

Newman & Partners

Licensed Insolvency Practitioners

RECOVERY & REVIVAL BULLETIN

Welcome to the latest issue of our Recovery and Revival Bulletin, designed to keep you up-to-date on insolvency matters that may be of interest to you. If you have any feedback on this bulletin, or would like to know more about our services or how we can help you, please contact us on **020 8357 2727** or at insolvency@newmanandpartners.co.uk

Grounded – The hard-hit UK travel industry

As we approach the summer, many UK residents would normally be focused on their holidays and their latest trip abroad, but with restrictions only now being eased, the UK's travel and tourism industries continue to be some of the worst affected by COVID-19. Pre-pandemic the industry contributed around 6.7 per cent of gross value added to the UK economy, according to the Office for National Statistics (ONS), but this contribution is now far smaller.

The Coronavirus pandemic has impacted the sector heavily in 2020 and into 2021, with Government restrictions continuing to prevent tourism for large parts of the last year. Only now, in May 2021, has travel and overnight stays in the UK been widely permitted, while overseas travel options remain limited.

The impact of the vaccination scheme is certainly starting to take hold, in the UK at least, but whether many in the industry will be able to survive the recovery is less certain. Data from the ONS Monthly Business Survey show that turnover in travel and tourism businesses fell to its lowest level in 2020 in May, at just 26 per cent of February levels, compared with 73.6 per cent in all other industries. Accommodation and travel agency businesses saw the sharpest decline in turnover during the first national lockdown as well, falling to 9.3 per cent of their February levels in May.

Since then, the subsequent impact of the various lockdowns has forced many businesses to adapt or close. As the official data shows, the proportion of businesses trading in the travel and tourism sector increased in most travel and tourism industries in July and August 2020, with the proportion of accommodation and travel agency businesses increasing from 43 per cent trading in early July 2020 to 98 per cent in late August, before declining again to 51 per cent in November in response to the new national lockdown restrictions.



The second and third lockdown potentially had the biggest impact on this industry as by mid-January 2021, this proportion had declined further, with only 37 per cent of accommodation business trading. This official data is backed up by figures from VisitEngland, which showed that occupancy at hotels, B&Bs and other forms of holiday accommodation declined sharply at the start of the pandemic and has been slow to recover – although the rise in staycations this year may mean that some parts of the UK experience a boom in the summer months.

Similar trends can be seen in overseas travel, with monthly air passenger arrivals to the UK falling from 6,804,900 in February 2020 to just 112,300 in April 2020 – a fall of 98.3 per cent. Outward travel by UK residents has seen similar levels of decline,

due to the tough restrictions that have been put in place.

This decline in the sector is also evident in the employment figures with employment in accommodation for visitors falling by up to 21.5 per cent in the last year compared with 2019. In fact, in the travel and tourism industries, the number of people aged 16 to 24 years saw the largest fall in employment of any age group between Quarter 3 (July to Sept) 2019 and Quarter 3 2020.

IF A CLIENT IN THE TRAVEL AND TOURISM SECTORS HAS BEEN AFFECTED BY THE SIGNIFICANT IMPACT BROUGHT ON BY THE PANDEMIC, OR ANY OF THE OTHER HARD-HIT INDUSTRIES SUCH AS HOSPITALITY AND LEISURE, PLEASE CONTACT US TODAY.

Pandemic costs small businesses more than £126 billion

A new study from insurers, Simply Business, has found that the impact of COVID-19 has cost the nation's small businesses more than £126 billion in expenses and lost trade. While many companies have benefitted from the Government's financial support schemes, the effect of the pandemic has still been great, with the study suggesting that the events of the last year have cost each small business £22,461 on average.

Conducted among 1,200 small business owners and self-employed people across the UK one year on from the start of lockdown, the survey also revealed that almost one in 10 business owners expect the pandemic to cost them over £50,000. As a result of the pandemic, more than 840,000 small business owners aren't sure if their business will ever return to pre-pandemic trading levels, according to the extrapolated figures from the study.

This could have a substantial impact on the wider economy, as the UK's six million SMEs account for over 99 per cent of all businesses, 33 per cent of employment and 21 per cent of all economic turnover. There are concerns that the collapse of

many small businesses could have a ripple effect throughout the economy and other larger companies.

Despite the billions of pounds spent by the Government to support businesses affected by the Coronavirus, around 81 per cent of respondents to the survey said they hadn't had enough support, while 41 per cent said they didn't feel supported at all, with the other 40 per cent saying more help was needed. Of the 41 per cent of businesses who didn't feel supported, around 37 per cent said they hadn't been able to access Government schemes and grants.

Although much of the UK economy is now finally reopening, thanks in part to the

success of the vaccination initiative, only 25 per cent of businesses believe trading will be back to normal by spring or summer 2022, while a more optimistic 14 per cent of respondents said that they'll be back to normal levels by the end of this year.

IF YOU OR A CLIENT IS CONCERNED ABOUT THE COST THE PANDEMIC HAS HAD ON BUSINESS AND TRADE IT IS IMPORTANT THAT YOU SEEK HELP. OUR EXPERIENCED TEAM ARE READY AND STANDING BY TO HELP BUSINESSES AS THEY EMERGE FROM THE ECONOMIC RESTRICTIONS OF THE PANDEMIC, SO PLEASE CONTACT US.

Up to three-quarters of a million businesses at risk of failure in the next few months

A new study from researchers at the London School of Economics (LSE) has found that as many as 750,000 businesses in the UK are at immediate risk of failure in the next three months. Although many businesses have had support during the pandemic, the new study showed that in the two weeks to 4 April, more than 740,000 businesses – employing 1.9 million staff – had “low” or “no” confidence they would survive.

The experts at the LSE have been using Office for National Statistics (ONS) data to track how UK businesses view their risks of bankruptcy over the next three months. By comparing the ONS' regular Business Insights and Impact (BICS) survey, the researchers have found that there is a downward trend in concerns of failure, suggesting fewer businesses are at risk since January, with one third fewer businesses reporting that they fear failure soon.

However, the latest BICS figures still show that 315,000 registered businesses are at risk of insolvency by July 2021. According to the LSE, this may mean that around one in eight UK firms are in danger of failure by July, which if extrapolated

to cover all businesses (both registered and unregistered) would mean that over 740,000 businesses could face collapse in the months ahead. The LSE say the knock-on-effects of such high levels of business failure “would be severe in terms of financial and macroeconomic stability.”

Despite praise for the actions that the Government has taken to support businesses during the pandemic, Labour has responded to the LSE report by calling on the Chancellor, Rishi Sunak, to do more by allowing business owners to convert existing Government-backed loans to a “student-style” arrangement, where a business starts paying back loans at a certain level of profit – giving them more time to repay.

They say that many firms are being dragged down by more than £75 billion of Covid debt from the Bounce-Back Loan Scheme and similar initiatives. In response to these claims, the Treasury watchdog has estimated that £27.2 billion of these liabilities will never be repaid – inflicting a huge cost on the taxpayer as well.

IF YOU OR A CLIENT HAS TAKEN ON DEBT AS A RESULT OF THE PANDEMIC OR THERE ARE CONCERNS THAT THE BUSINESS MAY FAIL, THEN IT IS IMPORTANT TO SEEK ADVICE AT THE EARLIEST OPPORTUNITY. TO FIND OUT HOW OUR KNOWLEDGEABLE TEAM CAN ASSIST YOU, PLEASE SPEAK TO US TODAY.

Newman & Partners Insolvency
Lynwood House
373/375 Station Road
Harrow
Middlesex HA1 2AW

T: 020 8357 2727
F: 020 8357 2027

E: insolvency@newmanandpartners.co.uk
W: www.newmanandpartners.co.uk

Newman & Partners
Licensed Insolvency Practitioners