



# BRITISH CHAMBERS OF COMMERCE QUARTERLY ECONOMIC SURVEY

## COVENTRY AND WARWICKSHIRE RESULTS

Q3 2018



Coventry & Warwickshire  
Chamber of  
Commerce  
The Ultimate Business Network



Warwickshire  
County Council





## COVENTRY AND WARWICKSHIRE RESULTS

### Quarter 2 2018 Analysis

Our results are based on an Economic Outlook Index, which can be broken down into its component parts.

The Index looks at 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 a majority of respondents feeling positive and less than 50 a majority feeling negative.



### ECONOMIC OUTLOOK

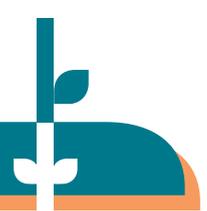
The **Economic Outlook Index** for Coventry & Warwickshire for the 3rd quarter of 2018 has seen a marginal improvement, in contrast to the 2 previous years of deterioration, rising 0.2 points from last quarter to 65.2. This shows a majority positive attitude.



The Economic Outlook Index for just the Service Sector is up by 0.1 points to 64.0, alongside the Outlook Index for the Manufacturing Sector which is also up by 0.6 points to 69.4.



The national comparator, the Markits Purchasing Managers Index (PMI), has however seen a minor fall since last quarter in the UK's service and manufacturing sector (54.3 and 53.8 respectively). Nevertheless, there can be still considered to be positive movements as there has been a rise since August in the national monthly PMI. This paints a stable picture for the UK and a progressive picture for Warwickshire, in spite of the increasingly uncertain economic climate following Brexit.



## DOMESTIC ORDERS

 **67.8** ↑ 3.6pts

 **63.9** ↓ 2.2pts

**The Index for Domestic Orders** for Q3 2018 shows a reversal of the events of last quarter where there was an increase in domestic orders in the service sector and decrease in the manufacturing sector. As it stands in Q3, there has been decrease in the domestic orders from 66.1 to 63.9 within the service sector yet an increase from 63.6 to 67.8 within the manufacturing sector. Ironically, there has been exactly the same point rise as there was fall in the manufacturing sector of 4.2. This is as a result of increased advanced orders, having drastically risen from 61.1 to 67.6 points, and a minor increase in orders received to 67.9. These figures show an exact reverse of last quarter's activity for domestic orders with regards to the manufacturing sector.

Similarly, the service sector has seen a fall in both its advanced orders (68.4 to 65.7) and its orders received (63.6 to 61.9), suggesting a minor downturn in activity in this sector.



## OVERSEAS ORDERS

 **64.5** ↑ 0.7pts

 **54.4** ↑ 0.9pts

**The Index for Overseas Orders** has seen increases for both the manufacturing and service sectors. The manufacturing sector has seen an increase from 63.8 to 64.5 driven mainly by an increase in advanced orders (from 62.3 to 63.4) more so than exports (65.3 to 65.5).

Likewise, the service sector has seen an even larger increase from 53.3 to 54.4, which is promising and relieving given that in the last quarter another drop of the same amount would have seen it reach contraction. This increase has been surprisingly driven by exports (53.01 to 55.2) with a much less significant growth in advanced orders (0.15 increase).



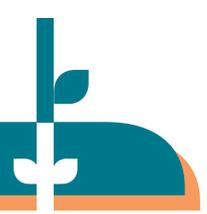
## EMPLOYMENT

 **66.2** ↓ 1.3pts

 **61.4** ↑ 1.9pts

**The Index for Employment** for the service sector has seen a 1.9 point improvement, the first positive movement of 2018 driven solely by an expected improvement in employment over the next quarter (61.9 to 65.6). The employment activity has seen an incredibly stable minute decrease of 0.16 to 56.9. Alongside this increased optimism and firm employment activity, the level of businesses who have found recruitment difficulties has remained relatively static, with a 0.4% increase to 34.4%. This seems to show a relatively healthy atmosphere for recruiters in the service sector in Q3 2018.

With regards to the manufacturing sector, the index for employment has seen a fall of 1.3 points down to 66.2. This is due to 1 point fall in employment activity and 1.52 point fall in expected employment over the next quarter. As with the service sector, the manufacturing sector has too reported difficulties recruiting, yet to a significantly higher extent. There has been an 11.6% increase in the total number of manufacturing businesses surveyed that have reported difficulties (47.6% from 36%).



## INVESTMENT & CASHFLOW

 **66.5** ↓ 1.2pts

 **58.9** ↑ 0.7pts

Both the manufacturing and service sector have remained relatively stagnant in terms of the **investment & cashflow** indexes for Q3 2018 and have both seen small falls in their investment with equally small rises in their cashflow. The manufacturing sector has seen a fall of 1.1 points from 67.6 to 66.5 points, for which, levels of capital and human investment can be held accountable.

Both of these have seen a slight fall by 0.6 and 1 point respectively, partly due to the abovementioned recruitment difficulties. Cashflow however, has improved having risen by 0.8 points. We are seeing here the opposite of what occurred last quarter for this sector.

For the service sector the cashflow & investment index has remained flat at 58.2, with a minute variance of 0.06. This caused by a 1 point fall in capital investment which is nearly balanced by a 0.9 point increase in cashflow.



## BUSINESS CONFIDENCE

 **78.4** ↑ 0.3pts

 **76.2** ↓ 0.3pts

The majority of the activity seen in this quarter counteracts some of the negative activity from last quarter and it will come as no surprise, given these contrasting quarters that business confidence remains mostly fixed. **The business confidence** index in the service sector has seen a 0.3 point decrease and the manufacturing sector has seen a 0.3 point increase, to 76.2 and 78.4 respectively.

This slight fall in the service sectors business confidence index is reflective of the 56% of service businesses who believe they are operating below full capacity and the 43% (which has risen 2% since Q2 2018) who believe that 'other overheads' are likely to cause increased cost pressures. Much of this is in keeping with what was being felt last quarter. However, in contrast to Q2 2018, the expectations surrounding turnover has reduced by 0.9 points and expectations surrounding profitability has increased by 0.6 index points.

For the manufacturing sector, there has been a 5% fall in the number of businesses who believe they are operating below full capacity, but an increased majority who suggest that cost pressure concerns are focused on raw material prices (55.6% in Q2 to 57.3% in Q3).

Similarly to the service sector there has been an improvement in the expectations surrounding profitability (0.9 point increase to 76.3), but a small fall in expectations surrounding turnover (0.2 point fall to 80.6).



**Louise Bennett**  
**CEO**

Coventry & Warwickshire  
Chamber of Commerce

It's very encouraging to see the economy of Coventry and Warwickshire performing well and that our businesses, in the main, remain confident about the future.

Order books are looking healthy and this bears out what we are hearing when we speak to firms across the region.

Of course, there is a backdrop of uncertainty and the feeling among many members is that the economy would be soaring were it not for that but, overall, this survey is a positive reflection of where the economy of Coventry and Warwickshire currently stands.

We look forward to the Chancellor's Budget later this month to see what measures are taken to support continued business growth in the face of the uncertainty facing companies.

Coventry & Warwickshire's Economic Outlook Index has been well above national comparators for some time now, and that remains the case. This suggests that the local economy is continuing to see stronger than average rates of growth, and we are maintaining our position as the one of the strongest growing economies in the country.

However, it is important to note that the fieldwork for this Q3 report was undertaken before the recent EU Summit and subsequent announcements from major manufacturers on the impact of a no-deal scenario on their investment plans. We will therefore await the Q4 results with interest.



**Dave Ayton-Hill**  
**Group Manager for  
Economy and Skills**

Warwickshire County  
Council



**Emily Newport**  
**Economist**

Warwickshire County  
Council

The overall economic outlook index has recorded its first rise of 2018 which is reflective of the rise seen in the national and regional PMI comparators, in which Coventry & Warwickshire still remain far above. The local economy therefore remains in a very positive, buoyant and confident mood.

Domestically, the service sector within Warwickshire is possibly starting to feel the impact of decreased consumer confidence across the UK. However, to counter act this there has been an increase in international sales. The manufacturing sector has seen an increase in both domestic and international advanced orders in this quarter. Further to this it is the manufacturing sector that is struggling with recruitment which is mirrored through their decrease in human investment, contrary to the service sector that has shown the opposite.

On the whole however, decreased cost/price pressure and a healthy overseas market has led to increased expected profitability and ultimately meant increased business confidence within the area. This is somewhat in contrast to increasing concerns being raised by businesses, particularly over the uncertainty around Brexit, and recent announcements by the likes of BMW and Jaguar Land Rover on their future investment plans. However, it should be noted that this survey was undertaken before the recent EU Summit, and so these emerging concerns may not have been fully captured. Results for the Q4 survey will therefore be an important barometer of future confidence within the Coventry & Warwickshire economy.

# Grow Your Business In Warwickshire



A programme of workshops and 1:1 support for start-up businesses and individuals interested in starting their own business



Support to tackle skills shortages and gaps by helping you build recruitment pipelines with schools, colleges and local universities.



Access our Business Ready programme with our partners, the University of Warwick Science Park



Flexible and affordable business units in our portfolio of Business Centres



Access to finance advice and business loans & grants schemes



Access to business networks and support with supply chains



Commercial property searches and location advice



Innovation advice and support, able to link your business into strong knowledge and research base available locally



Soft landing support for UK and international business locating here



Economic intelligence and analysis



Free and impartial advice, support and brokerage on skills, apprenticeships and recruitment



Direct and connect businesses to the help and support available around trading standards and business regulations

**To find out more, contact us on:**  
**business@warwickshire.gov.uk**  
**01926 412709**  
**www.warwickshire.gov.uk/business**

For information about other support available to grow your business or general information and enquiries, contact the Coventry & Warwickshire Growth Hub on **0300 060 3747**.