Business West

Quarterly Economic Survey

Q4. 2025

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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 from Q4 2025 suggest a downturn in business conditions and sentiment compared with the previous quarter. Several indicators weakened—most notably domestic market performance and expectations for profitability and turnover—while cost pressures and wider economic concerns remained prominent. Overall, the survey points to a cautious end to the year, with firms balancing subdued demand against persistent structural and cost-related challenges.

Workforce and employment

Recruitment activity eased in Q4. 35% of respondents attempted to recruit (down from 41% in Q3), while 65% did not recruit. Recruitment difficulties remain widespread, with 63% reporting challenges in finding suitable candidates. Looking ahead, most firms expect stability in staffing (71%), although more businesses anticipate headcount reductions (16%) than increases (14%).

Business confidence

Confidence in individual business prospects weakened. The net balance for own-business confidence fell to +3% (from +11% in Q3), reflecting a rise in negative sentiment. Views on the wider UK economy remain firmly downbeat, though marginally less so than in Q3, with a net balance of -54% (vs -58%).

Sales

Domestic performance deteriorated during Q4. The domestic sales net balance fell to -26% (from -9%), and UK orders declined to -22% (from -13%), with larger shares reporting falls across both measures. The service sector was weaker than manufacturing on both domestic sales and orders.

International sales

Export sales remained negative overall but were broadly stable at the headline level, with an export sales net balance of -7% (from -8%). Export orders weakened to -16% (from -13%). Sectorally, performance diverged: services improved on export sales, while manufacturers saw a notable deterioration in both export sales and export orders.

Prices and inflation

Recent pricing outcomes remained stable, with 67% reporting unchanged prices over the past three months and 28% reporting increases. However, expectations shifted materially: 47% of businesses anticipate raising prices in the next three months (up from 34% in Q3), indicating a stronger pipeline of price pressures. Labour costs remain the main driver of price pressure (69%), followed by utilities (44%) and raw materials (37%).

Cash flow

Cash flow conditions improved but remain negative overall. The cash flow net balance rose to -18% (from -25%), with 22% reporting improvement and 40% reporting deterioration. Both manufacturing and services remained in negative territory, though less so than in Q3.

Finance and investment

Investment intentions remained weak across all categories. Net balances were -22% for plant/machinery/equipment, -15% for office/property, -14% for training, and -12% for research and development (a deterioration from Q3). Access to finance was broadly stable, although the share reporting deteriorating access increased to 16%. A quarter of respondents (25%) expressed concerns about their current financial position.

Sources of concern

General economic conditions remain the leading concern (78%), followed by general business uncertainty (66%). Concerns about taxation rose to 54%, while inflation increased to 43%. Business rates and competition were each cited by 27%, and 25% highlighted concerns about their current financial position.

Profitability and turnover

Expectations weakened notably. For profitability over the next 12 months, 46% expect conditions to worsen (vs 36% in Q3), while 27% expect improvement. Turnover expectations also softened, with 38% anticipating improvement and 30% expecting deterioration (up from 22% in Q3).

Business comments

Overall, Q4 open text responses suggest that, while uncertainty and cost pressures remain dominant, a subset of firms is still finding opportunities through market positioning, operational improvements, and selective growth strategies.

Positive developments

A number of firms report stable or strengthening pipelines, including businesses signalling confidence through investment and growth plans. A Bristol hospitality business noted “new levels of investment agreed to deliver more projects”, while a Gloucestershire training and consultancy business reported “a strong order book”. Elsewhere, respondents mentioned emerging opportunities: one services business described “possible large contracts awaiting confirmation”. Some firms continue to see robust demand: a Wiltshire manufacturer reported that enquiries indicate products are “in heavy demand and outstrip our manufacturing (capacity)… as we learn to scale up”, suggesting expansion potential where capacity and scaling constraints can be addressed.

Several comments show businesses actively strengthening their resilience. A South Gloucestershire services firm described maintaining a strong focus on customer monitoring to protect its own position, while a Bath and North East Somerset consumer services business reported outsourcing tax and financial tasks and seeking advice, with the expectation this will help profitability and potentially enable future hiring.

Challenges

Cost pressures continue to feature strongly, particularly labour-related costs (minimum wage, employers’ National Insurance), business rates, and energy. Some firms also highlight regulatory uncertainty as a constraint on planning and investment, alongside wider concerns that the UK is becoming less attractive for investment. These views are often expressed in stark terms; for example, a Gloucestershire IT business described current conditions as “the worst business conditions (they) have faced since the company was founded in 1998”, attributing this to reduced customer willingness to invest alongside policy and tax concerns.

