Greater Birmingham Chambers of Commerce

QUARTERLY BUSINESS REPORT

Q3 | 2026

BIRMINGHAM CITY University



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GREATER BIRMINGHAM CHAMBERS OF COMMERCE

Our latest Quarterly Business Report presents a mixed picture of business conditions across Greater Birmingham. While many firms continue to demonstrate resilience, the findings suggest that economic momentum has softened. Domestic demand weakened slightly during the quarter, export sales fell to their lowest level since 2020, and confidence in future turnover eased, highlighting the challenges businesses continue to face.

At the same time, there are encouraging signs beneath the headline figures. Workforce levels have remained broadly stable, cashflow has improved modestly and investment intentions have strengthened, suggesting that many firms are continuing to look ahead despite a difficult operating environment. Export orders have also returned to positive territory, offering some grounds for cautious optimism about future trading conditions.

However, the survey also reinforces the pressures that businesses have been reporting consistently throughout the year. Recruitment difficulties remain widespread, labour costs continue to rise and inflation and taxation remain among firms' biggest concerns. Together, these factors are making it harder for businesses to convert ambition into growth.

The findings ultimately point to a business community that remains determined and adaptable, but increasingly stretched. Greater Birmingham's firms want to invest, recruit and expand, yet many are balancing those ambitions against persistent cost pressures and economic uncertainty.

As attention turns towards the Autumn Budget, businesses will be looking for policies that improve confidence, support investment and reduce the cost of doing business - and support them in accessing new international markets. The resilience of our business community remains one of the region's greatest strengths. The challenge now is ensuring that businesses have the conditions they need to translate that resilience into sustained growth, higher productivity and long-term prosperity.



HEIKE SCHUSTER-JAMES

ASSOCIATE DIRECTOR BUSINESS DEVELOPMENT

BIRMINGHAM CITY UNIVERSITY

The Q3 survey results suggest that export performance weakened over the quarter, with just 14% of businesses reporting an increase in export market sales, down from 28% in the previous quarter.

The decline was particularly pronounced in manufacturing, where only 15% of businesses reported increased export sales, compared with 43% previously. However, the outlook for future export activity was somewhat more positive, with advance orders and bookings returning to positive territory. Just 15% of businesses reported a decrease in advance orders and bookings, down from 23% in the previous quarter, while 64% reported that they remained unchanged. This suggests that, despite weaker recent export sales, forward orders may indicate some stabilisation in demand.

Despite these pressures, overall expectations for business performance over the next 12 months remain relatively stable. More than half of businesses (56%) expect turnover to improve, unchanged from the previous quarter, while 47% anticipate an improvement in profitability, up 2 p.p. from Q2. The overall outlook is supported by the services sector, where expectations for improved turnover and profitability rose to 59% and 49%, respectively. In contrast, confidence within manufacturing weakened considerably, with the proportion of businesses expecting turnover to improve falling from 66% in Q2 to 40%, while expectations for improved profitability declined from 40% to 34%.

These findings highlight the role of effective business support and regional innovation clusters in helping firms start, grow and commercialise new ideas, supporting wider productivity and economic growth. Incubators, accelerators and innovation management can connect businesses with the expertise, networks and facilities needed to strengthen capabilities and develop new products and services. At Birmingham City University, the STEAMhouse Incubator supports entrepreneurs and businesses to develop and grow, alongside a leading graduate start-up programme. STEAMhouse is also home to the Midlands Institute of Innovation and Knowledge Exchange (IKE), providing businesses with access to recognised innovation management training and support.

> **"Greater Birmingham's firms want to invest, recruit and expand, yet many are balancing those ambitions against persistent cost pressures and economic uncertainty."**

DOMESTIC DEMAND

THE BALANCE SCORES FOR DOMESTIC SALES AND ORDERS BOTH WEAKENED THIS QUARTER, AS MORE BUSINESSES REPORTED STABLE OR DECLINING DEMAND.



Domestic demand softened in Q3 2026, with the overall sales balance score falling by three points to 57 and three points below its level a year earlier. More firms reported stable sales, from 40% in Q2 to 43% in Q3, while the proportion reporting a decline edged up from 20% to 22%.

Forward-looking demand also weakened. The balance score for domestic orders fell by three points over both the quarter and the year to 55. Half of businesses reported no change in orders, while the proportion experiencing a decrease rose from 18% to 20%.

The services sector proved comparatively resilient. Its domestic sales balance score decreased by one point to 58, with 37% of firms reporting an increase in sales and 42% reporting no change. The services orders balance score rose slightly to 57, supported by a small increase in the proportion of firms reporting higher orders. The sectoral picture underlines the uneven nature of demand. Among manufacturers, the domestic sales balance score fell from 70 to 50, as the shares reporting stable or declining sales both increased. The manufacturing orders balance score also moved into negative territory at 45, down 20 points on the quarter and 13 points over the year. These movements contrast with those recorded in the services sector, but should not be overstated given the smaller manufacturing sample and the tendancy for greater quarterly volatility.

