



THE IMPACT OF COVID-19 ON THE UK BUSINESS SECTOR

Summary of research compiled by Purple Market Research

Wave 2 (15th May 2020)

COMPILED BY:
Trevor Wilkinson
Stephen Bairfelt
Purple Market Research

CONTACT:
info@purplemr.co.uk
www.purplemr.co.uk



In this document



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

This is the second in a series of reports 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 includes data specifically on the market research industry from our sister company Prevision's One Minute Surveys

This report has been compiled in week commencing 11th 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 government, UK business confidence and activity have slumped to record lows

Businesses were unprepared, 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

THE GOOD(ISH) NEWS

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

Government support through a combination of the furlough scheme, loans and grants have offered a lifeline to many businesses.

Businesses can restart quickly once the lockdown is loosened and can make the changes required for a post-Covid workplace.

THE MARKET RESEARCH INDUSTRY

UK market researchers are uncertain about their own future and the future of the market research industry in general

Two thirds of market researchers have furloughed staff and one in five has applied for a CBILS – figures in line with businesses in general



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

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

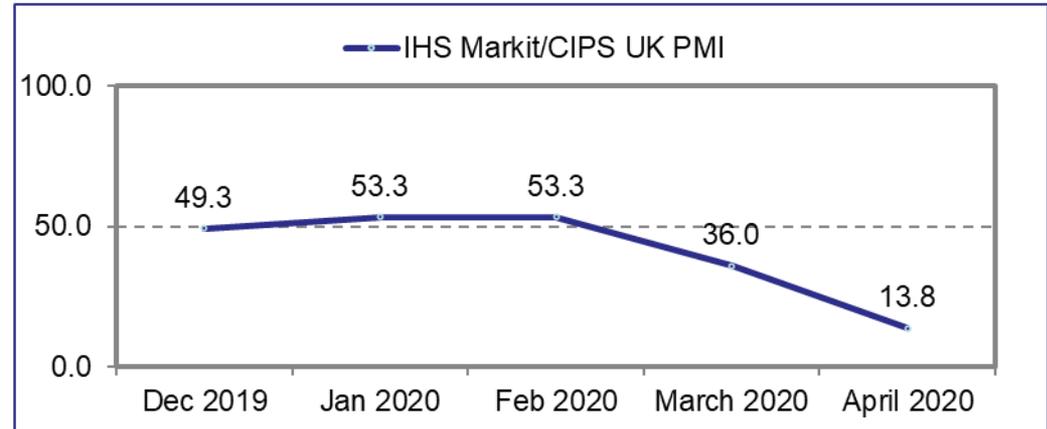
Ian Stewart, Chief Economist, Deloitte

Source: Deloitte Quarterly Survey of 100+ CFOs in large firms, 2020 Q1 data reported in May 2020 (<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

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

Source: HIS Markit/CIPS - survey of 400 UK purchasing managers in manufacturing and service industries – April data based on interviews conducted 7-21 April - an index under 50 indicates a deterioration compared to the previous month (<https://ihsmarkit.com/research-analysis/april-flash-uk-pmi-plummets-to-new-alltime-low-April2020.html>)

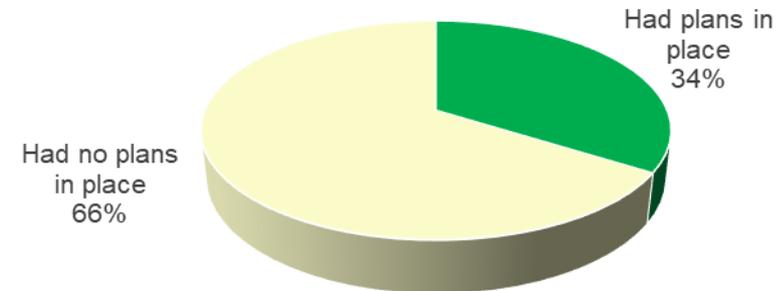


Businesses are unprepared and financially insecure

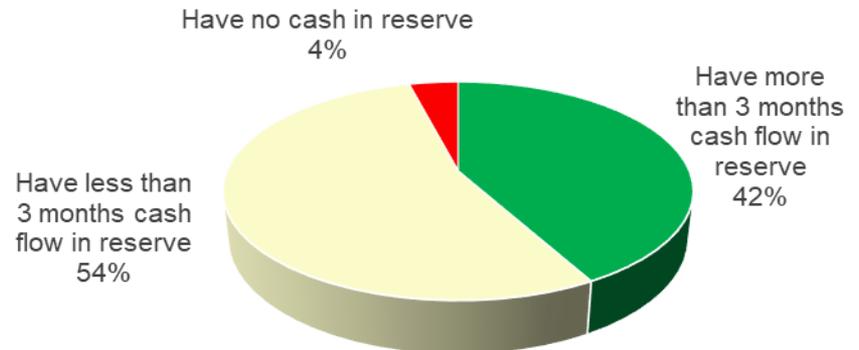
Two-thirds of organisations had no plans in place for dealing with a pandemic, despite a pandemic being the highest risk on the National Risk Register of Civil Emergencies and despite 61% having an 'up to date' business continuity plan

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?



Sources:

Databarracks Data Health Check 2020 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 (<https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker>).



THE GOOD(ISH) 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

Of UK firms (as of w/c 4 May)...

24%	had temporarily closed or paused trading (with 0.3% permanently closing) – SO THREE QUARTERS OF BUSINESSES ARE STILL OPERATING
71%	have already furloughed some or all of their staff
94%	indicated that they were interested in at least one of the government support schemes
73%	have submitted a claim and received payment under the Coronavirus Job Retention Scheme as of w/c 4 May – UP FROM 59% AT THE END OF APRIL
22%	have attempted to access the Coronavirus Business Interruption Loan Scheme (CBILS)
21%	have successfully accessed business support grants

Sources:

The Office for National Statistics (ONS) Business Impact of Coronavirus Survey interviewed 6,171 businesses 6-19 April 2020 (<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/bulletins/coronavirustheukconomyandsocietyfasterindicators/30april2020>)

The British Chambers of Commerce Business Impacts Tracker (CBIT) is a weekly survey of UK businesses - week 7 is based on 601 interviews with businesses (mainly SMEs in the service sector) conducted 5-8 May (<https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker>)



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

BCC reports that most UK businesses can be ready to restart within 3 weeks when the lockdown is loosened and they are able to accommodate the requirements of a post-Covid workplace

O2 research indicates that 45% of UK workers expect more flexible working arrangements to be permanent after lockdown

BCC survey indicates that...

89%	of UK businesses require 3 weeks or less to reopen when the lockdown is loosened
75%	agreed that they could implement social distancing measures
70%	agreed that they could make provisions for remote working
61%	could stagger arrival times

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

Sources:

The British Chambers of Commerce Business Impacts Tracker is a weekly survey of UK businesses - week 7 is based on 601 interviews with businesses (mainly SMEs in the service sector) conducted 5-8 May (<https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker>)

The O2 report 'The Flexible Future of Work' is based on surveys by ICM (2,019 UK workers) and YouGov (4,509 adults) conducted in April/May 2020 (<https://news.o2.co.uk/press-release/a-flexible-future-brits-expected-to-call-time-on-office-life-after-lockdown/>)



Prevision One Minute Surveys



**Purple Market Research' sister company
Prevision has conducted a survey of UK-
based researchers**

The research is the first of a series of **One
Minute Surveys**

Surveys are conducted online by Prevision

The first survey was open from 1-8 May
2020

108 interviews were completed

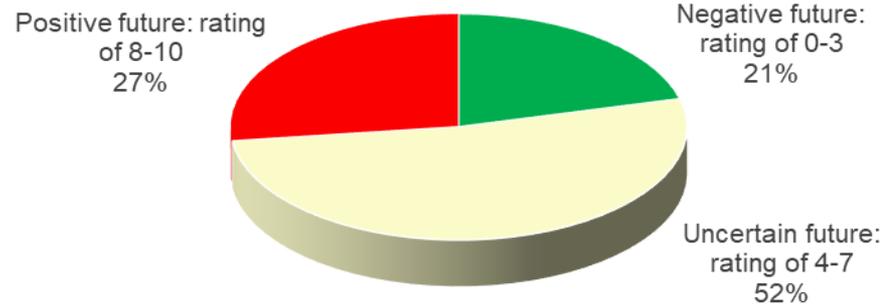


UK market researchers are uncertain about their own future and the future of the market research industry in general

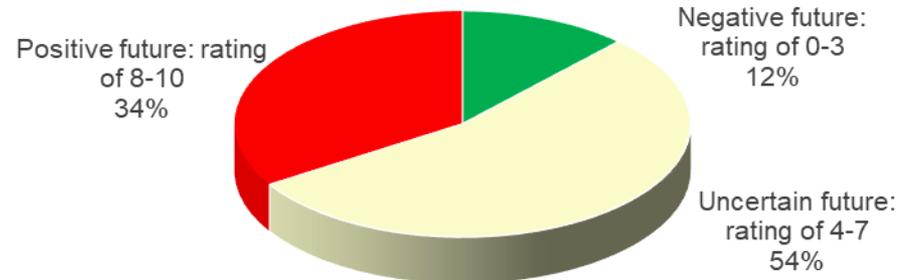
Market researchers express uncertainty about their own companies' future and about the market research industry in general

Around one third are more positive, thinking that the industry will eventually recover

How positive are researchers about their own companies future in the next year?



How positive are researchers about the future of the research industry in the next 5 years?



Source: Prevision One Minute Survey of 108 researchers conducted 1-8 May 2020 - scale used is 0 = very negative to 10 = very positive



Two thirds of market researchers have furloughed staff and one in five has applied for a CBILS

Market research firms are slightly less likely than businesses in general to have furloughed staff
One in five market research firms have applied for a CBILS (half of whom have been successful) – figures in line with businesses in general

	Market research industry	All businesses
% of firms that have already furloughed some or all of their staff	65%	71%
% of firms that have attempted to access the Coronavirus Business Interruption Loan Scheme (CBILS)	20%	22%

Sources:

Prevision One Minute Survey of 108 researchers conducted 1-8 May 2020

The British Chambers of Commerce Business Impacts Tracker (CBIT) is a weekly survey of UK businesses - week 7 is based on 601 interviews with businesses (mainly SMEs in the service sector) conducted 5-8 May (<https://www.britishchambers.org.uk/page/bcc-coronavirus-business-impact-tracker>)



We are experts at helping you make more of existing information sources



- Conducted 100+ market, sector & competitor profiles for over 50 clients
- Approved desk research provider for:
 - Crown Commercial Service
 - Financial Conduct Authority
- Best practice desk research training, in conjunction with the MRS, provided since 2010
- We also offer primary research through our sister company, Prevision Research

For more information see www.purplemr.co.uk

Contact us on info@purplemr.co.uk