



**Greater
Birmingham**
Chambers
of Commerce

QUARTERLY BUSINESS REPORT

Q2 | 2025



BIRMINGHAM CITY
University



RAJ KANDOLA

ACTING DEPUTY
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GREATER
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CHAMBERS OF
COMMERCE

The results from our latest Q2 Quarterly Business Report underline the continued impact of domestic and international developments on the local business community.

In particular, export activity has been quite clearly impacted by the USA's new tariff regime. With the National Insurance measures kicking in at the start of April, it was perhaps also no surprise to see firms reporting additional challenges related to cashflow, and investment in capital expenditure the lowest on record since the start of 2021 as the UK grappled with the fallout from the pandemic. In particular, cost pressures linked to the challenges posed by hiring staff are a stark reminder of the uncertainty caused by the introduction of the Employment Rights Bill and the unintended consequences that could come to light as the Bill passes through Parliament.

Nevertheless, it was also reassuring to see that domestic sales activity along with turnover and profitability projections remain broadly in line with the previous quarter – which in itself is a testament to the ongoing resilience displayed by businesses across the region. Recognising the challenges that SMEs are facing across the region, the Greater Birmingham Chambers of Commerce has recently launched the Business Growth Studio – a toolkit packed with cutting-edge resources focused on the critical pillars of business growth. It features essential tools, expert insights and practical workshops to help SMEs navigate the current landscape – please visit our website to find out more.

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HEIKE SCHUSTER-JAMES

HEAD OF PARTNERSHIP
DEVELOPMENT

BIRMINGHAM CITY
UNIVERSITY

The Q2 2025 survey results point to continued stabilization in business activity, following the growth seen in late 2024.

The majority of businesses in Greater Birmingham noted no change in the volume of export sales and orders over the quarter, however, fewer than one in four respondents reported an uplift. This trend was particularly pronounced in the services sector, where only 15% of firms reported increased export sales (-10 pp from Q1 2025), while 67% indicated sales remained steady.

On the domestic front, the proportion of businesses reporting higher sales dropped from 44% in Q1 to 36% in Q2, and those seeing increased orders fell from 40% in Q1 to 31% in Q2. Despite these decreases, around half of all businesses indicated no change in the volume of sales and orders.

Labour market trends reflect caution – just 26% of businesses reported workforce growth in Q2, and while 52% were attempting to recruit, only 29% expected their workforce to grow in the next three months. Investment intentions have also weakened. Fewer businesses reported increased investment in equipment and training, with only 13% (-8pp from Q1) and 16% (-7pp from Q1) respectively indicating an uptick over the past quarter. This moderation aligns with a broader decline in business confidence.

The proportion of businesses expecting an increase in turnover fell to 52% (-9pp from Q1), while only 41% anticipated improved profitability (-7pp from Q1) – the lowest levels recorded over the past three years. Notably, however, expectations around price stability have improved: 58% of respondents now expect the price of goods and services to remain unchanged, up 13% from the previous quarter.

Corporate taxation continued to be a major concern, with 32% of businesses (+6 pp from Q1 2025) highlighting it as a key challenge, adding further pressure on overall business confidence.

Birmingham City University's Business Services have been developed to offer support to businesses and organisations of all sizes, across all sectors, locally, nationally and internationally. To help you find and enquire about the business support your organisation needs quickly and easily go to www.bcu.ac.uk/business.

DOMESTIC DEMAND

THE BALANCE SCORE FOR DOMESTIC SALES IS 60, HAVING FALLEN FOR A SECOND CONSECUTIVE QUARTER.

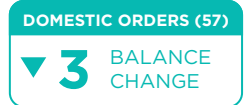
In Q2 2025, almost half of all firms reported constancy in domestic sales, with this proportion rising by 12 percentage points to 48%. 36% reported an increase in their domestic sales – down from 44% in Q1 and 16% cited a decline (compared to 20% in Q1).

24% of manufacturers reported a decrease in domestic sales this quarter. Nevertheless, this figure is almost half that seen in Q1 (41%), with a significantly higher proportion of manufacturers reporting constancy in their UK sales (40%, compared to 28% in Q1). 36% of manufacturers indicated that they had experienced an increase in UK sales in Q2 2025 – also higher than in Q1 (31%). As such, the balance score for domestic sales amongst manufacturers has returned to positive territory at 56 points.

The services sector also saw increased constancy in UK sales, from 37% in Q1 to 49% in Q2 of 2025. This was driven largely by fewer firms reporting increased sales, (36%, compared to 45% in Q1) and a slight decline in the proportion of services businesses citing a

decrease in UK sales (15% compared to 17%). Consequently, the balance score for domestic demand amongst services sector firms decreased by 3 points to 61.

These figures are reflected in April's national Gross Domestic Product (GDP) data from the ONS. Monthly real GDP is estimated to have fallen by 0.3% in April 2025, marking the steepest monthly decline since October 2023. The ONS said a poor month for the services sector (which declined by 0.4%) was behind the contraction. In April, employers' National Insurance Contributions and water, energy and council tax bills all rose. Despite this, construction output grew by 0.9% and the announcement of multiple large infrastructure projects across the UK in the Government's Spending Review will likely boost confidence and growth in construction further in the coming months.



EXPORT DEMAND

THE BALANCE SCORE FOR EXPORT SALES DECREASED FOR A SECOND CONSECUTIVE QUARTER TO 52, AND THE BALANCE SCORE FOR EXPORT ORDERS FELL INTO NEGATIVE TERRITORY.

Across both sectors combined, this quarter saw an increase in the proportion of businesses reporting a decrease in export sales, from 15% in Q1 to 20% in Q2. 56% of businesses maintained their export sales (compared to 58% in Q1), whilst 24% saw an increase (compared to 27% in Q1).

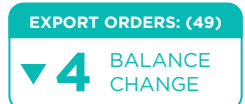
The decline in the overall balance score was precipitated by a 10-point decrease in the export sales balance score for services sector firms to 48. This is the first time this figure has entered negative territory since Q3 2022, driven by 19% of services firms citing a decline in export sales (up from just 10% in Q1) and only 15% reporting an increase (compared to 25% in Q1).

Conversely, manufacturing sector businesses saw increased growth in export sales. 39% of manufacturers saw an increase – up from 33% in Q1 – and the same percentage reported constancy – just below the 40% recorded in Q1. This could be a result of firms rushing to fulfil orders before new American tariffs took effect.

Looking ahead at international orders, the overall balance score fell by 4 points to 49, entering negative territory for the second time in a year – the first being Q3 of 2024. Prior to that, the balance score last entered negative territory

in Q1 of 2021, during the midst of the Covid-19 pandemic. This was caused by the balance score amongst services sector businesses falling by 11 points to 44. Just 11% of services firms reported an increase in export orders in Q2, compared to 23% in Q1. Further, 22% reported a decline (compared to 15% in Q1).

Underpinning overall trends in Greater Birmingham, HMRC data shows that the total value of goods exports from the UK saw a £6.2bn (16%) decrease between March and April 2025 and the value of goods exports from the UK to the USA fell by £3.8bn. This is largely attributable to US tariff announcements made between mid-March and mid-April. In May, the UK government agreed a deal with the US administration on partial tariff reductions, as well as a new strategic partnership with EU leaders, intended to support bilateral trade. The coming months will allow us to better understand the impact of such measures on Greater Birmingham businesses.



WORKFORCE & RECRUITMENT

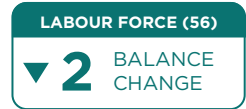
IN Q2 2025, THE WORKFORCE BALANCE SCORE FELL BY 2 POINTS TO 56, AND THE PROPORTION OF FIRMS EXPERIENCING RECRUITMENT DIFFICULTIES INCREASED TO 61%.

26% of Greater Birmingham businesses increased their headcount in Q2 2025 (down from 27% in Q1) whilst 60% maintained current staffing levels (down from 61%) and 13% decreased the size of their workforce (up from 11% last quarter). Looking ahead, 66% of respondents anticipate their workforce remaining stable over the next three months – a 10 percentage point increase since Q1 – and only 5% expect their headcount to decrease, compared to 8% in Q1. However, the proportion of those anticipating increasing their workforce has seen an 8 percentage point decline to 29%. Increased constancy is expected by firms across both the services sector, in which 68% are anticipating maintaining current staffing levels (up from 57% in Q1) and the manufacturing sector, where 54% are expecting headcounts to remain stable (up from 43% the previous quarter).

Whilst 52% of firms attempted to recruit in Q2, this represents a slight decline from the 55% recorded in Q1. This figure is comprised of 49% of services sector businesses – the lowest proportion since Q1 2021 – and 72% of manufacturers. Overall, 61% of these businesses experienced recruitment difficulties (up by 1 percentage point since the previous quarter), with 42% struggling to find new staff for professional/managerial roles, and 30% experiencing difficulties recruiting for skilled manual/technical roles.

57% of services sector firms experienced recruitment difficulties, a marginally higher proportion than the 56% reporting difficulties in Q1, alongside 75% of manufacturing sector firms, albeit the latter figure represented a 14 percentage point decrease since the previous quarter.

Over the year, since Q2 2024, the workforce balance score has declined by 3 points, but it remains in positive territory. Meanwhile, the latest available data from the ONS* suggests that in the period February to April 2025, compared with the same period last year (February to April 2024), the employment rate in the West Midlands decreased by 1.5 percentage points to 72.2%, the unemployment rate remained static at 5.2% and economic inactivity increased by 1.5 percentage points to 23.8%. These figures highlight stark differences between the regional labour market and the national picture, in which employment increased by 0.7 percentage points to 75.1% and economic inactivity declined by 0.2 percentage points to 21.3%. Surveying by the ONS also suggested that some firms (nationally) may not be recruiting new workers or replacing workers who have left, reflecting concerns raised by Chambers of Commerce across the country about the potential impact of increases in costs associated with employment announced at the Autumn Budget.



**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 DECREASED BY 6 POINTS TO 70 IN Q1 2025 WITH MORE FIRMS ANTICIPATING CONSTANCY IN THE PRICE OF GOODS AND SERVICES.

The proportion of businesses anticipating a need to raise their prices gradually increased between mid-2024 and the start of 2025, reaching 53% in Q1 of this year. However, in Q2 2025 a significantly lower proportion of Greater Birmingham Businesses (41%) expected to increase the price of goods and services over the next three months. Instead, over half – 58% – of the local business community is anticipating prices remaining stable, representing an increase of 13 percentage points since the previous quarter and the highest figure seen since a year ago in Q2 2024. This trend was seen in both the services and manufacturing sectors, with 58% of services firms (up from 46% in Q1) and 63% of manufacturers (up from 40% in Q1) anticipating constancy in their pricing.

Unsurprisingly, given increases to employer National Insurance Contributions and the National Minimum and Living Wages which took effect in April, labour costs were the most frequent source of price pressures, identified by 34% of respondents (up from 32% last quarter and 30% a year ago). Similarly, the most prevalent external factor impacting business confidence was corporate taxation, as cited by

32% of firms. Concerns about corporate taxation have increased significantly since Q3 2024, prior to the Autumn Budget. This time last year, in Q2 2024, just 15% of local businesses expressed concerns about corporate taxation. Inflation was the second most frequently reported concern, expressed by 22% of respondents, which represents a slight uptick of 1 percentage point since Q1, but a drop of 4 percentage points from Q2 of last year.

The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.0% in the 12 months to May 2025, compared with 4.1% in the 12 months to April. However, inflation concerns are likely reflective of persistent wage inflation and broader geopolitical uncertainty. Annual growth in employees' average earnings continues to outpace inflation, at 5.2% for regular earnings (excluding bonuses) and 5.3% for total earnings (including bonuses) in April. Looking further afield, many businesses and stakeholders – including the Bank of England – have also expressed concerns about the potential impact of conflict in the Middle East on supply chains and energy prices.



EXTERNAL FACTORS	
INFLATION	22%
INTEREST RATES	8%
TAXATION	32%
COMPETITION	20%
BUSINESS RATES	13%
EXCHANGE RATES	5%

INVESTMENT & BUSINESS CONFIDENCE

THE BALANCE SCORES FOR TURNOVER AND PROFITABILITY BOTH DECREASED FOR A THIRD CONSECUTIVE QUARTER, WHILE THE BALANCE SCORE FOR CAPITAL EXPENDITURE FELL TO 46.

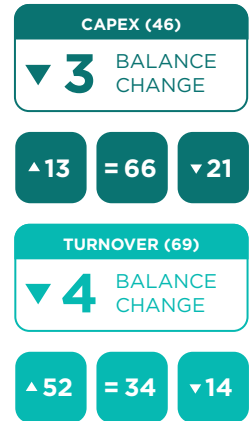
Investment intentions continued to decline in Q2 2025, with the balance score for capex investment across both sectors combined diving deeper into negative territory at 46 (down from 49 in Q1), and the combined score for training investment teetering on the edge of positive territory at 51 (down from 52 last quarter). Both these scores are the lowest seen since Q1 2021, during which the country was experiencing its third Covid-19 lockdown.

Investment plans for capital expenditure saw contraction in both the services and manufacturing sectors. The services sector balance score decreased by 2 points to 47. The proportion of services businesses maintaining constancy in their capex investment plans increased from 56% in Q1 to 68% in Q2, and though the proportion decreasing capex investment declined from 23% to 19% over the quarter, the proportion increasing capex investment also fell, from 21% to 13%. In the manufacturing sector, the balance score for capital expenditure remained stable at 44, with a majority of manufacturing sector firms maintaining investment (54%, compared to 53% in Q1), 29% decreasing investment (compared to 30% in Q1) and 17% increasing investment (the same as in Q1).

In regards to training expenditure, the services sector saw an even greater increase in the proportion of firms maintaining their levels of investment,

from 58% in Q1 to 73% in Q2, taking the balance score for the sector down 3 points to 51. On the other hand, the balance score for training spend amongst manufacturing sector firms rose by 12 points to 52, precipitated by an almost three-fold increase in the proportion of businesses revising their investment plans for training upwards, from 10% in Q1 to 29% in Q2.

Across both sectors combined, sentiment about turnover and profitability projections have both declined. Once again, this can be attributed to an increase in the proportion of firms expecting constancy in these metrics. 34% of businesses this quarter expect their turnover to remain the same (a 10 percentage point increase since Q1), while 38% of firms expect their profitability to remain consistent (an 11 percentage point increase since the last quarter) over the next 12 months. This trend was reflected in both sectors. 38% of services sector firms and 40% of manufacturers expect to see constancy in their profitability in the next 12 months – up from 26% and 36% respectively in the first quarter of the year.



**EMILY
STUBBS**

HEAD OF POLICY

GREATER BIRMINGHAM
CHAMBERS OF COMMERCE

It was unsurprising to see a notable increase in the number of local firms citing concerns around the impact of Corporate Taxation this quarter.

At the start of April, we saw the changes to employer National Insurance Contributions announced in the Autumn Budget come into effect, alongside adjustments to the National Minimum and Living Wages – all of which are likely to add to the huge cost pressures many firms face on a daily basis. There was hope that the recent Comprehensive Spending Review might offer some respite for those looking to the Government for a plan to unlock long term growth and there were certainly elements which ticked the right boxes.

For example, the money allocated to the West Midlands Mayor to unlock private sector investment for the proposed Sports Quarter is likely to be a game changer for the region if delivered effectively. Likewise, additional funding for tackling skills gaps is likely to be welcomed, along with more funding directed towards research and development, artificial intelligence, defence and housing. Nevertheless, in the short term this will do little to alleviate the huge overheads stifling business investment and economic growth. On this point, it's clear that the Chancellor will need to use the 2025 Autumn Budget to establish a roadmap for decreasing employer National Insurance Contributions, meaningfully reform business rates and revisit elements of the Employment Rights Bill to ensure we create a pathway to prosperity.

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 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 E.Stubbs@birmingham-chamber.com

For more information, go to greaterbirminghamchambers.com

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