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Opinium-Cebr

Business Distress Tracker



The UK's economic recovery comes to a sudden stop in September
(9th Wave)

October 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 UK's economic recovery stalled in September, with businesses reporting that profits were down 21% - unchanged from a month earlier.
- Perhaps more concerningly, business sentiment has deteriorated significantly over the past four weeks, as the spectre of renewed lockdown restrictions looms over the economy. 35% of businesses described trading conditions as good at the end of September – down from 39% in the previous wave of the Opinium-Cebr Business Distress Tracker four weeks prior. The share with a positive outlook for the next 12 months has also dropped from 52% to 45%.
- Conditions deteriorated significantly for the hospitality sector following the end of the Eat Out to Help Out scheme in August. Indeed, profits in the sector were down by 42% in the latest wave of the Business Distress Tracker, compared to a figure of 36% four weeks earlier.
- Businesses are expecting to lay-off more than a third (35%) of furloughed workers after the scheme expires at the end of October. Crucially, the survey was carried out after the new Job Support Scheme was announced as a replacement for the furlough scheme. The survey results show that the share of furloughed employees that businesses plan to retain was not affected by the announcement of this scheme.

Notes

A note from Opinium

The most recent wave of the Distress Tracker has highlighted a sudden stall in improvements for UK workers, with the proportion facing reduced pay and hours largely unchanged from the end of August. This is particularly concerning considering that in the summer months, we generally saw month-on-month improvements for these metrics. The proportion of employees who remain furloughed as we approach the end of the Job Retention Scheme is even more worrying, as the Opinium-CEBR Business Distress Tracker suggests that the Job Support Scheme will only make marginal differences to the number of furloughed employees businesses expect to retain.

A note from Cebri

The latest wave of the Business Distress Tracker sheds light on the first major blip in the UK's economic recovery in September. This reflects the withdrawal of the successful Eat Out to Help Out scheme, which had provided a significant boost to spending in the hospitality sector in August. In response to an escalation of coronavirus cases, the government has introduced additional restrictions at a national level, with more severe localised measures affecting millions of people in the UK. The results of the Business Distress Tracker suggest that these effects have taken the steam out of the UK's economy recovery, with profits remaining down by 21% - unchanged from four weeks' prior. There was also a significant deterioration in business sentiment, with businesses reporting a more negative outlook for both present and future trading conditions.

The full findings

Business insolvency risks

Insolvency risks continue to hang over millions of businesses, although these have become less severe in recent weeks. Just under a third (30%) of businesses state that there is a risk of entering insolvency as a result of coronavirus-related disruption, which is down from 34% four weeks prior. However, this still equates to 1.7 million businesses across the country, which includes 330,000 that feel there is a high risk of entering insolvency as a result of the crisis.

Employment impacts

As the government's Coronavirus Job Retention Scheme expires at the end of the month, companies continue to roll back the number of employees who are currently furloughed, with the average percentage dropping from 21% at the end of July to 18% in late September. Firms state that currently a quarter of workers (25%) are facing reduced hours which is roughly the same proportion recorded at the end of August. A similar proportion (26%) have had their salary/wages cut which again remains unchanged since late August.

Business activity rates

After improving significantly in August, progress in rebuilding profits stalled in September. Profits over the past 30 days were 21% lower as a result of the coronavirus crisis at the end of September – unchanged from the previous wave four weeks' previously. After a relatively strong August for the hospitality sector, profits slumped in September, with businesses on average reporting that profits were 42% lower than they would have expected at this time of year.

Economic recovery

The share of businesses that had reached pre-lock down levels of production fell from 21% in the previous wave of the Business Distress Tracker to 20% in the latest wave. This suggests that some businesses that had fully recovered over the summer months have since seen their production fall below pre-crisis levels. Meanwhile, the majority (56%) of businesses stated that it will be at least six months before they return to pre-lockdown levels of production, including 29% who expect this will take at least one year.

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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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