



What people think,
feel and do

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Opinium-Cebr

Business Distress Tracker



Winter wave of pandemic extinguishes vaccine-induced optimism (12th 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 winter wave of the coronavirus pandemic continued to batter British businesses in January. An estimated 1.8 million businesses are at risk of insolvency as a result of coronavirus-related disruption, including 336,000 that face a high risk of insolvency.
- Business sentiment witnessed further falls in January, with just over a third (35%) of firms reporting positive trading conditions at present. This compares to a reading of 39% last month, which was taken after the approval of coronavirus vaccines but before the full severity of the current wave of the pandemic had become apparent.
- A more encouraging finding is that the tightening of restrictions in January has not led to a dramatic deterioration in profits. To the contrary, businesses on average said that their profits were 18% lower over the past 30 days as a result of coronavirus-related disruption. This is a slight improvement on the 20% reduction in profits seen in December.
- Only one-third (33%) of firms say that the introduction of the third national lockdown in January will not have an effect on their business, with more than one in five (21%) stating that they will have to delay planned investments as a result of the tightening of restrictions.

Notes

A note from Opinium

The most recent instalment of the Opinium-Cebr Business Distress Tracker sheds light onto how England's third national lockdown is impacting businesses. With over three fifths of companies reporting that the new lockdown measures have negatively impacted their business, the picture is bleak. Here, a fifth have had to delay planned investments, place staff back on furlough and reduce operating hours. More worryingly, however, one in ten businesses believe that they will need to lay off staff entirely in order to 'steady the ship'.

A note from Cebr

The latest wave of the Business Distress Tracker brings into focus the significant economic risks that accompany the type of lockdown restrictions currently in place in the UK. Assessments of current and future trading conditions have deteriorated since December, while insolvency risks linger for an estimated 1.8 million firms.

However, there is some cause for optimism. While profits remain down by 18% in January, this is a significant improvement on the 29% shortfall recorded during the first lockdown in April 2020. This is testament to the resilience and adaptability of businesses in the face of the unprecedented challenges presented by the pandemic.

The full findings

Business insolvency risks

Insolvency remains a very real danger for millions of businesses. An estimated 30% of firms in the UK feel there is at least some risk that they will go insolvent as a result of coronavirus-related disruption, including 6% that say there is a high risk of this. This equates to 1.8 million businesses across the country that are at risk of insolvency as a result of the crisis, of which 336,000 are facing a high risk of insolvency.

Employment impacts

With the economy in a third national lockdown, the pandemic continues to drastically impact businesses across all sizes and sectors, with nearly three quarters (73%) 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 (20% up from 17%), on reduced hours (26% up from 25%) and receiving a reduced salary/wage (remaining at 24%) all increasing since the previous wave last month.

Business activity rates

The lockdown restrictions that are currently in place throughout the UK are broadly comparable to those in April 2020, although some activities that were prohibited during the first lockdown are now permitted, for instance property viewings. In the latest wave of the Business Distress Tracker, businesses on average stated that their profits over the past 30 days were 18% lower as a result of coronavirus-related disruption. This compares to a figure of 29% during the first lockdown in April. This result shows that, while profits remain considerably suppressed, many businesses have been fast on their feet in developing new ways of operating in a lockdown environment.

Economic recovery

More than a fifth (22%) of businesses in the survey reported that they were already at pre-crisis levels of production in January. Meanwhile, 15% of businesses stated that they could return to pre-crisis levels of output within one month of the lifting of coronavirus-related restrictions. Including those that have already returned to pre-pandemic levels of output, three quarters (75%) of firms expect to be able to return to pre-crisis levels of production within a year of restrictions being lifted. However, one in ten (10%) foresee a more protracted recovery.

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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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