Greater Birmingham Chambers of Commerce

QUARTERLY BUSINESS REPORT

Q4 | 2025

BIRMINGHAM CITY University

RAJ KANDOLA

ACTING DEPUTY CHIEF EXECUTIVE OFFICER

GREATER BIRMINGHAM CHAMBERS OF COMMERCE

The latest results from our Quarterly Business Report underline a dampening of domestic activity as we close out the year. After a gradual drift across 2025, both domestic sales and advance orders eased again this quarter to their weakest levels since early 2021.

Against a backdrop of subdued national data and recent operational disruptions felt across parts of our supply chain, it is clear that many firms are navigating a more demanding trading environment.

Labour market signals also merit close attention. Fewer businesses are attempting to recruit yet hiring difficulties have intensified, especially in sectors that are critical to our export base. At the same time, while capital investment intentions have edged up, investment in training has slipped into negative territory for the first time since 2021. That should concern all of us: without sustained investment in people, the region's medium-term productivity and competitiveness will suffer.

Price pressures, meanwhile, are shifting rather than disappearing. The overall price index remains elevated, with utilities, finance costs and raw materials re emerging alongside persistently high labour costs. Anecdotally, many businesses continue to absorb these pressures rather than pass them on, further tightening cashflow.

Although headline export balances improved this quarter – particularly in manufacturing – we should treat this with caution. Ongoing tariff announcements by the US administration risk adding fresh volatility to international demand and planning cycles for local exporters.

If the government is serious about unlocking growth in 2026, we need a stable policy environment that avoids further tax burdens on business and prioritises measures that crowd in investment, boost skills and accelerate energy efficiency. As ever, the Chamber will continue to connect, support and grow our business community, and ensure the voice of local firms is heard in Westminster and beyond.

HEIKE SCHUSTER-JAMES

ASSOCIATE DIRECTOR BUSINESS DEVELOPMENT

BIRMINGHAM CITY UNIVERSITY

Domestic demand declined further in the latest quarter, in line with the weakening trend observed throughout the year.

In Q4, 37% of businesses reported higher sales (down from 44% in Q1), while 24% reported declines – the highest since Q1 2021. In contrast, export conditions improved, indicating a recovery after mid-year weakness. The share of firms reporting increased export sales rose to 27% in Q4, up from 20% in Q3 and in line with Q1, while export orders and bookings increased to 23%, compared with 15% in Q3.

Workforce levels remained broadly stable, but recruitment continued to weaken. Around a quarter of businesses increased their staff in the past three months, yet only 26% expect workforce growth ahead, down from 37% in Q1, while 10% anticipate reductions (up from 6% in Q3). Fewer firms are recruiting (47%, the lowest since Q1 2021), but among those hiring, difficulties have intensified, with 69% reporting problems filling vacancies.

Business confidence showed modest improvement, though remains below early-year levels. Cashflow strengthened in Q4, with 20% of firms reporting improvements compared to 15% in Q3. Confidence in turnover strengthened modestly, with 55% expecting turnover to improve over the next 12 months, however 15% expect conditions to worsen. Expectations for profitability also improved slightly to 43%, though this remains below levels recorded at the start of the year.

In the West Midlands, universities are helping businesses respond to economic pressures through initiatives such as CreaTech Frontiers, led by Birmingham City University with academic and cultural partners. The programme provides funding, mentoring, R&D labs, and access to specialist facilities, enabling creative SMEs to innovate in areas like immersive technologies, AI, and gaming, while building skills and supporting business growth.

> **“If the government is serious about unlocking growth in 2026, we need a stable policy environment that avoids further tax burdens on business and prioritises measures that crowd in investment, boost skills and accelerate energy efficiency.”**

DOMESTIC DEMAND

THE BALANCE SCORE FOR DOMESTIC SALES HAS WEAKENED THIS QUARTER TO 57, FOLLOWING A GRADUAL DECLINE THROUGHOUT THE YEAR.

Domestic demand weakened in the latest quarter, with combined overall sales falling by three points to 57 – the lowest balance score recorded since Q1 2021, following a gradual decline throughout the year. This fall was driven by an increase in the number of firms reporting a decrease in sales and a reduction in those reporting an increase. While the balance remains above 50, indicating that more firms are still seeing growth than decline overall, the change suggests that demand has become noticeably weaker. Advanced bookings also fell, down five points to 53. This drop was again caused by fewer firms reporting an increase in bookings and more reporting a decrease, indicating that demand over the next quarter may continue to decline.

The services sector followed a similar pattern to the overall economy. Sales in services fell by three points to 57 this quarter. The proportion of firms reporting an increase in sales dropped by one percentage point, while the proportion reporting a decrease rose from 20% in Q3 to 24% in Q4. Advanced bookings in services fell more sharply, down five points to 53. A quarter of services firms reported a decrease in bookings – up from 17% last quarter and 16% in Q4 2024. Although the balance remains positive, the fall in bookings points to slower sales growth ahead for the sector.

Manufacturing showed more stability than services over Q4, though some weakening in demand was still evident, as sales fell by one point this quarter to 58. This small fall was due to fewer firms reporting an increase in sales (down from 38% in Q3, to 34% in Q4), and more reporting constancy (up from 44% to 47%). Advanced bookings in manufacturing fell by three points to 55. As with sales, the fall was driven by fewer firms reporting an increase in bookings and more firms (59%, compared to 53% in Q3) reporting no change.

The QBR results are supported by recent national data from the Office for National Statistics. UK GDP fell by 0.1% in October 2025, following a 0.1% fall in September and constancy in August. This was weaker than expected, as economists had forecast a 0.1% increase in October. At a sector level, services output fell by 0.3% in October, while construction output fell by 0.6%. Recent economic performance was also affected by temporary but significant disruptions, including the impact of the JLR cyber-attack and subsequent shutdowns through late August and September, which weighed on output and supply chains. In addition, uncertainty around the Autumn Budget and proposed Employment Rights Bill have led to hesitancy in business investment, further dampening economic activity.

DOMESTIC SALES (57)

▼ 3 BALANCE CHANGE

▲37 | =39 | ▼24

DOMESTIC ORDERS (53)

▼ 5 BALANCE CHANGE

▲30 | =46 | ▼23

EXPORT DEMAND

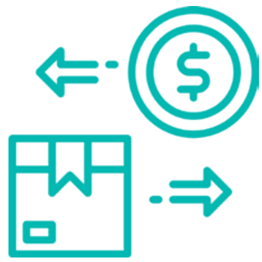
THE BALANCE SCORE FOR EXPORT SALES INCREASED THIS QUARTER, TO THE HIGHEST WE'VE SEEN SINCE Q1 OF THIS YEAR, AFTER THREE CONSECUTIVE QUARTERS OF DECLINE.

Export demand strengthened in the latest quarter, with overall export sales increasing by five points to 53. This is the highest level recorded since Q1 this year and marks a return to positive territory since Q3. Over a quarter of firms reported an increase in export sales – up from a fifth in Q3 – while fewer firms reported a decrease, driving the overall rise. Forward-looking indicators also improved, with overall advanced export bookings increasing by six points to 54. This is the strongest reading since Q4 2024 and reflects 23% of firms reporting increases in bookings, compared to just 15% in Q3, suggesting improved export demand heading into the next quarter.

Export performance in the services sector was more mixed. Export sales fell slightly by one point to 51. This small fall was caused by more firms reporting a decrease in export sales (up from 18% in Q3 to 21% in Q4), but largely offset by an increase in the proportion reporting an increase (21% in Q3 and 24% in Q4). Despite the slight drop, the balance score remains marginally positive. Advanced bookings in services increased by two points to 51, as a result of more firms (almost two-thirds of those surveyed) reporting constancy in bookings, indicating that while growth remains subdued, conditions have stabilised compared to the previous quarter.

Manufacturing saw a strong improvement in export performance this quarter, as the proportion of firms reporting an increase in export sales almost doubled from 17% in Q3 to 32% in Q4. As a result, the manufacturing balance score for export sales increased sharply by 15 points to 57. Advanced export bookings also rose significantly, up 12 points to 59. The percentage of firms reporting an increase in bookings was almost three times higher than last quarter, pointing to a strong pipeline of future export demand.

These local export trends are supported by recent national trade figures from the Office for National Statistics. Total UK goods exports rose to £31.0 billion in October, up £1.5 billion, or 5.2%, compared to September. Exports to non-EU countries increased by £1.3 billion, or 8.6%, to £16.3 billion, while exports to EU countries rose by £0.2 billion, or 1.7%, to £14.7 billion. Overall export levels remained relatively unchanged later in October, suggesting that gains were concentrated earlier in the month. PMI data indicates that recent growth in the services sector was driven mainly by domestic demand, with exports of services making little contribution. This aligns with the QBR findings, where export growth was driven largely by manufacturing, while services exports showed only limited movement.



EXPORT SALES (53)

▲ 5 BALANCE CHANGE

▲27 | =53 | ▼20

EXPORT ORDERS: (54)

▲ 6 BALANCE CHANGE

▲23 | =62 | ▼15

WORKFORCE & RECRUITMENT

THE WORKFORCE BALANCE SCORE WAS UNCHANGED THIS QUARTER, HOWEVER THE PERCENTAGE OF LOCAL BUSINESSES ATTEMPTING TO RECRUIT HAS DECREASED.

The workforce balance score over the past three months remained unchanged from last quarter, at 54. This reflects gradual growth in staffing levels, with a majority of firms maintaining constancy in their headcount (60%) and a quarter increasing staff numbers. Looking ahead to the next three months, expectations have weakened slightly. 10% of local firms now expect their workforce to decrease (compared to 6% in Q3), causing the balance score to fall by one point to 58 – the lowest score since Q4 2020. Recruitment activity has also slowed.
The percentage of firms attempting to recruit fell to 47, reaching its lowest level since Q1 2021. Despite fewer firms trying to recruit, hiring difficulties have increased sharply. In the past three months, 69% of firms reported experiencing difficulties filling vacancies, up from 60% in Q3 and the highest level recorded since Q4 2023.

The workforce balance score in the services sector remained unchanged at 55 this quarter, with most firms reporting no change in their headcount. Expectations for the next three months weakened slightly, with the balance score falling by one point to 57 as 10% of firms expect their workforce to decrease. Recruitment activity in services continues to decline. Only 45% of services firms attempted to recruit, down one point on the previous quarter and continuing the steady decline seen since Q4 2024. At the same time, hiring difficulties have increased, with 62% of services firms reporting challenges filling roles, up from 59% last quarter.

On the other hand, the manufacturing sector showed some improvement in the workforce balance score over the past three months increasing by two points to 52. This was driven by an increase in the percentage of firms reporting workforce growth – up from 23% in Q3 to 34% in Q4 – albeit somewhat offset by a rise in the proportion of firms reporting a decrease (from 23% to 31% over the quarter). However, expectations for the next three months weakened noticeably. 13% of manufacturing firms now expect to reduce staffing levels, causing the forward-looking balance score to fall by four points to 61. Recruitment activity in manufacturing dropped sharply, although remains above that in the services sector, with 63% of firms attempting to recruit, down from 77% last quarter. Hiring difficulties in the sector remain extremely high. 95% of manufacturing firms reported difficulties filling vacancies, up from 67% in the previous quarter. It should be noted that this figure is based on a relatively small sample size and therefore can be subject to volatility.

These findings broadly align with recent Office for National Statistics labour market data. Nationally, the employment rate for those aged 16–64 stood at 74.9%, slightly lower than the previous quarter, while the unemployment rate increased to 5.1%. In the West Midlands, the employment rate rose by 0.2 percentage points to 73.6%, and the unemployment rate fell by 0.2 points to 5.9%, although it remains above the UK average. Vacancies across the country remained high at around 729,000 and were broadly unchanged, indicating that recruitment challenges persist despite weaker overall employment.

LABOUR FORCE (54)

▶ 0 BALANCE CHANGE

▲25 =60 ▼16

47%

OF BUSINESSES ATTEMPTED TO RECRUIT

OF WHICH:

69%

FACED RECRUITMENT DIFFICULTIES

PRICE PRESSURES & EXTERNAL FACTORS

THE PRICE INDEX BALANCE SCORE MARGINALLY INCREASED THIS QUARTER, WITH ALMOST HALF OF THOSE SURVEYED EXPECTING TO INCREASE THEIR PRICES.

The price index balance score increased by 2 points this quarter to 72, with 49% of businesses expecting to increase their prices over the next 3 months. Labour costs remain the biggest pressure facing businesses overall, although the proportion of firms suffering pressures to raise prices as a result of labour costs fell by five percentage points compared to last quarter.

Utilities have now become the second highest reported cost pressure, cited by 20% of firms, overtaking other overheads. This increase is perhaps to be expected given the time of year and higher seasonal energy usage. Pressures linked to finance costs and raw materials also both increased this quarter, each rising by two percentage points to 12. The largest external factor of concern for businesses remains corporate taxation, which remained unchanged at 29%. Inflation remains the second highest external concern, although it fell by two points to 24%. This decrease was expected, as inflation steadied during the survey period and has since fallen further, with ONS reporting CPI inflation dropping to 3.2% in November, down 0.4 percentage points and the lowest level since March. The percentage of businesses reporting concerns around interest rates increased by four percentage points to 13%, highlighting ongoing sensitivity to borrowing costs. Whilst interest rates were expected to fall further later in the year, the reduction did not occur until after the survey period.

In the services sector, labour costs remain the highest pressure on businesses, despite falling by five points compared to last quarter. Pressure from utilities increased by two points to 21, making it the second highest cost pressure for services firms. Corporation tax is the highest external factor of concern, reported by 30% of firms (up from 29% in Q3). Inflation remains the second highest concern, although reports fell by two percentage points to 24%.

In manufacturing, labour costs also remain the highest cost pressure, although they fell by two points to 26, while all other cost pressures were unchanged. Corporate taxation remains the main external concern, reported by 28% of manufacturers. Concerns around competition fell sharply, down seven percentage points to 10%, while concerns about business rates increased significantly to 20%, double the level seen last quarter.

PRICE INDEX (72)

▲ 2 BALANCE CHANGE

▲49 =47 ▼5

EXTERNAL FACTORS	
INFLATION	24%
INTEREST RATES	13%
TAXATION	29%
COMPETITION	16%
BUSINESS RATES	14%
EXCHANGE RATES	4%

INVESTMENT & BUSINESS CONFIDENCE

AS CASH FLOW CHALLENGES APPEARED TO EASE SLIGHTLY, CAPITAL INVESTMENT INCREASED THIS QUARTER, THOUGH INVESTMENT IN TRAINING DECLINED SHARPLY.

Overall cashflow improved in the latest quarter, with the balance score increasing by three points to 44. This increase was driven by 20% of firms reporting an improvement in cashflow (up from 15% in Q3) and fewer reporting a deterioration in their cashflow position (31%, compared to 34% in Q3). Nevertheless, the balance score remains in negative territory for a third consecutive quarter. The turnover balance score also edged up, increasing by one point to 70, showing a small improvement in confidence compared to the previous quarter. The balance score for profitability followed a similar pattern, rising by one point to 60. While these increases are modest, they indicate a slight improvement in sentiment after several quarters of decline.

Nevertheless, investment intentions were mixed. Investment plans for equipment increased by two points to 46, reflecting a rise in the proportion of firms planning to increase spending from 12% to 18%, but also slightly more planning to cut back than in Q3. In contrast, investment in training fell sharply, down six points to 45, as 27% of businesses revised their plans for training investment downwards. Following a sustained decline since the start of 2024, this marks the first time the training investment balance score has fallen into negative territory since Q1 2021.

Within the services sector, cashflow improved this quarter, with the balance score increasing by three points to 44. Business confidence for turnover increased by two points to 72, while confidence in profitability remained unchanged at 59. Investment intentions were mixed, with the balance score for equipment investment rising by two points to 46, while the balance score for training investment fell by four points to 46.

Manufacturing firms also reported an improvement in cashflow, with the balance score increasing by two points to 44. Business confidence for turnover fell sharply over the quarter, down seven points to 58, its lowest level since Q3 2022. In contrast, confidence in profitability increased by seven points to 67. Investment plans strengthened for equipment, with the balance score rising by three points to 48, while investment in training fell significantly, down 15 points to 41.

CAPEX (46)

▲ 2 BALANCE CHANGE

▲18 | =56 | ▼26

TURNOVER (70)

▲ 1 BALANCE CHANGE

▲55 | =30 | ▼15

**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.*

EMILY STUBBS

HEAD OF POLICY

GREATER BIRMINGHAM CHAMBERS OF COMMERCE

We began 2025 from a relatively firm starting point for both export sales and orders, but with early signs of exports softening amid emerging US tariff uncertainty – the US being the UK's single biggest trading partner.

Through Q2, export sales eased further and export orders slipped into negative territory, despite manufacturers reporting a rise in export sales – consistent with firms accelerating fulfilment ahead of anticipated US tariff changes.

Despite increased US tariffs being partially mitigated by a new US-UK trade deal, by Q3, headwinds intensified, with both export sales and advanced bookings in negative territory. Our reporting linked weaker export performance to turbulence in international markets, compounded locally by a cyberattack on cornerstone automotive manufacturer Jaguar Land Rover in late August.

As of Q4 2025, headline export balances have re-entered positive territory, led by a strong manufacturing sector rebound. Part of this is likely attributable to post restart activity across automotive supply chains.

Looking ahead, ongoing uncertainty concerning potential US tariffs – amid wider geopolitical turbulence – risks renewed volatility in transatlantic trade. The Chamber will continue to work with members on compliance and market diversification, whilst advocating on behalf of impacted businesses.

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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