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Opinium-Cebr

# Business Distress Tracker



**High street re-opening provides lifeline for  
retailers as insolvency risks halve**  
(4<sup>th</sup> Wave)

June 2020

## Introduction

**The Opinium-Cebr Business Distress Tracker checks the pulse of the UK business community on a fortnightly basis, as firms across the country grapple with the unprecedented challenges brought about by the coronavirus crisis. The Tracker is based on a survey of 500 business across the country, representing a broad range of industries and business sizes.**

### Topline results

- As the economy continues on its transition towards a “new normal”, there have been some tentative improvements in the Business Distress Tracker. The number of businesses that state they are safe from entering insolvency has risen by 235,000 over the past two weeks, taking the total share to nearly two-thirds (67%). This compares to just 41% in mid to late April.
- Compared to other sectors, retail remains in a highly distressed state. However, news of non-essential shops re-opening this week has provided a lifeline to thousands that have been pushed to the brink of collapse during the lockdown. The share of retailers at a high or moderate risk of entering insolvency as a result of the coronavirus pandemic has fallen from 40% to 18% over the past two weeks.
- While the immediate pressure has eased for some businesses, the long-term damage continues to accumulate. Businesses on average say they will need 34 weeks after restrictions are lifted to return to full production. This compares to 25 weeks in the first wave of the Business Distress Tracker in mid-late April.
- Firms have gradually begun to wind down the emergency employment measures taken during the height of the crisis. An average of 25% of employees are working reduced hours as a result of the coronavirus outbreak – down from 29% two weeks previously.

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## Notes

### A note from Opinium

Slow, steady, and cautious remains the cry from UK firms as the Opinium-Cebr Business Distress Tracker reports its fourth instalment. As companies across the country await Government announcements on lockdown changes, the number of employees facing disruption remains a mixed bag with the proportion of employees on furlough creeping up (27% up from 26%) while there are glimmers of hope with a sizeable drop-off in the amount of workers on reduced hours (25% down from 29%).

### A note from Cebr

There is some long overdue good news for the embattled retail sector this week, as the latest Opinium-Cebr Business Distress Tracker shows the share of retailers at a high or moderate risk of entering insolvency falling to less than a fifth (18%) – less than half the share recorded two weeks prior. Those in the sector will be hopeful that the long queues witnessed this week in front of newly re-opened non-essential shops will translate into a vital pick-up in retail sales across the country.

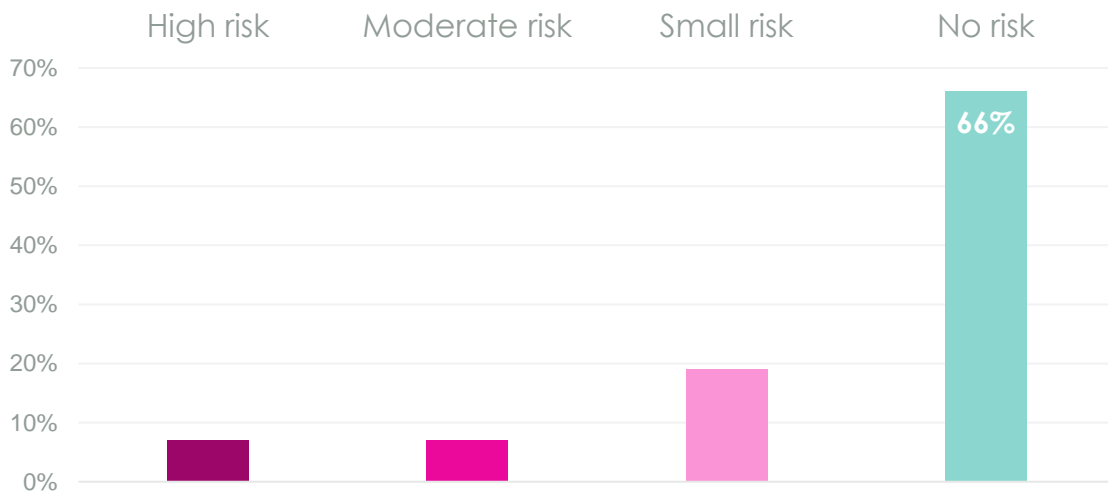
For the economy as a whole, sentiment has remained fairly stable over the past two weeks, although increasing numbers of businesses do now consider themselves safe from entering insolvency as a result of the current crisis. As focus shifts to the recovery, a worrying finding is a continued increase in businesses' expected recovery time, which is now just short of eight months on average.

# The full findings

## Business insolvency risks

An extra 235,000 businesses believe they are no longer at risk of entering insolvency as a result of coronavirus-related disruption. Between June 5th and June 10th, it is estimated that nearly two-thirds (66%) of UK businesses feel they are safe from insolvency – up from 41% between April 23rd and April 28th. The prospects for the retail sector received a sizeable boost when it was announced that non-essential shops could re-open this week. In the latest wave of the Business Distress Tracker, 18% of retailers said there was a moderate to high risk of them entering insolvency as a result of the lockdown – down from 40% two weeks previously.

**Figure 1** Risk of entering insolvency as a result of coronavirus-related disruption



## Employment impacts

Over the past few weeks, we have seen a steady decline in the proportion of staff on furlough from the peak back in April. However, the latest wave of the Business Distress Tracker suggests that progress stalled in the first weeks of June, with a considerable proportion of employees still paid via the job retention scheme and slightly upon on late May. The fact that businesses still feel unable to employ a considerable proportion of their workforce as another factor contributing to a delay in a speedy recovery.

Part of the delay appears to be down to anticipation of changing lockdown rules. The next wave will indicate whether the shops brought their staff back to work after non-essential retailers re-opened or if a return to normality remains some way off.

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## Business activity rates

Although there has been a steady trickle of encouraging news emerging from the employment and insolvency indicators of the Business Distress Tracker in recent weeks, business' profits have remained stubbornly low. Indeed, in the latest wave, businesses on average said that profits over the past month were 30% lower than would have been expected for this time of year under more ordinary circumstances. This highlights that while the plans to re-open the economy have given more businesses confidence that they can survive the current crisis, the gradual lifting of restrictions has not yet begun to feed into companies' bottom lines.

## Economic recovery

While the immediate threat of bankruptcy is receding for many businesses, the time they will need to recover continues to climb. On average, businesses expect they will need 34 weeks after the lifting of restrictions for them to return to pre-crisis levels of production. This compares to 25 weeks in the first wave of the Business Distress Tracker, highlighting that, for each day the lockdown persists, more and more long-term damage accumulates. The primary factors contributing to the delay continue to be a weakening of relationships with customers, difficulties accessing inputs, and reduced levels of demand.

## OPINIUM RESEARCH

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# 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.*

# 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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