Nationally, the UK economy grew by 0.4% in July 2026, supported by the services sector and developments in artificial intelligence. However, disruption to energy supplies, higher wholesale gas prices and forthcoming utility price cap increases risk weakening momentum. The Bank of England has held interest rates at 3.75% since December 2025, but sustained volatility in global energy costs could add to domestic price and wage pressures, complicating efforts to return inflation to the 2% target.

DOMESTIC SALES (57)

▼ 3 BALANCE CHANGE

▲35	= 43	▼22

DOMESTIC ORDERS (55)

▼ 3 BALANCE CHANGE

▲31	= 50	▼20

EXPORT DEMAND

EXPORT SALES WEAKENED FURTHER THIS QUARTER, ALTHOUGH THE OVERALL BALANCE SCORE FOR ADVANCED ORDERS RETURNED TO POSITIVE TERRITORY.



Export demand presented a mixed picture in Q3 2026. The overall export sales balance score fell by five points to 46, its lowest level since Q3 2020 and two points below the same quarter last year. This was driven by a substantial rise in firms reporting stable export sales, from 46% in Q2 to 65% in Q3, while the proportion reporting an increase halved from 28% to 14%.

The services export sales balance score rose by three points to 45, an improvement but still in negative territory. The proportion of services firms reporting an increase in overseas orders almost doubled, from 11% to 20%, while fewer reported a decline.

Manufacturing export indicators were less encouraging than the headline improvement in orders might suggest. The sector's export sales balance score fell from 65 into negative territory at 48, although it remained above its Q3 2025 level of 42. The manufacturing sector export orders balance score also edged down by three points to 54. Fewer manufacturers reported rising orders, with the proportion falling from 32% to 22%, while more recorded no change. Even so, the share experiencing a decline in export orders decreased from 18% to 15%.

The overall export orders balance score rose by five points to 53, returning to positive territory this quarter. The proportion of businesses reporting higher overseas bookings increased from 19% to 21%, while those reporting stable orders rose from 58% to 64%. At the same time, the share experiencing a decrease fell from 23% to 15%.

EXPORT SALES (46)

▼ 5 BALANCE CHANGE

▲14	= 65	▼21

EXPORT ORDERS: (53)

▲ 5 BALANCE CHANGE

▲21	= 64	▼15

WORKFORCE & RECRUITMENT

WORKFORCE GROWTH REMAINED STABLE, BUT RECRUITMENT ACTIVITY EASED AND HIRING DIFFICULTIES INCREASED MARKEDLY.

Labour market conditions were broadly steady over the past three months, with the overall workforce balance score remaining at 54. Looking ahead, however, the balance score for the next three months fell by two points to 60. Fewer firms expected to increase the size of their workforce, at 27% in Q3 compared with 32% in Q2, while 65% anticipated no change. Half of businesses attempted to recruit, down two percentage points on the previous quarter, but 61% of those recruiting experienced difficulties doing so, an increase of eight percentage points over the quarter.

In the services sector, the workforce balance score for the past three months decreased by one point to 53. The forward-looking balance score also fell by one point to 59, with the proportion expecting to increase headcount declining from 29% to 25%. Recruitment activity eased slightly, with 46% of services firms attempting to hire (down from 48% in Q2), while recruitment difficulties rose sharply by 12 percentage points to 58%.

Manufacturing workforce indicators were mixed. The balance score for the past three months increased by one point to 56, while the forward-looking balance score fell by 10 points to 62. 76% of manufacturers attempted to recruit (up slightly from 75% in Q2), and the proportion facing difficulties doing so eased by five percentage points to 71%.

The latest available ONS data points to a softer regional labour market. Between May and July 2026, compared with the previous three months, the West Midlands employment rate fell by 0.8 percentage points to 72.6%. The unemployment rate rose by 0.3 percentage points to 5.6%, while economic inactivity increased by 0.6 percentage points to 23.0%. Compared with the same period a year earlier, the employment rate was 0.9 percentage points lower and economic inactivity was 1.3 percentage points higher, although unemployment had declined by 0.4 percentage points.



LABOUR FORCE (54)

▶ 0 BALANCE CHANGE

▲23	= 62	▼15

50%

OF BUSINESSES ATTEMPTED TO RECRUIT

OF WHICH:

61%

FACED RECRUITMENT DIFFICULTIES

PRICE PRESSURES & EXTERNAL FACTORS

PRICE PRESSURES INCREASED SLIGHTLY IN Q3, WITH ALMOST HALF OF BUSINESSES EXPECTING TO RAISE PRICES AND INFLATION REMAINING THE LEADING EXTERNAL CONCERN.

