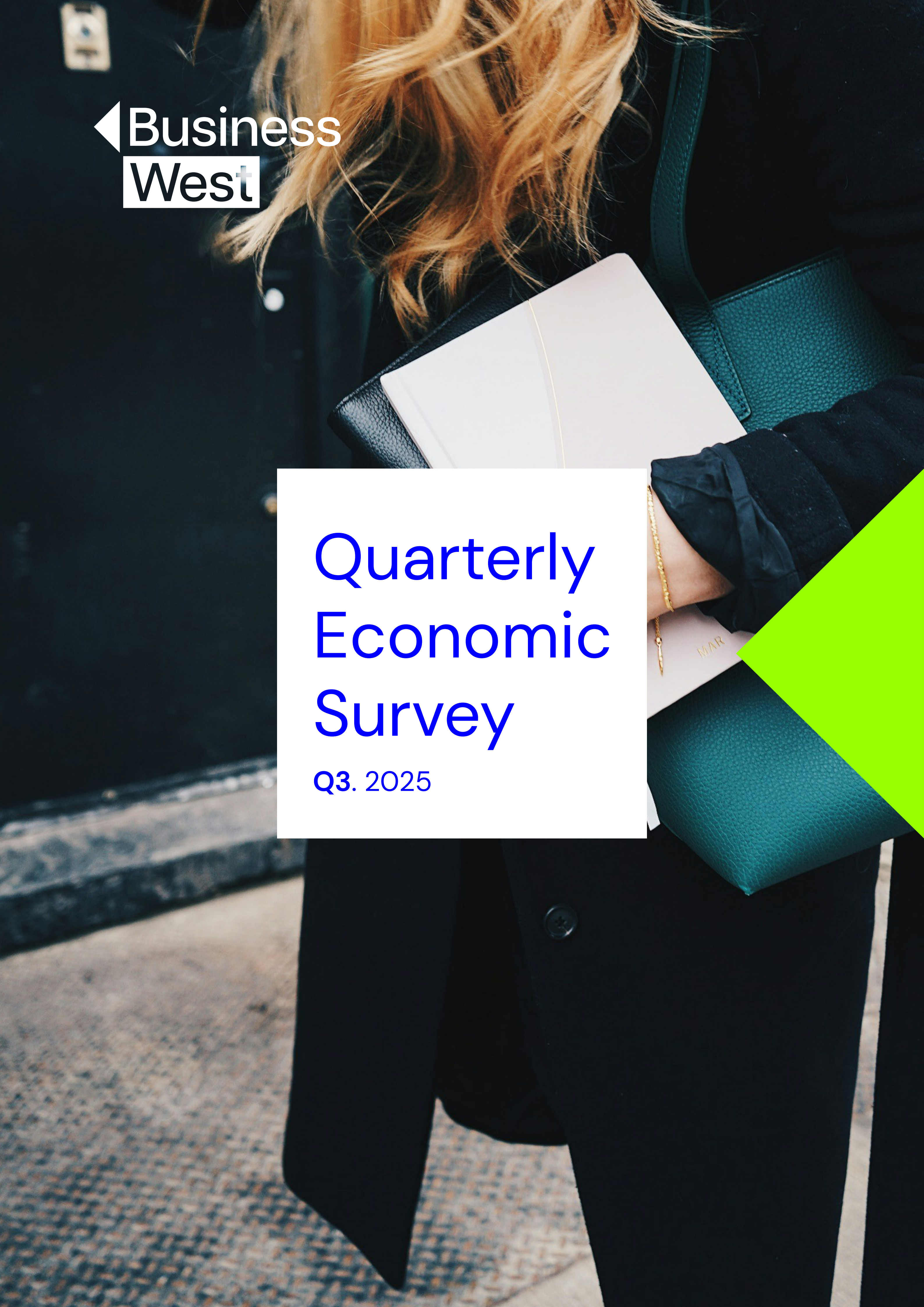


Quarterly Economic Survey

Q3. 2025

THIS
QUARTER

Business West is a business leadership and support organisation, driving long-term prosperity for businesses and the South West region.

It runs the Chambers of Commerce for Bristol, Bath, Gloucestershire and Wiltshire as an accredited member of the British Chambers of Commerce. Leaders and staff from businesses completed the latest quarterly economic survey, one of the longest-running surveys of its kind.

We thank all respondents for their time in completing the survey, which provides invaluable up-to-date insight into the trends and state of business health for the South West.

EXECUTIVE SUMMARY

The results of Q3 2025 showed some moderate improvements across several metrics, slightly reversing some of the declining trends present since the beginning of the year. However, business sentiment and expectations about the UK economy remain subdued. This quarter's report reflects concerns about the current economic context with ongoing challenges linked to domestic and international sources.

WORKFORCE AND SKILLS

Recruitment activity saw an increase compared to the previous quarter. 41% of respondents attempted to recruit new staff in the past three months, up from 30% in the previous quarter. However, the majority of businesses (59%) did not seek to hire new employees. 67% of businesses reported challenges in finding suitable candidates.

BUSINESS CONFIDENCE

Confidence in individual business prospects improved in Q3 2025 with a net balance of 11%, a welcome rise from -3% in the previous quarter.

SALES

Domestic sales remained in negative territory but showed some improvement in Q3 2025 with 21% of participants reporting an increase in sales, 40% indicating no change, and 31% recording a decline. The overall domestic sales net balance rose to -9% from -20% in the last quarter.

INTERNATIONAL SALES

The net balance for export sales stood at -8%, rising from -19% in Q2 2025.

SOURCES OF CONCERN

General economic conditions and business uncertainty remained the top concerns for 76% and 71% of businesses respectively. Concerns about taxation followed as the third most mentioned issue by 49% of respondents. Other notable concerns include inflation, competition, and business rates.

PROFITABILITY

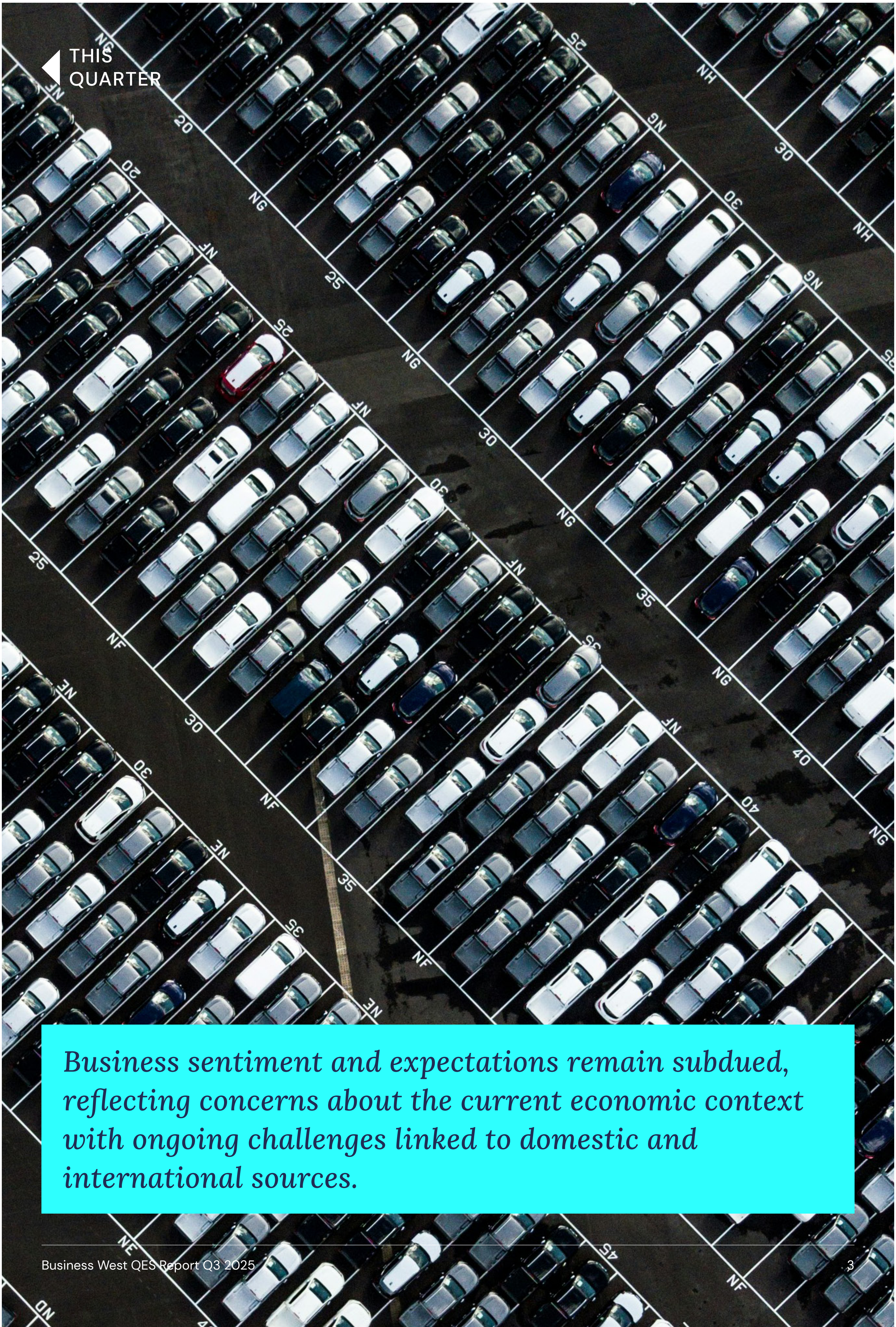
Profitability forecasts for the next 12 months presents a slighltly more optimistic outlook in Q3 2025, with 35% of participants expecting improvement, 30% anticipating stability, and 36% foreseeing decreases.

BUSINESS CONFIDENCE

BUSINESS OWNER CONFIDENCE Q3	BUSINESS OWNER CONFIDENCE Q2
11%	-3%

£ PROFITABILITY

35%	30%	36%
Businesses expecting improvement in profitability	Businesses expecting stability in profitability	Businesses expecting a decrease in profitability



Business sentiment and expectations remain subdued, reflecting concerns about the current economic context with ongoing challenges linked to domestic and international sources.

BUSINESSES COMMENTARY

Qualitative evidence from Q3 2025 points to a further softening in sentiment across the region. Three pressures dominate: a heavier tax and regulatory burden, fragile demand, and elevated operating costs.

Many firms anticipate additional measures in the Autumn Budget and report holding back investment and hiring as a result.

As one South Gloucestershire retailer put it, ***"Very concerned about the autumn budget…"***, while an engineering business in Gloucestershire noted, ***"NI (National Insurance) increases have hit smaller businesses… we expect more tax rises, which will further decrease confidence."***

Demand conditions remain uneven and short-term. Discretionary consumption, (items that people want but do not need) are most exposed, with clients trading down, delaying purchases and compressing lead times. A hospitality firm in Gloucestershire reported, ***"Lead times are even shorter… clients avoid paying deposits as they face cashflow problems,"*** and a North Somerset retailer observed, ***"Customers have less expendable income, it's hitting both B2B and B2C orders."***

Cost inflation continues to erode margins, particularly labour, energy, insurance and logistics. Several respondents describe cash preservation tactics, including VAT deferrals, director pay cuts and moving from commercial premises to home working.

A Devon hospitality operator reported ***"operating cost[s]… increased by 35% across the board,"*** while a Wiltshire manufacturer highlighted rising shipping costs and staff reductions to protect viability.

International headwinds persist. Firms report ongoing Brexit-related frictions, skills constraints linked to EU mobility, and renewed tariff uncertainty affecting US-facing exporters. One Gloucestershire services firm said, ***"Export to the USA is not viable due to tariffs and politics,"*** and a Bristol manufacturer cited ***"uncertainty over EV adoption weighing on automotive supply chains."***

Despite the challenging backdrop, there are pockets of resilience. Some manufacturers and professional services firms maintain healthy order books, while export exposure provides insulation for those who have been able to increase their international sales.

A subset of businesses is adapting through pricing architecture, efficiency drives, AI adoption and direct-to-customer channels. As a Wiltshire manufacturer noted, social media has delivered ***"record numbers of website orders,"*** signalling that commercial agility can still unlock growth in selective niches.

Many firms anticipate additional measures in the Autumn Budget and report holding back investment and hiring as a result, while cost inflation continues to erode margins.

WORKFORCE AND EMPLOYMENT

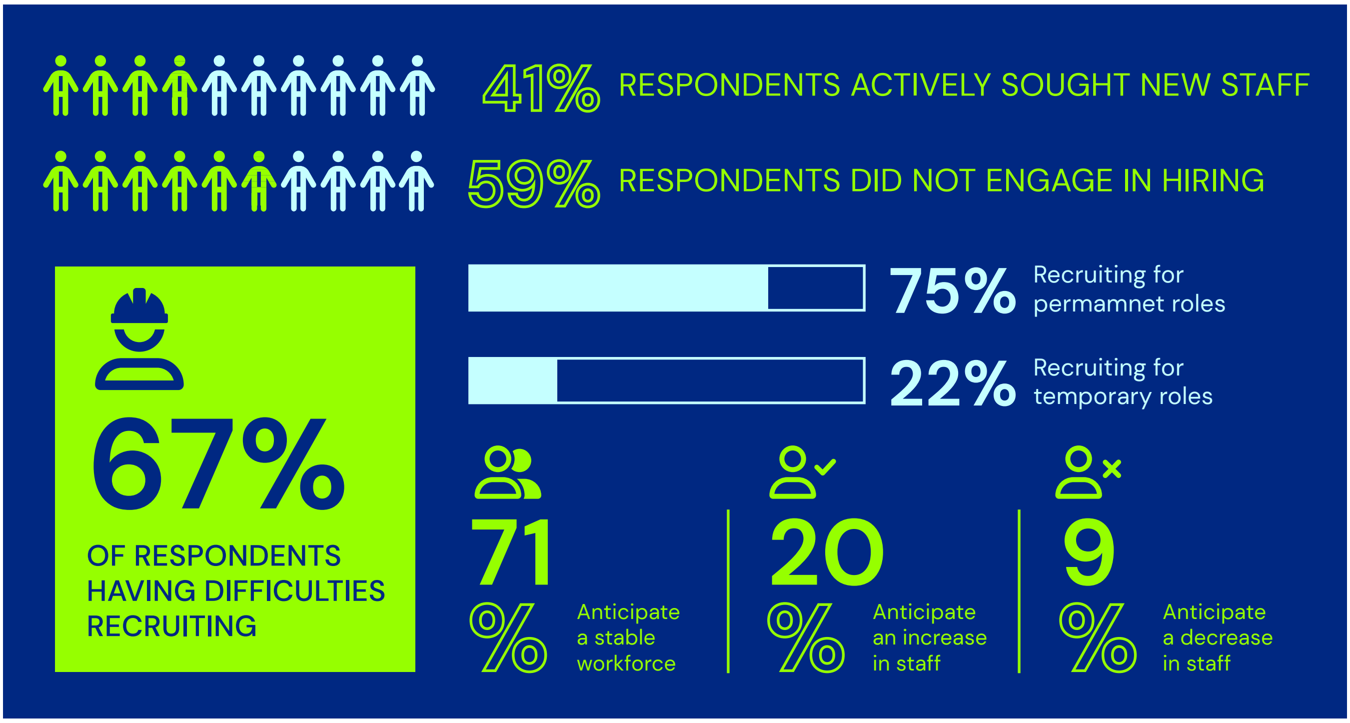
During the third quarter of 2025, recruitment activity showed a slight uptick. Almost half of respondents (41%) reported attempting to recruit new staff in the past three months, up from 30% in the previous quarter. However, the majority of businesses (59%) did not seek to hire new employees, suggesting a continued cooling of the labour market.

