



LONDON QUARTERLY ECONOMIC SURVEY

April – June 2026



Programme partner



Conducted by





KARIM FATEHI OBE

Chief Executive Officer,
London Chamber of
Commerce and Industry

FOREWORD

This quarter's survey is a flashing warning light from London's business community, highlighting a business environment that is struggling to generate the conditions needed for growth. Cost pressures remain acute, demand is weak, confidence is subdued, and businesses continue to report negative cashflow. At the same time, investment intentions and recruitment activity remain limited.

The results should be viewed against a wider backdrop of heightened geopolitical and economic uncertainty. Instability in the Middle East has added pressure to energy markets, supply chains and global confidence, increasing risk at a time when many businesses have limited headroom to absorb further pressures. For a global city such as London, these challenges are not distant. They feed directly into costs, planning decisions, trading conditions and expectations for the months ahead.

But external shocks are only part of the story. Businesses are also contending with a difficult domestic environment, where high operating costs and policy uncertainty continue to weigh on decision-making. Taxes, energy, labour, finance, regulation and business rates all affect decisions about investment, hiring and expansion. The result is a growing sense of caution, with firms protecting cashflow, limiting risk and delaying decisions. This is no longer only a question of margins. It is becoming a question of competitiveness.

This pressure is not felt evenly. With fewer reserves, tighter margins and less room for manoeuvre, the impact is particularly significant for small businesses. That matters because SMEs are central to London's economy, supporting local high streets, creating jobs and driving economic activity across the capital. London's resilience should not be taken for granted, however if current conditions persist, they risk weakening the capital's competitive position over time.

Amidst growing domestic political uncertainty, these findings should be treated as a call to action to the incoming Prime Minister. If growth is the priority, firms need greater certainty and conditions that support investment. That means easing cost pressures, providing clarity on tax and employment policy, reforming business rates, and supporting the skills and infrastructure that firms need to invest.

London remains one of the UK's strongest economic assets. When businesses in the capital have the confidence to invest, hire and expand, the benefits are felt across the wider economy. LCCI will continue to work with key stakeholders to make the case for a more stable, competitive and pro-business environment that enables firms to trade, invest and grow.



VICKY PRYCE

Chief Economic Advisor,
CEBR

ECONOMIC COMMENTARY

The year seemed to have started well, as had been experienced, but it didn't last in 2025. It will be interesting to see if the pattern is followed this year too. The pressures, of course, differ. Last year, it was the tariffs imposed by the US which unsettled global trade. This year, it is the conflict in the Middle East. GDP grew by 0.6% in the first quarter of 2026, prompting the International Monetary Fund (IMF) to up its growth forecast for the UK to 1% for the year from 0.8%. But the mood has worsened since, reflecting the oil price surge, and this has also impacted the rather cautious mood in the latest QES. GDP in April fell, and PMIs in May have been indicating contraction overall. However, this is not the case in manufacturing, which is still growing, led by strong output of intermediate and investment goods, as factories seem to have been boosting production and building up inventories to avoid possible future supply shortages and possibly at even higher prices ahead. But services are suffering, and businesses remain cautious overall. Even though the unemployment rate was slightly lower at 4.9% in the three months to April, inactivity also increased. Hiring intentions remain weak, and payroll numbers fell further in May with firms opting for more part-time and contract work to reduce any risks ahead should negative conditions remain.

On the positive side, heatwaves and the World Cup may bring more people out and help the beleaguered retail and hospitality sectors. And the IMF appears to have dropped its severe recession scenario for the global economy it was fearing. The Bank of England Monetary Policy Committee kept interest rates at 3.75% in its mid-June meeting, encouraged, one assumes, by the fact that inflation in May stayed at 2.8% despite energy prices rising globally. Transport costs were up, but this was offset by surprisingly benign food price trends and by the 7% drop in the energy price cap effective since April, which is flattering the year-on-year inflation figure compared to where it would otherwise have been. And though the figure will rise later in the summer as household energy bills rise as planned by 13% for average household bills in July for the following three months, the

next period from October, when the cap is recalculated, may in fact see a new fall. That is, of course, on the assumption that the oil price decline we have seen since the announcement of a Memorandum of Understanding between the US and Iran holds. But that is, of course, a big IF. And in the meantime, businesses will have to, at some stage, pass on at least some of the costs they have seen in their inputs, which, for manufacturing at any rate, were nearly 9% up in the 12 months to May. The BCC's own projections are for business investment to drop by 2.2% for the year as a whole.

Meanwhile, markets have been wary of the ramifications of the Makerfield by-election result and will probably want to wait and see what the future holds for fiscal prudence or otherwise. 10-year bond yields rose briefly just before Sir Keir Starmer announced his resignation, though they stabilised when the likelihood of an orderly transition without a contest for the top job increased. But bond yields remain the highest in the G7, and until the policy landscape under a new PM becomes clearer, the economy could once again stall ahead of the autumn budget, whenever that comes.

BUSINESS COSTS



41%

and 33% of London businesses reported an increase in the costs of their domestically and internationally sourced raw materials last quarter



51%

of London businesses reported an increase in their energy costs last quarter



Cost pressures were visible across the survey, with several indicators pointing to pressure on firms' operating costs. The main areas of pressure were fuel, energy, raw materials, wages and borrowing. 57% of firms reported increased **fuel** costs, while 51% reported increased **energy** costs. **Raw material** pressures were also visible, with 41% reporting increased domestic raw material costs and 33% reporting increased internationally sourced raw material costs. Alongside this, 25% reported increased **wage** pressure and 21% reported increased borrowing costs.

