

A nighttime photograph of a river valley. In the foreground, a road curves along the left bank, with long-exposure light trails from cars in shades of orange, red, and white. The river flows through the center of the valley. In the background, a suspension bridge is illuminated with warm lights, spanning across the valley. The sky is a deep blue twilight. A large, bright green triangle is positioned on the right side of the image, partially overlapping the river and the text box.

# Quarterly Economic Survey

Q1. 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 Q1 2025 show an overall continuation in the decline in optimism among businesses already present at the end of 2024. The report reflects ongoing concerns about the current economic context with continued challenges related to the labour market, taxation, and continuing price pressures.

## WORKFORCE AND SKILLS

Recruitment activity has remained steady, with 38% of businesses seeking new staff. However, 63% of participants reported difficulties in finding suitable candidates, particularly for skilled and managerial roles. 62% of businesses are operating below capacity.

## BUSINESS CONFIDENCE

Participants confidence in their own business prospects remains positive, with a net balance of 14%, in line with the results of Q4 2024. Confidence in the UK economy shows a notable deterioration, with a net balance of -62%, down from -53% in the previous quarter.

## SALES

The domestic market remains in negative territory in Q1 2025, with a net balance of -14% for UK sales.

## INTERNATIONAL SALES

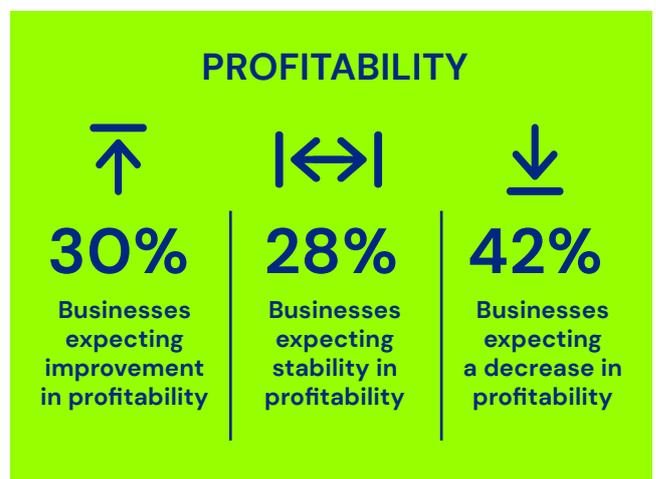
International sales also delivered negative results, with a net balance of -7%, reflecting the same result as in the previous quarter.

## SOURCES OF CONCERN

General economic conditions and business uncertainty remain the top concerns, with 76% and 70% of businesses respectively. Concerns about taxation remains the third most mentioned issue by 53% of respondents. Other notable concerns include inflation, competition, and interest rates.

## PROFITABILITY

Profitability forecasts for the next 12 months remain pessimistic in Q1 2025, with 30% expecting improvement, 28% anticipating stability, and 42% foreseeing decreases.



*General economic conditions and business uncertainty remain the top concerns with 76% and 70% of businesses respectively.*

## KEY THEMES in Q1 2025

The open text comments from Q1 2025 illustrate a complex business environment marked by cost pressures, workforce challenges, and macroeconomic uncertainty. However, it also highlights the resilience and adaptability of businesses, with many taking strategic steps to navigate current difficulties and explore new opportunities.

## CHANGES FACING BUSINESSES

A recurring theme in feedback is the pressure from rising operational costs. Many businesses cited taxation, labour costs, and general overheads as significant burdens. One respondent from the hospitality sector noted that *"tax, labour, general overheads and other input cost burdens are increasing with more to come,"* highlighting concerns about the cumulative impact of these pressures on profitability.

Labour costs continue to challenge businesses. A Swindon-based health and social care provider described *"inadequate government funding"* leading to "financial instability," further exacerbated by *"low wages, competition from other sectors, and difficulties in securing visas for international workers."*

Similarly, an education business in Bristol expressed uncertainty, stating that *"new clients [were] won, but uncertain of NI costs for other customers and [the] impact it will have on our business. Already customers are saying they will cut back due to NI rises."*

The wider macroeconomic climate also presents difficulties, with some sectors facing reduced demand.

A Gloucestershire-based training provider highlighted that *"projects that my clients had planned for 2025 have already been cancelled, reducing my planned workload."*

Another respondent from the IT sector expressed concerns about the broader economic landscape, noting that *"there is a downturn in new leads, but we have enough existing long-term work to keep us busy."*

Several respondents also highlighted the impact of supply chain disruptions, particularly concerning post-Brexit regulations. A North Somerset-based engineering business commented that *"our market is good. It is the supply chains that are breaking, and the problems dealing with Europe's regulations [are] ever challenging."*



## OPPORTUNITIES AND STRATEGIC ADAPTATIONS

Despite these challenges, some businesses identified opportunities for growth and resilience. Several firms reported maintaining strong client pipelines and order books. For instance, a wider South West based manufacturing business noted that *"we have terrible current cash flow, but a full order book and customers wanting to work with us,"* indicating a degree of confidence in future business. Proactive strategies to adapt to market changes were also noted.

A Wiltshire-based service business described how *"as a small business it's easier for us to pivot when needed. We are constantly monitoring our costs and trying to increase efficiencies."*

This sentiment was echoed by a Bristol-based consultancy which highlighted that *"our pipeline is healthy with a good conversion rate, plus we have*

*some clients on retainer and many are commissioning further phases of work."* Other respondents emphasised the importance of client relationships and consistency.

A service business commented, *"many people are predicting difficult times, but I do feel if we remain consistent in our output and concentrate on our client base and staff retention we will be able to 'weather the storm'."*

Finally, some businesses demonstrated balanced expectations regarding international markets. A Gloucestershire-based manufacturing business stated they were *"concerned about the UK economy but concentrating on expanding into other markets and increasing exports."*



**WORKFORCE AND EMPLOYMENT**

In the first quarter of 2025, recruitment activity saw a slight decline compared to the previous quarter. Just over 38% of businesses reported attempting to recruit staff in the past three months, while 62% did not engage in hiring activities.

Among those that recruited, full-time positions remained the most common focus, with 75% of respondents hiring for these roles. Permanent roles were also sought after, accounting for 45% of recruitment activity. Part-time roles comprised 42% of recruitment efforts, while temporary positions accounted for 12%.

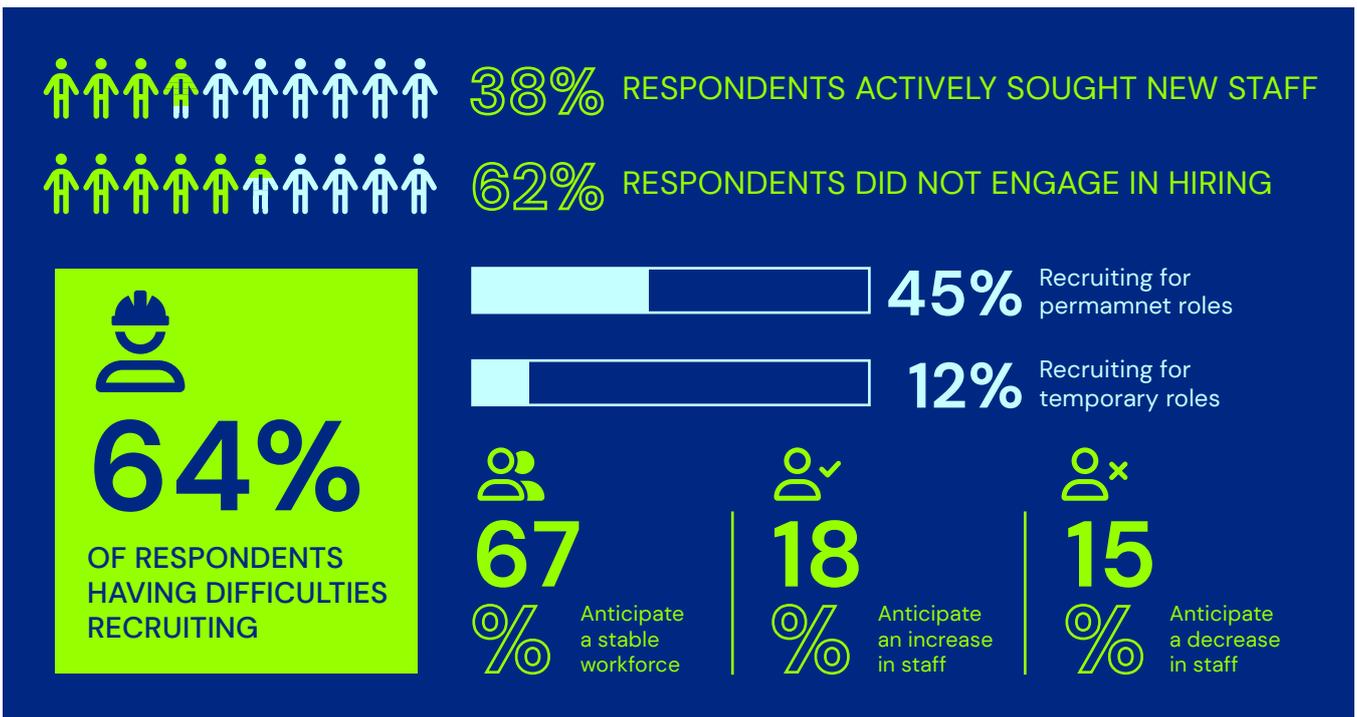
Difficulties in recruitment persisted, with 64% of businesses reporting challenges in finding suitable candidates. The most significant difficulties were observed in recruiting for skilled manual and technical roles (58%), followed by professional and managerial positions (51%).

Challenges were also noted in recruiting for semi/unskilled (27%) and clerical roles (20%).

Looking ahead, most businesses expect their workforce size to remain unchanged. Specifically, 67% of respondents anticipate maintaining their current staff levels over the next three months. Meanwhile, 18% expect an increase in workforce size, and 15% foresee a decrease.

These results indicate that while recruitment demand continues, businesses are facing ongoing challenges in filling key roles, particularly in skilled sectors. Expectations for workforce growth remain modest, reflecting cautious optimism amidst persistent recruitment difficulties.

*Permanent roles accounted for 45% of recruitment activity. Part-time roles 42% and temporary roles just 12%.*

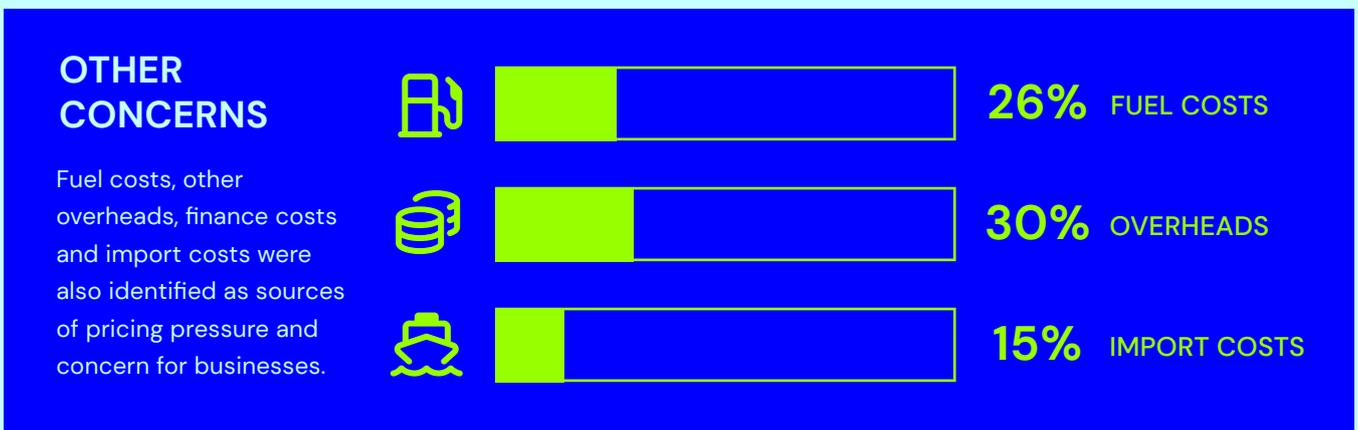
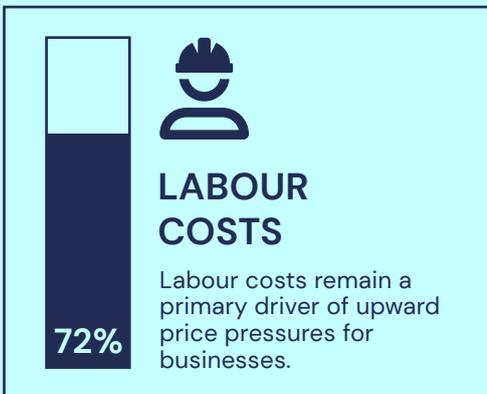


## PRICES AND INFLATION

During Q1 2025, price stability persisted for the majority of businesses. Over half (54%) reported that their prices remained constant over the past three months. However, 40% of businesses indicated price increases, while a smaller proportion (6%) reported price reductions.

Nevertheless, 40% expect to increase prices, while only 5% foresee a decrease. These findings suggest that while price stability remains prevalent, businesses continue to grapple with inflationary pressures, particularly concerning labour and energy costs.

Labour costs continue to be the primary driver of upward price pressures, cited by 72% of respondents. Other significant contributors include utilities (48%) and raw materials (42%). Fuel costs (26%), other overheads (30%), finance costs (16%), and import costs (15%) were also identified as sources of pricing pressure. Looking forward, the majority of businesses (54%) anticipate maintaining current price levels over the next three months.

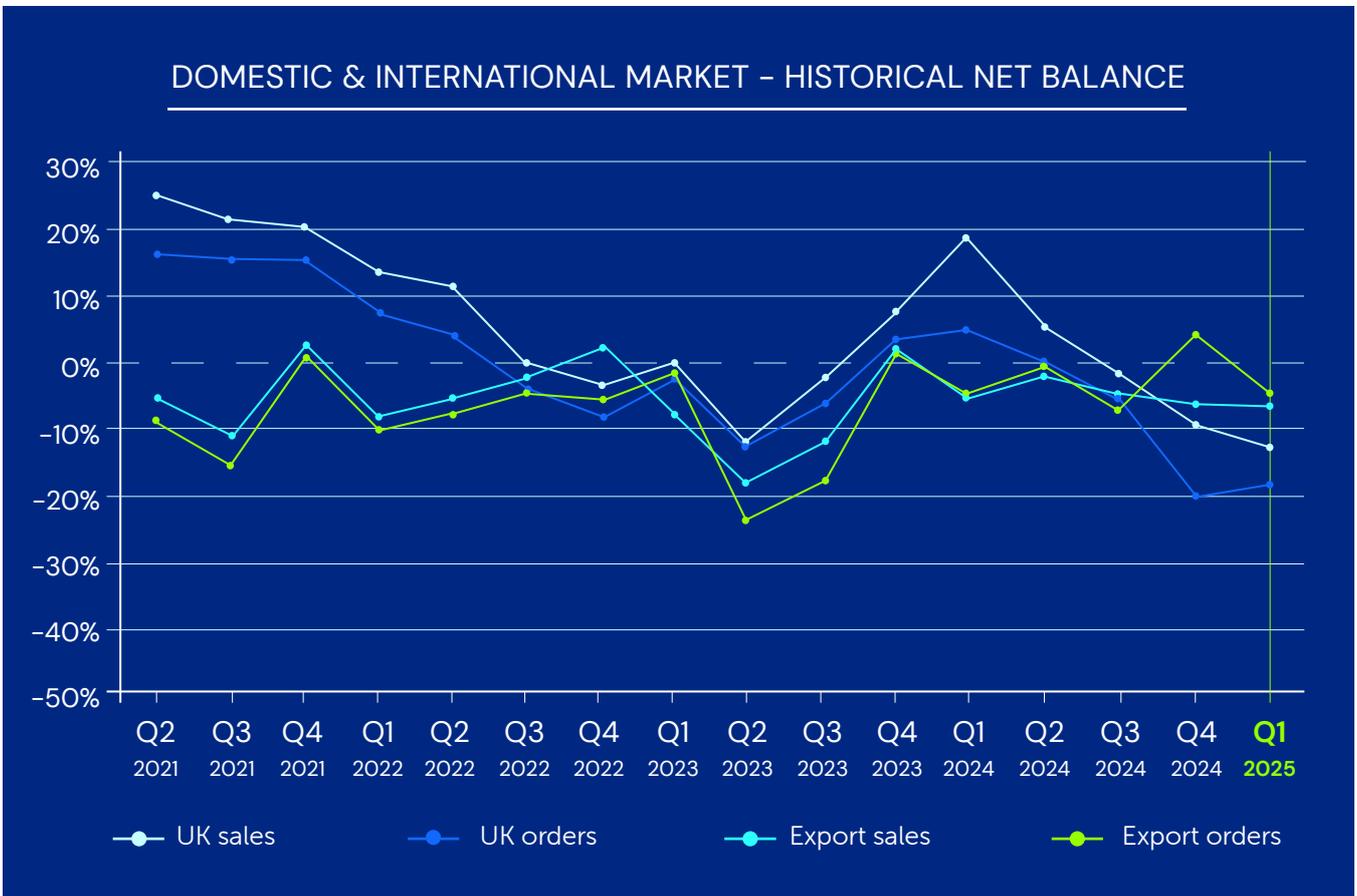
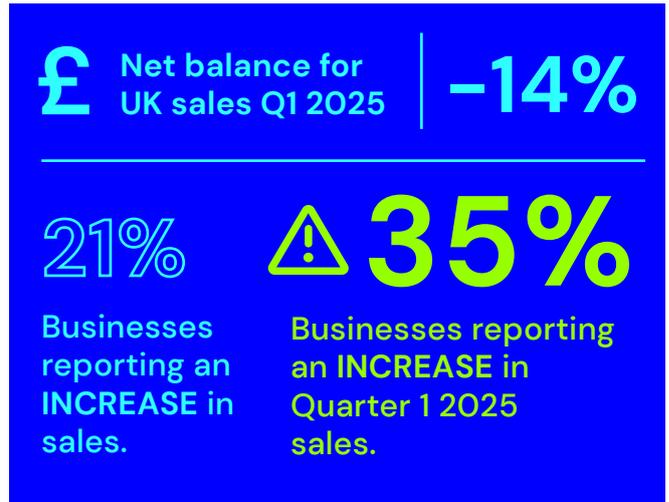


**DOMESTIC MARKET**

In Q1 2025, the domestic market continued displaying negative results across business sectors. For the overall sample, the net balance for UK sales was -14%, with 21% of businesses reporting an increase and 35% experiencing a decrease. UK orders showed a negative balance of -19%, with 15% of participants reporting an increase and 34% a decrease.

For the service sector, UK sales and orders experienced negative net balances of -14% and -22% respectively, deepening the decline reported in the previous quarter. Domestic sales in the manufacturing sector had a net balance of -14%, with 25% of participants reporting increases and 39% decreases.

UK orders showed a negative balance of -10%. These results express a continuation in the negative figures of Q4 2024.



**INTERNATIONAL MARKET**

During the first 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 -7% – same result as in Q4 2024 – with 12% of businesses reporting an increase and 19% experiencing a decrease. Export orders were also negative with a net balance of -6%, as just 10% of businesses reported increases, while 16% experienced decreases in their orders.

The net balance for export sales in manufacturing was neutral (0%), with 24% of manufacturers equally reporting an increase and a decrease. Export orders showed also a net balance of 2%, with 22% of manufacturing businesses experiencing an increase and 20% a decrease.

For service sector businesses, the net balance for export sales was -10%, with 7% of service businesses reporting an increase and 17% a decrease. Export orders showed also a negative net balance of -10%, with 5% experiencing increases and 15% a decrease.

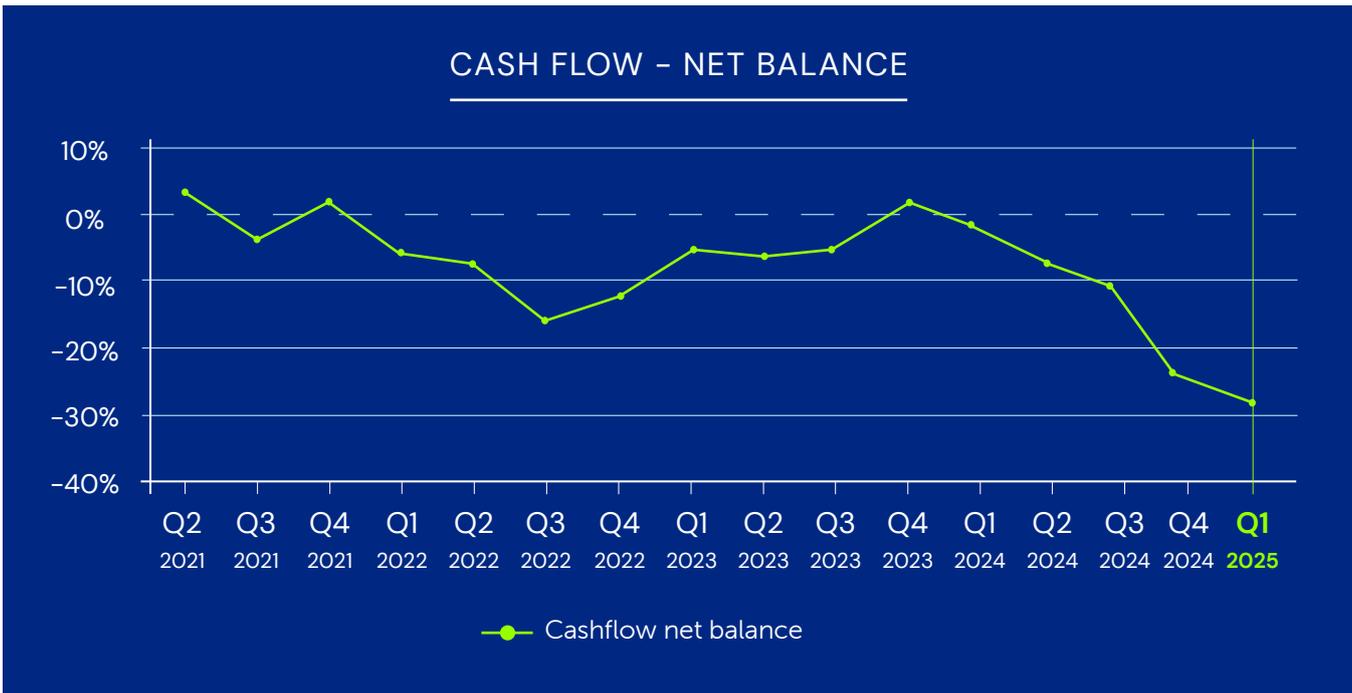
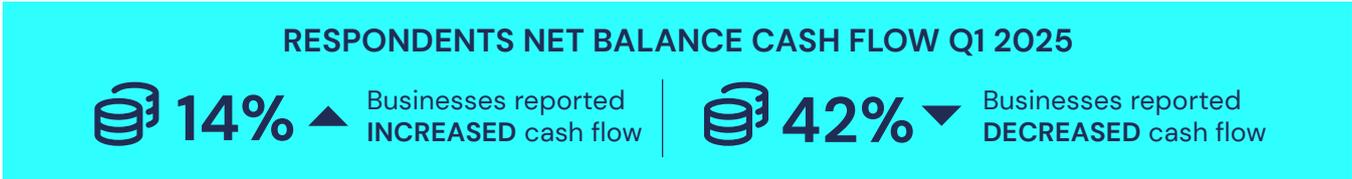
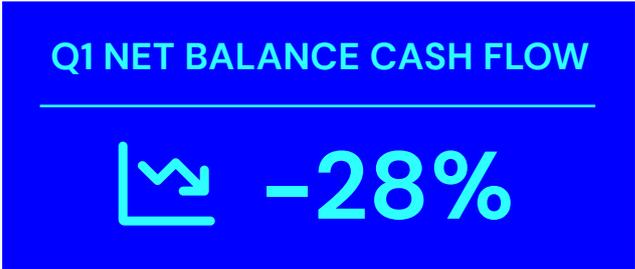


**CASHFLOW**

In Q1 2025, cash flow challenges persisted across all sectors. For all respondents, the net balance for cash flow was -28%, with 14% of businesses reporting increased cash flow and 42% experiencing a decline.

From a sectoral perspective, manufacturers showed signs of recovery. The sector's net balance improved to -16%, a 15-percentage-point increase from -31% at the end of 2024, though challenges remain.

In contrast, the service sector faced a notable deterioration. Its net balance declined to -33% in Q1 2025, down from -19% in the previous quarter.



## 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 -13% indicates a slight improvement in investment, compared to -18% in Q4 2024. Investment in office and property space also experienced a moderate improvement, with a net balance of -11% (-16% in Q4 2024).

Investment in training showed a negative net balance of -8%, while research and development investment declined as well with a net balance of -1%.

The availability of finance has been mixed. Only 5% of businesses reported an improvement, while 39% experienced no change and 14% reported a deterioration. A significant number of respondents (23%) expressed uncertainty about the current financial position, highlighting potential concerns or a lack of clarity in the market.

Compared to Q4 2024, the current results reflect a continuing negative trend in terms of business investment, suggesting an extended climate of uncertainty and financial constraints among businesses.

*A significant number of respondents expressed uncertainty about the current financial position, highlighting potential concerns or a lack of clarity in the market.*





## SOURCES OF CONCERN

In Q1 2025, businesses continue to face myriad challenges, with general economic conditions remaining the predominant concern for 76% of respondents. This reflects persistent anxiety about the economic environment with same results as in the last quarter of 2024.

General business uncertainty is also a significant issue, cited by 70% of businesses, also consistent with Q4 2024 figures.

The percentage of participants reporting an increase in taxation as a source of concern remains significant, with over half of respondents (53%) indicating this as one of their major worries.

Other notable concerns include inflation and the labour market, cited by 44% and 20% of respondents, respectively. Interest rates are a concern for 17% of businesses, reflecting worries about borrowing costs and financial stability.

Finally, exchange rates are a concern for 16% of respondents, possibly those more exposed to currency fluctuations in the foreign exchange markets.

*An increase in taxation as a source of concern remains significant.*

### Businesses concerns Q1 2025



**70%**  
General business uncertainty

**53%**  
Concerns around taxation

**44%**  
Concerns around inflation

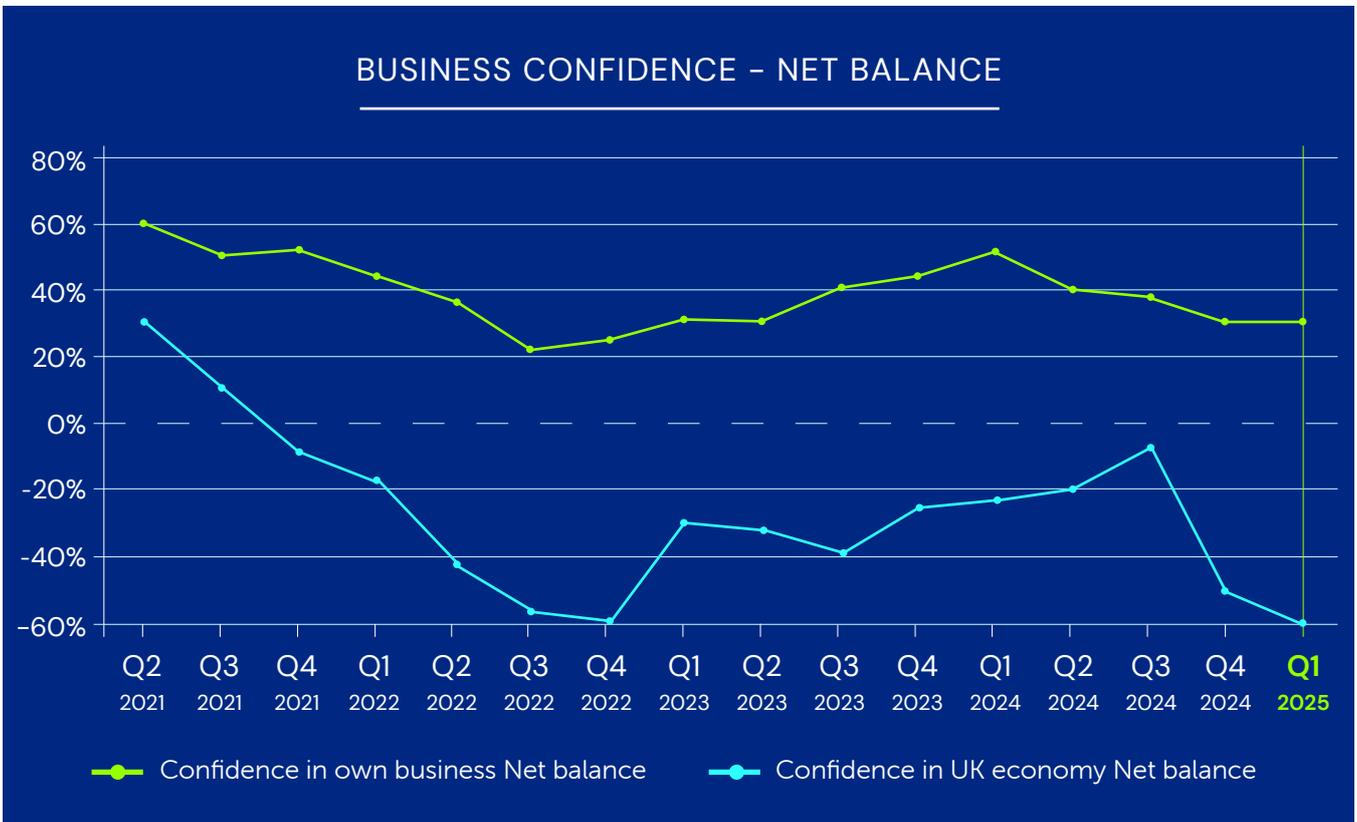
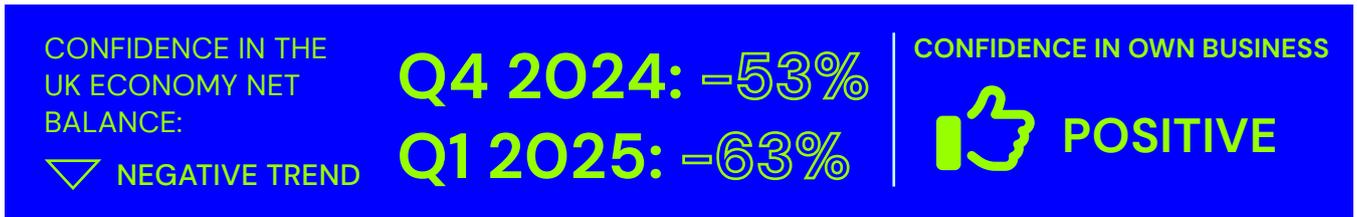
**20%**  
Concerns around labour market

**17%**  
Concerns around interest rates

**CONFIDENCE: THE NEXT 12 MONTHS**

In the first quarter of 2025, business confidence in the UK economy shows a decline, with 7% of businesses feeling positive and 70% feeling negative, resulting in a net balance of -63%. This marks a deterioration from Q4 2024's net balance of -53%.

Confidence in individual business prospects remains positive, with a net balance of 14%, in line with Q4 2024.



## BUSINESS PROFILES

Most respondents are smaller businesses, almost half have an annual turnover under £500,000, and 31% between £1 – 10 million. The vast majority of respondents (80%) are limited companies.

Geographically, 43% of the respondents are from the 'West of England' area (26% of these are in the narrower City of Bristol area), another 12% are located in Swindon and Wiltshire, 18% in Gloucestershire, and 27% are from the wider South West region.

Our respondents are significantly more likely to be exporters than the general UK business community, making up 55% 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](mailto:policy@businesswest.co.uk)



OUR QUARTERLY FINDINGS

THIS QUARTER: Q1 2025

	SERVICES	MANUFACTURING	OVERALL	TREND
UK SALES	-14%	-14%	-14%	▼
UK ORDERS	-22%	-10%	-19%	▲
EXPORT SALES	-10%	-0%	-7%	=
EXPORT ORDERS	-10%	-2%	-6%	▲
CURRENT WORKFORCE	-6%	10%	-2%	▼
FUTURE WORKFORCE	0%	14%	4%	▲
BUSINESS CONFIDENCE	10%	24%	14%	=
CONFIDENCE IN ECONOMY	-63%	-58%	-62%	▼



 [LinkedIn.com/businesswest](https://www.linkedin.com/company/businesswest)

 [@bw\\_businesswest](https://twitter.com/bw_businesswest)

 01275 373 373 | [info@businesswest.co.uk](mailto:info@businesswest.co.uk)

 [www.businesswest.co.uk](http://www.businesswest.co.uk)