

GREATER MANCHESTER ECONOMY, BUSINESS & SKILLS OVERVIEW AND SCRUTINY COMMITTEE

Date: 8th November 2019

Subject: Greater Manchester Brexit Preparations Update

Report of: Sir Richard Leese, Portfolio Lead for Economy & Business

PURPOSE OF REPORT:

To provide an update on the preparations underway across Greater Manchester for Brexit, and considering possible mitigating actions to minimise the impact should the UK exit the EU without a deal.

RECOMMENDATION:

That Members note the update on Brexit preparatory work underway across Greater Manchester and the latest version of the Economic Dashboard.

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1. INTRODUCTION

- 1.1 The latest national developments means the UK will not leave the EU on 31st October, with the EU agreeing a further extension to 31st January 2020. A General Election will take place on the 12th December in an attempt to unlock the Brexit deadlock in Parliament.
- 1.2 Regardless of these developments, preparations at national and Greater Manchester level continue to ensure if the UK leaves under a no-deal scenario, as far as possible, impacts can be managed.

2. GM BREXIT PREPAREDNESS

- 2.1 Agencies from across Greater Manchester continue to meet regularly to consider possible impacts arising from Brexit and to ensure appropriate preparatory actions are being taken. The membership of the Brexit Readiness Group includes: GMCA, Local Authority representation and Brexit Lead Officers, AGMA Resilience Unit, GMP, Growth Company, TfGM, NHS, GMCVO and Manchester Airport.
- 2.2 Work has been undertaken to ensure clear and consistent communications are in place, ensuring Greater Manchester residents and businesses are informed and taking any necessary steps to prepare for EU exit. Dedicated web pages have been created on the GMCA website providing information and signposting, including important local updates, but are primarily aimed at helping people find their way to all the latest national information which may affect them. Activity has also been undertaken to promote this resource, including social media and ensuring links to and from Local Authorities. The Brexit pages can be viewed here: <https://www.greatermanchester-ca.gov.uk/brexit>
- 2.3 The work of the Economic Resilience Taskforce also continues, considering the longer term impacts of any economic downturn. The updated economic dashboard of leading indicators is attached at Annex A, or can be viewed live online here: https://www.gmtableau.nhs.uk/#/site/GMCA/views/EconomicResilience_v2_4/EconomicResilience?:iid=1
- 2.4 The multiagency response principles established through the Economic Resilience Taskforce have been implemented and tested recently, although not Brexit related, through the collapse of Thomas Cook. This has seen a response taskforce bringing together the Growth Company, Manchester Airport Group, JobCentre Plus, GMCA and Unite union to provide support to the workforce affected by the companies collapse.
- 2.5 The UK Shared Prosperity Fund (UKSPF) will replace European Structural Funds (including ERDF) after the current programmes end. As highlighted in the September GMCA update report, an announcement has been expected for some time on the design and implementation timeline of the fund. It has

now been suggested by Government that the final decision on the design of the UKSPF will take place after a cross-government Spending Review in 2020, presenting a risk of potential delay in funding to Greater Manchester projects.

2.6 In addition to the Economic Resilience Taskforce, wider preparations are being led by the GM Brexit Readiness Group and the Local Resilience Forum. Preparations are underway or being considered in the following areas:

- Borders – as Manchester Airport is a point of entry to the UK
- Transport & Infrastructure – ensuring transport systems and infrastructure projects can continue
- Health & Social Care – considering both workforce and supplies of goods and medicines
- Food, Water & Energy – ensuring continued supply
- Business & Economy – supporting businesses to prepare for Brexit and ensuring economic impacts arising for people and businesses are being considered
- Engagement with Government – ongoing liaison with relevant Government departments regarding preparations and impact mitigation
- Civil Contingencies – considering possible community impacts
- Higher Education Sector – considering impacts on students and staff who are EU nationals, and also the sectors involvement in international research collaborations and future funding
- Organisational Readiness & Impacts – ensuring all GM agencies are considering the possible impacts on their own organisations activities and delivery and ensuring EU citizens in their own workforces are being supported in applying for Settled Status, should they wish to do so
- Data – ensuring the flow of data and information continues to and from the EU following Brexit.

3. RECOMMENDATION:

3.1 That Members note the update on Brexit preparatory work underway across Greater Manchester and the latest version of the Economic Dashboard.

Economic Resilience Dashboard

Tracking the GM Economy



There are many economic uncertainties at this time. These arise from world economic conditions and the continued economic uncertainty due to the ongoing issues with BREXIT and the UK's future trading relationship with Europe

In response to this, an economic resilience dashboard has been developed to monitor how the national and GM economy is performing, in order to identify and potential economic shocks

For this reason, the dashboard primarily focuses on leading economic indicators (as opposed to lagging indicators) to ensure the dashboard is as forward-looking as possible

These indicators are grouped under economic themes – Economic Resilience, Business & Sectors, and Residents

National Indicators

Yield Spread



Regional Indicators

Regional PMI



Greater Manchester Indicators

GM Index



GM House Sales



ECONOMIC RESILIENCE

The economic resilience variables track how the national, regional, and GM economy is performing at a macro level to identify any potential economic shocks

Yield Spread

Having briefly returned above zero in mid-September, the yield spread has once again trended lower, dipping back into negative territory. This is a significant development, raising concerns of recession in the UK. The 10-year/3-month yield spread last turned negative in October 2006, where it remained until October 2008

Regional Purchasing Managers Index

Business activity in the North West fell in September with the Regional PMI falling to 47.1 from 50.2 in August, moving below the critical 50 'no change' threshold indicating growth for the first time since August 2016

Greater Manchester Index

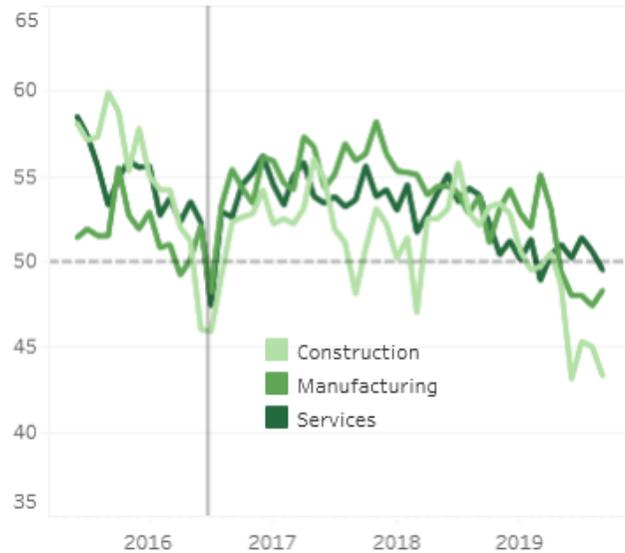
Greater Manchester Chamber's key economic indicator for Greater Manchester, the Greater Manchester Index™, declined to 12.1 in Q3 2019, the lowest level since Q3 2012. The latest survey revealed a fall in both domestic and overseas demand for all three sector groups - Construction, Services and Manufacturing

Housing Sales

The volume of house sales in Greater Manchester rose by 8% in May (latest available data) to 3,060 from 2,832 in April. The underlying trend, as indicated by the 3-month moving average, remained one of increasing sales

National Indicators

Purchasing Managers Index



Retail Sales



BUSINESS & SECTORS

The business & sectors variables track how businesses and sectors are performing to give a more in depth picture of the current economic landscape

Purchasing Managers Index

The *Manufacturing* PMI rose to 48.3 in September, up from 47.4 in August, but nonetheless remained below the 50.0 no-change mark for a fifth consecutive month. The *Services* PMI fell below the 50.0 no-change mark to a six-month low of 49.5 in September, down from 50.6 in August. The *Construction* PMI fell to 43.3 in September from 45.0 in August, marking the eighth time in the past nine months it registered below the 50.0 no-change mark

Retail Sales

The volume (not value) of retail sales fell by 0.2% in August 2019, marking a decline from the 0.2% expansion posted in July. The underlying trend in the retail industry, as suggested by the three-month on three-month measure, was one of increasing sales, up 0.6% in August compared with the previous three months

Export Documents

Export documents fell by 10% month on month in August, to 3,185 from 3,535 in July, and by 5% y-o-y; this came after recording a 21% m-o-m and a 12% year on year increase in July

Credit Risk

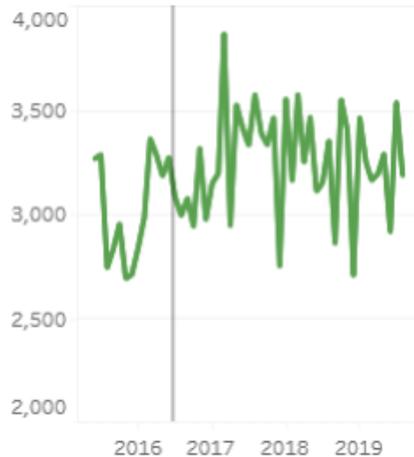
8.4% of firms in GM were reported as having 'high' credit risk in September 2019, compared with 7.2% for the UK. The top three sectors with the largest proportion of firms reported as having 'high' credit risk were *Accommodation and food services* with 28.2% (above the UK average of 21.8%), *Arts, entertainment and recreation* with 10.9% (above the UK average of 7.3%), and *Construction* with 10.8% (above the UK average of 9.8%)

Inward Investment

Inward investment in Greater Manchester created GVA of £1.7 million in July; this is compared to £54.3 million created and £7.2 million safeguarded in June. Year-to-date, Inward investment in Greater Manchester has created GVA of £245.1 million (up 23% compared to 2018) and safeguarded £7.2 million (down 94% compared to 2018)

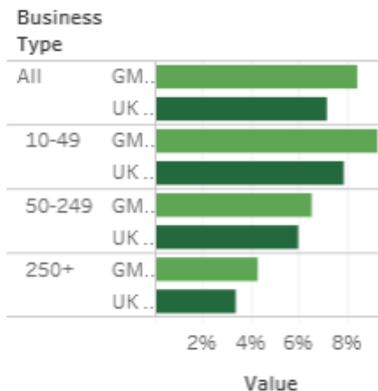
Greater Manchester Indicators

Export Documents

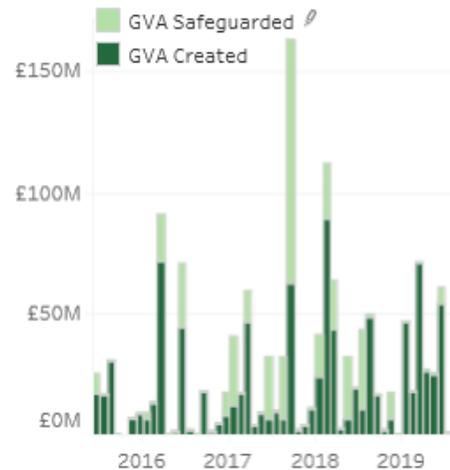


Credit Risk

% of SMEs reported as having 'high' credit risk



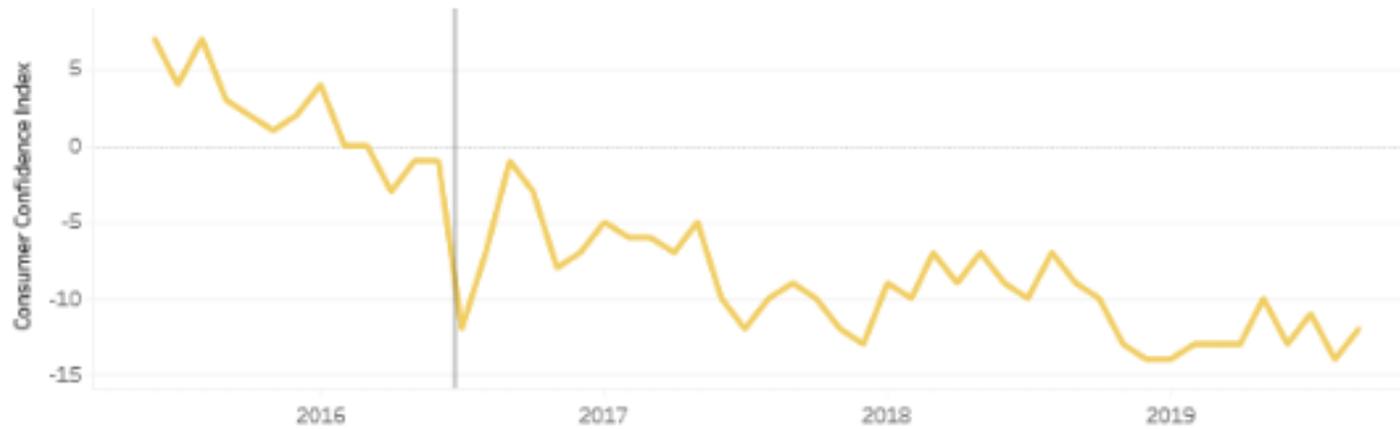
Inward Investment



National Indicators

PEOPLE

Consumer Confidence



The people variables track the wellbeing of people in GM in order to understand the material impacts of any potential economic downturn on GM residents

Consumer Confidence

The UK Consumer Confidence Index improved two points to -12 in September 2019, with improvements in all five measures (personal finances during the last 12 months, forecast for personal finances over the next 12 months, general economic situation, major purchases, and savings). However, the index nonetheless remains in negative territory, and below pre-referendum levels

Claimant Count

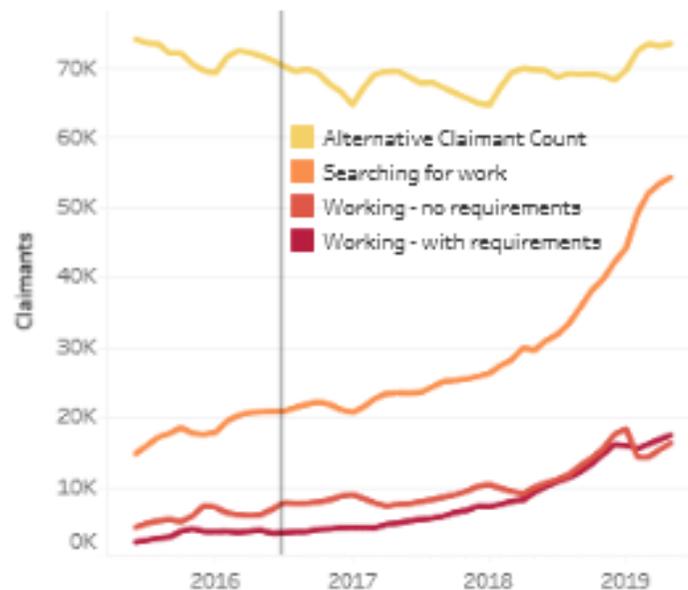
The Claimant Count – as reported by DWP in their experimental Alternative Claimant Count statistical series – in GM remained largely unchanged in May (latest available data) at 73,409 compared to 73,061 in April; it was also largely unchanged in the previous month. This was largely in line with national trends. The number of people *Searching for Work* continued to trend higher in July, rising by 4% to 58,149; meanwhile, the number of people *Working – with requirements*, also continued to trend higher in July, rising 5% to 19,363, as did the number of people *Working – no requirements*, rising 7% to 17,705. This was largely in line with national trends

Job Vacancies

Job vacancies increased by 15% in Q319 to 67,555, from 58,501 in Q219. This reversed three consecutive quarters of declines in job listings

Greater Manchester Indicators

Claimant Count



Job Vacancies