Demand conditions are frequently described as fragile, with respondents reporting projects paused, pipeline risk, and uneven sector performance. Engineering and manufacturing supply chains appear under particular strain in some comments: a Bristol engineering business reported customers reducing spend and, in some cases, going bust, while a South Gloucestershire engineering firm described clients saying “we are not spending at the moment and projects are on hold”.

Workforce and Employment

During the fourth quarter of 2025, recruitment activity eased slightly compared with the previous quarter. Just over a third of respondents (35%) reported attempting to recruit new staff in the past three months, down from 41% in Q3. Accordingly, the majority of businesses (65%) did not seek to hire, reinforcing the picture of a cooler labour market.

Among businesses engaged in recruitment, full-time roles remained the most common form of hiring, reported by 71% of respondents. Permanent vacancies also continued to feature prominently, with 52% seeking to fill these roles. Recruitment for part-time roles fell to 35%, while temporary hiring declined to 15%.

Recruitment difficulties persisted, although they were marginally less widespread than in the previous quarter. In Q4, 63% of businesses reported challenges in finding suitable candidates, compared with 67% in Q3. However, the pattern of shortages shifted. Difficulties were most pronounced for skilled manual and technical roles, rising to 57% (from 55%). Challenges in professional and managerial recruitment eased to 43% (from 51%), and difficulties in semi-skilled and unskilled roles also fell to 30% (from 38%). Reported difficulties in clerical roles increased to 20% (from 9%), albeit from a low base.

Looking ahead, most businesses continue to anticipate stable staffing levels, with 71% expecting no change over the next three months (unchanged from Q3). However, expectations for growth softened: 14% anticipate an expansion of their workforce, down from 20% in Q3. At the same time, the share expecting headcount reductions increased to 16%, up from 9% in the previous quarter.

Prices and Inflation

Price stability remained the dominant picture in Q4 2025. Around two thirds of respondents (67%) reported that their prices remained constant over the past three months, broadly unchanged from 66% in Q3. The share reporting price increases also held steady at 28%, while a slightly smaller proportion reported price reductions (5%, down from 6%).

Labour costs continued to be the most frequently cited source of upward price pressure, although the share identifying this factor eased to 69% (from 74% in Q3). Other key drivers also weakened: utilities were cited by 44% and raw materials by 37%. Fuel costs were broadly stable at 27%, while finance costs increased to 18% (from 15%). Import costs were marginally lower at 14% (from 15%).

Looking ahead, expectations shifted notably towards higher prices. In Q4, 47% of businesses anticipate increasing prices over the next three months, up from 34% in Q3. The share expecting prices to remain constant fell to 47% (from 62%). A small minority (5%) anticipate reducing prices, compared with 3% in the previous quarter.

