DataGardener
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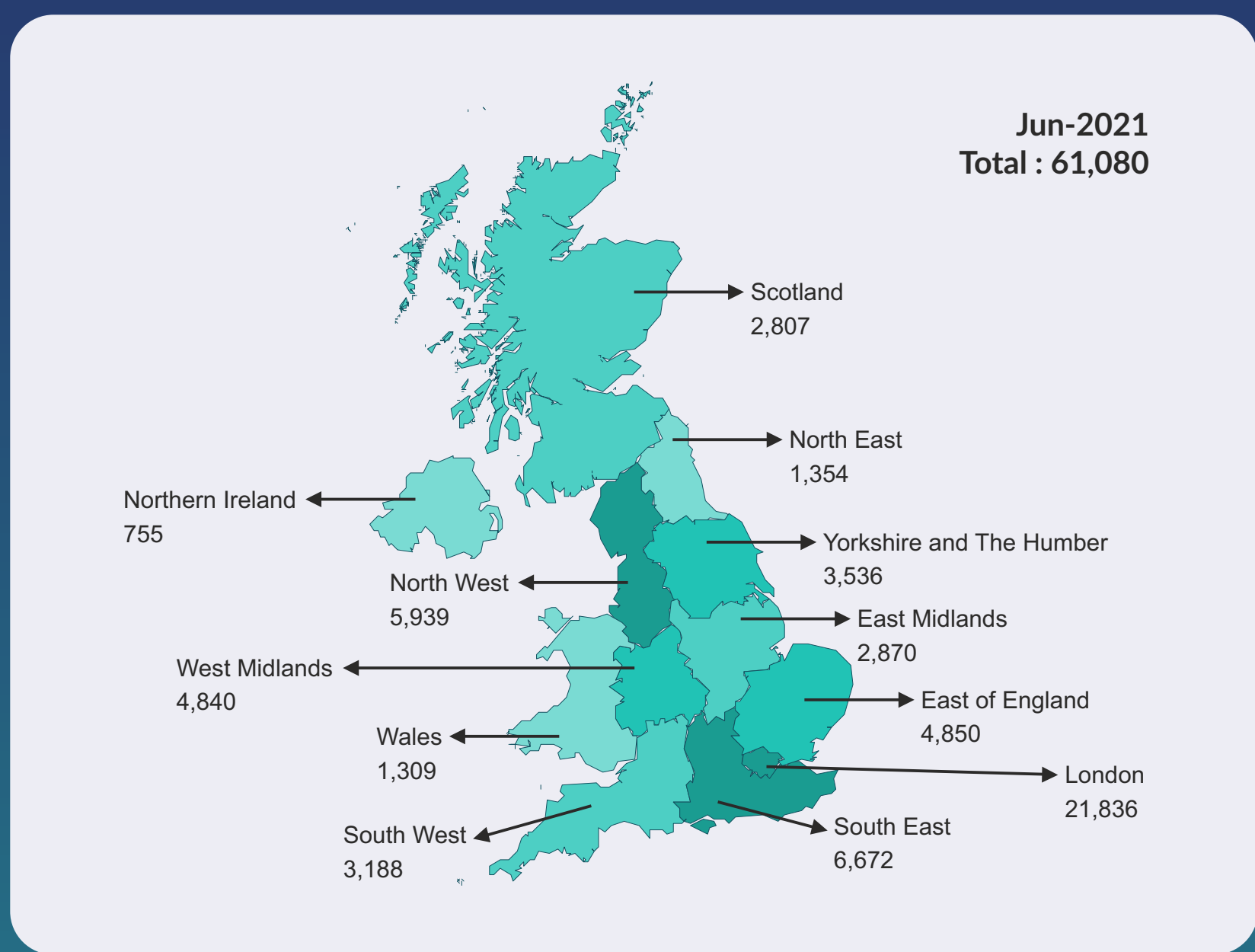
June 2021

What's happening in the UK

Our Perspective

Coronavirus infections experienced a rebound throughout the month of June, foreshadowing the beginning of the dreaded third wave. Despite this, the UK government seems intent on reopening from July 19th, scrapping mandatory mask regulations and allowing every business to reopen to its fullest capacity.

This move may be motivated partly by the surprisingly low hospitalisation and death rates despite the larger number of people being infected compared to previous waves. Surprisingly, the month of June saw the lowest number of companies formed, which intuitively goes against some of the core tenets of entrepreneurship. Only 61,080 new companies were created during a period of time where the economic future of the UK is looking better than it has done over the past few years. This number is a huge low for the pandemic period which saw a surprising number of new businesses crop up in the October 2020 – March 2021 period, attempting to find a niche within the new landscape that COVID carved out.

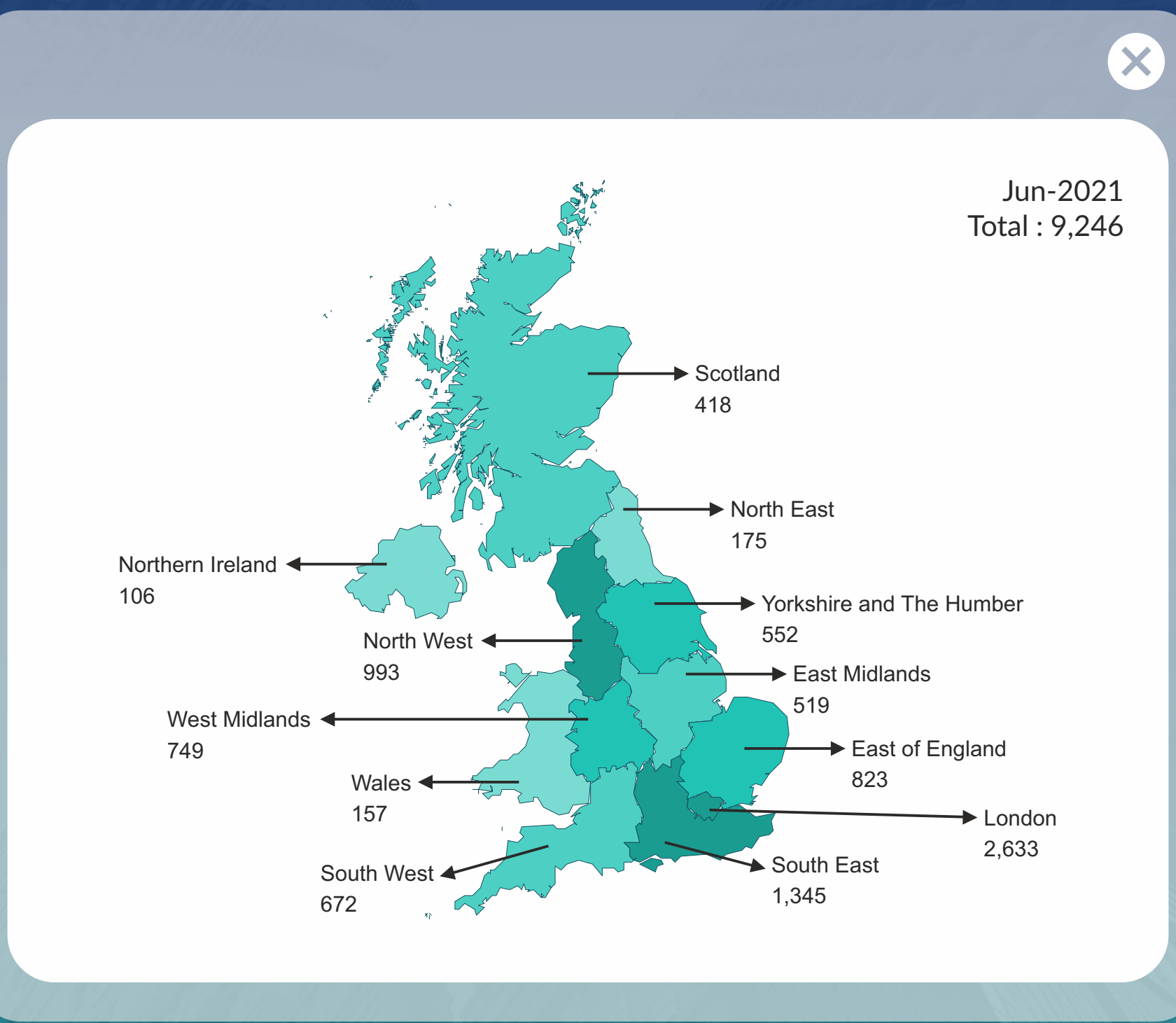


Companies Incorporated June 2021

However, the darker side of the pandemic-era business has begun to show over the last month. An enormous number of companies have been struck off Companies House over the first quarter of 2021, causing renewed fears of widespread fraud within loans given out during the pandemic. In fact, compared to the same period in 2020, the number of companies struck off has risen by 743% to 39,601 from 4,695.

At the start of the pandemic, businesses were able to apply for a Coronavirus Business Interrup on Loan Scheme (CBILS) to deal with the new outbreak, as well as a Bounce Back Loan Scheme to help give businesses a kick-start reopening. The financial and banking sector ended up lending out a total of £2.8 bn to small and medium enterprises throughout the pandemic, but as these companies are struck off Companies House, their obliga on to pay back these loans is avoided. So, whilst hundreds of businesses have had to legi mately close due to the pandemic, it's suspected that many more have closed specifically to avoid having to make these repayments.

This fraudulent behaviour has prompted the UK government to begin enacting The Ratings (Coronavirus) and Directors Qualification (Dissolved Companies) Bill to give the insolvency service more power to investigate these companies. In tandem with the rise in suspected fraud, total charges given out to UK companies also hit another pandemic high with 9,246 charges registered over the month of June. This new high suggests that thousands of UK companies are in hot water with banks and lenders, possibly going some way to explain the rise in fraudulent COVID-related loans over the first quarter of 2021.



New Charges Registered June 2021

We all hoped 'it came home for England in July', but it, unfortunately, didn't, and it certainly isn't for the accommodation and food services industry. Industry growth contracted by 18.6% during the first quarter of 2021, a recent low for the sector as a whole. An area that struggled for obvious reasons during the pandemic is still having great difficulty finding its feet heading into this year.

