



Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

2025 Q2

QES Partner

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ACCOUNTANTS GROUP



Q1

Q2

Q3

Q4

Coventry & Warwickshire
Quarterly Economic Survey



Quarter 2 2025 Analysis

This report presents the results from the Quarterly Economic Survey Q2 2025. There were 107 responses to the survey, 98 from the services sector representing over 5,400 employees and 9 from the manufacturing sector representing over 500 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 notably in Q2 2025 compared to Q1 2025, moving from 57.0 to 50.3. This is the lowest result since Q3 2020, when business confidence collapsed during the pandemic lockdowns. Nonetheless, the needle remains just above 50 denoting slightly more optimism than pessimism.

The decrease in National (UK) private sector output in May 2025 was due to a marked contraction in manufacturing production. Nonetheless, this was partially offset by a modest rise in services output. The UK's composite PMI score decreased from 52.0 at the end of Q1 2025 to 50.3 at the end of Q2 2025.

As in Coventry and Warwickshire, this continues to maintain the national index value just above the 50-mark, indicating continuing if weak expansion. Nonetheless, total new work has been on a downward trend for most of the last 6 months.

The national manufacturing PMI rose slightly while remaining below 50, from 44.6 in March 2025 to 46.4 in May 2025. Tariff uncertainty, government policy and global market turbulence were listed as factors. Cost inflation has slowed, nonetheless cost burdens remain high and export demand continues to weaken.

Coventry & Warwickshire's manufacturing index continued to exceed the national trend, decreasing very slightly from 56.9 in Q1 2025 to 56.3 in Q2 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, while falling from 53.2 at the end of March 2025 to 50.9 at the end of May 2025. Growth was tepid, overseas sales remained flat while domestic sales are expected to rise. While employment has continued to drop, the pace of job shedding slowed significantly, after employment fell sharply at the end of 2024.

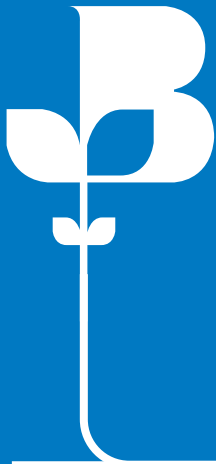
Coventry & Warwickshire's service sector index dropped markedly in Q2 2025 to 49.8 from 57.0 in Q1 2025. This was the dominant factor in the lowest overall local confidence in almost 5 years.

OVERALL
50.3
down from 57.0

SERVICE
49.8
down from 57.0

MANUFACTURING
56.3
down from 56.9

Quarterly Economic Survey Commentary



Steven Harcourt
Director and Chamber President

Prime Accountants Group

"Businesses and business leaders in the region have always had to be resilient and able to be innovative with any challenges they face and this seems to be more prevalent during this period of change."

"I am sure with the support of the local workforce and professional support from the likes of the Chamber of Commerce, businesses will navigate the political and global changes affecting their companies, to find themselves in a stronger position in the local and national economy."



Corin Crane
Chief Executive

Coventry & Warwickshire
Chamber of Commerce

"The survey backs up what we're hearing anecdotally – that these are uncertain times for business. Any survey captures a snapshot in time and the world is evolving and moving so quickly that it is really difficult for firms to keep track."

"While businesses are having to absorb the increased costs of National Insurance, there has been very positive news with the publication of the Trade Strategy and the Industrial Strategy."

"For many years, we've called for Governments to deliver long term plans rather than short term fixes so they are very welcome from that point of view. But, what our QES shows, is that businesses do need help in the short term to get through this period."



Todd Williams
Insight Analyst

Warwickshire County Council

"Quarter two at a national level rose modestly primarily due to an increase in services output, alongside a marked decrease in manufacturing output. British exports to the USA dropped by a record £2B in April."

"The latest QES results show the local economy on pause, with neutral confidence. Local sentiment around overseas sales is extremely low, with employment and investment very weak in the local services sector."

"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. Nevertheless, local employment is not expected to decrease, contrary to the national picture, alongside significantly lower concerns around recruitment challenges. Local business investment in training is decreasing, while local services investment in buildings and equipment is falling sharply."

"The results show that the overall economic outlook index for Coventry and Warwickshire on par with the national trend. Local and national manufacturing and services businesses remain positive about the domestic market. This may be a temporary dip in overall confidence, nevertheless weak local sentiments around exports, investment and employment remain a concern."

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 56.4 in Q1 2025 to 48.3 in Q2 2025. Both the current and advance orders indices dropped, with the current orders decreasing to 51.1 from the previous quarter readings of 58.3. Furthermore, the advance orders decreased from 54.3 to 45.0.

Manufacturing Sector -

The domestic orders index within the local manufacturing sector is slightly more resilient, increasing from 53.4 in Q1 2025 to 55.6 in Q2 2025. The current orders index score dropped from 56.3 to 55.6. Advanced orders index score fell further, from 50.0 in Q1 2025 to 43.8 in Q2 2025.

SERVICE
48.3
down from 56.4

MANUFACTURING
55.6
up from 53.4

Overseas Market:

The overseas orders index collapsed for both the services sector and for the manufacturing sector, within Coventry & Warwickshire in Q2 2025. While 2 out of 3 respondents indicated that sales remained the same, for every respondent that indicated sales went up there were over three respondents that indicated that sales went down.

Services Sector -

The service sector moved far below 50 in its overseas sales index moving from 44.5 in Q1 2025 to 41.0 in Q2 2025. The decrease was driven equally by current sales and future orders. For the services overseas market, current sales increased from 45.8 in Q1 2025 to 41.0 in Q2 2025, and future orders dropped from 43.1 to 41.0.

Manufacturing Sector -

The manufacturing overseas orders index also fell far below the 50 mark, with the index value at 41.7 in Q2 2025 from 50.0 in Q1 2025. In the latest quarter current sales collapsed, moving from a strong 53.3 in Q1 2025 to a very weak 41.7 in Q2 2025. Similarly, advance orders weakened further to 41.7 in Q2 2025 from 46.4 in Q1 2025.

SERVICE
41.0
down from 44.5

MANUFACTURING
41.7
down from 50.0



Employment:

Services Sector -

The service sector employment index dropped slightly to 61.0 in Q2 2025 from 67.7 in Q1 2025. The labour force index increased slightly for the last 3 months and dropped significantly for the next 3 months (from 71.4 to 50.0). Under a quarter (23.5%) of service respondents indicated that they attempted recruitment in Q2 2025 with a continuing majority (61%) of those indicating that they came across recruitment difficulties.

Manufacturing Sector -

The manufacturing sector saw a similar drop in its labour force index, moving from 72.7 in Q1 2025 to 66.7 in Q2 2025. The index remains well above 50 as respondents indicate that their labour forces increased in the last 3 months, with a continuing expectation of expansion looking forward to the coming 3 months. Less than half of respondents (44.4%) attempted recruitment in Q2 2025, with the vast majority being for full-time roles. Of those that attempted a recruitment drive, a minority (25%) indicated that they encountered difficulties in hiring. Respondents indicated that all local manufacturing vacancies required skills.

SERVICE

61.0

down from 67.7

MANUFACTURING

66.7

down from 72.7

Investment & Cashflow:

The investment & cashflow index for the local service sector dropped far below 50 in the second quarter after moving below 50 in the first quarter of 2025, while the manufacturing sector remained above the 50 mark.

Services Sector -

The service sector investment & cashflow index experienced a decrease from 48.8 in Q1 2025 to 42.4 in Q2 2025. The decrease was due to a collapse in the investment component. The investment component decreased from 50.3 in Q1 2025 to 39.8 in Q2 2025. The service sector cashflow component dropped slightly at 45.3 in Q2 2025 from 46.4 in Q1 2025. A significant 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 had decreased than increased - reversing recent trends.

Manufacturing Sector -

The manufacturing investment & cashflow index rose slightly in Q2, from 51.1 in Q1 2025 to 52.0 in Q2 2025. Cashflow rose significantly, to 61.1 in Q2 2025 from 46.9 in Q1 2025.

The investment component dropped, from 53.4 to 46.9, with a significant majority indicating that investment remained unchanged, while a similar proportion of responses indicated investment increased than decreased in Q2 2025.

SERVICE

42.4

down from 48.8

MANUFACTURING

52.0

up from 51.1

Business Confidence:

The local service sector business confidence index fell to just above 50 in Q2 of 2025, while the manufacturing sector business confidence moved further above 50 in the 2nd quarter of 2025.

The service sector index value remained above 50 while dropping (again) from 62.7 in Q1 2025 to 52.6 in Q2 2025, indicating a sharp reduction in local business confidence. The weaker confidence comes mainly from the profitability component;

83% of respondents saw turnover increasing or remaining constant, while 71% of respondents saw profitability increasing or remaining constant.

Furthermore, 42% of service sector respondents suggested that they were working below full capacity in Q2 2025, below the previous quarter where 48% were working below full capacity.

Price pressures continued to be a clear concern. Q2 2025 saw 34% 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 71% of service sector respondents indicating this concern, while 46% were concerned

about energy prices and 34% about "Other overheads". Nonetheless, these are all slight reductions on Q1 2025.

"Inflation" and "Corporate taxation" were a concern to 37% and 28% of service sector respondents respectively. 41% suggested 'Competition' as the main source of external price pressure impacting business operations, an increase on Q1 2025.

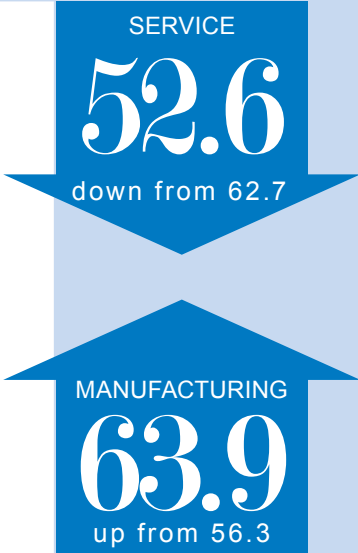
Business confidence amongst the local manufacturing sector improved from an index score of 56.3 in Q1 2025 to 63.9 in the second quarter of 2025.

Turnover moved from to 65.6 in Q1 2025 to 66.7 in Q2 2025, with only 44% of the manufacturing respondents suggesting that they expect their turnover to stay constant in the coming 12 months. The profitability component jumped from 46.9 in Q1 2025 to 61.1 in Q2 2025. This came as a result of only 55% of respondents from the manufacturing sector expecting profitability to remain constant in the coming 12 months.

In terms of capacity levels, 56% of respondents in the manufacturing sector indicated that they had been operating below full capacity during Q2 2025. This a drop from Q1 2025,

where it was 63%.

Looking forward to the next 3 months, no 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 89% each. The largest external cost issues were "Corporate taxation", "Business rates", and "Competition" – at 33% each.



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Birmingham Office

Charter House
161 Newhall Street
Birmingham B3 1SW

T: 0121 233 2992

info@primeaccountants.co.uk

Coventry Office

5 Argosy Court, Scimitar Way
Whitley Business Park
Coventry CV3 4GA

T: 02476 518 555

www.primeaccountants.co.uk

Solihull Office

Corner Oak
1 Homer Road
Solihull B91 3QG

T: 0121 711 2468

in Prime Accountants Group

pr/me
ACCOUNTANTS GROUP

Coventry & Warwickshire's Voice of Business



Chamber House, Innovation Village, Cheetah Road, Coventry, CV1 2TL
024 7665 4321
info@cw-chamber.co.uk
www.cw-chamber.co.uk

Data analysis by:

