



Business
West

Quarterly Economic Survey

Q2. 2025



Business West, a business leadership and support organisation, helps companies **grow, innovate and export**. Everything it does contributes to making the South West the best place to **live, learn and work**.

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, the longest running survey of its kind which is used by the Bank of England as one of the first economic indicators of each quarter.

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



EXECUTIVE SUMMARY

The results of Q2 2025 show an overall continuation in the decline in optimism among businesses already present at the beginning of 2025. The report reflects concerns about the current economic context with ongoing challenges linked to domestic and international sources.

WORKFORCE AND SKILLS

Recruitment activity saw a decline compared to the previous quarter. Just over 30% of businesses reported attempting to recruit staff in the past three months, while 67% did not engage in hiring activities. 67% of businesses reporting challenges in finding suitable candidates.

BUSINESS CONFIDENCE

Confidence in individual business prospects continued to fall in Q2 2025 with a net balance of -3%, a notable drop from 14% in the previous quarter.

SALES

The net balance for UK sales was -20%, with 21% of businesses reporting an increase and 41% experiencing a decrease.

INTERNATIONAL SALES

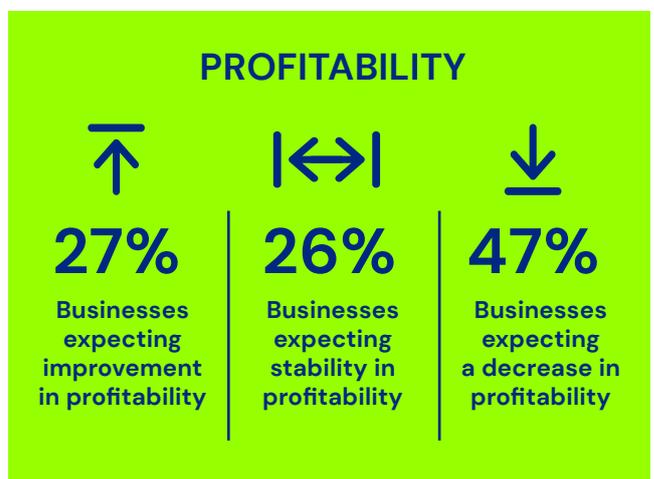
The net balance for export sales stood at -19%, a considerable drop from -7% on Q1 2025.

SOURCES OF CONCERN

General economic conditions and business uncertainty remain the top concerns, with 77% and 72% of businesses respectively. Concerns about taxation remains the third most mentioned issue by 45% of respondents. Other notable concerns include inflation, competition, and interest rates.

PROFITABILITY

Profitability forecasts for the next 12 months remain pessimistic in Q2 2025, with 27% expecting improvement, 26% anticipating stability, and 47% foreseeing decreases.



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BUSINESSES COMMENTARY

The latest qualitative insights from our quarterly economic survey highlight several significant themes influencing businesses sentiment in the region.

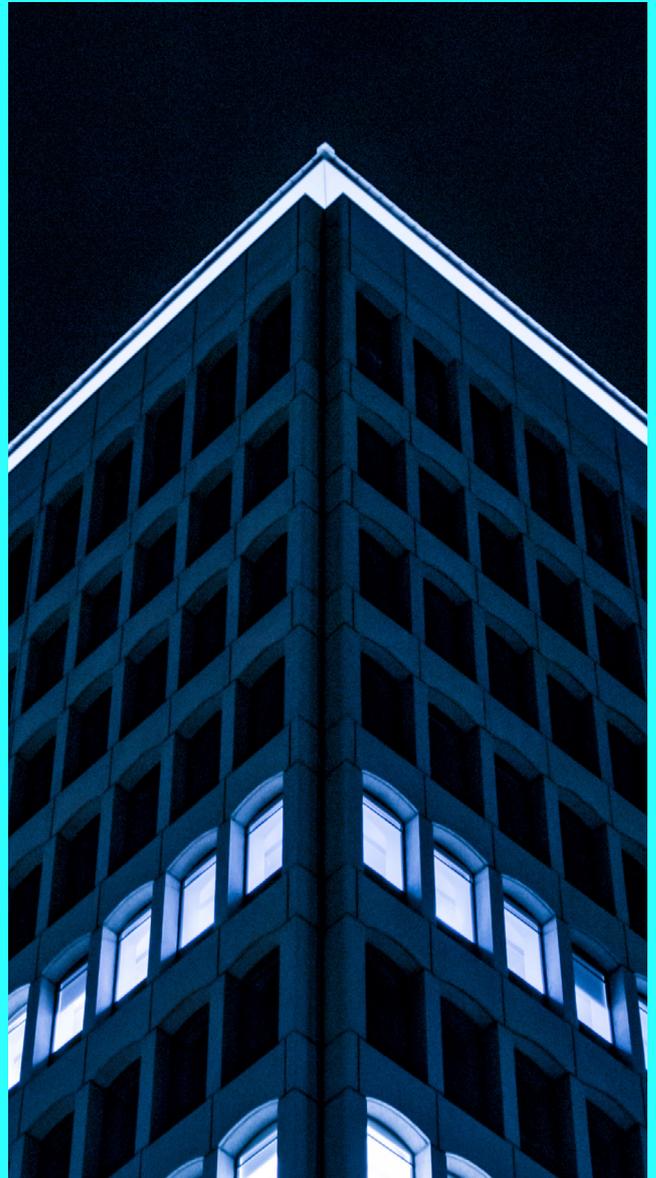
DOMESTIC MARKET

A prominent concern among businesses is reduced demand driven by broader economic uncertainty. Rising costs and tight cash flows are pushing both consumers and businesses to exercise more restriction in their expenses. A retail business in Wiltshire captures this sentiment: *"We have a firm foundation but will struggle to match 2024 sales as consumers are being careful with their cash."*

In parallel, heightened competition in an increasingly constrained market environment is pressing businesses to lower margins to remain competitive. An engineering company based in Bristol notes, *"It is becoming harder to win work as other companies are trying to undercut prices."*

Skills shortages persist as a barrier to growth. Businesses across sectors consistently report challenges in recruiting adequately skilled staff. Highlighting this, a Bristol-based education sector business states, *"We are confident in growth potential, but this will only succeed if we can get skilled staff."*

Additionally, changes in employer national insurance contributions and increases in the minimum wage are perceived as detrimental to profitability and economic growth. A health and social work business from South Gloucestershire observes: *"All small businesses I talk to have the same view—employer's national insurance and the minimum wage have stripped margins to the bone and clients cannot absorb or do not want to absorb the increases."*



Concern among most businesses is reduced demand driven by broader economic uncertainty.

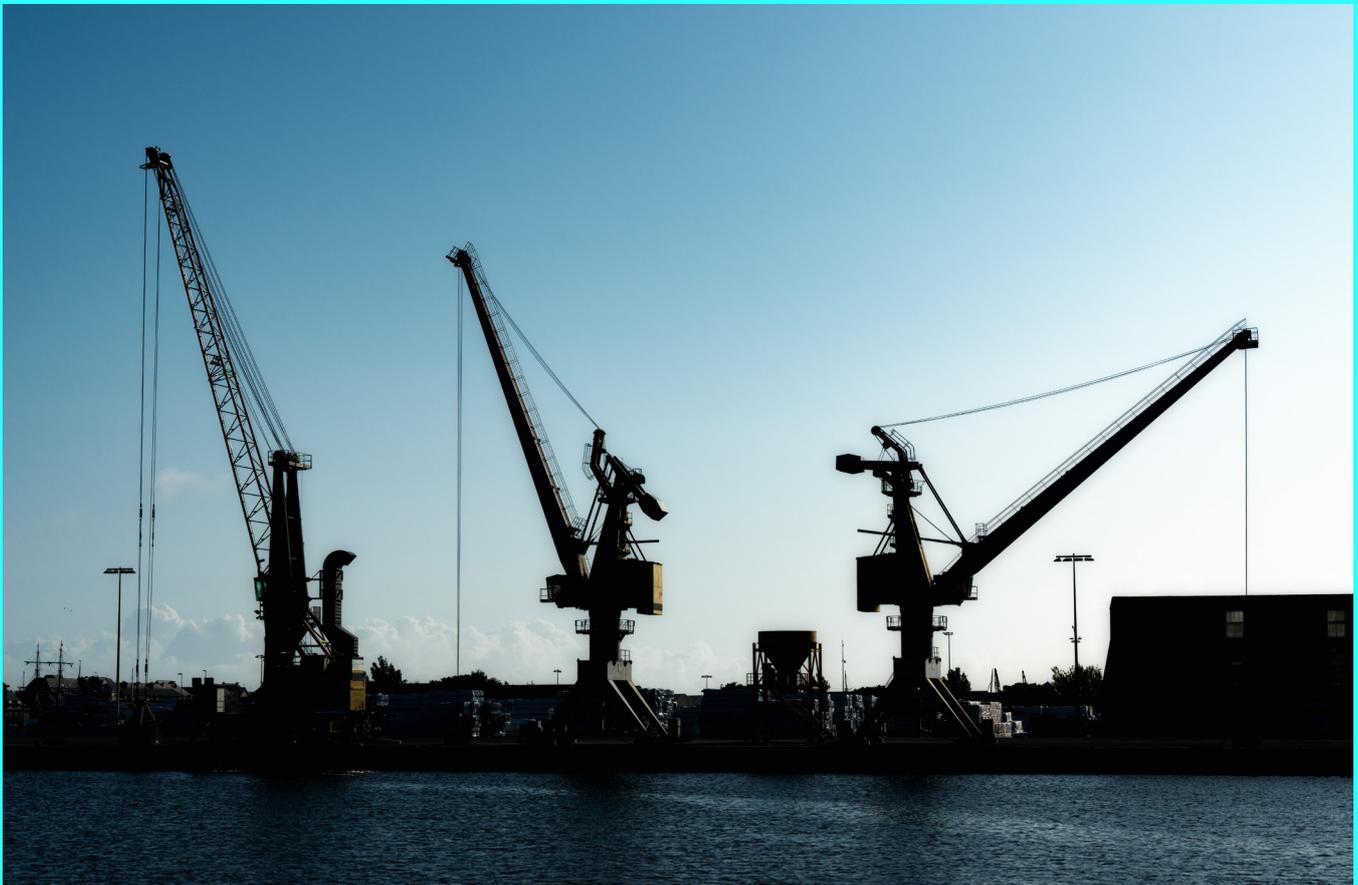
INTERNATIONAL FACTORS

Geopolitical tensions are exacerbating global economic uncertainty. Businesses indicate concerns about how these conflicts divert attention and resources away from broader economic stability. A property business from North Somerset reflects this uncertainty: *"War in the Middle East and Ukraine sucks out money long-term from the system."*

Further complicating the international outlook, ongoing challenges in accessing the EU market persist, albeit with slight improvements noted by some respondents. On top of this, tariffs imposed by the US threaten to further increase the economic challenges for businesses dependent on global supply chains. One Gloucestershire-based service firm explains, *"Components made in China assembled in the US are now over twice the cost."*

Despite these uncertainties, some participants are hopeful about the benefits from trade deals and negotiations with key markets such as the US and India, alongside the EU Reset discussions. A Bristol IT business summarises this mixed sentiment: *"Huge uncertainty from the US, but the start of some trade deals to increase optimism here."*

Tariffs imposed by the US threaten to further increase the economic challenges for businesses.



