



INSTITUTE
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COVID-19 Automotive Landscape Report

Release 17

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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 17 incorporates the most recent ONS BIC data released on the 14th January.

Please note that throughout this report, 'Wholesale and Retail Trade; Repair of Vehicles and Motorcycles' is the nearest proxy to represent the automotive sector. However, the data used for this report does include other sectors which may not be strictly automotive, and it is likely that other 'retail sectors' may have effected some measures disproportionately.

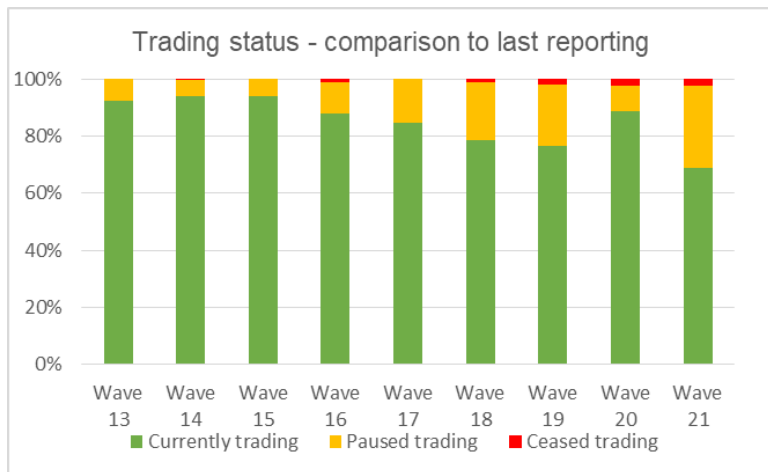
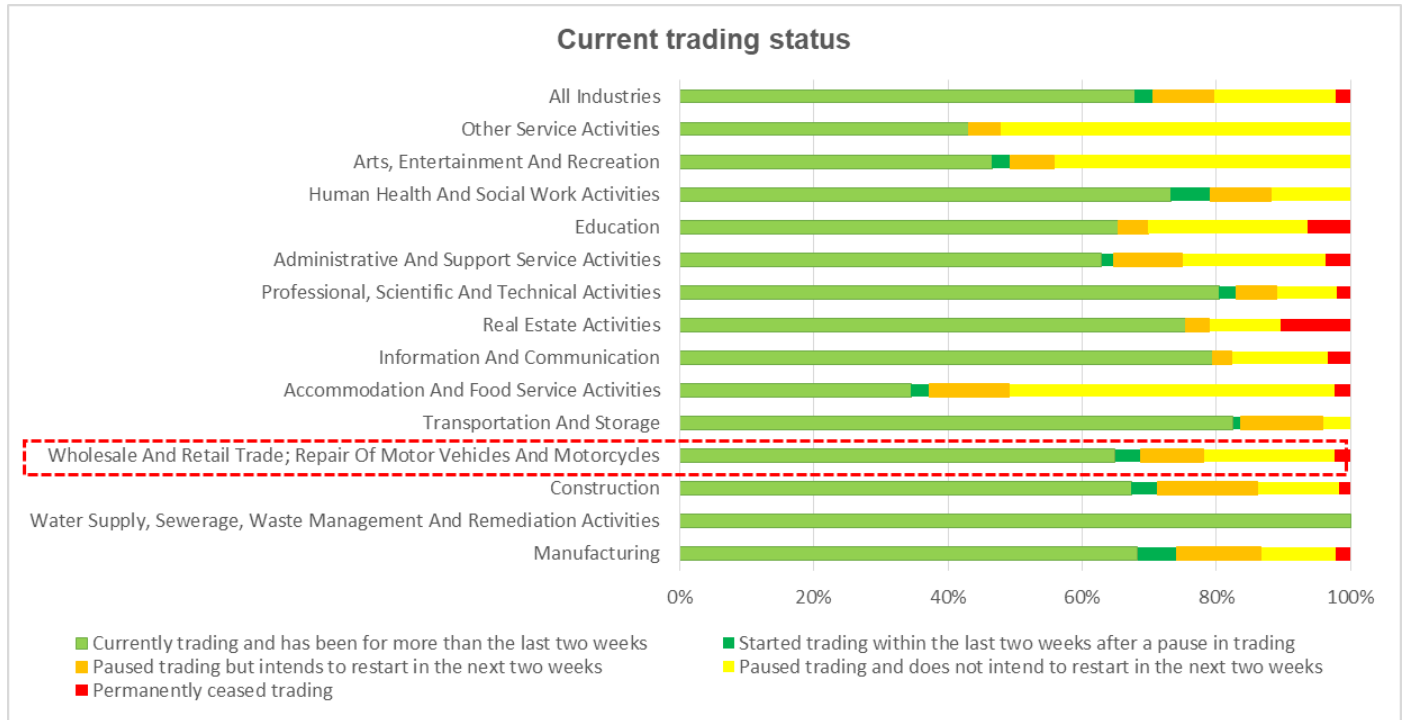
Summary

