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Opinium-Cebr

# Business Distress Tracker



**Optimism rises and insolvency risks fall as  
UK plc senses an end to Covid-19 in sight  
(13<sup>th</sup> Wave)**

March 2021

## 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 majority (59%) of British businesses had a positive outlook for the next 12-months in late February / early March, up from 48% a month earlier. This is the largest share of businesses that reported a positive outlook since the Business Distress Tracker began in April 2020. Meanwhile, less than a fifth (19%) described their prospects for the next years as negative. This brightening of sentiment reflects the success of the vaccination rollout programme, which has opened the door to a phased re-opening of the economy in the coming months.
- Although lockdown restrictions remained largely unchanged between January and February, falling infection rates and the prospect of looser restrictions in the months ahead have diminished insolvency risks for some businesses. The number of businesses at some risk of insolvency has fallen from 1.8 million in January to 1.6 million in February/March, while the number at high risk of insolvency also edged down slightly.
- A less encouraging development is a further fall in profits. Businesses reported on average that their profits were down by 19.9% over the past 30 days compared to what would be expected for the time of year. This compares to a decline of 18.4% profitability shortfall in January.
- The furlough scheme remains the most popular element of the government's package of support for businesses, with 57% describing the scheme as helpful (34% described it as very helpful and 23% as somewhat helpful). Given the importance of this scheme, the extension until the end of September that was announced in the Budget will deliver a considerable boost to businesses.

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## Notes

### A note from Opinium

As the vaccine continues to be rolled out across the UK, business confidence is at its highest point since the beginning of the pandemic. Here, businesses continue to be overwhelmingly supportive of the Government's approach to help companies through COVID-19, with nearly four fifths either somewhat or very supportive of their initiatives.

This positive sentiment, however, has not yet benefited many workers across the UK, with the proportion facing furlough, reduced hours and reduced salaries/wages continuing to increase in this wave of the Business Distress Tracker. Though perhaps the higher furlough numbers can be attributed to the extension of the furlough scheme until at least September 2021.

### A note from Cebr

The share of businesses that described their prospects over the next 12 months as positive is now the highest it has been since the Business Distress Tracker began in April 2020. This development will be closely tied to the success of the vaccination programme and the decline in infection rates, which are set to facilitate a reopening of the economy in the weeks and months ahead.

However, businesses are not out of the woods yet, with an estimated 1.6 million indicating that they face some risk of insolvency as a result of Covid-19-related disruption. Meanwhile, businesses' profits remained at a highly subdued level in late February/early March, which illustrates the precarious financial position that many firms continue to be in.

## The full findings

### Business insolvency risks

The number of firms that feel there is at least some risk that they will go insolvent as a result of Covid-19-related disruption dropped from 1.8 million in January to 1.6 million in late February / early March. Despite the fall, this still represents more than a quarter (27%) of the UK's business population. Moreover, the estimated share of businesses that are at high risk of insolvency as a result of Covid-19 has remained stable at 6%.

### Employment impacts

The successful roll out of the vaccination programme will bring much needed respite to the millions of businesses across the country which have been forced to make fundamental shifts to their modus operandi over the past 12 months. Here, the Business Distress Tracker found that 76% of companies continue to implement changes because of coronavirus-related disruption. With the furlough scheme extension announced in the 2021 Budget, it is perhaps unsurprising that the average proportion of employees furloughed has risen from 20% in the middle of January, to 23% in mid-March. In addition to this, 28% have had their hours reduced, and a similar proportion (28%) have experienced a reduction in their salary/wages. Concerningly, these measures have both increased since the middle of January, where the proportion of workers facing reduced hours stood at 26% and those experiencing reduced salary/wages at 24%.

### Business activity rates

While the forward-looking measures that are monitored by the Business Distress Tracker showed significant signs of improvement in the latest wave (covering late February and early March), current trading conditions remain extremely challenging. Indeed, businesses on average stated that their profits over the past 30 days were 19.9% lower as a result of Covid-19-related disruption. This is a slightly sharper decline than the 18.4% figure recorded in the previous wave in January. However, the hit to profits remained less severe than that experienced during the first lockdown in April.

### Economic recovery

17% of businesses reported that they were already operating at pre-crisis levels of production in late February / early March. This is down from 22% recorded in the previous wave of the Business Distress Tracker covering January, highlighting the financial toll that several weeks of tight lockdown restrictions have brought upon businesses. 80% of businesses expect that they will be able to return to pre-crisis levels of production within a year of restrictions being fully lifted. This compares to a figure of 75% in January.

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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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