

# Greater Manchester Chamber of Commerce

## Quarterly Economic Update Q1 2021

26<sup>th</sup> March 2021



Greater Manchester  
Chamber of Commerce



# Economic Briefing Q1 2021

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Welcome & Introduction

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QES Presentation

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Q&A / Discussion

#GMEconomics



# Quarterly Economic Briefing

## 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*.

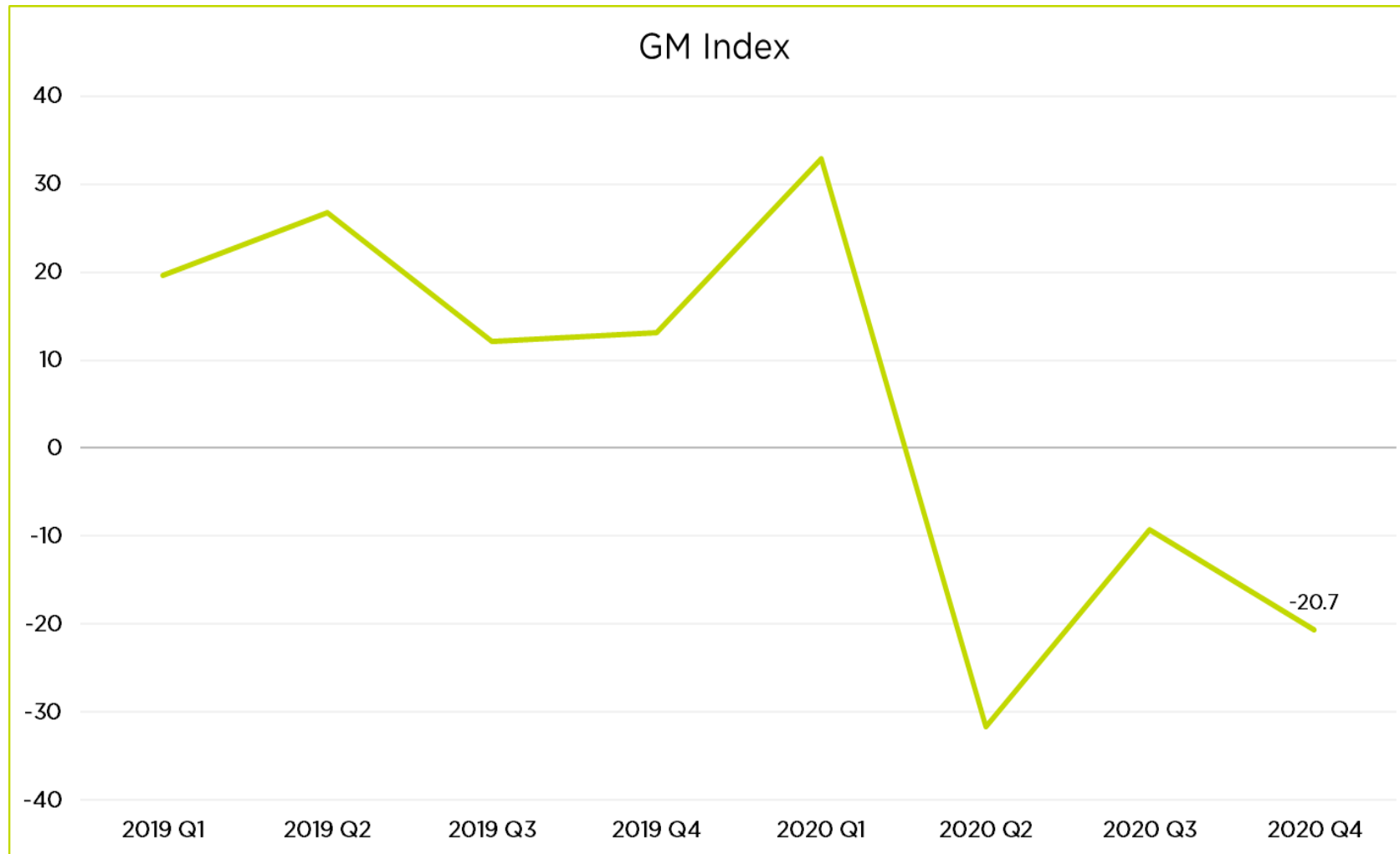
## We will cover QES data and GM Business Monitor

- 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 December?



Sources: GMCC QES

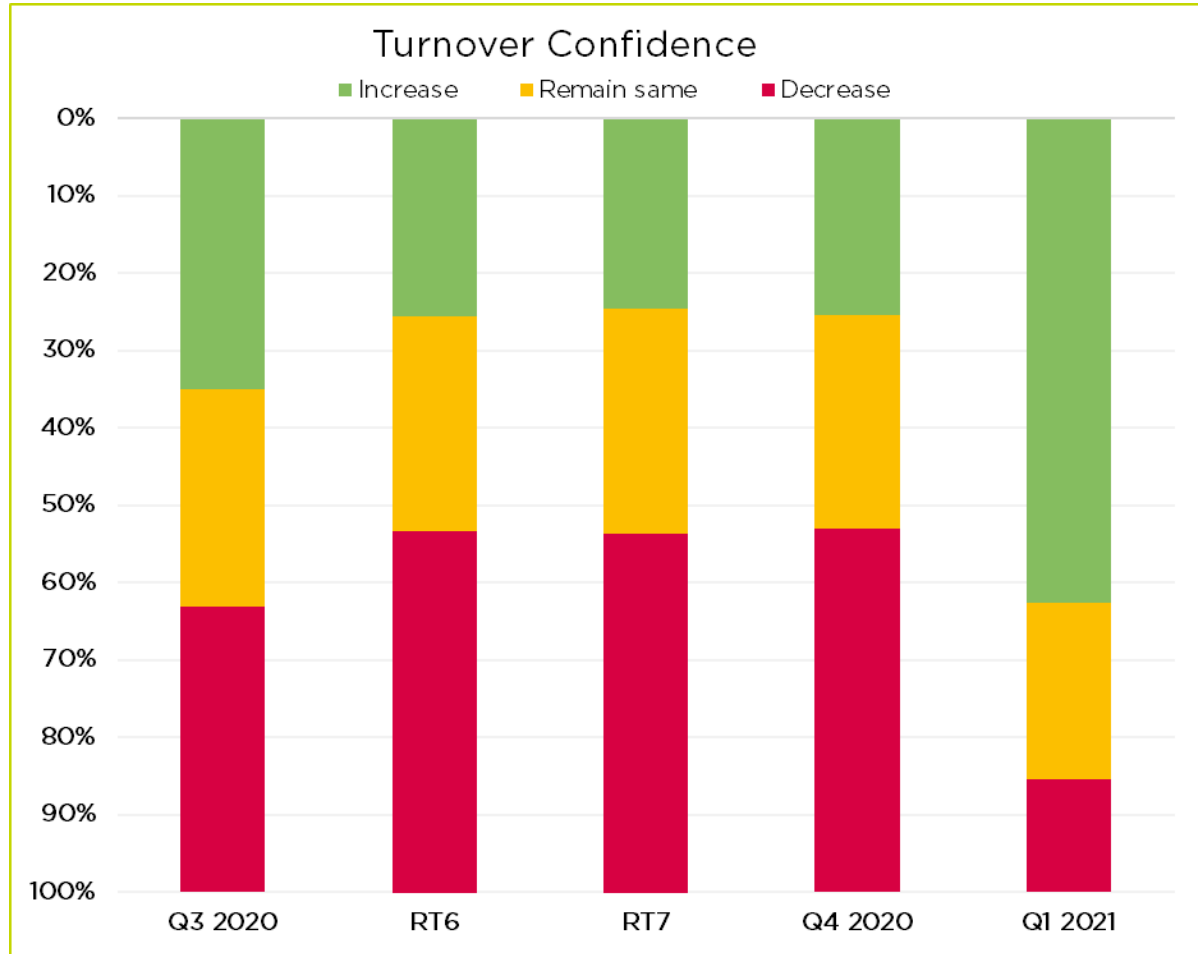
- GDP declined by 9.9% in 2020
  - Manufacturing -9.9%
  - Services -8.9%
  - Construction -12.5%

# Economic context & main findings

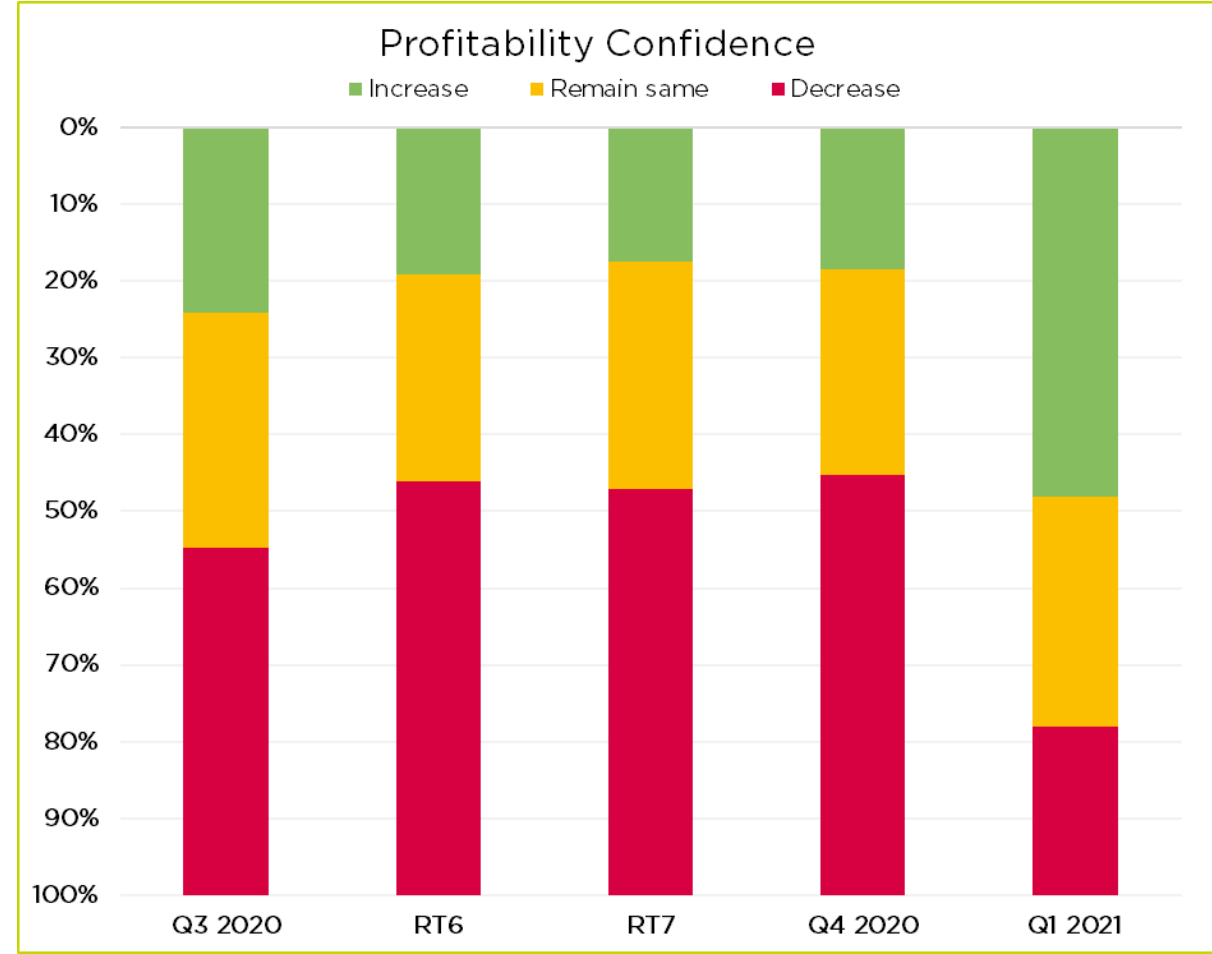
- Economic damage from second and third national lockdowns
- Forecast 3%-4% GDP reduction in Q1 2021
- Number of payroll employees has fallen by nearly 700,000 since Feb 2020
- QES results reflect more recent optimism from vaccine rollout and roadmap announcement and continuation of business support. Continuing gaps in Covid-19 support, for e.g. grants, limited company directors
  - Forward indicators such as business confidence and recruitment intentions have increased since Dec 2020
  - Improvement in customer demand but evident sectoral divergence
  - Internationally active businesses continue to face serious Brexit related challenges in trading with their EU partners
  - Cash positions continue to remain adverse. Only one-fifth of respondents report an increase in cashflow.
  - A 'W' shaped recovery pattern seems to be emerging.



