



**Greater  
Birmingham**  
Chambers  
of Commerce

# QUARTERLY BUSINESS REPORT

**Q1 | 2026**



**BIRMINGHAM CITY**  
University



## RAJ KANDOLA

DEPUTY CHIEF  
EXECUTIVE OFFICER

GREATER  
BIRMINGHAM  
CHAMBERS OF  
COMMERCE

### **Our Q1 survey results paint a tentatively optimistic picture, with an uptick in advance bookings domestically and abroad, recruitment activity picking up, and training investment returning to positive territory.**

However, the escalation of conflict in the Middle East has once again thrown plans into disarray.

At the time of surveying for this report, between 9th February and 9th March, less than 9% of Greater Birmingham businesses reported pressure to raise prices as a result of fuel costs. Since then, the UK has seen rapidly rising fuel and utility costs, and anecdotally, our members are reporting freight delays as cargo is rerouted and significant increases in transport and carriage costs.

The war between the US and Iran has also severely disrupted global fertiliser supplies, causing prices of key nutrients to spike significantly, threatening global food security and significant increases to food price inflation.

Greater Birmingham businesses are resilient. Nevertheless, the economic turbulence of the last few years has eroded the capacity of many businesses to absorb these kinds of additional costs – particularly alongside domestic pressures such as changes to employment rights and increases to the National Living Wage.

As the leading voice of the Greater Birmingham business community, the Chambers are working with the British Chambers of Commerce to gather evidence on precisely how these global events and domestic pressures are impacting businesses. As ever, we will use this evidence to champion the voice of local firms and advocate for the support businesses need to weather this latest storm.

“  
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## HEIKE SCHUSTER-JAMES

ASSOCIATE DIRECTOR  
BUSINESS DEVELOPMENT

BIRMINGHAM CITY  
UNIVERSITY

### **Labour market conditions in Q1 2026 highlight growing demand alongside persistent skills challenges.**

While 25% of businesses reported workforce growth, 34% expect employee numbers to increase over the next three months, and 51% are currently recruiting. However, skills shortages continue to constrain hiring across sectors. This is particularly evident in manufacturing, where demand is stronger, with 42% of firms expecting workforce growth over the next quarter and 71% actively recruiting. However, 84% report recruitment difficulties, particularly in full-time skilled manual and technical roles. Encouragingly, investment in skills is increasing, with 25% of manufacturing businesses reporting higher training budgets (up from 11% in Q4 2025) reinforcing the need for targeted workforce development.

In this context, the government's 2026 apprenticeship reforms through the Growth and Skills Levy provide employers with greater flexibility to respond, with a clear policy focus on supporting under-25s and entry-level talent. Shorter, targeted training options such as “apprenticeship units” (1-16 weeks), alongside reduced minimum apprenticeship durations (from 12 to 8 months), enable businesses to upskill existing staff more quickly in critical areas including AI leadership, battery manufacturing, modular construction, solar energy installation, etc. This is particularly valuable for sectors like manufacturing facing acute technical skills gaps. To further support employers, Birmingham City University's Apprenticeship Levy Share Scheme offers access to fully funded training through transferred levy funds, helping to reduce costs while enabling organisations to invest strategically in workforce development.

It is also important to highlight the role of higher education in developing work-ready talent. For instance, Birmingham City University has a unique approach, which embeds STEAM into the curriculum, ensuring every student develops interdisciplinary skills alongside AI and sustainability literacy. This is fully integrated through employer-led, challenge-based learning, meaning all students gain practical experience working on real industry problems. As a result, BCU graduates combine technical capability with creativity, adaptability and applied problem-solving skills, directly supporting employers as they respond to evolving skills needs and productivity pressures.

# DOMESTIC DEMAND

## THE BALANCE SCORE FOR DOMESTIC SALES HAS WEAKENED FOR A FIFTH CONSECUTIVE QUARTER, HOWEVER THE BALANCE SCORE FOR ADVANCE BOOKINGS INCREASED TO 57.

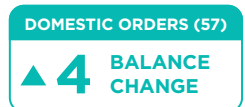
Domestic demand showed a mixed picture this quarter. Overall sales fell by one point to 56, marking a fifth consecutive quarterly decline. This fall was driven by an increase in the proportion of firms reporting constancy in their domestic sales (from 39% in Q4 2025 to 45% in Q1 2026), with the proportions reporting a decrease in sales and an increase in sales each declining. In contrast, advance bookings improved, with the balance score increasing by four points to 57, supported by fewer firms reporting a decline in bookings (19%, compared to 23% in the previous quarter). This suggests some strengthening in the short-term pipeline, with a third of firms (33%) anticipating an increase in their advance custom.

In the services sector, the balance score for domestic sales remained unchanged at 57. However, a greater proportion of services firms reported constancy in their domestic sales than in the previous quarter (44%, compared to 38% in Q4 2025). Advance bookings increased by three points to 56, with the proportion of services firms reporting a decline in advance custom reducing from 25% in the previous quarter to 20% in

Q1 2026, and an uptick in both the proportion reporting constancy (from 44% to 47%) and the proportion reporting an increase (from 31% to 33%).

