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feel and do

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Opinium-Cebr

Business Distress Tracker



**Profits reach post-lockdown high as Eat
Out to Help Out revives hospitality sector
(8th Wave)**

Early September 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

- The Eat Out to Help Out scheme delivered a major and much needed boost to the hospitality sector in August. Although profitability in this sector was 36% lower as a result of the coronavirus pandemic in the latest wave of the Opinium-Cebr Business Distress Tracker, this is a dramatic improvement on the 59% reduction in profits recorded in mid-July.
- The latest wave of the Business Distress Tracker also points to a more general uptick in activity in August. Indeed, businesses' profits were down by 21% in August as a result of the coronavirus pandemic. This is a significant improvement on the 26% reduction in mid-July and marks considerable progress relative to the middle of April, when profits were down by 29%.
- The increase in profits has fed through into business sentiment. 39% of companies described current trading conditions as good in the latest wave of the tracker. This is up from 34% in the previous wave.
- One-fifth (21%) of businesses have now returned to pre-lockdown levels of production, as the economic recovery gathers pace. However, twice this share of businesses (41%) say they are least 6 months away from reaching pre-lockdown levels of production, highlighting that we are still in the relatively early stages of the recovery.

Notes

A note from Opinium

The most recent instalment of the Business Distress Tracker uncovers some promising signs for the UK economy, especially from an employee perspective as fewer workers are currently furloughed. There are also indications that businesses are slowly returning to pre-coronavirus norms, with fewer companies requiring adjustments due to the global pandemic. Despite this, however, the proportion of workers facing reduced hours and/or reduced pay is largely unchanged, as most businesses remain extremely cautious due to the growing concerns of a second wave sending the country back into lockdown and the economy into an even deeper recession.

A note from Cebr

The latest wave of the Business Distress Tracker provides an encouraging signal that economic activity continued to improve in August. While businesses' profits over the past month remain 21% below where they would have been were it not for the pandemic, this is a considerable improvement compared to July. The boost to the hospitality sector delivered by the Eat Out to Help Out scheme in August was an important contributor to this, with businesses in this industry reporting a major uptick in profitability. Higher levels of economic activity have also filtered into a more positive sentiment among the UK business community, with 39% now stating that trading conditions are positive.

The full findings

Business insolvency risks

Despite the progress in other areas of the Business-Distress tracker, insolvency risks continue to hang over millions of businesses. Indeed, over a third (34%) of businesses state that there is a risk of entering insolvency as a result of coronavirus-related disruption. This equates to 2.0 million businesses across the country. Within this are an estimated 325,000 businesses that feel there is a high risk of entering insolvency as a result of the crisis.

Employment impacts

The proportion of companies needing to adjust their operations as a result of coronavirus-related disruption continues to diminish as the country advances along the road to recovery. Here, 73% of businesses stated that they have made adjustments in the most recent wave of the Opinium-CEBR Business Distress Tracker compared to 77% in early July.

The latest instalment of the tracker also uncovered a sizeable reduction in the proportion of workers currently furloughed (18% down from 23% in late July) as companies continue to prepare for the end of the Coronavirus Job Retention Scheme at the end of October. However, there have only been marginal changes in the numbers facing reduced working hours (25% down from 26% in late July) and receiving a reduced salary/wage (26% up from 25% in late July).

Business activity rates

After months of limited progress, business activity rates finally showed signs of a more pronounced pickup in the latest wave of the Opinium-Cebr Business Distress Tracker. Profits over the past 30 days were 21% lower as a result of the coronavirus crisis in late August / early September. This compares to a 26% reduction in the previous wave of the tracker in the middle of July. Although the hospitality and leisure sector saw one of the largest improvements, profits remain heavily suppressed in this industry, highlighting how capacity limitations and the costs of Covid-proofing continue to eat away at businesses' margins.

Economic recovery

21% of businesses said that they had reached pre-lockdown levels of production in the latest wave of the Business Distress Tracker. Meanwhile, a further 27% expect to reach this point within the next 3 months. With that being said, this leaves a majority of businesses that anticipate needing three months or longer to fully recover. This includes more than a fifth (21%) that expect it will be more than a year before they reach pre-lockdown levels of production.

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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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