



The
Growth
Company

GC SITUATION REPORT AND QUARTERLY BUSINESS SURVEY RESULTS

QUARTERLY REPORT FOR 2ND OCTOBER TO 2ND JANUARY 2024

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1. ECONOMY - ECONOMIC CONTEXT AND SURVEY HEADLINES

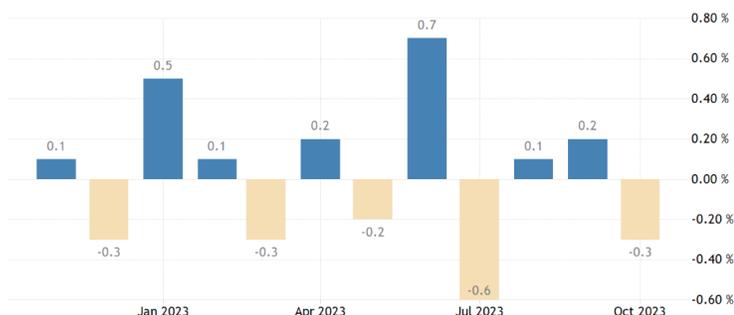
The GC Situation Report for December contains leading economic data from both national and local sources. This month's survey report findings are based on 194 surveys completed between 2nd October and 2nd January 2024. Comparison can be made with Q3-2023 based on 277 responses completed between 1st September and 27th November - these results are shown in brackets. The profile is broadly representative of the GM business base, but for an over-representation of SMEs, Manufacturing, DCT firms, and under-representation of Retail and Tourism & Hospitality businesses – broadly reflecting the main clients in the Business Growth Hub and MIDAS.

Economic context. In 2023, the UK faced rising prices, stagnant incomes, and flat growth, sparking recession fears. However, a pre-Christmas drop in inflation has sparked hopes for a brighter 2024, an election year. In November, UK inflation sat at 3.9% higher than the previous year due to energy and food cost spikes and post-pandemic worker shortages. Despite matching France, UK inflation exceeded the EU's rate and fell below the US. The Bank of England's 14 rate hikes over two years might halt if no new inflation shocks arise. Looking ahead, the UK's prospects are weak, with virtually no expected growth due to rate hikes, leading to rising inequality and households becoming worse off.

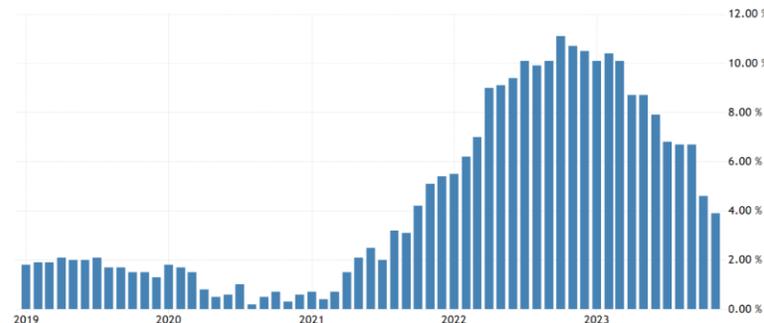
The world economy looks increasingly fragmented, with war in Europe and the Middle East and rising tensions elsewhere, global supply chains remain exposed and energy markets remain volatile. Add to this the increasing frequency of extreme weather events and it is no surprise that many experts are talking of a global 'poly-crisis', resulting in a low growth scenario for the UK's economy for some time to come. While the UK's 4.2% unemployment rate aligns with the G7 average, it might slightly rise due to employers scaling back hiring amid interest rate impacts. Despite low unemployment, there is likely to be an increase in inactive individuals compared to pre-pandemic times, underlining the urgency of reintegrating more people into the workforce for economic growth.

GC Survey headlines. Business confidence remains strong (with 0.1 drop than last quarter) in the face of difficult economic circumstances. However, the main risks of rising costs, decreased sales, minor supply chain and cashflow issues remain. Cost risks have decreased in the latest survey but remain a major problem for just over a third of firms. Over four-fifths of firms have reserves to last over 6 months, a slight fall from the previous month. Cashflow problems have increased slightly and continue to affect just a tenth of businesses as a serious risk, and there has been a slight decrease in firms reporting late payments. The proportion that reported they still need to increase domestic sales has slightly increased and remains a challenge; and the main business support needs are business planning, marketing, innovation and workforce development. Finally, the proportion of firms in Greater Manchester recruiting has decreased slightly from last month and just over a half of firms still report workforce skill gaps, and these are mostly linked to sales and managing skills. The main skills/experience in demand currently include customer sales, general management and leadership skills, and time management - these are alongside a range of various specialist technical skills and knowledge of products/services specific to the business / industry.

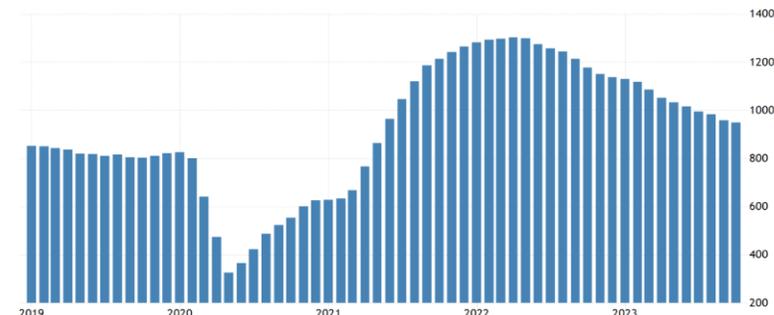
UK GDP contracts by 0.3% in October 2023



UK Inflation dropped to 3.9% in November 2023



UK Vacancy numbers continue to decline in November 2023



➤ **UK GDP** contracted by 0.3% in October 2023, reversing the growth of the last two months and falling short of market expectations of a flat reading. The services sector was the main contributor to this decline, contracting by 0.2%. This was led by a decrease in information and communication, in particular computer programming, consultancy and related activities. Consumer facing services also saw a decrease of 0.1%, while overall production declined by 0.8%, particularly in manufacturing and construction output declined by 0.5%

➤ **The annual inflation rate** in the UK slowed down to 3.9% in November 2023, down from 4.6% in October and below the expected 4.4%. This marks the lowest rate since September 2021 due to downward contribution from transport, mainly from motor fuels, second hand cars, maintenance and repairs, and air fares. Other factors include lower prices for recreation and culture such as computer games and admission fees. Food inflation eased and consumer prices slowed. Annual core inflation eased to 5.1% the lowest since January 2022.