Manufacturing saw a more significant drop in current domestic performance in Q1, with sales falling by eight points to 50 as 25% of firms reported a decrease in sales – up from 19% in Q4 2025 – and the proportion reporting an increase in sales declined by 9 percentage points to 25%. Despite this, forward-looking indicators were stronger; 32% of manufacturing firms reported an increase in advance bookings this quarter, up from 25% at the end of last year, increasing the balance score by five points to 60.

These subdued sales trends are broadly reflected in recent Office for National Statistics (ONS) data showing no growth (0.0%) in UK Gross Domestic Product (GDP) in January 2026.



# EXPORT DEMAND

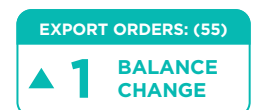
## THE BALANCE SCORE FOR EXPORT SALES INCREASED AGAIN THIS QUARTER TO THE HIGHEST FIGURE WE'VE SEEN SINCE Q1 2025.

Export demand strengthened overall this quarter, with the balance score for export sales increasing by two points to 55, the highest level since Q1 2025. This rise was primarily attributable to an increased proportion of firms reporting stable export sales (up from 53% in Q4 2025 to 56% this quarter), as the proportion of firms reporting growth remained static at 27%. Advanced bookings also edged up by one point to 55, supported by an uptick (from 23% to 29% over the quarter) in the proportion of firms reporting growth in bookings.

In the services sector, export performance weakened. The export sales balance score fell by one point to 50, the lowest level since Q2 2025, with 24% of firms reporting a decrease in sales – up from 21% in the previous quarter. Advance bookings also declined, with the balance score falling to 45, again the lowest figure seen since Q2 2025. This drop was driven by an 11 percentage point increase in the proportion of firms reporting a decline in bookings compared to last quarter – up from 16% to 27%.

Manufacturing saw a much stronger performance. Export sales increased by seven points to 64, with just 5% of firms reporting a decrease in sales – down from 18% in Q4 2025 and a recent high of 33% in Q3 2025. Advance bookings rose sharply by 14 points, with 50% of firms reporting an increase in advance bookings compared to the previous quarter, reflecting recovery from global market disruptions in 2025, and a robust pipeline of future demand.

These manufacturing sector trends broadly mirror the latest available national exports data from the ONS. In January 2026, the value of goods exports from the UK rose by £2.0 billion (6.7%), with an increase in exports to both European Union (EU) and non-EU countries.



# WORKFORCE & RECRUITMENT

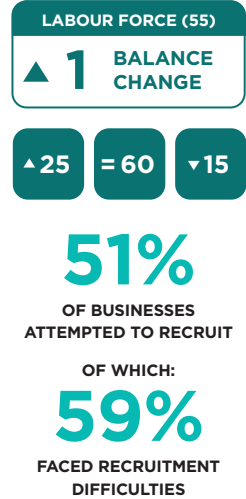
## THE WORKFORCE BALANCE SCORE INCREASED THIS QUARTER, AS RECRUITMENT DIFFICULTIES EASED.

Workforce trends showed some improvement this quarter. The workforce balance score for the past three months increased by one point, reaching its highest level since Q2 2025. Expectations for the next three months strengthened further, with the balance score rising by five points to 63, supported by an 8 percentage point increase in the proportion of firms planning to expand their workforce. Recruitment activity also picked up, with 51% of firms attempting to recruit, up from 47% last quarter and the highest figure seen since Q2 2025. At the same time, recruitment difficulties eased, with 59% of businesses reporting challenges, down 10 percentage points on the previous quarter.

In the services sector, the workforce balance score increased by two points to 57, the highest this has been since Q1 2025. Looking ahead, expectations improved further, with the balance score rising by six points to 63. Recruitment activity remained lower than the overall average, with 47% of firms attempting

to recruit, albeit this was higher than the previous quarter. 53% of services firms reported difficulties finding suitable candidates for roles, however this was down from 55% in Q4 2025.

However, manufacturing firms saw a different trend. The workforce balance score for manufacturers fell by five points to 47, its lowest level since Q4 2020, driven by a drop in firms reporting an increase in staffing levels. Despite this, expectations for the next three months improved, with the balance score increasing by four points to 65 as 42% of firms plan to add to their headcount going into Q2. Recruitment activity in the sector remained high, with 71% of firms attempting to recruit, but difficulties doing so remained widespread, with 84% reporting challenges in filling vacancies.



# PRICE PRESSURES & EXTERNAL FACTORS

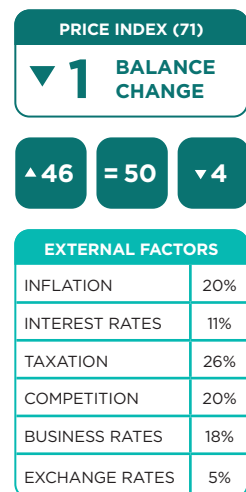
## THE PRICE INDEX BALANCE SCORE marginally DECREASED THIS QUARTER, HOWEVER LABOUR COSTS REMAIN THE MOST FREQUENT SOURCE OF COST PRESSURES FOR GREATER BIRMINGHAM BUSINESSES.