Among businesses engaged in recruitment, full-time positions remained the most prevalent, with 75% of respondents looking to hire for these roles. Permanent positions were also prominent, reported by 57% of respondents. Part-time opportunities accounted for 46% of recruitment efforts, while temporary positions accounted for 22% of responses.

Difficulties in recruitment persisted, with 67% of businesses reporting challenges in finding suitable candidates. The most significant difficulties were observed in recruiting for skilled manual and technical roles (55%), followed by professional and managerial positions (51%). Challenges were also noted in recruiting for semi-skilled and unskilled workers (38%) and clerical roles (9%).

Looking forward, the majority of businesses anticipate no change in workforce size, with 71% expecting to maintain current staffing levels over the next three months. By contrast, 20% of respondents anticipate an expansion of their workforce, while 9% expect staff numbers to decline.

Almost half of respondents (41%) reported attempting to recruit new staff in the past three months, up from 30% in Q2.

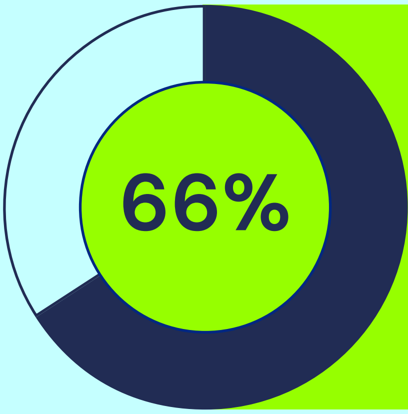


PRICES AND INFLATION

Price stability continued for most businesses in Q3 2025. Around two thirds of respondents (66%) reported that their prices remained constant over the past three months. In contrast, 28% indicated price increases, while a smaller proportion (6%) reported price reductions.

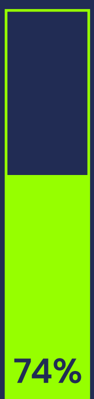
Labour costs continue to be the primary driver of upward price pressures, cited by 74% of respondents. Other significant contributors include utilities (50%) and raw materials (43%). Fuel costs (26%), other overheads (24%), finance costs (15%), and import costs (15%) were also identified as sources of pricing pressure.

Looking forward, the majority of businesses (62%) anticipate maintaining current price levels over the next three months. Nevertheless, 34% of participants expect to increase their prices, while only 3% foresee a decrease.



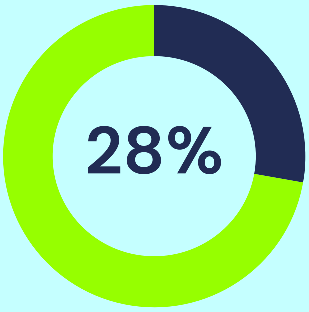
PRICING

...of businesses reported prices had remained constant.

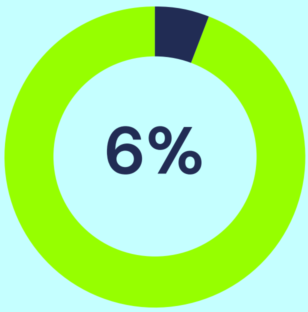


LABOUR COSTS

Labour costs remain a primary driver of upward price pressures for businesses among other consistent pressures.



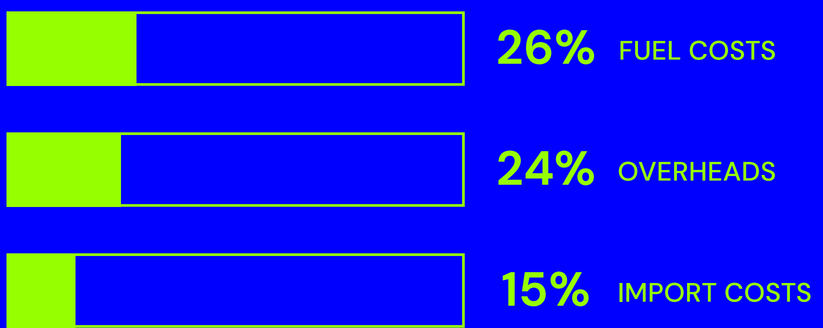
...of businesses indicated price **INCREASES.**



...of businesses indicated price **REDUCTIONS.**

OTHER CONCERNS

Fuel costs, other overheads, finance costs and import costs were also identified as sources of pricing pressure and concern for businesses.



