

BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q1 2026

Business confidence remains fragile at the start of 2026. The BCC's Quarterly Economic Survey (QES) for Q1 2026 - the UK's largest independent survey of business sentiment, made up of 4,560 respondents - shows that confidence among firms remained fragile, heading into the Iran conflict, with labour and energy costs weighing on investment.

Labour costs remain the top cost pressure, cited by 73% of respondents

49% of firms expect to raise prices over the next three months

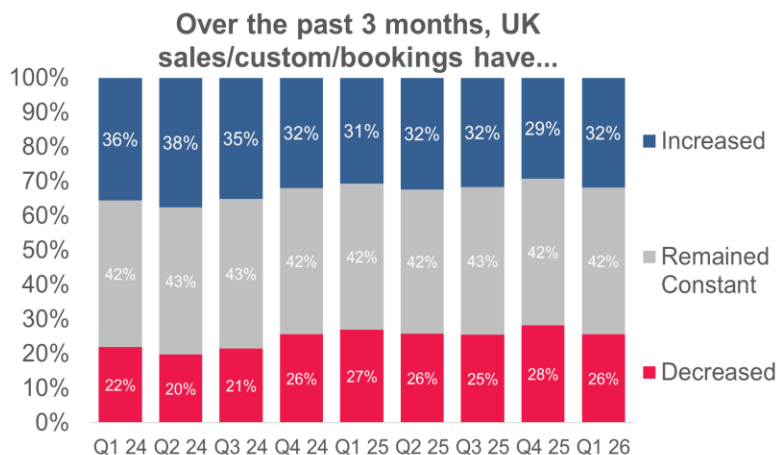
Confidence and investment levels remain low



Domestic Sales

The percentage of responding businesses reporting increased domestic sales rose slightly to 32% (29% in Q4)

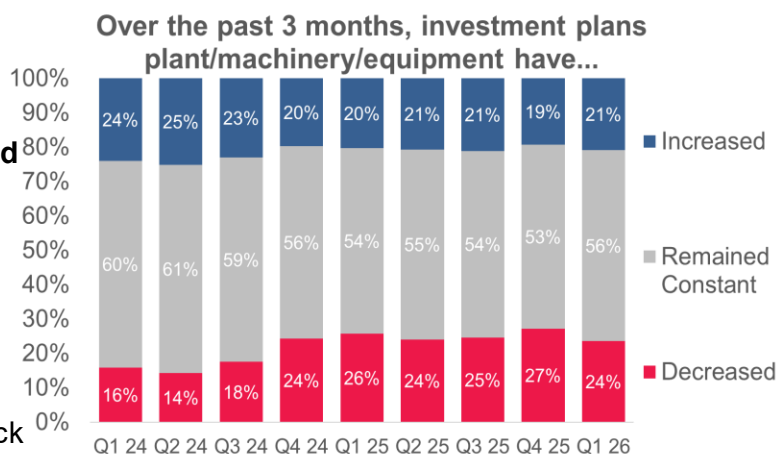
42% reported no change, and just over a quarter (26%) said they had seen a decrease in sales. Sectoral breakdowns show increased sales were at their lowest among transport (25%) and manufacturers (26%)



Investment

A quarter (24%) of businesses say they have cut back on investment plans, while 56% say they have remained unchanged, and just 21% of firms increased their plans.

The issue is more marked in certain sectors. A third of hospitality firms (33%) and retail businesses (32%) reported they'd scaled back investment plans.

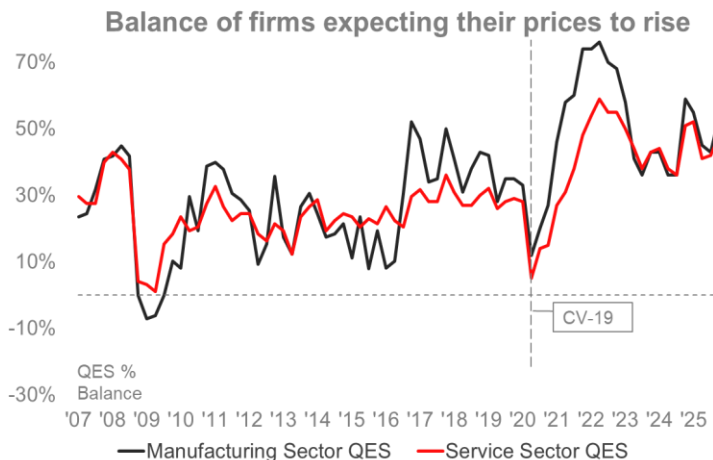




Prices

Even before the likely inflationary impact of the Iran conflict, 49% of responding firms said they were likely to raise prices over the coming quarter (down from 52% in Q1).

As measured as a percentage balance, the services sector stands at +45% while the manufacturing sector stands at +49%.

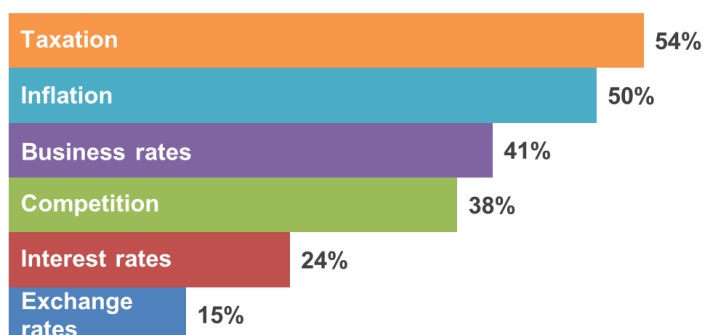


External factors

Tax remains the biggest concern for business, cited by 54% of firms (down from 63% in Q4). Half of firms (50%) remain concerned about inflation.

Levels of concern about business rates rose in the first few months of the year, ahead of revaluation. 41% of responding firms cited business rates as a concern, up from 34% in Q4.

External factors of greater concern than three months ago



The view from businesses:

Middle East conflict:

"The instability in the Middle East is a cause for concern, the potential ripple effects from this are our reasons for being concerned about where interest rates, exchange rates, and inflation could go over the coming months." **Medium sized manufacturing firm** in Northern Ireland

"Ongoing impact from food costs remains a challenge, with continued balancing of additional costs for workforce and now planning for impact of future costs from current war in Iran - fuel costs increasing, impacting delivery costs, utilities and general costs" **Medium construction firm** in Greater Manchester

Business environment:

"The uncertainty of the business rates increase is the biggest concern and impacting our decision to move to larger offices to support more staff." **Micro professional services firm** in Surrey

"Labour costs are constantly increasing, SSP as well as NMW increases continue to push up our costs well above inflation." **Large professional services** in the Black Country

QUARTERLY ECONOMIC SURVEY Q1 2026

“Even before the latest escalation in the Middle East, business sentiment remained fragile and stuck in a low-growth phase.

“Most SMEs continue to report no improvement in key indicators such as investment and cash flow. Sentiment remains largely unchanged since the 2024 Budget, which saw a permanent increase in the labour cost base for firms.

“Businesses face a fresh wave of employer costs and burdens from this month, causing further pressure and uncertainty.

“But the Iran conflict is now the major factor that could derail fragile progress. De-escalation is the only way to prevent a deeper economic crisis. As energy costs rise the government should keep all options on the table to help businesses.”

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

ABOUT QES Q1 2026

4,560 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 46% are
exporters

91% are SMEs

Fieldwork took
place between 9
February - 9 March
2026

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>