



What people think,
feel and do

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Opinium / CEBR

COVID-19 Business Tracker



Key findings

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Introduction

One in ten British businesses face a high risk of entering insolvency as a result of the coronavirus pandemic. This equates to more than half a million (591,000) businesses pushed to the brink. Meanwhile, just over half (51%) of businesses state there is at least a small risk they will go insolvent due to the crisis, equating to nearly 3 million firms across the country.

The **Opinium-Cebr Business Distress Tracker** will keep a finger on the pulse of the challenges to UK plc, as firms across the country grapple with the unprecedented challenges brought about by the coronavirus crisis. The fortnightly Tracker surveys 500 business across the country, representing a broad range of sectors and business sizes.

Methodology

The Coronavirus Business Disruption Tracker surveys 500 senior decision makers in UK businesses of all sizes on a fortnightly basis, in order to provide timely and accurate insights into how the business community is coping with the unprecedented levels of disruption brought about by the coronavirus pandemic and the associated national lockdown.

Business Insolvency Risks

Over 8 in 10 medium sized businesses are at some degree of risk of entering insolvency because of Coronavirus

Just 26% of businesses feel they are safe from insolvency as a result of Coronavirus related disruption. Meanwhile, 70% admit there is some form of risk that they will enter insolvency as a result of the crisis. For 14%, the risk is high while 28% say the risk is moderate and an additional 28% say the risk is small.

Over 8 in 10 (84%) medium sized companies state that there is at least some degree of risk of entering insolvency due to coronavirus.

An estimated 257,000 UK businesses will not be able to survive another month of the lockdown conditions, while 1.1 million would not be able to survive three more months of lockdown. It is expected that the Government will slowly lift the lockdown measures over the next few weeks,

RISK OF INSOLVENCY DUE TO CORONA VIRUS

| | |
|--------------------------------|-----|
| 1. High risk of insolvency | 14% |
| 2. Moderate risk of insolvency | 28% |
| 3. Small risk of insolvency | 28% |
| 4. No risk of insolvency | 26% |

providing a lifeline for some of these businesses. However, the survey results also highlight the destructive economic impact that a second wave of infections could have, given the number of businesses that have already been pushed to the brink of collapse by the first wave.

Employment Impacts

A third of current employees have had their wages reduced

Unsurprisingly, almost all businesses (88%) have made workplace adjustments in light of the current economic crisis. On average, businesses have placed 35% of their employees on furlough. Businesses with 10-49 employees seem particularly likely to take advantage of the Government's Coronavirus Job Retention Scheme, with senior decision makers stating that their company have furloughed 45% of staff on average. In addition to furlough, 32% of employees of UK businesses have seen a reduction in their working hours and a similar proportion (33%) have experienced wage cuts.

In terms of other adjustments businesses have had to make, 35% required that some or all staff work from home and 26% have had to close part of the business. Additionally, 14% have had to apply for credit in order to manage cash flow risks, increasing to 19% among those with 250+ employees.

Business Activity Rates

PROFITS DOWN BY AN AVERAGE OF 29%

Since lockdown began, businesses profits are down by an average of 29%. Among businesses with 1-9 employees, profits were down by 35%. The worst hit sector is wholesale and retail, where average profits were also 35% lower than they would otherwise have been during the first month of the national lockdown. Companies with a B2C focus have also taken a particularly large hit, with profits down by an average of 36%, compared to 26% for businesses with a predominantly B2B clientele base.

Thinking about the current trading conditions for their business, almost half of senior decision makers (47%) describe their current situation as bad, with 21% saying it is very bad. Those responsible for office facilities management are hold the most negative outlook, with 57% reporting that current conditions are bad, followed by those responsible for training (56%).

In terms of their prospects over the next 12 months, 38% describe their prospects as positive while a similar proportion (39%) describe this as negative. Only 16% of sole traders describe their prospects as positive over the next year. Over a fifth (23%) say their business prospects over the next 12 months are neither positive nor negative.

Economic Recovery

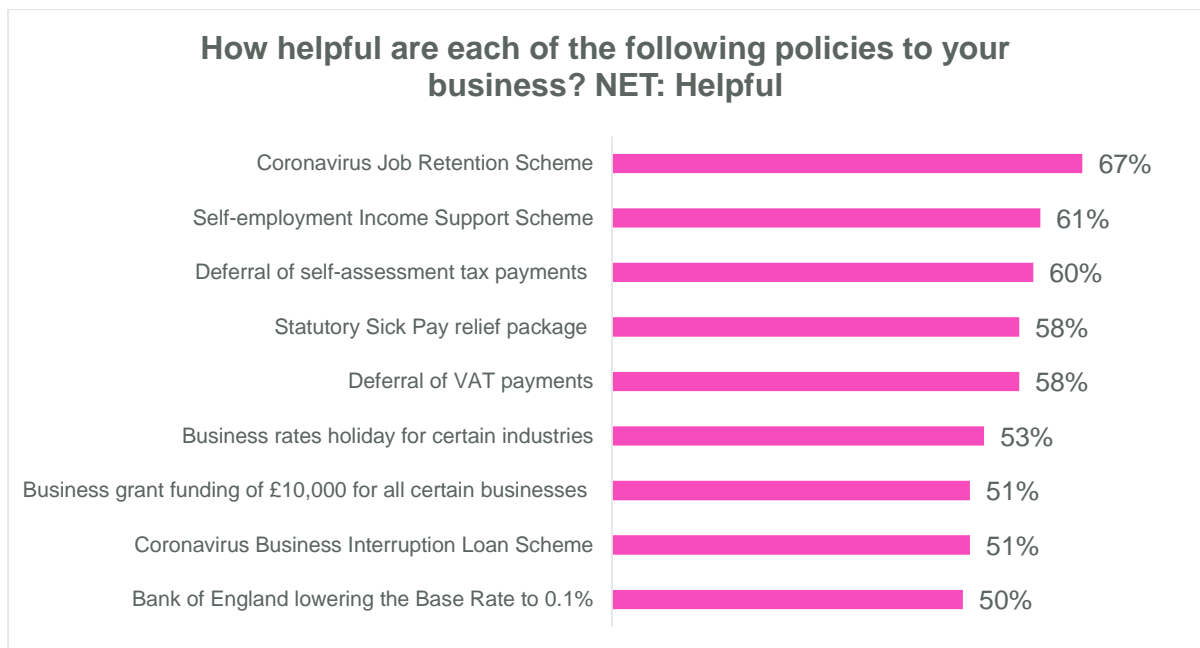
An average recovery time stands at 6 months

The scale and severity of the disruption to activity means that the UK is suffering a period of uncertain deep economic contraction. It is unclear whether economic output will be able to recover quickly once the lockdown restrictions are lifted, or whether the damage dealt to human capital, severing of employee-worker relationships and the loss of otherwise viable businesses will lead to only a gradual recovery in output.

The results of the business tracker point to a concerningly high share of businesses that feel they will not be able to bounce back to full activity once conditions return to some semblance of normality. On average, firms state that they will need 6 months to return to their pre-coronavirus levels of production, while a significant minority (5%) will need longer than a year. Digging into these numbers further shows that the expected recovery time is greater for large companies. Indeed, businesses in the survey with an annual turnover of £5 million or greater expect they will need nearly 8 months after the lifting of restrictions for production to return to pre-crisis levels.

These results suggest that an immediate bounce-back is not on the cards once restrictions are lifted. Indeed, the majority of businesses are set to remain at levels of production below their pre-crisis levels throughout the remainder of 2020. Meanwhile, the scars of the current crisis will affect many businesses for a period of years rather than months. As a result, Opinium and Cebr forecast that UK GDP will remain below its 2019 level until 2022.

Thinking about policies that could be helpful to their business, the Coronavirus Job Retention Scheme (67%) is considered the most helpful, followed by the self-employment income support scheme (61%) and deferral of self-assessment tax payments (60%). The graph below displays the most helpful policies:






About Opinium

OPINIUM is an award winning strategic insight agency built on the belief that in a world of uncertainty and complexity, success depends on the ability to stay on pulse of what people **think, feel** and **do**. Creative and inquisitive, we are passionate about empowering our clients to make the decisions that matter. We work with organisations to define and overcome strategic challenges – helping them to get to grips with the world in which their brands operate. We use the right approach and methodology to deliver robust insights, strategic counsel and targeted recommendations that generate change and positive outcomes.

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