DOMESTIC MARKET

Domestic sales showed some improvement in Q3 2025, with their respective net balance rising to -9% from -20% in the previous quarter. Overall, 21% of participants reported an increase in sales, 40% indicated no change, and 31% recorded a decline.

UK orders followed a similar pattern, with the net balance at -13% compared to -15% in Q2. Within this, 17% of businesses reported higher order volumes, 32% reported no change, and 31% experienced a fall.

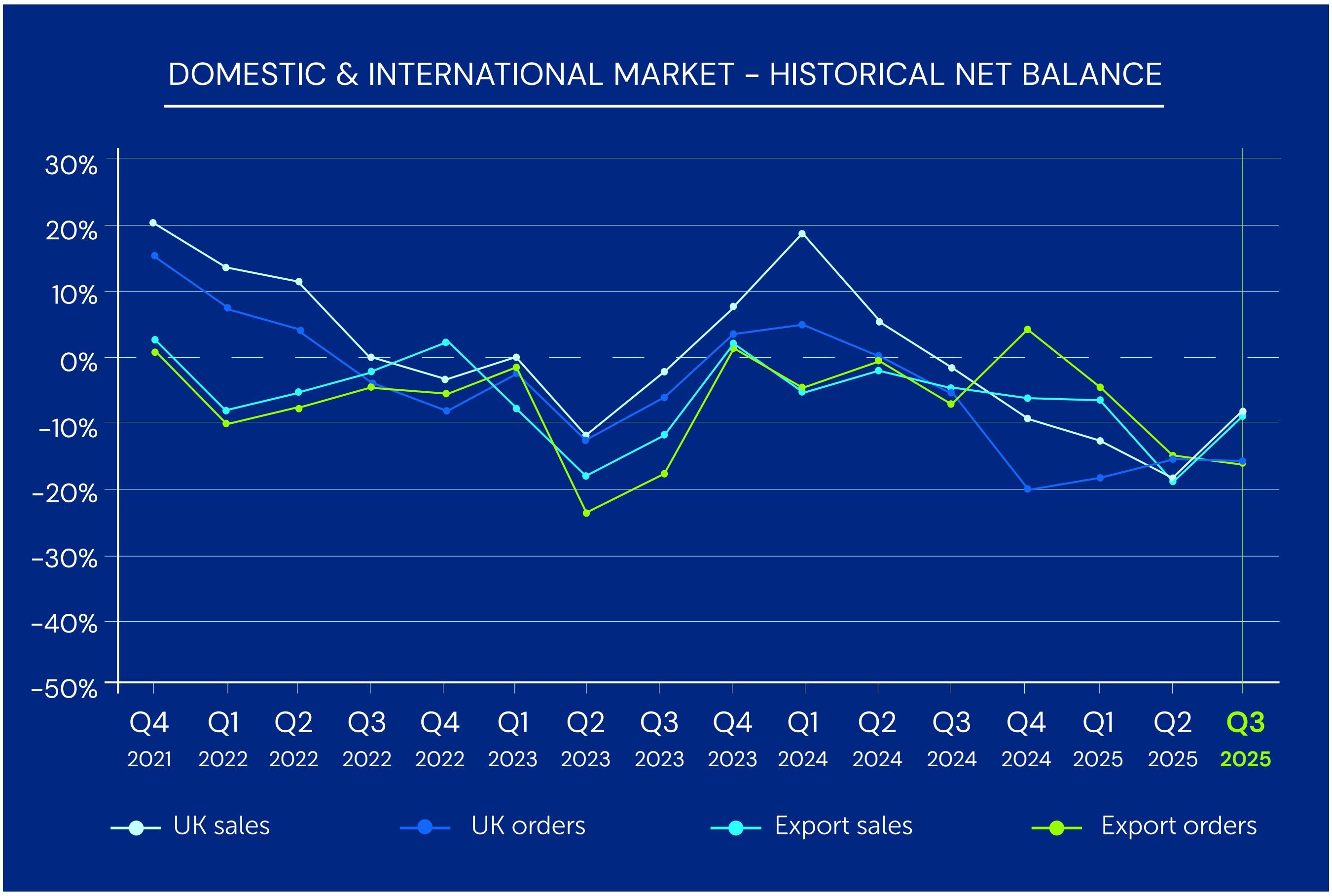
Sectoral differences were not that prominent during Q3 2025. In the service sector, the domestic sales net balance stood at -10%, while UK orders registered -15%.

Among manufacturers, domestic sales and orders were slightly stronger with a net balance of -7% and -11%, respectively.

£ Net balance for UK sales Q3 2025 **-9%**

21% Businesses reporting an **INCREASE** in sales.

31% Businesses reporting a **DECREASE** in Q3 2025 sales.



