



INSTITUTE
OF THE MOTOR
INDUSTRY



COVID-19 Automotive Landscape Report

Release 6



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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 6 incorporates the most recent ONS BIC data released 16th July.

Summary of findings

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

- 95% of automotive businesses are trading. This has increased each reporting period for the past 12 weeks as the sector attempts to fully reopen.
- 6% of businesses have reopened in the past 2 weeks, this equates to approx. 5,500 businesses, with a further 2.5% (2,400) planning to reopen in the next 2 weeks. If these plans succeed, 97% 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 (23%) the approx. equivalent of 20,000 businesses.
- The proportion of businesses reporting turnover has decreased by more than 50%. This has decreased by 9% since last reporting down to 13%.
- 34% of automotive businesses said that their cash reserves would last more than 6 months.
- Approximately 81,000 jobs have returned to work from furlough in the past 2 weeks, with an additional 67,000 planned in the next 2 weeks.
- 30,500 jobs have returned from working remotely to the usual working location in the past 2 weeks, with a further 31,000 planned in the next 2 weeks.
- 16% of automotive businesses stated that there has been more innovation since Covid-19.

Automotive businesses are taking tough decisions in order to recover:

- Automotive businesses, on average, are advertising external vacancies at much lower levels than many other industries.
- Although still relatively small numbers, there are now a number of redundancies being reported. Currently 8,400 reported with between 500 and 5500 planned in the next 2 weeks.
- 39% of businesses with a proportion of the workforce on the furlough scheme are supplying a 'top up' to their employees, this is the fourth lowest of all the industries. Of these, 65% of furloughed employees are receiving a 'top up' from their employer, indicating that approximately 132,000 individuals are not receiving their usual pay.

Returning to work:

- 94% of businesses returning to work will be introducing social distancing measures.
- 26% will be introducing temperature checks and 4% will be implementing routine COVID-19 testing.

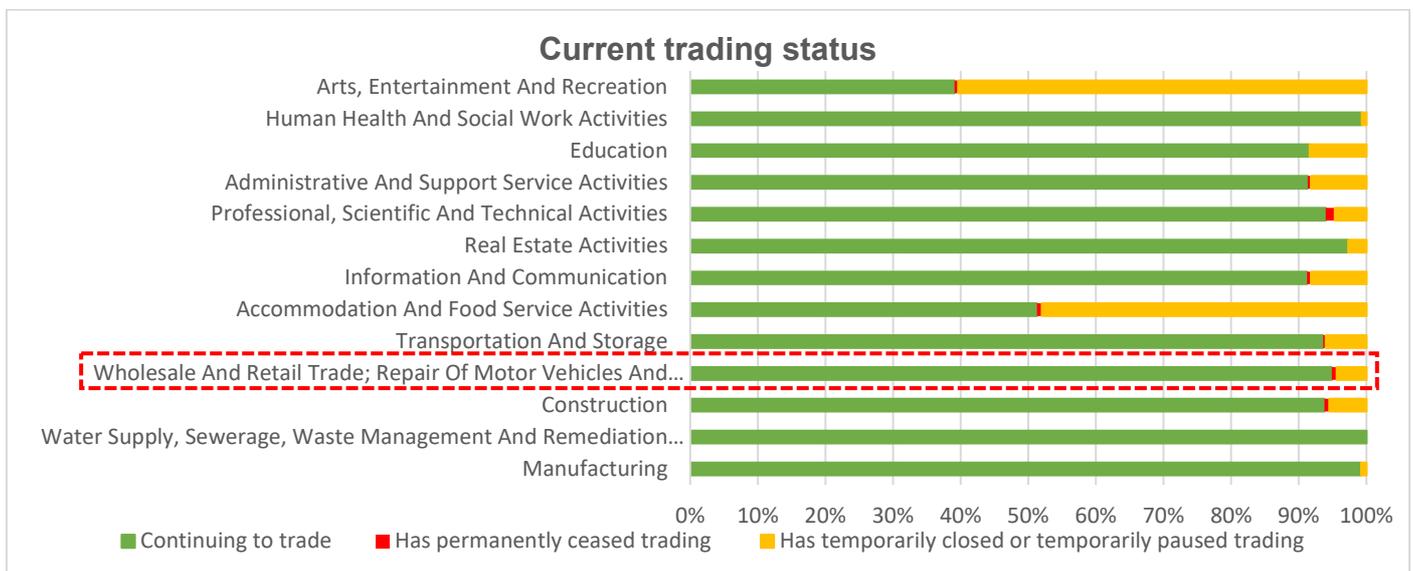
Significant challenges still remain:

- The number of businesses who have permanently ceased trading has increased from 0.6% to 0.7%. Approximately 665 businesses affecting approximately 4,300 jobs.
- Approximately 177,000 jobs are on furlough.
- 6.4% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 6,000 businesses at risk. This has increased by 0.3% since the last reporting.
- Approximately 8,800 businesses have received financial assistance from banks or building societies. 77% of which stated that this assistance helped them continue to trade.

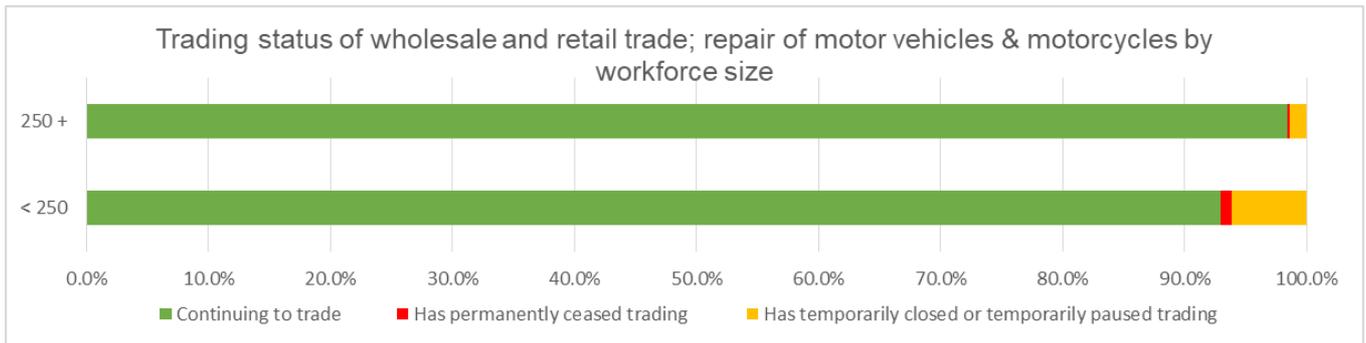
Economic Indicators

The following uses the most recent issue (16th 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 effected in the automotive sector, using data from the IMI baseline report 2019.

Trading



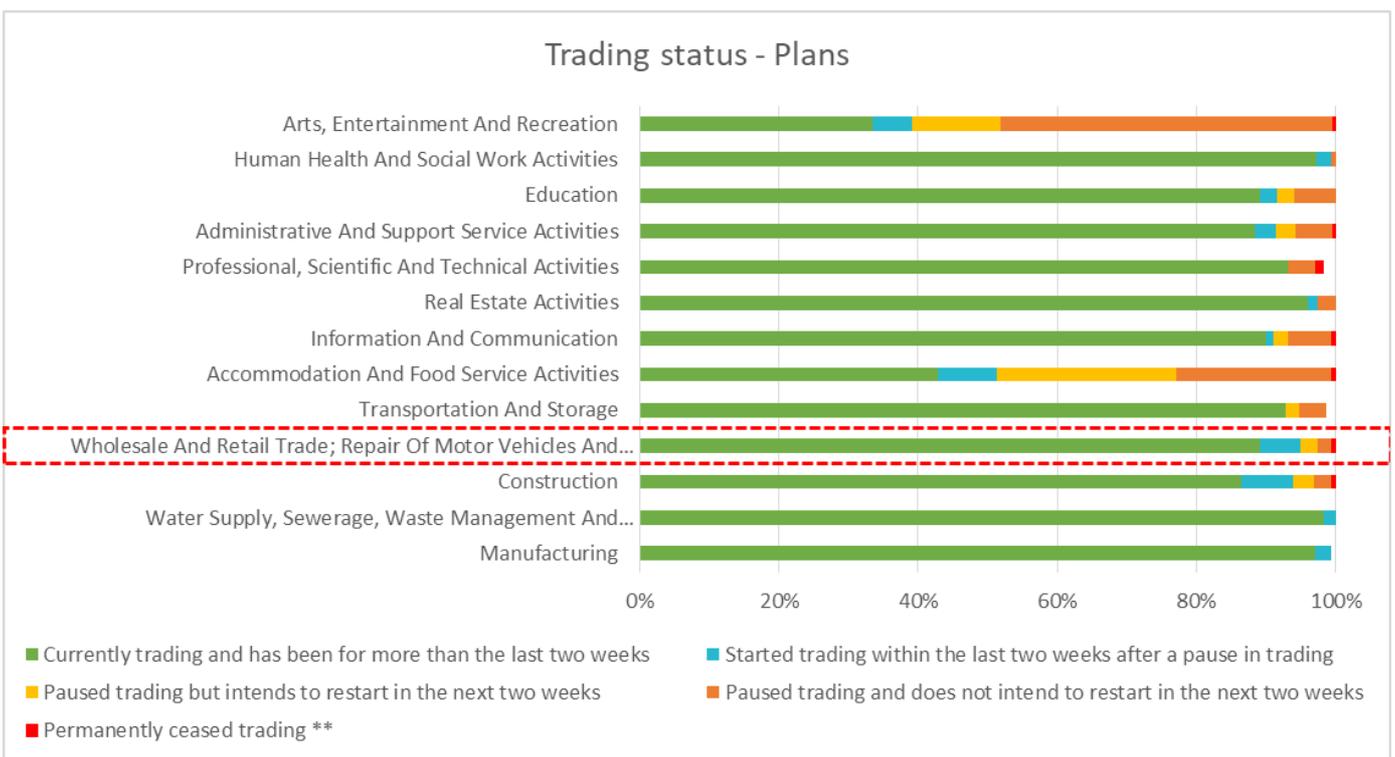
95% of businesses are open and trading. 4% of automotive businesses have temporarily closed or paused trading; this equates to approximately 4,000 businesses and 27,000 jobs. 0.7% of businesses have permanently closed which equates to approximately 665 businesses affecting approximately 4,300 jobs.



Analysis shows that larger organisations have been able to remain trading or reopen faster than smaller organisations. 1% of organisations with a workforce of greater than 250 are still temporarily closed compared with 6% of those with a workforce of less than 250.

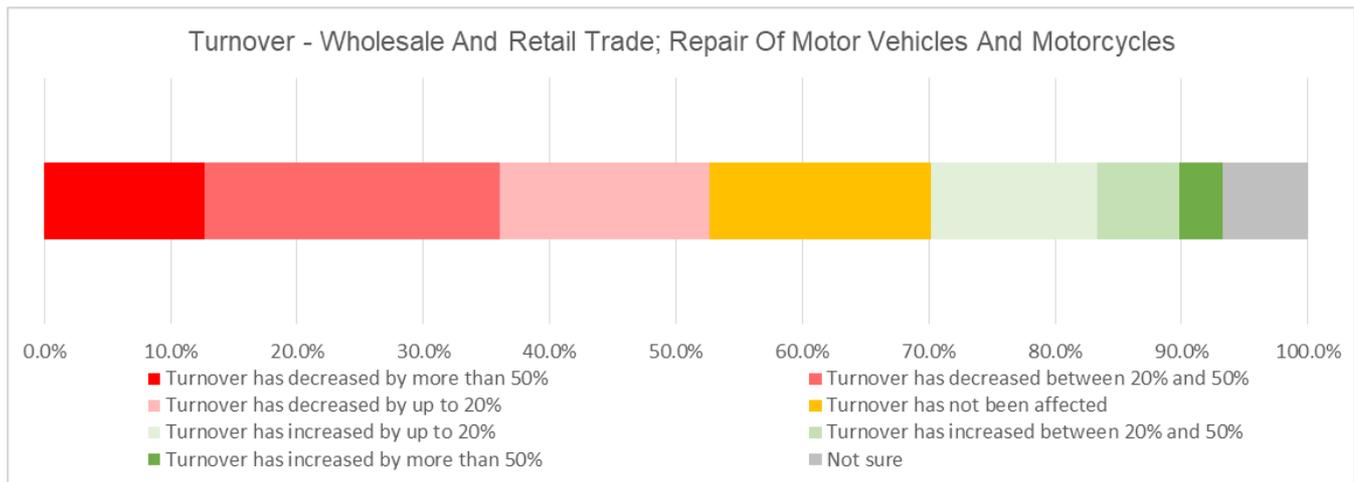


The number of businesses which have temporarily paused trading has fallen from 7% reported at the last BIC release to 4% as more establishments attempt to reopen. However, the number of businesses who have permanently ceased trading has increased from 0.6% to 0.7%.

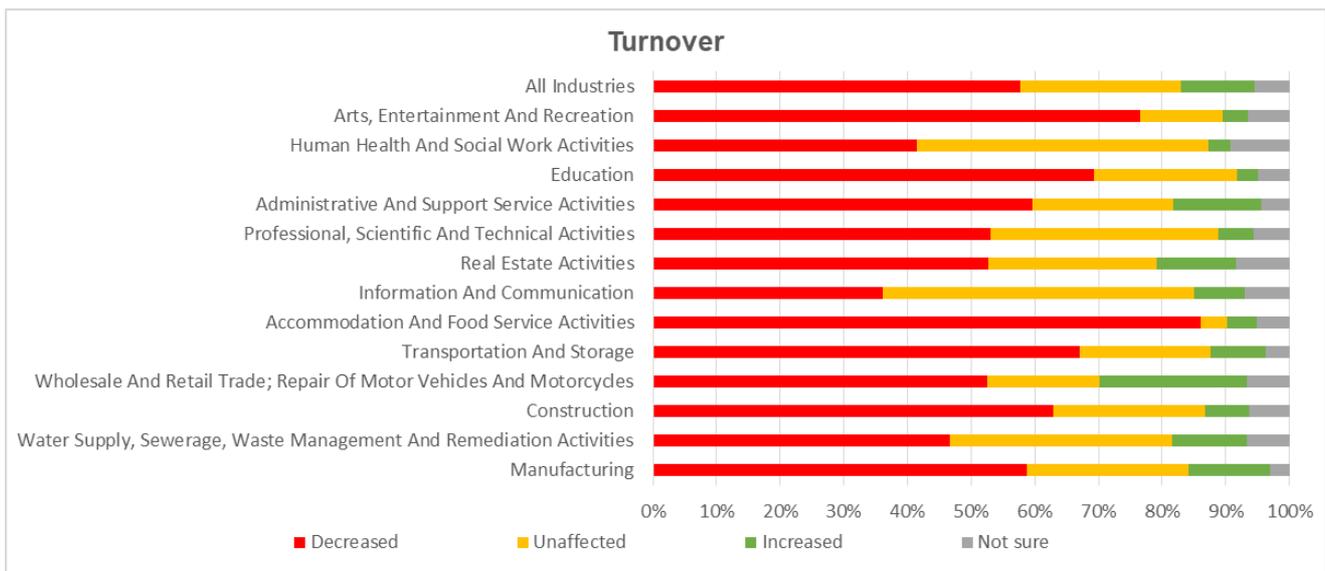


6% of businesses have reopened in the past 2 weeks, this equates to approx. 5,500 businesses, with a further 2.5% (2,400) planning to reopen in the next 2 weeks. If these plans succeed, 97% of the sector will be open and trading in the next 2 weeks.

Turnover

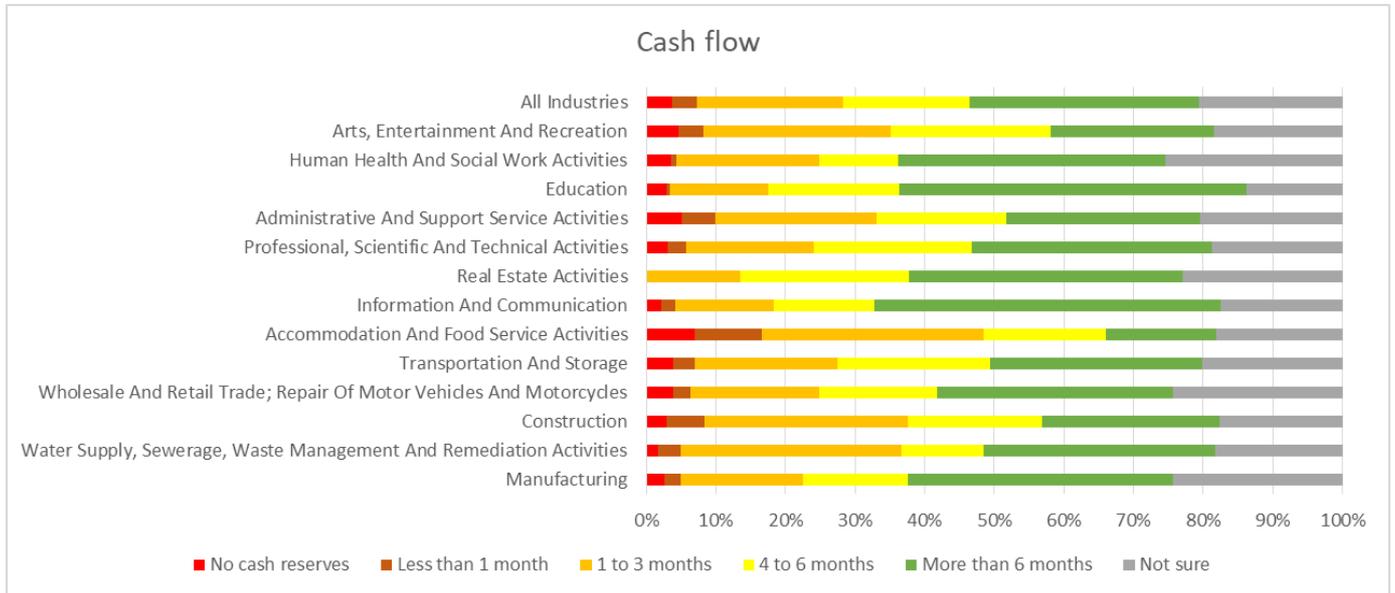


- 13% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 9% since the last reporting.
- 53% of automotive businesses trading are reporting a decrease in turnover, this has decreased by 7% since the last reporting.
- 3.5% of automotive businesses who are continuing to trade are reporting turnover has increased by more than 50%. This is the highest proportion of all the industries.



