

# Greater Manchester Business Monitor

## Fifth Weekly Tracker Report: 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 £330 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 fifth BM tracker was conducted between 24<sup>th</sup> April and 1<sup>st</sup> May and captured the views of 77 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.



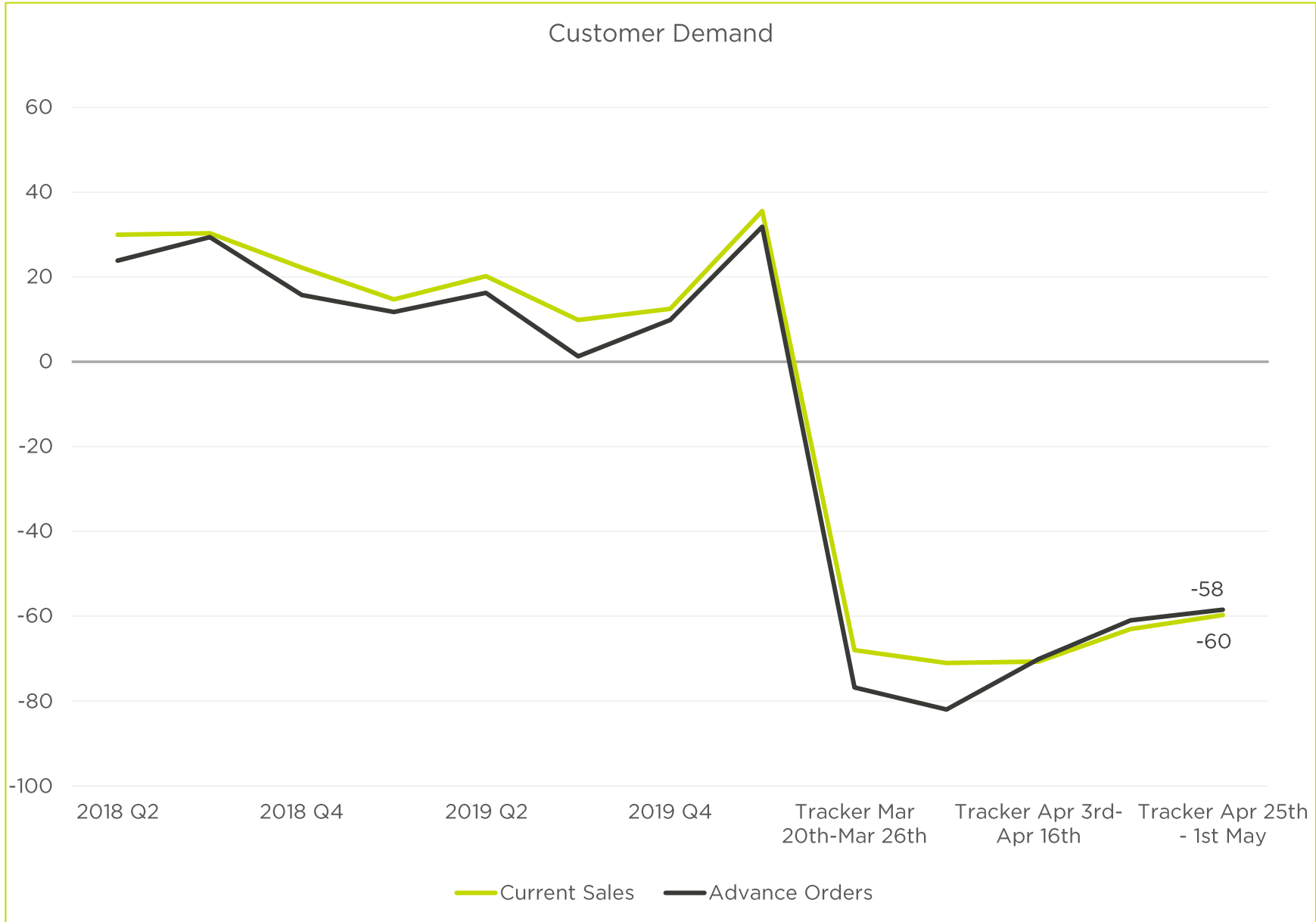


## Business Monitor: topics covered

- 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

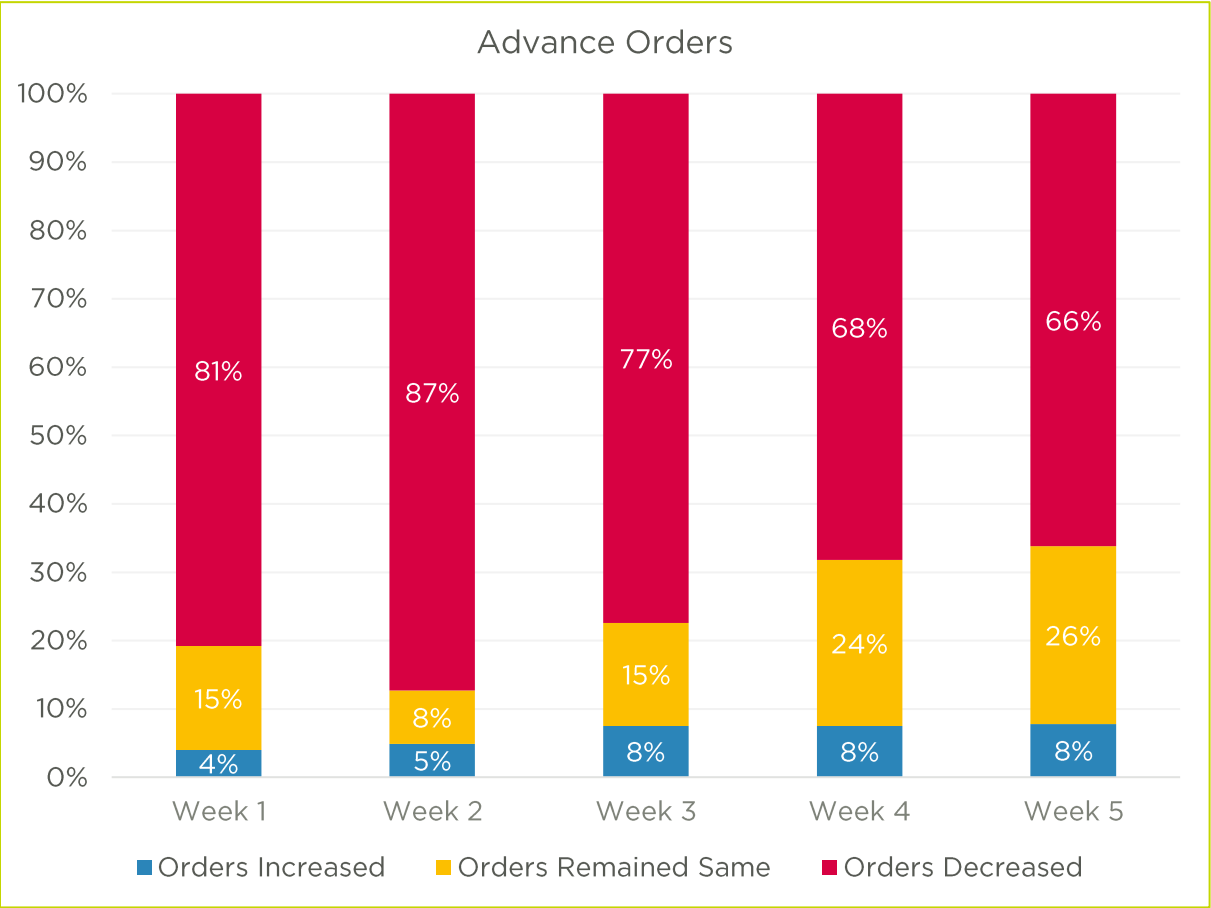
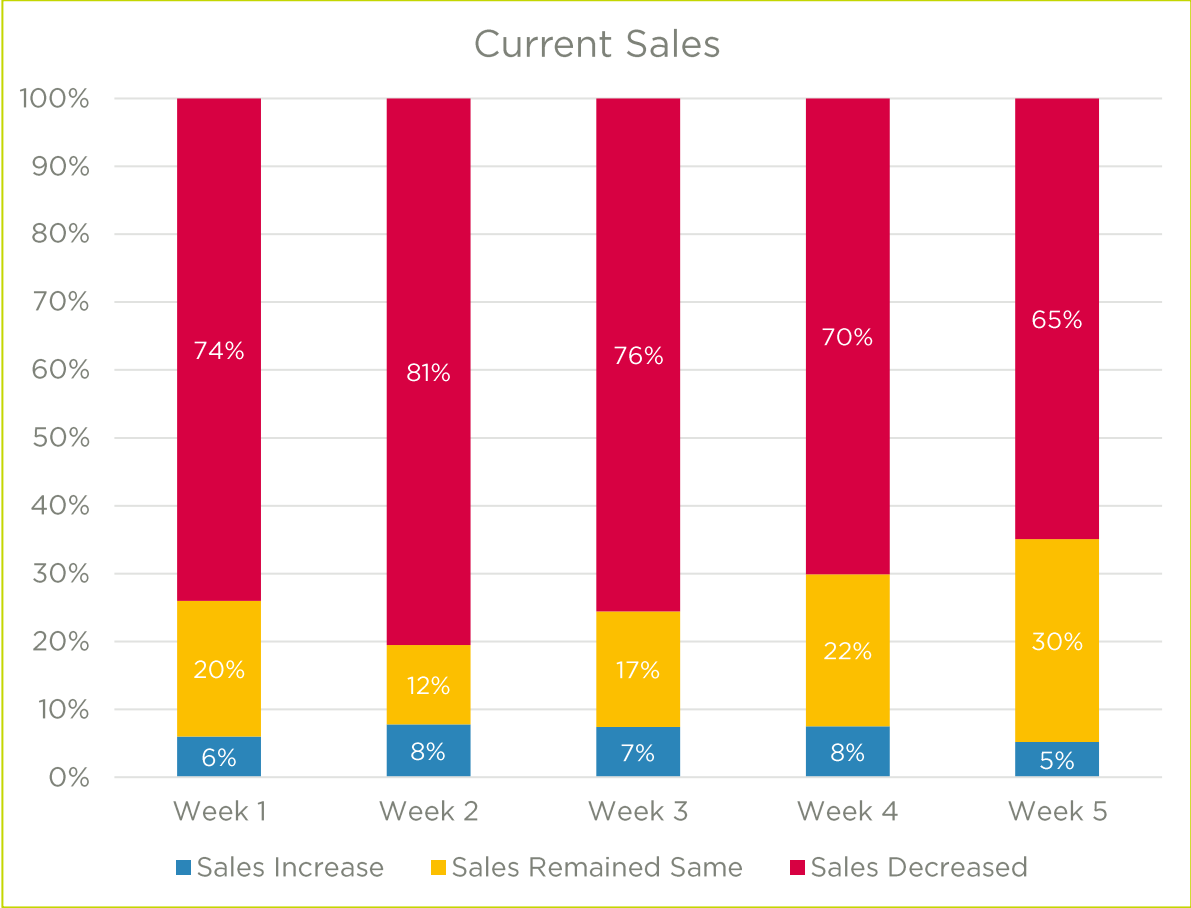


The [results of the previous weeks' Business Monitor surveys](#) showed that customer demand had fallen to its lowest levels ever. The balances relating to customer demand are still deeply in negative territory, which means more businesses reported a decline in sales and orders than those reporting an increase or no change in sales.

Demand data from the latest tracker shows that the balance of firms reporting on advance orders changed from -61 to -58, whereas current sales went from -63 to -60. These changes must not, however, be interpreted as an improvement in customer demand. The proportion of responses in the next slide indicates that sales and bookings are now plateauing and that there is no pick up in customer demand.



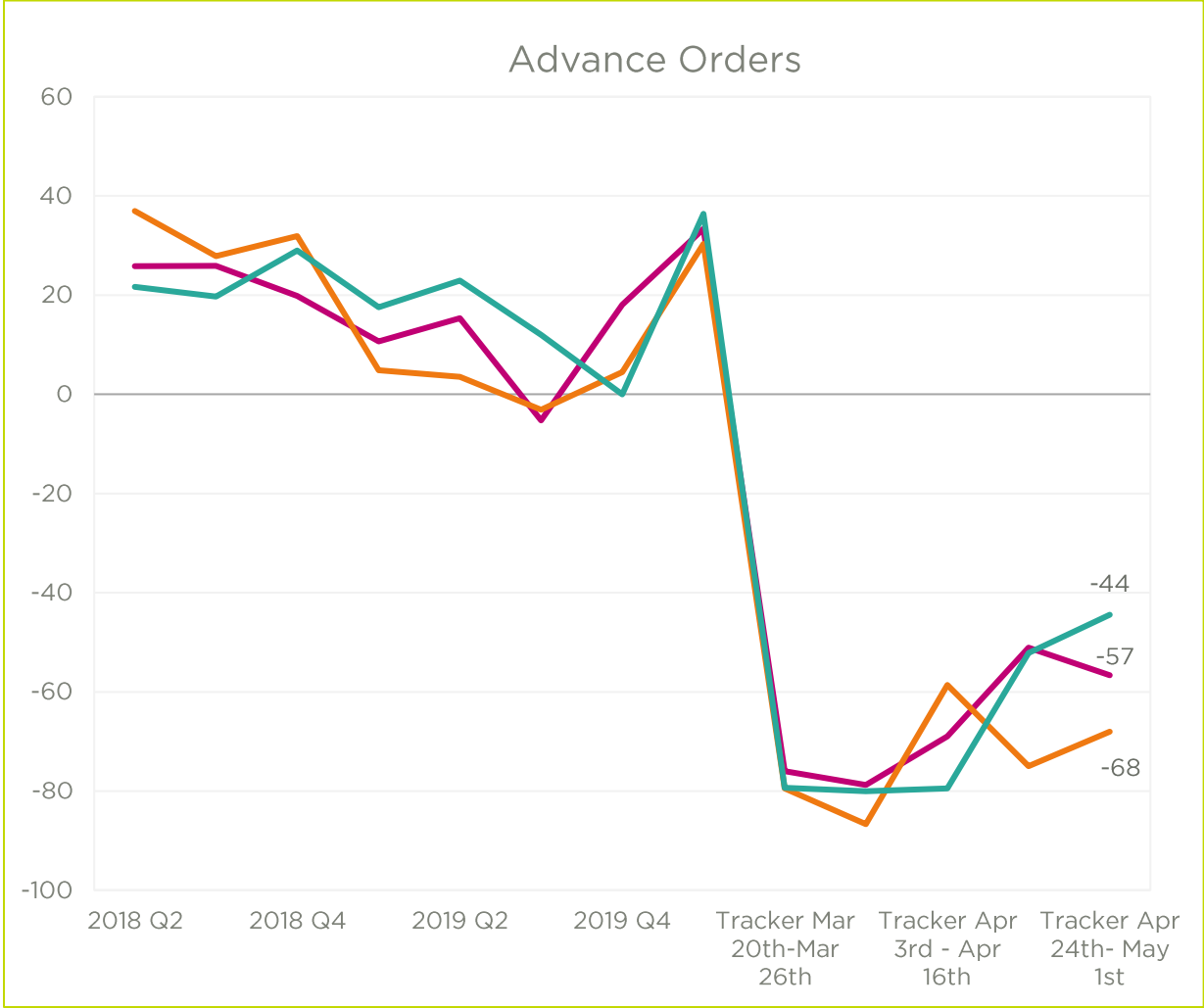
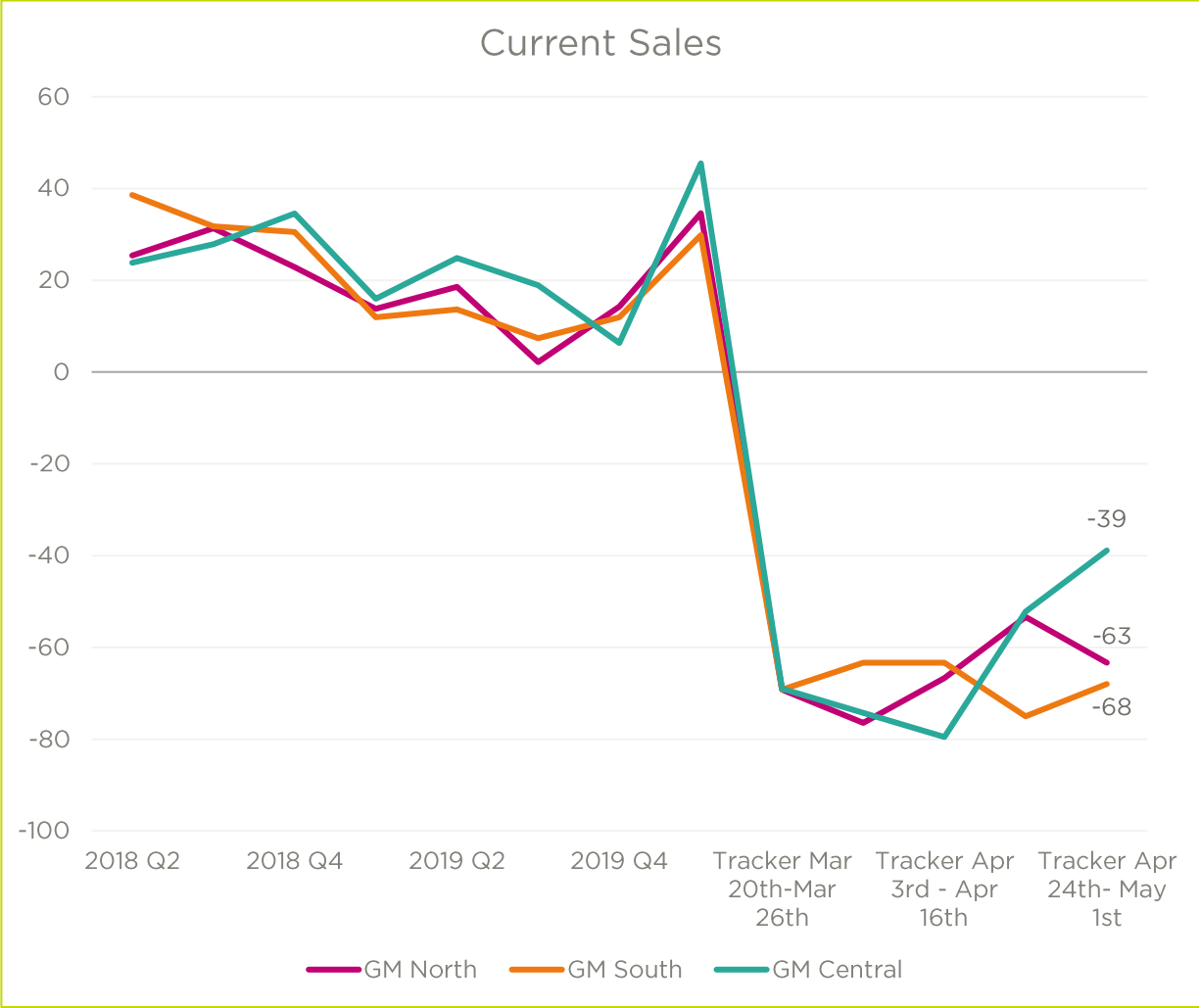
# GM Business Monitor: Customer Demand



The proportion of responses to the customer demand questions reveals that the number of ‘decrease’ responses have gone down since the second tracker. During the same period, the number of ‘remain same’ responses have gone up whereas there isn’t much change in the number of ‘increase’ responses. This is evidence that GM businesses are not yet experiencing a general increase in customer demand. This also confirms that customer demand is not in free fall but appears to have stabilised, albeit as low levels.



# GM Business Monitor: Customer Demand

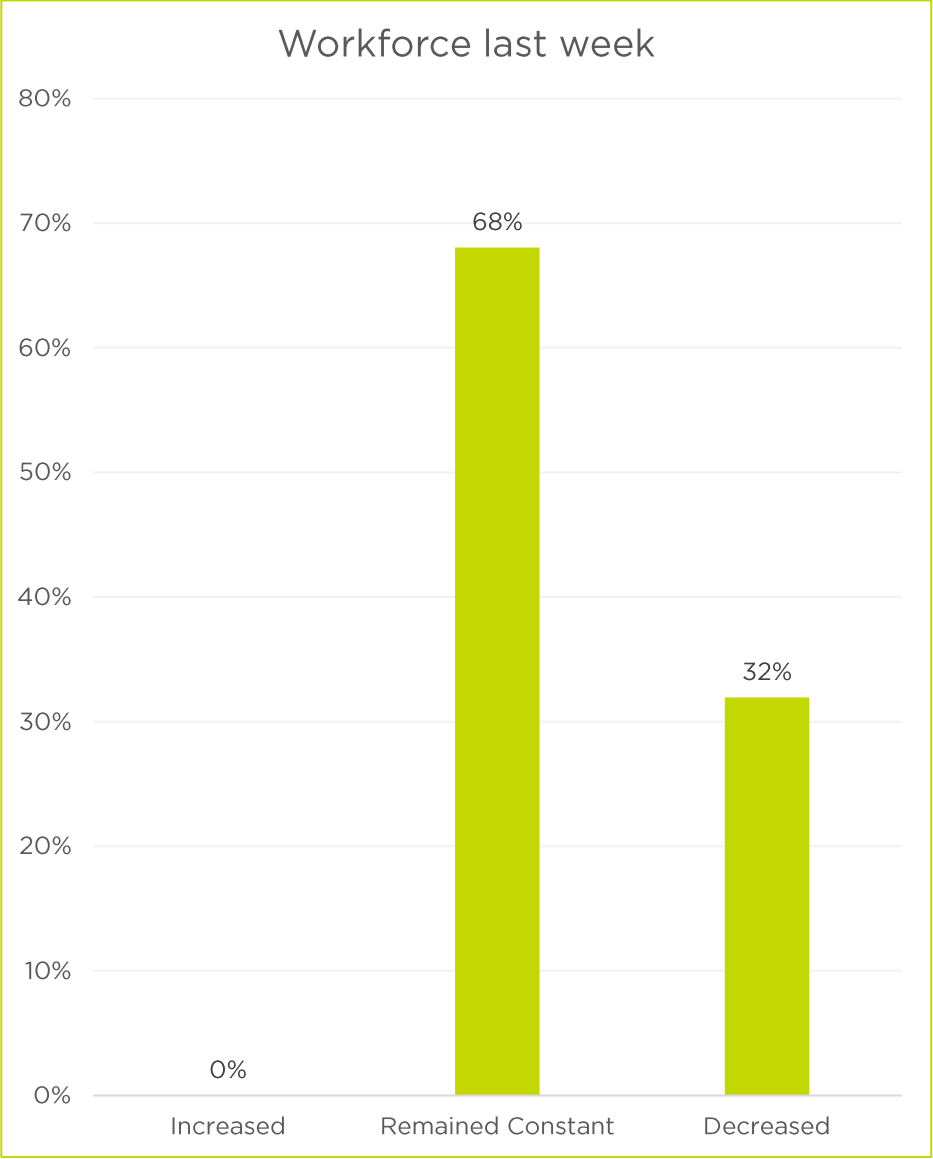


The regional breakdown of the tracker data shows that all local authority areas with GM have been affected. The balances of firms reporting on current sales and advance orders were both below zero for all three regions. This week's tracker shows GM North as an outlier with a weekly decline in both sales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

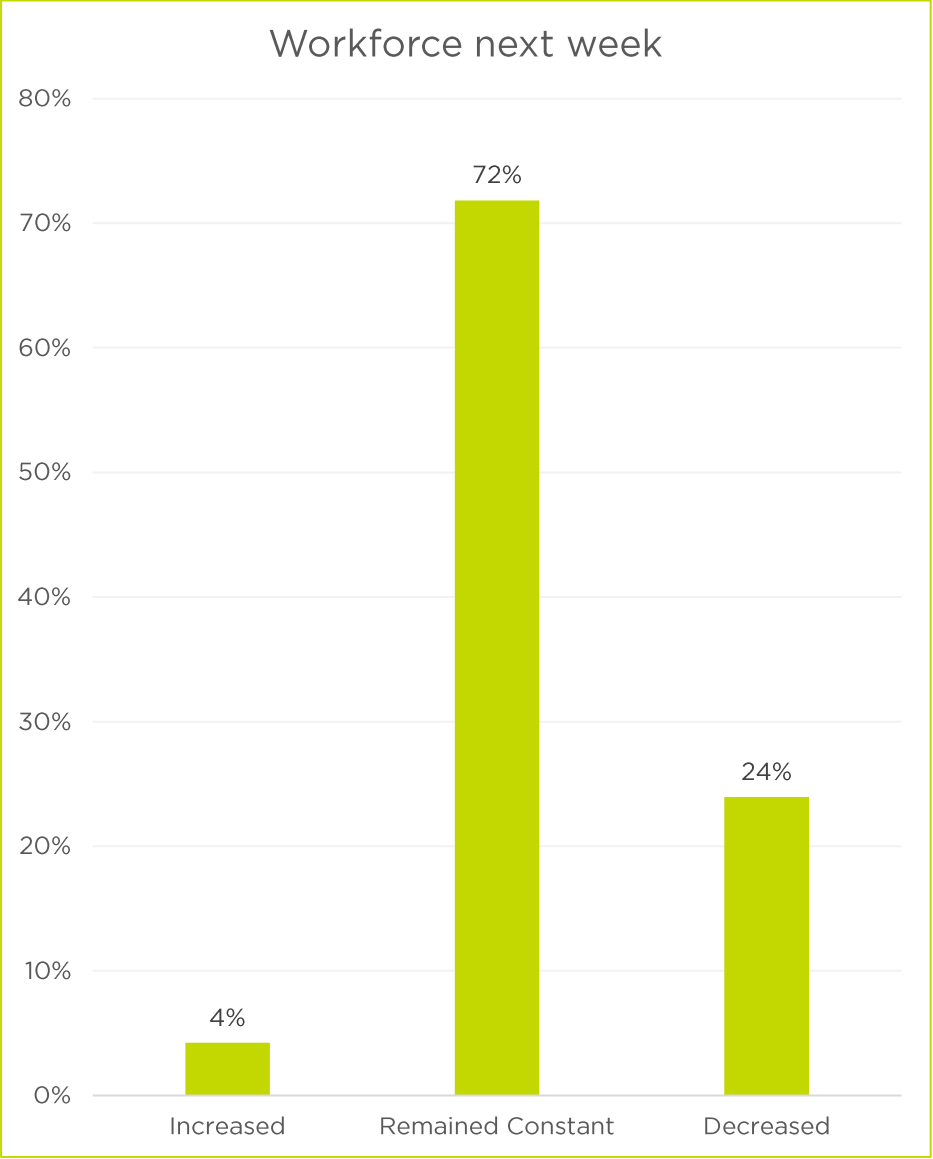
Source: GMCC QES and GM Business Monitor



# GM Business Monitor: Employment and workforce



Source: GM Business Monitor

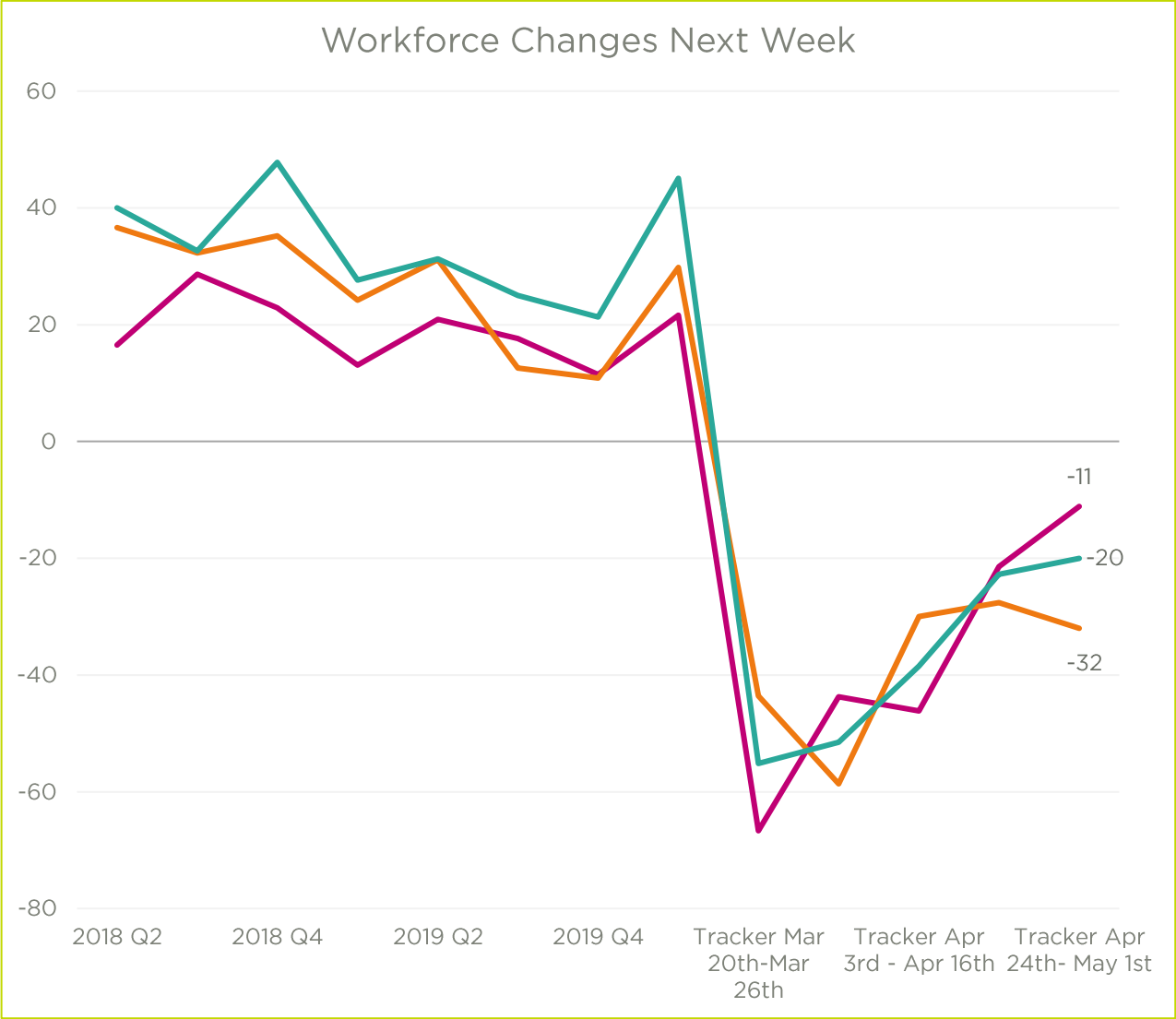
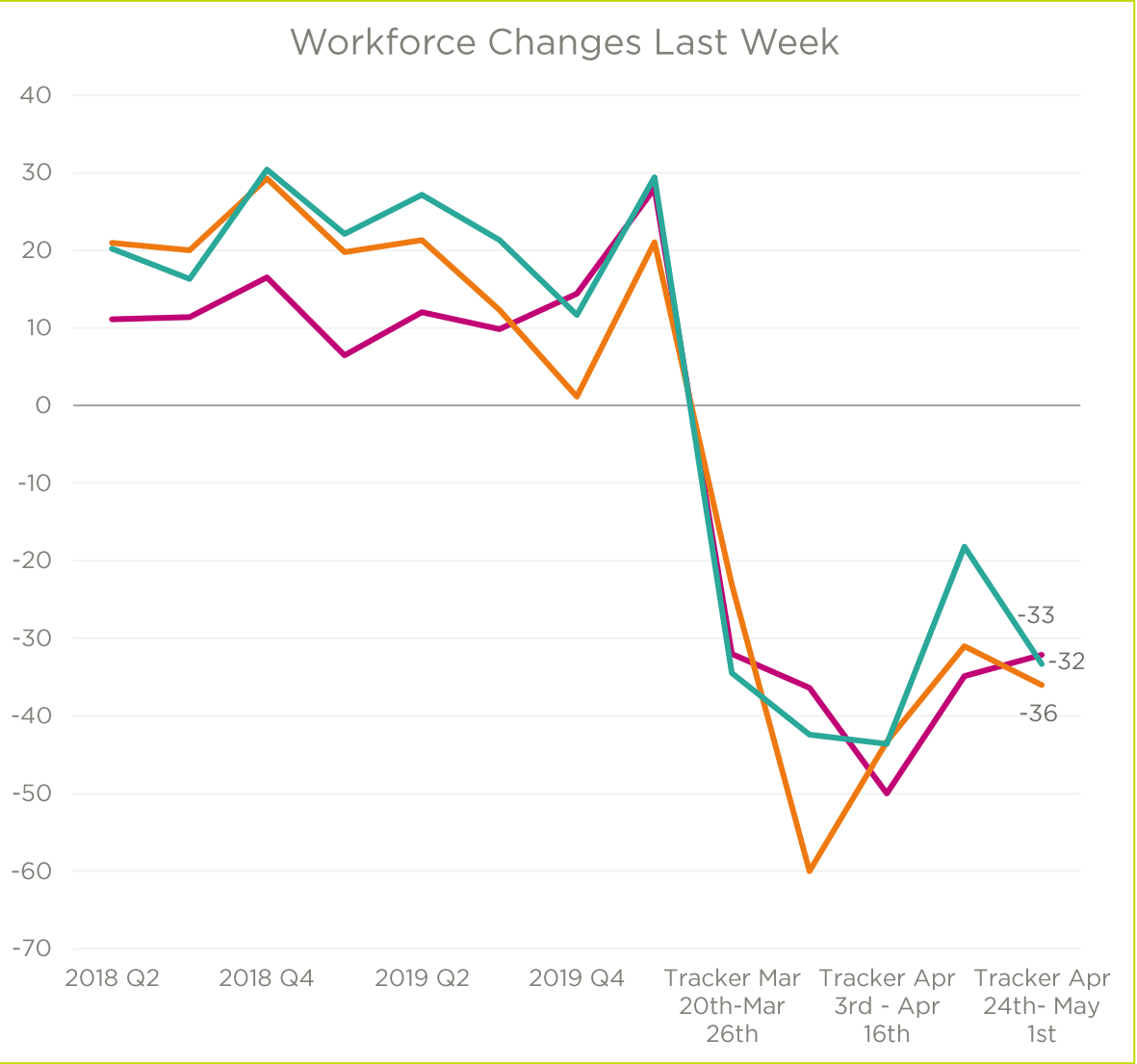


Source: GM Business Monitor

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 nearly three-fourths expect no further changes to their workforce in the next week. In the first three weeks, close to 50% of respondents had reported planned reductions to their workforce but this has gone down to a quarter in latest two trackers.



# GM Business Monitor: Employment and workforce

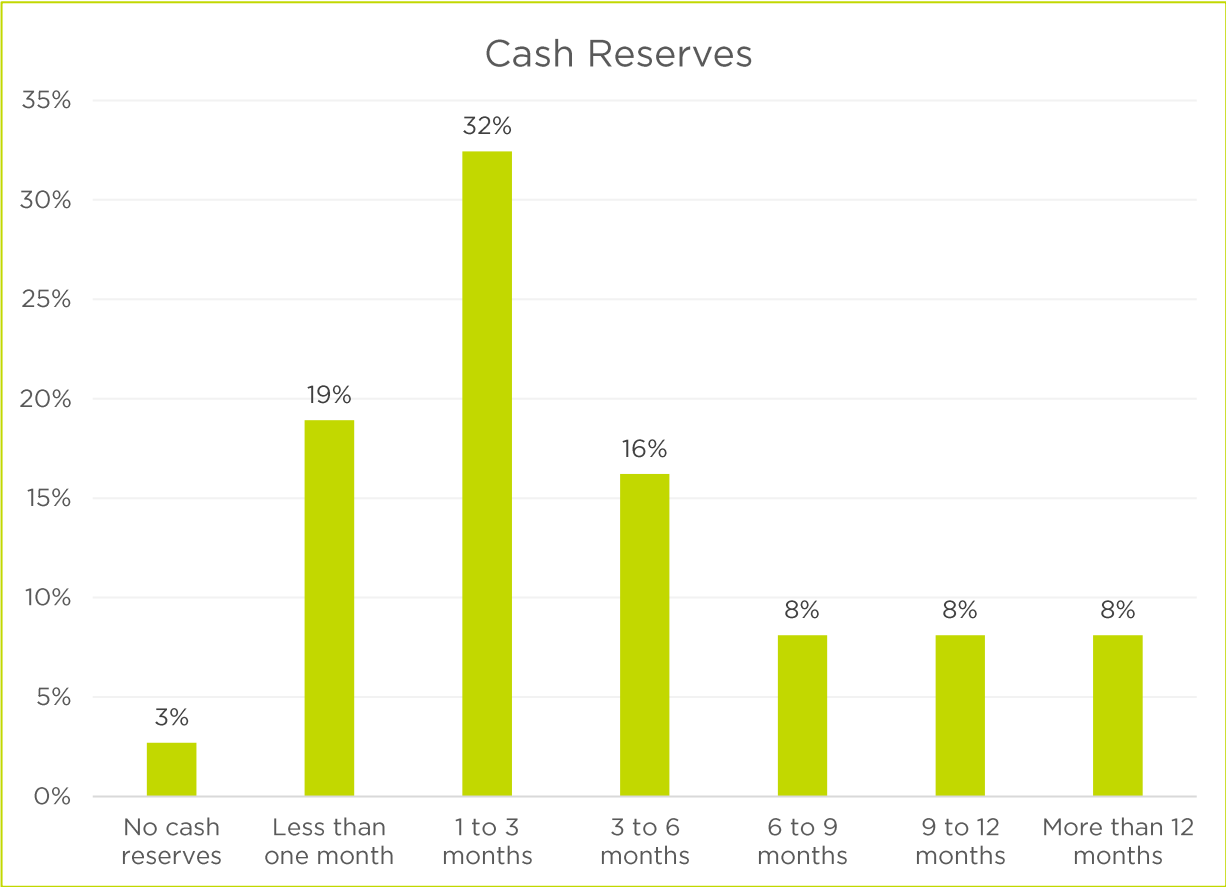
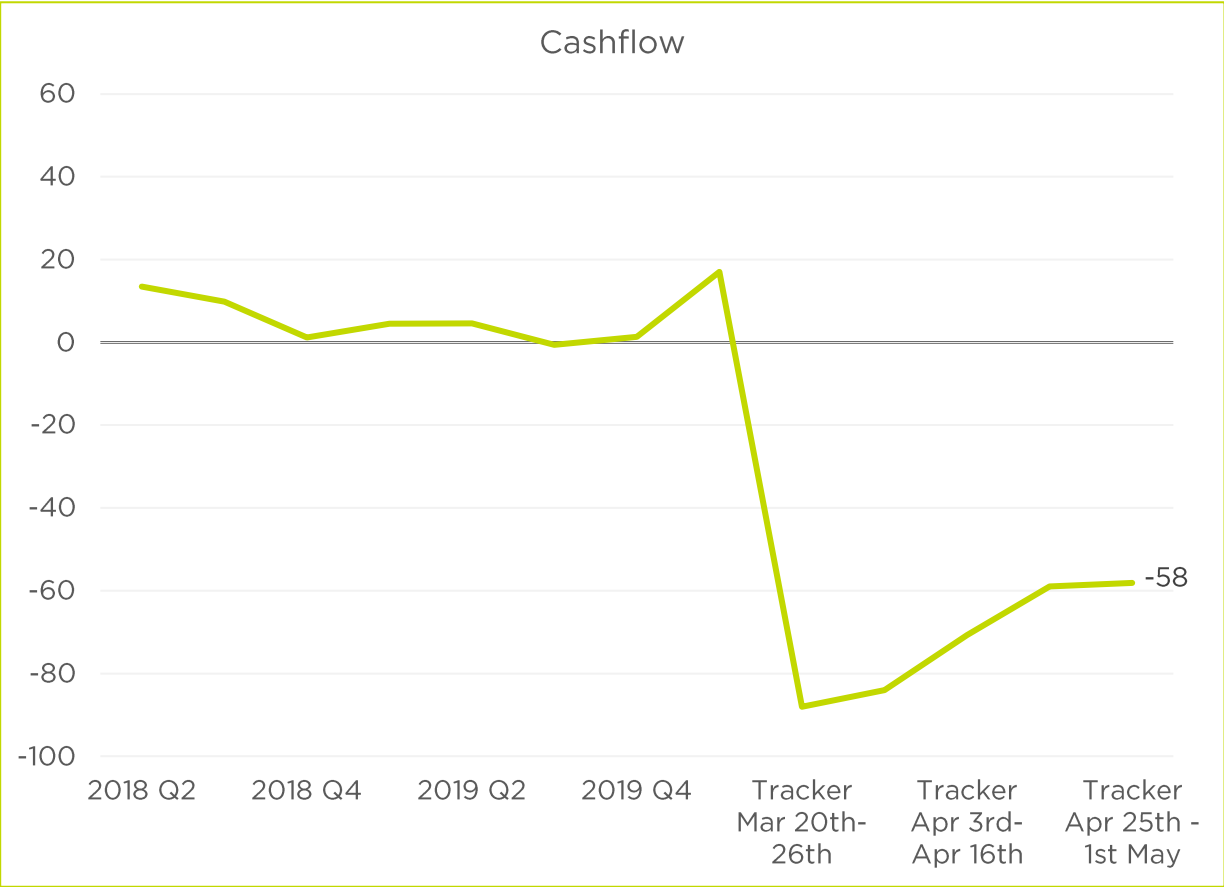


Source: GMCC QES and GM Business Monitor





# GM Business Monitor: Cashflow



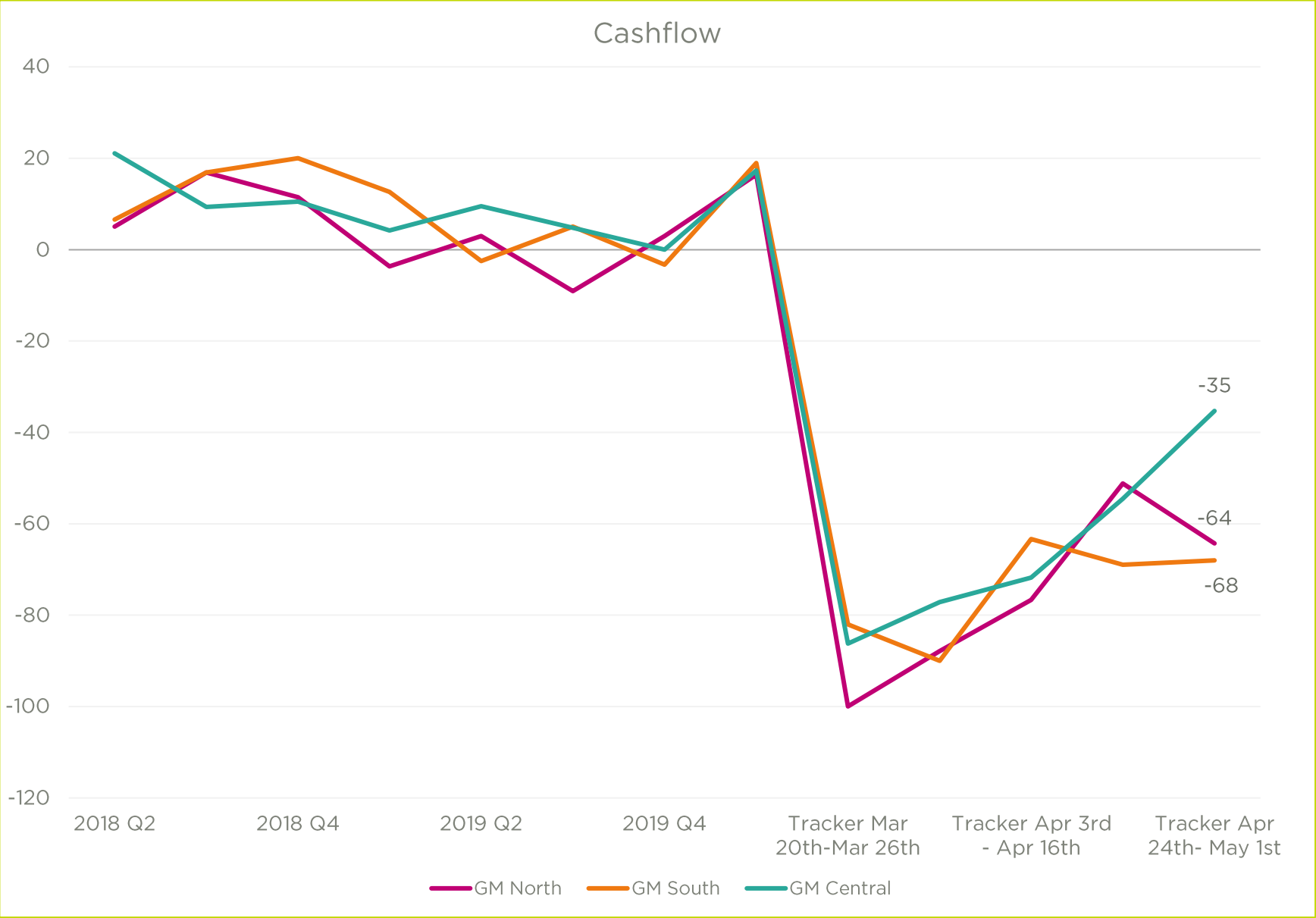
Cash management and the lack of adequate cash reserves to meet normal outgoings have been a serious concern ever since COVID-19 response measures were implemented. The balance of firms reporting cash flow problems is -58 (-59 in the previous week), meaning a lot more businesses reported reduced cash reserves than those reporting an increase. Data gathered via the British Chambers of Commerce COVID-19 tracker shows up to a fifth of GM businesses having cash reserves for less than one month, while another 32% have sufficient cash for up to three months. Those with larger cash reserves happen to be larger businesses. Smaller B2C businesses have been more affected than B2B businesses.

Source: GMCC QES and GM Business Monitor

Source: BCC COVID-19 Impact Tracker (filtered to GM responses)



# GM Business Monitor: Cashflow

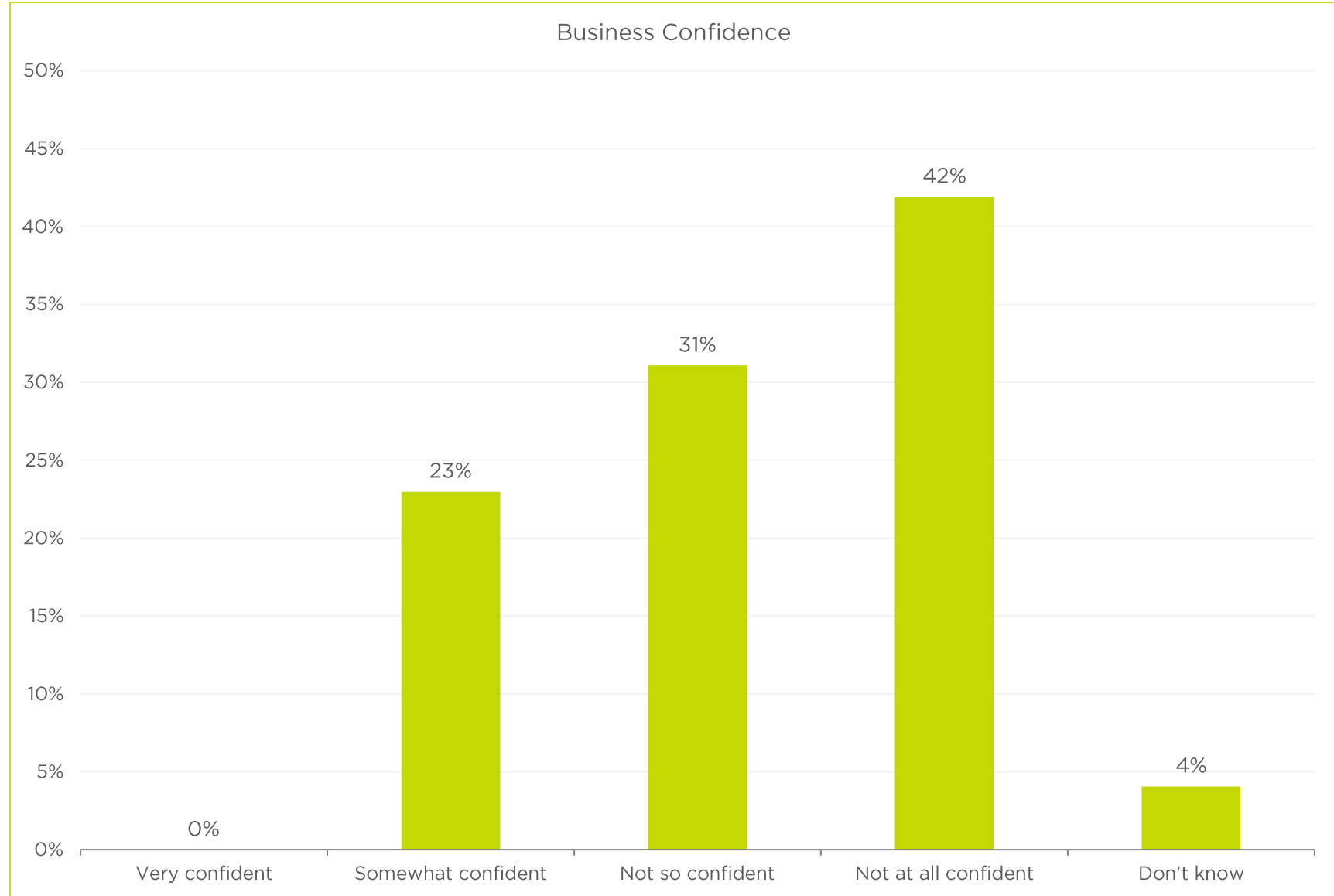


At one stage, nearly all businesses in GM North and over 80% of firms in the other two regions appear to have reported adverse cashflow positions. That situation has changed slightly, not an improvement but a continuation of the same situation. In the latest tracker, GM North is an outlier with firms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

Source: GMCC QES and GM Business Monitor



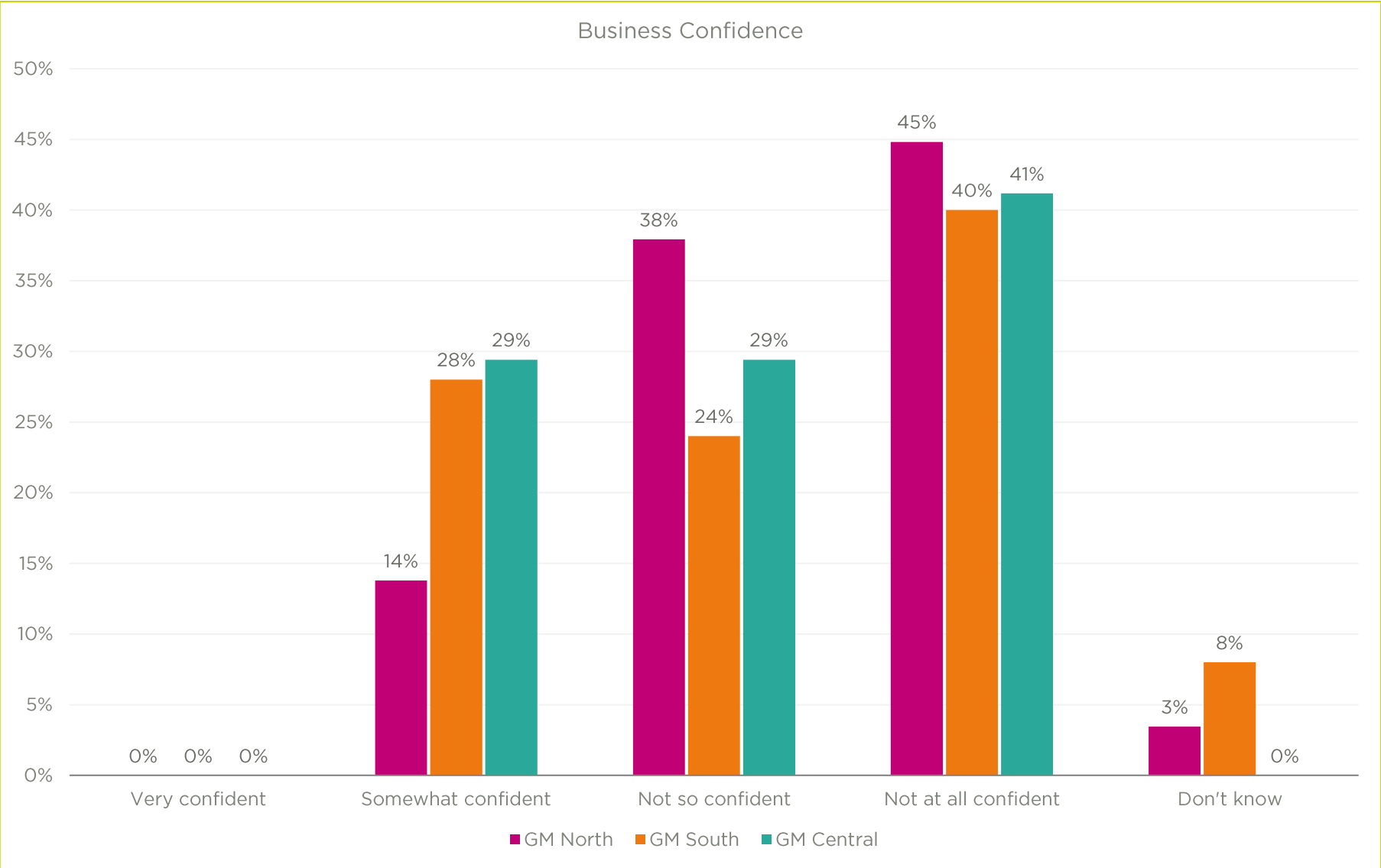
# GM Business Monitor: Business Confidence



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: 42% the survey respondents (50% in the previous tracker) reported not being confident at all about business prospects over the next three months while another 31% (28% 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 quarter of respondents had some confidence in being able to maintain sales and turnover in the coming weeks.



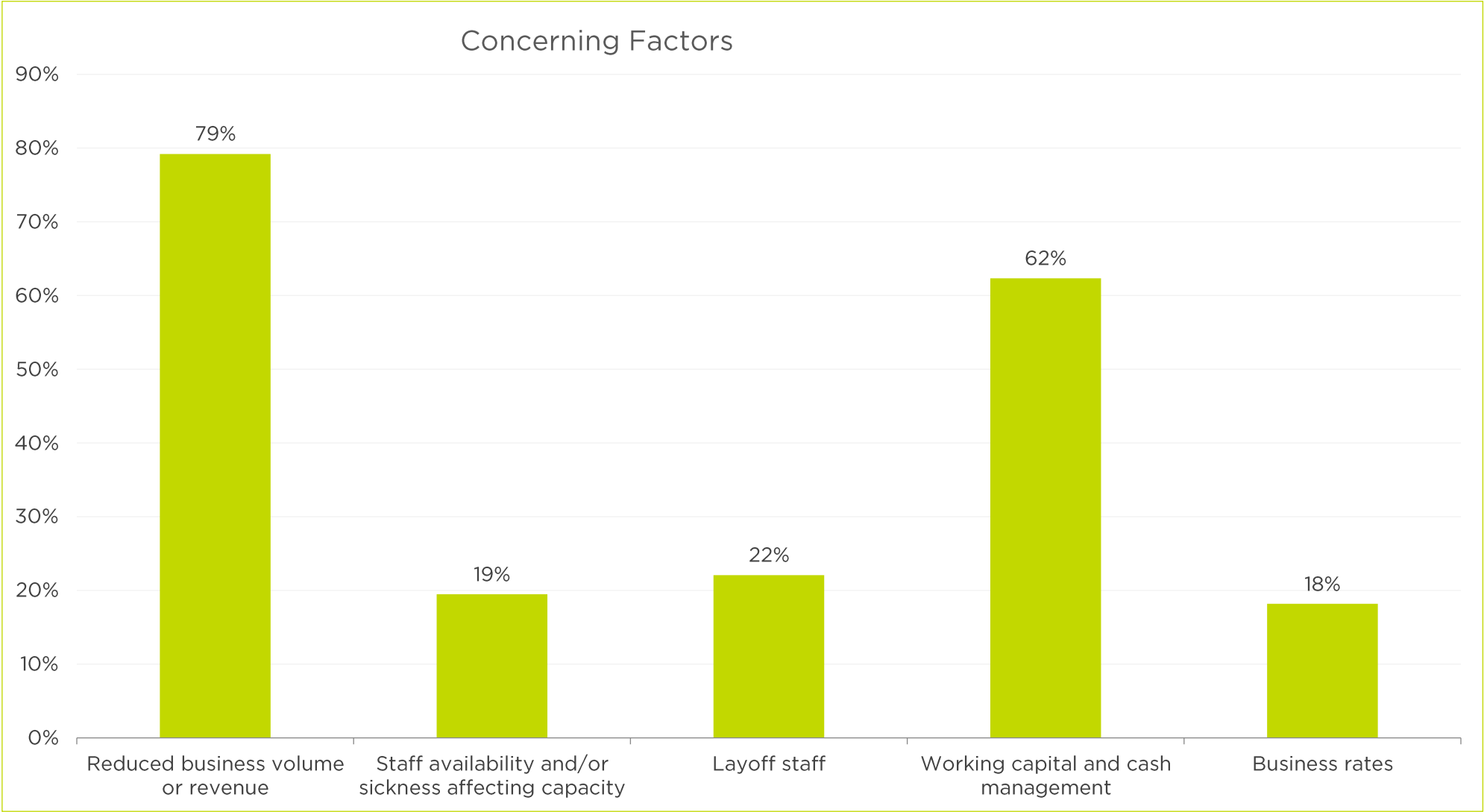
# GM Business Monitor: Business Confidence



All three GM regions are facing reduced levels of business confidence. The absolute majority of respondents expressed negative sentiment: 83% in GM North, 64% in GM South and 70% in GM Central, of which over 40% on average are not at all confident about future prospects. Sentiment is likely to improve only when there is clarity on relaxation of the lockdown and a return to the pre-pandemic business volume.



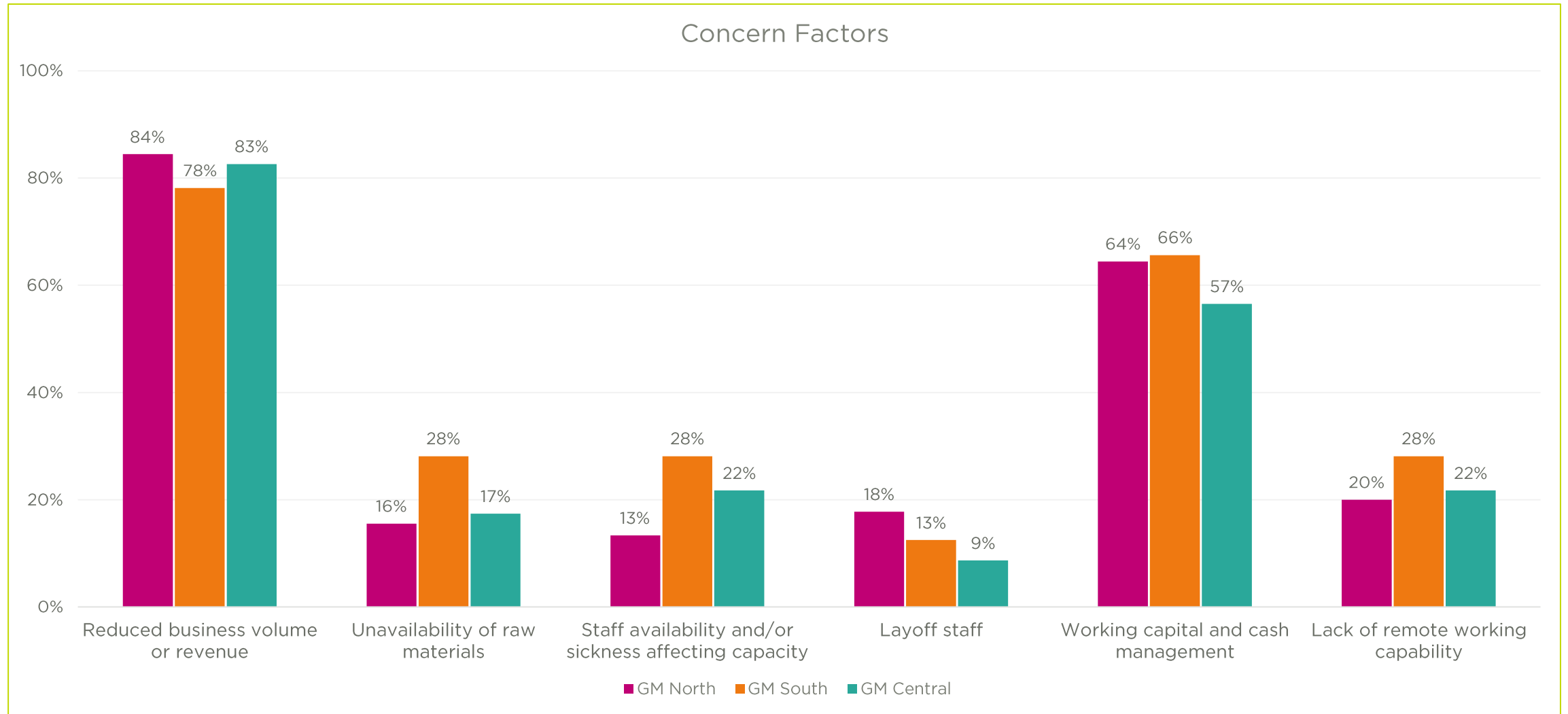
# GM Business Monitor: Concerning factors



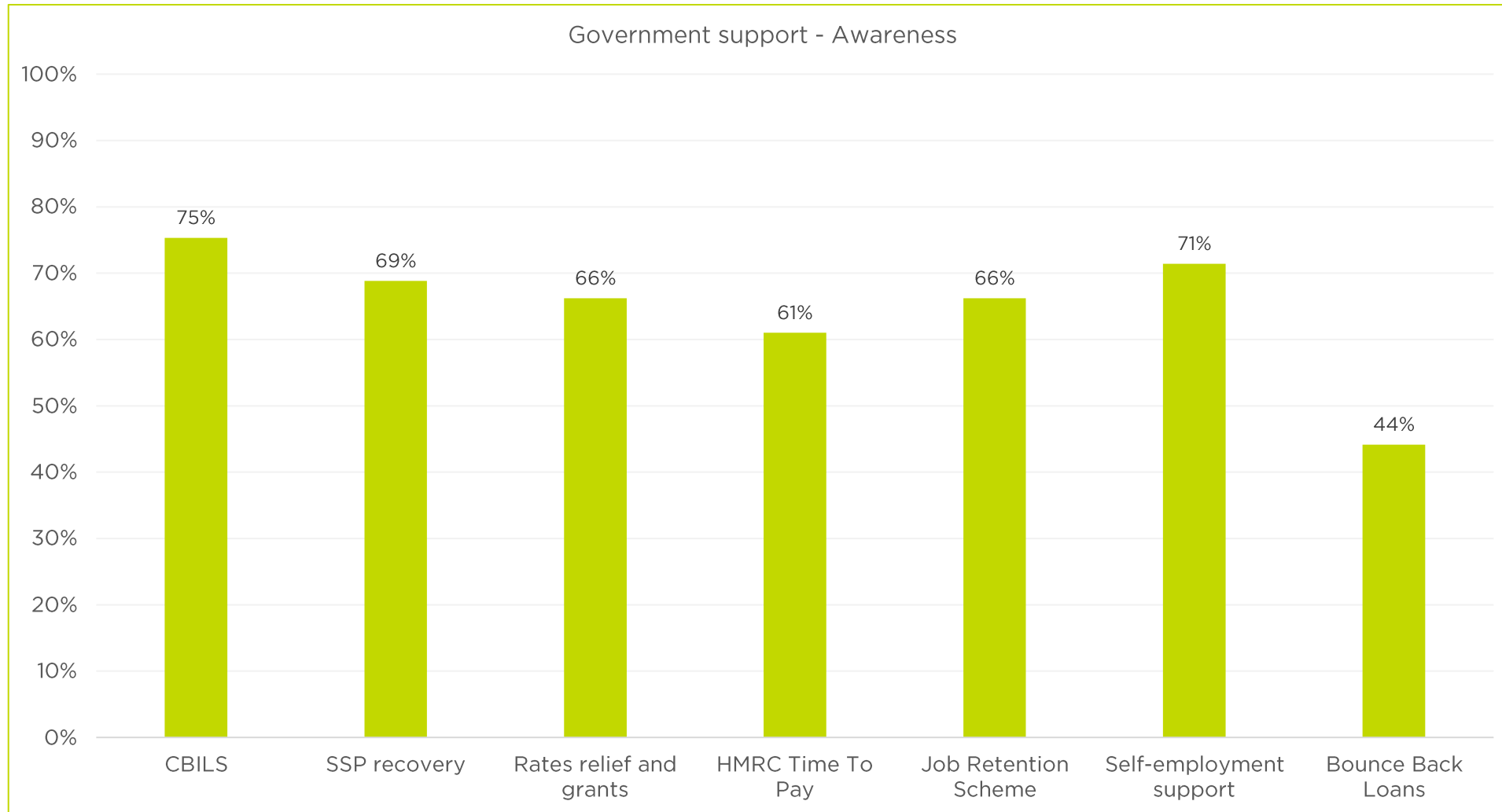
The absolute majority of businesses are concerned about the fall in customer demand and the consequent impact on cash management. Staff availability to deliver current business requirements, primarily in sectors which are still open, is also a concern.



# GM Business Monitor: Concerning factors



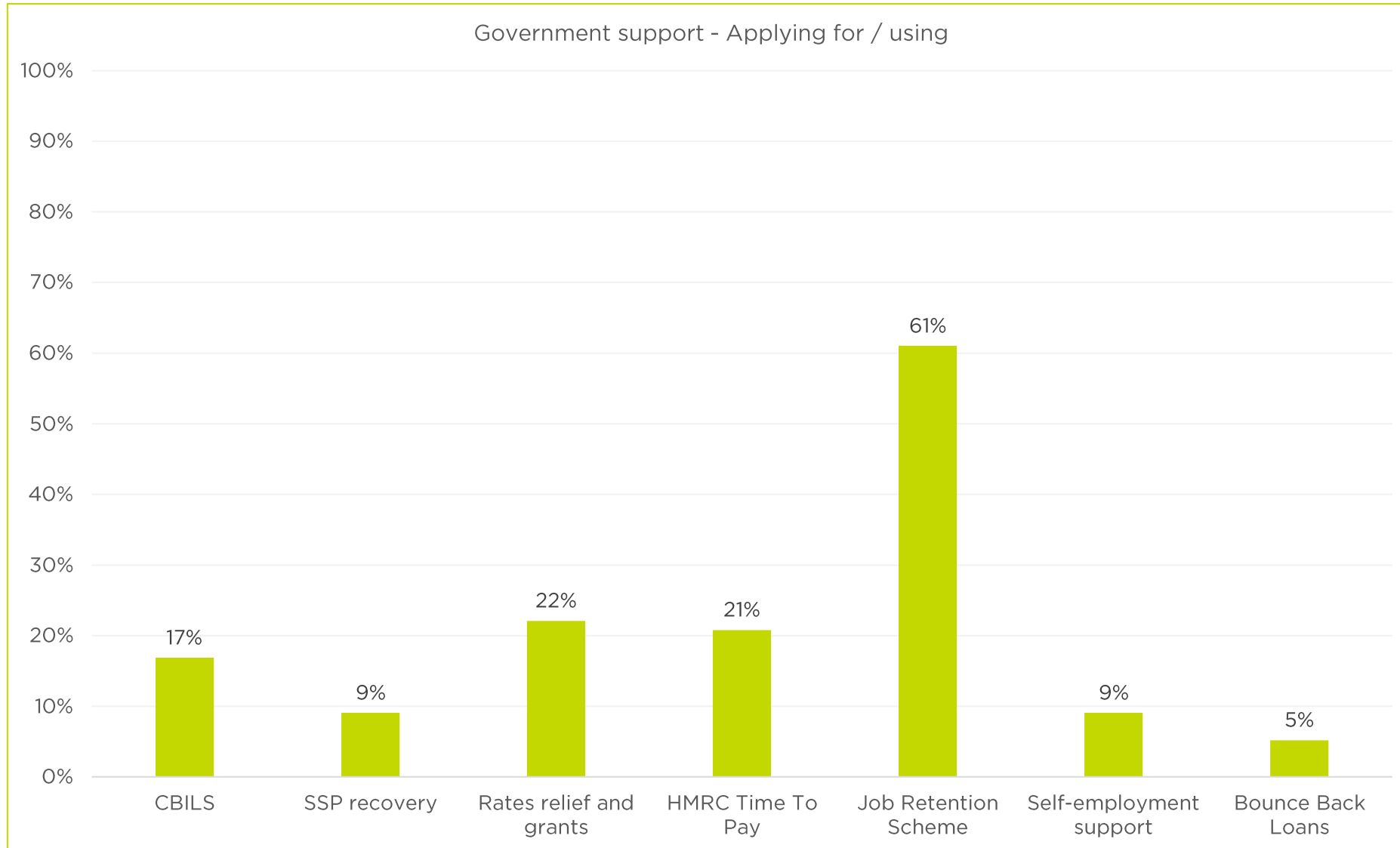
# GM Business Monitor: Awareness of available support



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

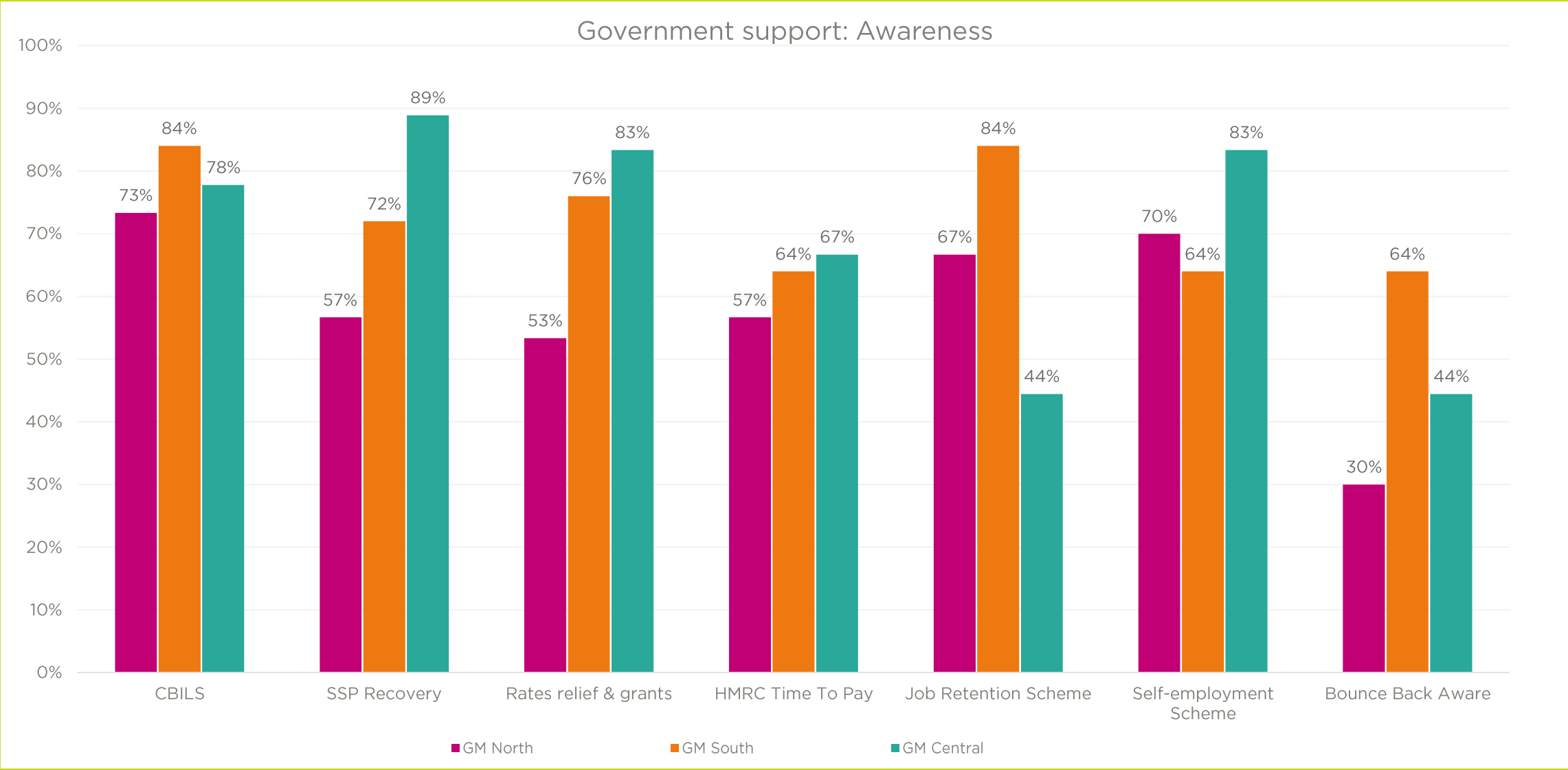


Various concerns have been expressed about the administration of support measures and the speed with which businesses can access them. Official data on Bounce Back loans is encouraging and suggests that more small businesses have been able to access financing. The most popular scheme is the Job Retention Scheme. As of 3<sup>rd</sup> May, over 800,000 claims covering 6 million workers had been made across the UK. This is evidence of the reliance placed on Government support schemes and raises concerns about business continuity if support is withdrawn.

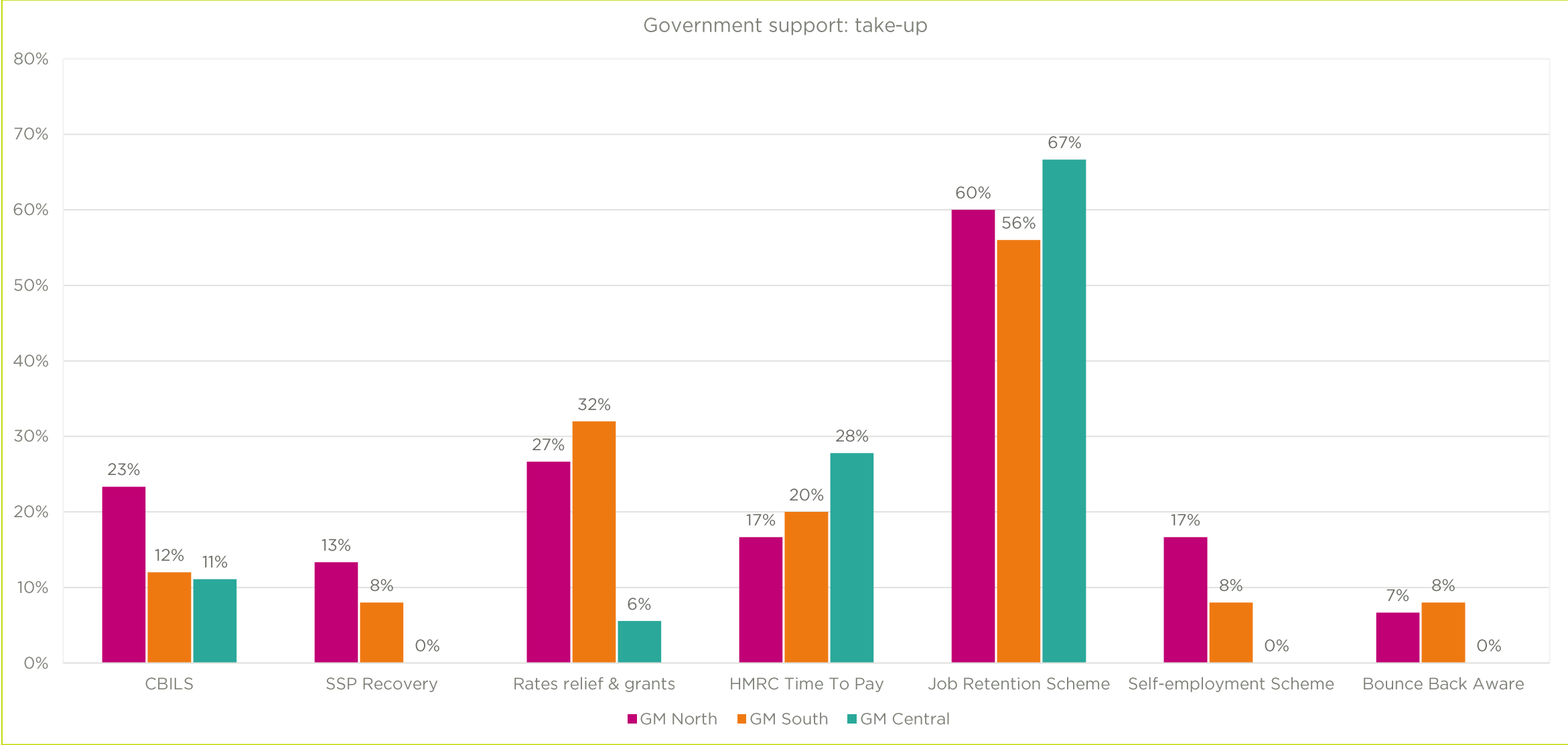




# GM Business Monitor: Awareness of support



# GM Business Monitor: Applying for 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) fifth COVID-19 Business Impact Tracker and the IHS Markit Purchase Managers Institute indices for April. 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 the Business Monitor. Although the true scale of the economic contraction will not be clear for months to come, the OBR predicted up to a 35% drop in GDP for the second quarter of 2020, which is likely to translate into a significant reduction in regional GVA growth for GM.

Firms across the country are experiencing difficulties with cash flow- the BCC's tracker found that over 50% of firms do not have cash reserves to meet normal outgoings for more than three months. The COVID-19 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 not that high except for the Coronavirus Job Retention Scheme, which over 60% of businesses have used to furlough staff and preserve vital cash reserves. Early response to the Business Bounce Back loans are indeed encouraging. The 100% guarantee for small businesses are likely to have reassured banks about extending credit, while also addressing business demand for smaller amount loans. The support scheme for the self-employed is due to go live and in the next week. There is anecdotal evidence that some small businesses have been left out of one-off grants. Some of these gaps will have to be addressed in the coming weeks.



# 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 due to be reviewed later this week but are likely to be extended for a further short period.
- 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. Uptake of Bounce Bank loans and the speed of processing claims under CJRS is encouraging because they offer vital support.

