

Greater Manchester Business Monitor

Weekly Tracker: Impact of COVID-19

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Greater Manchester
Chamber of Commerce



GM Business Monitor : Impact of COVID-19

In the last few days, the public health response to COVID-19 has seen a UK wide lockdown with all non-essential shops ordered to be closed, the majority of the UK's workforce on homeworking and large parts of the economy at standstill. As the economic consequences of the coronavirus pandemic started to manifest themselves, the Government announced various schemes to shield businesses and workers from financial catastrophe. Given the rapid pace of developments, the Chamber is keen understand the immediate impacts on our businesses and their take up of the support measures announced by the Government.

Although the full economic impact of this epidemic is still unknown, the shock is likely to weaken demand and adversely affect liquidity for most businesses. Greater Manchester Chamber's GM Business Monitor is a weekly tracker of economic activity in the city region. The fieldwork for the second week's Business Monitor tracker was conducted between Friday, 27th March and Thursday, 2nd April and captured the views of 103 businesses. The results show that the short-term outlook is negative and may worsen as business leaders grasp the full extent of disruption to normal trading and in their supply chains.

This report presents a Greater Manchester (GM) view of the tracker results broken down by groups of GM local authorities. For the purpose of this report, GM North is made of Bolton, Bury, Oldham, Rochdale and Wigan. GM South is made up of Salford, Stockport, Tameside and Trafford. Manchester on its own makes up GM Central.



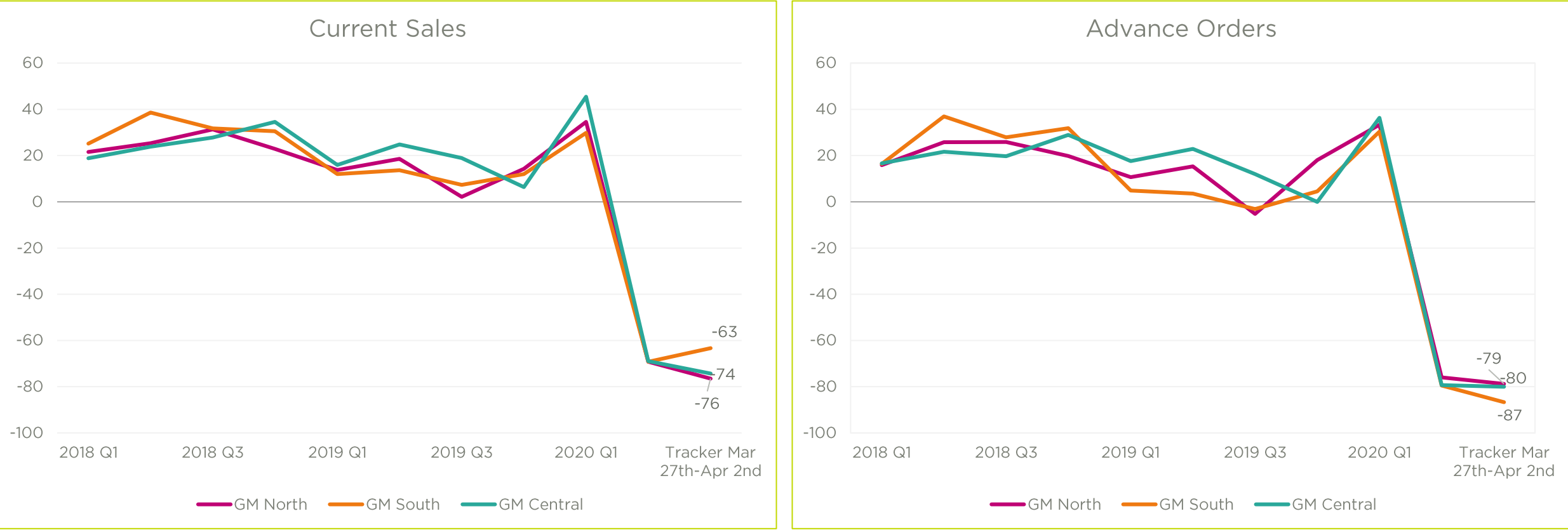


Business Monitor: topics covered

- Customer demand – current sales and advance orders
- Changes to workforce
- Cash flow position
- Business confidence
- Issues of concern
- Business support measures



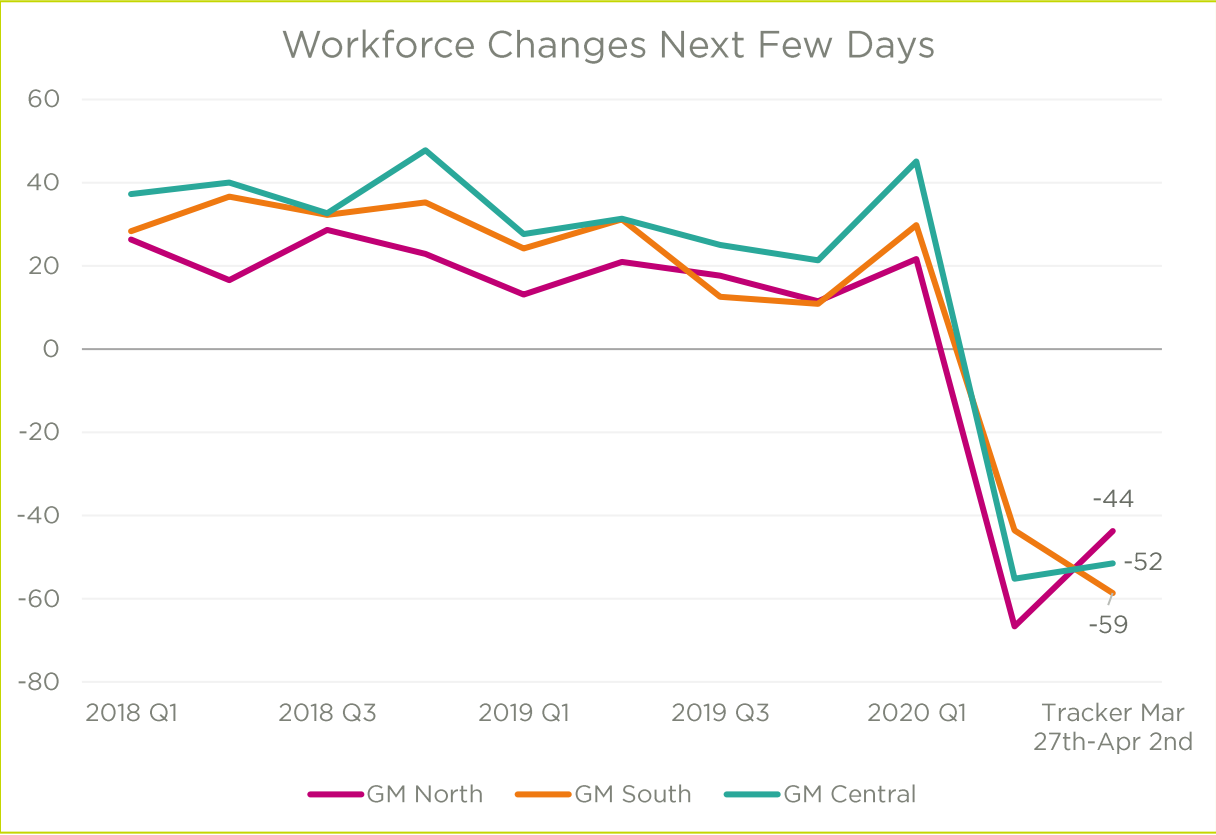
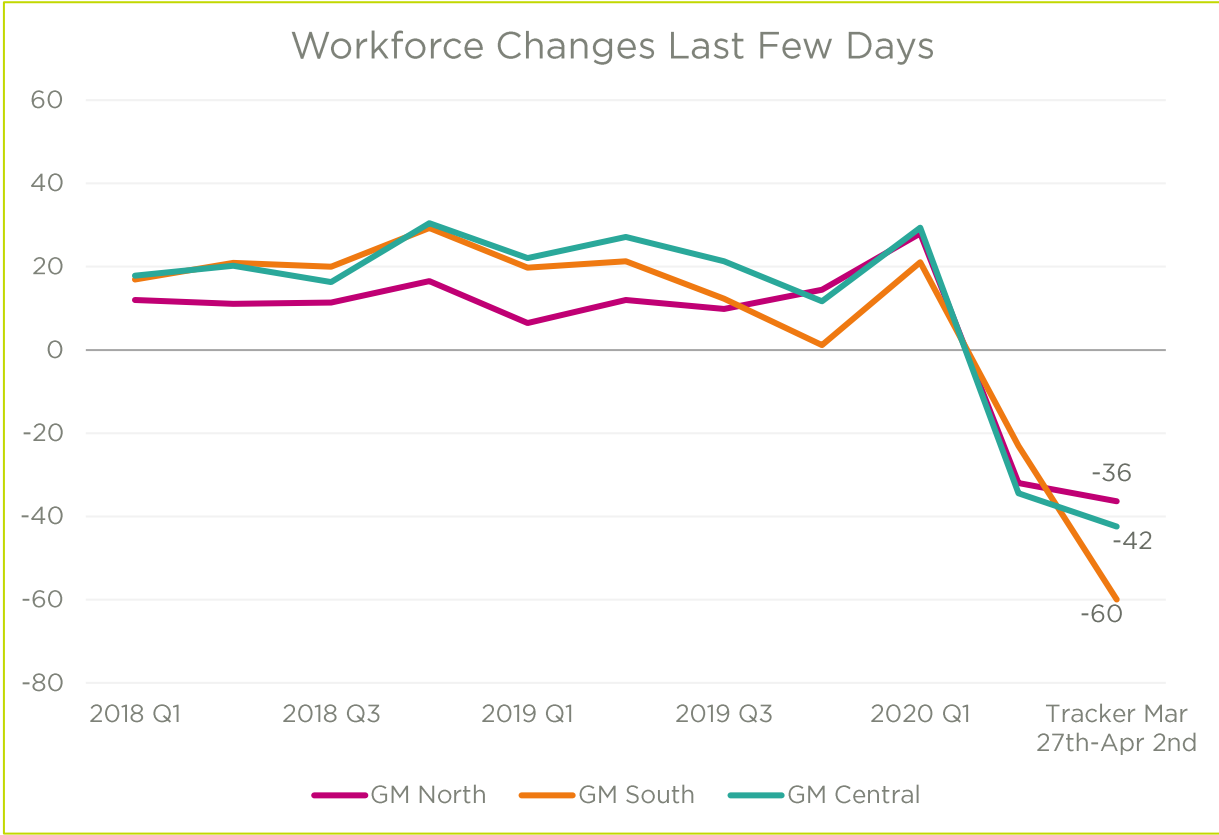
GM Business Monitor: Customer Demand



The [results of the first week's Business Monitor survey](#) showed that customer demand had fallen to its lowest levels ever. Customer demand is now even lower than what was recorded during the 2008/09 recession. The regional breakdown of the tracker data shows that all local authority areas with GM have been equally affected. The balances of firms reporting on current sales and advance orders were both below zero for all three regions, meaning a lot more respondents reported a decline in sales than those reporting an increase or sales remaining at similar levels. Of particular concern to many businesses will be the uncertainty around the duration of the lockdown. The longer the lockdown measures have to be kept in place, the more reduction there will be in demand and business activity levels.



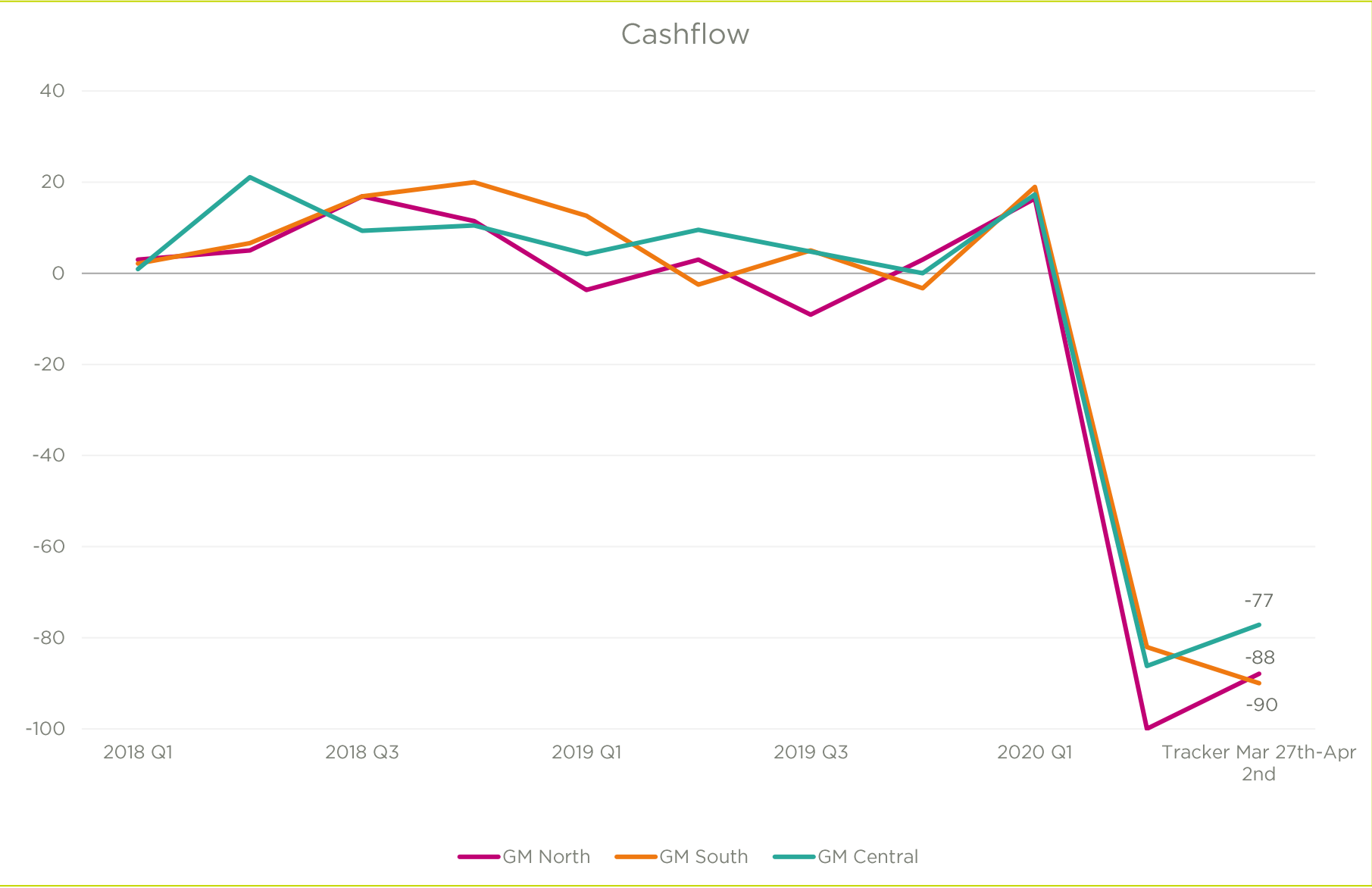
GM Business Monitor: Employment and workforce



In all three regions, nearly half of the respondents to the tracker survey have reported a reduction in their workforce in the last few weeks and almost the same proportion of respondents expect a further reduction in their workforce in the next few days, which means the balance of firms reporting on labour market questions is also in negative territory. This number of firms reducing their workforce may increase further as more of them decide to lay off or furlough staff - anecdotal evidence indicates that interest in the Job Retention Scheme is high with many employers choosing to furlough employees rather than lay them off.



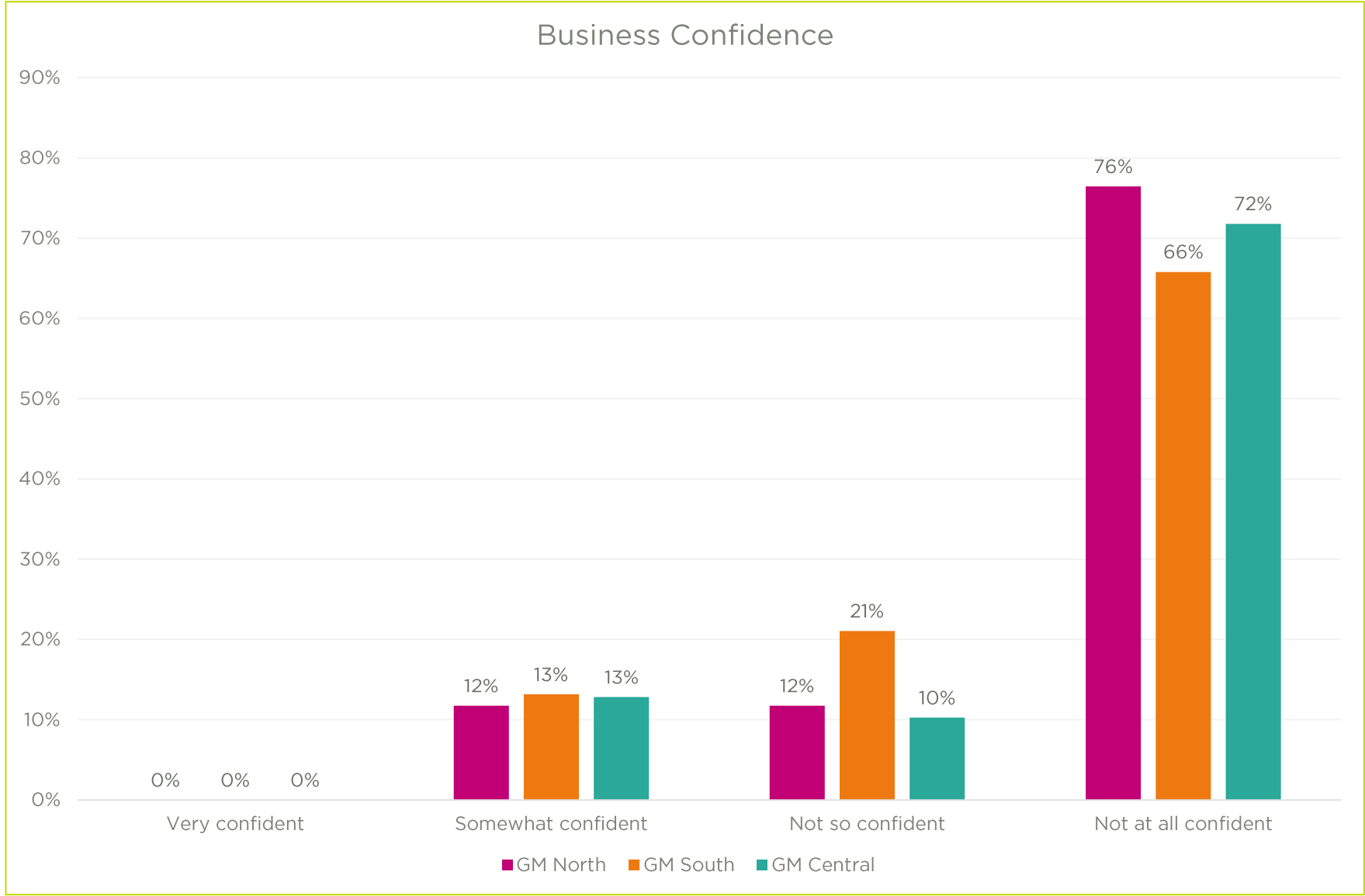
GM Business Monitor: Cashflow



While the fall in customer demand will affect both turnover and profitability in the short to medium term, many businesses are experiencing sudden and severe cash pressures. Businesses based in Manchester are reporting marginally improved cash flow positions compared to businesses in other GM local authority areas. In Manchester, the balance of firms reporting cash flow problems is -77, whereas in other areas, it is close to -90. This means that the absolute majority of GM businesses reported difficulties in maintaining cash flow positions. For the second consecutive week, not even one respondent to the tracker survey reported an improvement in cash flow position. Working capital pressures are likely to be more acute for smaller businesses.



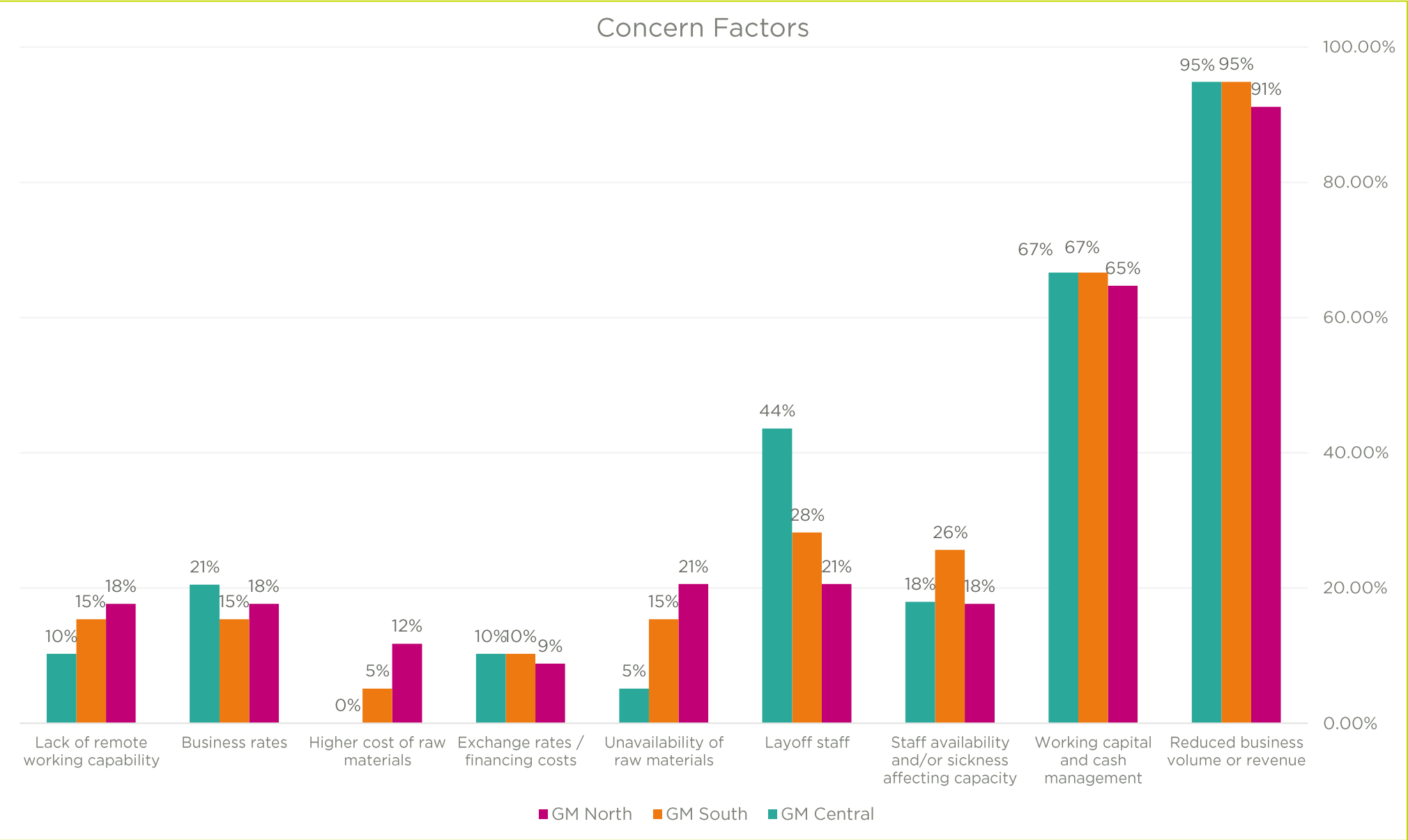
GM Business Monitor: Business Confidence



The results of this week's Business Monitor reveal a significant decrease in business confidence. This is true of all three GM regions. Whilst no respondent has reported being very confident under the current circumstances, a small proportion of businesses in all three regions are somewhat confident of maintaining revenues and profitability in the next few weeks. While three-fourths of businesses in GM North are not at all confident, only two-thirds in GM South report a similar level of pessimism. The decline in positive sentiment is understandable given the sharp decline in customer demand and precarious cash positions. The chart on concerning factors in the next page highlights this issue.



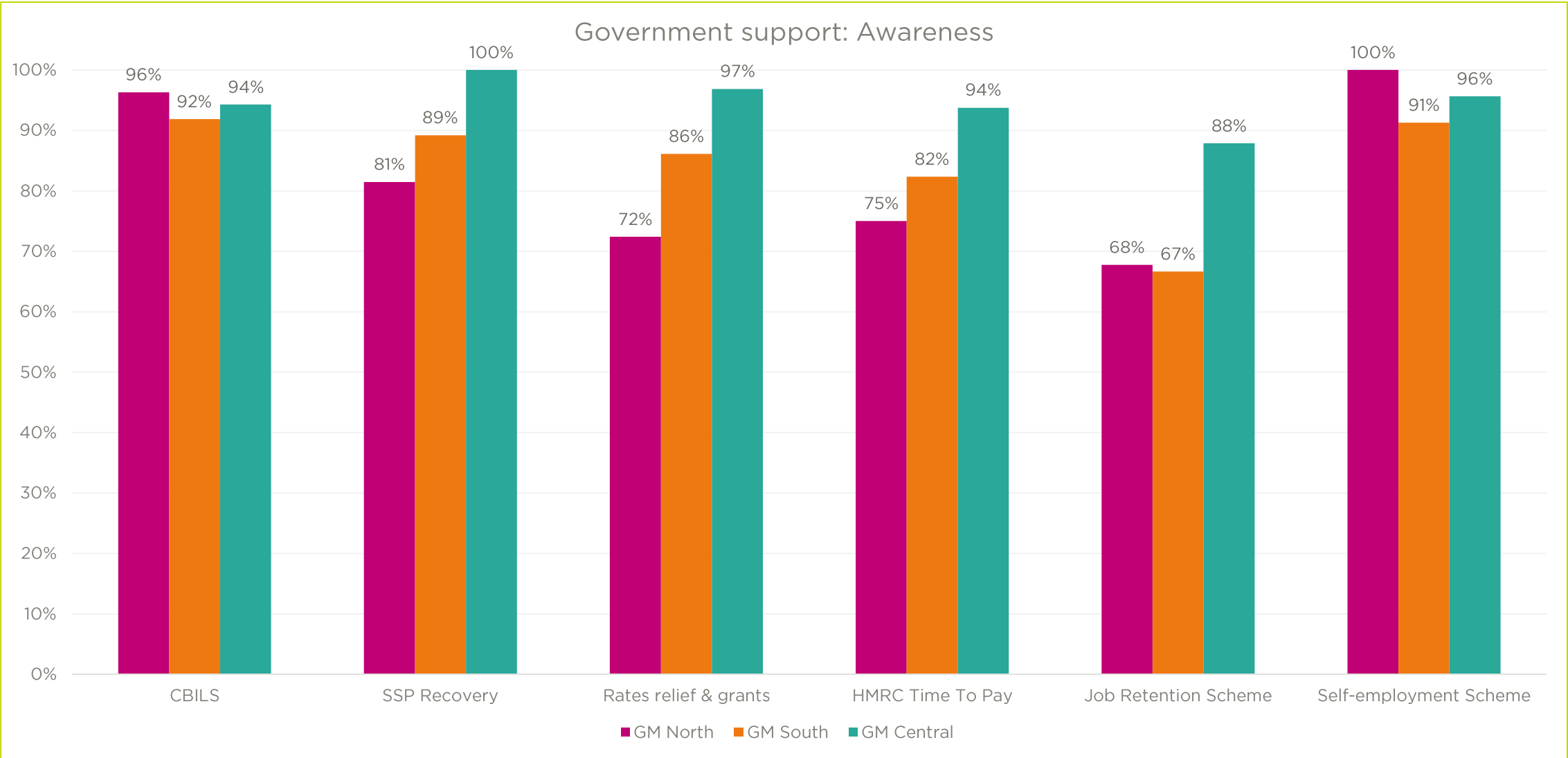
GM Business Monitor: Issues of concern



The absolute majority of businesses in all three GM regions are concerned about the fall in customer demand and the consequent impact on cash management. Staff availability to deliver current business requirements, primarily in sectors which are still open, is a concern. The impact of lockdown measures on the ability of businesses to maintain their workforce can be clearly seen in GM Central. With a large number of hospitality, retail and leisure located in the city centre region of Manchester, this is hardly surprising.



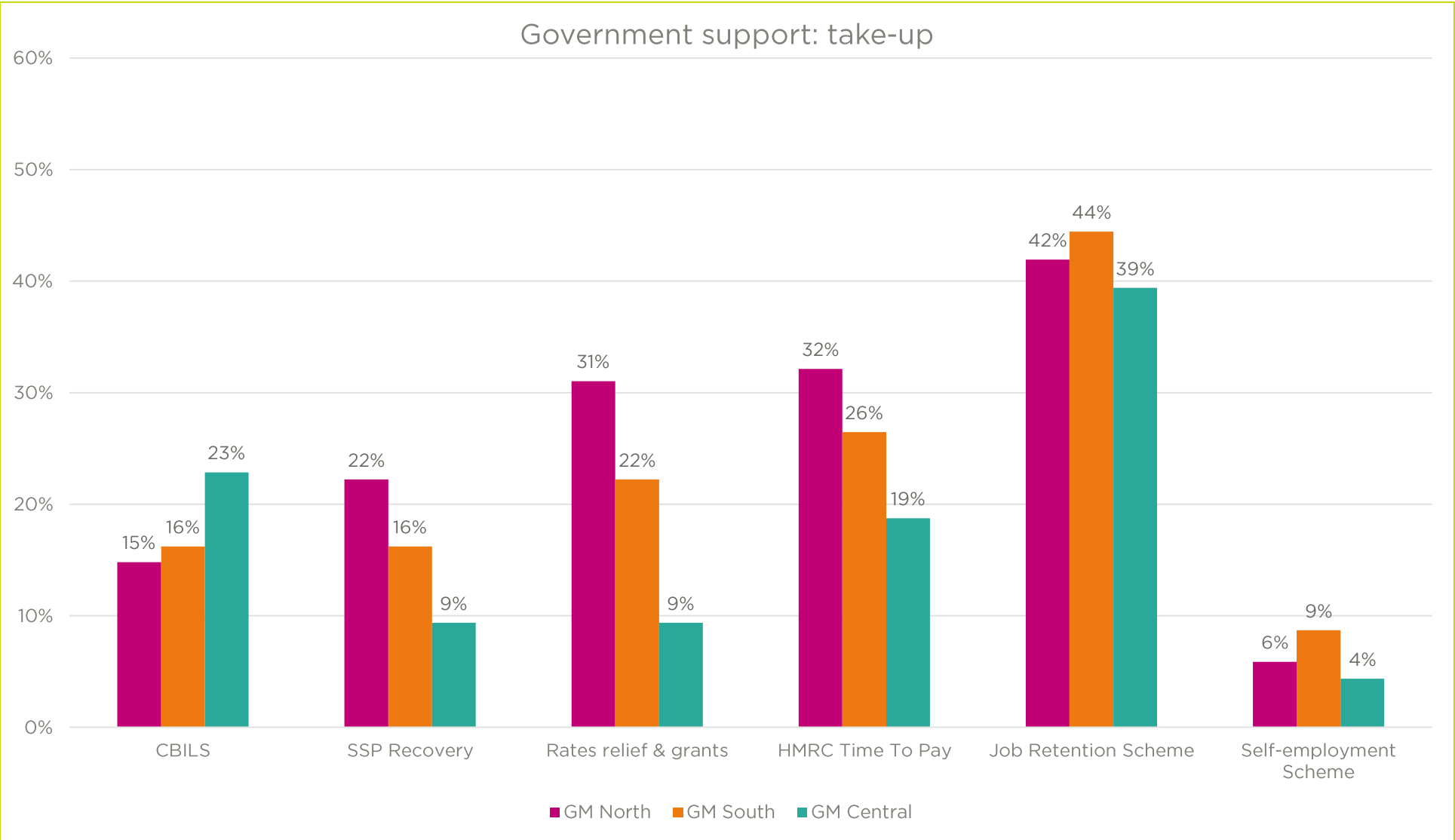
GM Business Monitor: Awareness of available support



Source: GM Business Monitor



GM Business Monitor: Applying for and/or using support



Although awareness of support measures is high, not as many businesses are currently applying for government support. That trend remains the same in all of GM. The most popular scheme is the Job Retention Scheme. Compared to businesses in other areas, more businesses in GM North are applying for SSP recovery and rates relief, and making arrangements with HMRC for additional time to pay taxes.



Summary

- The economic impact of the COVID-19 pandemic is being felt by businesses in all sectors and across all GM regions.
- There are minor variations in the effect on different regions caused by the business demography particular local authority regions. The results show that 44% of businesses in Manchester are worried about having to lay off staff whereas this is a concern for just under 30% in the other two regions.
- The fall in demand has led to a severe contraction and businesses need immediate support. Any delay in extending support is likely to cause significant damage.
- The current data on applications for the various schemes the Government has announced shows that local needs must be considered and refinement of support measures may be needed at a local authority level to maximise impact.

