

ACT Liquidity Confidence Barometer

The Government has launched a number of financing programmes in response to the COVID19 pandemic, and over time made them more accessible. Has this worked? Do treasurers feel any better about the prospects for their business in the short and medium term?

Our regular liquidity temperature check is meant to identify how confident treasurers feel about their business. This is our first report with only a relatively small number of respondents and as such it is difficult to draw too many conclusions, but we believe trends will become clearer as the weeks progress. Also, we recognise that different sectors have particular stresses.

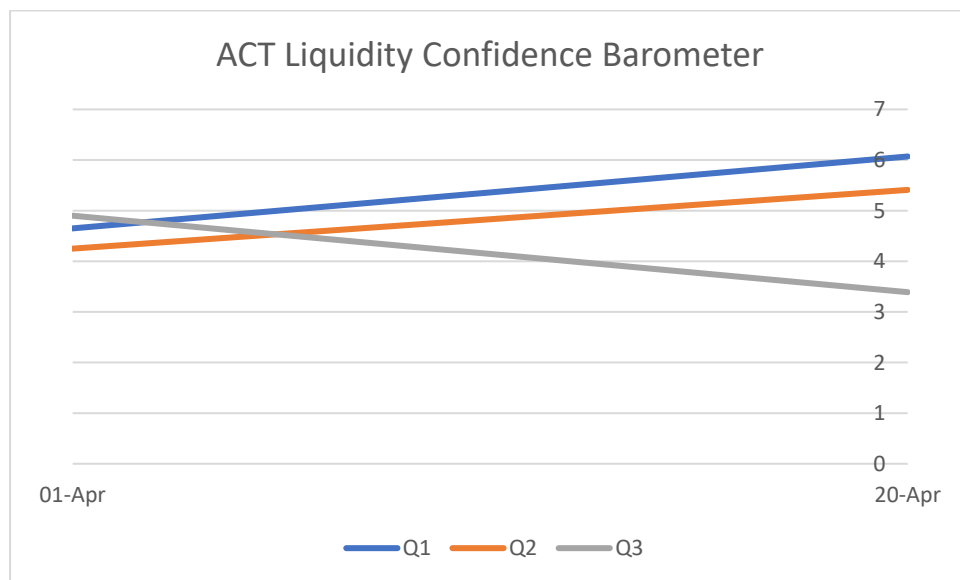
Overall immediate confidence relative to recent weeks seems to be holding up or improving as the new funding schemes come on-line.

Our conversations with treasurers in conjunction with the findings from our more detailed survey foresee a crunch in 3-6months for established borrower/ larger companies whereas new borrowers/ smaller borrowers anticipated a crunch in the next few weeks, depending on the efficiency of the delivery pipeline for new funding.

Initial findings

We have used information from the first survey we ran at the start of April to establish a baseline and then compared the results with responses to our quick survey last week. We have applied weightings to the different responses to get a score out of 10 (with 10 being 100% of responses being positive towards the questions being asked).

We share our findings below.



Q1: Rate your confidence over liquidity for your business this week, compared to last week? ■

Q2: Rate your confidence over the financial sustainability of your supply chain this week, compared to last week? ■

Q3: Have you accessed any of the Government's 'COVID-19' finance schemes since 1 March 2020 ■

What this tells us

Based on our discussions with treasurers the survey tells us the following.

Q1 Business Liquidity

1. Treasurers at the start of April were uncertain about their own financial position but this had improved by April 20.
2. Sentiment towards liquidity has stabilised with almost 70% now feeling at the same level as the previous week.
3. Overall confidence over sufficiency of liquidity has increased reflecting greater understanding of how the company is coping under the stress of the lockdown through more accurate cash forecasting and the availability of government funding schemes.

Q2 Supply chain resilience

1. At the start of April, over 50% of treasurers had a negative outlook for their customers and suppliers. By April 20 the figure had dropped to approximately 10%. This suggests greater information and confidence over the supply chain and also that many of these businesses had been or were planning to access government funding schemes.
2. Sentiment towards the supply chain has stabilised with almost 75% now feeling at the same level as the previous week. This growing confidence is helping treasurers move from crisis to more planning and preparation activities.

Q3 Access to funding

1. At the start of the month, over 70% of businesses planned to apply for one or more of the various government schemes. Our results from April 20 showed only 33% planned to or had. This suggests that initial enthusiasm for some of the schemes has dissipated as details of the schemes become clearer.
2. The proportion of treasurers not planning to draw down on the government schemes has doubled to 60%. We believe this is a consequence of some funding markets starting to stabilise and some of the businesses with strong balance sheets looking at longer term funding solutions.