

Quarterly Economic Update

Q3 2021

28th September 2021

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**Welcome &
Introduction**

Chris Fletcher, *Director of Marketing & Campaigns*

QES Presentation

Subrahmaniam Krishnan-Harihara, *Head of Research*

**Opportunities for net
zero transition**

Chris Fletcher, *Director of Marketing & Campaigns*
Vijay Natarajan, *Founder & COO, Q. Energy*

Q&A / Discussion

Please use #GMEconomics for tweets

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 the following:

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

The Greater Manchester Index TM 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 – Q2 2021

GM INDEX

30.4

In Q2, GM Index was 30.4, a sharp improvement from Q1 2021

UK GDP

+4.8

%

UK GDP grew by 4.8% in Q2 2021

LABOUR MARKET

4.6%

Unemployment rate dropped to 4.6% *but actual hours worked is 45.4 million below pre-pandemic levels.*

Q3 results show stabilisation in business prospects:



Improvement in customer demand, slight decrease in construction sector activity



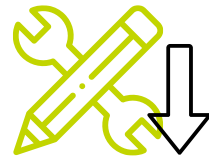
International trade activity has picked up, but Brexit challenges remain



Cash positions remain stable with some pressures building



Employment prospects have also improved – record number of vacancies and businesses attempting to recruit staff

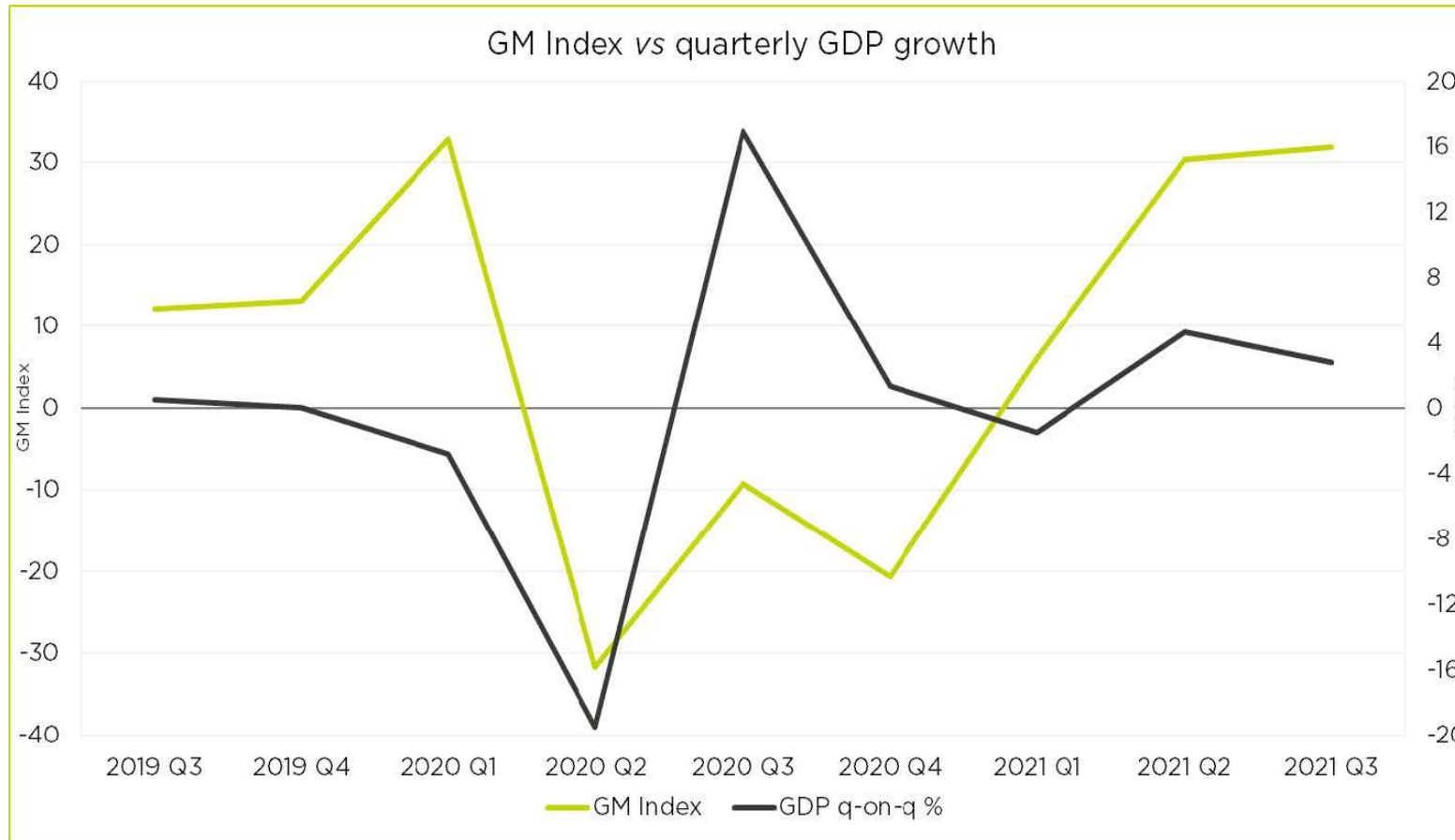


Lack of both job-specific and soft skills are causes of recruitment difficulties



68,000 workers still on furlough in GM as of July 31st.
(1.56 million across the UK)

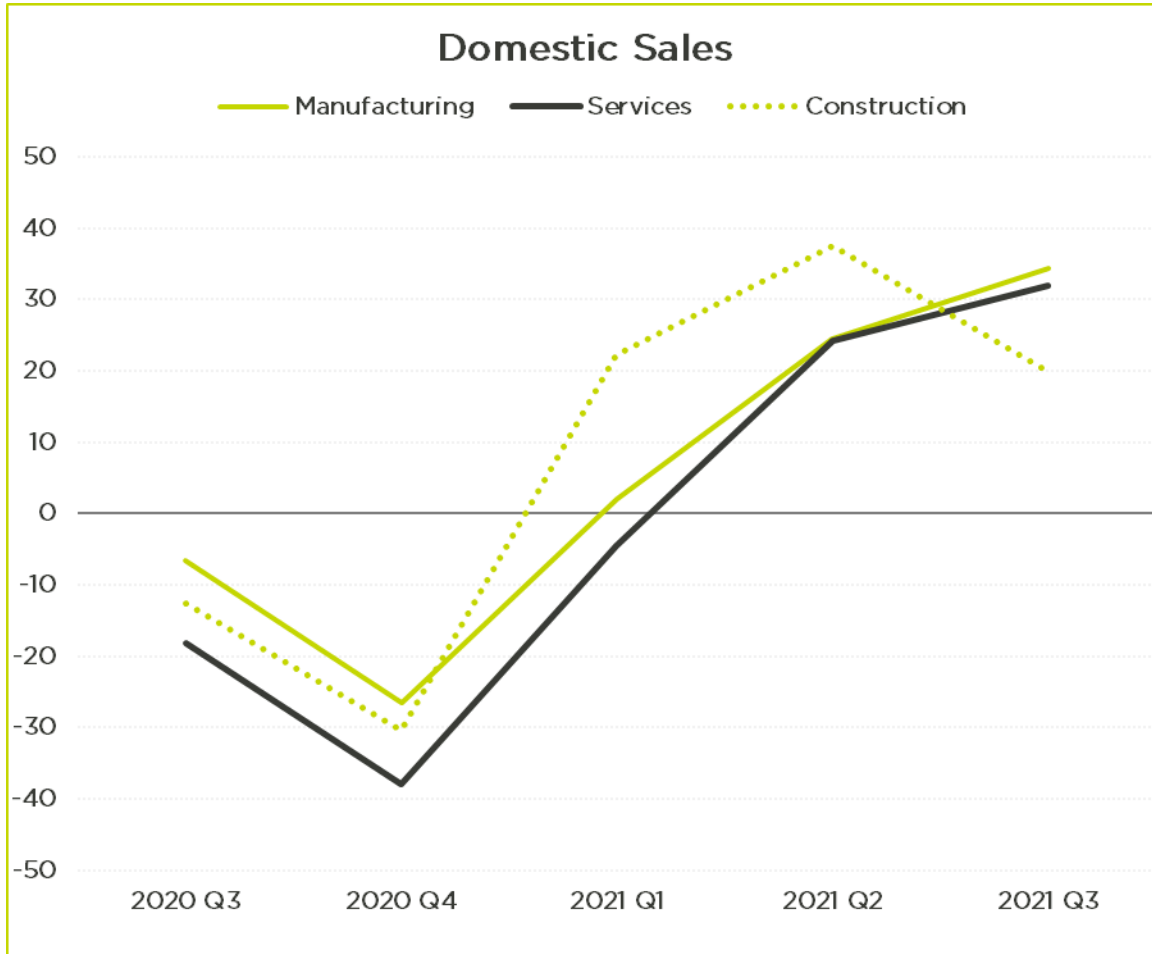
Where are we now?



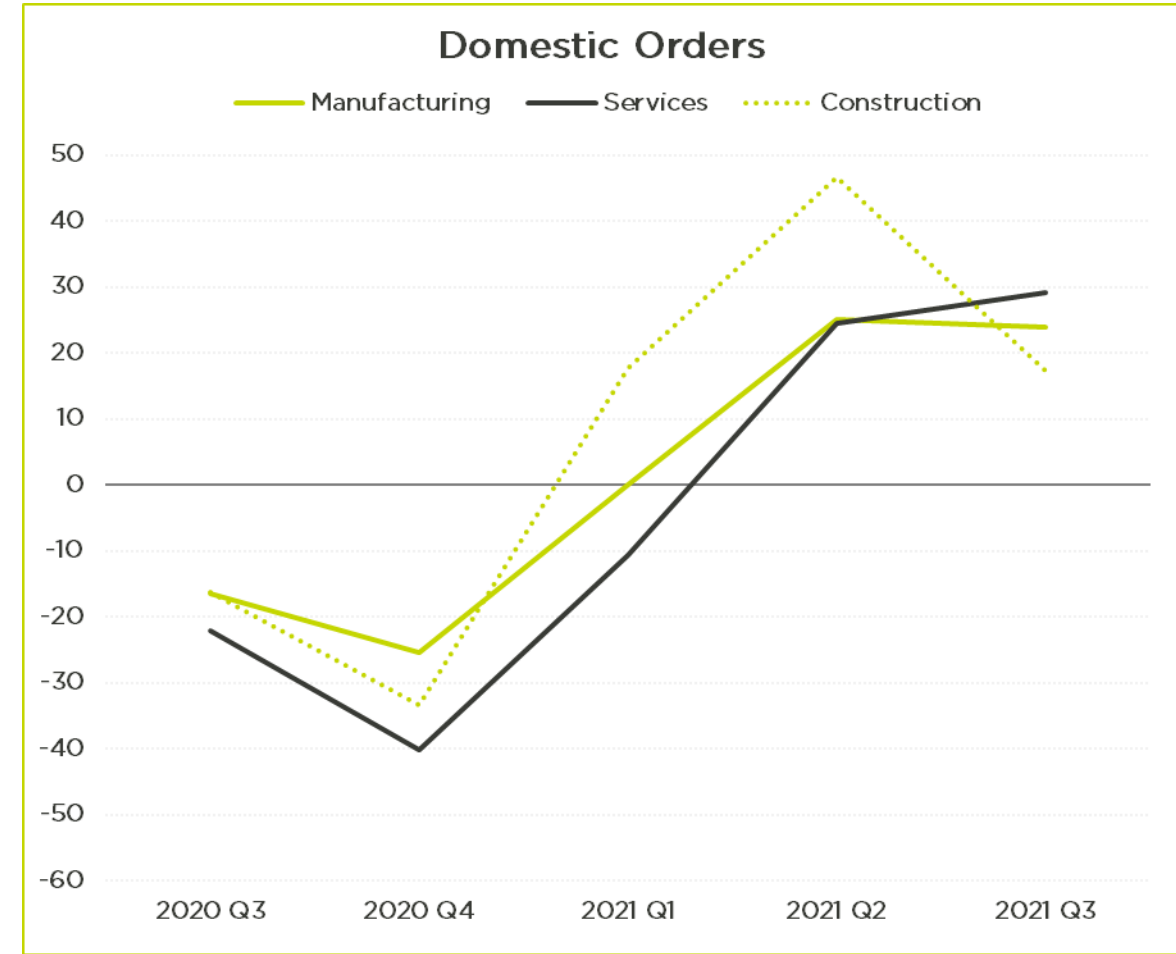
- GM Index™ for Q2 2021: **31.9**
- GDP forecast to increase 2.6-3% in Q3
- Consumer demand led growth
- Business investment lagging
- Softening in rates of growth
- UK economy expected to reach pre-pandemic levels in 2022, but geographical variations likely.

Source: GMCC QES, ONS GDP Quarter on Quarter growth: CVM SA % | Q3 2021 GDP based on forecasts

QES Domestic Demand - Sectors

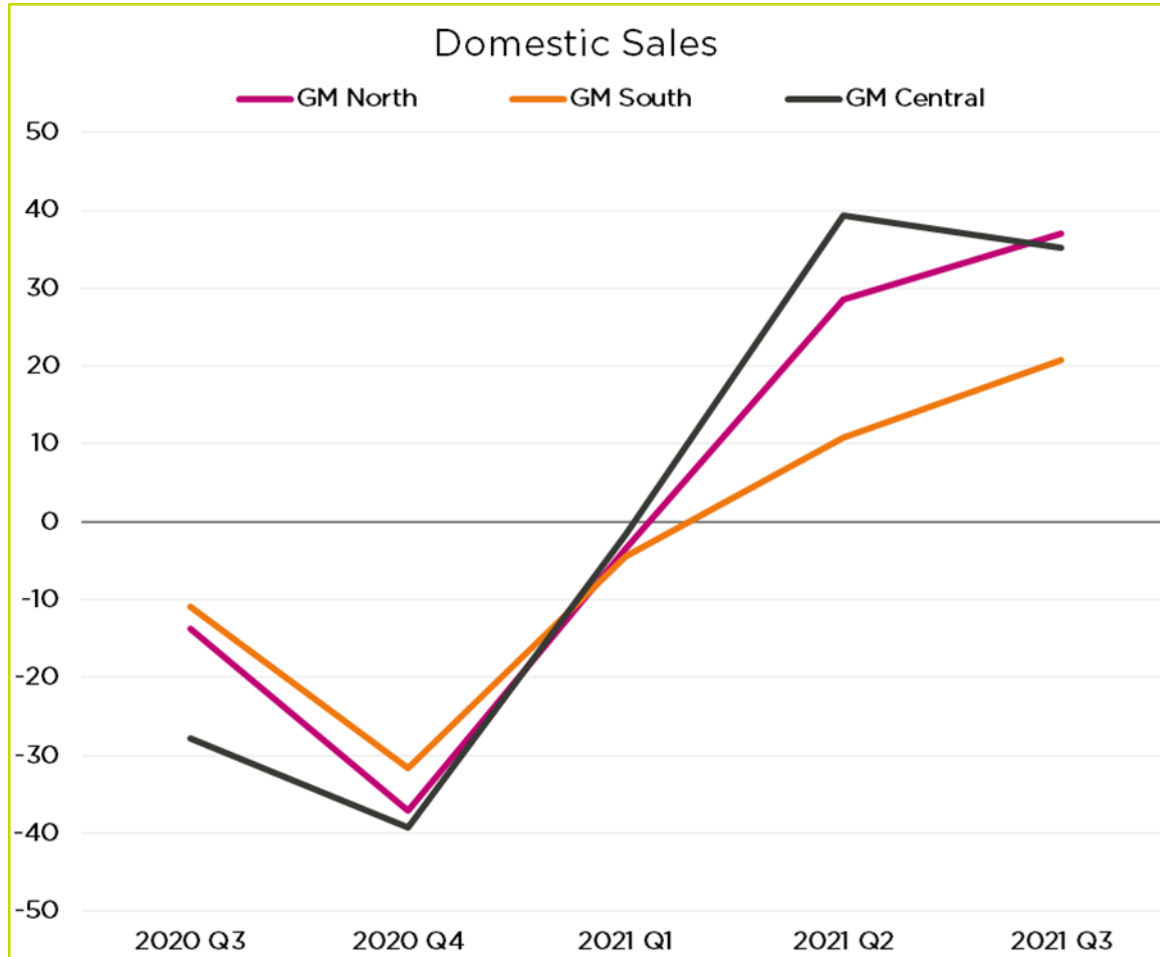


Source: GMCC QES

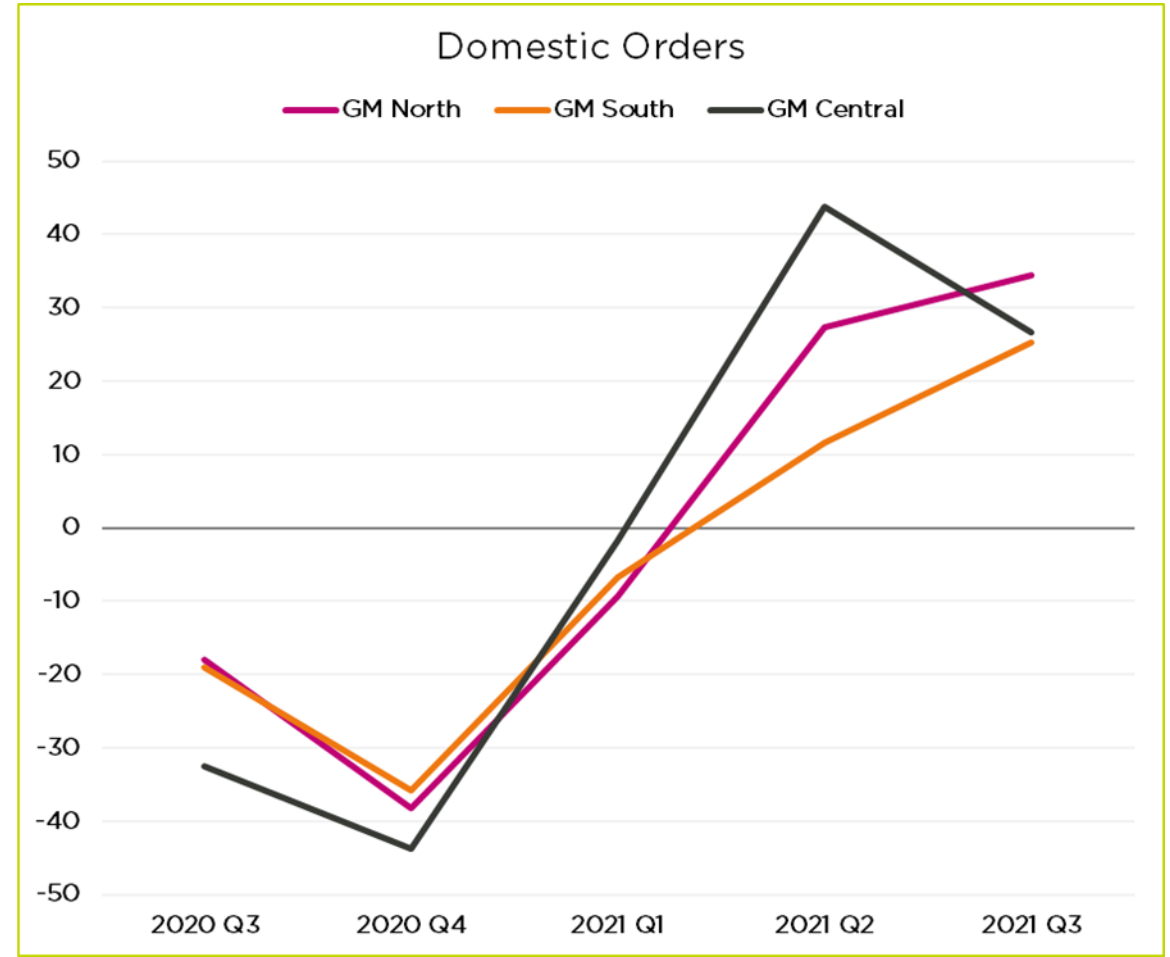


Source: GMCC QES

QES Domestic Demand - Regional

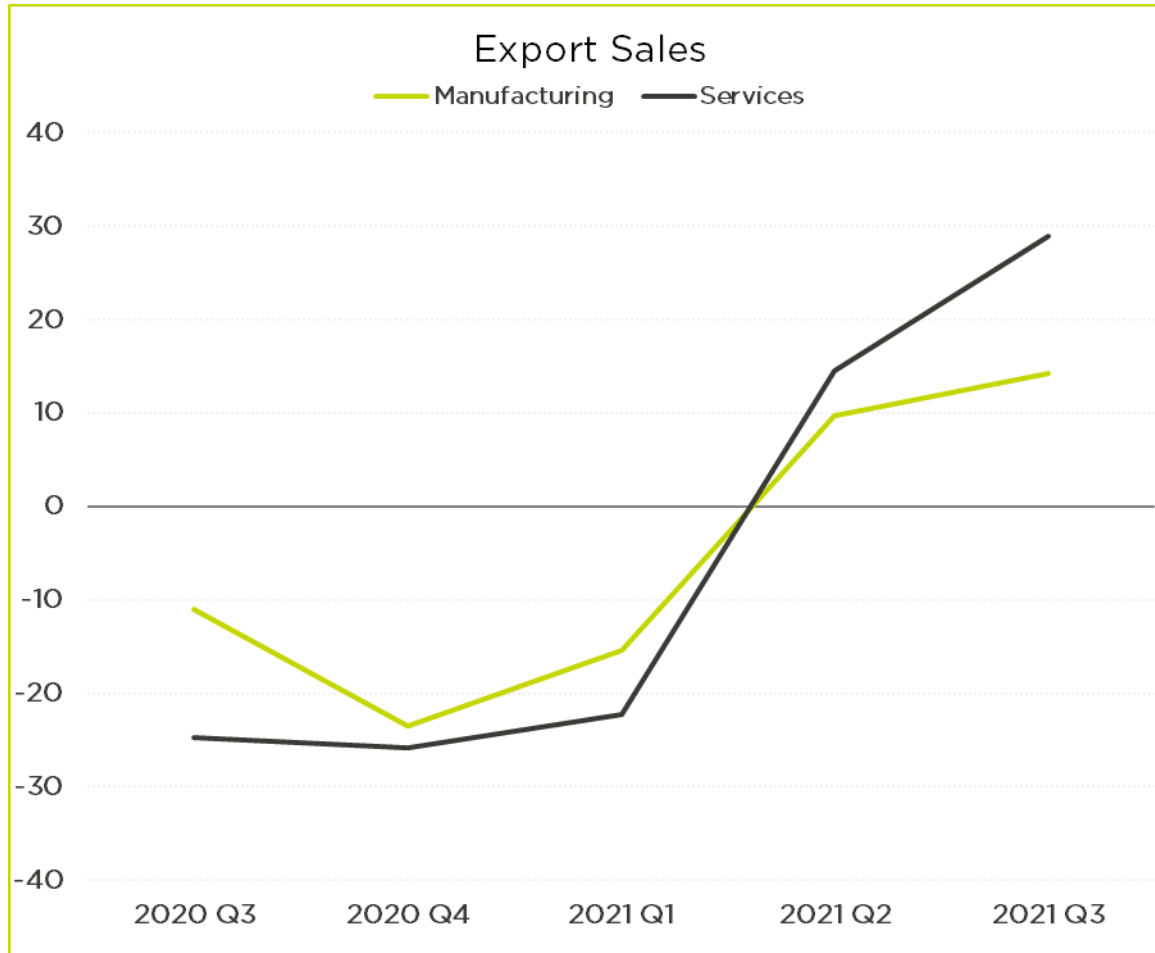


Source: GMCC QES



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QES International Demand

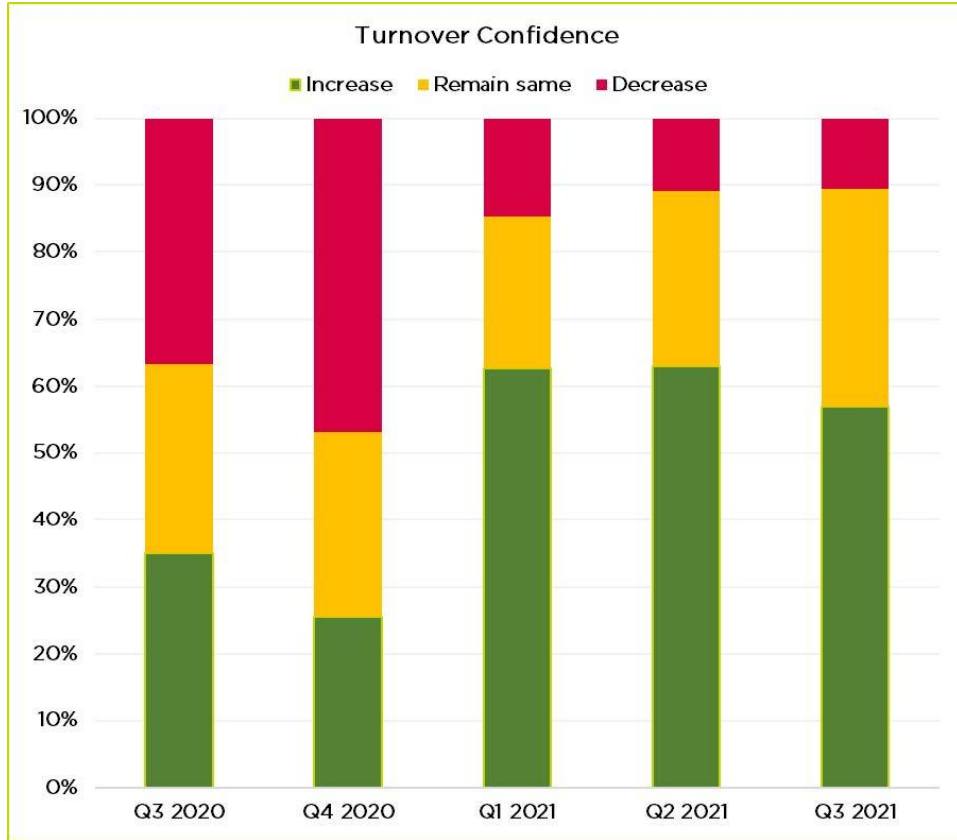


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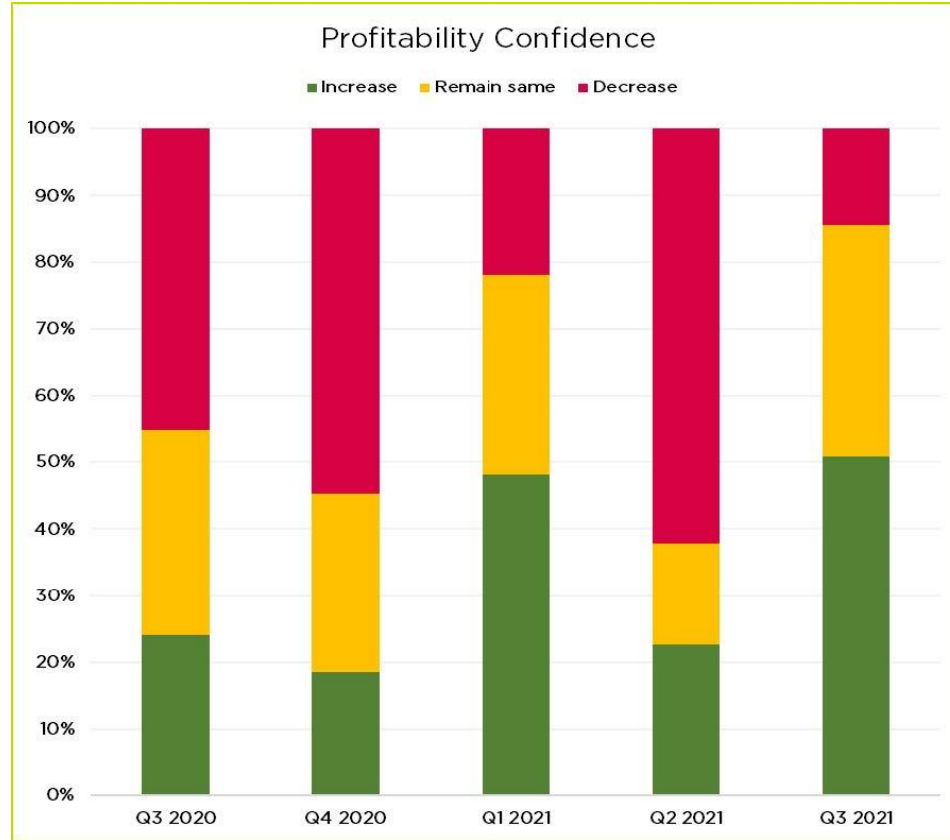


Source: GMCC QES

Business Confidence

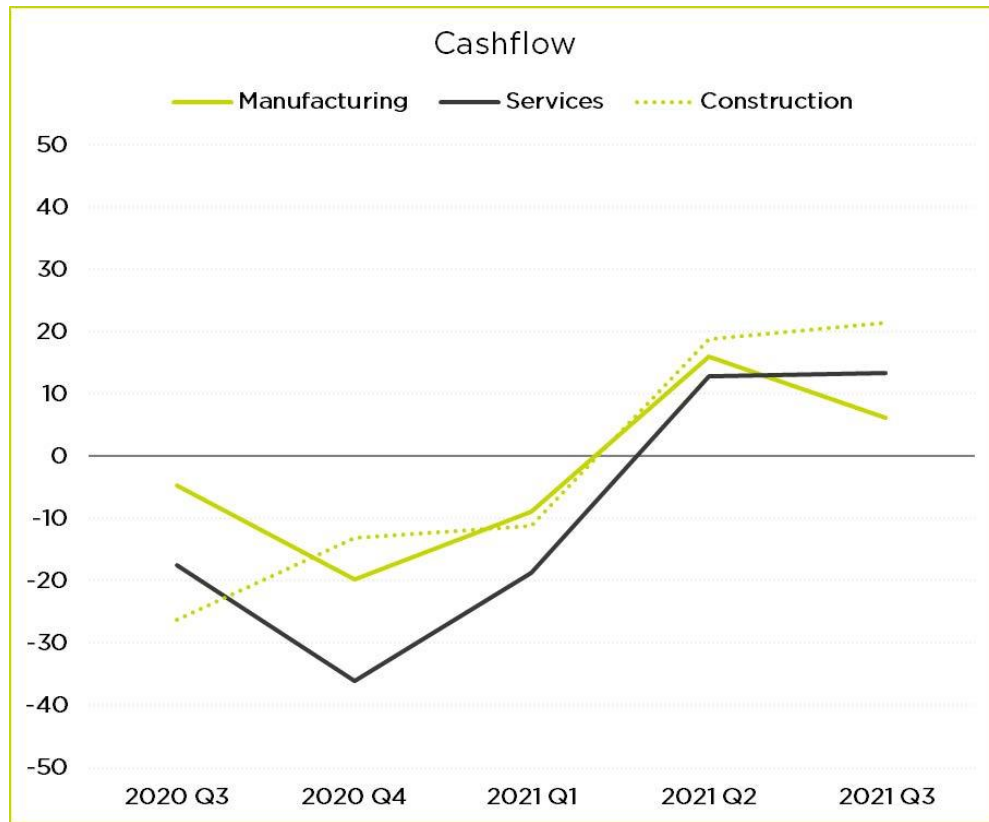


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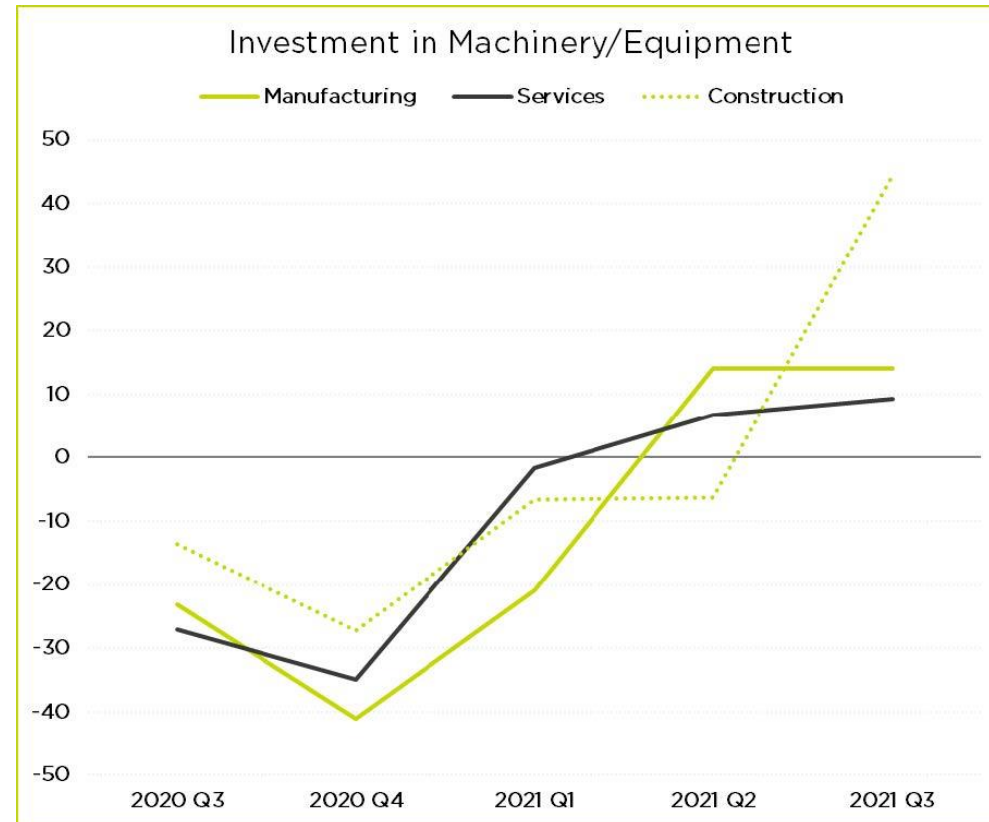