# Business Confidence



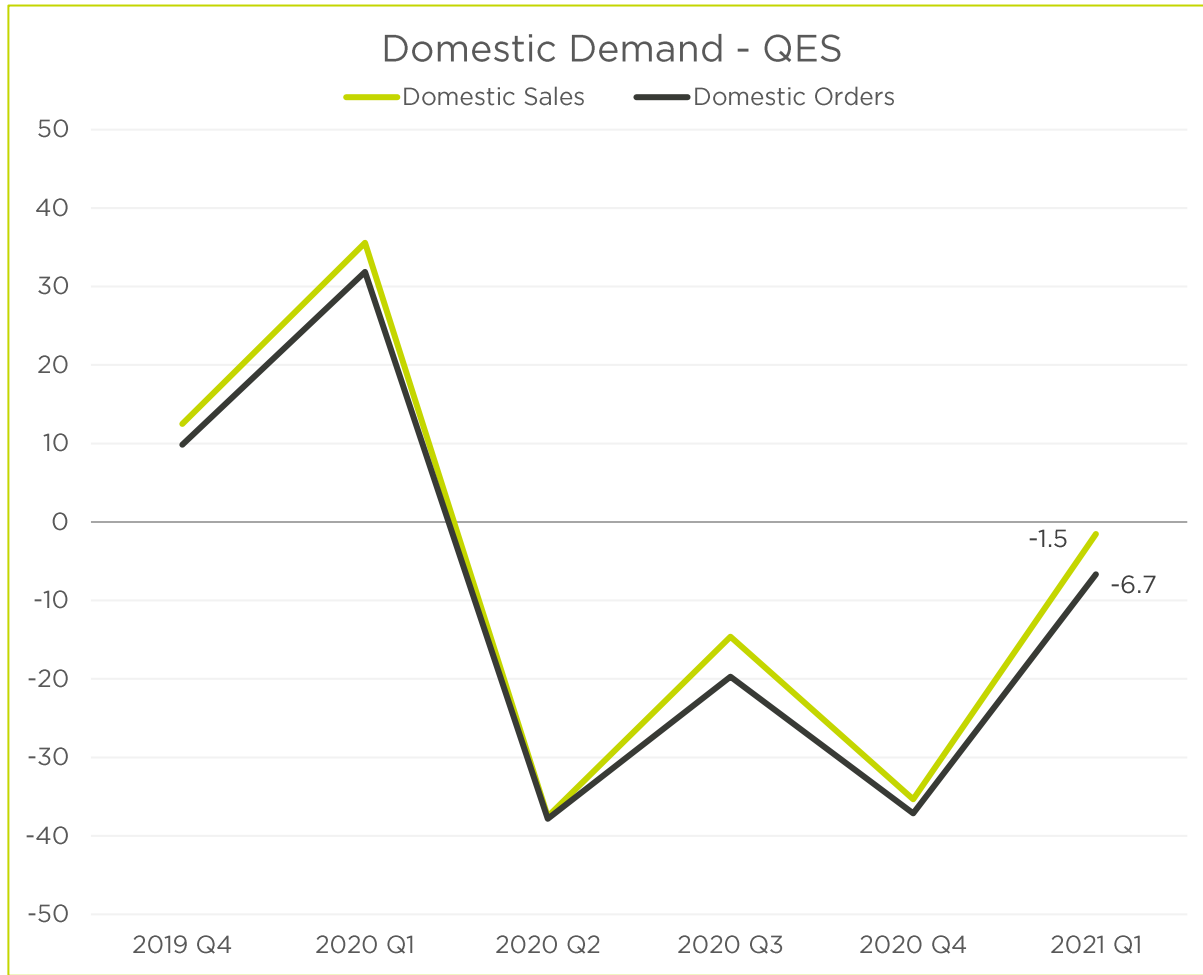
Source: GMCC QES, GM COVID-19 Recovery Tracker



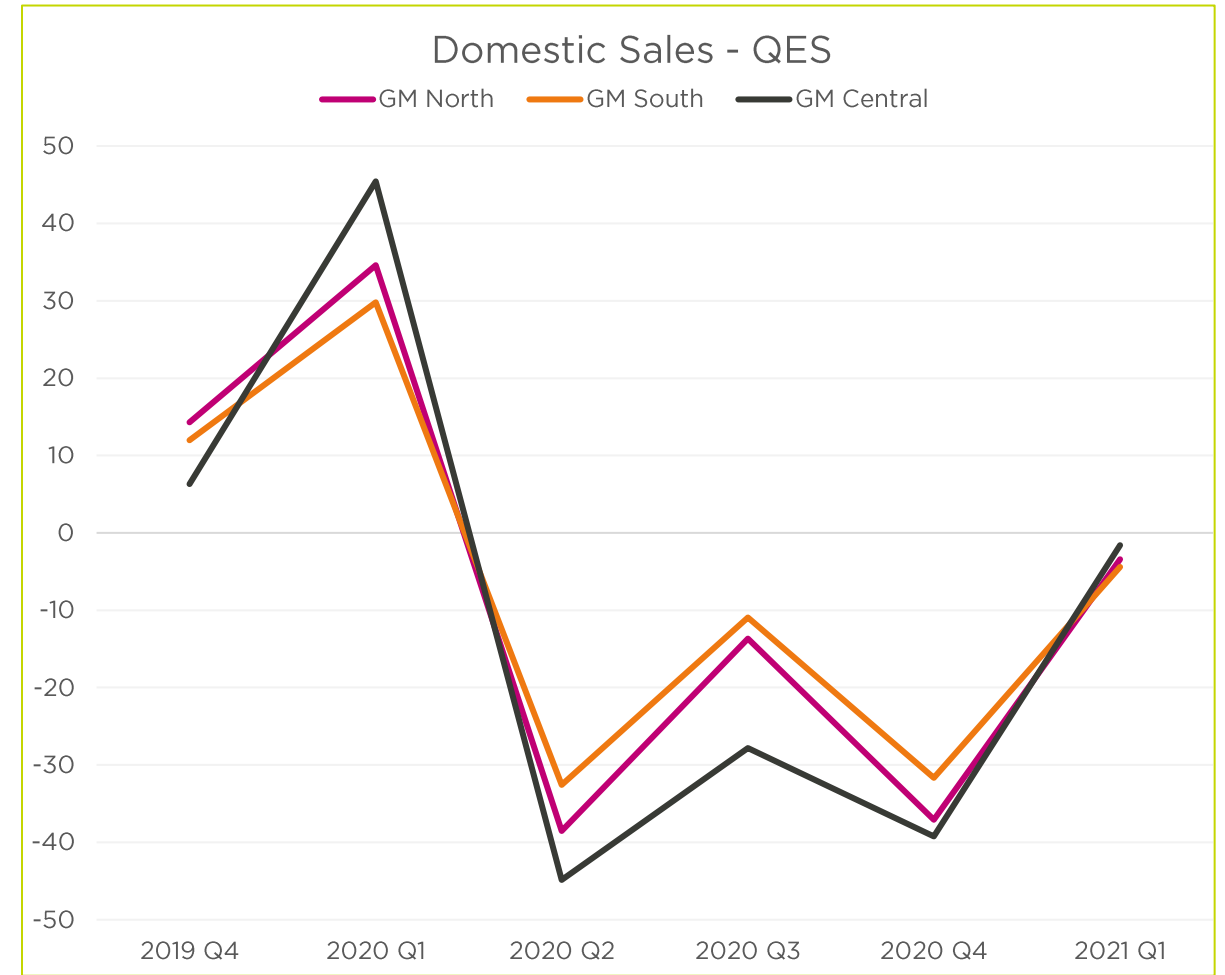
Source: GMCC QES, GM COVID-19 Recovery Tracker



