

# Greater Manchester Chamber of Commerce

## Quarterly Economic Update Q2 2021

29<sup>th</sup> June 2021



Greater Manchester  
Chamber of Commerce



# Quarterly Economic Briefing

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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:

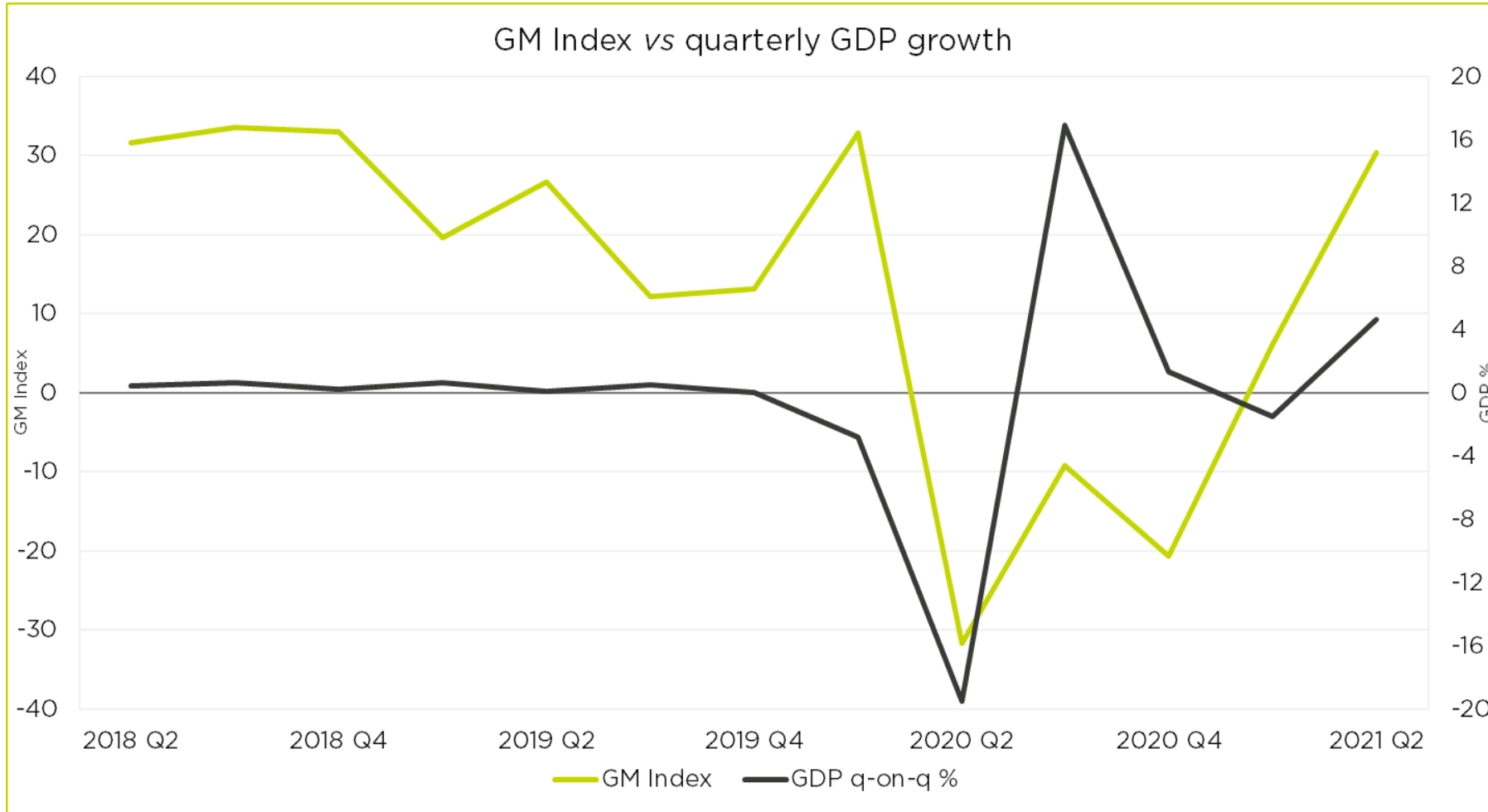
- Domestic Sales
- Domestic orders
- International sales
- International orders
- Confidence in turnover
- Confidence in profitability
- Capacity utilisation

# Economic context & main findings

- In Q1, GM Index was 6.1, an improvement from Q4 2020
- UK GDP declined by 1.5% in Q1 2021
- Q2 results show a robust rebound with business prospects improving
  - Improvement in customer demand, sectoral divergence is narrowing
  - International trade activity has picked up but Brexit challenges remain
  - Cash positions have improved this quarter
  - Employment prospects have also improved but longstanding problems such as recruitment difficulties have re-emerged



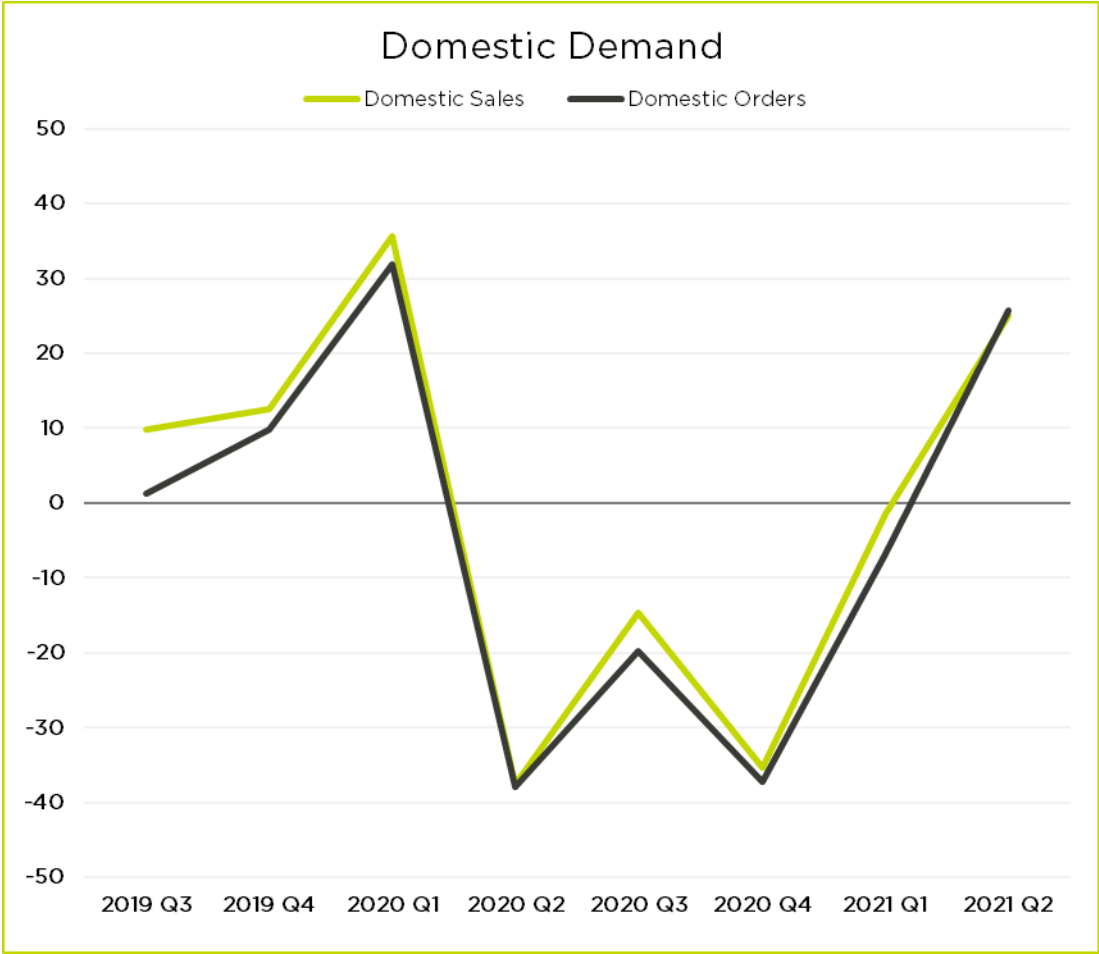
# Where are we now?



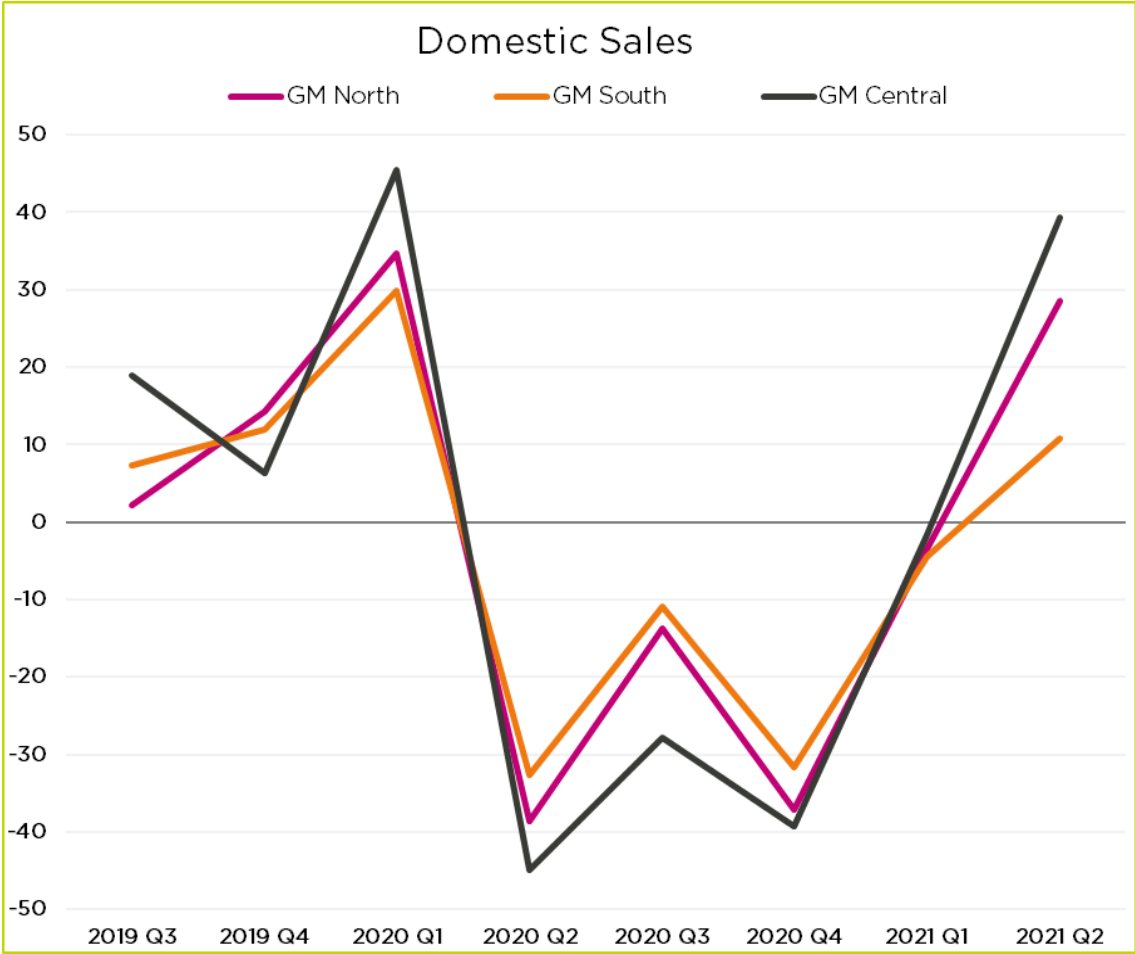
- Greater Manchester Index™ for Q2 2021: **30.4**
- GDP forecast to increase 4%-5% in Q2
- Rebound seen in all sectors but there could be some stabilisation
- E-commerce still strong with average £2.5 billion in weekly sales across all retail
- Possible geographical divergence

Source: GMCC QES, ONS GDP Quarter on Quarter growth: CVM SA % | Q2 2021 GDP based on forecasts

# QES Domestic Demand



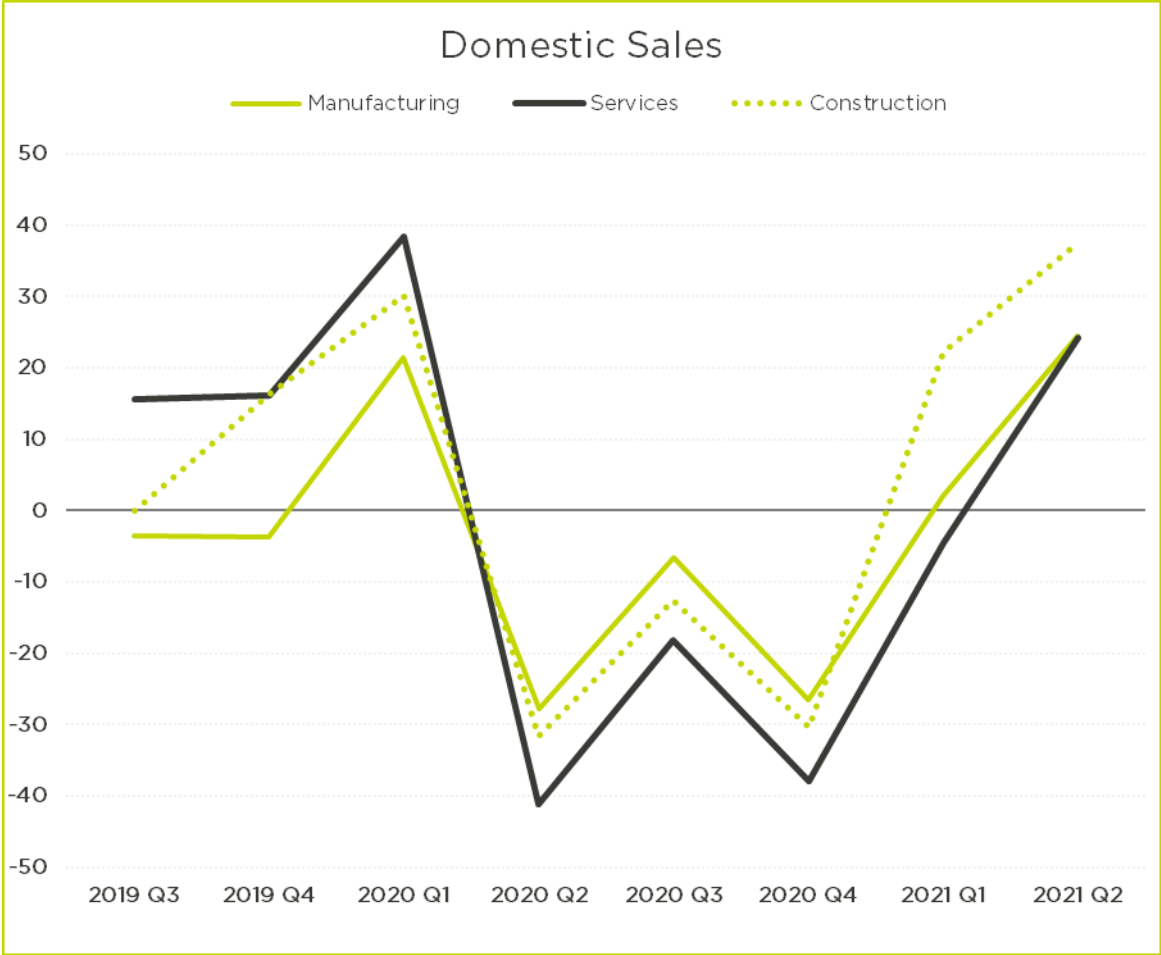
Source: GMCC QES



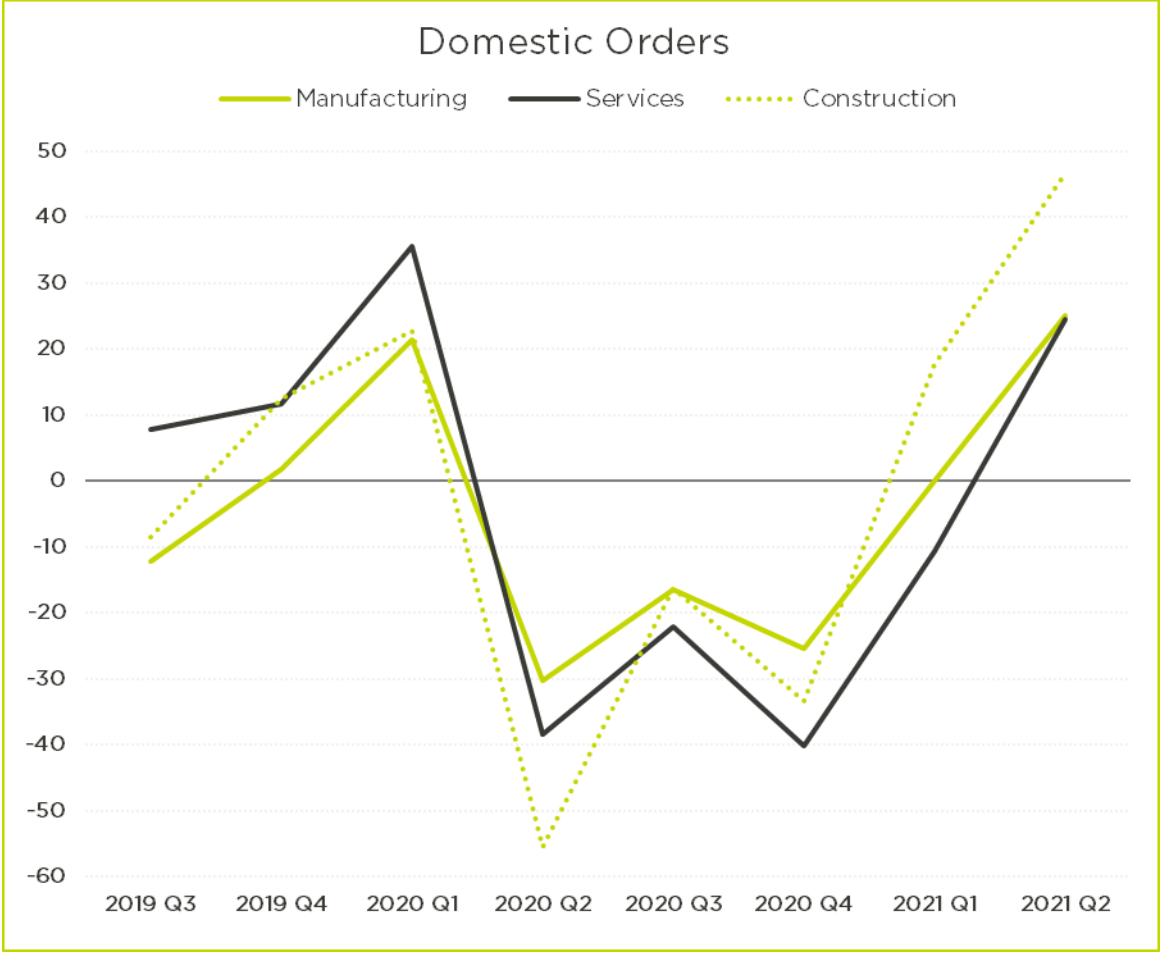
Source: GMCC QES



# QES Domestic Demand



Source: GMCC QES

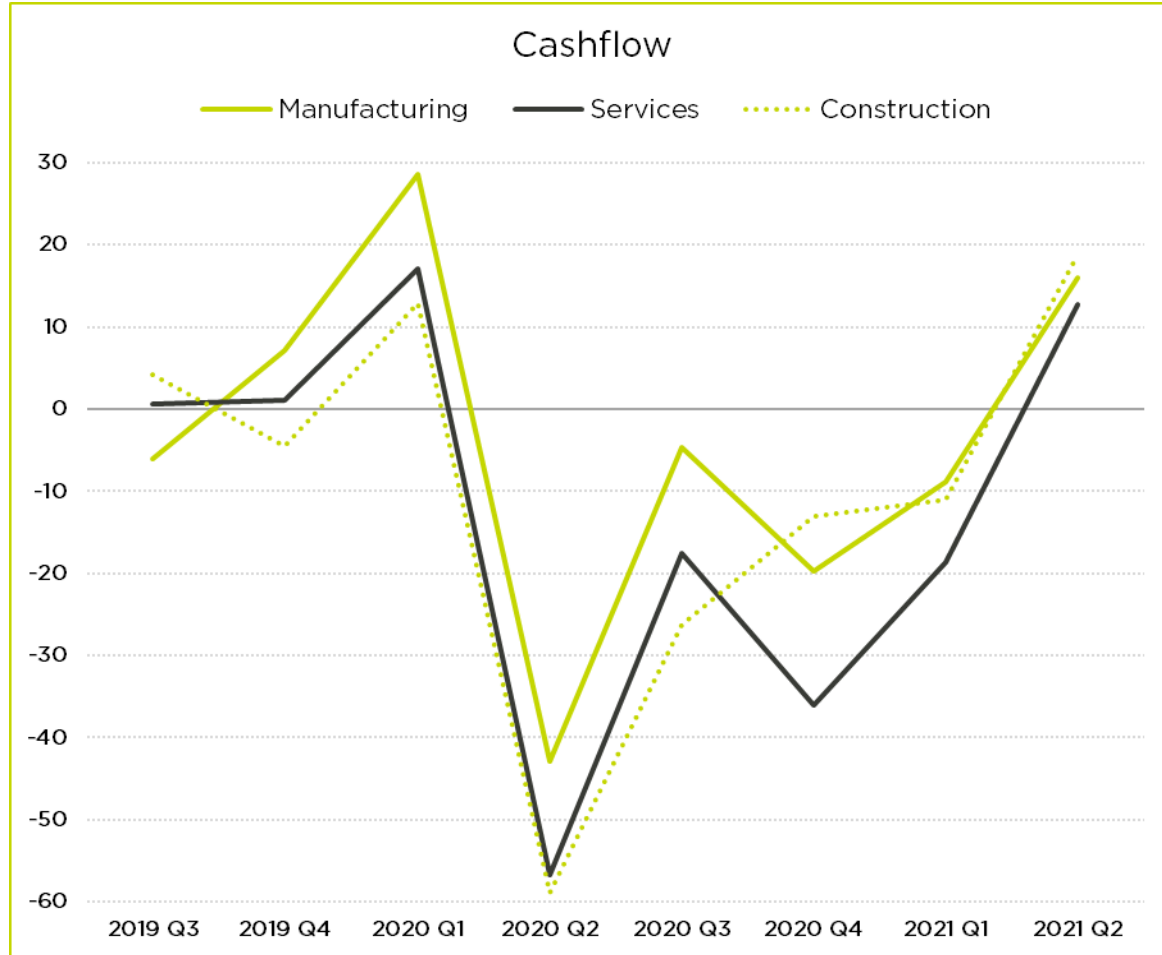


Source: GMCC QES

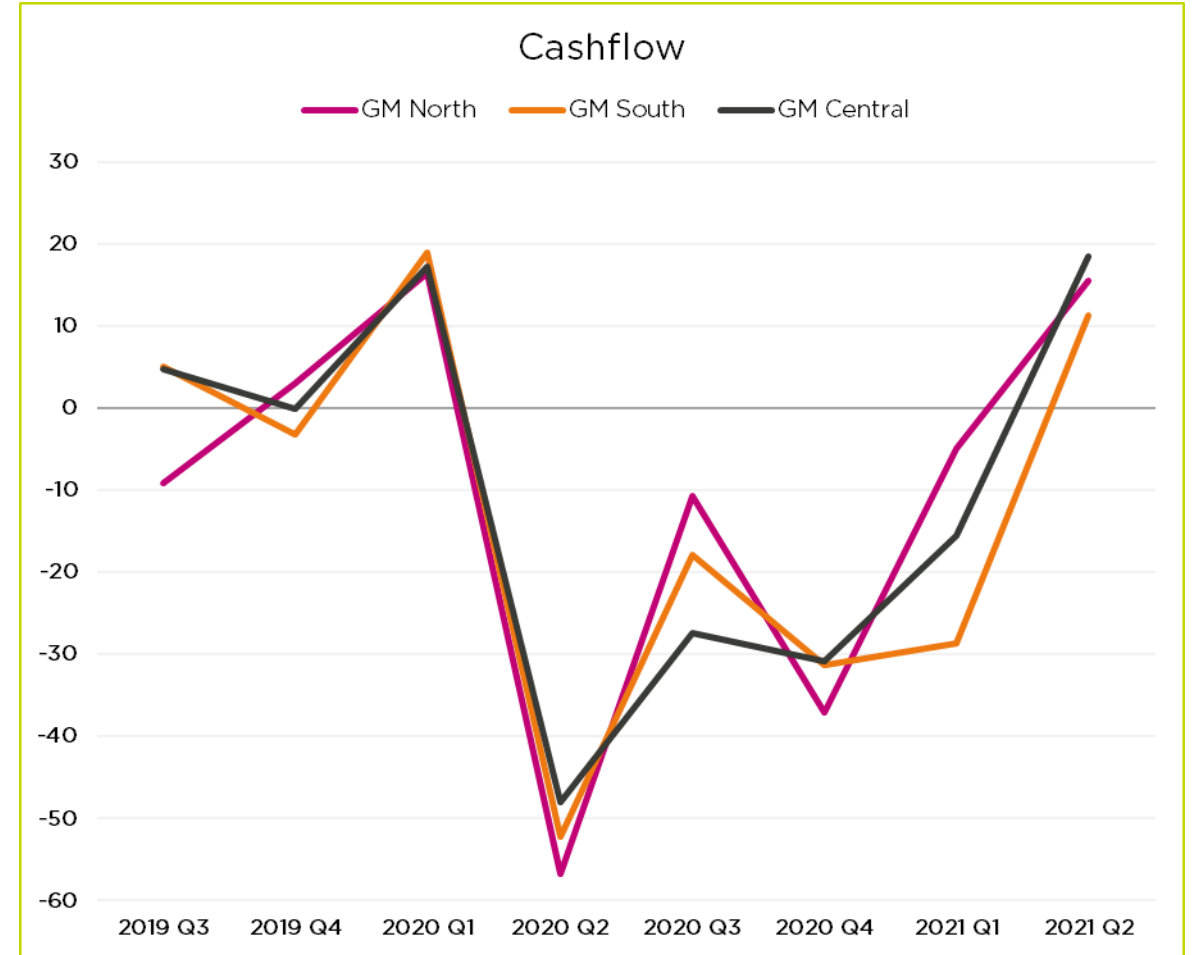




# Cashflow



Source: GMCC QES



Source: GMCC QES

# QES International Demand



Source: GMCC QES



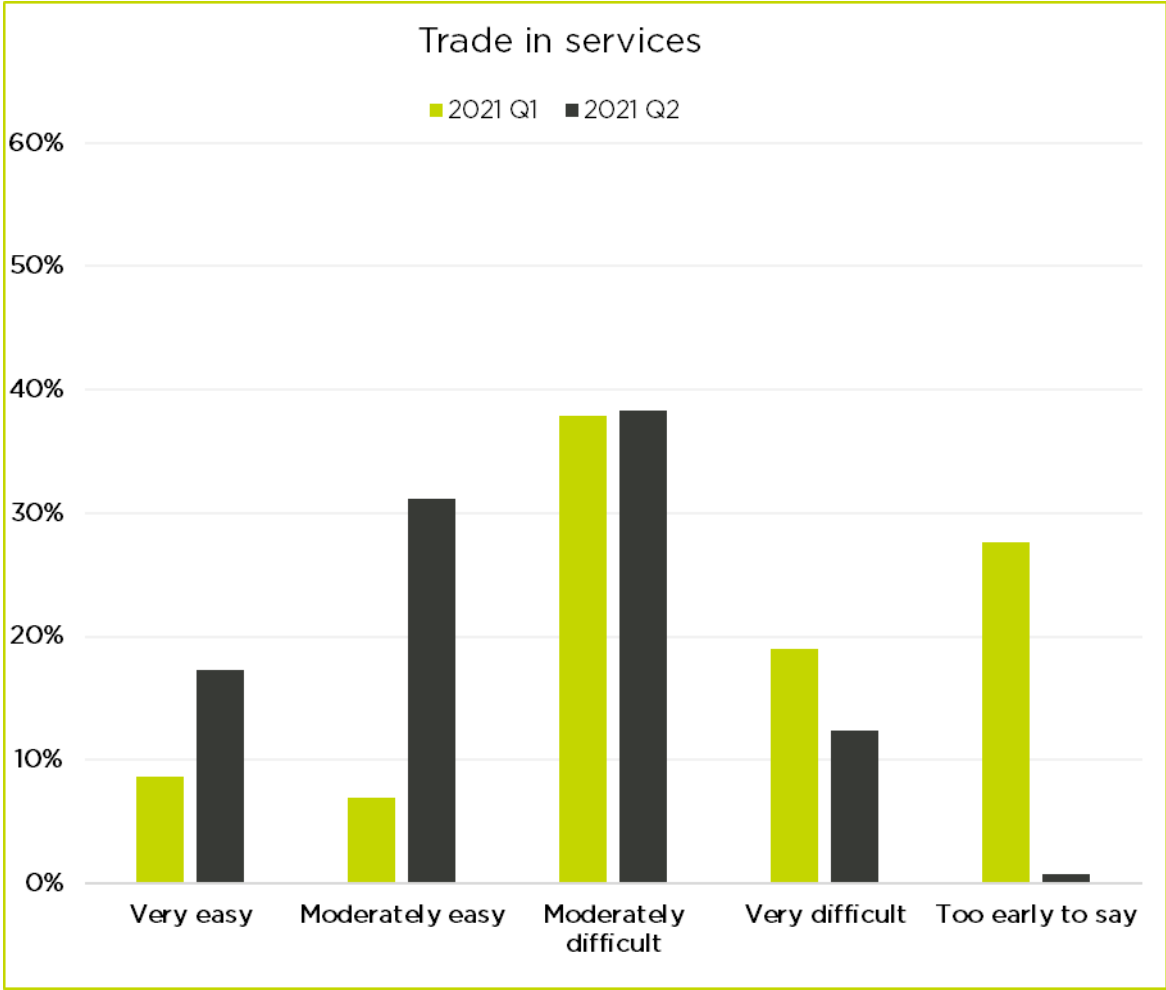
Source: GMCC QES



# Brexit Impacts



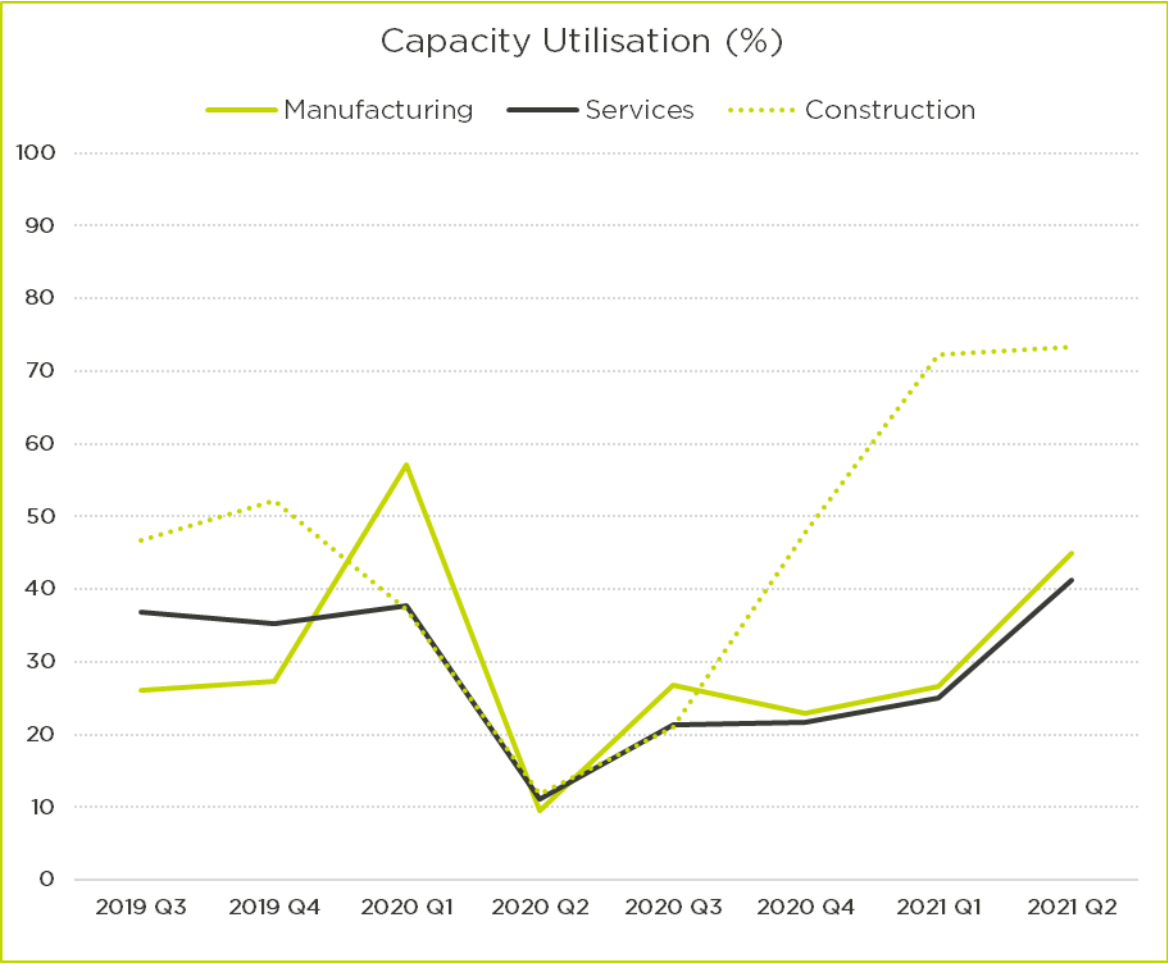
Source: GMCC QES



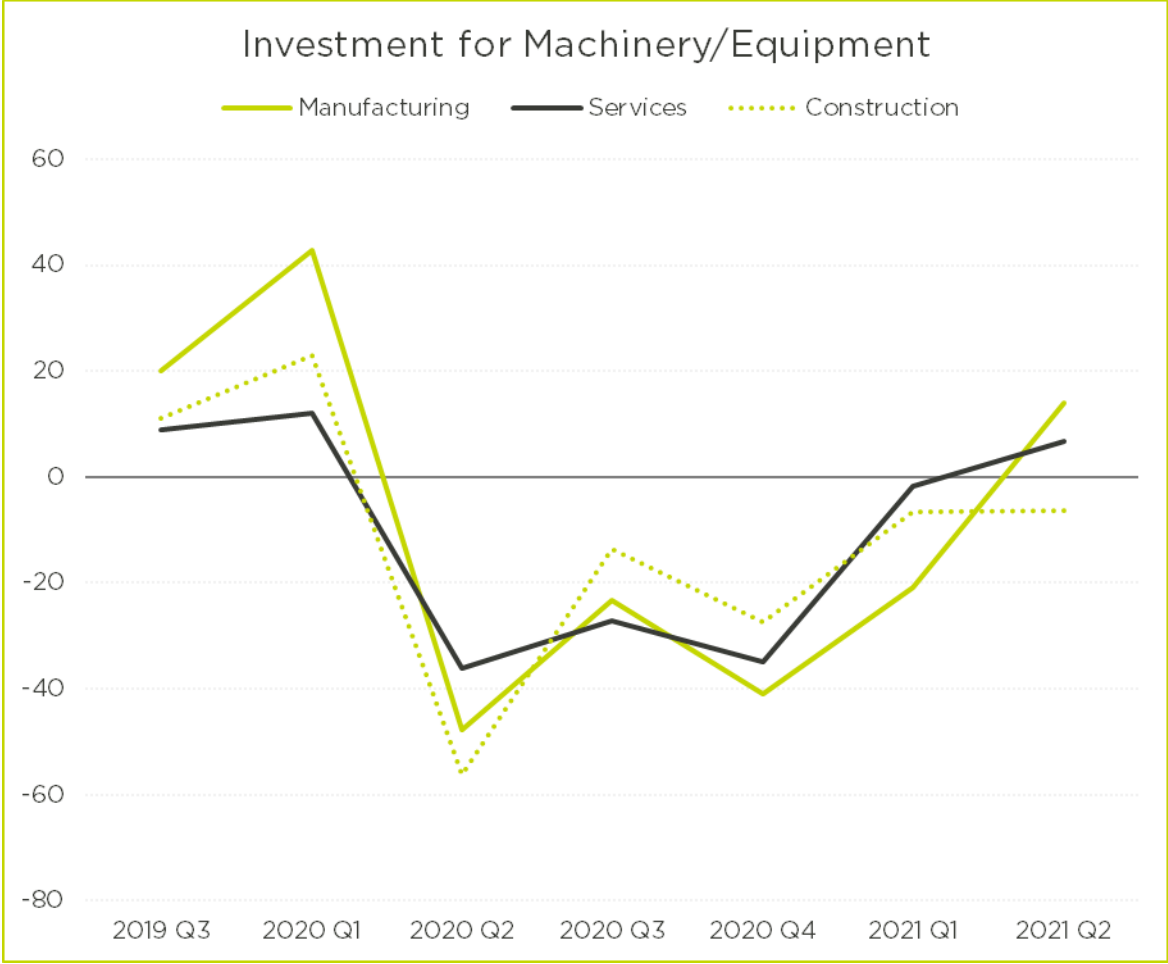
Source: GMCC QES



# Capacity Utilisation & Capital Investment



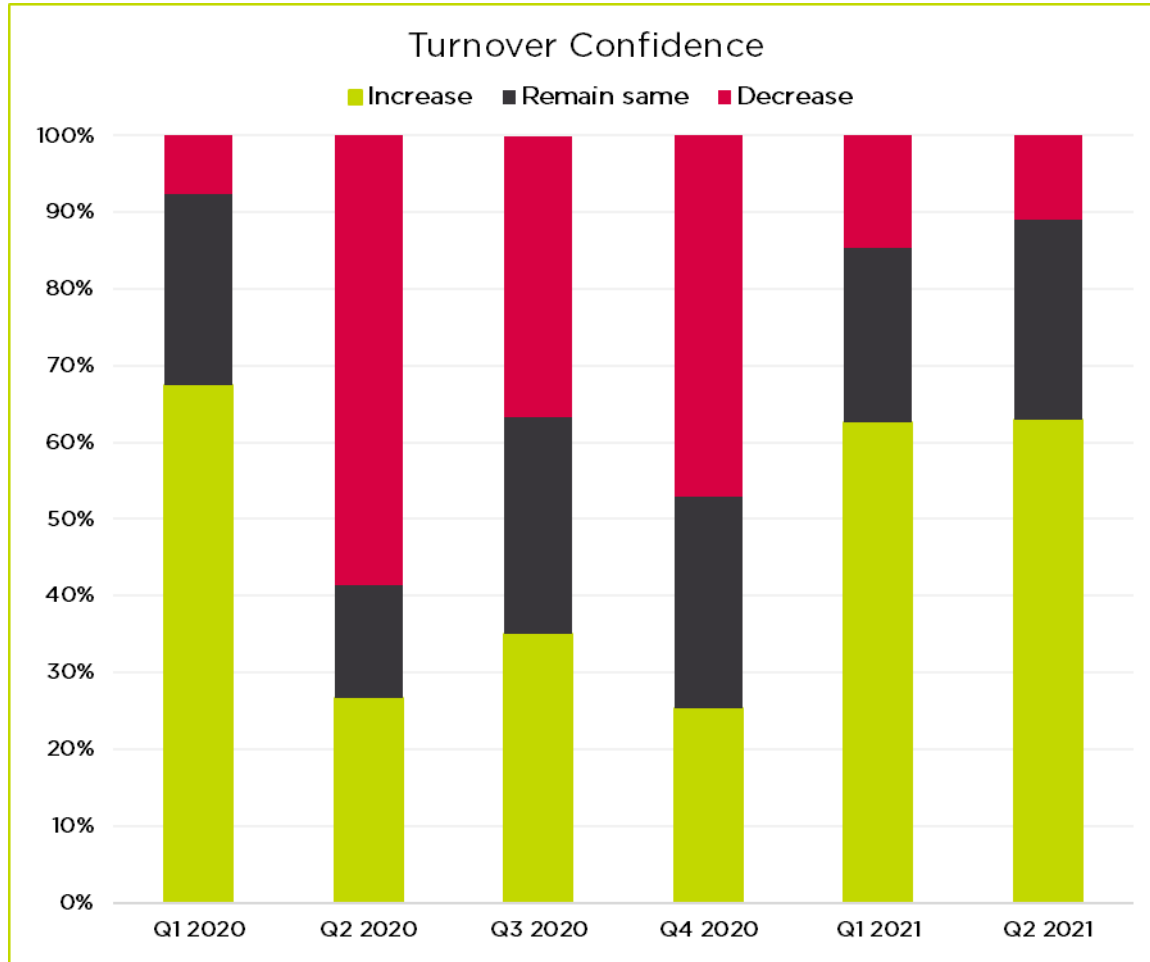
