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BRITISH CHAMBERS OF COMMERCE

QUARTERLY ECONOMIC SURVEY Q2 2026

The proportion of firms planning to increase investment has fallen to its lowest level since the pandemic. The BCC's Quarterly Economic Survey (QES) for Q2 2026 - the UK's largest independent survey of business sentiment, made up of 4,744 respondents - shows conditions weakened, with fewer firms increasing sales and inflation re-emerging as the leading concern.

Only 17% of responding firms plan to increase investment

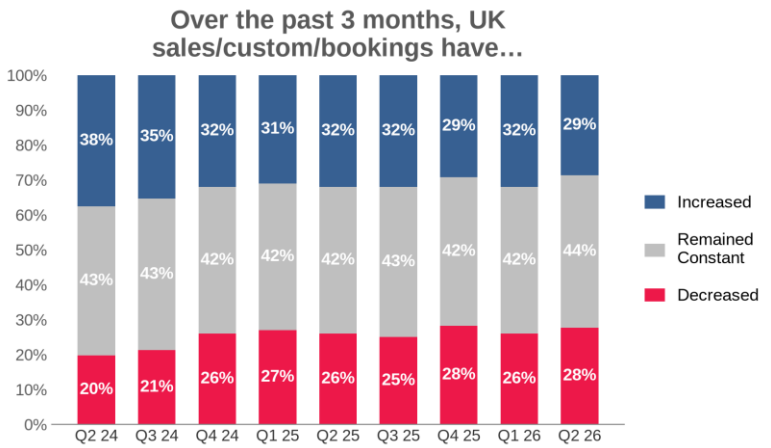
Just 44% of businesses expect improved turnover in the next 12 months

Inflation has become the top concern for businesses

Domestic Sales

The percentage of businesses reporting increased domestic sales in Q2 fell to a 29% (down from 32% in Q1).

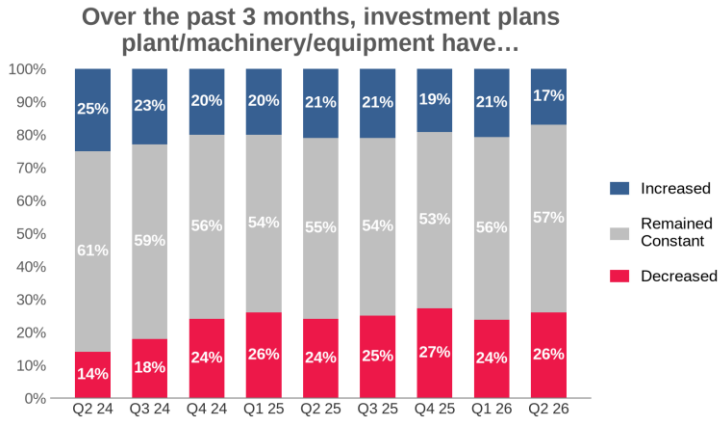
44% reported no change, and over a quarter (28%) said they had seen a decrease in sales. Sectoral breakdowns show increased sales were at their lowest among hospitality firms (20%) and highest in the transport sector (34%).



Investment

A quarter (26%) of businesses say they have cut back on investment plans, while 57% say they have remained unchanged, and just 17% of firms increased their plans (down compared to 21% in Q1).

The slump in planned investment levels is more marked in certain sectors. Over a third of hospitality (38%) and retail (35%) firms reported they'd scaled back investment plans.



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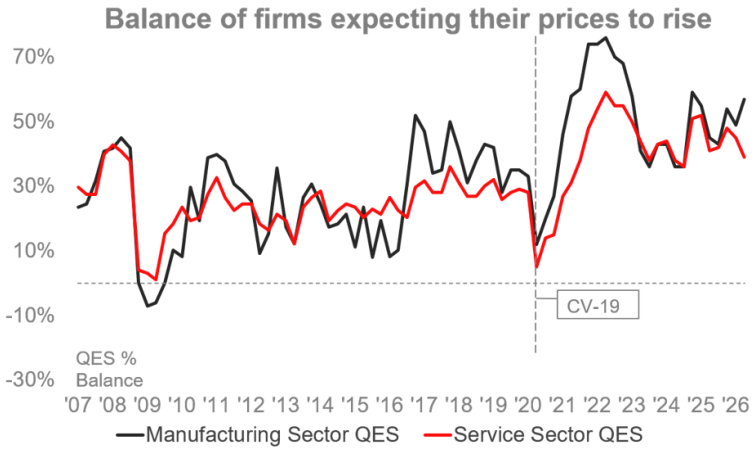
Prices

The proportion of firms expected to raise prices for customers in the next three months remained around half (48%) in Q2.

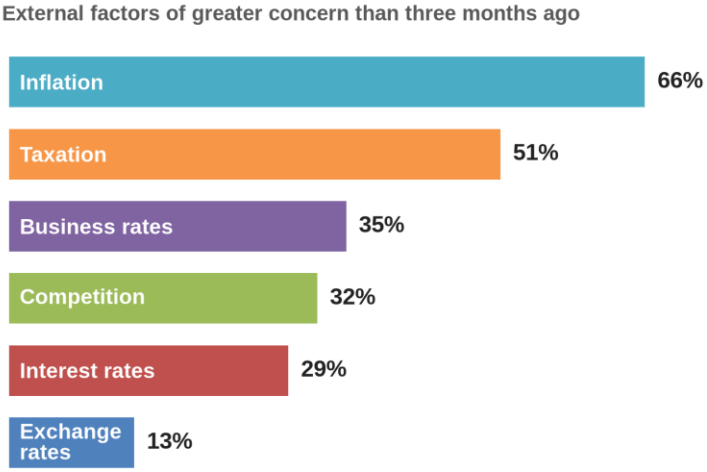
As measured as a percentage balance, the services sector stands at +39% while the manufacturing sector stands at +57%.



External factors

With high domestic costs and geopolitical headwinds, inflation leapt to become the top concern for businesses in Q2, cited by 66% of firms (up from 50% in Q1). Half of firms (51%) cited taxation as a worry.

With interest rates expected to stay on hold in the coming months, concern about the cost of borrowing rose to 29% (up from 24% in Q1).



The view from businesses:

"As a business owner, we are being taxed out of existence" **Micro services firm in Yorkshire and The Humber**

"Increases in wages, National Insurance, utilities and supplier pricing continue to place pressure on margins, requiring careful stock management and investment planning" **Small construction firm in East Midlands**

"General economic instability has made my clients more wary, and therefore less willing to spend on services" **Small Hospitality firm in Cambridgeshire**

"It's a challenging and unpredictable climate, with geopolitical factors having a big impact." **Small construction firm in Hull and Humber**

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"The continued fall in SME investment sentiment is further evidence of a longer-term pattern that no single shock explains.

"Our data shows a risk-aversion cycle taking hold. Firms have not lost ambition, but years of compounding cost pressures and geopolitical shocks have produced defensive behaviour for the average SME.

"Most firms are now experiencing policy as downside risk rather than opportunity - with the rise in employer NICs a prominent example, still being felt almost two years on. Reducing the cost and complexity of the administrative burden would give many firms the space to grow.

"But more broadly, government policy needs to pass a 'growth delivery test'. Each proposal should start from the question of exactly how it will cause firms to increase investment, exports, hiring, or expansion. Until that test is being applied, more announcements will produce fewer decisions – and our survey will continue to show the same pattern quarter after quarter."

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

ABOUT QES Q2 2026

4,744 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 52% are exporters	92% are SMEs	Fieldwork took place between 11 May – 8 June 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

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