# Domestic Demand



Source: GMCC QES

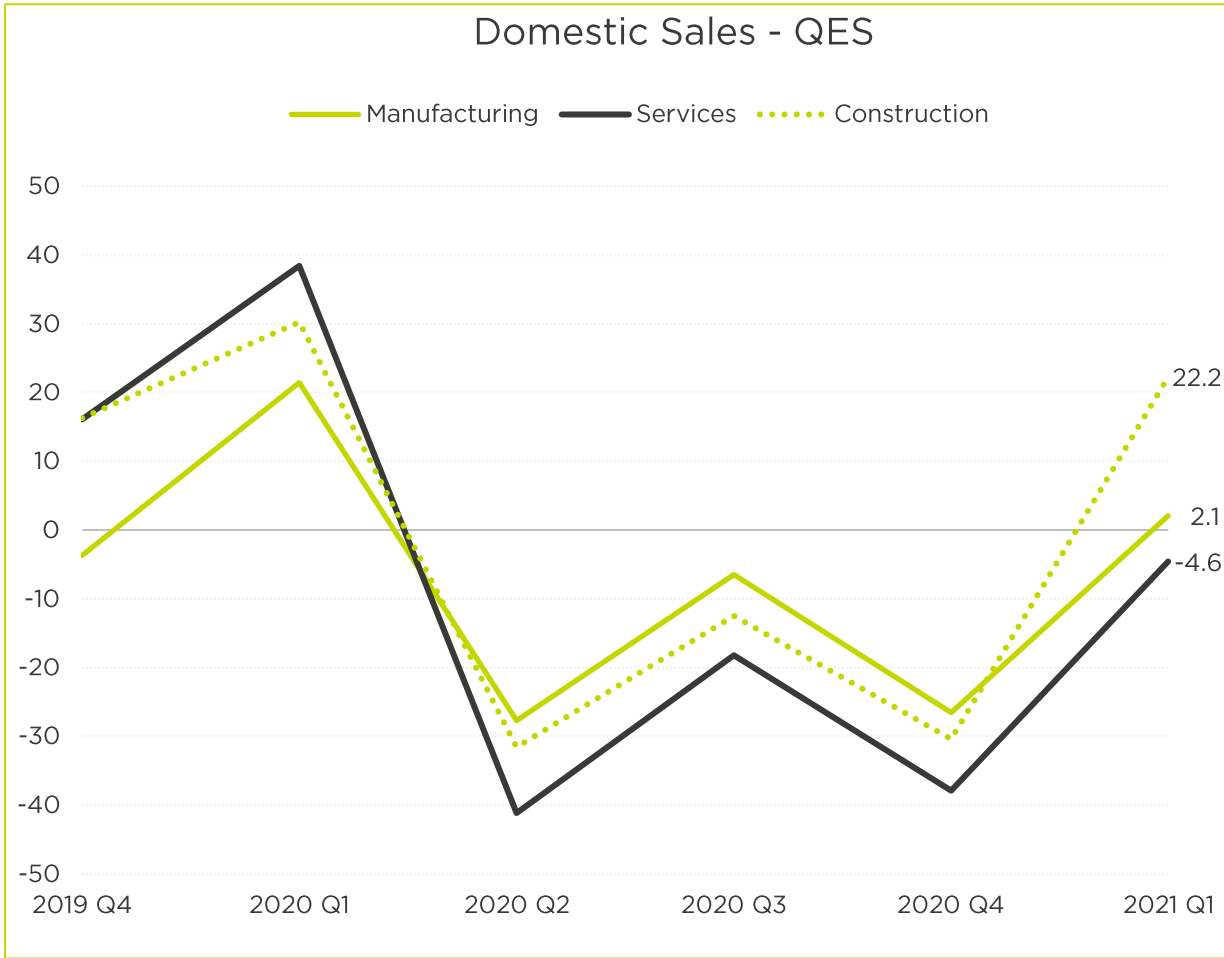


Source: GMCC QES

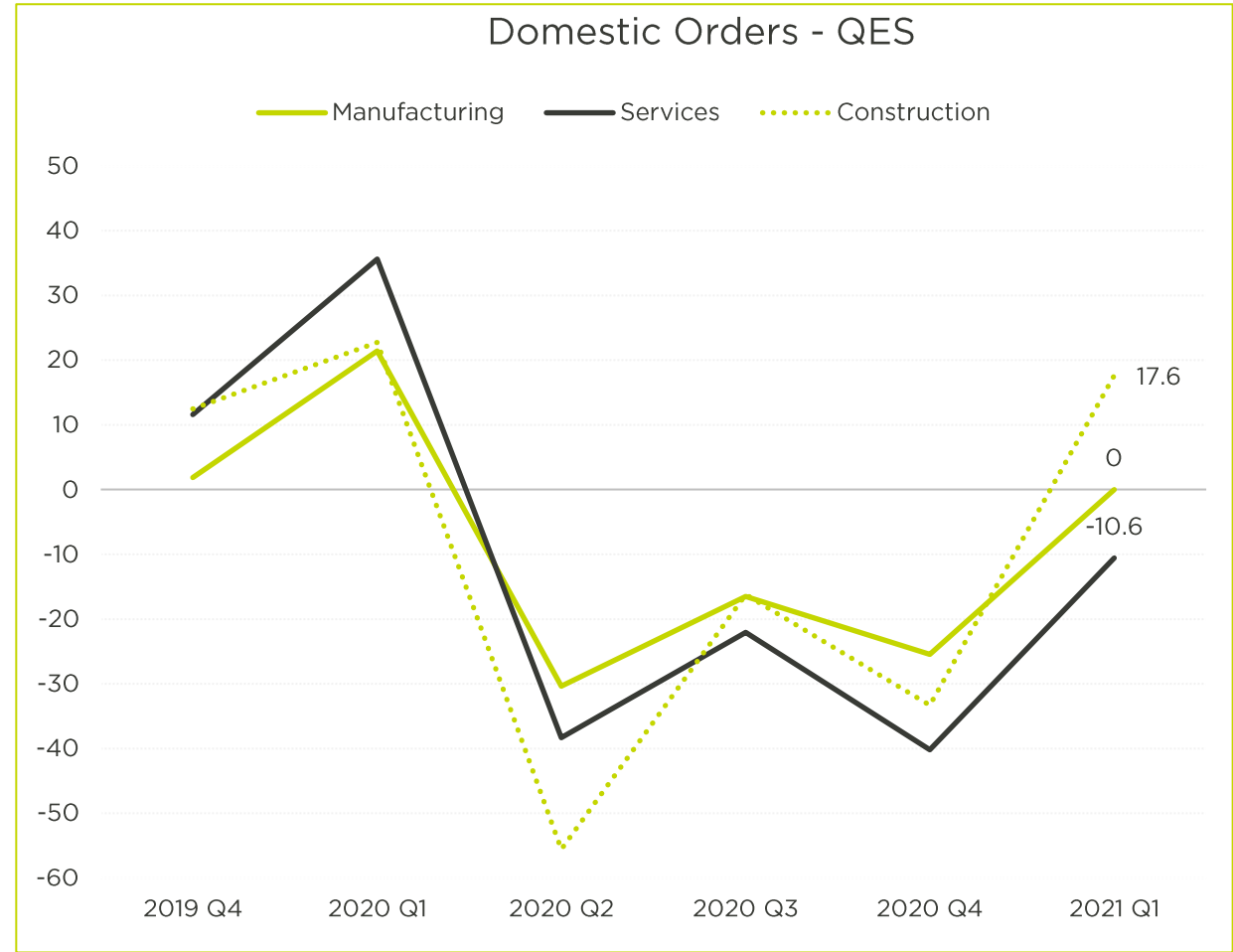




# QES Domestic Demand



Source: GMCC QES



Source: GMCC QES



# QES International Demand



Source: GMCC QES

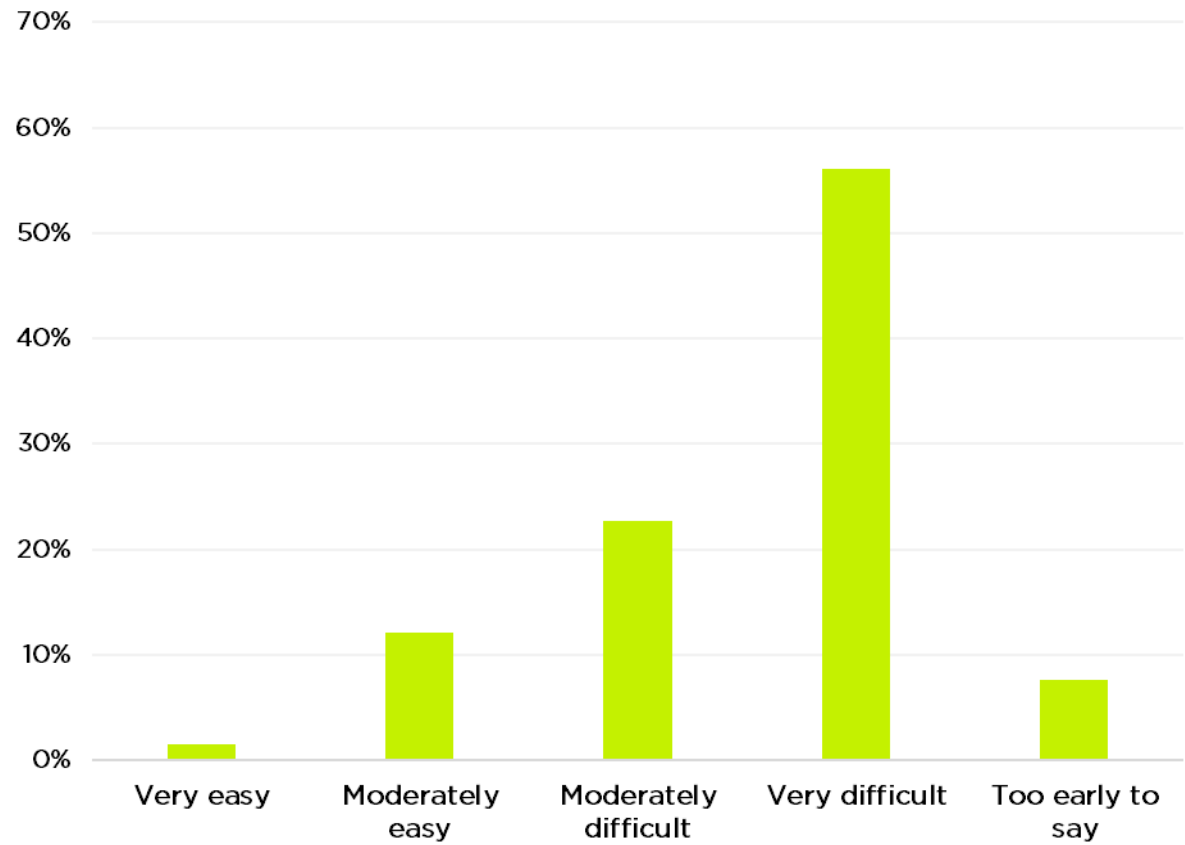


Source: GMCC QES



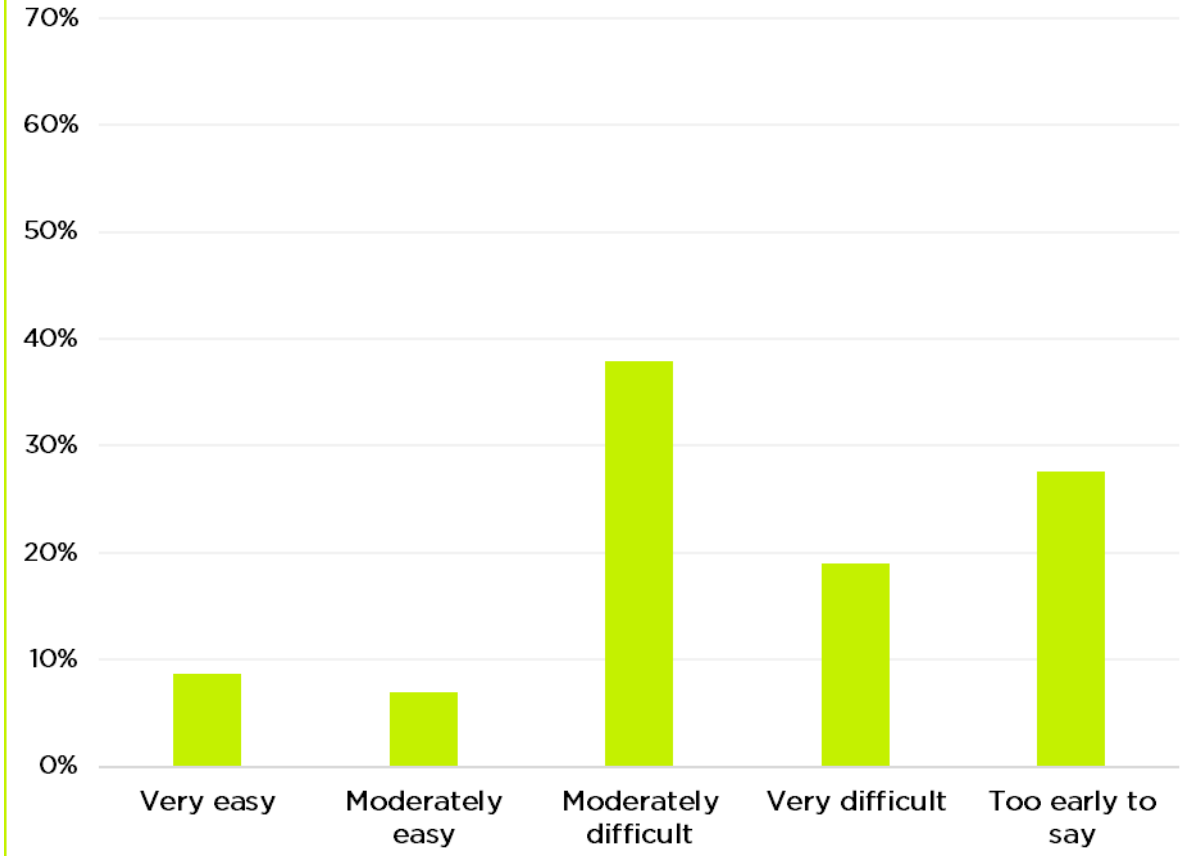