WORKFORCE AND EMPLOYMENT

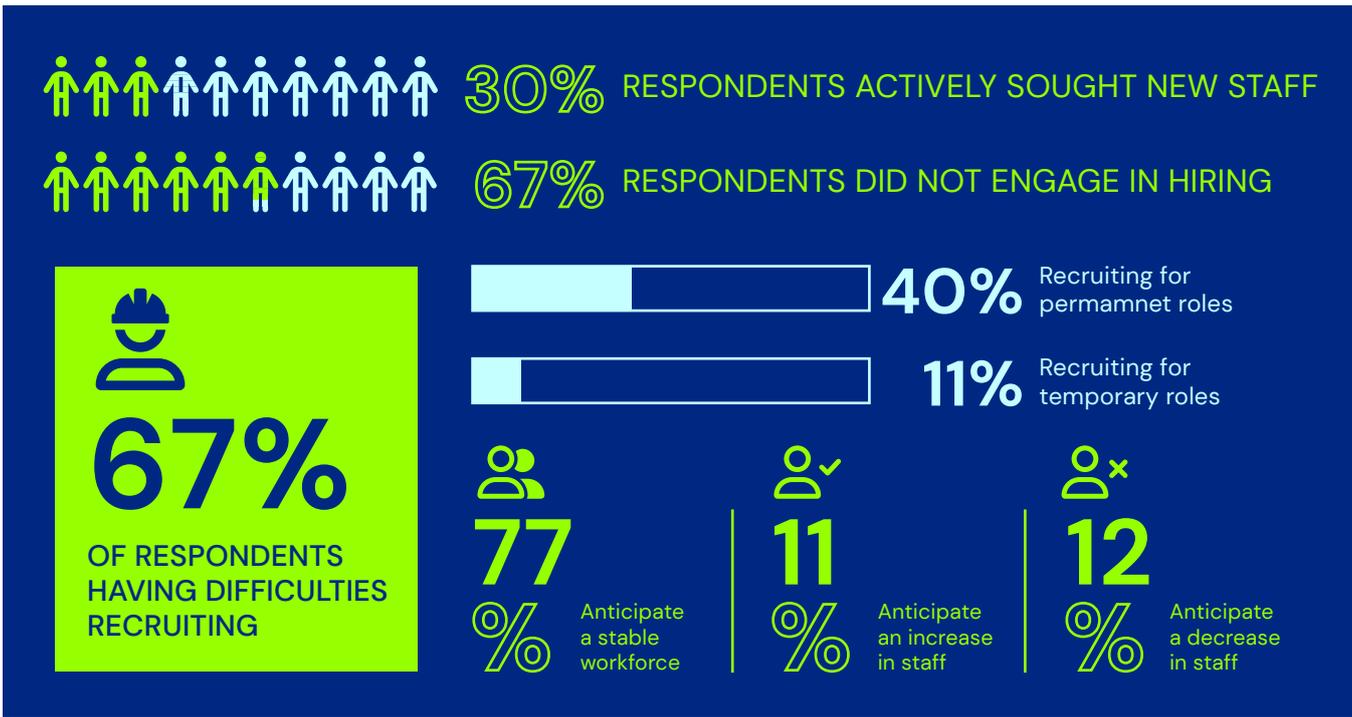
In the second quarter of 2025, recruitment activity saw a decline compared to the previous quarter. Just over 30% of businesses reported attempting to recruit staff in the past three months, while 67% did not engage in hiring activities.

Among those that recruited, full-time positions remained the most common focus, with 82% of respondents hiring for these roles. Permanent roles were also sought after, accounting for 40% of recruitment activity. Part-time roles comprised 36% of recruitment efforts, while temporary positions accounted for 11%.

Difficulties in recruitment persisted, with 67% of businesses reporting challenges in finding suitable candidates. The most significant difficulties were observed in recruiting for professional and managerial positions (53%), followed by skilled manual and technical roles (50%).

Challenges were also noted in recruiting for semi/unskilled workers (33%) and clerical roles (10%). Looking ahead, most businesses expect their workforce size to remain unchanged. Specifically, 77% of respondents anticipate maintaining their current staff levels over the next three months. Meanwhile, 11% expect an increase in workforce size, and 12% foresee a decrease, reflecting cautious optimism amidst persistent recruitment difficulties.

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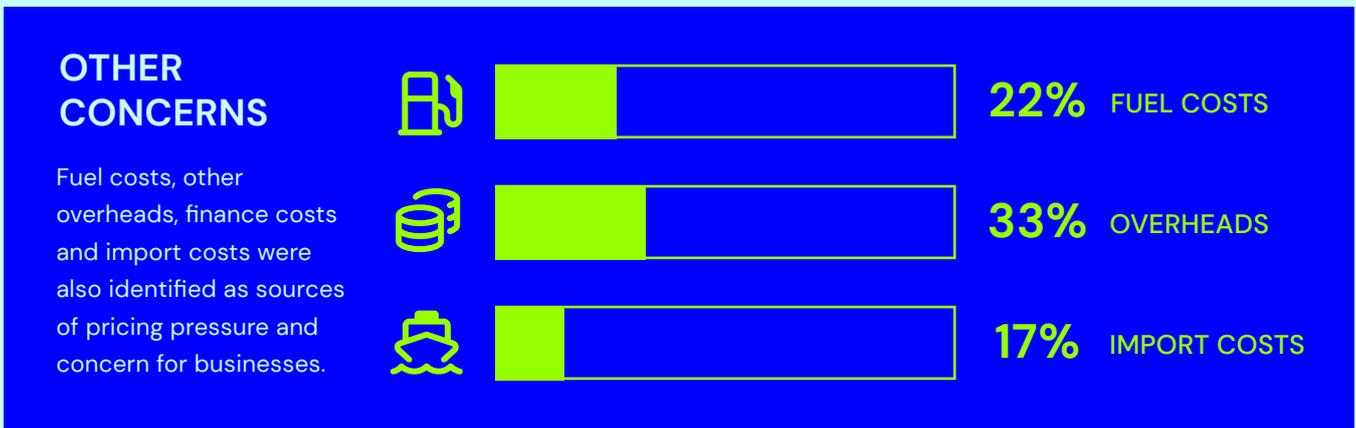
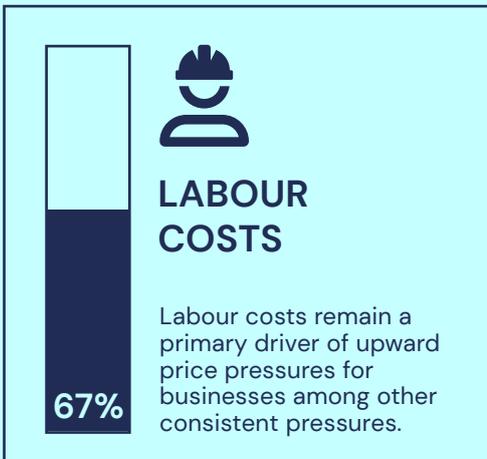


PRICES AND INFLATION

During Q2 2025, price stability persisted for the majority of businesses. Over half (54%) reported that their prices remained constant over the past three months. However, 39% of businesses indicated price increases, while a smaller proportion (7%) reported price reductions.

Looking forward, the majority of businesses (59%) anticipate maintaining current price levels over the next three months. Nevertheless, 36% of participants expect to increase their prices, while only 5% foresee a decrease.

Labour costs continue to be the primary driver of upward price pressures, cited by 67% of respondents. Other significant contributors include utilities (49%) and raw materials (35%). Fuel costs (22%), other overheads (33%), finance costs (19%), and import costs (17%) were also identified as sources of pricing pressure.



DOMESTIC MARKET

In Q2 2025, the domestic market continued displaying negative results across business sectors. For the overall sample, the net balance for UK sales was -20%, with 21% of businesses reporting an increase and 41% experiencing a decrease. UK orders showed a negative balance of -15%, with 17% of participants reporting increases and 32% decreases.

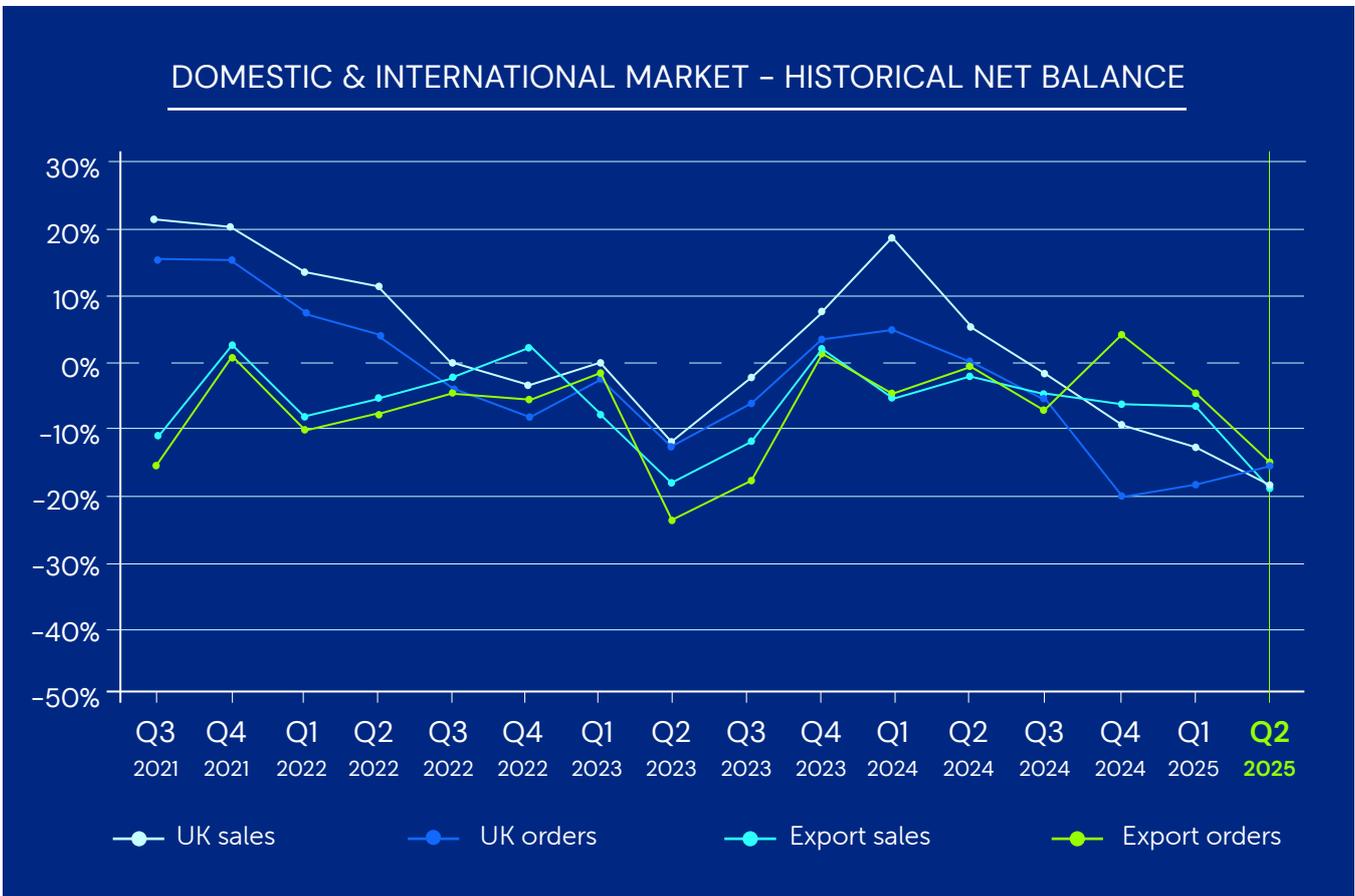
For the service sector, UK sales and orders experienced negative net balances of -20% and -12% respectively, deepening the decline reported in the previous quarter.

Domestic sales in the manufacturing sector had a net balance of -19%, while UK orders showed a negative balance of -25%. These results express a continuation in the declining trend which commenced in Q4 2024.

£ Net balance for UK sales Q2 2025 | -20%

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

41% Businesses reporting a **DECREASE** in Quarter 2 2025 sales.



INTERNATIONAL MARKET

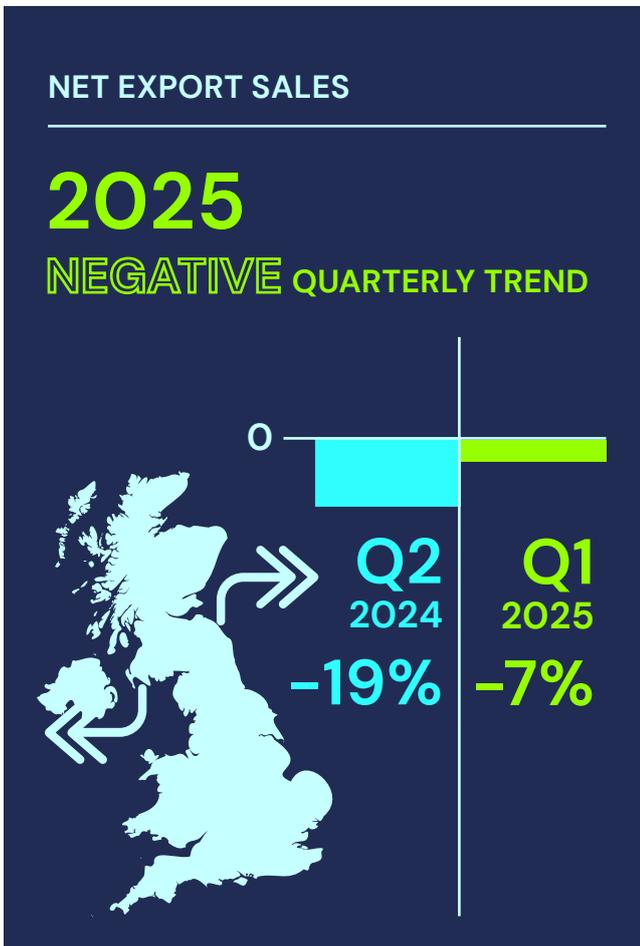
During the second quarter of 2025, the performance of the international market showed contrasting results across different economic sectors. For the overall sample, the net balance for export sales stood at -19%, a considerable drop from -7% on Q1 2025. Export orders net balance was also negative with a result of -15%.

For service sector businesses, the net balance for export sales was -16%, with 8% of service businesses reporting an increase and 24% a decrease. Export orders showed also a negative net balance of -11%, with 7% experiencing increases and 18% a decrease.

The net balance for export sales in manufacturing was -28 (down from 0% on Q1 2025), with 12% of manufacturers reporting an increase and 40% a decrease. Export orders showed also a net balance of -28%, with 12% of manufacturing businesses experiencing an increase and 40% a decrease.

