

Greater Manchester Chamber of Commerce

Quarterly Economic Breakfast **Q3 2016**

Friday 30 September 2016

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www.gmchamber.co.uk/research



Welcome & Introduction

Chris Fletcher

Director of Marketing & Policy



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Welcome & Introduction

Paul Smith

Managing Director, Debt Advisory, Duff & Phelps



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Quarterly Economic Survey

Christian Spence

Head of Research & Policy



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Quarterly Economic Breakfast Q3 2016

What is the QES?

- The UK's largest and most reliable business confidence survey, is the first to be published in each quarter and is used by key policy makers to determine economic decision-making

Does size matter?

- Yes. Sample size drives accuracy. The Greater Manchester QES alone has the same sample size as other *national* business surveys.

How reliable?

- Very. It has accurately predicted the recessions of the 1990s and 2000s, and can disprove some early releases of national statistics (the “double-dip” that never was in 2012).

Does being first matter?

- Yes. It allows us to help you to be ahead of the curve, often months ahead of official data.

Which key policy makers?

- Lots. It's routinely quoted by HM Treasury, the Bank of England, the European Union, the OECD and the International Monetary Fund. And, if we're getting it right, you.



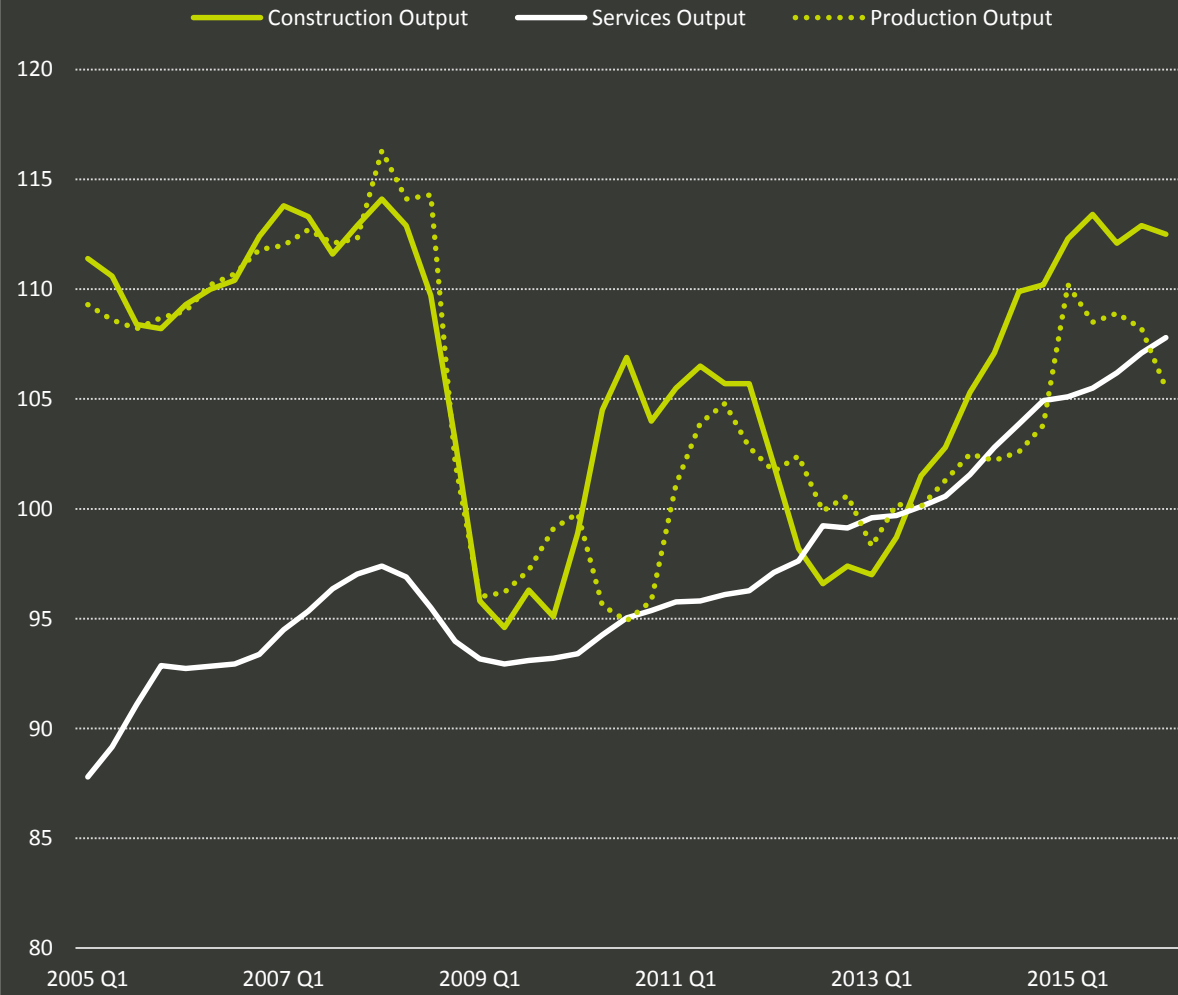
This morning we'll cover, through the QES data and more ...

- UK Demand
- International Demand
- Labour Market
- Confidence & Investment
- Costs & Prices
- Brexit and the future of international trade



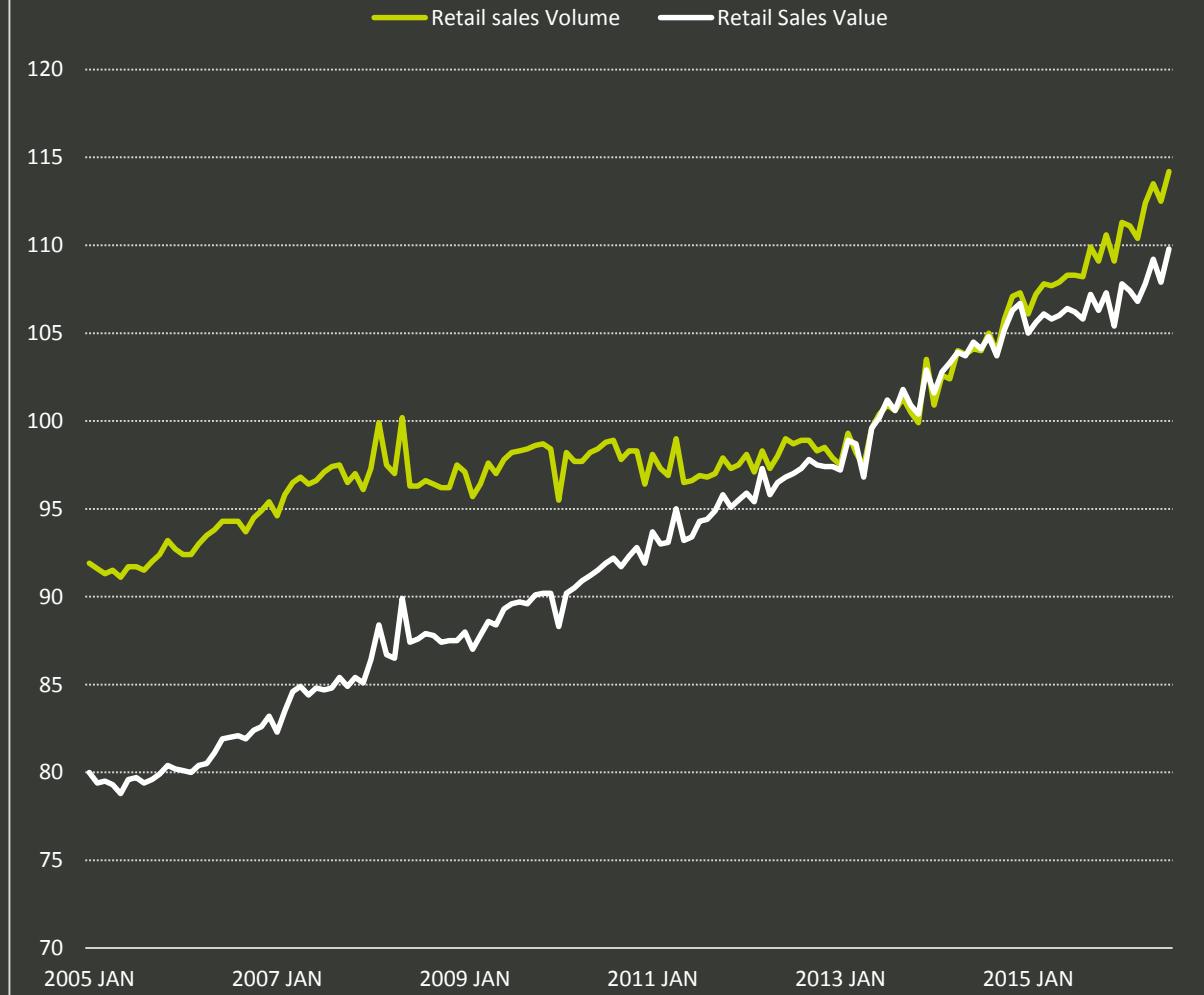
UK Demand **ONS data**

Sectoral GVA



Source: GMCC QES Q3 2016

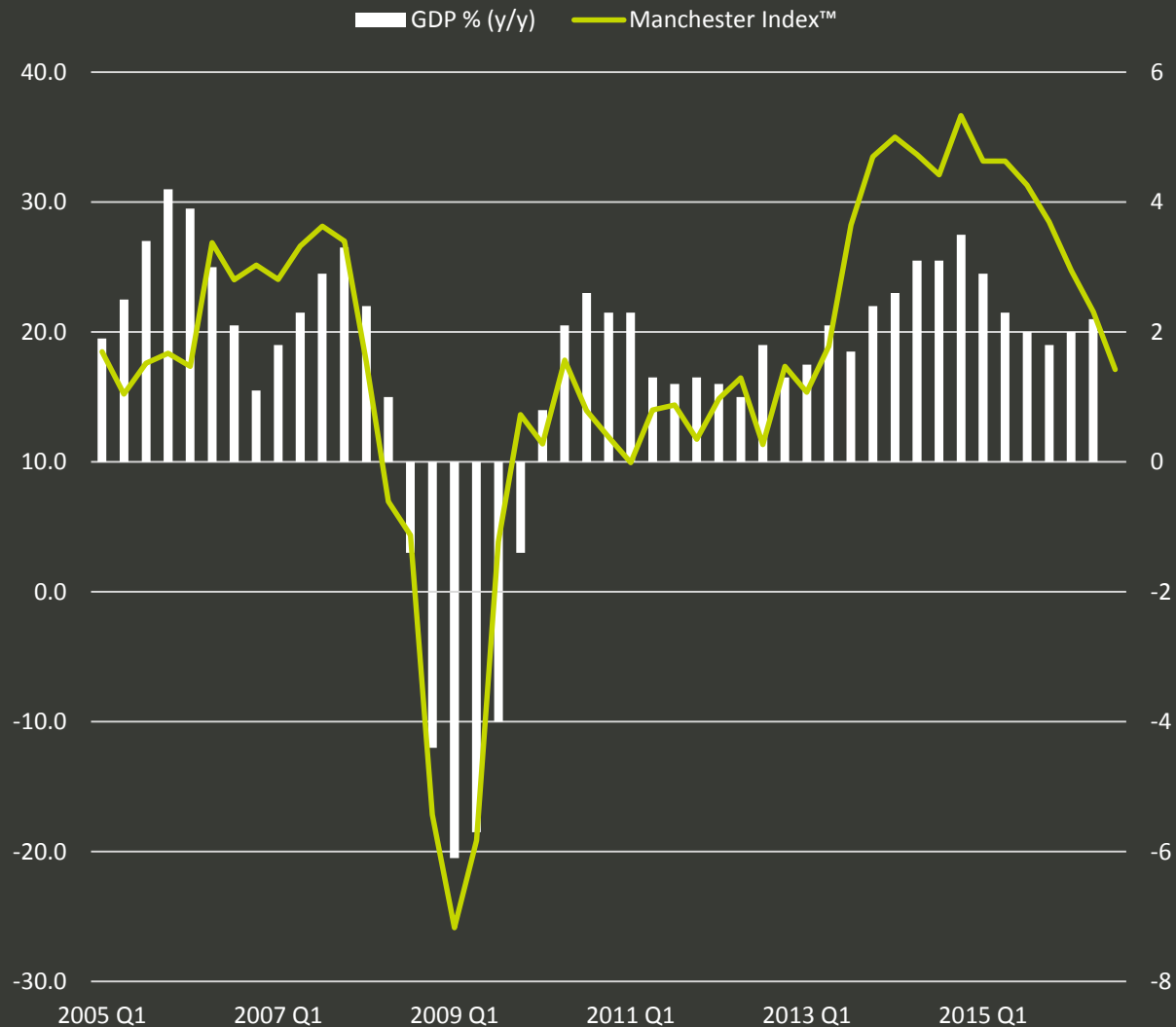
Retail Sales



Source: ONS Indices of Production & Services (March 2016); Output in the Construction Industry (Jan. 2016)



UK Demand The Manchester Index™

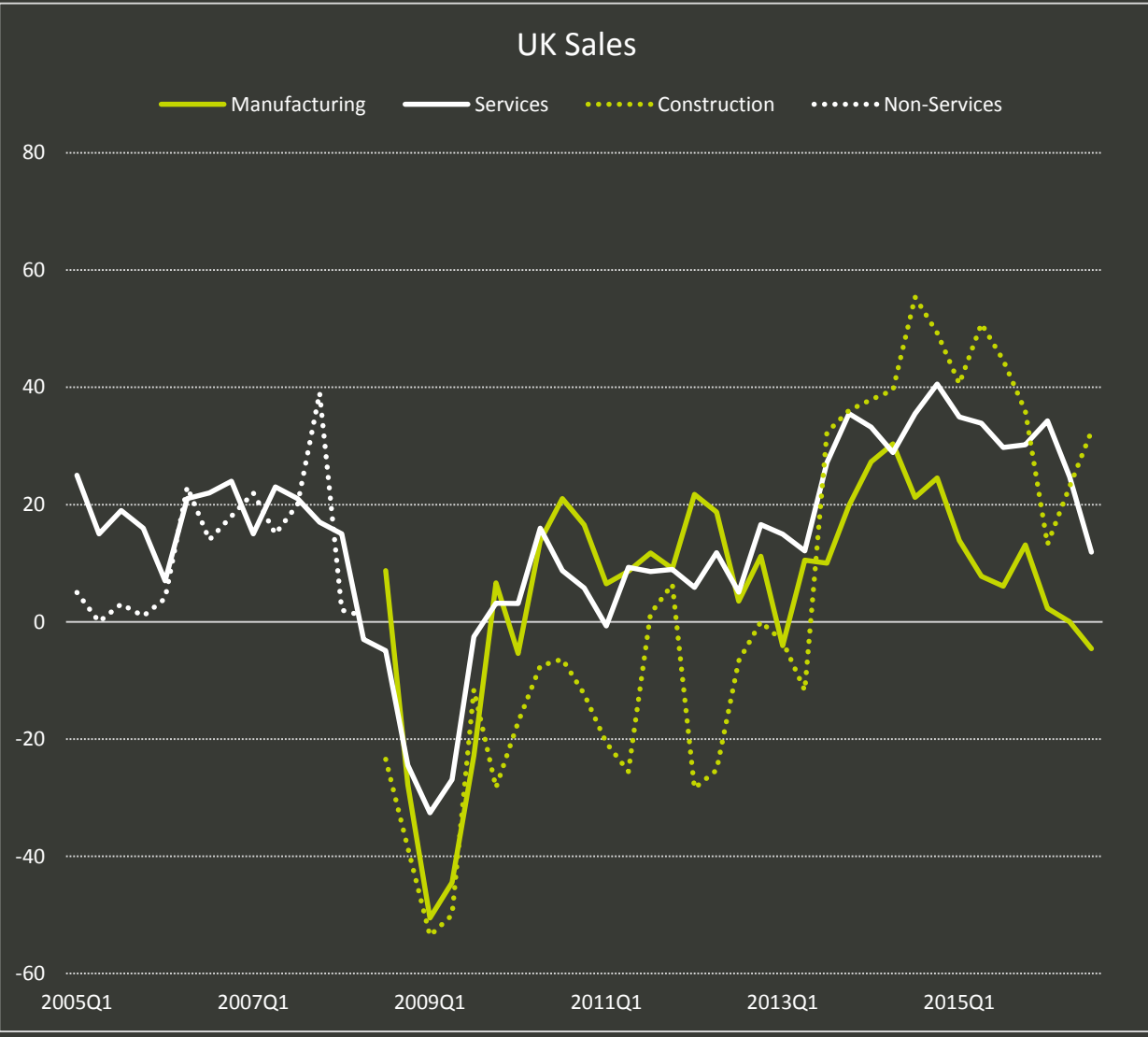


Source: ONS Second Estimate of GDP; GMCC QES Q3 2016

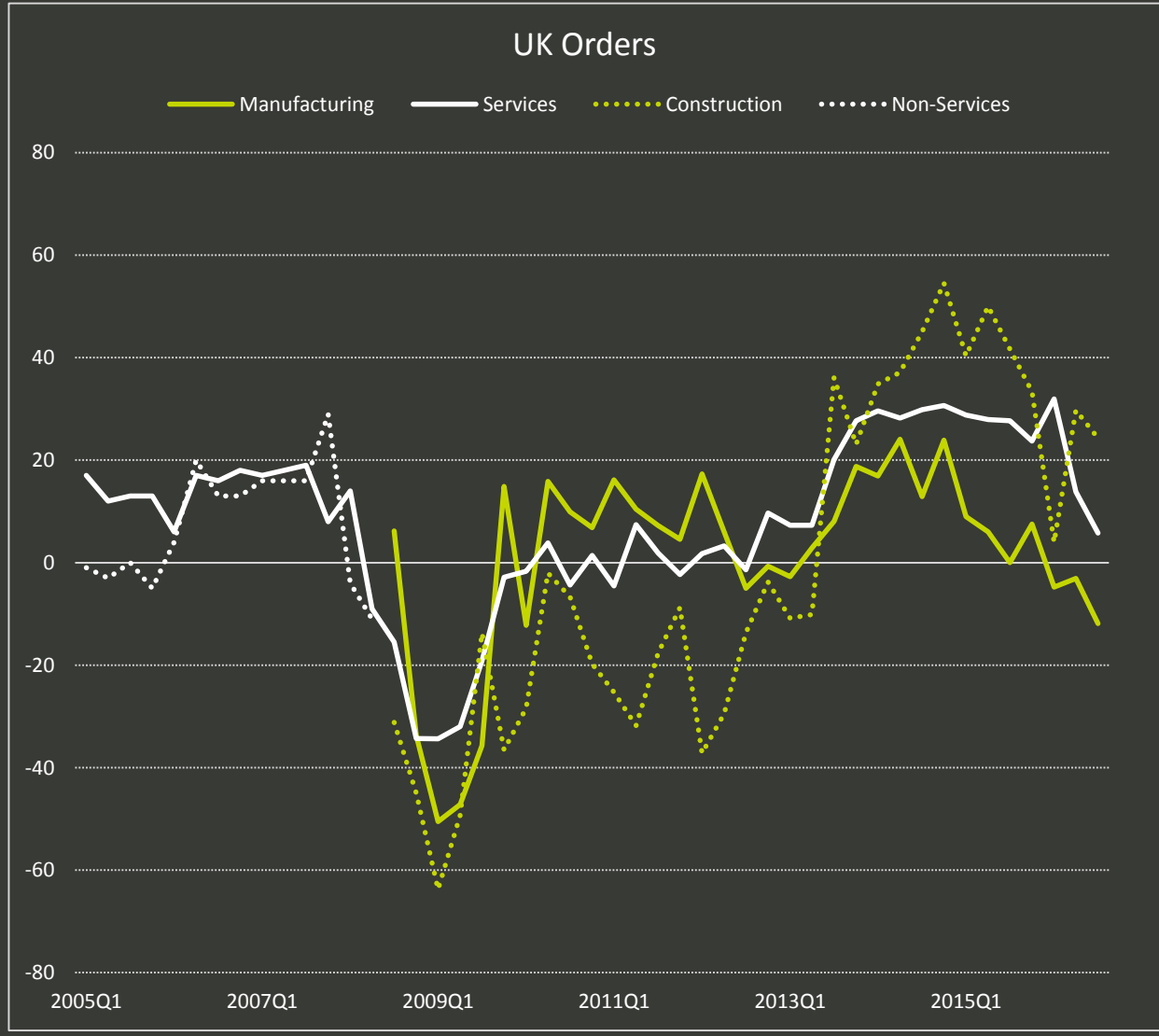
- The Manchester Index™ brings together seven key QES indicators
- Acts as a real-time tracker for the health of the GM economy
- Growth slows further in Q3 driven by manufacturing and services
- Construction remains strong; weak Sterling supporting exports
- Forecasts for GDP growth
 - 2016: 1.8% (2.2%)
 - 2017: 1.0% (2.3%)
 - 2018: 1.8% (2.4%)
- Technical recession in 2017 unlikely, but not improbable



UK Demand QES UK Sales & Orders



Source: GMCC QES Q3 2016

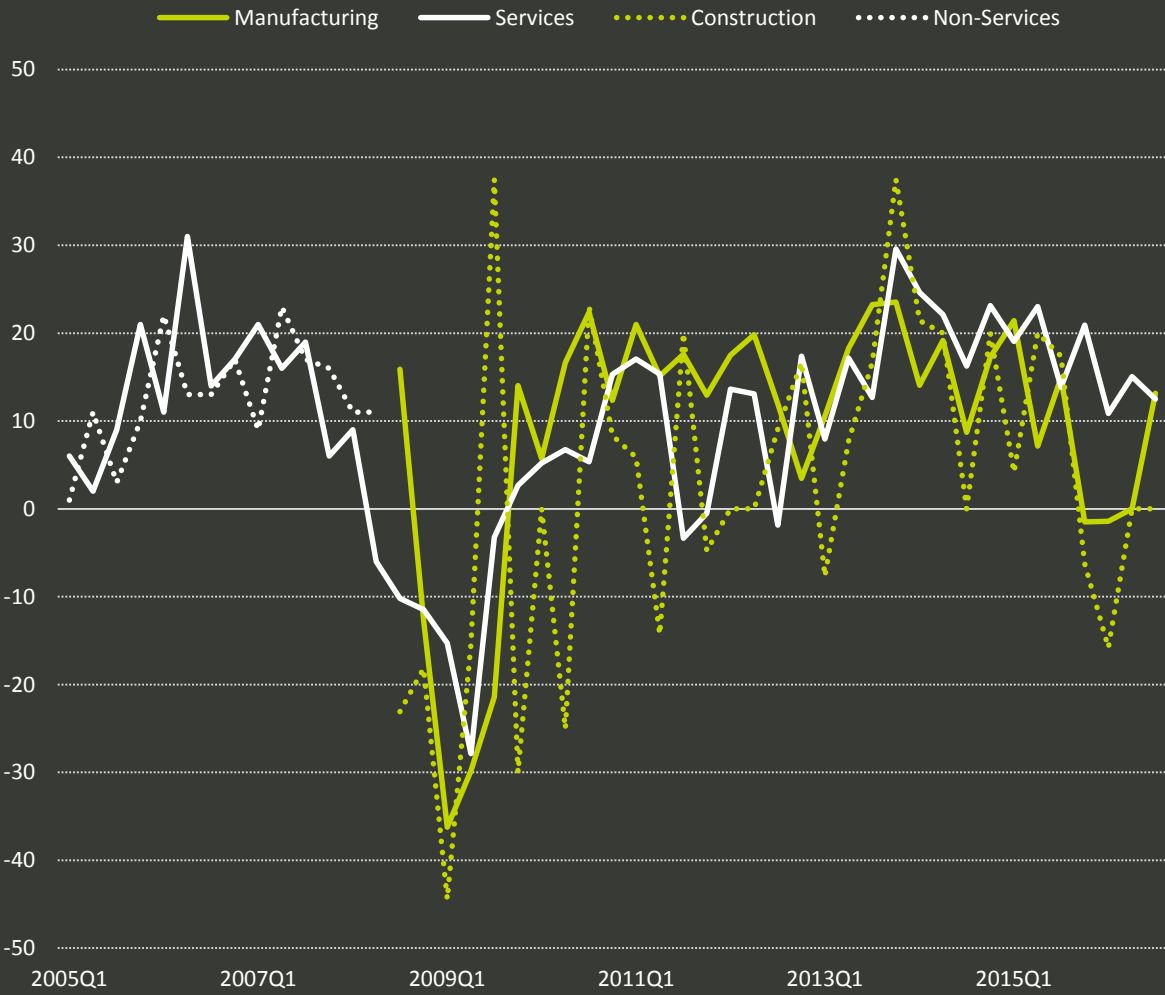


Source: GMCC QES Q3 2016



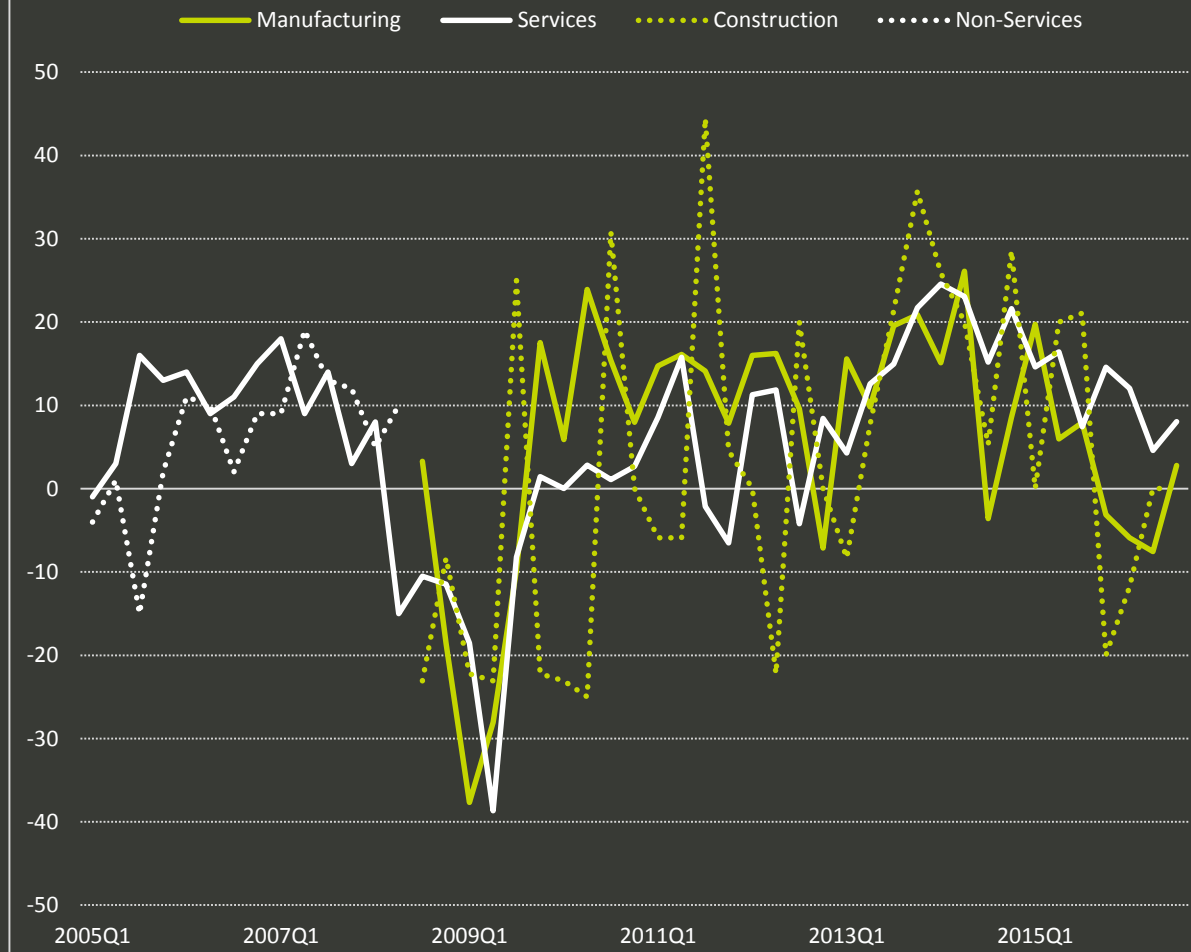
International Demand QES Sales & Orders

International Sales



Source: GMCC QES Q3 2016

International Orders

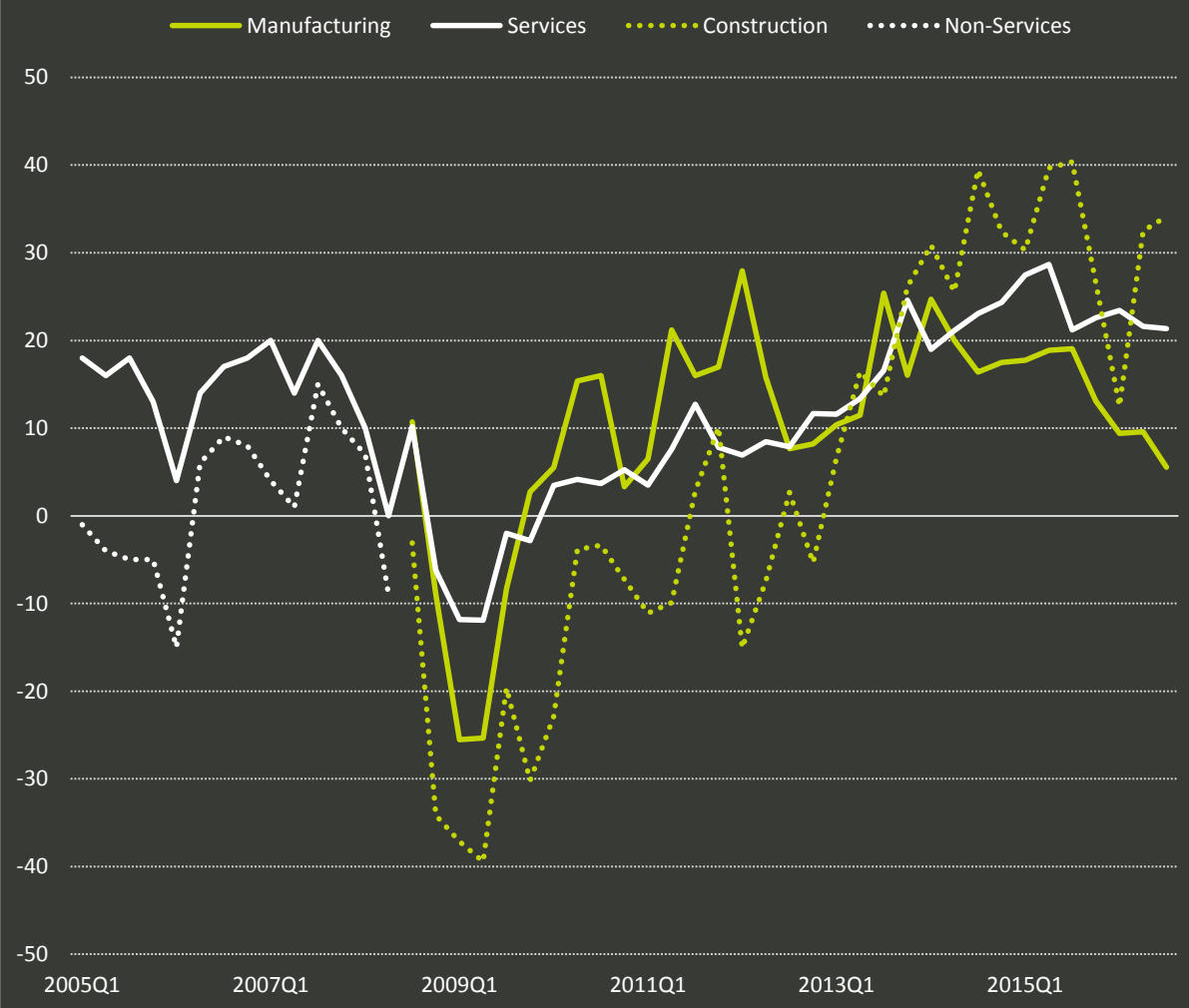


Source: GMCC QES Q3 2016



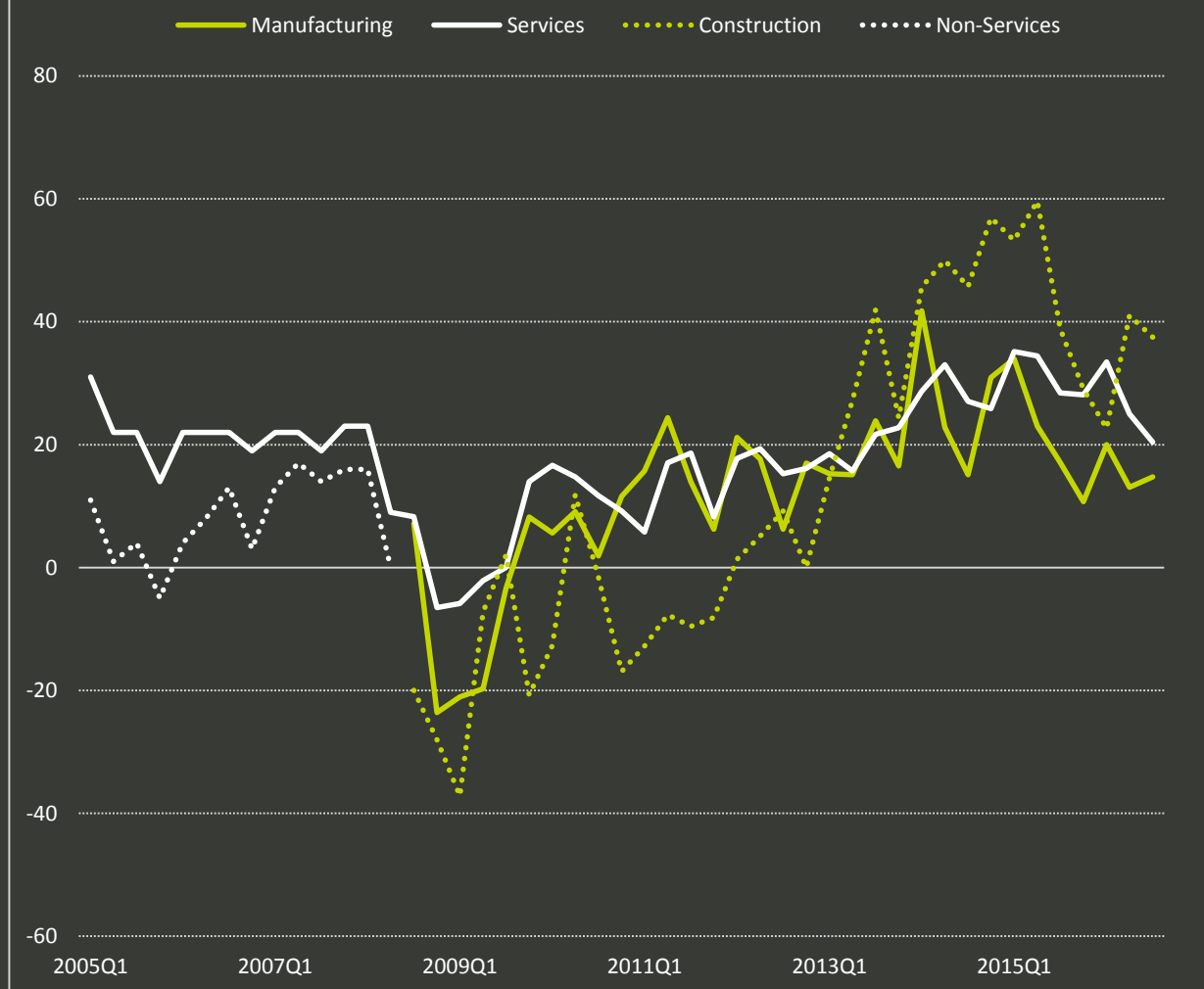
Labour Market QES Employment

Employment this quarter



Source: GMCC QES Q3 2016

Employment next quarter

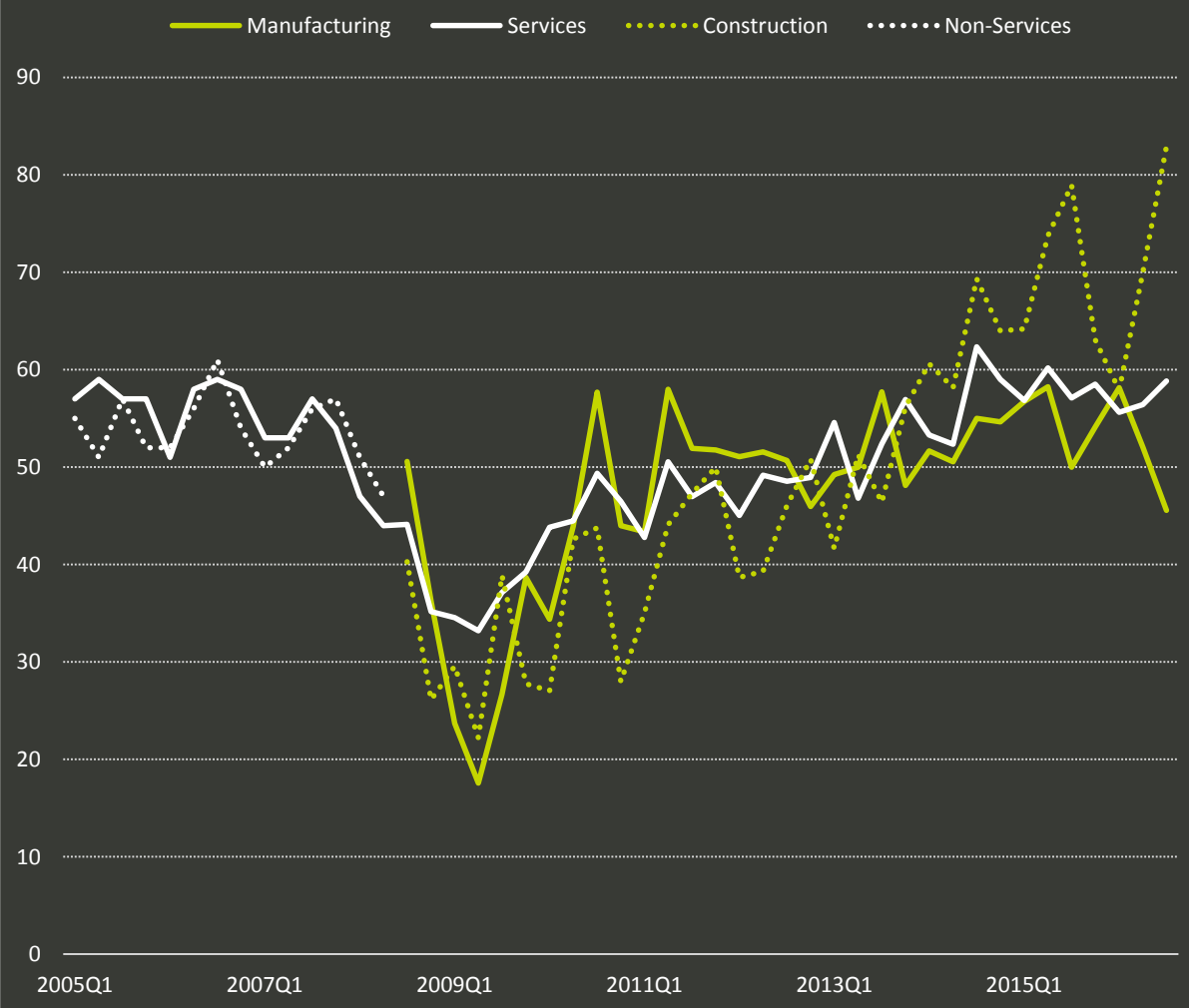


Source: GMCC QES Q3 2016



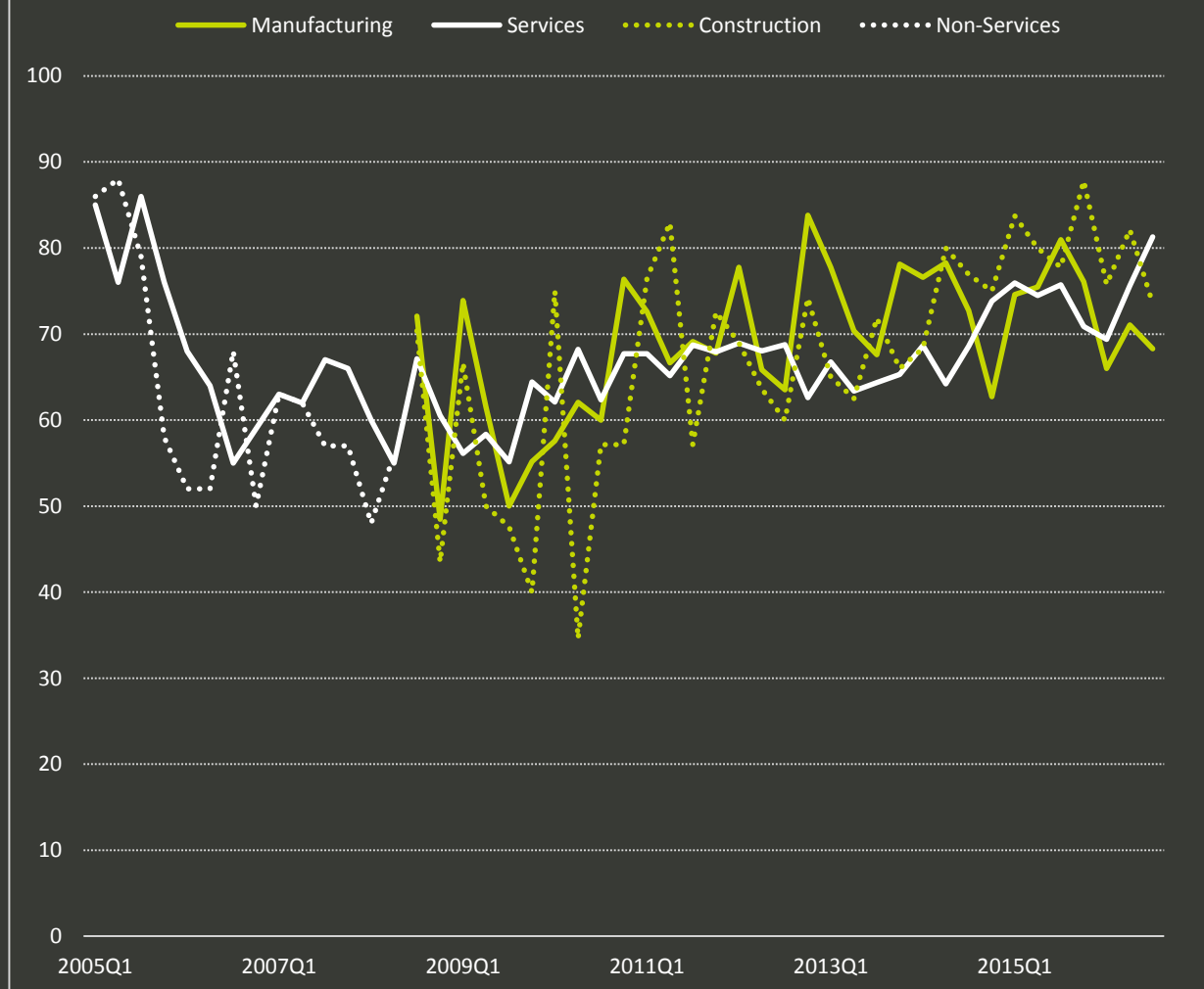
Labour Market QES Recruitment

Attempted to recruit



Source: GMCC QES Q3 2016

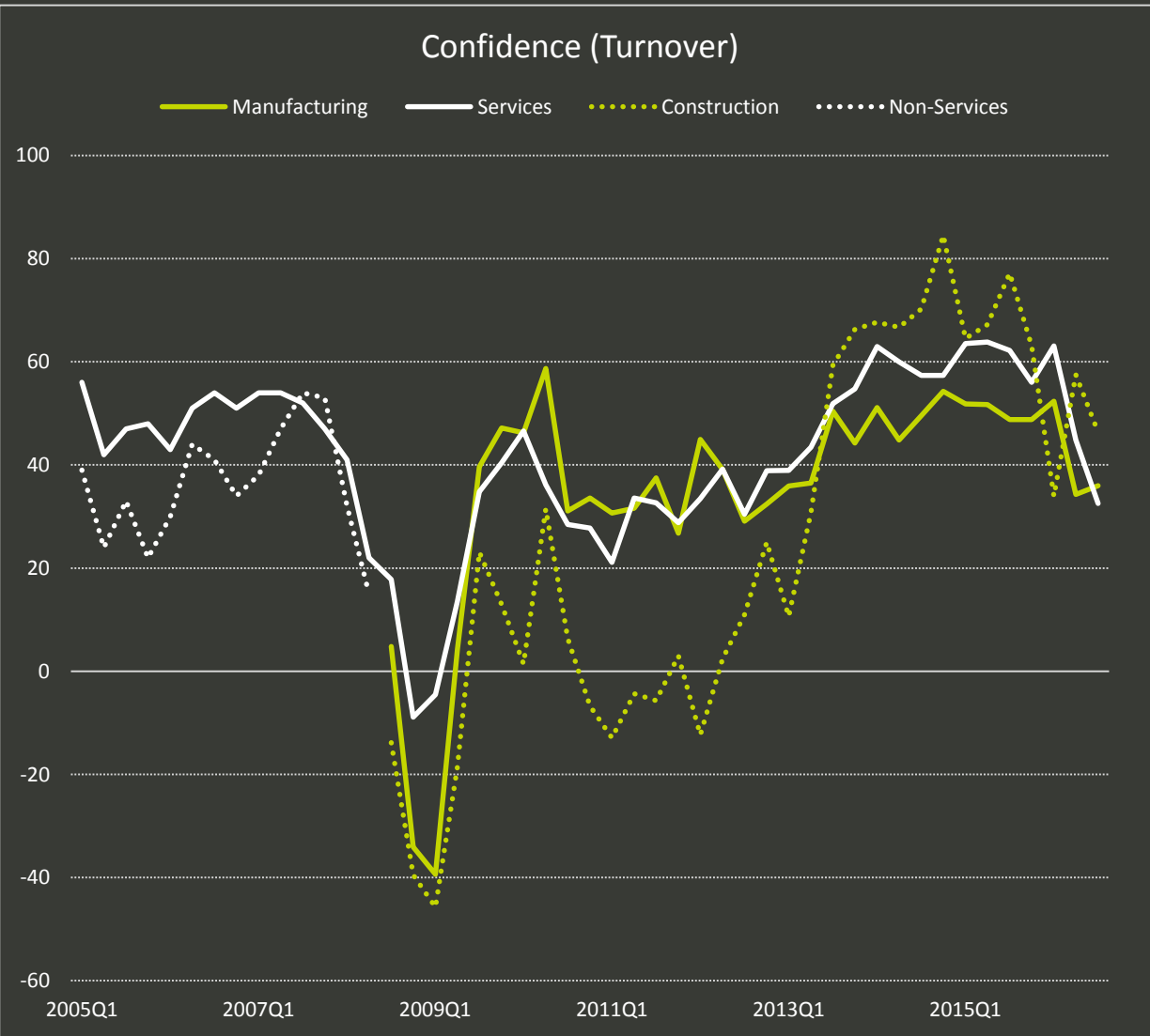
Experienced difficulty recruiting



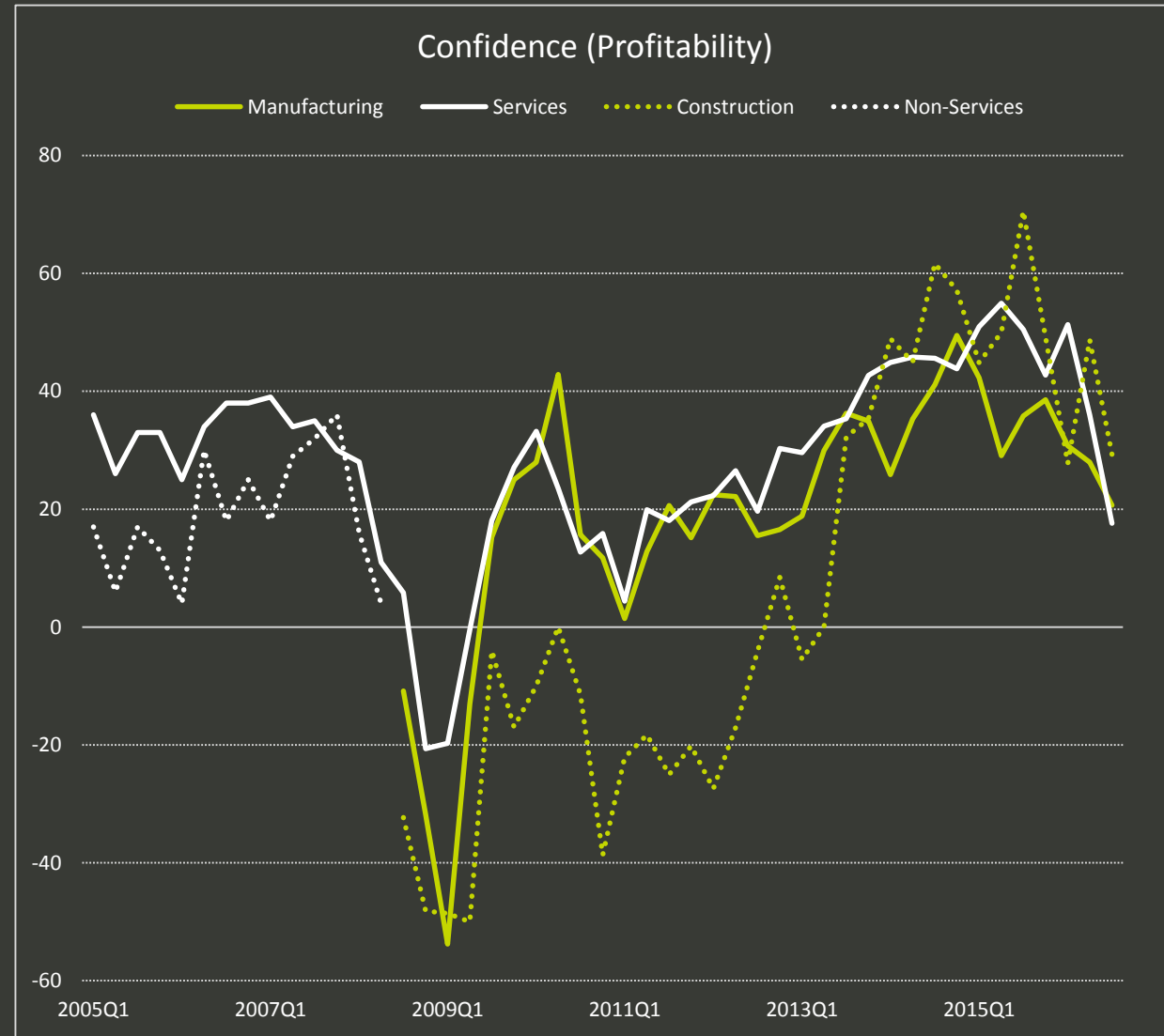
Source: GMCC QES Q3 2016



Confidence & Investment **QES Confidence**



Source: GMCC QES Q3 2016

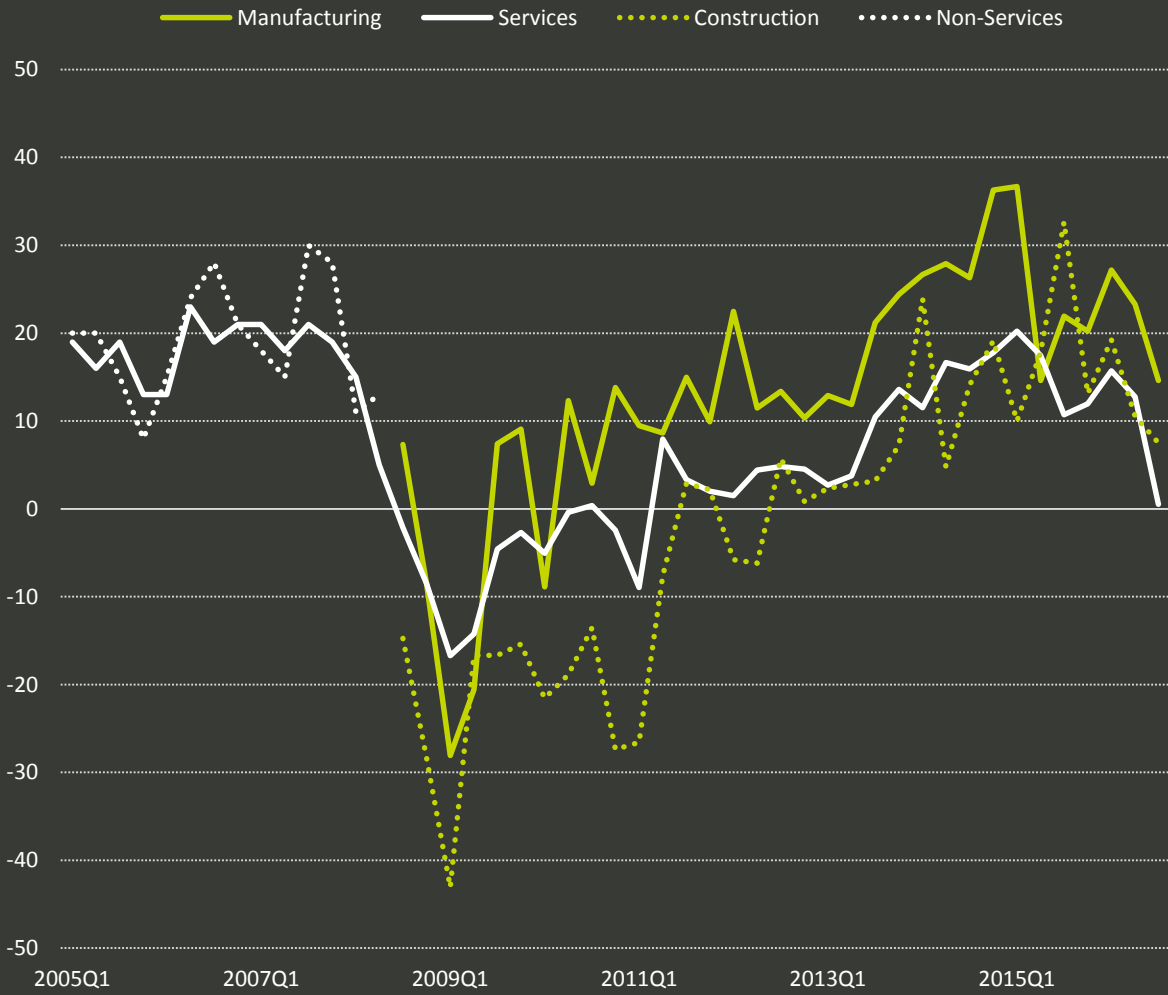


Source: GMCC QES Q3 2016



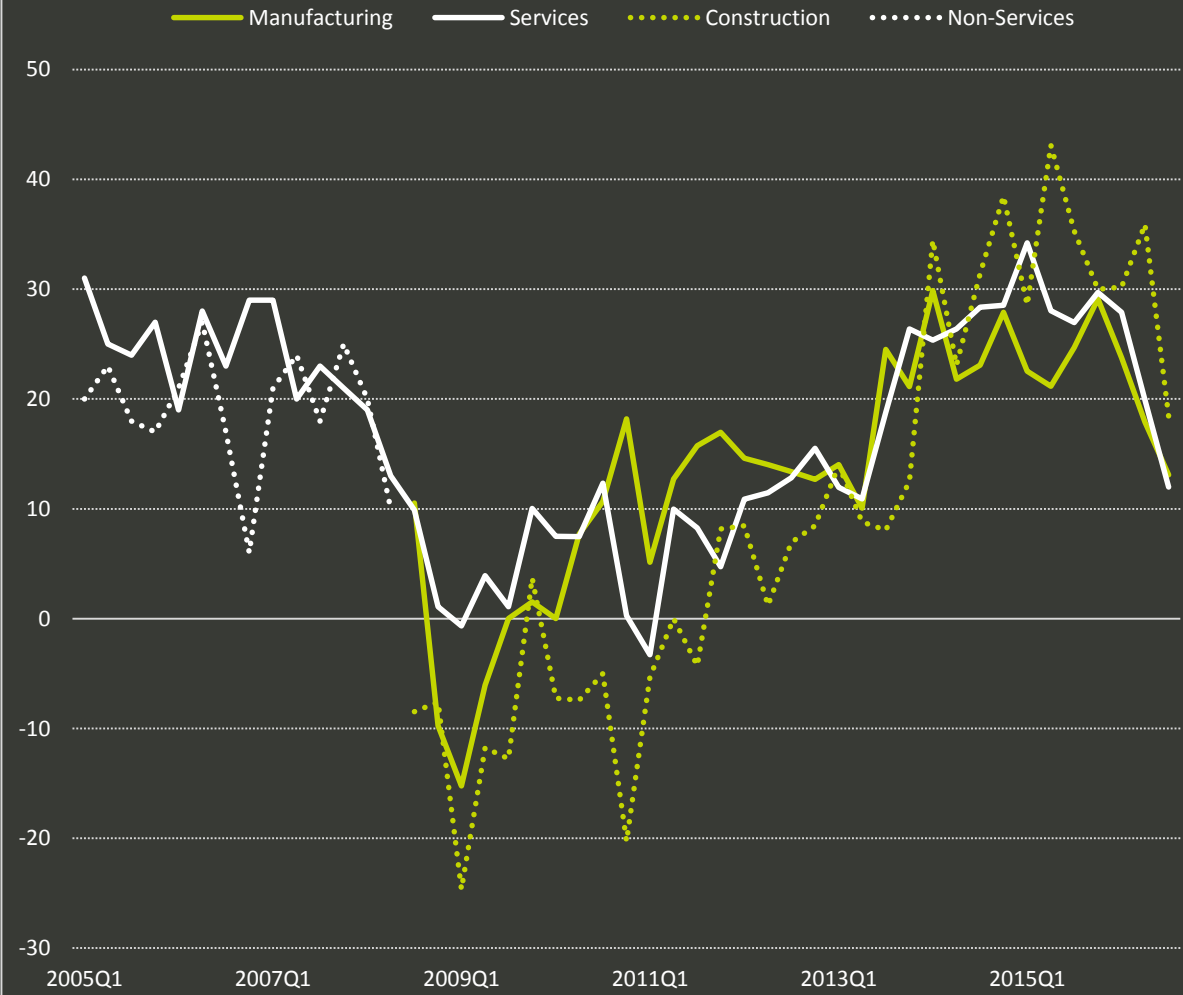
Confidence & Investment QES Investment

Investment in plant & machinery



Source: GMCC QES Q3 2016

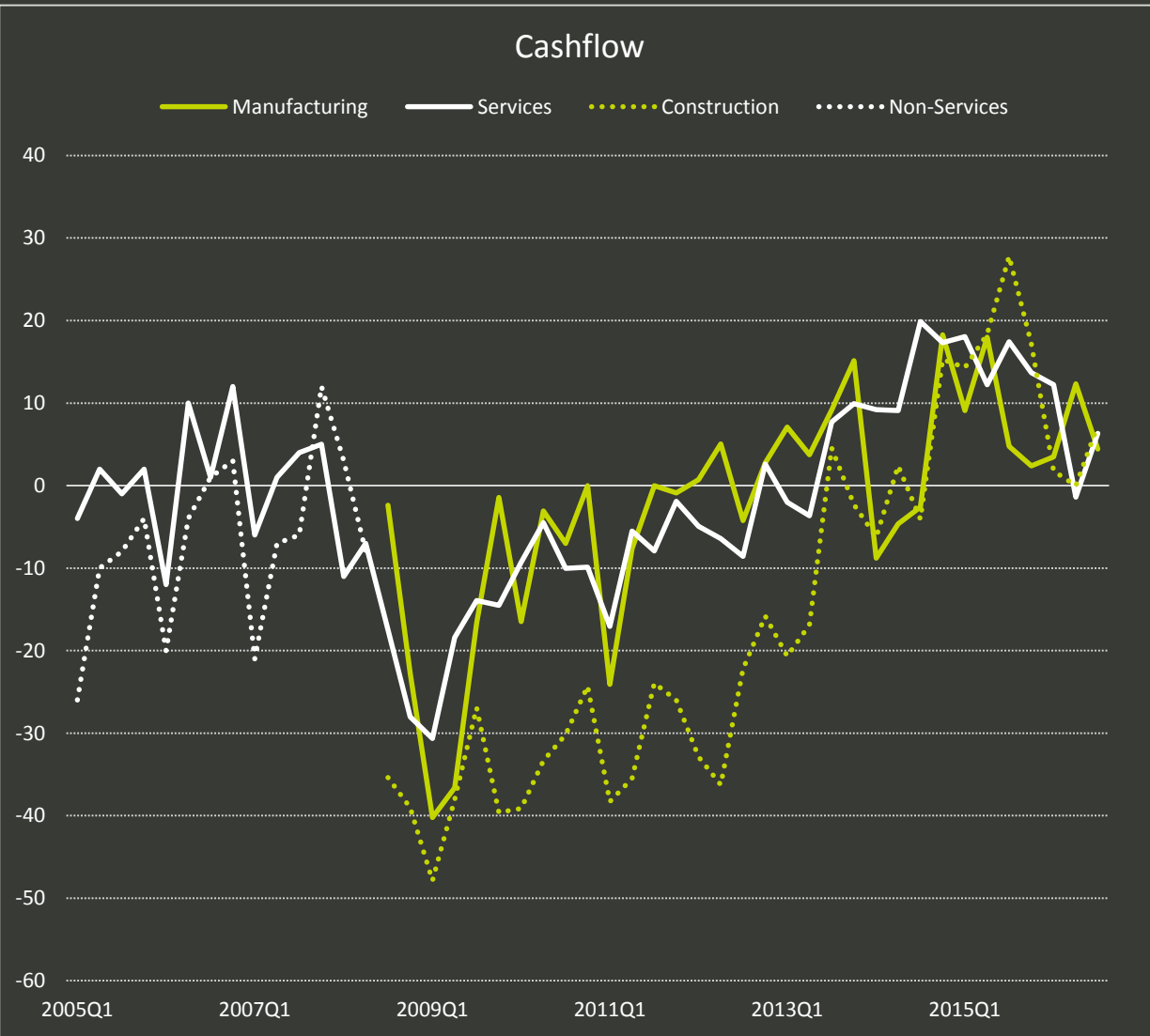
Investment in training



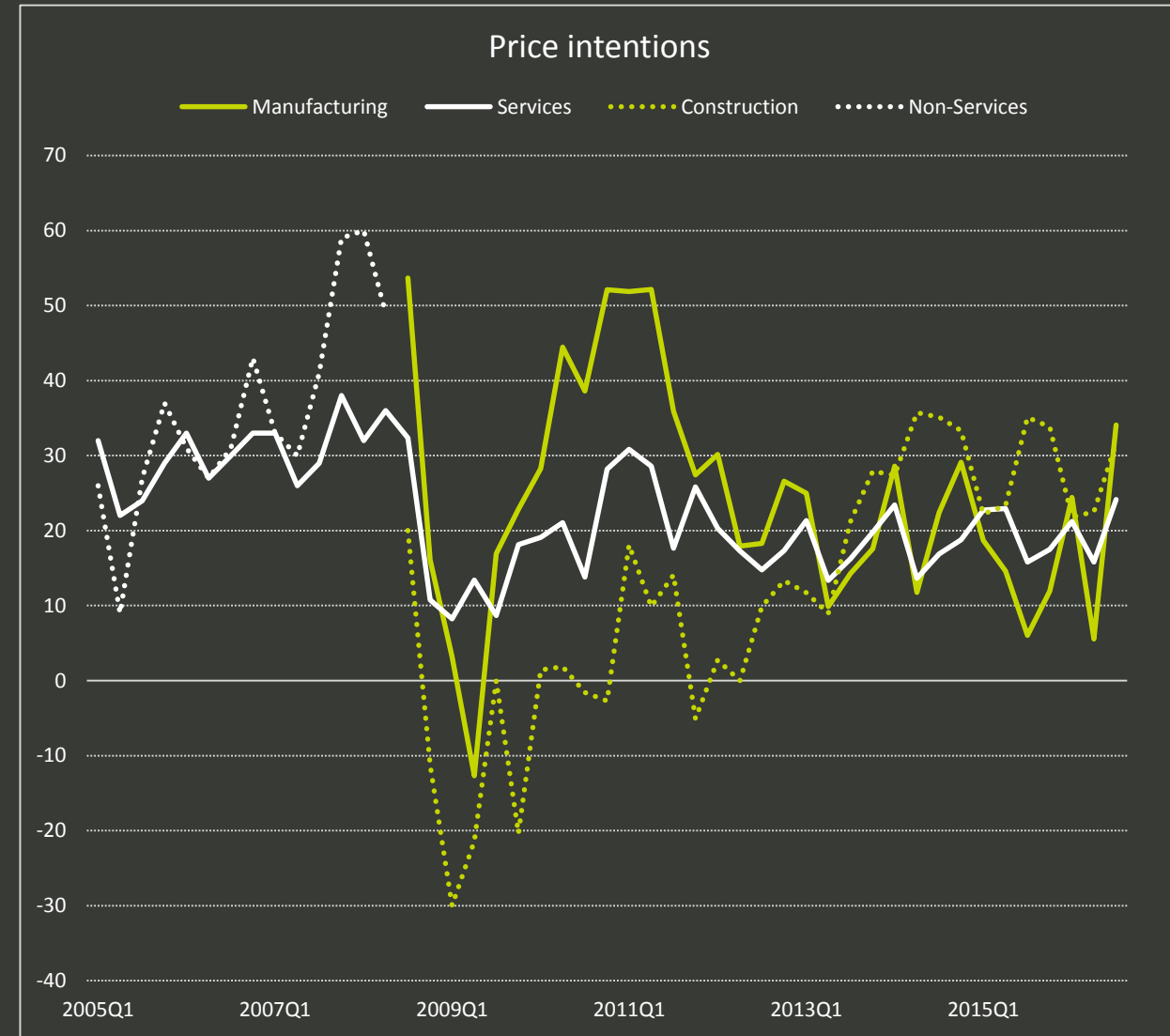
Source: GMCC QES Q3 2016



Costs & Prices QES Cashflow & Price Intentions



Source: GMCC QES Q3 2016

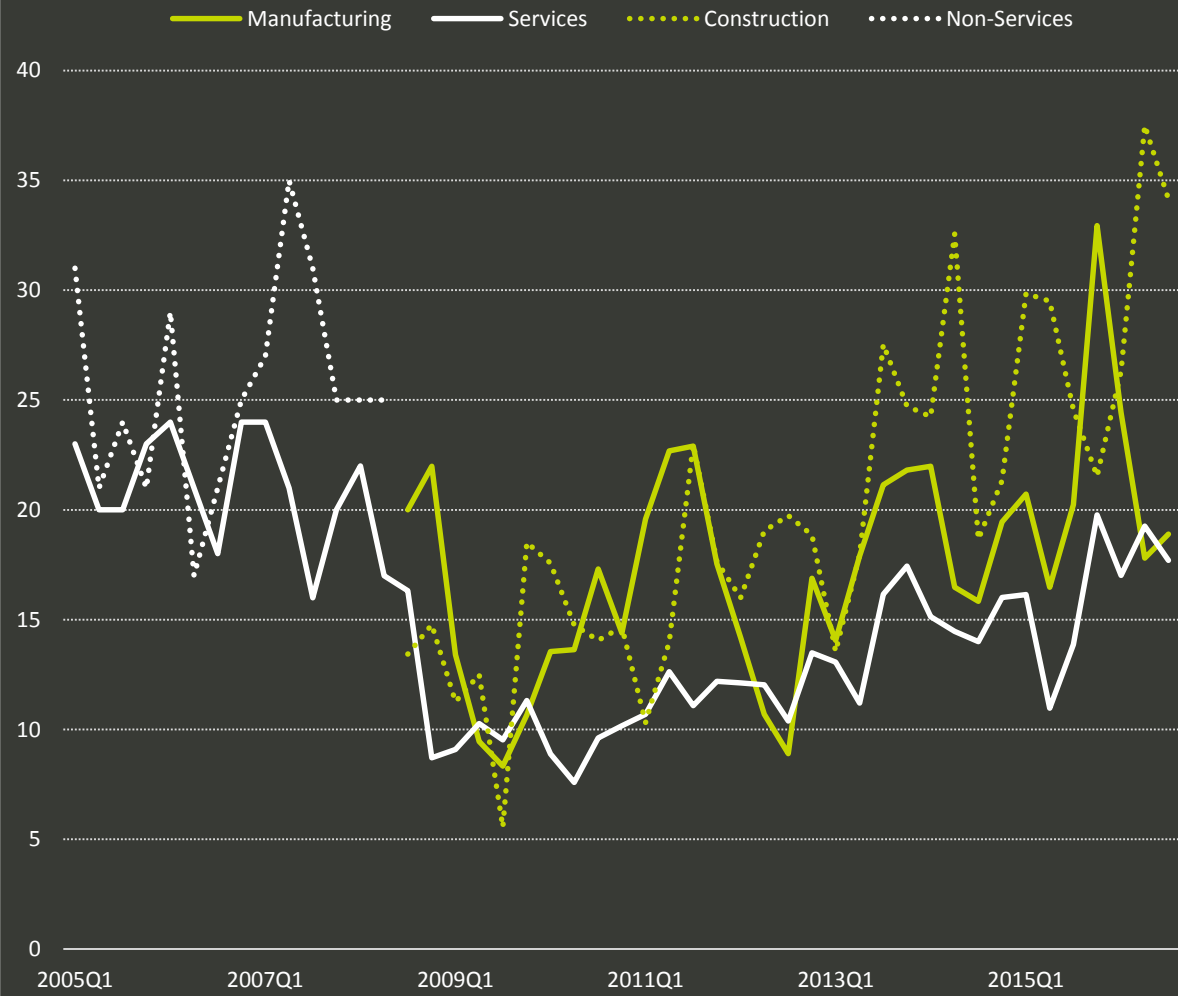


Source: GMCC QES Q3 2016



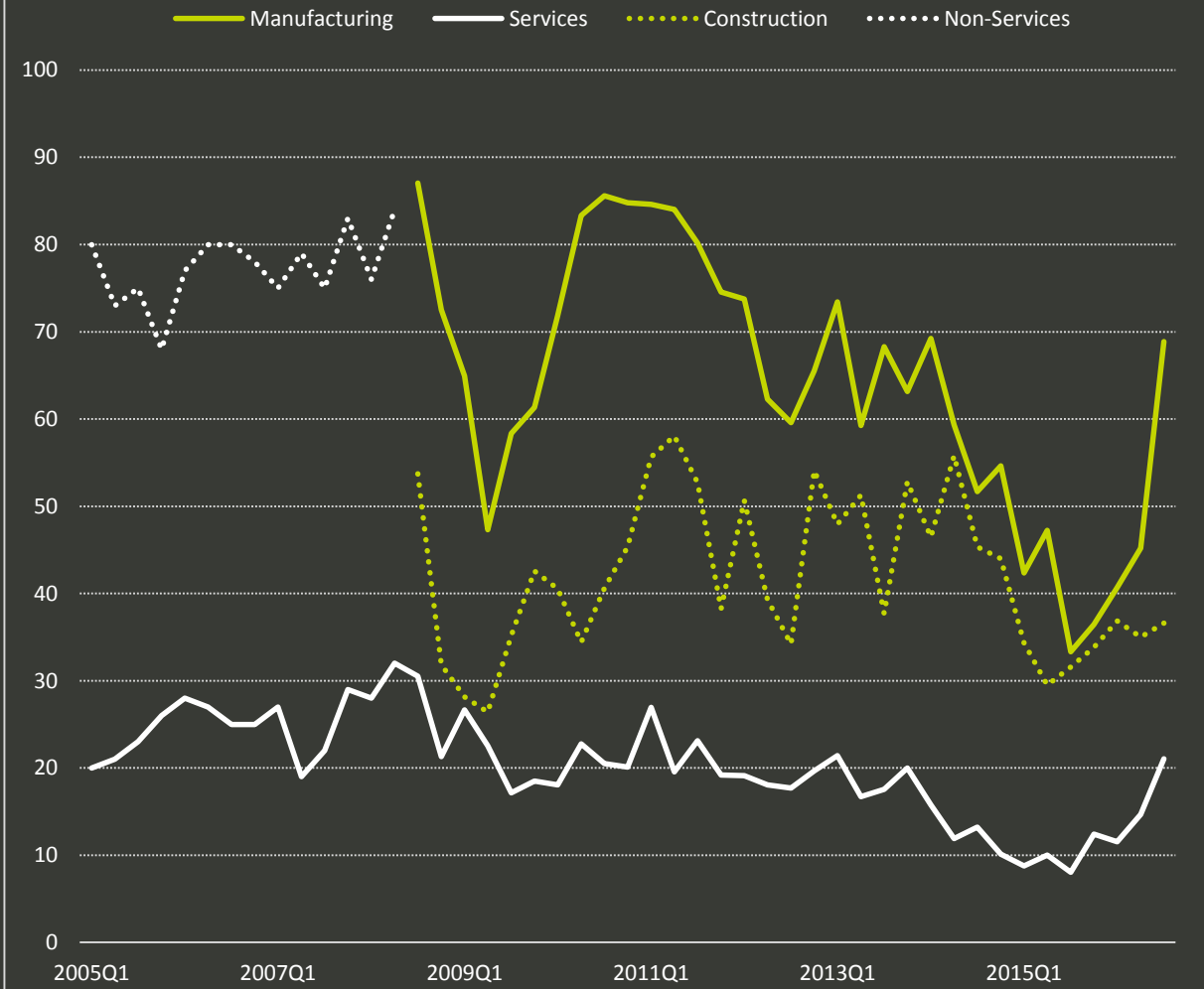
Costs & Prices QES Price Pressures

Pay settlements



Source: GMCC QES Q3 2016

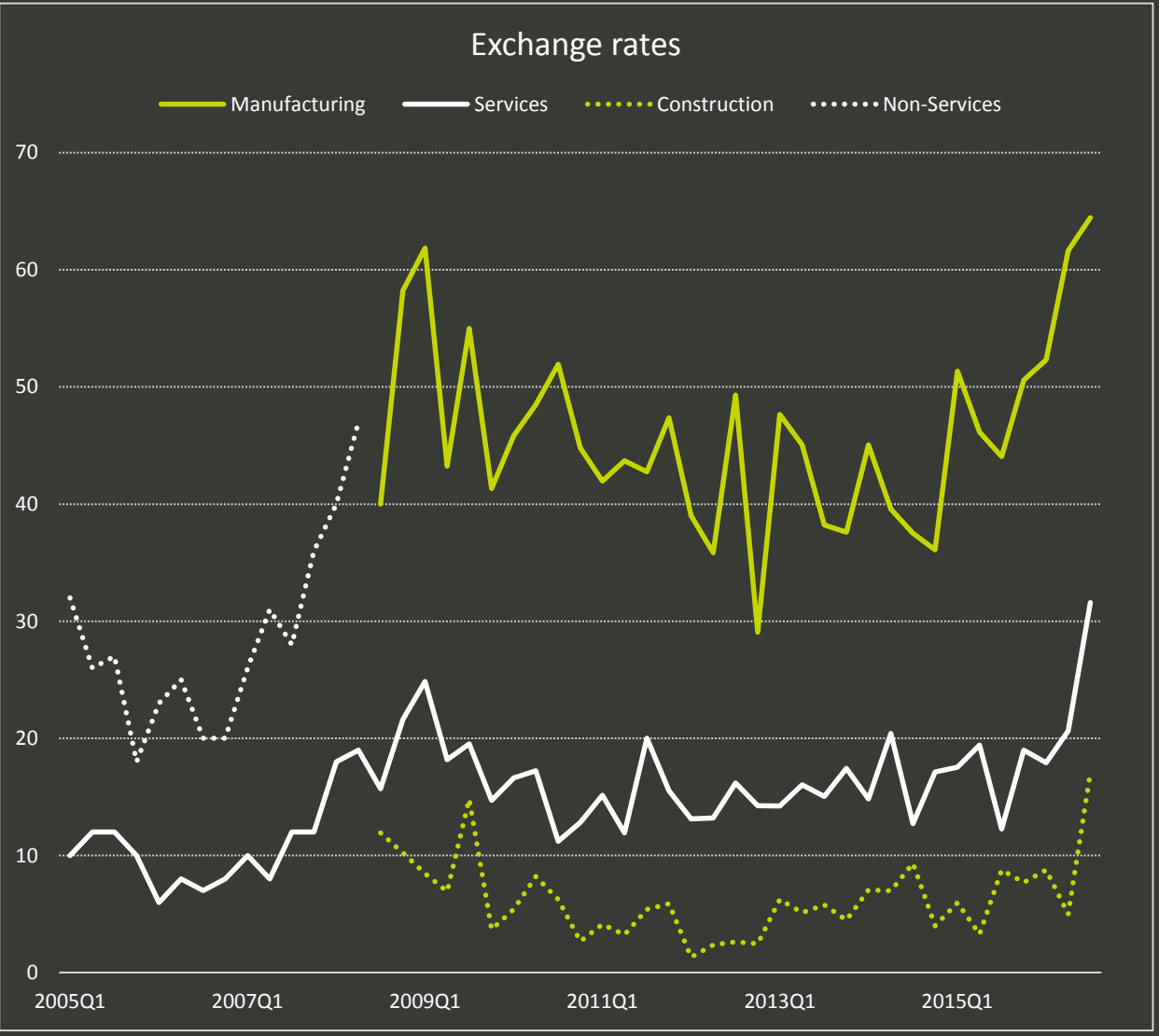
Raw materials



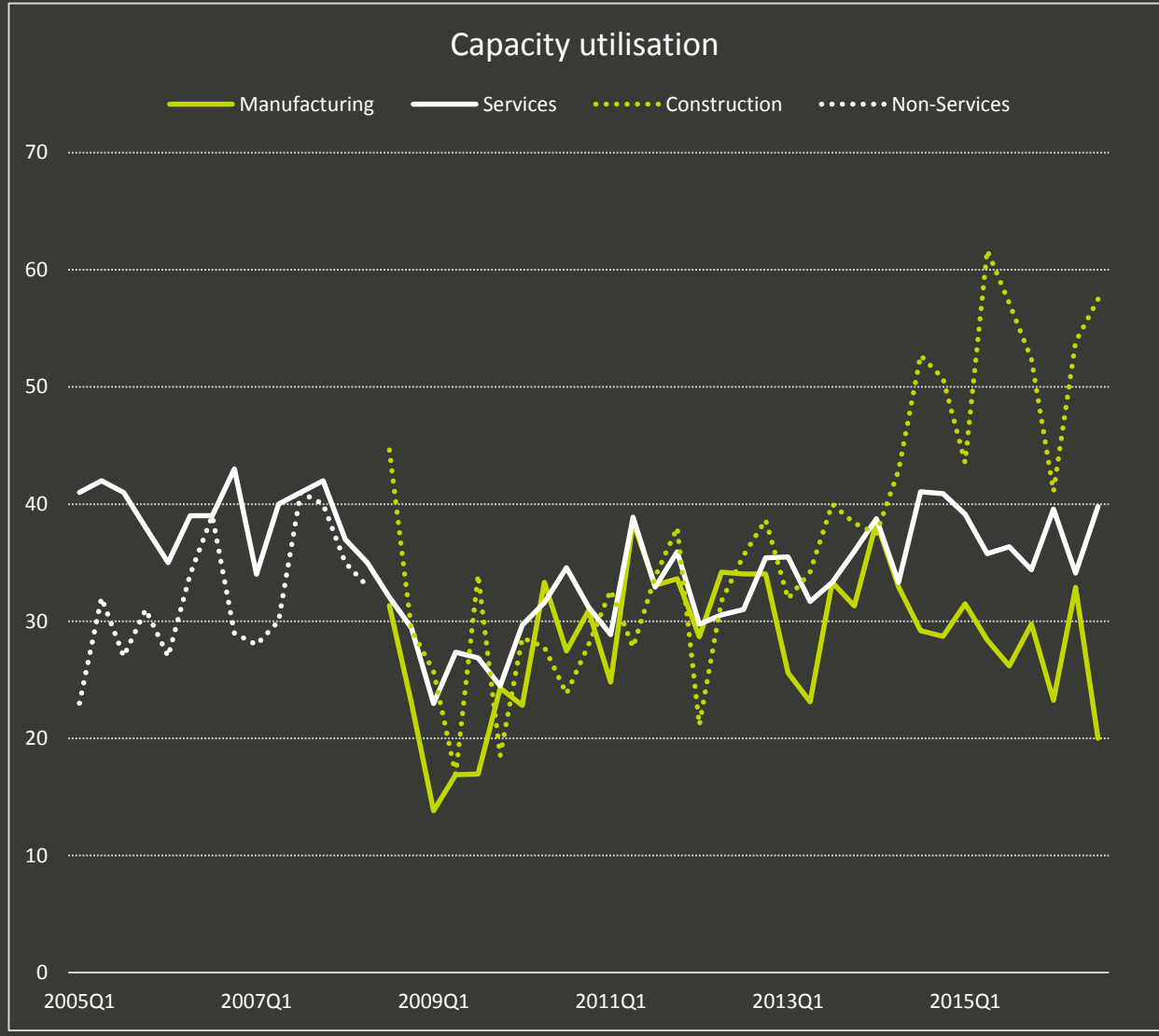
Source: GMCC QES Q3 2016



Costs & Prices QES Price Pressures & Capacity Utilisation



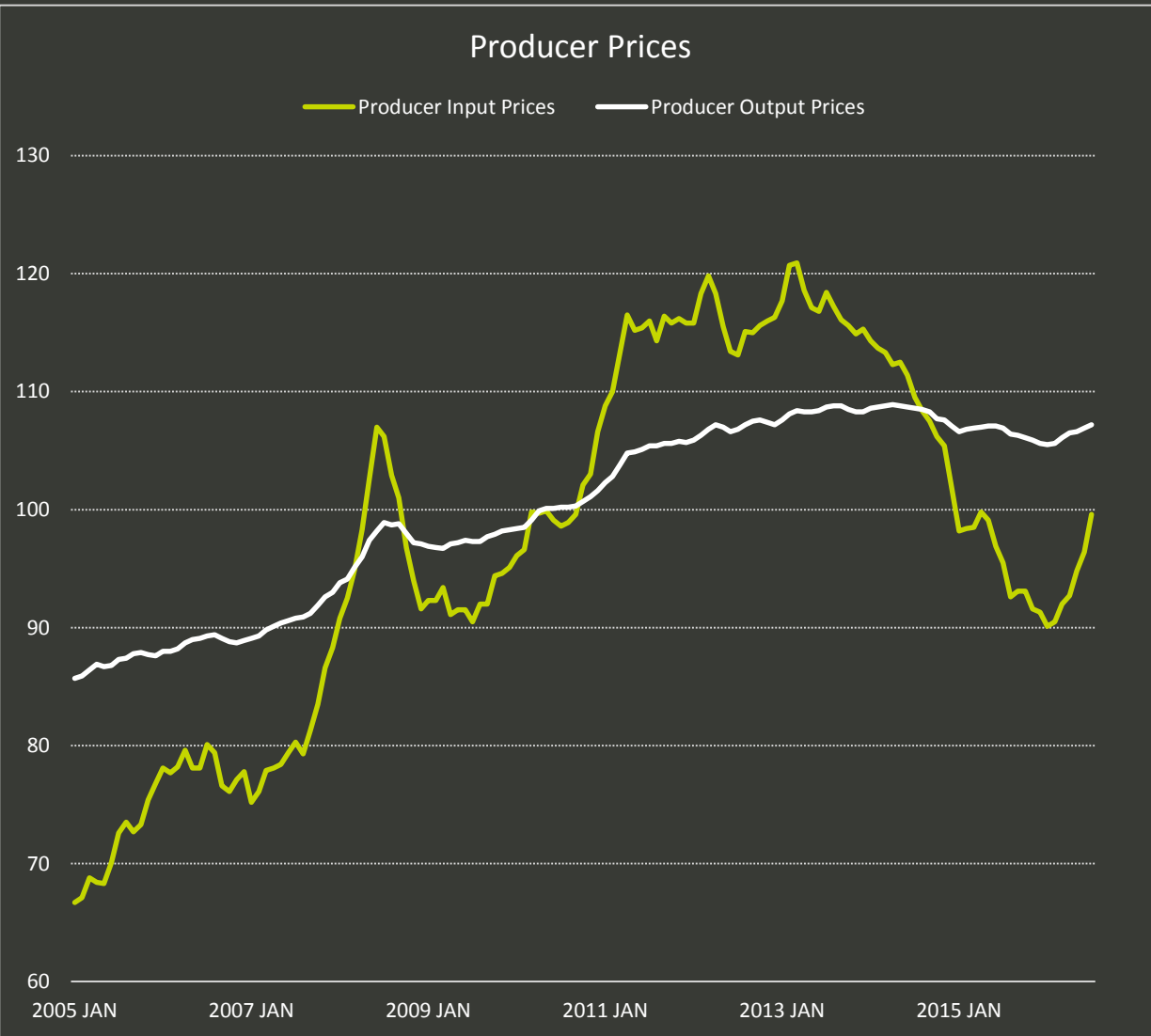
Source: GMCC QES Q3 2016



Source: GMCC QES Q3 2016



Costs & Prices QES Price Pressures



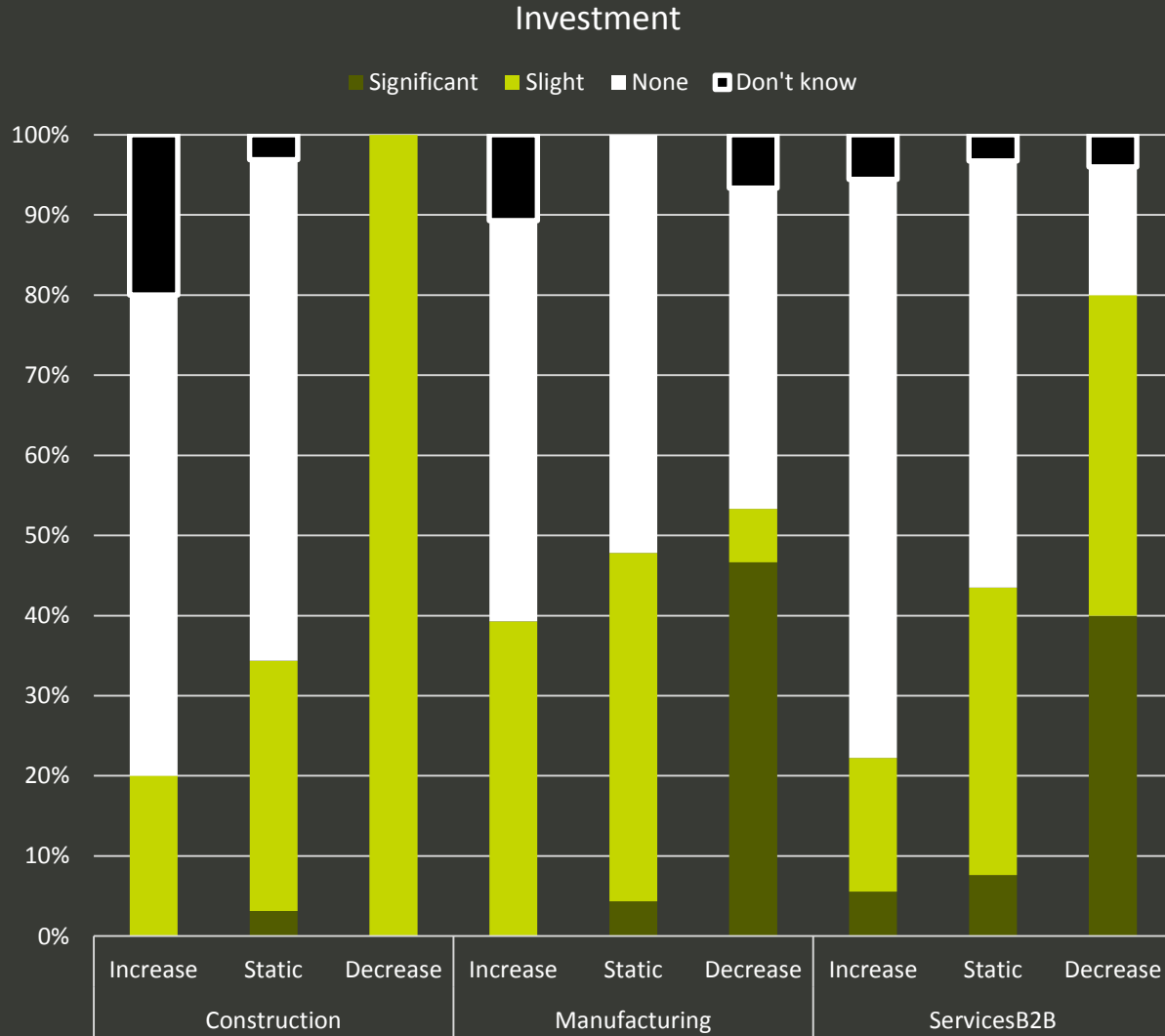
Source: GMCC QES Q3 2016



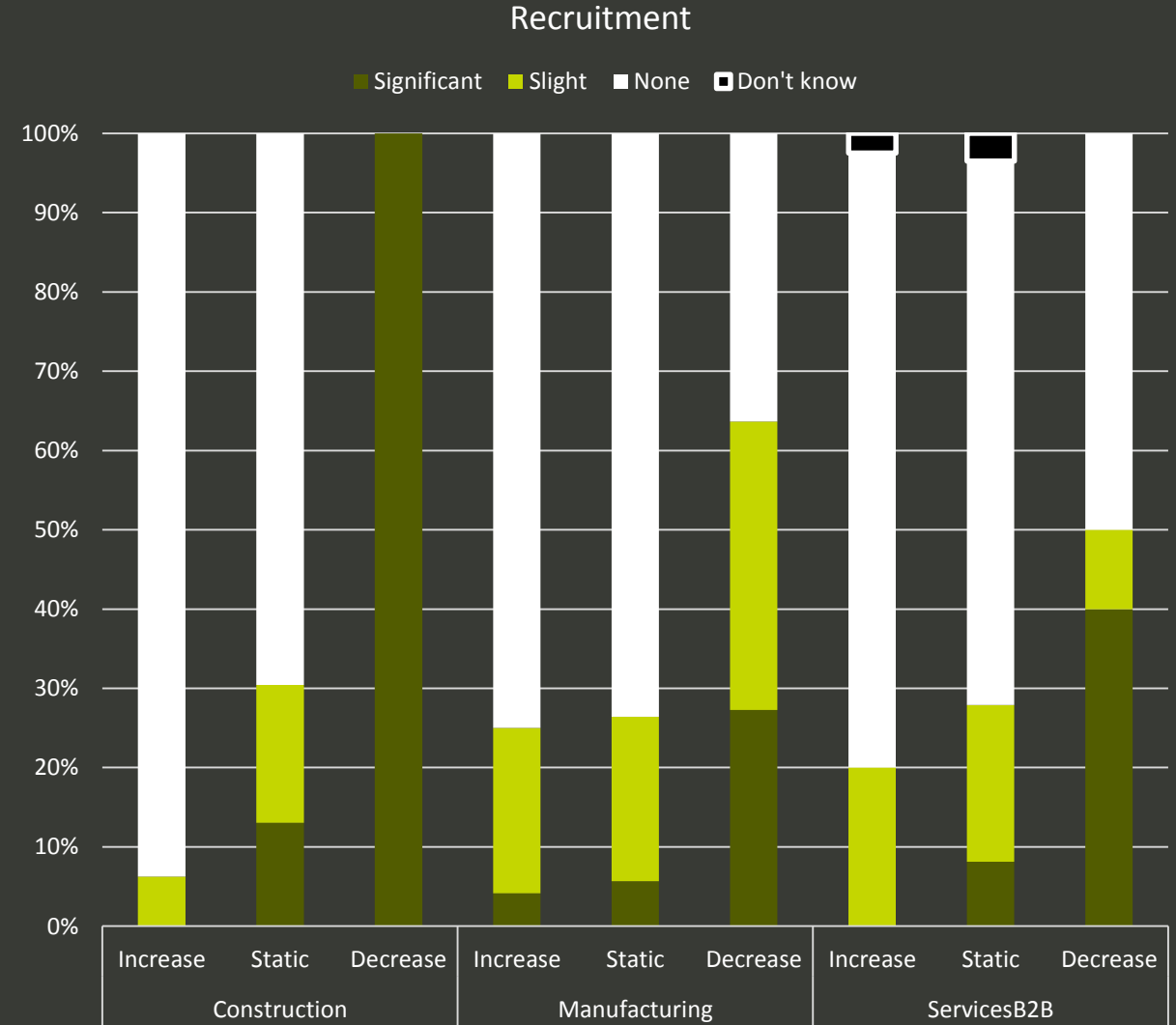
Source: GMCC QES Q3 2016



Costs & Prices **Brexit effects on investment and recruitment**



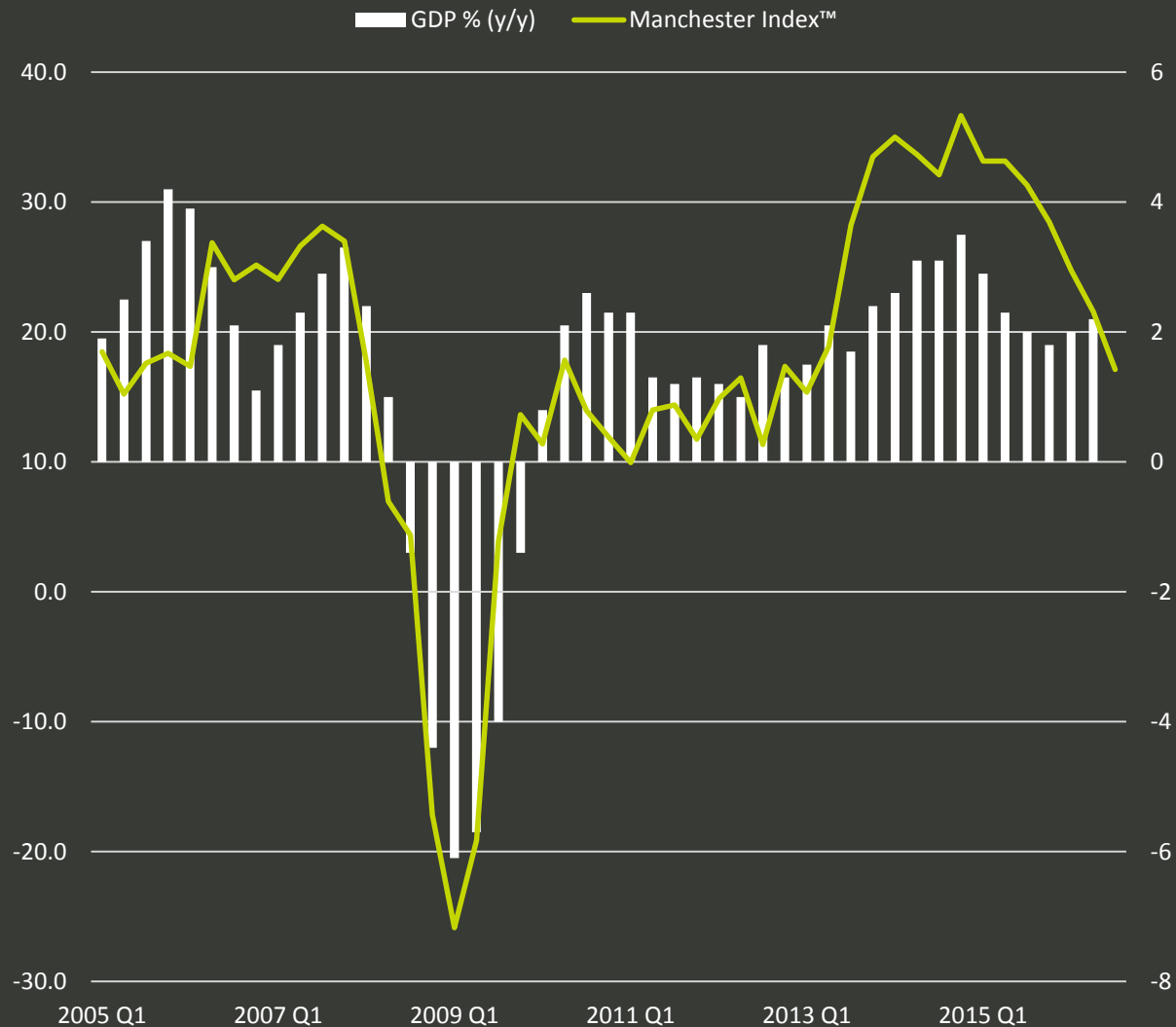
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UK Demand The Manchester Index™



Source: ONS Second Estimate of GDP; GMCC QES Q3 2016

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Brexit and the Future of International Trade

Alex Davies

Research Analyst



1. Continuing relationship with the EU

- Article 50 negotiations
- Exit options
- “Soft” and “Hard” Brexit?

2. The future of international trade

- Tariffs vs. Regulations
- Bilateral vs. Multilateral



2. Continuing Relationship with the EU

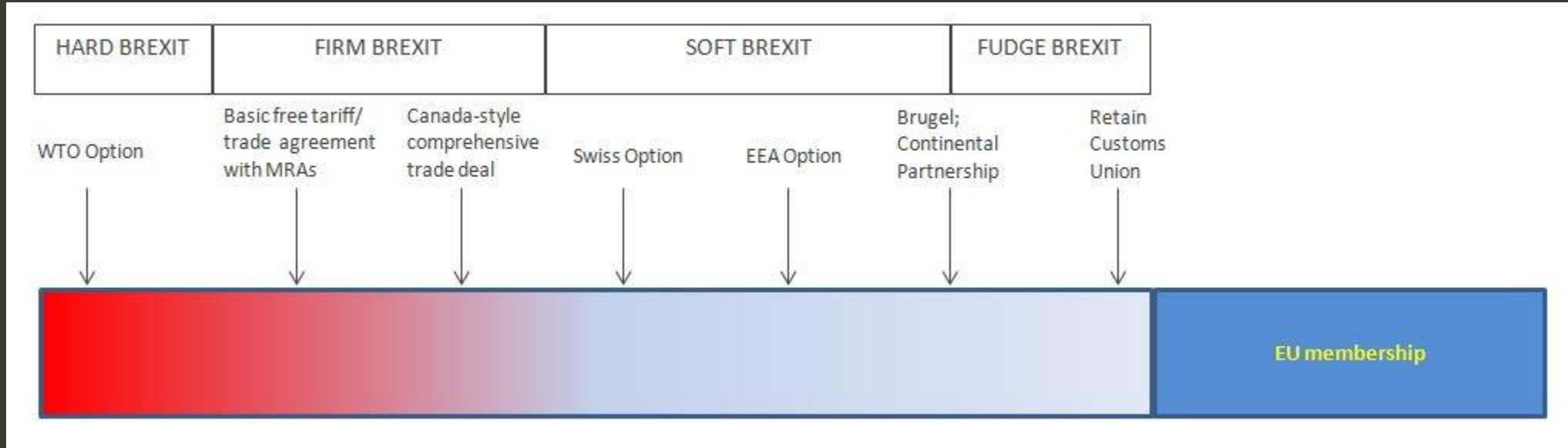
What are the options?

- **EEA/EFTA based-option – (Something similar to Norway)**
 - Full participation in single market – nothing much changes in terms of trade.
 - No direct say over EU matters, but we would gain a seat on global regulatory bodies.
 - The framework required is already in place (an “off-the-shelf” option)
- **Bilateral Deals – (Something similar to Switzerland)**
 - Multiple bilateral deals with the EU on specific aspects of trade.
 - More scope to tailor specific arrangements.
 - Must accept some EU law in return – bargaining involved.
