



ECONOMIC REPORT

NOVEMBER 20



FOLLOW UP
FROM APRIL 20

INTRODUCTION

In April 2020 we produced a report which investigated how local business leaders felt the pandemic was impacting their businesses in the short term and what they felt the medium to longer term effects would be.

At the time it was difficult to predict exactly what the medium to long term impact of the pandemic would be on the economy however, what was clear was that there would be some form of negative effect. Although politicians were hoping this would not be as drastic as some feared, our survey suggested that this confidence was not shared by all in the wider business community. In fact, 36% of respondents expected business interruption to last 6-12 months with a further 20% fearing it would be over a year. Virtually everyone expected a recession, with the most popular view that it would be U shaped. 50% of leaders predicted it would take at least two years for the economy to recover.

At the point of our survey, it was feared locally that, despite the furlough scheme being rolled out, redundancies would be high. 71% of businesses expected that they would have to reduce their staff numbers during 2020 and only a third of businesses felt it likely they would recruit someone on a temporary or permanent basis this year. There was, however, some positivity. The respondents from Pharma, Food Retail, Online Retail, Distribution and Mobile Gaming were seeing increased demands for their products and were predicting growth. We also found people were positive about the long term impact the pandemic would have on working practices, as there was a drive to mobilise their work forces and accelerated investment in IT infrastructures which could lead to efficiencies.

Moving forwards six months we felt it would be interesting to re-survey our clients to find out if their initial predictions had been correct or, indeed, whether trading conditions had been better, or worse than they had feared. The 140 respondents represent a wide variety of industries, with no majority from any sector. Our report will focus on the economic impact so far, the impact on workforces, feelings towards the government response, what working practices have changed forever and the outlook for next year and beyond. We believe that there are some interesting outcomes, especially when compared with our last set of results and hope you will agree.

Chris Goulding, MD



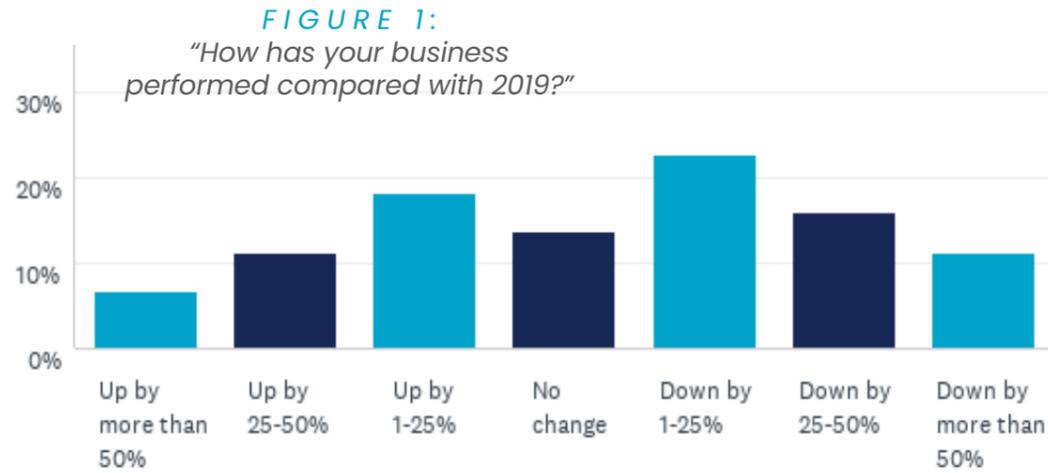
Chris has worked locally within recruitment since the late 1990's. Having spent 18 years with a corporate recruiter, holding a number of Director roles. He was appointed as Managing Director of Wade Macdonald two years ago. His drive coupled with his consultative approach guarantees Wade Macdonald will continue to flourish as a "best in class" recruitment and retained service provider

During his twenty years in the industry he has seen huge change in the way that head office functions are both perceived within business and the growing importance of those functions in the way that business decisions are made.

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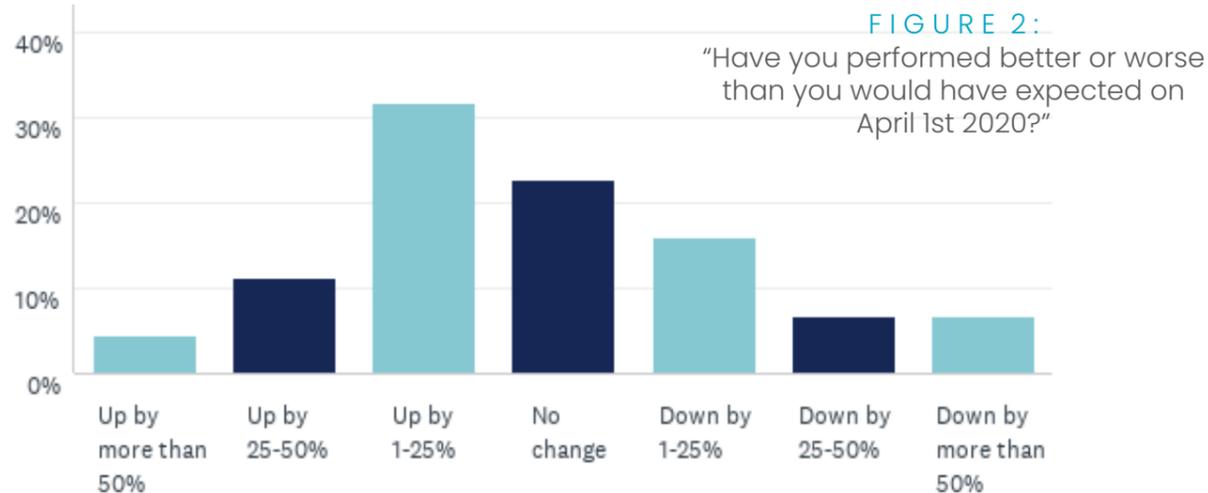
FINANCIAL IMPACT

As predicted back in April 2020, the pandemic has undoubtedly had an impact on the financial performance of our local businesses. However, the results to the first two questions in our survey suggest that this impact was not as negative as first feared and that a combination of government support and businesses adapting to their circumstances has led them to perform better than they expected.



As you will see 36% of businesses have actually out performed their 2019 results with a further 14% remaining roughly stable. This does not hide the fact that 50% of businesses were down on last year however, we can see from the second graph that 48% of businesses actually out performed their initial predictions. Unfortunately, 28% performed even worse than they had predicted they would at the beginning of the pandemic. Encouragingly, these results suggest that local business was more resilient than at first feared.

What is even more positive is that the vast majority of leaders who took part in the survey are expecting 2021 to be a year of growth. 48% expect their businesses to grow by up to 25%, 20% expect 25-50% growth and 7% expect to grow by over 50%. Whilst there was also a minority of 15% of leaders fearing negative growth, it is nevertheless hugely positive that 75% of leaders are forecasting substantial growth after the year we have all just been through.



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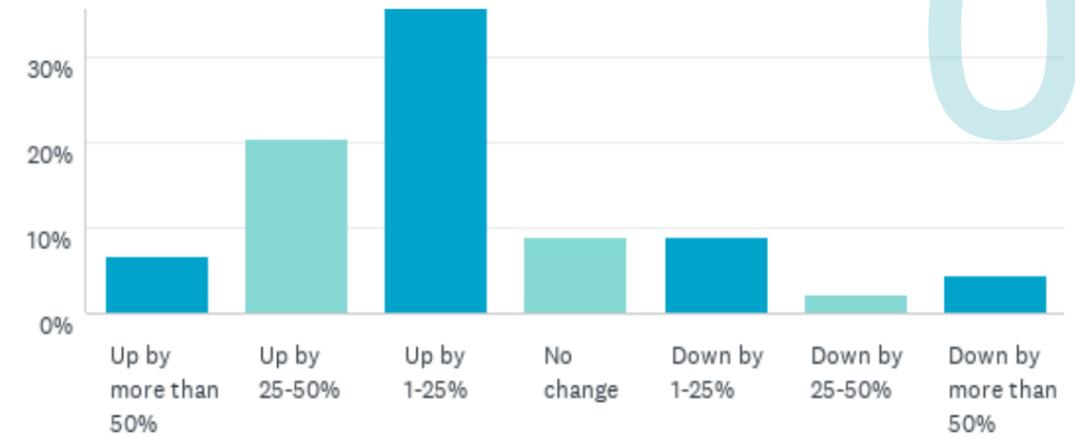


FIGURE 3:
"What financial performance are you forecasting for 2021 compared with 2020?"

RECESSION / RECOVERY

Back in April 2020 the majority had thought that a U shaped recession would be most likely, with a V shape the second choice, followed by W. In November we can see that a U is still the most predicted shape, but that a V has dropped from 26% to 11% and that more leaders now fear a 'double dip' (W) shaped recession as this option rose from 19% to 27%.

Hopefully, a 'double dip' will be avoided. With a vaccine now very much on the horizon we hope that the current lockdown will be the last and, despite the fact that further restrictions may have to be enforced until the vaccine can take effect, this should mean that we are able to work in our 'new norm' and businesses can grow as they have predicted they will in our survey.

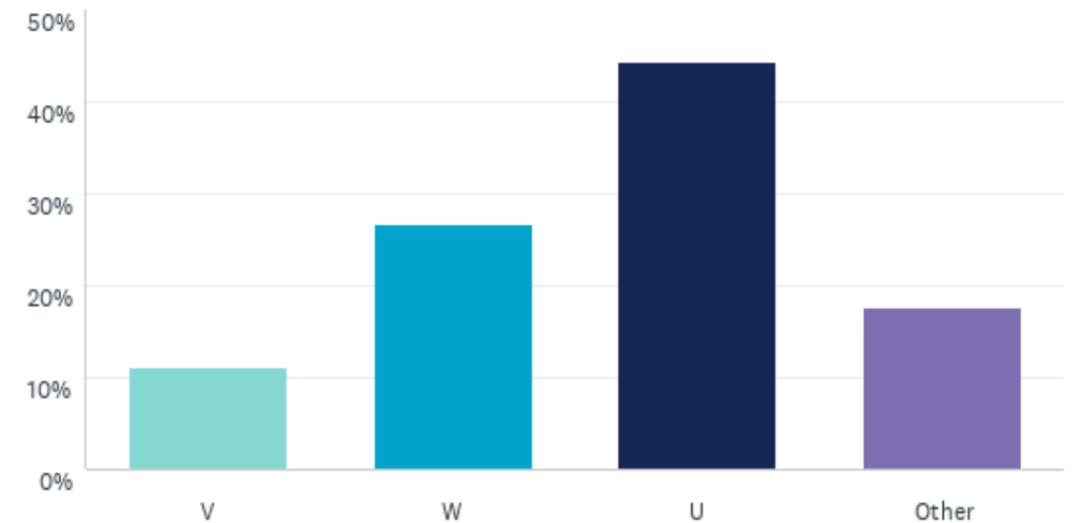
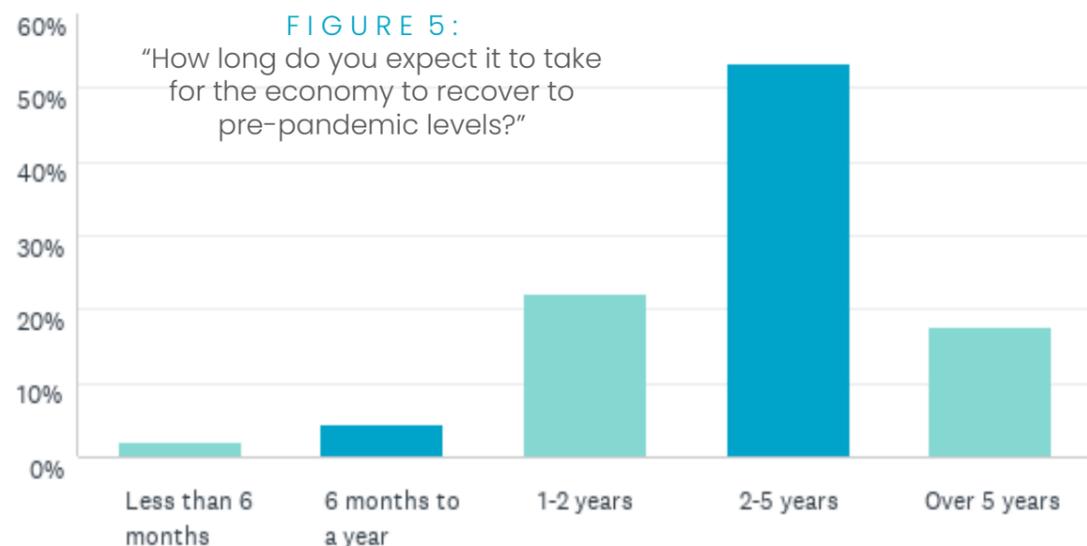


FIGURE 4:
"In April the majority of respondents expected an U shaped recession. What are your thoughts now?"

In our previous report, we highlighted that the majority of respondents felt that it would take 2-5 years for the economy to return to pre-pandemic levels with 38% choosing that answer. However, at that time 34% felt that it would only take 1-2 years. Despite the fact that businesses are more positive regarding their predictions for 2021, they are actually less positive regarding the speed to which the economy will recover.

We can see that in November 28% expect the economy to recover in less than 2 years, with 53% expecting it to take 2-5 years and worryingly 18% expecting it to take over 5 years. Back in April only 10% felt it would take over 5 years. Some of this variation is probably due to interpretation of what recovery means. For example is it a return to pre-pandemic levels of economic activity or normal growth beyond pre-pandemic activity?

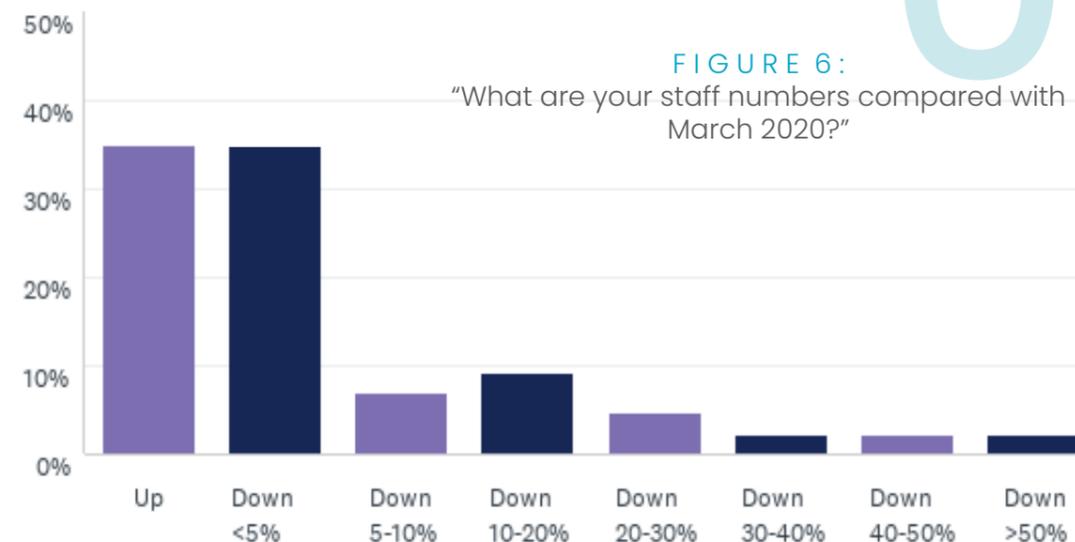
Despite the fact that this may seem negative, it is likely a more realistic prediction. In April we did not really understand at which point things might return to some sort of normality and with vaccines looking more likely, it finally feels that businesses can see more clearly into the future.