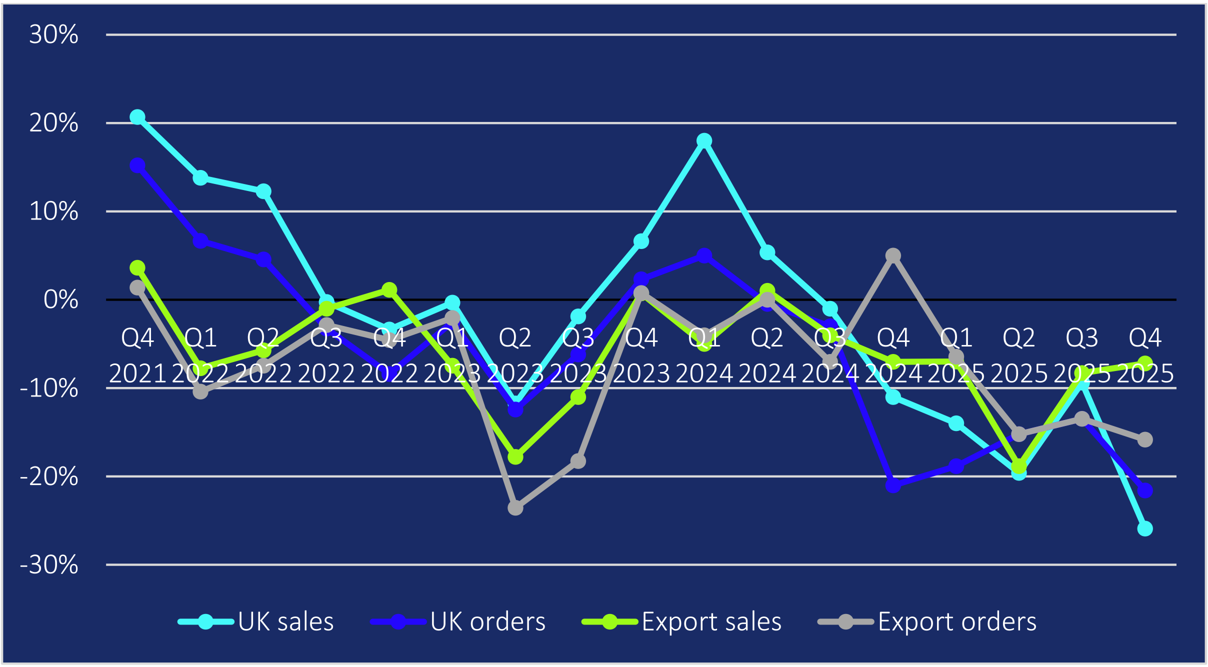
Domestic Market

Domestic conditions weakened in Q4 2025, reversing the modest improvement seen in Q3. The domestic sales net balance fell to -26%, from -9% in the previous quarter. While 16% of businesses continued to report higher sales, a larger share recorded declines (42%, up from 31%), and fewer reported no change (34%, down from 40%).

UK orders also deteriorated. The net balance declined to -21%, from -13% in Q3. The proportion reporting increased orders remained stable at 17%, but the share reporting falling orders rose to 38% (up from 31%), while those reporting no change decreased to 28% (from 32%).

Sectoral differences became more pronounced in Q4. The service sector recorded a weaker position overall, with a domestic sales net balance of -29% (down from -10% in Q3) and domestic orders at -23% (down from -15%). Manufacturers also saw a deterioration, though they continued to perform relatively better than services: domestic sales and orders both registered net balances of -18%, compared with -7% and -11%, respectively, in Q3.

DOMESTIC AND INTERNATIONAL MARKET – HISTORICAL NET BALANCE



International Market

International trade conditions remained subdued in Q4 2025, though the headline picture was mixed. The export sales net balance edged up slightly to -7%, from -8% in Q3. This was supported by a higher share of businesses reporting increased exports (11%, up from 6%) and a small rise in those reporting no change (22%, up from 20%). However, the share reporting a decline in export sales also increased to 18% (from 15%), indicating that improvements were not broad-based.

Export orders weakened over the quarter. The net balance fell to -16%, down from -13% in Q3. While the proportion reporting higher export orders rose marginally to 4% (from 3%) and the share reporting no change increased to 21% (from 18%), overall order momentum softened, consistent with weaker demand conditions.

Sectoral results shifted noticeably. In Q3, manufacturers had reported relatively stronger export sales than services, but in Q4 this position reversed. Manufacturers recorded an export sales net balance of -13% (down from - 4% in Q3) and a sharper weakening in export orders to -26% (from -14%). By contrast, the service sector strengthened on export sales, with the net balance improving to -5% (from -10%), while export orders were broadly stable at -12% (slightly up from - 13%).

EXPORT MARKETS

Europe	92%
North America	61%
Middle East	41%
Australasia	41%
Southeast Asia	30%
Central & South America	24%
Africa	21%
China	18%

