

# Greater Manchester Business Monitor

## Weekly Tracker: Impact of COVID-19

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# GM Business Monitor : Impact of COVID-19

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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. Concerns have been expressed about the Government's plans for exiting the lockdown and what support there will be available to help businesses with the recovery. 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 fourth BM tracker was conducted between Friday, 17<sup>th</sup> April and Thursday, 23<sup>rd</sup> April and captured the views of 108 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. Of the 108 responses, seven were from businesses outside GM. All three GM regions contributed roughly one-third of the remaining responses.



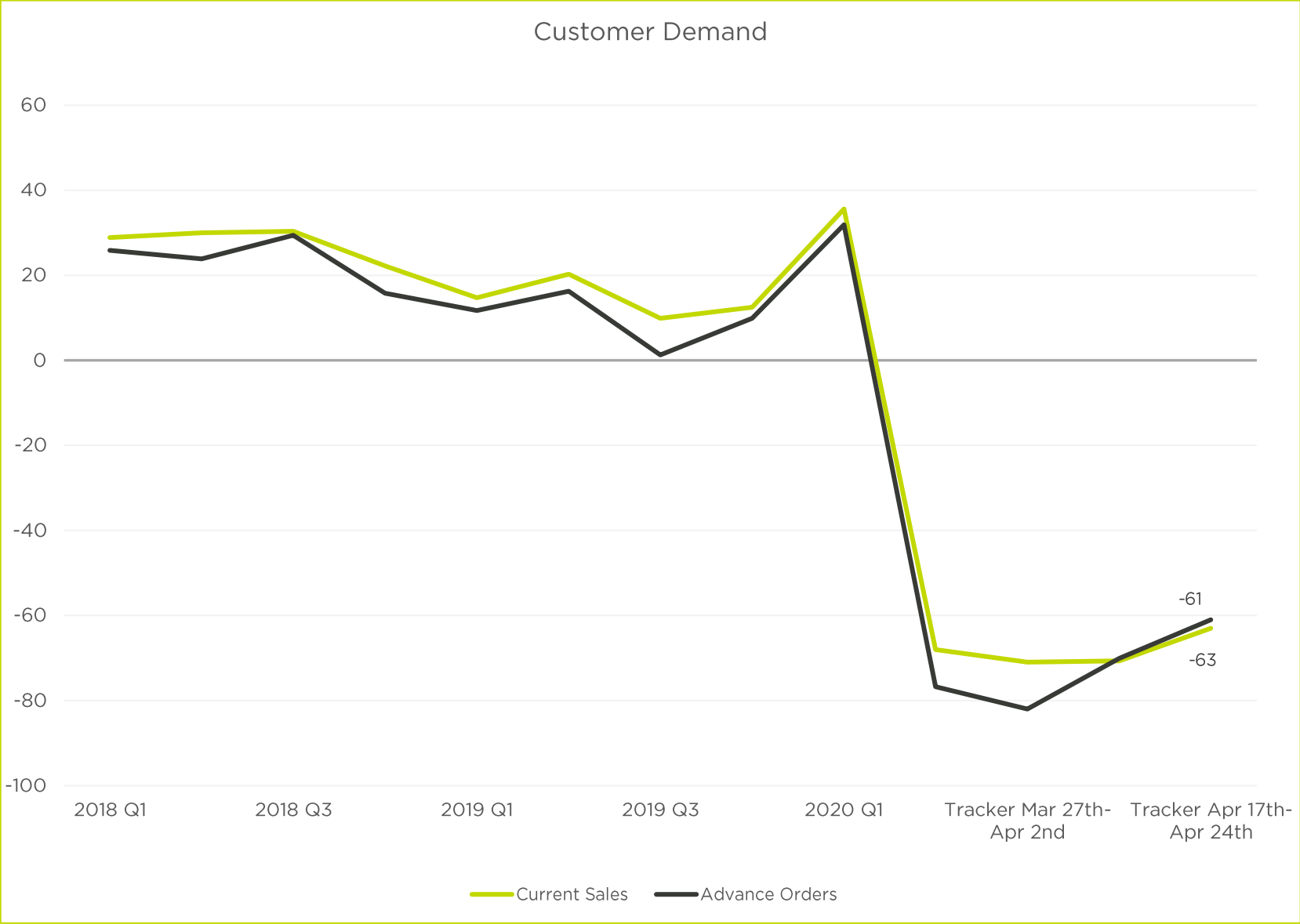


## Business Monitor: topics covered

- 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

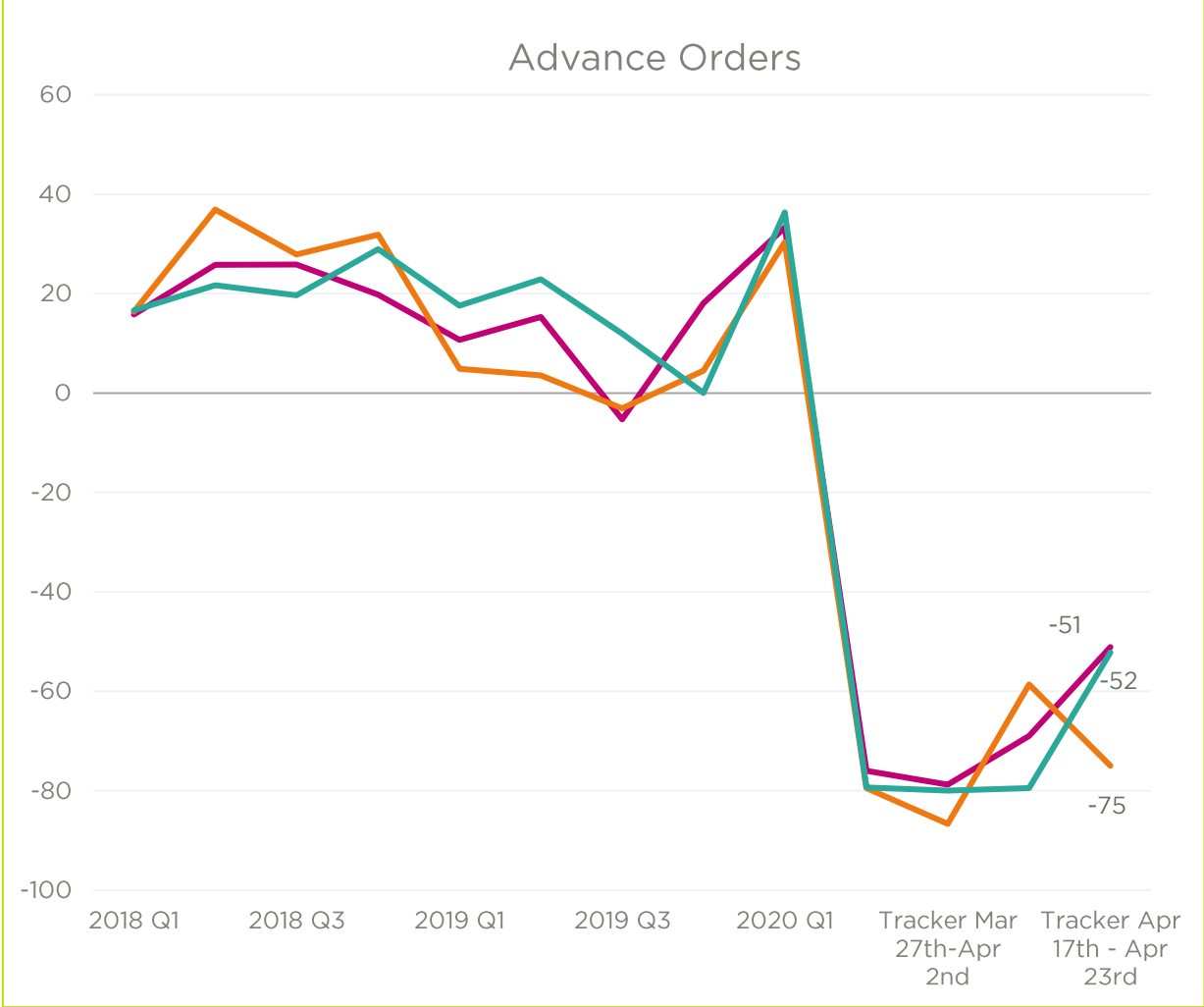
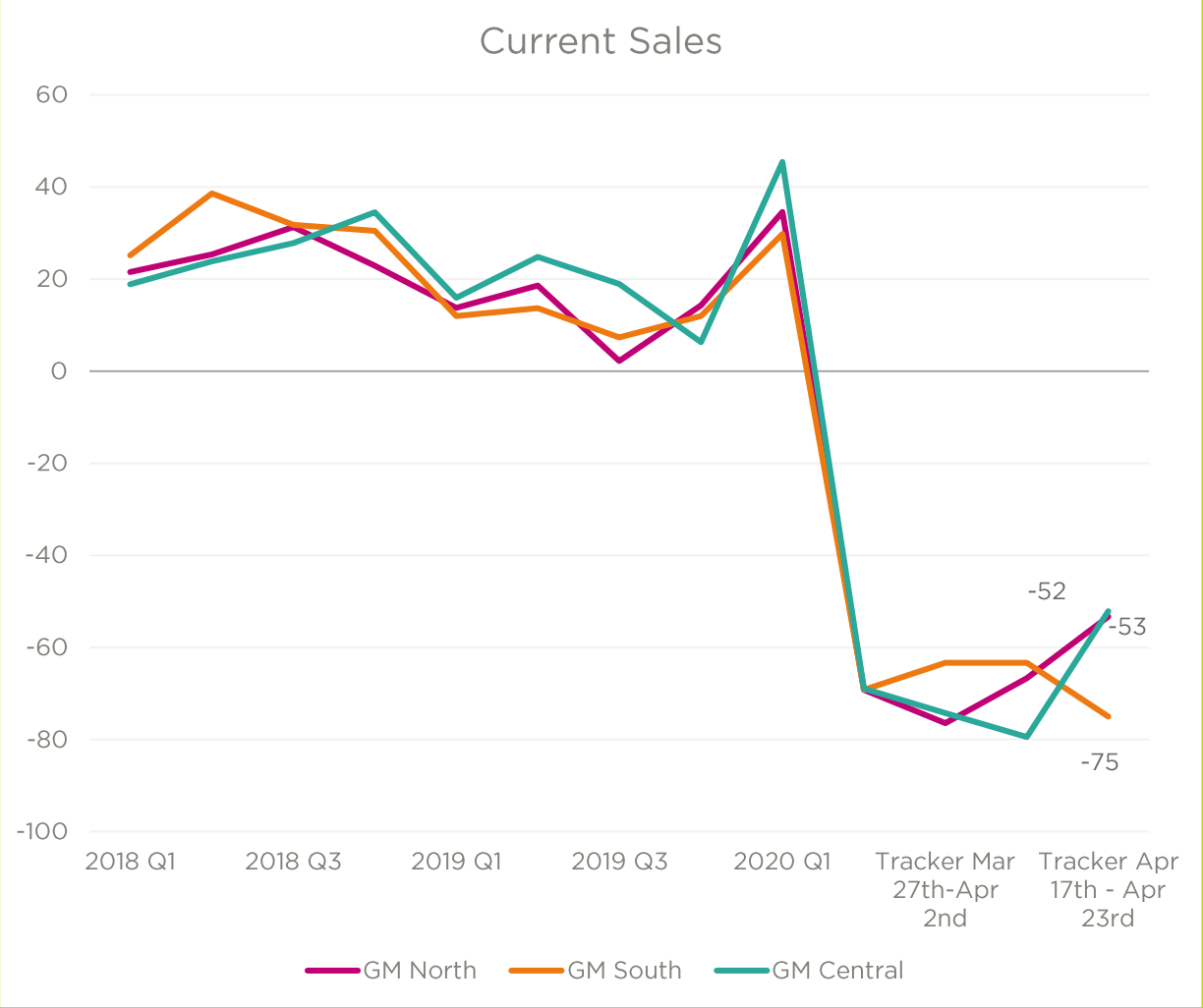


Source: GMCC QES and GM Business Monitor

The results of the previous weeks' Business Monitor surveys showed that customer demand had fallen to its lowest levels ever. The balances relating to customer demand are still deeply in negative territory, which means more businesses reported a decline in sales and orders than those reporting an increase or no change in sales. Demand data from the latest tracker shows that the balance of firms reporting on advance orders changed from -70 to -61, whereas current sales went from -71 to -63. These changes must not, however, be interpreted as an improvement in customer demand. The lockdown is now in its fifth week and compared to the previous weeks' businesses are reporting that sales and bookings are now plateauing rather than declining further.



# GM Business Monitor: Customer Demand

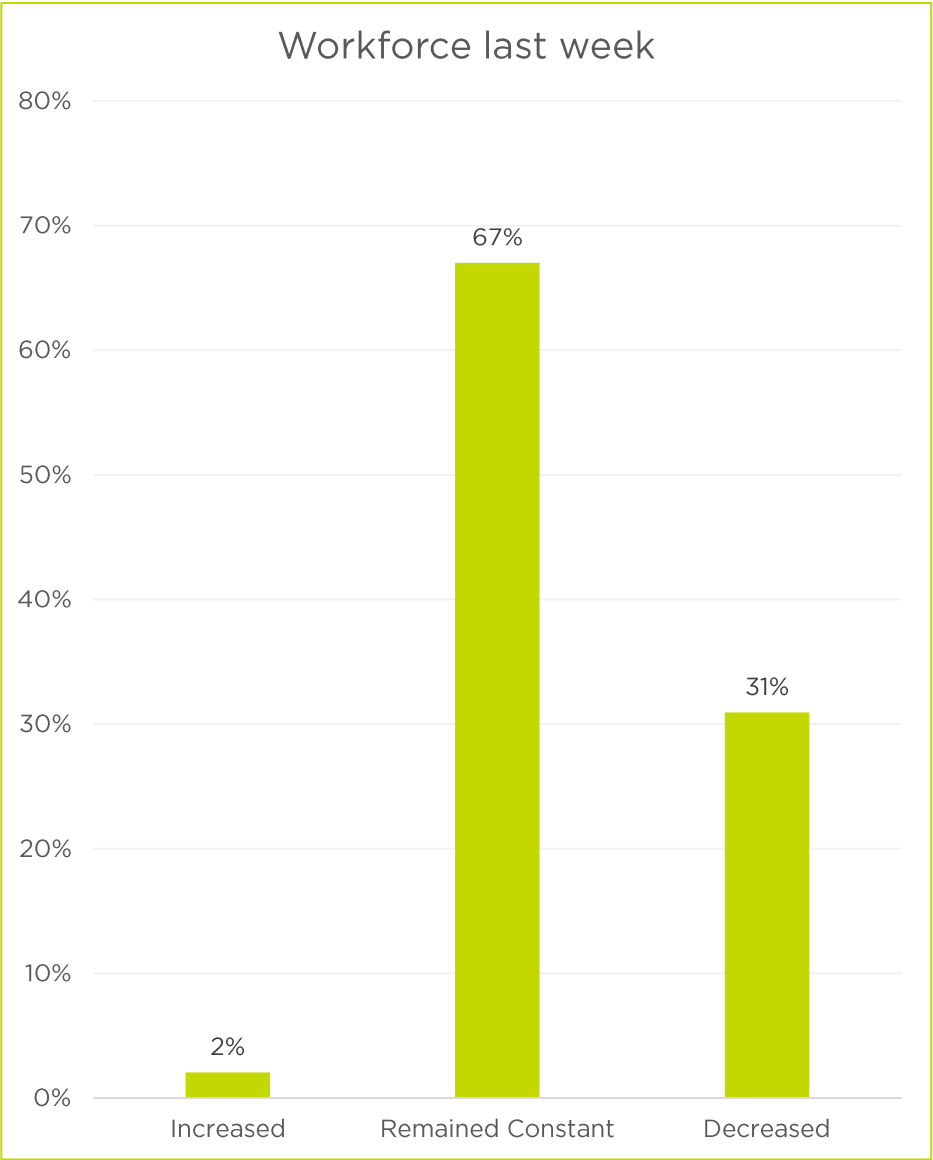


The regional breakdown of the tracker data shows that all local authority areas with GM have been affected. The balances of firms reporting on current sales and advance orders were both below zero for all three regions. This week's tracker shows GM South as an outlier with a weekly decline in both sales and advance orders. This could be because of the business demography in parts of GM South and weekly fluctuation in business activity levels. Compared to the previous week, more business in GM Central and GM North reported that weekly sales remained unchanged.

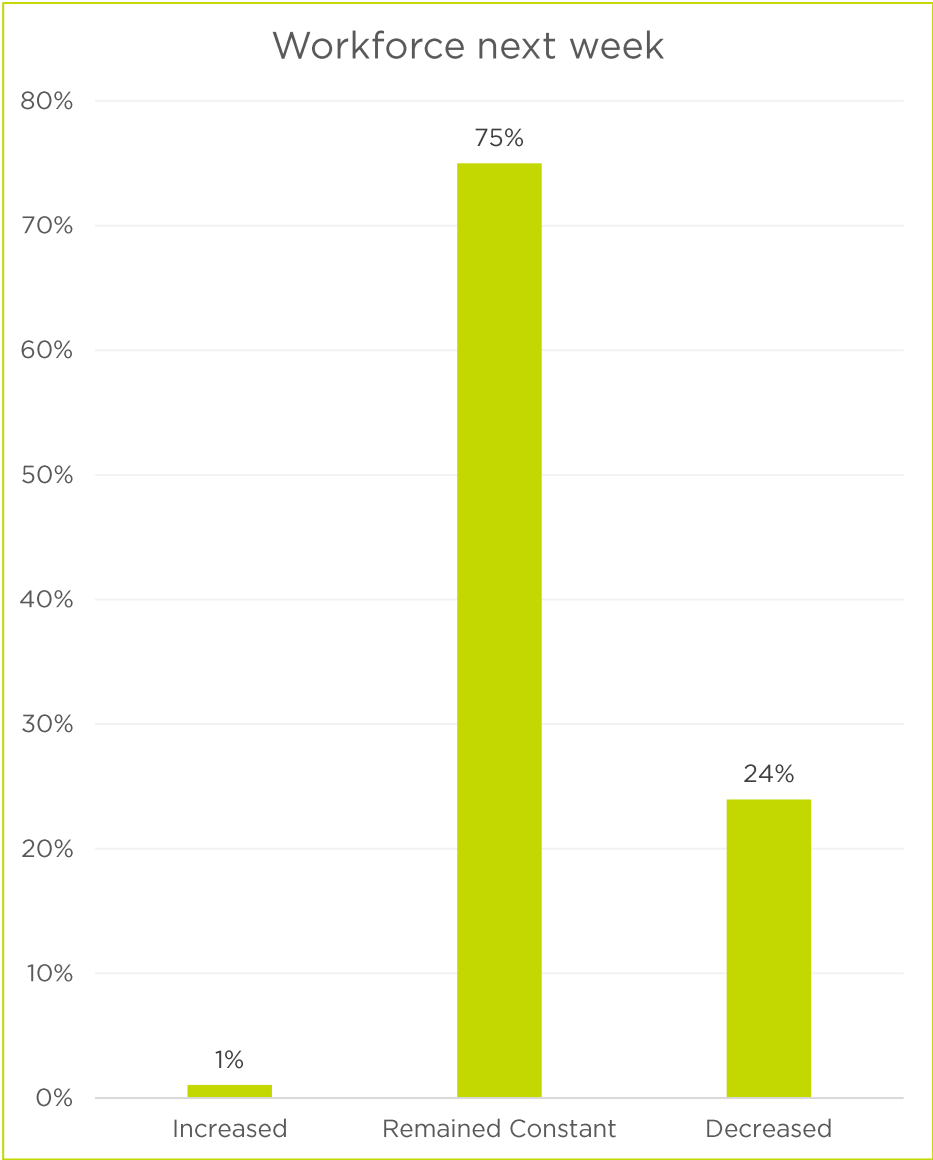
Source: GMCC QES and GM Business Monitor



# GM Business Monitor: Employment and workforce



Source: GM Business Monitor



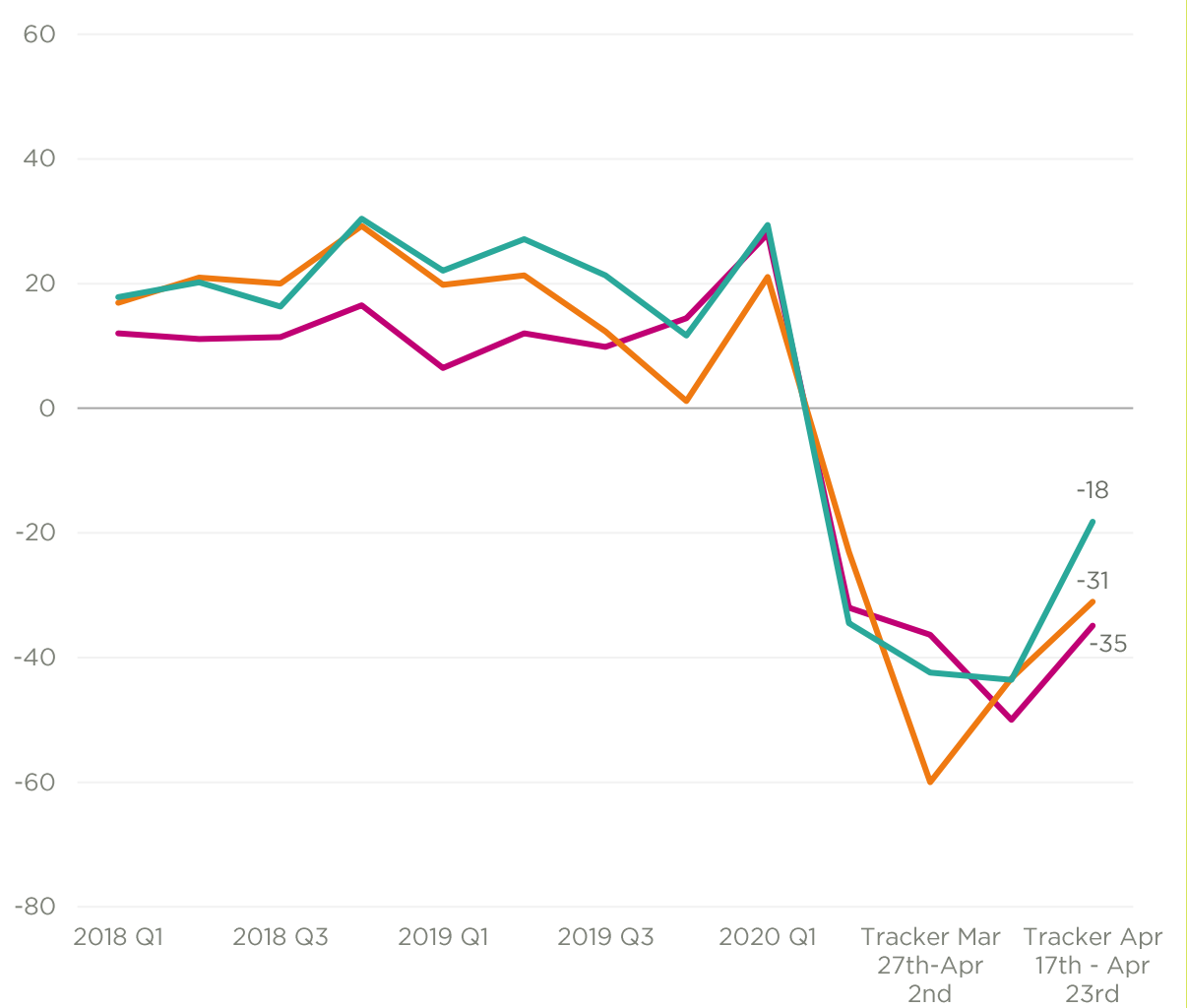
Source: GM Business Monitor

Workforce data from the tracker indicates that most employers appear to have already made decisions about furloughing staff or making other reductions in their workforce. Over two-thirds of respondents reported no change in their employee count in the last week while three-fourths expect no further changes to their workforce in the next week. The last week's tracker showed that 50% of respondents had planned reductions to their workforce but this has gone down 24% in the latest survey.

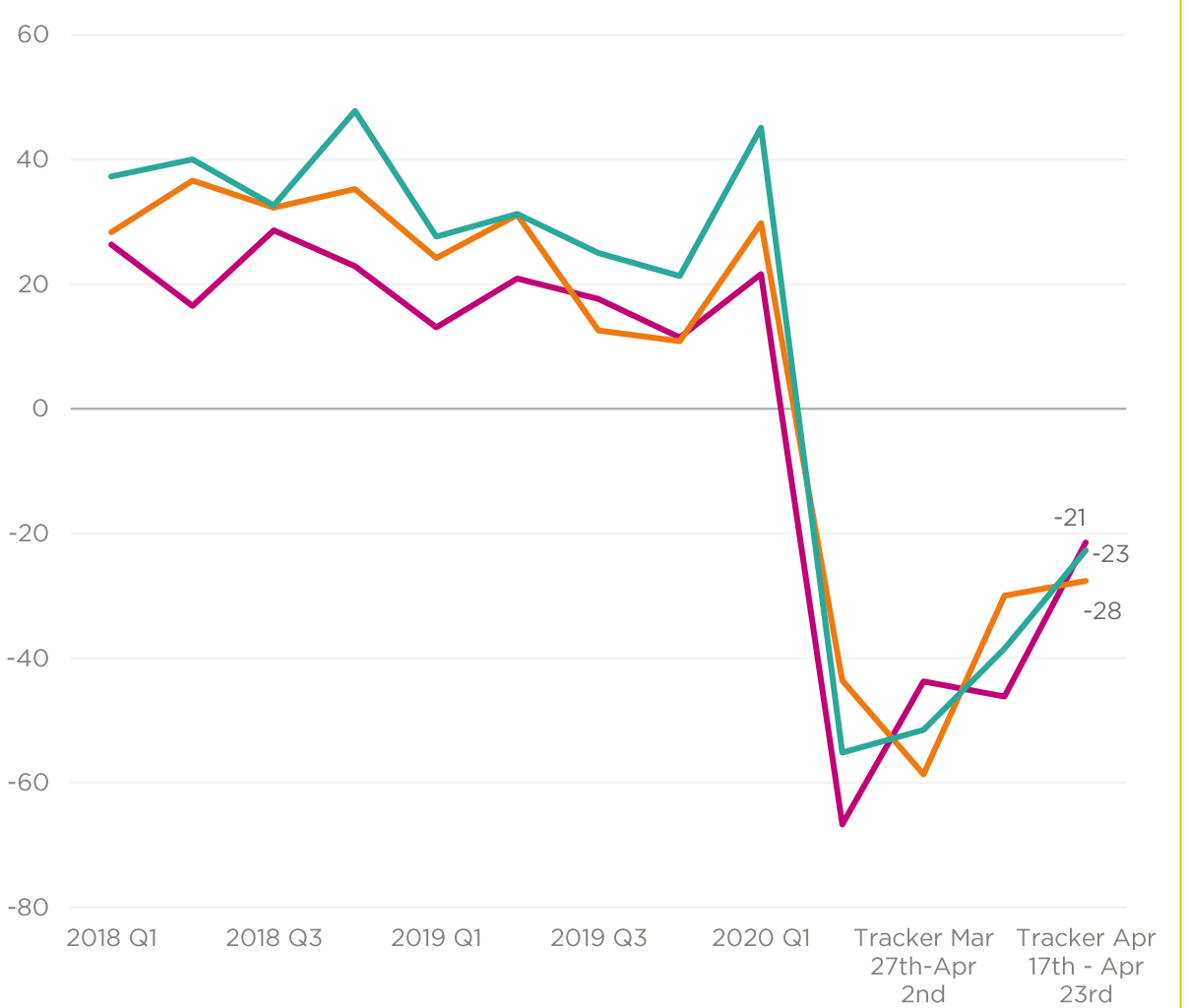


# GM Business Monitor: Employment and workforce

Workforce Changes Last Week



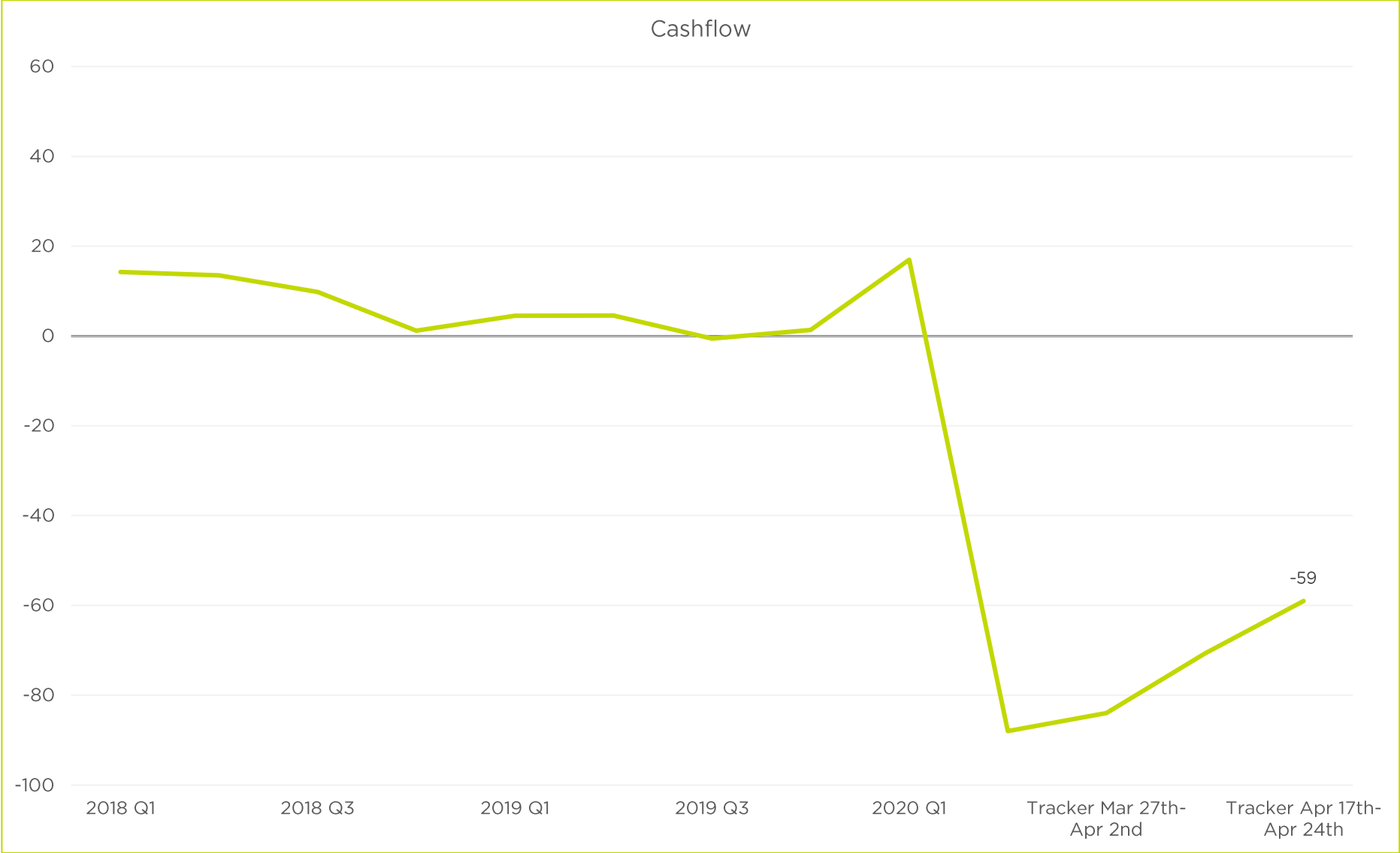
Workforce Changes Next Week



Source: GMCC QES and GM Business Monitor



# GM Business Monitor: Cashflow

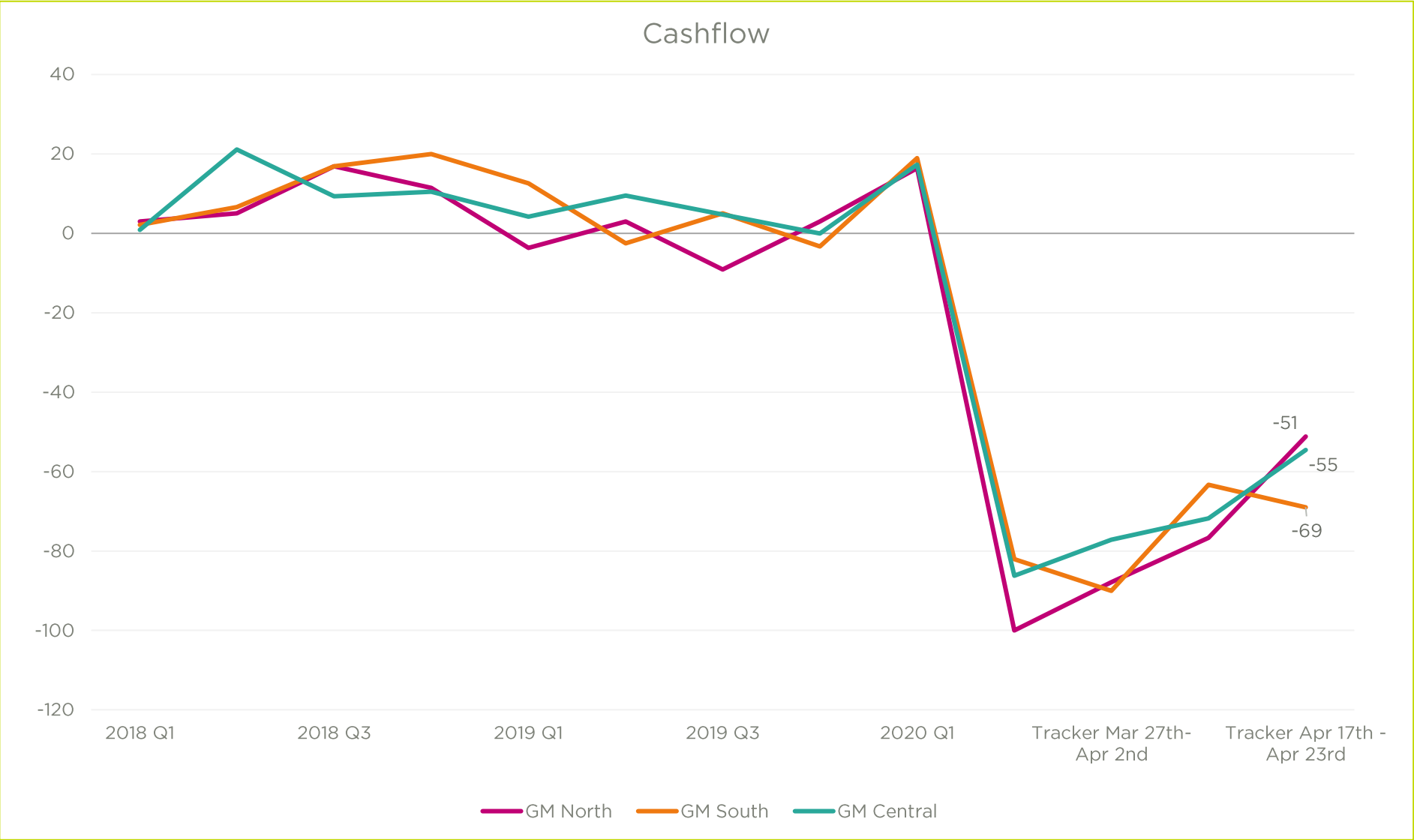


Cash management and the lack of adequate cash reserves to meet normal outgoings have been a serious concern ever since response measures were implemented. The balance of firms reporting cash flow problems is -59, meaning a lot more businesses reported reducing cash reserves. For the fourth consecutive week, no respondent to the tracker survey reported an improvement in weekly cash positions. Businesses that have already made their claims under Coronavirus Job Retention Scheme are due to be paid this week. This is likely to play a major part in the worst affected businesses surviving through this crisis.





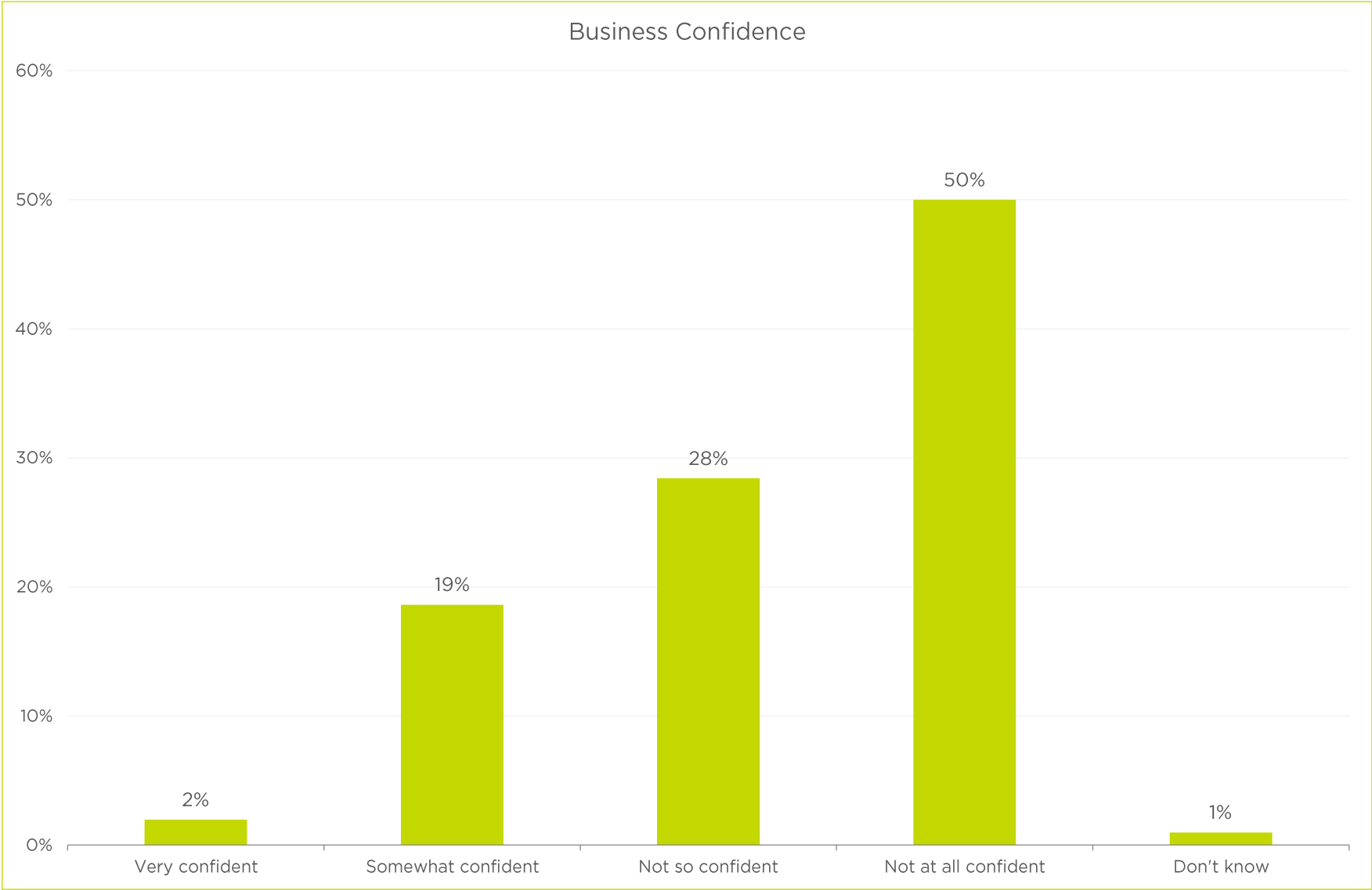
# GM Business Monitor: Cashflow



At one stage, nearly all businesses in GM North and over 80% of firms in the other two regions appear to have reported a adverse cashflow positions. That situation has changed slightly – not an improvement but a continuation of the same situation. In the latest tracker, GM South is an outlier with firms in the LAs that make up that region reporting a decline in working capital. In GM North and GM South, the proportion of firms reporting no weekly change in cash reserves has gone up in the latest tracker while compared to the previous week's.



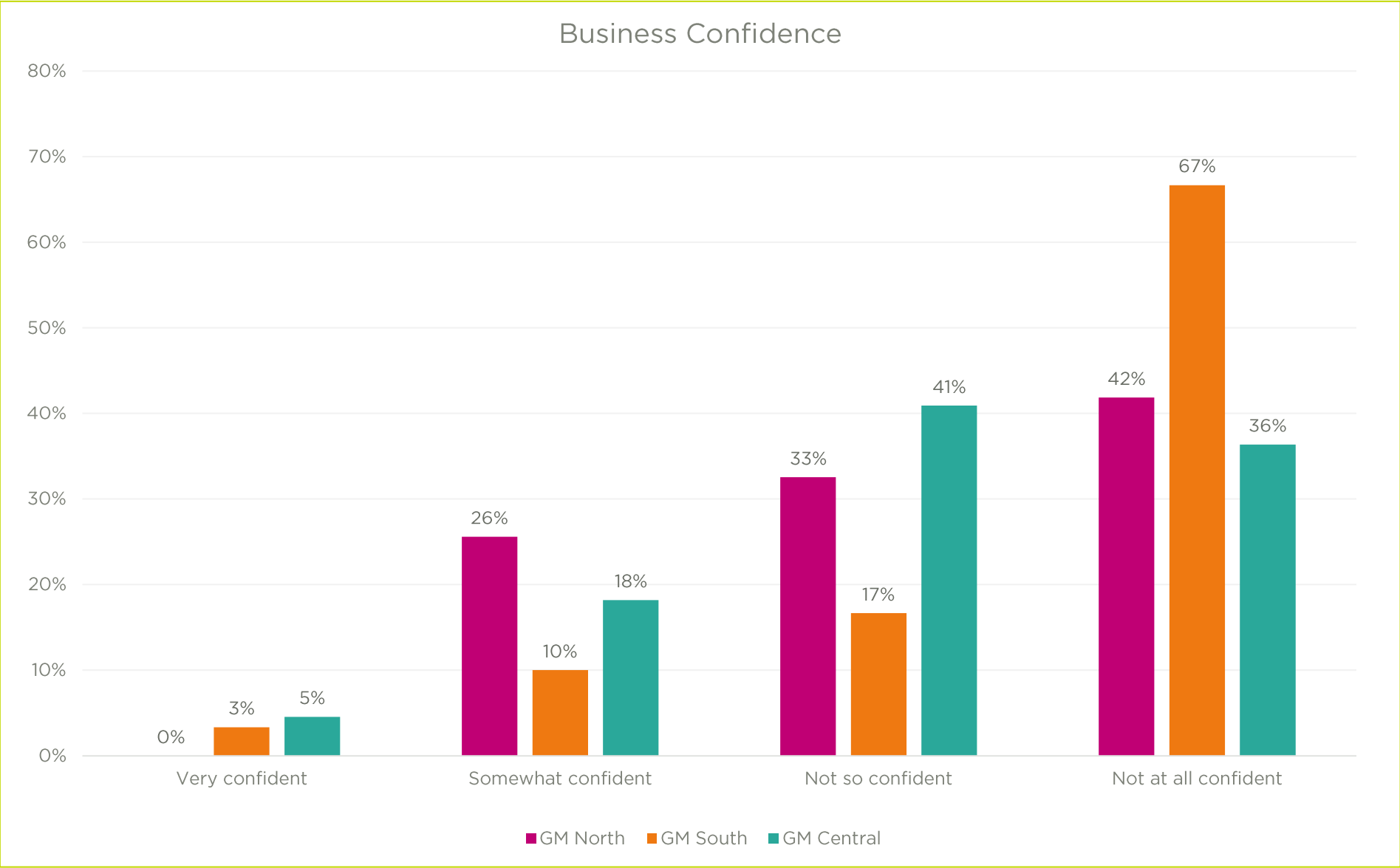
# GM Business Monitor: Business Confidence



The results of this week's Business Monitor reveal that business confidence levels continue to remain low. There has been a dramatic decline in optimism amongst business leaders. Half of the survey respondents (two-thirds in the previous tracker) reported not being confident at all about business prospects over the next three months while another 28% (15% in the last tracker) were not so confident. There is a noticeable shift in the number of 'not at all confident' responses moving to a 'not so confident' response. Just under a fifth of respondents had some confidence in being able to maintain sales and turnover in the coming weeks.



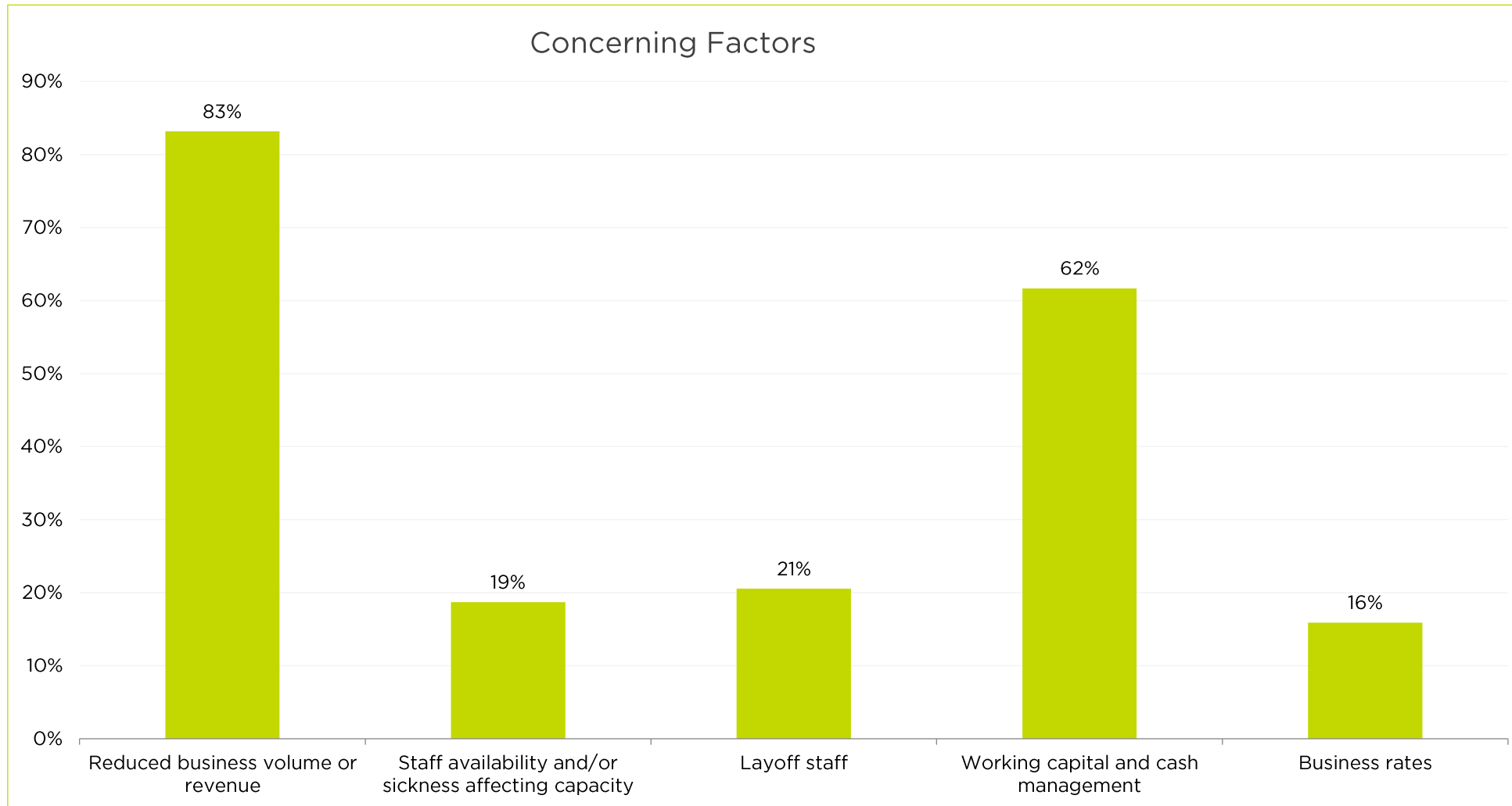
# GM Business Monitor: Business Confidence



All three GM regions have reported a decline in business confidence. GM South is again an outlier with two-thirds reporting to be not at all confident whereas this is 42% in GM North and 36% in GM Central. In the latter two regions, there are more ‘not so confident’ responses. This contrasting picture for GM South matches this week’s data on customer demand (page 5) and cash flow positions (page 9). The proportion of businesses expressing confidence in maintaining revenues and profitability is highest in GM North (26%).



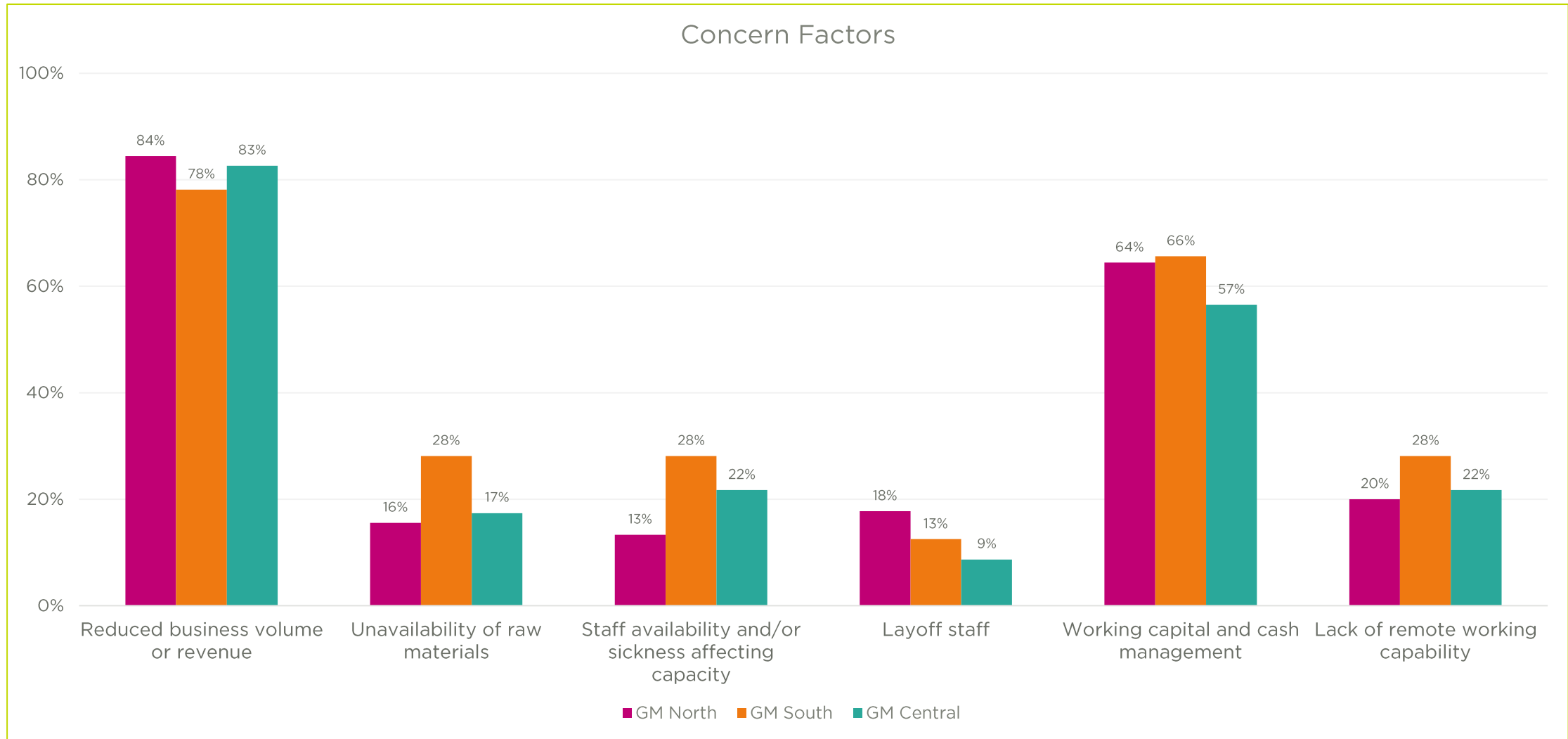
# GM Business Monitor: Concerning factors



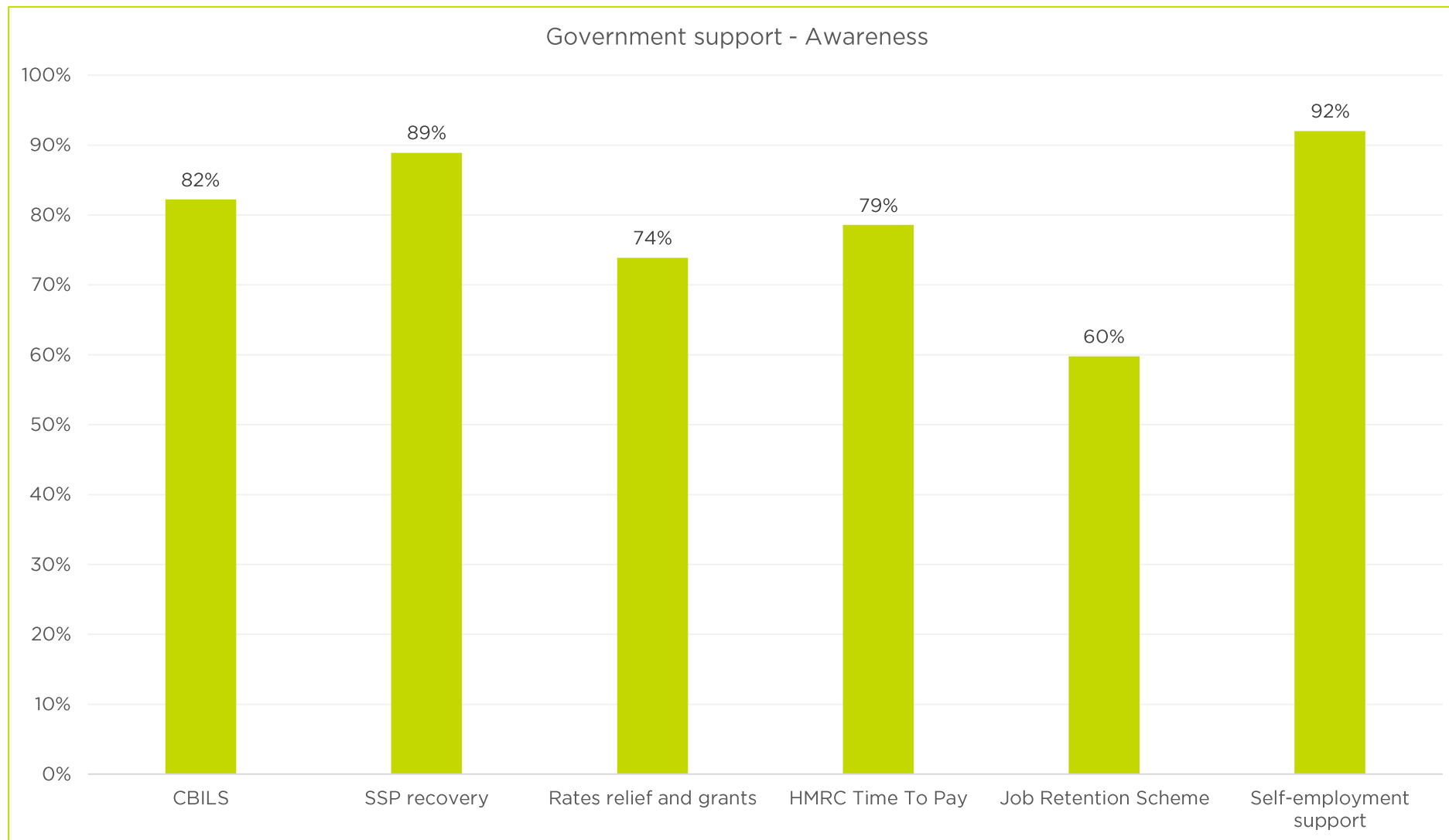
The absolute majority of businesses are concerned about the fall in customer demand and the consequent impact on cash management. Staff availability to deliver current business requirements, primarily in sectors which are still open, is also a concern.



# GM Business Monitor: Concerning factors



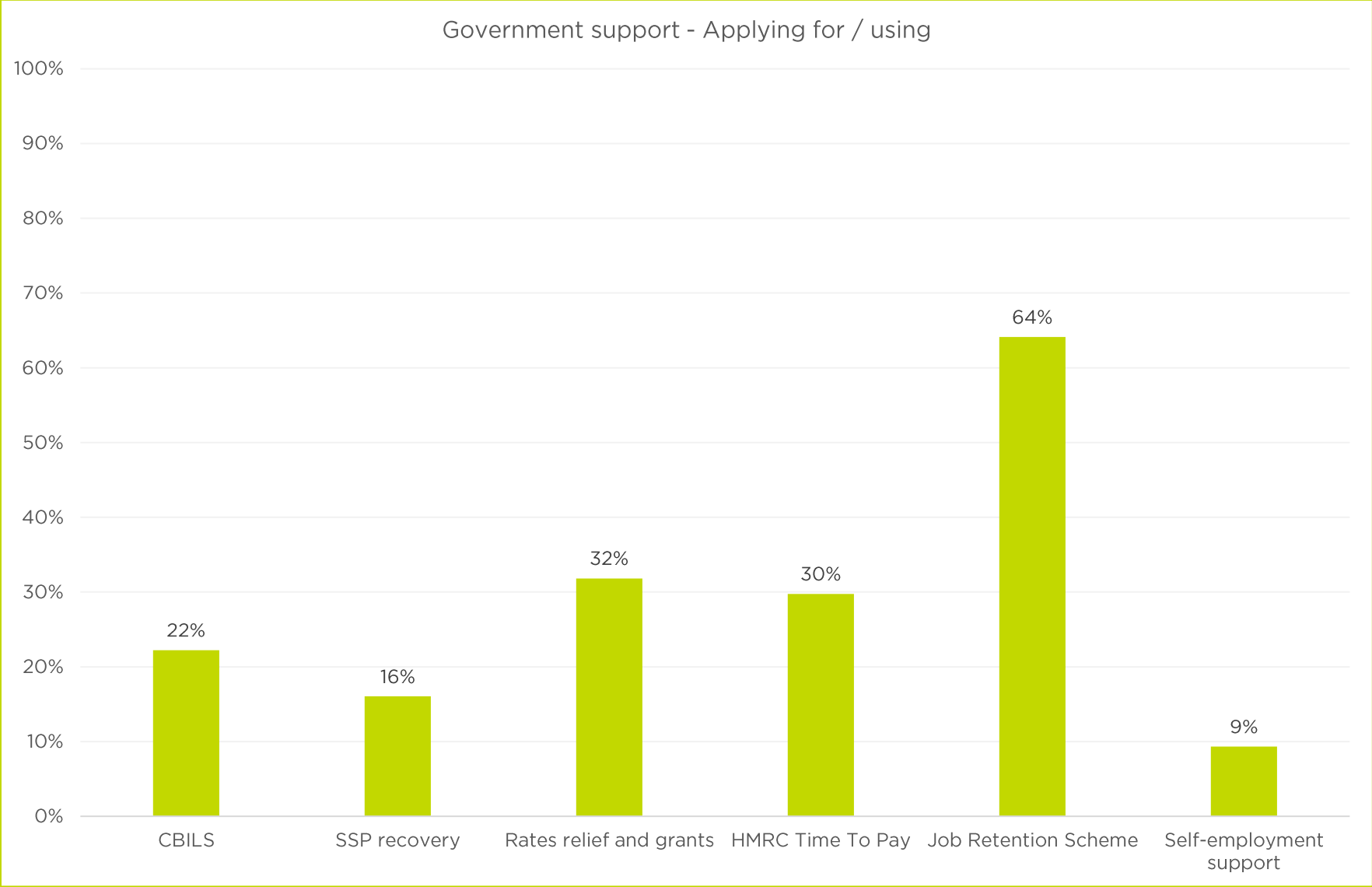
# GM Business Monitor: Awareness of available support



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



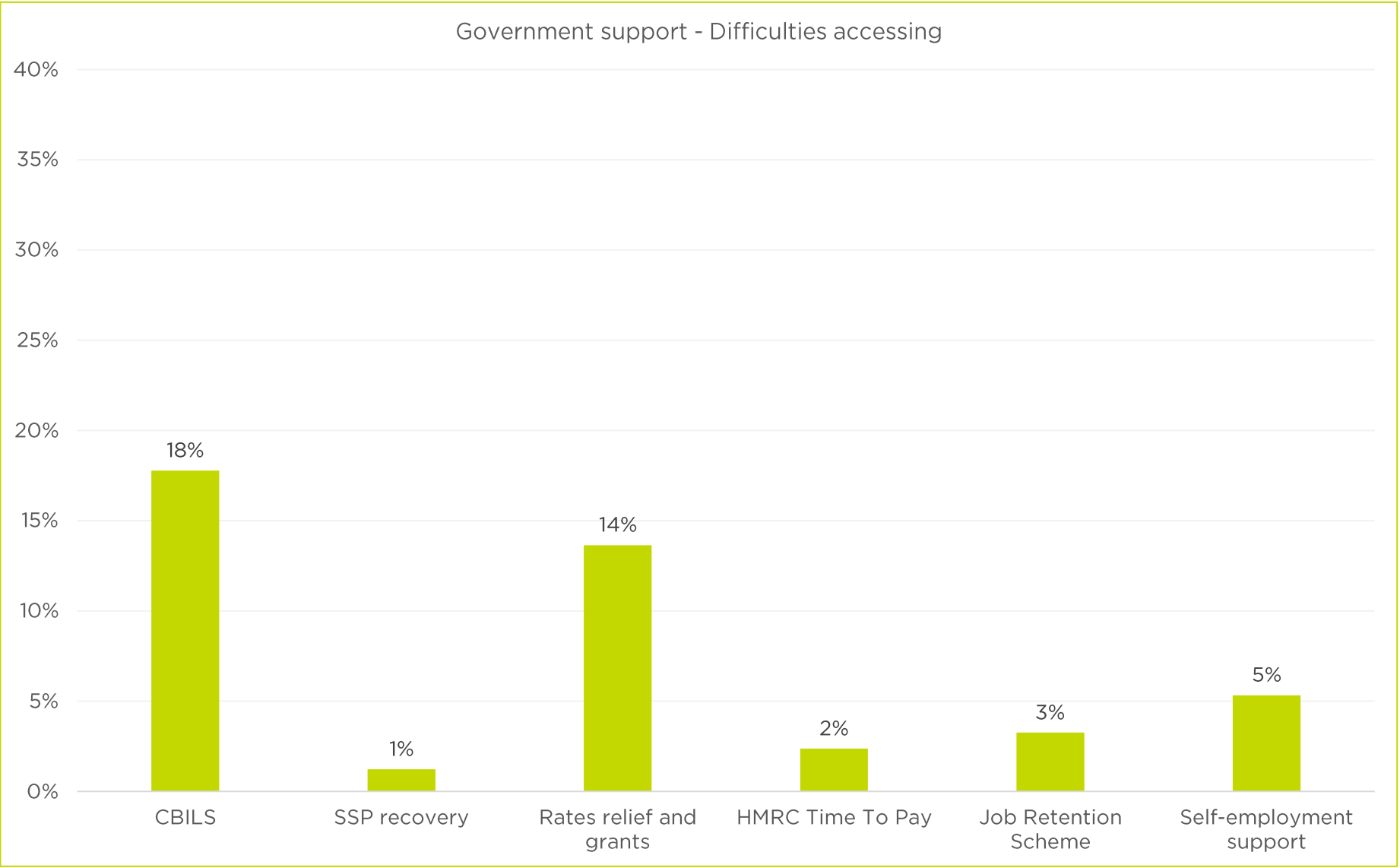
# GM Business Monitor: Applying for and/or using support



Various concerns have been expressed about the administration of support measures and the speed with which businesses can access them. Data on CBILS is still disappointing. The most popular scheme is the Job Retention Scheme. Compared to the previous weeks' results and data from other surveys, there is an increase in the number of respondents applying for CJRS support. This increase is unsurprising because the CJRS opened for applications during the fieldwork period for this survey. HMRC data indicates that over 500,000 claims for up to 4 million employees have been in the first week with more expected in the coming days.



# GM Business Monitor: Difficulties accessing support

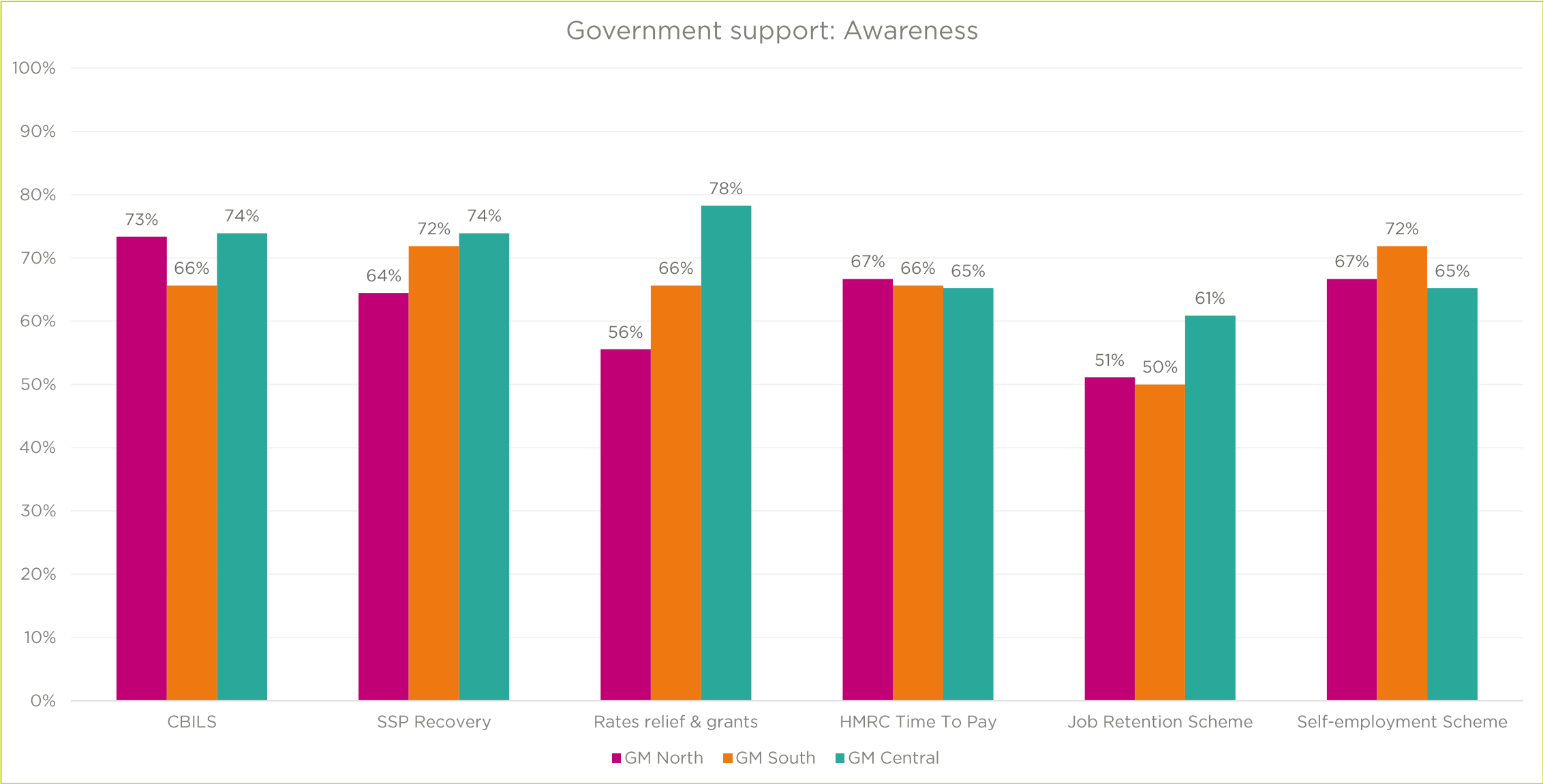


The survey results back up anecdotal evidence that businesses have been facing difficulties accessing business interruption loans whereas they did not face much difficulty making their claims under the Job Retention Scheme. Data from BEIS shows that many LAs haven't been able to fully disburse business rates related grants, which has resulted in 14% of respondents saying they are having difficulties accessing this support.

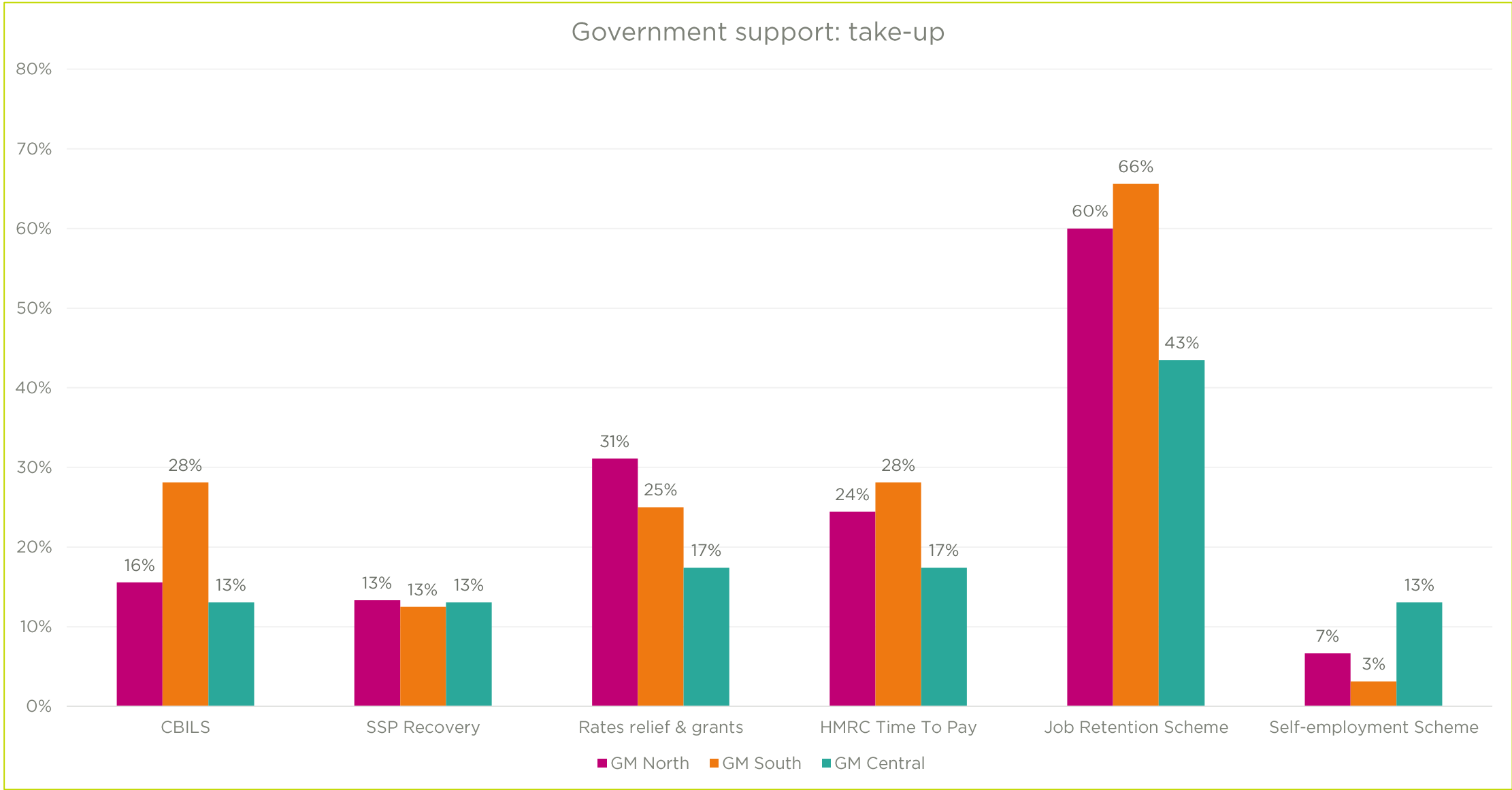




# GM Business Monitor: Awareness of support



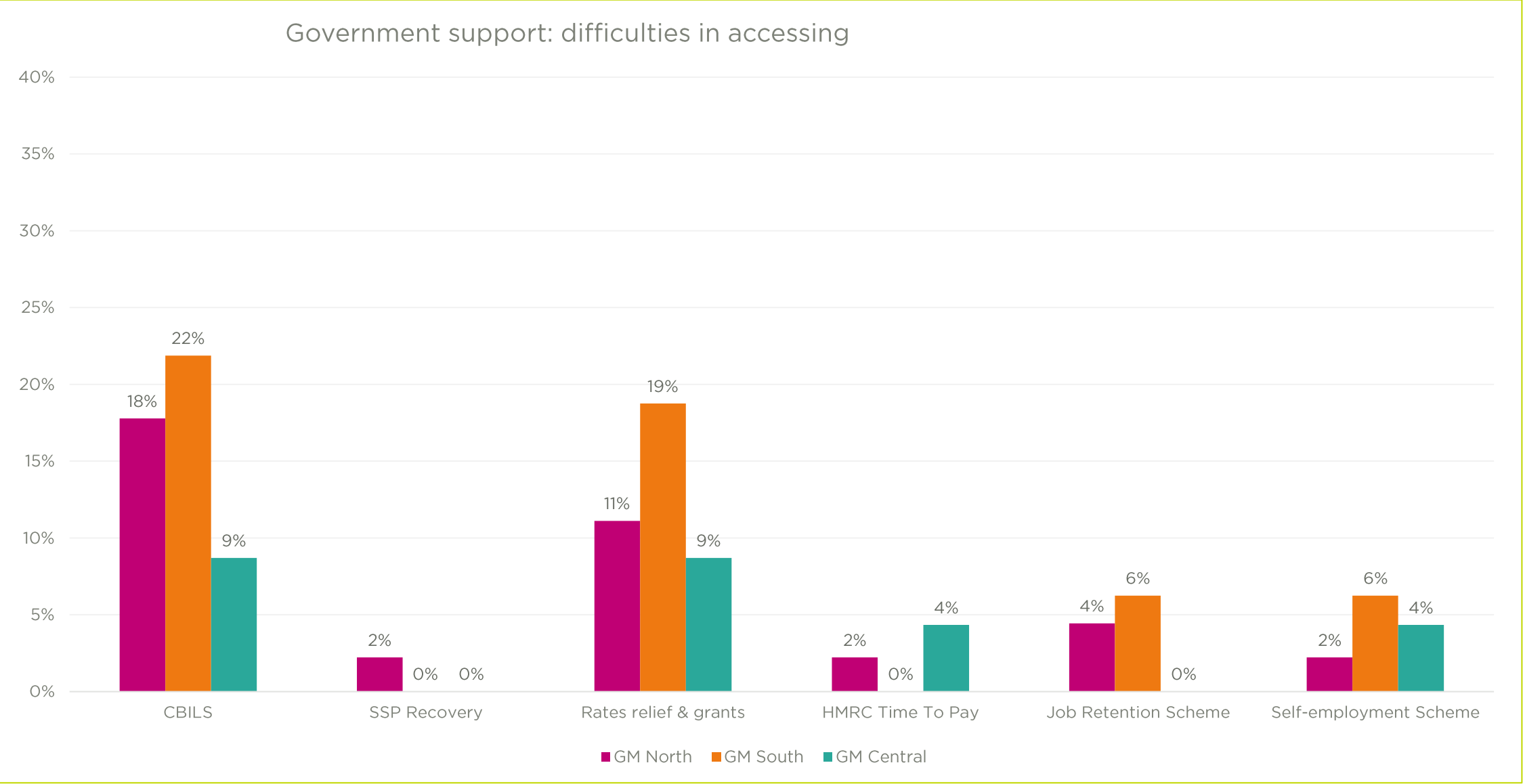
# GM Business Monitor: Applying for support



Source: GM Business Monitor



# GM Business Monitor: Difficulties accessing support



# 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 went live on Monday, 20<sup>th</sup> 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. Lockdown measures are certain to remain in place till 7<sup>th</sup> May but could be extended if the public health situation demands it.
- The macroeconomic situation is likely to be adverse for the rest of 2020. A short-term downturn cannot be averted but with the right interventions and business support, economic recovery is certainly possible.
- Greater Manchester's businesses have faced a significant decline in customer demand and business activity is settling at those low levels.
- Businesses that need support must receive them as quickly as possible. Official data about CBILS and rate relief grants show that a lot of improvement is needed in administering support schemes.
- Businesses are facing problems accessing government support although businesses have not reported difficulties making claims under the Job Retention Scheme.