IMPACT ON WORKFORCE

As we have already seen, in April 2020 it was predicted that 71% of businesses would have to reduce their staff numbers during 2020. If we look deeper into that statistic, there were some frightening opinions being expressed. 39% of leaders had thought they would need to lose up to 10% of their staff, 18% between 10-20%, 7% between 20 and 30% and 6% more than 30%.

The more recent survey suggests that things were not quite as bad as first feared. Although it is clear that redundancies were commonplace, 36% of leaders reported they had actually grown headcount since the beginning of the pandemic. Clearly this still means that 64% have had to make some cuts, but a further 36% of businesses lost less than 5% of their workforce, with 7% down between 5 and 10%, 10% between 10 and 20%, 5% between 20 and 30% and nearly 7% above 30%.



We can see below that 70% of our respondents utilised the furlough schemes and it almost certain that those extended schemes have gone some way to saving jobs and preventing the redundancy levels being as high as was feared they would be in April 2020.

However, that being said, it is possible that as furlough ends there may well be a further tranche of redundancies. Only 22% of leaders suggested that they would utilise the Job Support Scheme once furlough ends and a frightening 42% feel there could be more redundancies to come. As you can see the numbers will hopefully not be as high as they have been over the past six months but, without further support from the government, it still looks likely that there will be more to come.

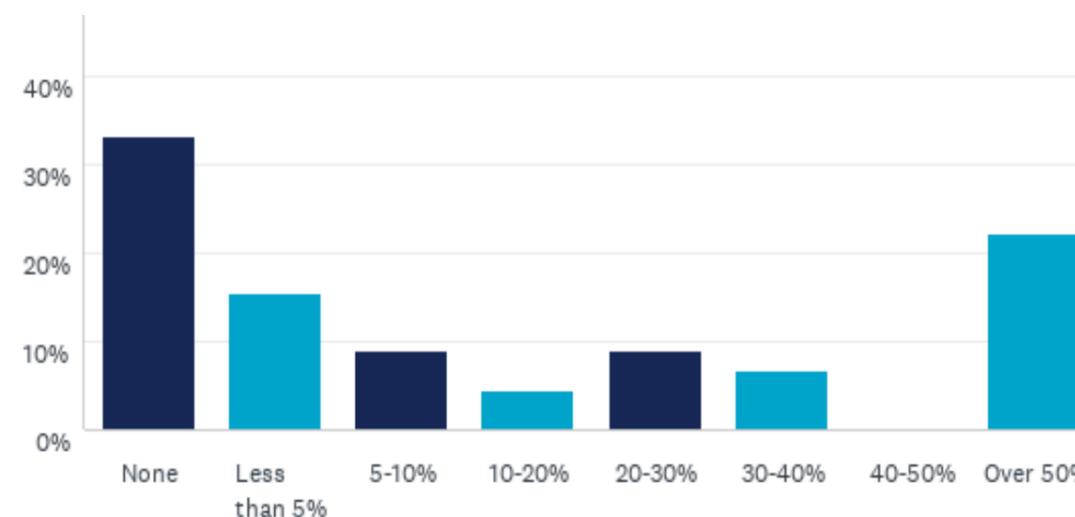
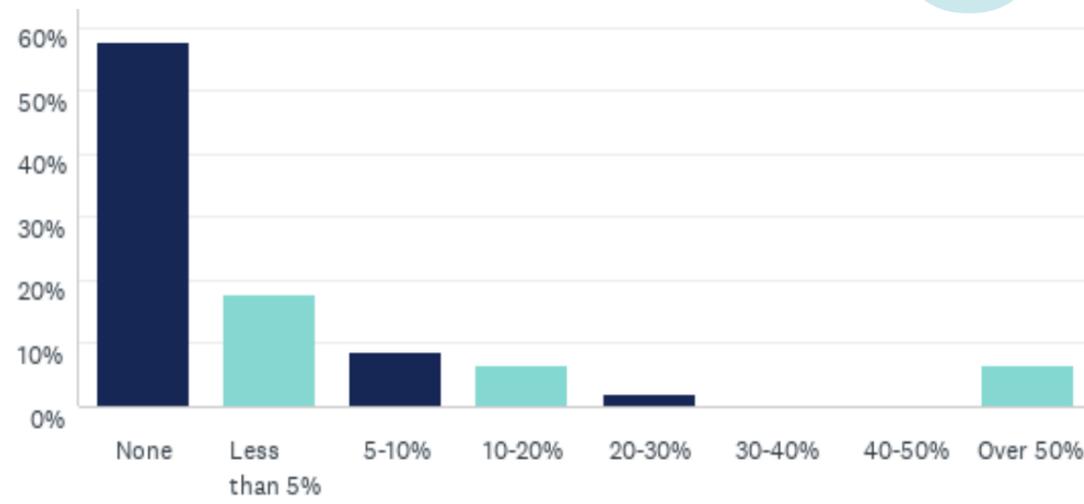


FIGURE 7:
"What % of your staff were furloughed at some point?"

FIGURE 8:

“What % of staff (if any) do you fear you will have to make redundant between now and May 2021?”

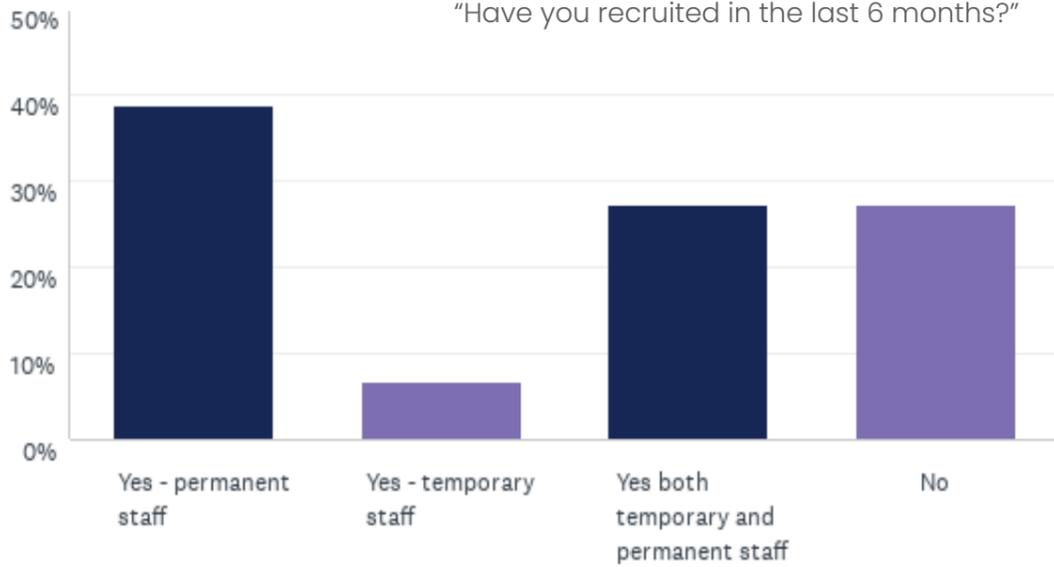


RECRUITMENT

It was predicted back in April 2020 that only a third of businesses would recruit during the year. Positively we actually saw 73% recruit, with 27% recruiting both temporary and permanent staff, 38% permanent staff and 7% temporary staff. Based on our own experiences throughout the year we are able to put this down to a number of factors.

FIGURE 9:

“Have you recruited in the last 6 months?”

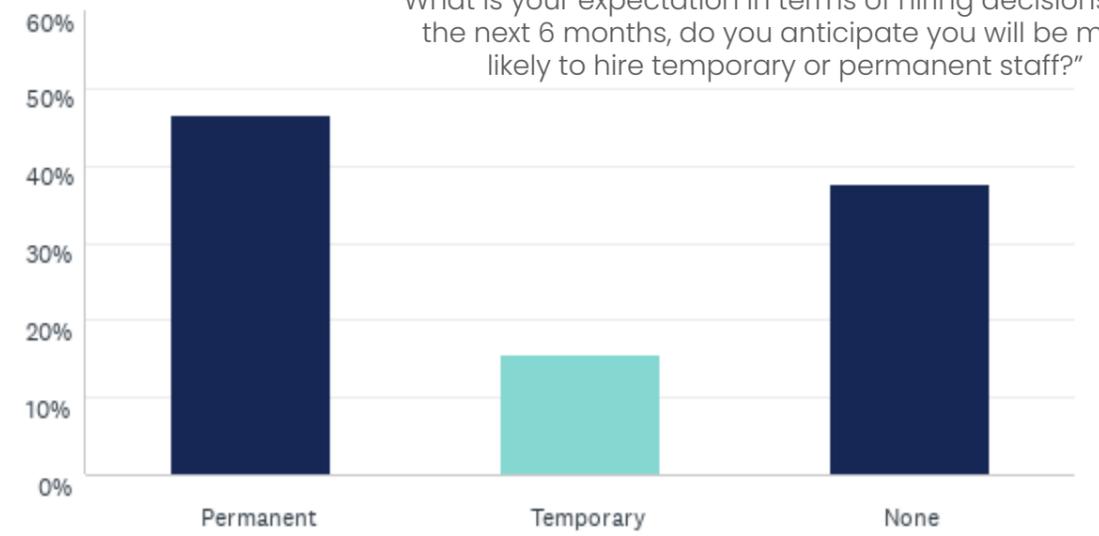


Firstly, we have seen that many businesses outperformed their initial financial predictions and therefore had a need to recruit to support their business activities. Secondly, candidate confidence grew during the pandemic, particularly over the summer months, and therefore they continued to move for career progression. This, in turn, led to businesses needing to back-fill business critical roles. Thirdly, business

adapted to circumstance and realised that they could utilise technology to both run a successful recruitment process and to on-board new employees remotely. Although some businesses may have occasionally recruited this way pre-pandemic it has, on the whole, been a good example of businesses adapting during the pandemic.

FIGURE 10:

“What is your expectation in terms of hiring decisions over the next 6 months, do you anticipate you will be more likely to hire temporary or permanent staff?”



Moving into 2021, we can again see that business confidence is higher than it was in April 2020. 62% of leaders expect to recruit against the figure of 33% back in April. Looking back at 2020 and the years that preceded it, we would actually expect this to be a higher figure as often businesses fail to factor in the need to replace staff that they were not expecting to lose.

WORKING PRACTICES

Even a few weeks into the pandemic leaders had already realised that working practices were probably about to change forever. Only 17% expected things to return to how things were pre-pandemic. They had felt that working from home would become more commonplace and that there would be major investments in technology to accommodate flexible working and make it possible for meetings to be held remotely.

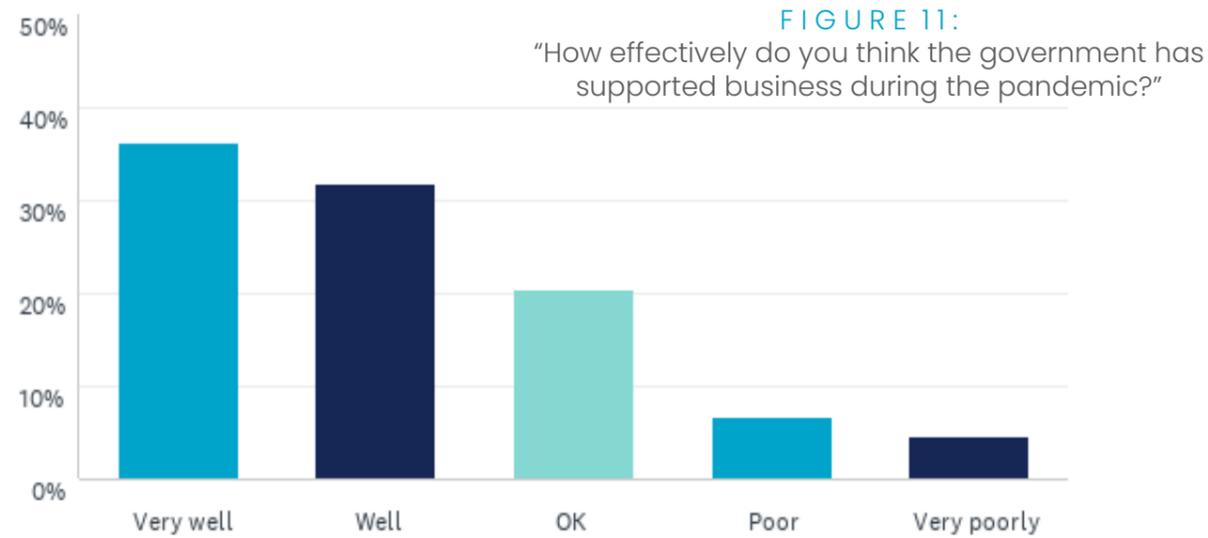
Rolling forward six months, there was not a single leader that did not think working practices have now changed forever. Unsurprisingly, the changes that have happened are those that were predicted above.

Meetings have been effective using technology and, on the whole, productivity has not been negatively impacted with remote working. That said, a number of people highlighted that they felt there was still a place for face-to-face interaction with colleagues and clients and therefore hybrid working is expected to be the norm. 11% of businesses went as far as saying that they never expected to return to an office again.

It seems inevitable that over time there will be a huge reduction in the amount of office space that businesses require, with increased investment in infrastructure to ensure staff are able to work effectively from home.

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GOVERNMENT PERFORMANCE



Only 15% of respondents felt that the government had underperformed back in April 2020 and that number reduced to 11% by November.

During the last six months we have seen a number of government interventions for business with a range of support being offered. As we have already seen 70% took advantage of the furlough scheme, but we also discovered that 30% of respondents had utilised government-backed loans in order to operate through the pandemic.

Overall, 36% felt the government had performed very well, with a further 32% stating they felt they had done well. Just over 20% were broadly satisfied. Despite this positivity a number of the SME's felt that more support was required tailored to the size of businesses. A number of leaders called for further rates freezes and a large number felt that more clarity regarding Brexit was required immediately.

CONCLUSION

Our survey suggests that 2021 should certainly be a more positive year than 2020! Businesses have adapted well to the challenges that have come along and although many have suffered, the extent of this suffering appears to be less than first feared.

For some the pandemic has also led to opportunity. Some organisations have flourished and actually grown, whereas others have learnt that they are able to utilise technology to allow more flexible working and process improvement.

Although most believe it will take a minimum of two years for the economy to fully recover, we can see that progress is already being made and a vaccine should certainly accelerate this. We can see that further redundancies could be on the horizon, but thanks to government intervention these were not and will not be as high as first feared. We expect recruitment to get back on track in the new year and would hope that the opportunities open to people will actually offer more work / life balance than before the pandemic.

Overall this will undoubtedly have been the hardest year many of us will ever have faced, but we can start to look towards the future with optimism.

If you have any questions or comments regarding the report, please get in touch with Wade Macdonald's Managing Director, Chris.



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