 - Time and effort intensive – would be a start from scratch.
- **Something more bespoke**
 - Could be significantly time and effort intensive
 - Would likely be based upon existing framework
 - Could be difficult to negotiate
- **World Trade Organisation – all ties with EU severed**



2. Continuing Relationship with the EU

“Hard” Brexit? Or “Soft” Brexit?



- Not particularly useful terms – no clear definitions.
- Government seems to be leaning towards “hard” at this point.
 - But are they seeing it as the finishing line or the first step?



3. The Future of International Trade

Tariffs Vs. Regulation

- What do we mean by “trade deal”?
 - The trade deals we keep hearing about only deal with monetary tariffs.
 - These are the 53 that the EU has with non-EU countries.
 - These are the ones being spoken about by Liam Fox (mostly).
- Non-tariff barriers (NTBs) are the real issue...
 - The EU has around 38 NTB deals with the USA and 63 with China, **but none specifically on tariffs.**
 - The WTO option would see us lose these agreements, WTO rules alone are not enough.
- **If you are not talking about regulation, you are not talking about trade...**



3. The Future of International Trade

Bilateral Vs Multilateral

- Bilateral trade deals (between two countries) are increasingly outdated
- Globalisation is increasingly multilateral (agreements that apply to all who are signed up)
- Through global regulatory bodies, **a global single market is taking shape.**
 - United Nations Economic Commission for Europe (UNECE)
 - Codex Alimentarius – setting global food and agriculture standards
 - International Labour Organisation (ILO)
- **The EU is increasingly a rule-taker not a rule-maker**
- The future of trade is in **International Regulatory Cooperation**
- Britain can be at the forefront of this movement outside the EU – **a real opportunity to lead global trade.**



Final Thoughts

- **Brexit is a process, not an event...**
 - Article 50 gives us an initial negotiation of 2 years
 - Where should we be at the end of this?
 - What would the next steps be?
 - Can a bespoke arrangement be achieved in this time?
- **Securing EU Trade relations is vital**
 - We need a solid footing from which to progress...
- **International trade is changing...**
 - Britain could become the leader in International Regulatory Cooperation...
- **It's time to think big...**
 - What other opportunities are there to be had?



Stay up to date!

For weekly updates and reading lists see my “Last Week In Brexit”
blogs at:

WWW.GMCCEUREF.CO.UK

Follow me on twitter:
[@GMCC_Alex](https://twitter.com/GMCC_Alex)



LISA!

Survey question slides in here!



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Any Questions?



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Concluding Remarks

Chris Fletcher

Director of Marketing & Policy



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Dates for your diary

Engineering & Manufacturing Sector Briefing
Monday 10 October

Property & Construction Sector Annual Dinner
Thursday 20 October

Autumn Assembly
Friday 21 October

QES Q4 2016 fieldwork period
Monday 7 November – Wednesday 30 November

Quarterly Economic Breakfast Q4 2016
Friday 16 December



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