



Coventry & Warwickshire  
Chamber of  
Commerce  
The Ultimate Business Network

2024 Q4

QES Partner

**prime**  
ACCOUNTANTS GROUP



Coventry & Warwickshire  
Quarterly Economic Survey

Q1

Q2

Q3

Q4

# Quarter 4 2024 Analysis

This report presents the results from the Quarterly Economic Survey Q4 2024. There were 135 responses to the survey, 116 from the services sector and 19 from the manufacturing sector, between them employing 4,755 employees (4,168 services and 587 manufacturing).

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 Q4 2024 compared to Q3 2024, moving from 60.2 to 56.3. The decrease keeps the overall value above the 50-mark showing signs of continuing confidence amongst respondents. There may or may not be a seasonal element to the somewhat reduced confidence.

The decrease in National (UK) private sector output in December 2024 was due to ongoing contraction in manufacturing, with some growth variability in services. The UK's composite PMI score decreased from 52.6 at the end

of Q3 2024 to 50.5 at the end of Q4 2024. As in Coventry and Warwickshire, this continues to maintain the national index value above the 50-mark, indicating continuing if weak expansion.

The national manufacturing PMI dropped well below 50, from 51.5 in September 2024 to 47.3 in December 2024. Manufacturing in December 2024 experienced its largest contraction in almost a year. Input prices rose sharply and export demand, especially from Europe, experienced a sharp fall. The steep fall in new orders is accelerating.

Coventry & Warwickshire's manufacturing index continued to exceed the national trend, nonetheless dropping from 56.9 in Q3 2024 to 54.6 in Q4 2024, remaining above the 50 mark. The local manufacturing sector appears far more confident than the UK as a whole.

National services PMI remain above 50, from 52.4 at the end of September 2024 to 51.4 at the end of December 2024. Service providers indicated that the dip in confidence around employment after the Autumn Budget is not short-lived.

Employment fell sharply at the end of 2024, with subdued plans expansion plans for 2025.

Coventry & Warwickshire's service sector index decreased noticeably in Q4 2024 to 56.6 from 61.0 in Q3 2024; showing signs of reduced optimism in this sector.

OVERALL  
**56.3**  
down from 60.2

MANUFACTURING  
**54.6**  
down from 56.9

SERVICE  
**56.6**  
down from 61.0



Corin Crane  
Chief Executive

Coventry &  
Warwickshire  
Chamber of  
Commerce

**"Businesses have had to live with a huge amount of uncertainty over the past few years and that continued post General Election with a Budget that was unexpectedly tough on companies, with up-front costs rising."**

"It is not surprising, therefore, that business confidence and the wider economic outlook took a little bit of a dip. That said, it still remains in positive territory which means there are prospects for growth across the region.

"That is down to the incredible resilience and innovation of businesses across all sectors from the whole of Coventry and Warwickshire.

"It is pleasing to see that local companies are still looking to grow from an employment point of view, especially as there were additional burdens placed on businesses through a higher minimum wage and an increase in employers National Insurance which our national QES data suggests is having a bigger impact on recruitment in other Chamber areas."

# Quarterly Economic Survey Commentary

Steven Harcourt  
Director and  
Chamber President

Prime Accountants Group

**"After the Budget, we fielded lots of questions from concerned businesses on how they were going to deal with the rising costs – particularly on the back of a very uncertain period."**

"There is no doubt that this region is resilient and this latest survey highlights that but I would urge all businesses to seek support as we begin 2025 to give them the best possible chance of growth."



Todd Williams  
Insight Analyst

Warwickshire County Council

**"Quarter four at a national level fell primarily due to a decrease in manufacturing output, alongside softening growth in services output."**

"Meanwhile, the latest QES results show the local economy maintaining optimism, with the main exceptions being cashflow and exports.

"The results show that the overall economic outlook index for Coventry and Warwickshire exceeding the national trend. Local manufacturing and services businesses remain positive about the domestic market, while sentiment about the overseas market is clearly pessimistic. New orders, especially from Europe, have weakened significantly at the national level.

"Local concerns around labour costs remain a significant concern for both the services and manufacturing sectors, with the manufacturing sector also being very concerned about utilities, raw material costs and corporate taxation. Employment is expected to increase, contrary to the national picture, with ongoing concerns around recruitment challenges. Local investment in training continues to increase, particularly for manufacturing businesses."

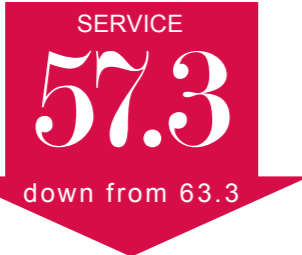


### Domestic Market:

The domestic orders index displayed a positive picture amongst Coventry & Warwickshire's services sector. However, the generally lower response rate for local manufacturing vs. service companies means that the local manufacturing scores are more volatile.

The local service sector's domestic orders index decreased from 63.3 in Q3 2024 to 57.3 in Q4 2024. Both the current and advance orders indices remained above 50, with the current orders decreasing to 57.7 from the previous quarter readings of 63.4. Similarly, the advance orders decreased from 63.2 to 56.8.

The domestic orders index within the local manufacturing sector is more dynamic, moving from 52.3 in Q3 2024 to 60.3 in Q4 2024. The main influence was the current orders index score which jumped from 50.0 to 62.5. Meanwhile the advanced orders index score rose as well, from 54.5 in Q3 2024 to 58.3 in Q4 2024.



### Overseas Market:

The overseas orders index dropped noticeably for both the services sector and for the manufacturing sector, within Coventry & Warwickshire in Q4 2024.

The service sector dropped well below 50 in its overseas sales index moving from 48.3 in Q3 2024 to 43.5 in Q4 2024. The decrease was both around current sales and future orders in Q4 2024. For the Services overseas market, current sales dropped from 47.7 in Q3 2024 to 43.1 in Q4 2024, and similarly future orders dropped from 48.9 to 44.0.

The manufacturing overseas orders index dropped below the 50 mark, with the index value at 46.2 in Q4 2024 from 54.2 in Q3 2024. In the latest quarter, both current sales and advanced orders softened, moving to an identical result of 46.2 each suggesting a sharp drop.



### Employment:

The service sector employment index increased to 58.6 in Q4 2024 from 55.3 in Q3 2024. The labour force index increased noticeably for the last 3 months yet decreased slightly for the next 3 months.

The index score remained well above the 50-mark, showing signs of continuing employment optimism amongst local service businesses in Q4 2024. More than half (51.7%) of service respondents indicated that they attempted recruitment in Q4 2024 with a continuing majority (65%) of them indicating that they came across recruitment difficulties.

The manufacturing sector saw an even larger increase in its labour force index, moving from 53.4 in Q3 2024 to 59.2 in Q4 2024. The index moved well above 50 as respondents indicate that their labour forces increased sharply in the last 3 months, with a very subdued expectation of expansion looking forward to the coming 3 months. More than half of respondents (63.2%) attempted recruitment in Q4 2024, with the vast majority being for full-time roles. Of those that attempted a recruitment drive, a continuing significant majority (67%) indicated that they encountered difficulties in hiring.



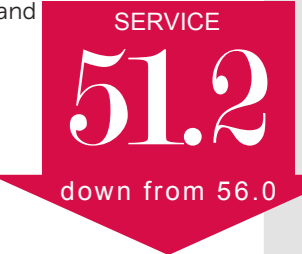
### Investment & Cashflow:

The investment & cashflow index for the local service sector remained just above 50 in the fourth quarter after moving above 50 in the first quarter of 2024, while the manufacturing sector remained above the 50 mark.

The service sector investment & cashflow index experienced a decrease from 56.0 in Q3 2024 to 51.2 in Q4 2024. The decrease was due to falls in both the cashflow and investment components. The investment component remained above 50 yet decreased from 57.4 in Q3 2024 to 52.3 in Q4 2024. The service sector cashflow component fell below 50 at 49.6 in Q4 2024 from 53.5 in Q3 2024. The majority of service sector businesses suggested that their investment in plant / machinery / equipment / buildings had remained constant when compared to the previous quarter. Slightly more respondents indicated that investment in training had increased than decreased, nonetheless the split was smaller in Q4 than in Q3 2024.

The manufacturing investment & cashflow index stayed flat in Q4, from 54.2 in Q3 2024 to 54.7 in Q4 2024. Nonetheless, this shows continued variability amongst the local manufacturing sector as the sharp swings in the cashflow and investment components offset each other.

The investment component rose, from 51.3 to 58.6, with a similar proportion of responses indicating investment in plant/machinery/equipment/buildings increased than decreased in Q4 2024. There was a clearer split towards increased investment in training. The cashflow component showed a sharp decrease, moving from 59.1 in Q3 2024 to 47.2 in Q4 2024.



## Business Confidence:

**The local service sector business confidence index showed significant strength for the 4th quarter in a row in Q4 of 2024, and despite another steep fall the manufacturing sector business confidence remained just above 50 in the 4th quarter of 2024.**

The service sector index value remained very strong while dropping (again) from 73.5 in Q3 2024 to 65.6 in Q4 2024, indicating strong and continuing optimism amongst local service businesses. The weaker confidence comes mainly from the profitability component; 86% of respondents saw turnover increasing or remaining constant, and 75% of respondents saw profitability increasing or remaining constant.

Furthermore, 44% of service sector respondents suggested that they were working below full capacity in Q4 2024, below the previous quarter where 55% were working below full capacity.

Nonetheless, price pressures continued to be a significant concern. Q4 2024 saw 99% 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 45% were concerned about energy prices and 32% about "Other overheads", all concerns that continue to

steadily rise. 35% suggested 'Competition' as the main source of external price pressure impacting business operations, slightly lower than its percentage in Q3 2024. "Inflation" and "Corporate taxation" were a concern to 30% and 34% of service sector respondents, respectively.

Business confidence amongst the local manufacturing sector weakened precipitously, falling from an index score of 67.0 in Q3 2024 to 51.3 in the fourth quarter of 2024. The profitability component fell even more sharply than the turnover component. Turnover moved from 68.2 in Q3 2024 to 55.3 in Q4 2024, with only 26% of the manufacturing respondents suggesting that they expect their turnover to stay constant in the coming 12 months. The profitability component similarly dropped sharply (again) from a strong 65.9 in Q3 2024 to 47.4 in Q4 2024. This came as a result of only 11% of respondents from the manufacturing sector expecting profitability to remain constant in the coming 12 months.

In terms of capacity levels, 63.2% of respondents in the manufacturing sector indicated that they had been operating below full capacity during Q4 2024. This is a significant jump compared to Q3 2024, where

it was 36.4%.

Looking forward to the next 3 months, no local manufacturers that completed the survey expected price pressures to decrease, with "Labour costs" taking over as the main concern in regard to internal price pressures. "Utilities" (73.7%) and "Raw Materials" (68.4%) were also major concerns for pricing pressures, with the manufacturing sector seeing them as their main external costs in Q4 2024. The largest external cost issue was "Corporate taxation", with 63.2% of manufacturing businesses regarding it as their greatest external cost.



SERVICE  
**65.6**

down from 73.5

MANUFACTURING  
**51.3**

down from 67.0



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