



Coventry & Warwickshire
Chamber of
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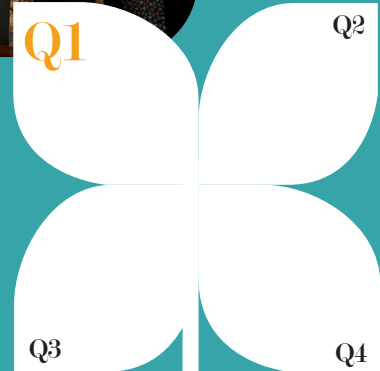
2026 Q1

QES Partner

prime
ACCOUNTANTS GROUP



Coventry & Warwickshire
Quarterly Economic Survey





Quarter 1 2026 Analysis

This report presents the results from the Quarterly Economic Survey Q1 2026. There were 171 responses to the survey, 147 from the services sector representing around 4,800 employees and 24 from the manufacturing sector representing around 1,200 employees.

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 decreased slightly in Q1 2026 compared to Q4 2025, moving from 56.2 to 53.5. This remains on the side of optimism on the whole. Nonetheless, behind this is a clear drop for the local services sector hiding a sharp increase for the manufacturing sector.

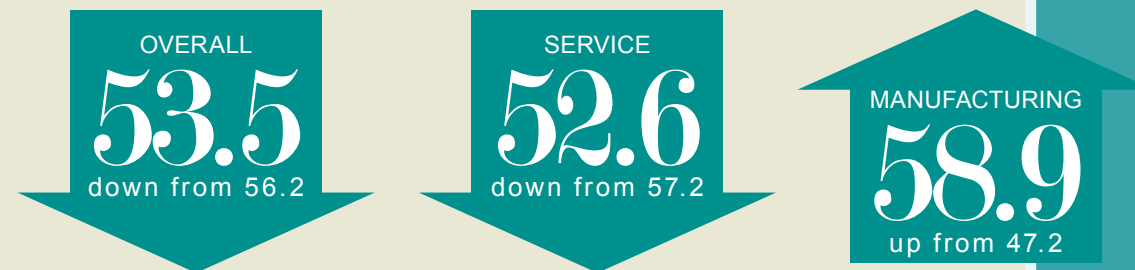
The increase in National (UK) private sector output in February 2026 was due to a rise in both services and manufacturing output. The UK's composite PMI score increased from 51.2 in November 2025 to 53.7 in February 2026. As in Coventry and Warwickshire, this continues to maintain the national index value above the 50-mark, indicating continuing if weak expansion amidst reducing inflationary pressures. Nonetheless, employment levels have continued to decrease for 17 months in a row.

The national manufacturing PMI rose further above 50, from 50.2 in November 2025 to 51.7 in February 2026. New orders are increasing, alongside increases in input costs and lead times. Meanwhile, employment and stockholding decreased.

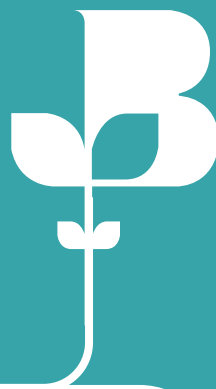
Coventry & Warwickshire's manufacturing index jumped significantly from 47.2 in Q4 2025 to 58.9 in Q1 2026, moving into positive territory. This may be partially due to a rebound from the JLR shutdown, nonetheless manufacturing confidence is high nationally so there are likely to be other sources of confidence as well.

National services PMI moved well above 50, increasing from 51.3 at the end of November 2025 to 53.9 at the end of February 2026. Domestic demand increased while international demand weakened, mainly due to Europe. Higher new orders were covered by tech investment whilst employment fell for the 17th month.

Coventry & Warwickshire's service sector index fell in Q1 2026 to 52.6 from 57.2 in Q4 2025. The largest drop was in the cashflow component, followed by overall business confidence.



Quarterly Economic Survey Commentary



Steven Harcourt
Director

Prime Accountants Group

"Despite early-year global instability and declining sentiment in the services sector, the Coventry and Warwickshire economy continues to outperform national averages. Manufacturing is driving much of the positive momentum, with domestic and overseas activity improving sharply.

"These latest QES results show just how resilient businesses across Coventry and Warwickshire continue to be in the face of significant uncertainty. While the services sector has clearly felt the pressure of rising costs and wavering confidence, it is encouraging to see such a strong resurgence in manufacturing – particularly in domestic and export sales.

"Investment and cashflow remain areas of concern for firms of all sizes, and it's vital that we maintain a stable environment that supports longterm planning. Despite global challenges, our region continues to outperform national trends, demonstrating the strength, adaptability, and determination of our local business community."



Corin Crane
Group Chief Executive

Coventry & Warwickshire
Chamber of Commerce

"There was a sense of growing confidence at the start of the year but as we conducted this survey, events in the Middle East were starting to dominate headlines and there is no doubt that was already starting to weigh on business sentiment.

"Companies across the region have started almost every year over the past decade hoping for stability and certainty and have had the rug pulled from underneath them every time. It feels as though it's happening again.

"Our plea to Government is to do all it can to accelerate its policies on growth – from planning to skills – in order to squeeze every bit of growth we can out of the domestic economy.

"But, we all acknowledge that global events will continue to impact what happens here in Coventry and Warwickshire, where we remain ahead of the national average when it comes to the economic outlook."



Todd Williams
Insight Analyst

Warwickshire County Council

"Quarter one at a national level rose modestly primarily due to an increase in domestic services output, alongside a general increase in orders for the manufacturing sector. Nonetheless, overseas demand for services remains weak – particularly in Europe. Employment at the national level dropped for the 17th consecutive month in both manufacturing and services, whilst the services sector implicated AI in the ongoing employment reduction during a period of increasing sales.

"Meanwhile, the latest QES results shows a different picture for the local economy. Local sentiment around domestic sales for the services sector remain positive. However, domestic sales for the local manufacturing sector have rebounded strongly. Overall investment showed continued weakness, alongside cashflow for both sectors. Potentially related to the JLR shutdown, cashflow for the local manufacturing sector remained extremely weak in Q1 after retracting sharply in Q4.

"Local concerns around labour costs remain significant for both the services and manufacturing sectors, with the manufacturing sector also being very concerned about raw material costs and utilities. Business rates are now a significant concern for both the services and manufacturing sectors. Local recruitment efforts are strong, with the majority experiencing recruitment difficulties. Just over half of local manufacturing and service sector respondents indicate that they are currently operating below full capacity.

"The results show that the overall economic outlook index for Coventry and Warwickshire exceeding the national trend in many ways. Nevertheless, very weak local sentiments around both manufacturing and exports are a significant concern."

Domestic Market:

The domestic orders index remained a positive picture amongst Coventry & Warwickshire's services sector, yet jumped significantly for Warwickshire's manufacturing sector.

Services Sector -

The local service sector's domestic orders index decreased from 52.8 in Q4 2025 to 53.3 in Q1 2026. Current orders fell very slightly, with the current orders decreasing to 54.4 from the previous quarter readings of 56.2. However, the advance orders increased noticeably from 48.7 to 52.1.

Manufacturing Sector -

The domestic orders index within the local manufacturing sector jumped sharply, rising from 44.3 in Q4 2025 to 58.9 in Q1 2026. The current orders index score rose from 47.2 to 60.9. Advanced orders index score rose similarly, from 41.2 in Q4 2025 to 56.8 in Q1 2026.



SERVICE
53.3
up from 52.8



MANUFACTURING
58.9
up from 44.3



SERVICE
45.4
down from 45.8



MANUFACTURING
50.0
up from 36.5

Overseas Market:

The overseas orders index remains soft in Q1 2026 after collapsing for both the services sector and for the manufacturing sector, within Coventry & Warwickshire. While 2 out of 3 respondents indicated that sales remained the same, more respondents indicated that sales went down than up.

Services Sector -

The service sector remained below 50 in its overseas sales index decreasing from 45.8 in Q4 2025 to 45.4 in Q1 2026. Current sales dropped slightly, while future orders increased slightly. For the services overseas market, current sales decreased from 47.7 in Q4 2025 to 45.7 in Q1 2026, and future orders rose from 43.9 to 45.1.

Manufacturing Sector -

The manufacturing overseas orders index recovered strongly to the 50 mark, with the index value at 50.0 in Q1 2026 from 36.5 in Q4 2025. In the latest quarter current sales were 50.0 in Q1 2026 from 38.5 in Q4 2025. Similarly, advance orders were also 50.0 in Q1 2026 from 34.6 in Q4 2025.



Employment:

Services Sector -

The service sector labour force index fell slightly to 65.2 in Q1 2026 from 70.7 in Q4 2025. The labour force index decreased yet remained above 50 for the last 3 months and remained very high for the next 3 months. Under half (42%) of service respondents indicated that they attempted recruitment in Q1 2026 with a majority (71%) of those indicating that they came across recruitment difficulties.

Manufacturing Sector -

The manufacturing sector saw a rise in its labour force index, moving from 60.0 in Q4 2025 to 73.7 in Q1 2026. The index remains far above 50 as respondents indicate that their labour forces increased in the last 3 months (77.8 in Q4 vs. 33.3 in Q1), with a continuing expectation of expansion looking forward to the coming 3 months. Less than half of respondents (42%) attempted recruitment in Q1 2026, with under 50% being for full-time roles. Of those that attempted a recruitment drive, a majority of respondents (70%) indicated that they encountered difficulties in hiring. Respondents indicated that most local manufacturing vacancies required skills.

SERVICE

65.2

down from 70.7

MANUFACTURING

73.7

up from 60.0

Investment & Cashflow:

The investment & cashflow index for the local service sector fell in the first quarter, while the manufacturing sector remained well below the 50 mark.

Services Sector -

The service sector investment & cashflow index experienced a decrease from 46.0 in Q4 2025 to 43.1 in Q1 2026. The decrease was mainly due to a drop in the cashflow component. The investment component decreased slightly from 45.2 in Q4 2025 to 43.8 in Q1 2026. The service sector cashflow component dropped to 41.8 in Q1 2026 from 47.2 in Q4 2025. A majority of service sector businesses suggested that their investment had remained constant when compared to the previous quarter. Nonetheless, far more respondents indicated that investment buildings and equipment had decreased than increased - continuing recent trends.

Manufacturing Sector -

The manufacturing investment & cashflow index increased slightly in Q1 after a very large drop last quarter, from 41.5 in Q4 2025 to 43.6 in Q1 2026. Cashflow was extremely weak, at 35.4 in Q1 2026 from 36.1 in Q4 2025. The investment component recovered slightly, from 44.3 to 47.8.

SERVICE

43.1

down from 46.0

MANUFACTURING

43.6

up from 41.5

Business Confidence:

The local service sector business confidence index dropped closer to 50 in Q1 of 2026, while the manufacturing sector business confidence rose from 50.0 to 66.7 in the 1st quarter of 2026.

The service sector index value continued above 50, whilst falling from 65.9 in Q4 2025 to 55.0 in Q1 2026, indicating fading local business confidence. There were similar reductions in both the turnover and profitability components; 77% of respondents saw turnover increasing or remaining constant, while 65% of respondents saw profitability increasing or remaining constant.

Furthermore, 58% of service sector respondents suggested that they were working below full capacity in Q3 2025, above the previous quarter where 49% were working below full capacity.

Price pressures continued to be a clear concern. Q4 2025 saw 54% 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 59% of service sector respondents indicating this concern, while 50% were concerned about energy prices and 43% about

"Other overheads".

"Inflation" and "Corporate taxation" were a concern to 38% and 48% of service sector respondents respectively. Corporate taxation has taken over as the primary concern amongst external factors for the local services industry. 37% suggested "Competition" or "Business Rates" as a significant source of external price pressure impacting business operations.

Business confidence amongst the local manufacturing sector jumped from an index score of 50.0 in Q4 2025 to 66.7 in the first quarter of 2026.

Turnover rebounded strongly from 47.2 in Q4 2025 to 70.8 in Q1 2026, with more than half of the manufacturing respondents suggesting that they expect their turnover to increase in the coming 12 months. The profitability component rose as well, from 52.8 in Q4 2025 to 62.5 in Q1 2026. This came as a result of 42% of respondents from the manufacturing sector expecting profitability to increase in the coming 12 months.

In terms of capacity levels, 58% of respondents in the manufacturing sector indicated that they had been operating below full capacity during Q1

2025. This well below Q4 2025, where it was 83%.

Looking forward to the next 3 months, only 4% of manufacturers that completed the survey expected price pressures to decrease, with "Labour costs" and "Raw materials" and "Utilities" as the main concerns in regard to internal price pressures at 88%, 38% and 63% respectively. The largest external cost issues for the local Manufacturing sector were "Corporate Taxation" (54%), "Competition" (33%) and "Business Rates" (33%).

SERVICE
55.0
down from 65.9

MANUFACTURING
66.7
up from 50.0



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Data analysis by:

