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# GREATER MANCHESTER QUARTERLY ECONOMIC FORUM

Q2 2024

THE UK'S LARGEST AND MOST RELIABLE BUSINESS CONFIDENCE SURVEY

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# GREATER MANCHESTER QUARTERLY ECONOMIC SURVEY

Greater Manchester Chamber of Commerce's Quarterly Economic Survey (QES) is part of the UK's largest business performance and sentiment survey. In every quarter since the late 1980s, the QES has polled Greater Manchester based businesses about their performance in the quarter. The QES includes questions on customer demand, recruitment activity and business pressures, which allows us to understand where growth potential is, and where business challenges are coming from. The survey results are reliable and form the primary source of economic intelligence for the Greater Manchester region.

This quarter's report is sponsored by Intercity and Centrality. Intercity Group is renowned for delivering cutting-edge technology solutions and holds a Best Companies three-star rating. Their mission is to transform the performance of UK businesses through innovative technology.



# SUMMARY OF THIS QUARTER'S RESULTS

The results of latest QES covering the second quarter of 2024, shows that businesses are much more positive than they were in the first quarter of the year. While the previous survey for Q1 2024 showed a sharp decline in economic performance, the latest survey paints a more optimistic picture with increased sales and growth in both business and consumer confidence. The Greater Manchester Index™, a composite indicator made up of key QES measures is now at 30.6, which is a 27-point increase from the previous quarter. The survey shows that domestic demand and overseas demand have both risen along with increases in recruitment activity.

The start of the new financial year and possibly the expectation that a new government will steer a different course on the economy has brought emerging signs of improved business confidence, investment and price stability. The noticeable increase in international trade activity and the turnaround seen in the manufacturing sector contrast with the declining trend seen in the last few quarters.

On wider business pressures too, there is some easing. With inflation now at its 2% target, fewer businesses expect to increase prices in the coming months. Cash flow positions have also improved this quarter. However, some business challenges remain. Input prices are still higher than they were twelve months ago and wage inflation remains a key concern. Only half of the business respondents are operating near full capacity and some businesses still face recruitment difficulties. Nonetheless, the QES results show that there is positivity amongst Greater Manchester despite remaining macroeconomic challenges.

# SUMMARY OF THIS QUARTER'S RESULTS

Subrahmaniam Krishnan-Harihara, Deputy Director of Research at Greater Manchester Chamber of Commerce, said: "The first quarter of this year was not a great quarter. In fact, it was the worst for quite some time. This quarter, however, shows consumer confidence is returning and a lot of growth has taken place since March. We've seen a growth in services, and manufacturing and construction are at their highest levels for months."

"Consumer confidence continues to improve. Retail sales increased in the month of May. Spending on hospitality is stable. Consumer spending is providing support for the economy. This is quite important as sixty-seven per cent of the UK economy is based on consumption, so we are heavily reliant on consumer spending. People are more willing to spend even though the prices for retail goods are still going up. There have been pay rises with big increases in the Living wage and Minimum wage; disposable incomes have gone up and cost of living pressures have eased, all of which have contributed to an improvement in the B2C sector."

Overall, the latest survey results show that, in Q2, Greater Manchester's business community regained optimism and appear to be upbeat about the opportunities ahead. Many forecasters have upgraded their UK growth forecasts for 2024. The signs of recovery in domestic and export sales, and other indicators show that the anticipated cut in interest rates in summer and other business friendly measures from a new government can improve and sustain a further upward trajectory for the local and national economies."

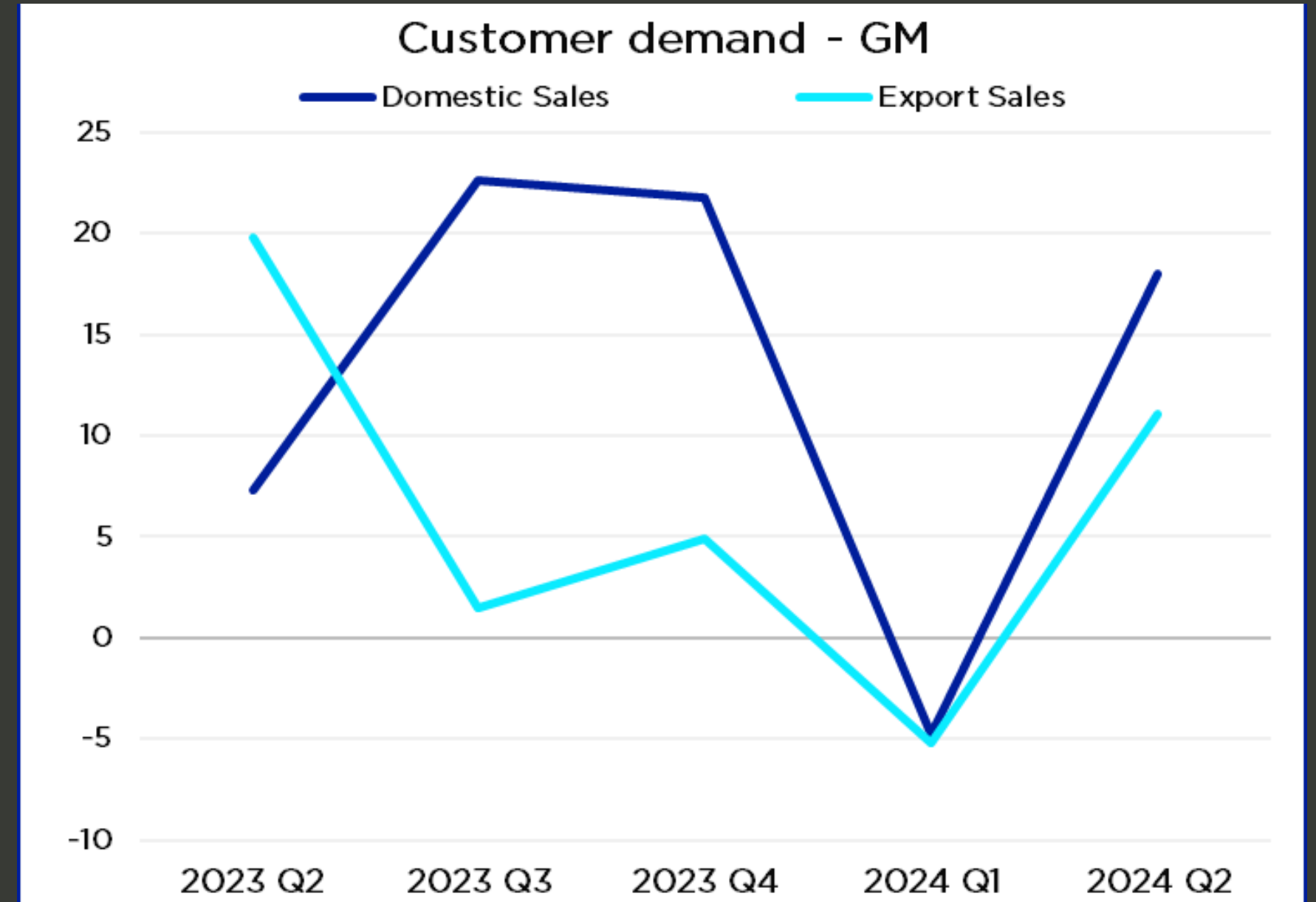


SUBRAHMANIAM KRISHNAN-HARIHARA  
DEPUTY DIRECTOR OF RESEARCH AND INFORMATION SYSTEMS  
GREATER MANCHESTER CHAMBER

# CUSTOMER DEMAND

Demand data for Greater Manchester, as a whole, shows a quarterly rise. Domestic quarterly sales and advanced orders have shown improvements. So have overseas sales and advanced orders from overseas customers. The domestic demand measures are better than the levels recorded in Q1 2024 and Q4 2023 but are not as high as the levels seen in Q3 2023. Overseas demand on the other hand, shows a marked increase with the highest levels recorded since late 2022. That recovery is a bright spot this quarter.

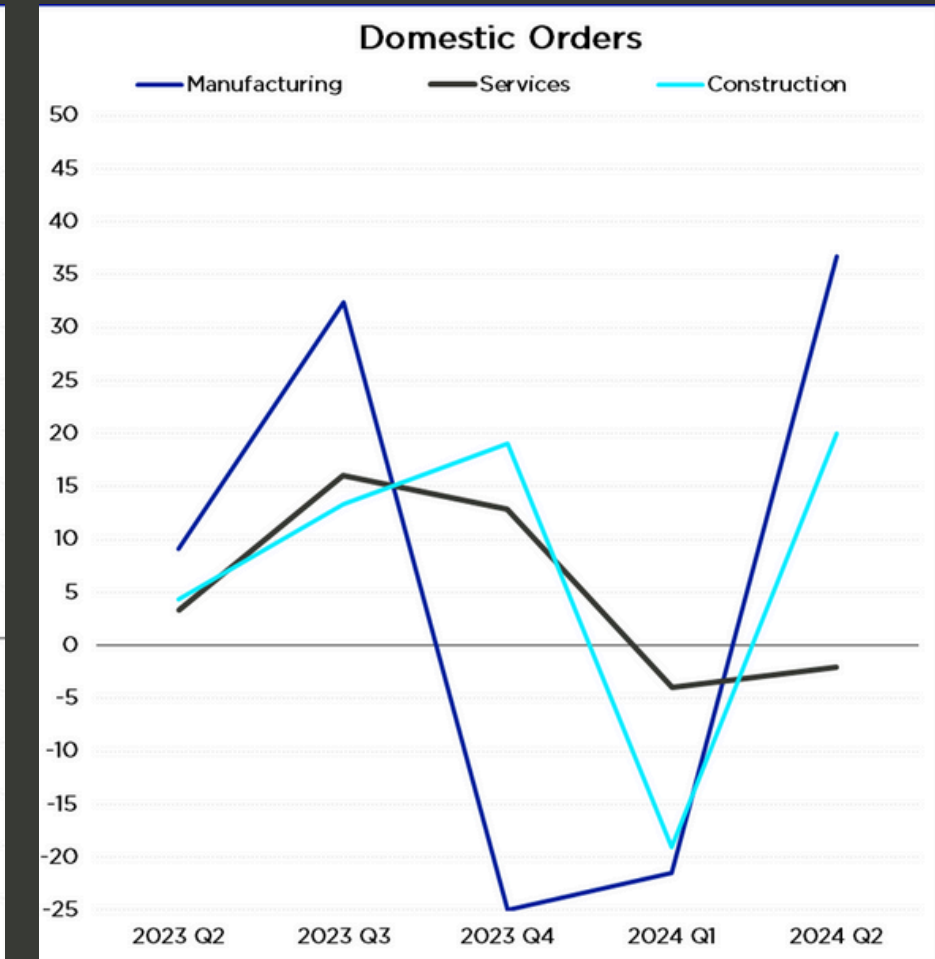
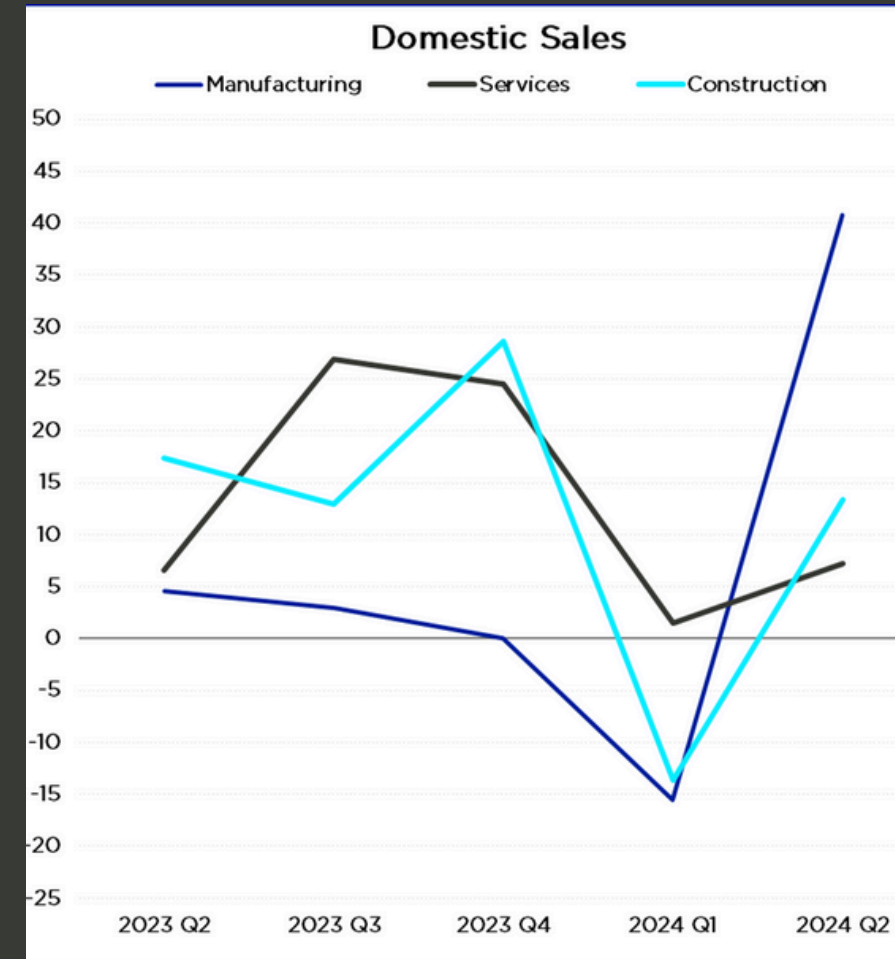
Looking at the Greater Manchester sub-regions reveals a mixed picture. GM North, comprising the five boroughs of Bolton, Bury, Oldham, Rochdale and Wigan, shows an improvement in both domestic and overseas sales. In GM Central – the city of Manchester – domestic sales declined this quarter whereas overseas sales increased whereas GM South shows the opposite with domestic sales having improved while overseas sales declined marginally. These differences are largely down to the relative performance of different sectors and the concentration of those high performing or poor performing sectors in those locations. There is more manufacturing in GM North and there has been a significant increase in manufacturing. Hospitality and retail have been doing less well and they are concentrated in the city centre. GM South is more focused on logistics and is home to the airport.



# DOMESTIC DEMAND

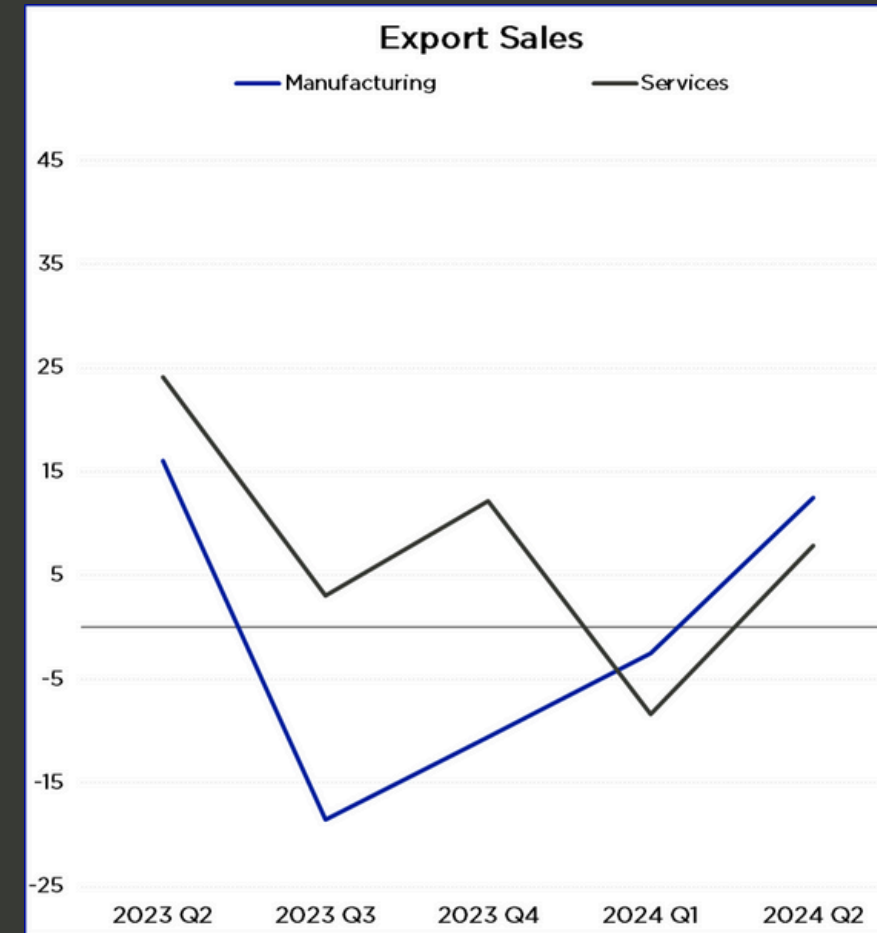
Within domestic demand, the main theme is the recovery in manufacturing and production reflected both in quarterly sales and advance orders from UK based customers. There is a remarkable improvement in performance in this quarter. Construction shows an improvement but not to the levels seen in Q4 2023. The services sector group seems stable with the relative performance of services sub-sectors having a big impact on overall expansion in services.

To an extent, available national data provides additional context for the QES findings. The ONS indices for all three sector groups remain well over 100, which is growth territory. Retail sales, which is an important contributor to services sector growth, improved significantly in May with the increase in value of retail sales outstripping the growth in volume. The data shows that prices of some retail goods are still going up and yet buying intentions have not been dented. This indicates that people are willing to spend on retail goods. In another positive development, retail sales for delayable non-food purchases of items such as clothing, footwear and household goods went up in May.



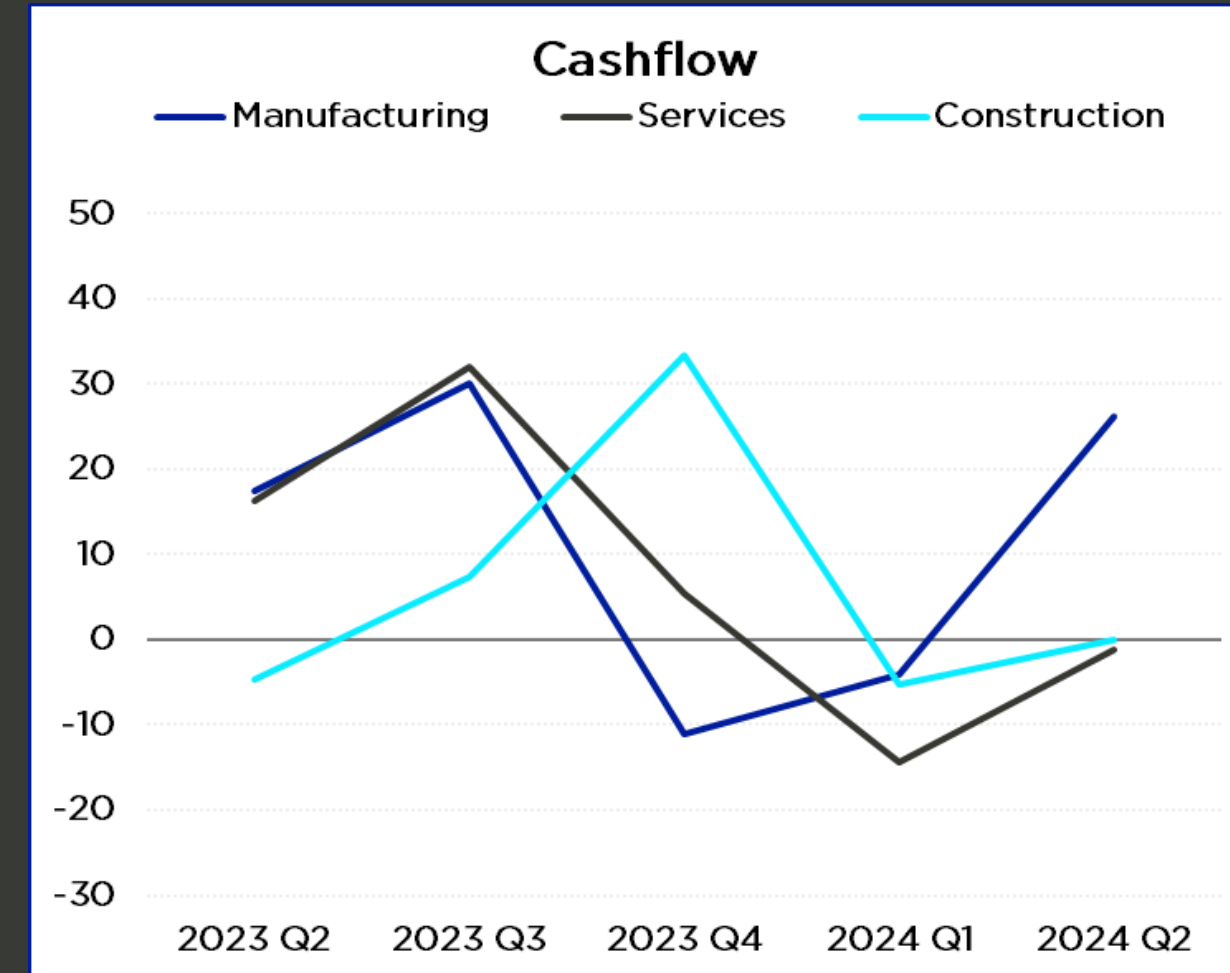
# OVERSEAS SALES

On international trade, both manufacturing and services have reported improvements in both quarterly sales and advance orders from overseas customers. There is certainly growth in export orders with some indication of growth coming from the Middle East and some European countries. National data on exports is only available up until Q1 2024. In Q1, exports to both EU and non-EU countries declined. However, this is expected to grow in Q2.



# CASHFLOW

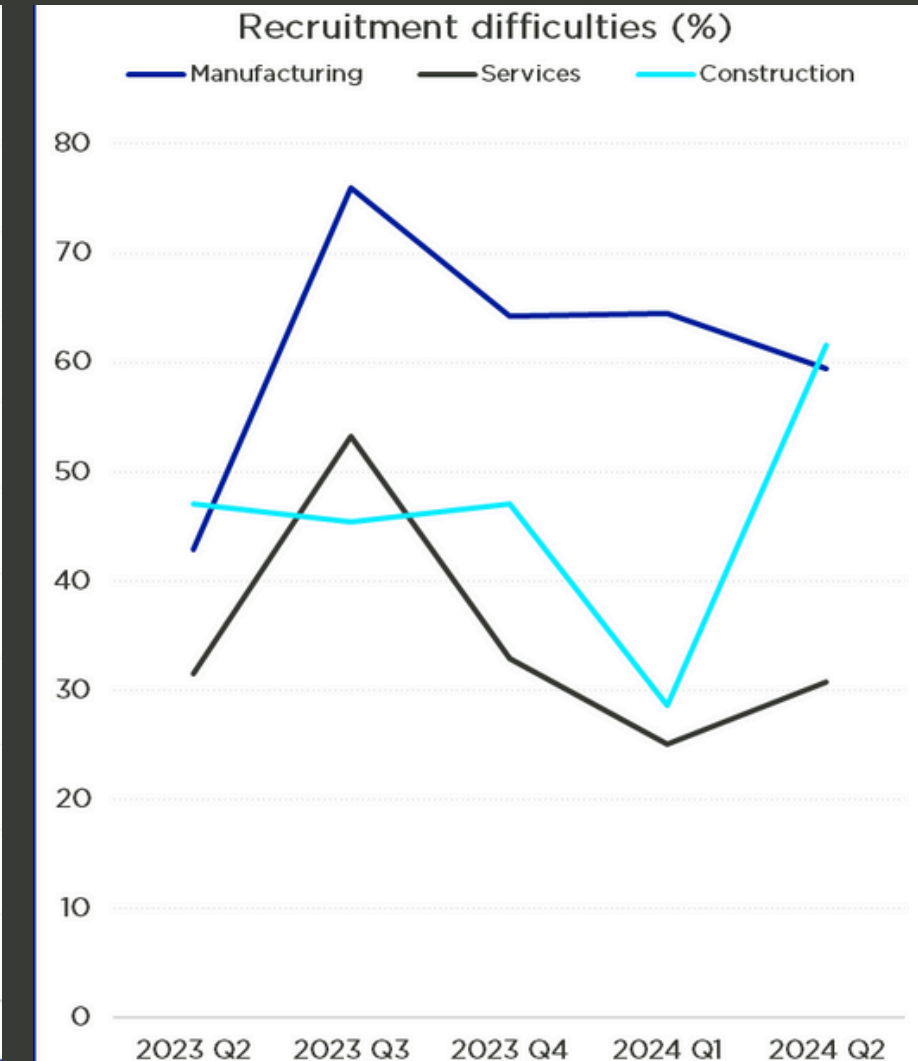
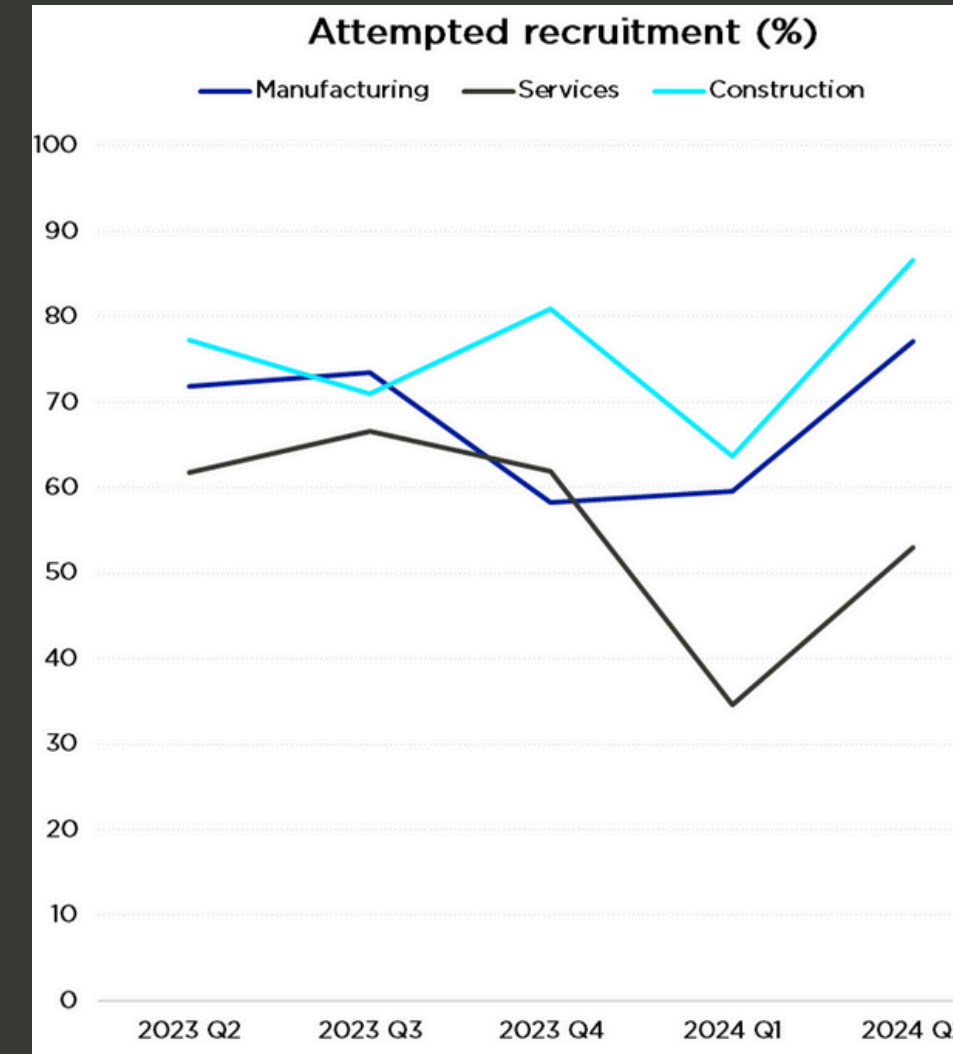
Cashflow positions have improved amongst businesses in all sectors but for construction and services the balances are still near zero. Manufacturing has a more marked uptick. Cash flow problems have been a recurring problem for a prolonged period. Viewed in conjunction with demand data, there does not appear to be any immediate risk of operational disruptions but the ability of businesses to fund further investment could be constrained, ultimately affecting long-term growth prospects. In the case of B2C services, there may be some concerns around whether they can stock up and recruit staff to meet an anticipated increase in customer demand in the summer months, although other data indicates that cash pressures are not having any significant short-term impact.





# RECRUITMENT

Although there has been a slight increase in UK unemployment, the employment trends in the QES are encouraging. Businesses in all three sectors reported that they had attempted to recruit in this quarter. In services, nearly half the businesses and much higher proportions in manufacturing and services, respectively 75% and 85%, reported that they had attempted to recruit in this quarter. Counteracting recruitment intentions are the barriers to recruiting the right candidates with many respondents reporting recruitment difficulties. Just over 60% of manufacturing and construction businesses, and a third of service sector businesses stated that they had experienced difficulties with their recruitment activities.



# BUSINESS PROSPECTS

Forward looking indicators in the QES give us an indication of the future direction of the economy giving insights into potential future economic activity rather than just performance in the quarter. These measures can aid business planning and investment decisions.

## BUSINESS INVESTMENT

Business investment is a critical driver of business growth and expansion. It increases productive capacity, which can then lead to economic growth. In this quarter, investment and capital goods increased amongst manufacturing and service sector businesses. Construction sector reported a quarterly decline. Capital investment showed a sharp decline in Q1 2024, and it is likely that, given the uncertainty at the beginning of this year following the technical recession, some investment decisions were postponed to this quarter. Businesses may have also committed to business investment at the beginning of the new financial year. In the manufacturing sector, the increase in demand after several quarters has contributed to higher levels of investment in this quarter. Investment in training has also increased in both manufacturing and service sectors.

New training is required when new equipment is purchased. At the same time, recruitment activity has gone up in the quarter and new staff invariably need training.

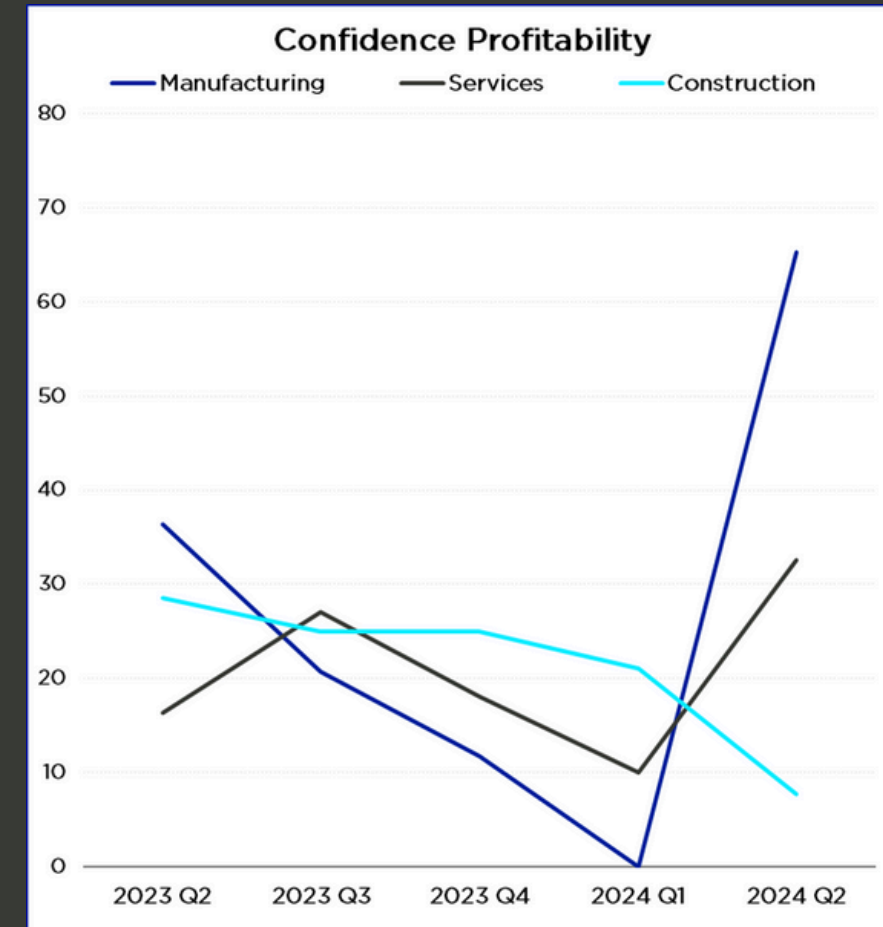
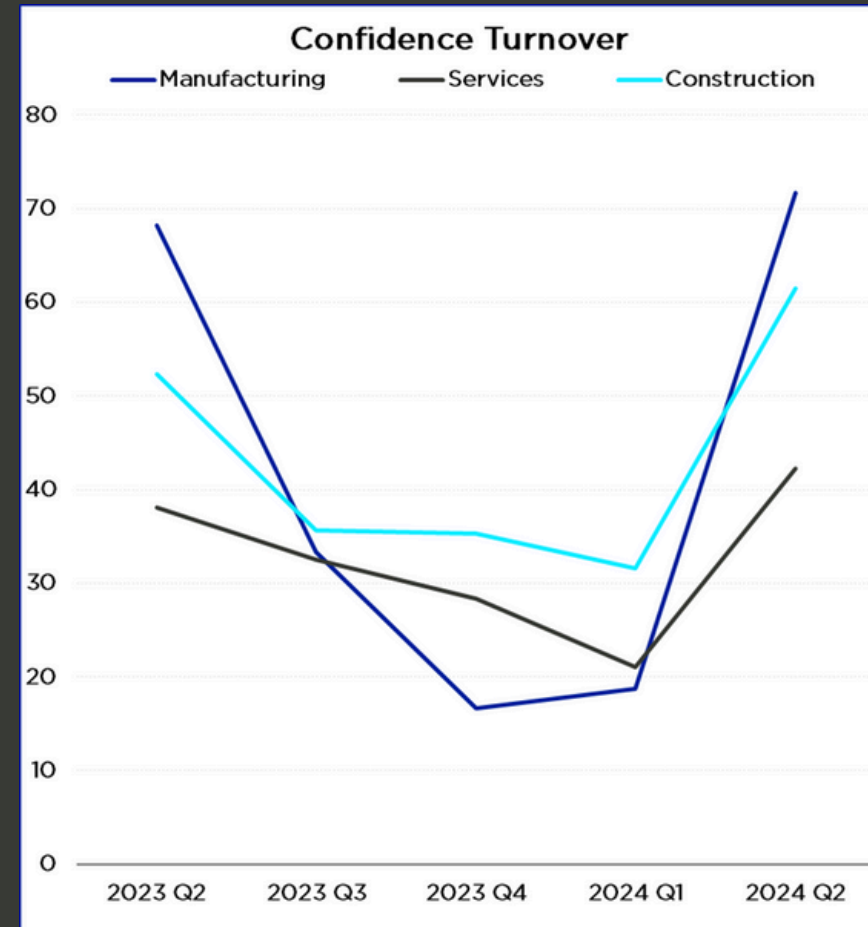
“Greater Manchester businesses are showing resilience and optimism. In the face of macroeconomic uncertainties and global trade tensions, this is welcome news. We are particularly pleased to see the increase in business investment, which is a key driver of long-term growth and competitiveness. Businesses in Greater Manchester are investing in capital goods and training, which will enhance their productivity and innovation. We urge businesses to continue investing in technology, digital skills development, AI and cybersecurity, as these are essential for competing in the future and gaining an edge over their rivals. Technology and digitalisation can also help businesses overcome some of the challenges they face, such as recruitment difficulties, input cost pressures, and cash flow issues.”



JAMES FINUCANE  
HEAD OF CHANNEL AND SALES SPECIALIST  
INTERCITY GROUP

# BUSINESS CONFIDENCE

Along with business investment, business optimism has also improved. The figures in this quarter are the best since Q2 2023. On the ability to maintain turnover more businesses are confident now relative to the previous three quarters. On margins and profitability, services and manufacturing are showing a strong trend with construction alone showing a further quarterly reduction. The largely positive sentiment could give a fillip to further recruitment and business investment. And indeed, respondents from the manufacturing and services sector reported that they intend to continue recruitment and further add to their workforce in the coming quarter. The decrease in inflation, the anticipated cuts to interest rates and the possibility of additional public investment could sustain these higher levels of business confidence.

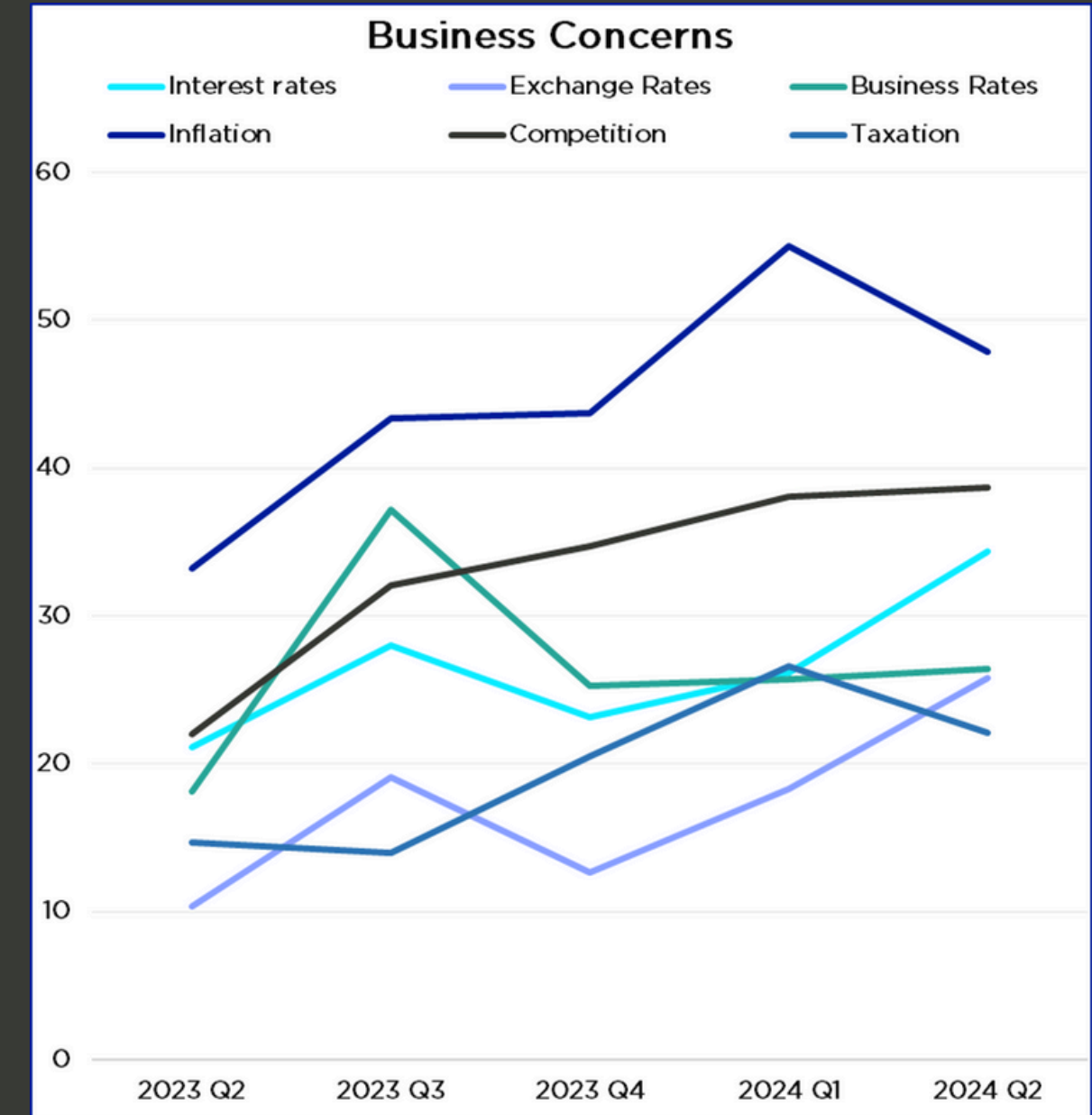


# BUSINESS CONCERNS

In addition to the positive indicators, the QES results also reveal some areas of concern for Greater Manchester businesses. The main concern for businesses is around inflation, particularly wage inflation. Data from the ONS shows that wages continue to rise, and this is a matter of concern for many businesses. However, the proportion of businesses worried about inflation did reduce relative to Q1 2024.

The Bank of England maintained the base rate at 5.25% in June on the back of inflationary pressures and a robust economic recovery. While this may help to curb inflation and support the value of Sterling, it also means that businesses will face higher financing costs, which could affect their cash flow and investment plans. Relative to the previous quarter, more businesses are now concerned about interest rates. Sterling has maintained its value against the US dollar and strengthened against the Euro and some other currencies. That makes imports cheaper and exports a tad more difficult. Exporting businesses will naturally be concerned about this. In another sign of a general uptick in performance, competition has gone up in the last quarter. Increased competition also benefits customers but for businesses it can put a squeeze on margins.

Many businesses have argued that business rates are unfair and outdated, as they do not reflect changes in the economy, particularly the shift to online retail. As it stands now, business rates are set to rise in April 2025 and present a source of cashflow pressures and concerns particularly for SMEs and sectors that have been hit hard by the pandemic, such as hospitality and leisure.



# CYBER SECURITY AND AI ON BUSINESS GROWTH

AI can have a transformative impact on business growth in the current economic landscape. Intercity Group share significant findings from Microsoft's research on early adopters of Copilot, highlighting the potential growth opportunities AI presents in various business functions.

## RECRUITMENT

30% of early Copilot users indicated that access to this technology would influence their choice of employer.

## PRODUCTIVITY

70% of users reported increased productivity.  
68% noted an improvement in work quality.

## TIME MANAGEMENT

22% of users saved over 30 minutes daily on routine tasks.

## SALES

67% of 133 salespeople reported that Copilot helped them spend more time with customers.

Intercity Group underscored that the advancement of AI necessitates enhanced security measures. Presenting alarming statistics, provided by Microsoft, to highlight the growing cyber threats:

- In 2023, the frequency of business email compromise attacks has skyrocketed to over 156,000 daily attempts.
- A report has discovered that just 13% of UK businesses are resilient to cyberattacks, leaving 87% of organisations exposed to security threats.
- Using AI in cyber defence could save the UK economy £52 billion a year. Only 27% of UK organisations are using AI to strengthen their cybersecurity.

These figures stress the importance of robust cybersecurity strategies to protect against potential threats, ensuring technological innovations lead to safer and more sustainable business operations.



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