

Greater Manchester Quarterly Economic Survey

QES Q4 2021 Results

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Subrahmaniam Krishnan-Harihara
Head of Research, GM Chamber



Greater Manchester
Chamber of Commerce

@gmchamber
Greater Manchester Chamber

research@gmchamber.co.uk
0161 393 4321
www.gmchamber.co.uk



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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 Q4 2021: Key Findings

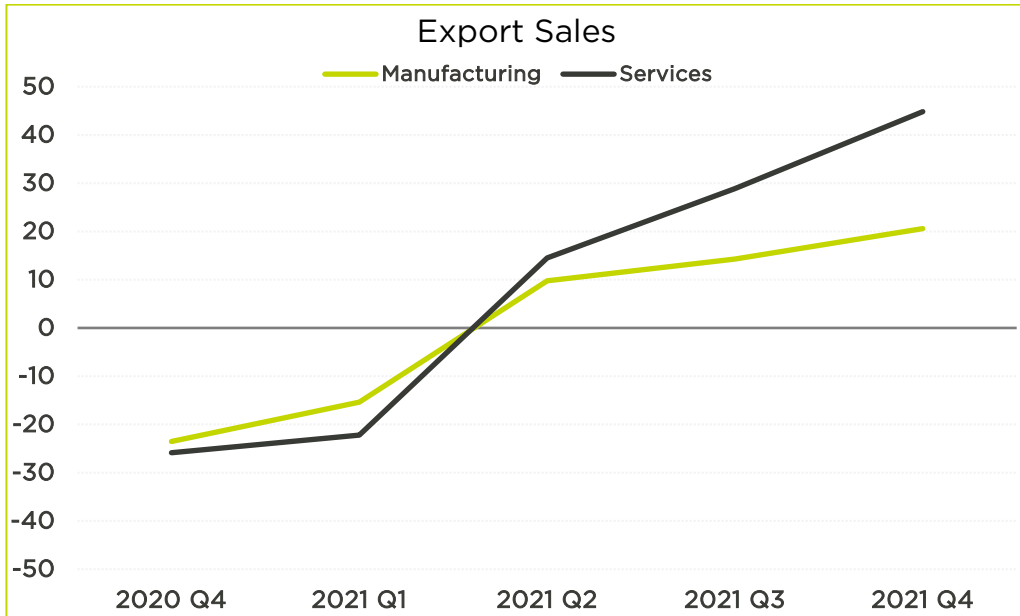
With sustained consumer spending in the lead up to the festive season, the Greater Manchester Index™ increased by 0.6 points to 32.5 in Q4. In this quarter, domestic demand presents a contrasting picture to international demand. While sales and advance orders from UK customers declined for both manufacturing and services, the increase in export activity in both sectors contributed to a healthy GM Index. Cash positions, capacity utilisation and investment intentions have not shown any improvement. This could be an indication that much of the growth is still coming from consumer spending. Fieldwork for the survey was conducted prior to Omicron variant related restrictions being imposed. If consumer demand weakens because of the restrictions or after festive season spending ends, economic growth would weaken further in the new year.

The key findings are:

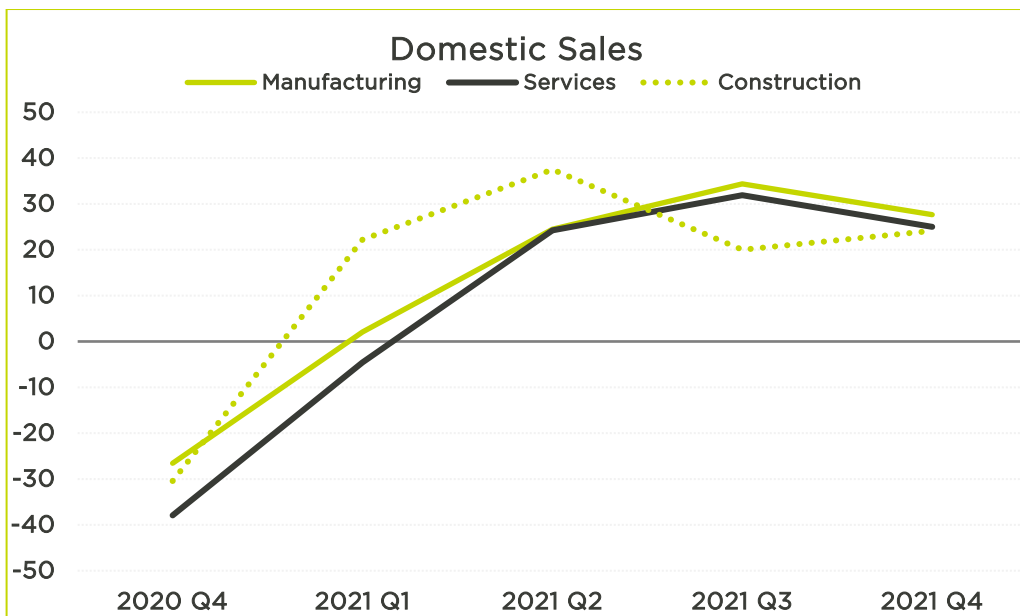
- Domestic demand has decreased in manufacturing and services, but the construction sector has reported a quarterly improvement.
- Both manufacturing and services businesses report remarkable improvement in export sales.
- Cash positions continue to remain under pressure with no discernible improvement since the beginning of the current financial year.
- Relative to Q3, more businesses are concerned about increases in input price
- To cover higher operational costs, more than half of GM businesses expect to increase prices.
- Prospects for employment are strong but recruitment difficulties remain high.

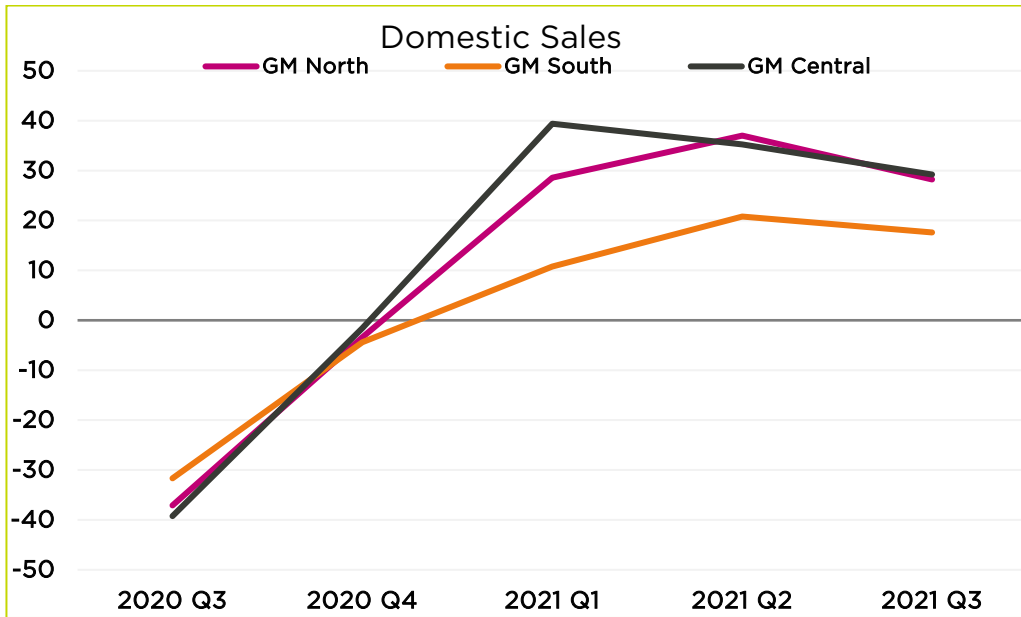
Customer Demand

Customer demand shows a contrasting picture for domestic and export sales. While domestic sales in manufacturing and services declines, export sales registered an increase. Relative to the previously quarter, balances relating to quarterly sales and advance orders from customers abroad improved by 12 and 23 points respectively. The QES balance for quarterly export sales was +20.5 for manufacturing and +44.8 for services, the highest quarterly increase in over four years.



On quarterly domestic sales, manufacturing was the best performing of the three sector groups with a balance of +27.7, which despite the drop from Q3, is still high compared to the last three calendar years. Likewise, the service sector balance of +25 is higher than it was in Q1 and Q2 2021.

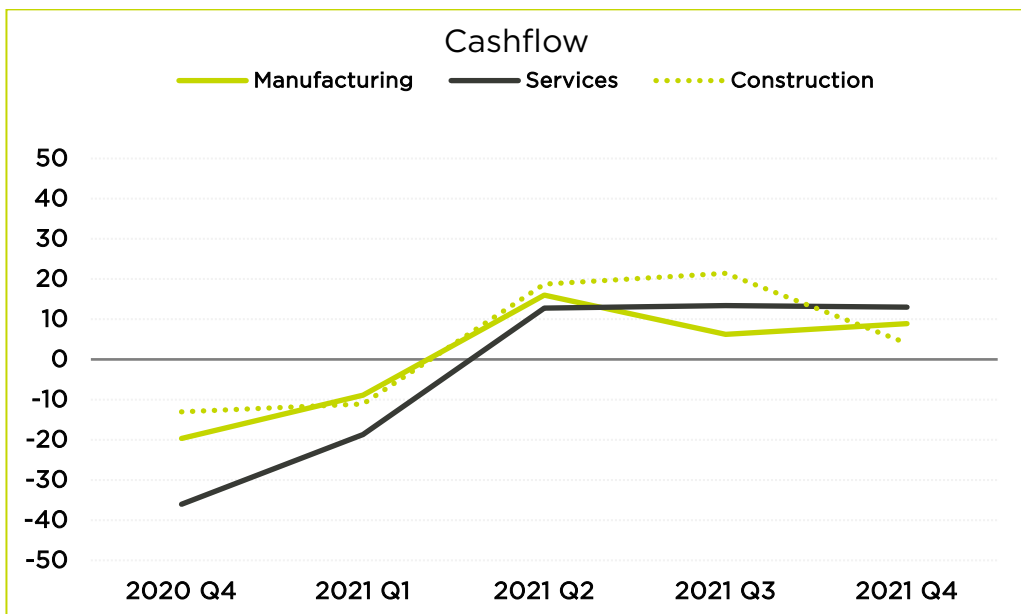




Broken down by GM sub-regions, domestic sales show a quarterly decline in all three sub-regions. As has been the case in the last four quarters, GM Central and GM North (both approx. +29) are performing better than GM South (+17.6).

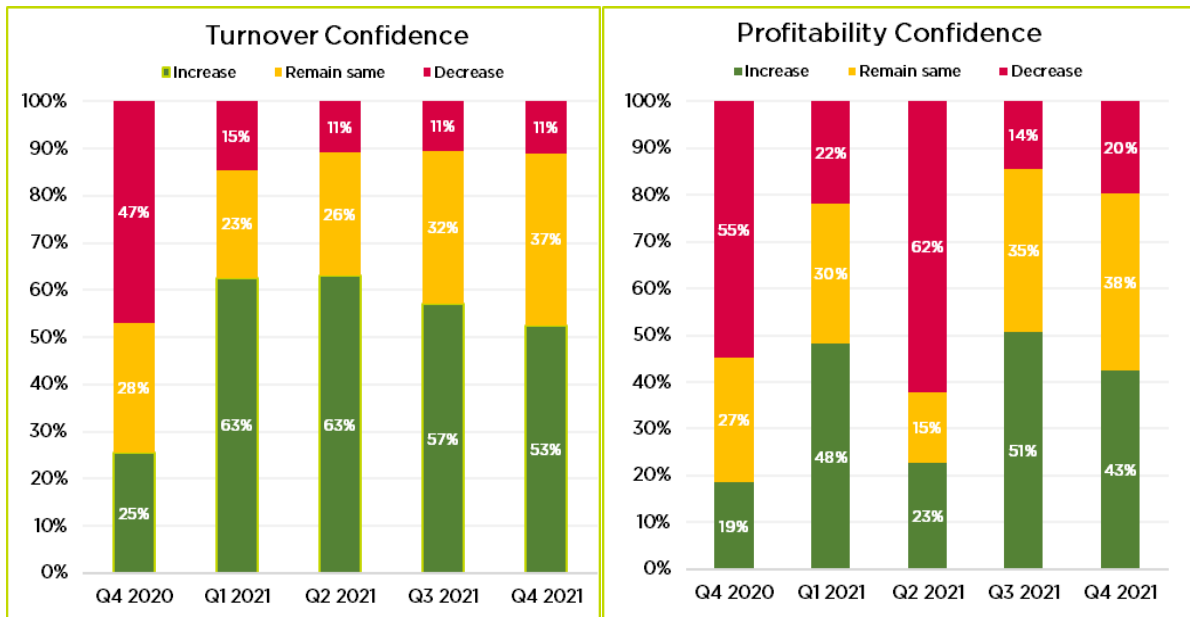
Cashflow Positions

Cash flow in all three sector groups remain weak. While there was a decline in construction, manufacturing and services sector businesses reported no change in their cash positions in this quarter. For the manufacturing sector, raw material costs have remained a concern. It is possible that working capital has been impacted by higher input prices and in inventory - businesses may be stocking raw materials fearing supply chain disruption. Supply chain worries have affected construction businesses too and could explain why cash positions have declined by 17 points in this quarter.



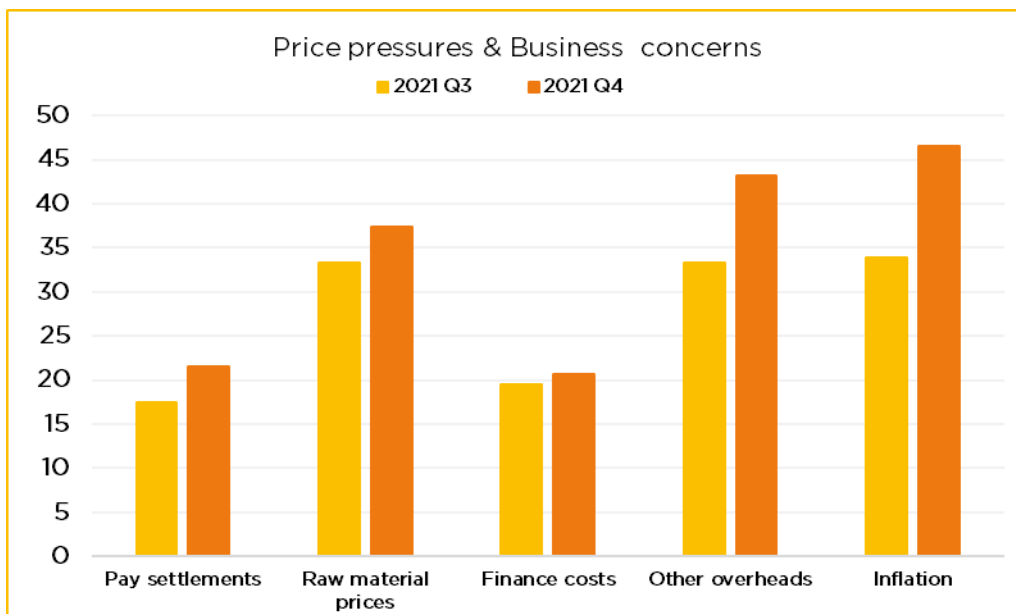
Business Confidence

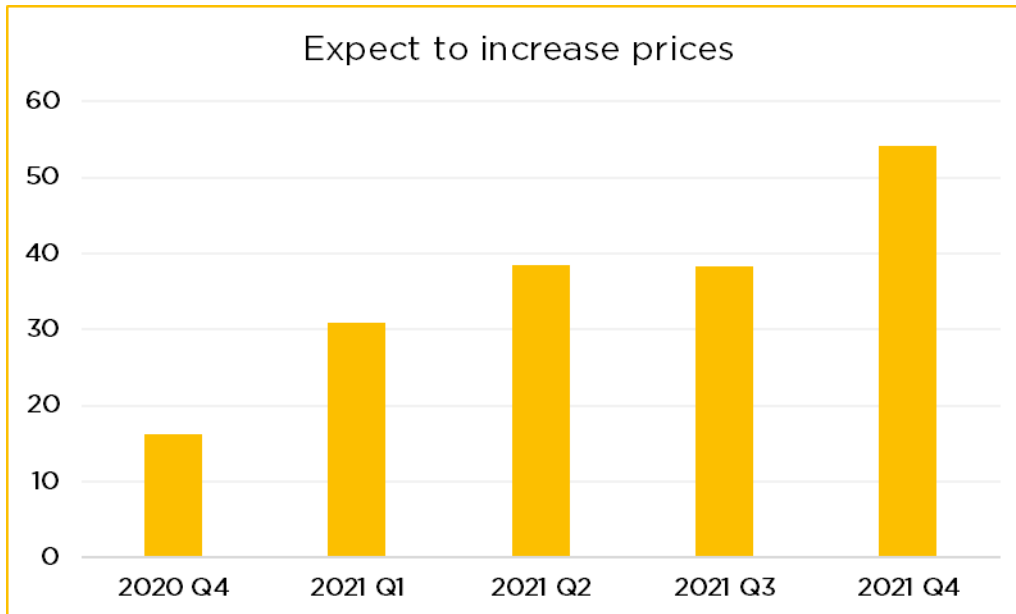
On business confidence, the latest results have seen a reduction from the previous quarter. Turnover confidence, which measures optimism about being able to maintain turnover and sales revenue has declined with 52.5% of respondents reporting an increase – a drop of 4.5 percentage points from Q3. Likewise, profitability confidence, which measures the ability of businesses to maintain margins, has declined. The proportion of optimistic businesses went down by 8.3 percentage points.



Inflation

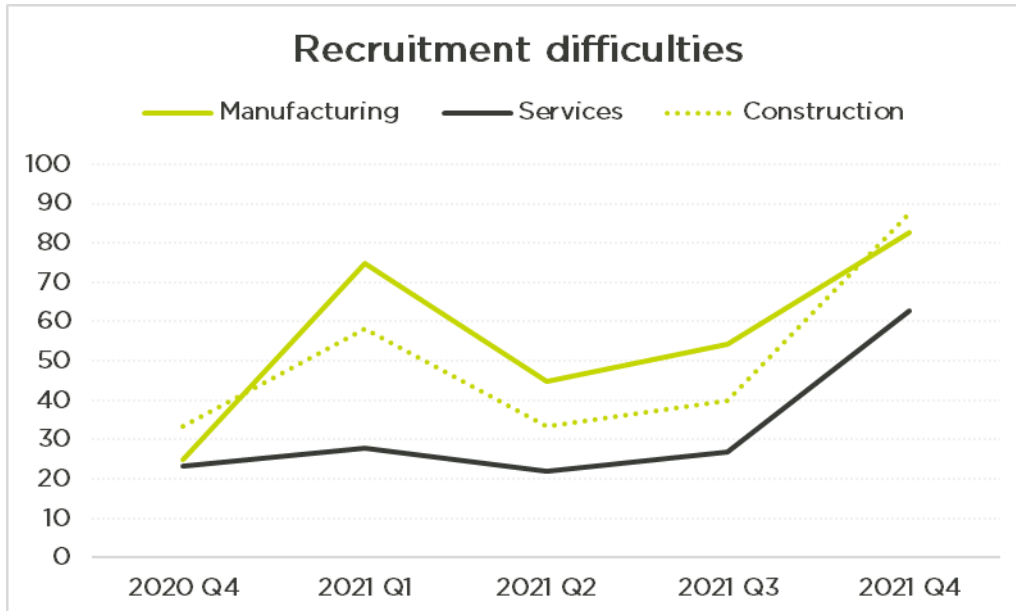
Price pressures are now a serious concern for business. Over half of GM businesses expect to have to increase prices to meet higher operational costs.





Employment

The latest results show that employment prospects remain strong with over half the respondents having attempted to recruit in the quarter. At the same time, recruitment difficulties have gone up.



To develop a better understanding of skills related constraints, GMCC has partnered with Greater Manchester Learning Provider Network (GMLPN) to develop the GM Business, Employment, Skills and Training Monitor (GM BEST). The results of the first phase of GM BEST show in greater detail the recruitment challenges facing businesses across all sectors in GM. The results of GM BEST are available as an [interactive dashboard in GMCC's website](#).

Recovery Prospects

Much of the growth experienced in 2021 was due to robust consumer demand. The restrictions imposed to control the spread of the Omicron variant could have an adverse impact on economic growth. Business investment has not recovered yet. Consequently, the UK's economic recovery could slow down if the public health situation worsens. Based on the results of this quarter's Economic Survey, it is unlikely that the GM economy will experience a rapid recovery to pre-pandemic levels before the end of 2022.

Methodology

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

The first quarter's Economic Survey was conducted between 8th November - 26th November and captured the views of 337 businesses.