

## UK companies negative on economy as leaders adapt to COVID-19 pandemic

Optimism about the UK economy is at record lows among quoted companies, partly due to COVID-19, and there has been a large drop in optimism on their own business prospects.

However, around half of small and mid-sized quoted companies are planning to raise capital in the coming months to help them through this period, according to the latest QCA *Small & Mid-Cap Sentiment Index*. Some are adapting to the changing world and say the crisis has revealed ways they can improve their business.

More than three quarters of companies rate the Government's response to the crisis as positive, found the survey, which provides an insight into how small and mid-sized quoted companies have responded to the COVID-19 pandemic and their future plans.

### Key findings

- Lowest level of optimism in the UK economy recorded in nearly ten years of the history of the survey.
- 43% of small and mid-sized quoted companies say they will decrease jobs in the next 12 months, although 31% will increase.
- There is a stark drop in expectations regarding turnover from 14.4% mean expected growth in Q4 2019 to a contraction of -5.5% in Q2 2020.
- 56% of respondent companies have furloughed staff, and 28% have laid-off people, but companies are also adapting and 49% have undertaken new ways of engaging with stakeholders and 21% have offered new products or services to customers.
- 77% of companies rate the Government's response to the crisis as either positive or very positive, but there are critical responses on how the banks are implementing the Government's Coronavirus debt financing schemes
- Nearly half (47%) of companies say that this crisis has revealed aspects of how their business is run that could be improved. Respondents believe that many enforced changes for businesses will be here to stay, including increased remote working and less office occupancy.

Tim Ward, Chief Executive, Quoted Companies Alliance:

"Smaller quoted companies on the UK's public equity markets are showing their resilience in the face of the COVID-19 pandemic and shutdown. They are using the markets to raise capital to get them through this period whilst adapting and looking for opportunities for the future.

"Companies are positive about how the Government has responded to the crisis but there are questions about how well the debt financing schemes are working.

"Whilst many small and mid-sized quoted companies have reduced employment or are utilising the furloughing scheme, nearly a third of are planning to increase employment and take opportunities which are arising as the economy changes.

"This crisis provides an opportunity to look at the regulation around the UK's public equity markets and see where the burden can be reduced on smaller companies. The number of



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companies on UK markets has been declining for over a decade and short-term measures to help now should turn into long-term readjustments. There is great potential for smaller companies going forward to help the UK recover from the economic crisis but they need to be able to focus on running their businesses."

-- ENDS --

#### Methodology

- 177 interviews were conducted between 02/04/20 and 15/04/20. 132 from small and mid-cap UK quoted companies, 45 from advisory companies.
- The *QCA/YouGov Small & Mid-Cap Sentiment Survey* has been running since 2011. This is the 24th wave and is conducted twice yearly. It is an established source of information about the small and mid-sized quoted company sector.
- This survey has been conducted using an online interview administered to members and associates of the QCA. An email was sent to the QCA database, inviting them to take part in the survey and providing a link to it. A link to the survey was also circulated by the QCA to their contacts. The sample definition is "small and mid-cap UK quoted companies and advisory companies". The responding sample is weighted by industry to be representative of small and mid-cap UK quoted companies, as derived from London Stock Exchange data, but the advisory companies are not weighted in any way.

#### About the QCA

The Quoted Companies Alliance is the independent membership organisation that champions the interests of small to mid-size quoted companies. See more information about the QCA [here](#).

There are around 1,250 small and mid-size quoted companies in the UK, representing 93% of all quoted companies. They employ approximately 3 million people, representing 11% of private sector employment in the UK, and contribute over £26bn in annual taxes ([source](#)).

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