



Allstar Business Barometer

Monthly Snapshot: July 2020

Introduction

The Allstar Business Barometer has been set up to track the extent to which UK businesses are reactivating amid (and following) the COVID-19 pandemic. Providing an economic indicator of business activity based on fuel consumption and business expenditure data, it monitors how much Britain's business vehicles are on the road and where businesses are spending money, from builders' vans heading to jobs, deliveries being made to retailers or financial service reps travelling to meetings.

The data in this report comes from analysis of the 50,000+ businesses who use Allstar's fuel and expense cards each month, (ranging from small businesses, public sector organisations and large corporates). As the UK market-leader in fuel cards, Allstar is well-placed to paint a picture of business adaptation, resilience and recovery amid a period of great change. Whether you run a fleet, support the running of other fleets, or have a business that supplies into these sectors, this report will help you to see how the industry is changing and help to anticipate trends for the future.



1.56 billion extra miles

were travelled by businesses across the UK in July, versus June, as lockdown restrictions lifted further. This recovery builds on the picture seen in June vs. May, which saw an increase of 2.51 billion miles month on month

* Projections based on extra miles travelled by Allstar's customers in July versus June and extrapolated based on Allstar's estimated UK commercial fuel market share.

The big picture

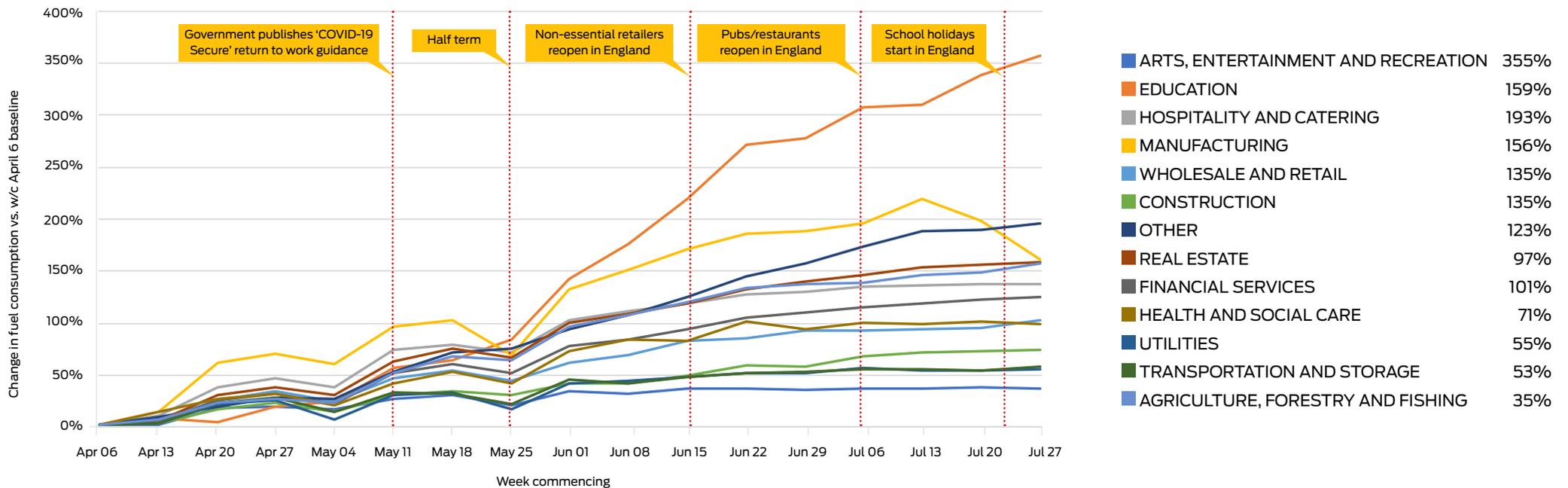
Business travel amongst UK businesses has grown steadily in the month of July, an indication that the economy is benefitting from the continued easing of Government lockdown restrictions. In total, 1.56 billion extra miles were travelled by businesses across the UK in July, compared to June.

Since a baseline at the peak of lockdown (w/c April 6), fuel consumption increased by 122 per cent across all businesses by the last week of July – up from 109 per cent in late June. While this paints an encouraging picture of the UK economy bounce back, it is clear that the rate of increase has steadied, as opposed to the dramatic surge seen in May and June. With the Bank of England predicting that the economic

shock triggered by the pandemic will be less than initially feared but the bounce-back may take longer, this fuel data suggests a similar, steadier pattern.