Source: GMCC QES



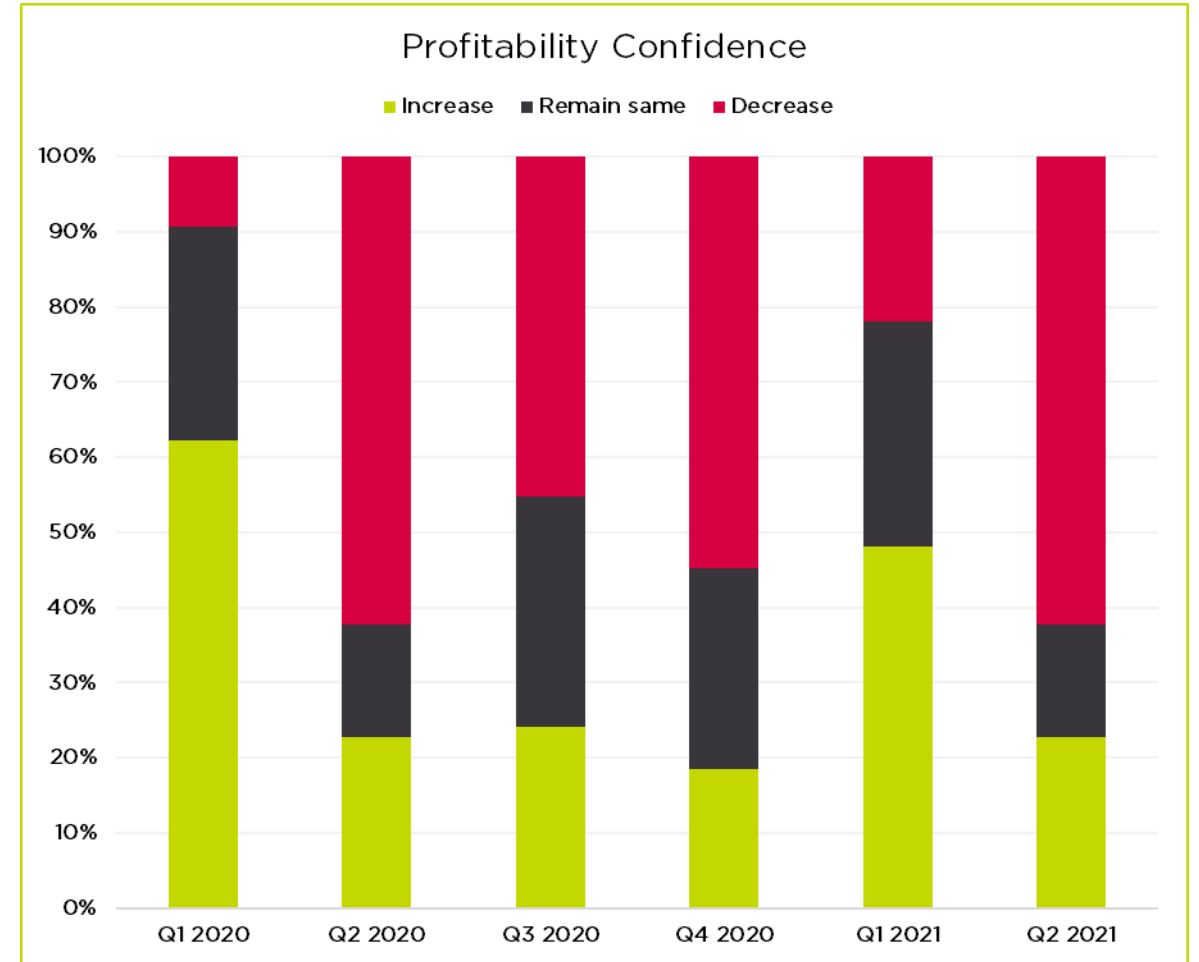
Source: GMCC QES



# Business Confidence

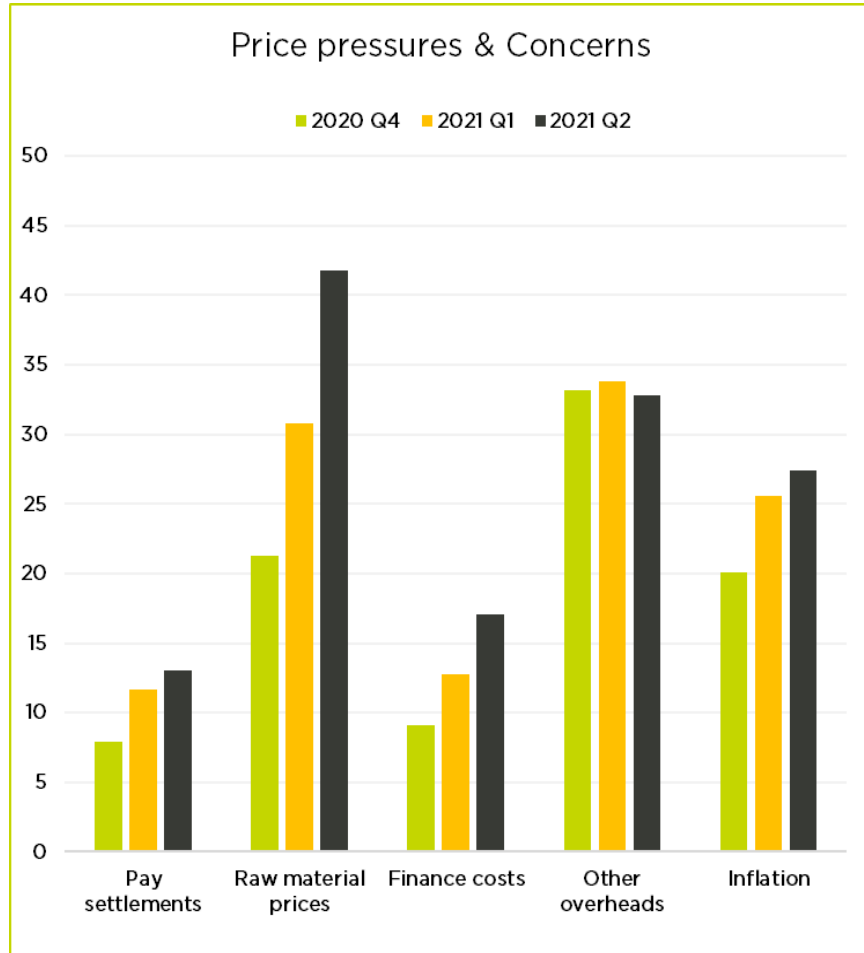


Source: GMCC QES

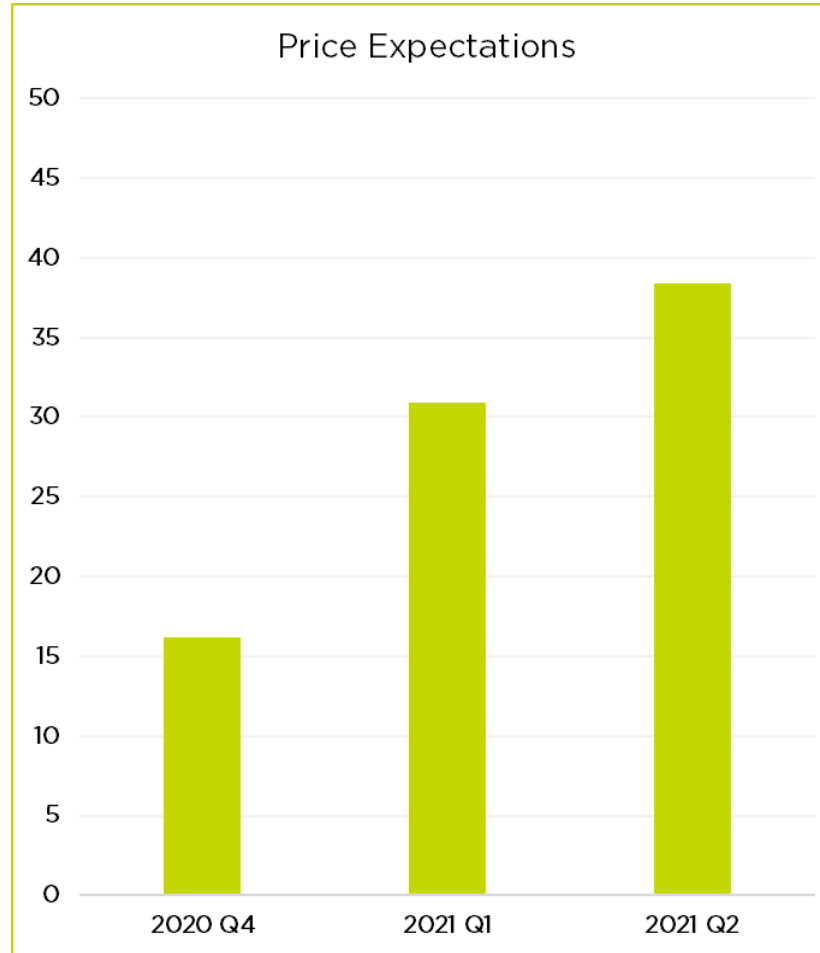


Source: GMCC QES

# QES - Price inflation



Source: GMCC QES

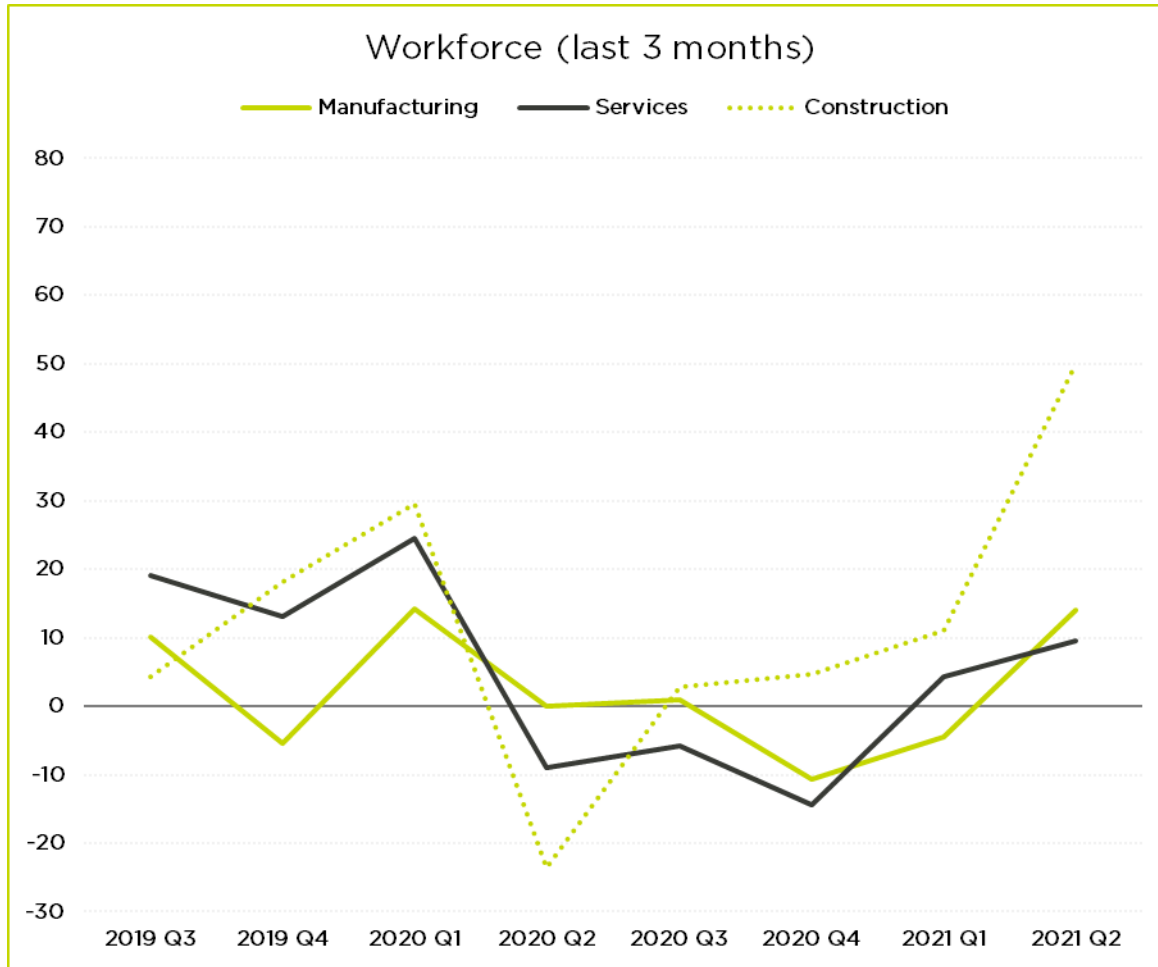


Source: GMCC QES

