



THE IMPACT OF COVID-19 ON THE UK BUSINESS SECTOR

Summary of research compiled by Purple Market Research

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In this document



This report has been compiled by secondary research specialist **Purple Market Research**

This is the first in a series of documents summarising research on the impact of the Covid-19 crisis on the UK business sector

The information collated in the reports has been mined from a range of research studies available in the public domain

This report relates has been compiled in week commencing 4th May 2020

Further updates will follow



It's bad but there is hope



THE BAD NEWS

Due to the Covid-19 crisis and the measures taken by the UK government, UK business confidence and activity have slumped to record lows

Businesses were unprepared for a pandemic, with 66% admitting that they had no plans in place for responding to a pandemic before the Covid-19 crisis started

They are also financially insecure with over half having less than 3 months cash in reserve

If lockdown measures are maintained for three months, the OBR forecasts that UK GDP will contract by 35% and unemployment increase by 2m between April and June 2020

Many sectors are forecast to contract, particularly education, accommodation & food services and construction

THE GOOD NEWS

Some 24% of UK businesses have temporarily closed or paused trading – meaning three quarters are still operating

Unprecedented government support through a combination of the furlough scheme, loans and grants have offered a lifeline to many businesses. Three-quarters have furloughed at least some of their staff

Some sectors have not fared as badly as others

Businesses report they can restart quickly once the lockdown is loosened.



THE BAD NEWS



Due to the Covid-19 crisis and the measures taken by the UK government, UK business confidence has fallen to a record low

Deloitte's quarterly CFO survey records an all-time low business confidence

CFOs are expecting revenues to fall by 22% in 2020

Recovery to pre-pandemic levels is not expected until 2021 Q2

Of UK CFOs...

90%

believe there is a high or very high level of uncertainty facing their business

94%

are unwilling to take risk on to their balance sheet (similar level to that recorded during the 2008 financial crisis)

98%

expect UK businesses to reduce capital spending in 2020

53%

forecast a deep and prolonged downturn in the UK until the end of 2020

53%

have reduced output and shut premises

Methodology:

Quarterly survey of 100+ CFOs in large UK firms

2020 Q1 data reported in May 2020

CFOs expect the lockdown to ease in May and June and demand in their own sectors to start recovering later this year. But there is no expectation of a quick snap back in activity, with most CFOs assuming revenues will not return to pre-crisis levels for at least a year

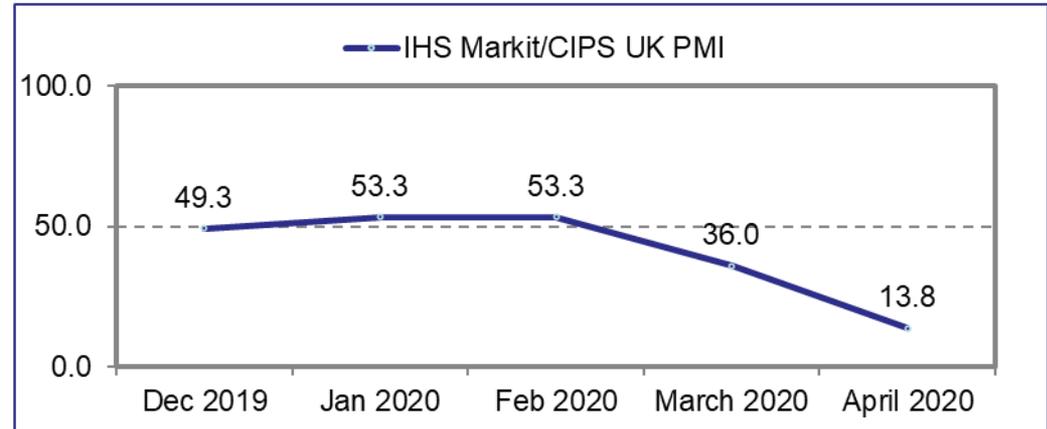
Ian Stewart, Chief Economist, Deloitte

Source: Deloitte Quarterly Survey of CFOs (<https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html>)



UK business activity has also slumped to a record low

UK Purchasing Managers' Index (PMI) for April 2020 is the lowest level on record, at 13.8



The PMI is indicative of the health of the UK economy

The PMI had been recovering from pre-Brexit uncertainty to reach 53.3 in January and February, but March and April have seen an unprecedented downturn

April's index of 13.8 is the lowest recorded since the index was launched 1996

Even after the 2008 financial crash the index only fell to 38.1 (November 2008)

80% of purchasing managers reported a drop in business activity during April

Methodology:

Survey of 400 UK purchasing managers in manufacturing and service industries

An index under 50 indicates a deterioration compared to the previous month.

April data based on interviews conducted 7-21 April

April's PMI data highlights that the downturn in the UK economy during the second quarter of 2020 will be far deeper and more widespread than anything seen in living memory

Tim Moore, Economics Director of IHS Markit

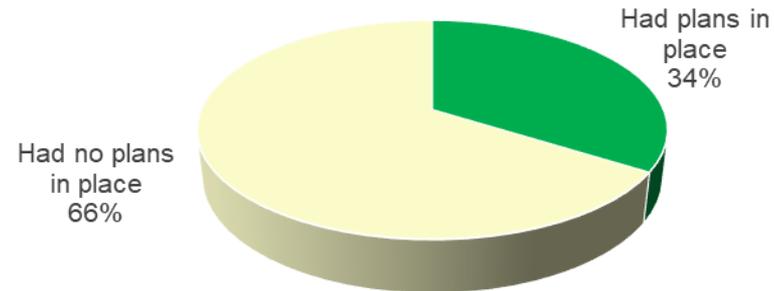


Businesses are unprepared and financially insecure

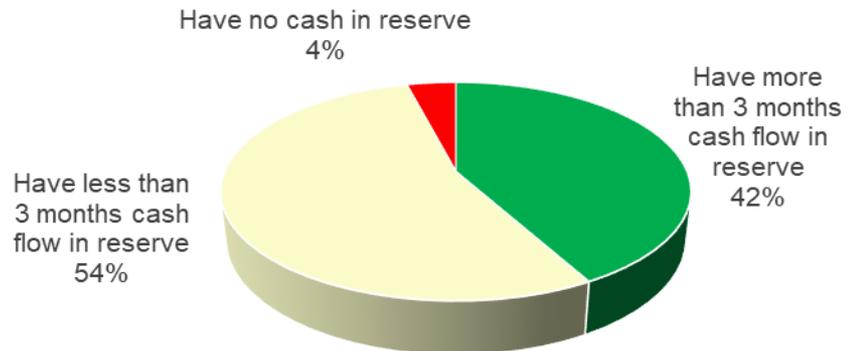
Two-thirds of organisations had no plans in place for dealing with a pandemic, despite a pandemic being the highest risk on the National Risk Register of Civil Emergencies and despite 61% having an 'up to date' business continuity plan

Over half of UK businesses have less than 3 months cash flow or no cash in reserve

Were plans in place for responding to a pandemic?



How much cash do UK businesses have in reserve?



Methodology:

Databarracks Data Health Check is based on a survey of 400 IT decision makers in UK organisations

The British Chambers of Commerce Business Impacts Tracker (CBIT) is a weekly survey of UK businesses - week 6 is based on 540 interviews with businesses (mainly SMEs in the service sector) conducted 29 April to 1 May

Sources:

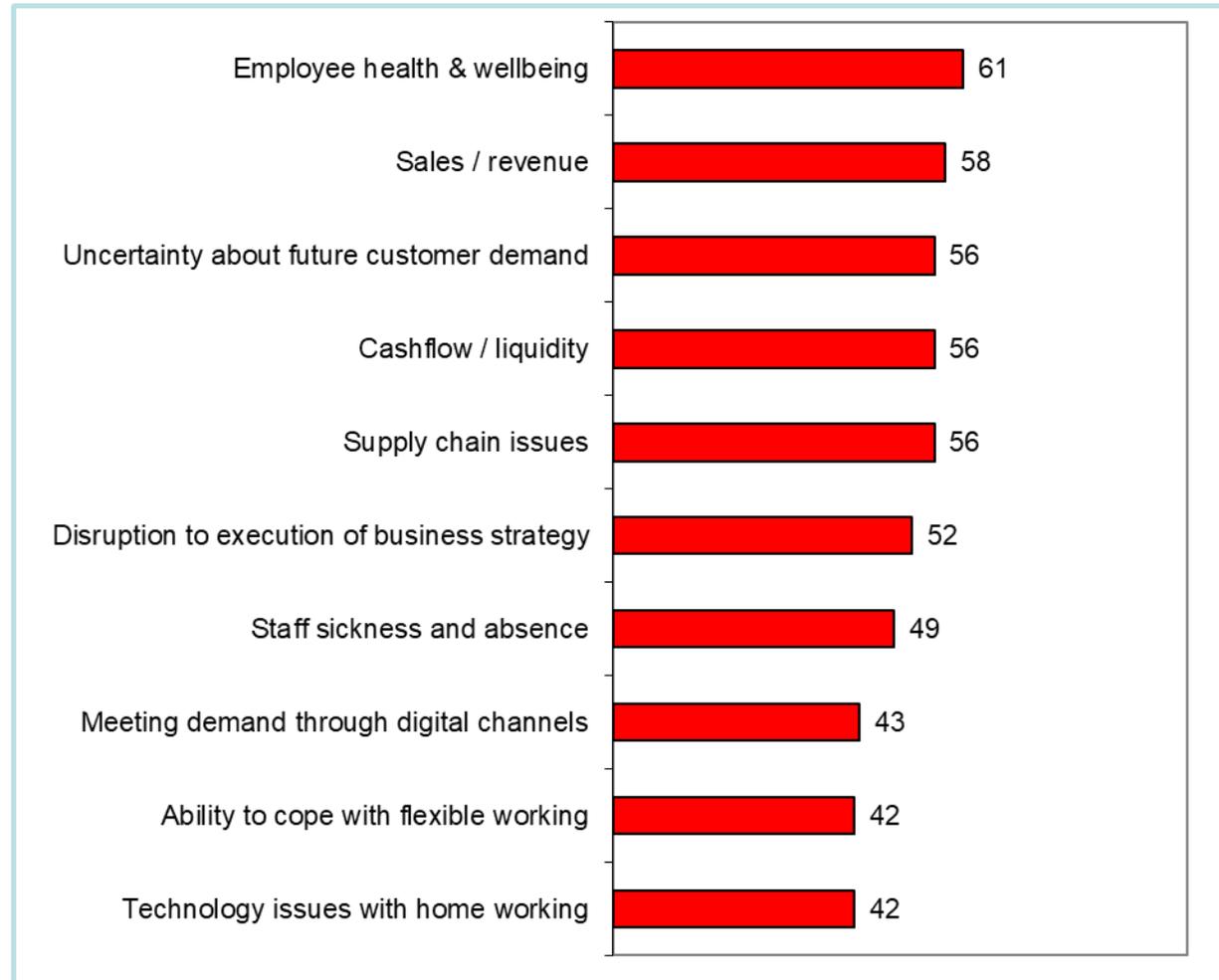
Databarracks Data Health Check 2020

BCC Coronavirus Business Impacts Tracker – week 6 of a weekly tracker of business reactions to Covid-19 (<https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker>).



Businesses have multiple concerns relating to the Covid-19 crisis, opening up opportunities for those who can provide solutions

Percentage of organisations very or extremely concerned by each issue



UK organisations are concerned about employee health and wellbeing, the impact of the crisis on sales and customer demand, but also about supply chain issues

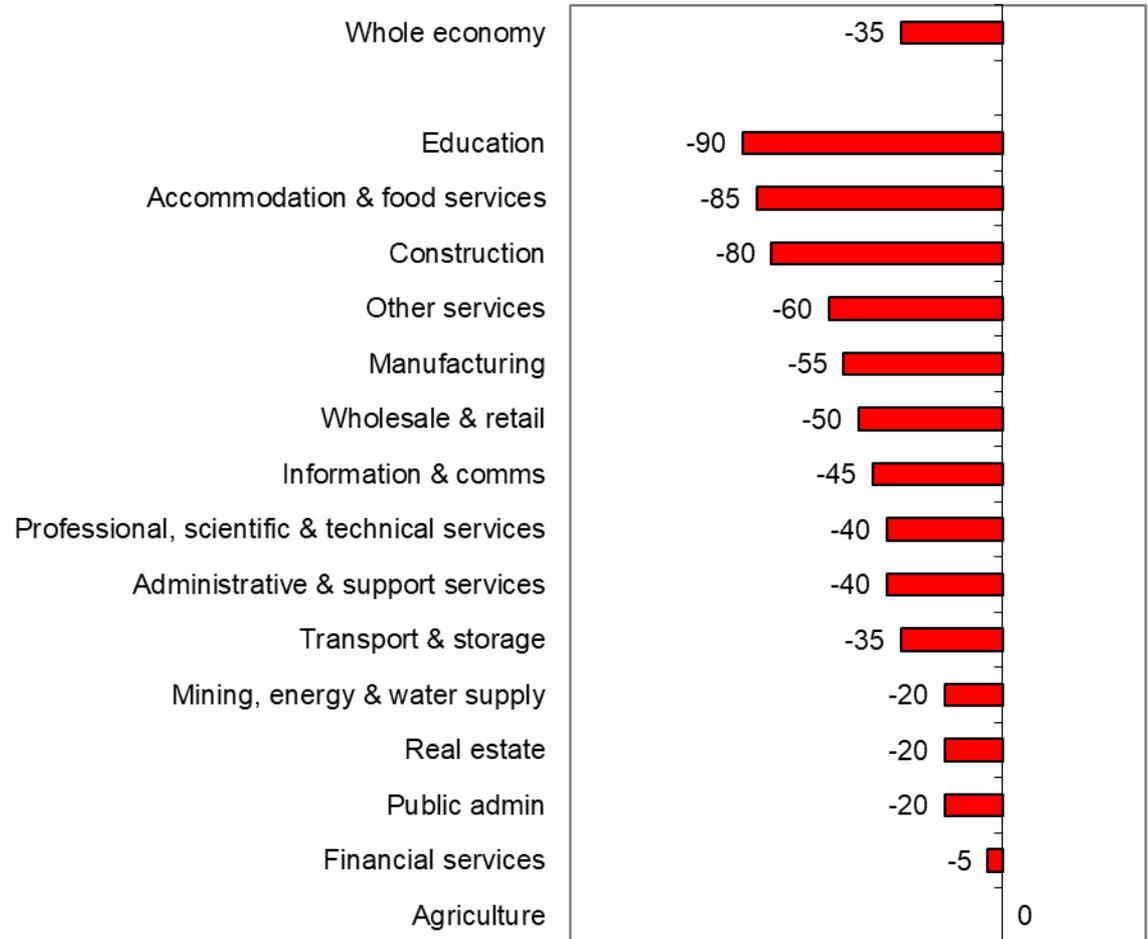


Some sectors have fared worse than others

OBR forecast percentage change in GDP April to June 2020 - by sector

If lockdown measures are maintained for three months, the OBR forecasts that UK GDP will contract by 35% and unemployment increase by 2m between April and June 2020

Most sectors are forecast to contract, many by more than 50%





THE GOOD NEWS



UK businesses reacted to the Covid-19 crisis by taking advantage of government support schemes

Most UK businesses have taken advantage of government support schemes

As of end of April 2020...

24%	of firms had temporarily closed or paused trading (with 0.3% permanently closing) – SO THREE QUARTERS OF BUSINESSES ARE STILL OPERATING
74%	of firms have already furloughed some or all of their staff
94%	of firms indicated that they were interested in at least one of the government support schemes
59%	of firms have submitted a claim and received payment under the Coronavirus Job Retention Scheme
22%	of firms have attempted to access the Coronavirus Business Interruption Loan Scheme (CBILS)
21%	of firms have successfully accessed business support grants

Methodology:
 The Office for National Statistics (ONS) Business Impact of Coronavirus Survey interviewed 6,171 businesses 6-19 April 2020
 The British Chambers of Commerce Business Impacts Tracker (CBIT) is a weekly survey of UK businesses - week 6 is based on 540 interviews with businesses (mainly SMEs in the service sector) conducted 29 April to 1 May

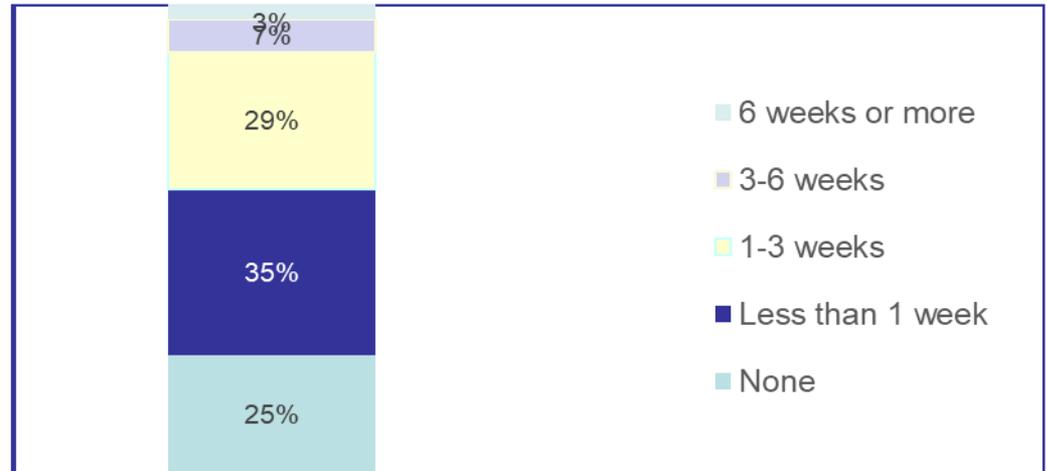
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 ONS Business Impact of Coronavirus Survey (<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukconomyandsocietyfasterindicators/30april2020>)



Post-lockdown, UK businesses can restart very quickly but the world of work may well change

Most UK businesses can be ready to restart within 3 weeks when the lockdown is loosened

How much time do businesses need to restart?



45% of UK workers expect more flexible working arrangements to be permanent after lockdown

O2 survey indicates that...

81%

of adults expect to work **at least one day a week** from home after lockdown

33%

of adults expect to increase the amount of work they do from home by **at least three days a week**

Methodology:

The British Chambers of Commerce Business Impacts Tracker is a weekly survey of UK businesses - week 6 is based on 540 interviews with businesses (mainly SMEs in the service sector) conducted 29 April to 1 May

The O2 research is based on surveys by ICM (2,019 UK workers) and YouGov (4,509 adults) in April/May 2020

Sources: BCC Coronavirus Business Impacts Tracker – week 6 of a weekly tracker of business reactions to Covid-19 (<https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker>)

O2 survey of UK adults 'The Flexible Future of Work', with fieldwork conducted by ICM and YouGov

(<https://news.o2.co.uk/press-release/a-flexible-future-brits-expected-to-call-time-on-office-life-after-lockdown/>)



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