SERVICE SECTOR BALANCE EXPORT SALES

Q2 2025 8% REPORT AN INCREASE
-16% 24% REPORT A DECREASE



INTERNATIONAL MARKET	
Europe	96%
North America	76%
Central & South America	43%
Middle East	53%
China	25%
Southeast Asia	28%
Central Asia	19%
Africa	38%
Australasia	50%

CASHFLOW

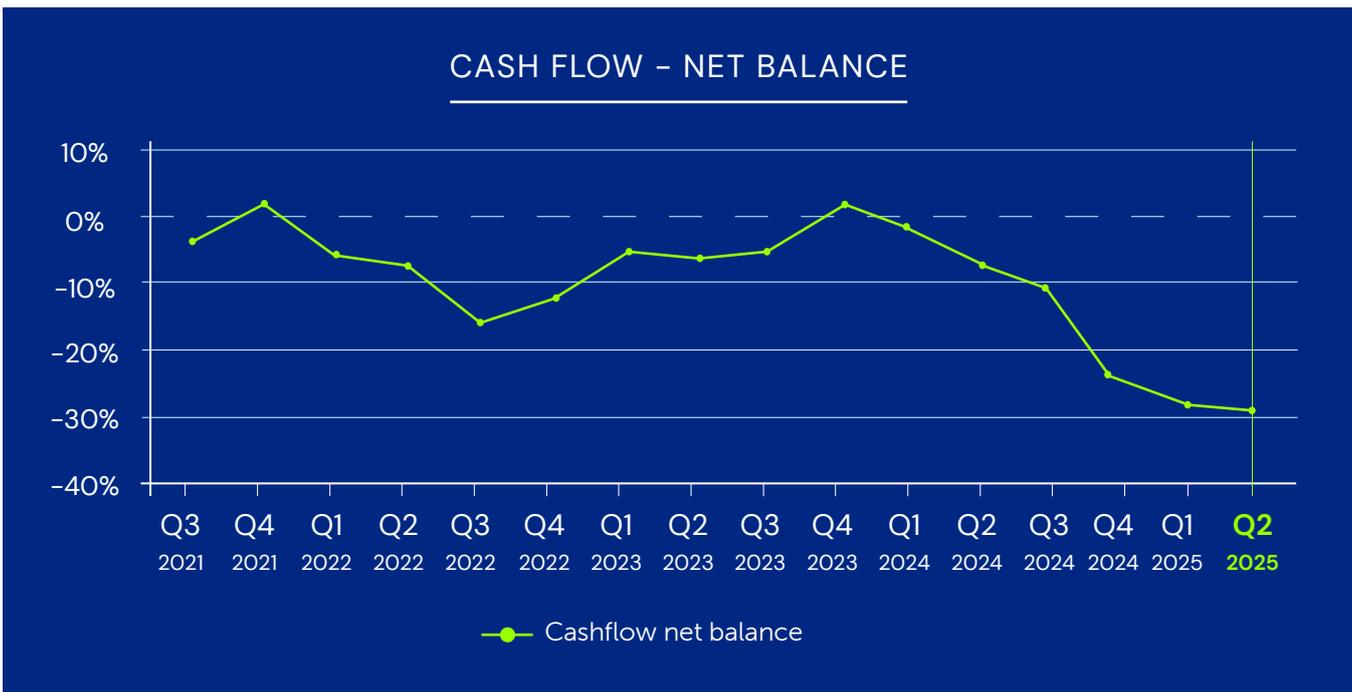
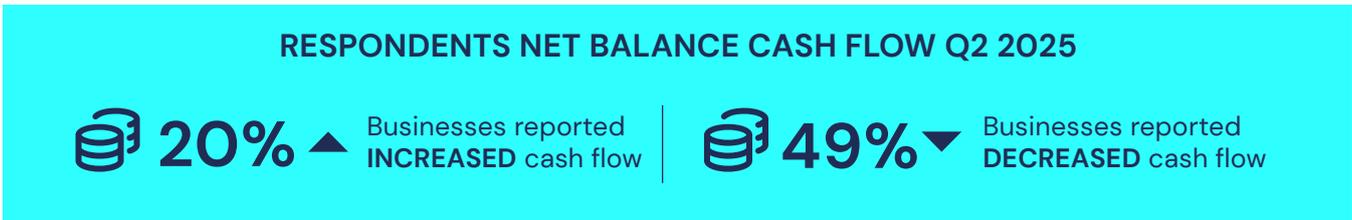
Cash flow challenges persist during Q2 2025. For all respondents, the net balance for cash flow was -29%, with 20% of businesses reporting increased cash flow and 49% experiencing a decline.

From a sectoral perspective, results are in line with the figures of Q1 2025, with manufacturers and service sector businesses reporting a cash flow net balance of -19% and -32%, respectively.

PROFITABILITY AND TURNOVER

Businesses expectations regarding their commercial prospects over the next 12 months remain in line with the results of Q1 2025.

For turnover, 37% of respondents anticipate improvements, 33% expect stability, and 30% foresee a decline. Regarding profitability, the outlook is slightly more reserved, with 27% predicting improvement, 26% expecting stability, and 47% anticipating a decline.



FINANCE AND INVESTMENT

Investment activity among businesses has varied across different categories in the past three months. For plant, machinery, and equipment, a net balance of -30% indicates a considerable decline in investment, compared to -13% in Q1 2025. Investment in office and property space also experienced a reduction, with a net balance of -24% (-11% in Q1 2025).

Investment in training showed a negative net balance of -15%, while research and development investment declined as well with a net balance of -9%.

The availability of finance has been mixed. Only 7% of businesses reported an improvement, while 33% experienced no change and 19% reported a deterioration. A significant number of respondents (24%) expressed uncertainty about the current financial position, highlighting potential concerns or a lack of clarity in their market.

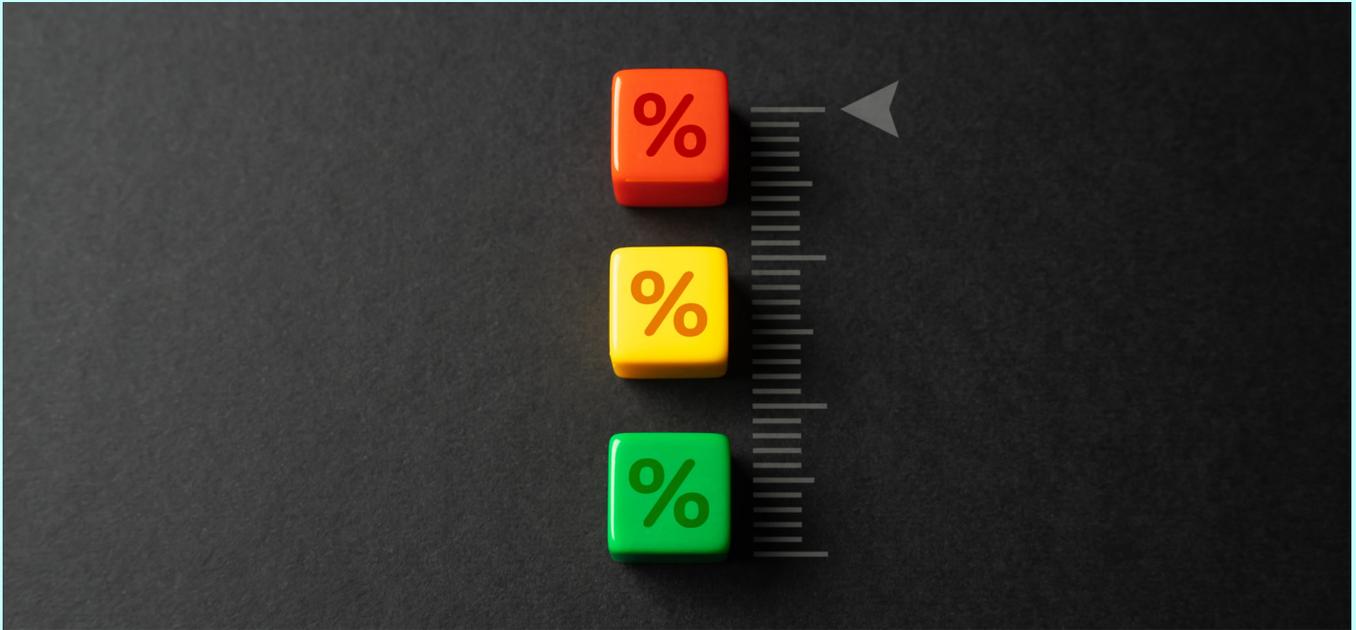
Compared to Q1 2025, the current results reflect a continuing negative trend in terms of business investment, suggesting an extended climate of uncertainty and financial constraints.

A significant number of respondents (24%) expressed uncertainty about their current financial position.



FOR PLANT, MACHINERY, AND EQUIPMENT, A NET BALANCE OF -30 INDICATES A CONSIDERABLE DECLINE.





SOURCES OF CONCERN

In Q2 2025, businesses continue to face myriad challenges, with general economic conditions remaining the predominant concern for 77% of respondents. This reflects persistent anxiety about the economic environment with same results as in the first quarter of 2025.

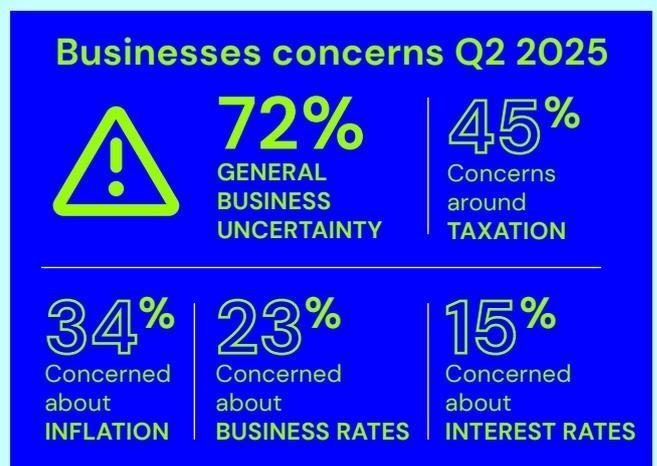
General business uncertainty is also a significant issue, cited by 72% of businesses, also consistent with Q1 2025 figures.

The percentage of participants reporting taxation as a source of concern remains significant, with almost half of respondents (45%) indicating this as one of their major worries.

Other notable concerns include inflation, reported by 34% of respondents, while their current financial position was mentioned by 24% of participants. Business rates and competition were a concern for 23% and 21% of businesses, respectively.

Finally, exchange rates were cited as a source of concern by 15% of respondents, possibly those more exposed to currency fluctuations in the foreign exchange markets.

Participants reporting taxation as a source of concern remains significant.



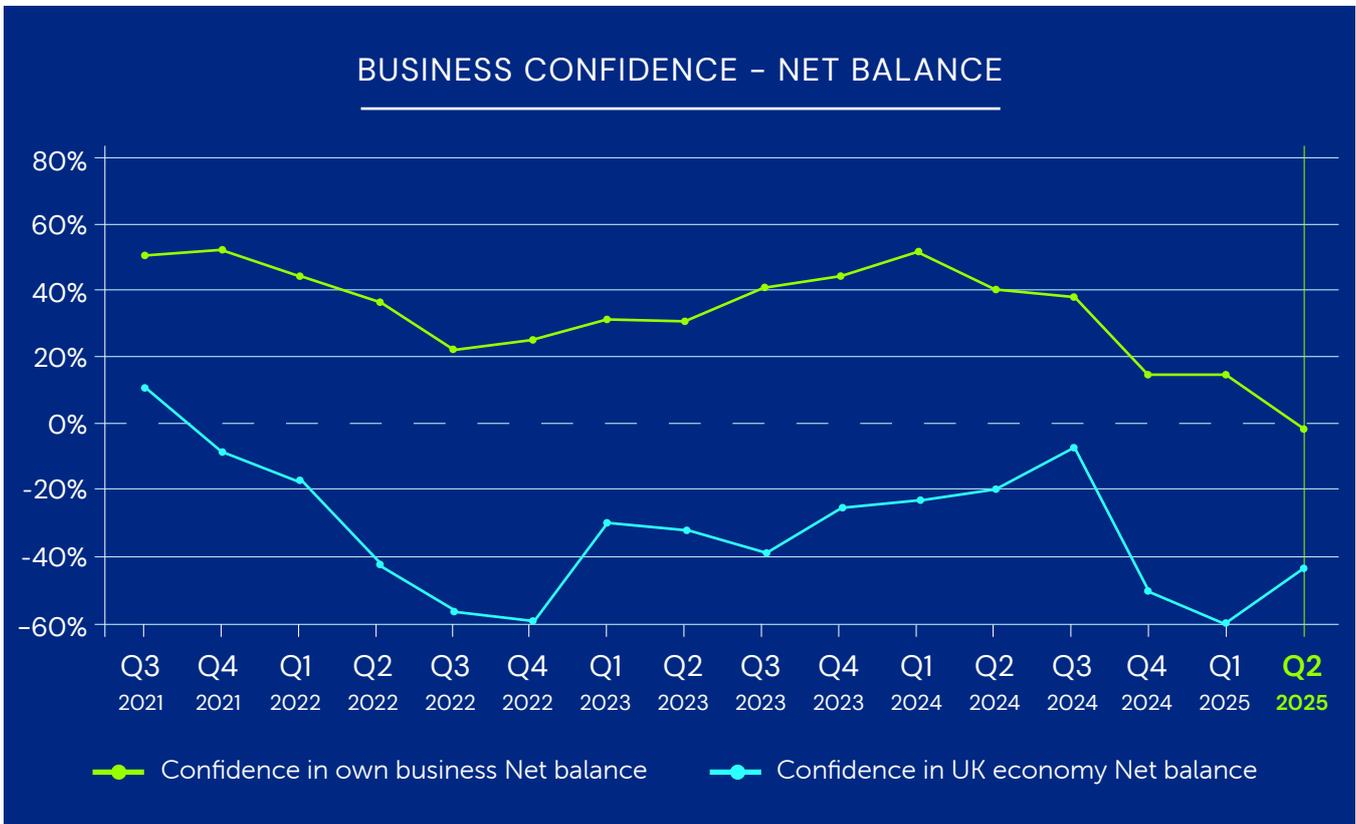
CONFIDENCE: THE NEXT 12 MONTHS

In the second quarter of 2025, business confidence in the UK economy showed a slight improvement, though the net balance remained negative. While 11% of businesses reported feeling positive and 57% felt negative, the resulting net balance was -46% compared to -63% in Q1 2025.

Confidence in individual business prospects continued to fall in Q2 2025 with a net balance of -3%, a notable drop from 14% in the previous quarter.

 **11%** OF BUSINESSES REPORTED FEELING POSITIVE IN Q2

<p>CONFIDENCE IN THE UK ECONOMY NET BALANCE:</p> <p>Q1. 2025: -63%</p> <p>Q2. 2025: -46%</p> <p> POSITIVE TREND</p>		<p>CONFIDENCE IN OWN BUSINESS</p> <p>-3% 14%</p> <p>Q.2 2025 Q.1 2025</p> <p> NEGATIVE TREND</p>	
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BUSINESS PROFILES

Most respondents are smaller businesses, over half have an annual turnover under £500,000, and 31% between £1 – 10 million. The vast majority of respondents (72%) are limited companies.

Geographically, 51% of the respondents are from the 'West of England' area (27% of these are in the narrower City of Bristol area), another 14% are located in Swindon and Wiltshire, 17% in Gloucestershire, and 17% are from the wider South West region.

Our respondents are significantly more likely to be exporters than the general UK business community, making up 53% 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

THIS QUARTER: Q2 2025

	SERVICES	MANUFACTURING	OVERALL	TREND
UK SALES	-20%	-19%	-20%	▼
UK ORDERS	-12%	-25%	-15%	▲
EXPORT SALES	-16%	-28%	-19%	▼
EXPORT ORDERS	-11%	-28%	-15%	▼
CURRENT WORKFORCE	-11%	-13%	-12%	▼
FUTURE WORKFORCE	-1%	0%	-1%	▼
BUSINESS CONFIDENCE	-2%	3%	-1%	▼
CONFIDENCE IN ECONOMY	-45%	-50%	-46%	▼



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