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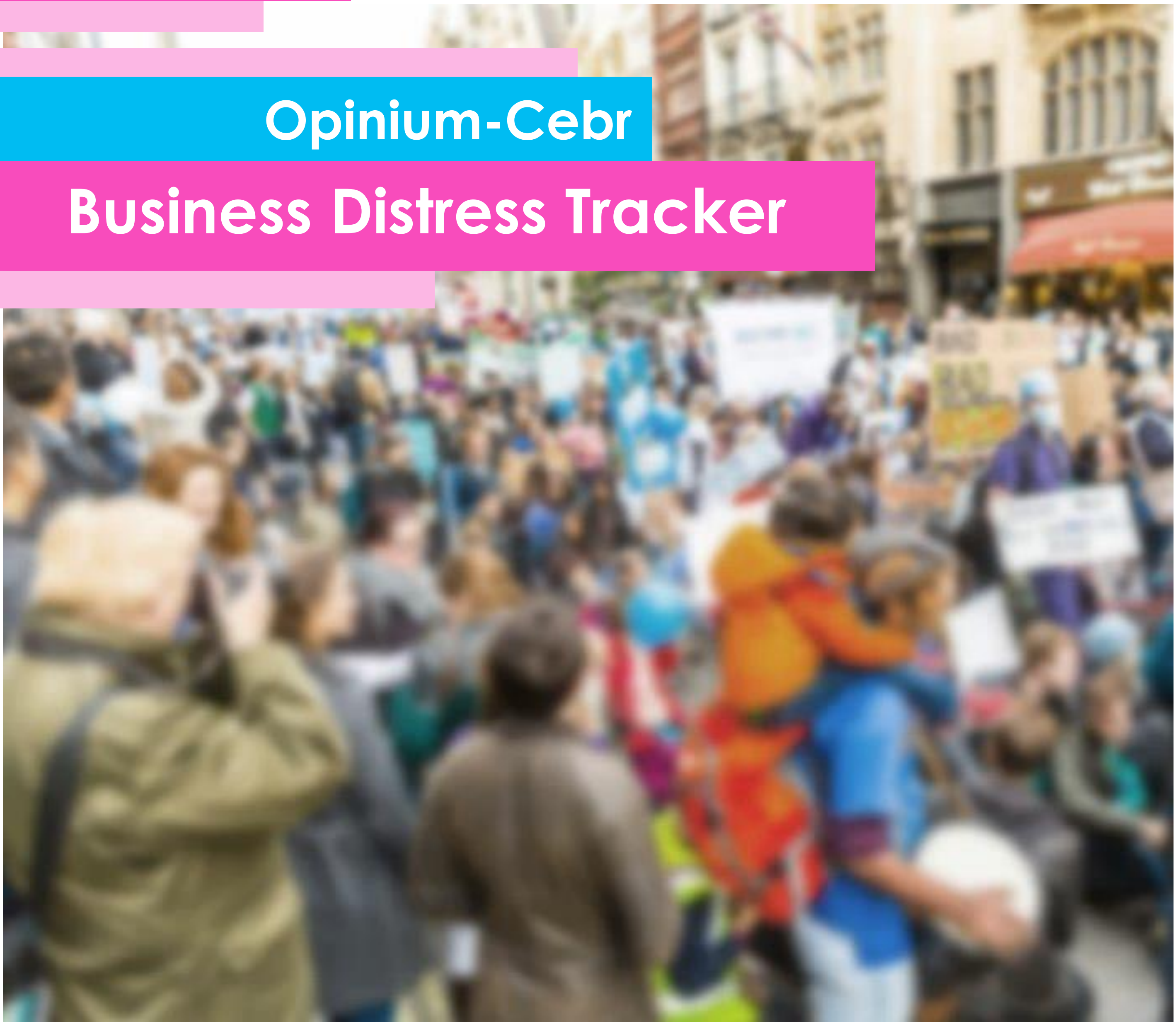

Opinium-Cebr
Business Distress Tracker

Relief for retailers as re-opening powers resurgence in confidence
(5th Wave)

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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

- The re-opening of shops provided a much-needed relief for retailers in the last two weeks, as the number of companies with a negative assessment of trading conditions plummeted from more than half (54%) to 37%, according to the latest Opinium-Cebr Business Distress Tracker.
- However, the overall business picture remains uncertain, and a third (35%) of UK companies still report a risk of insolvency due to the crisis.
- For the UK economy as a whole, there was a meagre improvement in the business environment, with the impact of coronavirus on profits falling to its lowest point since the Business Distress Tracker began in mid-April.
- The small gains recorded in in the latest wave have offset only a tiny fraction of the damage that has been sustained since the start of the crisis. 1.8 million (35%) firms continue to believe there is a risk of entering insolvency as a result of coronavirus-related disruption, suggesting that the pace of improvement must accelerate for more businesses to feel reassured that they can weather the entirety of this storm.
- The re-opening of hotels, restaurants and pubs on 4th July cannot come quickly enough for the hospitality sector, which is among those hit hardest by the lockdown. Nearly three out of four (72%) of businesses in the sector described current trading conditions as bad (31%) or very bad (41%) in the latest wave of the tracker, while nearly one in three (31%) state that there is a moderate (21%) or high (10%) risk of entering insolvency as a result of coronavirus-related disruption.

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Notes

A note from Opinium

As lockdown restrictions have eased in recent weeks, with further loosening set to take place in early July, this latest wave of the Business Distress Tracker shows that the outlook has continued to improve for many businesses across the UK, despite the overall challenging picture. As shoppers have returned to the high street, the outlook from the retail industry has seen a significant improvement, while those in the hospitality sector will be looking to their re-opening on 4th July to bring much needed custom back through their doors.

Despite these modest improvements much of the workforce will find little immediate improvement to their circumstances, as the proportion of employees facing reduced hours, salaries, and furlough continues to rise.

A note from Cebr

The latest wave of the Business Distress Tracker shows ongoing slow but steady improvements in business conditions. Over a third (35%) of businesses have a positive assessment of current trading conditions, up from 32% in the previous wave, while the share with a negative assessment has edged down marginally. Profits over the past 30 days were down 26% as a result of coronavirus-related disruption. Although this is the weakest fall since the start of the Tracker in mid-April, it still represents relatively limited progress. Businesses can only survive so long with such subdued revenues, as evidenced by the 35% of firms that say there is at least some risk of them entering insolvency as a result of the coronavirus pandemic.

The 5th wave of the Business Distress Tracker also provides the first glimpse into how the re-opening of shops on 15 June impacted retailers. The results are encouraging, with the share of retailers reporting adverse trading conditions falling to 37% between 15 June and 21 June – down from 54% two weeks previously. In the cases of manufacturing and retail, the lifting of restrictions has been met by an improvement in conditions as measured by the Business Distress Tracker. It is hoped that the re-opening of hotels, restaurants and pubs on 4 July will provide similar relief for the hospitality sector, which at present remains in a highly distressed state.

The full findings

Business insolvency risks

While businesses' assessments of current trading conditions improved in the latest wave of the Tracker as restrictions continued to be eased, the share that feel there is some risk of entering insolvency as a result of coronavirus-related disruption remains stubbornly high at 35%, or around 1.8 million businesses. This emphasises that while the business environment is better now than it was during the nadir of the crisis in April, for millions of companies the progress has not been sufficient to remove the risks of insolvency.

Employment impacts

As expected, the current pandemic continues to drastically impact employees across all business sizes and sectors, with nearly four fifths (78%) of companies having to adjust as a result of coronavirus-related disruption. The latest wave of the Distress Tracker has found little cause for celebration in terms of easing the strain on employees, with the proportion furloughed (30% up from 27%), on reduced hours (27% up from 25%) and receiving a reduced salary/wage (29% up from 27%) all increasing since the previous wave two weeks ago.

Business activity rates

In the latest wave, businesses said that profits over the past month were on average 26% lower than would have been expected for this time of year under more ordinary circumstances. This is the "least-bad" rate of contraction recorded over the five waves of the Business Distress Tracker thus far. However, as is the case with the other metrics, the scale of the improvement recorded between April and June pales in comparison to the deterioration recorded between February and April.

Economic recovery

After increasing steadily in recent weeks, the required recovery time for businesses appears to have stabilised at 34 weeks. This compares to 25 weeks in the first wave of the Business Distress Tracker. A consistent finding in recent weeks is that a major impediment to businesses' recoveries will be reduced demand from customers. Another leading cause is reduced access to necessary inputs. These results highlight the interconnectedness of the economy, such that difficulties encountered by any single customer or business have major knock-on effects either through the loss of business for other companies or the loss of access to inputs.

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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 unprecedent 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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