Businesses in the education and hospitality sector have recovered activity particularly well in July. Fuel consumption was up 159% for education organisations and 193% for hospitality businesses, compared to fuel levels in April. This reflects the growth in the number of schools and colleges open in July and of course, the relaxing of restrictions around pubs, restaurants, cinemas, hotels, museums, zoos and campsites on 4 July.

Tracking the recovery: Week on week fuel consumption vs. peak lockdown baseline



The Summer Holiday Effect

The overall upward trajectory has seemingly been interrupted by the start of the school summer holidays. In four sectors – agriculture, construction, education and real estate – business travel dipped in the w/c 27 July, the first full week of the summer holidays.

Education was understandably most impacted, dropping from a peak of 216% in w/c July 13 to 159% by the end of July. Real estate, agriculture and construction's rate of decline was more subtle (2%, 1% and 1%, respectively) and less severe than in the May 25 half term (12%, 11% and 8% respectively) but it's notable that these sectors buck the wider trend of continued growth. Industries benefitting most from the start of the summer holidays include arts, recreation and entertainment (growth rate

rising by 19 percentage points) and wholesale and retail (up 8%). This is supported by Google's latest UK Community Mobility Report which showed a gradual rise in visits to retail and recreation to -28% below baseline by August 2, from -50% in late June.

It is possible that further slowing of the recovery will continue throughout August as workers take holidays delayed from earlier in the year when the UK was in full lockdown, however, this could be offset by the return of furloughed employees.

	Jul-06	Jul-13	Jul-20	Jul-27	The Summer Holiday Effect (growth rate difference July 27 vs July 20)
AGRICULTURE, FORESTRY AND FISHING	34%	34%	36%	35%	-1%
ARTS, ENTERTAINMENT AND RECREATION	305%	308%	335%	355%	20%
CONSTRUCTION	132%	133%	136%	135%	-1%
EDUCATION	194%	216%	195%	159%	-36%
FINANCIAL SERVICES	91%	92%	93%	101%	8%
HEALTH AND SOCIAL CARE	65%	69%	71%	71%	0%
HOSPITALITY AND CATERING	171%	186%	187%	193%	6%
MANUFACTURING	144%	151%	154%	156%	2%
OTHER	112%	117%	120%	123%	3%
REAL ESTATE	98%	96%	99%	97%	-2%
TRANSPORTATION AND STORAGE	54%	52%	52%	53%	1%
UTILITIES	53%	53%	52%	55%	3%
WHOLESALE AND RETAIL	136%	144%	147%	154%	7%



Tracking the bounce back sector by sector: Month on month

Analysis of fuel consumption month on month reveals the growth rate steadied in every sector except health and social care. For example, within education fuel use was up 47.8% in June compared to May but in July, there was only an 16.4% increase, month on month. Similarly, in the real estate sector, the growth rate went from 37.8% in June to 11.4% in July.

This is not surprising and should not be a cause for concern. Business travel was starting at such low levels in May and could not be expected to sustain the sharp growth rate increases of June. Instead, the figures suggest the recovery is settling down, with steady growth of 14.4% across all sectors.

The arts, entertainment and recreation sector tops the table once again, hinting that having gone into complete hibernation in April and May, the industry is beginning to find new ways to operate.

In an echo of last month's Barometer, sectors where there has been consistent demand throughout the pandemic such as utilities and agriculture experienced growth, but at lower and more consistent levels (<10%).

Sector	Fuel use increase (%) June vs. May 2020	Fuel use increase (%) July vs. June 2020
ARTS, ENTERTAINMENT AND RECREATION	101.6	40.9
HOSPITALITY AND CATERING	43.2	34.3
MANUFACTURING	40.5	20.6
HEALTH AND SOCIAL CARE	17.0	18.2
WHOLESALE AND RETAIL	46.0	18.2
OTHER	34.7	18.0
EDUCATION	47.8	16.4
FINANCIAL SERVICES	25.9	15.4
CONSTRUCTION	34.3	12.5
REAL ESTATE	37.8	11.4
UTILITIES	20.2	9.7
TRANSPORTATION AND STORAGE	22.1	8.4
AGRICULTURE, FORESTRY AND FISHING	11.3	4.8



14.4%

total increase in fuel consumption across all sectors: July 2020 vs. June 2020

Sector spotlight: Construction

Business travel in the construction industry grew, week on week, throughout July until w/c 27 July when it experienced negative growth, perhaps the beginning of the Summer Holiday Effect. An extra 21 million miles were travelled by construction customers in July, compared to June, and fuel consumption volumes rose by 12.5%. Use of diesel vehicles continue to dominate this sector.

