

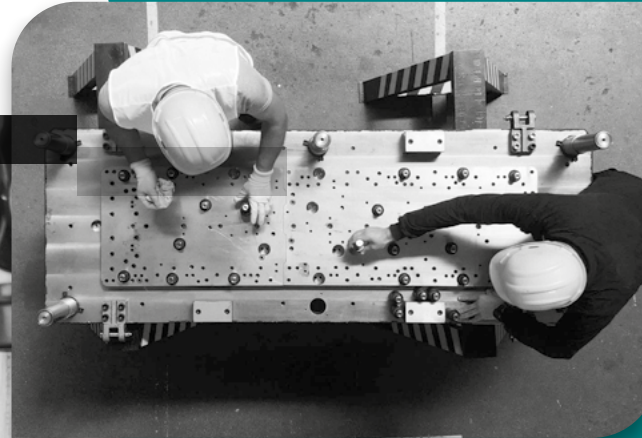


Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

2022 Q4

QES Partner

prime
ACCOUNTANTS GROUP



Q1

Q2

Q3

Q4

Coventry & Warwickshire Quarterly Economic Survey

Quarter 4 2022 Analysis

OVERALL
52.9
up from 51.9

Coventry & Warwickshire's overall economic outlook index has increased in the final quarter of 2022, moving from 51.9 to 52.9 indicating a 1-point uptick in the overall economic outlook index. The increase keeps the index value above the 50-mark maintaining signs of optimism in the final quarter of 2022.

The national economic climate experienced a modest weakening in quarter 4 as real household incomes were squeezed and the uncertainty about the health of the economy weighed on demand levels. The labour market showed signs of loosening, as national reports suggested recruitment difficulties easing slightly. Input cost inflation remained high as reductions in some commodity prices were offset by higher energy costs and a depreciation in the pound.

The local service sector economic outlook index slightly decreased from 52.2 to 51.6 in Q4 2022 experiencing an overall reduction in momentum and a deceleration in the pace of growth and optimism.

Components such as domestic orders and cash flow & Investment both experienced notable reductions but were offset by marginal increases seen in the overseas orders and the labour force indexes.

The local services sector business confidence index on the other hand experienced a notable increase in the last quarter of 2022. The improvement in confidence came as a result of many respondents indicating a positive view when it came to turnover and profitability in the coming 12 months.

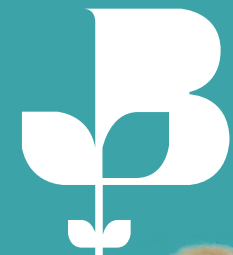
The local manufacturing sector's economic outlook, on the other hand, increased significantly in the last quarter of 2022, moving from 49.8 to 57.7 in Q4 2022 bucking the national trend. The sizeable increase was driven by the components that made up the index with notable increases in the orders index (both domestic and overseas) and the labour force index. The cash flow & investment index experienced a slight reduction pushing the value into contractionary territory.

Looking specifically at the local manufacturing sector's business confidence showed a striking increase putting the local manufacturing sector in a good position moving into the new year. The increase was driven by a large majority of businesses expecting profitability and turnover to increase in the coming 12 months.

It is important to note, that despite business confidence in both local sectors increasing, price pressures continued to dominate the survey results, with many respondents pointing to pay settlements, raw materials and inflation as significant factors contributing to increases in price.

SERVICE
51.6
down from 52.2

MANUFACTURING
57.7
up from 49.8



Quarterly Economic Survey Commentary



Corin Crane
Chief Executive
of the
Coventry and
Warwickshire
Chamber of
Commerce,

"The QES is an incredible insight into the way businesses across our patch are feeling and what their outlook is.

"In light of all of the domestic and global issues, it's great to see firms feeling a little more confident at the turn of the year.

"I am particularly pleased to see international sales improving both in the manufacturing and service sectors. There is absolutely no question that companies who trade overseas give themselves a much better chance of growth over a sustained period.

"The issues that are affecting firms who trade with Europe have not gone away and there is still work to be done by Governments on both sides of the Channel to improve trading conditions for businesses.

"However, the results are encouraging and I'd advise firms from across Coventry and Warwickshire to get in touch with the team at the Chamber to find out how we can support them."



Steven Harcourt
Director
Prime Accountants Group

"I am pleased to see businesses in Coventry and Warwickshire feeling more positive.

"The results around the labour market and employment are very interesting to see and, while they are positive in terms of businesses still looking to recruit that does, of course, exacerbate the issue we saw a great deal of in 2022 - firms not being able to bring in the skilled people they need.

"The Chamber is leading on the new Local Skills Improvement Plan (LSIP) in this region and we'd encourage businesses to engage with us on that because it is a vital piece of work that is helping to address an issue that has been talked about over many years."



Sunny Parekh
Senior Economist
Warwickshire County
Council

"Quarter four at a national level experienced a modest weakening as household spending was squeezed and economic uncertainty weighed heavy on demand levels.

"However, the latest QES results show the local economy remaining resolute and robust in the face of economic adversity.

"The results show that the overall economic outlook index for Coventry and Warwickshire bucked the national trend by increasing further into positive territory, showing overall signs of optimism amongst both local services and manufacturing businesses.

"Business confidence experienced a boost, particularly within the manufacturing sector as profitability expectations increased despite ongoing price pressures. The upbeat nature of the local business landscape in the final quarter of 2022 bodes well, especially as forecasts point towards a long road to economic recovery."

Domestic Orders:

The domestic orders index displayed a mixed picture amongst Coventry & Warwickshire's services and manufacturing businesses.

The local service sector's domestic orders index registered a decrease moving from 59.0 to 52.0 in Q4 2022. This indicates a deceleration in the pace of expansion for domestic orders. Reductions were seen in both the current and advanced orders index, decreasing to 52.4 and 51.6 from previous quarter readings of 60.5 and 57.5 respectively. This comes as result of a many businesses suggesting that their current and advanced orders had either remained constant or decreased in Q4. This was, however, slightly offset by some businesses suggesting that they experienced an increase in orders, mitigating the overall reduction seen in the domestic orders index.

Contrastingly, the domestic orders index within the local manufacturing sector experienced a significant increase, moving from 45.2 in Q3 to 58.8 in Q4 2022. This came as a result of both current and advanced orders index scores experiencing an upturn moving to 60.0 and 57.4 respectively, from 40.5 and 50.0 in Q3. The expansion in the index scores comes as most respondents suggested that both current and advanced orders had either increased or remained constant during Q4, bucking the national trend.

SERVICE
52.0
down from 59.0

MANUFACTURING
58.8
up from 45.2

Overseas Orders:

The overseas orders index experienced increases for both the services and manufacturing indexes within Coventry & Warwickshire.

The service sector saw an increase in its overseas orders index for the first time in 2022 moving from 42.3 in Q3 2022 to 45.6 in Q4 2022. Despite the increase, the overall value still suggests a contraction in overseas orders. A large majority of businesses that responded suggested that their current and advanced overseas orders had either decreased or remained constant in Q4.

Similarly, the manufacturing overseas orders index also saw an upturn, however, the increase pushed the index value beyond the 50-mark to 54.9 in Q4 2022 from a previous quarter reading of 47.1. This came as a result of the majority of businesses suggesting that their current and advanced overseas orders had either increased or remained constant in Q4.

SERVICE
45.6
up from 42.3

MANUFACTURING
54.9
up from 47.1



Employment:

The service sector employment index once again remained fairly unchanged at 57.4 in Q4 2022 from a previous quarter reading of 57.1. A large majority of respondents in the local service sector suggested that their labour forces had remained constant when compared to the last 3 months.

Looking forward, the majority of respondents also suggested that their labour forces would remain constant in the coming three months. The index score remained above the 50-mark showing signs of optimism amongst local service businesses in Q4. 45.5% of service respondents suggested that they actively engaged in recruitment in Q4 with 82% of them indicating that they came across recruitment difficulties.

The manufacturing sector, also saw a significant improvement in its labour force index, moving from 50.0 in Q3 to 59.8 in Q4. The upturn was largely driven by the majority of respondents suggesting that their labour force had either remained constant or increased in the last 3 months.

Looking forward, many respondents suggested that they expect their labour forces to remain unchanged or increase in the coming 3 months. Out of those businesses that responded, half engaged recruitment activities, with the majority seeking workers of a skilled/manual or technical nature. Of those that attempted a recruitment drive, 80% indicated that they encountered difficulties in hiring.



Investment & Cashflow:

The investment & cash flow index for the local service sector and manufacturing sectors experienced a continued reduction in the last quarter of 2022.

The service sector investment & cashflow index experienced a reduction from 49.2 in Q3 to 45.9 in Q4 2022. The overall reduction was driven by the decrease seen within the investment component, which decreased from 51.7 in Q3 to 47.4 in Q4. This came as a large majority of service sector businesses suggested that their investment in plant/machinery/equipment/buildings had remained constant when compared to the previous quarter.

A similar outcome is seen with investment levels in training as many respondents suggested that investment in training also remained constant.

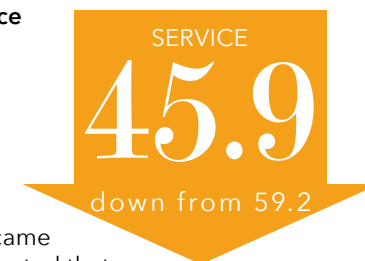
The service sector's cashflow component also experienced a reduction with a movement from 45.0 in Q3 to 43.1 in Q4. This came as the majority of respondents suggested cash flow levels had either remained constant or decreased when compared to the previous quarter.

The manufacturing investment & cashflow index also experienced a reduction in Q4, moving the value from 51.5 in Q3 to 49.4 in Q4, moving the index value below the 50-mark indicating pessimism amongst the local manufacturing sector in terms of its cash flow and investment.

The cashflow component experienced the largest reduction, moving from 50.0 in Q3 to 45 in Q4 as most respondents indicated that their cashflow levels had remained constant or otherwise decreased throughout Q4.

The reduction in the overall index was furthered by a decrease seen in the investment component which moved from 52.3 to 51.7.

Despite remaining above the 50-mark, the overall reduction was driven by the majority of local manufacturers suggesting that investment in training had either remained constant or decreased when compared to the previous quarter. Further to this, investment in plant/machinery/equipment/buildings had also remained constant when compared to the previous quarter.



Business Confidence:

The local service sector business confidence index experienced an increase in the last quarter of 2022. The index value improved by 4.9 index points from 50.6 in Q3 to 55.5 in Q4 moving the value further above the 50-mark, indicating overall signs of optimism amongst local services.

The increase comes from the individual components that make up the business confidence index. For instance, the turnover component increased from 53.6 to 58.3 in Q4 as over 40% of survey respondents expect their turnovers to increase in the coming 12 months. Looking at the profitability component shows a similar outcome with 37% of respondents expecting their profitability to remain constant in the coming 12 months, with just under 35% indicating that they expect it to increase.

Over half of the respondents suggested that they were working below full capacity in Q4 2022 a shift from the previous quarter where over half were working at full capacity.

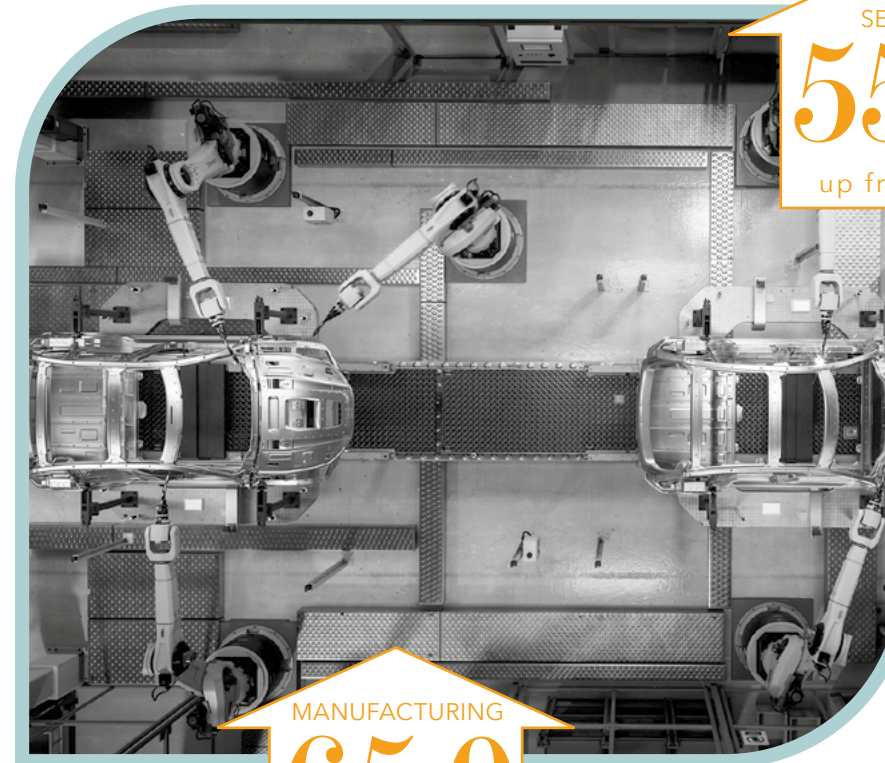
In line with the current economic climate, price pressures have continued to dominate survey results. Q4 2022 saw over 60% of respondents indicate that they expect price surges in the next 3 months, with the rest of the respondents suggesting that they will remain the same. All service businesses who responded indicated price pressures are expected to come from "pay settlements" alongside "other overheads" in terms of internal factors, alongside an overwhelming number of respondents indicating "inflation" and "interest rates" as the main sources of external price pressuring impacting business operations.

Business confidence in the local manufacturing sector surprisingly saw a sizeable increase in the last quarter of 2022. The index score moved from 52.3 in Q3 to 65 in Q4, showing a 12.7-point increase. The substantial increase came from significant improvement within the profitability component moving from 40.9 to 58.3 in Q4, this is a result of over 70% of the manufacturing respondents suggesting that they expect their profitability to increase or remain constant in the coming 12 months.

The extent of the increase in business confidence for manufacturing was furthered due to the turnover component hitting the high of 71 in Q4 from a previous quarter reading of 63.0. This came as a result of over 63% expecting turnovers to increase in the coming 12 months.

In terms of capacity levels, there was an even split in terms of respondents with half indicating that they have been working below capacity and the other half indicating that they have been working at full capacity throughout Q4.

Looking forward to the next 3 months, as expected the majority of local manufacturers that completed the survey expect price pressures to continue to intensify in the coming quarter, with "raw material prices" and "pay settlements" dominating the results in terms of internal price pressures. As with local service businesses, a large majority of manufacturers once again indicated that "inflation" would be the biggest external factor contributing to pricing pressures but also "interest rates".



SERVICE
55.5
up from 50.6

MANUFACTURING
65.0
up from 52.3

Listen Advise + Prosper

At Prime we take pride in listening to our clients and understanding their business objectives and personal goals. We provide clients with tailored advice that is specific to their requirements.

Our brand values are embraced by our team and our services are delivered in accordance to these values. Therefore our clients benefit from receiving a personal service provided by an experienced team.

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Our Brand Values: Do the Right Thing - Build Relationships - Simplify the Complex - Keep the Passion - Be an Ambassador for Prime - Provide a Personal Service - Embrace Change - Always be Approachable

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