



BRITISH CHAMBERS OF COMMERCE QUARTERLY ECONOMIC SURVEY

COVENTRY AND WARWICKSHIRE RESULTS

Q1 2018



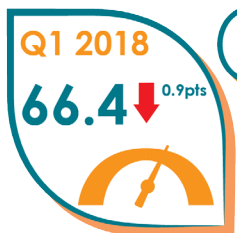


COVENTRY AND WARWICKSHIRE RESULTS

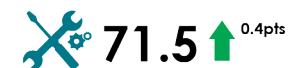
Quarter 1 2018 Analysis

Our results are based on an Economic Outlook Index, which can be broken down into its component parts.

The Index looks at 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 a majority of respondents feeling positive and less than 50 a majority feeling negative.



ECONOMIC OUTLOOK



The Economic Outlook Index for Coventry & Warwickshire for the 1st quarter of 2018 shows a slight deterioration in business confidence, with the overall index falling by 0.9 points to 66.4. While this is down slightly from the reading of 67.3 posted at the end of last year, it should be noted that this was the highest reading recorded since we started analysing the data in this way, and the 2018 Q1 figure is still above all other previous readings and slightly higher than the overall index score for the same time last year (Q1 2017 was 66.2).

The Economic Outlook Index for the Service Sector saw a drop from 66.2 in the previous quarter to 64.7 in Q1 2018. However, Index for the Manufacturing Sector saw a slight rise from 71.1 to 71.5, setting a new high for this Index. Despite this strong and improving position for manufacturing, the relative size of the service sector in the economy means that the overall Index sees a slight fall.

The Coventry & Warwickshire Economic Outlook Index continues to remain well above both regional and national comparator PMIs (Purchasers Managers Index). The West Midlands Regional PMI (produced by the West Midlands Economic Forum in conjunction with Birmingham City University) for February stands at 56.6, which saw a rise on the previous month. Nationally, the Markits Manufacturing PMI has seen a slight fall, with the latest figures standing at 55.1 (down 1.0 point from the end of last year), and the Services PMI with a more marked deterioration, falling from 54.2 in December to 51.7 in March. The Coventry & Warwickshire Index is therefore broadly tracking the national picture, but from a higher base position suggesting a relatively more buoyant and confident business base.



DOMESTIC ORDERS


 **67.8** ↓ 2.2pts

 **65.2** ↓ 2.5pts

The Index for Domestic Orders for Q1 2018 shows a mixed picture. The service sector has recorded a fall in the Domestic Order Index, dropping from 67.7 at the end of last year to 65.2. The manufacturing sector, however, has seen an improvement, rising from 67.8 to 70.0 for this quarter. This improvement in the manufacturing sector has been largely driven by current sales (rising over 3 points), while advance orders has only seen a more modest growth of +1 point. Both current sales and future orders have dropped for the service sector, suggesting that the slight decline in activity in this sector may continue into Q2.



OVERSEAS ORDERS

 **69.4** ↑ 1.5pts

 **56.0** ↑ 2.3pts

The Index for Overseas Orders for both the services and manufacturing sectors have posted good increases. For services, the index rises from its previous record low of 53.7 posted at the end of 2017 to a new reading of 56.0. This growth is shared equally between current sales and future orders, highlighting the strength of overseas markets to our economy at a time of more muted domestic demand.

The Overseas Order Index for Manufacturing rose from 67.9 to 69.4, continuing to show a strong export performance for this sector locally. While the sub-index for current sales has dipped slightly (albeit from a very strong position, dropping from an index score of 70.2 to 69.0), the sub-index for future orders has risen strongly (increasing from 65.6 to 69.8) which more than compensates for this slight drop-off in performance on export sales in the first quarter.



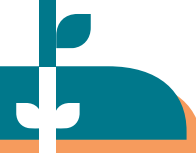
EMPLOYMENT

 **68.1** ↑ 1.6pts

 **61.0** ↓ 2.1pts

The Index for Employment has fallen for the service sector, dropping from 63.1 to 61.0. This is driven largely by responses regarding employment over the last three months, with this sub-index falling by 3.9 points to 58. Forecasts for employment over the next three months have dropped slightly, down from 64.3 to 63.6. Unsurprisingly given these figures, the number of respondents attempting to recruit over the past 3 months has fallen (44% of respondents compared to 52.5% last quarter), and less businesses faced difficulties with recruitment (falling from 38% to 27% in this quarter).

For the manufacturing sector, the Index for Employment has seen an improvement, rising from 66.5 to 68.1. While sub-index for employment over the past three months has fallen back slightly (dropping 1.1 points to 64.8), the sub-index looking at recruitment plans for the next three months has increased by over 4 points, rising from 67.1 to 71.3. Again, given the



EMPLOYMENT

...continued

responses on recent employment activity, the proportion of businesses attempting to recruit in this quarter is down (57.7% from 59.6), and less businesses faced difficulties in recruitment (34% compared to 43% last quarter).

 **68.1** ↑ 1.6pts

 **61.0** ↓ 2.1pts



INVESTMENT & CASHFLOW

Manufacturers surveyed in Q1 have indicated a very slight improvement in **cashflow**, with the index for this measure rising by just 0.1 points to 64.9. However, the index for investment has fallen markedly, reducing from 69.9 to 65.8. This seems to be more driven by a reduction in investment in human capital (down from 69.3 to 62.6), and less by reductions in capital investment (falling from 70.5 to 69.0). This could be linked to the lower activity in recruitment activity over the past three months as detailed above. For the services sector, the index for cashflow has seen a stronger fall, dropping by 4 points from 62.7 to 58.7. The index for investment has also seen a decline, but by less (a fall of 2 points to 58.7), but for this sector this is more driven by falls in the index for capital investment (-2.7 points) than human capital (-1.5).

 **65.6** ↓ 2.5pts

 **58.7** ↓ 2.8pts



BUSINESS CONFIDENCE

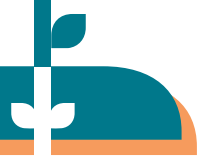
Despite the apparent slight drop-off in activity in this first quarter of 2018 (as measured through these various Indices), the future projections for growth seem to be holding up well. This translates through into **the Index for Business Confidence**, and respondents views on turnover and profitability over the next 12 months.

The Business Confidence Index for manufacturing has reached a new all-time high of 83.8, showing that our manufacturing base have a very positive outlook for 2018. Projections for turnover have increased slightly (up 0.6 points to 83.5), but it is the sub-index for profitability that has seen the biggest change, rising by 6 points to 84.0).

 **83.8** ↑ 3.8pts

 **77.6** ↓ 0.4pts

Business confidence in the service sector is similar to that recorded at the end of last year, with the Index standing at 77.6 (down just 0.4 points). This figure, however, remains very high, demonstrating that the vast majority of respondents see positive growth in turnover and profitability over the coming 12 months.



Louise Bennett
CEO

Coventry & Warwickshire
Chamber of Commerce

The QES is a great measure of how companies are feeling heading into the next 12 months. We hear from lots of businesses individually and this survey is great way of collating all of that sentiment and gives us a great indicator of how firms expect to fare in the next year.

It is clear that there is great confidence among our manufacturers and that bears out what we hear anecdotally. In fact, one of the issues we have is finding the space for companies across the patch who want to grow and take on more people.

Overseas orders have risen and that would suggest that some manufacturers are starting to see some benefit from the fall in Sterling when trading abroad.

The service sector is slightly less upbeat than it was at the end of 2017 – but those figures were very high and have only dipped slightly so are no cause for concern at this stage.

On the whole, there is a confident picture in Coventry and Warwickshire which bodes well for the future.



While the overall Economic Outlook Index has fallen slightly on the previous quarter, these remain significantly higher than regional and national averages. The manufacturing sector in particular seems to be particularly buoyant, driven by improvements in overseas markets. The Outlook Index for just the manufacturing sector has posted a new high, matched with a new highest posted score for Business Confidence when looking at expected activity over the coming year.

There appears to have been a slight drop off in domestic sales and recruitment activity within this first quarter of 2018 for this, but as the outlook for future growth and activity looks so strong, this does not present any concerns. The picture for the services sector (as seen in previous Quarterly Economic Surveys) is slightly more reserved than for our manufacturers, with slight declines in domestic orders, employment activity, cashflow and investment – which collectively has pulled the overall Economic Outlook Index down slightly.

However, business confidence remains very high, and the strong readings relative to the national picture paint a picture of good local economic growth in 2018.



Dave Ayton-Hill
Group Manager for
Economy and Skills

Warwickshire County
Council



Martyne Manning
Policy Manager and
Business Advisor

Coventry & Warwickshire
Chamber of Commerce

Our latest QES results show that Coventry and Warwickshire is becoming the place to do business with the county having the fastest growing economy in the UK with productivity outgrowing every other LEP in the country.

The Chamber of Commerce has been delivering a number of business support programmes for the last year to support growth and encourage productivity in our region and clearly the latest figures show that productivity is on the up.

The QES is the largest private business survey in the UK and we will be highlighting the full first 6 months results at an event in the summer, if these results are anything to go by then we can expect a strong set of results.

Our businesses are confident and determined to continue with future growth and we are here to support them all the way.



Grow Your Business In Warwickshire



A programme of workshops and 1:1 support for start-up businesses and individuals interested in starting their own business



Support to tackle skills shortages and gaps by helping you build recruitment pipelines with schools, colleges and local universities.



Access our Business Ready programme with our partners, the University of Warwick Science Park



Flexible and affordable business units in our portfolio of Business Centres



Access to finance advice and business loans & grants schemes



Access to business networks and support with supply chains



Commercial property searches and location advice



Innovation advice and support, able to link your business into strong knowledge and research base available locally



Soft landing support for UK and international business locating here



Economic intelligence and analysis



Free and impartial advice, support and brokerage on skills, apprenticeships and recruitment



Direct and connect businesses to the help and support available around trading standards and business regulations

To find out more, contact us on:
business@warwickshire.gov.uk
01926 412709
www.warwickshire.gov.uk/business

For information about other support available to grow your business or general information and enquiries, contact the Coventry & Warwickshire Growth Hub on **0300 060 3747**.