

Greater Manchester Business Monitor

Weekly Tracker: Impact of COVID-19

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GM Business Monitor : Impact of COVID-19

In the last few weeks, 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 of Friday, 17th April, the lockdown has been extended for another three weeks. Although the full economic impact of this epidemic is still unknown, the shock has weakened demand and adversely affected liquidity for most businesses. The economic consequences are so serious that the Government had to step in with a support package of over £300 billion to shield businesses. Many businesses are now reliant on one or more of the support schemes launched by Government.

The Chamber launched the Greater Manchester Business Monitor (BM) as a weekly tracker of economic activity in the city region. Previous reports of the BM revealed that demand and business confidence are at historic lows. The economic crisis is so serious that many businesses need immediate support. However, their experience of accessing Government support has not been smooth. This report looks into both business impact and take-up of Government support.

The fieldwork for the third BM tracker was conducted between Friday, 3rd April and Thursday, 16th April and captured the views of 100 businesses. This report also includes a 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.

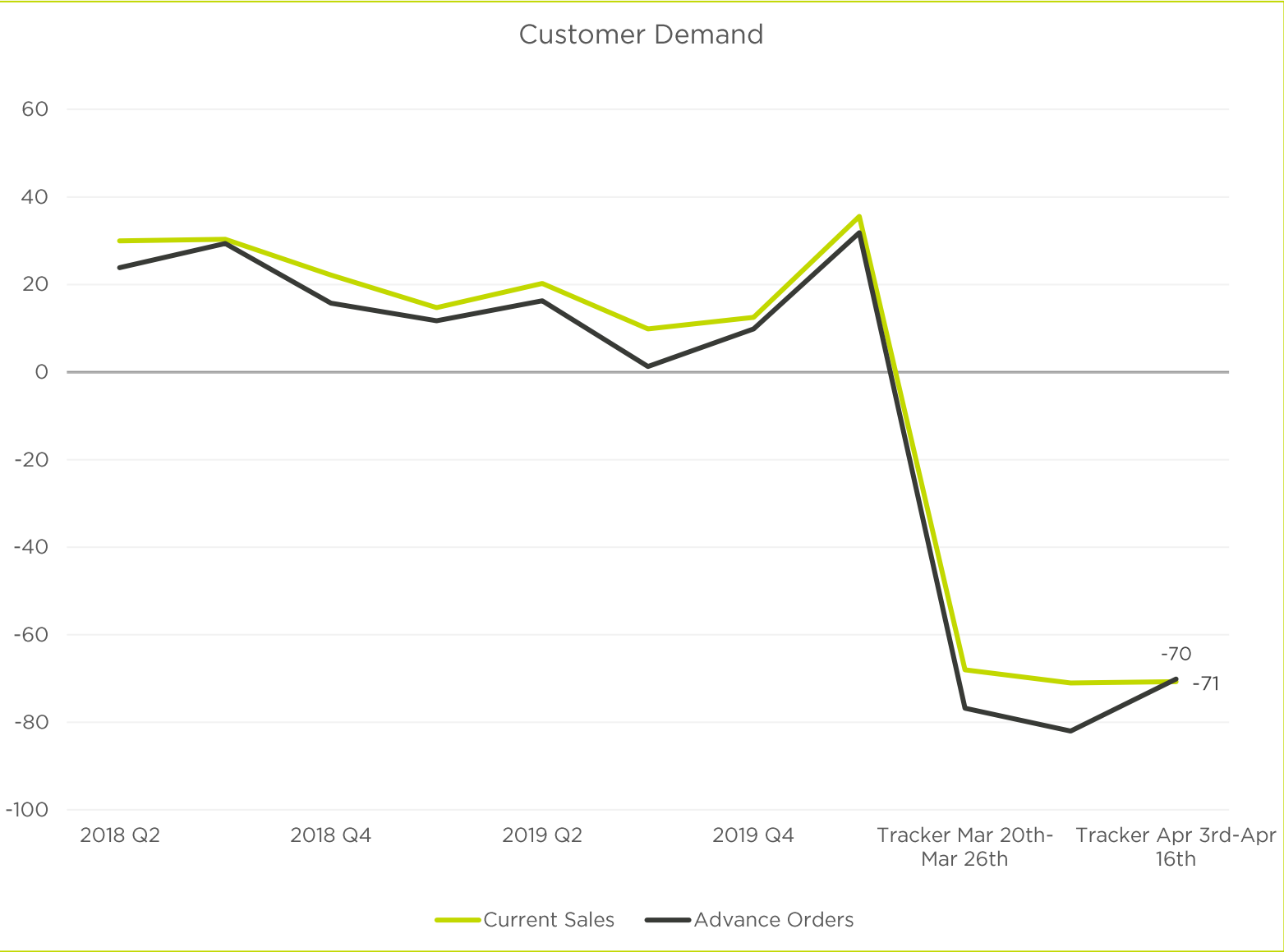


Business Monitor: topics covered

- 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



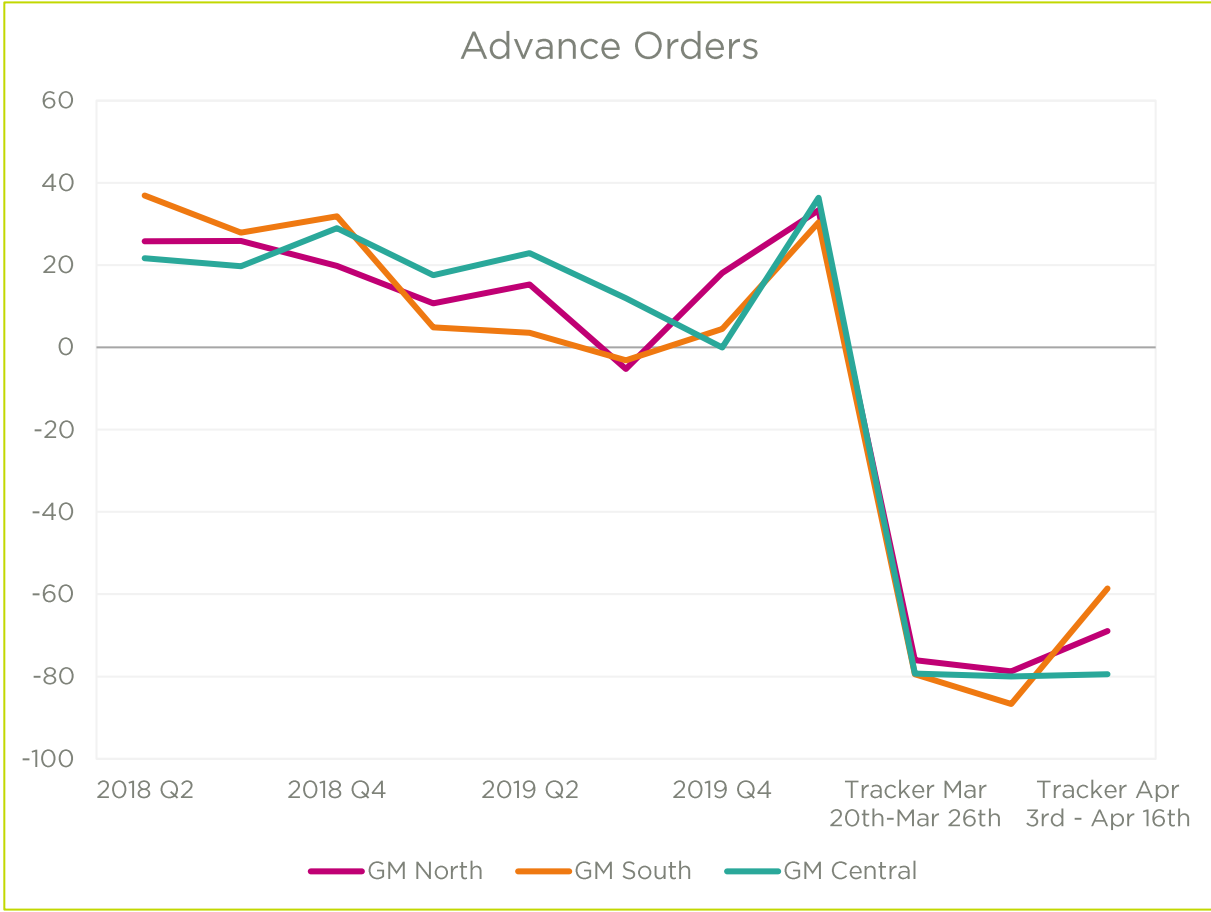
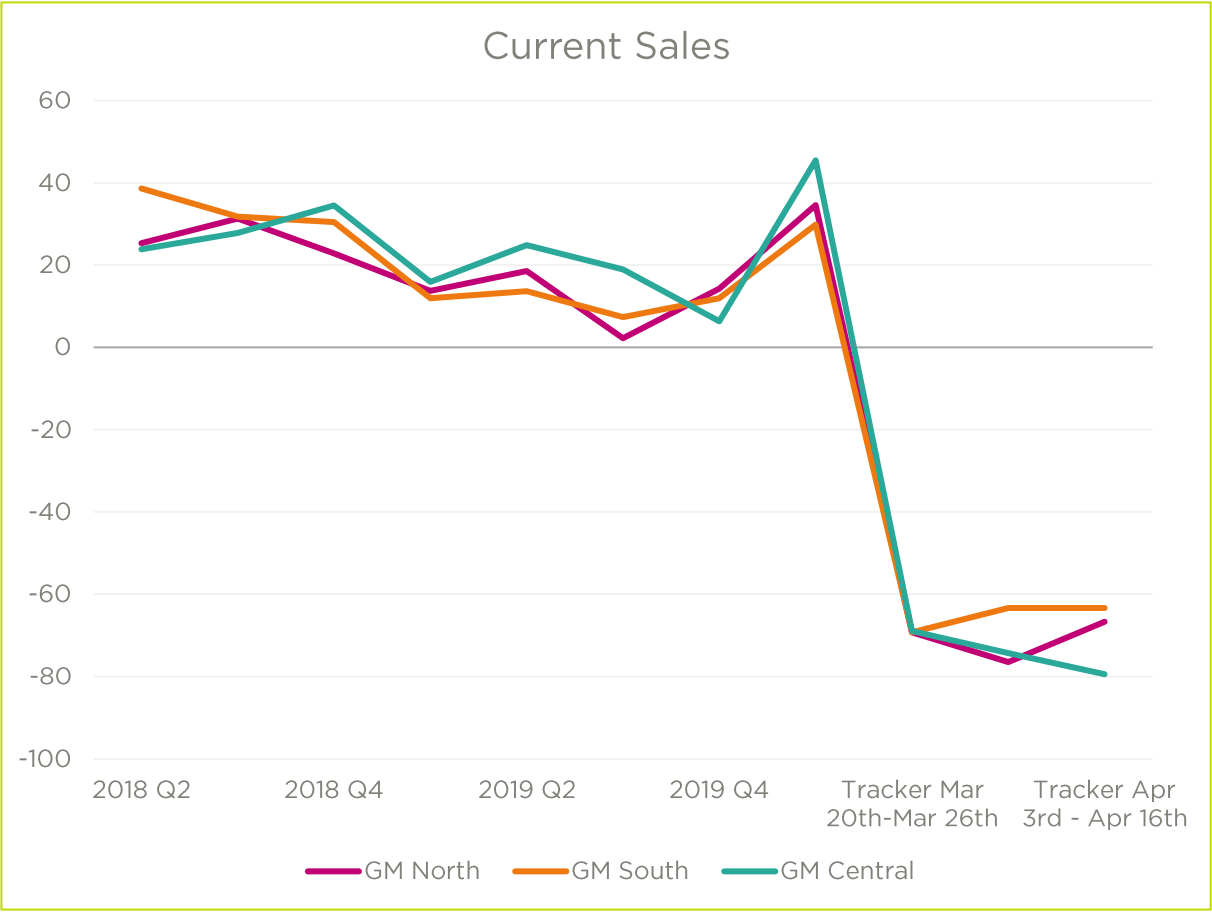
The [results of the previous weeks' Business Monitor surveys](#) showed that customer demand had fallen to its lowest levels ever. The previous weeks' trend of lots more respondents reporting a decline in sales than those reporting an increase continues, and the balances are still deeply in negative territory.

Demand data from the latest tracker shows that the balance of firms reporting on advance orders changed from -82 to -70 whereas current sales are flat at -71. The change in advance orders must not, however, be interpreted as an improvement in potential future sales. It is likely that four weeks into the lockdown, sales and bookings have plateaued at the low levels after the sharp decline in March. It is likely that the customer demand related tracker balances will continue to be below zero for the next several weeks.

Source: GMCC QES and GM Business Monitor



GM Business Monitor: Customer Demand

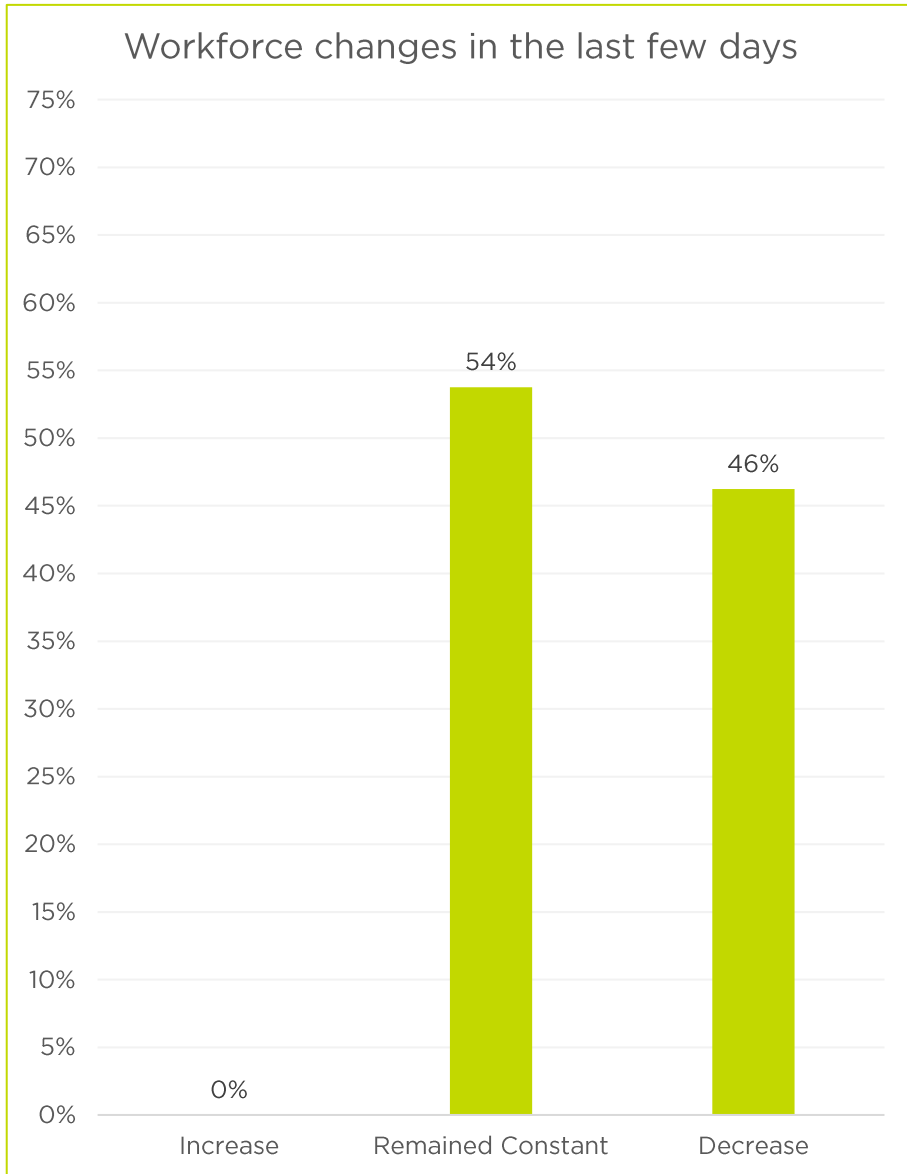


The regional breakdown of the tracker data shows that all local authority areas with GM have been equally affected. The balances of firms reporting on current sales and advance orders were both below zero for all three regions. In GM Central, current sales are lower than in the previous week while advance orders are flat.

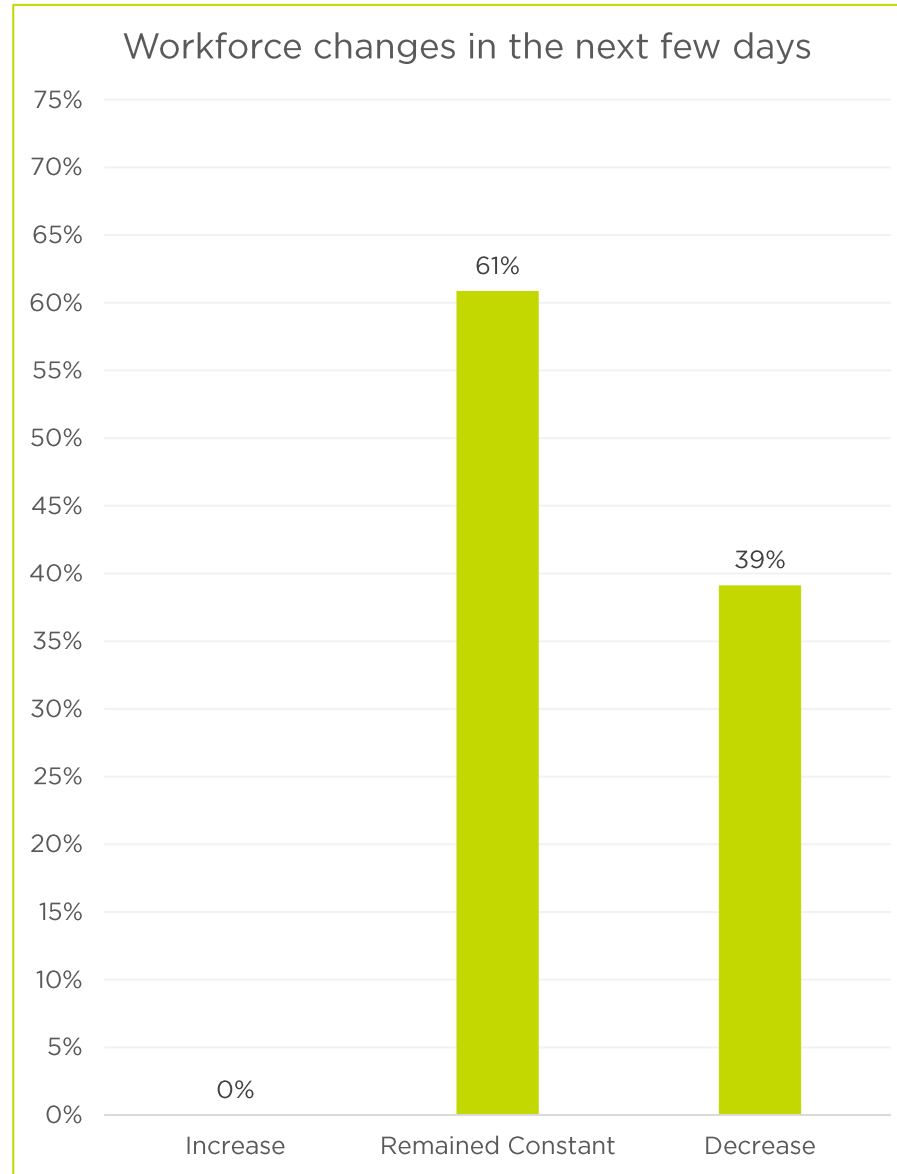
Source: GMCC QES and GM Business Monitor



GM Business Monitor: Employment and workforce



Source: GM Business Monitor

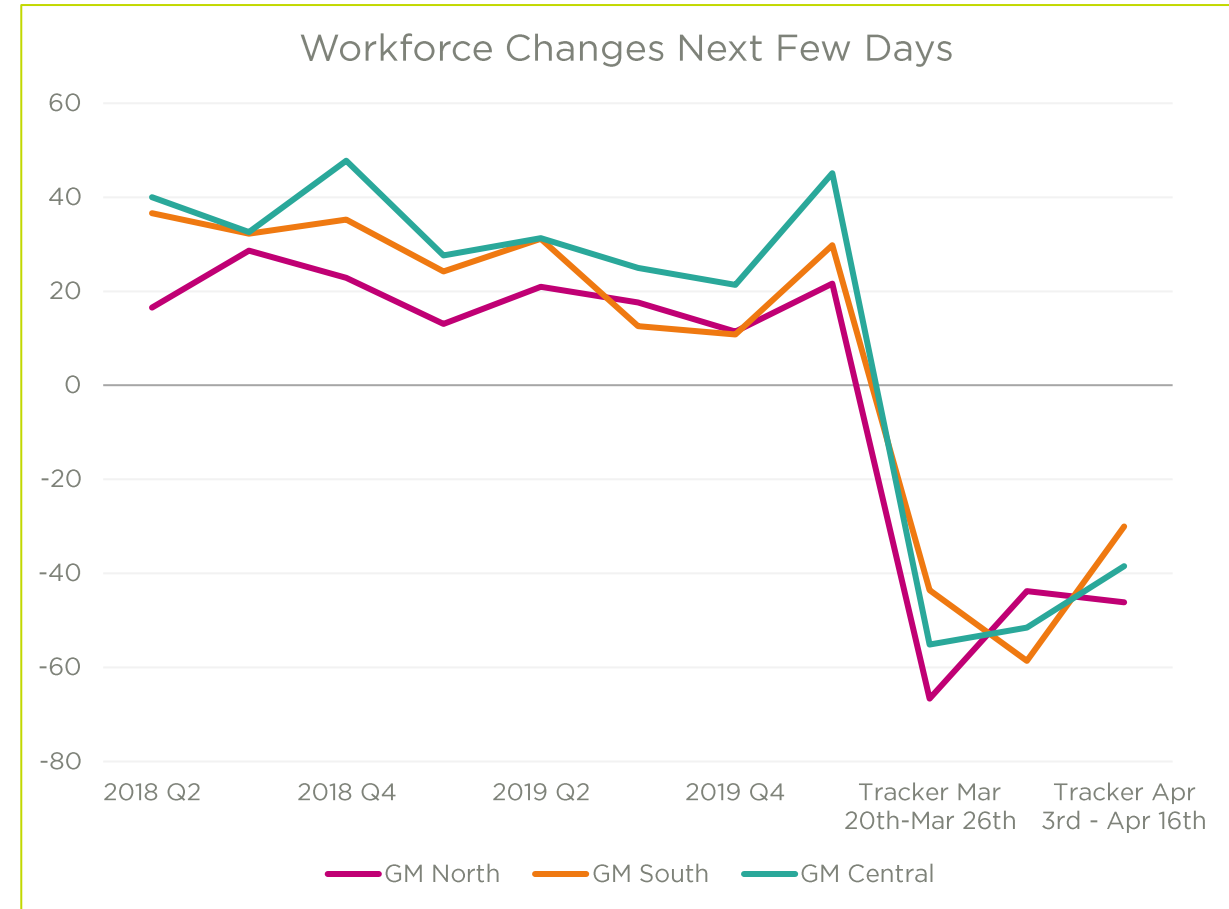
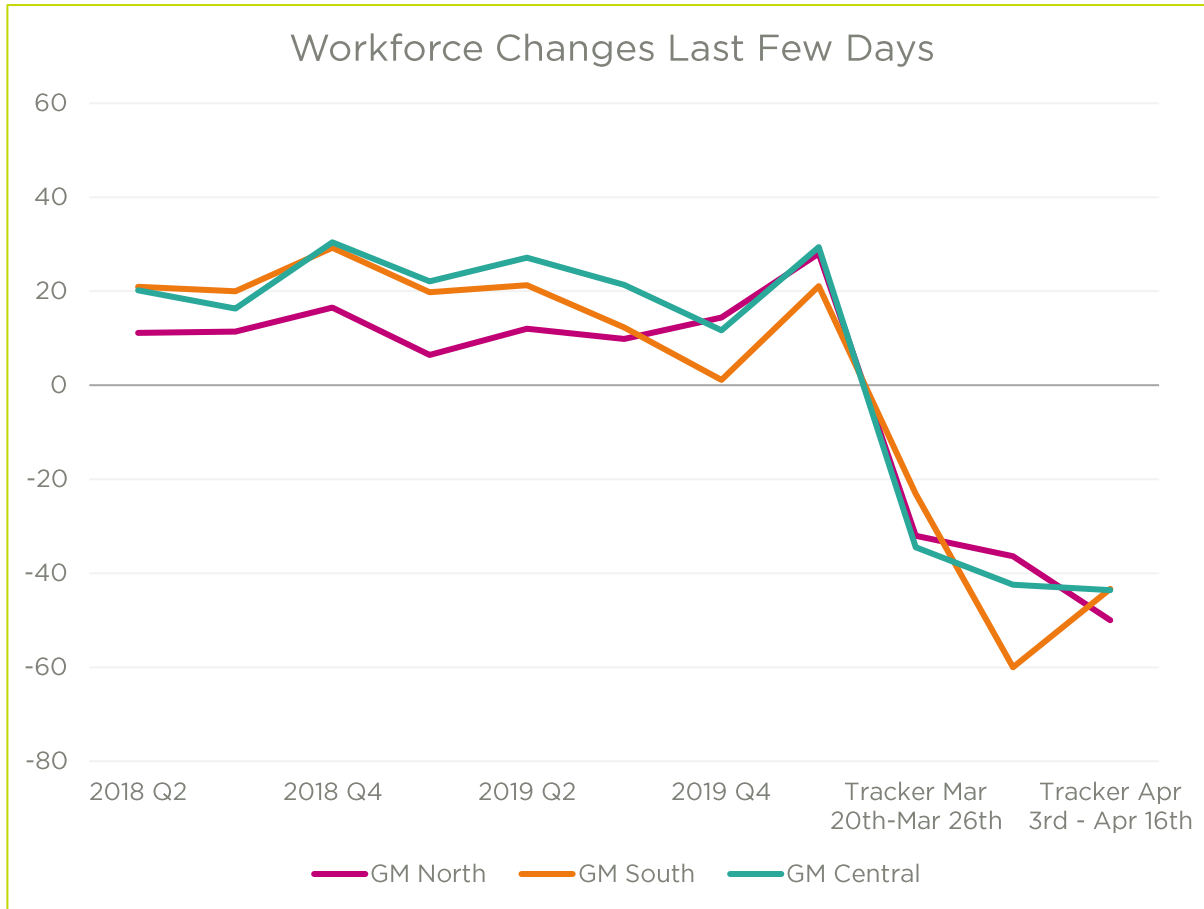


Source: GM Business Monitor

Nearly half of the respondents to the tracker survey have reported a reduction in their workforce in the last week while another 39% also expect a further reduction in their workforce in the next week. Anecdotal evidence indicates that interest in the Job Retention Scheme is high with many employers choosing to furlough employees rather than lay them off. It is likely that many employers have already made furlough decisions, as a result of which the number of respondents reporting no further changes in the workforce has increased slightly compared to the previous week.



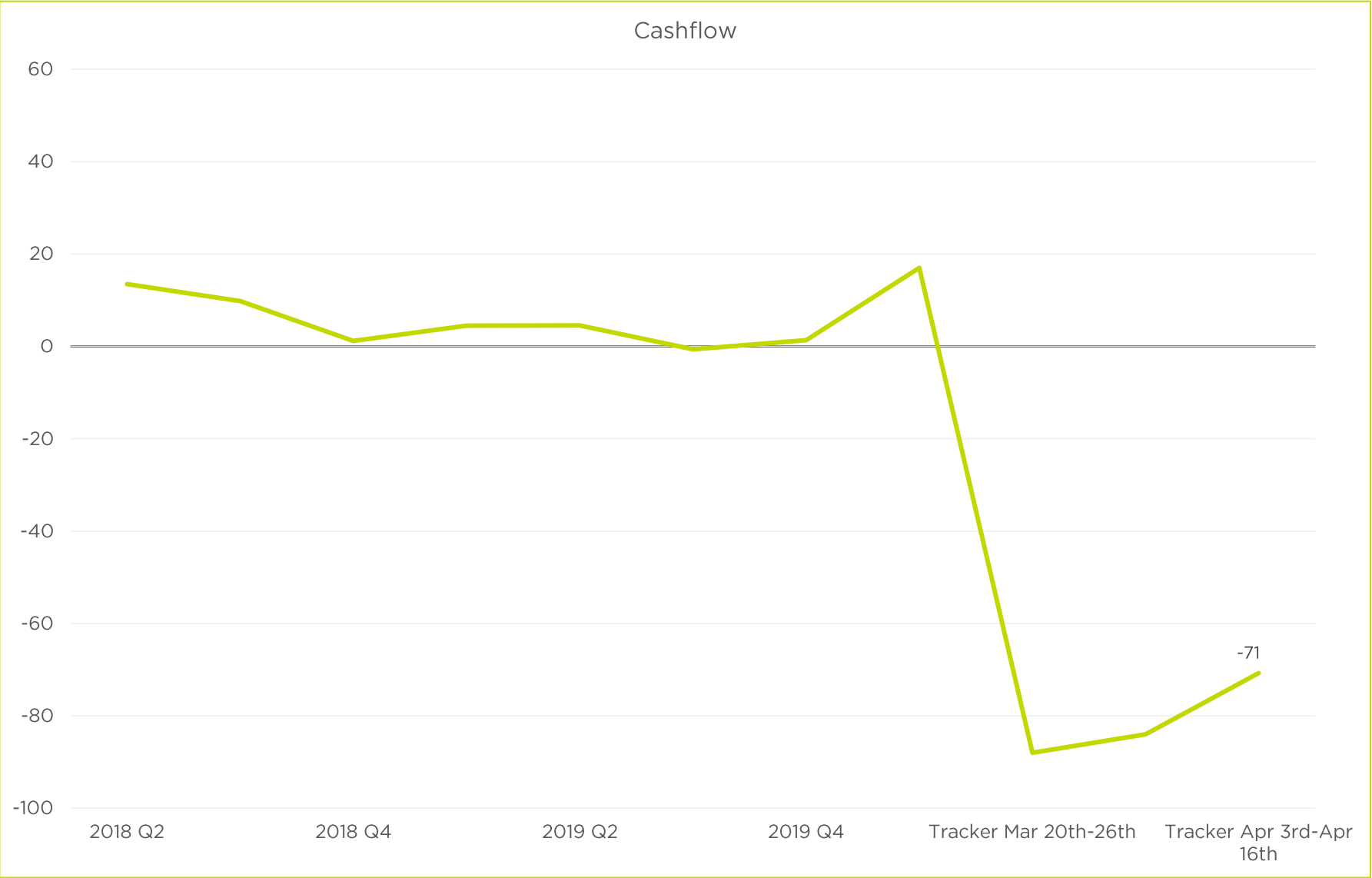
GM Business Monitor: Employment and workforce



Compared to the previous tracker, firms in GM North and GM Central have reported making further reductions in their workforce. Businesses in GM South are reporting an opposite trend with fewer businesses making significant reductions in the last week. This should also not be interpreted as an improvement in employment in the relevant local authority areas. The balances continue to be below zero.



GM Business Monitor: Cashflow

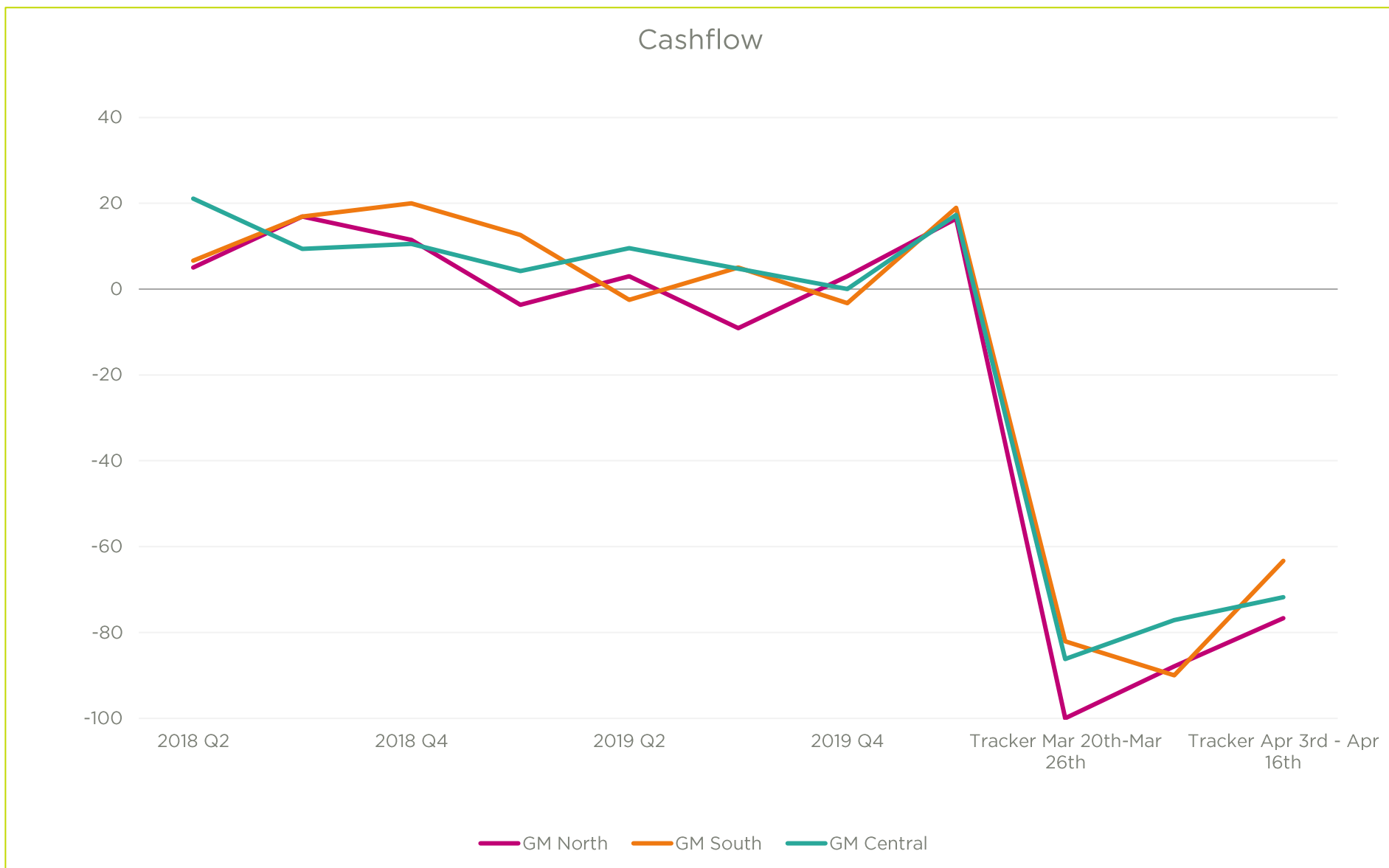


While the fall in customer demand will affect both turnover and profitability in the short to medium term, many businesses are experiencing sudden and severe cash pressures. Delayed payments, disruptions to supply chains and weaker demand pose a significant cash flow challenge. The balance of firms reporting cash flow problems is -71, meaning a lot more businesses reported difficulties in maintaining cash flow positions and for the third consecutive week, no respondent to the tracker survey reported an improvement in cash flow positions in the last few days. Working capital pressures are likely to be more acute for smaller businesses.

Source: GMCC QES and GM Business Monitor



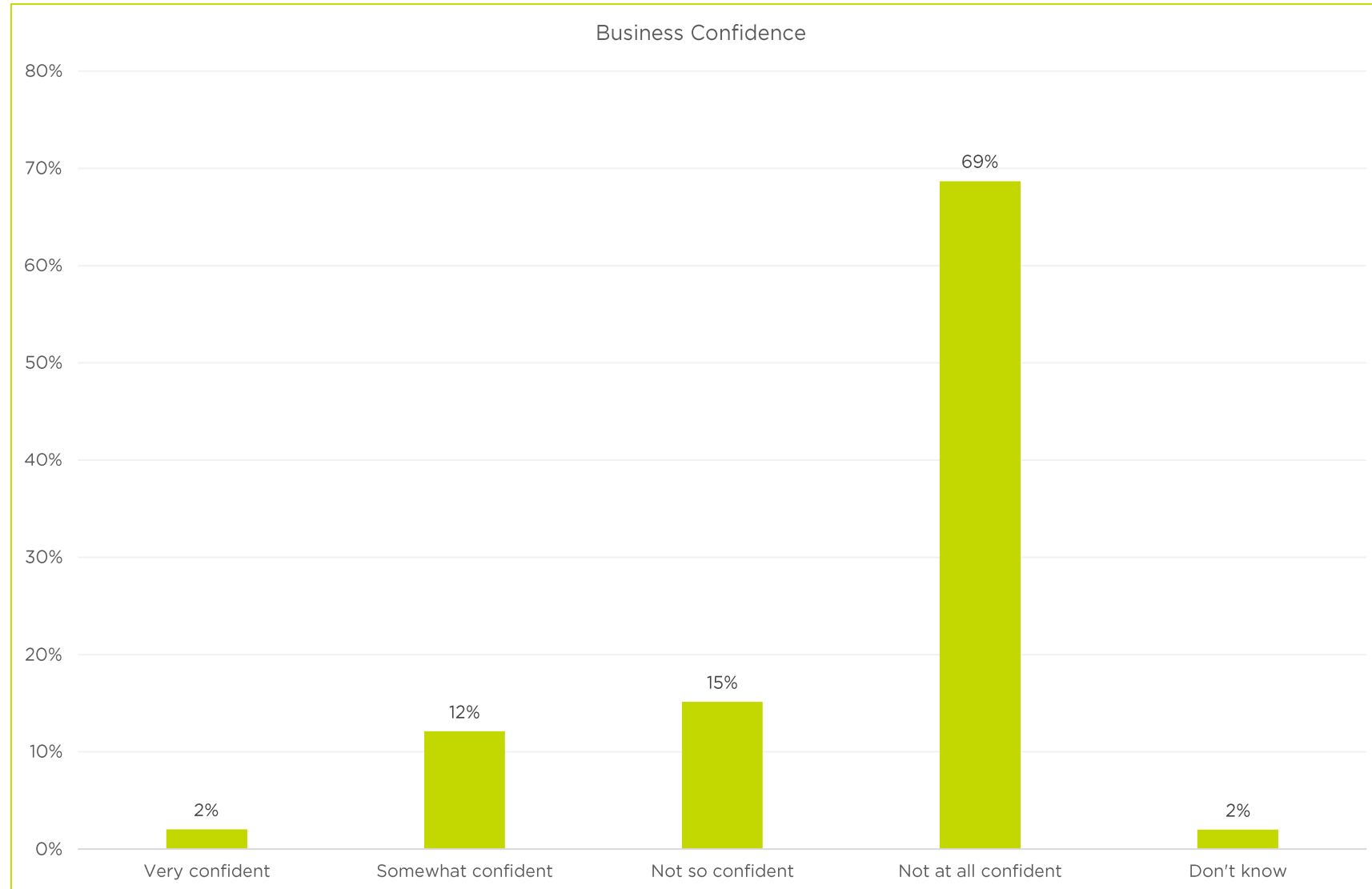
GM Business Monitor: Cashflow



At one stage, nearly all businesses in GM North appear to have reported a significant reduction in cashflow positions. That situation has changed slightly – not an improvement but a continuation of the same situation. In the latest tracker, the balance of firms in GM North reporting cash flow problems is -77, whereas in other areas, it is close to -70 in Manchester and -63 in GM South. This means that the absolute majority of GM businesses reported difficulties in maintaining cash flow positions.



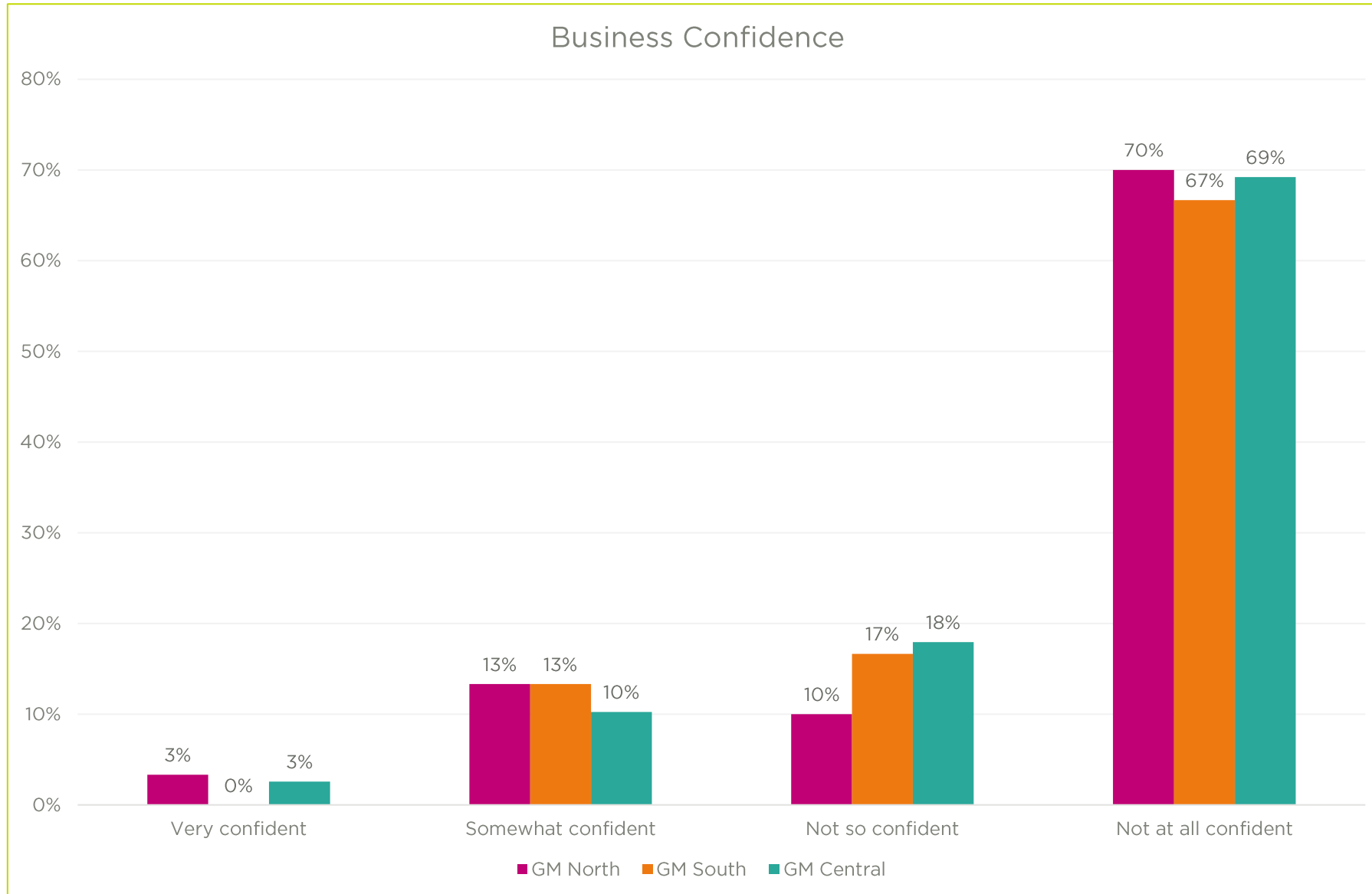
GM Business Monitor: Business Confidence



The results of this week's Business Monitor reveal a further decline in business confidence levels. With demand at historic lows and no clarity on when improvements in the public health situation could lead to a relaxation of the lockdown, there has been a dramatic decline in optimism amongst business leaders. More than two-thirds of survey respondents reported not being confident at all about business prospects over the next three months while another 15% were not so confident. Only 14% of respondents had some confidence in being able to maintain sales and turnover in the coming weeks.



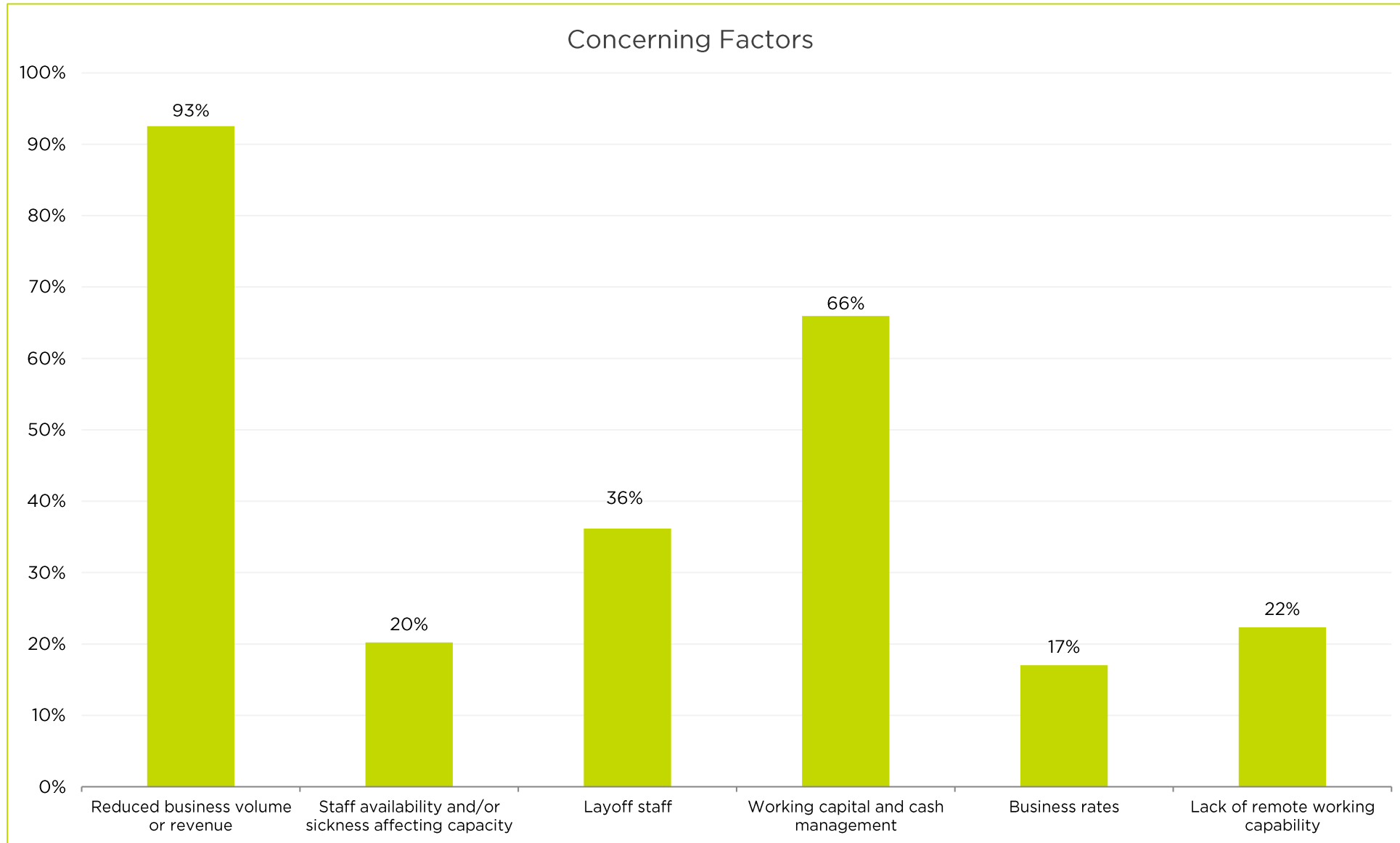
GM Business Monitor: Business Confidence



The regional breakdown reveals a significant decrease in business confidence. This is true of all three GM regions. A small proportion of businesses in all three regions have confidence in maintaining revenues and profitability in the next few weeks. While 70% of businesses in GM North are not at all confident, just over 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.



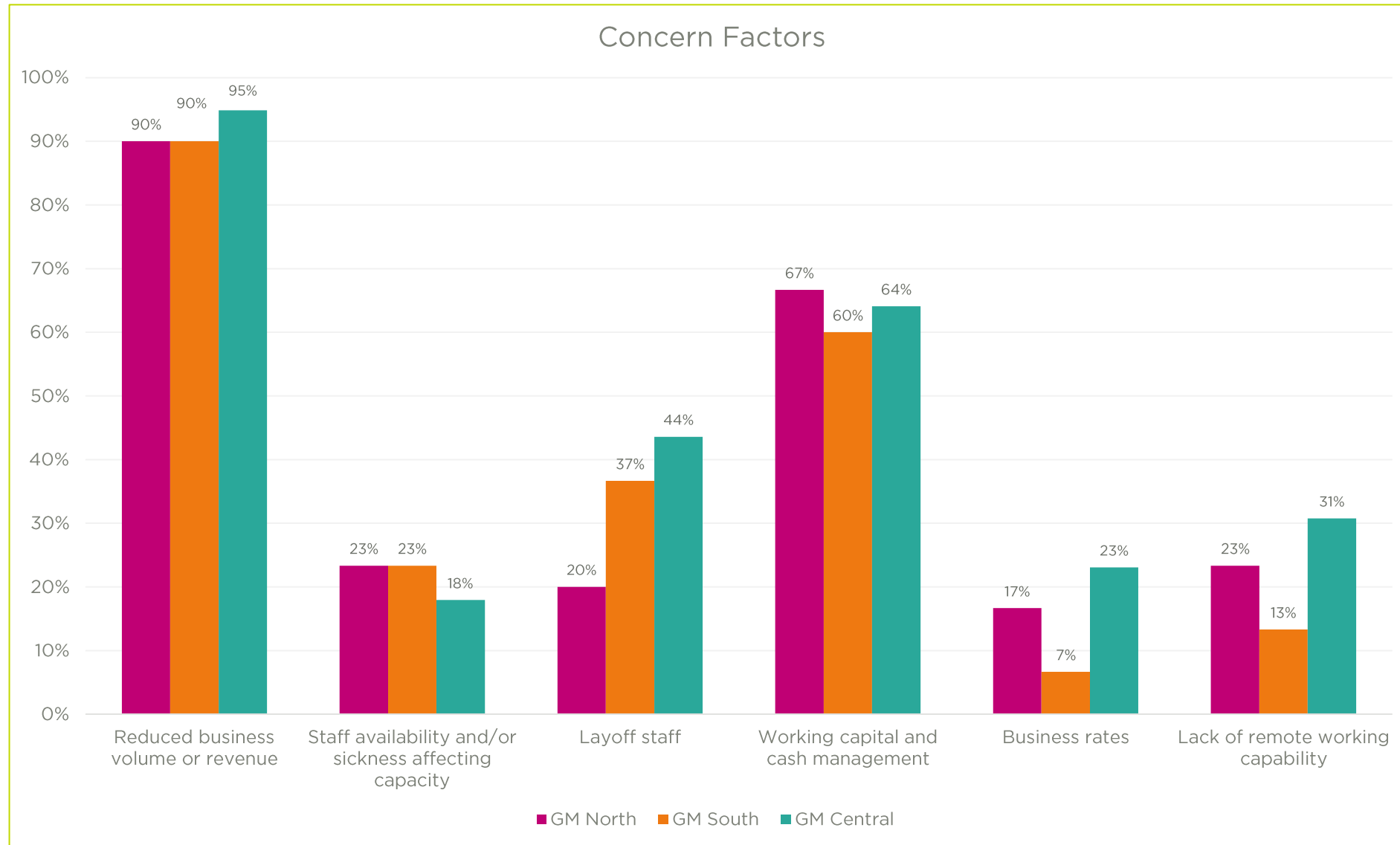
GM Business Monitor: Concerning factors



The absolute majority of businesses in all GM 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.



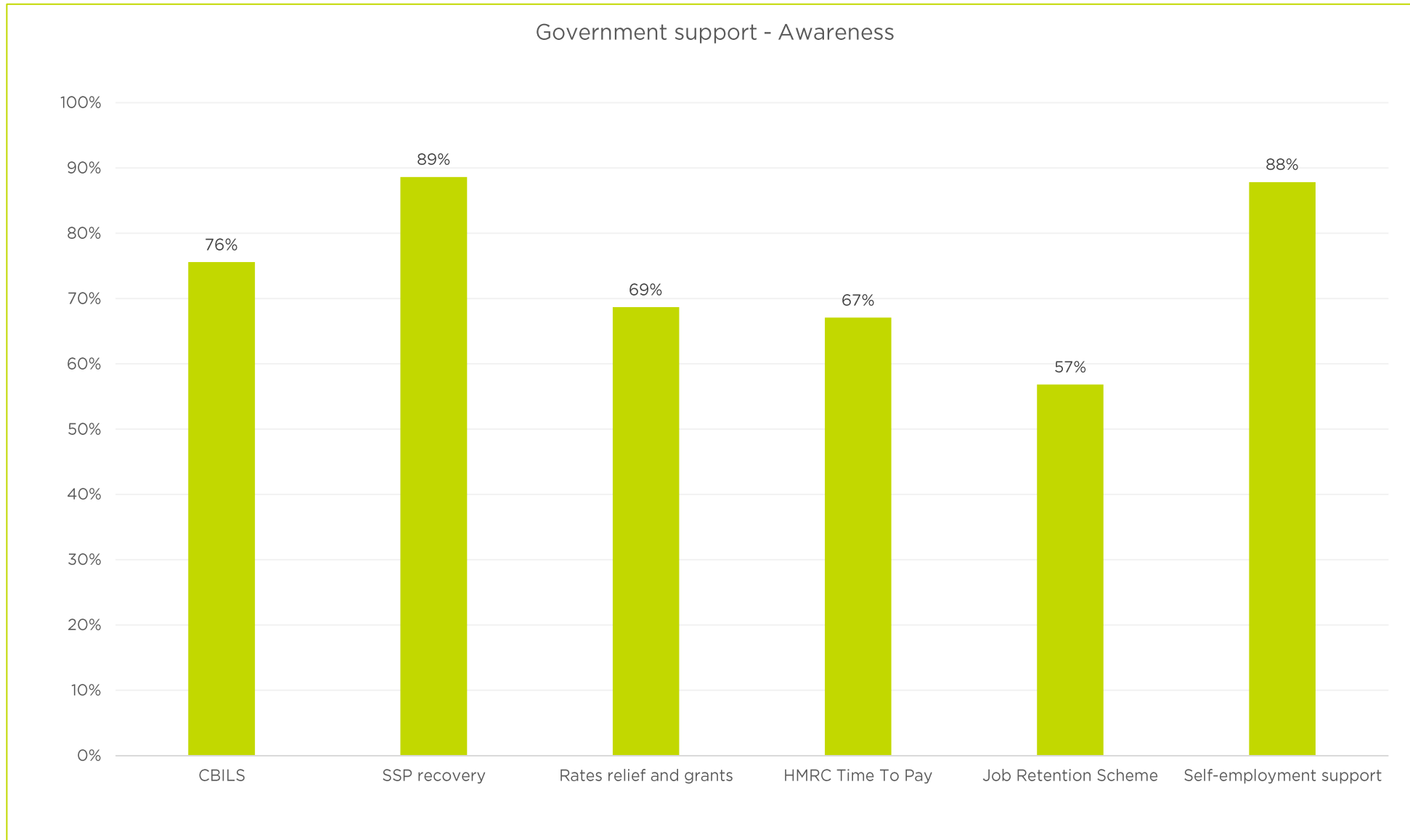
GM Business Monitor: Concerning factors



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.



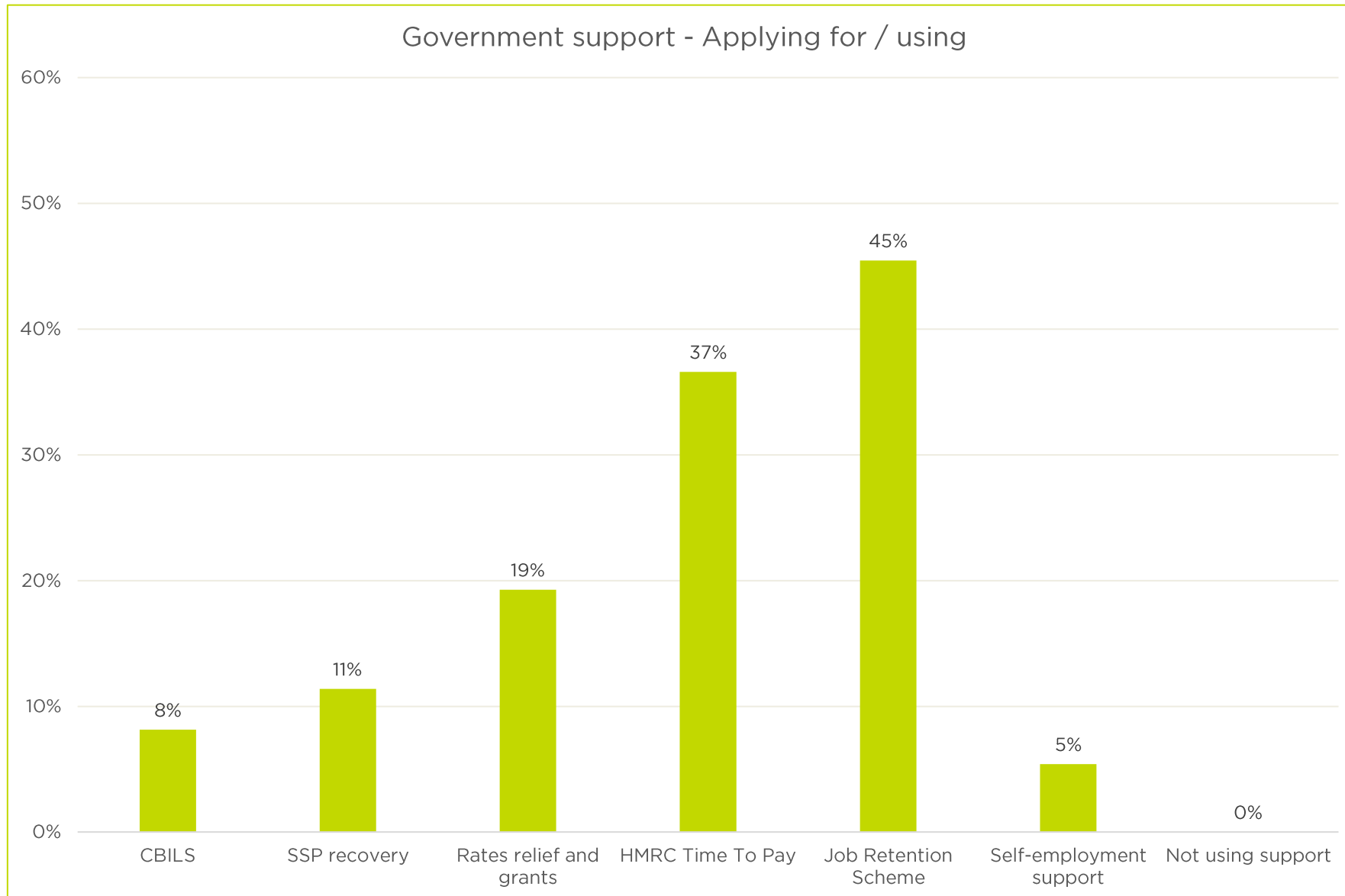
GM Business Monitor: Awareness of available support



Awareness of the various business support measures announced by the Government continues to be high but take-up is not because of the difficulties businesses have experienced in accessing them.



GM Business Monitor: Applying for and/or using support

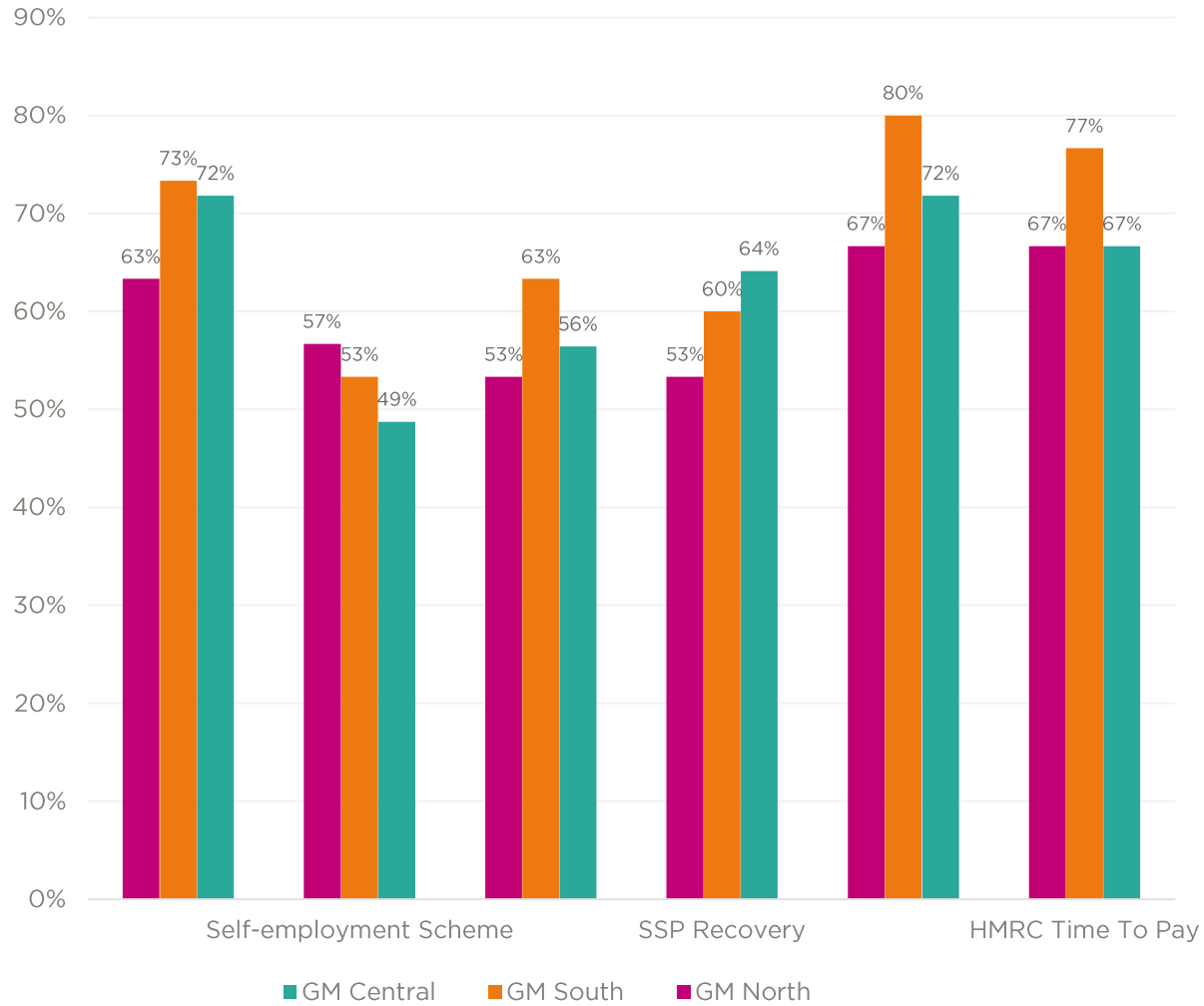


Various concerns have been expressed about the administration of support measures and the speed with which businesses can access them. Data on CBILS released by UK Finance last weeks shows that only 6,000 loans were granted on the 29,000 applications that were made from over 300,000 inquiries. The most popular scheme is the Job Retention Scheme, which 45% of respondents are hoping to benefit from. Another interesting insight from this week's tracker is that *all* businesses are reliant on government support.

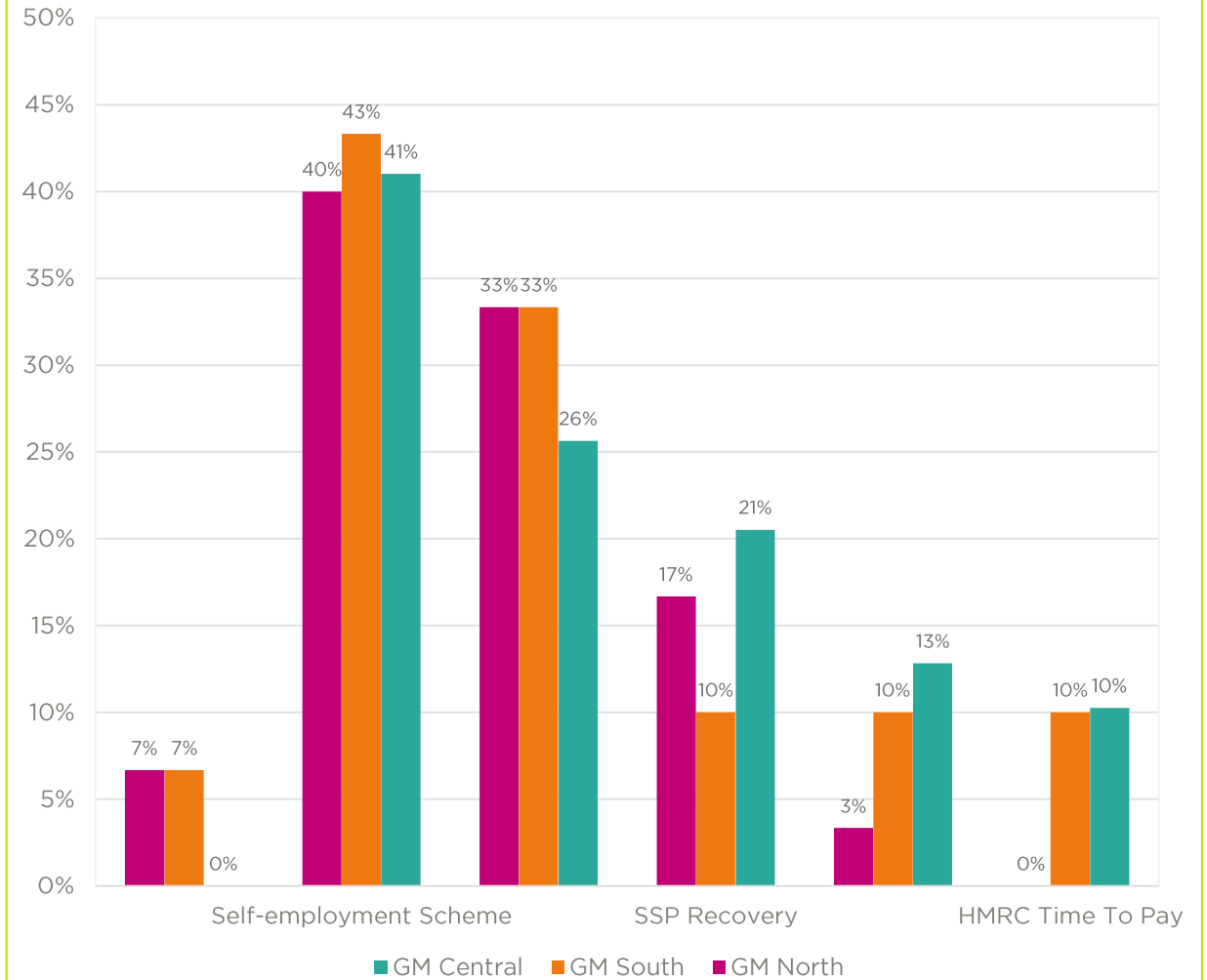


GM Business Monitor: Applying for and/or using support

Government support: Awareness



Government support: take-up



National picture

The economic impact of the coronavirus crisis is being felt across all sectors and regions in the UK. It is evident that the findings of Greater Manchester Chamber's Business Monitor hold true for the local economies of all towns and cities in the UK. The findings from the Business Monitor have been confirmed by the British Chambers of Commerce's (BCC) third Coronavirus Business Impact Tracker and the IHS Markit Purchase Managers Index for March. Together, the results of these surveys paint a concerning picture. The BCC's survey found a similar sudden and significant fall in domestic and overseas revenue for UK businesses - the same scenario that Greater Manchester's businesses reported in their responses to Business Monitor.

Firms across the country are experiencing difficulties with cash flow- the BCC's Business Impact Tracker found that over 60% of firms do not have cash reserves to meet normal outgoings for more than three months. The Business Impact Tracker also reveals similar concerns around the Government's support schemes - while awareness is high, the percentage of business in receipt of support is low. It is, however, likely that this number will rise in the coming weeks as more firms seek to tap into the Job Retention Scheme to furlough staff or seek additional financing through Coronavirus Business Interruption loans. But businesses need clarity on how to access support. The Job Retention Scheme goes live on Monday, 20th April and the first payments are expected to be made before month-end. This is absolutely critical for the majority of firms that are experiencing difficulties with cash flow and have furloughed staff on the expectation that the salary subsidy will be received in April.



Summary

- Although the COVID-19 pandemic is first and foremost a public health crisis, there has been substantial negative impact on both the national and local economy. This is likely to affect economic performance throughout 2020.
- Greater Manchester's businesses are grappling with an unprecedented collapse in customer demand, and of primary concern to most business leaders is the effect on their businesses' cash flow.
- The size and scope of the support measures unveiled by the Chancellor reflect the magnitude of the economic emergency but it is imperative that the support reaches those businesses that need it the most and reaches them as quickly as possible.
- Businesses are facing difficulties accessing government support. Unless vital cash can be released to businesses soon – grants, Job Retention scheme salary subsidies or CBILS - the spectre of business failure looms large.
- A significant short-term downturn cannot be averted but businesses can make a quick recovery once the health crisis has been warded off.