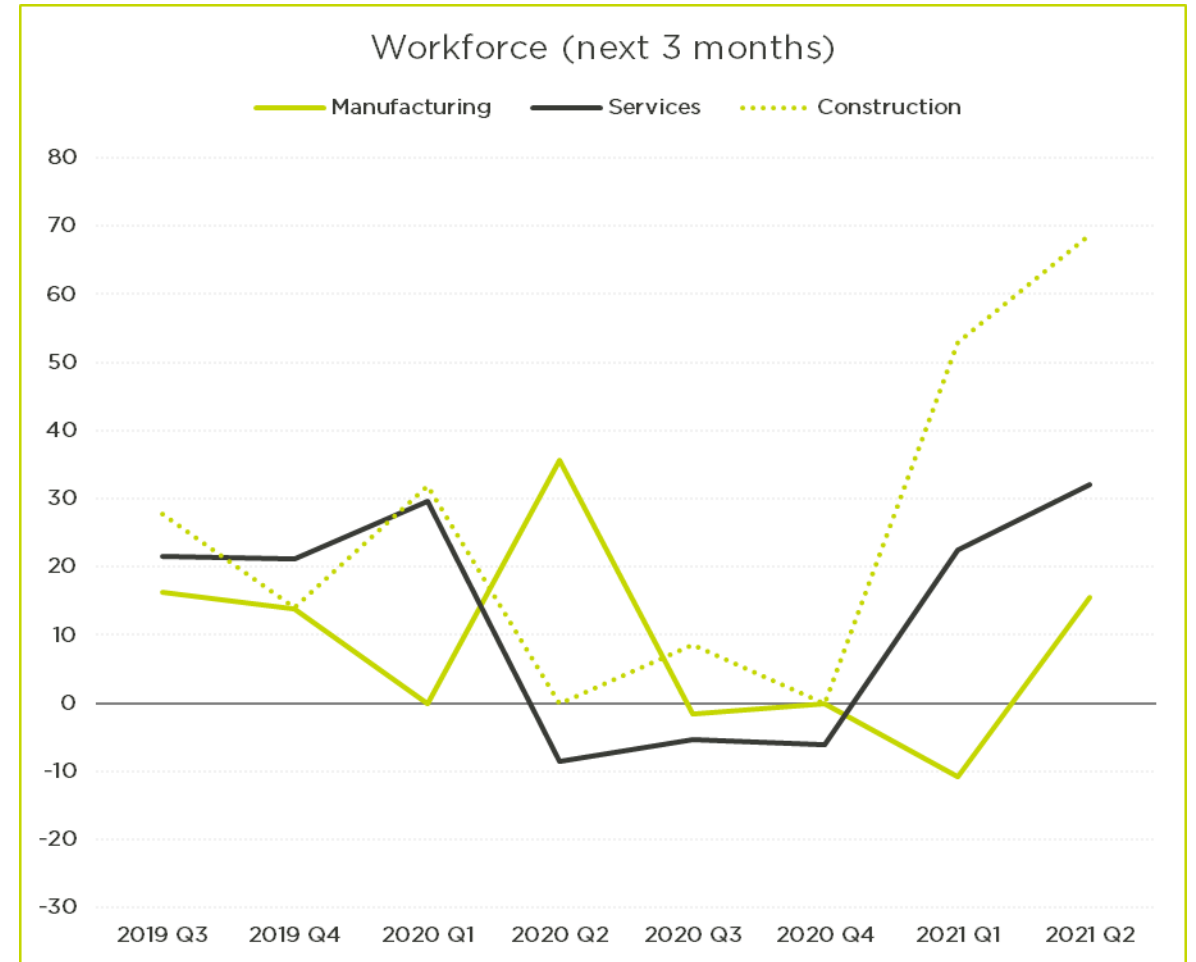
- Inflation in raw materials prices is pushing costs up. Shortage of labour is also causing wage inflation
- The proportion of businesses who expect to increase prices has been going up
- Repayment of debt and deferred tax liability will also be due
- Margins are under pressure and it is likely cash will be used to service