# Brexit Impacts

## Trade in or movement of goods



Source: GMCC QES

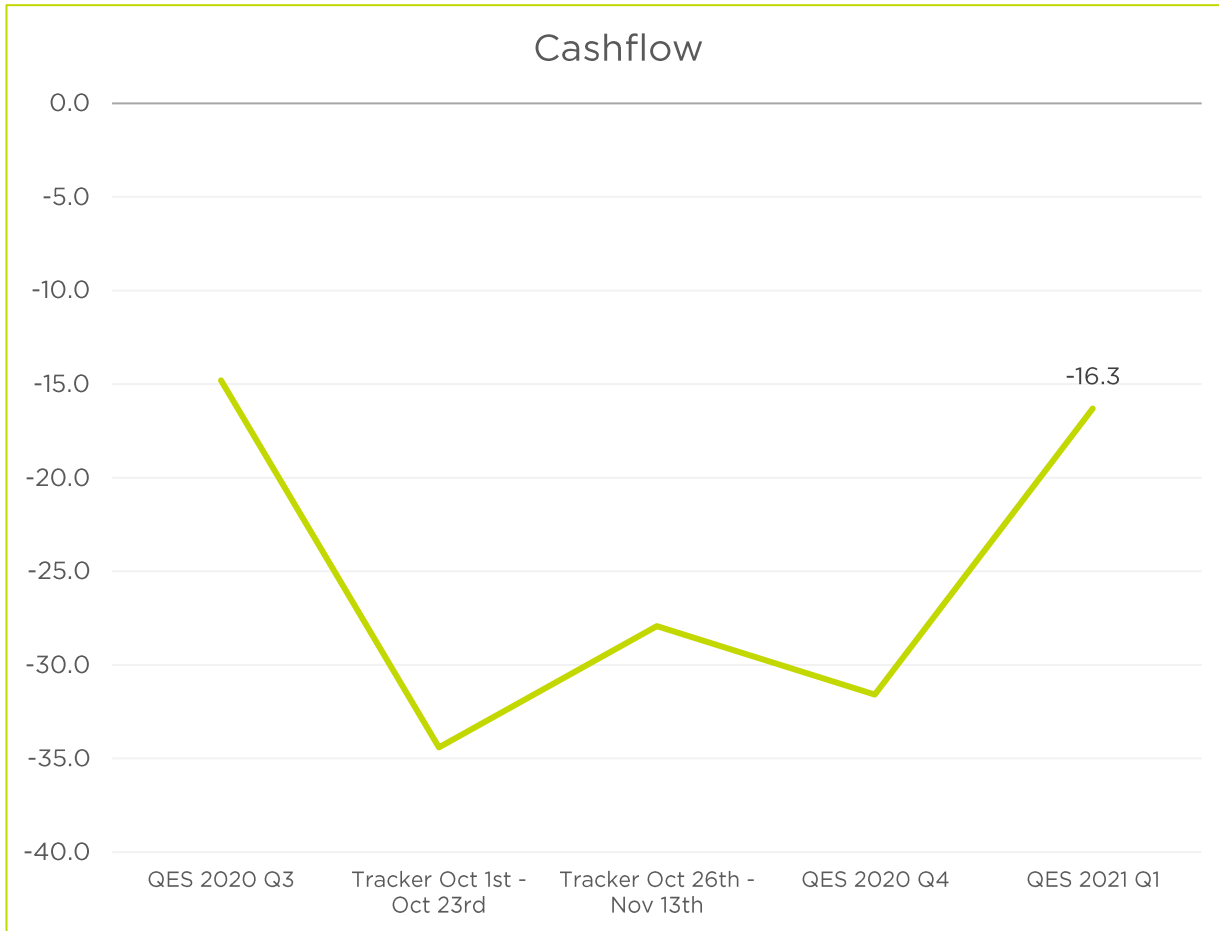
## Trade in services



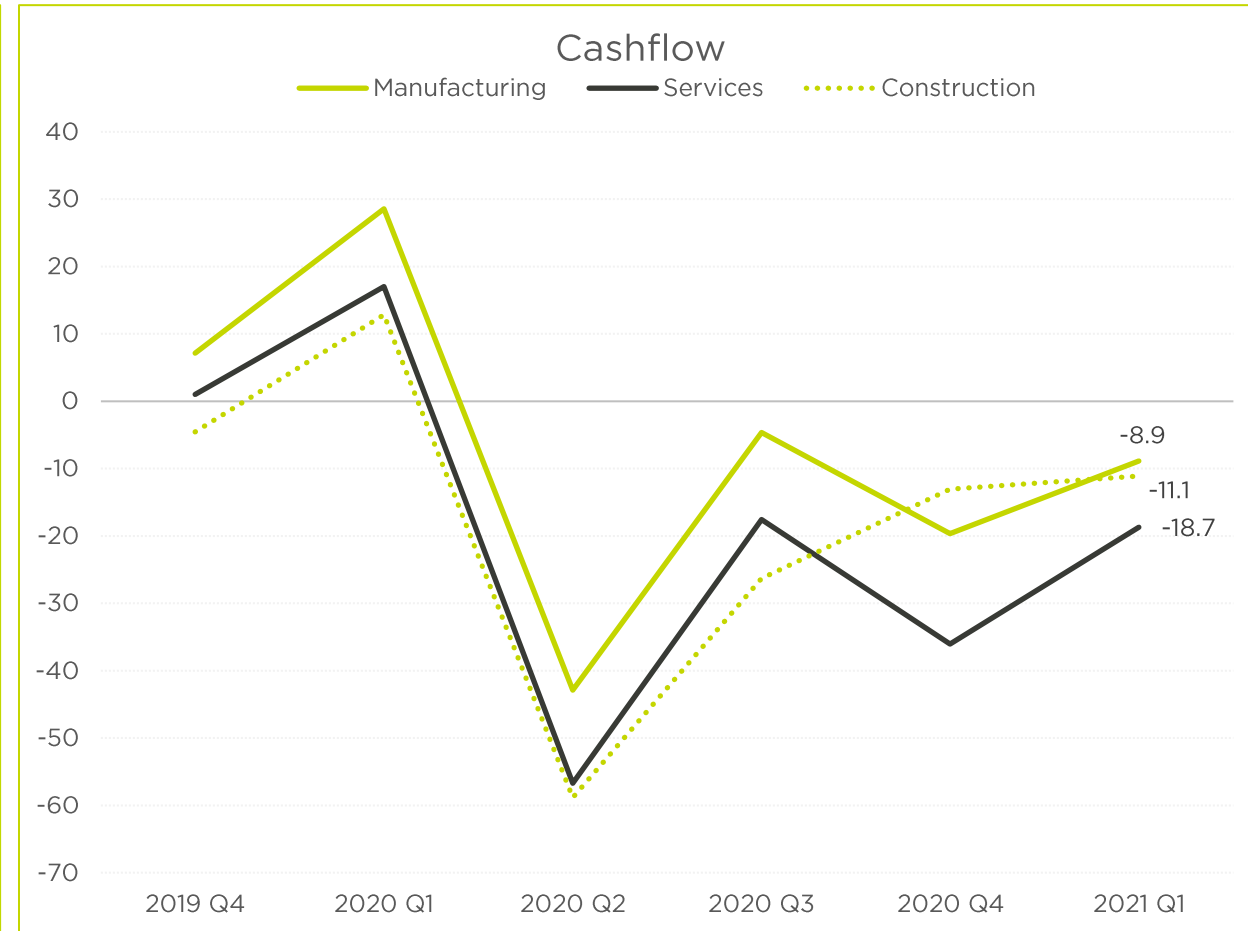
Source: GMCC QES



# Cashflow



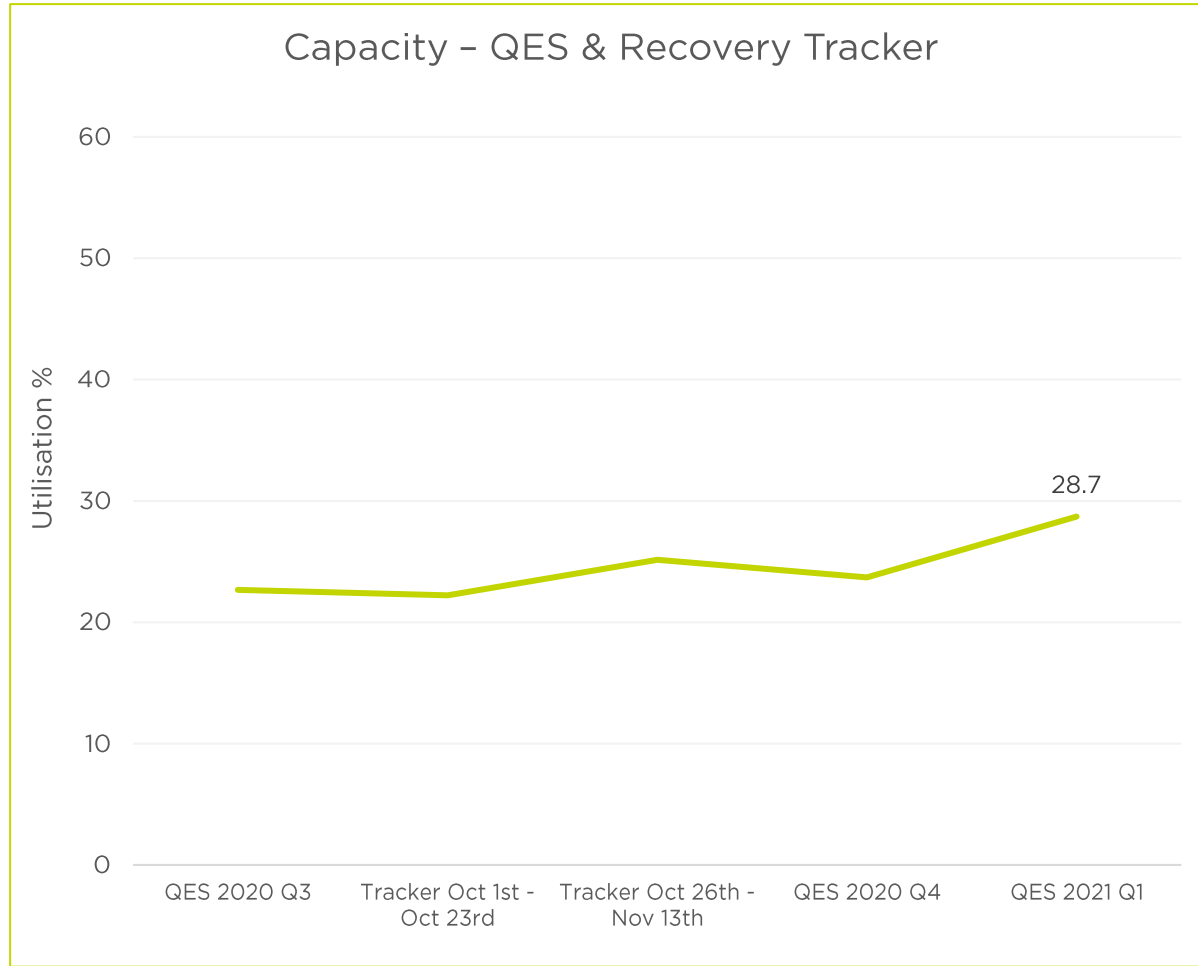
Source: GMCC QES



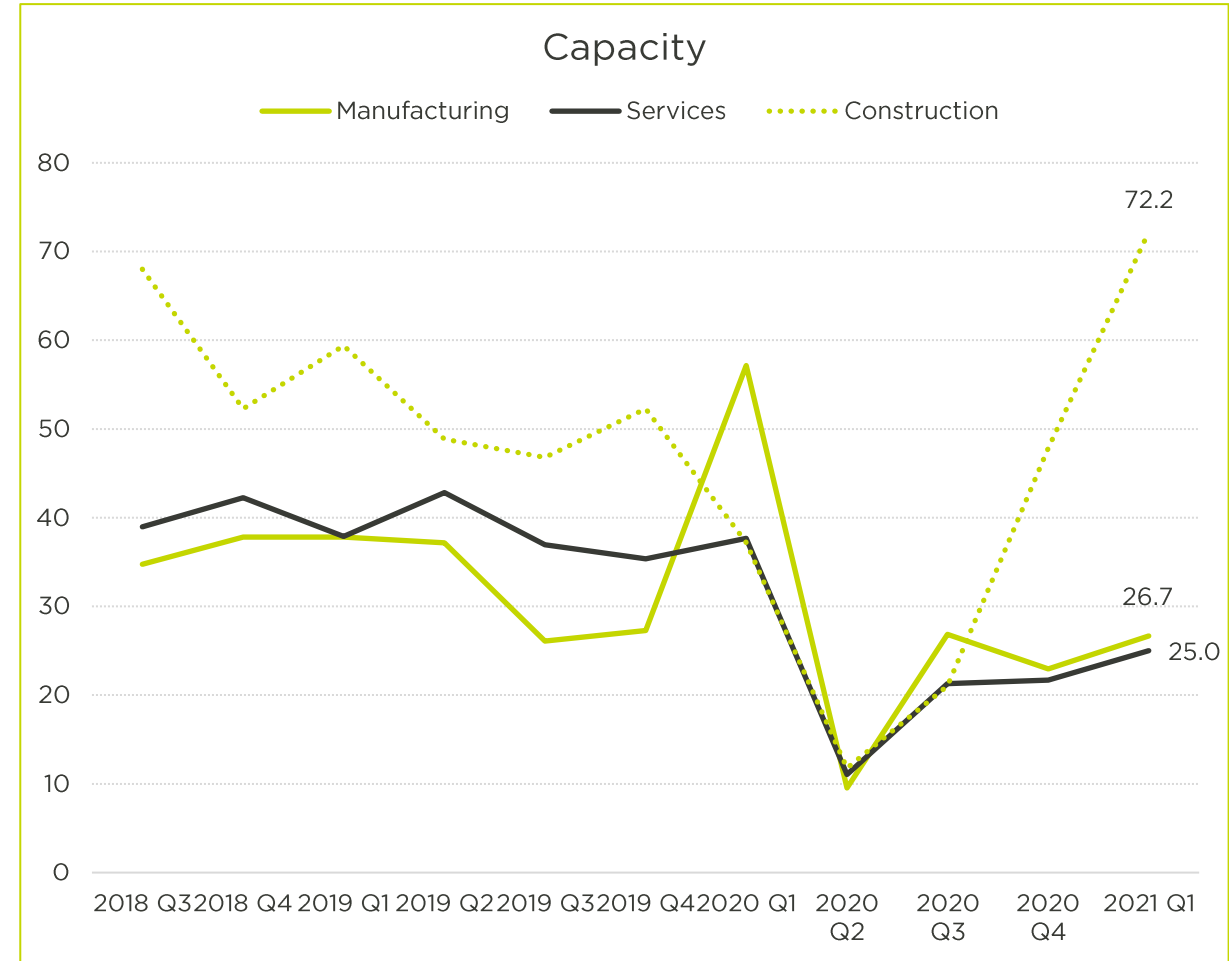
Source: GMCC QES, GM COVID-19 Recovery Tracker



# Capacity Utilisation



Source: GMCC QES

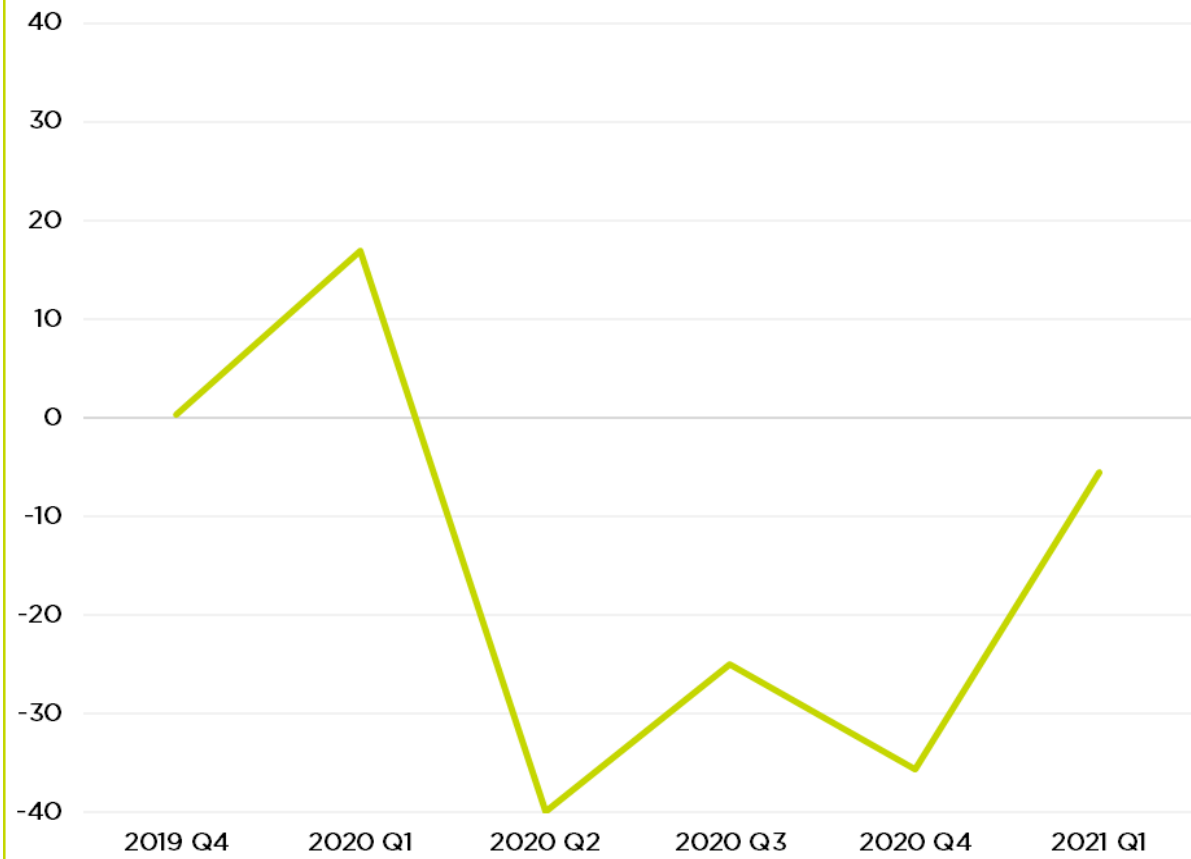


Source: GMCC QES, GM COVID-19 Recovery Tracker



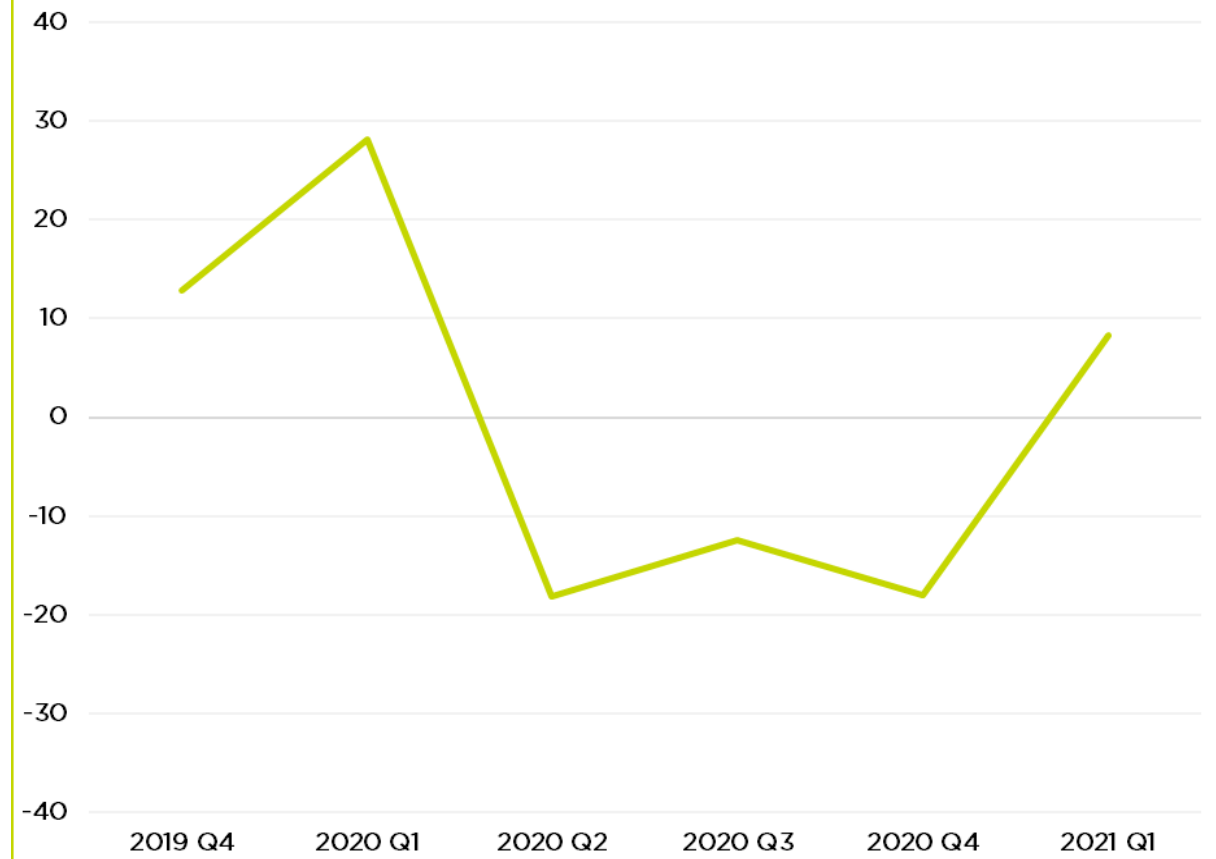
# Business Investment

## Investment for Machinery/Equipment



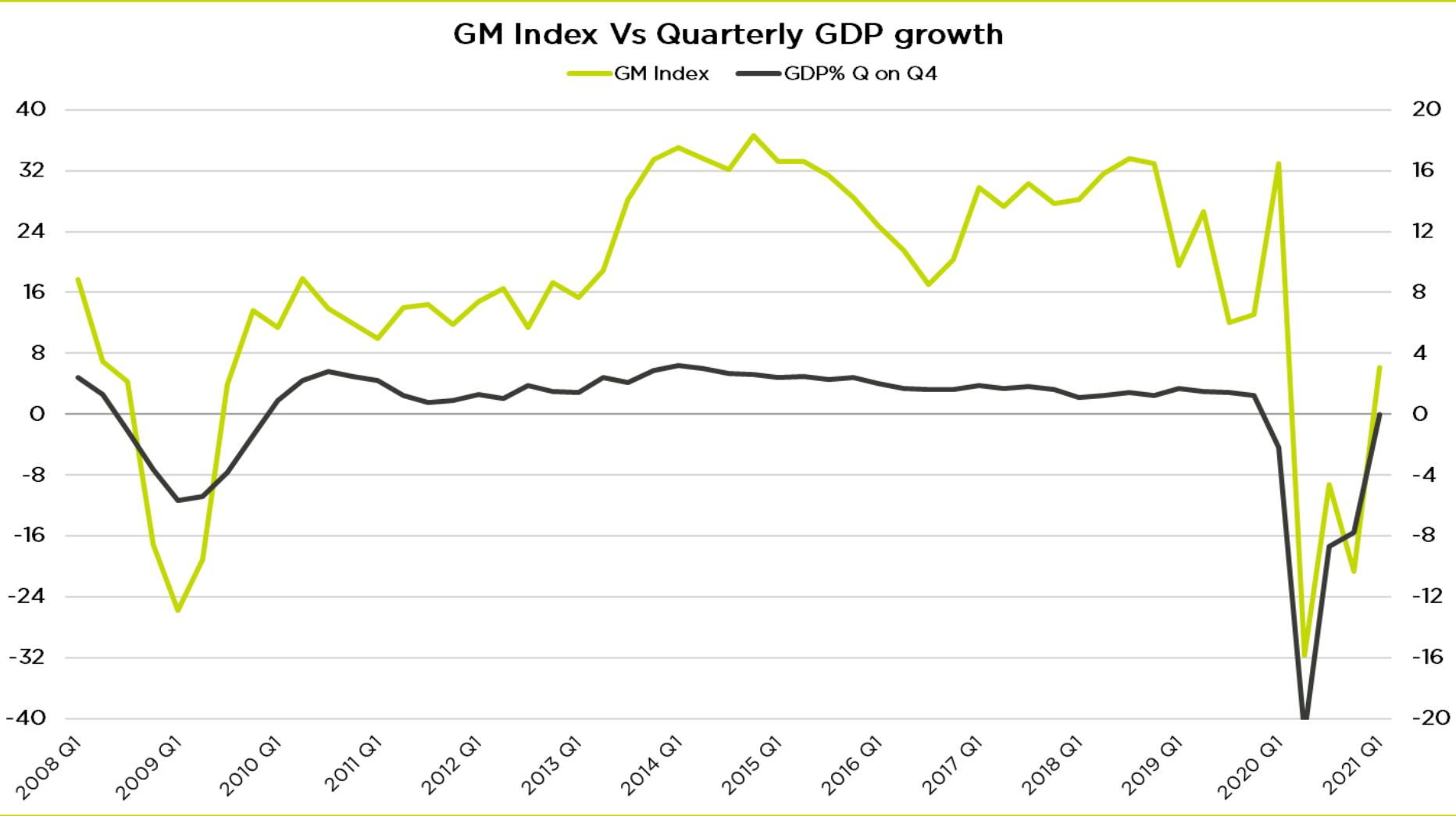
Source: GMCC QES

## Investment for Training



Source: GMCC QES

# Where are we now?

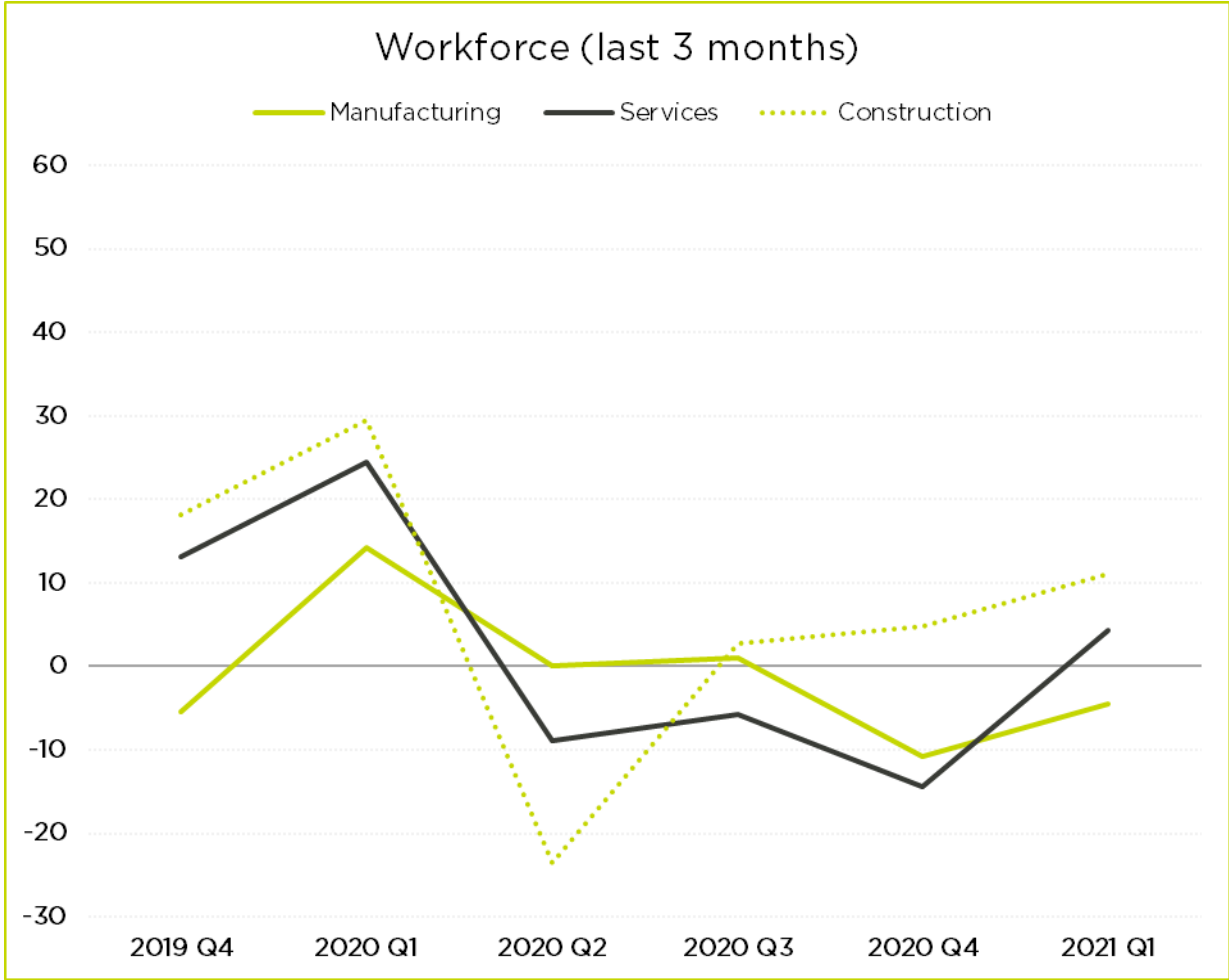


Q1 2021 GM Index™: 6.1

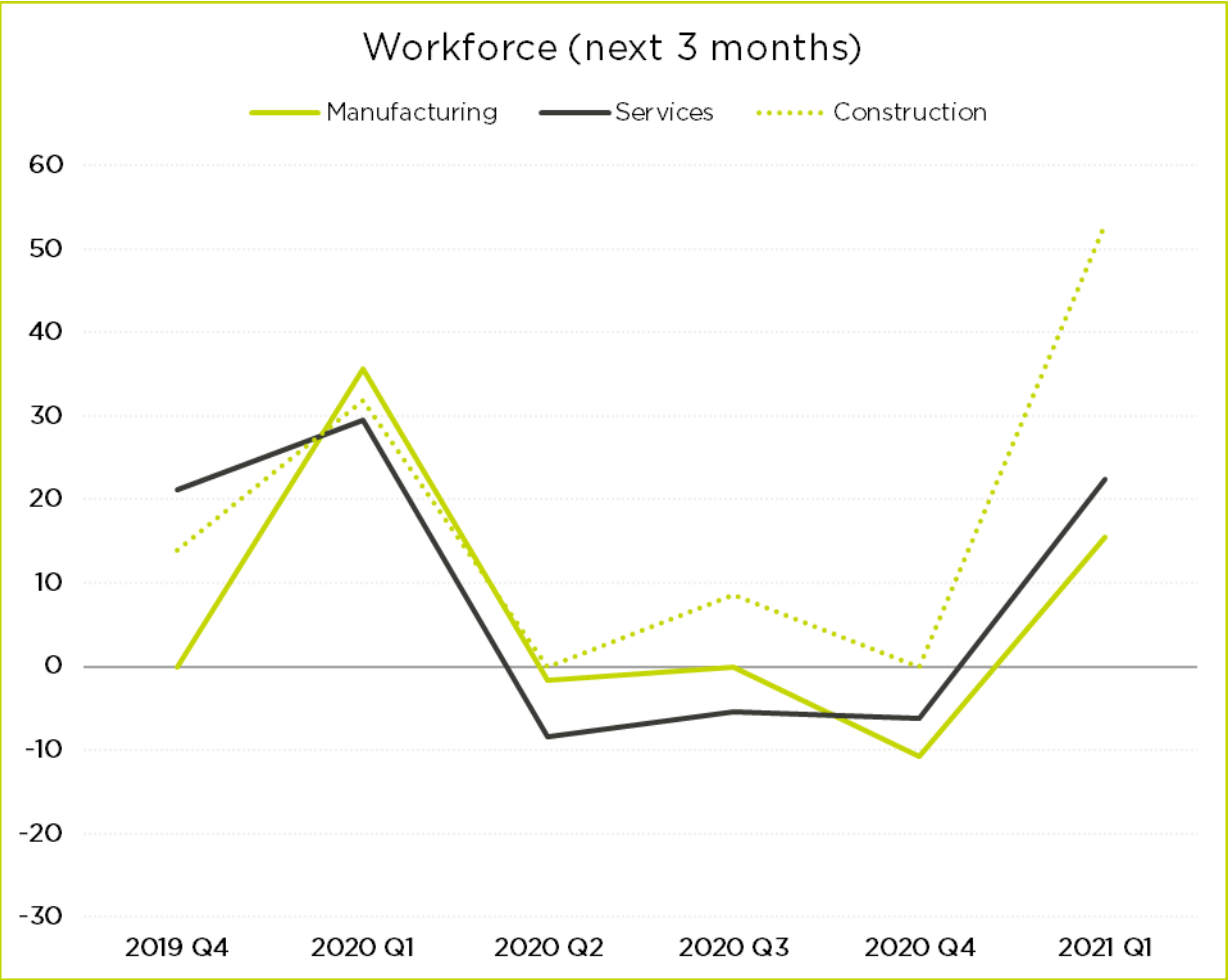
Sources: GMCC QES, ONS GDP CVM SA



# QES Workforce data



Source: GMCC QES

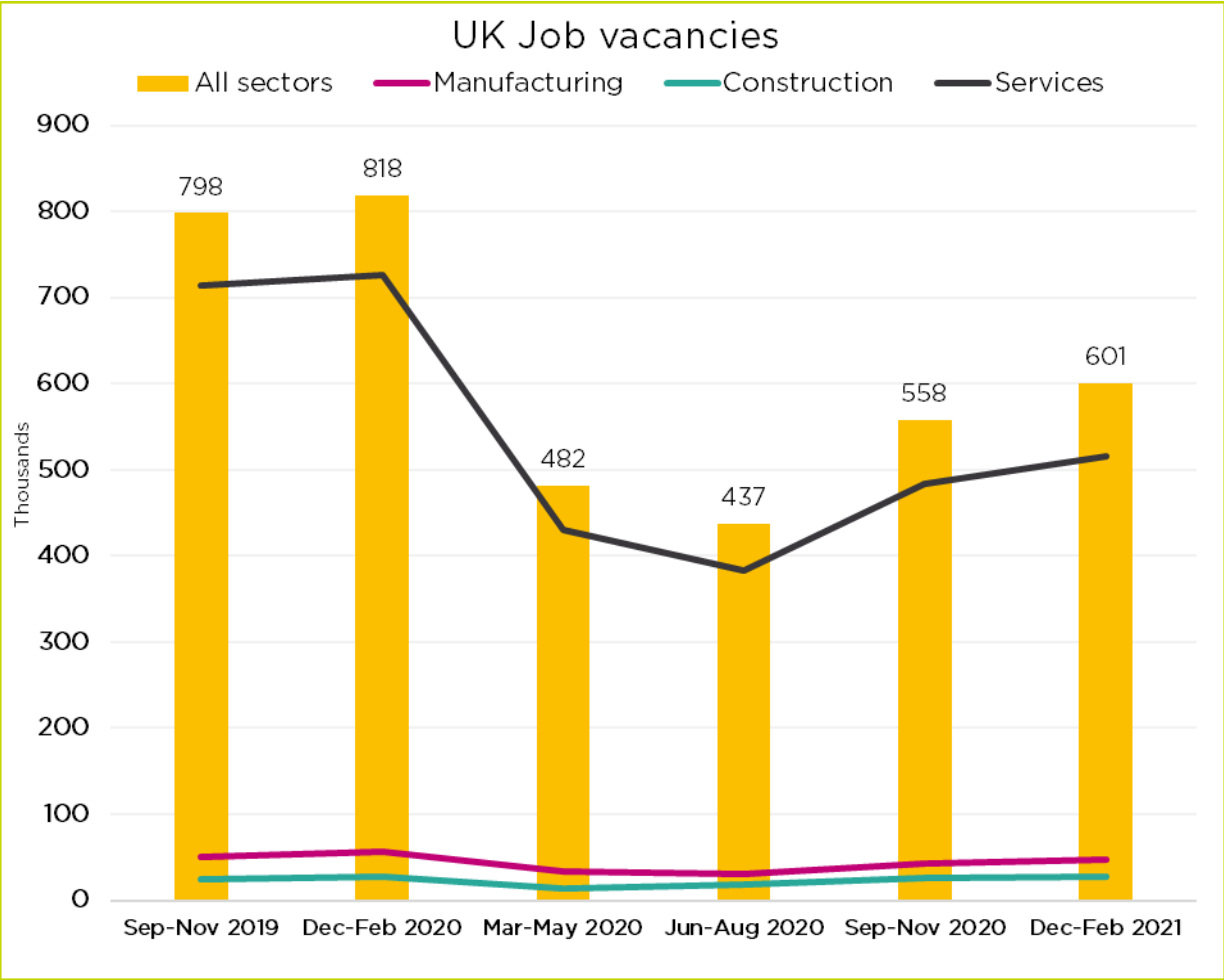


Source: GMCC QES

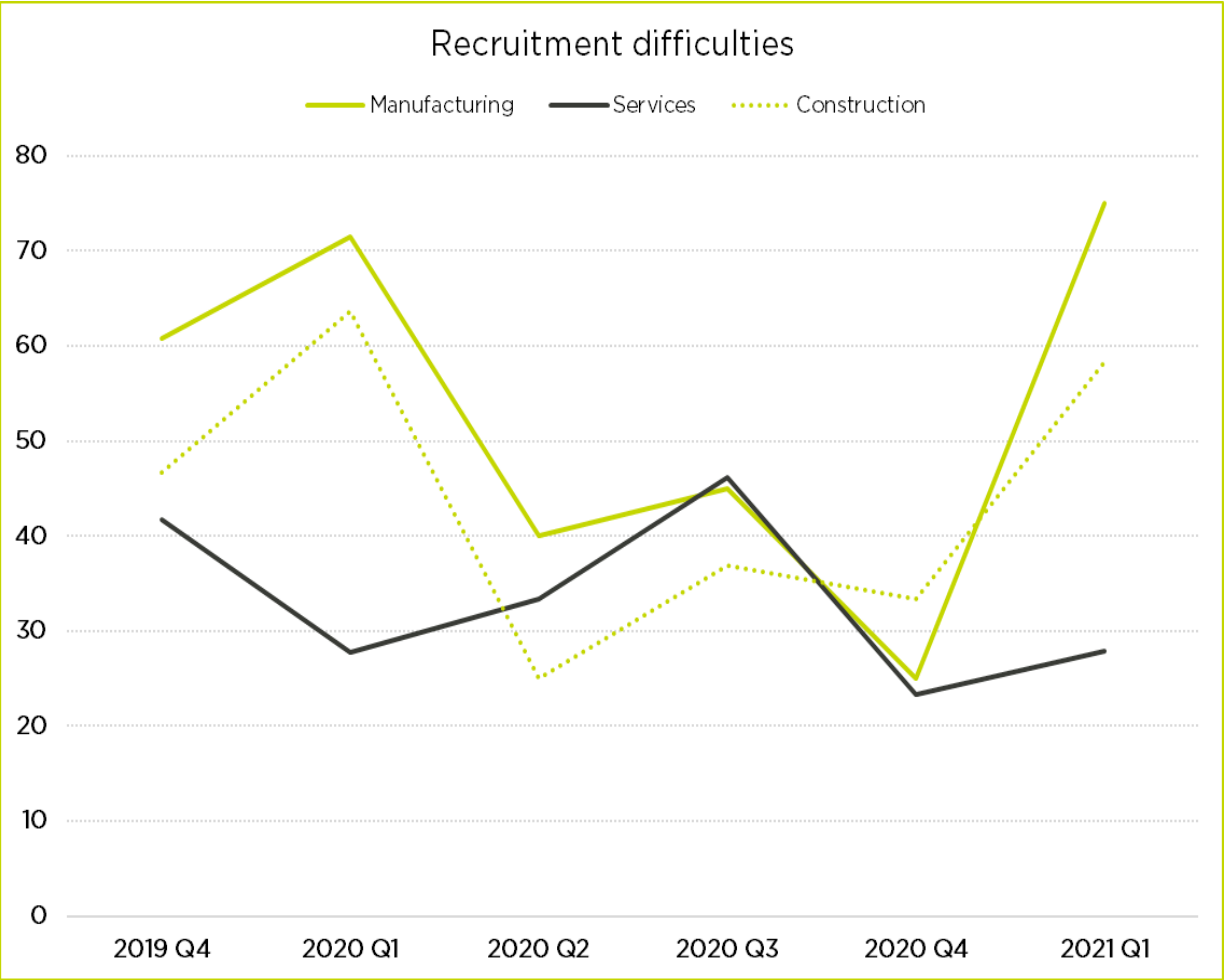




# QES Recruitment Difficulties & Job vacancies



Source: ONS



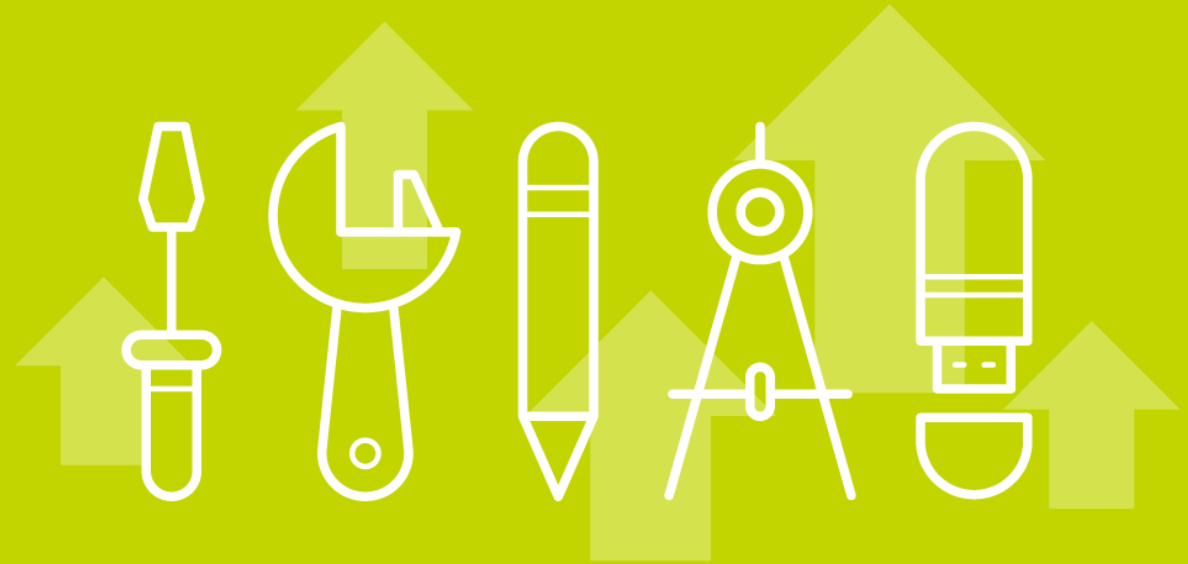
Source: GMCC QES



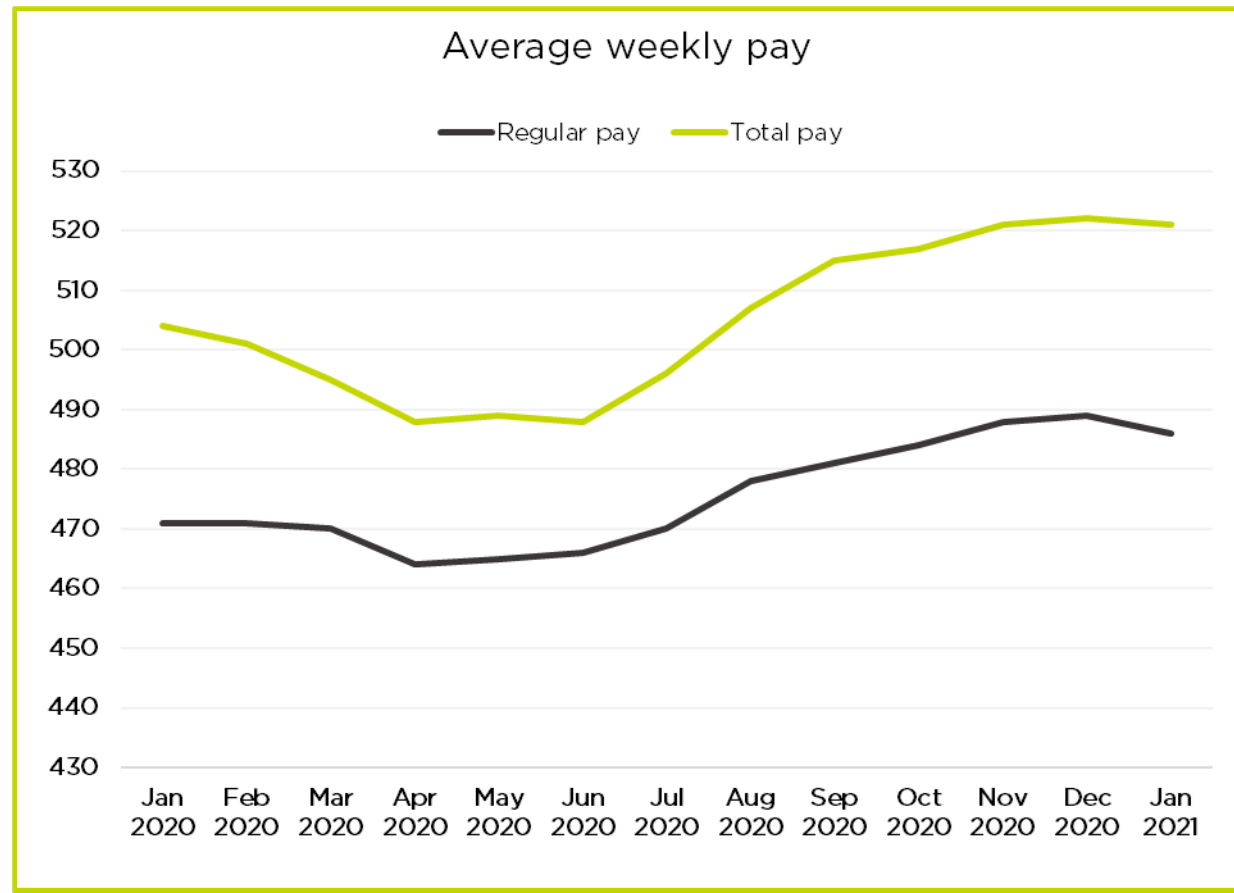
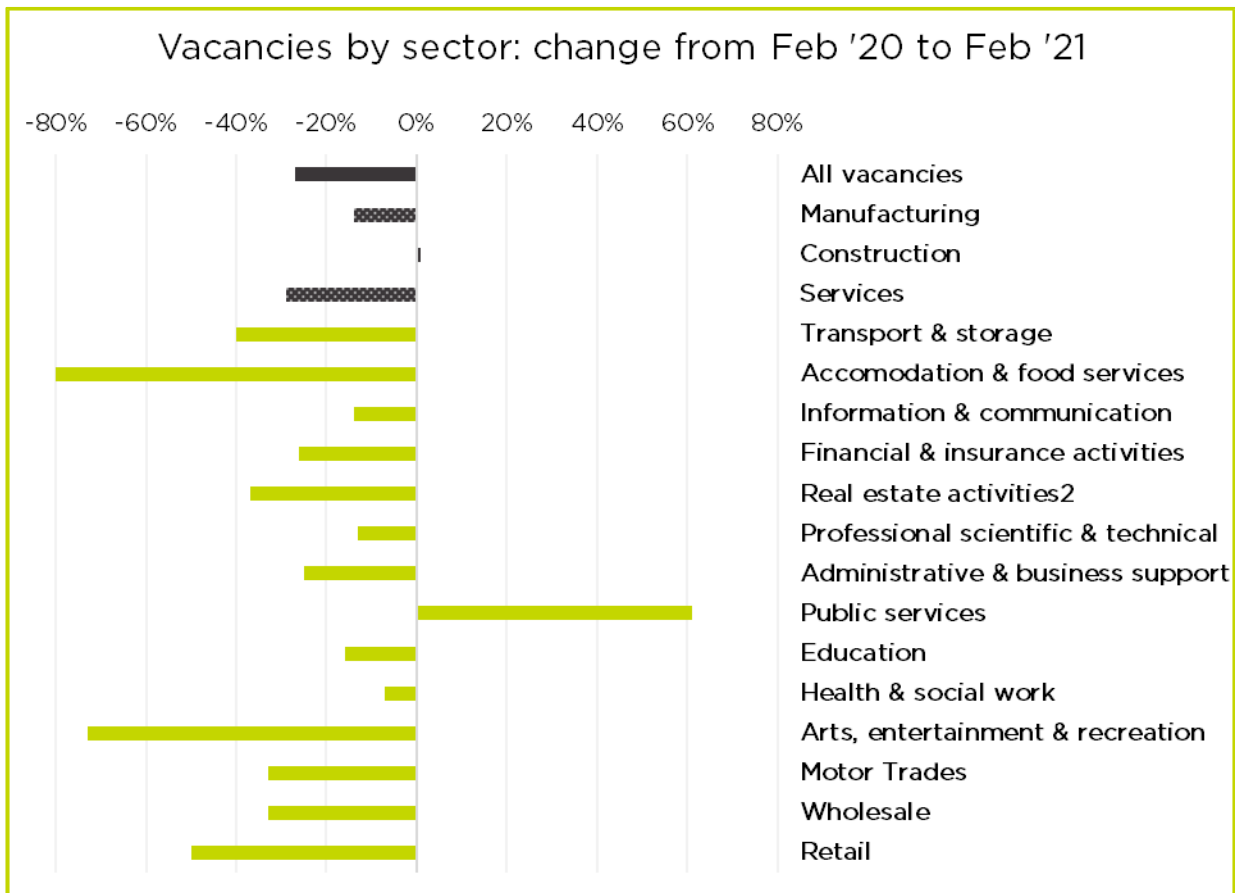
# Summary

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- The GM Index has improved to 6.1 from -20.7 in Q4 2020
- Improvement in domestic demand and forward looking indicators
- Recovery will require ongoing fiscal and monetary policy support. Spring Budget good on short-term support but long-term vision missing
- Cash flow pressures might worsen as businesses reopen for trade
- Clarity needed on roadmap process: 'how' and 'what' in addition to the 'when'.