Key take away points

- The impact of lockdown 3.0 is starting to show. 29% of automotive businesses have temporarily closed or paused trading, an increase of 9% since last reporting.
- Unfortunately, it is being reported that 2.4% of businesses have permanently ceased trading, which is approximately 2,279 establishments.
- There are some concerning warning signs as 5% of automotive businesses stated that they are at severe risk of insolvency and 16% are at a moderate risk both increases since last reporting. Also, 14% of businesses have stated that they had low or no confidence that their business will survive the next 3 months, potentially putting 13,000 businesses at risk.
- Since the beginning of November, the proportions of those on furlough has been increasing in line with the tightening of restrictions across the UK, including the English lockdown 2.0. However since last reporting, the numbers on furlough have fallen with the likely explanation for this being the time lag in the data and therefore the full effect of the national lockdown 3.0 is still to be seen.
- 4.8% of automotive businesses expect to be make redundancies over the next three months. In its truest sense, this could mean redundancies in the region of 30,000. Respondents also outlined that 29% of these would be within the next month (9,000).

Economic Indicators

Trading



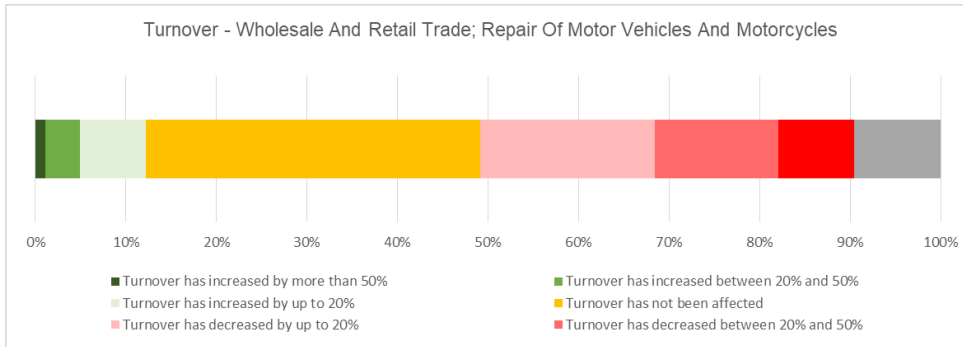
69% of automotive businesses are open and trading. This has decreased by 20% since wave 20 as more businesses have temporarily closed or paused trading due to restrictions and full effects of lockdown 3.0.

29% of automotive businesses have temporarily closed or paused trading.

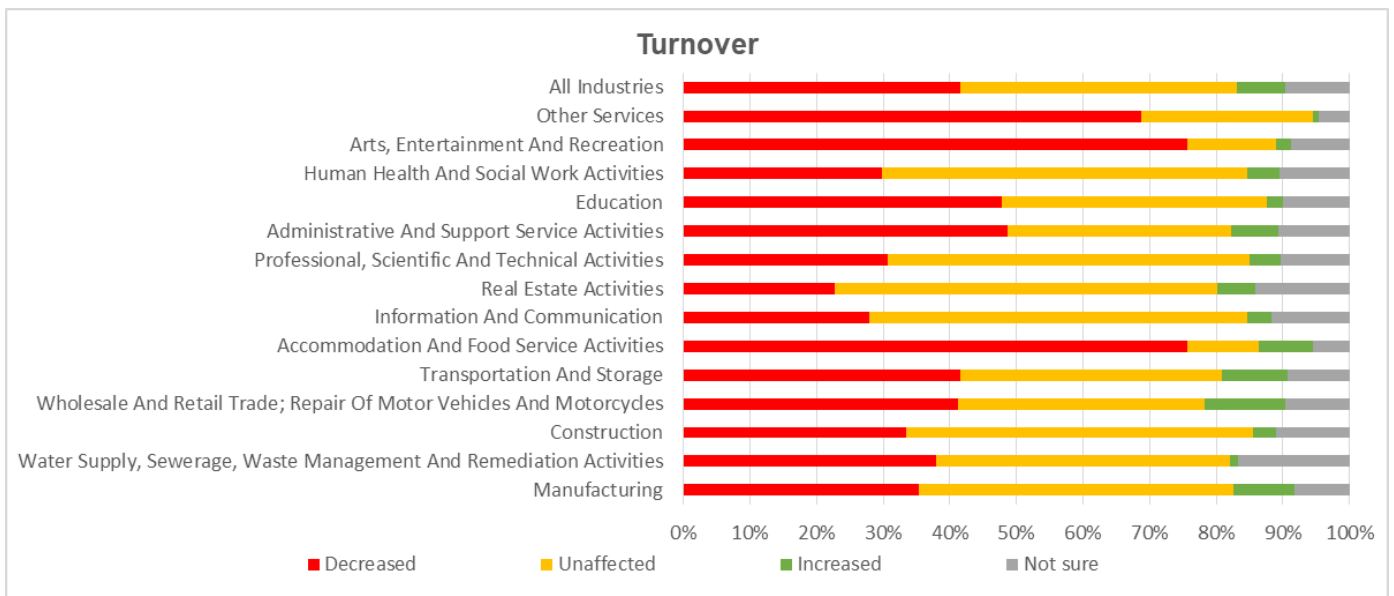
Unfortunately, it is being reported that 2.4% of businesses have permanently ceased trading - approximately 2,279 establishments.

Turnover

In the last two weeks, how has the coronavirus (COVID-19) pandemic affected your business's turnover, compared to what is normally expected for this time of year?

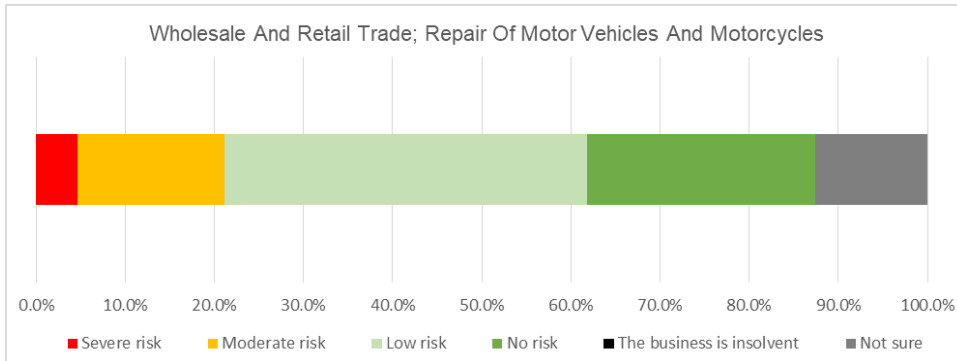


41% of automotive businesses trading are reporting a decrease in turnover. 8% of which are reporting turnover has decreased by more than 50%.



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 (12%). However, this increase is likely due to the other 'retail sectors' included in the 'Wholesale and Retail Trade; Repair of Vehicles and Motorcycles' sector.

Risk of insolvency

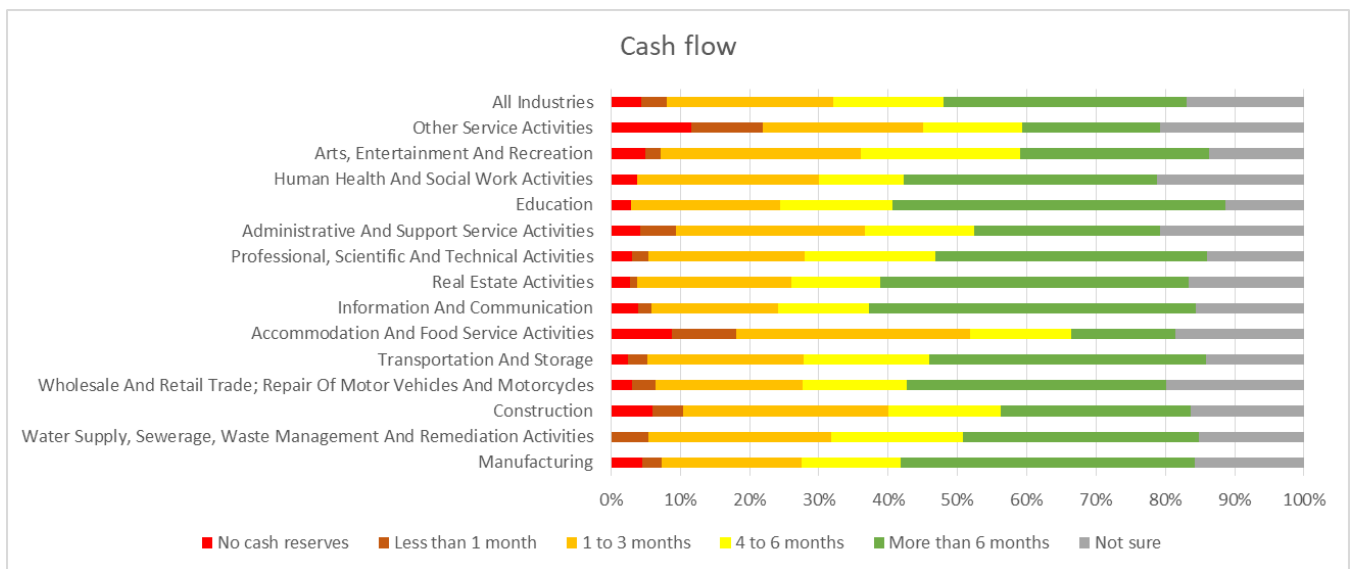


5% of automotive businesses stated that they are at severe risk of insolvency; this has increased by 2% since last reporting. 16% of businesses are at a moderate risk of insolvency.

62% stated there was some risk of insolvency.

48% of
Businesses in the sector stated that Covid-19 had increased the risk of insolvency to their business.

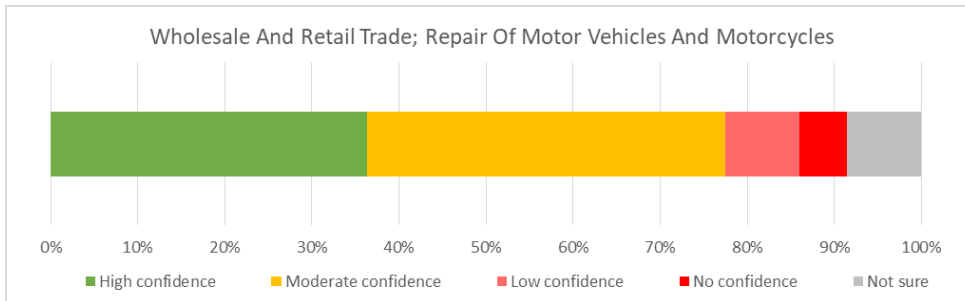
Cash flow



37% of automotive businesses said that their cash reserves would last more than 6 months. 6.5% of automotive businesses said that they either had no cash reserves or less than a months' worth, potentially putting 6,000 businesses at risk.

Business confidence

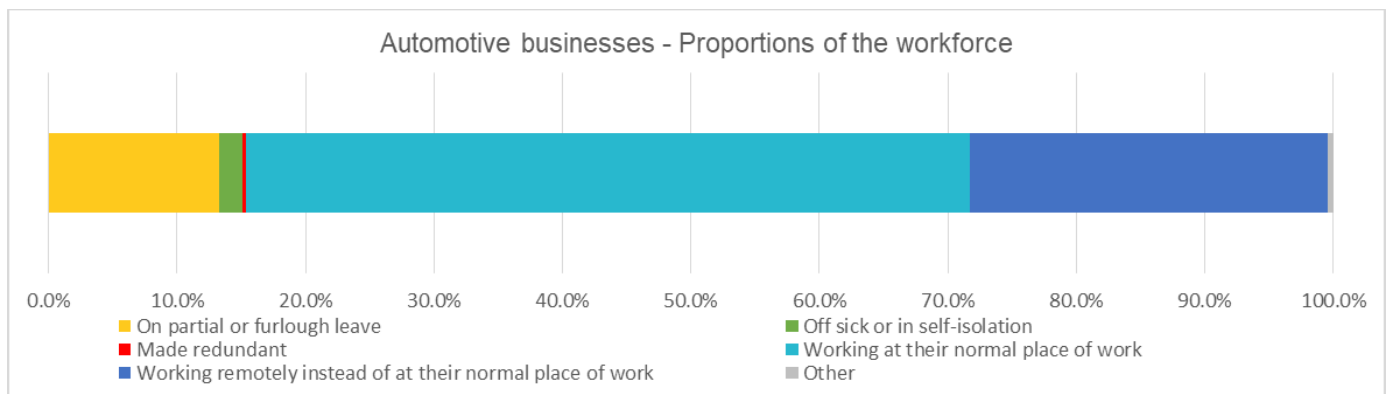
How much confidence does your business have that it will survive the next three months?



14% stated that they had low or no confidence that their business will survive the next 3 months, potentially putting 13,000 businesses at risk.

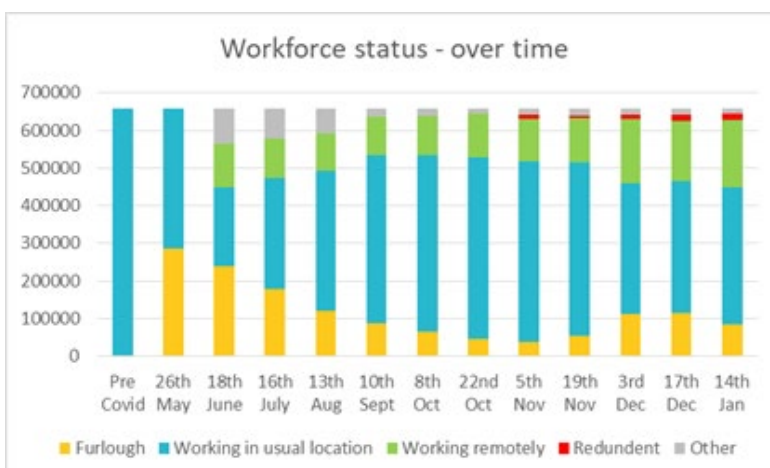
Workforce

Proportions



For automotive businesses still trading, 13% of the workforce are on partial leave or furlough. This proportion has decreased by 5% since last reporting. More than a quarter of the workforce are working remotely instead of at their normal place of work. 2% are on sick leave or in isolation.

Workforce over time

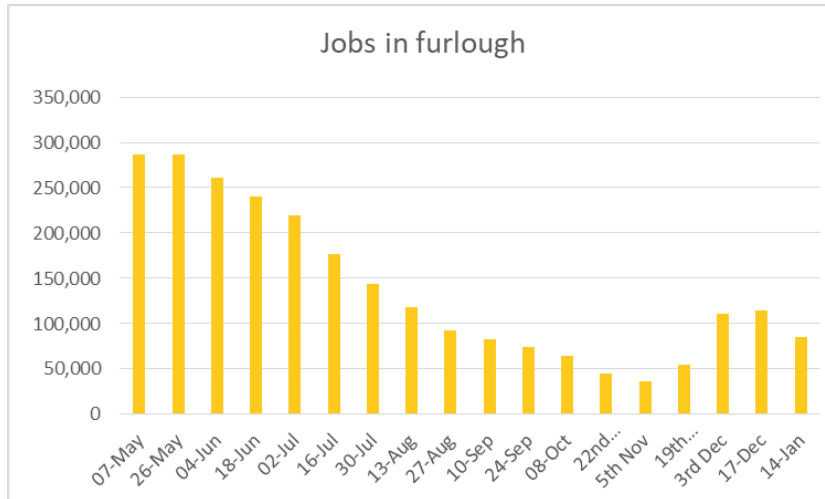


In the sector there are currently:

- 85,592 jobs on furlough.
- 179,550 jobs working remotely
- 362,318 jobs working in the usual location.
- 17,756 redundancies.

Note: before June, remote working was not recorded.

Furlough



Since the beginning of November, the proportions of those on furlough has been increasing in line with the tightening of restrictions across the UK, including the English lockdown 2.0. However since last full reporting the numbers on furlough have fallen, the likely explanation for this is the time lag in the data and therefore the full effect of the national lockdown 3.0 is still to be recorded.

Redundancies

4.8%

The approximate percentage of automotive businesses workforce they expect to be made redundant over the next three months.

In its truest sense, this could mean redundancies in the region of 30,000. Respondents also outlined that 29% of these would be within the next month (9,000).

Data

- ONS - Business impacts of COVID-19 data released 14th January 2020 [Data relates to the period 29th December 2020 to 10th January 2020].
- EMSI 2020.1 data [All data sourced from EMSI UK Analyst and Career information taken from EMSI occupation data].
- IMI Automotive labour market baseline report – 2019 Profile revision1.

Note

ONS have adjusted a number of their measures to weighted variable. Although this now gives a true reflection of the current situation, it also means that there are some variables that we will not be able to examine historically, this is an explanation of some of the weightings applied:

- **Weighted count.** Weighting by count scales up responses in BICS to be representative of all businesses in the UK. It scales up responses for all businesses that have between 0 and 249 employees, to the point where the counts of all businesses of this size in the UK are represented. The size band of greater than 250 employees is completely enumerated, so no weighting is applied
- **Weighted by turnover.** The value of turnover is derived using the percentage of questions asked on the BICS and registered turnover in the Inter-Departmental Business Register (IDBR), which is used to construct the BICS sampling frame. In effect, businesses with larger turnover are given greater emphasis in results.