



Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

2025 Q1

QES Partner

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ACCOUNTANTS GROUP



Coventry & Warwickshire
Quarterly Economic Survey

Q1

Q2

Q3

Q4



Quarter 1 2025 Analysis

This report presents the results from the Quarterly Economic Survey Q1 2025. There were 130 responses to the survey, 114 from the services sector and 16 from the manufacturing sector, employment numbers were not reported in this edition of the survey.

Responses to the survey are translated into an Economic Outlook Index score which presents an indication of whether respondents believe that things are getting better, staying the same, or getting worse. If all respondents felt things were getting better, then the score would be 100. Conversely, if everyone felt things were getting worse, the score would be 0. A score of 50 is where there is a balance between the two, with over 50 showing that most respondents feel positive and less than 50 shows a majority feeling negative.

Overall Economic Outlook Index:

The Economic Outlook Index for Coventry & Warwickshire has increased very slightly in Q1 2025 compared to Q4 2024, moving from 56.3 to 57.0. The increase keeps the overall value above the 50-mark showing signs of continuing confidence amongst respondents.

The increase in National (UK) private sector output in March 2025 was due to the strongest expansion in the services sector since August. Nonetheless, this was partially offset by the sharpest manufacturing decline since October 2023. The UK's composite PMI score decreased from 50.5 at the end of Q4 2024

to 52.0 at the end of Q1 2025. As in Coventry and Warwickshire, this continues to maintain the national index value above the 50-mark, indicating continuing if weak expansion.

The national manufacturing PMI dropped further below 50, from 47.3 in December 2024 to 44.6 in March 2025. Manufacturing in March 2025 experienced its largest contraction in almost a year and a half. Employment costs and raw materials prices, especially metals were up and export demand drove a sharp fall in sales.

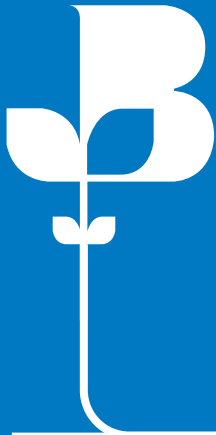
Coventry & Warwickshire's manufacturing index continued to exceed the national trend, increasing from 54.6 in Q4 2024 to 56.9 in Q1 2025, remaining well above the 50 mark. The local manufacturing sector appears to be far more confident than the UK as a whole.

National services PMI remain above 50, from 51.4 at the end of December 2024 to 53.2 at the end of March 2025. Growth was the strongest since August 2024, from both overseas and domestic sales. The pace of job shedding slowed significantly, after employment fell sharply at the end of 2024. Optimism is improved for 2025.

Coventry & Warwickshire's service sector index stayed strong in Q1 2025 at 57.0 from 56.6 in Q4 2024; showing signs of continuing optimism in this sector. signs of reduced optimism in this sector.



Quarterly Economic Survey Commentary



Steven Harcourt
Director and Chamber President

Prime Accountants Group

"Firms are having to factor in rising NI contributions as well as other costs of doing business and, yet, the general feeling across Coventry and Warwickshire is that companies are still looking to grow.

"But, with so much uncertainty around and an everchanging picture, the sentiment can change pretty quickly so it's vitally important that companies ask for support where they need it."



Corin Crane
Chief Executive

Coventry & Warwickshire
Chamber of Commerce

"The businesses of Coventry and Warwickshire never cease to amaze me.

"The last few years have been shrouded in so much uncertainty and, yet, they still – in the main – have a positive outlook and are always looking for opportunities to grow.

"This survey was conducted at a point when we were waiting to hear what tariffs would be coming from the USA. We've since had the announcement and then several follow-up amendments to the original tariffs.

"Some businesses across our region are directly and severely affected, for others it will have a secondary effect. However, it has continued with the uncertain picture and our message to Government is to do everything it can to ease the burden on businesses and provide a stable foundation from which they can grow."



Todd Williams
Insight Analyst

Warwickshire County Council

"Quarter one at a national level rose primarily due to a strong increase in services output, domestic and overseas, alongside a steep decrease in manufacturing output.

"Meanwhile, the latest QES results show the local economy maintaining optimism, with the main exceptions being cashflow and services exports.

"The results show that the overall economic outlook index for Coventry and Warwickshire exceeding the national trend, indicating a latent hunger for growth. Local manufacturing and services businesses remain positive about the domestic market. Local manufacturing companies are moving towards optimism about exports in Q1, while local services companies continue to not benefit from national trends in services exports.

"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 and corporate taxation. Nevertheless, local employment is expected to increase, contrary to the national picture, with widespread concerns around recruitment challenges. Local business investment in training continues to increase, particularly for manufacturing businesses who are also indicating an ongoing skills shortage."

Domestic Market:

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

Services Sector -

The local service sector's domestic orders index decreased from 57.3 in Q4 2024 to 56.4 in Q1 2025. Both the current and advance orders indices remained above 50, with the current orders increasing to 58.3 from the previous quarter readings of 57.7. Conversely, the advance orders decreased from 56.8 to 54.3.

Manufacturing Sector -

The domestic orders index within the local manufacturing sector is slightly more dynamic, dropping from 60.3 in Q4 2024 to 53.4 in Q1 2025. The current orders index score dropped from 62.5 to 56.3. The advanced orders index score fell as well, from 58.3 in Q4 2024 to 50.0 in Q1 2025.

SERVICE

56.4

down from 57.3

MANUFACTURING

53.4

down from 60.3

Overseas Market:

The overseas orders index recovered slightly for both the services sector and for the manufacturing sector, within Coventry & Warwickshire in Q1 2025.

Services Sector -

The service sector remained well below 50 in its overseas sales index moving from 43.5 in Q4 2024 to 44.5 in Q1 2025. The increase was driven by current sales, while future orders fell in Q1 2025. For the services overseas market, current sales increased from 43.1 in Q4 2024 to 45.8 in Q1 2025, meanwhile future orders dropped from 44.0 to 43.1.

Manufacturing Sector -

The manufacturing overseas orders index recovered to the 50 mark, with the index value at 50.0 in Q1 2025 from 46.2 in Q4 2024. In the latest quarter current sales strengthened, moving from 46.2 in Q4 2024 to a strong 53.3 in Q1 2025. However, advance orders remained weak at 46.4 in Q1 2025 from 46.2 in Q4 2024.

SERVICE

44.5

up from 43.5

MANUFACTURING

50.0

up from 46.2



Employment:

Services Sector -

The service sector employment index jumped to 67.7 in Q1 2025 from 58.6 in Q4 2024. The labour force index increased slightly for the last 3 months and jumped for the next 3 months. The index score remained well above the 50-mark, showing signs of continuing employment optimism amongst local service businesses in Q4 2024. Well under half (39.5%) of service respondents indicated that they attempted recruitment in Q1 2025 with a continuing majority (76%) of them indicating that they came across recruitment difficulties. 16% of local services vacancies required skills.

Manufacturing Sector -

The manufacturing sector saw an even larger increase in its labour force index, moving from 59.2 in Q4 2024 to 72.7 in Q1 2025. The index moved well above 50 as respondents indicate that their labour forces increased in the last 3 months, with a very significant expectation of expansion looking forward to the coming 3 months. More than half of respondents (56.3%) attempted recruitment in Q1 2025, 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. 38% of local manufacturing vacancies required skills.



Investment & Cashflow:

Services Sector -

The investment & cashflow index for the local service sector fell just below 50 in the first quarter after moving above 50 in the fourth quarter of 2024, while the manufacturing sector remained above the 50 mark.

The service sector investment & cashflow index experienced a decrease from 51.2 in Q4 2024 to 48.8 in Q1 2025. The decrease was due to falls in both the cashflow and investment components. The investment component remained just above 50 yet decreased from 52.3 in Q4 2024 to 50.3 in Q1 2025. The service sector cashflow component dropped further below 50 at 46.4 in Q1 2025 from 49.6 in Q4 2024. The majority of service sector businesses suggested that their investment in plant / machinery / equipment / buildings had remained constant when compared to the previous quarter. Slightly more respondents indicated that investment in training had increased than decreased, nonetheless the split was smaller than in Q4 2024.

Manufacturing Sector -

The manufacturing investment & cashflow index fell slightly in Q4, from 54.7 in Q4 2024 to 51.1 in Q1 2025. Cashflow fell slightly, yet to a low value of 46.9 in Q1 2025 from 47.2 in Q4 2024.

The investment component dropped, from 58.6 to 53.4, with a similar proportion of responses indicating investment in plant/machinery/equipment/buildings increased than decreased in Q4 2024. There was a clearer split towards increased investment in training. The cashflow component showed a slight decrease, moving from 47.2 in Q4 2024 to 46.9 in Q1 2025.



Business Confidence:

The local service sector business confidence index showed significant strength for the 5th quarter in a row in Q1 of 2025, and the manufacturing sector business confidence recovered to well above 50 in the 1st quarter of 2025.

The service sector index value remained very strong while dropping (again) from 65.6 in Q4 2024 to 62.7 in Q1 2025, indicating strong and continuing optimism amongst local service businesses. The weaker confidence comes mainly from the turnover component; 79% of respondents saw turnover increasing or remaining constant, and 75% of respondents saw profitability increasing or remaining constant.

Furthermore, 48% of service sector respondents suggested that they were working below full capacity in Q1 2025, slightly above the previous quarter where 44% were working below full capacity.

Nonetheless, price pressures continued to be a significant concern. Q1 2025 saw 96% 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 77% of service sector respondents

indicating this concern, while 50% were concerned about energy prices and 39% about "Other overheads", all concerns that continue to steadily rise. "Inflation" and "Corporate taxation" were both a concern to 39% of service sector respondents. 35% suggested 'Competition' as the main source of external price pressure impacting business operations, the same as its percentage in Q4 2025.

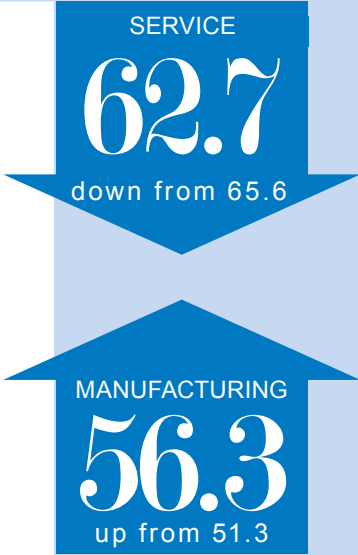
Business confidence amongst the local manufacturing sector improved from an index score of 51.3 in Q4 2024 to 56.3 in the first quarter of 2025.

Turnover moved from to 55.3 in Q4 2024 to 65.6 in Q1 2025, with only 19% of the manufacturing respondents suggesting that they expect their turnover to stay constant in the coming 12 months. The profitability component dropped slightly from 47.4 in Q4 2024 to 46.9 in Q1 2025. This came as a result of only 44% of respondents from the manufacturing sector expecting profitability to remain constant in the coming 12 months.

In terms of capacity levels, 63% of respondents in the manufacturing sector indicated that they had been operating below full capacity during

Q1 2025. This is the same as Q4 2024, where it was 63%.

Looking forward to the next 3 months, only 6% of manufacturers that completed the survey expected price pressures to decrease, with "Labour costs" and "Raw materials" as the main concerns in regard to internal price pressures at 69% each. "Utilities" (56%) and "Other overheads" (44%) were also major concerns for pricing pressures in Q1 2025. The largest external cost issue was "Corporate taxation", with 69% of manufacturing businesses regarding it as their greatest external cost. "Business rates" were also a significant concern for 31% of respondents.



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Data analysis by:

