Coronavirus (COVID-19) Review: data and analysis, March to October 2020

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Business impact

This section includes analysis of our Business Impact of Coronavirus Survey (BICS), as well as statistics on business demographics throughout the pandemic

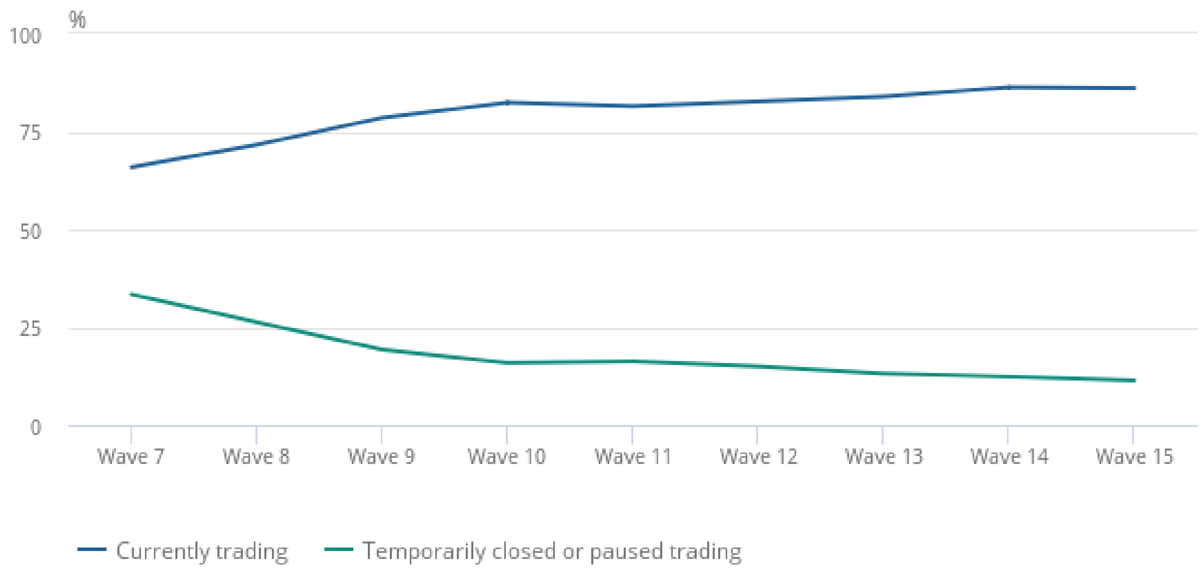
In late September 85% of micro businesses were currently trading, compared with 97% of businesses with 250 or more employees

- In 21 September to 4 October 2020, 86% of businesses were currently trading, compared with 66% in 1 to 14 June 2020 according to the Business Impact of coronavirus Survey.
- In late September, the arts, entertainment and recreation industry had the lowest percentage of businesses currently trading, at 70%; along with the administrative and support service activities, these industries had the highest percentages of businesses that were temporarily closed or paused trading, at 30% and 21% respectively.
- Of businesses trading between 21 September to 4 October, 48% experienced a decrease and 11% experienced an increase in turnover, compared with what is normally expected for this time of year.
- The arts, entertainment and recreation, and accommodation and food service activities industries had the highest proportion of businesses experiencing a decrease in turnover at 75% and 68%.
- The wholesale and retail trade industry had the highest percentage of businesses experiencing an increase in turnover, at 19%.

86% of businesses were currently trading between late September compared with 66% in early June

Percentage of businesses, current trading status, broken down by Wave, weighted, UK, 1 June to 4 October 2020

Note: Late September refers to wave 15 (21 September to 4 October) and early June refers to wave 7 (1 June to 14 June).

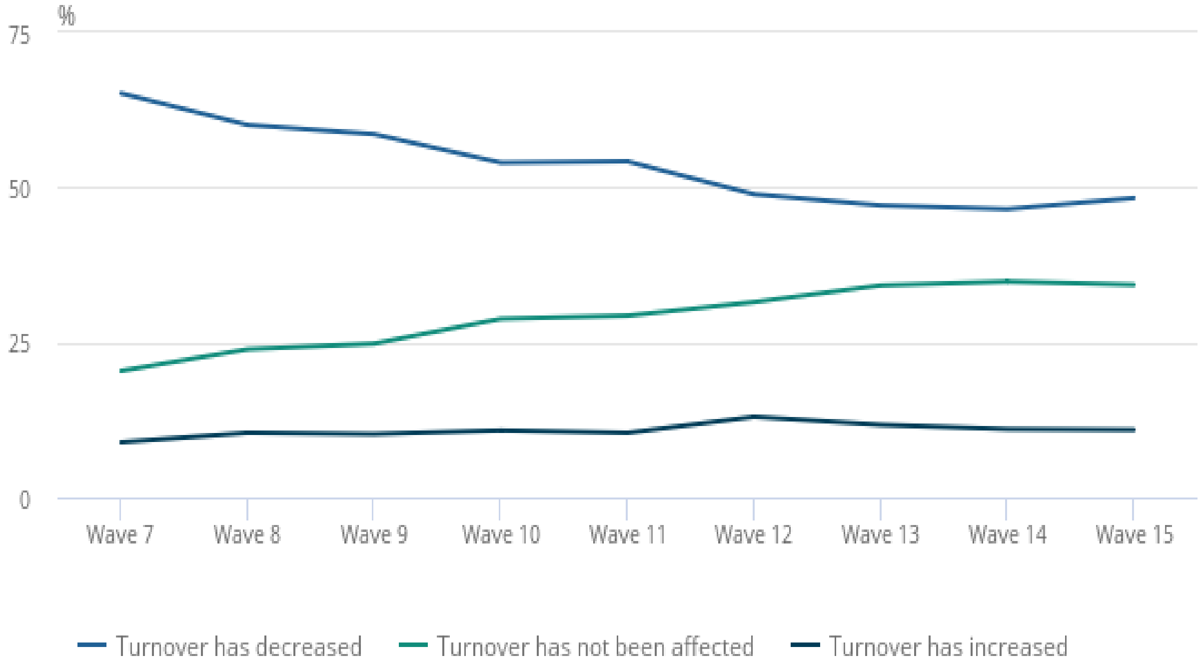


Source: [Coronavirus and the economic impacts on the UK: 22 October 2020]

Lead analyst: [Jon Gough]

In late September 48% of businesses experienced a decreased in turnover, continuing the flattened trend since mid August

Impact on turnover, businesses that are currently trading, broken down by Wave, weighted, UK, 1 June to 4 October 2020

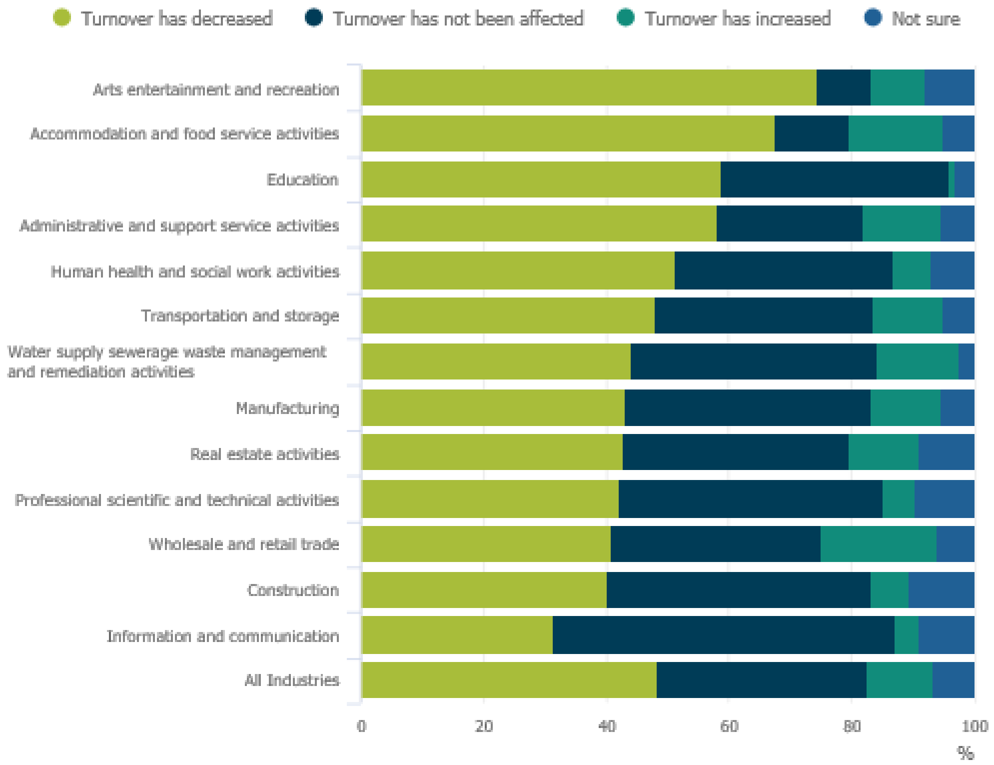


Source: [Coronavirus and the economic impacts on the UK: 22 October 2020]

Lead analyst: [Jon Gough]

The arts, entertainment and recreation industry had the highest percentage of businesses experiencing a decrease in turnover in late September

Impact on turnover, businesses that are currently trading, broken down by industry, weighted, UK, 21 September to 4 October 2020



Source: [Coronavirus and the economic impacts on the UK: 22 October 2020]

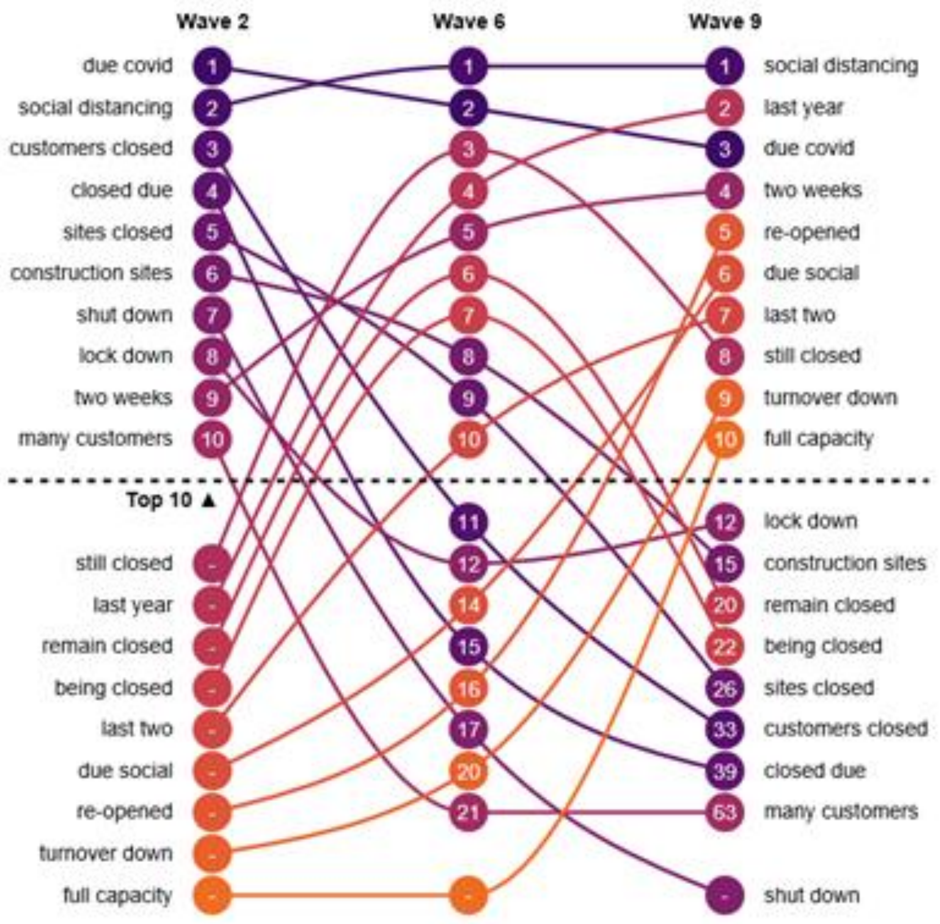
Lead analyst: [Jon Gough]

The COVID-19 outbreak, the subsequent UK lockdown restrictions and business closures have consistently been stated most frequently in two-word textual comments explaining turnover effects

- The figure presents the most commonly cited words that appear together in a pair from Waves 2 (23 March to 5 April), 6 (18 May to 31 May) and 9 (29 June to 12 July) in response to the question that asks businesses to explain why their turnover had been affected.
- Results demonstrate how business responses, in relation to the comments used to describe the reasons for their turnover being affected, have changed since the peak of the Coronavirus (COVID-19) outbreak.
- Phrases that do not occur in earlier waves but increase in the ranking order, for example, “still-closed” and “re-opened”, reflect how the nature of businesses responses changed to the question and what factors were dominating reasons for turnover being affected in later waves based on the changing circumstances.

Business responses to describe the reasons for their turnover being affected, have changed since the peak of the Coronavirus

Most common two-word comments from businesses responding to the question “Please explain in more detail how the coronavirus (COVID-19) pandemic affected your businesses’ turnover in the last two weeks”, Waves 2, 6 and 9.



Source: [Coronavirus and the experiences of UK businesses, textual analysis: March 2020 to July 2020]()

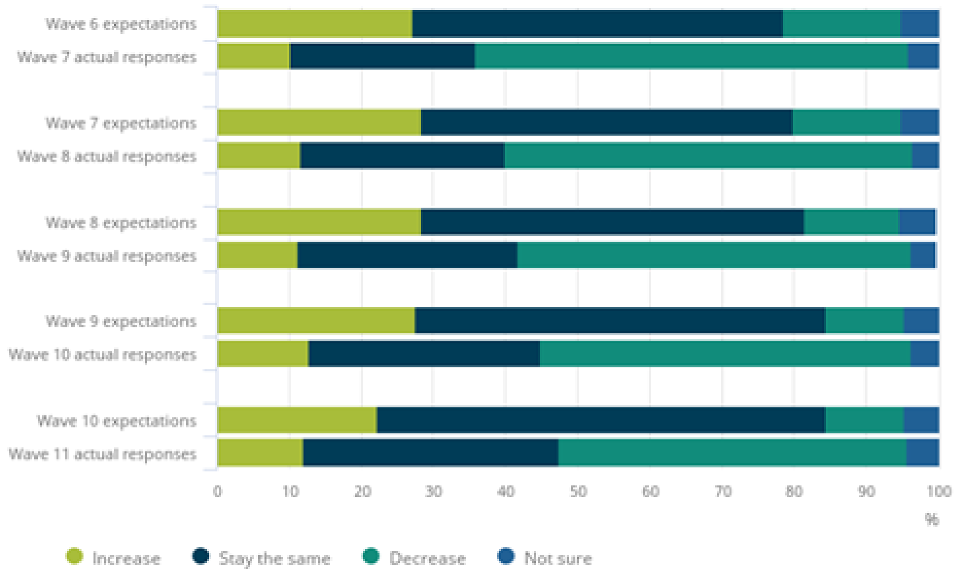
Lead analyst: [Jon Gough]()

Optimism in this sample of businesses changed between late May and early August

- On average, between Waves 6 (18 May to 31 May) and 11 (27 July to 9 August), 13% of businesses expected a decrease in turnover in the two weeks after responding and when compared with the reported changes to turnover of those same businesses two weeks later, 54% reported a decrease.
- In contrast, on average, while 26% of businesses expected an increase in turnover in the two weeks after responding, only 12% reported an increase in turnover when asked two weeks later.
- Optimism in this sample of businesses changed over Waves 6 to 11; these businesses were most optimistic about an increase in turnover in Wave 8, when 28% expected an increase in turnover, compared with only 11% reporting an increase in turnover in Wave 9 – a difference of 17%; this reflects the further easing of restrictions impacting several industries in England and the lifting of travel restrictions in Wales at the beginning of July; by Wave 10, the difference in expected increase in turnover and an increase in turnover response in Wave 11 was at its lowest, at 10%.
- Businesses' expectations of a decrease in turnover have been more consistent with their actual responses over Waves 6 to 11, with the difference between percentage of businesses expecting a decrease in turnover and reporting a decrease in turnover in the following Wave steadily decreasing over time.

Businesses have consistently been optimistic in their turnover expectations between mid-May and early August

Percentage of responding businesses currently trading, broken down by previous Wave expectations and following Wave actual responses, UK, 1 June to 23 August 2020

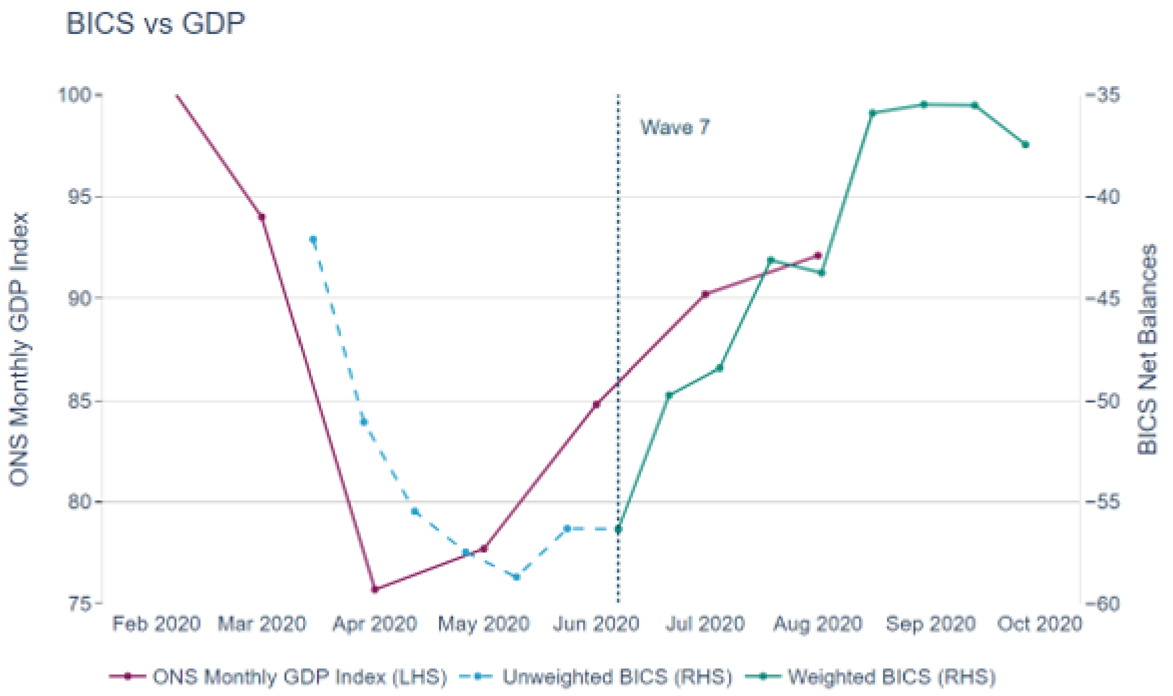


Source: [Business Impact of Coronavirus (COVID-19) Survey, expectation responses over time, UK: 1 June to 23 August 2020 (Waves 6 to 11)]

Lead analyst: [Freddy Farias Arias]

Fortnightly turnover estimates from BICS broadly reflect the published UK monthly GDP estimates

Net turnover balances of businesses currently trading against GDP monthly estimates, UK, 1 February to 4 October 2020



Source: [Coronavirus and the economic impacts on the UK: 22 October 2020]

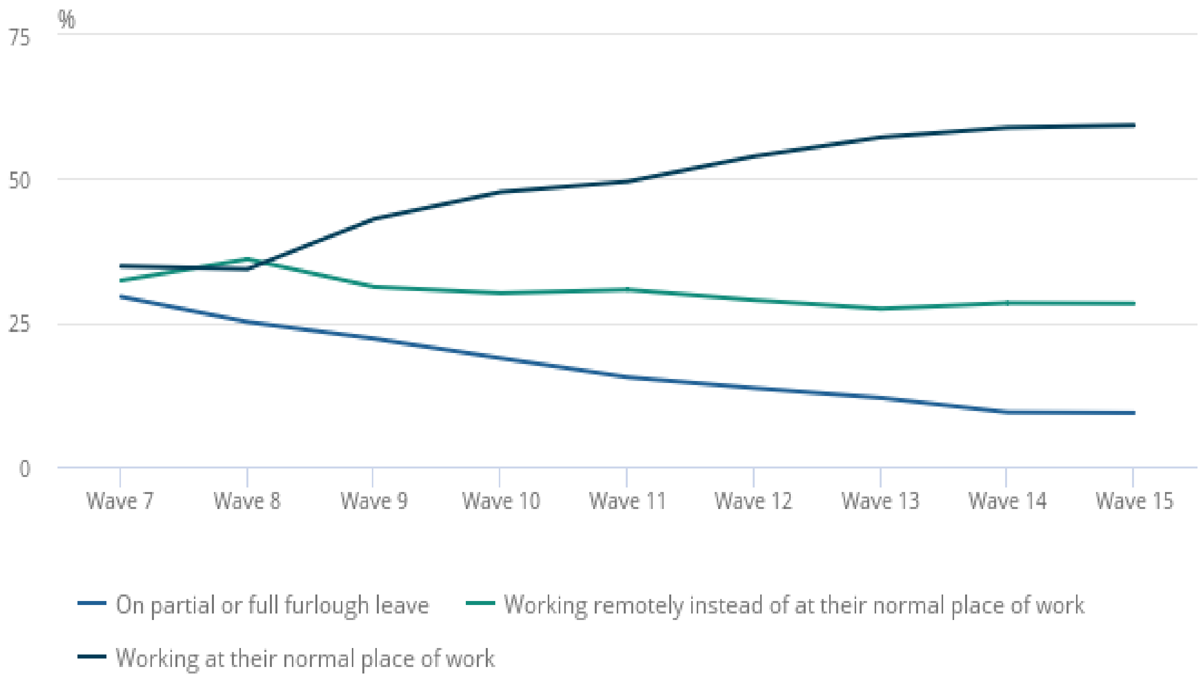
Lead analyst: [Jon Gough]

The arts, entertainment and recreation industry and the accommodation and food service activities industry had the highest proportions of their workforce on partial or full furlough leave throughout the pandemic

- In 21 September to 4 October 2020, 9% of the workforce were on partial or full furlough leave and 28% of the workforce were working remotely instead of at their normal place of work.
- Throughout the pandemic, the arts, entertainment and recreation industry and the accommodation and food service activities industry have had the highest proportions of their workforce on partial or full furlough leave under the terms of the UK government’s Coronavirus Job Retention Scheme (CJRS), at 28% and 24% respectively in late September.
- The information and communication industry and the professional, scientific and technical activities industry had the highest proportions of their workforce working remotely instead of at their normal place of work, at 77% and 63% respectively.
- Across all industries, of businesses currently trading, 9% of the workforce returned from furlough leave and 5% of the workforce moved from remote working to the normal workplace in the two weeks prior to the survey wave.

In late September 9% of the workforce were on furlough leave after a steady decrease from 30% in June

Working arrangements, businesses that have not permanently stopped trading, broken down by Wave, weighted, UK, 1 June to 4 October 2020



Source: [Coronavirus and the economic impacts on the UK: 22 October 2020]

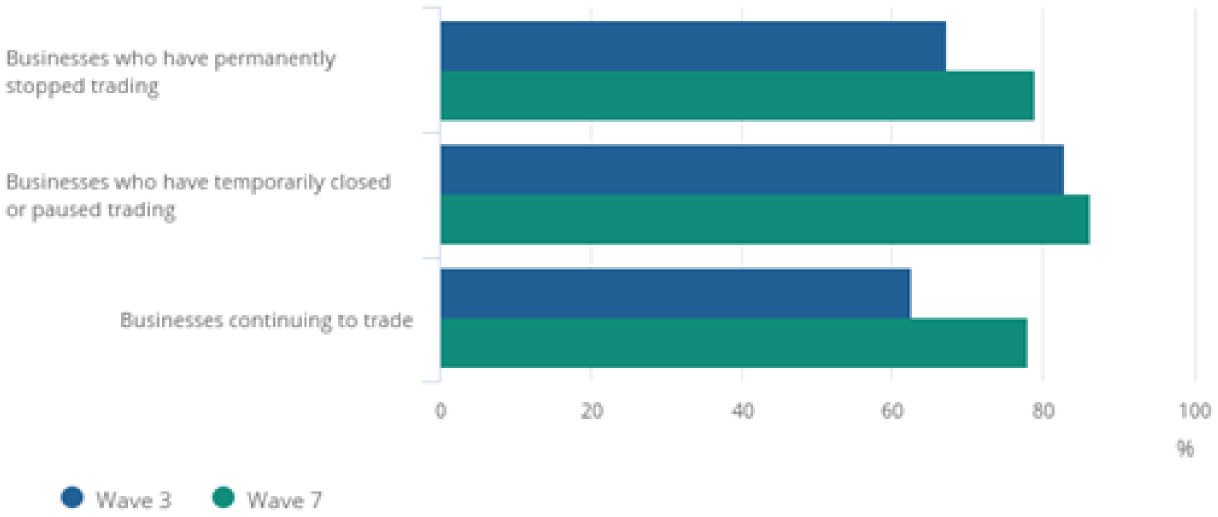
Lead analyst: [Jon Gough]

The Coronavirus Job Retention Scheme was the most popular government scheme applied to throughout the first seven months of the pandemic

- The Business Impact of Coronavirus Survey provides insights into the uptake of government schemes or initiatives, where they were asked if they were interested in applying for any.
- Of businesses who had not permanently stopped trading, 81% were interested in applying for the Coronavirus Job Retention Scheme in late March.
- From April onwards, businesses were asked what government schemes or initiatives they had applied for; trading businesses had reported that the CJRS was the one that was most applied for.
- Of businesses who have permanently stopped trading in early June, 79% (unweighted) of businesses applied for the CJRS, while 20% applied for either government-backed accredited loans or finance agreements, or business grants funded by the UK and devolved administrations.
- In late September, the CJRS appears to have been the most popular of the government schemes with 77% (unweighted) or 47% (weighted) of businesses having applied for it.

Across April to June, temporarily closed businesses reported a higher percentage applying for the CJRS, than those continuing to trade

Businesses who have not permanently stopped trading and applied for the CJRS, broken down by trading status, UK, unweighted, 6 April to 14 June 2020



Source: [Insights of the Business Impact of Coronavirus (COVID-19) Survey: 23 March to 5 April (Wave 2) to 1 to 14 June (Wave 7) 2020]

Lead analyst: [Emily Hopson]

In late September, 43% of businesses not permanently stopped trading had less than six months cash reserves, relatively stable from early June

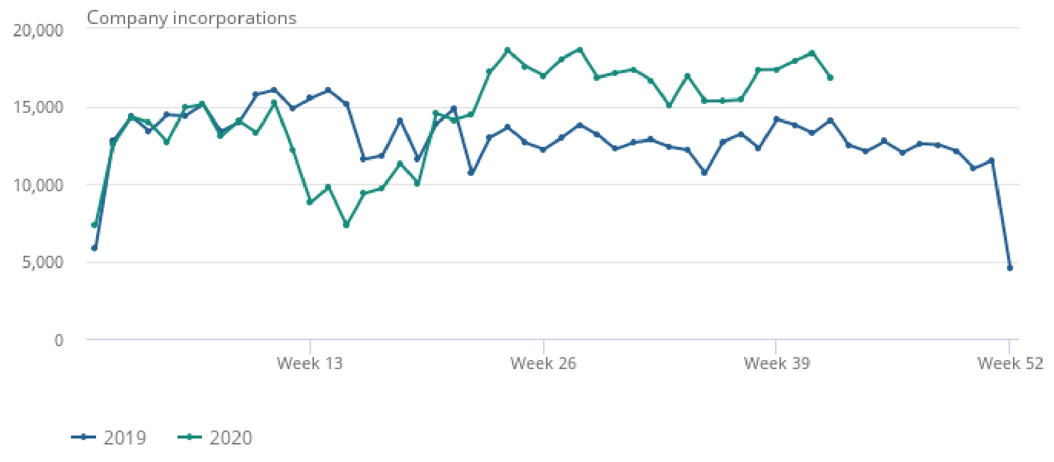
- In 21 September to 4 October 2020, the accommodation and food service activities industry had the highest percentage of businesses that had no cash reserves, at 7%; this was followed by the arts, entertainment and recreation industry and the transportation and storage industry, both at 6%.
- The information and communication industry and the wholesale and retail trade industry had the highest percentages of businesses that had cash reserves to last more than six months, at 46% and 45% respectively.
- Across all industries, of businesses not permanently stopped trading, 64% of businesses had a low to severe risk of insolvency.
- The accommodation and food service activities industry and the administrative and support service activities industry had the highest percentages of businesses with a severe risk of insolvency, at 17% and 9% respectively.

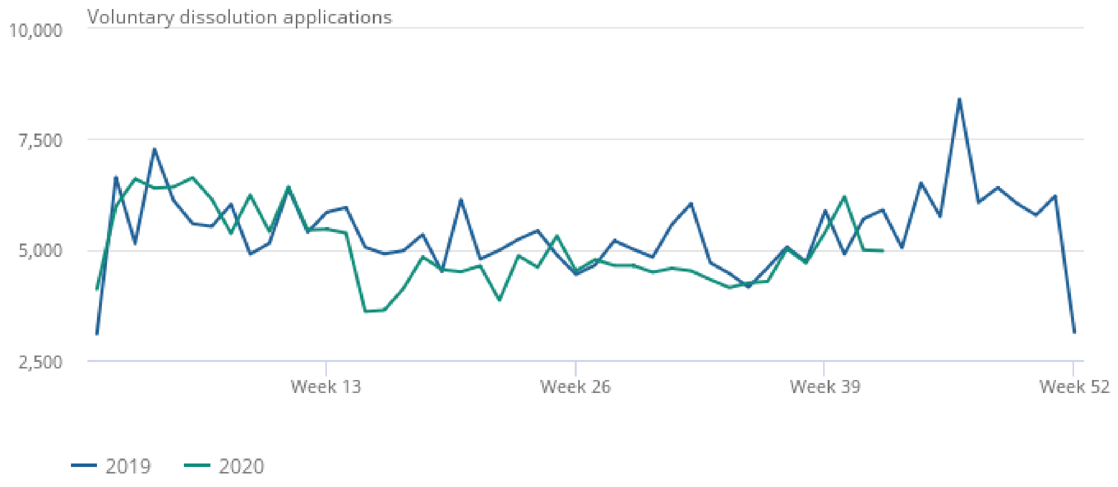
The observed fluctuations in weekly incorporations per working day coincide with government instigated lockdown measures and the subsequent easing of them in response to the COVID-19 pandemic

- There were 16,821 company incorporations in the week ending Friday 16 October 2020, which is lower than the previous week but remains for the twenty-first week higher than the same week the previous year (14,107).
- The observed fluctuations in weekly incorporations per working day between April to early May 2020 and June to the end of July 2020 coincide with government instigated lockdown measures and the subsequent easing of them in response to the COVID-19 pandemic; this is in line with official statistics published by Companies House.
- There were 4,974 voluntary dissolution applications in the week ending Friday 16 October 2020, similar to the previous week but lower than the same week the previous year (5,898).
- Voluntary dissolution applications throughout the pandemic have followed a similar trend to 2019.

Company incorporations in the week ending 16 October 2020 remained, for the twenty-first week, higher than the same week the previous year

Company incorporations and voluntary dissolutions per working day, UK, quarterly and weekly, Quarter 1 (Jan to Mar) 2019 to Quarter 2 (Apr to June) 2020, and week ending 6 March 2020 to week ending 25 September 2020.





Source: Companies House; [Coronavirus and the latest indicators for the UK economy and society: 22 October 2020]

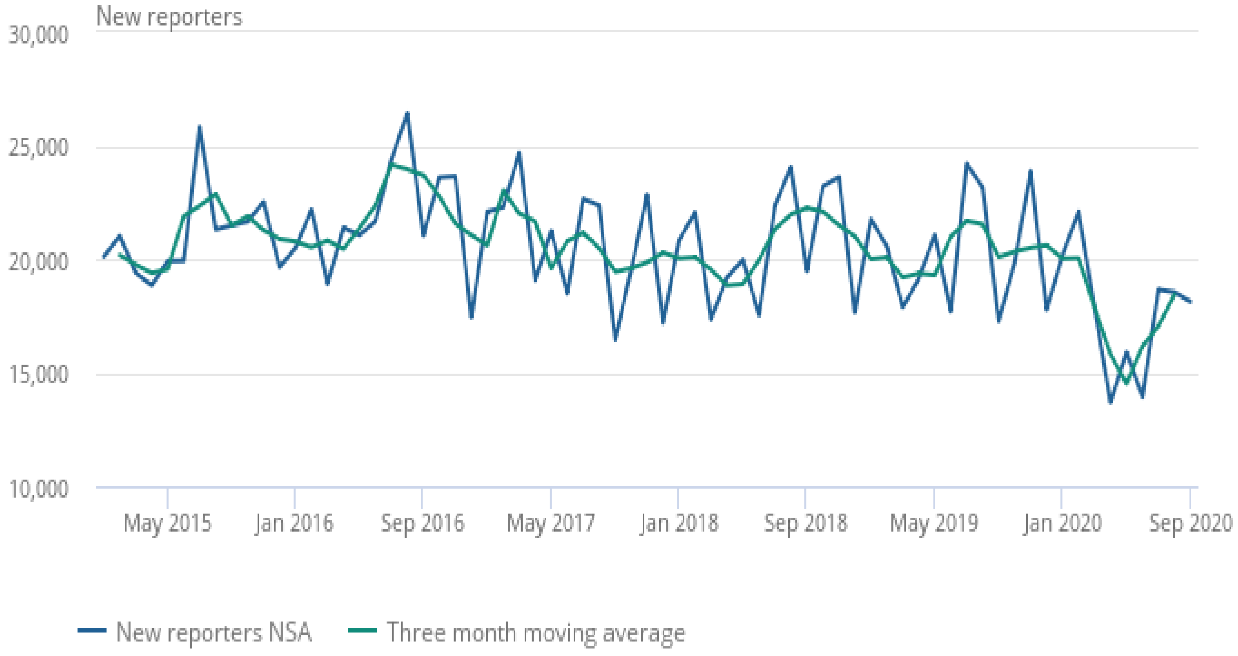
Lead analyst: [David Matthewson]

In September 2020, the level of new VAT reporters had not returned to the normal levels seen before the impact of the COVID-19 pandemic

- The new reporters index measures the number of firms sending VAT returns for the first time, which is related to the number of firm creations.
- In September 2020, there were 18,130 new VAT reporters, continuing the pick-up in the months of Quarter 3 (July to Sept) 2020 following a drop in Quarter 2 (April to June) 2020.
- The level of new VAT reporters has not returned to the normal levels seen before the impact of the COVID-19 pandemic, and this could be a result of the composition of business births.
- Experimental evidence from the Inter-Departmental Business Register (IDBR) on business demography up to Quarter 3 (July to Sept) shows that the types of businesses being created during the pandemic are on average smaller and may therefore not be included in the VAT reporters data.

September 2020 saw a continuation of the pick-up in the months of Quarter 3 (July to Sept) following a drop in Quarter 2 (Apr to June) 2020

The number of new firm reporters, January 2015 to September 2020, non-seasonally adjusted



Source: [Coronavirus and the latest indicators for the UK economy and society: 15 October 2020]

Lead analyst: [David Matthewson]

The impact of the COVID-19 pandemic may be seen in the slowdown in business creations in Quarter 2 (Apr to June) 2020

- The number of businesses removed from the Inter-Departmental Business Register (IDBR) (business closures) in the UK in Quarter 3 (July to Sept) 2020 was slightly lower than the average in the third quarter of the past three years. Business closures do not appear to have yet increased as a result of the COVID-19 pandemic, because of the time it takes for a business to close, delays in the reporting process, and government support for businesses.
- The number of businesses added to the IDBR (business creations) in the UK in Quarter 3 2020 was slightly higher than in the third quarter of the past three years, after a fall in Quarter 2 2020.
- Business creations tend to experience shorter lags than business closures, so the slowdown in Quarter 2 (Apr to June) 2020 and pick up in Quarter 3 2020 are more likely to reflect the coronavirus pandemic.
- The composition of business creations is markedly different to previous quarters – the average business is smaller and far more likely to be in industries less affected by the coronavirus pandemic.

Source: Business demography, quarterly experimental statistics, UK: July to September 2020

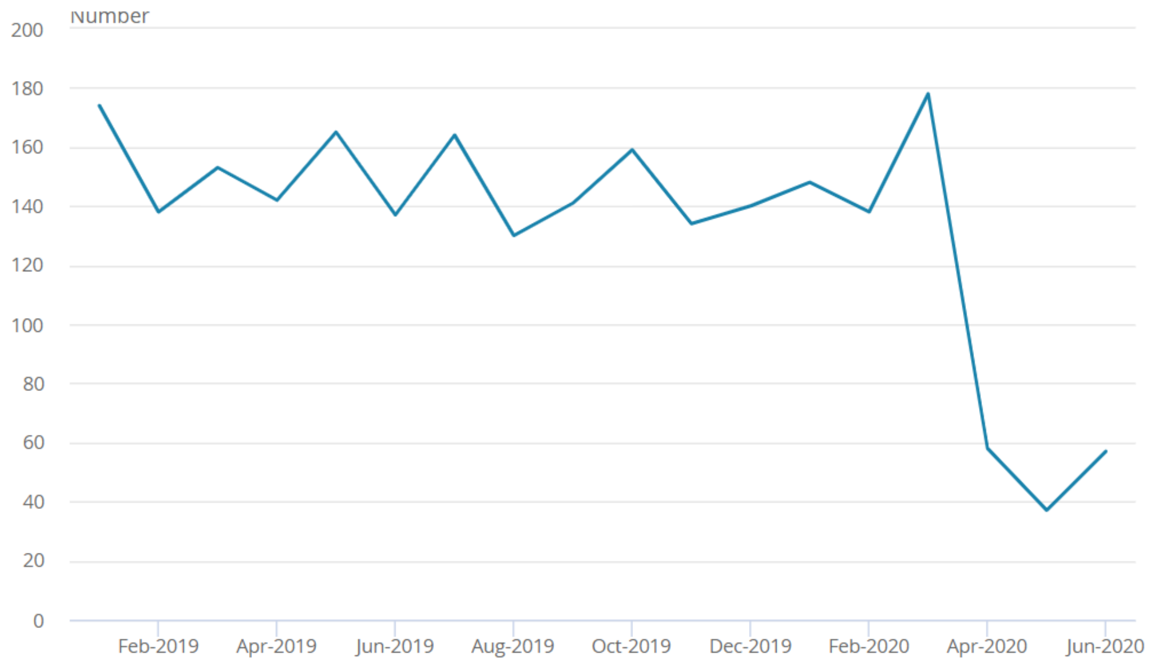
Lead analyst: Josh Martin

The number of domestic and cross-border mergers and acquisitions shows a considerable reduction from April 2020

- Domestic and cross-border M&A involving UK companies in Quarter 2 (Apr to June) 2020 saw 152 completed transactions, a sizeable fall of 311 when compared with the previous quarter (463) and 292 fewer than in Quarter 2 2019 (444).
- As these only measure completed transactions, they cannot provide evidence to explain a reduction in the number of transactions. However, the timing does follow the introduction of the restriction of movement in the UK, which began on 23 March 2020, in response to the coronavirus pandemic.
- There were expectations from external commentators that pandemic-related factors could cause delays to mergers and acquisitions transactions.
- Outward M&A (UK companies acquiring foreign companies abroad) was valued at £4.4 billion in Quarter 2 2020, a slight rise of £0.3 billion when compared with Quarter 1 (Jan to Mar) 2020 (£4.1 billion).
- The value of inward M&A (foreign companies abroad acquiring UK companies) in Quarter 2 2020 (£2.1 billion) was the lowest value recorded since Quarter 2 (Apr-Jun) (£1.9 billion).

The number of monthly domestic and cross-border mergers and acquisitions involving UK companies from January 2019 to June 2020 ranged from 37 to 178

The monthly profile of completed domestic and cross-border mergers and acquisitions shows a considerable reduction in the number of transactions from April 2020



Source: [Mergers and acquisitions involving UK companies: April to June 2020]

Lead analyst: [Lee Mallett]