United Kingdom

September 2020

Agriculture	Automotive/ Transport	Chemicals/ Pharma	Construction Const.Mtrls	Consumer Durables	Electronics/ ICT	Financial Services	Food	Machines/ Engineering	Metals	Paper	Services	Steel	Textiles

Source: Atradius

Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Agriculture

Remains Poor

A very dry spring and labour challenges exacerbated by coronavirus pandemic have created challenging market conditions for the UK agricultural sector. Additionally, lingering uncertainty over the final Brexit outcome and the future of trade relations with the EU have dampened business sentiment. Value added is forecast to level off or he contract slightly in 2020, after a 1.2% contraction in 2019.

Automotive/Transport

Remains Bleak

Supply chain disruptions have negatively impacted manufacturing capability and stock availability, with shortages and lengthened factory shutdowns throughout the sector. With a depressed demand outlook for automotive across the globe, the sector has entered a protracted period of depressed revenue generation. After a 9% contraction in 2019, automotive value added is forecast to decrease by more than 34% in 2020. Transport value added is forecast to decrease by more than 18%.

Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase after the abatement or expiry of fiscal measures intended to support businesses.

Chemicals/Pharmaceuticals

Remains Fair

The petrochemicals segment is suffering from extreme volatility and recent deterioration in oil prices. Other chemical subsectors are affected by sharply decreasing demand from key buyer industries like automotive. Chemicals value added is forecast to decline by more than 4% in 2020. Pharmaceuticals value added is expected to increase 1.5% due to increasing health expenses.

Construction/ Construction Materials

Remains Poor

Brexit-related uncertainty and reluctance of investors had a negative effect on industry performance before the coronavirus outbreak. The sector is characterised by fierce competition, especially at the lower end of the value chain. Liquidity remains an issue, with difficulties accessing bank finance. The level of protracted payments and payment delays was high in 2019, and insolvencies increased by more than 6%. The current economic downturn will aggravate the situation, with construction value added forecast to contract by almost 9% in 2020.

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Consumer Durables

Remains Bleak

Many brick-and-mortar retailers already faced severe troubles before the coronavirus pandemic, suffering from high operating costs, decreasing turnover and increasing competition from online retailers, all of which have led to deteriorating margins. The level of shop closures and insolvency of larger retailers was exceptionally high in 2019. The countrywide shutdown of retail operations due to the lockdown has caused additional financial distress for weaker players.

Retail value added is forecast to contract by 15% in 2020. Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase sharply after the abatement or expiry of fiscal measures intended to support businesses.

Electronics/ICT

Remains Poor

The industry has suffered from supply chain disruptions in the first months of 2020, and demand is expected to remain volatile for some segments/products. ICT value added is expected to contract by more than 4% in 2020, electrical machinery by 12%.

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Industry performance

Changes since June 2020 · Sources: Atradius, Oxford Economics

Financial services

Remains Fair

The sector remains resilient for the time being, but could potentially be impacted by increased financial troubles for businesses and consumers alike, leading to increased non-performing loans and deteriorating profits. Sector value added is expected to contract by 1.5% in 2020.

Food

Remains Poor

Over the past couple of years, exchange rate volatility and its impact on costs of commodities and food items was an issue for many British food producers and processors reliant on imports. The increasing market success of discounters has put pricing under pressure and weighed on suppliers along the food supply chain. Due to an inability to absorb higher input costs and increased pressure on margins, both payment delays and insolvencies have increased in this sector since 2019. Food value added is expected to decrease 1% in 2020.

Machines

Remains Fair

The sector has been rather resilient so far, with most businesses in a stable financial situation. However, deteriorating global and domestic demand from key domestic buyer industries like automotive and construction is a major downside risk. Engineering value added is expected to decrease by more than 20% in 2020.

Metals

Remains Bleak

Following a subdued performance in 2019, the coronavirus pandemic is had a major effect on the sector´s supply chain and individual businesses´ ability to trade in H1 of 2020. As this industry is highly reliant on working capital financing, the downturn in trade is exacerbating any underlying liquidity problems of businesses. Metal manufacturing value added is expected to contract by more than 8% in 2020.

Paper

Remains Poor

Paper producers and printing are structurally impacted by the ongoing digitalization process. Currently, supply chain disruptions due to lockdown measures have had a negative effect. Paper value added is expected to shrink by more than 3% in 2020.

Services

Remains Bleak

With the UK economy being mainly service sector driven, the lockdown measures and the sharp deterioration of GDP growth directly impact this industry´s performance, with hotels restaurants, tourism, travel agencies and the entertainment segment most severely affected. Service value added is expected to contract by more than 4% in 2020, with the hotel and catering segment deteriorating more than 42%.

Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase sharply after the abatement or expiry of fiscal measures intended to support businesses.

Steel

Remains Bleak

Following a subdued performance in 2019, the expected recovery, particularly for steel stockholders, has not materialised in early 2020. The coronavirus pandemic is having a material effect on the sector´s supply chain and individual businesses´ ability to trade. As this industry is highly reliant on working capital financing, the downturn in trade is exacerbating any underlying liquidity and cash flow problems of individual businesses. Steel value added is expected to contract by more than 18% in 2020, after shrinking 1.8% in 2019. Due to comprehensive government measures to support the economy, an increase in payment delays and insolvencies has not yet materialised. However, insolvencies are expected to increase after the abatement or expiry of fiscal measures intended to support businesses.

Textiles

Remains Bleak

Producers, wholesalers and retailers already suffered before the coronavirus outbreak from fierce competition and thin margins. Brick-and-mortar fashion retailers are especially severely affected by rising online sales, and many larger businesses went insolvent in 2019. Deteriorating sales due to the lockdown have exacerbated the market crisis. Textiles value added is forecast to contract by 14% in 2020, after shrinking 0.7% in 2019. It is expected that insolvencies of stationary retailers will increase after the abatement or expiry of fiscal measures intended to support businesses.