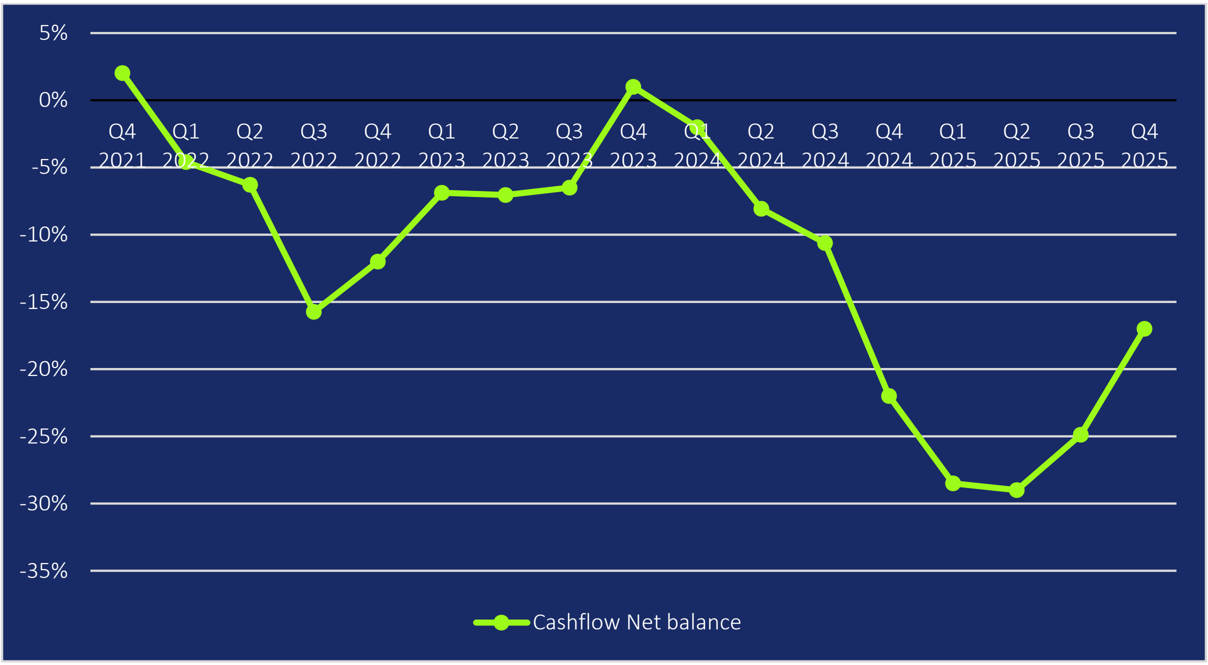
Central Asia	18%
South Asia	15%

Cash Flow

Cash flow conditions remained challenging in Q4 2025, but the headline position improved compared with the previous quarter. The cash flow net balance rose to -18%, from -25% in Q3. This was driven by a higher proportion of businesses reporting improved cash flow (22%, up from 17%) alongside a slightly smaller share reporting deterioration (40%, down from 42%). In addition, 38% of respondents reported no change, indicating a larger group experiencing stable cash flow conditions.

At a sectoral level, both major sectors continued to report negative net balances, but each improved on Q3. Manufacturers recorded a cash flow net balance of -13% (up from -23%), while the service sector improved to -20% (from -26%). Despite the overall improvement, the persistence of negative balances suggests that cash flow remains a constraint for a sizeable proportion of businesses.

CASHFLOW – QUARTERLY NET BALANCE



Profitability and Turnover

Expectations for profitability weakened in Q4 2025, reversing the improvement reported in the previous quarter. Over the next 12 months, 27% of respondents anticipate an increase in profitability (down from 35% in Q3), while 28% expect no change (slightly down from 30%). The proportion forecasting a decline rose to 46%, up from 36% in Q3, indicating a more cautious outlook and a shift towards pessimism.

Turnover expectations also softened. Looking ahead, 38% of businesses expect turnover to improve (down from 45% in Q3), while 33% foresee no change (broadly stable compared with 34%). The share expecting turnover to worsen increased to 30%, up from 22% in the previous quarter. Overall, these results suggest that businesses entered the end of 2025 with reduced confidence in both earnings and revenue prospects.

Finance and Investment

Business investment intentions remained weak in Q4 2025, with little evidence of a decisive recovery. Planned investment in plant, machinery and equipment improved marginally, with the net balance rising to -22% from -25% in Q3. Investment intentions for office and property space were unchanged at -15%, holding steady after the improvement recorded in the previous quarter. Training investment plans also edged up slightly to -14% (from -15%). By contrast, intentions to invest in research and development weakened notably, with the net balance falling to -12% from - 5% in Q3, suggesting reduced appetite for longer-term or higher-risk investment activity.

Access to finance remained broadly stable, with only small movements compared with Q3. In Q4, 5% of respondents reported improved access to funding, while 37% reported no change. The share experiencing deterioration rose to 16%. Consistent with this, the proportion of businesses expressing concerns about their current financial position increased to 25%, up from 22% in Q3.

Sources of Concern

In Q4 2025, businesses continued to report a wide range of concerns, with general economic conditions remaining the most frequently cited issue (78%, up slightly from 76% in Q3). This reinforces the picture of persistent anxiety about the wider operating environment.

By contrast, general business uncertainty eased somewhat, cited by 66% of respondents (down from 71% in Q3). Taxation became more prominent, rising to 54% from 49%, indicating growing sensitivity to the cost and policy environment.

Inflation-related concern also increased. In Q4, 43% of businesses cited inflation as a concern, up from 38% in Q3. Concerns around competitive pressures were broadly stable, with competition cited by 27% (from 26%). Business rates increased to 27% (from 23%).

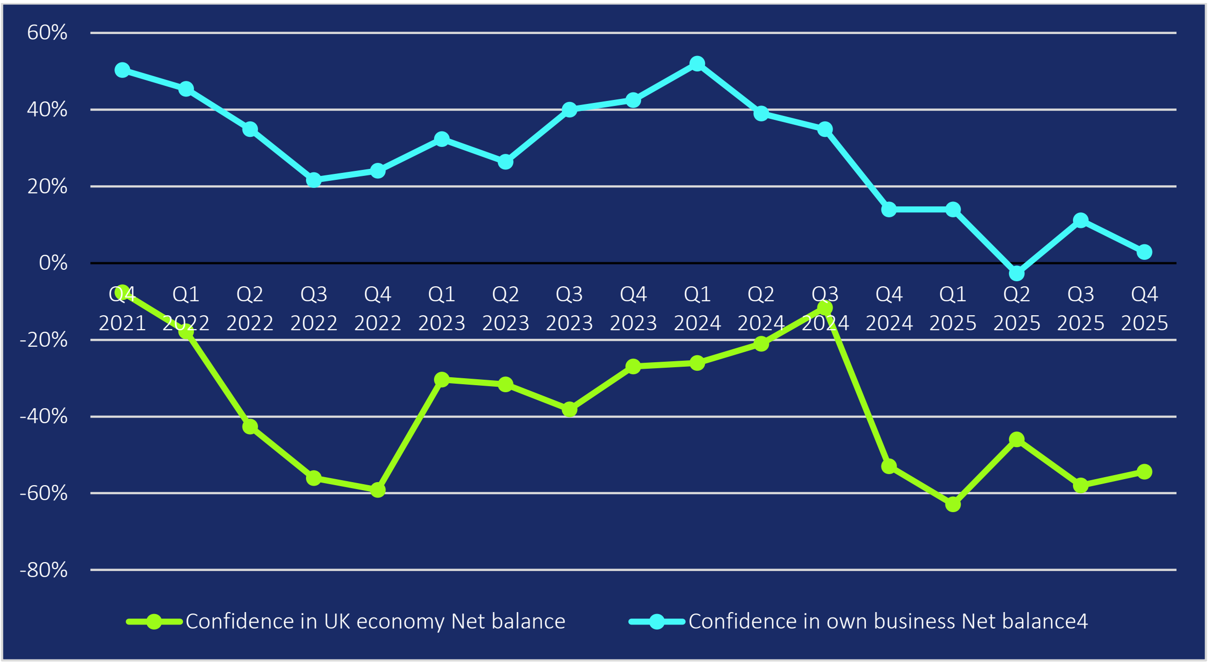
A notable change in Q4 was the emergence of additional financial and structural concerns. A quarter of respondents (25%) cited their current financial position as a concern, aligning with the increased share reporting financial worries elsewhere in the survey. Interest rates were highlighted by 19%, and labour market conditions were also cited by 19% (down from 24% in Q3). Trading relationship with the EU was raised by 17%, while exchange rates remained unchanged at 12%. A further 9% of businesses reported other concerns.

Confidence: The Next 12 Months

Business confidence weakened in Q4 2025 compared with the previous quarter. Looking ahead to the next 12 months, 39% of respondents reported a positive outlook for their own business prospects, down from 42% in Q3. A further 25% were neutral, while 36% reported a negative outlook, up from 31% in Q3. This implies the net balance fell from +11% in Q3 to +3% in Q4, indicating confidence remained slightly positive overall but considerably less robust than in the previous quarter.

Confidence in the UK economy remained firmly negative, though slightly less pessimistic than in Q3. In Q4, 9% expressed a positive outlook, compared with 8% in Q3. Neutral responses increased to 28%, while negative sentiment declined to 63%, down from 66% in Q3. As a result, the net balance improved modestly from -58% in Q3 to -54% in Q4, but continues to indicate a strongly downbeat view of the wider economic outlook.

BUSINESS CONFIDENCE – QUARTERLY NET BALANCE



Business Profiles

Most respondents are smaller businesses. Over half report an annual turnover of under £500,000 (53%), with a further 11% between £500,000 and £1 million. Nearly a third of respondents (30%) have turnover between £1–10 million, while only small proportions fall into higher turnover bands (3% at £10–25 million and 4% at £25+ million).

Geographically, respondents are concentrated across the South West and neighbouring areas. 37% are located within the West of England authorities (Bath and North East Somerset 6%, Bristol 23%, South Gloucestershire 8%, and North Somerset 8%). A further 16% are based in Swindon and Wiltshire (Wiltshire 12%, Swindon 4%), and 17% are located in Gloucestershire. The remaining 22% of respondents are spread across the wider South West region.

Our respondents are more likely to be exporters than the general UK business community. In Q4 2025, 52% reported selling goods and/or services to international customers.

MANUFACTURING SECTOR BUSINESSES COMPRISE THE FOLLOWING CATEGORIES:

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

SERVICE SECTOR BUSINESSES COMPRISE THE FOLLOWING CATEGORIES:

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

All questions and comments about the material are welcome to:

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