021 as the UK grappled with Covid-19 headwinds.

This marks a welcome improvement for businesses, although a significant proportion continue to face barriers in accessing the talent they need. At the same time, workforce growth has edged down slightly, and investment in training has weakened, pointing to a more cautious approach from firms despite improving confidence.

These pressures reflect a combination of ongoing structural and external factors. Competition for skilled talent continues to drive wage pressures, while wider cost challenges, including sustained inflation and rising operational costs such as utilities and fuel, are placing additional strain on employers. Global uncertainty continues to contribute to volatility in costs, while anticipated changes under the Employment Rights Act are adding further pressure for employers and shaping decisions around workforce planning and investment.

While easing recruitment pressures are a positive signal, addressing underlying skills shortages remains critical to sustaining growth. The Chamber is continuing to work with regional stakeholders through the West Midlands Local Skills Improvement Plan to strengthen an employer-led, responsive skills system, ensuring businesses can access the talent they need while supporting more individuals into high-quality employment.

Please note that ONS Labour Force Survey estimates from mid-year 2023 and throughout 2024 were affected by increased volatility, resulting from smaller achieved sample sizes. As a result, estimates of change in associated ONS data used throughout this report should be treated with additional caution.

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. Note that figures may not always total exactly due to rounding differences.

ABOUT
GREATER BIRMINGHAM CHAMBERS OF COMMERCE

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 three themed divisions (Asian Business Chamber of Commerce, Future Faces and the Greater Birmingham Global Chamber of Commerce).

Members range from young professionals to SMEs and large, high-profile organisations, including 40 Chamber Patrons comprising companies such as HSBC, HS2 and The NEC Group.

ABOUT
BIRMINGHAM CITY UNIVERSITY

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 **P.Bowyer@birmingham-chamber.com**

For more information, go to **greaterbirminghamchambers.com**

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