As in May and June, specialised construction activities (e.g. bricklaying, scaffolding) led the growth in July. Civil engineering and construction of buildings experienced growth of around 10% in July, compared to June. The Construction Products Association suggests that most of the recent construction activity has been completions of existing projects and refurbishments that couldn't take place during the restrictions. Completions, in particular, have been the priority because of the 31 December deadline for the first phase of construction for Help to Buy.

At the start of August, the Bank of England's Monetary Policy Committee reported that construction activity had reached 80% of pre-COVID levels during July and that the introduction of the 'one metre plus' rule on sites had allowed businesses to marginally increase their rate of activity. It also noted that public sector contractors expect output to increase gradually over the coming months and some anticipate they could increase activity enough to compensate for the lockdown months, falling only 10% short of their output targets for 2020. The committee understands the pipeline of new orders for large construction projects is low but that construction activity for large capital projects is likely to be maintained as it cannot easily be cancelled.

“While next year we anticipate construction output rising 18.0% overall, it is worth noting that this is compared with a low base of activity in 2020 and will still be 6.4% lower than pre-coronavirus levels. The delivery of major infrastructure projects will be crucial to growth in 2021, with activity on site less affected by social distancing and major projects like HS2 driving significant growth for the sector.”

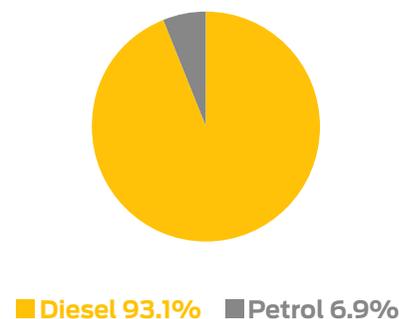
Noble Francis, Economics Director, Construction Products Association (CPA)



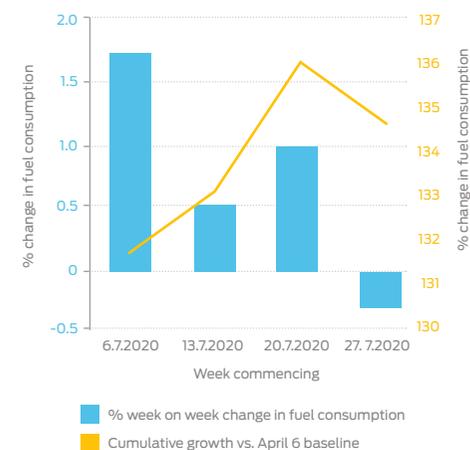
Month on month recovery by construction business type July vs. June

Specialised construction activities	+14.4%
Construction of buildings	+10.9%
Civil engineering	+10.1%

Construction industry splits by fuel type



Construction fuel consumption growth remained steady week on week, dipping slightly in late July



Sector spotlight: Manufacturing

As with other sectors, the data reveals a growth in fuel consumption by manufacturers in July but not at the same rate of increase as the previous two months. In July, the manufacturing sector saw an increase of 20.6% on June figures (compared to 40.5% between May and June) and 17.7 million extra miles were travelled by manufacturing customers. The sector experienced steady growth, week by week, with the sharpest climb in early July. The school summer holidays appear to have slightly stalled the weekly increases in manufacturing fuel consumption.

Allstar's insight is corroborated by the most recent IHS Markit/CIPS Purchasing Managers' Index (PMI) which shows output growth in the UK manufacturing industry hit a 32-month high in July, with the sharpest rise in new orders since the end of 2018. The PMI index rose to a 16-month high of 53.3 in July, up from 50.1 in June and confidence also recovered to its highest level in 28 months.

In particular, textiles and clothing manufacturers have overtaken furniture manufacturers and are now the fastest growing sub-sector. This could be driven by the knock-on impact of the opening of non-essential shops on 15 June and the transition into a new season for clothing retailers.

“UK manufacturers have been eager to embark on the road to recovery, and this data suggests improved orders are allowing industry a greater degree of confidence it needs to drive output up. Nevertheless, industry has been through a profound shock, the impact of which will continue to be felt for some time to come, especially in those sectors which have been most heavily affected. While the data gives some cause for optimism, we are going to need consecutive months of increased performance to recoup the deep losses incurred by the pandemic.”

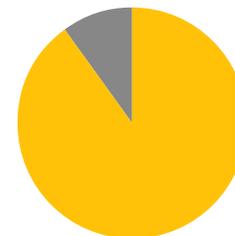
Stephen Phipson, CEO, Make UK



Month on month recovery by manufacturing business type July vs. June

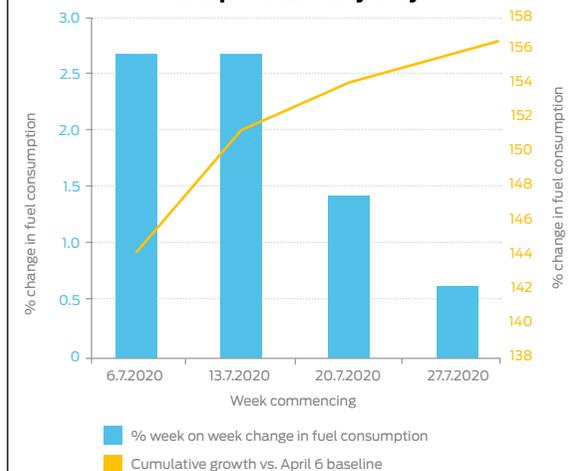
Textiles/clothing	32.4%	Chemicals	27.5%
Paper / paper products	29.5%	Furniture	25.6%
Paper / paper products	29.5%	Vehicles/trailers	21.6%
Food/beverages	29.1%	Fabricated metal	17.0%

Manufacturing industry splits by fuel type



■ Diesel 89% ■ Petrol 11%

Manufacturing fuel consumption saw steady growth week on week, sharpest in early July



Sector spotlight: Wholesale and Retail

Fuel consumption in the wholesale and retail sector continued to grow month on month. In July, business travel increased by 18.2% and 31 million extra miles were travelled by Allstar's wholesale and retail customers in July, compared to June. This is a sign that since the opening of non-essential shops on 15 June, the sector has continued to experience increased footfall and sales. Interestingly, wholesale and retail fuel consumption saw the largest week on week spike in late July – with no sign of a negative Summer Holiday Effect.

According to the Bank of England, many types of consumer spending have picked up in Q2. Delayable spending such as household furnishings, clothing and other larger items, fell materially after restrictions were introduced, but has since picked up. Spending on staples – which includes types of expenditure that cannot generally be delayed, such as on food and household energy – has remained robust throughout the pandemic. Overall, retail spending has largely recovered, driven by growth in online sales. Consumer spending is expected to rise further in Q3.

In August, the retail sector should be further boosted by the Government's "Eat Out to Help Out" scheme. On the first day of the scheme, shopper visits were up nearly 30% compared with the same day the week before.

The trade and repair of motor vehicles continues to rise - fuel consumption within that sub-sector grew by 21.8% in July. This is consistent with July data from the Society of Motor Manufacturers and Traders (SMMT), which saw new car registrations increase by 11.3% to 174,887 vehicles once dealerships across the nation began to re-open. However, overall registrations are still currently down -41.9% YTD and expected to be -30.0% down by end of 2020, totalling £20bn in lost sales.

“By European standards, the UK's recovery remains slow, and while safety measures introduced by retailers have been well received by customers, many shoppers are still reluctant to visit physical shopping locations.”

