

Greater Manchester Chamber of Commerce

Quarterly Economic Update Q3 2020

25th September 2020



Greater Manchester
Chamber of Commerce

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Quarterly Economic Briefing Q3 2020

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 sample size matter?

- Yes. Better the response rate, more accurate the results. 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.

Do policy makers use the QES?

- Lots of them do. 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*.

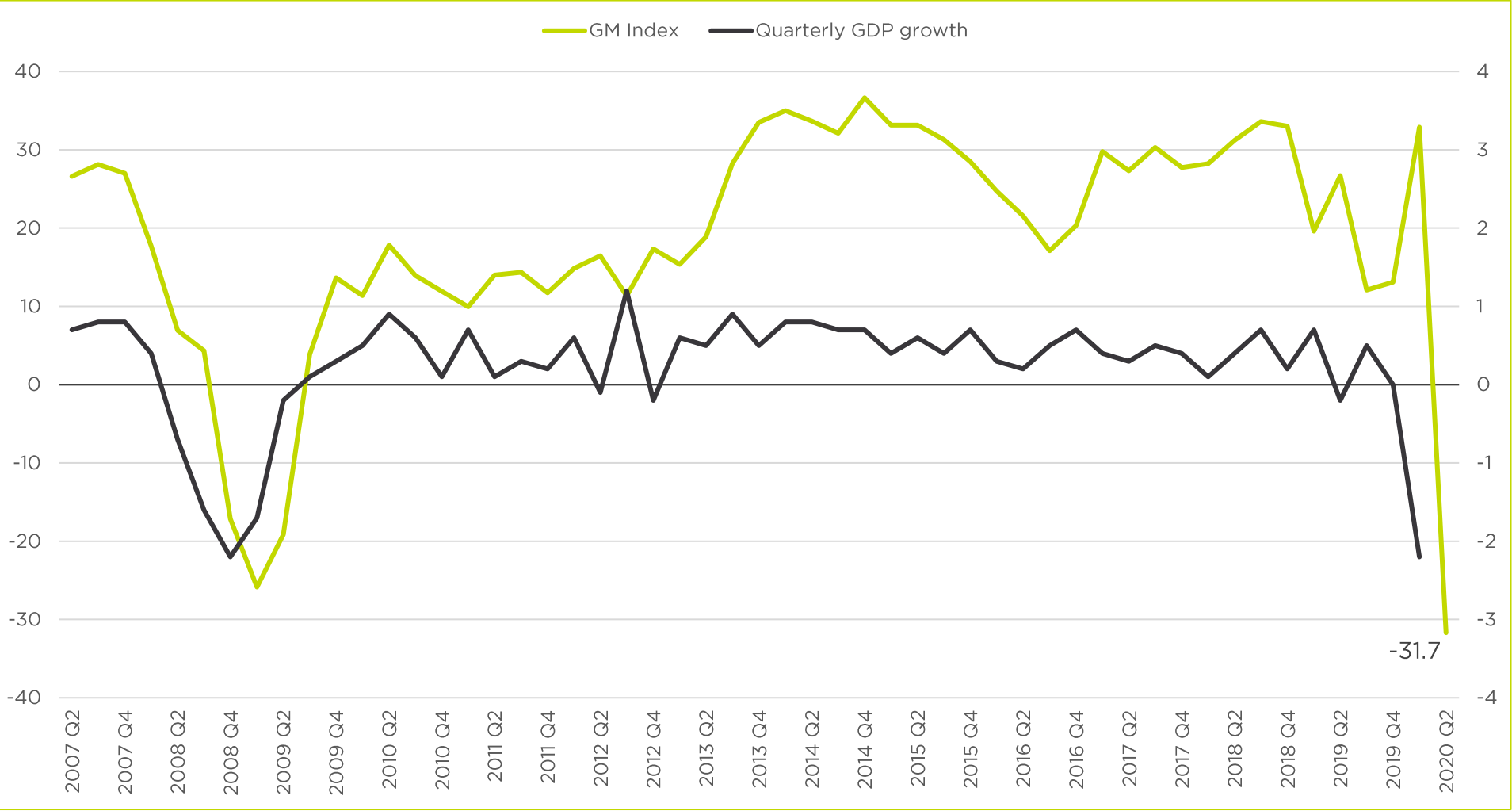
We will cover QES data and GM Business Monitor

- The Greater Manchester Index™
- Business confidence
- Domestic & overseas demand
- Sectoral analysis
- Labour Market
- Macroeconomic outlook

The Greater Manchester Index™ is a combination of seven key QES measures that best indicate the overall performance of the GM economy:

- Domestic Sales
- Domestic orders
- International sales
- International orders
- Confidence in turnover
- Confidence in profitability
- Capacity utilisation

Where were we in June?

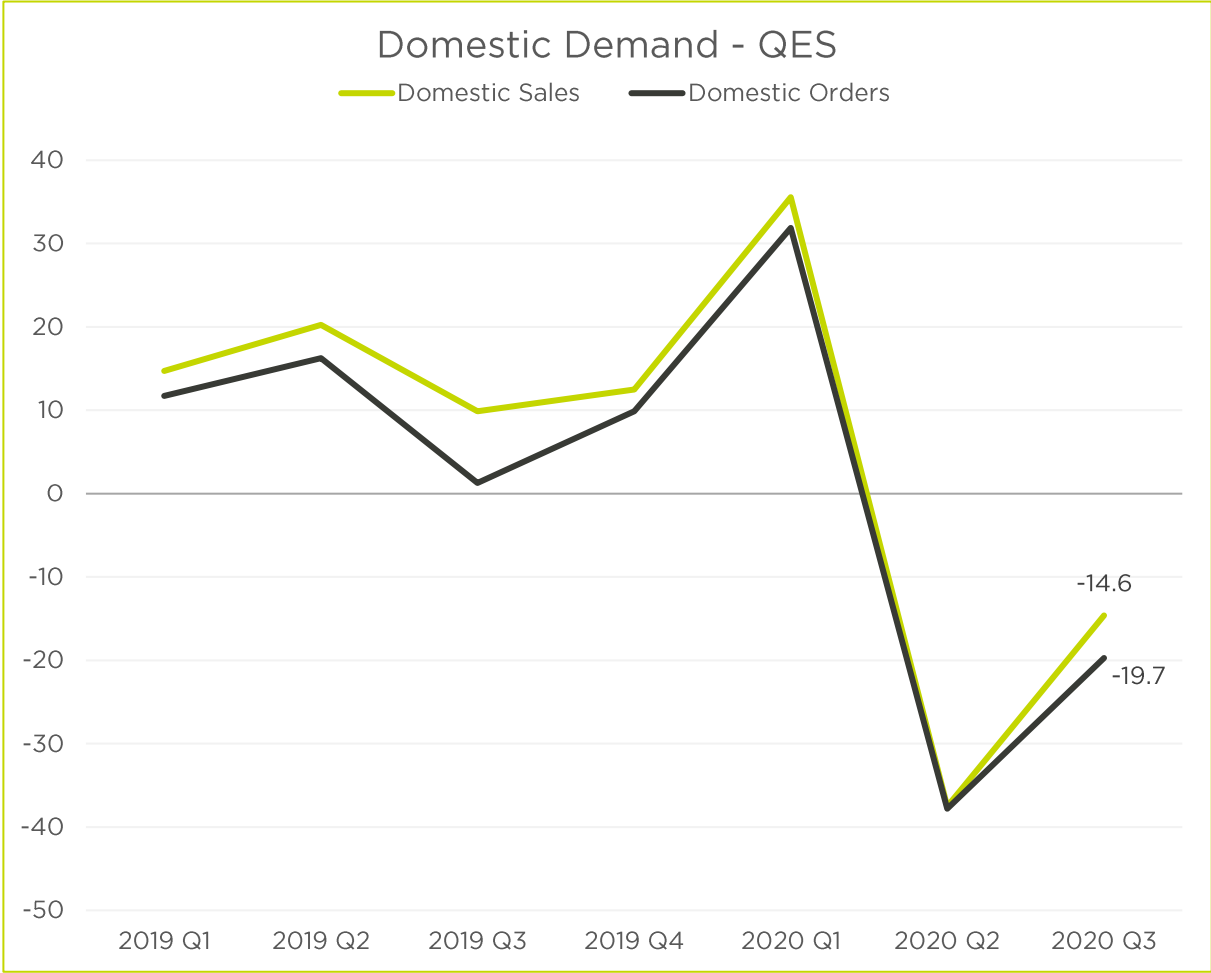


- Q2 2020 GM Index™: **-31.7**, the lowest value ever
- QES results provide “snapshots in time”
- GM Recovery Tracker surveys held since June show how the economy has changed

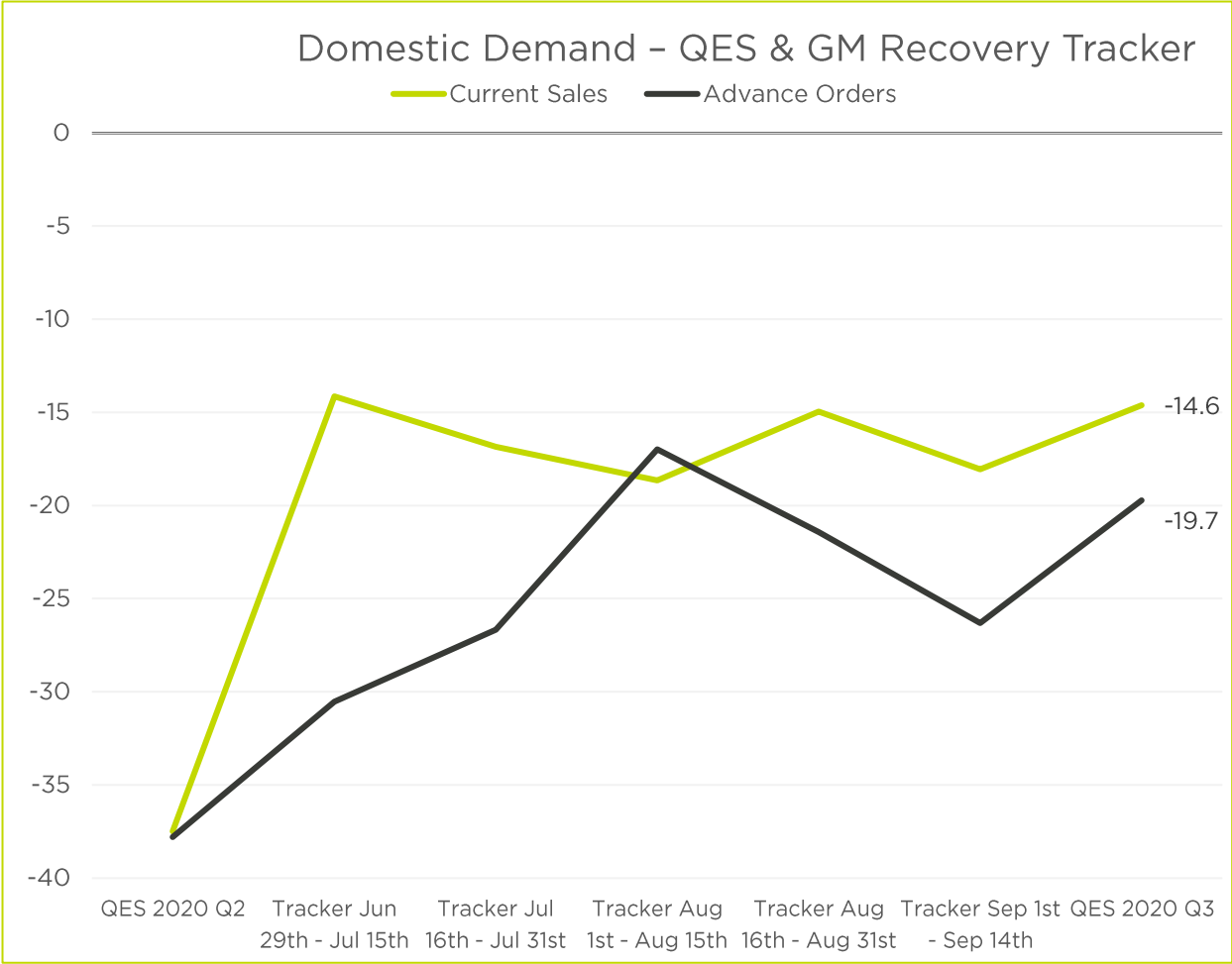
Sources: GMCC QES Q2 2020, ONS GDP first quarterly estimate (released 13 May 2020)



Domestic Demand



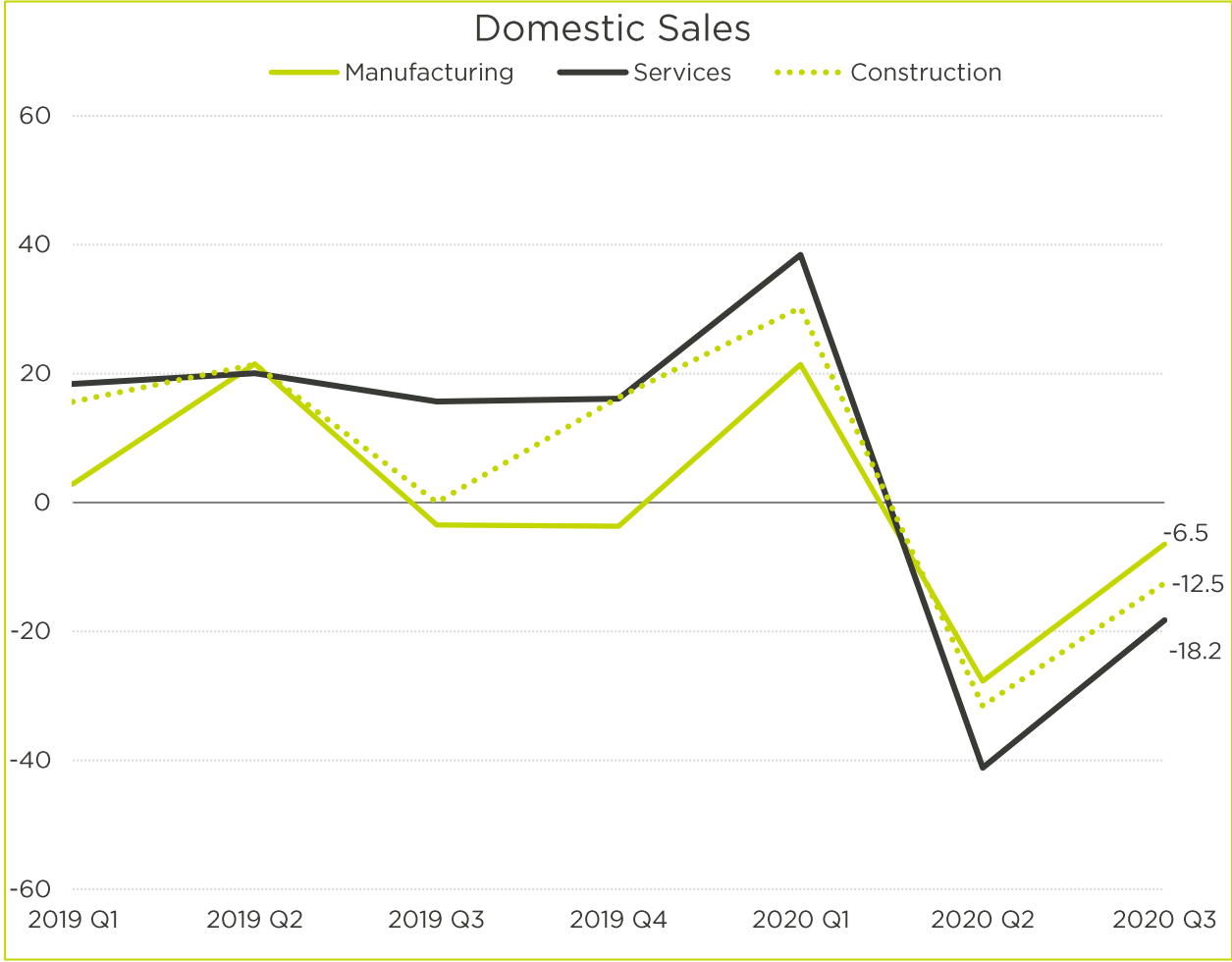
Source: GMCC QES



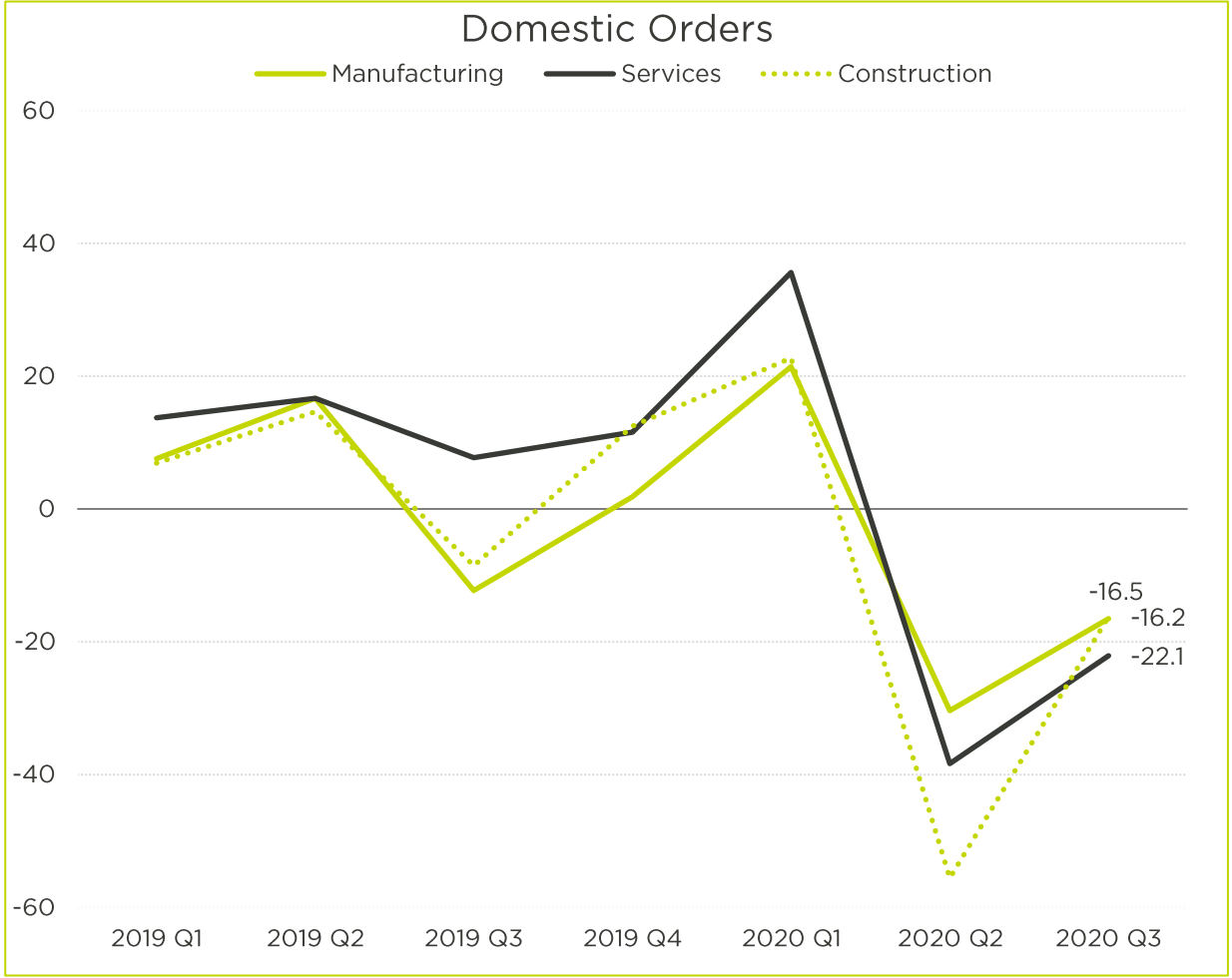
Source: GMCC QES, GM COVID-19 Recovery Tracker



