



INSTITUTE  
OF THE MOTOR  
INDUSTRY



# COVID-19 Automotive Landscape Report

Release 10



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# COVID-19 – Automotive Retail Landscape

## Introduction

The aim of this report is to outline the current landscape for businesses operating in automotive retail, highlighting the economic impact and operational challenges that the Covid-19 pandemic has created. Release 10 incorporates the most recent ONS BIC data released 10<sup>th</sup> September.

## Summary

### Key take away points

- The sector is now almost fully open, 98% of automotive businesses are trading. However 1.5% of businesses remain temporarily closed or paused trading and plans to reopen have significantly reduced, putting a further 1,400 businesses at potential risk.
- 0.5% of businesses have permanently closed which equates to approximately 500 businesses affecting approximately 3,300 jobs.
- Approximately 2% of jobs in the sector have been made permanently redundant with an additional 7,200 (potentially) planned in the next 2 weeks.
- Approximately 88,500 jobs remain on furlough which is 14% of jobs in the sector.
- 56% of automotive businesses said that they have outstanding invoice payments due as a result of Covid-19 and 9% said they had fallen behind on invoice payments as a result of Covid-19.
- 8% of the sector stated that their operating costs exceeded their turnover. 11% reported that they were breaking even as turnover was equal to operating costs.
- 47% intend to apply for the job retention bonus and 4% have stated they intend to apply for the kickstart job scheme for young people.
- 15% of automotive workforce are working remotely.

## Detailed summary

### The positive news:

- 98% of automotive businesses are trading. This has increased each reporting period for the past 18 weeks as the sector attempts to fully reopen.
- In terms of turnover, the automotive sector is performing well compared to other sectors, having the highest % of businesses reporting an increase in turnover in the last 2 weeks (21%).
- 39% of automotive businesses said that their cash reserves would last more than 6 months.
- 3% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 1% since last reporting.
- Approximately 52,300 jobs have returned to work from furlough in the past 2 weeks, with an additional 45,600 planned in the next 2 weeks. This rate of return to work has slowed this reporting.
- The average number of external vacancies advertised for an automotive business is 5.6. This has increased since last reporting by 0.5.

### Tough decisions and ways of operating

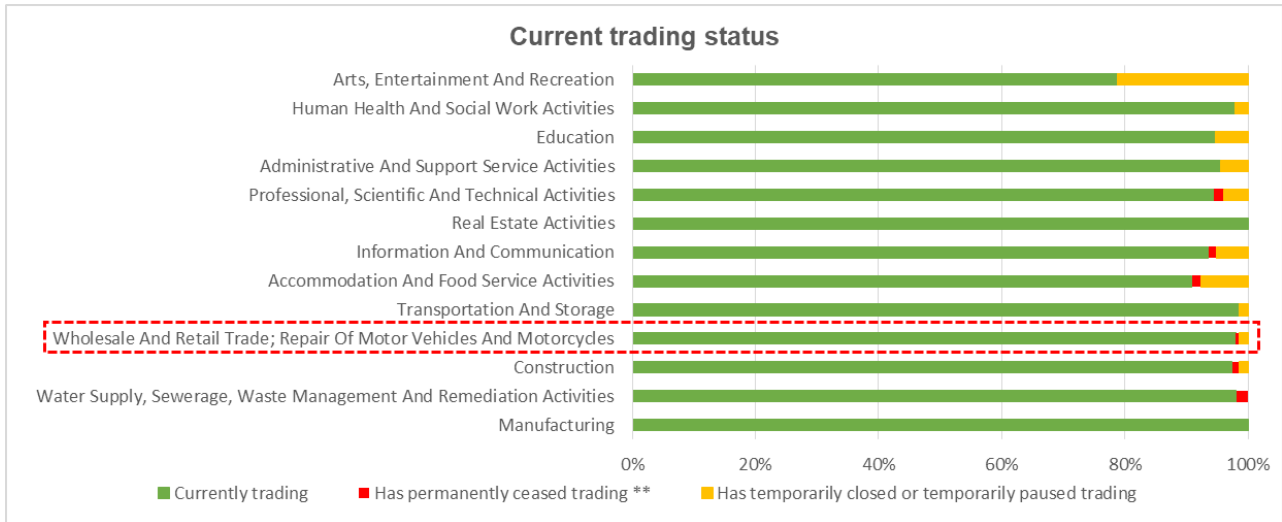
- 6% of businesses in the sector stated that they are intending to permanently close business sites in the next 3 months and 72% of these businesses stated that this would lead to permanent redundancies.
- 15% of the automotive workforce are working remotely.
- 56% of automotive businesses said that they have outstanding invoice payments due as a result of Covid-19. This is slightly above the all industries average.
- 9% of automotive businesses said they had fallen behind on invoice payments as a result of Covid-19. This is the same as the all industries average.
- 47% intend to apply for the job retention bonus and 4% have stated they intend to apply for the kickstart job scheme for young people.
- 8% of the sector stated that their operating costs exceeded their turnover. 11% reported that they were breaking even as turnover was equal to operating costs.

### Negative news:

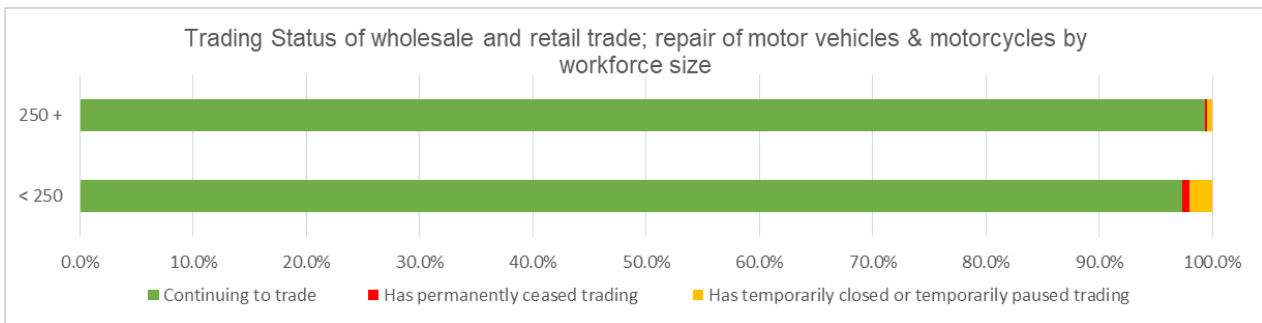
- 0.5% of businesses have permanently closed which equates to approximately 500 businesses affecting approximately 3,300 jobs.
- 1.5% of businesses remain temporarily closed or paused trading and plans to reopen have significantly reduced putting, potentially, a further 1,400 businesses at risk.
- Approximately 2% of jobs in the sector have been made permanently redundant with an additional 7,200 (potentially) planned in the next 2 weeks.
- Approximately 88,500 jobs remain on furlough, which is 14% of jobs in the sector.
- 5% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 4,600 businesses at risk.
- 56% businesses in the sector stated that Covid-19 had increased the risk of insolvency of their business, this has increased by 3% since last reporting.
- 6.5% of businesses stated that there was a moderate to severe risk of insolvency and 0.1% stated that they were already insolvent.

## Economic Indicators

### Trading



98% of businesses are open and trading. 1.5% of automotive businesses have temporarily closed or paused trading; this equates to approximately 1,400 businesses. 0.5% of businesses have permanently closed which equates to approximately 500 businesses affecting approximately 3,300 jobs.



Analysis shows that larger organisations have been able to remain trading or reopen faster than smaller organisations. All but 0.7% of organisations with a workforce of greater than 250 are open and trading.



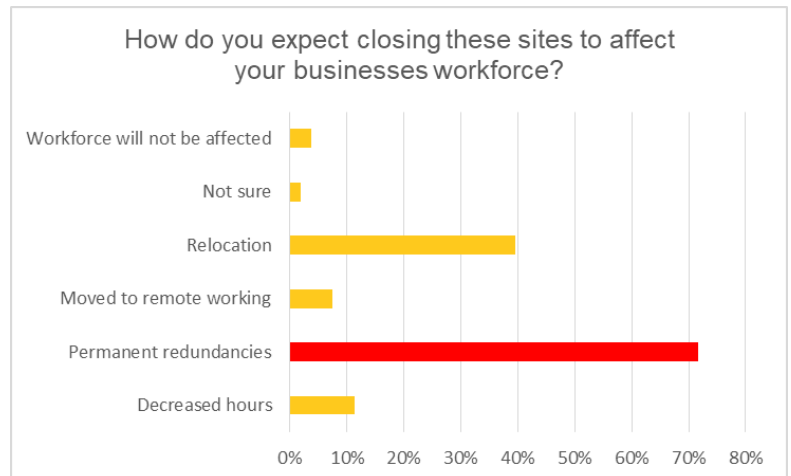
The number of businesses which have temporarily paused trading has fallen from 1.8% reported at the last BIC release to 1.5% as more establishments attempt to reopen. The number of businesses who have permanently ceased trading increased to 0.5%.

### Closing business sites

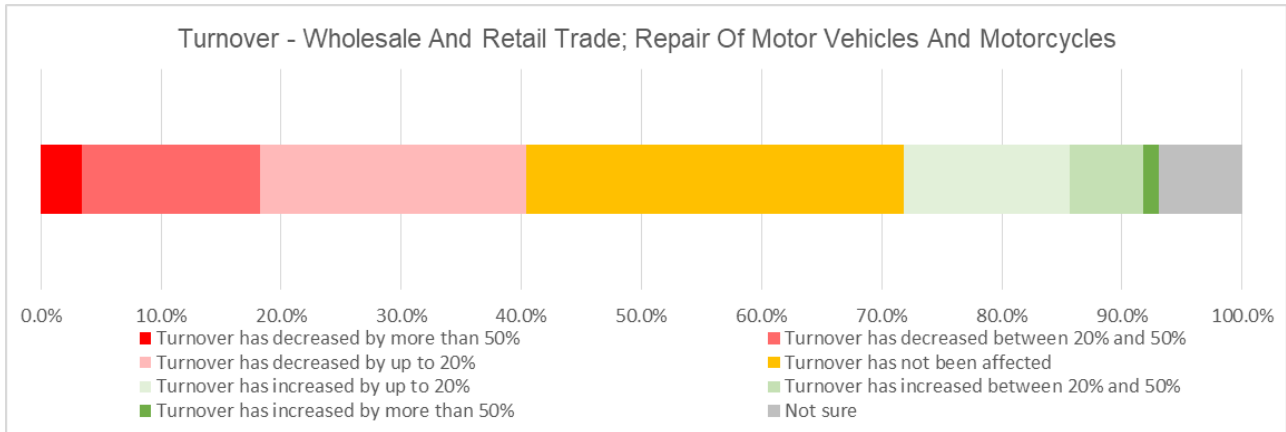
**6%**  
Businesses in the sector stated that they are intending to permanently close business sites in the next 3 months.

Potentially, 5,400 businesses are intending to permanently close business sites in the next three months.

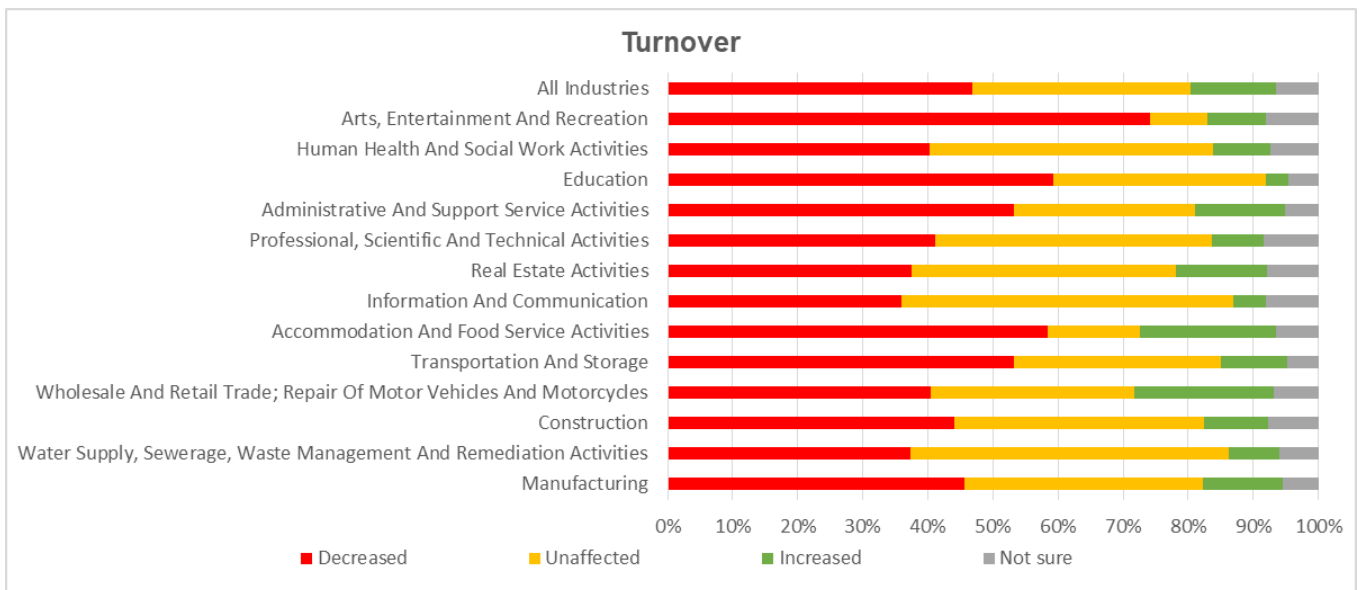
72% outlined that they expected that this would lead to permanent redundancies.