Price pressures remained elevated in Q3 2026, with the overall price index balance score rising by one point to 72. Some 45% of businesses expected to raise prices over the next three months, up from 44% in Q2 and three percentage points higher than in Q3 2025. Labour costs remained the greatest source of pressure to increase prices, cited by 29% of firms, followed by utilities at 19% and other overheads at 15%. Inflation was the most frequently reported external concern at 27%, followed closely by corporate taxation at 25%, while concern about competition edged up to 18%.

In the services sector, the price index balance score increased by one point to 71, with 42% of firms expecting to raise prices. Labour costs remained the leading source of pressure at 30%, followed by utilities at 19% and other overheads at 17%. Inflation was again the most commonly cited external concern at 27%. Concern about corporate taxation increased by five points to 25%, while concern about interest rates fell by two points to 12%.

Manufacturing businesses continued to report especially strong price pressures. Although the sector's price index balance score fell by two points, it remained high at 80, with 65% of manufacturers expecting to raise prices over the next three months. Labour costs and raw materials were the joint-leading pressures, each cited by 24%, while fuel rose by two percentage points to 17%. Inflation remained manufacturers' most frequently cited external concern, followed by corporate taxation, while concern about competition increased by five percentage points to 20%.

Nationally, inflationary pressures strengthened slightly in the year to August 2026, with CPI rising to 3.1%, up from 2.9% in July. Transport costs, particularly motor fuels, were the largest contributor to the increase, while core inflation remained elevated.



PRICE INDEX (72)

▲ 1 BALANCE CHANGE

▲45	= 53	▼2

EXTERNAL FACTORS	
INFLATION	27%
INTEREST RATES	11%
TAXATION	25%
COMPETITION	18%
BUSINESS RATES	15%
EXCHANGE RATES	4%

INVESTMENT & BUSINESS CONFIDENCE

CASHFLOW AND INVESTMENT INTENTIONS IMPROVED MODESTLY, ALTHOUGH OVERALL CONFIDENCE IN TURNOVER WEAKENED.

Investment and business confidence presented a mixed picture in Q3 2026. The overall cashflow balance score rose by two points to 47, although it remained in negative territory. Fewer firms reported a decline in cashflow, at 28% compared with 31% in Q2, while the proportion reporting an improvement increased from 20% to 23%. Overall confidence in turnover fell by two points to 71, while confidence in profitability remained unchanged at 64.

While confidence weakened slightly this quarter, investment intentions moved in a positive direction. Nevertheless, the longer-term picture remains subdued. Despite increasing by one point to 45 in Q3, the balance score for investment in equipment remained in negative territory for a seventh consecutive quarter, suggesting that businesses have remained cautious about capital expenditure for a sustained period.

Investment in training also rose by one point, returning to a balance score of 50, indicating broadly stable intentions, but remained marginally below the level recorded a year earlier.

These findings suggest that businesses are continuing to invest cautiously, balancing the need to improve productivity and workforce capability against persistent cost pressures and economic uncertainty.

Within the services sector, the balance score for cashflow increased by three points to 47. Confidence in turnover rose by one point to 73 and confidence in profitability increased by two points to 66. Investment in equipment remained unchanged at 44, while investment in training increased by two points to 50.

The manufacturing results reinforce the mixed outlook. The sector's cashflow balance score rose by six points to 54, supported by a greater proportion of firms reporting an improvement in their cashflow position. However, confidence in future turnover fell sharply by 18 points to 59, while confidence in profitability declined by five points to 50. Investment intentions also diverged: the balance score for capex increased by five points to 46, but the balance score for investment in training fell by eight points to 50.



CAPEX (45)

▲ 1 BALANCE CHANGE

▲15	= 60	▼25

TURNOVER (71)

▼ 2 BALANCE CHANGE

▲56	= 30	▼14



EMILY STUBBS

HEAD OF POLICY

GREATER BIRMINGHAM CHAMBERS OF COMMERCE

With growth remaining subdued this quarter, the Autumn Budget presents a key opportunity to address some of the barriers holding firms back.

We know that businesses continue to face significant cost pressures, alongside ongoing recruitment challenges and uncertainty about future trading conditions. In this context, government must focus on practical measures that reduce the cost of doing business, help unlock skilled talent and provide the stability needed to encourage long-term investment.

That means providing immediate relief through reform of business rates and support with energy costs, while giving firms greater certainty through a clear and stable business tax roadmap. It also means strengthening the foundations of growth through investment in skills, including continued support for employer-led initiatives such as Local Skills Improvement Plans. With export sales remaining under pressure, government should also ensure businesses across the country can access consistent, locally delivered export support to help them reach new markets and navigate growing international complexity.

Businesses across Greater Birmingham are not short of ambition. They want to invest, create jobs and seize new opportunities. The challenge for policymakers is to create the conditions that allow firms to do exactly that. A Budget that reduces business costs, supports investment and provides long-term certainty would be a welcome step towards unlocking growth across the region.

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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