QES Domestic Demand



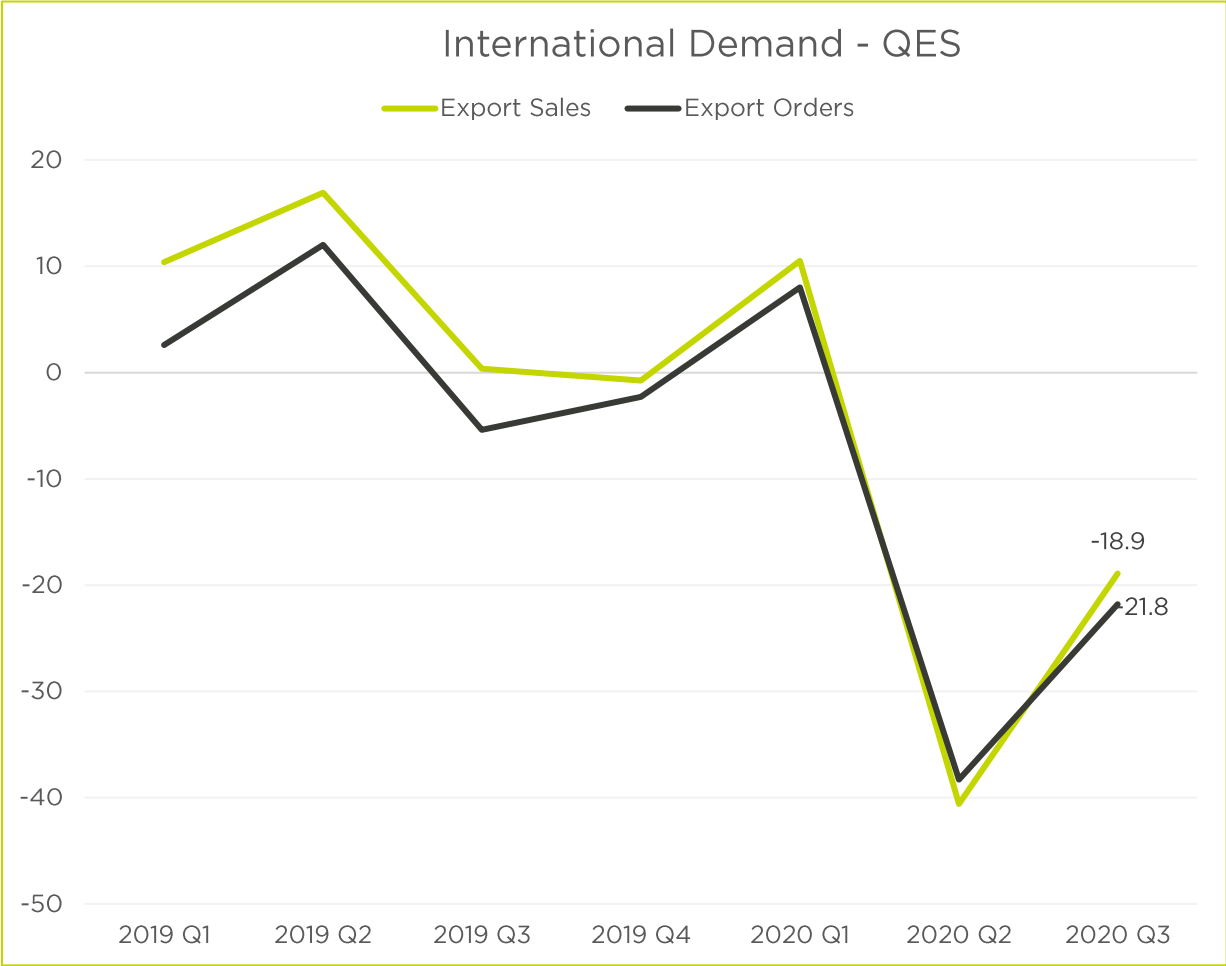
Source: GMCC QES



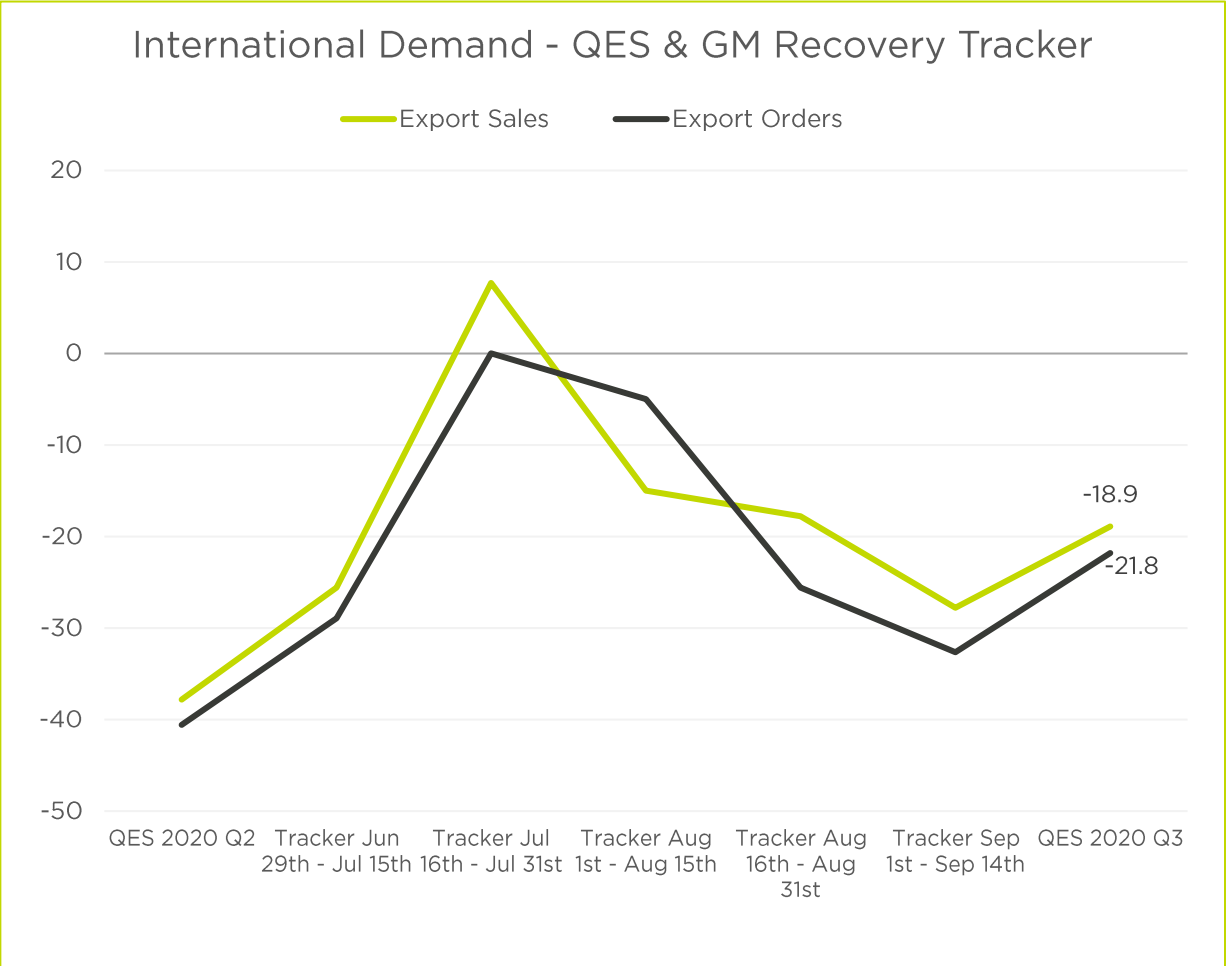
Source: GMCC QES



International Demand



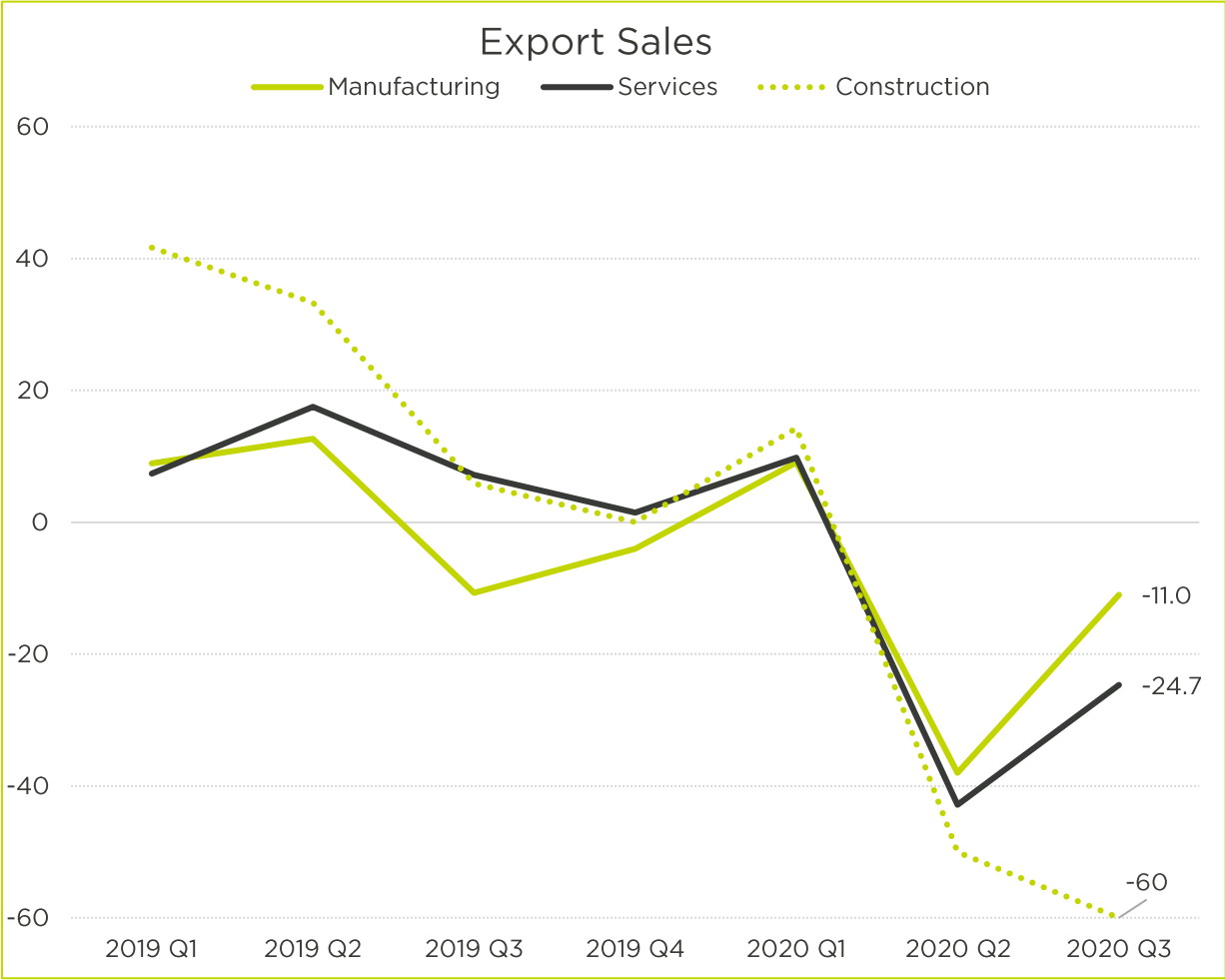
Source: GMCC QES



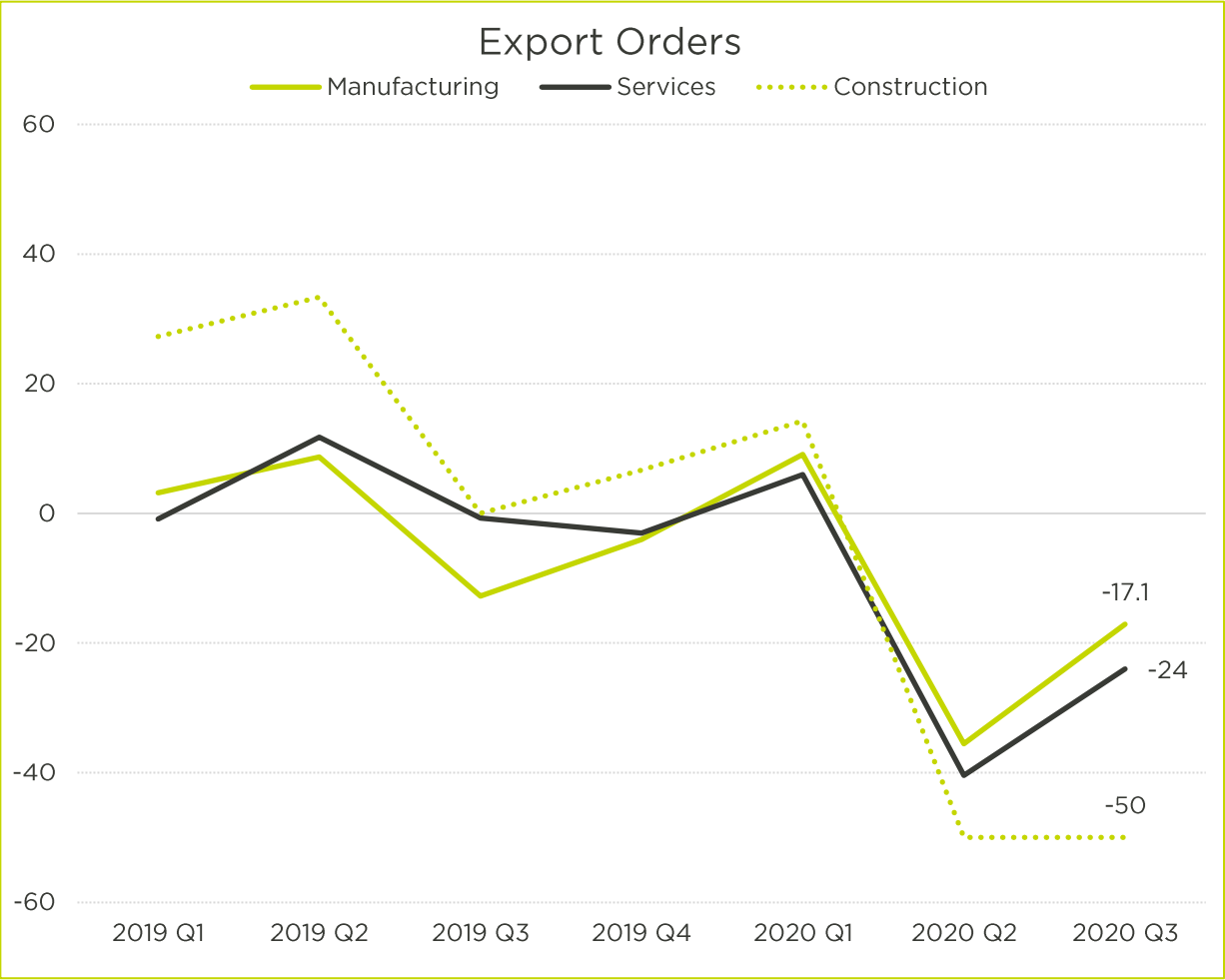
Source: GMCC QES, GM COVID-19 Recovery Tracker



QES International Demand



Source: GMCC QES

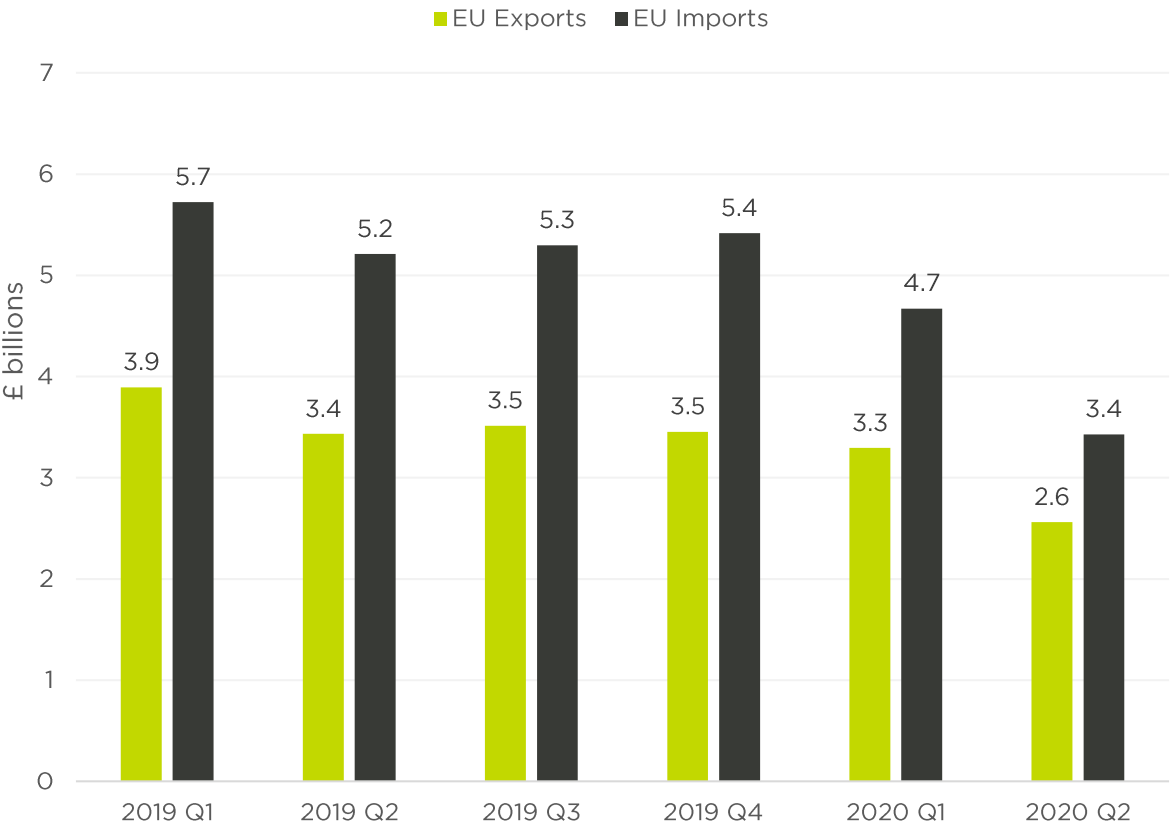


Source: GMCC QES



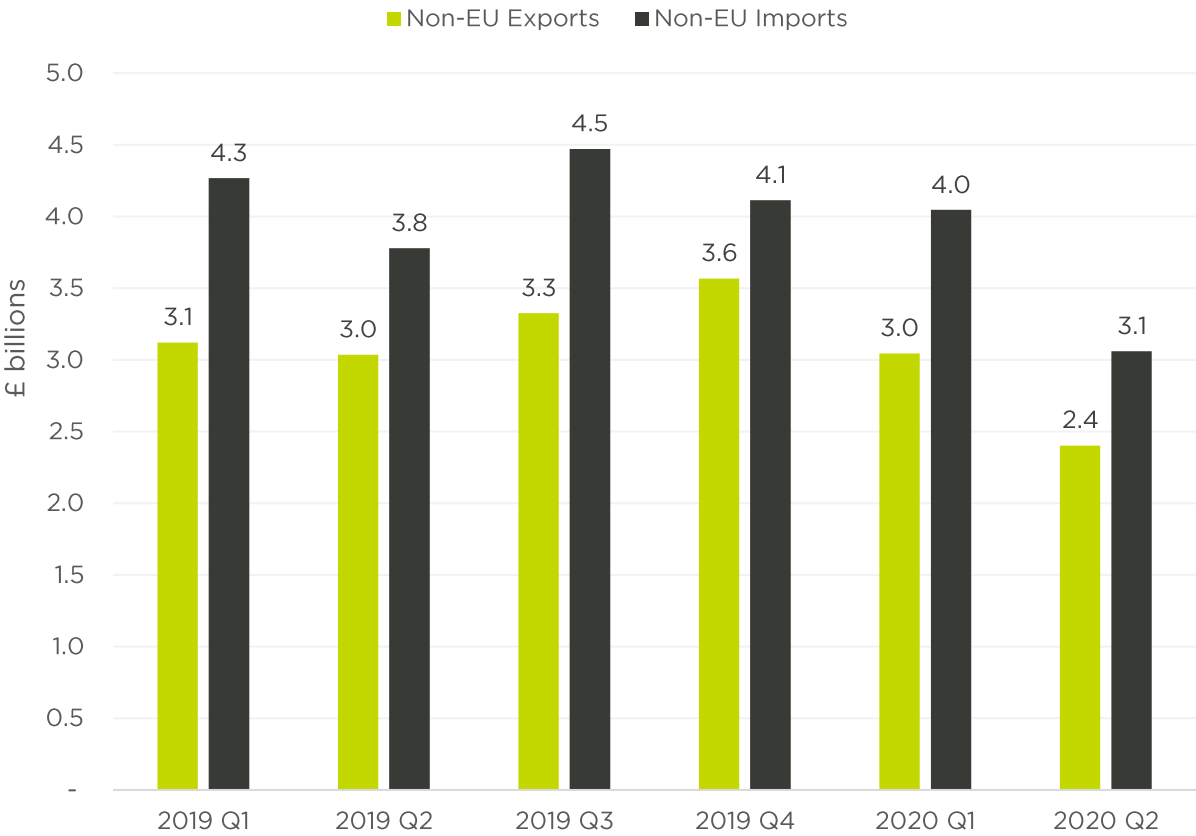
International Trade

North West international trade - EU



Source: HMRC UK Trade Info

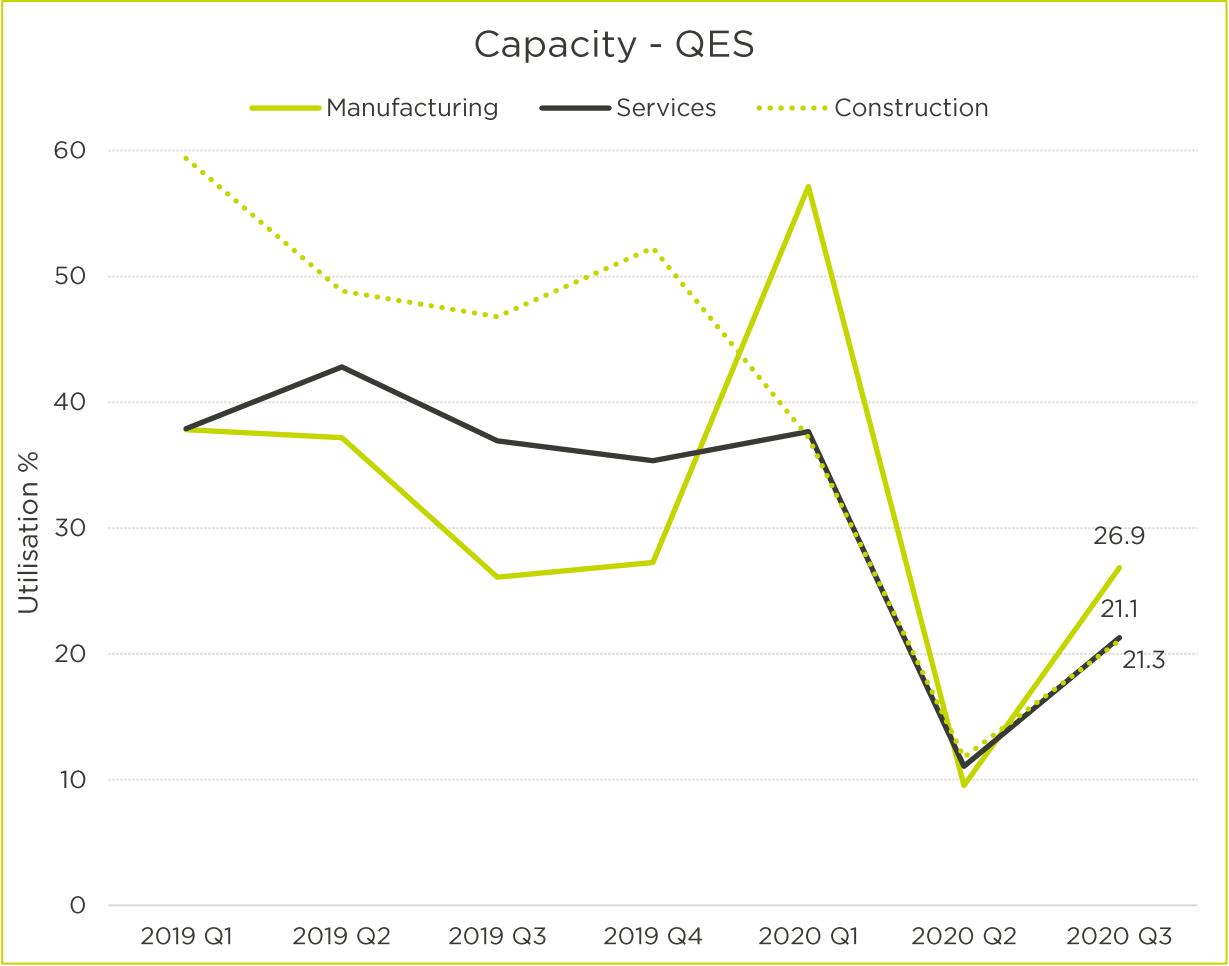
North West international trade - Non-EU



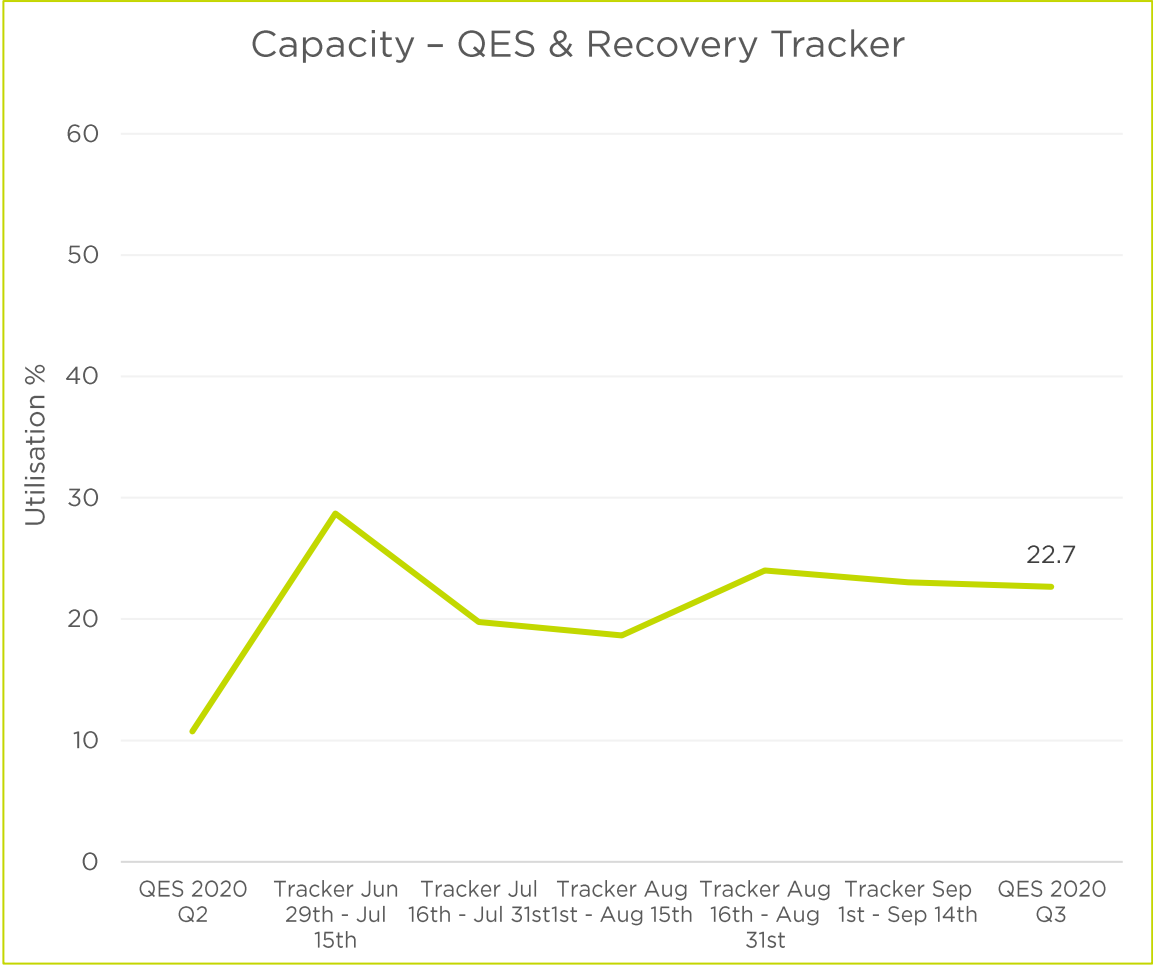
Source: HMRC UK Trade Info



Capacity Utilisation



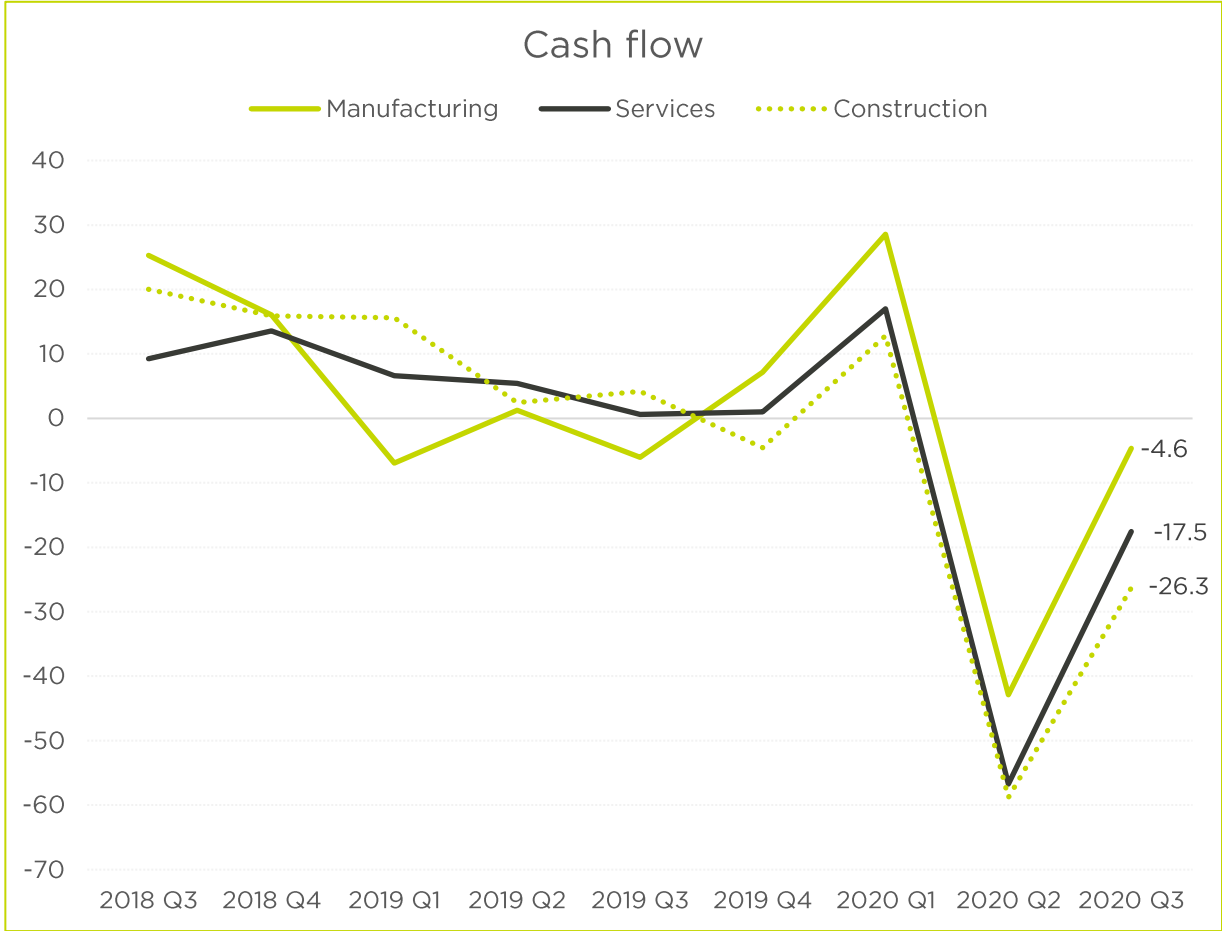
Source: GMCC QES



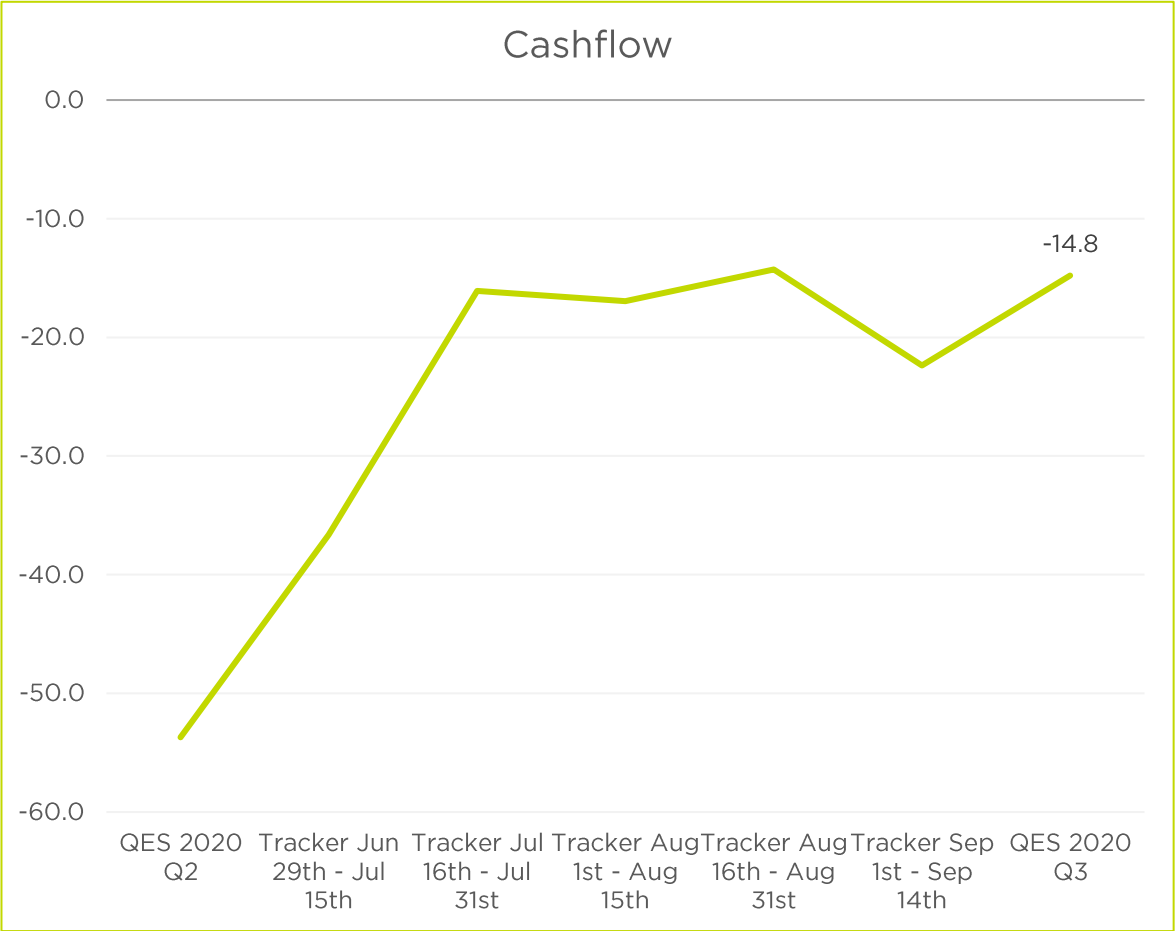
Source: GMCC QES, GM COVID-19 Recovery Tracker



Cashflow



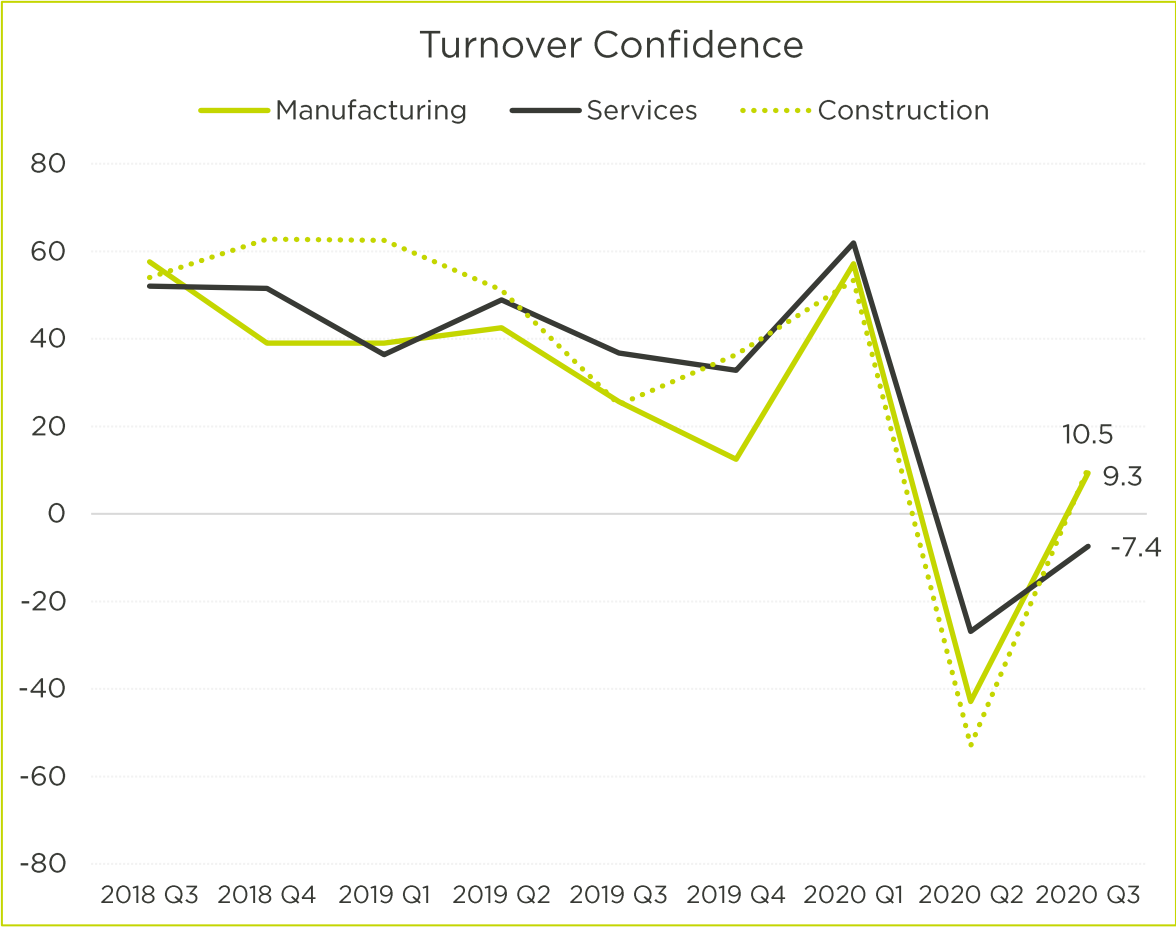
Source: GMCC QES



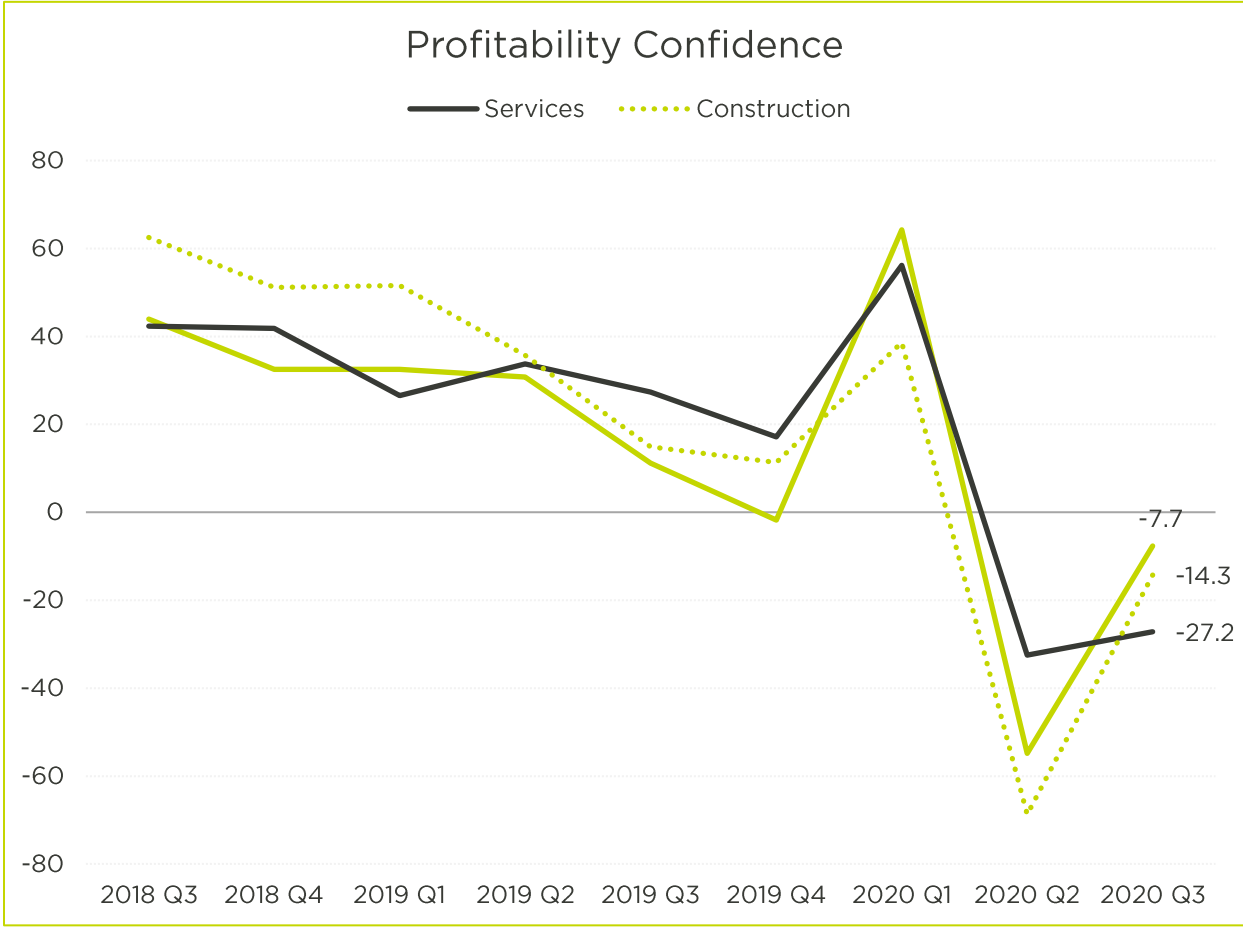
Source: GMCC QES, GM COVID-19 Recovery Tracker



QES Business Confidence



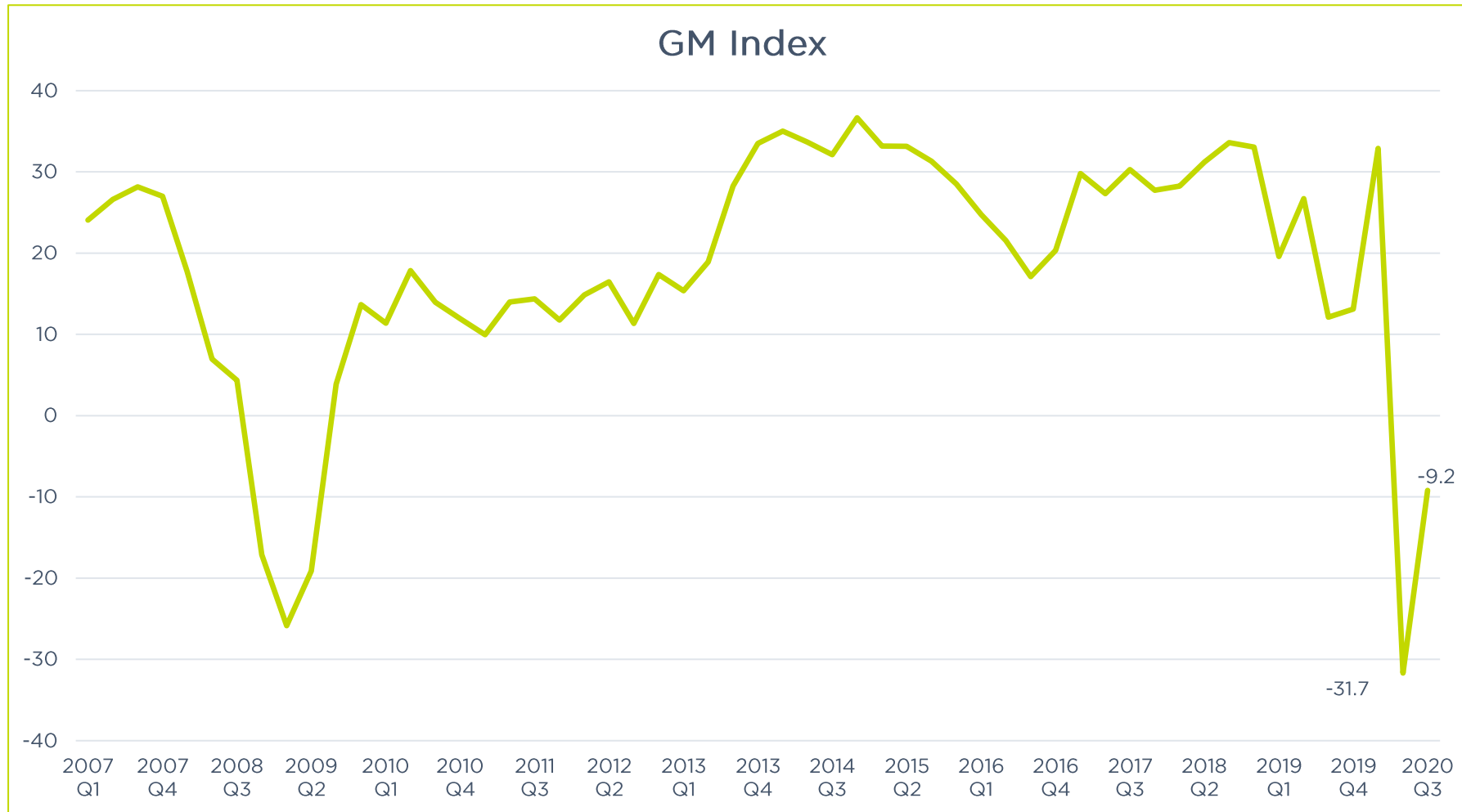
Source: GMCC QES



Source: GMCC QES



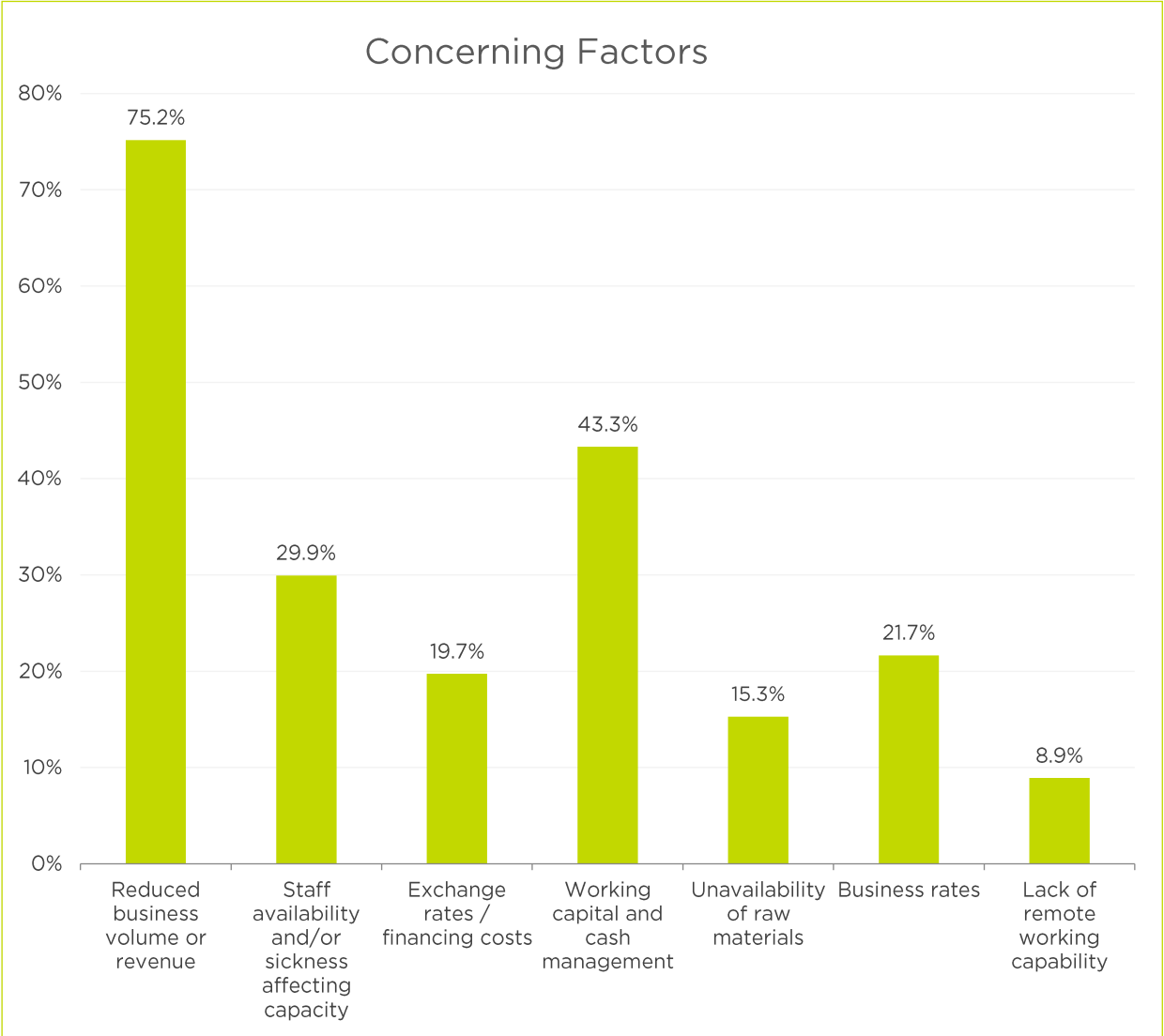
Where are we now?



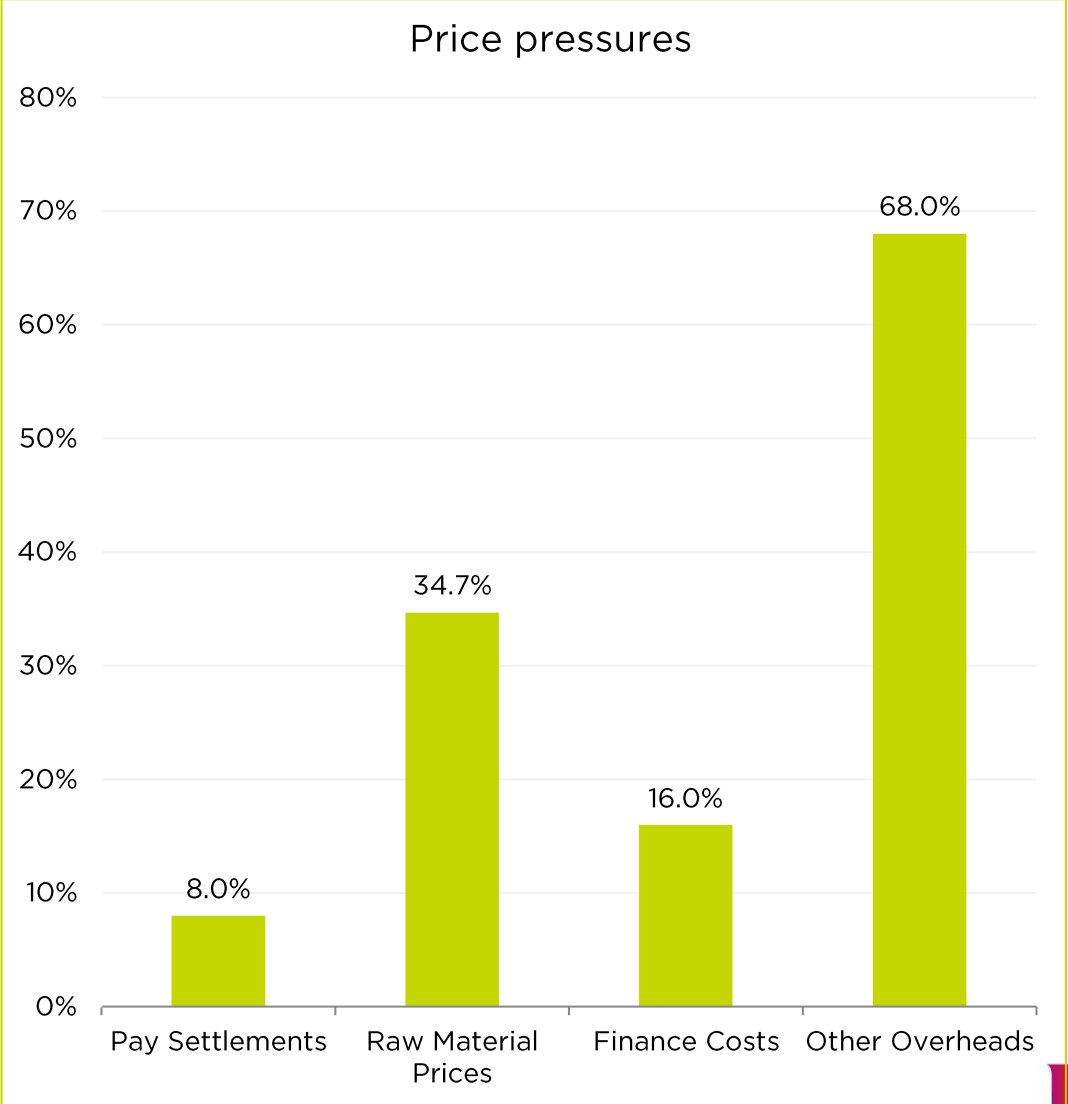
- Q3 2020 GM Index™: -9.2
- 20.4% drop in Q2 GDP, the largest quarterly contraction on record
 - 19.9% decline in services (86.7% in accommodation & food services)
 - 20.2% decline in manufacturing
 - 35% fall in construction output
- 31.4% reduction in business investment
- Monthly GDP increased by 6.6% in July

Sources: GMCC QES

Business concerns



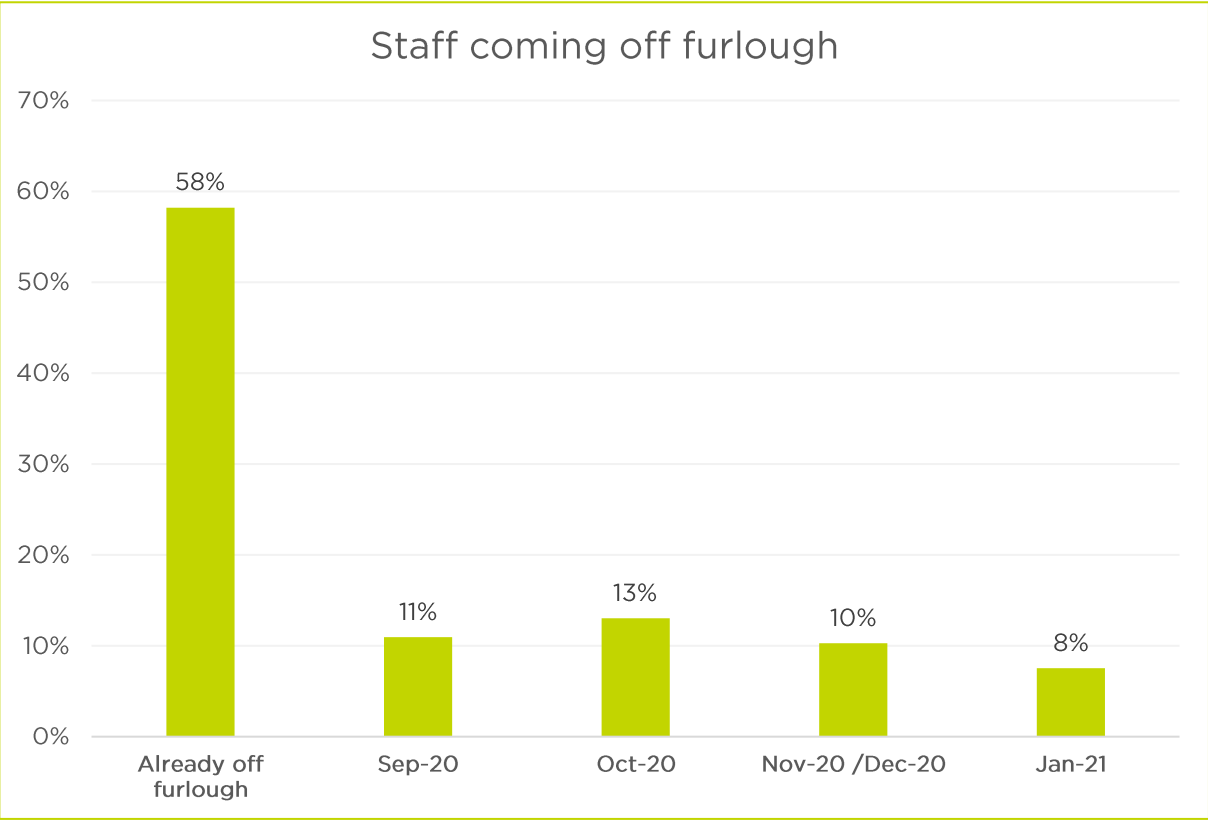
Source: Fifth GM Recovery Tracker



Source: Fifth GM Recovery Tracker

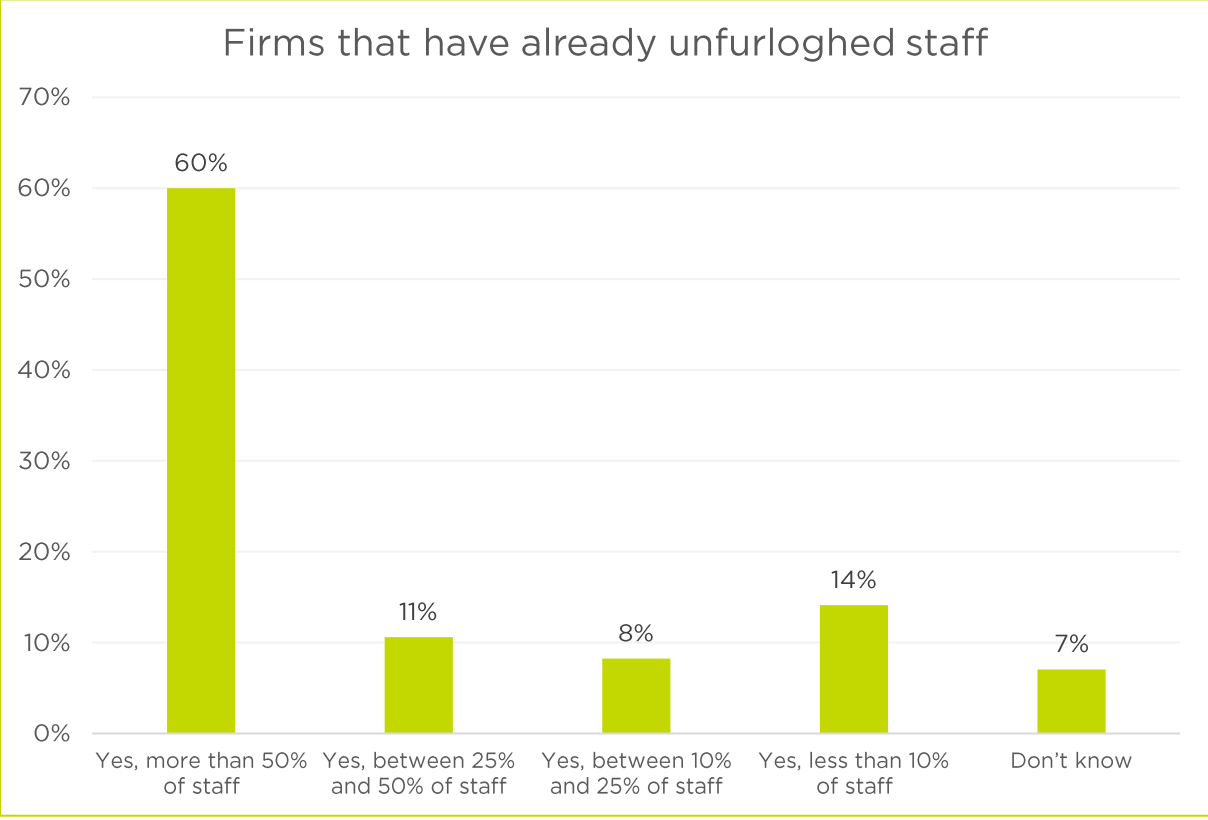


GM Recovery Tracker: Furloughed Staff



A good proportion of businesses have already brought staff off furlough. With 11% of respondents planning to bring staff off furlough in September, over two-thirds of businesses would have brought at least some staff off furlough by the end of this month. This does not, however, mean that all furloughed staff have returned to work.

Source: Fifth GM Recovery Tracker



Of the firms that have already brought staff off furlough, 60% have indicated that they have more than half of furloughed staff have returned to work. This does not indicate whether staff who have returned to work are working their normal hours or reduced hours.