# Economic truth index: Labour Market



- Overall, job vacancies are 27% lower than they were in February 2020.
- All three sector groups now have fewer vacancies than just before Covid. There are large sectoral variations

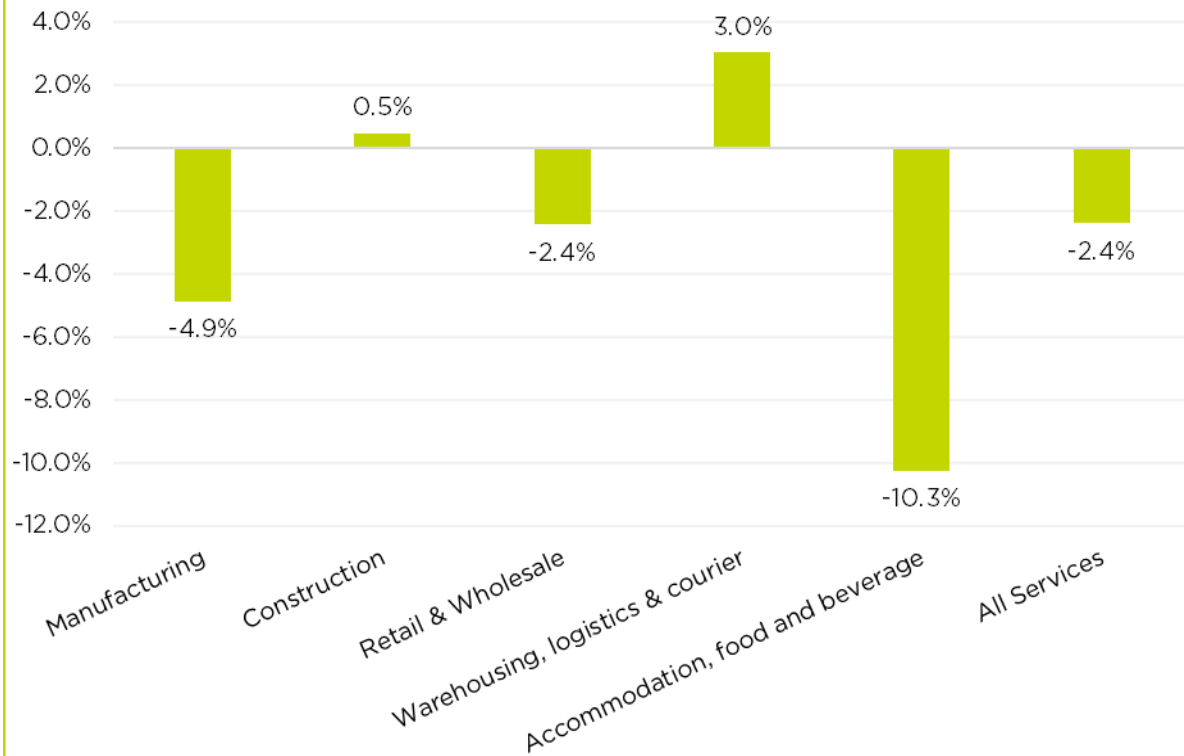
- Average weekly pay has increased but one important reason is the fall in the number and proportion of lower-paid jobs

Source: ONS



# Economic truth index: Labour Market

## Change in employment by sector in 2020



- Services is worst hit but net decrease in manufacturing jobs in 2020

Source: ONS

## Increase in redundancies between Jan '20 and Jan'21 ('000s)

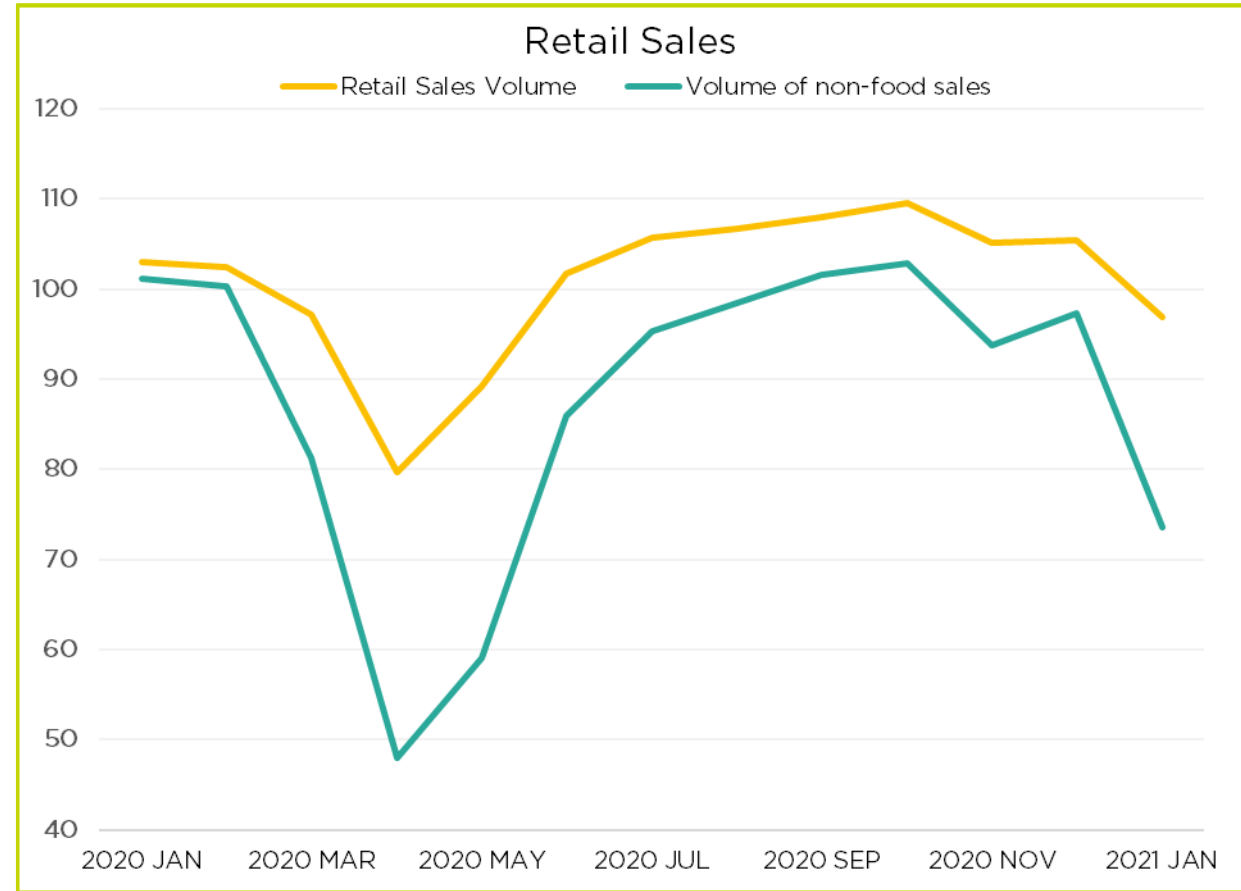
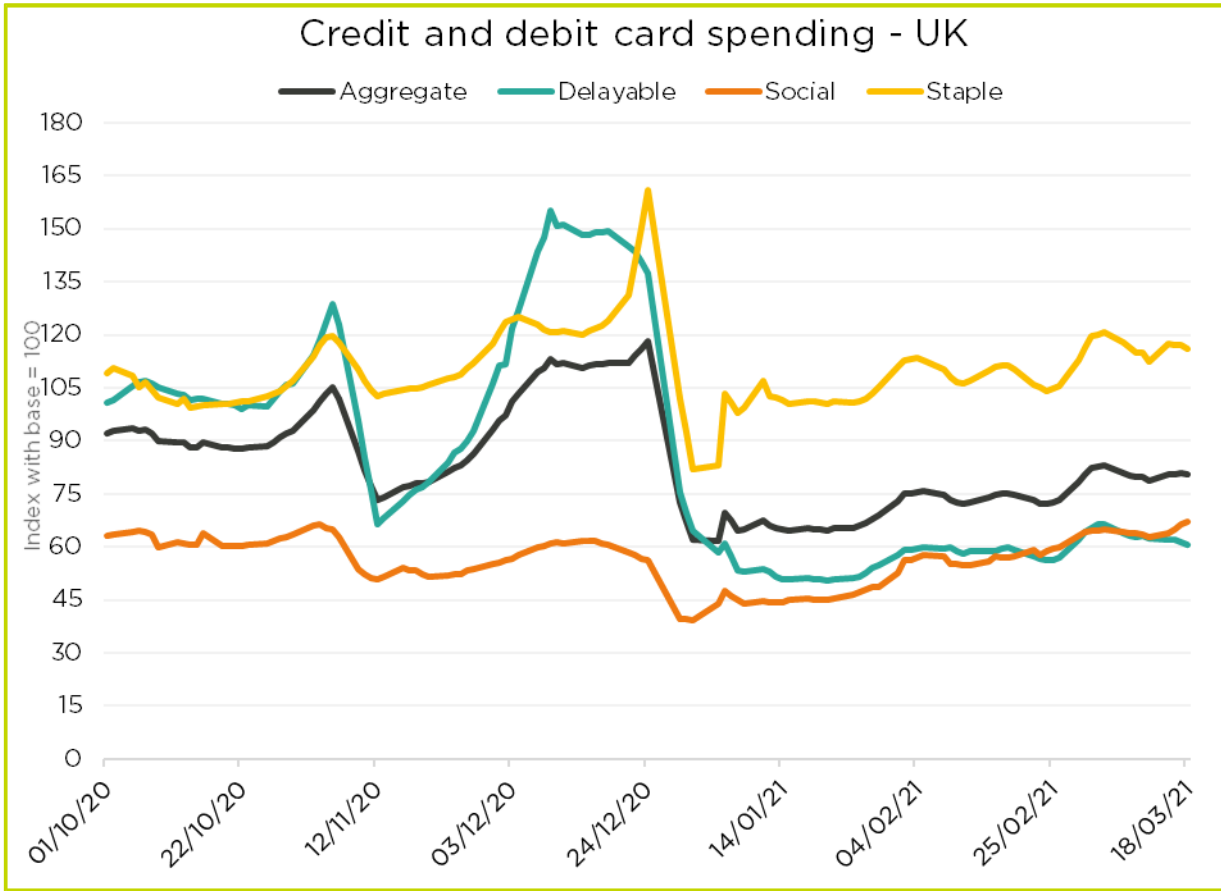


- Over 200,000 redundancies since January 2020.
- There have been redundancies in all sectors, but services worst hit

Source: ONS



# Economic truth index: Consumer spending



- Retail sales and discretionary spend are lower than the levels before the pandemic

Source: ONS

Source: ONS



# Q&A / Discussion

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