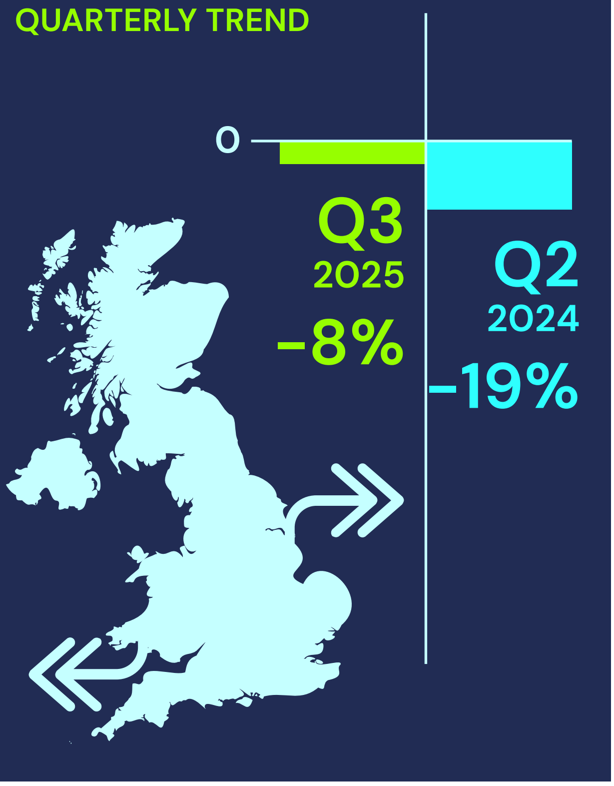
INTERNATIONAL MARKET

International trade results remained in negative territory during Q3 2025, though some improvement was noted compared to the previous quarter. The export sales net balance rose to -8% up from -19% in Q2.

Across respondents, 6% reported an increase in exports, 20% indicated no change, and 15% experienced a decline. Export orders also strengthened slightly, with their net balance at -13% compared with -15% in the previous quarter. In this case, 3% of businesses reported higher order volumes, 18% recorded no change, and 17% saw a decrease.

NET EXPORT SALES

2025
QUARTERLY TREND



Sectoral results show a mixed picture. In the service sector, the net balance for export sales stood at -10% with export orders also at -13%. Among manufacturers, export sales were somewhat stronger at -4%, while export orders registered a net balance of -14%.

SERVICE SECTOR BALANCE EXPORT SALES

Q3 2025
-10%

13% REPORT AN INCREASE
17% REPORT A DECREASE

INTERNATIONAL MARKET	%
Europe	90%
North America	60%
Central & South America	23%
Middle East	43%
China	21%
Southeast Asia	28%
Central Asia	16%
Africa	20%
Australasia	41%

CASH FLOW

Cash flow challenges persist during Q3 2025. For all respondents, the net balance for cash flow was -25%, with 17% of businesses reporting increased cash flow and 42% experiencing a decline.

From a sectoral perspective, results are in line with the figures of Q2 2025, with manufacturers and service sector businesses reporting a cash flow net balance of -23% and -26%, respectively.

RESPONDENTS NET BALANCE CASH FLOW Q3 2025

17% ▲ **INCREASED** cash flow | **42%** ▽ **DECREASED** cash flow

PROFITABILITY AND TURNOVER

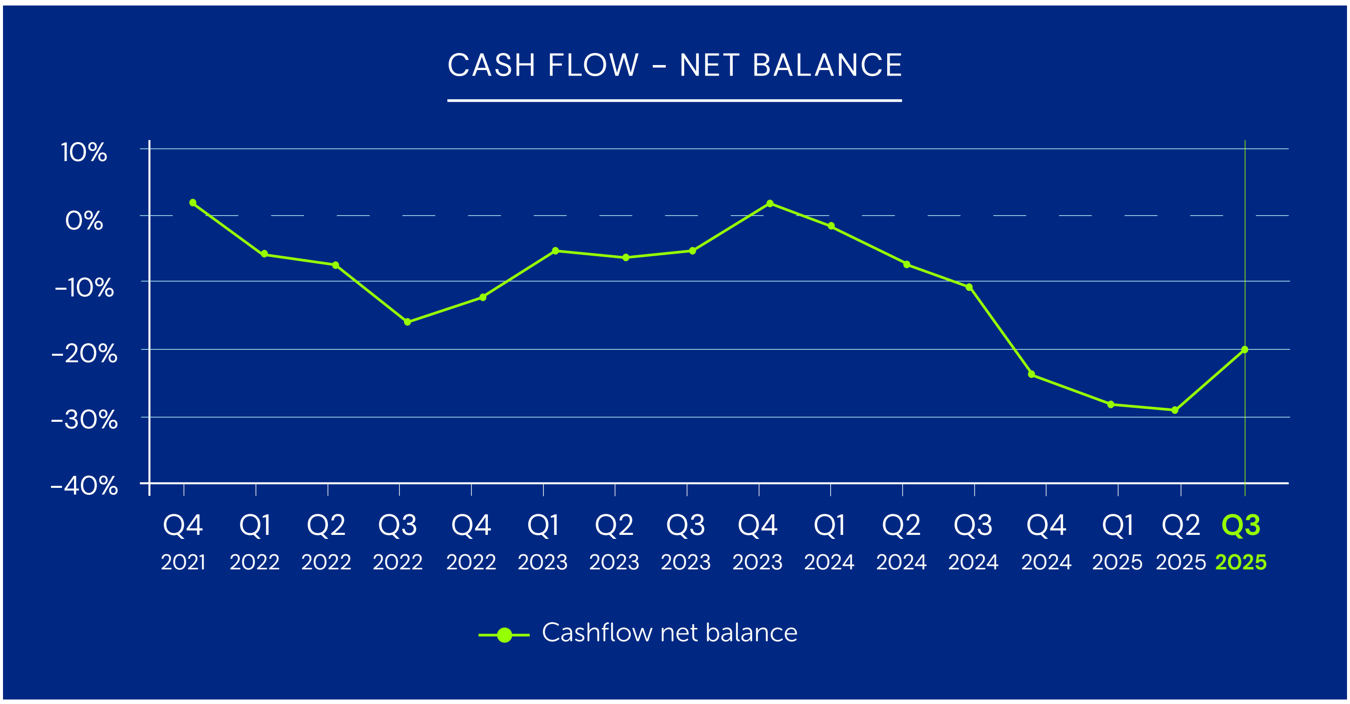
Expectations for profitability improved in Q3 2025. Over the next 12 months, 35% of participants anticipate an increase, 30% expect no change, and 36% foresee a decline.

This represents a slightly more positive outlook compared with the previous quarter, when only 27% of respondents expected their profits to rise, while 47% predicted decreases.

Turnover expectations also strengthened. Looking ahead, 45% of respondents expect an improvement in turnover, 34% foresee no change, and 22% predict a decline. By comparison, in Q2 2025 the figures stood at 37%, 33%, and 30% respectively.

TURNOVER

45% RESPONDENTS ANTICIPATE IMPROVEMENTS | 34% RESPONDENTS EXPECT STABILITY | 22% RESPONDENTS EXPECT DECLINE



FINANCE AND INVESTMENT

Business investment intentions remained weak in Q3 2025, though some categories showed signs of improvement. The net balance for planned investment in plant, machinery and equipment stood at -25%, compared with -30% in the previous quarter.

Investment plans for office and property space also improved, rising to -15% from -24%. The net balance for training investment intentions is unchanged at -15%, while research and development edged up to -5% from -9%.

THE NET BALANCE FOR PLANNED INVESTMENT IN PLANT, MACHINERY AND EQUIPMENT STOOD AT -25%.

In Q3 2025, access to finance remained broadly stable. Six per cent of respondents reported an improvement in the availability of their access to funding, 37% noted no change, and 14% experienced a deterioration.

In addition, 22% of businesses expressed concerns about their current financial position.

6% of respondents reported an improvement in the availability of their access to funding, 37% noted no change, and 14% experienced a deterioration.

SOURCES OF CONCERN

In Q3 2025, businesses continued to face a range of challenges, with general economic conditions remaining the prominent concern for 76% of respondents.

This mirrored the results from Q2 2025 and reflects persistent anxiety about the wider economic environment. General business uncertainty was also a significant issue, cited by 71% of respondents, again consistent with the previous quarter.

Taxation remained a notable concern, identified by almost half of businesses (49%). Other challenges included inflation, reported by 38% of respondents, and labour market conditions, cited by 24%.

Competition (26%) and business rates (23%) were also sources of concern. Finally, exchange rates were highlighted by 12% of respondents, likely reflecting the exposure of some businesses to currency fluctuations.

Taxation remains a notable concern, identified by almost half of businesses (49%). Other challenges included inflation, reported by 38% of respondents, and labour market conditions 24%.

General economic conditions

76% GENERAL BUSINESS UNCERTAINTY

23% Concerns about BUSINESS RATES

49% Concerns around TAXATION

38% Concerned about INFLATION

26% Concerned about COMPETITION

12% Concerned about EXCHANGE RATE

CONFIDENCE: THE NEXT 12 MONTHS

Business confidence improved moderately in Q3 2025. Looking ahead to the next 12 months, 42% of participants reported being confident about their own prospects, 27% were neutral, and 31% expressed a negative outlook. This produced a net balance of 11%, up from -3% in the previous quarter.

By contrast, confidence in the prospects of the UK economy remained negative. Only 8% of respondents reported a positive outlook, while 26% were neutral and 66% were negative. The resulting balance was -58%, down from -46% in Q2 2025, indicating a further deterioration in sentiment towards the wider economy.

CONFIDENCE IN THE UK ECONOMY NET BALANCE:

Q2. 2025: -46%

Q3. 2025: -58%

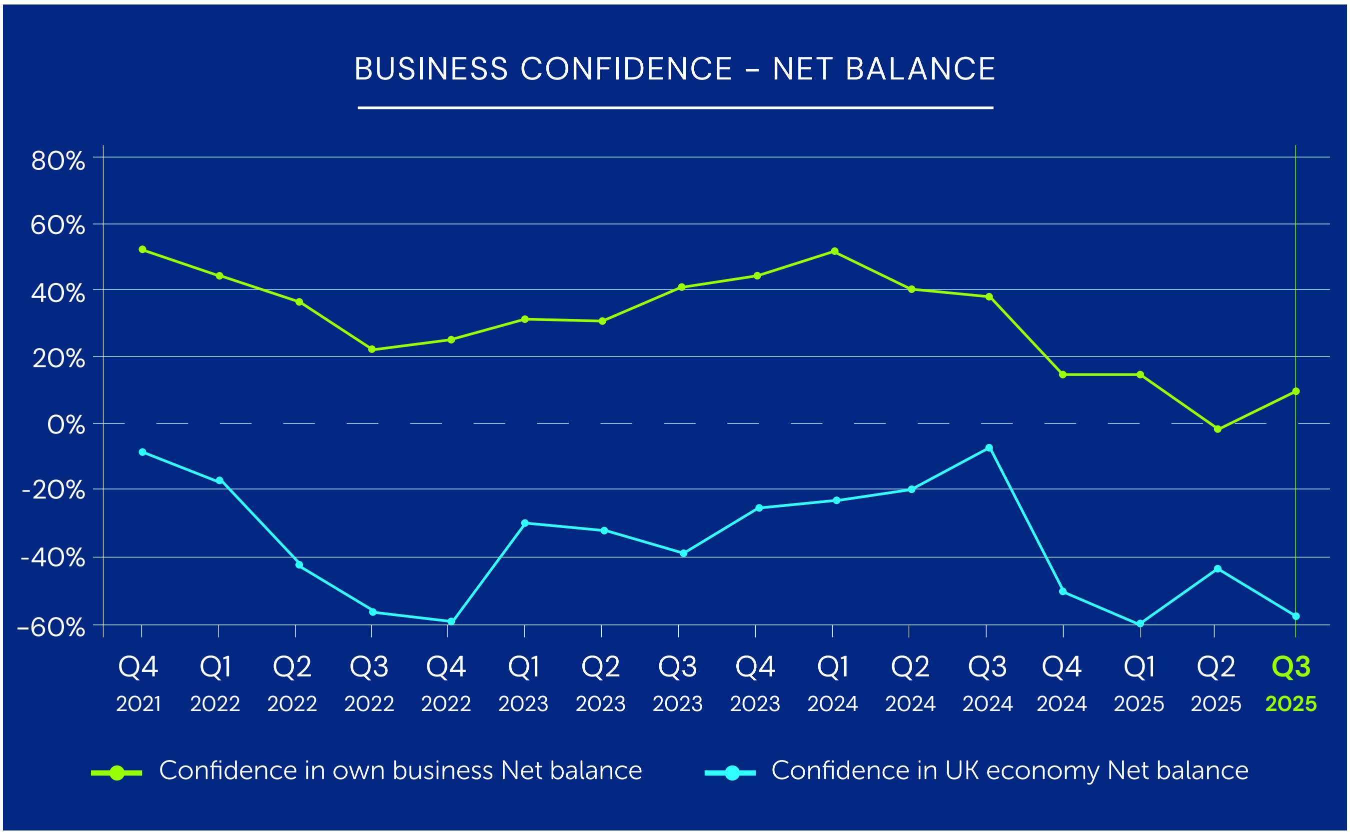
NEGATIVE TREND

CONFIDENCE IN OWN BUSINESS

-3% Q.2 2025

11% Q.3 2025

POSITIVE TREND



BUSINESS PROFILES

Most respondents are smaller businesses, over half have an annual turnover of under £500,000, and 27% between £1 – 10 million. The vast majority of respondents (69%) are limited companies.

Geographically, 45% of the respondents are from the 'West of England' area (22% of these are in the narrower City of Bristol area), another 14% are located in Swindon and Wiltshire, 17% in Gloucestershire, and 23% are from the wider South West region.

Our respondents are significantly more likely to be exporters than the general UK business community, making up 42% of the results.

MANUFACTURING SECTOR BUSINESSES COMPRISE THE FOLLOWING CATEGORIES:

Agriculture, Fishing, Mining & Utilities, Construction, Energy, Engineering, and Manufacturing.

SERVICE SECTOR BUSINESSES COMPRISE THE FOLLOWING CATEGORIES:

Consumer Services, Education, Environmental Services, Financial Services, Health & Social Work, Hotels, Accommodation & Catering, IT Services, Legal Services, Marketing & Media, Other Professional & Business Services, Public & Voluntary Services, Real Estate, Recreation & Leisure, Retail & Wholesale, and Transport, Storage & Distribution.

NET BALANCE

Net balance figures in this report and the graphs are calculated by subtracting the percentage of respondents reporting decreases in a factor from the percentage of respondents reporting increases.

Research and reporting conducted by Gustavo Guntren.

All questions and comments about the material are welcome to:

policy@businesswest.co.uk

OUR QUARTERLY FINDINGS: Q3 2025

	SERVICES	MANUFACTURING	OVERALL	TREND
UK SALES	-10%	-7%	-9%	▲
UK ORDERS	-15%	-11%	-13%	▲
EXPORT SALES	-10%	-4%	-8%	▲
EXPORT ORDERS	-13%	-14%	-13%	▲
CURRENT WORKFORCE	0%	-5%	-2%	▲
FUTURE WORKFORCE	8%	18%	11%	▲
BUSINESS CONFIDENCE	7%	16%	11%	▽
CONFIDENCE IN ECONOMY	-60%	-54%	-58%	▽

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