Helen Dickinson OBE, Chief Executive, British Retail Consortium

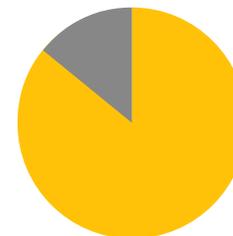
 **+18.2%**
July 2020 vs June 2020

 **31m extra miles**
travelled by wholesale/retail businesses in July vs. June 2020

Month on month recovery by wholesale/retail business type July vs. June

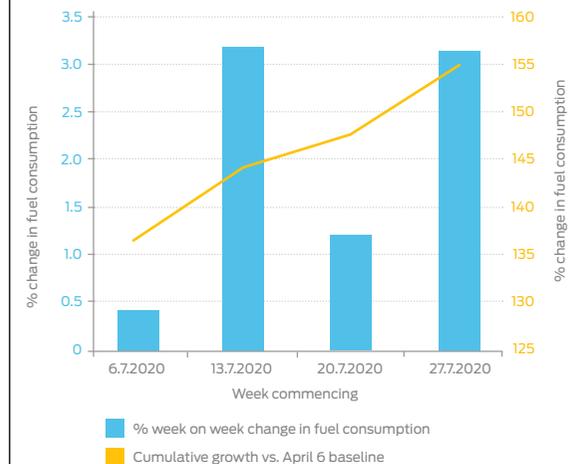
Wholesale and retail trade and repair of motor vehicles and motorcycles	+21.8%
Wholesale trade (except of motor vehicles / motorcycles)	+20.2%
Retail trade (except of motor vehicles/ motorcycles)	+9.8%

Wholesale/retail industry splits by fuel type



 Diesel 82.1%  Petrol 17.9%

Wholesale and retail fuel consumption saw largest week on week spike in late July



Business expenses: Where is money being spent?

Looking at data for Allstar's business credit cards which are used for expenses such as hotels, transport, food and office supplies, it becomes clear that across the board, business expenditure is recovering. In July, it was up to 82% of its pre-COVID levels (July 2020 compared with Q1 2020 average) and month on month, it is up 10% since June.

The most significant monthly spend increases were seen by customers in the manufacturing sector – they spent 25% more in July than June. This is not surprising considering the growth in the manufacturing sector as a whole. Similarly, the wholesale and retail sector had a healthy month, with 11% increase on June, mirroring the recovery of that sub-sector too.

INDUSTRY	JULY 2020 VS JUNE 2020 SPEND
Construction	4%
Real estate	%
Wholesale/retail	11%
Manufacturing	25%
Social & personal services	-10%
Transport	-8%

The data shows a continuing upward trend for Travel and Entertainment spend although this is still around half the levels seen in February. There was a 104% increase on spend in restaurants in July, compared to June, and 42% increase on spend in hotels. This is to be expected as the hospitality sector has opened up and businesses have slowly begun to allow employees to work away from home and embark on non-essential journeys.

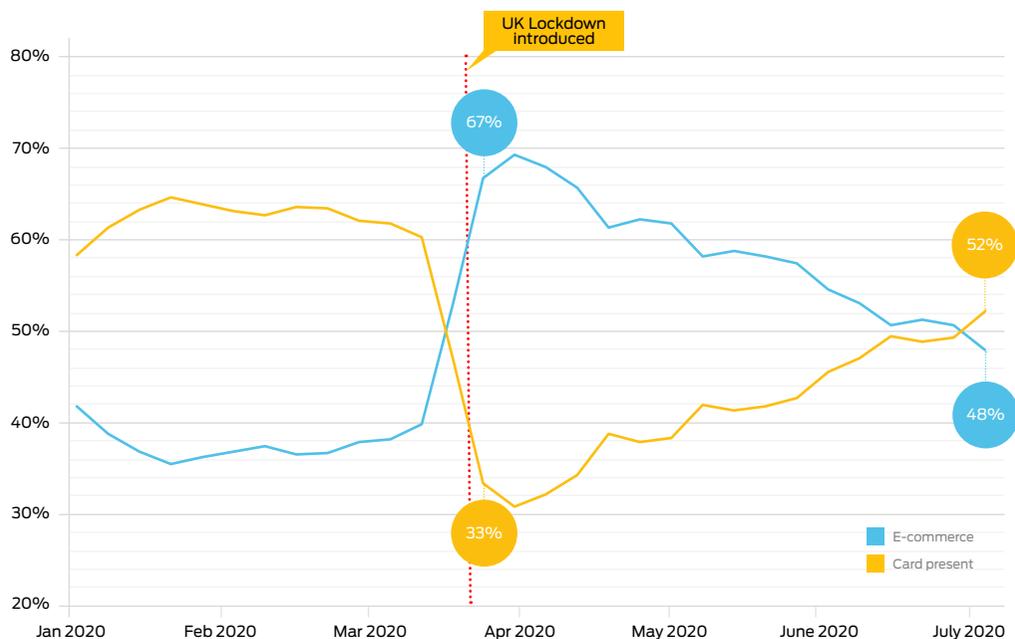
Interestingly, vehicle maintenance has now fully recovered – another sign that many more workers are using their cars to travel for business and therefore requiring repair work. It could also be linked to the end of the government MOT extension on August 1 and a backlog of work. This could lead to another spike in September when drivers book in delayed MOTs.