➤ **The number of vacancies reported nationally**, from September to November 2023 was 949,000, a decrease of 45,000 from the June to August period, it is the 17th consecutive period to see a quarterly fall and the lowest numbers of vacancies since May to July 2021. Vacancies fell in 16 of the 18 industry categories. The most significant decrease was seen in arts, entertainment and recreation.

1. ECONOMY - SECTOR INSIGHT AND PURCHASING MANAGER INDICES

The VisitBritain's Domestic Consumer Sentiment Tracker, from 1st December to 7th December 2023, assesses Britons' travel preferences amidst the cost-of-living crisis. It delves into attitudes toward domestic and international travel, including day trips, short breaks, and holidays, examining timing, destinations, and preferred accommodations. Regarding the cost-of-living crisis, the perception of 'worst still to come' remains steady at 47% in December, unchanged from November '23. There's a 1% rise (to 78%) in those planning a UK overnight trip in the next 12 months compared to November '23 and a 3% increase (to 64%) in those intending an overseas overnight trip. The top three areas for an overnight stay in Jan '24 to March '24 are London, South West, and North West, with London dropping a spot since Nov '23. For April '24 to June '24.,

The Greater Manchester Hotel Performance Monitor for October 2023 (source: Marketing Manchester), reveals occupancy rates for Greater Manchester and Manchester city centre (83%) matched 2022 and was consistent with 2019 seasonality, albeit at a slightly lower level. The average daily rate (ADR) continues to be significantly higher than previous years in-line with current economic conditions. However, October's ADR experienced a boost beyond usual seasonality patterns resulting in particularly high ADR levels.

Retail spending and consumer confidence. Retail sales in the UK increased by 1.3% in November 2023, following a revised fall of 0.3% in October 2023. However, looking at a broader three-month perspective, sales decreased by 0.8%. Non-food stores sales surged by 2.3% in November, driven by earlier Black Friday sales and increased discounting. Food store sales also rose by 0.8%. The GfK Consumer Confidence Index rose to -22 in December 2023 from -24 in November, as consumers became less pessimistic about future financial situations amidst the easing of inflationary pressures.

The Make UK trade survey 2023 highlights ongoing hurdles for 90% of UK exporters dealing with the EU post-Brexit. Despite persistent customs bureaucracy and logistical issues, 74% of surveyed businesses continue exporting to the EU. While export values have risen due to inflation, actual export volumes in 2022 remained below pre-Brexit levels. Concerns abound as 40% reported declining export volumes to the EU, while a third cited growth. New border controls for imports and impending EU regulations like carbon border taxes raise anxiety among UK companies. Such measures may strain EU supplier relationships, impacting contract acquisition, as indicated by 36% of respondents.

The number of registered company insolvencies, nationally, in November 2023 (next release 16 January) was 2,466, 21% higher than in the same month in the previous year (2,032 in November 2022). This was higher than levels seen while the Government support measures were in place in response to the coronavirus (COVID-19) pandemic and also higher than pre-pandemic numbers. The company insolvencies consisted of 359 compulsory liquidations, 1,962 creditors' voluntary liquidations (CVLs), 133 administrations and 12 company voluntary arrangements (CVAs). The increase in company insolvencies compared to November 2022 was driven by CVLs and compulsory liquidation numbers, while administration numbers remained similar to November 2022 at slightly less than 2019 levels.

The S&P Global/CIPS Manufacturing PMI



The S&P Global/CIPS Service PMI



The S&P Global/CIPS Composite PMI



➤ **The S&P Global/CIPS UK Manufacturing PMI** came in at 46.2 in December 2023, indicating a contraction (below 50), declining from November's seven-month high of 47.2. This marks the 10th consecutive month of reduced manufacturing production. Output continued its decline amidst reports of weaker new business intakes, decreased demand from overseas and destocking activities observed both among manufacturers and their clients. New orders experienced a ninth consecutive month of decline, leading to a sharp reduction in backlogs of work and job losses for the 15th consecutive month.

➤ **The S&P Global/CIPS UK Services PMI** was 53.4 in December 2023, an increase from 50.9 in November 2023 indicating an expansion (above 50), marking the 2nd consecutive expansion in the services sector, showing the fastest growth since June, whilst the Eurozone is going through a contractionary trend. The upturn in new orders especially in the financial services and technology sectors, suggests a potential revival in consumer demand. Businesses reported subdued hiring with higher output charges. However, optimism for future business conditions is at a seven-month high.

➤ **The S&P Global/CIPS UK Composite PMI** was 52.1 in December 2023, an increase from 50.7 in November 2023, indicating an expansion (above 50). The result marked the 2nd consecutive expansion and the sharpest growth since June 2023. Despite this there was a growing divergence between services and goods-producing sectors, with services accelerating and offsetting a sharper drop in factories. New orders in services grew with signs of potential consumer demand revival, while manufacturers faced a slump due to higher borrowing costs.

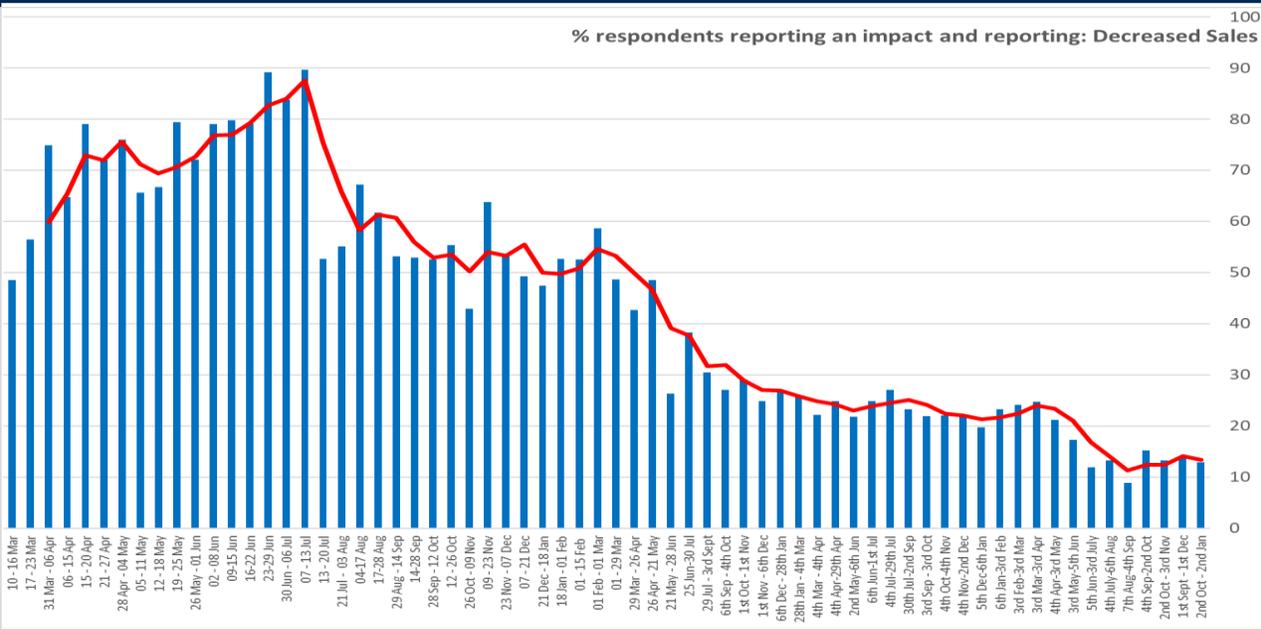
2. BUSINESS - LOCAL SURVEY HEADLINES

Last quarter's survey results shown in brackets

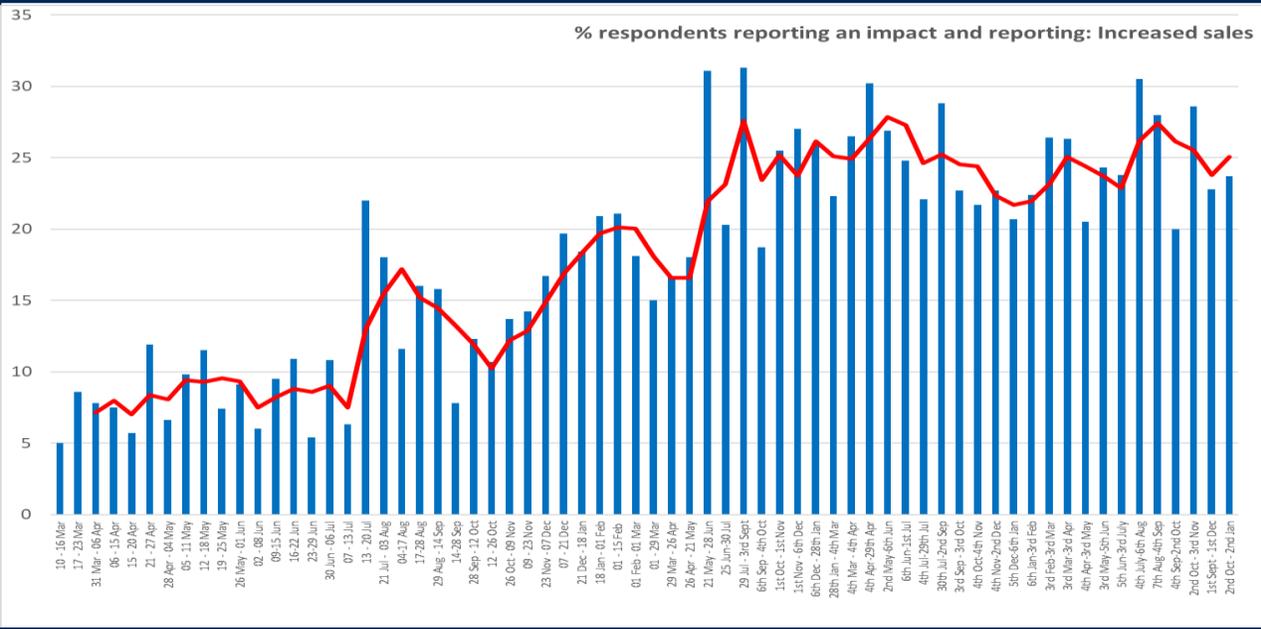
GROWTH, BUSINESS CONFIDENCE AND INVESTMENT	MAIN IMPACTS AND FINANCIAL RESILIENCE	FUTURE BUSINESS CHALLENGES AND SUPPORT NEEDS
<ul style="list-style-type: none"> ➤ GC Business Confidence Index (GC-BCI). This is a ranking of how confident businesses are on their growth prospects for the year ahead, currently stands at 7.3 out of 10, slightly less to previous quarter (7.4), and broadly similar to the average for the last year. The GC-BCI is higher this quarter compared to the last quarter in Primary industries / Utilities, Retail & Wholesale, Green-Tech/Waste/Recycling, Hospitality. ➤ Sales and profits. 24% (vs 23% previously) of firms reported that they experienced an increase in sales in the latest quarter, and 66% expect profits to increase (vs 64%), slightly higher than the same time last quarter. Just 1% (vs 2%) expect profits to decrease. Whilst there has been a slight fall in sales sentiment, the main sectors expressing an increase in future sales were Green Tech and Construction sectors. ➤ Investment. 40% (vs 39%) of firms expect to increase Capex spend in the year ahead. Construction are most likely to state they intend to increase Capex overall 50% (vs 50%), Green-tech 67% (vs 66%), Manufacturing (excluding Engineering), 44% (vs 46%). Sectors most likely to looking to increase invest in workforce development are Business Services (54%), Other Services (57%) and Retail (48%). Hospitality (61%) and Education (50%) were most likely to indicate an increase in spend on digital transformation in the year ahead. 	<ul style="list-style-type: none"> ➤ Impacts. The main impacts of the current economic climate that have affected firms across Q3 are rising costs 33% (vs 36% previously), minor supply chain issues 15% (vs 16%), and cashflow issues 20% (vs 16%). ➤ Cash reserves. 78% (vs 79%) of firms report that they have cash reserves to last over 6 months. 45% of SMEs with 10-249 employees have cash reserves to last over 6 months. Reserves were highest in DCT (24%) and Manufacturing (19%), and BFPS (18%). The biggest increase in reserves was reported by Manufacturing, as well as larger SMEs. ➤ Cashflow. 20% (vs 16%) of firms said they had cashflow problems. Micro-size firms (<5 employees) were more likely to report cashflow issues compared to SMEs (10-249 FTEs). Cashflow risks were more likely to be reported by Tourism and Hospitality firms, Health and Social Care, and in Creative Industries (a sub-sector of Digital and Creative), Education. Late payments by customers/suppliers were 5.7% compared to last quarter which is 5.3% which has increased by 0.3%. ➤ Analysis of Redflag insolvency risk shows that 2,177 (up from 1631 last month) firms in Greater Manchester have 1 Redflag - some insolvency risk, 105 (86 last month, 95 in September 2023) have 2 Redflags - medium insolvency risk; and 151 (up from 82 last month, 77 September 2023) have 3 RedFlags - insolvency imminent within four weeks. 	<ul style="list-style-type: none"> ➤ The main pressing challenges facing business. Access to new domestic sales opportunities 59% (vs 61%), (highest impacts in Green-tech, Construction and Healthcare), managing business finances, in-particular cashflow 42% (vs 37%), developing the business model 38% (vs 37%), developing new products / services 30% (vs 34%), and addressing workforce development/skills challenges 24% (vs 26%). ➤ The main areas of future support. Looking further to the year ahead, the main support areas identified are business planning 44% (vs 48%), marketing 42% (vs 40%), innovation (31% vs 30%), workforce development 26% (vs 30%), and financial advice 38% (vs 28%). One-in-ten firms (11% vs 19%) are looking address their environmental impact. ➤ EU transition. 54% (55% previously) of firms said the impact of transition from the EU had a 'neutral' impact, whereas 15% (vs 13%) said 'negative', 31% (vs 31%) 'unsure', 0% (vs <1%) 'positive' overall. ➤ International trade. 9% (vs 8%) of firms undertaking overseas trade said they were looking to expand in current markets. 7% of micro-size firms (0-9 employees) are looking to expand in new markets - and mainly those firms within the Retail & Wholesale sectors, and firms within both Manufacturing and Engineering sectors.
RECRUITMENT, EMPLOYMENT AND SKILLS ISSUES	RESEARCH, DEVELOPMENT AND INNOVATION	SOCIAL VALUE AND GOOD EMPLOYMENT PRACTICES
<ul style="list-style-type: none"> ➤ Recruitment. 24% (vs 26% previously) of firms surveyed are currently recruiting new staff, and 14% (vs 16%) said they had difficulties recruiting. The main occupational groups recruiting are for customer facing roles (36% vs 41%), managerial roles (9% vs 14%), and a variety of other roles 'not elsewhere classified' (9% vs 10%). ➤ Workforce skill gaps. 41% (vs 49%) of firms said that their workforce skills are only 'partly' at the level to meet business plan objectives. ➤ The main technical skill gaps (broadly similar to last quarter) relate to specialist technical skills 31% (vs 35%), knowledge of products/services 8% (vs 11%), solving complex problems 6% (vs 8%), and advanced specialist IT skills 9% (vs 9%). ➤ The main people and personal skill gaps are sales 18% (vs 18%), customer handling 10% (vs 10%), and motivating staff 10% (vs 13%). 	<ul style="list-style-type: none"> ➤ Innovation activity. 27% (30% previously) have invested in new / significantly improved services, 20% (vs 22%) implemented new business practices, 20% (20%) of firms introduced new / significantly improved goods, and 15% (14%) introduced new methods for production/supply of goods/services. ➤ Digital innovation. 7% (vs 6%) of firms have invested in the acquisition of digital products or digital services specifically for innovation during the quarter; and 6% (4%) had made investments in the acquisition of advanced machinery or equipment - specifically for innovation. ➤ Main sources of innovation. The top 3 sources of innovation within firms were 40% (vs 41%) said staff within their own business, 18% (vs 20%) said clients / customers; and 8% (vs 9%) public sector clients. ➤ The main barriers to growing innovation. 16% (vs 16%) cited direct innovation costs are too high, 4% (vs 9%) stated lack of qualified personnel, 28% (vs 20%) said availability of finance. 23% (vs 23%) said that they no current barriers to innovation. 	<ul style="list-style-type: none"> ➤ Businesses are asked the extent to which they have/consider:- ➤ Guarantee at least 16 hours of work per week for workers. 67% (69% previously) said this currently applies, and 19% (vs 17%) said they were likely to include this in future. ➤ Pay the Real Living Wage. 62% (67%) said this currently applies, and 24% said they were likely to include in future. ➤ Offer flexible working options to employees. 52% (57%) said this currently applies, and 23% said they were likely to include in future. ➤ Involve employees in the overall direction of the business. 27% (34%) said this currently applies. 17% said they were likely to do in future. ➤ Actively look to increase the diversity of the workforce. 43% (48%) said this currently applies, and 32% said likely to include in future. ➤ Actively promote healthy work practices. 41% (47%) said this currently applies, and 25% said they were likely to include in future.

2. BUSINESS - SURVEY DATA TIME SERIES OF MAIN IMPACTS OF ECONOMY ON BUSINESS

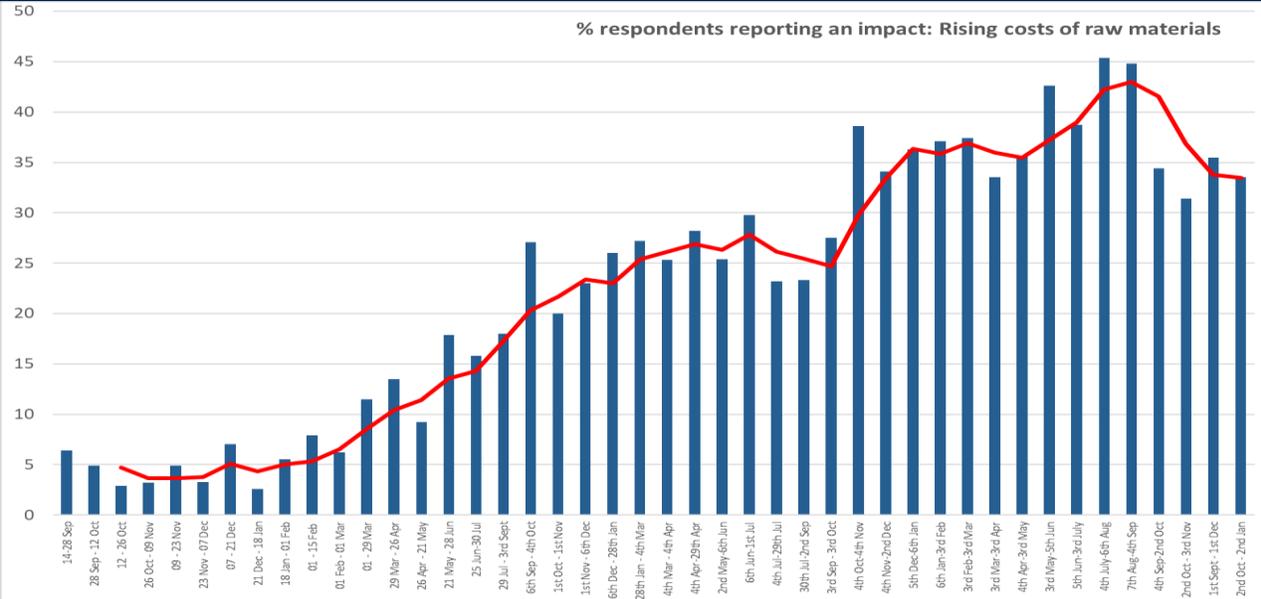
Decreased Sales (Red line = 3 week moving average)



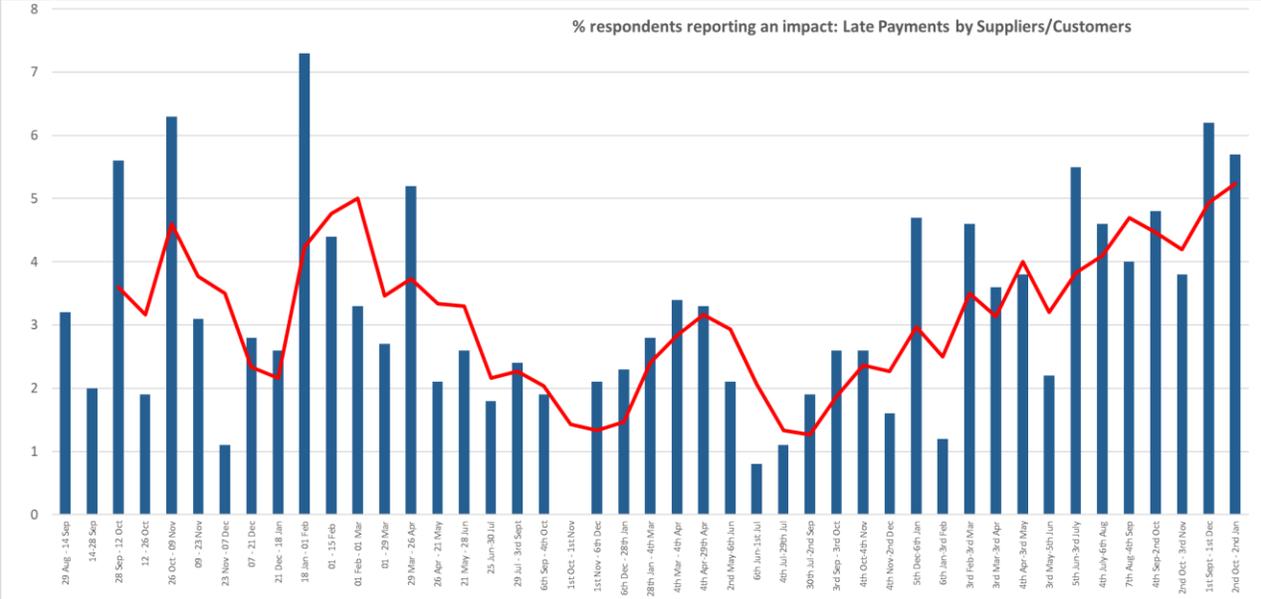
Increased sales



Rising costs

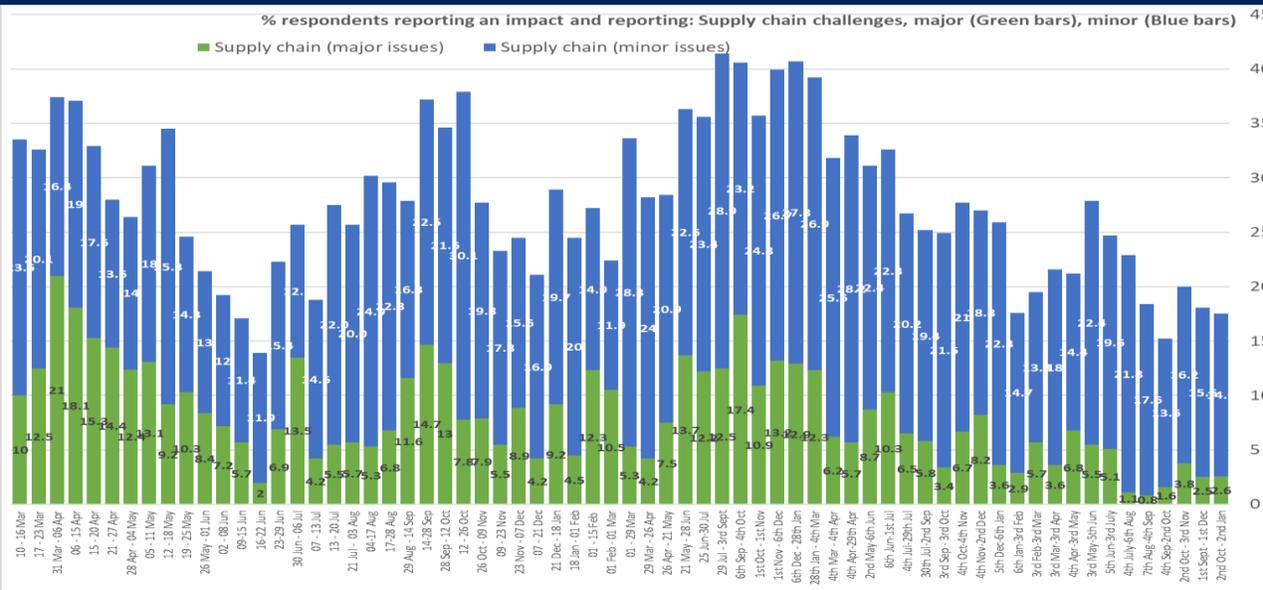


Late payments

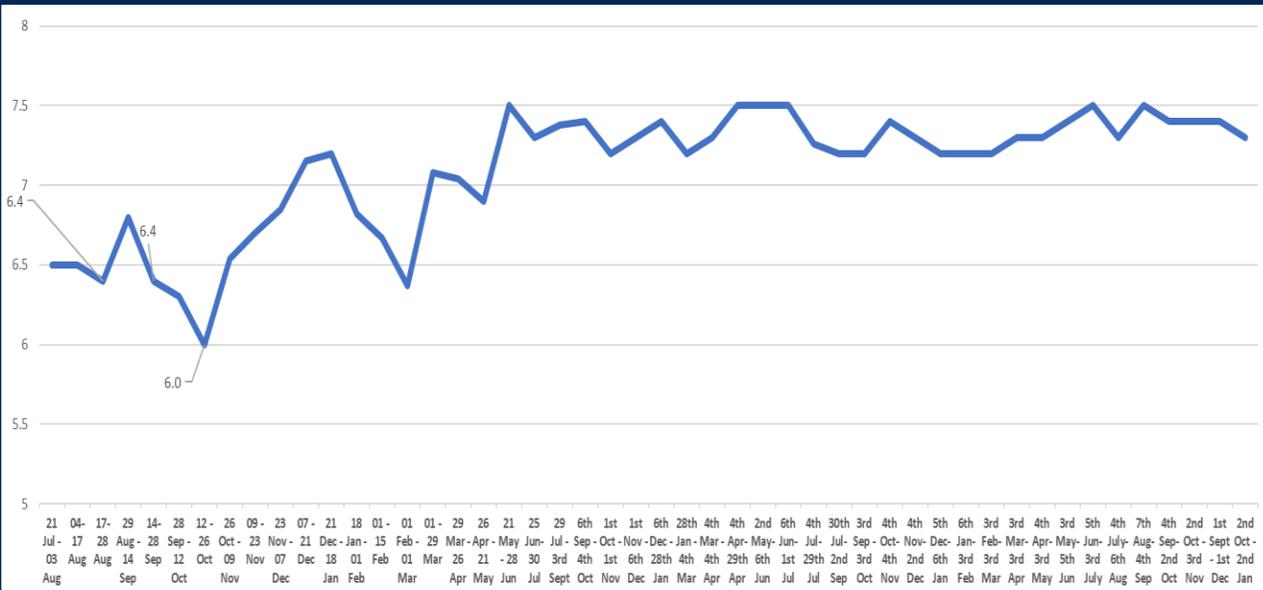


2. BUSINESS - SURVEY DATA TIME SERIES OF MAIN IMPACTS OF ECONOMY ON BUSINESS

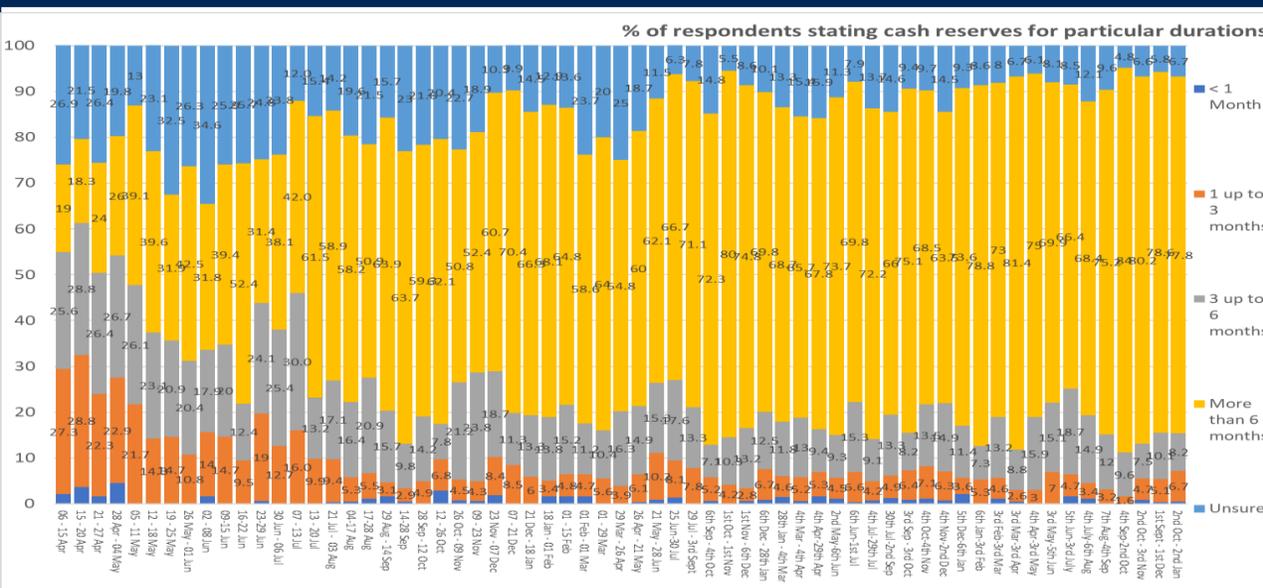
Percentage reporting minor supply chain issues (blue), major issues (green)



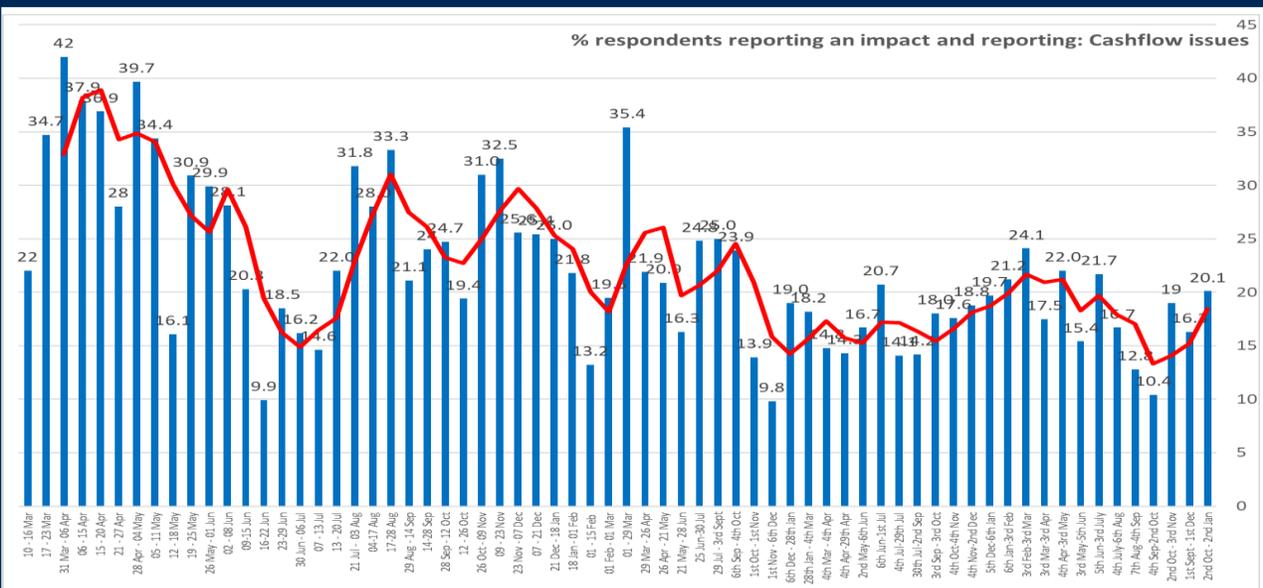
Aggregate confidence index – 1 low confidence, 10 high confidence



Percentage of respondents stating cash reserves can sustain certain periods of time



Percentage reporting cashflow problems





DATA APPENDIX

RESULTS FOR 2ND OCTOBER 2023 TO 2ND JANUARY 2024
(LOCAL AUTHORITY DATA COVERS THE 12 WEEKS AND INCLUDING 1ST JANUARY 2024)

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Survey Response Rates for GM over Time vs ONS Enterprise Unit Profile for Greater Manchester (Excludes Out of Area)																														
Size / Sector (as identified by the business) C = Confidential, response 6 or less Percentages rounded to nearest figure Unknown size more likely with non-clients of BGH	Greater Manchester ONS Enterprise Count 2022		Greater Manchester Survey response rates only (Q4-2023 combined, published for DEC 2023)		Greater Manchester Survey response rates only (Q3-2023 combined, published for NOV 2023)		Greater Manchester Survey response rates only (OCT 2023)		Greater Manchester Survey response rates only (SEP 2023)		Greater Manchester Survey response rates only (AUG 2023)		Greater Manchester Survey response rates only (JULY 2023)		Greater Manchester Survey response rates only (JUNE 2023)		Greater Manchester Survey response rates only (MAY 2023)		Greater Manchester Survey response rates only (APR 2023)		Greater Manchester Survey response rates only (MAR 2023)		Greater Manchester Survey response rates only (FEB 2023)		Greater Manchester Survey response rates only (JAN 2023)		Greater Manchester Survey response rates only (DEC 2022)		Greater Manchester Survey response rates only (NOV 2022)	
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%
'0' employment to 9 (MICRO)	95,190	89%	103	53%	142	51%	62	59%	51	41%	72	58%	91	52%	107	52%	123	48%	70	54%	95	50%	94	55%	123	53%	98	52%	135	57%
10 to 49 (SMALL)	9,890	9%	26	13%	54	20%	17	16%	30	24%	20	16%	37	21%	44	21%	56	22%	32	25%	44	23%	40	23%	48	21%	45	24%	59	25%
50 to 249 (MEDIUM)	1,615	2%	27	14%	44	16%	14	13%	24	19%	16	13%	26	15%	29	14%	43	17%	16	12%	20	11%	14	8%	23	10%	17	9%	24	11%
250+ (LARGE)	<300	<1%	22	11%	21	8%	7	7%	12	10%	7	6%	8	5%	14	7%	16	6%	C	<5%	7	<5%	C	C	C	<5%	9	5%	10	<5%
UNKNOWN	C	C	16	8%	16	5%	5	5%	8	6%	10	8%	12	7%	12	6%	18	7%	10	8%	24	13%	21	12%	33	14%	19	10%	8	<5%
TOTAL (including size unknown)	107,060	100%	194	100%	277	100%	105	100%	125	100%	125	100%	174	100%	206	100%	256	100%	130	100%	190	100%	171	100%	232	100%	188	100%	236	100%
AGRICULTURE, FORESTRY, AND FISHING	690	1%	2	<5%	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	C	<5%	C	<5%
BUSINESS, FINANCIAL, PROFESSIONAL SERVICES	28,910	27%	28	14%	50	18%	12	11%	28	22%	19	15%	24	14%	39	19%	30	12%	17	13%	29	15%	22	13%	41	18%	45	24%	45	22%
CONSTRUCTION	12,860	12%	8	<5%	9	<5%	C	<5%	C	<5%	C	<5%	9	5%	C	<5%	C	<5%	C	<5%	11	6%	5	<5%	11	5%	C	<5%	13	6%
DIGITAL, CREATIVE, TECHNOLOGY	6,295	6%	43	22%	65	23%	24	23%	30	24%	29	23%	37	21%	42	20%	35	14%	16	12%	35	18%	34	20%	39	17%	36	19%	44	21%
EDUCATION	1,605	1%	6	<5%	8	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	7	<5%	6	<5%	C	<5%	9	5%	C	<5%
ENGINEERING	3,345	3%	6	<5%	7	<5%	C	5%	C	<5%	C	<5%	9	5%	11	5%	C	<5%	C	<5%	C	<5%	5	<5%	C	<5%	C	<5%	C	<5%
UTILITIES, ENERGY, WATER, WASTE, GREENTECH	N/A	0%	9	5%	11	<5%	C	5%	6	5%	10	8%	16	9%	11	5%	16	6%	C	<5%	6	<5%	5	<5%	C	<5%	C	<5%	C	<5%
HEALTH & SOCIAL CARE	4,950	5%	8	<5%	16	6%	C	<5%	8	6%	C	<5%	C	<5%	12	6%	19	7%	C	<5%	10	5%	3	<5%	C	<5%	C	<5%	13	6%
HOSPITALITY, TOURISM, & SPORT	13,950	13%	13	7%	17	6%	11	10%	C	<5%	10	8%	10	6%	10	5%	15	6%	9	7%	12	6%	13	8%	17	7%	9	5%	C	<5%
LOGISTICS	6,080	6%	8	<5%	11	<5%	C	<5%	7	6%	C	<5%	8	5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%
MANUFACTURING	5,670	5%	36	19%	50	18%	20	19%	22	17%	28	22%	28	16%	29	14%	62	24%	35	27%	28	15%	28	16%	34	15%	32	17%	38	18%
LIFE SCIENCES	N/A	0%	4	<5%	4	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	C	<5%	7	<5%	C	<5%	C	C	C	<5%	C	<5%
RETAIL & WHOLESALE	17,370	16%	16	8%	20	7%	10	9%	6	5%	7	6%	12	7%	15	7%	26	10%	11	8%	13	7%	17	10%	27	12%	16	9%	19	9%
OTHER SERVICES (excluding SIC unknown)	5,340	5%	7	<5%	8	<5%	C	<5%	C	<5%	C	<5%	C	<5%	11	5%	19	7%	21	16%	26	14%	22	13%	33	14%	C	<5%	35	15%
TOTAL (excluding from outside GM)	107,065	100%	194	100%	277	100%	105	100%	125	100%	125	100%	174	100%	206	100%	256	100%	190	100%	190	100%	171	100%	232	100%	188	100%	236	100%
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