This may seem counterintuitive, seeing as OpenTable's State of the Industry analysis found that June saw a huge increase in seated diners of up to 80% on certain days throughout June, with the worst days still performing at a 15% increase compared to a year on year average. Seeing as only 43% of businesses were trading between February and March 2021 compared to 73% across all industries, this may mean that the customer increase was concentrated on a smaller number of restaurants, presumably larger chains.

By concentrating customer revenue into larger chains that could afford to stay open later and open sooner after the pandemic, smaller businesses in the sector may be disproportionately affected, causing an overall sector contraction despite increased numbers of seated diners.

With constant threats of lawsuits from the EU over vaccine export numbers, AstraZeneca's stock price hit a slump on the LSE in March 2021. At 6765 GBX per share, shareholders were concerned the company would not be able to recoup the costs of creating and distributing their vaccine to contracted countries. Since then, the company has rebounded far beyond its pre-pandemic figures with all-time high stock prices and massive increases in overall revenue. In 2019, the company saw a 48% decrease in profits from the year prior, but their vaccine efforts in 2020 say their overall profits climb by a staggering 156%, making over double their yearly revenue from 2019.

AstraZeneca may have also inadvertently stimulated the entire UK pharmaceutical industry and prompted the government to begin heavily investing in scientific endeavours in the UK as a whole. In the most recent budget, Chancellor Rishi Sunak announced a new consultation on tax reliefs within the research and development sector. This would allow pharmaceutical companies to operate at a greater capacity to innovate further and increase revenue over the next five years.

June has turned out to be one of the most uncertain months so far in 2021. The huge rise in potential fraud within the COVID loan scheme triggers massive risk for banks and financial institutions who were convinced that most of the loans would be repaid. This, combined with the continued contraction of sectors that should be experiencing a rebound, such as the food and accommodations sector, has created some worry for the future of companies exiting the pandemic crisis. With all UK restrictions ending on July 19th despite an increasing number of infections, we could expect to see this trend continue into the near future.

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