These recent movements sit alongside the separate question on factors putting pressure on firms to raise prices. **Utilities** were the most frequently cited source, selected by 30% of businesses. **Labour** costs followed closely at 25%, while **raw materials** were cited by 23%, **fuel** by 22%, and **finance** costs by 13%.

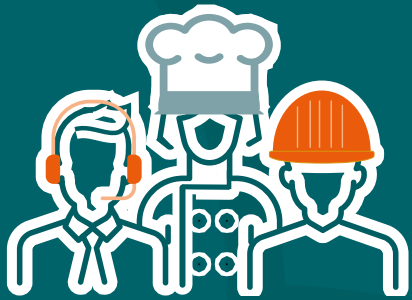
The data also points to uneven exposure across the business base. Larger firms reported higher pressure than micro businesses across utilities, labour, raw materials, fuel and finance, with the largest gaps visible in labour costs and finance costs. Manufacturing firms also appeared more exposed across

several categories, particularly raw materials, labour, fuel and finance. This was reflected in price expectations, with 56% of manufacturing firms expecting prices to rise over the next 12 months, compared with 34% of firms overall and 36% of larger firms.

Inflation was the most frequently cited external concern, with 47% of firms saying it was more of a concern than three months ago. This was also reflected in the topical questions, where 39% selected inflation and rising costs as their biggest expected challenge over the next 12 months. After inflation, the most frequently cited external concerns were **competition** (25%), **corporate taxation** (24%), **interest rates** (21%), and **business rates** (21%).

The wider cost environment was also visible in views on taxation, with 66% of firms saying the current overall level of business taxation is too high. This places cost pressures within the wider operating environment, rather than as a single input-cost story.

LABOUR MARKET



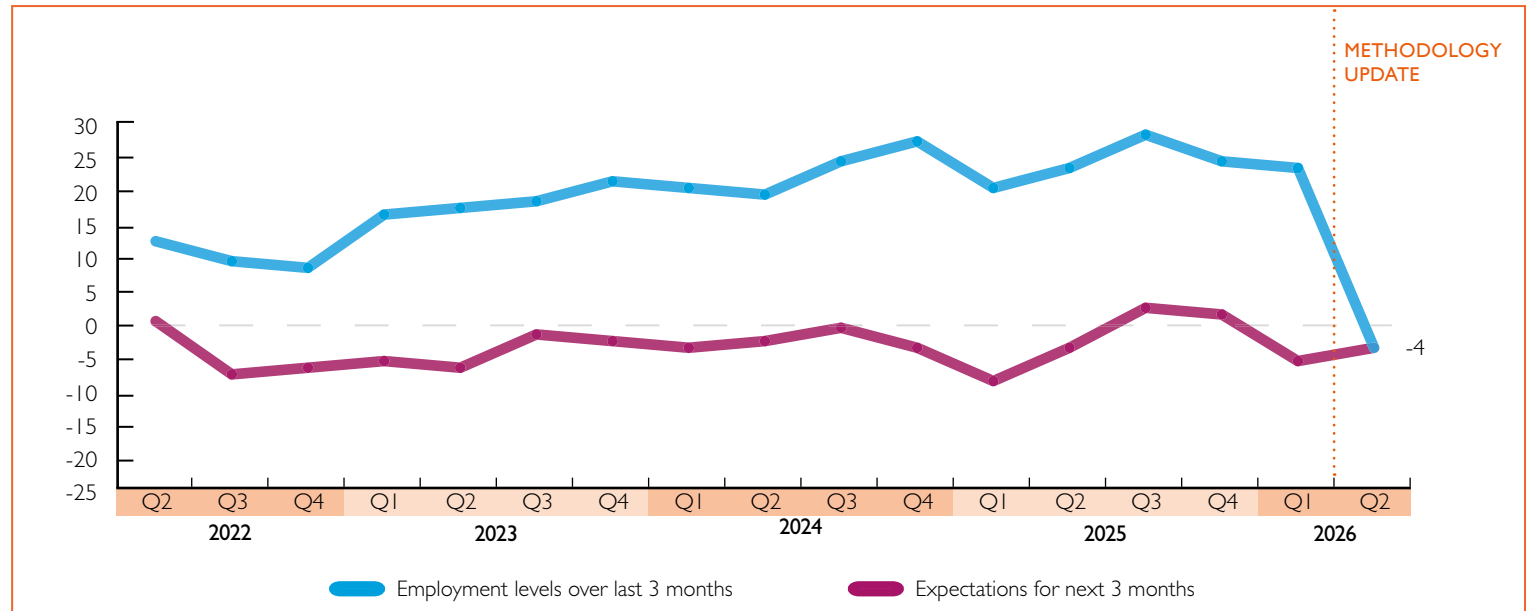
11%

of London businesses reported an **increase in their workforce size** last quarter



7%

of London businesses expected their workforce size to **increase** in the next quarter



Labour market indicators were weak overall, with both recent employment levels and forward-looking workforce expectations in slightly negative balance.

11% of firms reported **increased employment** over the previous quarter. The figure was 10% among micro businesses and 21% among larger firms. Geographically, 15% of Inner London firms reported increased employment, compared with 5% in Outer London.

Meanwhile, 15% of firms reported **falling employment**. The share was 15% among micro businesses and 16% among larger firms, with 11% in Inner London and 20% in Outer London.

Taken together, the employment balance was slightly negative at -4. Micro businesses recorded -5, while larger firms were in positive territory at +5. Inner London recorded +5, compared with -15 in Outer London.

Forward-looking employment expectations were also weak. The proportion of firms expecting their **workforce to increase**

over the next three months was 7%. This included 5% of micro businesses and 31% of larger firms, with 9% in Inner London and 3% in Outer London.

11% of firms expected their **workforce to decrease** over the next three months. This left the employment expectations balance at -4. Micro businesses recorded -6, while larger firms were positive at +24. Inner London was also positive at +1, compared with -11 in Outer London.

Capacity utilisation adds useful context. 41% of firms reported operating at full capacity, sitting alongside weak employment expectations and limited recruitment activity. Staffing and skills shortages were selected by 4% of firms as their biggest expected challenge, rising to 13% among larger firms, 28% among firms expecting workforce growth, and 31% among firms that had tried to recruit.

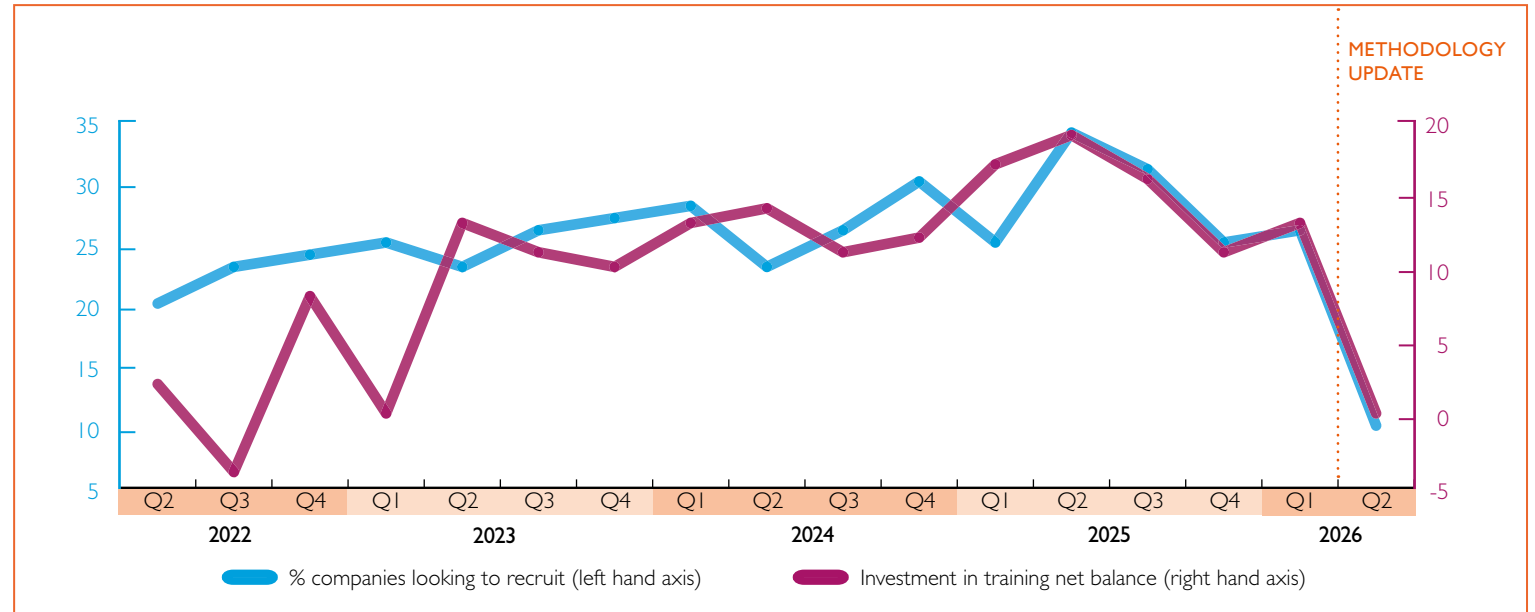
RECRUITMENT AND TRAINING



10% of London businesses reported **trying to recruit** in the last quarter



10% of London businesses reported an **increase in L&D training** last quarter



Recruitment activity was limited, with only 10% of firms reporting attempts to recruit. The share was 9% among micro businesses, compared with 48% among larger firms. The geographic split was also notable, with 14% of Inner London firms attempting to recruit, compared with 6% in Outer London.

Correspondingly, 90% of firms reported **no recruitment activity**. This was particularly evident among micro businesses (91%) and Outer London firms (94%). By sector, recruitment activity was higher in manufacturing (19%) than in services (10%).

Among firms that recruited, 68% said the roles included full-time options. **Recruitment difficulties** were also visible, with 61% of recruiting firms reporting difficulties. The most challenging categories were professional and managerial roles (61%) and skilled manual or technical roles (51%).

The recruitment picture points to limited hiring activity overall, alongside continued difficulties among the smaller group of firms that did recruit. This suggests staffing pressure was concentrated among firms with active vacancies, rather than evenly distributed across the wider business base.

The wider skills-acquisition picture was also uneven. Over the last three months, 19% of firms used training for existing staff to acquire new skills, while 10% used recruitment of new UK-based staff. Apprenticeship use stood at 2% overall, although it was higher among larger businesses, at 11%.

10% of firms reported increased **investment in training** over the past three months. The size split was substantial: 9% of micro businesses reported increased training investment, compared with 41% of larger firms. This pattern suggests that training and skills activity was more concentrated among larger firms.

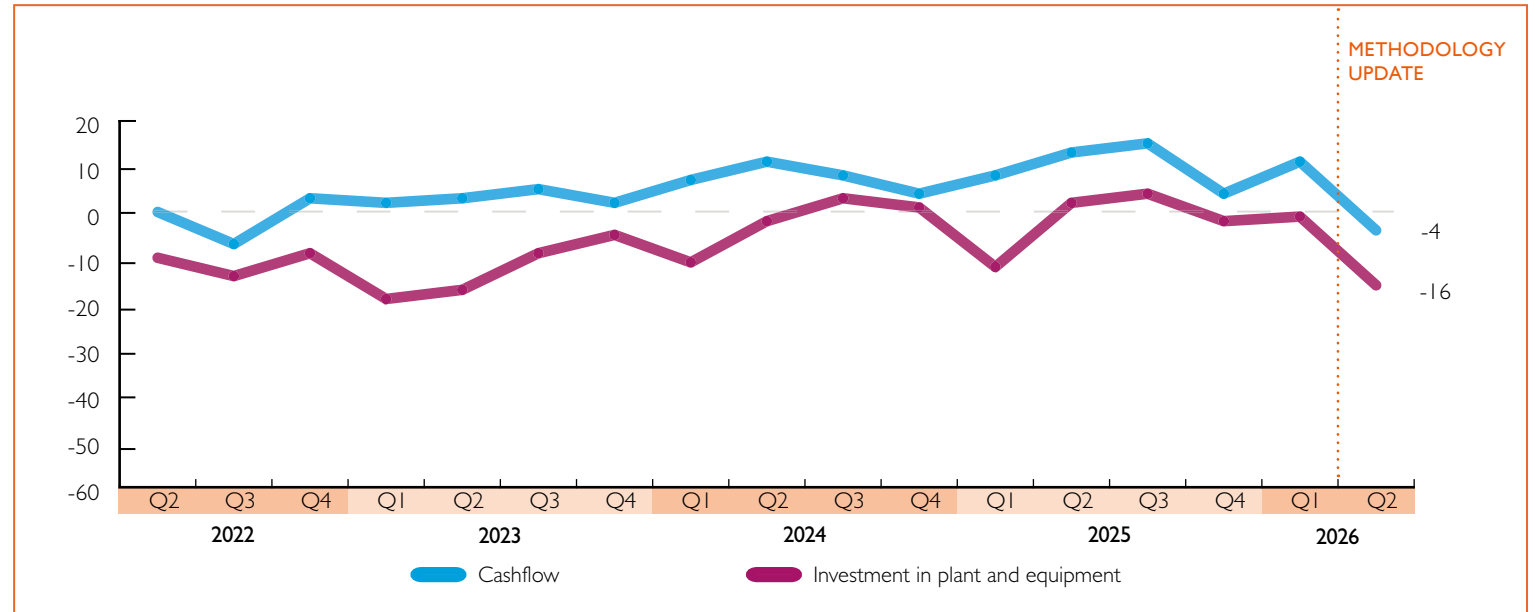
CASHFLOW AND INVESTMENT



16% of firms reported an **increase in cashflow** last quarter



7% of firms reported an **increase in investment in plant and equipment**



Cashflow indicators were weak, with 16% of firms reporting increased cashflow over the previous quarter, while 32% reported a decrease. The share reporting higher cashflow was 15% among micro businesses and 34% among larger firms, with a visible geographic split between Inner London (20%) and Outer London (10%).

The **cashflow balance** came in at -17. It was negative across all major subcategories, including micro businesses at -19, Inner London at -9, Outer London at -27, manufacturing at -14, and services at -12. Larger firms were the exception, posting +20.

Investment indicators showed a similar pattern. 7% of firms reported increased plans for plant and equipment investment in Q2. The figure was 6% among micro businesses and 28% among larger firms.

A further 11% of firms reported reducing plant and equipment investment plans. As with cashflow, the picture points to limited growth in investment plans rather than a large share of firms cutting investment.

The plant and equipment investment balance came in at -4. Larger firms reported a stronger balance at +25, compared with -5 among micro businesses. The balance stood at -1 in Inner London, -8 in Outer London, +4 in manufacturing, and -5 in services.

The topical data adds wider financial context. 43% of London businesses reported a **worse financial position** at the start of the current financial year, compared with 21% reporting an improved position. The share reporting a worse position was higher among micro businesses (44%) than larger firms (21%).

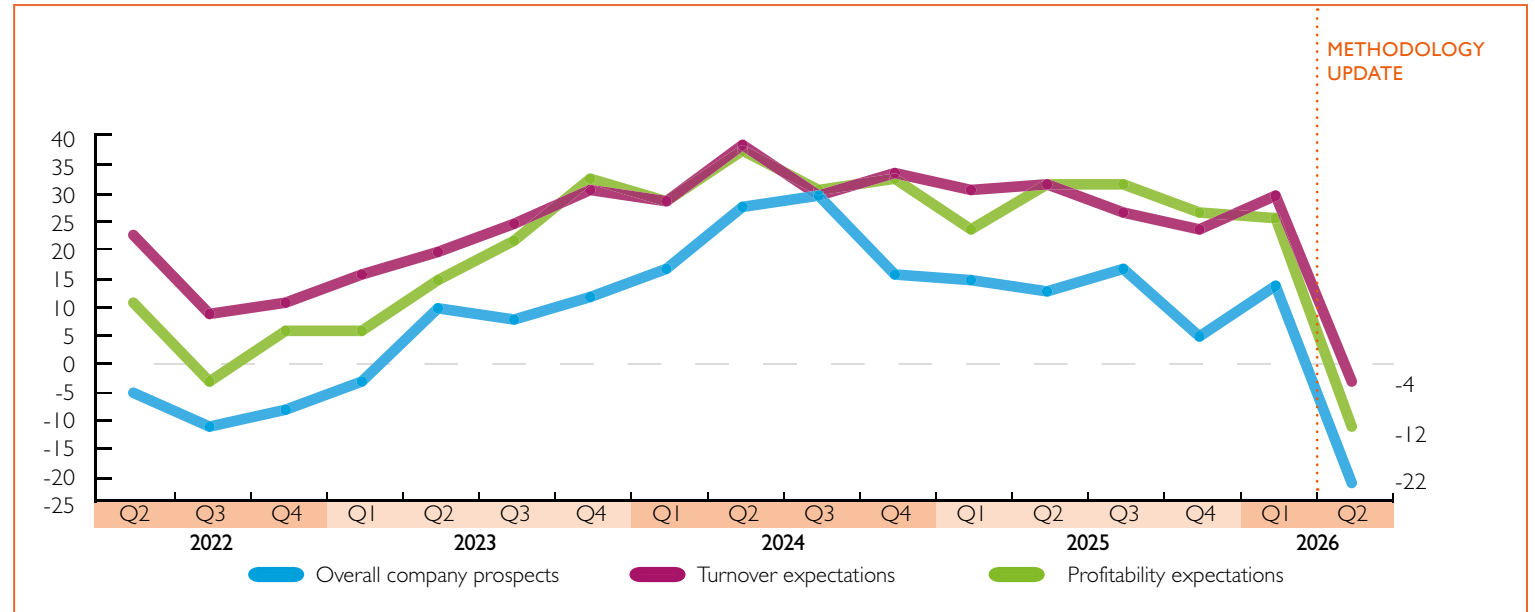
BUSINESS CONFIDENCE



24% of London businesses expect their profitability to **improve** over the coming 12 months



28% of London businesses expect their turnover to **improve** over the coming 12 months



Business confidence indicators were weak across turnover, profitability and firms' own economic prospects, with all three balances in negative territory.

28% of firms expected **turnover** to increase over the next twelve months, while 32% expected it to decrease. This left the balance at -4. Expectations were weaker among micro businesses than larger firms, with 27% of micro businesses and 50% of larger firms expecting turnover to increase.

Profitability expectations were more negative. 24% of firms expected profitability to increase over the next twelve months, while 36% expected it to decrease. This placed the total balance in negative territory at -12. The size split remained visible, with 22% of micro businesses expecting profitability to increase, compared with 48% of larger firms.

Expectations for **firms' own economic prospects** were the weakest of the three indicators. 15% of respondents expected their company's prospects to improve over the next twelve months, while 37% expected them to worsen. This included 13% of micro businesses and 40% of larger firms expecting improvement.

The balance for firms' own economic prospects came in at -22. Larger firms were the only major category in positive territory, at +25, while micro businesses registered -25. The geographic split was also visible, with Inner London at -16 and Outer London at -30.

The main distinction was the depth of weakness: turnover expectations were only slightly negative, while profitability and own-company prospects were materially weaker.

The topical question on the **Government's approach to the economy** pointed in a similar direction. 43% of firms expected it to worsen their company's prospects, while 8% expected an improvement.

ECONOMIC OUTLOOK



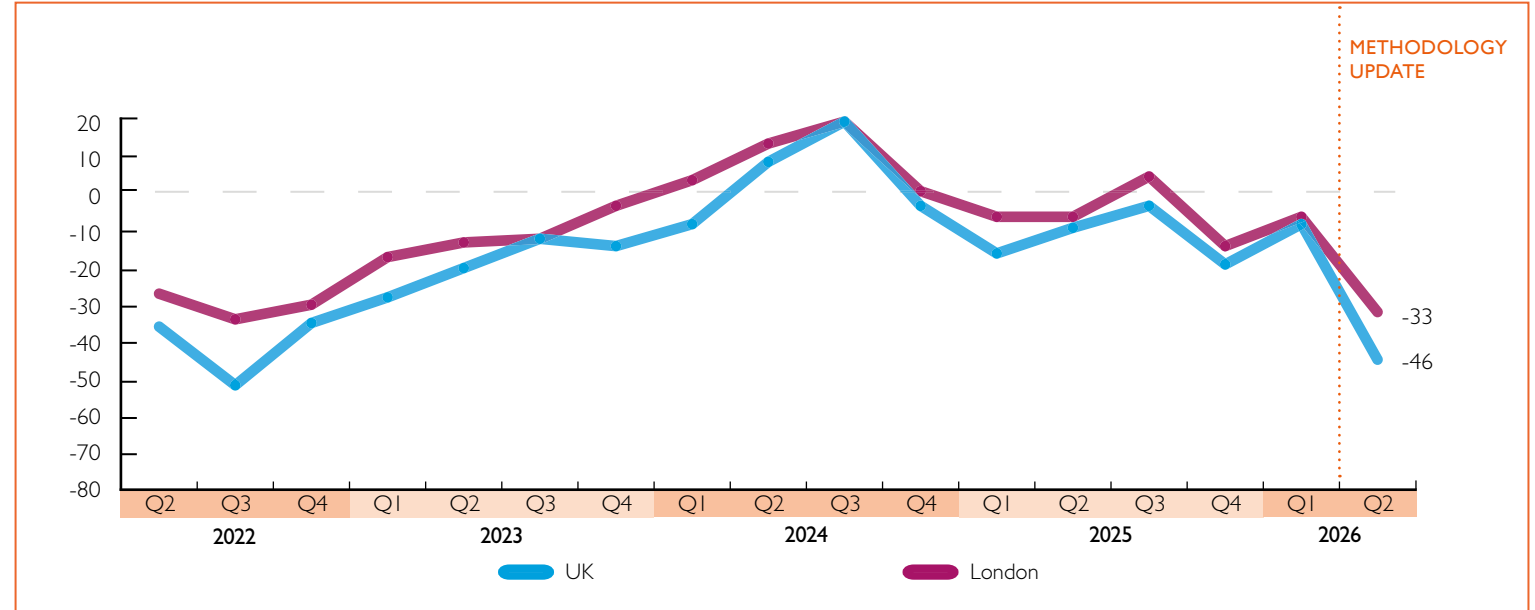
15%

of London businesses expect London's economy to **improve** in the next 12 months



12%

of London businesses expect the UK's economy to **improve** in the next 12 months



Economic outlook indicators were weak, with expectations for both the UK and London economies in negative territory.

UK economic expectations were particularly weak. 12% of firms expected the UK economy to improve over the next twelve months, including 12% of micro businesses and 27% of larger firms. A majority of businesses expected the UK economy to deteriorate, with 58% reporting this view. This was higher among micro businesses (59%) than larger firms (42%).

The UK economic outlook balance came in at -46. Micro businesses reported a weaker balance than larger firms, at -47 compared with -15. The balance was broadly similar across Inner and Outer London, while services firms recorded a weaker balance than manufacturing firms, at -48 compared with -27.

Expectations for **London's economy** followed a similar pattern, although the headline figures remained slightly stronger than for the UK economy. 15% of firms expected London's economy to improve over the next twelve months, including 13% of micro businesses and 32% of larger firms. At the same time, 48% expected the capital's economy to deteriorate.

The London economic outlook balance was -33. Larger firms were less negative than micro businesses, at -7 compared with -36. The balance was weaker in Outer London (-38) than Inner London (-31), and weaker among services firms (-36) than manufacturing firms (-17).

The topical questions reinforced this negative outlook. 49% of firms said the **Government's approach to the economy** would worsen UK economic growth, while 16% expected it to improve growth. For London, 47% expected the Government's approach to worsen economic prospects, compared with 14% expecting improvement. Firms were also more likely to expect Government economic policies to have a negative impact over the next twelve months, both for the UK economy (55% negative; 21% positive) and the London economy (52% negative; 18% positive).

DOMESTIC DEMAND



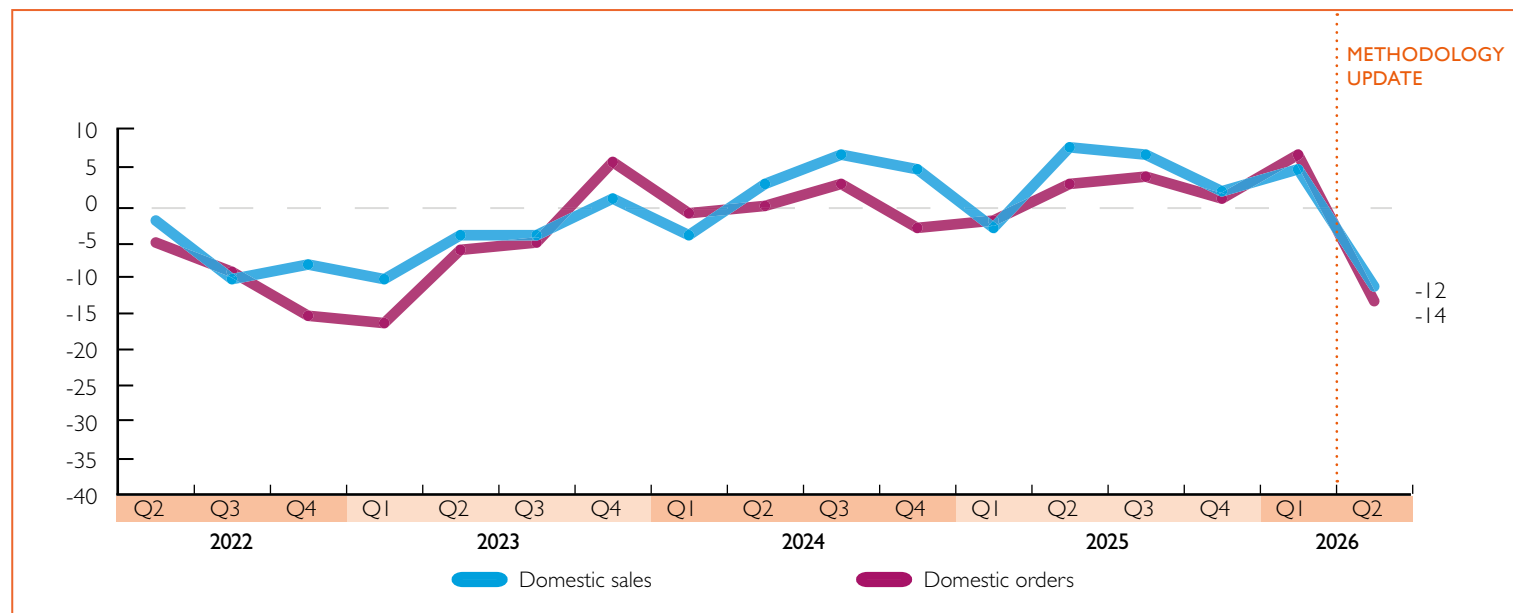
16%

of London businesses reported an increase in domestic sales last quarter



11%

of London businesses reported an increase in domestic orders last quarter



Domestic demand indicators were weak, with both sales and orders in negative balance. The picture reflected a limited share of firms reporting growth, alongside weaker readings across several major subcategories.

Domestic sales were reported as higher by 16% of firms. This varied by business size, with 14% of micro businesses reporting higher domestic sales, compared with 39% of larger firms. The geographic split was also visible, with 20% of Inner London firms reporting an increase, compared with 11% in Outer London. Sector differences were also present, with 27% of manufacturing firms and 14% of services firms reporting higher domestic sales.

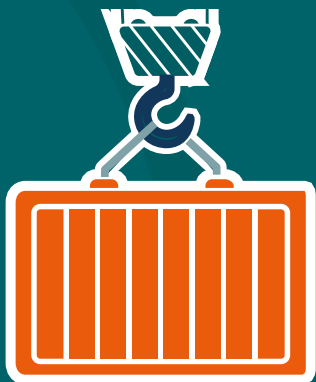
The domestic sales balance was -12. This included a clear size split, with micro businesses at -14 and larger firms in positive territory at +30. Inner London was -5, while Outer London recorded -21. The sector split was less pronounced than the size split, although manufacturing was less negative than services, at -1 compared with -13.

Domestic orders were softer than sales. 11% of firms reported increased domestic orders. This included 10% of micro businesses and 34% of larger firms. The location split followed a similar pattern, with 15% of Inner London firms reporting higher orders, compared with 6% in Outer London. By sector, 21% of manufacturing firms and 10% of services firms reported increased domestic orders.

The domestic orders balance was -14. As with sales, larger firms were positive at +25, while micro businesses recorded -16. The geographic split was also visible, with Inner London at -7 and Outer London at -23.

Overall, the domestic demand data points to soft demand conditions, with orders weaker than sales and positive balances concentrated among larger firms.

EXPORT DEMAND



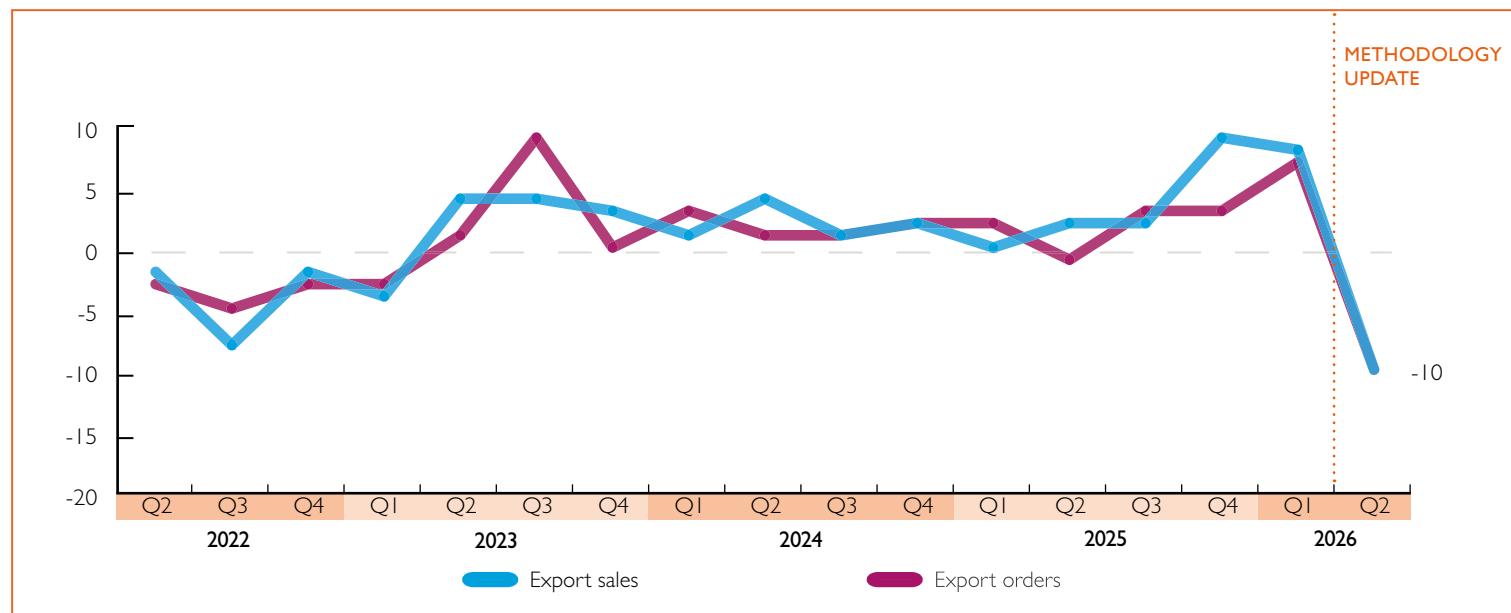
7%

of London businesses reported an increase in export sales revenue last quarter



5%

of London businesses reported an increase in export orders last quarter



Export demand indicators were weak, with both export sales and export orders in negative balance. Larger firms recorded stronger balances than micro businesses across both measures, while geographic differences were limited.

Export sales were reported as higher by 7% of firms. This included 6% of micro businesses and 26% of larger firms. The geographic split showed 7% in Inner London and 6% in Outer London. Sector differences were limited, with 3% of manufacturing firms and 7% of services firms reporting increased export sales.

At the same time, the share of firms reporting falling export sales stood at 17%. This was 17% among micro businesses and 12% among larger firms. The figure was broadly similar across geographies, at 17% in Inner London and 16% in Outer London, while sector differences were also limited, with 14% of manufacturing firms and 17% of services firms reporting falling export sales.

The export sales balance was -10. The size split was visible, with micro businesses at -11 and larger firms at +13. The geographic

split pointed to no difference in Outer London (-10) or Inner London (-10). Sector balances were negative for both groups, at -11 for manufacturing and -10 for services.

Export orders followed a similar pattern. 5% of firms reported an increase. This included 4% of micro businesses and 25% of larger firms. By geography, 6% of Inner London firms reported increased export orders, compared with 3% in Outer London.

The share of firms reporting a decline in export orders was 15%. The export orders balance came in at -11. Micro businesses recorded -12, while larger firms were positive at +14. Geographically, the balance was broadly similar, at -10 in Inner London and -12 in Outer London. By sector, manufacturing was -7, while services recorded -11.

SHAPING THE NEXT QUARTER

The findings in this report reflect business conditions during the second quarter of 2026. Since the close of fieldwork, the operating context has remained uncertain. The next quarter is likely to be shaped by the interaction of global energy pressures, fragile demand, financial conditions and policy decisions ahead of the Autumn Budget.

Geopolitical developments remain a key risk. Recent signs of de-escalation in the Middle East have eased some immediate pressure in oil markets, but they have not removed uncertainty from the outlook. Energy prices remain sensitive to shifts in global supply, security and confidence. For London businesses, particularly those exposed to transport, freight, hospitality, construction and traded goods, this uncertainty will continue to affect pricing, planning and cashflow.

Inflation and interest-rate expectations remain important. Headline inflation has been broadly stable, but transport and services costs continue to pressure businesses and consumers. The Bank of England's latest decision to hold interest rates signals a cautious monetary environment, with policymakers still alert to energy-related risks. This means financing conditions are unlikely to ease the pressure on decisions about investment, hiring and expansion.

Recent UK business activity indicators also point to a more difficult near-term environment. Weak demand, squeezed consumer budgets, and high input costs are likely to reinforce the caution already evident in the QES results. This does not mean activity will stop, but it does suggest that many firms will remain selective about where they commit resources.

Against this backdrop, business behaviour is likely to stay restrained. Q2 findings show businesses entering the next quarter with weak confidence, negative cashflow and subdued investment. Where spending continues, it is likely to focus on essential activity,

margin protection and operational resilience. Recruitment and training decisions may follow the same pattern, with skills needs still present but employers cautious about taking on additional costs.

Policy signals will therefore matter even more. The Autumn Budget is the clearest near-term opportunity for the government to demonstrate whether its growth agenda aligns with the conditions facing businesses. Political uncertainty has also increased following Keir Starmer's resignation, placing additional focus on fiscal policy, business costs and the direction of the government's growth agenda. Decisions on tax, business rates, employment costs, infrastructure, skills and regulation will shape whether firms gain enough certainty to plan ahead or continue to prioritise preservation.

For London, these developments matter beyond a single quarter. The capital is deeply exposed to international conditions, but it is also one of the main engines of UK growth. A prolonged period of weak confidence and delayed investment would have wider implications for jobs, productivity, trade and local high streets.

Overall, the next quarter is unlikely to be defined by a single turning point. It will test whether London businesses can move from managing pressure to rebuilding confidence. Much will depend on whether global conditions stabilise and whether policy signals ahead of the Budget help reduce uncertainty rather than add to it.

WHO THIS REPORT IS FOR AND WHY IT MATTERS

The Quarterly Economic Survey provides a vision into the views and performance of businesses across the capital. Conducted by the London Chamber of Commerce and Industry in partnership with YouGov, this report remains the most comprehensive private-sector survey of London's business landscape.

It is designed for a wide range of users who rely on timely and reliable business intelligence to shape decisions:

- **London Businesses:** From micro firms to larger companies, business leaders can use the report to benchmark performance, understand market sentiment, and plan ahead in a fast-moving economic environment.
- **Policy Makers and Government Stakeholders:** The data provides a direct channel to the views of London businesses. It informs evidence-based policy at the local, regional, and national levels - across infrastructure, skills, trade, and broader economic development.
- **Investors, Analysts and Advisors:** The findings offer a bottom-up view of business confidence, demand pressures, and investment trends - helpful in assessing risk, identifying sectoral momentum, and refining market assumptions.
- **Researchers, Journalists, and Think Tanks:** The report supports robust commentary and independent analysis, contributing to a clearer understanding of economic conditions in one of the world's most dynamic urban economies.
- **Local Stakeholders:** Those with a broader interest in London's economic future can utilise the report to gain a deeper understanding of how business sentiment is evolving and what it may mean for communities, skills, and opportunities across the city.

WHY IT MATTERS

Beyond a quarterly snapshot, the survey acts as a barometer of business resilience and a signal of structural pressures facing the capital. Results are shared with key decision-makers, ensuring the voice of London's business community plays a role in shaping the policy response.

By tracking shifts in sentiment across sectors, firm sizes, and locations, the survey helps anticipate risks and guide resource allocation. It highlights the underlying conditions - from labour market access to finance and regulatory pressures - that shape London's competitiveness.

The Quarterly Economic Survey remains an essential tool in making London's growth story better understood, better supported and more widely shared.

ABOUT THE 'QUARTERLY ECONOMIC SURVEY'

The *London Quarterly Economic Survey* is produced by the London Chamber of Commerce and Industry. It forms part of the UK's largest and longest-running independent business survey, coordinated nationally by the British Chambers of Commerce.

YouGov is an international online research data and analytics technology group. Its panel comprises millions of registered members across 64 markets, generating millions of interconnected data points. Combined with its technology platforms, this enables the delivery of real-world insights across a range of economic, social and business issues.

Q2 2026 is the first London Quarterly Economic Survey wave delivered by YouGov. While the survey continues to follow the core QES framework, the weighting approach differs from previous waves, particularly by business size. Comparisons with earlier quarters should therefore be treated with caution, and the Q2 2026 findings should be read primarily as a current-quarter snapshot.

All figures, unless otherwise stated, are from YouGov Plc. The total sample size was 512 senior decision-makers in London businesses. Fieldwork was undertaken between 6 May and 3 June 2026. The survey was carried out online. The figures have been weighted and are representative of private-sector London businesses by size and industry.

The net balance figures indicate the percentage of firms that reported an increase minus the percentage that reported a decrease. Two categories are used for business size segmentation: micro businesses with fewer than 10 employees (including sole traders) and larger businesses (small, medium and large firms) with 10 or more employees.

Any data reproduced from this report must be fully referenced.



Igor Bartkiv
Policy and Research Manager
ibartkiv@londonchamber.co.uk

Aaron Walker
Head of Policy and Public Affairs
awalker@londonchamber.co.uk

