

Greater Manchester Quarterly Economic Survey

QES Q2 2021 Results

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Quarterly Economic Survey

Greater Manchester Chamber of Commerce's Quarterly Economic Survey (QES) is part of UK's largest and most reliable business confidence survey carried out by the Chamber of Commerce network. The QES is the first to be published in each quarter and is used by key policy makers including the Bank of England and HM Treasury to determine economic decision-making. The QES is a reliable survey that accurately predicted the recessions of the 1990s and late 2000s and can even disprove some early releases of national statistics.

The survey covers key economic measures such as domestic demand, overseas demand, changes to workforce, cash flow and external pressures affecting business performance. GM Chamber develops the Greater Manchester Index™, a composite indicator based on selected QES measures.

QES Q2 2021: Key Findings

As Covid-19 restrictions are being lifted as per the roadmap announced by the Prime Minister at the beginning of the year, there is optimism about business prospects. Sectors such as hospitality and leisure, which has the most restrictions, have now opened up and seen a significant increase in trade in the last two months. That uptick in customer demand and spending is clear in the results of this quarter's Economic Survey. After entering positive territory in Q1, the Greater Manchester Index™ increased by 24 points to 30.4 in this quarter as all three sector groups - manufacturing, construction and services sectors - show a strong rebound after the economic shock of 2020.

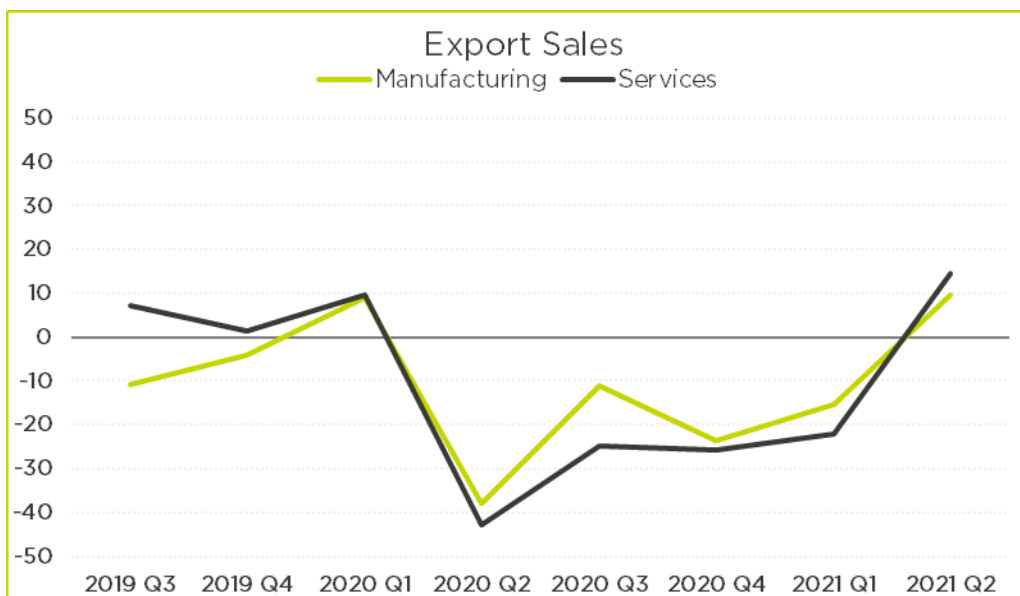
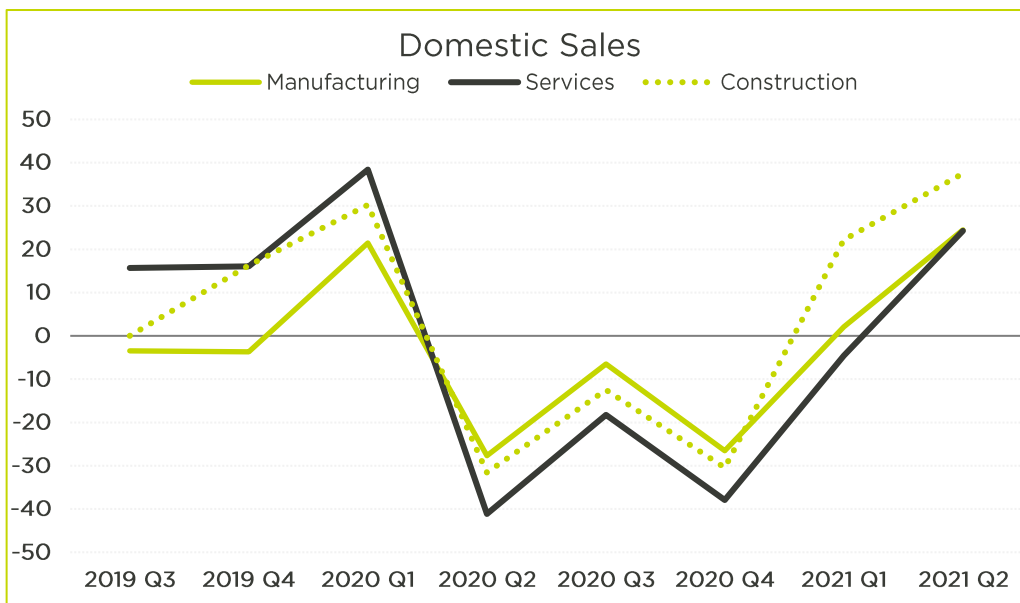
Most QES measures show some improvement compared to the levels recorded in the previous quarter's Economic Survey in March 2020. Although the postponement of the restrictions 'terminus' to July 19th has caused some uncertainty, improvement in demand from both domestic and overseas customers, has led to an increase in cash positions and capacity utilisation amongst Greater Manchester's businesses.