Price pressures and external factors remained elevated this quarter, although there were some signs of easing. The overall price index balance score for the coming three months fell by one point to 71, with slightly more businesses expecting prices to remain unchanged than in Q4 2025. Labour costs remained the most frequent source of cost pressures, with the proportion of firms reporting pressures to raise prices as a result of labour costs rising by five percentage points to almost a third (32%). Raw materials and other overheads followed, cited by 20% and 19% respectively, both unchanged from last quarter. Corporate taxation continued to be the biggest external source of concern for businesses, reported by over a quarter of local firms (26%), but three percentage points fewer than the previous quarter. The proportion of firms reporting concerns regarding business rates and competition increased by four points each, rising to 18% and 20% respectively. However, those citing inflation concerns fell by four percentage points to 20%.

In the services sector, the price index balance score decreased by two points to 70, with more firms expecting stable prices than in Q4.

Labour costs remained the biggest pressure for services businesses, with a third of firms citing pressure to raise prices as a result of labour costs – up by five percentage points since last quarter. Corporate taxation remained the primary external source of price pressures, however competition concerns were reported by 22% of firms, making these the second highest concern.

Manufacturing saw a different trend, with the price balance score increasing by two points to 77. Over half of firms (56%) expected to raise their prices in the next three months. As amongst their services sector counterparts, labour costs remained the most frequent cost pressure for manufacturers, reported by 30% of firms, closely followed by raw material costs, which saw a six percentage point increase in the proportion of businesses reporting concerns, bringing the total figure to 25%. Corporate taxation remained the main external source of concern for manufacturers, cited by 26% of firms, with business rates close behind, cited by 24%.



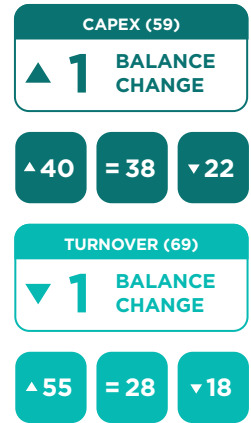
# INVESTMENT & BUSINESS CONFIDENCE

## THE CASHFLOW BALANCE SCORE DECLINED FURTHER INTO NEGATIVE TERRITORY IN Q1, HOWEVER CAPEX AND TRAINING INVESTMENT EACH SAW IMPROVEMENTS.

Investment and business confidence presented a mixed picture this quarter. Overall, the balance score for cashflow fell by four points to 40, the lowest level seen since Q4 2020, reflecting continued pressures on business finances. Business confidence saw a marginal decrease, with confidence in turnover decreasing by one point to 69, and confidence in profitability also falling by one point, to 59. Nevertheless, though still in negative territory, capital investment increased slightly, by one point to 47, with a greater proportion of firms (61%, compared to 56% last quarter) keeping their investment levels unchanged. Investment in training rose more strongly, up six points to 51, returning to positive territory after the balance score dipped at the end of last year, with fewer firms reducing their training spend and 22% revising their training spend upwards (up from 17% in Q4 2025).

In the services sector, cashflow decreased by two points to 42. Confidence indicators were mixed, with the balance score for turnover falling by three points to 69, while that for profitability increased by two points to 61. Investment activity improved, with investment in capex rising by two points to 48 – albeit remaining in negative territory – and training investment increasing by five points to 51.

Manufacturing saw a more significant decline in cashflow, falling by 13 points to 31, the same figure as seen a year ago in Q1 2025, and the joint-lowest since Q2 2020. Amongst manufacturers, the balance score for turnover rose by six points to 66, while that for profitability fell sharply by 17 points to 50. Investment in equipment decreased by six points to 42, however investment in training increased by 11 points to 52.



**EMILY STUBBS**

HEAD OF POLICY

GREATER BIRMINGHAM  
CHAMBERS OF COMMERCE

**The proportion of Greater Birmingham businesses seeking to recruit and encountering difficulties doing so fell markedly this quarter. Nonetheless 59% of firms still reported recruitment challenges and 32% cited pressure to raise prices as a result of labour costs.**

This pressure reflects several compounding factors: as employers compete for skilled talent, wage growth continues to outpace inflation; employer National Insurance increases since April last year have raised employment costs; and anticipated expansions of employer obligations under the Employment Rights Act are creating further burdens.

Reducing frictions in recruitment and upskilling remains critical to raising productivity and enabling growth. The Chamber is currently working with regional stakeholders and educators through the West Midlands Local Skills Improvement Plan to help address underlying skills shortages with a roadmap to strengthen an employer led, responsive, collaborative and future ready skills ecosystem, which ensures that more residents can access meaningful employment opportunities, and more businesses can access the skilled talent that they need.

# 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



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 (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](mailto:P.Bowyer@birmingham-chamber.com)

For more information, go to [greaterbirminghamchambers.com](http://greaterbirminghamchambers.com)

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