Source: Fifth GM Recovery Tracker



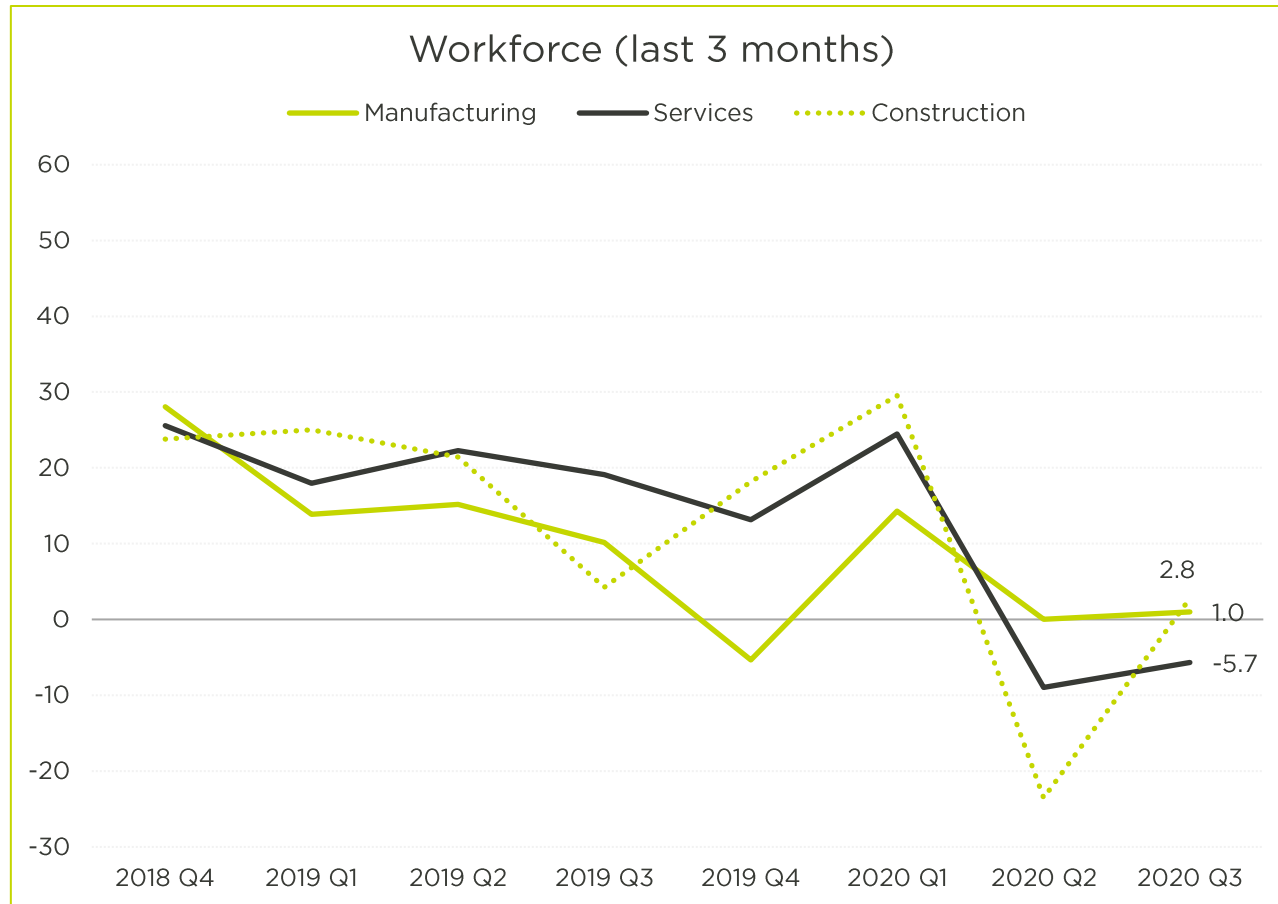
GM Recovery Tracker: Staff Returning



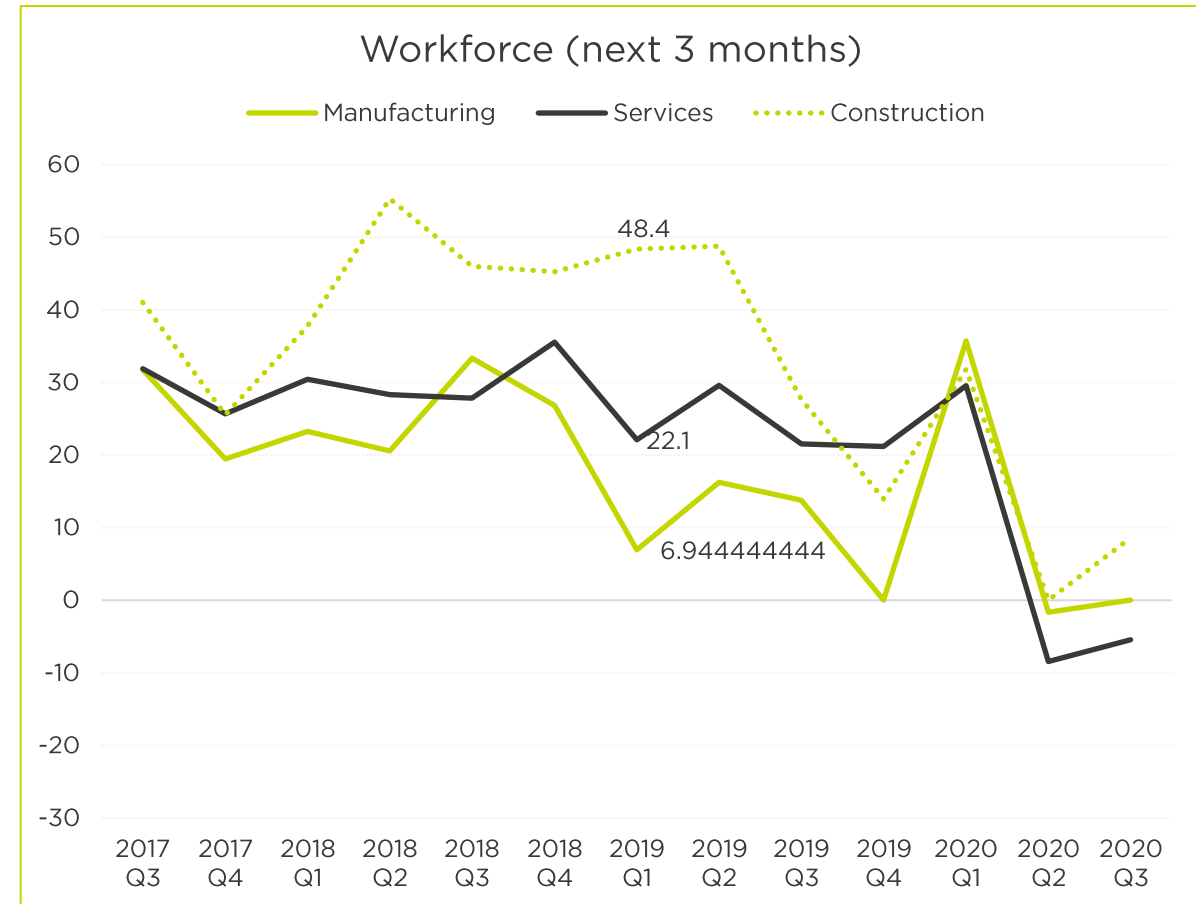
66% have indicated that staff have returned to normal place of work. This does not indicate whether staff have returned permanently or just a few times. 60% of firms have said between 10%-25% have returned



QES Workforce data



Source: GMCC QES



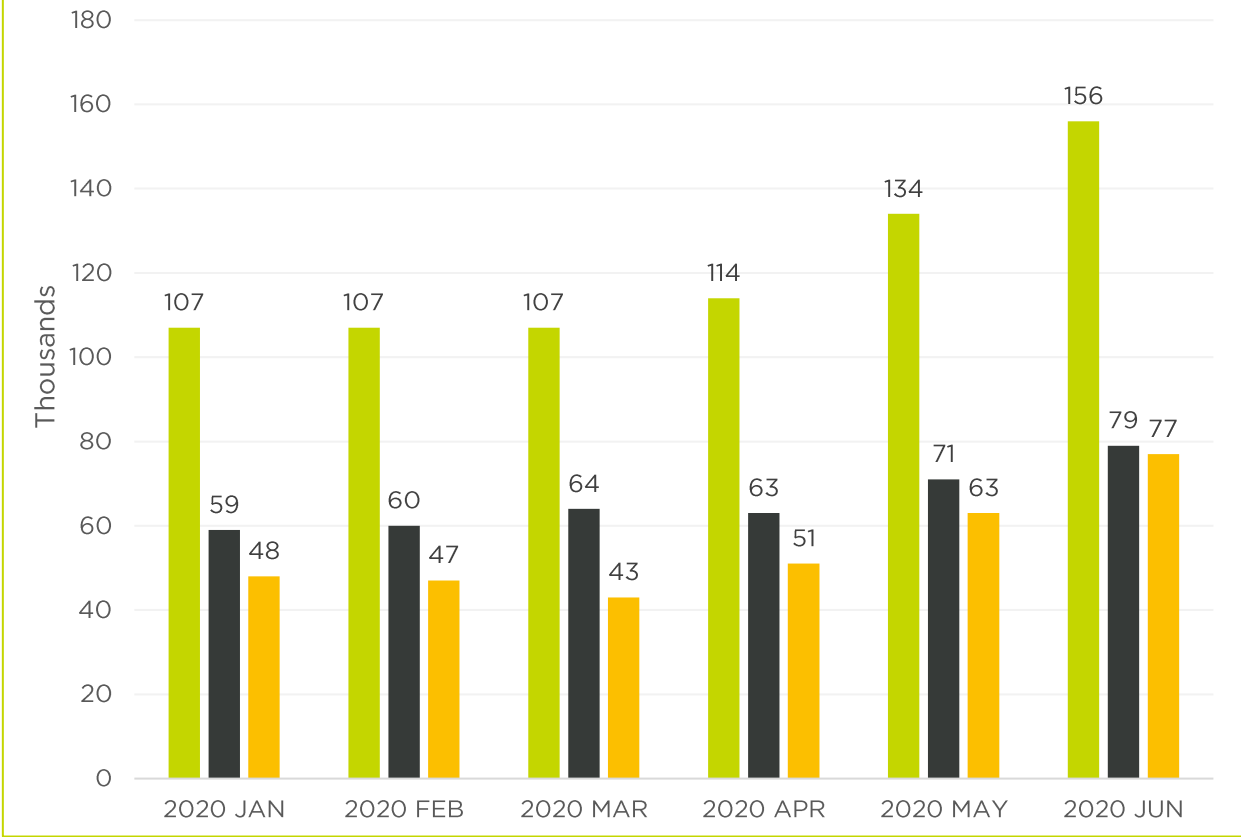
Source: GMCC QES



Labour Market

Redundancies - UK

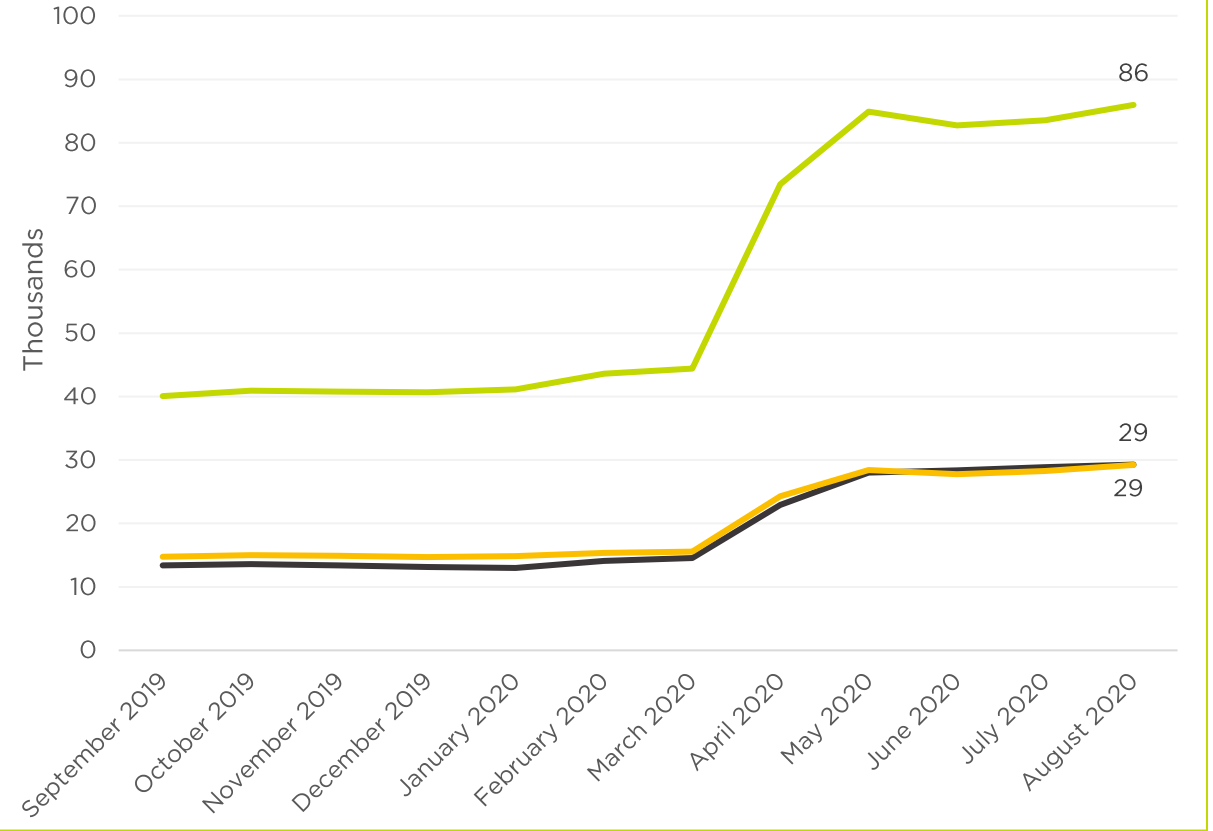
All Men Women



Source: ONS

Claimant Count - Greater Manchester

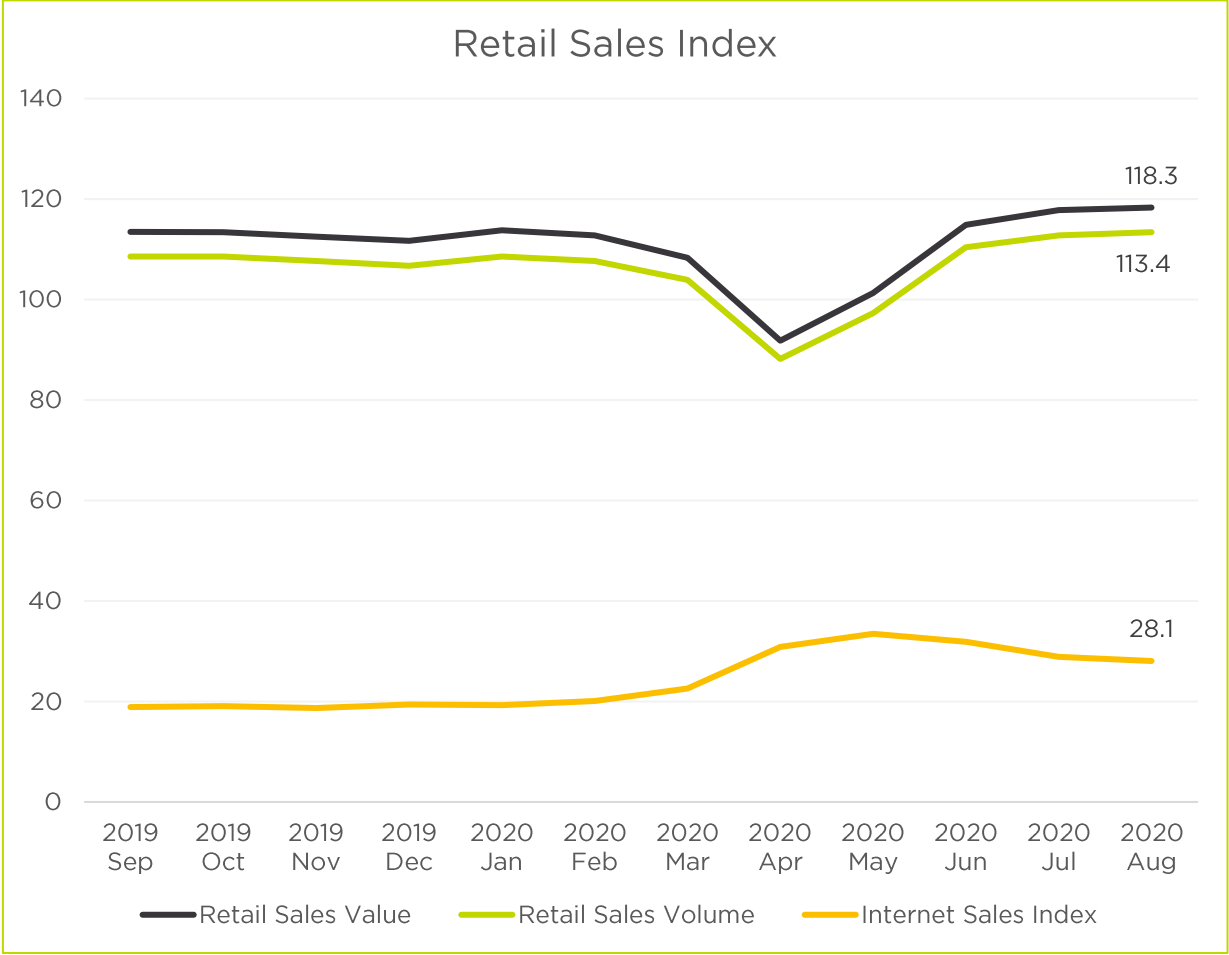
Aged 16-24 Aged 25-49 Aged 50+



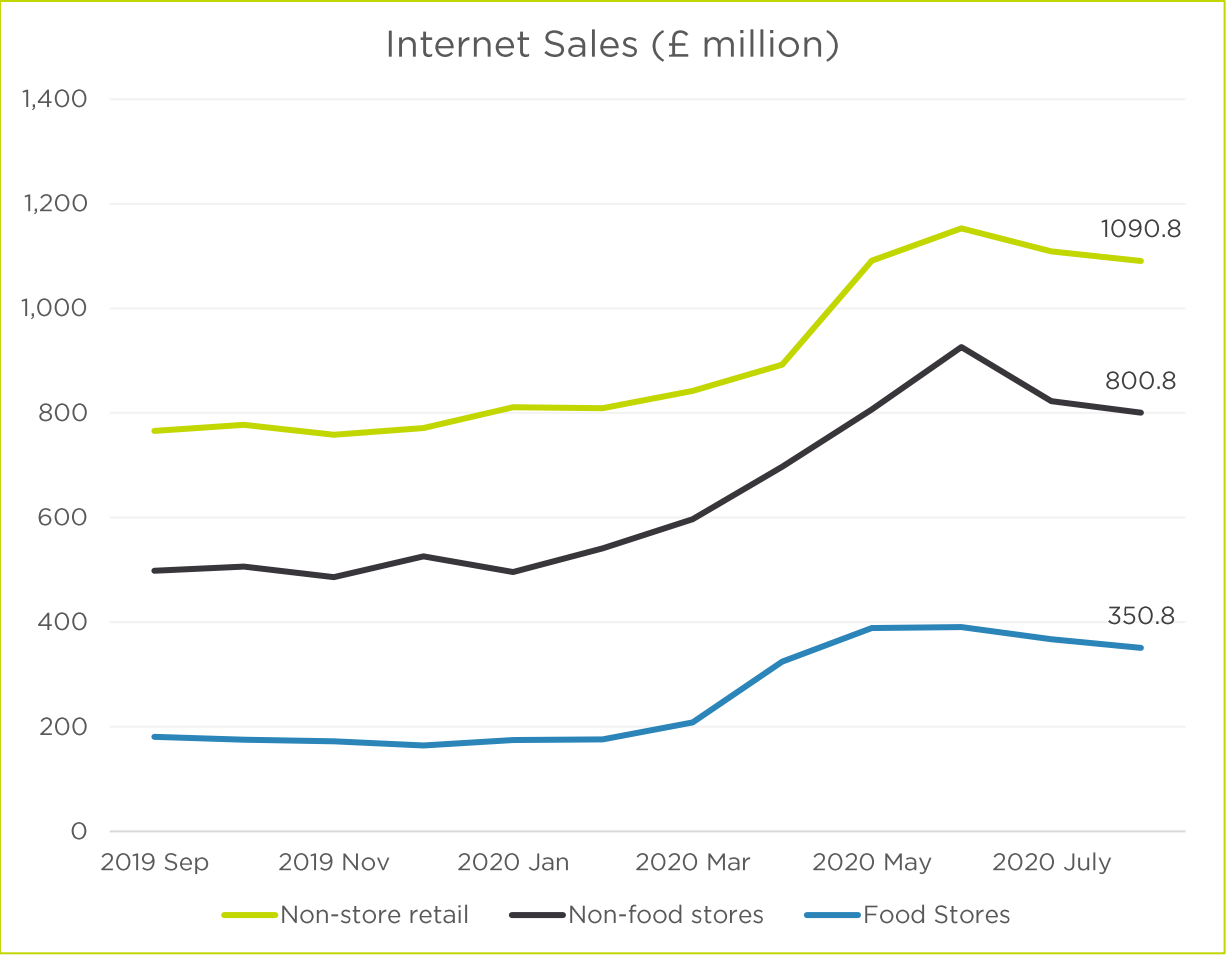
Source: ONS



Consumer Demand



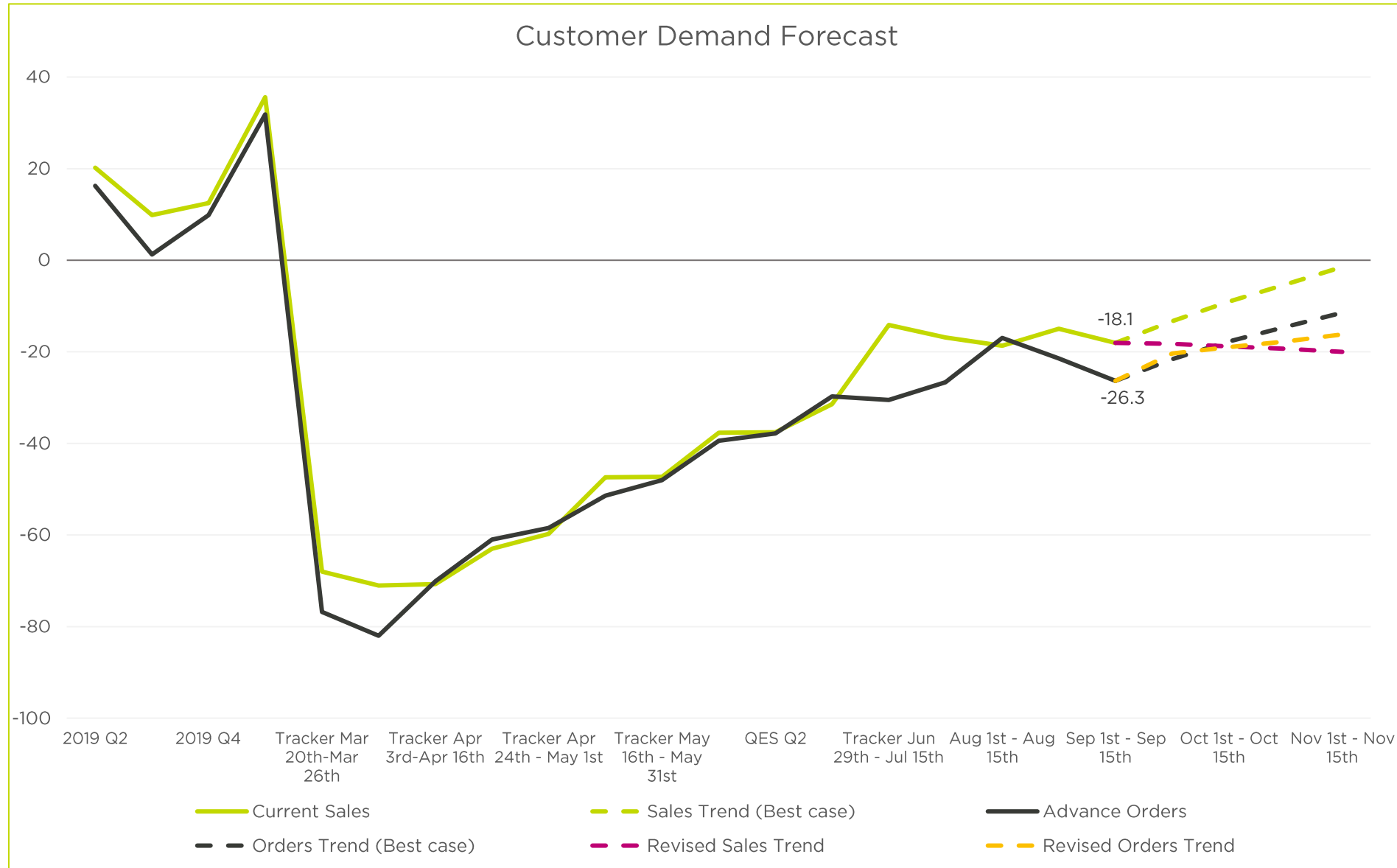
Source: ONS Retail Sales Index



Source: ONS Retail Sales Index (Internet Reference Tables)



GM Recovery Outlook

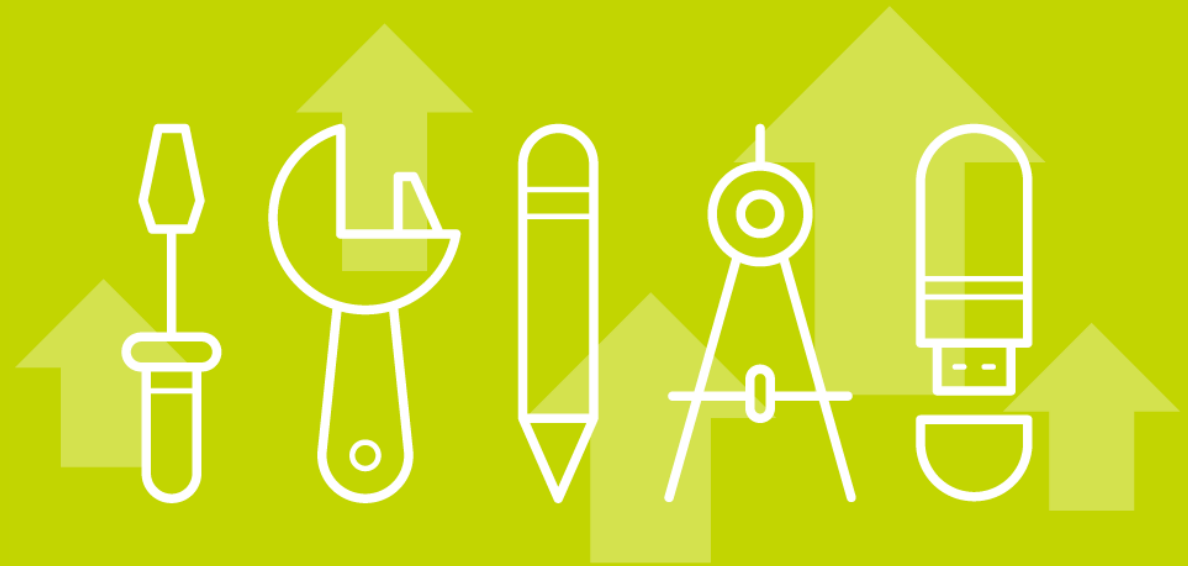


- The recovery outlook has been revised to reflect the decrease in customer demand.
- After the increase in business activity as lockdown was being relaxed in June, there has been a subsequent plateauing
- Current balances are much lower than initially expected and indicate a more drawn out recovery.
- The best case scenario indicates growth in demand in November-December (as opposed to October in the earlier model) but the more likely prospect is of a temporary levelling off in demand and a much slower recovery.



Summary

- Anticipated UK GDP contraction of over 10% -12%
- Decline in GM GVA of up to 15% is possible
- Although there has been a significant improvement in business activity since May / June, there appears to be a recent dampening in demand.
- Rising infections and recent lockdown will add to business anxiety.
- Recovery of high street retail and F&B critical to city and town centre recovery
- Job displacement away from retail to warehousing and logistics – long term consequences for skills and inclusivity
- Despite Chancellor's support measures, there will be business failure and significant job losses.



Q&A / Discussion

#GMEconomics

