The Business Services Association
130 Fleet Street,
London.
EC4A 2BH

BSA Economic Tracker

Q1 Q2 Report 2025

Background and Overview

The Business Services Association (BSA) is a policy and research organisation. We are here to represent all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. A list of current BSA members is included as an Annex along with an overview of the BSA and its work.

Our members are key providers of service and infrastructure projects to the private and public sectors. Members include large and small businesses, charities, and social enterprises. The work of BSA members improves the lives of tens of millions every day across every region of the country; from building and maintaining our roads, energy supply, and digital ecosystem, to feeding school children and keeping our hospitals clean and safe.

The BSA Economic Tracker was launched in January 2022 to provide a regular economic overview of the areas impacting the business services sector. The Tracker is refreshed and circulated with BSA members on a monthly basis. Each month, the questions are reviewed and, if necessary, updated to reflect both members' feedback and the wider economic landscape.

The Tracker both reflects the importance of BSA members and the business services sector to the UK economy and provides an insight into the key areas affecting the sector. Anonymised monthly reports are passed on to the Department for Business and Trade, HM Treasury, No 10 and other key stakeholders, who have fed back how useful they have found members' responses.

The BSA uses these findings to inform its policy and engagement strategy and provides insightful data to government departments outlining the economic conditions faced by members. This allows the BSA to advocate effectively for its members, contribute to policy-making processes, and support the business services sector.

The 2025 Tracker was updated to be shorter, more concise, and more convenient for members to complete. This report summaries the responses gathered during Quarter 1 (Q1) and Quarter 2 (Q2) 2025.

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Section One: Executive Summary

Key points

- Labour supply was identified by a significant majority of respondents (an average of 61%) as having the greatest impact on their organisation.
- Labour and skills shortages were most commonly reported across the following roles: tech professionals, skilled chefs, engineers, and frontline security staff.
- Taxation was the second most reported issue by members across Q1 Q2. In January, March and June taxation was the top reported issue reported by members. 55% of respondents reported this as a key issue in Q1 Q2.
- Inflation remains a top issue with 54% of respondents reporting this as a key issue in Q1 Q2.
- Increases were particularly stark for food products, labour, energy, and raw materials.
- Respondents were asked to rate their confidence in the UK economy's performance over the next six months on a scale of 1-10. The average was 5/10 across the respondents in Q1 Q2.

This report of the BSA Economic Tracker reflects responses to those versions of the survey published between January 2025 and June 2025 (Q1 Q2). Responses were collated between 3rd January 2025 and 30th June 2025. These were circulated to all BSA members to complete as the question set was reviewed and refreshed each month.

103 responses were received across Q1 Q2. The majority of respondents each month employ 250-9,999 employees. Two to five organisations employing at least 10,000 people have been represented each month.

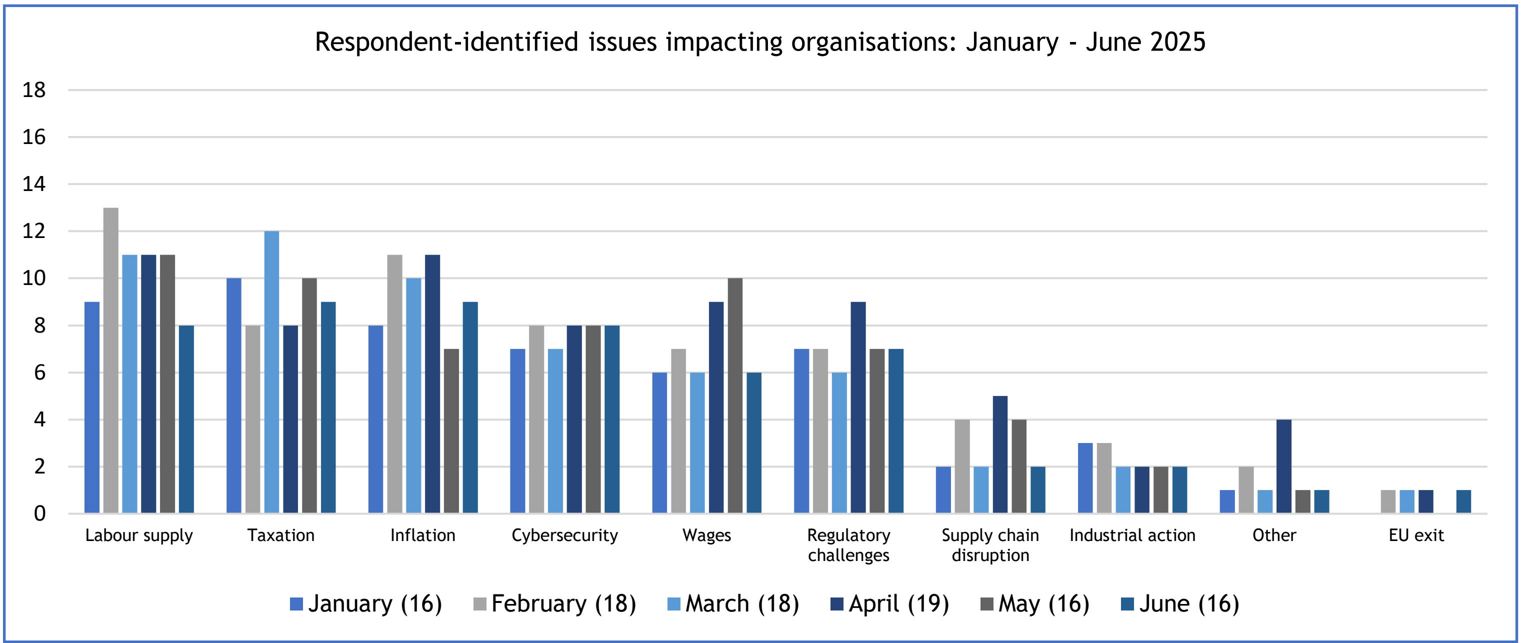
As shown in Figures 1 and 2 below, challenges relating to labour supply remained the top reported issue by BSA members in Q1 Q2 with an average of 61% of respondents identifying the issue each month. This has been the case for every collated Tracker report that the BSA has published since its inception in January 2022. Labour and skills shortages were most commonly reported across tech, skilled chefs, engineers and frontline security staff roles.

Taxation was the second most reported issue reported by members across Q1 Q2. In January, March and June taxation was the top reported issue reported by members. All comments in Q1 Q2 related to taxation reported National Insurance (NI) increases as a major concern to their organisation and supply chains. Changes to the National Minimum Wage and Employment Law were also raised as challenges to some members.

Inflation was reported by a majority of respondents (54%) as having the greatest impact on their organisations. Respondents were asked how their organisations were seeing the cost of goods, services or raw material change on a scale of 1-10 (1 = significantly decreasing, 5 = no change, and 10 = significantly increasing). The average was 6 across the respondents in Q1 Q2.

A business confidence question was introduced in 2025. Respondents were asked to rate their confidence in the UK economy's performance over the next six months on a scale of 1-10. The average was 5/10 across the respondents in Q1 Q2, an increase from 4/10 in Q1.

Respondent-identified issues



(Figure 1: Bar chart showing respondent-identified issues)

0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected

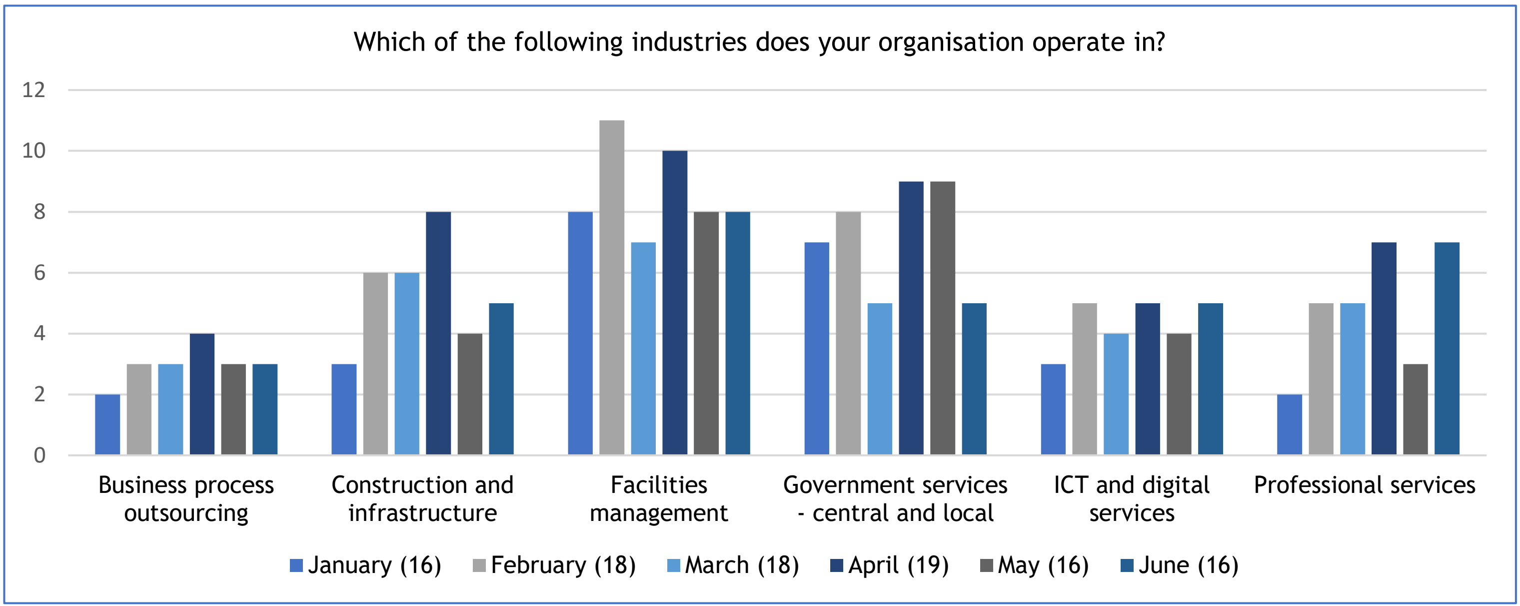
	January	February	March	April	May	June
Cybersecurity	7/16	8/18	7/18	8/19	8/16	8/16
Energy prices	5/16	7/18	6/18	8/19	7/16	7/16
EU exit	0/16	1/18	1/18	1/19	0/16	1/16
Industrial action	3/16	3/18	2/18	2/19	2/16	2/16
Inflation	8/16	11/18	10/18	11/19	7/16	9/16
Labour supply	9/16	13/18	11/18	11/19	11/16	8/16
Regulatory challenges	7/16	7/18	6/18	9/19	7/16	7/16
Supply chain disruption	2/16	4/18	2/18	5/19	4/16	2/16
Taxation	10/16	8/18	12/18	8/19	10/16	9/16
Wages	6/16	7/18	6/18	9/19	10/16	6/16

(Figure 2: Table showing a breakdown of the issues identified by number of respondents)

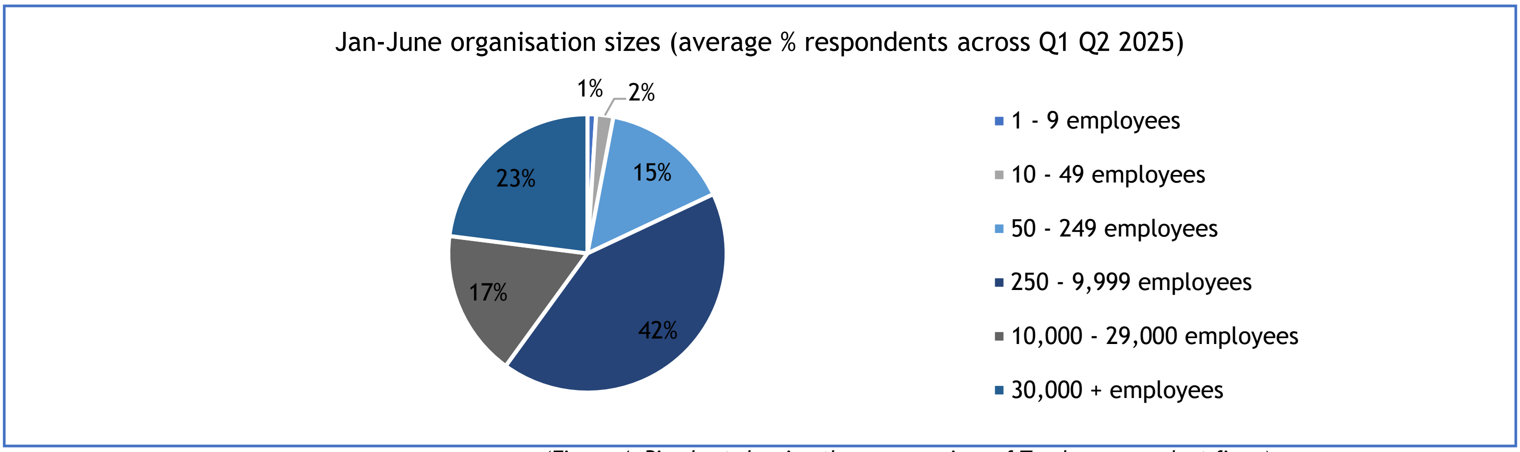
Section Two: Respondent Overview

Key Points

- The six core industries which make up the business services sector – ICT and digital services, business process outsourcing (BPO), facilities management (FM), construction and infrastructure services, professional services, and managed public services - have all been represented each month in Q1 Q2.
- The majority of respondents operate across FM and government services. The majority also operates across multiple industries.
- The responses to the Tracker include a range of organisation sizes from SMEs to large organisations employing over 30,000 people in the UK.
- The majority of respondents each month employ 250-9,999 employees.
- Three to five organisations employing at least 10,000 people have been represented each month.



(Figure 3: Bar chart showing which industries Tracker respondents operate in)



(Figure 4: Pie chart showing the average sizes of Tracker respondent firms)

Section Three: Labour supply

Key Points

- Labour supply was identified by a significant majority of respondents (an average of 61%) as having the greatest impact on their organisation.
- Labour and skills shortages were most commonly reported across the following roles: Tech, skilled chefs, engineers and frontline security staff.

Breakdown as a total of respondents

0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected

	January	February	March	April	May	June
Labour supply	9/16	13/18	11/18	11/19	11/16	8/16
Industrial action	3/16	3/18	2/18	2/19	2/16	2/16
Wages	6/16	7/18	6/18	9/19	10/16	6/16

(Figure 5: Table showing a breakdown of the issues identified relating to labour supply)

Vacancies

- Respondents were asked to describe the number of vacancies across their organisations on a scale of 1-10 (1 = below normal levels, 10 = significantly above normal levels). The average was 6 across the respondents each month in Q1 Q2.
- Respondents were asked what actions they were taking to mitigate labour shortages. BSA members are tackling labour shortages through cross-skilling staff, expanding apprenticeships, and investing in training and technology. They're using subcontractors, agency staff, and recruiting more widely, including from other UK regions. Despite limited room for pay increases under government contracts, they're focusing on retention, improving benefits, and maintaining a supportive culture. Recruitment efforts include job boards, LinkedIn, and partnerships with schools and universities, while internal resource sharing and flexible hiring approaches help fill gaps.
- One organisation in March commented that they expect labour shortages to increase in the next twelve months in the construction industry.
- Another organisation in March commented that the uncertainty over the impacts of the Employment Rights Bill has led to caution over hiring new staff.
- One organisation in April commented that they are reducing the number of vacancies due to the increase in National Insurance contributions.

Labour shortages by job-type

The following shortages were identified by at least one respondent every month in Q1 Q2:

- Tech
- Skilled chefs
- Frontline security staff
- Engineers
- Technicians

Section Four: Costs and supply chains

Key points

- Inflation was reported by a majority of respondents (54%) as having the greatest impact on their organisations.
- Respondents were asked how their organisations were seeing the cost of goods, services or raw material change on a scale of 1-10 (1 = significantly decreasing, 5 = no change, and 10 = significantly increasing). The average was 6 across the respondents in Q1 Q2.
- Respondents were also asked to comment on how easy or difficult they were finding it to source goods, services or raw materials on a scale of 1-10 (1 = very difficult, 5 = neither easy nor difficult, 10 = very easy). The average was 5 across the respondents in Q1 Q2.

Respondent-identified issues impacting organisations

0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected

	January	February	March	April	May	June
Energy prices	5/16	7/18	6/18	8/19	7/16	7/16
Inflation	8/16	11/18	10/18	11/19	7/16	9/16
Taxation	10/16	8/18	12/18	8/19	10/16	9/16

(Figure 8: Table showing a breakdown of the issues identified relating to changing cost of goods and services)

Changing costs of goods and services

- Inflation was reported by a majority of respondents (54%) as having the greatest impact on their organisations. There was a slight decrease in Q2 to 53% from 56% in Q1.
- Respondents were asked how their organisations were seeing the cost of goods, services or raw materials change on a scale of 1-10 (1 = significantly decreasing, 5 = no change, and 10 = significantly increasing). The average was 6 across the respondents in Q1 Q2.
- Several members across Q1 Q2 highlighted concerns about the wider economic situation and stressed the importance of reducing inflation.

Particular goods and services affected

Organisations of all sizes reported cost increases across all or most suppliers.

The following products were identified by one or more members as particularly changing in cost in Q1 Q2:

- Food products
- Labour
- Energy
- Raw materials

Sourcing goods and services

- The average number of respondents reporting supply chain disruption as an issue affecting their organisations was 18% in Q1 Q2.
- Respondents were also asked to comment on how easy or difficult they were finding it to source goods, services or raw materials on a scale of 1-10 (1 = very difficult, 5 = neither easy nor difficult, 10 = very easy). The average was 5 across the respondents in Q1 Q2.

Taxation

- Taxation was the second most reported issue affecting members in Q1 Q2. An average of 55% of respondents reported taxation as a key issue.
- All comments in Q1 Q2 related to taxation reported National Insurance increases as a major concern to their organisation and supply chains. Changes to employment law were also raised as challenges to some members.

Section Five: Misc

Business Confidence

- Respondents were asked to rate their confidence in the UK economy's performance over the next six months on a scale of 1-10. The average was 5/10 across the respondents in Q1 Q2.
- A respondent in January commented that one cause of the weaker business confidence in the private sector, together with uncertainty over spending in the public sector, is that business pipelines for future work in the UK are declining.
- A respondent in February commented that they foresee a very difficult Q1 and Q2 this year, due to the increase in the National Living Wage and the impact of the National Insurance increases.

Cybersecurity

- 45% of respondents reported cybersecurity as an issue affecting organisations in Q1 Q2.
- One respondent in February commented that cybersecurity is now a constant threat and that they expect the threat level to increase over the next 12 months.

Regulatory challenges

- An average of 42% of respondents across Q1 Q2 reported regulatory challenges as having the greatest impact on their organisation.
- A respondent in January commented that taxation and regulatory burdens seem to be falling the heaviest on micro-organisations and smaller family-run businesses which is dampening their confidence and ability to grow. This appears to impact the start-up digital/tech/AI space, where talent is mobile and being attracted abroad.

Public sector industrial action

- An average of 14% of respondents across Q1 Q2 reported industrial action as having the greatest impact on their organisation.
- One respondent in January commented that they expect industrial action to increase in the next twelve months.
- One respondent in March commented that they believe that recent policy interventions are likely to increase public sector industrial action.

Annex 1 - Business Services Association

Who We Are:

The Business Services Association (BSA) is a policy and research organisation. We are here to represent all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. We are based in the United Kingdom and hold meetings and events throughout the country.

Our members are key providers of service and infrastructure projects to the private and public sectors. Members include large and small businesses, charities, and social enterprises. The work of BSA members improves the lives of tens of millions every day across every region of the country; from building and maintaining our roads, energy supply, and digital ecosystem, to feeding school children and keeping our hospitals clean and safe.

What We Do:

We provide a forum for service providers to come together to discuss issues of common interest. We also have a wide-ranging policy programme which can be broken down into three interconnected core themes: inform, advocate, and engage.

How We Do It:

Inform
We ensure that our members are kept up to date with government policy and wider market trends, whilst also keeping government informed on the issues affecting the sector. This includes producing daily, weekly, and monthly political and media monitoring reports for members; conducting our monthly Economic Tracker survey and sharing the insights with relevant stakeholders across central, devolved, and local government; and arranging briefing sessions and meetings with officials on pertinent policy areas.

Advocate
We champion the good work the sector does by collating case studies and producing reports that highlight the sector's contributions to the UK economy. It also involves working collaboratively and constructively with policy makers on key policy areas for the sector such as procurement reform.

Engage
We arrange regular engagement opportunities to promote positive relationships between the sector and key stakeholders. This ranges from holding roundtables with government ministers and prominent members of the opposition, to arranging large summits that bring together over 100 members and stakeholders to discuss a specific theme. Recent examples include summits on Digital Skills and the transition to Net Zero.

Why We Do It:

Our sector lies at the very heart of the UK economy. Service and infrastructure providers are key innovators and growth facilitators, spearheading our transition to a green and digital economy, and operating throughout both the public and private sectors. The sector also invests in providing high quality administrative services, facilities management, infrastructure, and IT so other businesses can do what they do best.

It is therefore crucial that the sector's voice is heard and its good work recognised.

Annex 2 – List of BSA Members – October 2025

3C3 Ltd
4Merit
AECOM
Amey Plc
Angus Knight Group
Aramark
Arcadis LLP
Arcus FM
ArvatoConnect
AtkinsRéalis
Atos
AutogenAI
Baachu
Balfour Beatty Plc
Barclays Corporate
Bellrock
Bevan Brittan LLP
Birkin Group
Browne Jacobson LLP
BT Group Plc
Business 2 Business
Capita Plc
Catch 22
CGI
City FM
Clyde & Co LLP
CMS Cameron McKenna Nabarro Olswang
Compass Group Plc
Costain
Deloitte
DWF LLP
Ecolog International
Elior UK Ltd
Equans
Eric Wright FM
FedCap
Forvis Mazars LLP
Fujitsu UK
G3 Systems Ltd
G4S Plc
GSA Global
GoodPeople
HP
HPO Technologies
IBM
Ingeus
ISS UK
Kier Group Plc
KPMG
Laing O'Rourke
Mace
Maximus UK Ltd
McLaughlin & Harvey
Medallia
Mitie
MTC
NatWest
NCG
Oxfordshire Business Consultancy Ltd
P3
Pinsent Masons
Public Digital
Reed in Partnership
Robertson FM
Royal Voluntary Service
Seetec Group Ltd
Serco Group Plc
Sharpe Pritchard LLP
Skanska UK
Sodexo Ltd
Sopra Steria Ltd
Space Solutions
The Grichan Whitestone Partnership
The Growth Company
The Palladium Group
The Shaw Trust
Turley
Twin UK
VINCI Facilities
VPS Group
Wand Consulting
Wates Group
WSP