

CSA Market Insight | UK business sector health: September 2020

As the nation struggles through Covid-induced quasi lockdown, business backers face unanswered questions about the true nature of the economy. Activity in the third quarter picked up, but remains stubbornly below pre-pandemic levels. David McClelland, Director of Carlton Strategy Advisors, examines the business scene and presents an economic health check for four key industry sectors: Consumer Goods, Business Services, Manufacturing and Building & Construction:

Sector	Economic health					Business intelligence
Consumer goods & services						
Online sales	✓					Continuing strong demand, driven by home deliveries <ul style="list-style-type: none"> Drives demand for warehouse building services, pickers and drivers
Food retail	✓					Remains in positive growth territory, if more settled after peak lockdown <ul style="list-style-type: none"> Demand in home delivery, and for small vans and drivers
DIY		✓				More time-at-home benefitting small ticket DIY items <ul style="list-style-type: none"> Demand for house decoration, garden spending and hand tools
Big-ticket items		✓	✓	✓		Tail-wind from increased house purchases; unemployment headwind <ul style="list-style-type: none"> Fed by housing sales, especially out-of-town and larger home properties
Tourist attractions			✓			Strong domestic demand, countered by weak overseas visitor numbers <ul style="list-style-type: none"> Polarised between strong out-of-town vs. weak in-town demand
Retail services				✓	✓	In-town hospitality/recreation remain stuck. Out-of-town faring better <ul style="list-style-type: none"> Weak demand for air/rail travel, restaurants, leisure and sports
Store-based sales					✓	Improving after summer doldrums, especially out-of-town & convenience <ul style="list-style-type: none"> Long-term structural decline, accelerated substitution from online
Business services						
Digitech/telecoms	✓					Corporates invest in IT to improve efficiency and stay competitive <ul style="list-style-type: none"> Spend driven by the internet-of-things, artificial intelligence/deep mining
Building services		✓				Supply chain issues, but hot across data centres and warehouse logistics <ul style="list-style-type: none"> Strength in building services automation, CCTV, access control
Estate Agency			✓			Doped-up from the stamp duty holiday, especially for offers >£1m <ul style="list-style-type: none"> Demand for larger, out-of-town homes
Recruitment agency			✓			Permanent on hold, temp active in segments, eg logistics, warehousing <ul style="list-style-type: none"> Temp agencies hit first by downturn, but first to recover
Prof services			✓			M&A in abeyance; strength across employment law, audit and treasury <ul style="list-style-type: none"> Demand in Brexit planning and corporate restructuring
Advertising/PR agency				✓		Corporate expenditure stymied by cash flow concerns <ul style="list-style-type: none"> Digital ad spend holding up more strongly
Facility services				✓		Escalating employment costs, H&S scrutiny and flexible labour issues <ul style="list-style-type: none"> Constrain market growth, in line with out-of-office homeworking
Events management					✓	Little prospect of a material improvement for the foreseeable future <ul style="list-style-type: none"> Conferencing and corporate entertainment particularly weak
Manufacturing & production						
Pharma & healthcare		✓				Consumption is characteristically resilient and non-cyclical <ul style="list-style-type: none"> Non-CD19 therapies faltering as hospital procedures are postponed
Automotive				✓		Global supply overcapacity; upside demand across electric vehicles <ul style="list-style-type: none"> Stronger used-vehicle and remanufactured parts markets
Oil & gas				✓		Weak global output, sullied geo-politics and environmental strictures <ul style="list-style-type: none"> Muted in oil prices continue to stymy sector investment
Chemicals & plastics					✓	Demand growth very negative, especially for durable goods <ul style="list-style-type: none"> Squeezed between rising feedstock costs and collapsed demand
General manufacturing					✓	OEM cycles respond to downstream patterns of end-user demand <ul style="list-style-type: none"> EU arrangements for the end of the transition period are a concern
Building & construction						
Public sector	✓					Supported by projected government infrastructure funding <ul style="list-style-type: none"> Education and healthcare premises, road and rail transportation
Industrial		✓				Demand held up by online order fulfilment and cloud data centre activity <ul style="list-style-type: none"> Supply of data centre vacant space mostly insufficient to meet demand
House building				✓		Activity led debottlenecking in existing projects, rather than new starts <ul style="list-style-type: none"> Cautious outlook in line with weak economic signals
Commercial sector					✓	Muted office space demand as tenants reconsidered staffing / locations <ul style="list-style-type: none"> Retail structural change as landlords renegotiate rental terms or vacate