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 – 23% the approximate equivalent of 20,000 businesses.

Cash flow

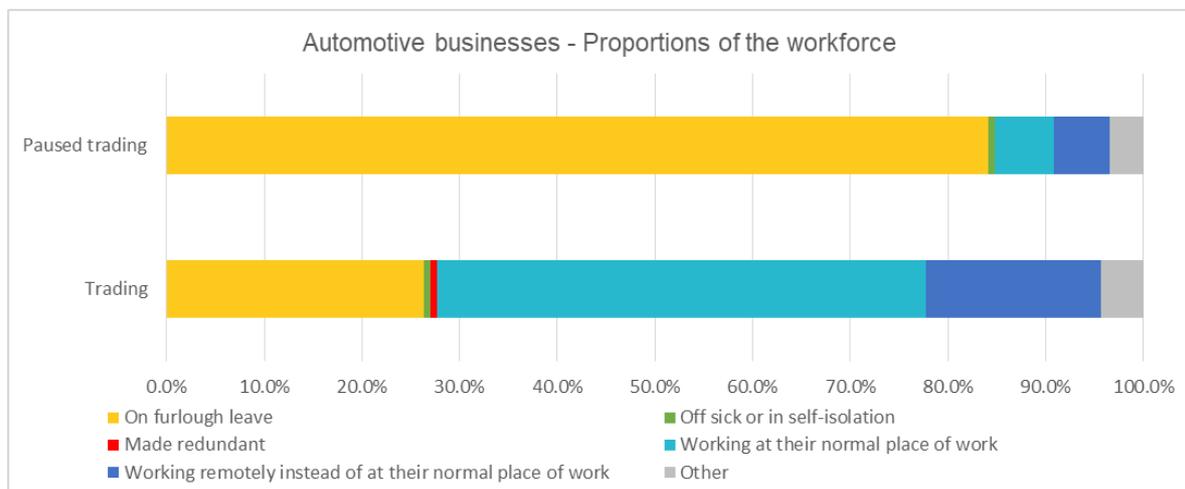


Businesses were asked “How long do you think your enterprise's cash reserves will last?”.

- 34% of automotive businesses said that their cash reserves would last more than 6 months. This has decreased by 1% since last reporting.
- 6.4% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 6,000 businesses at risk. This has increased by 0.3% since last reporting.
- In terms of cash flow, automotive businesses compare similarly to the all industry average.

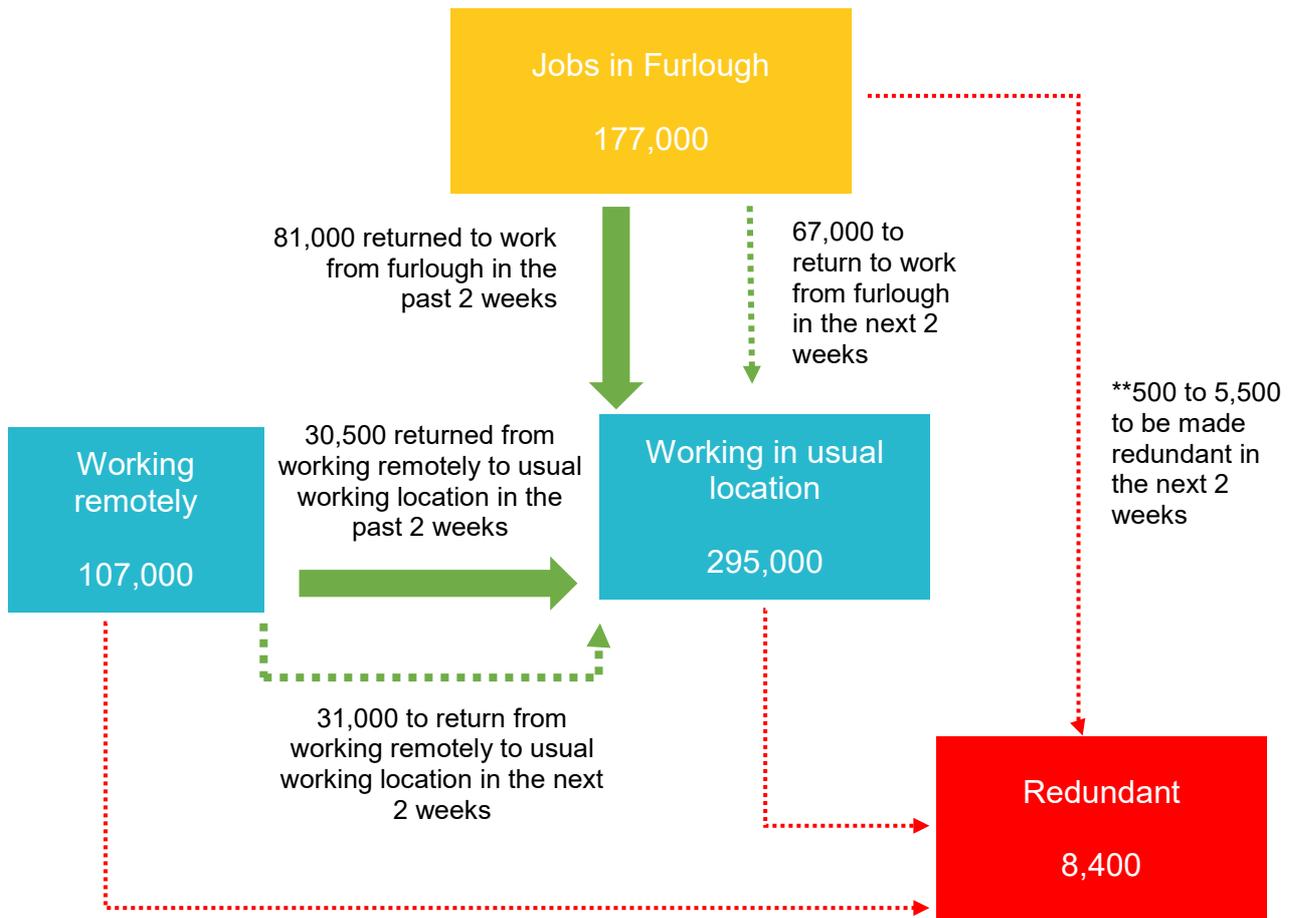
Emerging from lockdown

Workforce



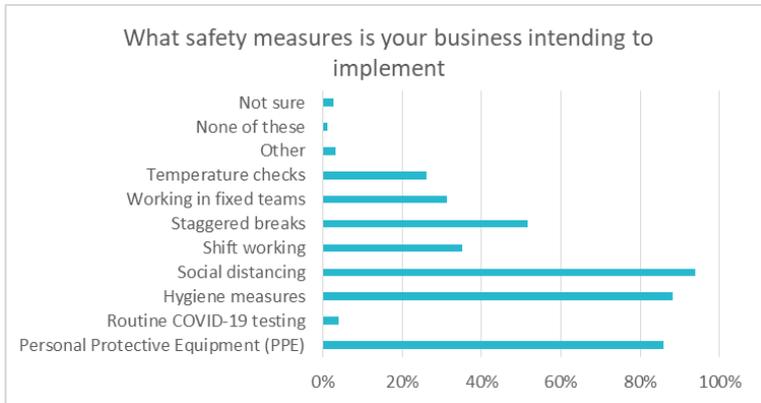
- For automotive businesses still trading, 26% of the workforce are on furlough which is approximately 154,000 jobs. This proportion has fallen by 6% since last reporting.
- 84% of the workforce of those businesses that have paused trading are on furlough. This is approximately 23,000 jobs.
- 4,300 are on sick leave or in isolation (1%).
- Numbers of redundancies remains extremely low under 1%.

Furlough



** Percentage below 1% and so suppressed by ONS report, estimates are 0.1% to 0.9%.

Returning to work

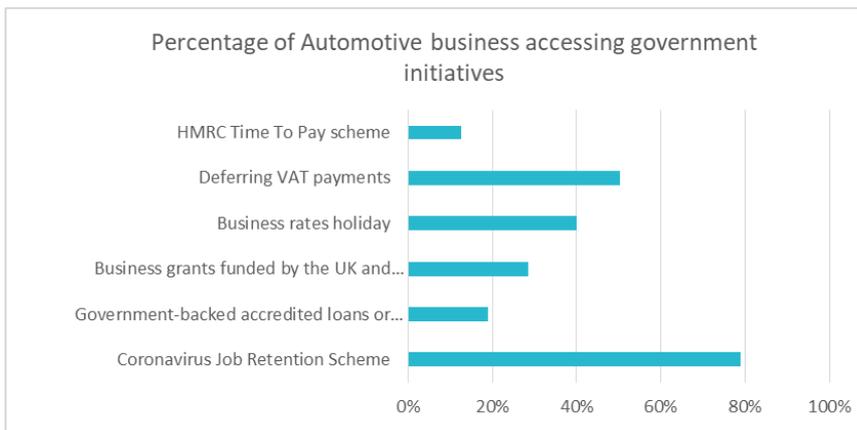


- 94% of businesses returning to work will be introducing social distancing measures.
- 86% will be introducing the wearing of personal protective equipment.
- 26% will be introducing temperature checks.
- 3.9% will be implementing routine COVID-19 testing.

Percentage of surveyed businesses who have not permanently stopped trading

Government Schemes and Assistance

Government Schemes

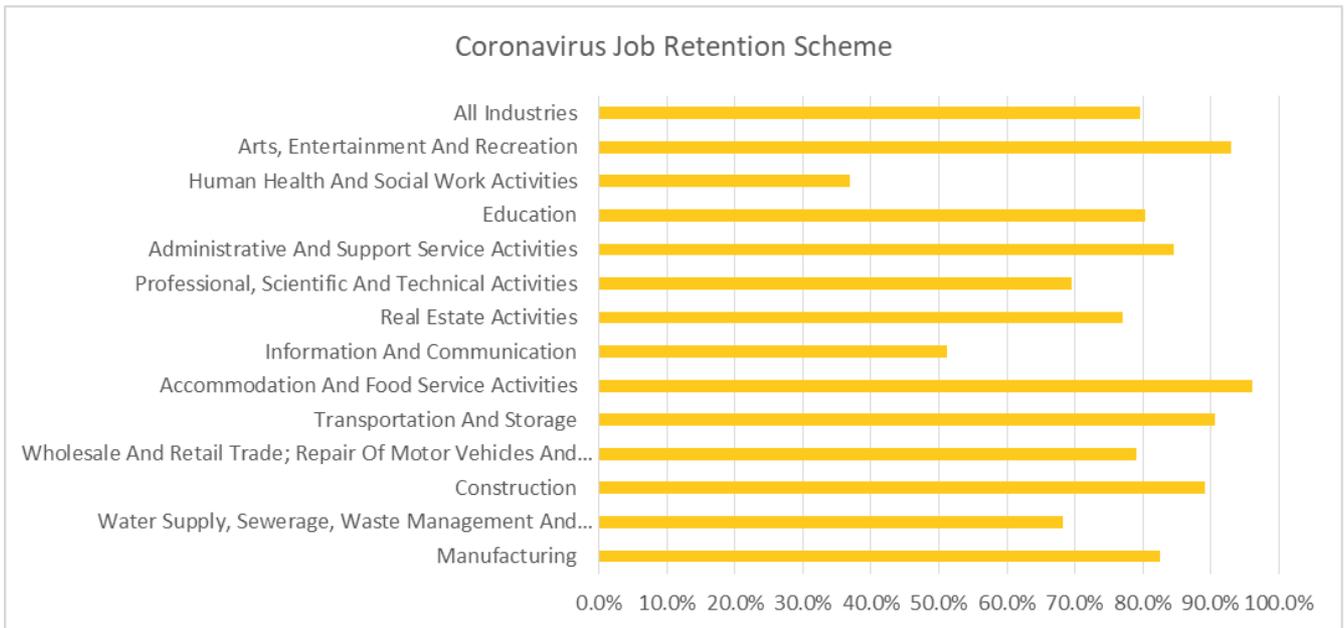


- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 79% engagement. This has remained the same since last reporting.
- 50% have deferred VAT payments and 40% have taken business rates holidays.

8,800
Businesses have received financial assistance from banks or building societies

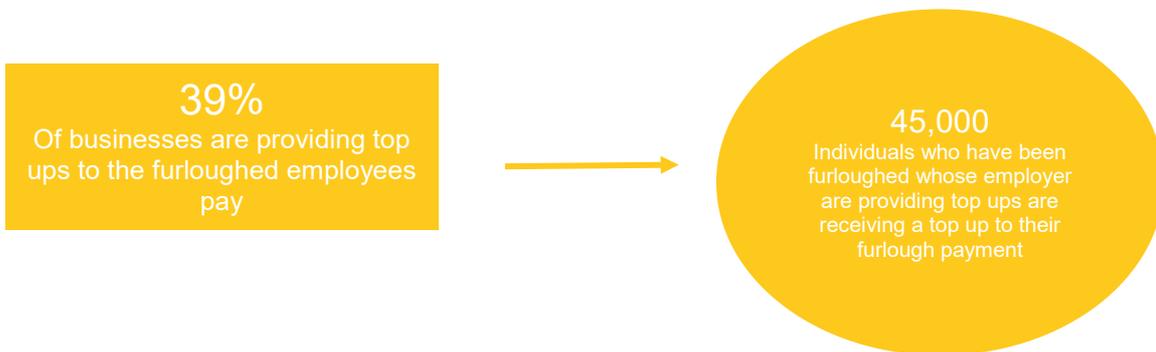


77%
Stated that this assistance has helped them to continue to trade



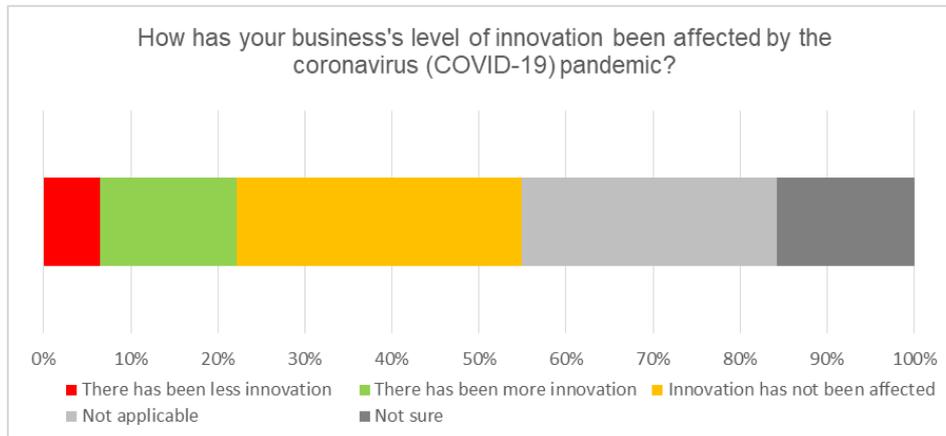
- 79% of automotive businesses have accessed the coronavirus job retention scheme.
- Compared to other industries, automotive ranks 'mid-table' and is at the same level as all industries average.

Furlough – Top ups

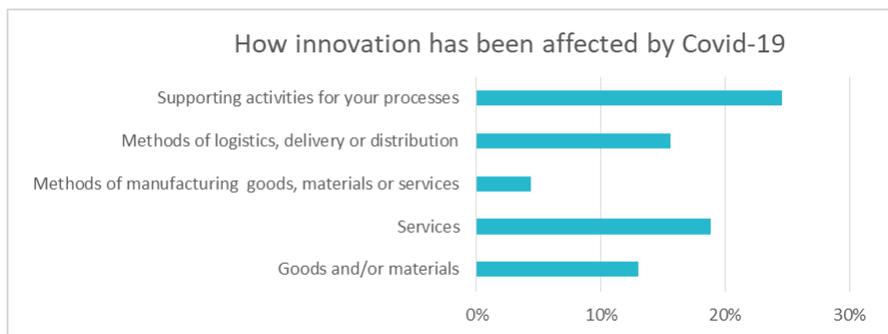


- Automotive businesses are the fourth lowest of all the industries in terms of proportion of businesses providing top ups to the furloughed employees.

Innovation – *New measure added*

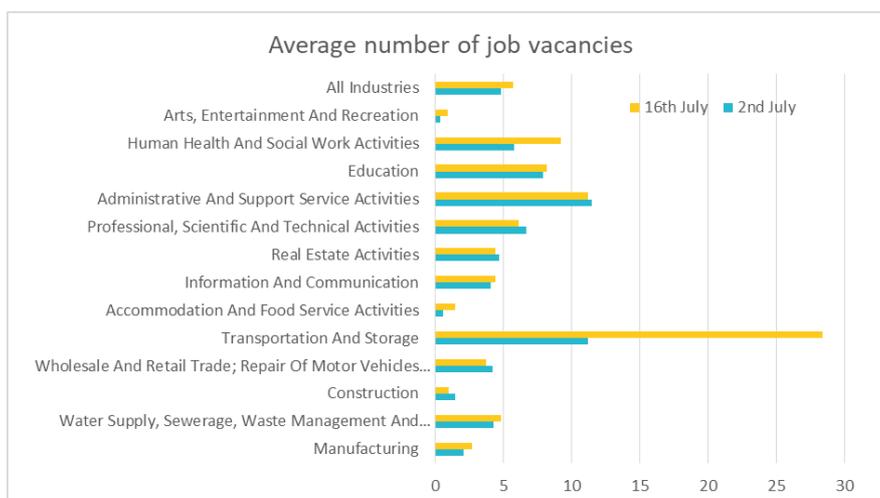


- 16% of automotive businesses stated that there has been more innovation since Covid-19.



Supporting activities for your processes is the most affected innovation by Covid-19.

Recruitment



The average number of external vacancies advertised for an automotive business is 3.7. This has fallen from 4.2 from the 2 weeks previous.

Automotive business is lower than the whole industries average and one of the lowest of all the industries only advertising, on average, more than manufacturing, accommodation, construction and arts.



Data Sources

- ONS - Business impacts of COVID-19 data released 16th July 2020 [Data relates to the period 29 June 2020 to 12 July 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.