



Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

2024 Q2

QES Partner

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Q1

Q2

Q3

Q4

Coventry & Warwickshire
Quarterly Economic Survey

Quarter 2 2024 Analysis

The Economic Outlook Index for Coventry & Warwickshire has increased in Q2 2024 compared to Q1 2024, moving from 60.1 to 62.4. The increase keeps the overall value well above the 50-mark showing clear signs of continuing confidence amongst respondents exiting the winter of 2024.

The increase in National (UK) private sector output in March 2024 was due to higher output in both services and manufacturing. The UK's composite PMI score decreased slightly from 52.9 at the end of Q1 2024 to 51.7 at the end of Q2 2024. Despite this, like Coventry and Warwickshire, this continues to move the national index value above the 50-mark, indicating continuing expansion.

The national manufacturing PMI increased from 49.9 in March 2024, to 51.4 in June 2024. Manufacturing in June 2024 experienced its second consecutive expansion and was slightly above market expectation, which was 51.3. While UK orders are strong, input prices had the sharpest rise in 17 months and new export orders fell for the 29th consecutive month.

Coventry & Warwickshire's manufacturing index continued to exceed the national trend, jumping from 55.8 in Q1 2024 to 65.4 in Q2 2024, moving well above the 50 mark. The local manufacturing sector appears significantly more confident than the UK as a whole.

National services PMI slumped a bit, falling from 53.4 at the end of March 2024 to 51.2 at the end of June 2024. There was weak growth in domestic sales, exports and employment – while wages drove high input cost inflation.

Coventry & Warwickshire's service sector index increased slightly in Q2 2024 to 61.9 from 60.9 in Q1 2024; showing signs of continuing optimism in this sector.



Corin Crane
Chief Executive

Coventry &
Warwickshire
Chamber of
Commerce

“It’s pleasing to see that the slight improvement in the outlook at the start of the year has continued as we move through 2024.

“The survey was undertaken before the election so the result won’t have affected confidence but, it might be, that firms believed there would be more stability post-election.

“They will be buoyed by the fact that inflation has fallen significantly and that there is a strong chance that interest rates will start to follow. All that said, we know that everything is still in the balance and while the latest survey is positive there are still barriers to growth that we need the new Government to help us overcome.”

Quarterly Economic Survey Commentary



Steven Harcourt
Director and
Chamber President

Prime Accountants Group

“The economic picture is improving with GDP growing, which pulled us out of the recession at the end of 2023 very quickly.

“Coventry and Warwickshire has a vibrant, innovative and diverse economy which means it is extremely resilient and it’s testament to the whole business community that we have pulled through difficult times.

“The latest QES shows that confidence is increasing and it’s vitally important that the new Government delivers on its promise to support businesses to achieve the growth we all want to see.”



Todd Williams
Insight Analyst

Warwickshire County Council

“Quarter two at a national level dropped slightly primarily due to a deceleration in services output, despite continuing growth in manufacturing output.

“Meanwhile, the latest QES results show the local economy maintaining strong optimism, alongside a significant increase in spare capacity.

“The results show that the overall economic outlook index for Coventry and Warwickshire exceeding the national trend. Local services businesses are positive about the domestic market, and sentiment about the services overseas market moved towards confidence. The local manufacturing business sentiment continues to strengthen around growth in both domestic and overseas markets.

“Local concerns around interest rates dropped significantly, however input costs remain a significant concern – manifesting as Inflation for manufacturing and as Labour costs for the service sector. Employment is expected to increase, with ongoing concerns around recruitment challenges.”

Domestic Market:

The domestic orders index displayed a positive picture amongst Coventry & Warwickshire's services and manufacturing sectors. However, the generally lower response rate for local manufacturing vs. service companies means that the local manufacturing scores are more volatile. Nonetheless, both local services and manufacturing scores are more volatile than the national average.

The local service sector's domestic orders index decreased from 66.1 in Q1 2024 to 62.0 in Q2 2024. This is despite the number of respondents doubling. Both the current and advanced orders indices remained above 60, decreasing slightly to 63.7 and 60.1 from previous quarter readings of 70.0 and 61.8 respectively. This comes as result of at least 83% of businesses responding suggesting that either their current or advanced orders had increased or remained constant in Q2 2024.

The domestic orders index within the local manufacturing sector is more dynamic, moving from 54.5 in Q1 2024 to 62.2 in Q2 2024. This was down to the current orders index score and advanced orders index score solidifying from 50.0 and 59.1 in Q1 2024, to 62.5 and 61.9 respectively in Q2 2024.

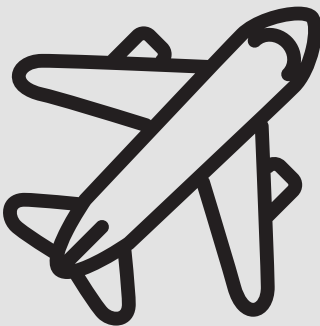


Overseas Market:

The overseas orders index reversed a 2-quarter decrease for both the services sector and for the manufacturing sector, within Coventry & Warwickshire in Q2 2024.

The service sector saw an increase in its overseas sales index moving from 43.2 in Q1 2024 to 47.1 in Q2 2024. The increase was mainly due to less pessimism around future orders in Q2 2024 than in Q1 2024. Nonetheless, the results for future orders remained lower than the results for current orders, suggesting further softening.

The manufacturing overseas orders index saw a slight upturn, with the index value remaining above the 50-mark at 55.0 in Q2 2024 from 53.1 in Q1 2024. In the latest quarter, current sales strengthened while advanced orders softened.



Employment:

The service sector employment index increased to 59.7 in Q2 2024 from 56.3 in Q1 2024. The labour force index increased for both the last 3 months and for the next 3 months. The index score remained above the 50-mark, showing signs of continuing employment optimism amongst local service businesses in Q2 2024. Less than half (34.1%) of service respondents indicated that they attempted recruitment in Q2 2024 with a majority (63%) of them indicating that they came across recruitment difficulties.

The manufacturing sector saw a similar increase in its labour force index, moving from 56.8 in Q1 2024 to 61.4 in Q2 2024. The index remains well above 50 as respondents indicate that their labour forces increased slightly in the last 3 months, with noticeable expectation of expansion looking forward to the coming 3 months. Half of respondents (50%) attempted recruitment in Q2 2024, with the vast majority being for full-time roles. Of those that attempted a recruitment drive, 73% indicated that they encountered difficulties in hiring.



Investment & Cashflow:

The investment & cashflow index for the local service sector remained above 50 in the second quarter after moving above 50 in the first quarter of 2024, while the manufacturing sector moved well above the 50 mark.

The service sector investment & cashflow index experienced a decrease from 56.1 in Q1 2024 to 53.8 in Q2 2024. The decrease was mainly driven by a decrease seen in the cashflow component, which decreased from 58.1 in Q1 2024 to 53.5 in Q2 2024. The investment component fell slightly to 53.9 from 54.7 in the previous quarter. The 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 a majority of respondents suggested that investment in training also remained constant.

The manufacturing investment & cashflow index recovered further, moving from 53.3 in Q1 2024 to 61.2 in Q2 2024, continuing the strong increase in the last quarter and showing hope of reduced variability amongst the local manufacturing sector in terms of its cashflow and investment.

The investment component increased the most, from 55.3 to 55.3, with a higher proportion of responses indicating investment increased than decreased in Q2 2024. The cashflow component showed a slight increase, moving from 50.0 in Q1 2024 to 52.4 in Q2 2024 with similar numbers of respondents indicating that their cashflow levels had improved, remained the same, or worsened in the second quarter of 2024.



Business Confidence:

The local service sector business confidence index showed significant strength for the 2nd quarter in a row in Q2 of 2024, and the manufacturing sector business confidence saw significant gains in strength in the 2nd quarter of 2024.

The service sector index value improved noticeably once again from 70.7 in Q1 2024 to 77.1 in Q2 2024, indicating strong and growing optimism amongst local service businesses. The increase comes from the turnover component being very high, along with the profitability component; 90.9% of respondents saw turnover increasing or remaining constant, and 89.6% of respondents saw profitability increasing or remaining constant.

However, 54% of service sector respondents suggested that they were working below full capacity in Q2 2024, a significant rise from the previous quarter where just 27% were working below full capacity.

On the positive side of the spectrum, price pressures became less of a concern. Q2 2024 saw only 39.4% of service sector respondents indicate that they expect price increases in the next 3 months. Labour costs remain the main reason for concern of price rises, with 48% of service sector respondents indicating this concern, while 30% were concerned about energy prices or “Other overheads”, a concern that

continues to steadily rise. 47% suggested ‘Competition’ as the main source of external price pressure impacting business operations, significantly greater than its percentage in Q1 2024. “Interest rates” were only a concern to 15% of service sector respondents.

Business confidence amongst the local manufacturing sector leapt up in strength from an index score of 59.5 in Q1 2024 to 80.5 in the second quarter of 2024. The strength included responses indicating both strong turnover and profitability components. Turnover moved from 72.7 in Q1 2024 to 81.0 in Q2 2024, with 71.4% of the manufacturing respondents suggesting that they expect their turnover to increase in the coming 12 months, a sharp increase from Q1 2024 when this statistic was 54.5%. With this great increase in strength in business confidence, it’s no surprise that the profitability component jumped from a weak index score of 45.0 in Q1 2024 to a very strong 80.0 in Q2 2024, recovering back to close the index score of 83.3 in Q4 2023. This came as a result of 75.0% of respondents from the manufacturing sector expecting profitability to increase in the coming 12 months, a complete reversal from only 10.0% of respondents feeling the same way in Q1 2024.

In terms of capacity levels, 68.2% of respondents in the manufacturing sector

indicated that they had been operating below full capacity during Q2 2024. This is a significant increase from Q1 2024, where it was 45.5%.

Looking forward to the next 3 months, over half (52.4%) of local manufacturers that completed the survey expected price pressures to increase, with “Raw Materials” (72.7%) now becoming the main concern with regard to internal price pressures. “Interest rates” fell significantly as an external factor contributing to pricing pressures, downgrading from 54.5% of businesses in the manufacturing sector seeing it as their main external cost in Q1 2024 to just 9.1% in Q2 2024. The largest external cost issue was “Inflation”, with 50% of manufacturing businesses regarding it as their greatest external cost.



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Data analysis by:

