



Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

2024 Q3

QES Partner

prime
ACCOUNTANTS GROUP



Q1

Q2

Q3

Q4

Coventry & Warwickshire
Quarterly Economic Survey

Quarter 3 2024 Analysis

The Economic Outlook Index for Coventry & Warwickshire has decreased slightly in Q3 2024 compared to Q2 2024, moving from 62.4 to 60.2. The decrease keeps the overall value well above the 50-mark showing clear signs of continuing confidence amongst respondents.

The increase in National (UK) private sector output in June 2024 was due to higher output in both services and manufacturing. The UK's composite PMI score increased slightly from 51.7 at the end of Q2 2024 to 52.6 at the end of Q3 2024. As in Coventry and Warwickshire, this continues to maintain the national index value above the 50-mark, indicating continuing expansion.

The national manufacturing PMI remained above 50, from 51.4 in June 2024 to 51.5 in September 2024. Manufacturing in September 2024 experienced its fifth consecutive expansion and was in line with market expectation. While UK consumer goods orders are strong, input prices continued to rise and export demand, especially from Europe, fell for the 32nd consecutive month.

Coventry & Warwickshire's manufacturing index continued to exceed the national trend, nonetheless dropping from 65.4 in Q2 2024 to 56.9 in Q3 2024, remaining well above the 50 mark. The local manufacturing sector appears more confident than the UK as a whole.

National services PMI rose, from 51.2 at the end of June 2024 to 52.4 at the end of September 2024. There was growth in domestic demand for technology, real estate and leisure services. Services growth in both exports and employment slowed. Coventry & Warwickshire's service sector index decreased slightly in Q3 2024 to 61.0 from 61.9 in Q2 2024; showing signs of continuing optimism in this sector.

OVERALL

60.2

down from 62.4

MANUFACTURING

56.9

down from 65.4

SERVICE

61.0

down from 61.9

Quarterly Economic Survey Commentary



Corin Crane
Chief Executive

Coventry &
Warwickshire
Chamber of
Commerce

“Our QES is the strongest barometer of how businesses in the region are performing right now and, also, how they feel about the months ahead.

We use this information, as well as the day-to-day conversations we have with businesses, to let decision-makers at a local, regional and national level know what sentiment is like and what issues firms are facing.

“The survey reflects that there has been a little bit of uncertainty around the General Election and then the Budget but there is still a strong degree of confidence as we move toward the end of the year.

There is a positive outlook for the region and we can build on that sentiment by supporting companies to grow - whether that is domestically or on the international stage.”



Steven Harcourt
Director and
Chamber President

Prime Accountants Group

“It’s pleasing to see that the business outlook for the region is positive because with so much uncertainty globally and domestically in recent years, it would be easy for firms to retrench.

“The economy and our businesses have shown incredible resilience over the past few years and would have liked to have grown even more quickly but have faced a series of obstacles.

“The hope, now, is for a degree of certainty and stability to provide a strong platform for sustained growth over the coming years.”



Todd Williams
Insight Analyst

Warwickshire County Council

“Quarter three at a national level rose slightly primarily due to an increase in services output, alongside continuing growth in manufacturing output.

“Meanwhile, the latest QES results show the local economy maintaining strong optimism across the board, with the lone exception of services export.

“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 is moving slowly towards confidence. The local manufacturing business sentiment continues to strengthen around overseas markets.

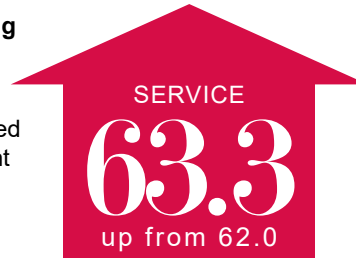
“Local concerns around labour costs remain a significant concern for both the services and manufacturing sectors, with the manufacturing sector also being very concerned about raw material costs. Employment is expected to increase, with ongoing concerns around recruitment challenges.”

Domestic Market:

The domestic orders index displayed a positive picture amongst Coventry & Warwickshire's services sector, especially for advance orders. However, the generally lower response rate for local manufacturing vs. service companies means that the local manufacturing scores are more volatile.

The local service sector's domestic orders index increased from 62.0 in Q2 2024 to 63.3 in Q3 2024. Both the current and advance orders indices remained above 60, with the current orders decreasing slightly to 63.4 from previous quarter readings of 63.7. However, the advance orders increased from 60.1 to 63.2.

The domestic orders index within the local manufacturing sector is more dynamic, moving from 62.2 in Q2 2024 to 52.3 in Q3 2024. This was down to the current orders index score and advanced orders index score dropping from 62.5 and 61.9 in Q2 2024, to 50.0 and 54.5 respectively in Q3 2024.

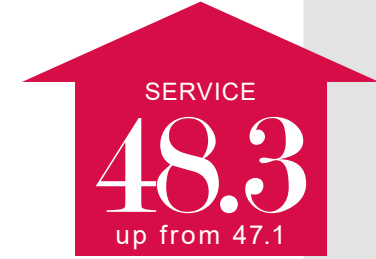


Overseas Market:

The overseas orders index remained largely flat for both the services sector and for the manufacturing sector, within Coventry & Warwickshire in Q3 2024.

The service sector saw a slight increase in its overseas sales index moving from 47.1 in Q2 2024 to 48.3 in Q3 2024. The increase was mainly due to less pessimism around future orders in Q3 2024 than in Q2 2024. Nonetheless, the results for future orders remained slightly below 50, suggesting continued weakness.

The manufacturing overseas orders index remained above the 50 mark, with the index value at 54.2 in Q3 2024 from 55.0 in Q2 2024. In the latest quarter, current sales softened while advanced orders strengthened, moving to an identical result of 54.2 each suggesting mild growth.



Employment:

The service sector employment index decreased to 55.3 in Q3 2024 from 59.7 in Q2 2024. The labour force index decreased 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 Q3 2024. More than half (42.7%) of service respondents indicated that they attempted recruitment in Q3 2024 with a continuing majority (61%) of them indicating that they came across recruitment difficulties.

The manufacturing sector saw a similar decrease in its labour force index, moving from 61.4 in Q2 2024 to 53.4 in Q3 2024. The index remains above 50 as respondents indicate that their labour forces decreased slightly in the last 3 months, with a continuing expectation of expansion looking forward to the coming 3 months. Less than half of respondents (40.9%) attempted recruitment in Q3 2024, with the vast majority being for full-time roles. Of those that attempted a recruitment drive, a continuing significant majority (78%) indicated that they encountered difficulties in hiring.



Investment & Cashflow:

The investment & cashflow index for the local service sector remained above 50 in the third quarter after moving above 50 in the first quarter of 2024, while the manufacturing sector remained similarly above the 50 mark despite a small fall.

The service sector investment & cashflow index experienced a slight increase from 53.8 in Q2 2024 to 56.0 in Q3 2024. The increase was mainly driven by an increase seen in the investment component, which increased from 53.9 in Q2 2024 to 57.4 in Q3 2024. The cashflow component remained flat at 53.5. 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 followed a consistent dynamic in Q3, falling from 61.2 in Q2 2024 to 54.2 in Q3 2024. This reverses the strong increase in the last quarter and showing continued variability amongst the local manufacturing sector in terms of its cashflow and investment. The investment component fell, from 66.2 to 51.3, with a similar proportion of responses indicating investment increased than decreased in Q3 2024. The cashflow component showed a strong increase, moving from 52.4 in Q2 2024 to 59.1 in Q3 2024 with no respondents indicating that their cashflow levels had worsened in the third quarter of 2024.



Business Confidence:

The local service sector business confidence index showed significant strength for the 3rd quarter in a row in Q3 of 2024, and despite a drop the manufacturing sector business confidence remained very strong in the 3rd quarter of 2024.

The service sector index value remained very strong while dropping from 77.1 in Q2 2024 to 73.5 in Q3 2024, indicating strong and continuing optimism amongst local service businesses. The decrease comes from the turnover and profitability components softening very slightly; 89% of respondents saw turnover increasing or remaining constant, and 86% of respondents saw profitability increasing or remaining constant.

Furthermore, 55% of service sector respondents suggested that they were working below full capacity in Q3 2024, in line with the previous quarter where 54% were working below full capacity.

Nonetheless, price pressures became even more of a concern. Q3 2024 saw 99% 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 61% of service sector respondents indicating this concern, while 44% were concerned about energy prices and 49% about "Other overheads", all concerns that continue to steadily rise.

40% suggested 'Competition' as the main source of external price pressure impacting business operations, slightly lower than its percentage in Q2 2024. "Inflation" and "Corporate taxation" were a concern to 28% and 29% of service sector respondents, respectively.

Business confidence amongst the local manufacturing sector remained very strong despite falling from an index score of 80.5 in Q2 2024 to 67.0 in the third quarter of 2024. The continuing strength included responses indicating both strong turnover and profitability components. Turnover moved from 81.0 in Q2 2024 to 68.2 in Q3 2024, with only 9% of the manufacturing respondents suggesting that they expect their turnover to decrease in the coming 12 months. The profitability component similarly dropped from a very strong 80.0 in Q2 2024 to 65.9 in Q3 2024. This came as a result of only 9% of respondents from the manufacturing sector expecting profitability to decrease in the coming 12 months.

In terms of capacity levels, 36.4% of respondents in the manufacturing sector indicated that they had been operating below full capacity during Q3 2024. This is a significant drop compared to Q2 2024, where it was 68.2%.

Looking forward to the next 3 months, no local manufacturers that completed the survey expected price pressures to

decrease, with "Raw Materials" (72.7%) continuing to be the main concern with regard to internal price pressures. "Labour costs" were also a major concern for pricing pressures, with 68.2% of the manufacturing sector seeing it as their main external cost in Q3 2024. The largest external cost issue was "Competition", with 45.5% of manufacturing businesses regarding it as their greatest external cost.

SERVICE

73.5

down from 77.1

MANUFACTURING

67.0

down from 80.5





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Data analysis by:

