



# LONDON QUARTERLY ECONOMIC SURVEY

July – September 2026

Programme partner



Conducted by





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# FOREWORD

As we look towards Andy Burnham's first Budget as Prime Minister and John Healey's first Budget as Chancellor on 28 October, the message from this data is clear: businesses cannot afford to absorb any further costs or any additional burdens.

Over a summer of political change, London businesses continued to send warning signals. Expectations became less negative in Q3, but weak demand and cashflow coincided with limited recruitment and investment activity. A shift in sentiment has not yet become a shift towards growth.

High operating and employment costs add to trading pressures, leaving businesses with limited financial headroom for expansion. Three in five respondents in our survey selected lower inflation or a lower cost of doing business as a government priority. Meaningfully lowering the cost of doing business and providing a more stable basis for investment and hiring is essential for driving growth in every UK postcode.

The divide between micro and larger businesses also requires attention. Companies with ten or more employees reported recruitment and investment activity more frequently, while expansion remained limited among smaller businesses, in what is an incredibly difficult period in which to do business. We cannot grow the UK's economy without growth in firms of all sizes.

The Q3 findings also raise a longer-term question about access to the right skills to grow, and is highly relevant to the one million young people who are NEET (not in education, employment or training). Only one in ten businesses attempted to recruit for the second consecutive quarter. Of those who did, more than half of those recruiting encountered difficulties. Training offers one route to developing the skills firms need, but fewer than one-tenth increased their training investment. If we are to tackle the number of young people who are NEET in the numbers required, the government must lower the cost of hiring and employing.

Business growth, skills and the ability to build a life in London and buy a home must be considered together. The capital's appeal as a place to develop a career cannot be separated from whether people can afford to remain here, establish a home and plan their future. Employers need access to talent they can retain, and

young people need a realistic prospect that work and progression will lead to greater security. Increasing levels of home ownership among young people is, therefore, essential. These conditions matter to London's ability to compete for both people and investment.

Reversing the 2025 increase in employer National Insurance contributions and delivering growth-led business rates reform would offer a starting point for lowering business costs. Planning and mortgage market reform, housebuilding and transport investment can improve access to jobs and help London retain the workers its economy needs.

Choose LDN. – our flagship campaign to make London the best and most attractive city in the world to do business in, so that we can help drive UK-wide growth – places these issues at the heart of our advocacy work on your behalf.

London's success is a national economic imperative. We want London to be the best city in the world to do business in, attracting investment and talent from across the globe and delivering growth and prosperity across the country. London competes with other global cities, not with Manchester, Leeds or other towns and cities in this country. Investment that London loses to Paris, Frankfurt, Dubai or Singapore is lost to the country as a whole. Making London the world's most attractive business destination is therefore not a choice between London and the rest of the UK. It is a choice to unlock opportunities, jobs and prosperity for every part of the country. When London succeeds, the whole country succeeds.

The capital must remain a place where businesses choose to invest, and where the best talent choose to build their futures. That national connection is reflected in our Q3 survey: three in five businesses indicated that growth in the UK could not be achieved without growth in London. Through Choose LDN., we are making the case for the investment, infrastructure, affordable housing and business environment that will enable London to compete and thrive on the global stage. This should be at the forefront of the Prime Minister's, the Chancellor's and the Treasury's minds ahead of this very important Budget.



**VICKY PRYCE**

Chief Economic Advisor,  
CEPR

## ECONOMIC COMMENTARY

The UK economy grew strongly against expectations in June and July after a flat May. Retail sales did well on balance over the summer. But it is clear that the global economic environment has worsened in recent weeks. There was a short period in the summer when it looked like one of the scenarios produced by the International Monetary Fund (IMF), which warned of recession in most Western economies if oil prices stayed appreciably above \$100 a barrel, could be avoided. Indeed, for a while in early summer oil and gas prices had returned to levels not seen since before the Iran war started. There was even talk of a possible oil glut. But then came the wildfires that affected global food supply chains and a resumption of hostilities in the Gulf, which have led to severe depletion of strategic reserves and of productive capacity of both crude oil and refined products such as petrol and diesel. This is now also affecting fertilisers and other by-products, and leading to a rise in the price of metals, including silver.

Cost of living considerations, a priority for the new PM, Andy Burnham, have therefore resurfaced and governments in the UK and elsewhere have intervened with subsidies and tax cuts to ease the pain. But the impact of those measures in keeping inflation at bay has been limited. UK Inflation in August rose to 3.1%, well above the 2% target, and is projected to rise further in the months ahead. And the government's ability to continue supporting household finances is constrained. The energy cap is rising by 4% on October 1st, and there is now more of a chance that there will be a further double-digit increase in January, when the cap is next due to be changed.

And yet the Bank of England left rates unchanged in its September 17 meeting. The thinking of those who voted 6.3 to hold at 3.75% seemed to rest on the absence of evidence of inflation having become embedded across the economy. But input costs are rising strongly, and as the QES indicates, inflationary expectations are up too.

The US Federal Reserve and the European Central Bank, as well as the Bank of Japan, all raised theirs by a quarter point. They were aware, of course, of the rise in global bond yields as fears of accelerating inflation affected sentiment. The rise in yields has, however, been sharper here than elsewhere, adding not only to mortgage costs for anyone refinancing their borrowings but also to the cost of servicing government debt. No wonder the BoE has finally moved to reform and limit its Quantitative Tightening operations, which were draining liquidity from the govt bond market.

There is now increasing concern that taxes may have to rise in John Healey's first budget on October 28 as headroom left by Rachel Reeves shrinks. Moreover, bringing the welfare budget under control takes time and huge political effort. One may need to wait till next year's spending review to see what is planned. Andy Burnham's regional devolution agenda, reindustrialisation and growth in all postcodes will cost money before it yields results.

We have seen both business and consumer confidence improve in recent months, coinciding with the change of PM, but whether that is maintained remains to be seen.

# BUSINESS COSTS



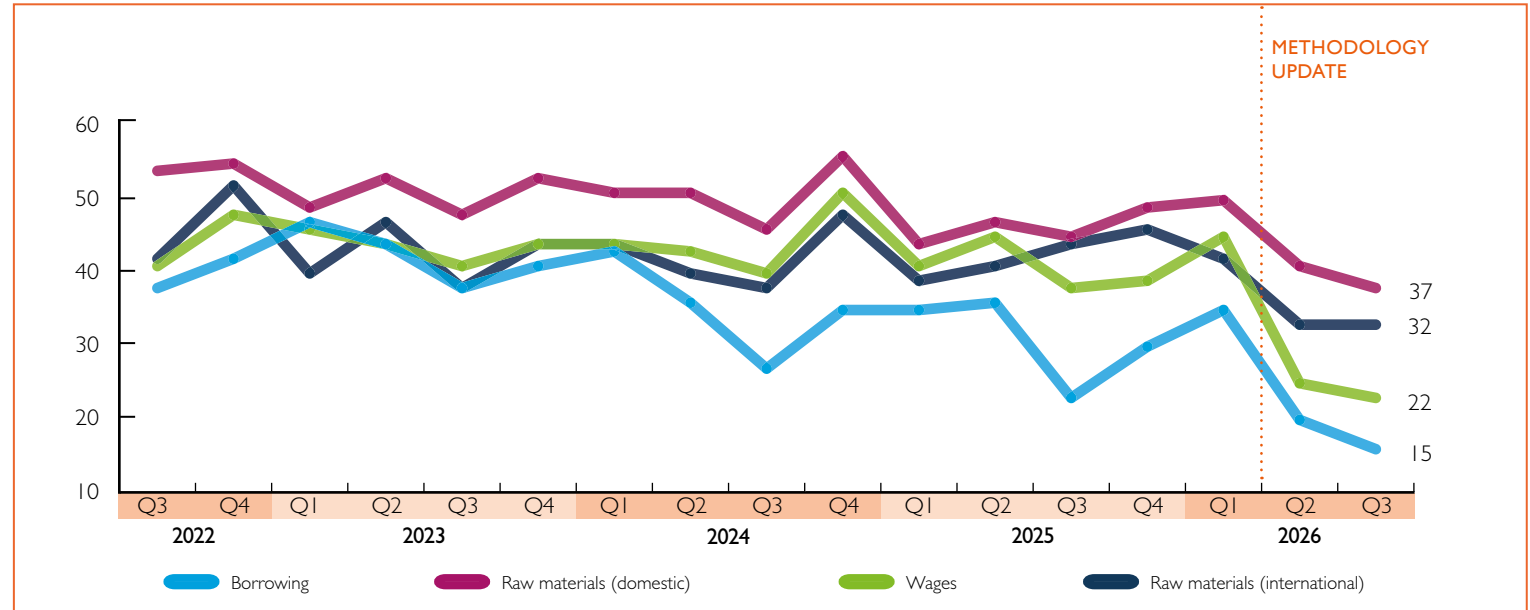
55%

reported an increase in fuel costs during the last quarter.



46%

said inflation was more of a concern to their business than three months earlier.



High operating costs remained widespread in Q3, with only limited easing. More than half of London businesses reported increases in fuel costs (55%) and energy costs (51%). Fuel was down from 57% in Q2, while the balance eased by three points to +53. The proportion reporting higher energy costs was unchanged, although the mix shifted from significant towards slight increases.

Manufacturers faced consistently greater pressure than services firms across the key input costs. Almost three-quarters of manufacturers reported higher fuel costs (74%), compared with 53% of services firms. Energy costs increased for 63% of manufacturers and 49% of services firms. The respective figures were 56% and 36% for domestically sourced raw materials, and 63% and 30% for internationally sourced materials.

Across all businesses, 38% reported higher domestic raw-material costs, down 3pp from Q2, with the balance falling from +40 to +37. International raw-material pressures showed no improvement: 33% reported an increase, and the balance remained at +32. Borrowing-cost pressure eased only slightly, with 18% reporting an increase, compared with 21% in Q2, and

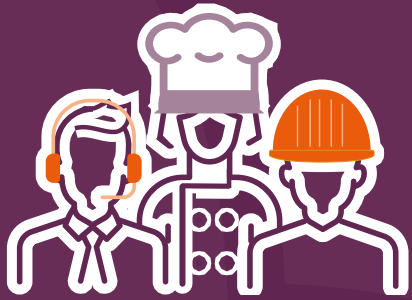
the balance falling four points to +15. Almost a quarter (24%) reported increased pressure from employees to raise wages.

Future price expectations moderated more clearly, although upward pressure remained. A quarter (25%) expected their prices to rise over the following three months, down from 34% in Q2, reducing the balance by 9 points to +17.

Utilities remained the most commonly reported source of pressure to raise prices, selected by 27% of businesses. Labour costs followed at 23%, while raw materials and fuel were each selected by 19%. Labour-cost pressure fell by 2pp from Q2, while raw-material pressure fell by 4pp. Inflation remained the leading external concern, cited by 46%, although this was down from 52% in Q2. Concern about business rates also fell, from 21% to 17%.

Reflecting the persistence of these pressures, 60% selected lowering inflation or the cost of doing business as a priority for government. Q3 therefore shows some moderation, but no broad removal of cost pressure, with manufacturers continuing to face particularly widespread increases across essential inputs.

# LABOUR MARKET



12%

reported a decrease in workforce size during the last quarter.



10%

expect their workforce size to fall in the next quarter.



Most London businesses maintained their workforce in Q3, but reductions were more common than expansion. Employment remained unchanged for 83%, while 12% reported a decrease and only 5% an increase. The employment balance fell by three balance points from -4 in Q2 to -7, with the proportion reporting workforce growth declining from 11% to 5%.

The overall picture concealed a substantial difference by business size. Almost a third of larger businesses (32%) increased employment, compared with just 4% of micro businesses. Larger firms also recorded an improvement in their employment balance, rising from +5 in Q2 to +17 in Q3, against the weakening overall result. However, expansion was far from universal: 15% of larger firms reported reductions, compared with 12% of micro businesses. The distinction was therefore most pronounced in the prevalence of workforce growth.

Expectations for the following three months offered little indication of broader expansion. Most businesses (86%) expected staffing levels to remain unchanged, while 10% anticipated a fall

and 5% an increase. The expectations balance remained negative at -5, broadly unchanged from -4 in Q2. Workforce stability continued to dominate, but businesses expecting reductions outnumbered those planning growth.

Larger businesses were again more likely to anticipate expansion, with 29% expecting their workforce to grow, compared with 4% of micro businesses. Nevertheless, their expectations balance eased from +24 to +19. Expected reductions were reported by 10% in each size group, reinforcing that the size divide primarily concerned the likelihood of expansion.

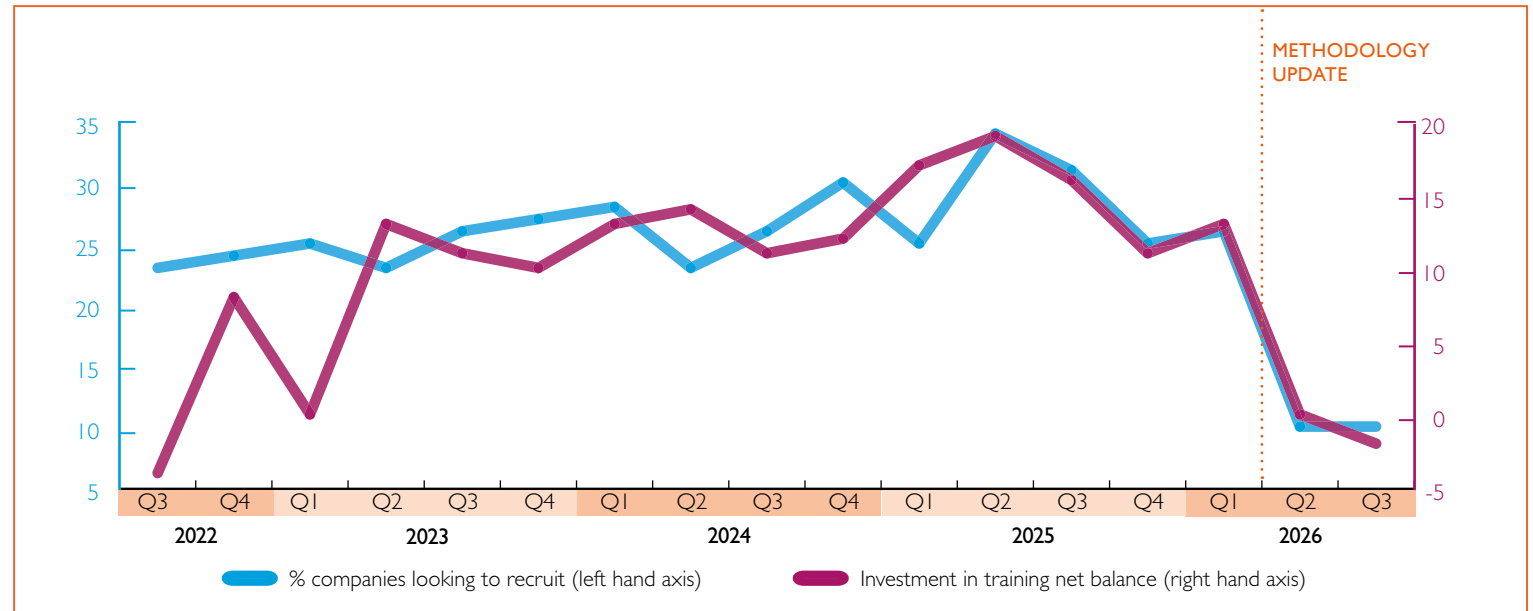
# RECRUITMENT AND TRAINING



**10%** of London businesses attempted to recruit during the last quarter



**55%** of businesses that attempted to recruit reported recruitment difficulties.



Recruitment activity remained limited in Q3. Only 10% of London businesses attempted to recruit, unchanged from Q2. Activity was heavily concentrated among larger businesses: 60% tried to recruit, up from 48% in Q2. By contrast, recruitment among micro businesses fell by 1pp, from 9% to 8%.

Among businesses that attempted to recruit, 55% reported difficulties, down from 61% in Q2. The proportion was broadly unchanged among micro businesses, falling from 62% to 61%, but declined from 58% to 37% among larger businesses. The types of roles being recruited for also shifted. Full-time positions were sought by 75% of recruiting businesses, up from 68% in Q2, while the proportion seeking temporary workers fell from 18% to 16%.

Internal training remained the most common way of acquiring new skills, although its use was limited. 16% trained existing staff, down from 19% in Q2, while 7% employed new staff from the UK workforce. Work-experience placements or internships and apprenticeships were each used by just 3% of businesses.

Investment in training remained largely static. 7% increased their investment, 9% reduced it, and 84% reported no change, producing a balance of -2 compared with 0 in Q2. Larger businesses continued to record a positive balance, but this weakened from +34 to +22. Among manufacturers, the balance moved from +4 to -6.

Businesses identified practical measures that could support the recruitment of younger workers. Financial incentives were selected by 24%, followed by lower overall employment costs at 23%, work trials at 19% and better preparation for work through education at 18%. Each of these four options was selected more frequently by larger businesses than by micro businesses. In the sector comparison, manufacturers more commonly selected financial incentives, training funding and better preparation for work than services firms.

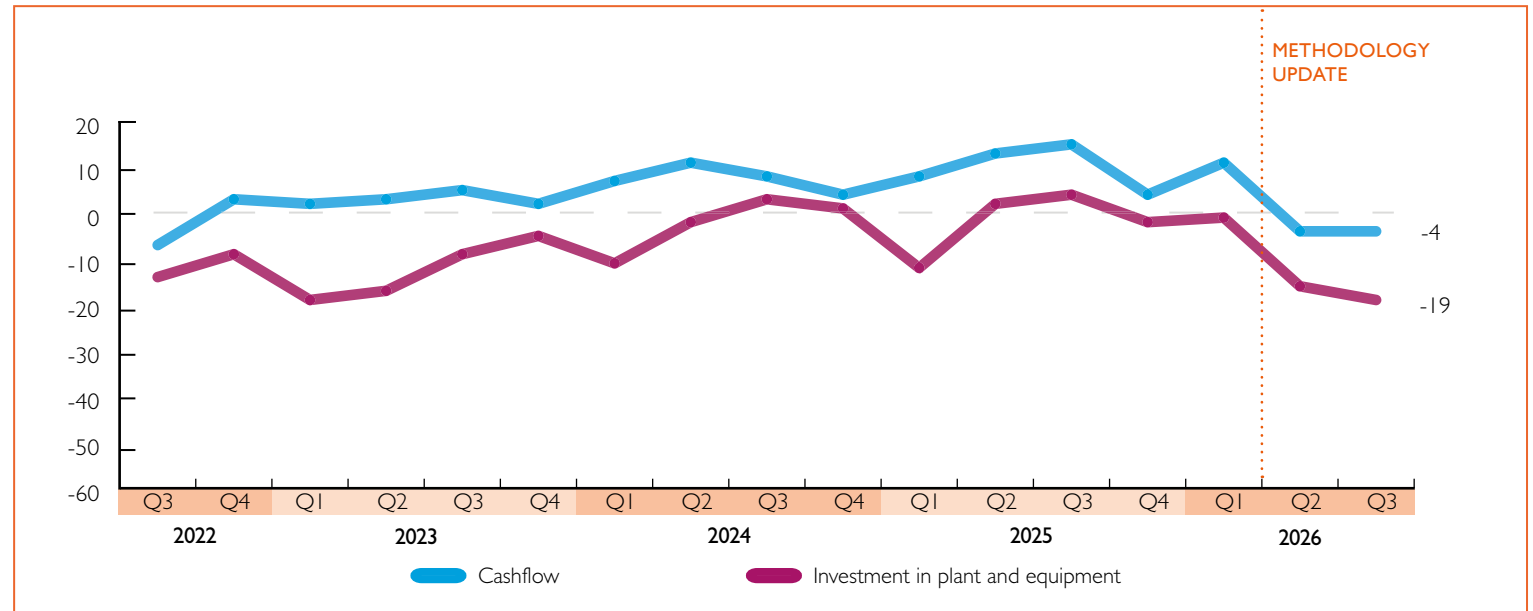
# CASHFLOW AND INVESTMENT



**64%** of London businesses were operating below full capacity.



**31%** reported a decrease in cashflow during the last quarter



Unused capacity remained widespread among London businesses in Q3. Almost two-thirds (64%) operated below full capacity, while 36% operated at full capacity. The full-capacity share fell by 11pp from 41% in Q2, indicating a visible reduction in capacity utilisation.

Cashflow also remained under pressure. Almost a third of businesses (31%) reported a decrease over the previous three months, compared with 12% reporting an increase; 57% saw no change. The cashflow balance fell by two balance points to -19, while the proportion reporting an improvement declined from 16% in Q2 to 12%.

Micro businesses recorded weaker operating conditions than larger firms. Almost two-thirds of micro businesses (65%) were operating below full capacity, compared with 37% of larger businesses. Cashflow increased for 42% of larger firms but only 11% of micro businesses. Conversely, 31% of micro businesses reported declining cashflow, compared with 17% of larger firms.

Investment in plant and equipment was largely static. Only 6% increased investment, while 10% reduced it and 84% reported no change. The overall investment balance remained at -4, unchanged from Q2. Larger businesses were again more likely to invest: 25% reported an increase, compared with 5% of micro businesses. Investment decreased for 11% of micro businesses and 4% of larger firms.

Manufacturers also reported greater investment reductions than services firms, at 17% and 10% respectively. The manufacturing investment balance fell from +4 in Q2 to -7 in Q3, despite the stable result across all businesses.

# BUSINESS CONFIDENCE



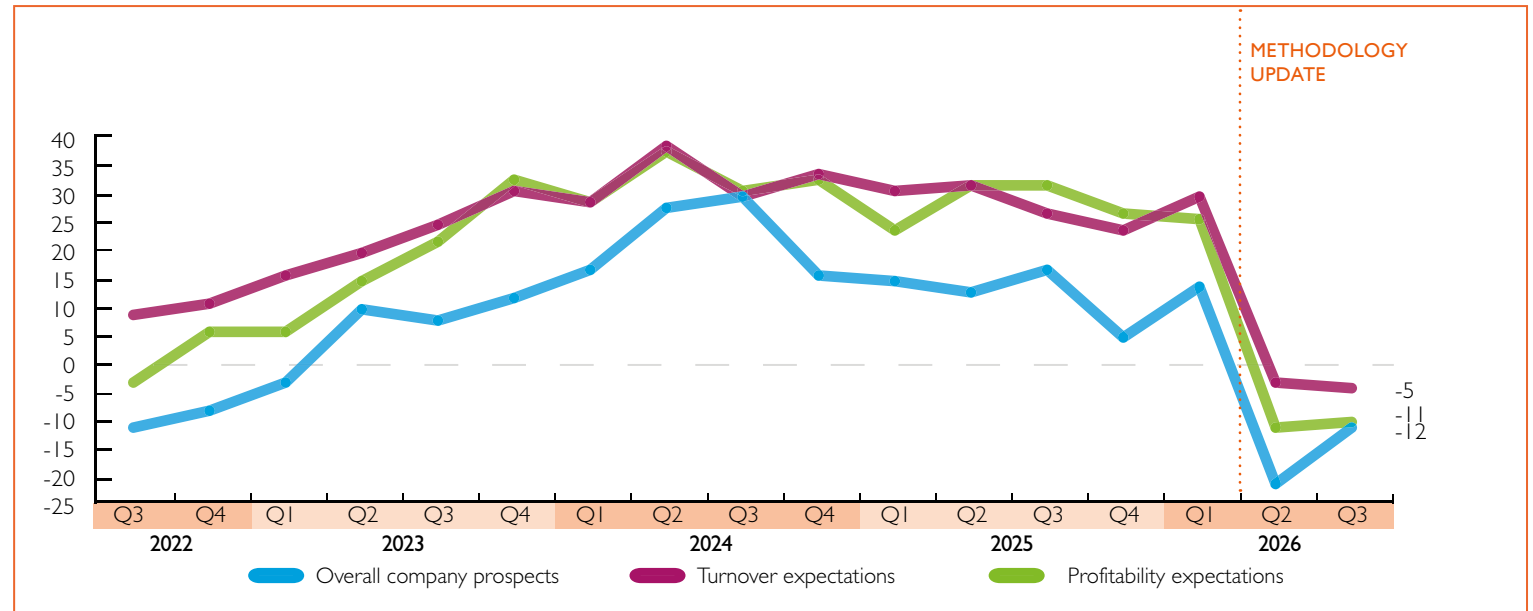
30%

expect turnover to decrease over the next 12 months.



32%

expect profitability to decrease over the next 12 months.



Many London businesses expected their commercial performance to remain unchanged over the following 12 months, but negative expectations exceeded positive ones across each measure. For turnover, 30% expected a decrease, 25% an increase and 44% no change. The balance remained slightly negative at -5, compared with -4 in Q2, as the proportion expecting growth fell from 28% to 25%.

Expectations for profitability were weaker. Almost a third of businesses (32%) anticipated a decrease, while 21% expected an increase and 47% no change. The balance improved marginally from -12 to -11 as the proportion expecting lower profitability fell from 36% to 32% and the share expecting no change rose from 41% to 47%.

Expectations for businesses' own economic prospects improved more visibly from Q2, although they remained negatively tilted. 29% expected their company's prospects to worsen, compared with 17% expecting improvement and 55% no change. The balance rose by 10 points from -22 to -12 as the proportion expecting conditions to worsen fell from 37% to 29%.

The size divide remained pronounced. Half of larger businesses expected turnover to increase, compared with 24% of micro businesses. Larger firms were also more likely to expect higher profitability (44% versus 20%) and improved company prospects (46% versus 15%). Conversely, turnover reductions were expected by 31% of micro businesses and 7% of larger firms; the respective figures were 33% and 13% for profitability, and 30% and 10% for company prospects.

Manufacturers reported weaker expectations than services firms on the two commercial measures. Lower turnover was anticipated by 44% of manufacturers, compared with 29% of services firms, while 43% and 30% respectively expected profitability to decline.

Businesses were more negative about the wider economy than about their own prospects. The company-prospects balance of -12 compared with -21 for London's economy and -24 for UK economic growth, showing a clear gap between firm-level and wider economic expectations.

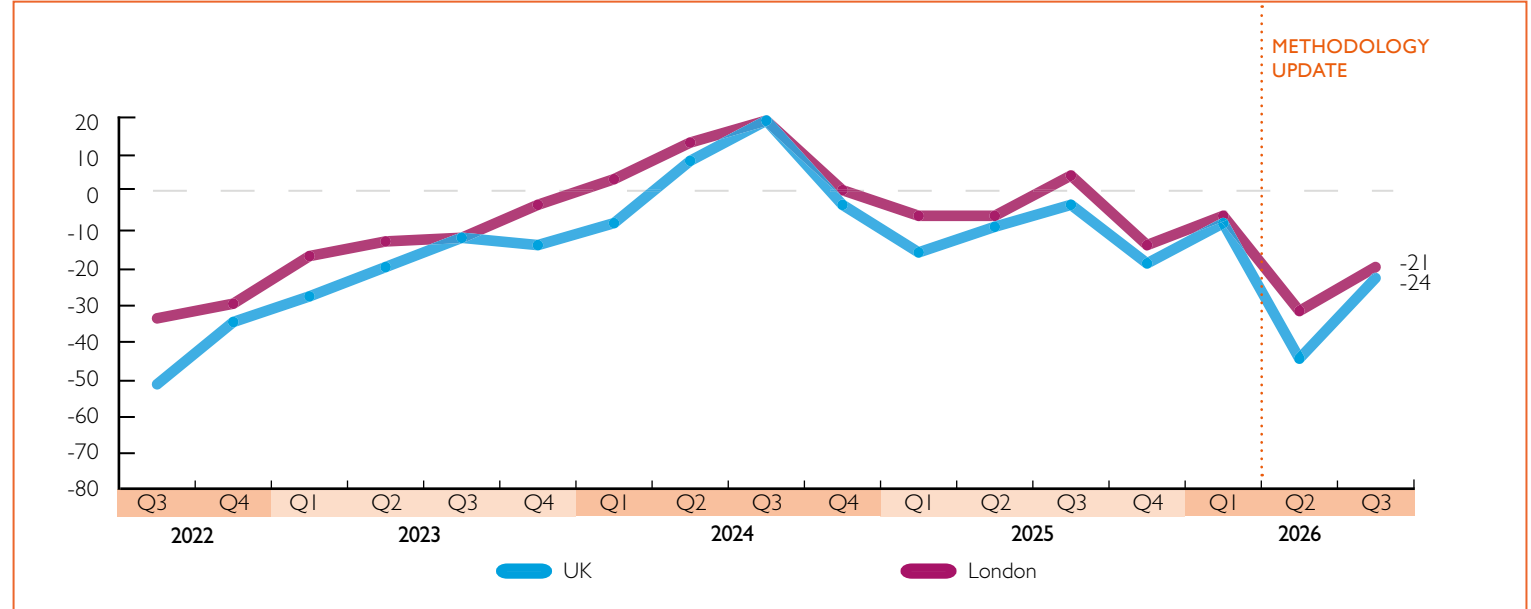
# ECONOMIC OUTLOOK



**42%** expect UK economic growth to worsen over the next 12 months.



**40%** expect London's economic prospects to worsen over the next 12 months.



London businesses remained pessimistic about the wider economic environment in Q3, although expectations improved from Q2. For UK economic growth, 42% expected conditions to worsen, compared with 18% expecting improvement and 40% no change. The balance rose by 22 pp from -46 to -24, as the proportion expecting deterioration fell from 58% in Q2.

Expectations for London were only marginally less negative. Two in five businesses (40%) expected the capital's economic prospects to worsen, while 19% anticipated improvement and 42% no change. The balance increased by 12 pp from -33 in Q2 to -21, alongside a fall in negative expectations from 48% to 40%. The UK and London results remained broadly similar and do not indicate that businesses expected the capital to outperform materially.

Business size produced the clearest divide. Among micro businesses, 43% expected UK growth to worsen and 17% anticipated improvement. The corresponding figures among larger businesses were 21% and 33%. For London's prospects, negative expectations were reported by 41% of micro businesses and

16% of larger firms, while 18% and 37% respectively expected improvement.

Outer London businesses also reported weaker expectations. Almost half (47%) expected UK economic growth to worsen, compared with 38% of Inner London firms. The same pattern applied to London's economic prospects, with negative expectations reported by 44% of Outer London businesses and 35% of Inner London firms.

Businesses remained more pessimistic about the wider economy than about their own position. 29% expected their company's prospects to worsen, producing a balance of -12, compared with balances of -24 for UK growth and -21 for London.

Despite this pessimism, 60% disagreed that national economic growth was achievable without growth in London. The shift since Q2 therefore marks reduced pessimism, not an expectation of recovery.

# DOMESTIC DEMAND



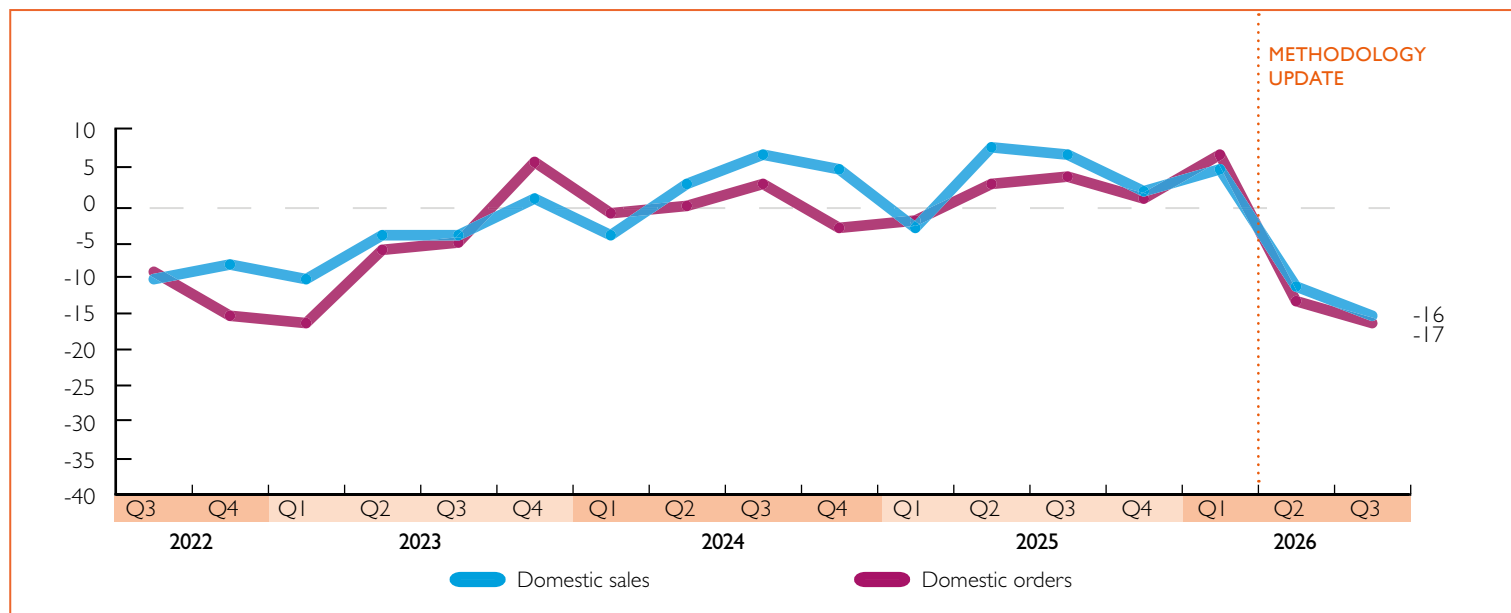
29%

reported a decrease in domestic orders during the last quarter.



29%

reported a decrease in domestic sales during the last quarter.



Domestic demand remained weak in Q3. Almost three in ten London businesses (29%) reported a decrease in sales over the previous three months, while 13% recorded an increase and 58% no change. The sales balance fell by four balance points from -12 in Q2 to -16. The proportion reporting higher sales declined from 16% to 13%, while the share reporting lower sales rose from 28% to 29%.

Domestic orders followed a closely aligned pattern. Twenty-nine per cent of businesses reported a decrease, compared with 12% recording an increase and 59% no change. The balance fell by 3 points from -14 to -17. Compared with Q2, the proportion reporting higher orders rose slightly from 11% to 12%, but this was outweighed by an increase in businesses reporting lower orders, from 25% to 29%. The close alignment between sales and orders provides little evidence of a stronger near-term demand pipeline. Orders offer a current indication of work entering businesses rather than a forecast of subsequent sales, but their negative balance suggests that the weakness in realised demand was not offset by a broad improvement in new business.

Positive activity remained concentrated among larger businesses. Domestic sales increased for 44% of larger firms, compared with 12% of micro businesses, while orders increased for 28% and 11% respectively. Lower sales were reported by 29% of micro businesses and 14% of larger firms. For orders, the corresponding figures were 30% and 17%.

Manufacturing businesses reported lower domestic orders more frequently than services firms, at 36% compared with 29%. However, their sales results were more closely aligned, with decreases reported by 26% of manufacturers and 29% of services businesses.

Across both indicators, most businesses maintained existing activity, but decreases were more than twice as common as increases. The resulting weakness in current sales and the order pipeline limits the demand available to support a broader move towards expansion.

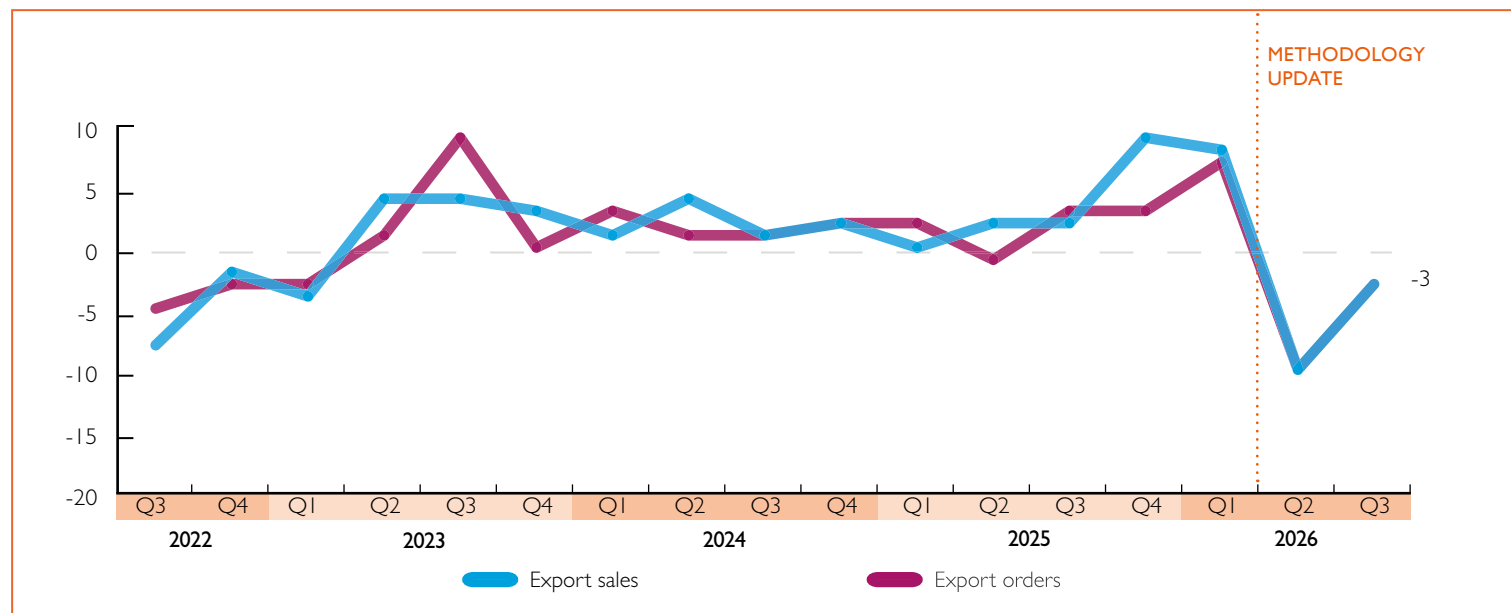


**8%** of all London businesses reported a decrease in export orders during the last quarter.



**9%** of all London businesses reported a decrease in export sales during the last quarter.

# EXPORT DEMAND



Two-thirds (66%) of London businesses did not export in Q3. This was more common among micro businesses than larger firms (67% compared with 45%) and among Outer London businesses than those in Inner London (71% compared with 61%).

Among businesses that exported, approximately 28% reported lower export sales, 16% reported an increase and 56% reported no change. These estimates are derived from the all-business Q3 results, in which export sales decreased for 9%, increased for 6% and remained unchanged for 19%. Declining sales were therefore around eleven percentage points more common than growth among exporters.

Export orders followed a similar pattern. Approximately 25% of businesses with applicable export orders reported a decrease, compared with 15% reporting an increase, while 60% saw no change. Across all businesses, the corresponding figures were 8%, 5% and 20%. Declining export orders were therefore around nine percentage points more common than growth among internationally active businesses.

Stability remained the most common experience across both measures. However, around one-quarter of exporters reported falling sales or orders, while fewer than one-fifth recorded growth. The close alignment between sales and orders provides little indication of a strengthening external-demand pipeline.

Against this subdued picture, 23% of businesses selected reducing international trade restrictions as a priority for government. This ranked well behind reducing inflation or the cost of doing business, selected by 60%.

# SHAPING THE NEXT QUARTER

**The Q3 findings show an easing in pessimism, but not yet a broad move towards expansion. The economic backdrop has also become more difficult since the survey fieldwork. The question for the next quarter is whether resilience in parts of the national economy can reach London businesses before renewed cost pressures restrict their capacity to respond.**

Pressure on household finances also has a labour-market dimension. London's challenge is not limited to the availability of vacancies or skills: employers depend on workers being able to take up opportunities and remain in the capital. Persistent pressure on housing, transport and other essential costs may make recruitment and retention more difficult, even where London continues to offer strong career prospects.

The breadth of any improvement will matter as much as the national growth rate. A recovery concentrated among businesses with greater financial reserves and easier access to capital would leave much of London's business base focused on preserving existing activity. Firms reporting weaker cashflow and spare capacity have less scope to finance expansion or respond quickly when new opportunities emerge.

This makes the conversion of confidence into activity particularly important. Firmer expectations alone will not constitute a recovery unless they are followed by stronger orders, healthier cashflow and greater investment. Recruitment will provide a further indication of whether businesses are preparing to expand rather than simply becoming less pessimistic.

The Autumn Budget will consequently be assessed not only through individual tax or spending measures, but through whether it establishes a coherent direction for business investment.

Limited fiscal room makes consistency more important: decisions on taxation, employment, property, infrastructure and finance need to work together to reduce cumulative barriers. Businesses making longer-term commitments also need a clearer view of their future costs, making policy predictability part of the investment environment.

For London, that direction also affects international competitiveness. Businesses considering expansion compare the combined cost and practicality of operating in the capital with alternative locations, not simply with conditions in the previous quarter. Policy stability, access to capital and the ability to recruit and retain staff all influence whether London's established advantages lead to further investment.

The next quarter will indicate whether improved sentiment is reaching a broader range of London businesses or whether continuing pressure on costs and capacity prevents it from translating into expansion. Domestic orders, cashflow and investment will provide the clearest test.

# WHO THIS REPORT IS FOR AND WHY IT MATTERS

The London Quarterly Economic Survey is intended for businesses, policymakers, investors, analysts, researchers, journalists and others seeking a current view of business conditions across the capital. It brings together evidence on demand, operating costs, employment, recruitment, investment and expectations, while showing how reported conditions differ by business size, sector and location.

For London businesses, the findings provide a point of comparison with the wider business environment. Firms can assess whether changes in their sales, costs, workforce or investment plans reflect more widely reported patterns and identify where conditions differ between micro and larger businesses.

For policymakers and public bodies, the survey provides direct evidence of the pressures reported by private-sector London businesses. It can help identify which issues are most widespread, where adverse conditions are concentrated and whether businesses' stated priorities are changing. The findings are relevant to decisions affecting business costs, employment, skills, access to finance, investment and trade.

Investors, advisers and analysts can use the results alongside official statistics and other economic evidence when assessing current commercial conditions. The survey adds evidence from business decision-makers on matters that may not yet be fully visible

in aggregate economic data, particularly changes in sentiment, expectations and planned activity.

Researchers, journalists and local stakeholders can use the survey to examine how London businesses experienced the quarter and to distinguish between conditions affecting the wider business population and those concentrated within particular groups.

The survey records reported activity and expectations during a defined period. It provides a regular view of business conditions but does not predict subsequent economic performance or establish the causes of the changes reported.

# 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.

Q3 2026 is the second London Quarterly Economic Survey wave delivered by YouGov. This report uses Q2 2026 as the baseline for direct quarter-on-quarter comparisons where the question wording, routing, sample definition and weighting remain materially unchanged.

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 514 senior decision-makers in London businesses. Fieldwork was undertaken between 5th and 28th August 2026. The survey was carried out online. The figures have been weighted and are representative of private sector London businesses by size and industry.

This survey was conducted using an online interview administered to members of the YouGov Plc UK panel of 2.5 million+ individuals who have agreed to take part in surveys.

Emails are sent to panellists selected at random from the base sample. The responding sample is weighted to the profile of the sample definition to provide a representative reporting sample. The profile is normally derived from census data or, if not available from the census, from industry-accepted data.

Net balance figures indicate the percentage of businesses reporting an increase or improvement minus the percentage reporting a decrease or deterioration. Percentages may not sum to 100 because of rounding. Results from questions allowing more than one response may sum to more than 100%. Questions asked only of a subset of respondents are reported using the relevant routed base.

Two categories are used for business-size analysis: micro businesses with fewer than 10 employees, including sole traders, and larger businesses with 10 or more employees, covering small, medium-sized and large firms. Sector, size and geographic comparisons are descriptive unless otherwise stated.

Figures calculated for this report from the YouGov results, including estimates based on rounded percentages, are identified as derived or approximate.

Any data reproduced from this report must be fully referenced.



# Q3

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