The key findings of the QES included:

- Domestic sales have increased significantly in all three sector groups with construction showing a further uptick in activity.
- Consumer spending has gone up and there has been an increase in advance orders.
- Prospects for bringing more staff out of furlough and additional employment has improved further.
- International trade activity has also picked up. QES measures related to international trade are now in positive territory for the first time since April 2020.
- More businesses are getting accustomed to the new requirements for international trade, but Brexit related challenges remain for trade with the EU.

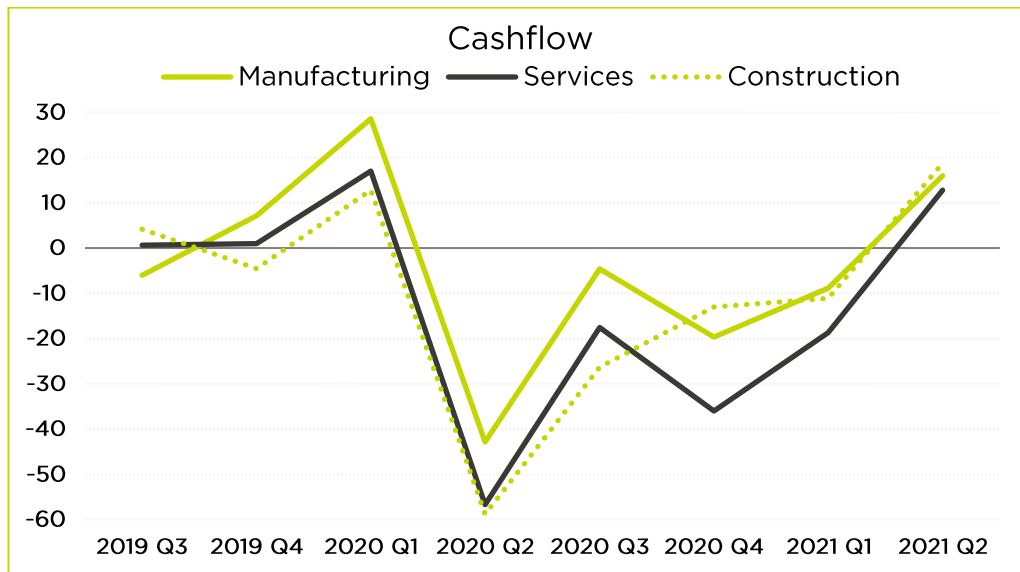
Customer Demand

Led by increases across the board, customer demand levels show an improvement in this quarter. Pent-up customer demand and the reopening of business sectors that were under Covid-19 restrictions have boosted consumer spending. The balances for both domestic and overseas sales and domestic demand, represented by current sales and advance orders, have improved. On international trade, the impact of Brexit continues to dampen both exports and imports. Many businesses are still reporting difficulties in moving goods across borders and on trade in services. Overall, the results reveal an improved short-term outlook. Long term growth of the economy does depend on sustained increases in customer demand and businesses being able to maintain positive cash flows.



Cashflow Positions

With customer demand showing improvements, cash positions have also improved in this quarter. The balance for cashflow is now positive for all three sector groups, for the first time since April 2020. Cash positions relate to capacity utilisation, which in turn affects business confidence and the propensity to invest in expanding capacity. Despite the improvement in cash positions, businesses appear to be hesitant in making immediate investment with much of the improvement in financial performance being used to “shore-up” their balance sheets. The results also indicate that discretionary spend remains low.



Business Confidence

On business confidence, the latest results reveal a contrasting picture. Turnover confidence, which measures optimism about being able to maintain turnover and sales revenue is stable with 63% of respondents reporting an increase, the same proportion as in Q1. In contrast, profitability confidence, which measures the ability of businesses in being able to maintain margins, has declined this quarter with only 23% reporting that they are optimistic about profit margins, a proportion similar to what was recorded in Q2 2020. This suggests that businesses are facing higher operational costs as they bring staff back from furlough and acquire stock. The results also show that price pressures are now a concern for businesses.

Employment

The latest results show an upturn in recruitment intentions. This is led by construction sector businesses but is also true for businesses in manufacturing, hospitality, logistics, professional services and business support services. In total, nearly half of survey respondents attempted to recruit and increased their workforce in the quarter. At the same time, recruitment difficulties have gone up. Indeed, labour and skills shortages could present a bottleneck for post-Covid economic growth and prosperity.

Recovery Prospects

As forecast in the previous quarter, customer demand has now returned to positive territory. It is likely that there will be no restrictions beyond 19th July. We expect a further strengthening in demand in Q3 2021, but further improvement is likely to be gradual and spread over the next twelve months. Based on the results of this quarter's Economic Survey, it is unlikely that Greater Manchester's economy will experience a rapid recovery to pre-pandemic levels.

Methodology

Where measures are reported as balances, they represent the percentage difference between the number of positive and negative responses for that question.

The first quarter's Economic Survey was conducted between 14th May - 11th June and captured the views of over 300 businesses.