



Coventry & Warwickshire
Chamber of
Commerce
The Ultimate Business Network

2021 Q1

QES Partner

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Q1

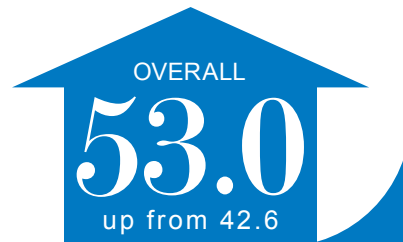
Q2

Q3

Q4

Coventry & Warwickshire Quarterly Economic Survey

Quarter 1 2021 Analysis



Economic Comment:

The economic outlook for Coventry & Warwickshire continues to show its robustness and strength in economically adverse times.

The overall economic outlook for Coventry & Warwickshire advances its place further above the important 50 mark at 53.0 in Q1 2021, gathering momentum in terms of a “bounce back” from the lows of 2020.

Once again, the index remains below pre-COVID 19 levels, however, its increase for the third consecutive quarter shows a significant move in the right direction.

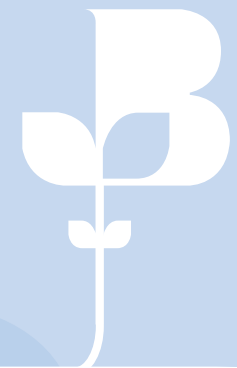
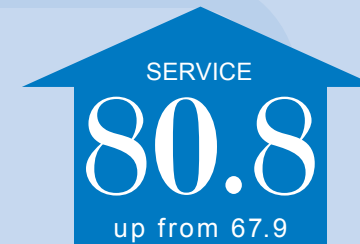
The local manufacturing sector’s overall economic outlook index showed signs of a slowdown in Q1, particularly in terms of the domestic orders and employment indexes.

The reasoning for the slowdown may perhaps be relative when compared to the highs experienced in Q4 as result of the artificial business activity created through stockpiling. Despite such slowdowns, significant improvements in the investment & cashflow index show that the sector is gearing up for a more upbeat Q2.

Contrastingly, the local service sector continued to grow in the right direction further breaching the 50-mark in terms of its overall economic outlook in Q1 despite undoubtedly bearing the combined impacts of a third national lockdown and post-Brexit economic landscape, especially in terms of falls seen within the employment, investment & cashflow and overseas orders indexes.

Importantly for both local sectors the roll-out of the vaccination programme

alongside announcement of the easing of lockdown restrictions has created upsurges in business confidence with most businesses within both sectors expecting turnover and profitability to increase in the coming months.





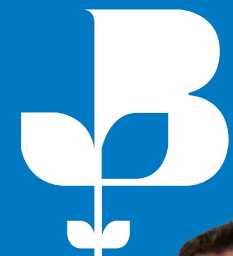
Sean Rose,
Head of Policy, Coventry & Warwickshire
Chamber of Commerce

“When you take into consideration that the first three months of 2021 saw our leisure, hospitality and events sector still closed along with non-essential retail, as well as the fact that the new trading relationship with the EU was just kicking in, these results paint a reasonably positive mood among our businesses.

There is no question that the past 12 months have bitten hard but through a combination of government help, excellent local and regional support and businesses’ own resilience, firms are looking forward to getting back to doing what they do best.

Our QES surveys are going to be vitally important in the year ahead to make sure we have our finger on the economic pulse, but we can certainly draw confidence from our survey of 2021 without being complacent.”

Quarterly Economic Survey Commentary



Steve Harcourt
Director, Prime Accountants Group

“The start of 2021 began with the third, and potentially the toughest, lockdown the country had endured yet. Non-essential businesses were once again forced to close as we stayed home to save the NHS and allow time for the vaccine roll-out to continue. With this fortunately running as expected an end to restrictions are now in sight, many businesses are now able to reopen in the second quarter which I am sure will be a welcomed step as these businesses attempt to make up for lost time. With a clear path now laid out by the Government and proposed dates so far going ahead as planned, it comes as no surprise that local services have

seen a surge in orders, as everyone prepares for normal life to return once more. These orders are providing businesses with the positive boost they need, after a year of uncertainty and we can hope that the number of sales, and in turn profit, will also follow suit and rise as businesses come back to full capacity. We should now all continue to do our bit and support local businesses where possible.”

“Coventry and Warwickshire’s overall economic outlook index in the first quarter of 2021 continues to gather momentum in terms of a bounce back from the lows experienced in 2020.

“This comes despite local businesses in both the manufacturing and services sector having to navigate their way through a third national lockdown and post-Brexit related issues, further solidifying the resilient and robust nature of Coventry and Warwickshire’s economy.

“The roll-out of the vaccination programme alongside the announcement of the easing of lockdown

restrictions has created significant upsurges in business confidence particularly within the service sector, making for encouraging reading. There is no doubt that there are still challenging times ahead, however, with the economy opening up, there does seem to be a brighter outlook on the horizon.



Sunny Parekh
Senior Economist, Warwickshire
County Council



Domestic Orders:

The domestic orders index in Q1 2021 displayed a divergence between the local services and manufacturing sectors.



Services Sector -

Domestic orders in the local service sector have risen to 44.1, which is 3.6 points higher than in Q4, but still below the 50 mark. This increase came mostly as a result of an increase current orders score, though there has been an incremental rise in the advanced orders score too.



Manufacturing Sector -

Manufacturing domestic orders nosedived from 73.4 in Q4 to 56.3 in Q1 2021. This reduction mostly comes as a result of the last quarter seeing an artificial increase as many manufacturers engaged in stockpiling ahead of the EU transition deadline at the end of 2020. Despite the reduction, the domestic orders index surpassed the 50 mark in Q1 as most respondents suggested that orders had remained constant or otherwise increased.



Overseas Orders:

The overseas orders index for Coventry & Warwickshire's services and manufacturing sectors saw differences in direction with the services sector seeing a slight reduction from Q4 to 37.2, with the manufacturing sector remaining somewhat in line with the previous quarter at 48.9.

Despite the change in directions, both remain below the 50 mark suggesting feelings of pessimism, undoubtedly as the UK navigates a new world post Brexit.



Employment:

The labour force index paints for a negative picture as both sectors experience reductive movements in their index scores.

An overwhelming majority of respondents for both the service and manufacturing sectors suggested that their labour forces would either remain constant or decrease in the coming three months.

This pessimistic outlook amongst Coventry & Warwickshire businesses is translated into their labour force index scores with both sectors falling below the 50 mark in Q1.

The service sector index has fallen significantly to 45.4, compared to 52.8 in Q4 2020, suggesting a contraction in growth and bouts of pessimism amongst local businesses.

The manufacturing sector has also experienced a substantial reduction from 54.8 in Q4 to 43.4 in Q1 2021. Q1 saw less than half of the manufacturing business respondents reporting that they attempted to recruit, of which 39% found they had recruitment difficulties.



Business Confidence:

The local service sector business confidence index soared to 80.8 in Q1 highest on record from a previous quarter reading of 67.9, with an outstanding majority of businesses reporting that they expect their turnover and profitability to increase in the coming 12 months.

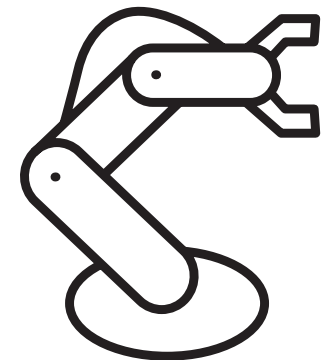
This confidence comes at a time when 64% of service sector businesses reported that they were working below full capacity likely due to the national lockdown restrictions.

In terms of the coming three months the majority of service sector businesses indicated that they expect prices to rise, with a third of businesses suggesting such rises coming from “other overheads” and 40% suggesting corporate taxation to be the external factor impacting prices.



The manufacturing sector business confidence maintained its height with an incremental increase from 71.0 to 71.1 as of Q1. This comes as the vaccine roll-out and loosening of lockdown gives hope and optimism to local manufacturers as the majority expect turnovers and profitability to increase in the coming 12 months, a much needed boost as 71% of respondents indicate that they are operating below full capacity in Q1.

Looking forward over the next 3 months, the majority of manufacturers that completed the survey expect price pressures to intensify, with nearly 60% of respondents expecting such pressures to come from material prices. As local manufacturers navigate post Brexit related low stocks, port disruption, shipping delays, suggestions of raw material price increase due to shortage is unsurprising. In addition to this over 60% of manufacturers expect corporate taxation and business rates to be the external factors contributing to price pressures.

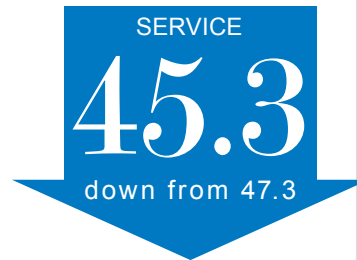


Investment & Cashflow

Service -

The investment & cashflow index has decreased for Coventry & Warwickshire's service sector but saw an increase within the manufacturing sector.

The service sector slumped by 2 points to 45.3, with the cashflow component carrying the largest weight for the reduction. The reduction comes as just over 40% of businesses suggested a decrease in their cashflow in Q1 accounting for the 6.6 point reduction in the cashflow index from 45.7 in Q4 to 39.1 in Q1.



Manufacturing -

The manufacturing sector saw an upsurge in its investment & cashflow index increasing from 41.3 to 56.7 in Q1 with the significant increase in the investment component driving the overall increase.

This comes as equal proportions of respondents suggested that investment in capital and training had either increased or remained consistent in Q1. This somewhat offset the reduction seen in the manufacturing sector's cashflow component which saw the high of 56.6 in Q4 reduce to 50 in Q1, as the in-creased cashflow due to stockpiling subsided and the impacts of navigating business operations outside of the EU may likely have set in.



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Data analysis by:

