

BRITISH CHAMBERS OF COMMERCE

**QUARTERLY ECONOMIC SURVEY** Q1 2025

**Business confidence remains in a slump following the Autumn Budget.** The BCC's Quarterly Economic Survey (QES) for Q1 2025 - the UK's largest independent survey of business sentiment, made up of 91% SMEs – shows business sentiment remains very weak as taxation continues to be the top concern. Business confidence has fallen further since the immediate aftermath of the Budget.

Taxation remains the top concern, cited by 59% of respondents

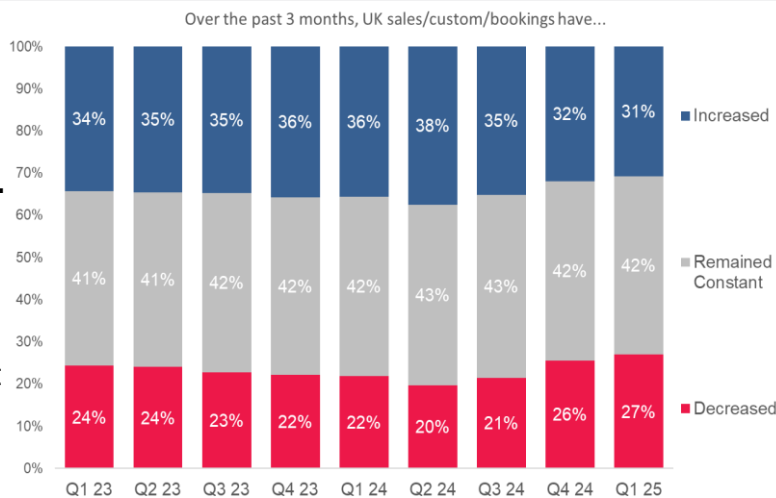
55% of firms expect prices to go up, with labour costs the biggest driver

Fewer firms report increased sales, investment and confidence

**Domestic Sales**

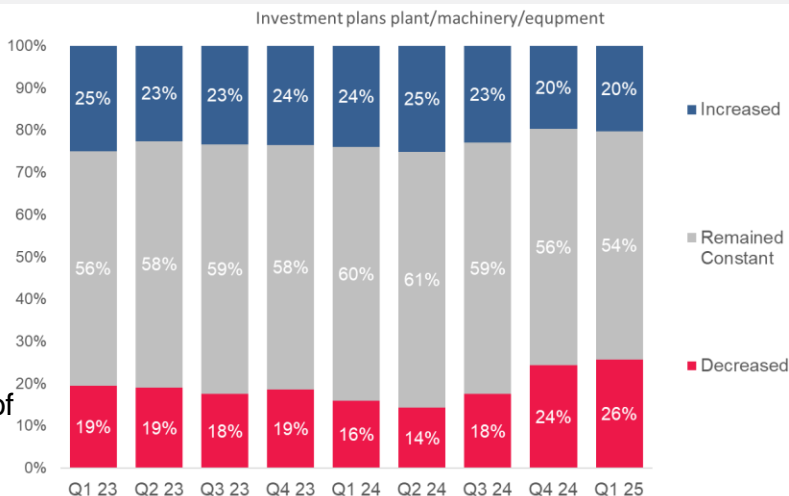
The percentage of respondents reporting increased domestic sales has slightly fallen to 31%, compared to 32% in Q4 2024.

42% reported no change and over a quarter (27%) reported a decrease. The marketing sector was most likely to report increased sales (40%), while retail sector was most likely to report a decrease (37%).

**Investment**

Overall, 20% of respondents reported an increase to plant/equipment investment in the past three months, while 54% reported no change, and 26% reported a decrease.

Wide sectoral disparities remain, with 40% of hospitality firms reporting a scaling back of investment plans and 35% of retailers.

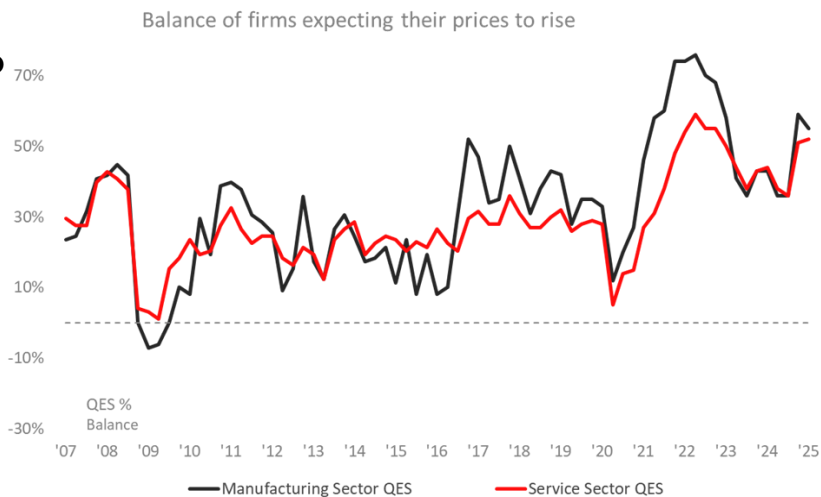




**The percentage of firms expecting their prices to rise increased to 55%, the same level elevated level as Q4 2024.**

As measured as a percentage balance, the services sector stands at +52% while the manufacturing sector stands at +55%.

**Prices**

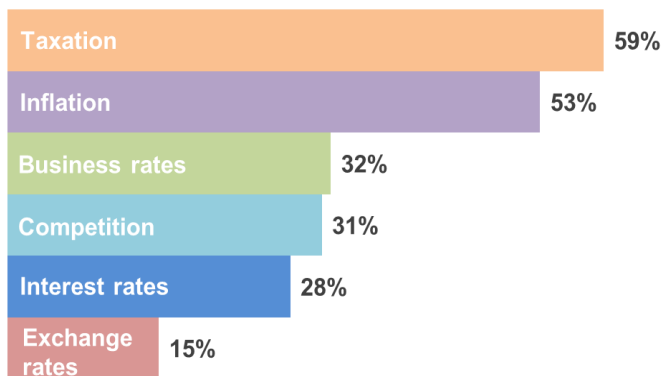


**Taxation remains the top concern for respondents, with 59% citing this, down slightly from 63% in Q4 2024.**

Concern about inflation has increased since the previous quarter – 53% compared to 47% in Q4. Concern about interest rates remains at 28%, the same level as Q4.

**External factors**

External factors of greater concern than three months ago



## The view from businesses:

*“We have been doubling revenue year on year consistently for the last 4 years. There is too much cash pressure for this to be sustainable for us unless the UK government changes its policy on taxation.” **Small agriculture firm in Dundee & Angus***

*“Borrowing cost remains too high & this coupled with increased Employers NI & min Wage discourages investment & causes cashflow issues.” **Medium sized agriculture firm in Shropshire***

*“NI increase will add £110K to our pay bill this year alone” **Medium sized construction firm in Greater Manchester***

*“Recent changes to company tax and labour costs have caused us to shelve all future expansion plans for next 5-years. Over the past 6 months we have reduced staff levels and will not increase staff for the next 3-years due to the changes to company tax and labour costs. As a result, we will now be moving all future expansion and employment to the USA..” **Small manufacturing firm in Essex***

# QUARTERLY ECONOMIC SURVEY Q1 2025

*“It is clear that business sentiment is in a slump following the Autumn Budget last year and this fresh dataset shows no improvement to that. In some indicators, we have seen a further worsening.*

*This is to be expected as costs have piled on businesses simultaneously. On the domestic side, tax rises, specifically the NICs increase, are consistently cited by businesses as a concern. A global tariff war is also a major blow for both importers and exporters.*

*The end result is a low growth outlook, weak investment among SMEs, and damage to global trade. As we see from the data, as more firms expect price rises, this could further fuel inflation and limit further interest rate cuts.”*

**David Bharier, Head of Research at the British Chambers of Commerce**

## ABOUT QES Q1 2025

5,221 business respondents from across the UK

Responding businesses employ over one million people

76% are in the service sector, 24% in the manufacturing sector

Around 38% are exporters

91% are SMEs

Fieldwork took place between 10 February - 10 March 2025

### Methodology

QES asks businesses if they have seen an increase, decrease, or no change in a range of metrics such as domestic sales, cash flow, and investment.

QES results are often presented as balance figures – the percentage of firms that reported an increase minus the percentage that reported a decrease. If the figure is above 0, it indicates overall expansion of activity and if the figure is below 0, it indicates overall contraction of activity.

For example, if 50% of firms told us their sales increased and 18% said their sales decreased, the balance for the quarter would be +32% (an overall expansion). If 32% told us their sales increased and 33% said their sales decreased, the balance would be -1% (an overall contraction).

### For more information:

Contact David Bharier, Head of Research at the British Chambers of Commerce for any queries or to understand how your organisation may benefit from the BCC Insights Unit

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If you would like to enquire about local data, you can find your local Chamber of Commerce here

<https://www.britishchambers.org.uk/page/join-a-chamber>