The coronavirus (Covid-19) pandemic and the measures introduced by the UK government to halt the spread of the contagion have inflicted an unprecedented shock to the UK labour market. Social distancing and lockdown measures have resulted in many non-essential stores having to close temporarily and/or stop trading to minimise gatherings and the spread of the virus. The Office for National Statistics’ (“OFNS”) latest bulletin focuses on the continuing effect of the lockdown on the UK economy.

### Business Impact update

Almost one-quarter (24%) of businesses that responded to the Business Impact of Coronavirus Survey (“BICS”) reported that they have temporarily closed or paused trading between 23 March and 5 April 2020. Of those, 82% of businesses in the arts, entertainment and recreation sectors were reported as temporarily closed or having paused trading, closely followed by hotels and restaurants (81%). The majority of staff in these sectors (78%) were on furlough leave, under the terms of the government’s Coronavirus Job Retention Scheme.

Of the companies still trading, the OFNS has estimated that around one in seven workers (14%) are on furlough leave. Dissected further, it appears that the percentage of staff on furlough was highest in hotels and restaurants sector (40%), followed by the construction sector (32%).

These results should not come as a surprise as the lockdown measures have significantly impacted the daily operations of these types of businesses. It has been
reported that close to one million people in the UK have applied for benefits in just two weeks at the end of March.

However, as lockdown continues, online platforms and streaming sites have hugely benefited from the current situation. As Governments around the world have urged employees to work from home where possible, shares in technology companies such as Zoom have shot up by 131.1% as more people rely on video conference calls and email to hold meetings or get tasks done. The demand for entertainment has also soared as people stay indoors. Popular platforms such as Netflix and Amazon have seen large increases in their share prices, by 28.9% and 26.9% respectively.

**Retail Sales**

Social distancing and lockdown rules in the UK have hugely impacted the retail sector. The volume of retail sales fell by 5.1% in March 2020, the largest monthly fall in more than 30 years.

**Physical stores**

![Graph showing retail sales comparison between March 2019 and March 2020](image)

Clothing store sales saw the biggest drop of any store type, falling by more than one-third (34.8%) when compared with the previous month. In light of government-imposed shutdown of the high street, fashion retailers have had to close their stores in order to prevent people from shopping for anything other than food and essential needs. This measure has already led or significantly contributed, to the administration of retailers including Debenhams and Cath Kidston.

The volume of fuel sales also fell sharply (18.9%), with travel restrictions in place and more people working remotely. The demand for oil has all but dried up since...
lockdown, leading to oil prices crashing globally. In Europe, the price for Brent crude oil dropping below $20 per barrel – the lowest level seen in 18 years. Similarly, in the United States, the price of a barrel of West Texas Intermediate (WTI) turned negative for the first time in history. Although Opec and other countries have now agreed to cut production, the world still has more crude oil than it can use.

In contrast, food, household goods and other non-food items were the only sectors to show growth in monthly sales – by 15.3% (the strongest growth on record); 18.0% and 16.4% respectively. Alcohol store sales rose by 31.4% compared with the previous month. Comments from food store retailers suggested that panic buying, or stockpiling during the coronavirus pandemic, was a big factor in the increased sales, particularly for supermarkets.

**Online stores**

Meanwhile, online sales as a proportion of all retailing reached a record high of 22.3% in March 2020 as consumers switched to online purchasing from home.

![Monthly growth rates for the value of online sales for each main store type](image)

Online sales in department stores saw a strong monthly increase of 47.4% in March 2020, compared with a slight increase of only 0.1% in March 2019. Household goods stores also saw a strong increase (36.9%) in March 2020 compared with the monthly decline of negative 4.1% in March 2019. These stores commented on the increased sales of fridge-freezers purchased online in March. This is unsurprising in light of the panic buying and stockpiling mentioned earlier.

Clothing stores, again, were the only stores to show a decrease in the value of sales for the monthly growth rate, at negative 16.1% when compared with growth of 1.7% in March 2019. Consumers clearly appear to be focusing on essential purchases to stockpile, with clothing suffering as a result.
The future?

Whilst some sectors have benefitted from the current climate, many others have not. The retail sector is changing at unprecedented speed, and with change, comes some big challenges and opportunities. Whilst the Government has encouraged online retailers to continue operations, with postal and delivery services remaining open, the statistics above highlight that not all store types have been able to profit during these times. The OFNS’ reports seem to support some commentator’s belief that the Covid-19 outbreak will be an extinction level event for the high street, especially that of fashion retailers. New shoppers seem to have developed a taste for home deliveries for products and the concern is that many may never go back to shopping in store.

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