

GREATER MANCHESTER BUSINESS INDEX





Host:

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Director of Brand and People

Greater Manchester Chamber of Commerce



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Business Services Partner

Armstrong Watson



Bank of England

Lydia Reid

Agent for the North West Region

Bank of England



Bank of England

Economic Update – **July 2026 MPR with September minutes update**

Lydia Reid, Agent for the North West Region



Big Picture: Agency Network



12 Regional agencies across the UK



4500 Discussions with business contacts



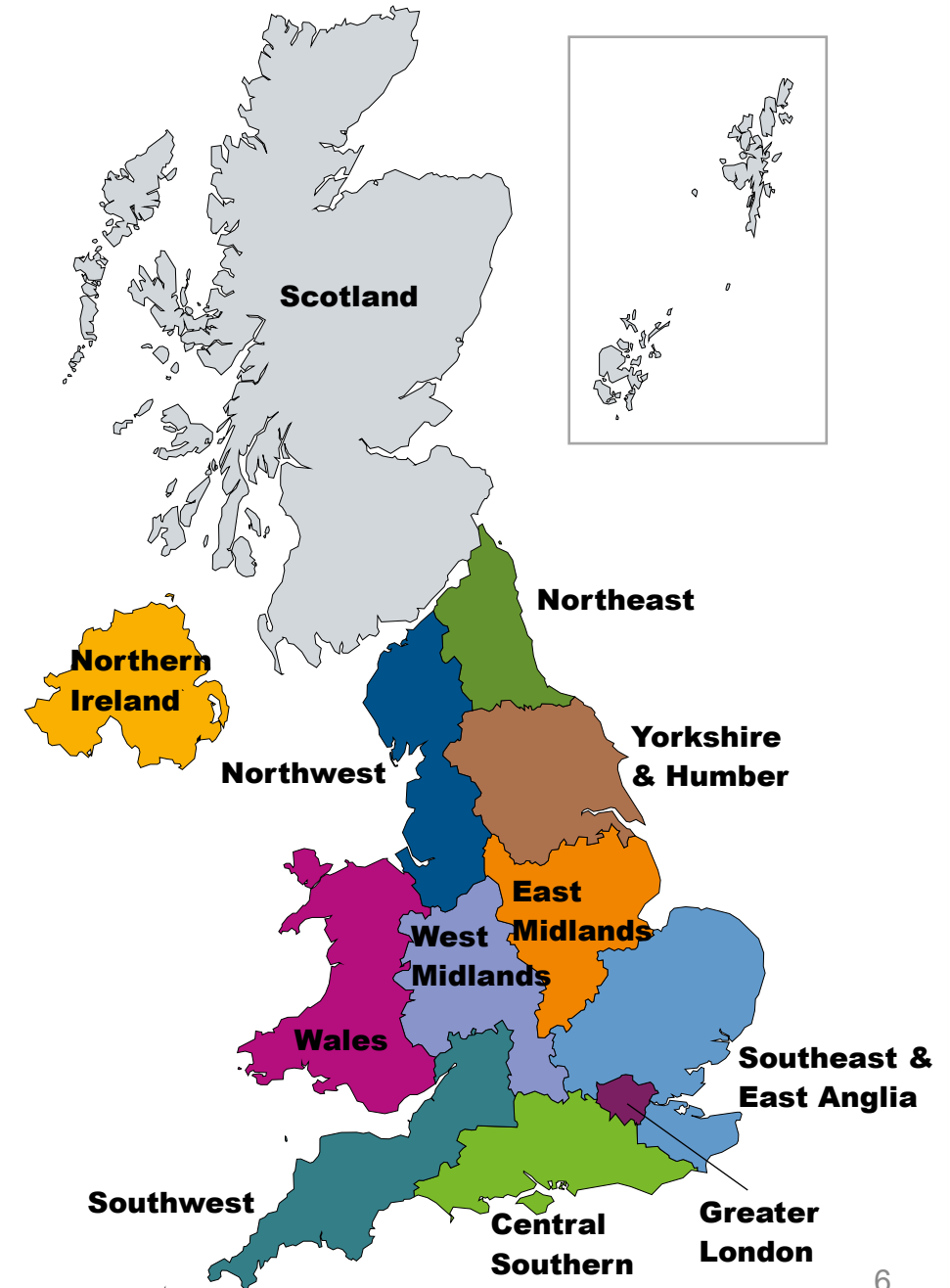
500 Presentations a year



60 Regional visits by senior policy makers



Publish the Agents' Summary of Business Conditions every round



Monetary Policy Committee (MPC)



Who? Mix of external* and internal members.

When? Meet every 6 weeks to set the Bank Rate. At every other meeting we publish a Monetary Policy Report

Purpose? Statutory target to keep inflation low and stable at 2% over time.

Back in February this was our inflation forecast...



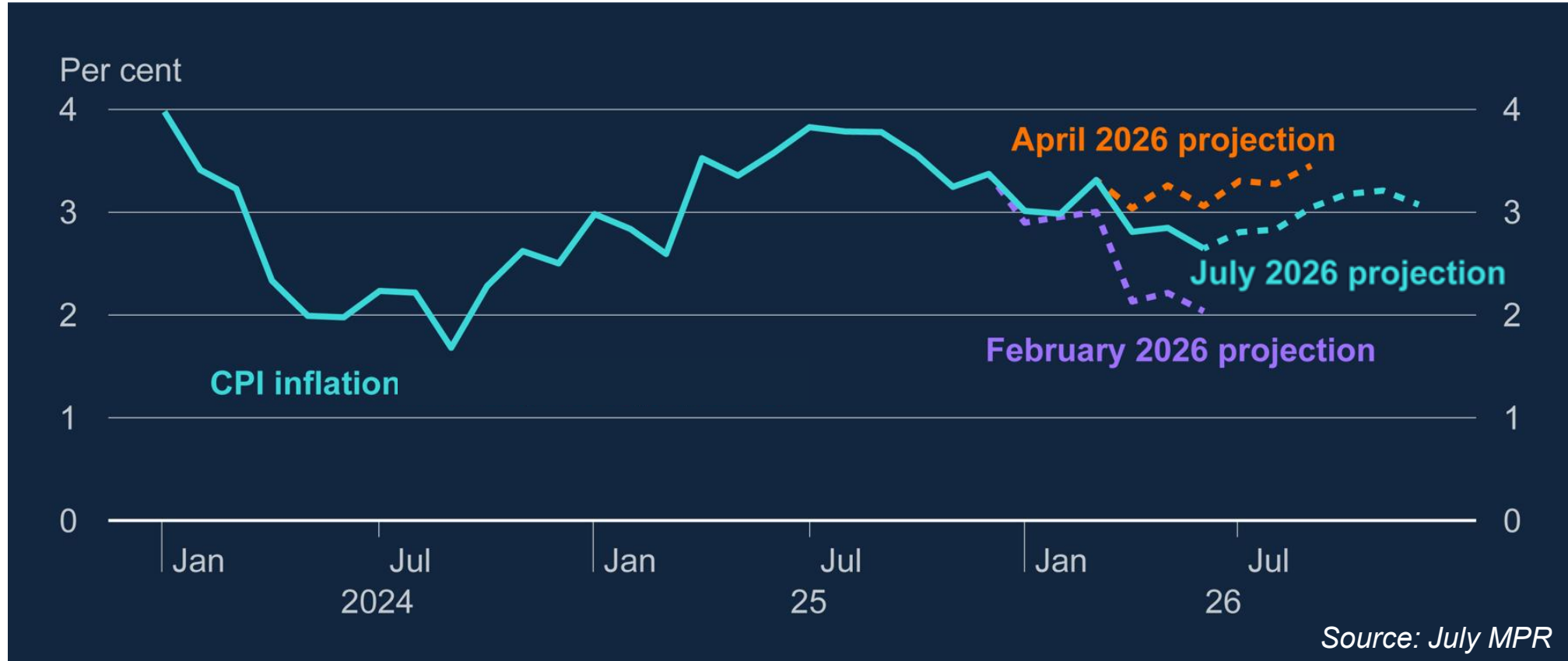
- The expectation was for inflation to reach around 2% this year from April onwards.
- Financial markets had priced in two interest rate cuts over the course of the year.
- Businesses were using words like “recovery”, “greenshoots”, “cautious optimism”.

By April, our inflation forecast had changed considerably....



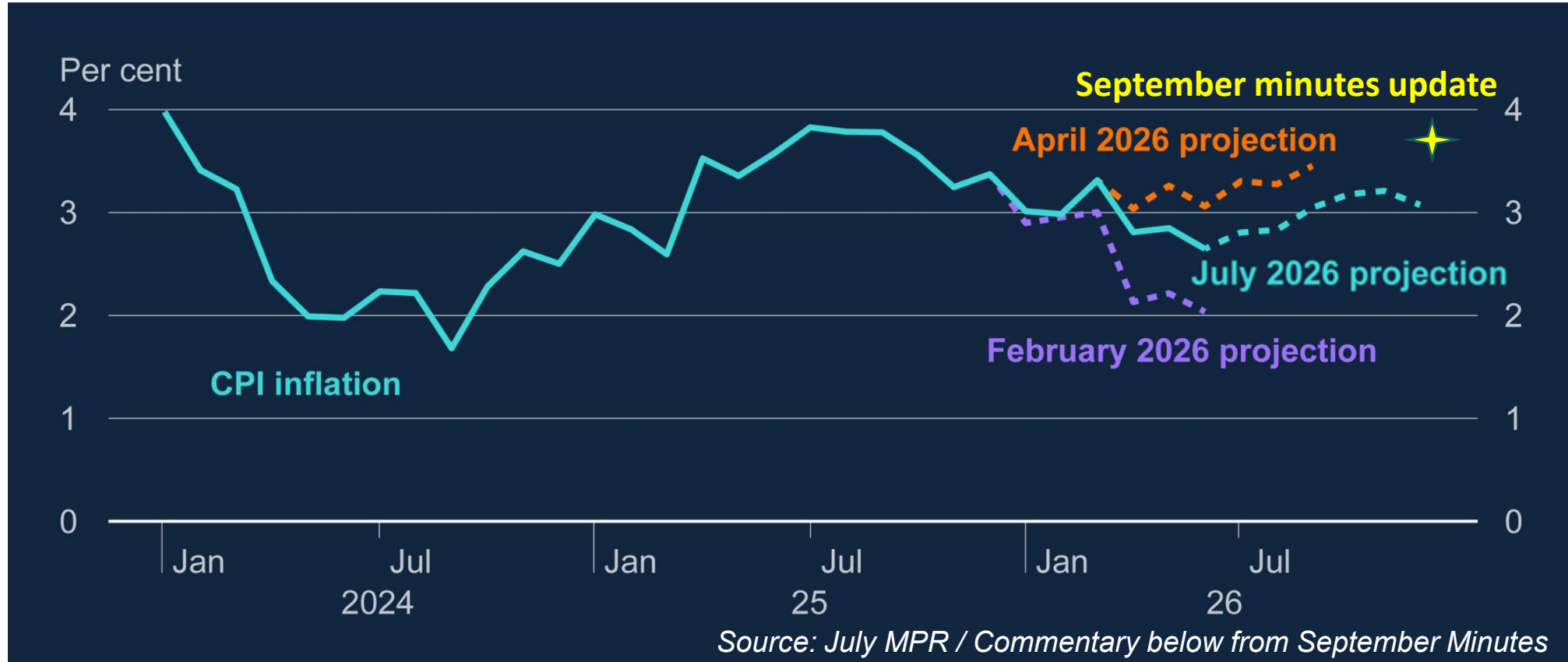
- A sharp rise in oil and gas prices had materially changed the inflation outlook.
- The timing of the Middle East conflict made the outlook unusually uncertain.
- The MPC therefore presented three scenarios rather than a single central projection.

By July, the outlook had improved, but uncertainty remained...



- Inflation had come in lower than expected at 2.6% in June, 0.4 pp below the April forecast.
- At the time of the July Report, oil prices had eased from recent peaks, but gas prices remained elevated and energy markets were volatile.
- The MPC returned to a central projection, with milder and adverse scenarios illustrating the risks.

By September, the near-term inflation outlook had deteriorated again...

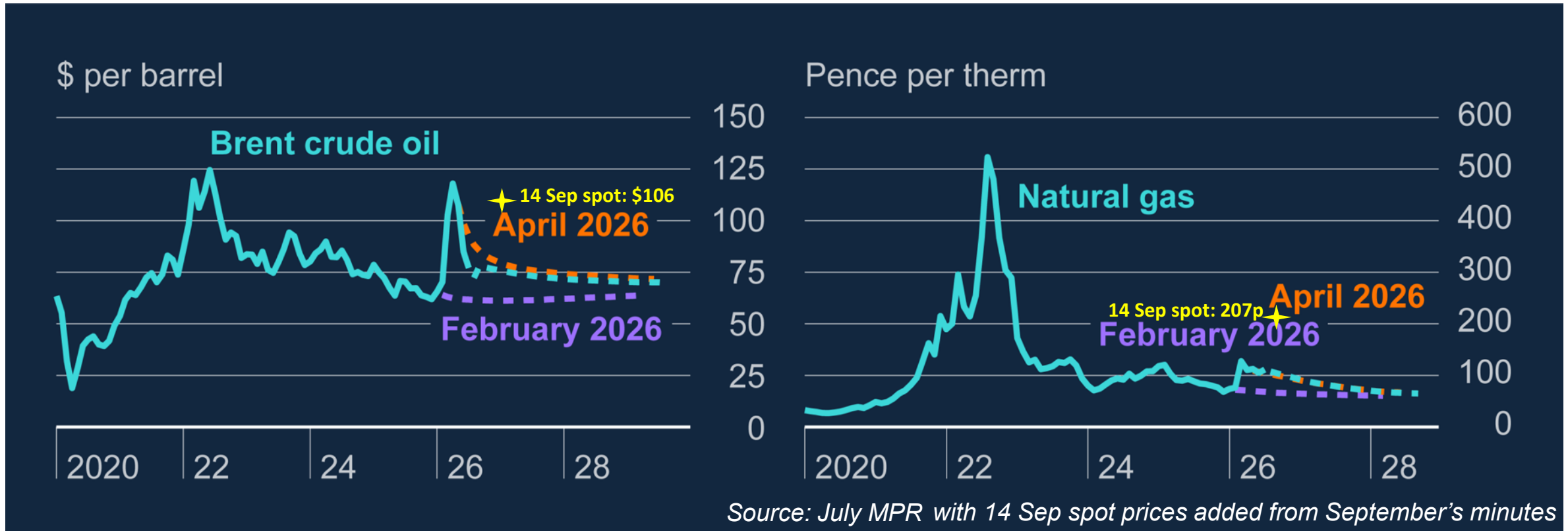


- CPI rose to 3.1% in August.
- Higher energy prices lifted the projection to around 3¾% in Q4, versus 3.2% in July.
- Inflation could rise slightly above 4% in early 2027.
- Risks are now more clearly tilted to the upside.

Summary

- Inflation rose to 3.1% in August; the September minutes indicated it was expected to reach around 3¾% in Q4 2026 and slightly above 4% in early 2027.
- Energy prices have risen significantly since July, shifting the near-term inflation outlook upwards and increasing upside risks.

Wholesale energy futures prices remain elevated relative to their levels prior to the conflict, but have been volatile

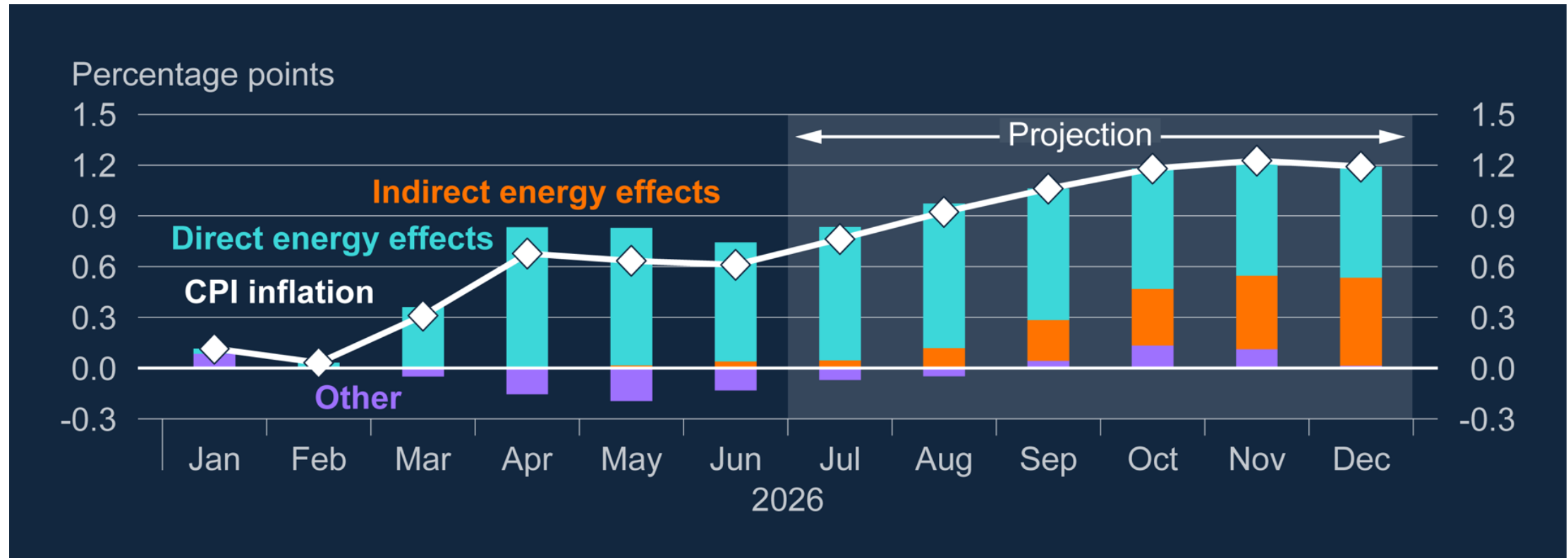


- At the time of the July Report, oil and gas prices had been volatile over the preceding three months. Crude prices were a little below their earlier peaks, but refining pressures meant pump prices had fallen by less, while gas prices remained elevated.
- By 14 September, Brent had risen to \$106 per barrel and UK wholesale gas to 207p per therm.

Summary

- Inflation rose to 3.1% in August; the September minutes indicated it was expected to reach around 3¾% in Q4 2026 and slightly above 4% in early 2027.
- Energy prices have risen significantly since July, shifting the near-term inflation outlook upwards and increasing upside risks.
- Indirect supply-chain effects have been limited so far, particularly for food, but may be delayed rather than avoided.

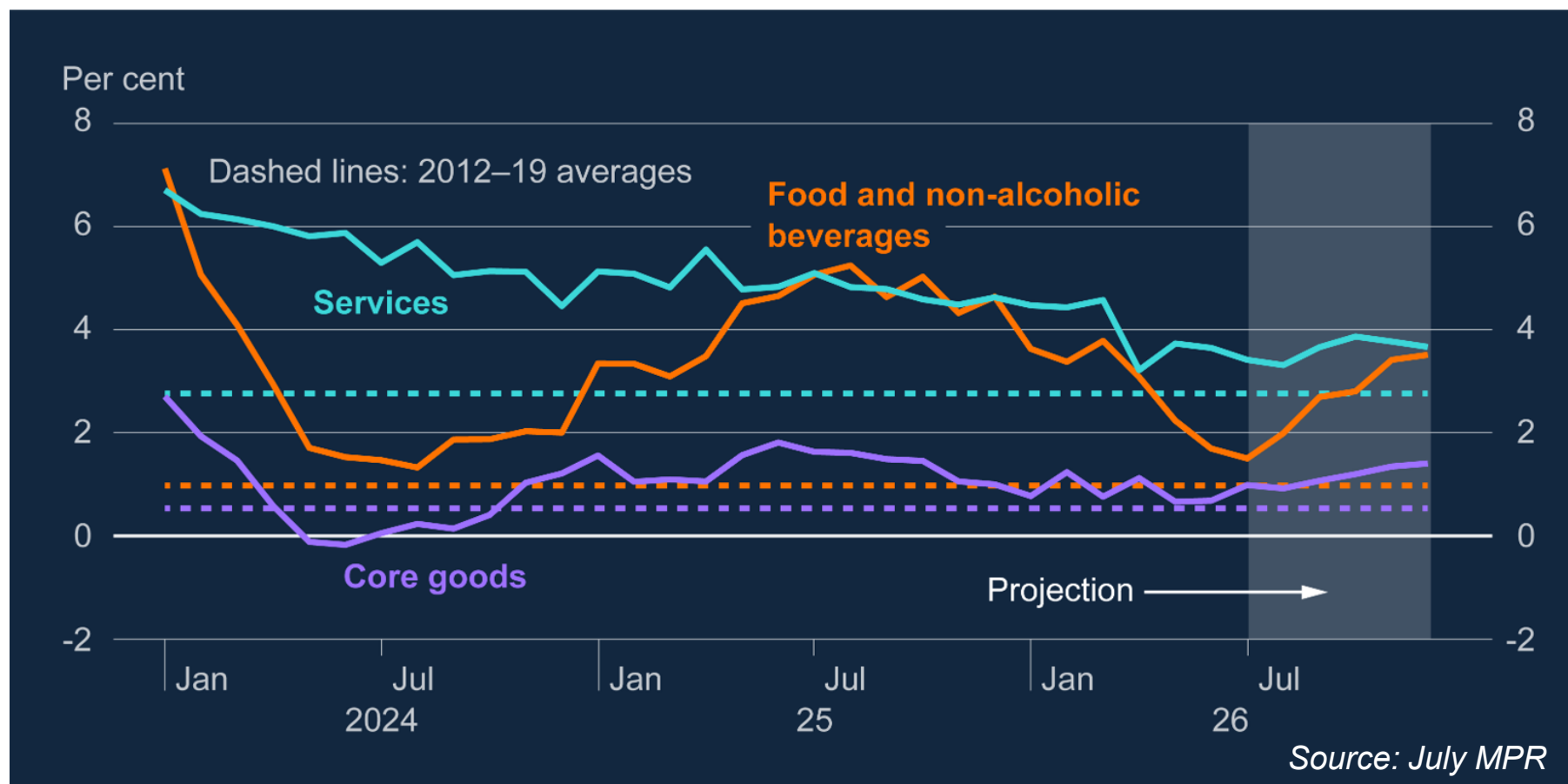
Indirect effects of higher energy costs have not yet fed materially into wider consumer prices



Source: July MPR

- Higher energy costs have not yet fed materially into wider consumer prices.
- Food inflation has been weaker than previously expected, partly as firms have absorbed costs, used hedges or drawn down reserves.
- These buffers may prove temporary: indirect effects could build if energy prices remain elevated.

Food inflation has been weaker than expected, but upside risks remain

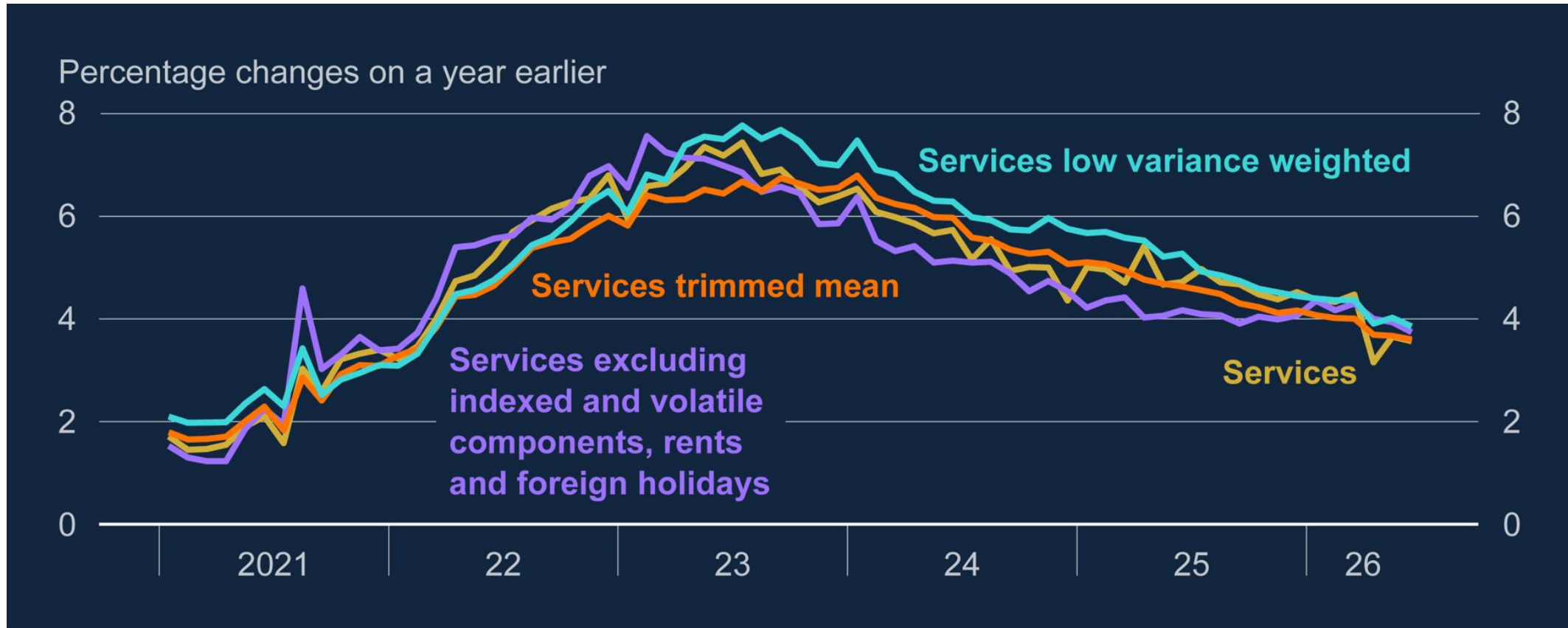


- Indirect energy pass-through has been limited so far, particularly for food.
- Agency contacts now expect food inflation of c. 4% at end-2026, below the 6–7% expected in April.
- Pressures may have been delayed rather than avoided, with risks from energy costs, drought and El Niño extending into 2027.

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- Indirect supply-chain effects have been limited so far, particularly for food, but may be delayed rather than avoided.
- Domestic inflation pressures continue to ease: services inflation was 3.4% in August and wage growth has slowed.

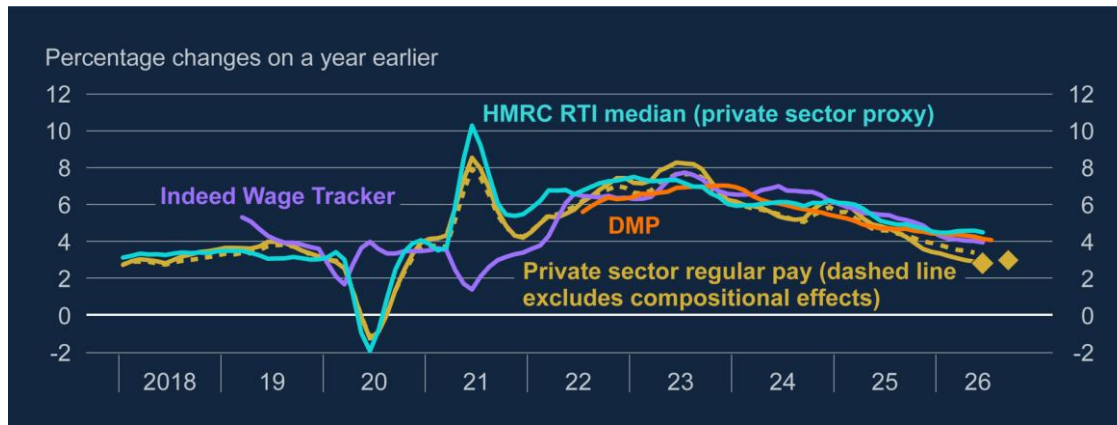
Underlying services inflation has eased, although it remains elevated



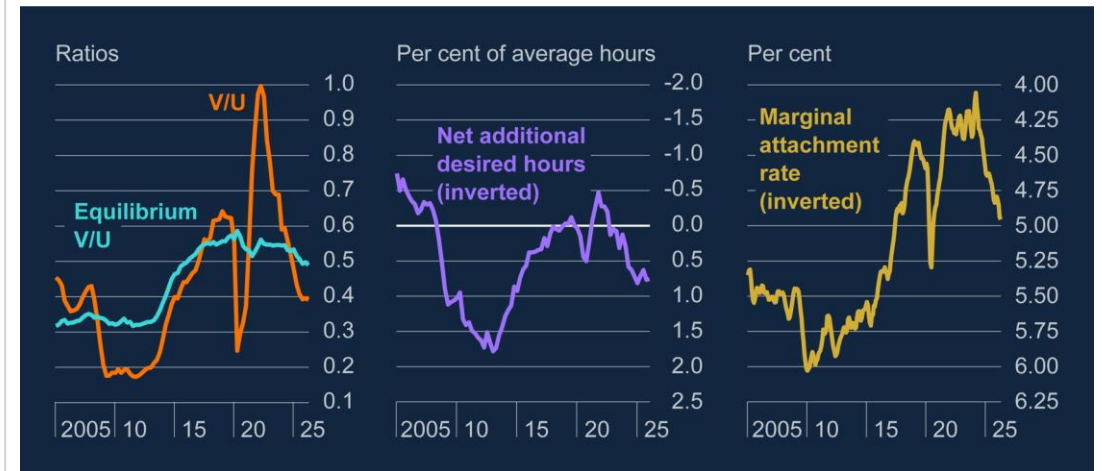
Source: July MPR; data to June 2026

- Measures of persistent domestic inflation eased during the first half of 2026.
- Services inflation was 3.4% in August, unchanged from July but down from 4.5% in March.

Wage growth has slowed, while the labour market remains soft



Source: July MPR



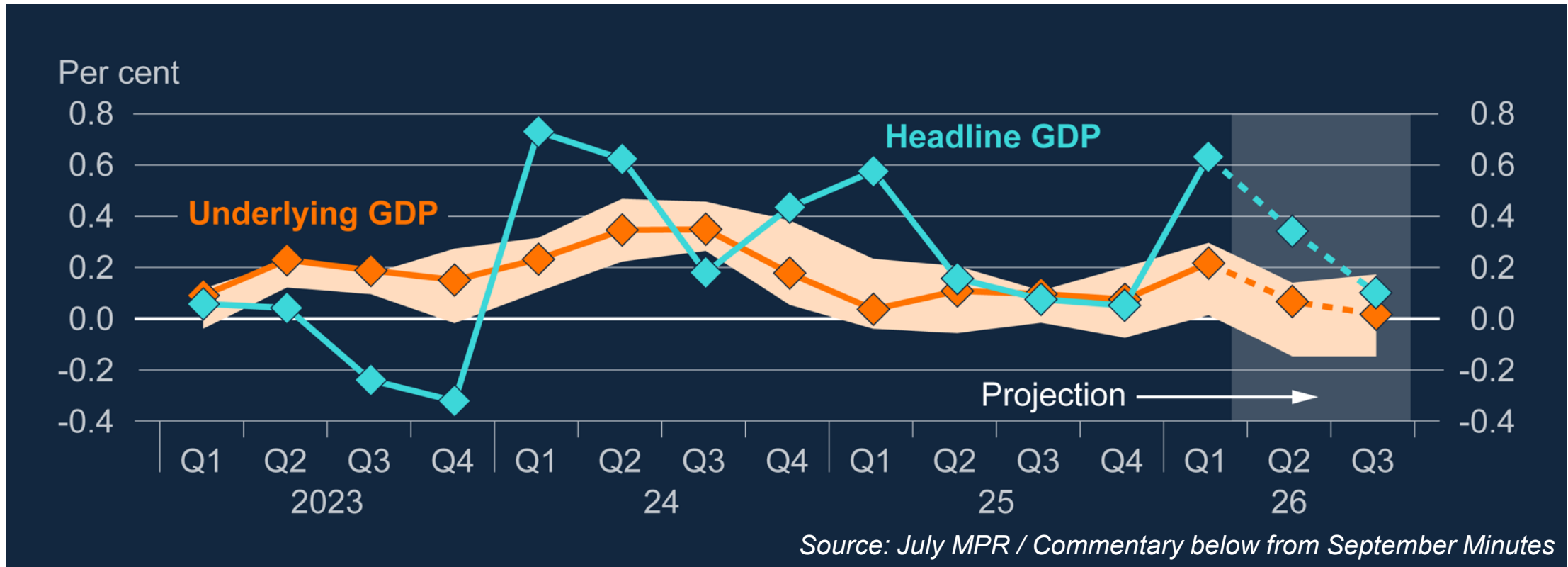
Source: July MPR

- Private-sector regular pay growth fell to 2.9% in the three months to July.
- Broader indicators suggest underlying private-sector wage growth of around 3½%
- Unemployment remained 4.9% and vacancies continued to decline, although some employment indicators have recently stabilised.

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- Indirect supply-chain effects have been limited so far, particularly for food, but may be delayed rather than avoided.
- Domestic inflation pressures continue to ease: services inflation was 3.4% in August and wage growth has slowed.
- Growth has been more resilient than expected, although soft labour-market conditions and tighter financial conditions remain headwinds.

Activity has been more resilient than expected, although growth remains uneven

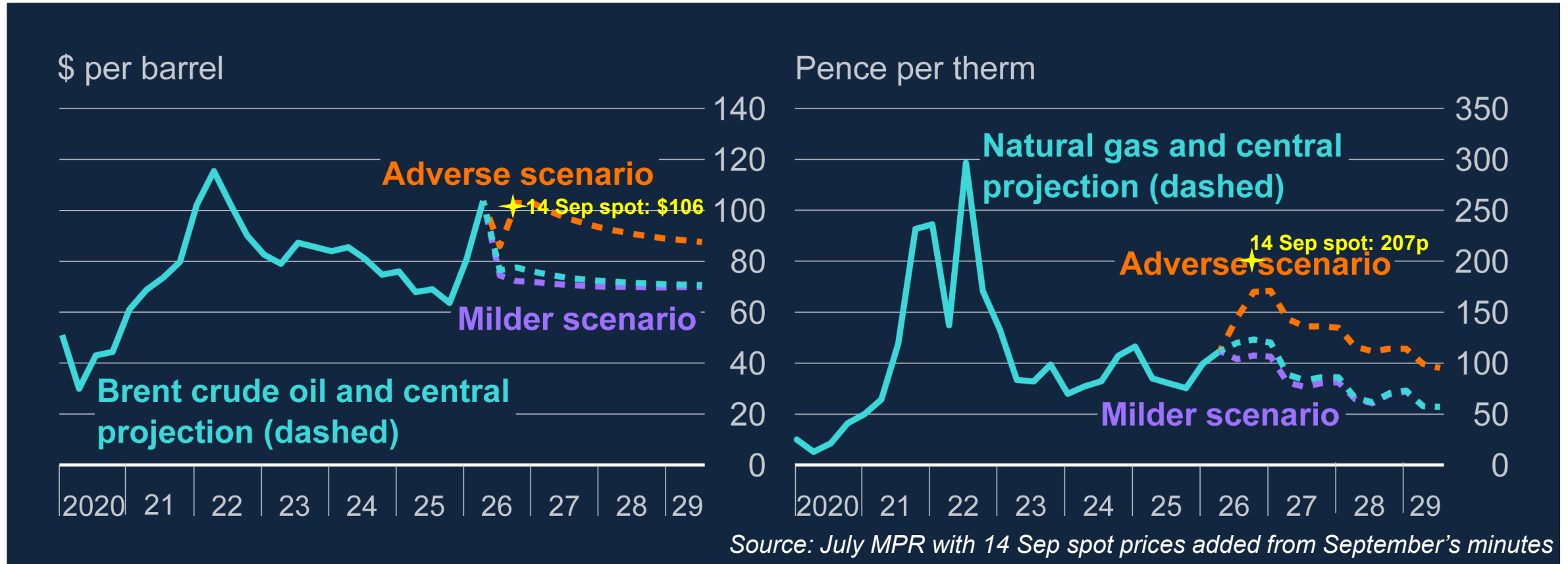


- GDP grew by 0.4% in Q2, slightly above the July forecast.
- Monthly GDP also increased by 0.4% in July.
- Business surveys and Agents' intelligence have improved somewhat, but continue to suggest more modest and uneven growth than recent headline GDP data.

Summary

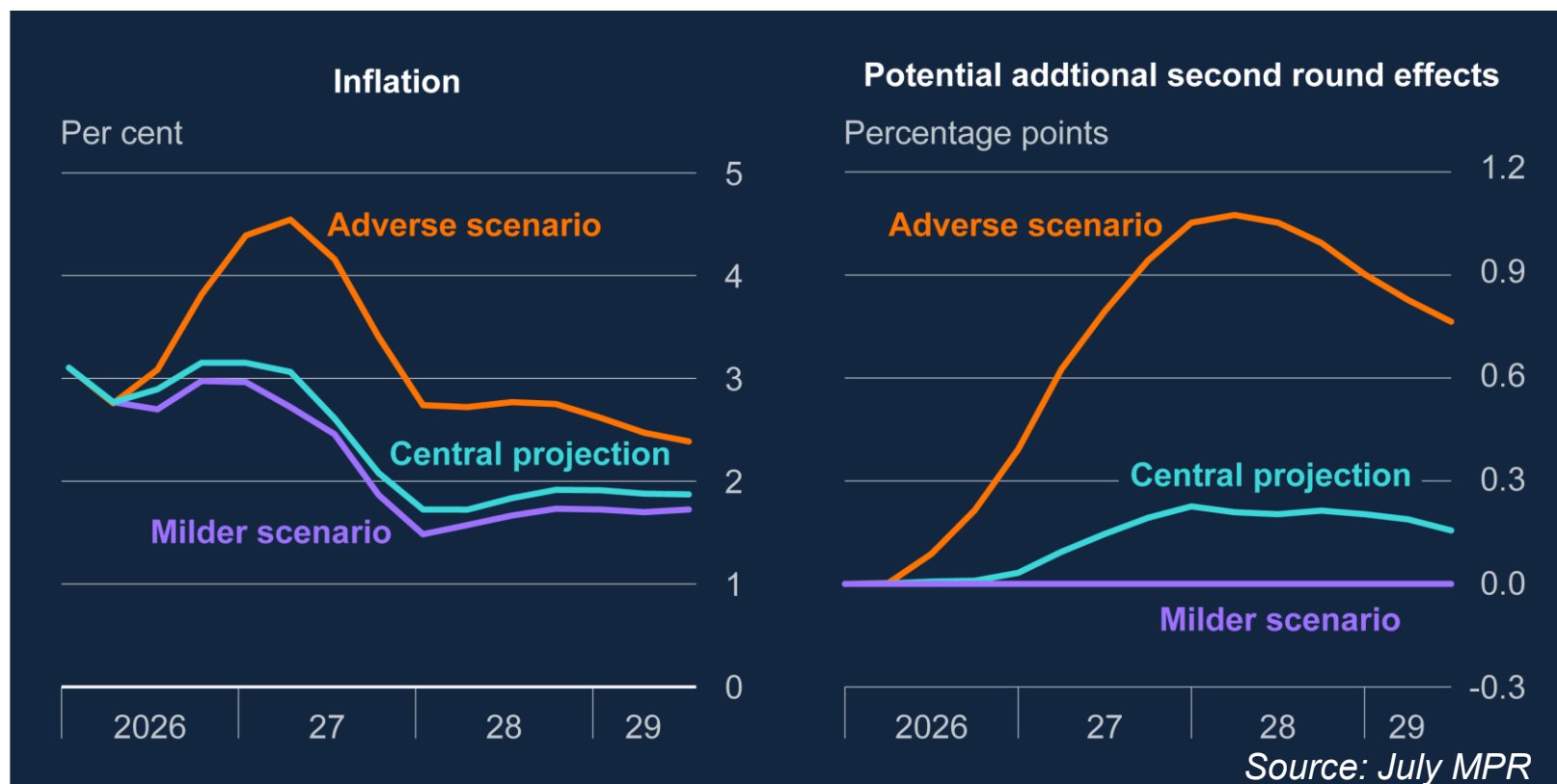
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- Indirect supply-chain effects have been limited so far, particularly for food, but may be delayed rather than avoided.
- Domestic inflation pressures continue to ease: services inflation was 3.4% in August and wage growth has slowed.
- Growth has been more resilient than expected, although soft labour-market conditions and tighter financial conditions remain headwinds.
- The July scenarios remain a useful framework for assessing risks around energy prices and second-round effects.

Energy prices have moved closer to July's adverse scenario



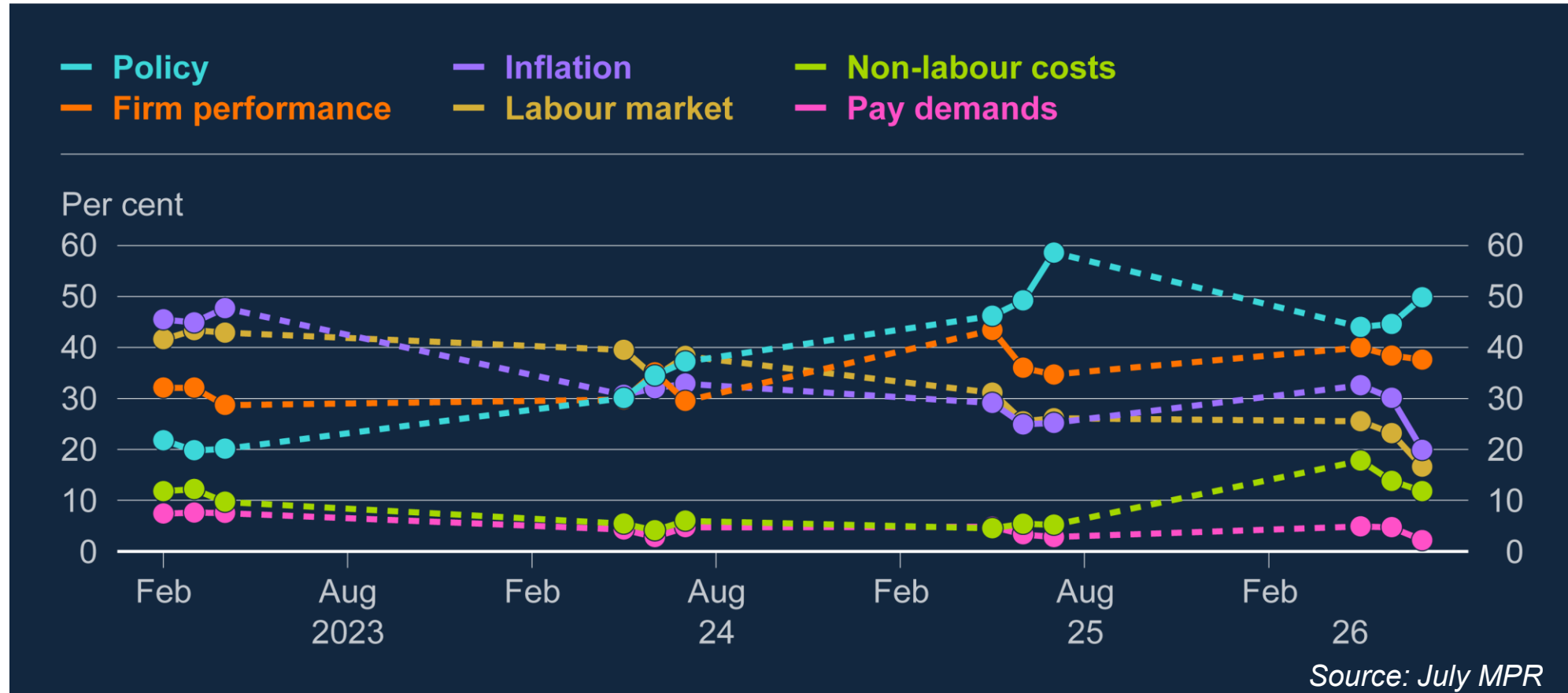
- Since the July Report, Brent oil and UK wholesale gas prices have risen by 36% and 78% respectively.
- On 14 September, Brent was \$106 per barrel and UK gas 207p per therm (added in yellow).
- Spot prices are now closer to the July adverse scenario, although this could change.

Inflation persistence depends on whether second-round effects emerge



- These are July MPR scenarios. September's update moves near-term inflation closer to the adverse path, largely because of higher energy prices.
- However, the adverse scenario also assumes strong and persistent second-round effects, for which evidence remains limited.
- It therefore represents an increasing risk rather than the current outlook in full.

Evidence of second-round effects remains limited, but the 2027 pay round will be important



- July survey evidence showed fewer firms citing inflation as an influence on wage growth and more recent indicators remain relatively reassuring.
- However, much of the 2026 pay round preceded the energy shock, so its effect may emerge during 2027 wage-setting.

Summary

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- Domestic inflation pressures continue to ease: services inflation was 3.4% in August and wage growth has slowed.
- Growth has been more resilient than expected, although soft labour-market conditions and tighter financial conditions remain headwinds.
- The July scenarios remain a useful framework for assessing risks around energy prices and second-round effects.
- In September, the MPC held Bank Rate at 3.75% by 6–3 and judged inflation risks to be further tilted to the upside.

How did each member vote in September?



Andrew Bailey >
Governor, Bank of England
3.75



Sir Dave Ramsden >
Deputy Governor, Markets & Banking
3.75



Sarah Breeden >
Deputy Governor, Financial Stability
3.75



Clare Lombardelli >
Deputy Governor, Monetary Policy
3.75



Dr Swati Dhingra >
External member, Monetary Policy Committee
3.75



Megan Greene >
External member, Monetary Policy Committee
4.00



Professor Alan Taylor >
External member, Monetary Policy Committee
3.75



Catherine L Mann >
External member, Monetary Policy Committee
4.00

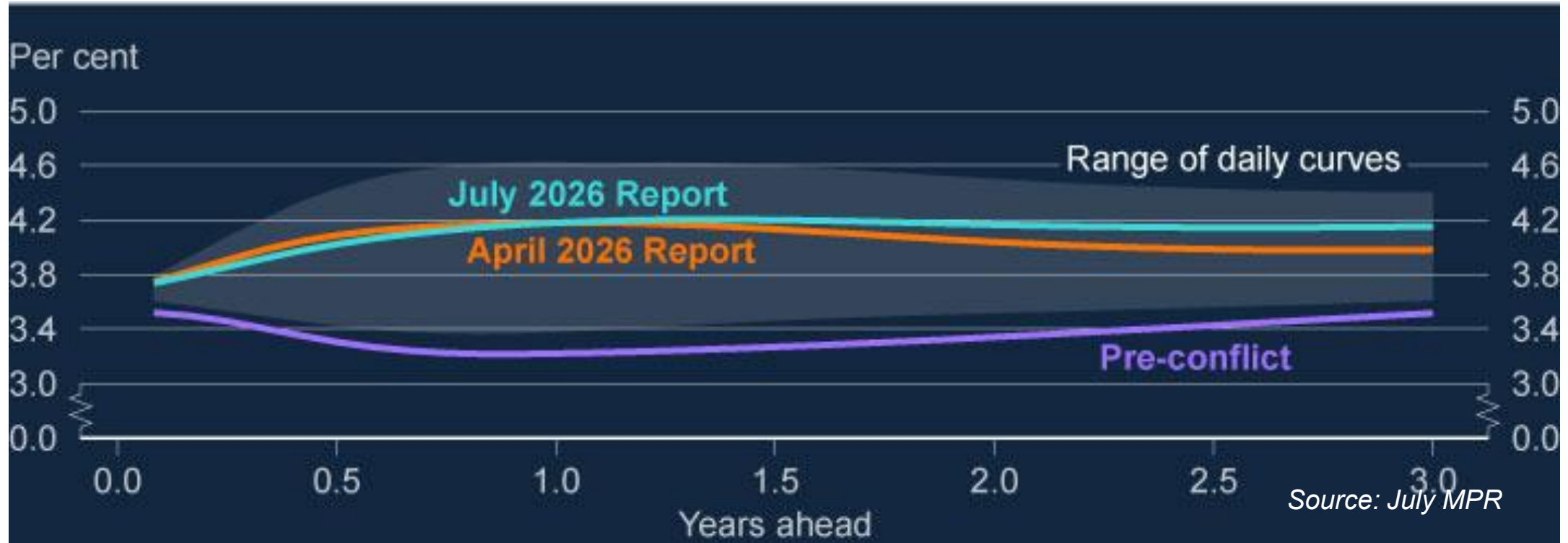


Huw Pill >
Chief Economist and Executive Director, Monetary Analysis
4.00

Next decision including a new forecast and minutes is 5 Nov

The MPC voted 6-3 to hold Bank Rate at 3.75%

Market interest-rate expectations have shifted higher since the conflict began



- Market interest rates have risen further since July, as illustrated above.
- The market-implied path is higher, although this partly reflects greater uncertainty rather than a firm expectation of rate rises.
- Higher rates have already passed into business lending and mortgages.

September's Agents' Summary of Business Conditions

GROWTH

Patchy improvement

Activity has improved in parts of business services and manufacturing, with investment intentions improving slightly.

Consumers remain cautious, while construction and property activity remain weak.

LABOUR MARKET

Easing pressures

Employment intentions are broadly flat, recruitment difficulties have eased and spare capacity persists.

Average 2026 pay settlements are 3.6%; early indications suggest similar or slightly lower settlements in 2027.

PRICES

Cost pressures persist

Energy-related and other input costs continue to edge up. Competitive conditions are limiting pass-through.

Margins remain under pressure, although efficiency savings and some price increases are providing modest relief.

Activity has improved in some sectors, but conditions remain uneven and cost pressures persist.

Bank of England

If you'd like to join our mailing list or continue the conversation:



Lydia Reid & Ken Clark, Agents for the North West

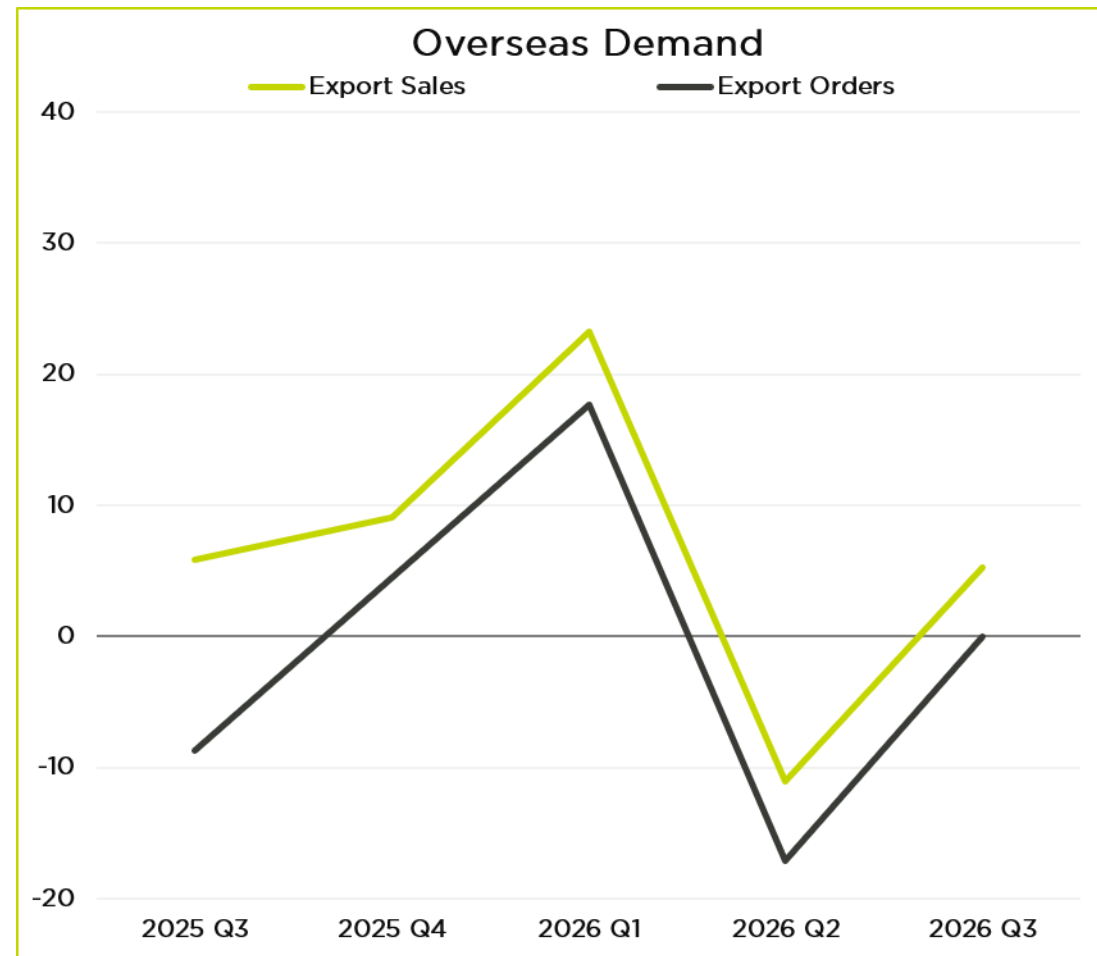
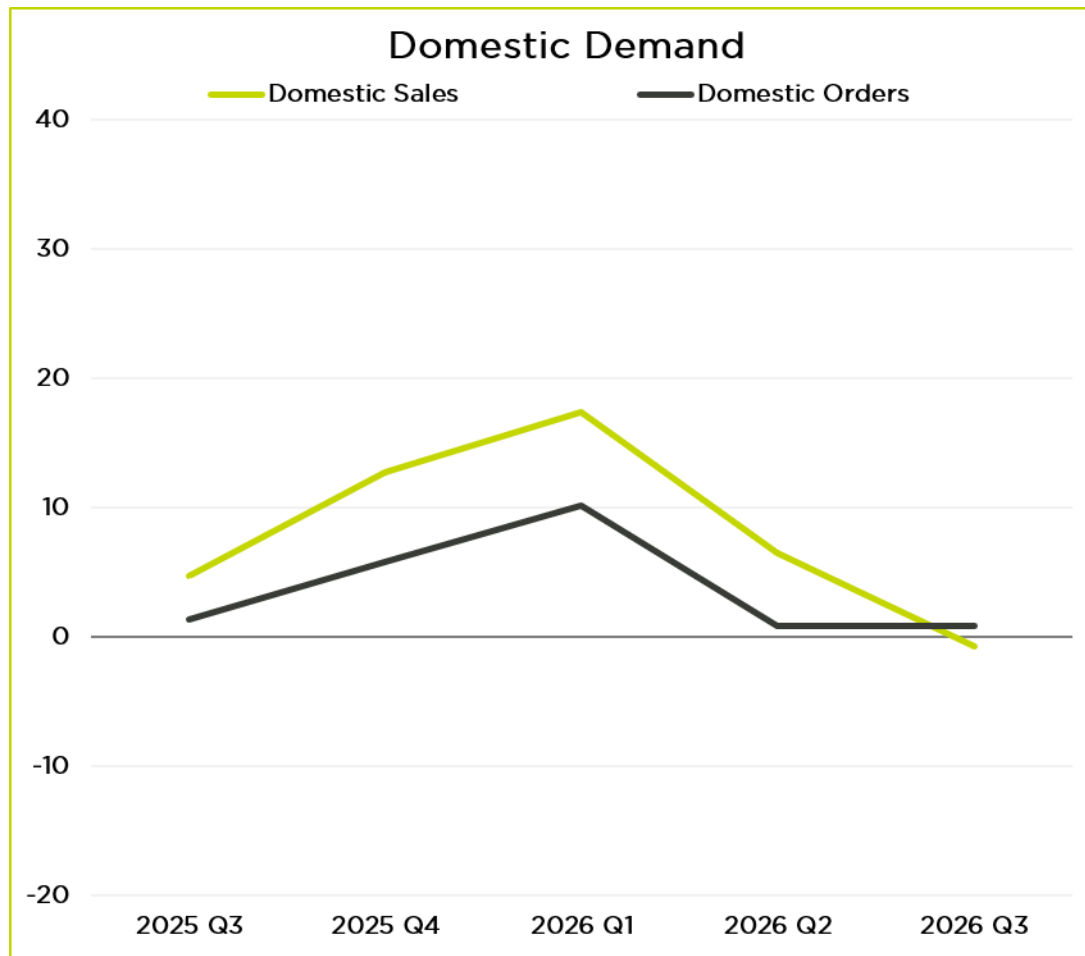


Greater Manchester Business Index

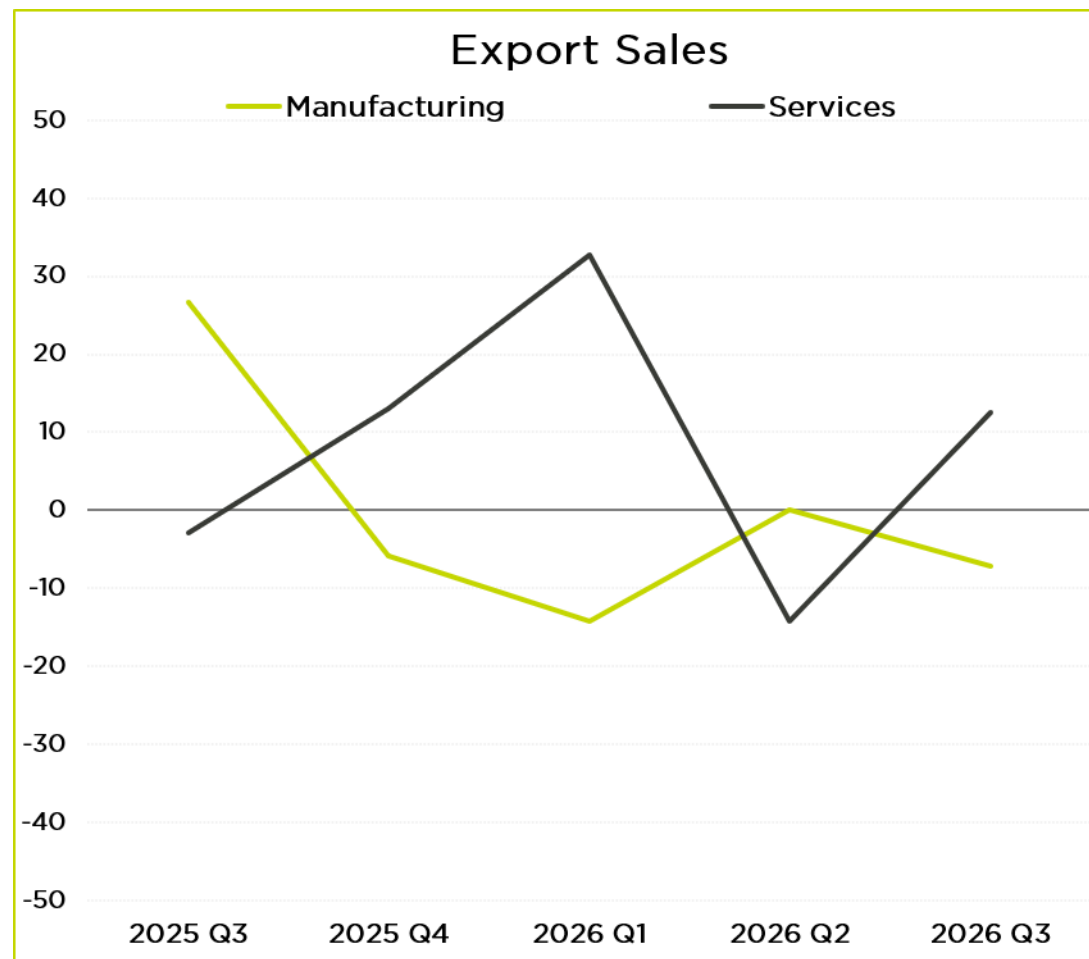
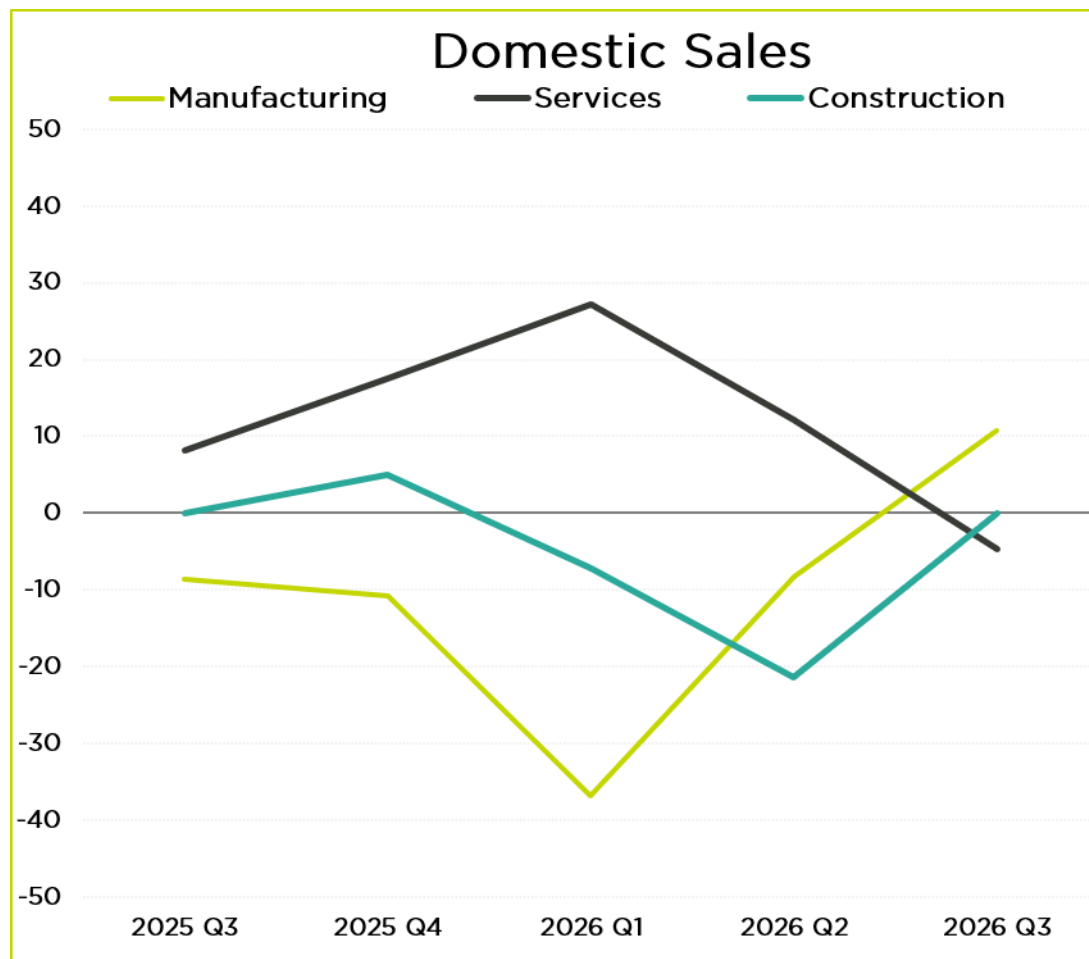
Subrahmaniam Krishnan-Harihara
Director of Business Policy & Research
Greater Manchester Chamber of Commerce

Rupert Greenhalgh
Head of Business Intelligence
The Growth Company

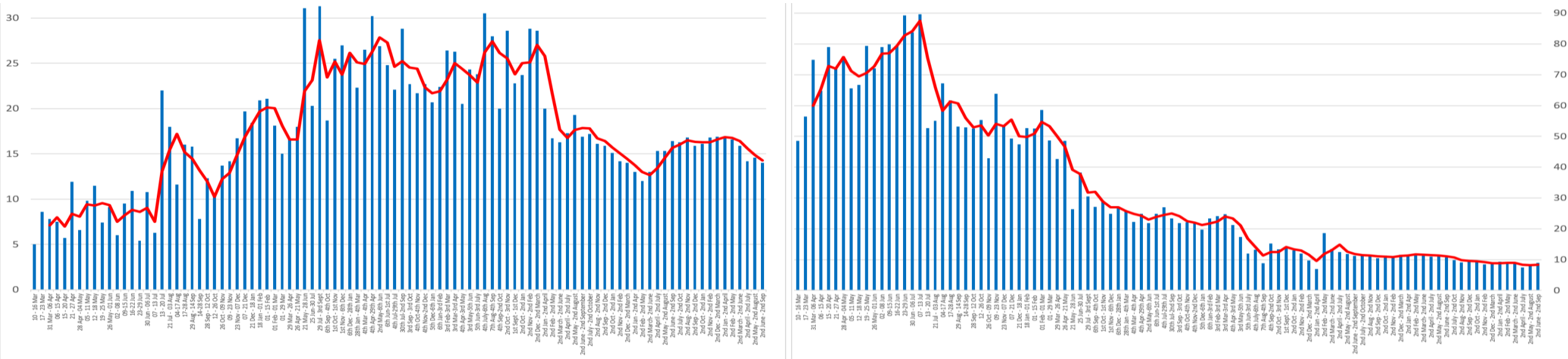
Customer Demand



Customer Demand

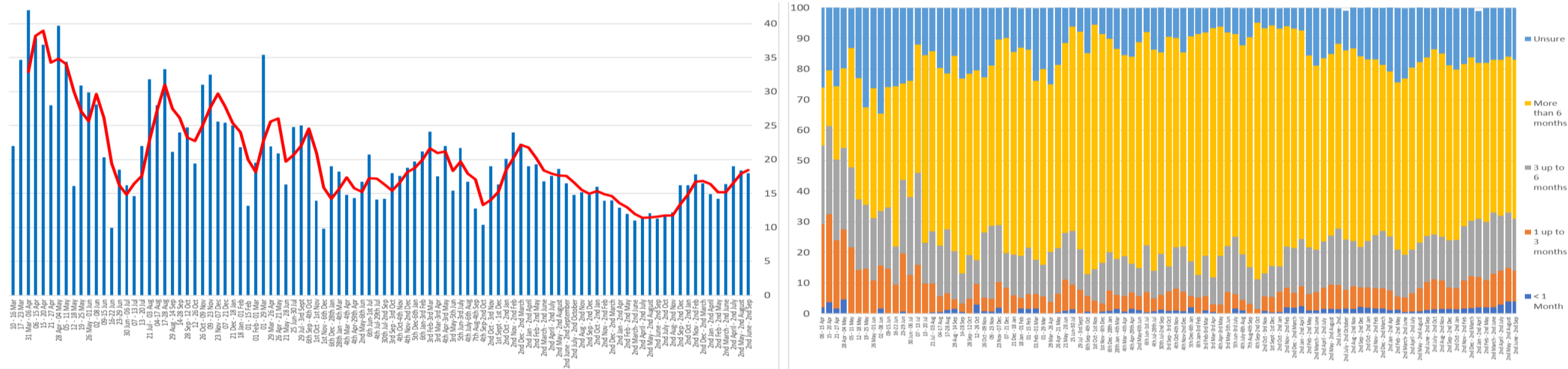


Increasing sales vs decreasing sales



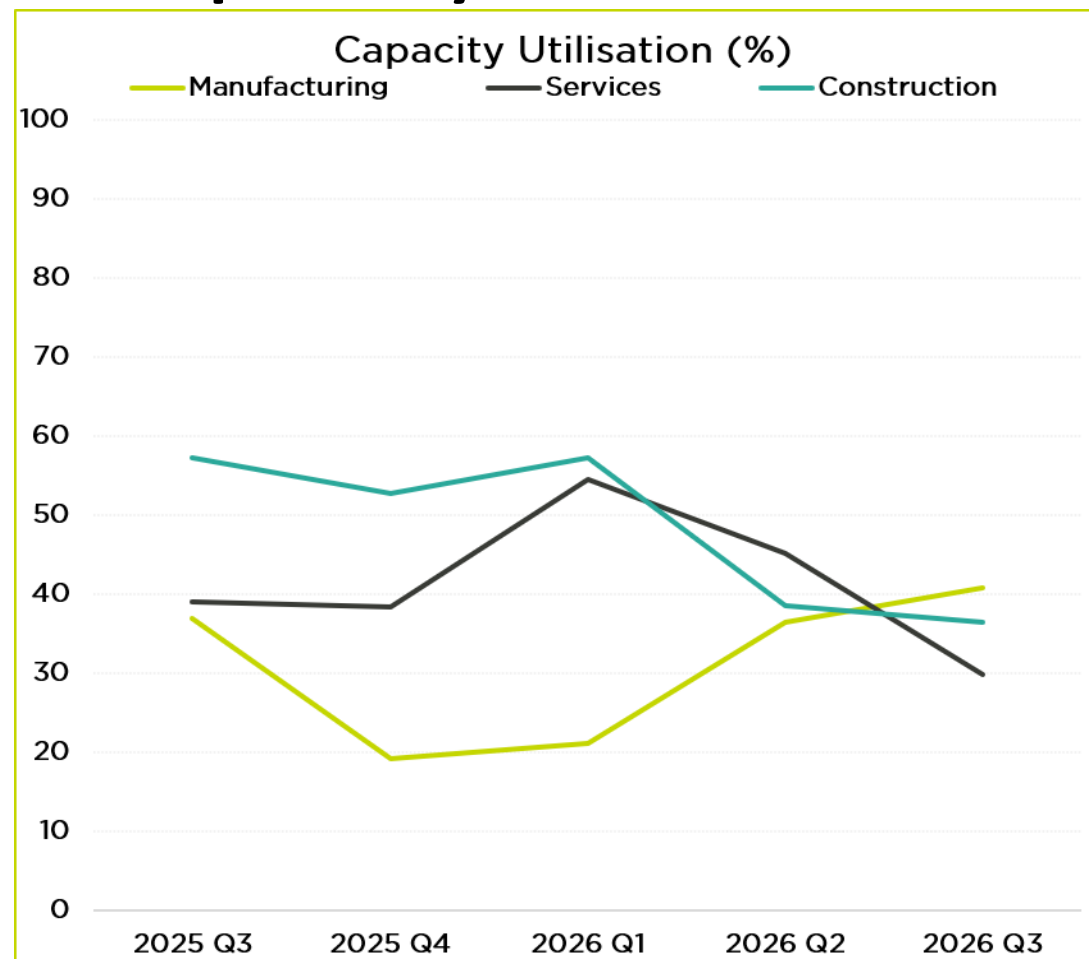
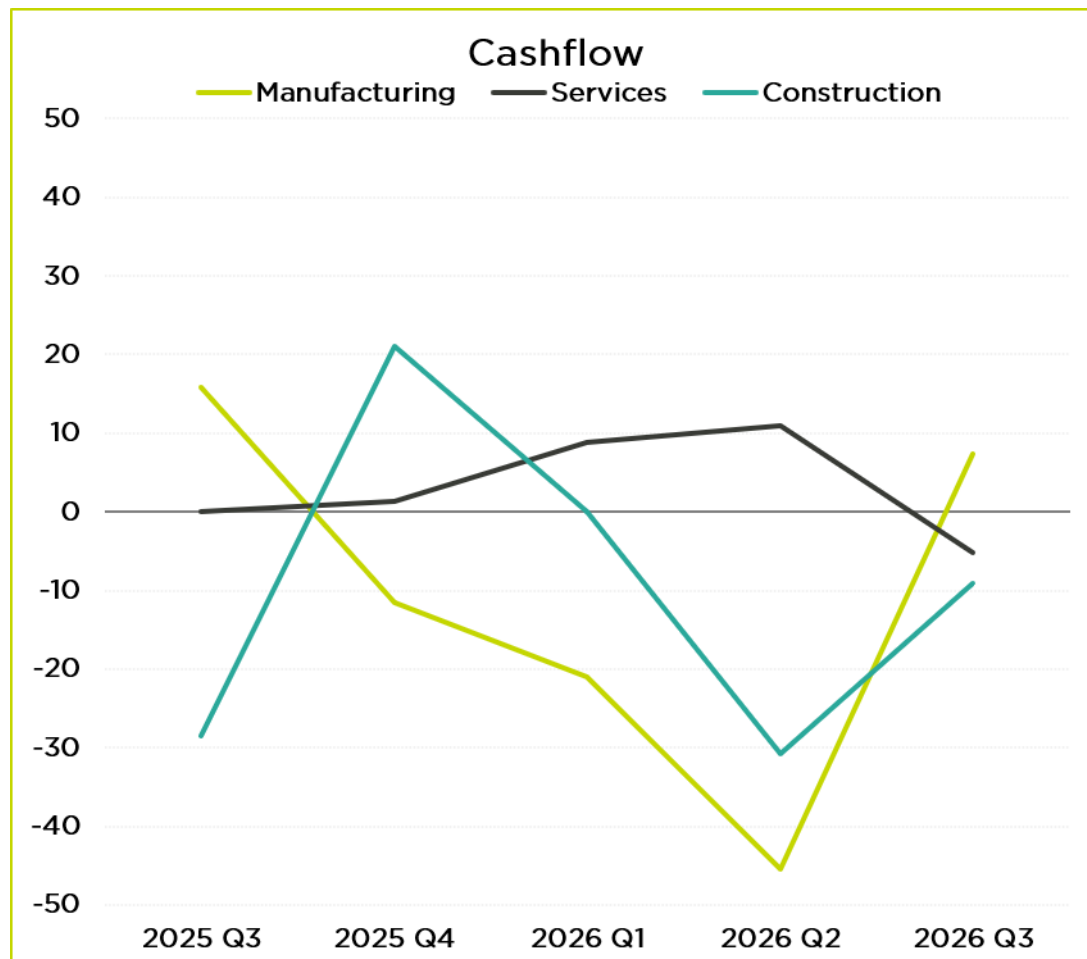
- 14% (vs 15%) of firms reported an increase in sales
- 9% (vs 8%) reported decreased sales in the last 12 weeks
- 65% (vs 64%) expect profits to increase in the year ahead
- Most optimistic about future profitability: Retail, Tourism, DCTs, Education, and Healthcare

Cashflow and Reserves

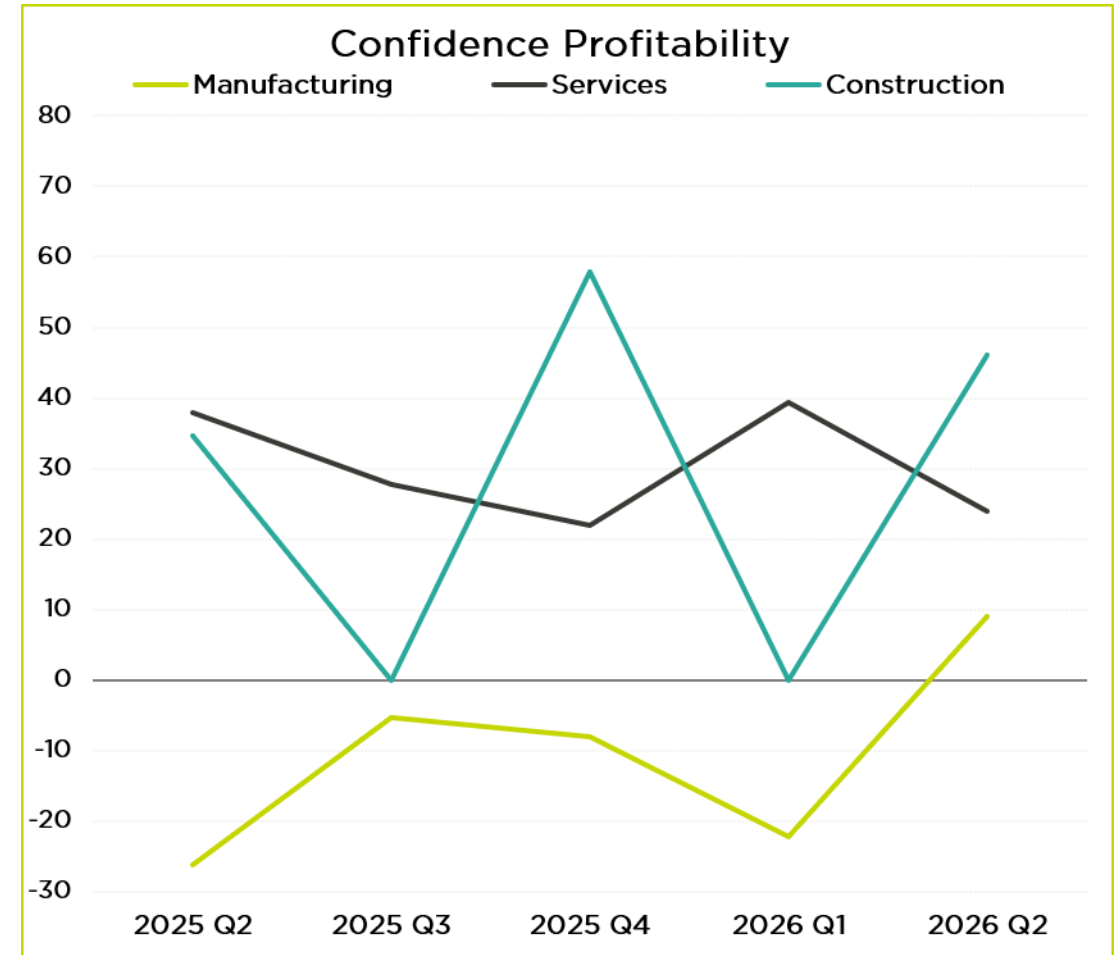
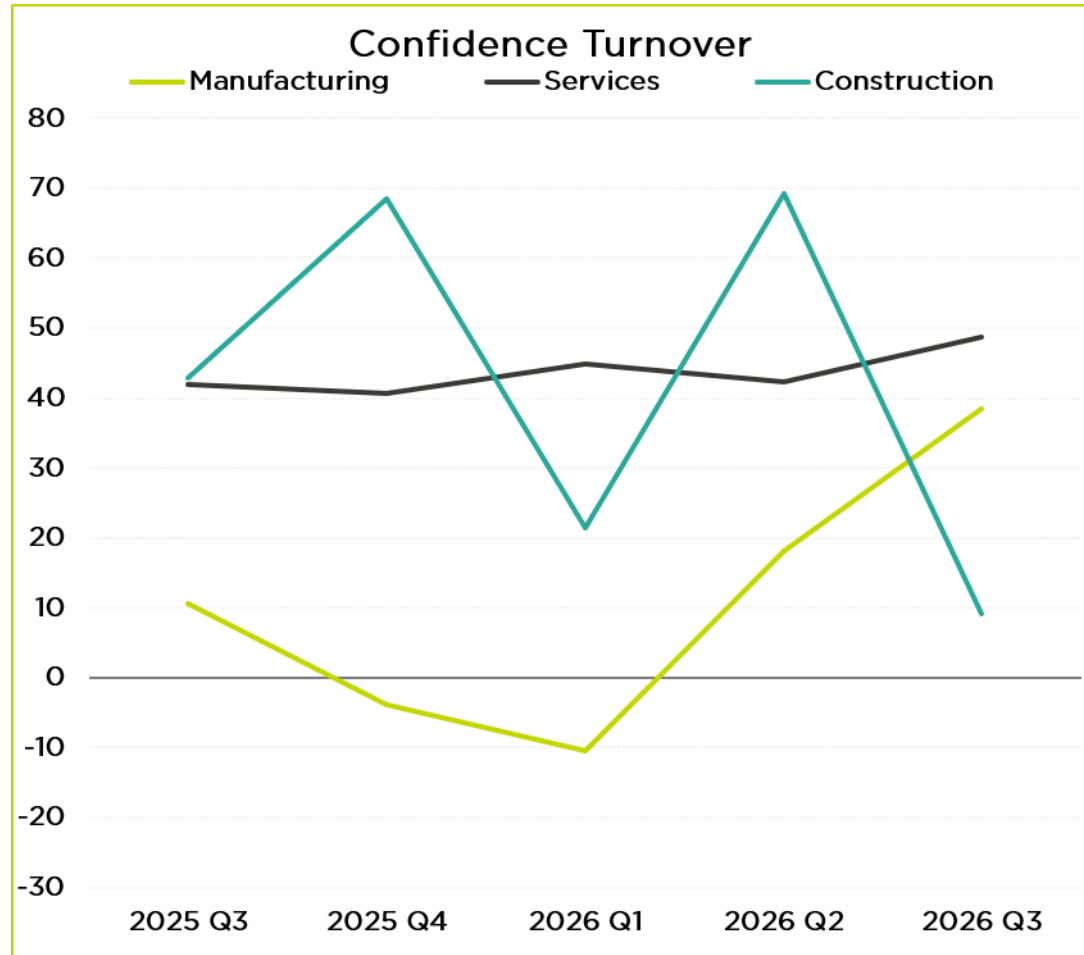


- 18% (unchanged) of firms reported cashflow problems.
- Micro firms (<49 emps) were more likely to face this challenge than larger SMEs (50–249+ FTEs).
- Higher cashflow risk reported in Retail, Tourism, Healthcare, and Other Services.
- Whilst consumer confidence improving over summer, still below that seen pre-COVID

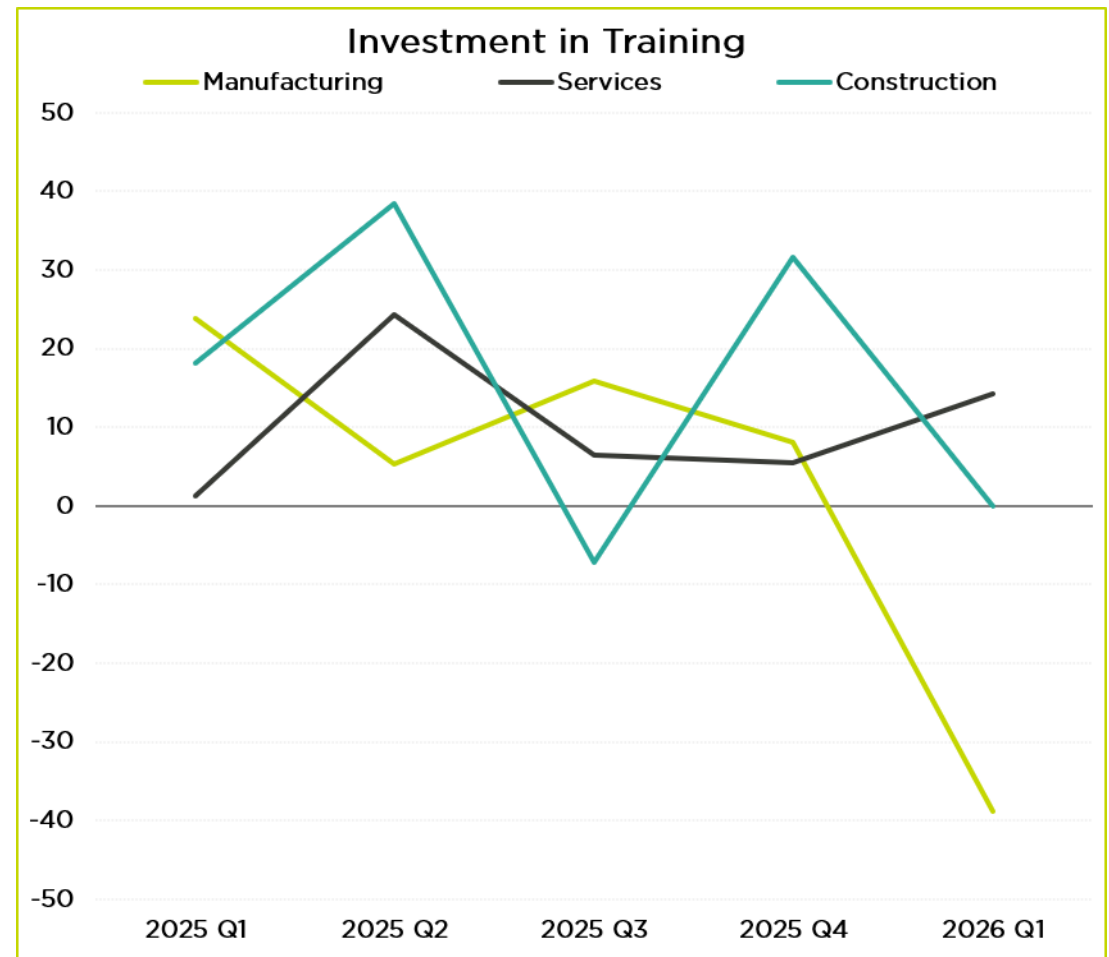
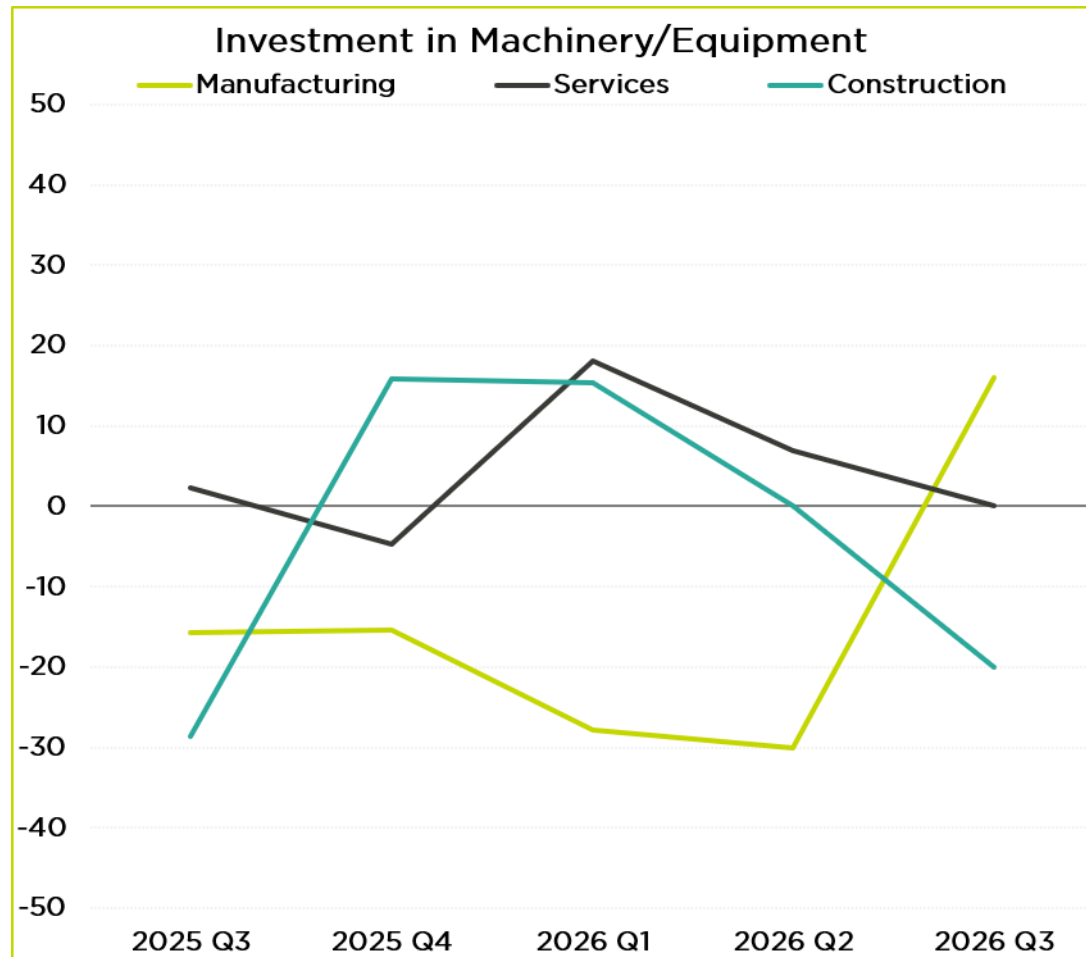
Cashflow and Capacity



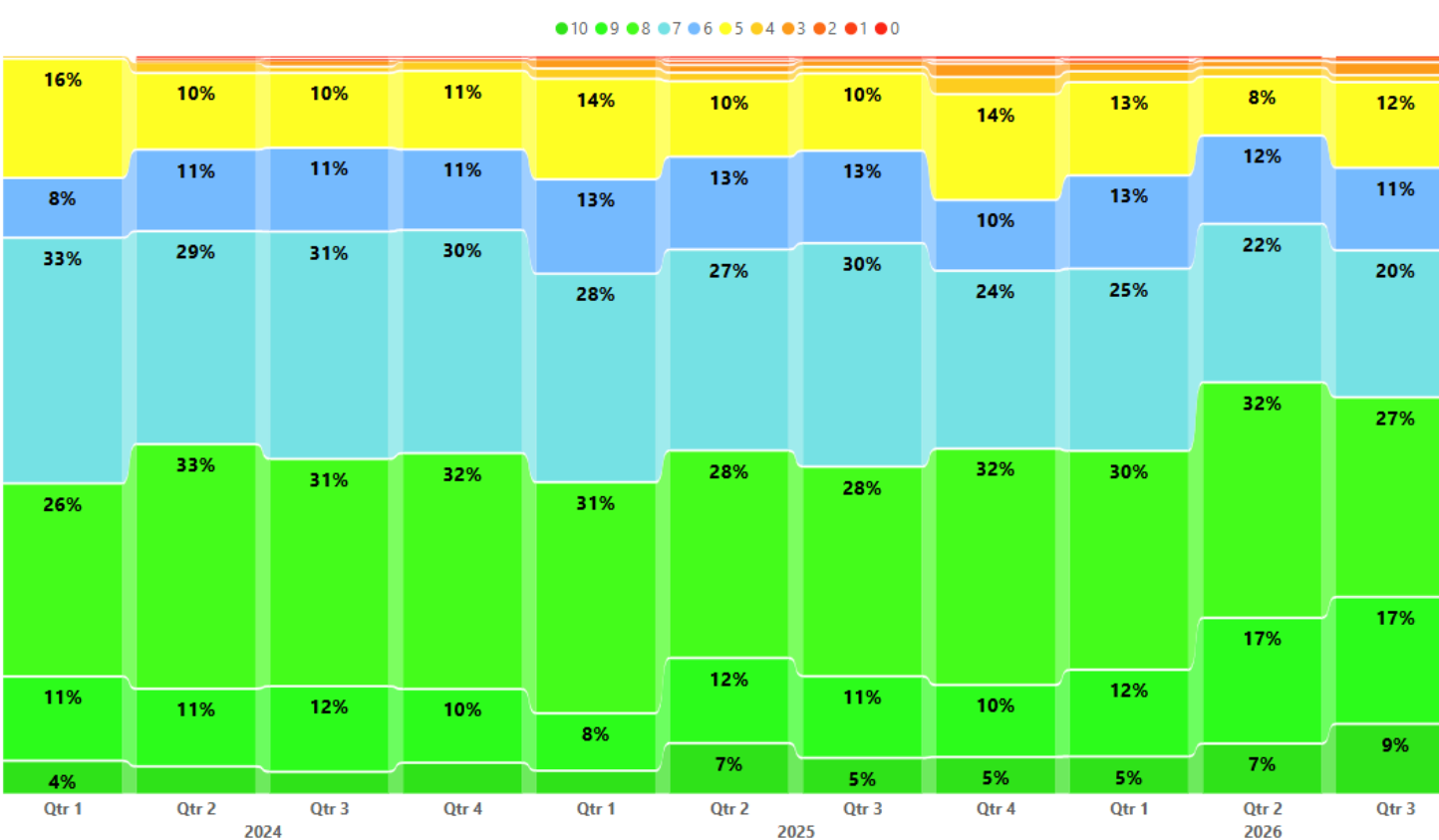
Business Confidence



Business Investment



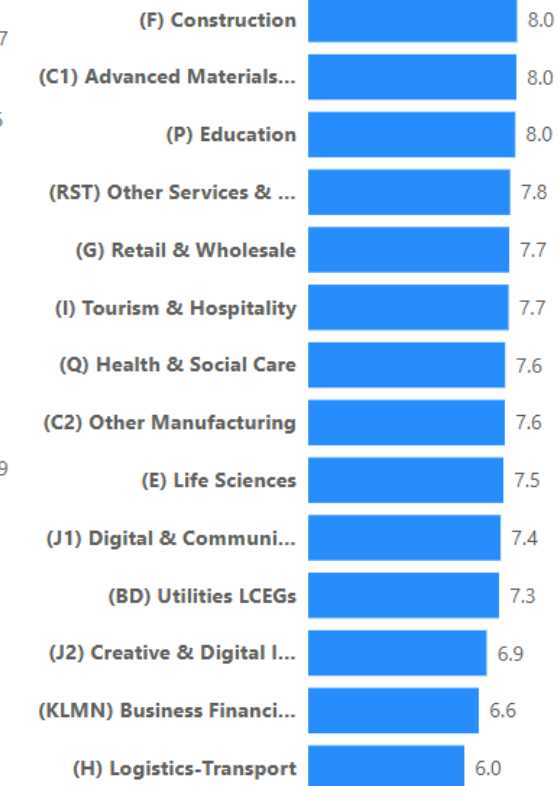
GC Business Confidence Index (1-10) on trading



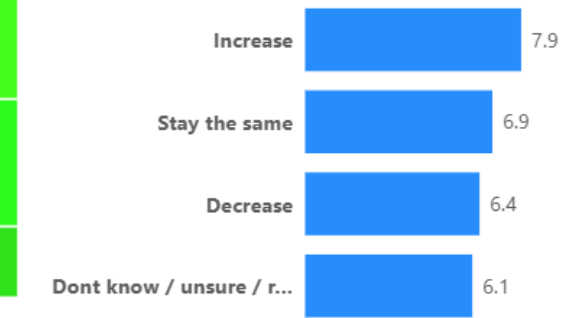
BCI by Size-band



BCI by Sector



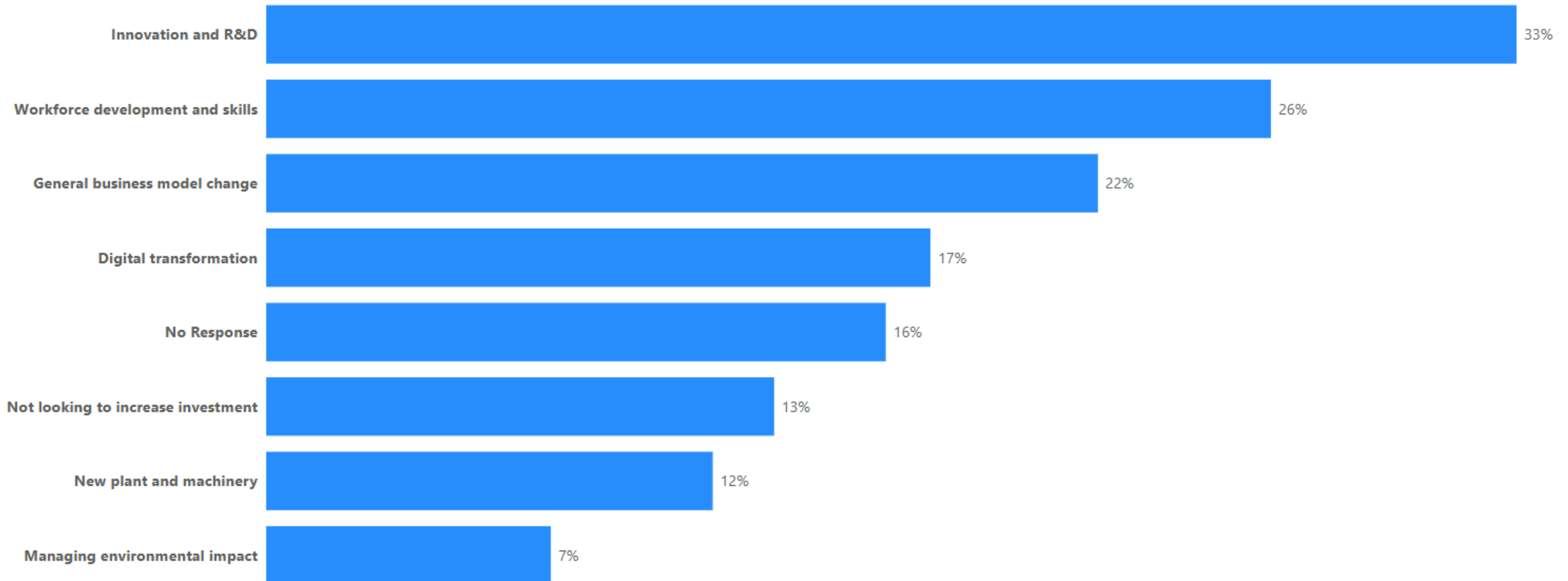
BCI by profit expectations



- Above GM average for Manufacturing and Engineering, Construction, Education, Hospitality, Retail, Tourism and Healthcare
- Lower than GM average in BFPS, DCTs and Utilities/LCEGs.



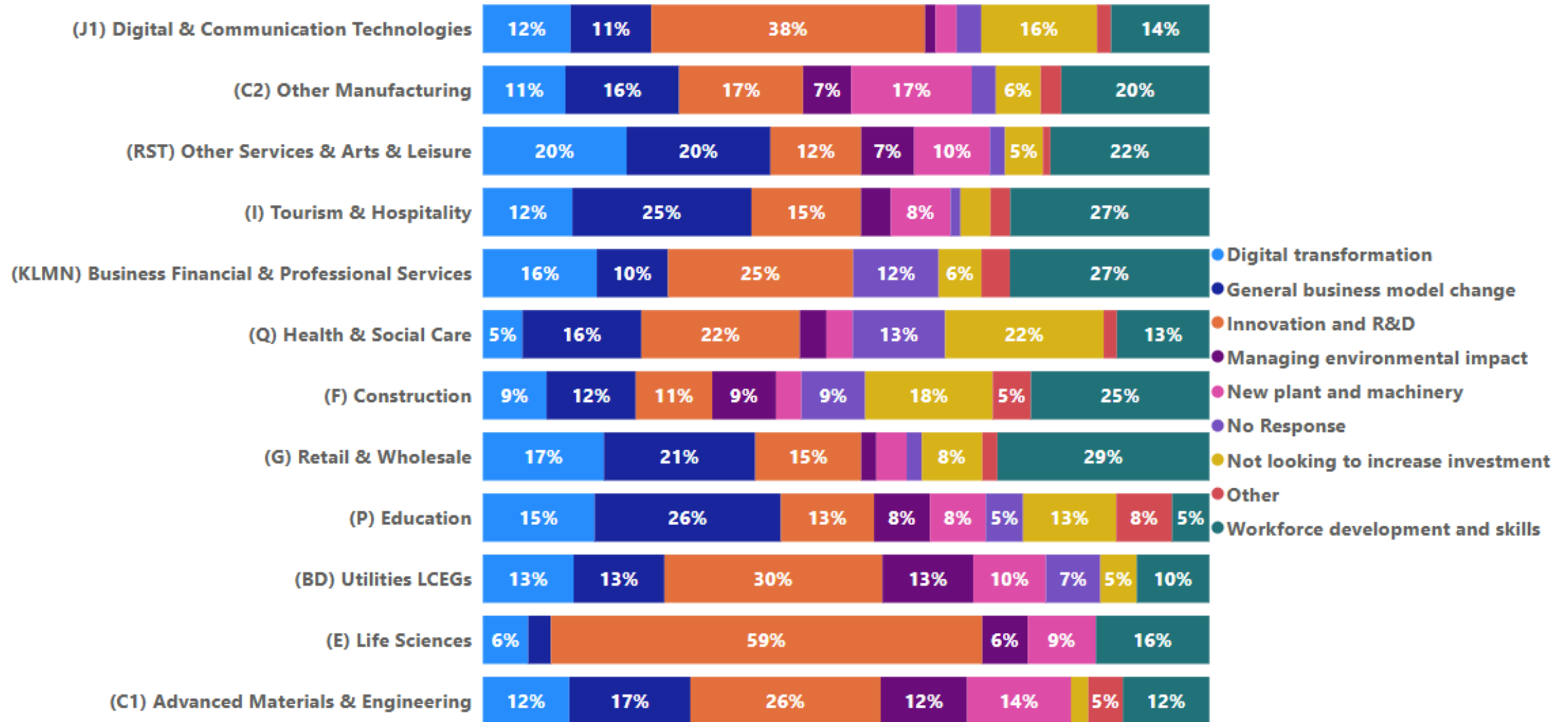
Business Investment



- 39% (vs 41%) of firms expect to increase capital expenditure in the year ahead
- Most optimistic Utilities / LCEGs, Manuf & Engineering, Retail, and Hospitality
- Lowest in BFPS, DCTs, Education, Construction, and Healthcare

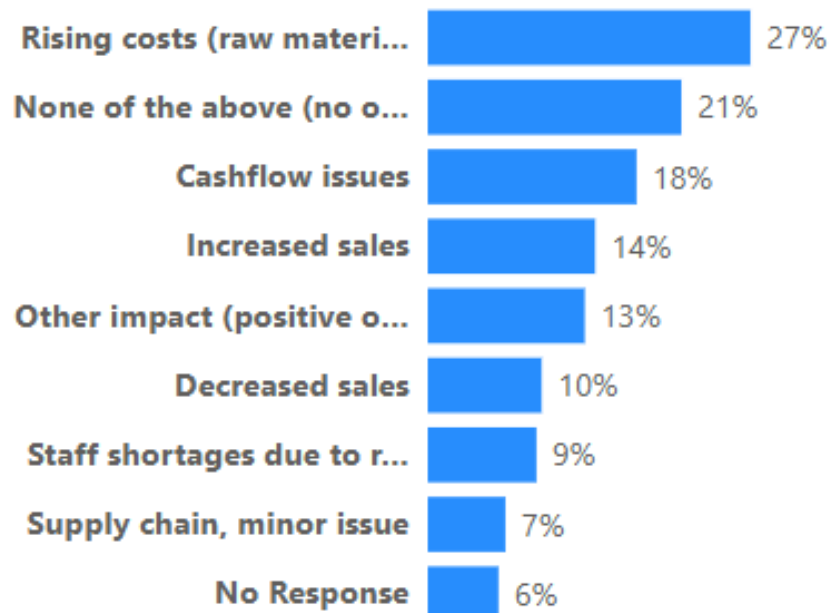


Business Investment by sector



Economic risks, challenges, and support

Economic impacts faced in last 3 months (%)



Main current challenges facing the organisation (%)



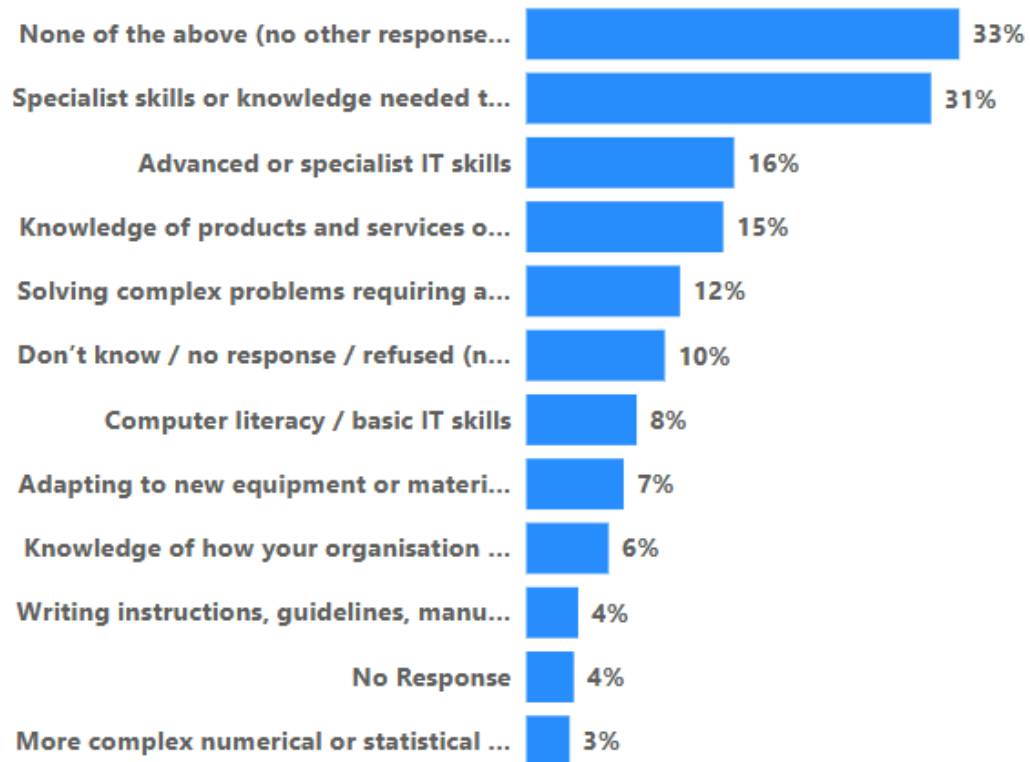
Future support needs in year ahead (%)



- **The main current challenges for businesses.** 52% (unchanged) of firms cited accessing new domestic sales - particularly acute in Utilities/LCEGs, DCTs Manufacturing & Engineering, Construction, Healthcare, Education, and BFPS
- **Future support.** The main areas where firms seek future support are business planning 42% (vs 39%), sales & marketing 39% (vs 37%), innovation 35% (unchanged), training 31% (unchanged) and financial advice 33% (unchanged)

Skills & Recruitment

Technical and practical skills gaps (%)

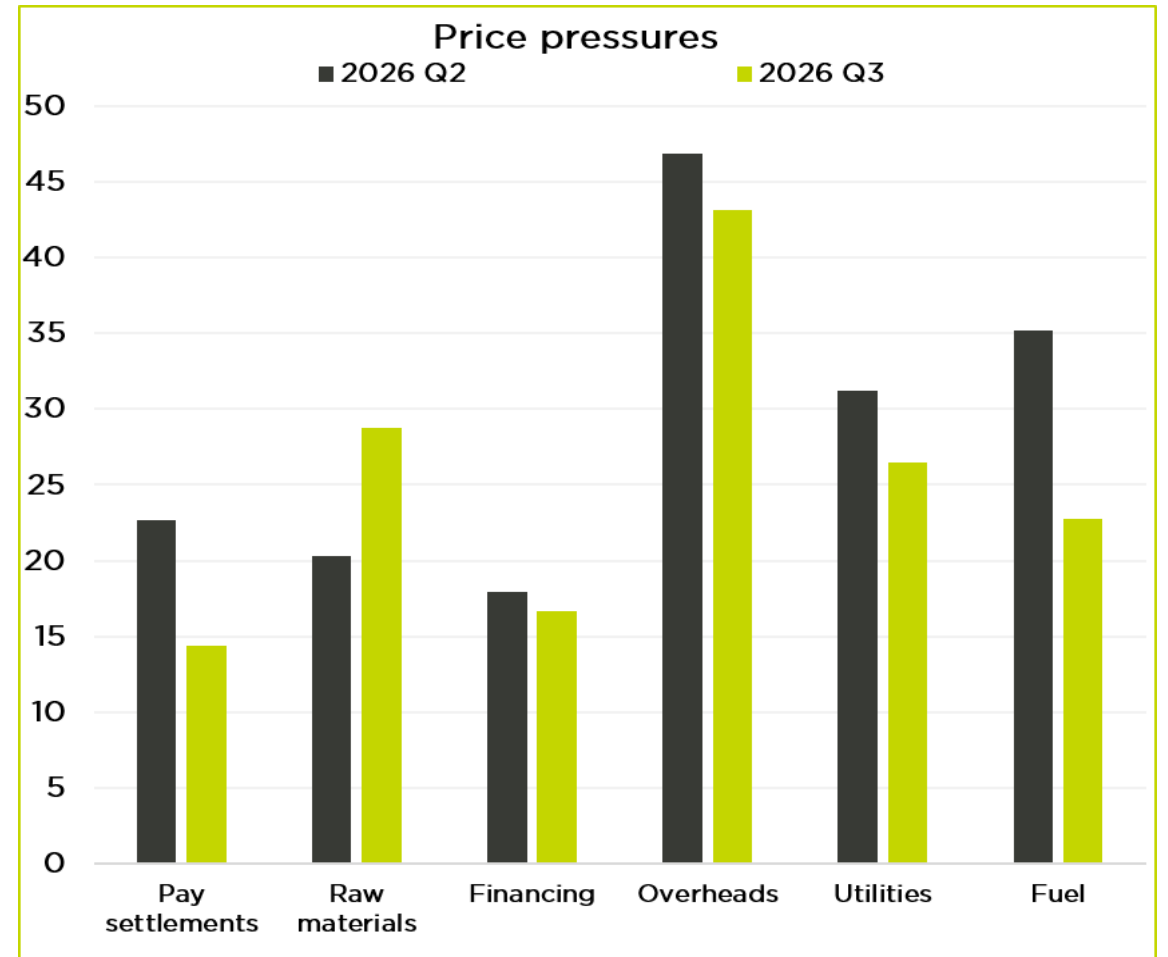


People and personal skills gaps (%)

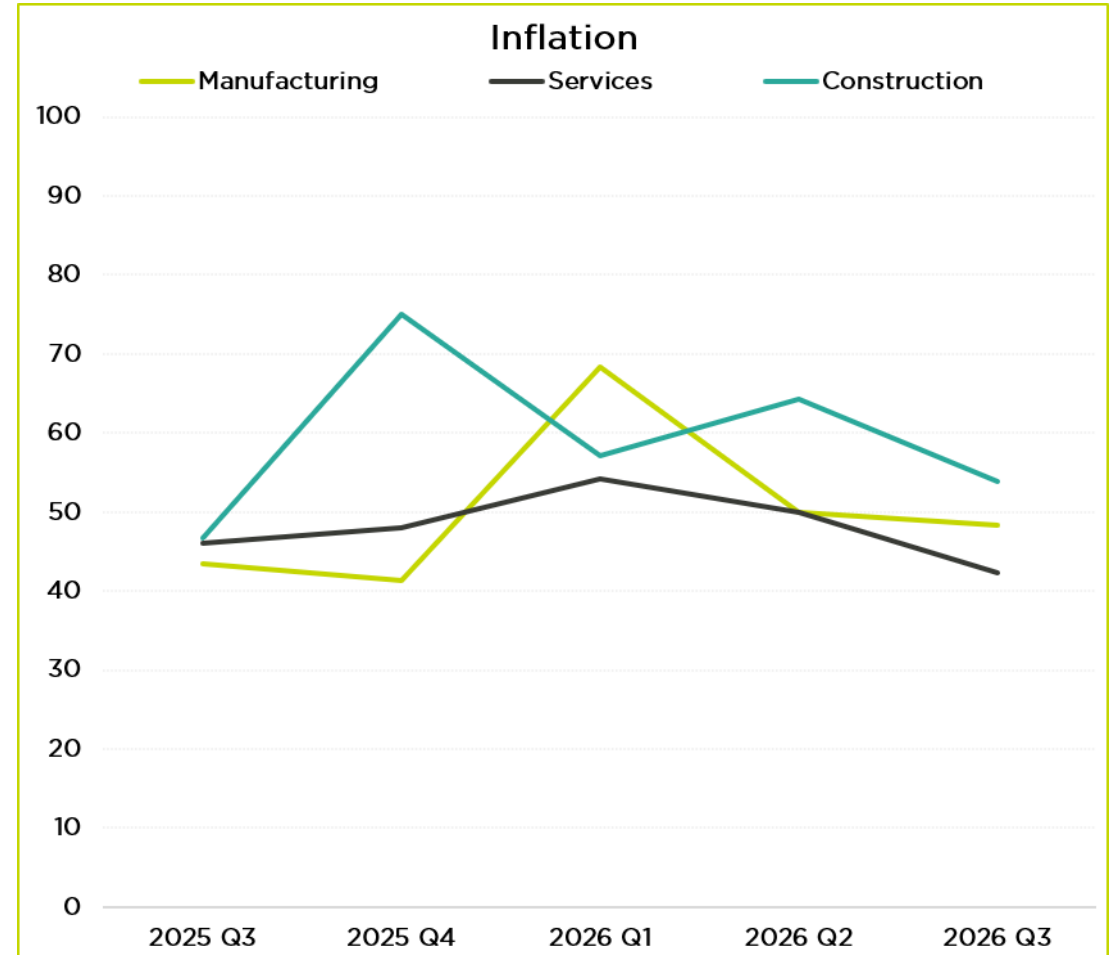
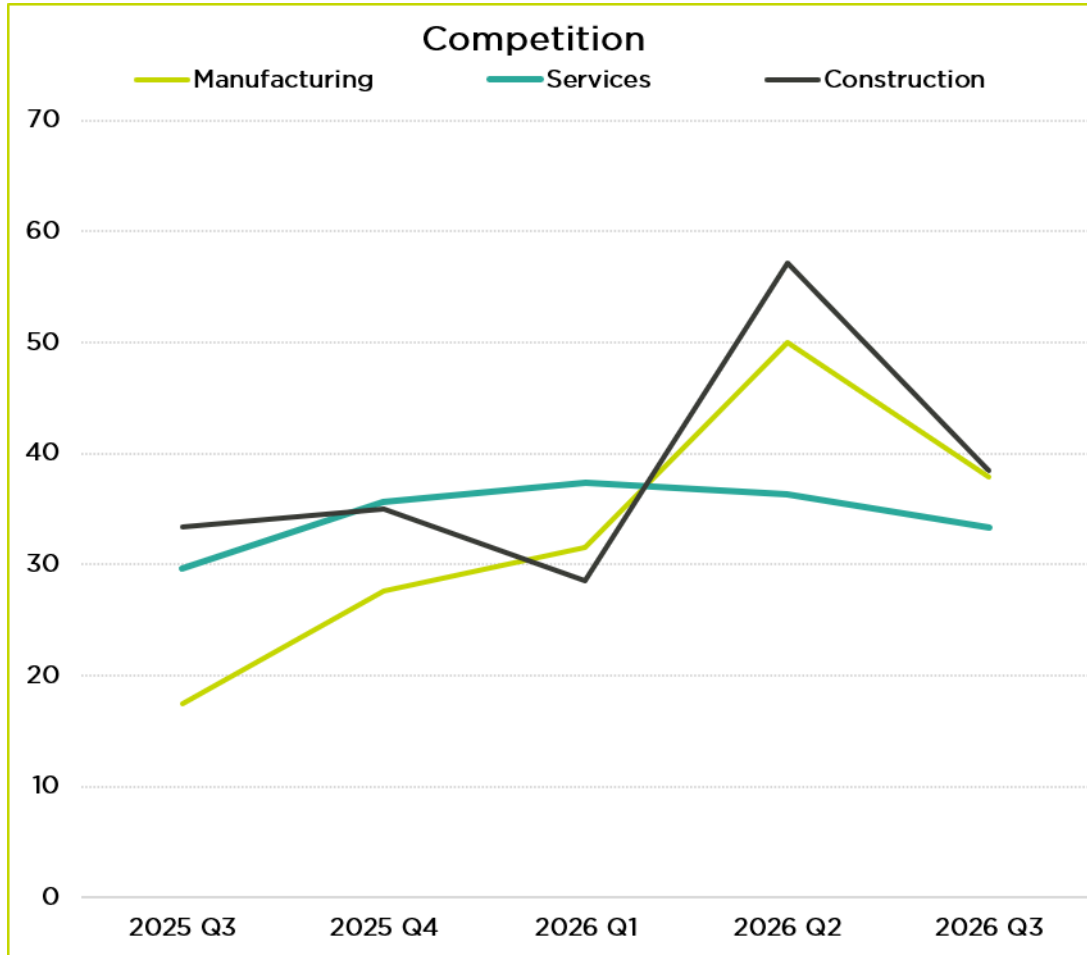


- 29% (unchanged) of firms are currently recruiting new staff. By sector, firms were more likely to be recruiting in Construction, Tourism, BFPS
- Least likely to be recruiting are DCTs, Engineering (excl other Manufacturing)

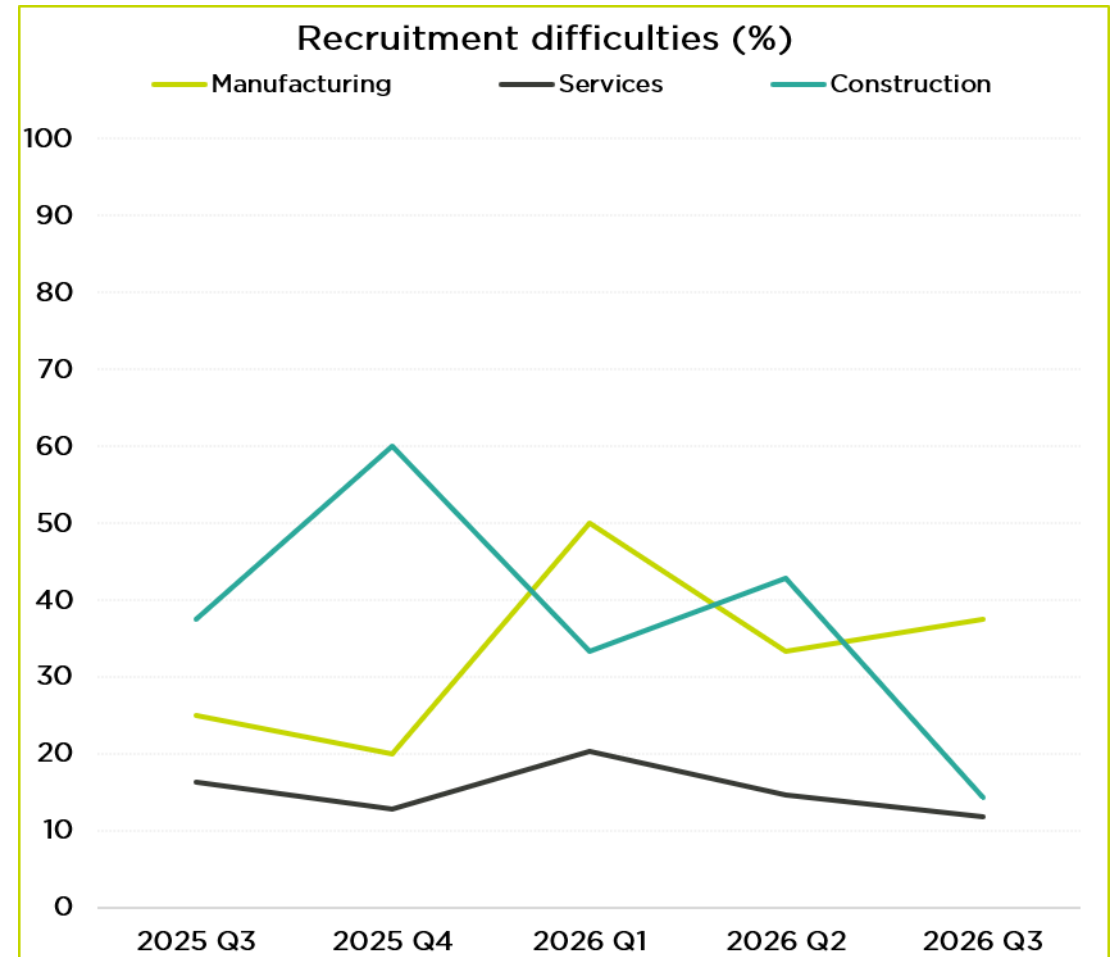
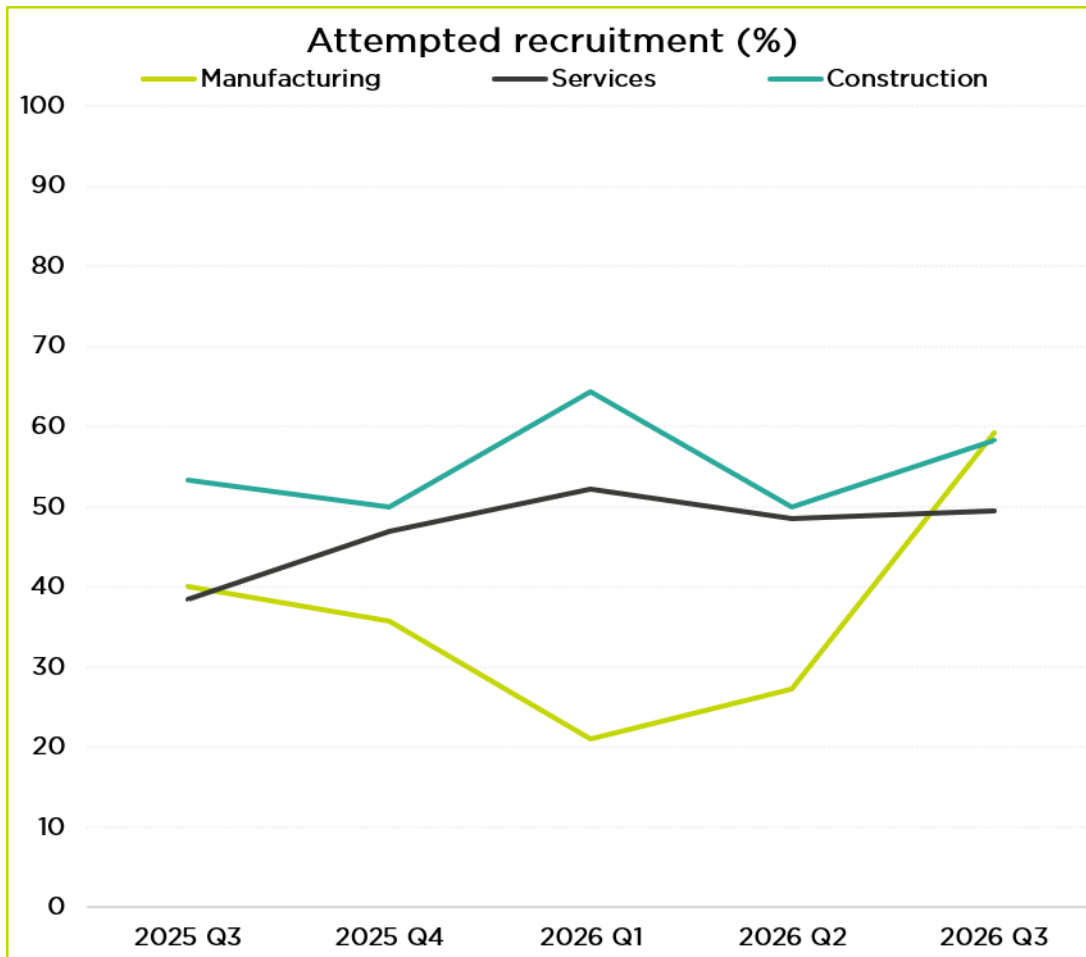
Price Increases & Price Pressures



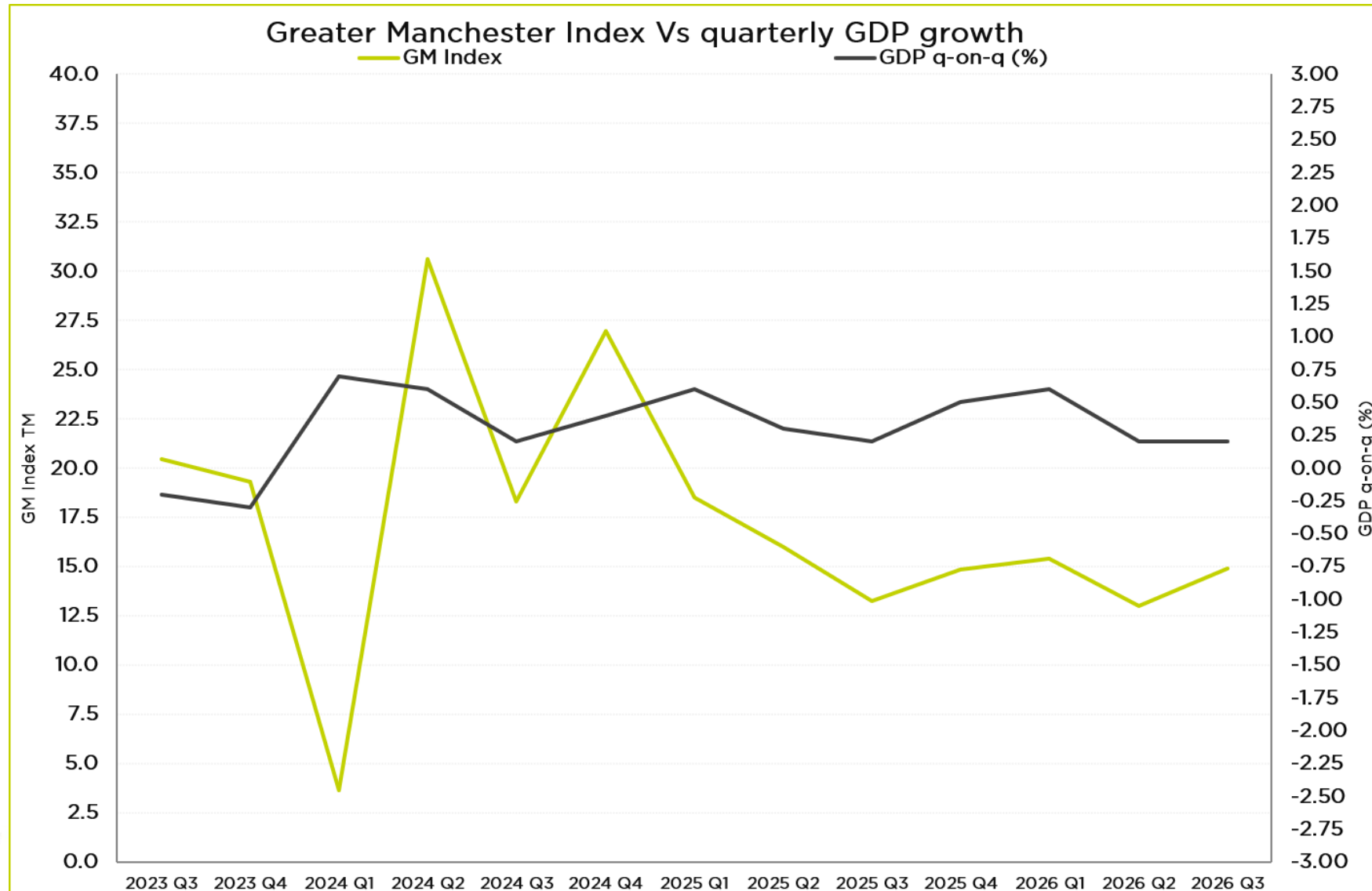
Business Pressures



Workforce & Recruitment



Greater Manchester Index



Q&A and Budget discussion

Chaired by: Lucy Mulligan



GM Business Index Sep 2026