Turnover

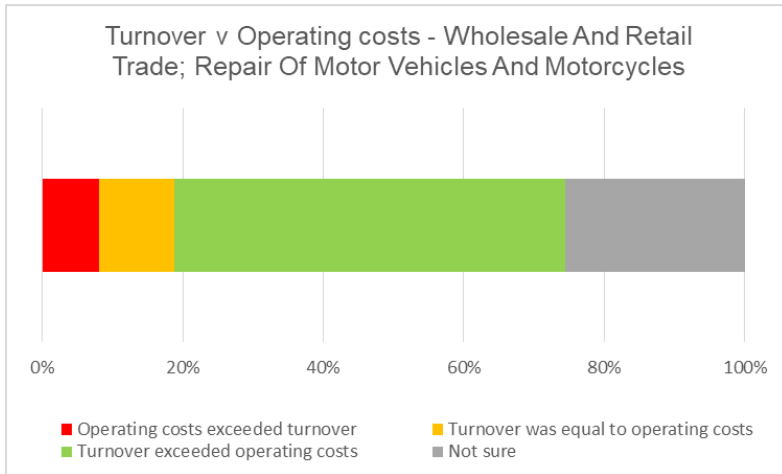


- 3% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 1% since last reporting.
- 40% of automotive businesses trading are reporting a decrease in turnover. This has decreased by 3% since last reporting.



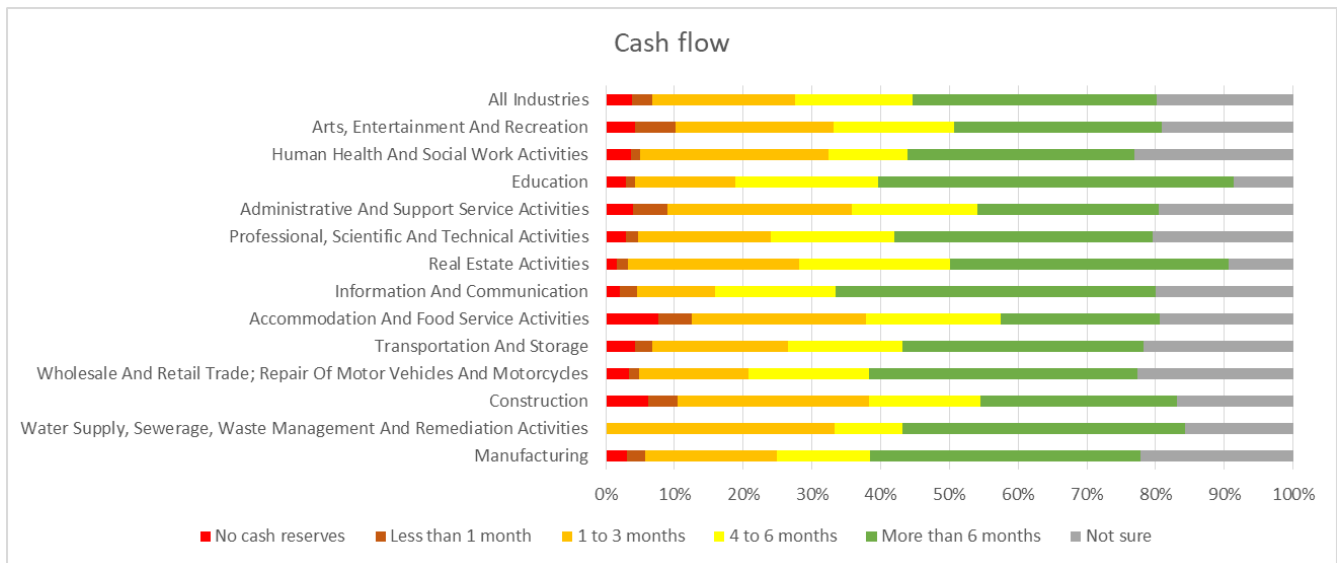
In terms of turnover, the automotive sector is performing well compared to other sectors, having the highest % of businesses reporting an increase in turnover in the last 2 weeks (21%).

### Turnover v Operating costs



8% of the sector stated that their operating costs exceeded their turnover. 11% reported that they were breaking even as turnover was equal to operating costs.

### Cash flow



Businesses were asked “How long do you think your enterprise's cash reserves will last?”.

- 39% of automotive businesses said that their cash reserves would last more than 6 months. This is the same as last reporting.
- 5% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 4,600 businesses at risk. This has decreased by 1% since last reporting.

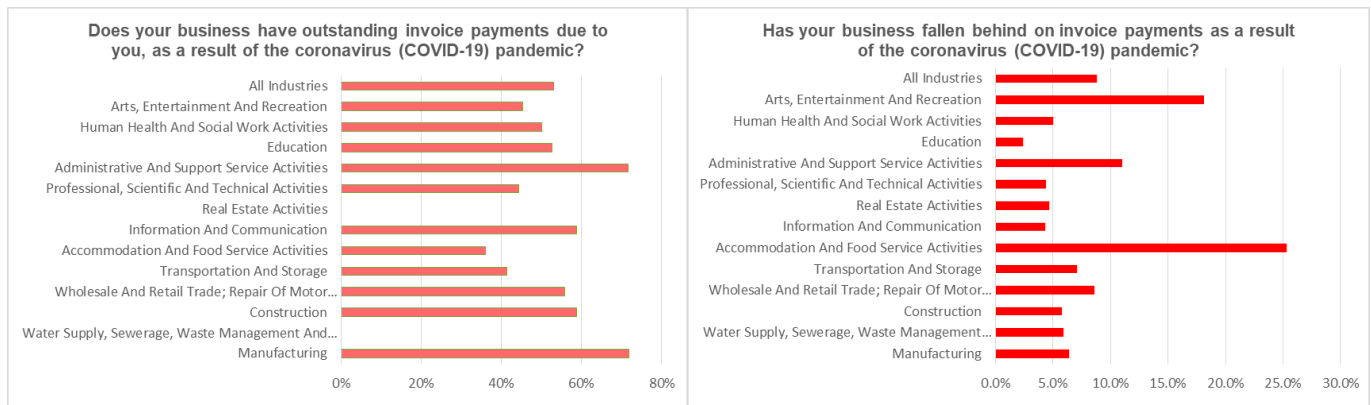
### Risk of insolvency



- 1% of automotive businesses stated that there was severe risk of insolvency and 0.1% stated that they are already insolvent.
- 56% stated there was some risk of insolvency. This has increased by 3% since last reporting.

**35%**  
 Businesses in the sector stated that Covid-19 had increased the risk of insolvency of their business.

### Invoice payments – new measure

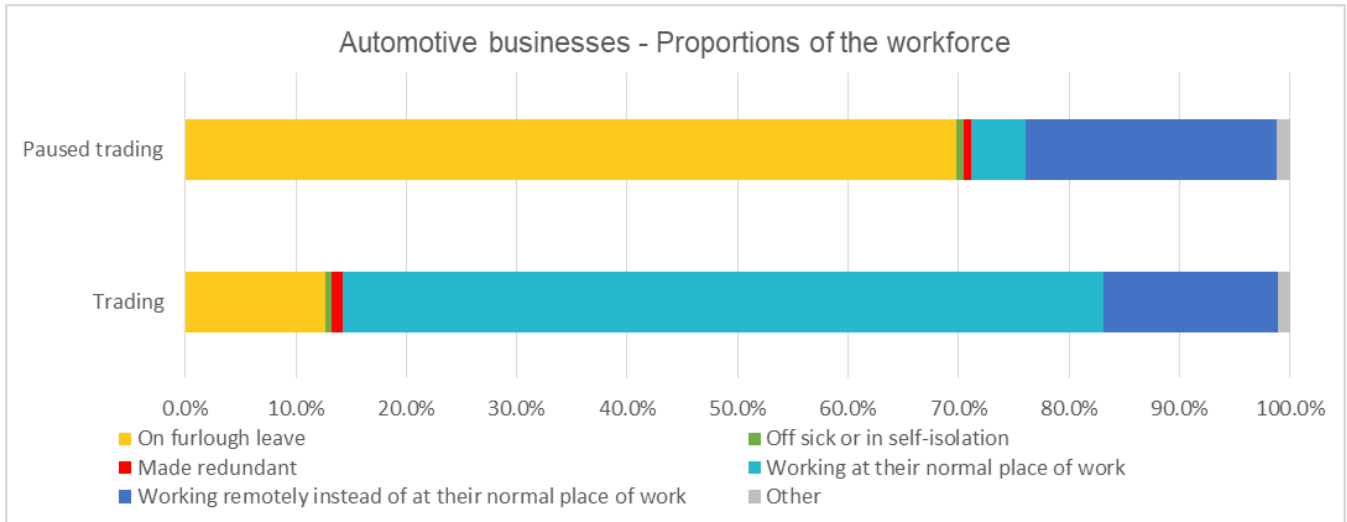


- 56% of automotive businesses said that they have outstanding invoice payments due as a result of Covid-19. This is slightly above the all industries average.
- 9% of automotive businesses said they had fallen behind on invoice payments as a result of Covid-19. This is the same as the all industries average.



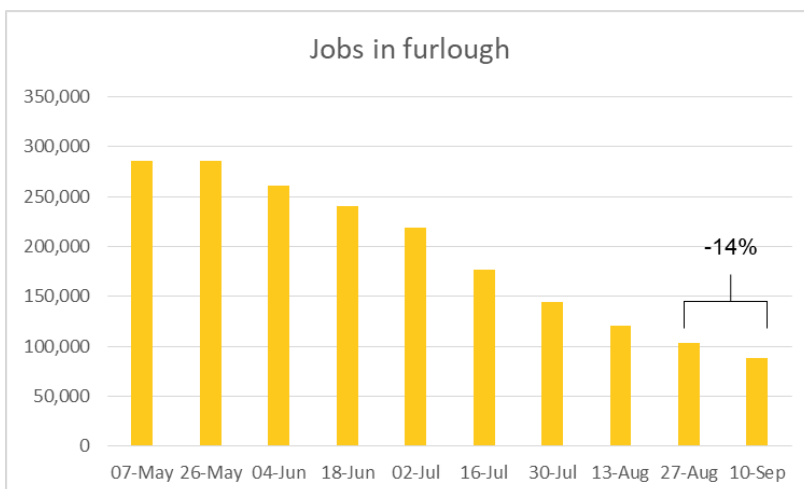
## Emerging from lockdown

### Workforce

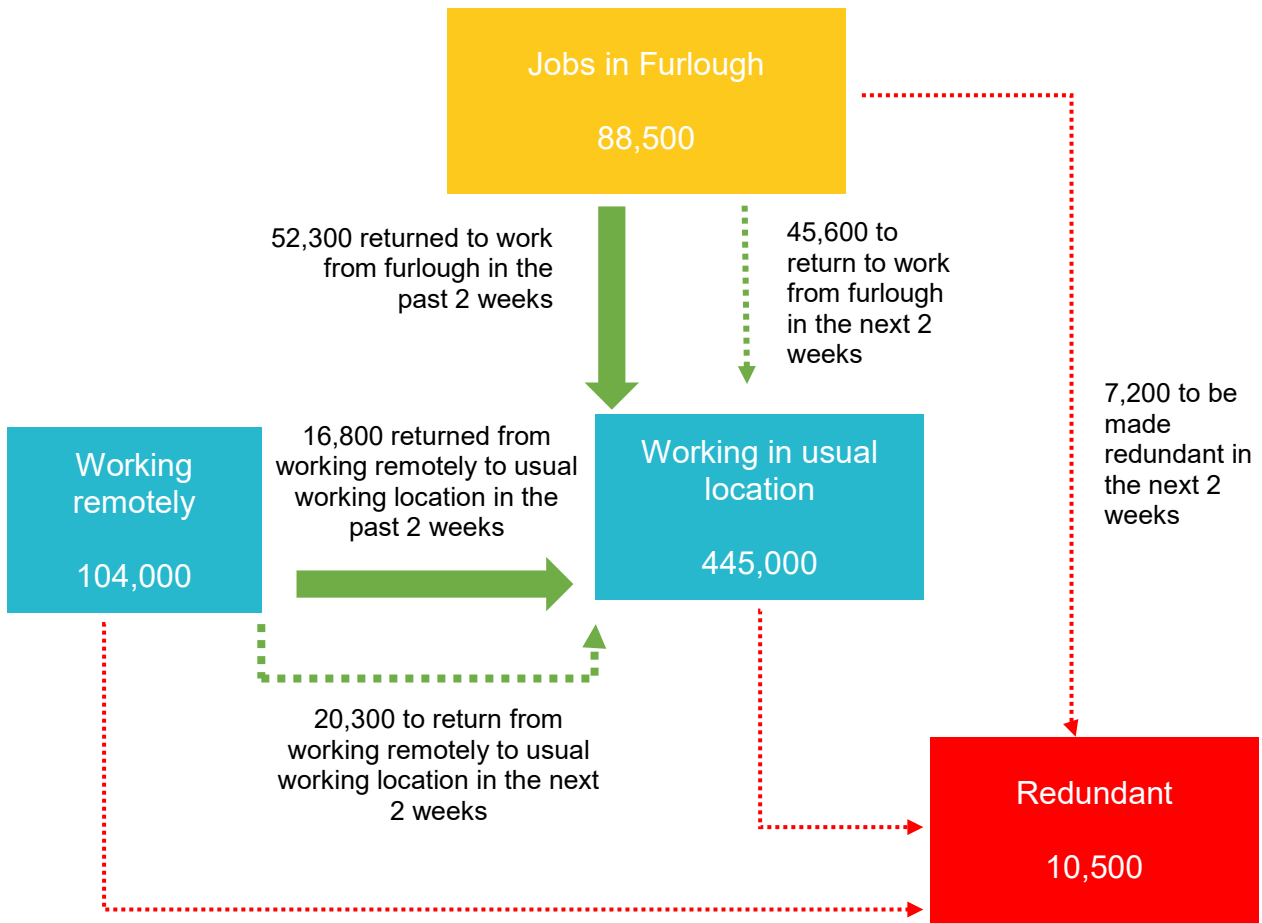


- For automotive businesses still trading, 13% of the workforce are on furlough which is approximately 82,000 jobs. This proportion has fallen by 1% since last reporting.
- 70% of the workforce of those businesses that have paused trading are on furlough. This is approximately 6,400 jobs. This proportion has fallen by 10% since last reporting.
- 3,300 are on sick leave or in isolation.

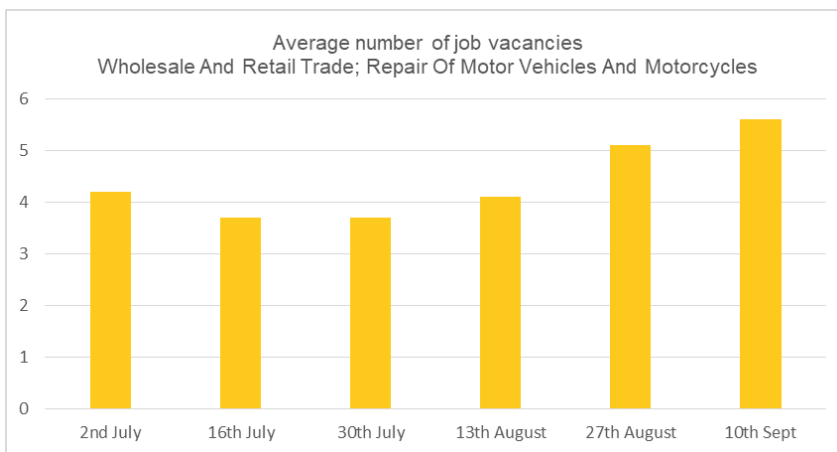
### Furlough



- At lockdown peak there were 286,000 jobs in furlough.
- Since 26th May, the reported numbers in furlough have been falling.
- The rate of fall in the numbers in furlough has begun to slow. 14% this reporting which is 1% less than last reporting.



### Recruitment

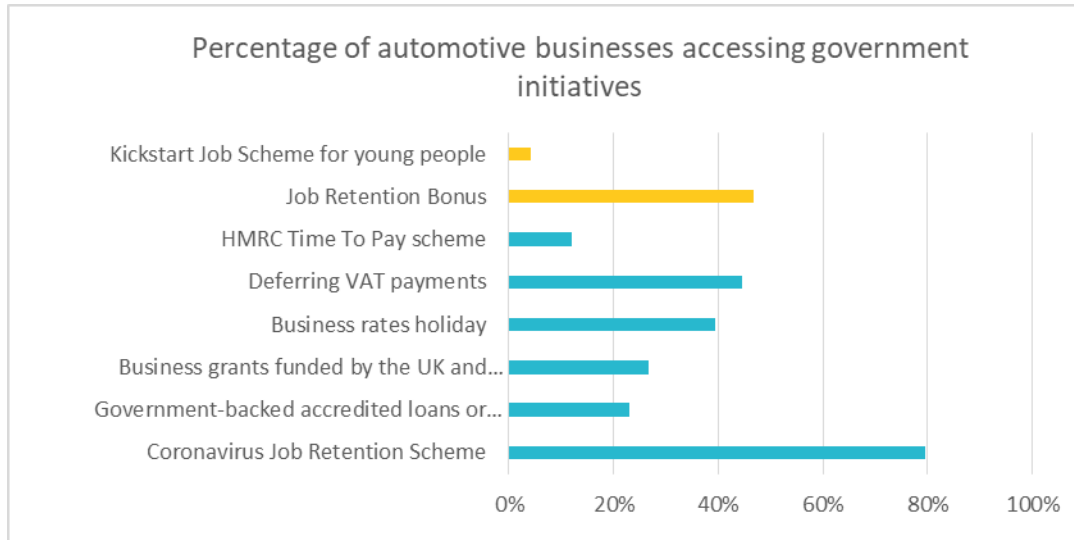


The average number of external vacancies advertised for an automotive business is 5.6. This has increased since last reporting by 0.5.

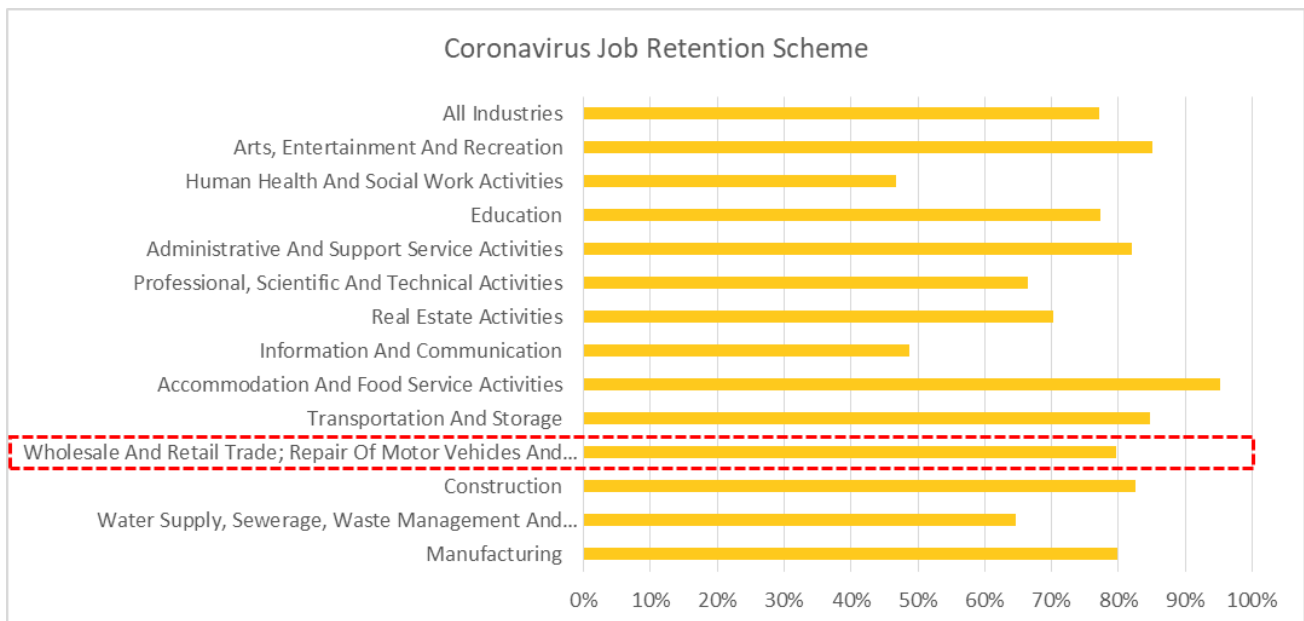
Automotive businesses are lower than the whole industries average.

## Government Schemes and Assistance

### Government Schemes

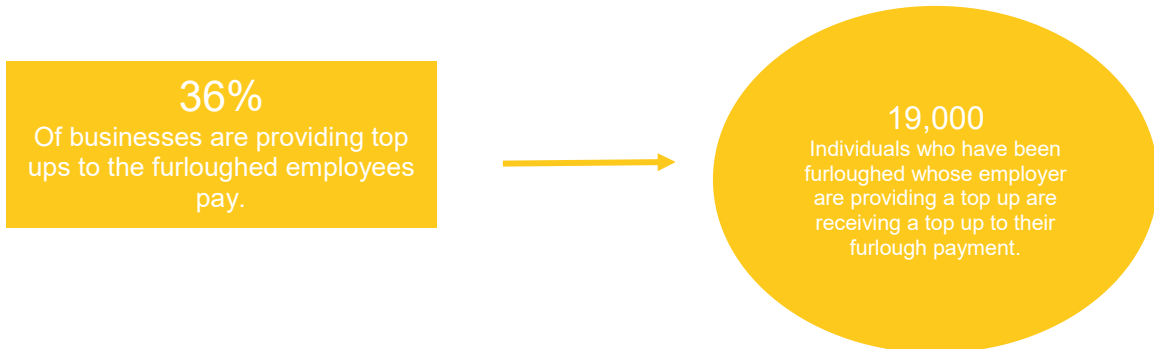


- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 80%.
- 45% have deferred VAT payments and 40% have taken business rates holidays.
- 47% intend to apply for the job retention bonus and 4% have stated they intend to apply for the kickstart job scheme for young people.



- 80% of automotive businesses have accessed the coronavirus job retention scheme.
- This is slightly higher than the all industries average.

## Furlough – Top ups



## Data Sources

- ONS - Business impacts of COVID-19 data released 10<sup>th</sup> September 2020 [Data relates to the period 25<sup>th</sup> August 2020 to 6<sup>th</sup> September 2020].
- EMSI 2020.1 data [All data sourced from EMSI UK Analyst, Career information taken from EMSI occupation data].
- IMI Automotive labour market baseline report – 2019 Profile revision1.