repayments, and improve financial position rather than further investment.



# QES Workforce data



Source: GMCC QES

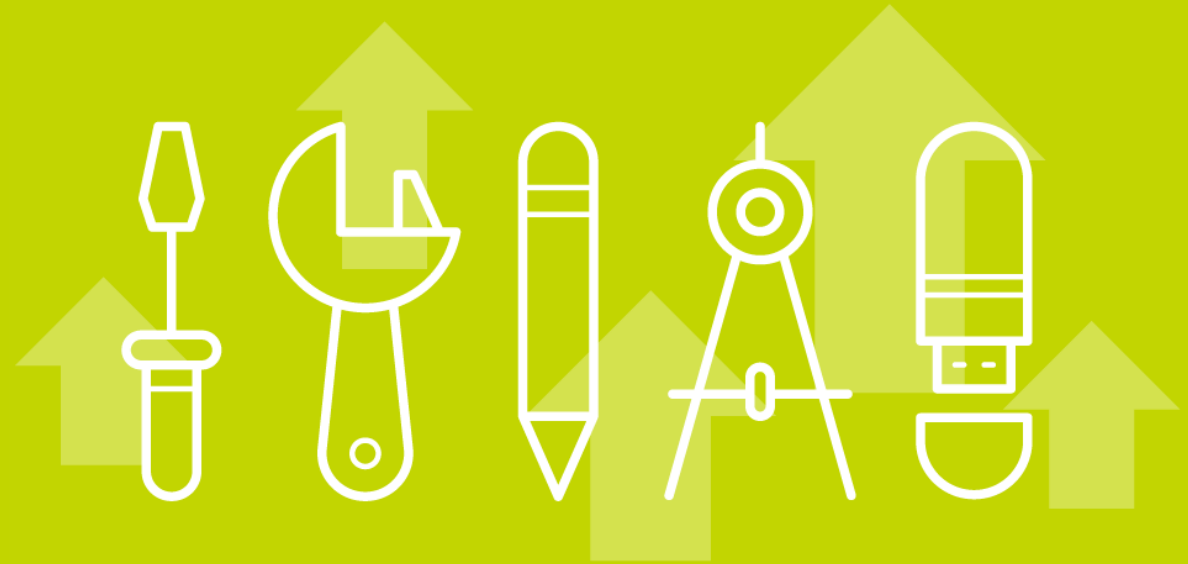


Source: GMCC QES

# Summary

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- The GM Index has improved from 6.1 to 30.4
- Improvement in demand and consumer spending is likely to continue
- Optimism associated with easing restrictions but discretionary spend is constrained
- “Shoring-up” balance sheets, muted outlook for expansion in business investment
- Cost inflation is an emerging concern
- Big percentage growth but from a low base





# Q&A / Discussion

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