



INSTITUTE
OF THE MOTOR
INDUSTRY



COVID-19 Automotive Landscape Report

Release 1



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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 5 incorporates the most recent ONS BIC release dated 2nd July.

Summary of findings

The green shoots recovery continue to grow as the industry returns to work:

- 92% of automotive businesses are trading. This has increased each reporting period for the past 10 weeks as the sector attempts to reopen.
- 8% of businesses have reopened in the past 2 weeks. This equates to approx. 7,500 businesses, with a further 4% (3,300) planning to reopen in the next 2 weeks. If these plans succeed, 96% of the sector will be open and trading in the next 2 weeks.
- 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 (19%). This is approximately the equivalent of 18,000 businesses.
- 35% of automotive business said that their cash reserves would last more than 6 months. This has increased by 4% since last reporting.
- Approximately 62,000 jobs have returned to work from furlough in the past 2 weeks, with an additional 19,700 planned in the next 2 weeks

Returning to work:

- 13,700 jobs have returned from working remotely to the usual working location in the past 2 weeks.
- 94% of businesses returning to work will be introducing social distancing measures.
- 28% will be introducing temperature checks and 4% will be implementing routine COVID-19 testing.

Significant challenges still remain:

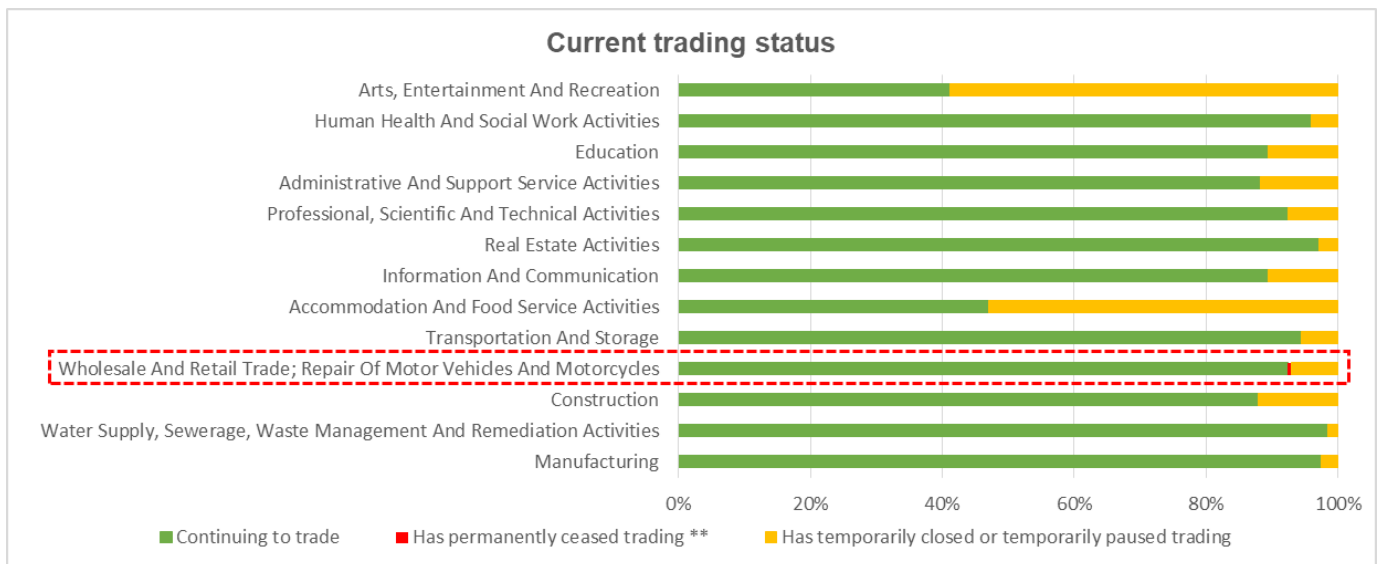
- Approximately 219,000 jobs are on furlough.
- 0.6% of businesses have permanently closed which equates to approximately 570 businesses.
- Although this has reduced, 22% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%.
- 6.1% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 5,000 businesses at risk.
- Although still thankfully low, approximately 0.4% of the workforce are being reported as being made redundant - approximately 2,500 redundancies.
- Approximately 8,100 businesses have received financial assistance from banks or building societies, 75% of which stated that this assistance helped them continue to trade.

- 65% of those on the furlough scheme are receiving a 'top up' from their employer, indicating that approximately 76,000 individuals are not receiving their usual pay.

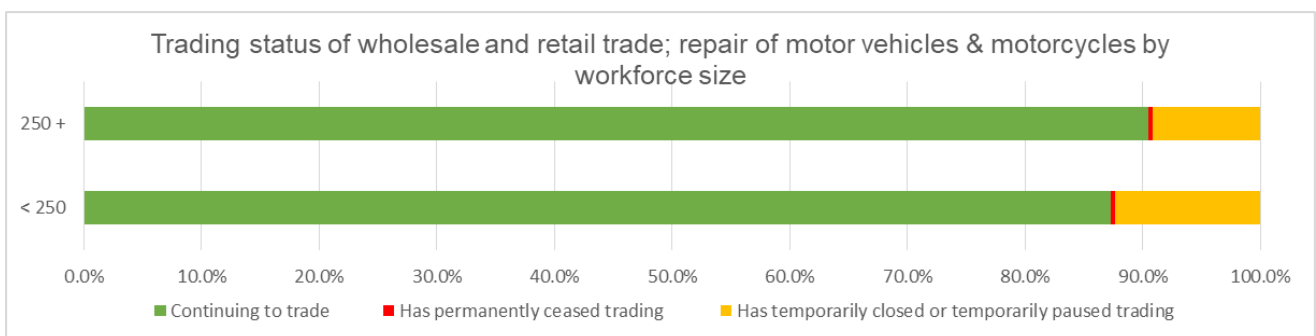
Economic Indicators

The following uses the most recent issue (2nd July) of the governments **Business impacts of Covid-19 report** which is based on responses from the new voluntary fortnightly business survey. The survey captures businesses responses on how their turnover, workforce prices, trade and business resilience have been affected in the two week reference period. I have used this information and inferred the potential true numbers of those affected in the automotive sector, using data from the IMI baseline report 2019.

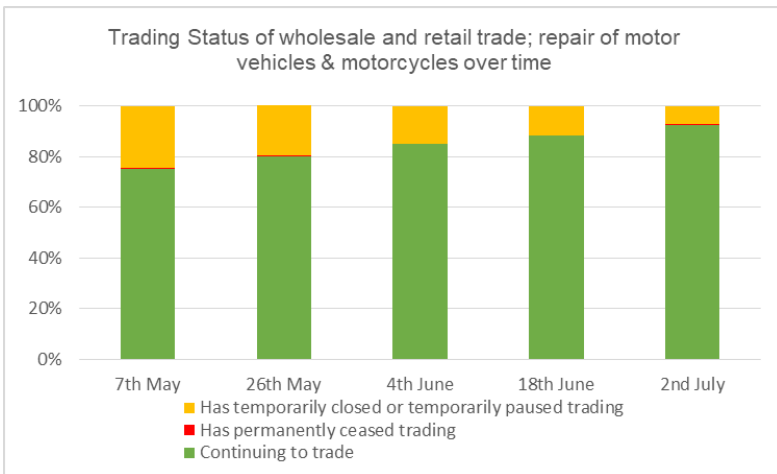
Trading



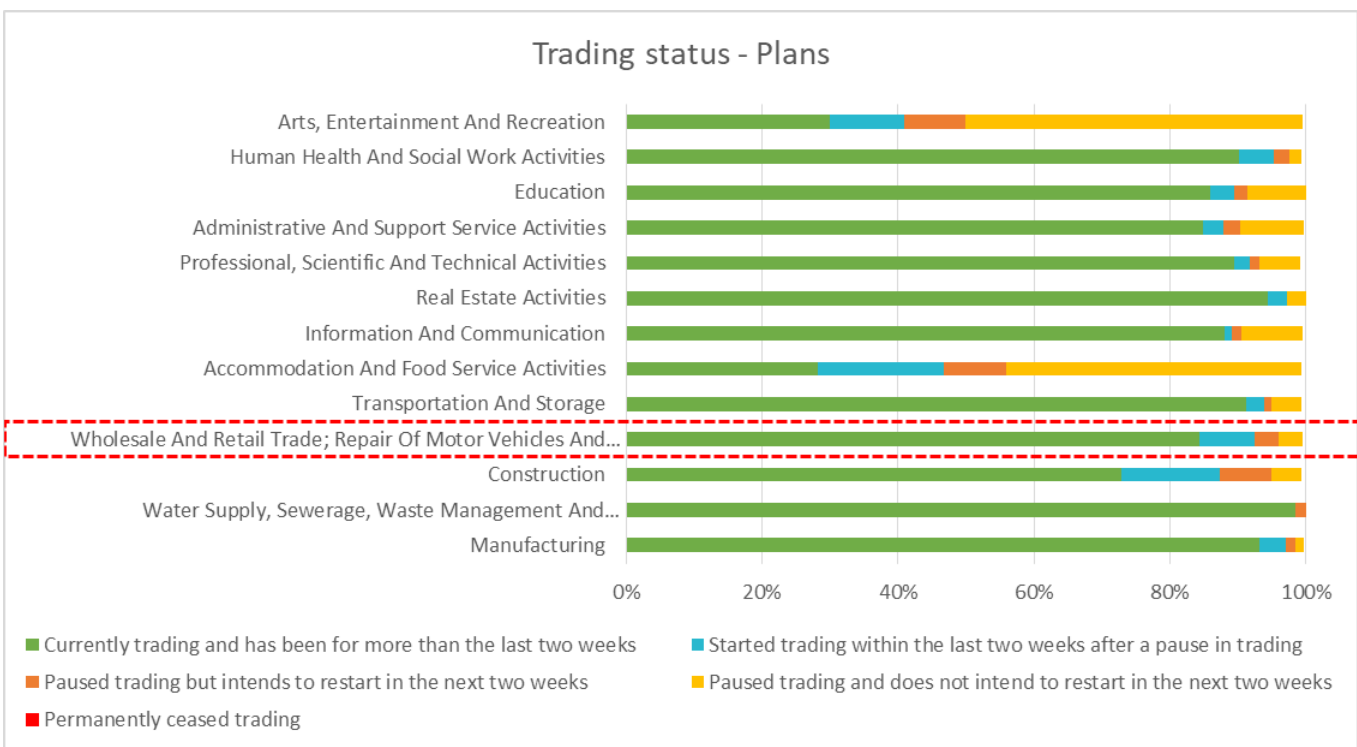
92% of businesses are open and trading. 7% of automotive businesses have temporarily closed or paused trading; this equates to approximately 7,000 businesses and 43,000 jobs. 0.6% of businesses have permanently closed which equates to approximately 570 businesses, affecting approximately 3,700 jobs.



Analysis shows that larger organisations have been able to remain trading. 3% of organisations with a workforce of greater than 250 are still temporarily closed compared with 10% of those with a workforce of less than 250.

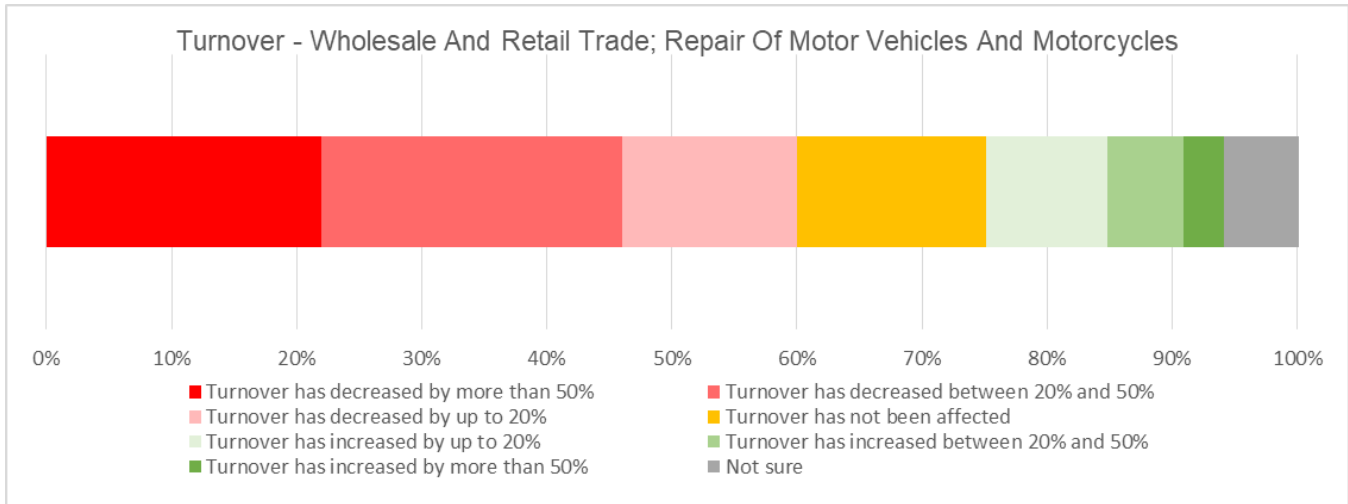


The number of businesses which have temporarily paused trading has fallen from 12% reported at the last BIC release to 7% as more establishments attempt to reopen. However the number of businesses who have permanently ceased trading has increased from 0.3% to 0.6%

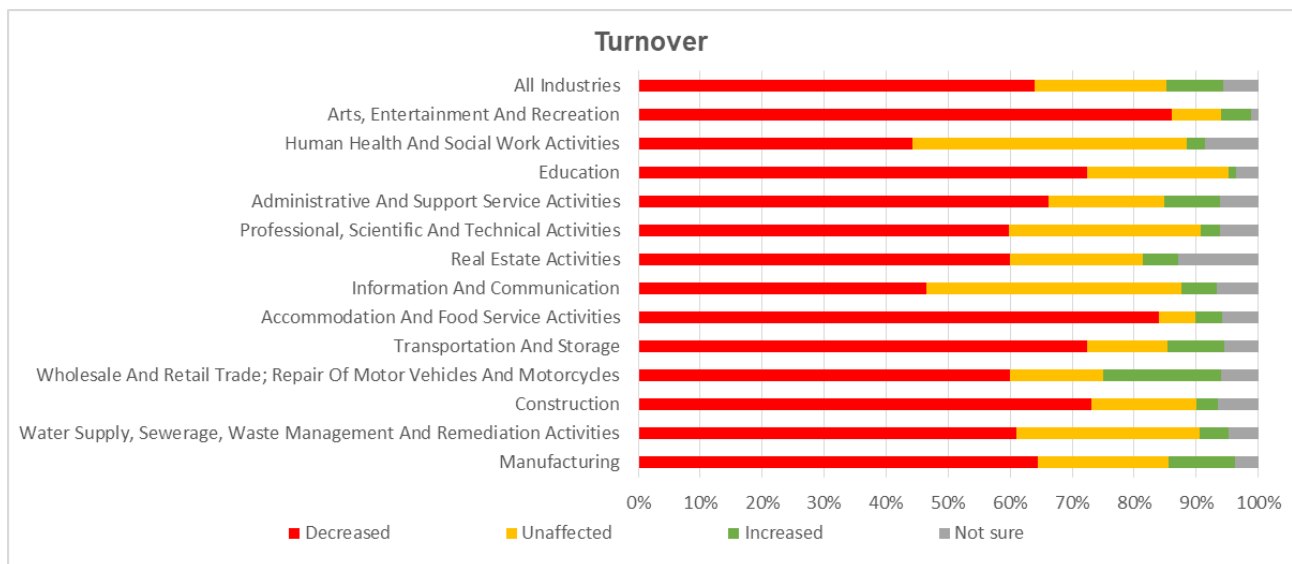


8% of businesses have reopened in the past 2 weeks, this equates to approx. 7,500 businesses, with a further 4% (3,300) planning to reopen in the next 2 weeks. If these plans succeed, 96% of the sector will be open and trading in the next 2 weeks.

Turnover

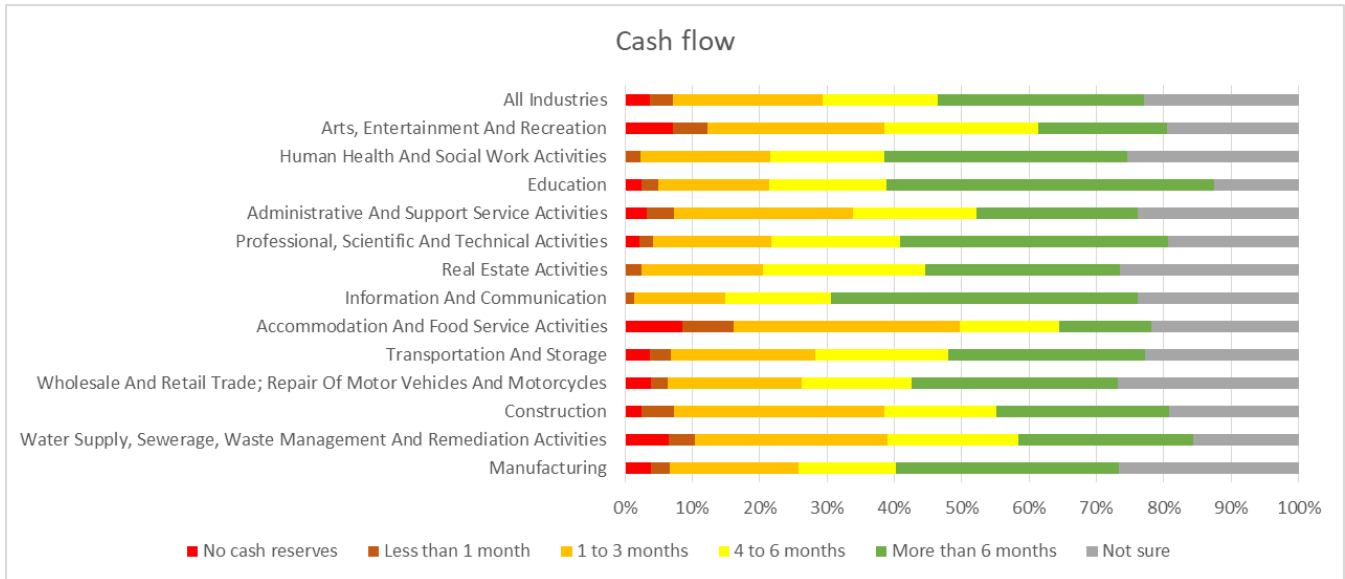


- 22% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 6% since last reporting.
- 60% of automotive businesses trading are reporting a decrease in turnover. This has decreased by 4% since last reporting.



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 (19%) the approximate equivalent of 18,000 businesses.

Cash flow

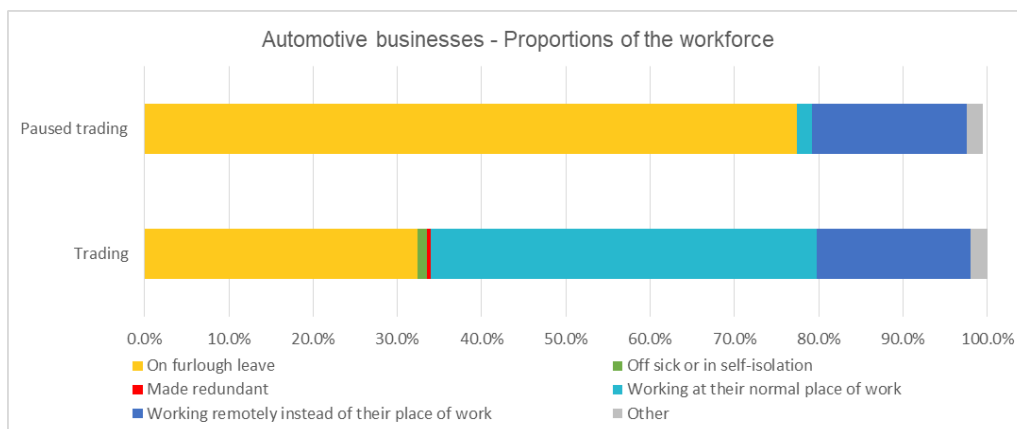


Businesses were asked “How long do you think your enterprise's cash reserves will last?”.

- 35% of automotive businesses said that their cash reserves would last more than 6 months. This has increased by 4% since last reporting.
- 6.1% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 5,000 businesses at risk.
- In terms of cash flow, automotive businesses compare similarly to the all industry average.

Emerging from lockdown

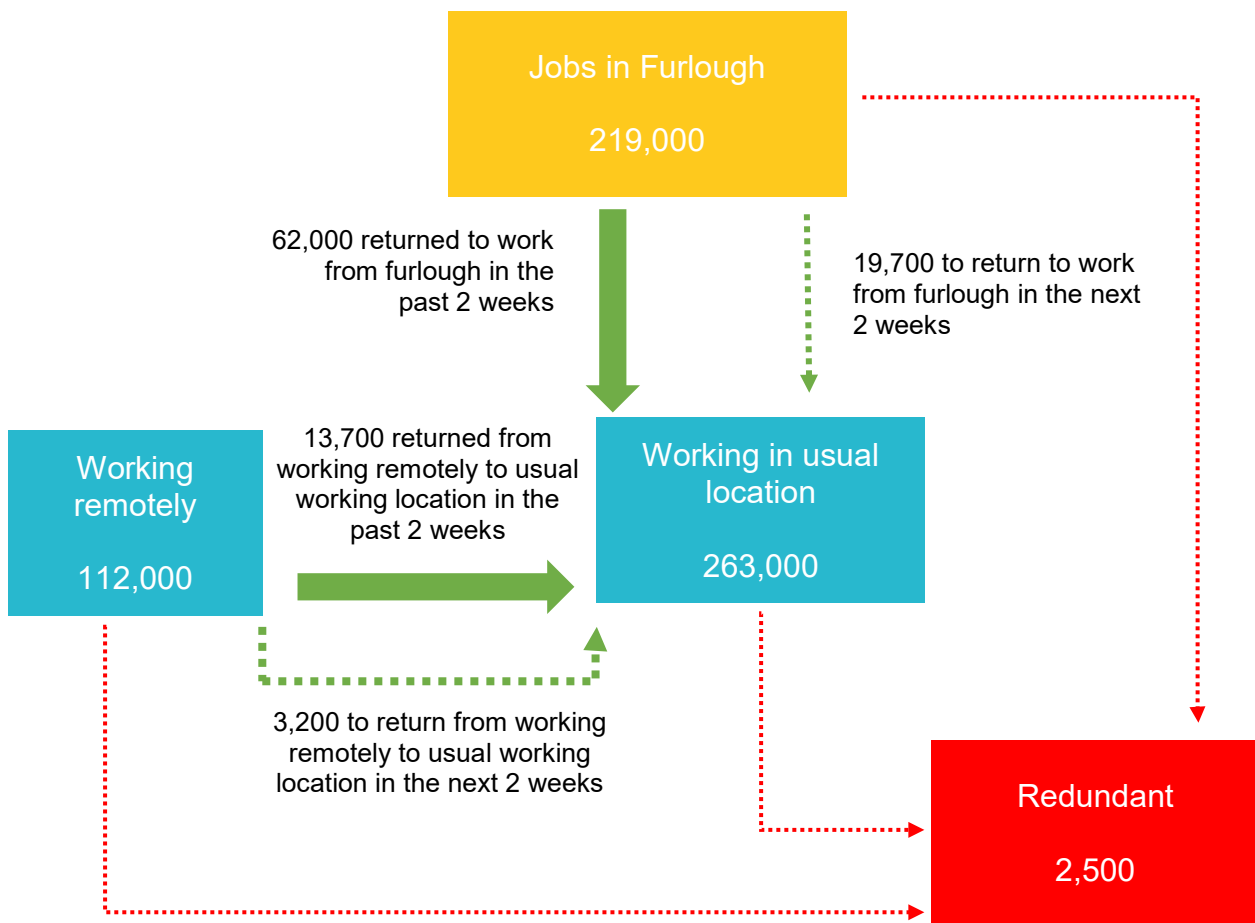
Workforce



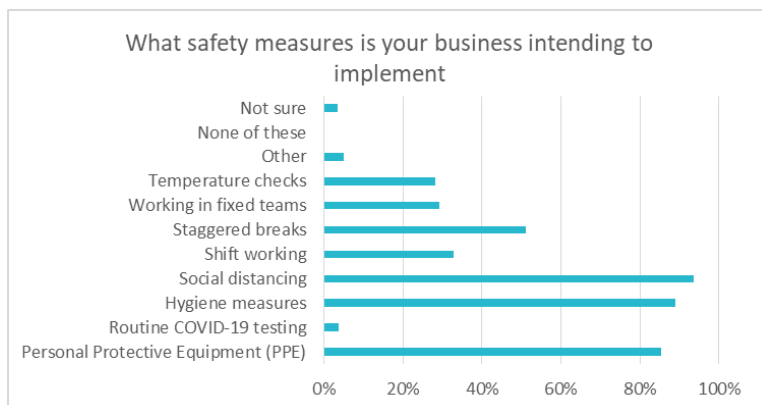
- For automotive businesses still trading, 32% of the workforce are on furlough which is approximately 185,000 jobs. This proportion has fallen by 4% since last reporting.

- 77% of the workforce of those businesses that have paused trading are on furlough. This is approximately 34,000 jobs.
- 7,000 are on sick or in isolation (1%).
- 46% of the automotive trading business are working as normal.
- Numbers of redundancies remain extremely low under 1%.

Furlough



Returning to work

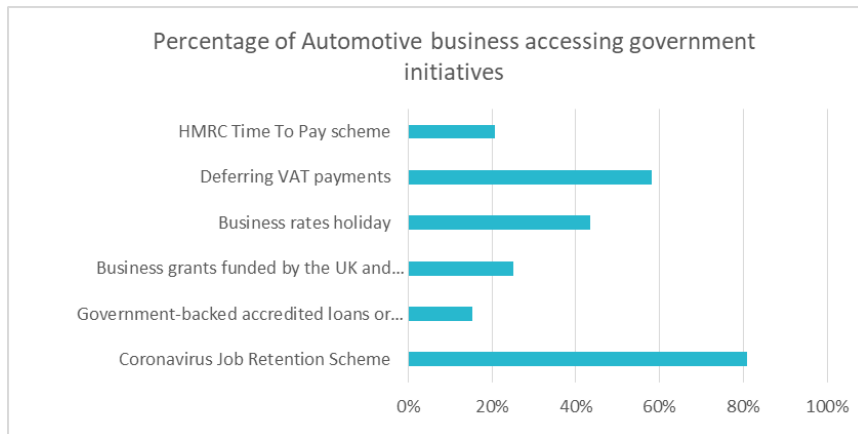


- 94% of businesses returning to work will be introducing social distancing measures.
- 85% will be introducing the wearing of personal protective equipment.
- 28% will be introducing temperature checks.
- 3.7% will be implementing routine COVID-19 testing.

Percentage of surveyed businesses who have not permanently stopped trading

Government Schemes and Assistance

Government Schemes

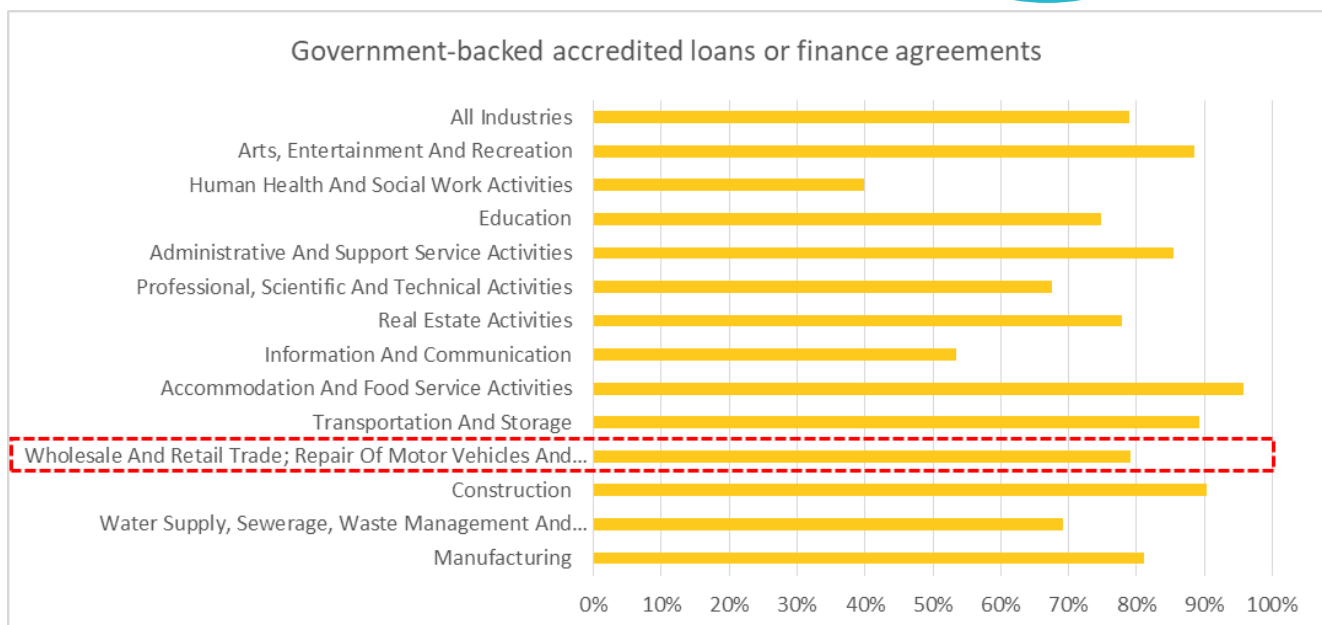


- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 79% engagement. This has decreased by 2% since last reporting.
- 53% have deferred VAT payments and 42% have taken business rates holidays.

8,100
Businesses have received financial assistance from banks or building societies



75%
Stated that this assistance has helped them to continue to trade



- 79% of automotive businesses have accessed the coronavirus job retention scheme.
- Compared to other industries, automotive ranks 'mid-table' and is at the same level as all industries average.

Furlough – Top ups



Data Sources

- ONS - Business impacts of COVID-19 data released 2nd July 2020 [Data relates to the period 15 June 2020 to 28 June 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.