

CORONAVIRUS

Trail of destruction left by virus is ‘worse than 2008’

[Philip Aldrick](#), Economics Editor
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Shops, such as those in London’s West End, travel companies, the hospitality industry and car dealerships have suffered the most



Companies in every industry in Britain have been hit hard and expect the coronavirus crisis to be worse than the great recession, according to a [Bank of England survey](#) of businesses.

“The situation has been described by many agency contacts as being worse than the financial crisis in 2008,” the Bank’s agents report said. Brexit, by comparison, does not come close.

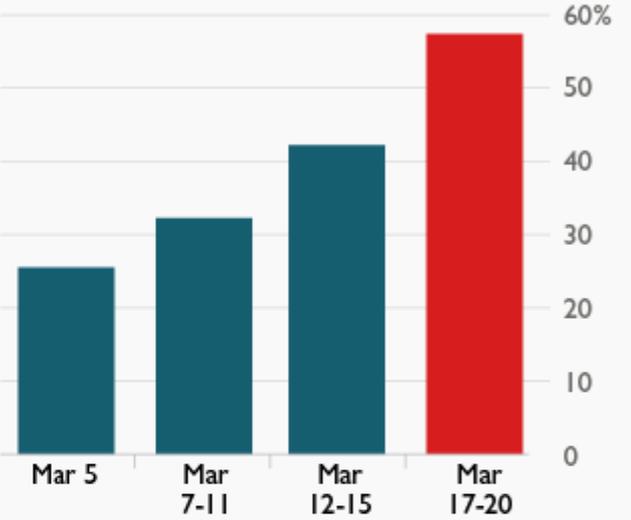
Four in five companies, 81 per cent, claimed that Covid-19 was a major source of uncertainty in the Bank’s decision-maker panel survey of 8,000 members from March 6-20. After March 17, as stricter measures were taken and the infected caseload jumped, that proportion rose to 97 per cent. Brexit at its peak caused a similar level of concern for 58 per cent.

Turbulent times

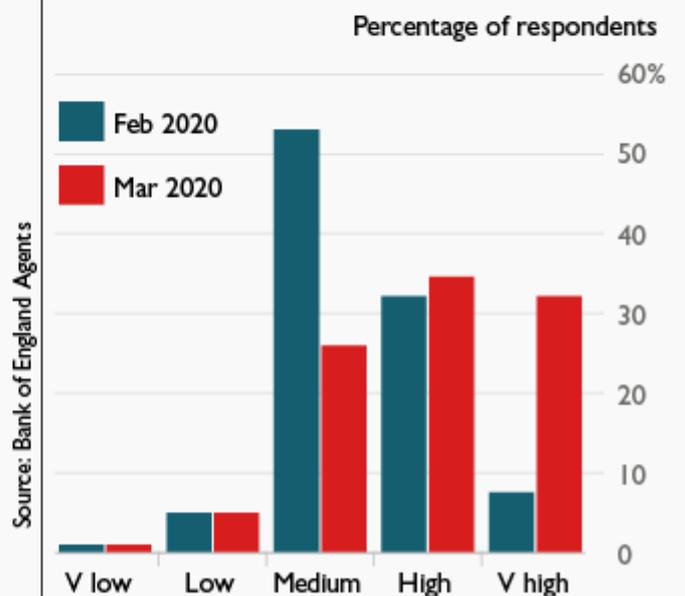
Probability of Covid-19 having a large negative impact on sales (>10%) over the next year by industry



Probability of Covid-19 having a large negative impact on sales (>10%) over the next year by date of survey completion



Overall uncertainty facing businesses



Preserving cash has become the priority. “There have been widespread reports of cashflow problems, across an increasing range of sectors,” the report said. “Demand for cashflow credit facilities has risen sharply.”

Retail, travel and hospitality and car dealerships have had the worst of it, where companies are “halting investment plans and retaining cash buffers”. Every sector is affected, however, with many “cutting hours and asking staff to take unpaid leave”.

Consumer services

“There has been a sharp decline in spending on consumer services and non-food goods, which intensified following official advice to restrict travel and social interaction,” the Bank said.

Travel, leisure and hospitality have borne the brunt as bookings declined even before the more stringent social distancing measures.

“Revenues at restaurants, pubs, cafés and leisure venues around the UK have also fallen rapidly as consumers stayed away,” the report said. “Some [clothing retailers](#) have reported high double-digit falls in sales. New car sales have weakened significantly.”

Supermarkets, by contrast, have had “a surge in demand, with sales exceeding Christmas levels”.

Business & financial services

Bankers, lawyers, marketeers and accountants are not at the forefront of the crisis but they will be hit as discretionary projects are cancelled or postponed. “A number of contacts reported cancellations of consultancy projects — even by large corporates — as companies put strategic projects on hold to preserve cash buffers,” the report said. “There were also reports of widespread cancellations of marketing and advertising spending.”

Manufacturing

The virus had claimed victims in Britain’s manufacturing sector even before it arrived on these shores. Supply chain disruption as production was shut in China caused early problems. More recently buyers have put purchases on hold as they preserve cash.

“Companies in automotive, aerospace and machinery have been severely affected, resulting in factory shutdowns, shorter working hours and redundancies,” the Bank said. In the past two weeks, all major UK car manufacturers have announced that they are suspending production.

Construction

Projects are being postponed due to both deliberate decisions and delays caused by planning office closures. Staff absence has created problems on building sites, which are taking longer to complete. The Bank sounded a warning about the sector, suggesting the problems will get worse. As projects are mothballed, it will “weigh on construction output in the near future”, it said.

Housing

Transactions in the residential property market are frozen as no one is buying or selling. Commercial landlords reported that tenants were requesting rent holidays as a result of a drop in incomes, the Bank said. Reduced rents could raise valuation issues.