SPEND TYPE	INCREASE IN SPEND - JULY 2020 VS JUNE 2020
General stores/retail	2%
Hotels	42%
Mobility/travel	14%
Office expenses	1%
Restaurants	104%
Service maintenance and repair of vehicles	12%

Business expenses: Online versus in-person spend

In May and June, Allstar's data on business credit card usage revealed a dramatic switch from offline to online spend. However in late July, in person card transactions overtook e-commerce transactions for the first time since lockdown began. By w/c 27 July, in person card transactions represented 52% of all transactions, compared to a low of 33% in March. As more employees get out and about, it will be interesting to see whether this continues to climb back to pre-COVID usage levels or whether e-commerce holds fast.

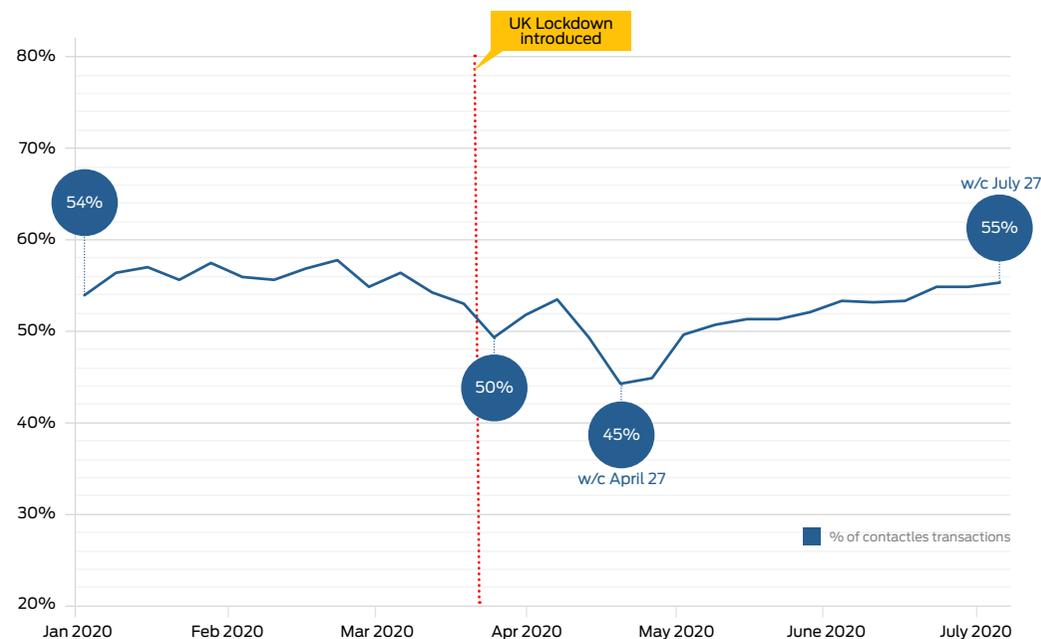
Proportion of e-commerce versus in-person transactions - 2020



The proportion of contactless transactions grew slightly in July, thanks to the changes to the contactless payment limit from £30 to £45. In w/c 27 July, 55% of all in-person transactions were contactless.

Looking ahead to August, we could see this gradual upward trend to continue, as workers gradually increase use of public transport and make lower value meal purchases while travelling.

Proportion of contactless transactions - 2020





Allstar Business Solutions is a leading UK business and fuel expenses card provider with over 40 years of industry experience. Allstar provides its customers with access to the UK's largest fuel card network of over 7,700 fuel sites. The Allstar fuel cards are accepted at 90 per cent of the UK fuel sites, including at all major oil brands and low-cost supermarket sites. Meanwhile, its Allstar Expense card allows customers to manage business expenses with a Visa card and expense reporting system.

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