Source: GMCC QES

Cashflow & Capital Investment

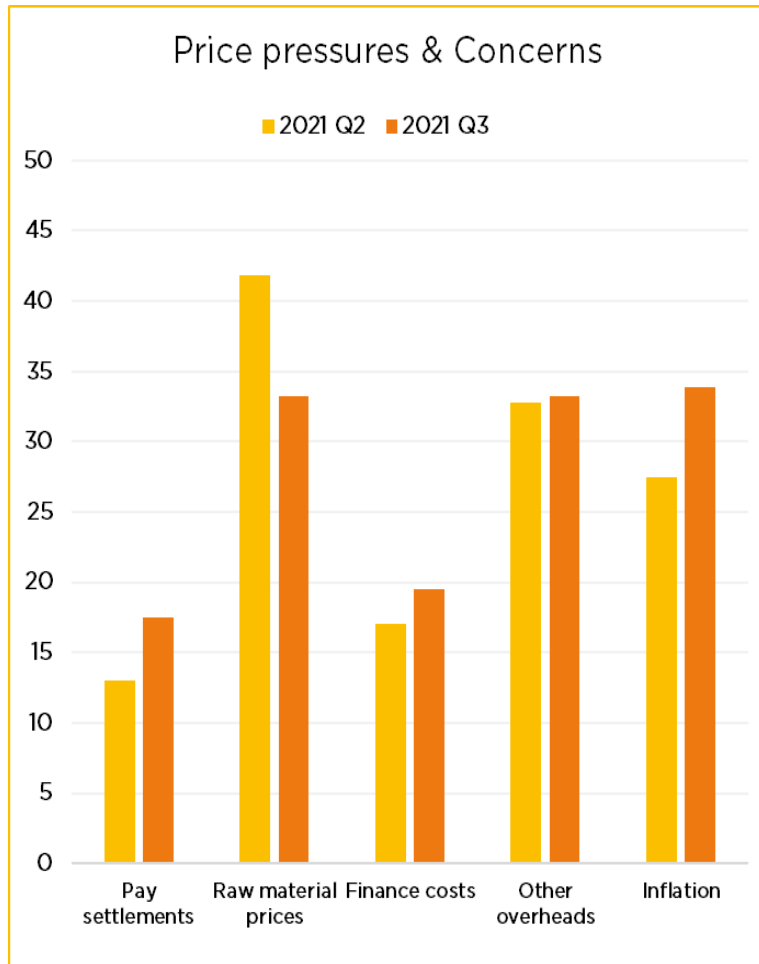


Source: GMCC QES

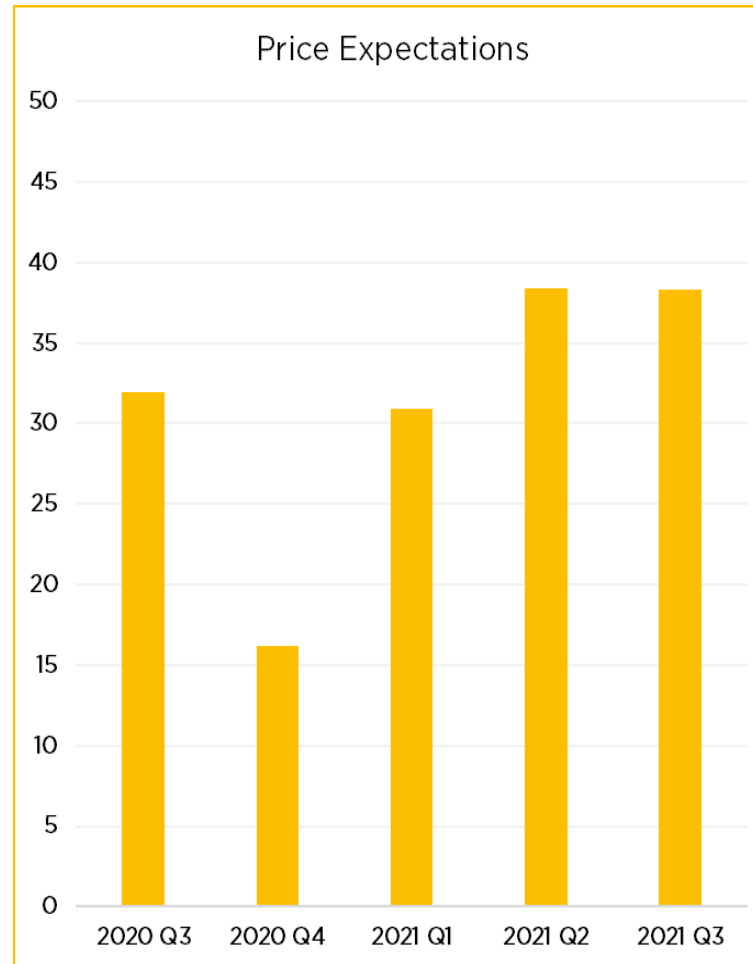


Source: GMCC QES

QES – Price Inflation



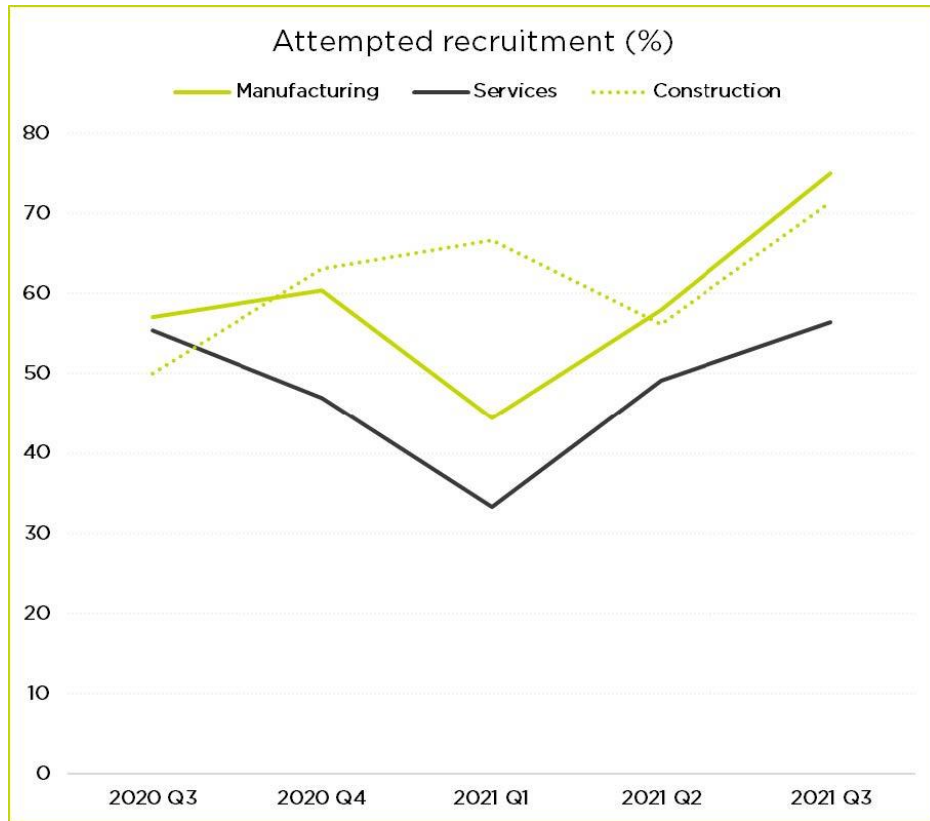
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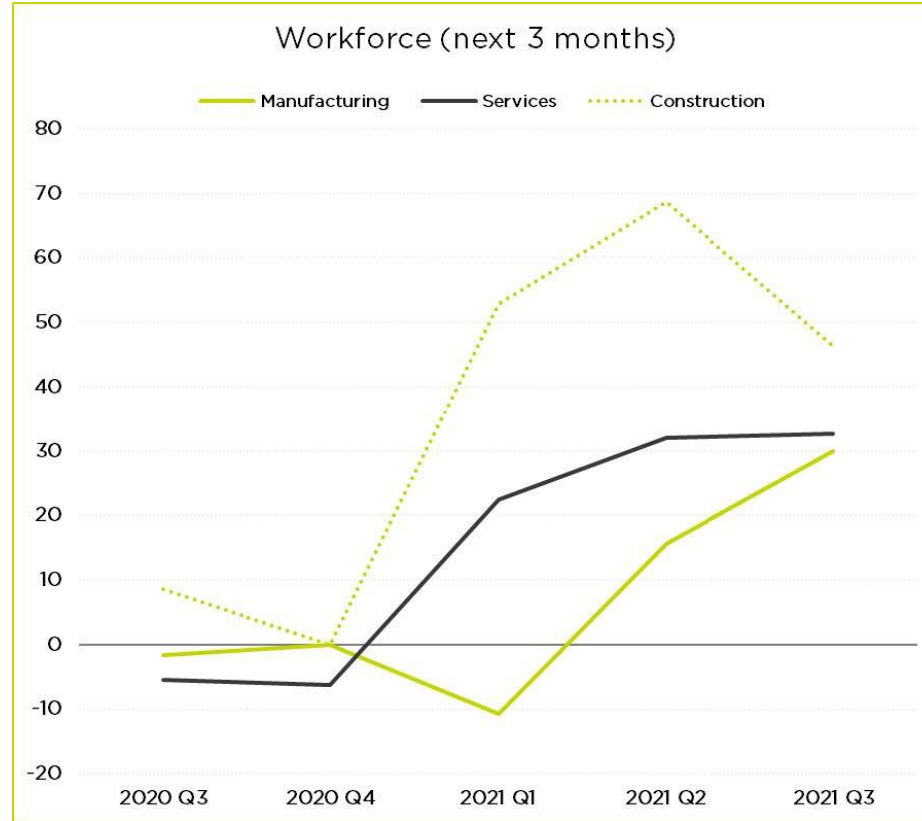
Source: GMCC QES

- Inflation and shortage of labour are pushing up costs.
- The proportion of businesses that expect to increase prices are the same as Q2.
- CPI of 3.2% (0.7% increase in August but “low base” effect).
- BoE held interest rates at 0.1%.
- There’s still uncertainty in the economy.

QES Workforce Data

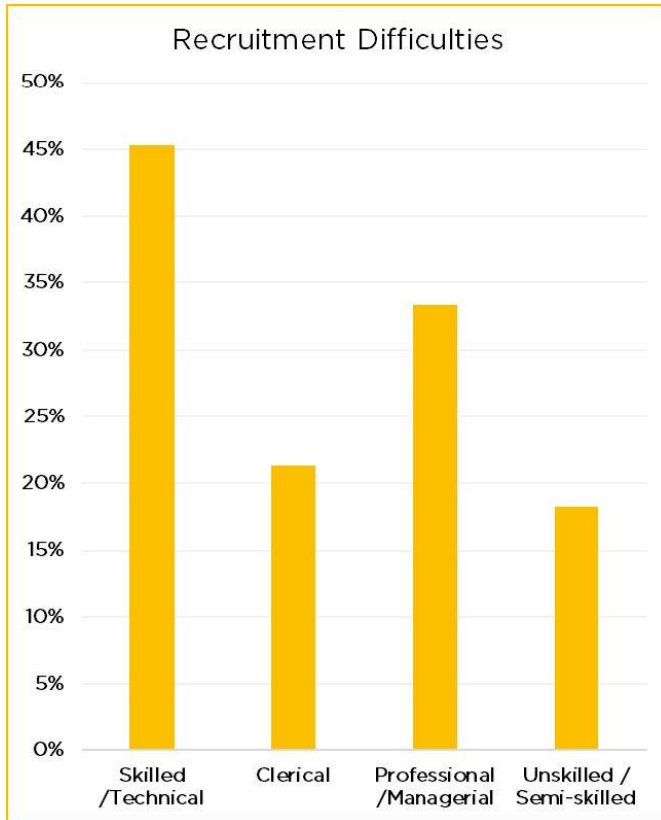


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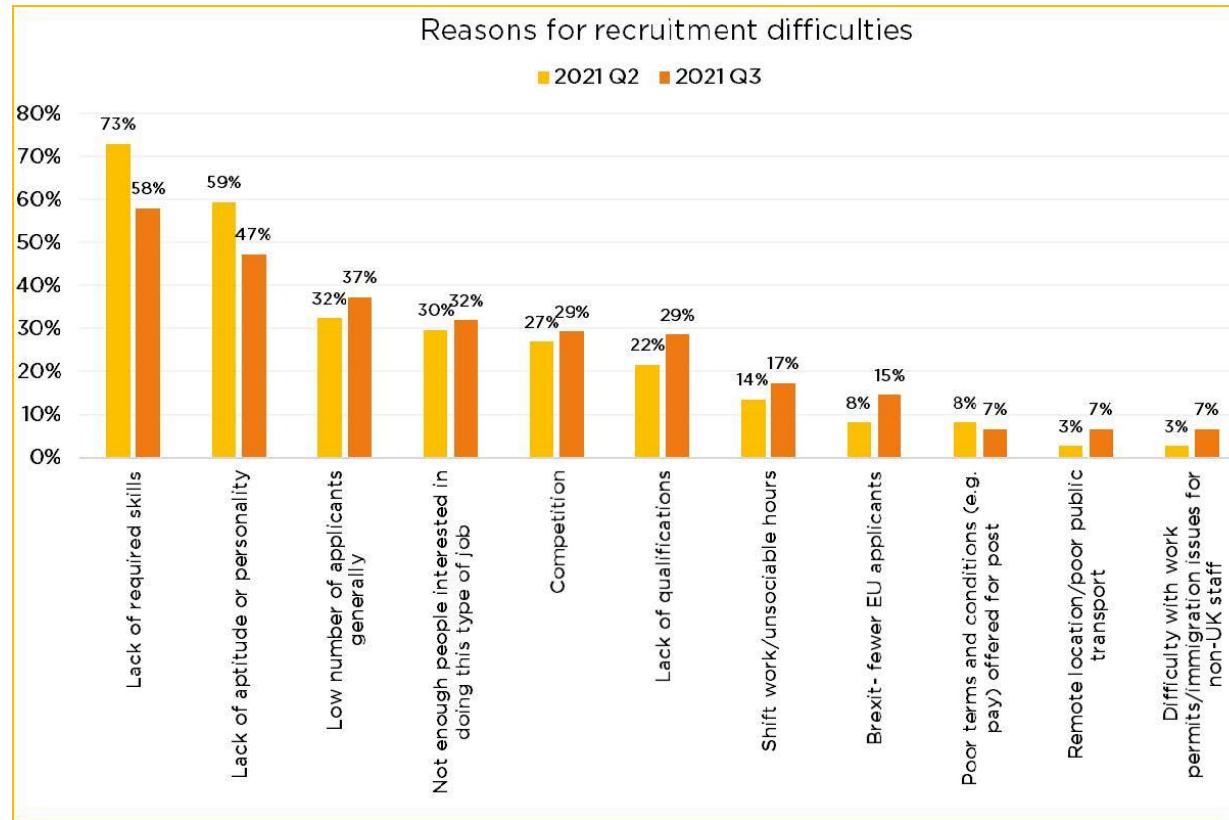


Source: GMCC QES

QES Workforce Data – Recruitment Difficulties



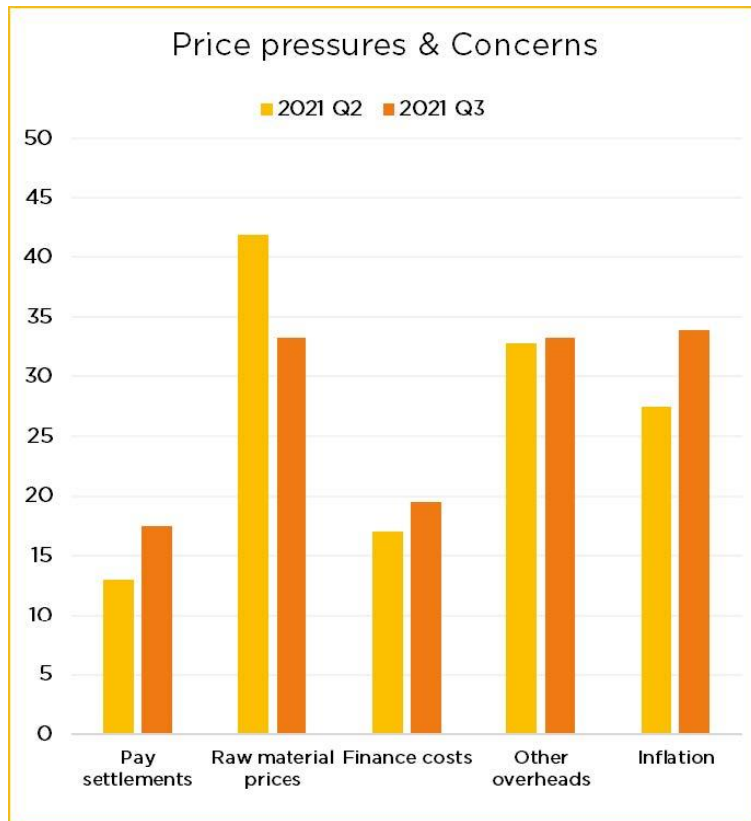
Source: GMCC QES



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Net Zero / Low Carbon

Net Zero – Awareness & Measures Adopted



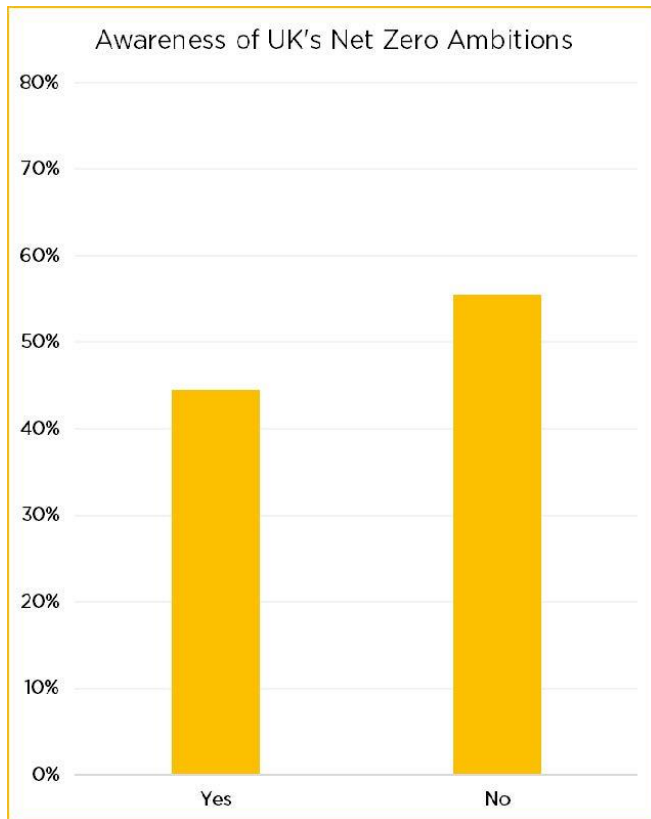
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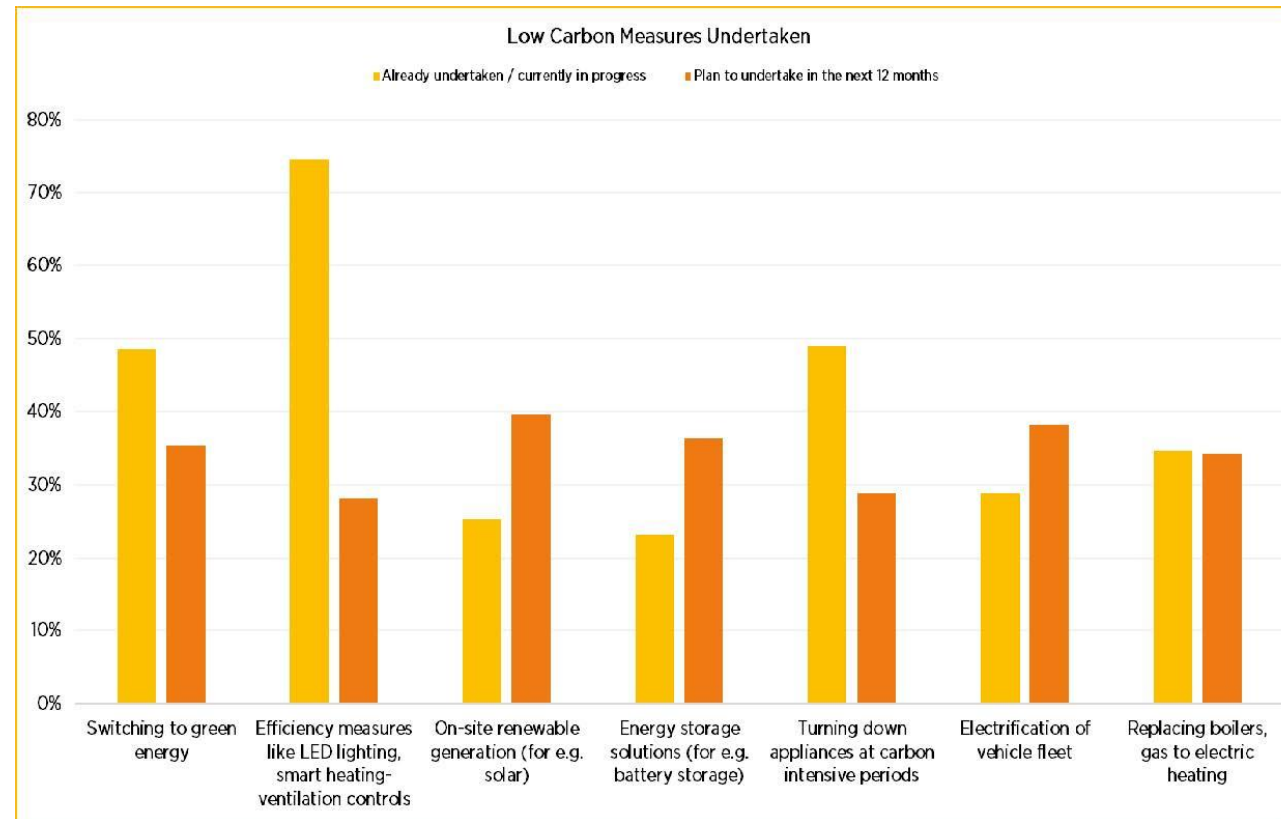
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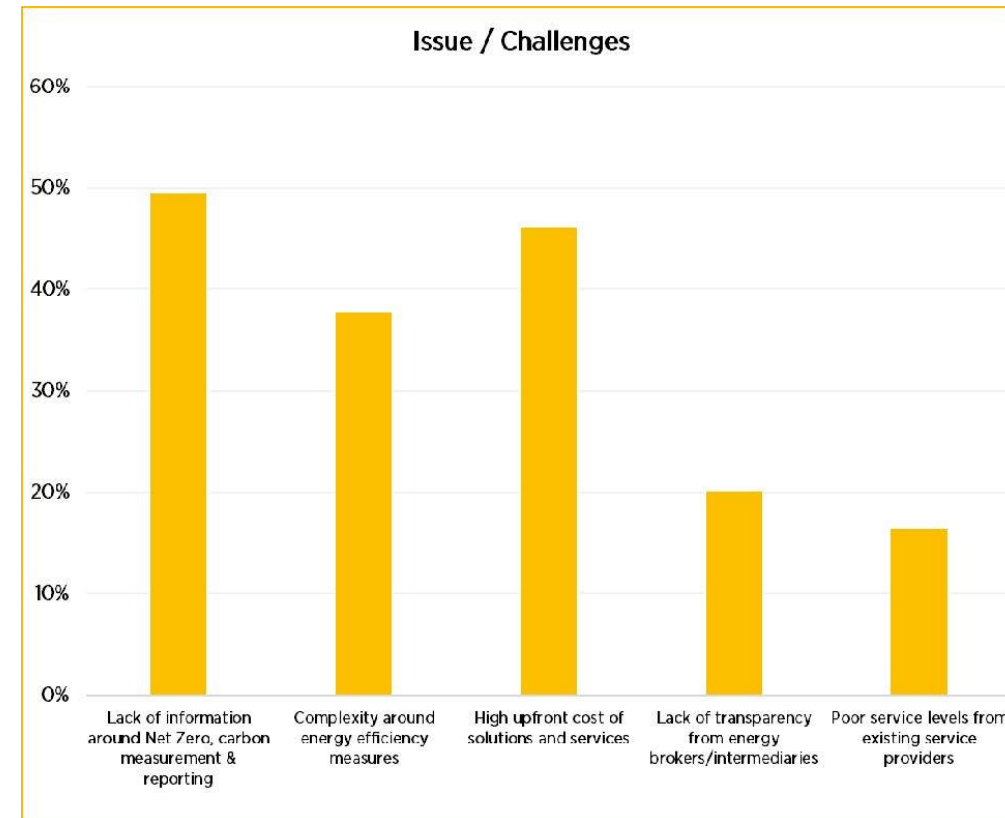
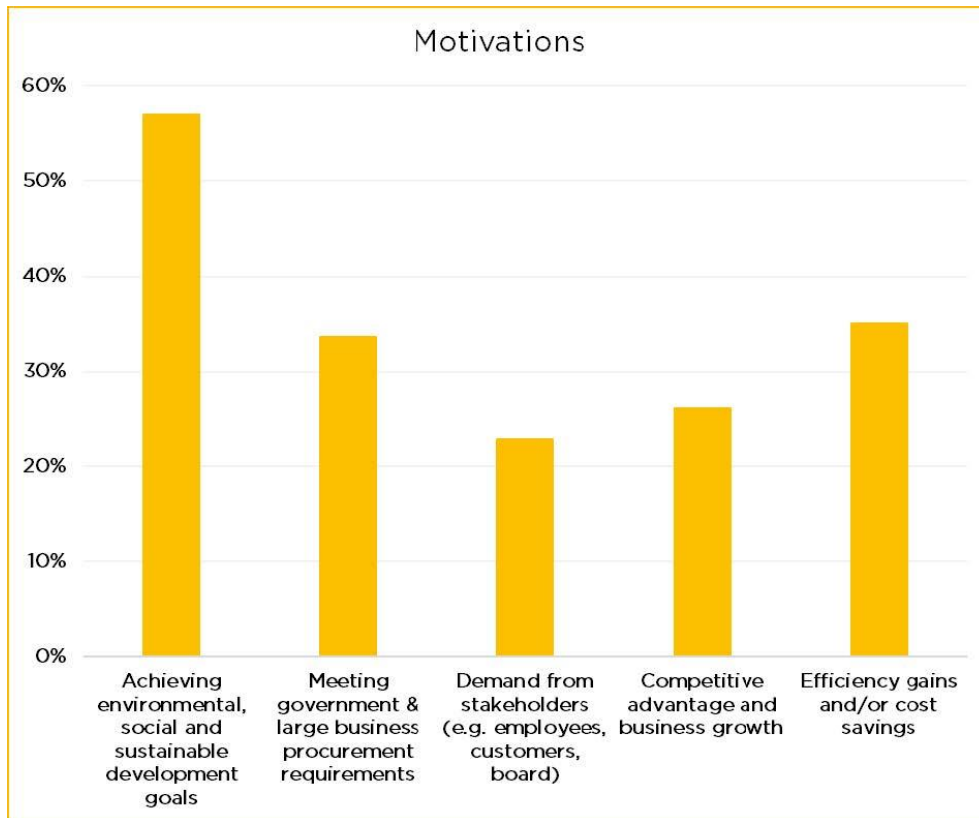


Source: GMCC QES



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Transition to Low Carbon / Net Zero – Motivations & Challenges



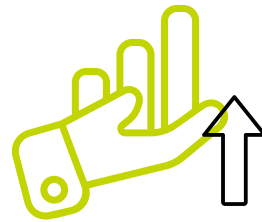
Source: GMCC QES

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Summary



The GM Index has improved slightly from 30.4 to 31.9



Sales to both UK and overseas improved in Q3



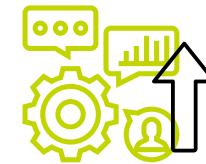
Decrease in consumer spending and lack of business investment could soften growth



Redundancies and increased unemployment likely with end of furlough



Inflation pressure from supply chain difficulties, higher input prices and labour shortages



Transition to net zero, digital transformation and upskilling will create new opportunities

Q&A / Discussion