Coventry & Warwickshire Chamber of Commerce

The Ultimate Business Network

2026 Q2

QES Partner

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Q1 Q2 Q3 Q4

Coventry & Warwickshire Quarterly Economic Survey

Quarter 2 2026 Analysis

This report presents the results from the Quarterly Economic Survey Q2 2026. There were 100 responses to the survey, 77 from the services sector representing around3,800 employees and 23 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 in Q2 2026 compared to Q1 2026, moving from 53.5 to 47.8. This descends clearly into pessimism for the first time in over 5 years. Behind this is a clear drop for the local services sector, alongside a sharp decrease for the manufacturing sector.

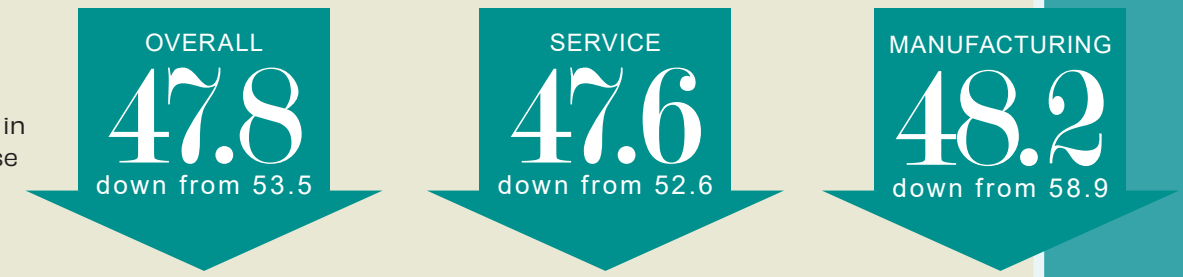
The decrease in National (UK) private sector output in May 2026 was due to a fall in services output despite a jump in manufacturing orders to beat price hikes from the war in Iran. The UK's composite PMI score decreased from 53.7 in February 2026 to 49.7 in May 2026. As in Coventry and Warwickshire, this is the first decline below the 50-mark in some time. Furthermore, employment levels have continued to decrease for 20 months in a row.

The national manufacturing PMI rose further above 50, from 51.7 in February 2026 to 53.9 in May 2026. This is the strongest expansion in 4 years. New orders are increasing, with front-loading due to concerns about future price rises and supply disruptions. Input costs and selling prices both rose sharply.

Coventry & Warwickshire's manufacturing index dropped significantly from 58.9 in Q1 2026 to 48.2 in Q2 2026, moving into negative territory. This is despite manufacturing confidence being high nationally. Advance overseas sales were particularly weak at 36.7. Nonetheless, local manufacturing business confidence remained strong at 58.7.

National services PMI moved below 50, decreasing from 53.9 at the end of February 2026 to 49.3 at the end of May 2026. Both domestic and international demand weakened, mainly due to elevated uncertainty. Employment fell sharply.

Coventry & Warwickshire's service sector index fell again in Q2 2026 to 47.6 from 52.6 in Q1 2026. The largest drop was in domestic sales, followed by business confidence. The lowest overall score was for business investment.



Quarterly Economic Survey Commentary

Steven Harcourt
Director

Prime Accountants Group

"The results point to a broad-based slowdown in economic activity across the region, driven primarily by weaker domestic demand and declining manufacturing performance.

"While employment in the services sector remains relatively strong and manufacturing investment has shown modest improvement, businesses are likely to remain cautious in the short to medium term as they navigate softer market conditions and reduced confidence.

"A number of these factors are driven by global events and not UK or Midlands-based economic activity but they are, without doubt, having an impact on the regional outlook."

Corin Crane
Group Chief Executive

Coventry & Warwickshire Chamber of Commerce

"The latest QES results reflects what we have heard anecdotally when speaking to firms at our Local Business Forums and on a day-to-day basis. The uncertainty is taking its toll.

"We are on the cusp of publishing our Business Manifesto for the region and that sets out some of the barriers to growth and some of the solutions to support firms to invest and expand.

"Once the manifesto is released, we will be campaigning hard to ensure the Government – under a new Prime Minister – set the right conditions for growth."

Todd Williams
Insight Analyst

Warwickshire County Council

"Quarter two at a national level fell modestly primarily due to a decrease in domestic services output, despite a jump in orders for the manufacturing sector to get ahead or price rises due to the war in Iran. Employment at the national level dropped for the 20th consecutive month in the services sector.

"Meanwhile, the latest QES results shows similarities and differences for the local economy. Local sentiment around domestic sales became pessimistic for both the services and manufacturing sectors. Overseas sales for the local manufacturing sector also fell, whilst overseas sales for the local services sector remained soft. Overall investment showed continued weakness, however cashflow for the manufacturing sector improved. The local manufacturing sector does not report that it has enjoyed the short-term surge in sales at the national level.

"Local concerns around labour costs remain significant for both the services and manufacturing sectors, with the manufacturing sector also being very concerned about raw materials and fuel. Inflation and corporate taxation have overtaken business rates as the most significant concerns for both the services and manufacturing sectors. Local recruitment efforts are strong, with the majority experiencing recruitment difficulties. Well 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 on par with the national trend in many ways. Nevertheless, very weak local sentiments around domestic sales, manufacturing exports, recruitment, and investment are a concern."

Domestic Market:

The domestic orders index moved pessimistic amongst Coventry & Warwickshire's services sector, as well as Warwickshire's manufacturing sector.

Services Sector -

The local service sector's domestic orders index decreased from 53.3 in Q1 2026 to 42.0 in Q2 2026. Current orders decreased to 43.8 from the previous quarter readings of 54.4. Furthermore, the advance orders decreased similarly from 52.1 to 40.1.

Manufacturing Sector -

The domestic orders index within the local manufacturing sector dropped as well, from 58.9 in Q1 2026 to 44.4 in Q2 2026. The current orders index score fell from 60.9 to 43.5. Advanced orders index score fell slightly less, from 56.8 in Q1 2026 to 45.5 in Q2 2026.

SERVICE
42.0
down from 53.3

MANUFACTURING
44.4
down from 58.9

SERVICE
46.0
up from 45.4

MANUFACTURING
38.5
down from 50.0

Overseas Market:

The overseas orders index remains soft in Q2 2026 after collapsing for both the services sector and for the manufacturing sector, within Coventry & Warwickshire in Q1 2025. 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 whilst largely flat from 45.4 in Q1 2026 to 46.0 in Q2 2026. Current sales score was flat, while future orders score increased slightly. For the services overseas market, current sales coasted from 45.7 in Q1 2026 to 45.9 in Q2 2026, and future orders rose slightly from 45.1 to 46.0.

Manufacturing Sector -

The manufacturing overseas orders index fell sharply below the 50 mark, with the index value at 38.5 in Q2 2026 from 50.0 in Q1 2026. In the latest quarter current sales were 40.0 in Q2 2026 from 50.0 in Q1 2026. Similarly, advance orders were also 36.8 in Q2 2026 from 50.0 in Q1 2026. This reverses the jump seen in Q1 2026.

Employment:

SERVICE
61.2
down from 65.2

Services Sector -

The service sector labour force index fell slightly to 61.2 in Q2 2026 from 65.2 in Q1 2026. The labour force index decreased yet remained above 50 for the last 3 months and remained very high for the next 3 months. Half (51%) of service respondents indicated that they attempted recruitment in Q2 2026 with a majority (74%) of those indicating that they came across recruitment difficulties.

MANUFACTURING
47.4
down from 73.7

Manufacturing Sector -

The manufacturing sector saw a sharp fall in its labour force index, moving from 73.7 in Q1 2026 to 47.4 in Q2 2026. The index fell below 50 as respondents indicate that their labour forces remained flat in the last 3 months (50.0 in Q2 vs. 77.8 in Q1), with a mixed expectation of expansion looking forward to the coming 3 months. More than half of respondents (61%) attempted recruitment in Q2 2026, with over 50% being for full-time roles. Of those that attempted a recruitment drive, a majority of respondents (71%) indicated that they encountered difficulties in hiring. Respondents indicated that most local manufacturing vacancies required skills.

Investment & Cashflow:

SERVICE
41.1
down from 43.1

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 decreased again from 43.1 in Q1 2026 to 41.1 in Q2 2026. The decrease was despite a rise in the cashflow component. The investment component decreased from 43.8 in Q1 2026 to 39.1 in Q2 2026. The service sector cashflow component rose to 44.8 in Q2 2026 from 41.8 in Q1 2026. 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 had decreased than increased – continuing recent trends.

MANUFACTURING
46.4
up from 43.6

Manufacturing Sector -

The manufacturing investment & cashflow index increased slightly in Q2 after a similar rise last quarter, from 43.6 in Q1 2026 to 46.4 in Q2 2026. Cashflow recovered strongly, at 52.2 in Q2 2026 from 35.4 in Q1 2026. The investment component fell from 47.8 to 43.5.

Business Confidence:

The local service sector business confidence index dropped just below 50 in Q2 of 2026, while the manufacturing sector business confidence remained well above 50 despite falling from 66.7 to 58.7 in the 2nd quarter of 2026.

The service sector index value fell from 55.0 in Q1 2026 to 48.0 in Q2 2026, indicating fading local business confidence. There were similar reductions in both the turnover and profitability components; 74% of respondents saw turnover increasing or remaining constant, while 67% of respondents saw profitability increasing or remaining constant.

Furthermore, 68% of service sector respondents suggested that they were working below full capacity in Q2 2026, above the previous quarter where 58% were working below full capacity.

Price pressures continued to be a clear concern. Q2 2026 saw 97% 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 75% of service sector respondents indicating this concern, while 57% were concerned about energy prices and 49% about "Other overheads".

"Inflation" and "Corporate taxation" were a concern to 66% and 56% of service sector respondents respectively. 38% suggested "Competition" 31% suggested "Business Rates" as a significant source of external price pressure impacting business operations.

Business confidence amongst the local manufacturing sector fell from an index score of 66.7 in Q1 2026 to 58.7 in the second quarter of 2026.

Turnover remained strong, whilst falling from 70.8 in Q1 2026 to 63.0 in Q2 2026, with almost half of the manufacturing respondents suggesting that they expect their turnover to increase in the coming 12 months. The profitability component fell, from 62.5 in Q1 2026 to 54.3 in Q2 2026. 39% of respondents from the manufacturing sector expect profitability to increase in the coming 12 months.

In terms of capacity levels, 74% of respondents in the manufacturing sector indicated that they had been operating below full capacity during Q2 2026. This is well aboveQ1 2026, where it was 58%.

Looking forward to the next 3 months, 0% of manufacturers that completed the survey expected price pressures to decrease, with "Labour costs" and "Raw materials" and "Fuel" as the main concerns in regard to internal price pressures at 74%, 78% and 70% respectively. The largest external cost issues for the local Manufacturing sector were "Inflation" (74%), "Corporate Taxation" (44%), "Competition" (39%) and "Business Rates" (39%).

SERVICE
48.0
down from 55.0

MANUFACTURING
58.7
down from 66.7

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Coventry & Warwickshire's Voice of Business

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The Ultimate Business Network

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