



INSTITUTE
OF THE MOTOR
INDUSTRY



COVID-19 Automotive Landscape Report

Release 11



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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 11 incorporates the most recent ONS BIC data released 24th September.

Please note, for this reporting ONS has adjusted a number of their measures to weighted variables, which although now gives a true reflection of the current situation, it however means that there are some variables which we will not be able to examine historically.

Summary

Key take away points

- 92% of automotive businesses are trading, one of the most 'open' industry sectors, however 7.5% of businesses remain temporarily closed or paused trading.
- Approximately 1.3% of jobs in the sector have been made permanently redundant with an additional 6,000 (potentially) planned in the next 2 weeks.
- Approximately 74,400 jobs remain on furlough, which is 11% of jobs in the sector.
- 18% of automotive businesses who had plans to expand have postponed or cancelled these and 15% have now scaled back their plans.
- 16% of the automotive workforce are working remotely.
- 56% businesses in the sector stated that they had some risk of insolvency.

Detailed summary

The positive news:

- 92% of automotive businesses are trading, one of the most 'open' industry sectors.
- 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 (17%).
- 39% of automotive businesses said that their cash reserves would last more than 6 months.
- Approximately 50,300 jobs have returned to work from furlough in the past 2 weeks, with an additional 39,500 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 6.0. This has increased since last reporting by 0.4.

Tough decisions and ways of operating:

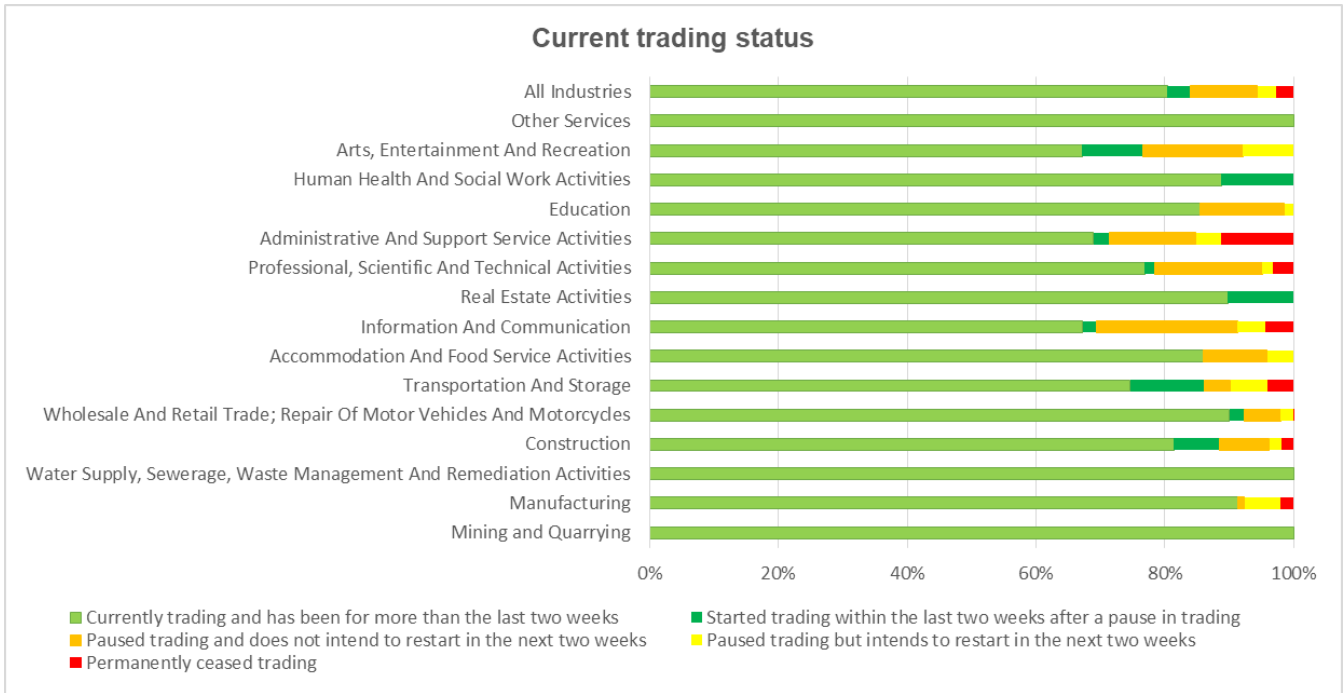
- 18% of automotive businesses who had plans to expand have postponed or cancelled these and 15% have now scaled back their plans.
- 16% of the automotive workforce are working remotely.
- 45% intend to apply for the job retention bonus scheme and 5% have stated they intend to apply for the kickstart job scheme for young people.
- 7% of the sector stated that their operating costs exceeded their turnover. 12% reported that they were breaking even as turnover was equal to operating costs.
- 74% of automotive businesses stated that their operating costs have increased.

Negative news:

- Less than 1% of businesses have permanently closed.
- 7.5% of businesses remain temporarily closed or paused trading.
- Approximately 1.3% of jobs in the sector have been made permanently redundant with an additional 6,000 (potentially) planned in the next 2 weeks.
- Approximately 74,400 jobs remain on furlough, which is 11% of jobs in the sector.
- 4% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 4,000 businesses at risk.
- 56% of businesses in the sector stated that they had some risk of insolvency.

Economic Indicators

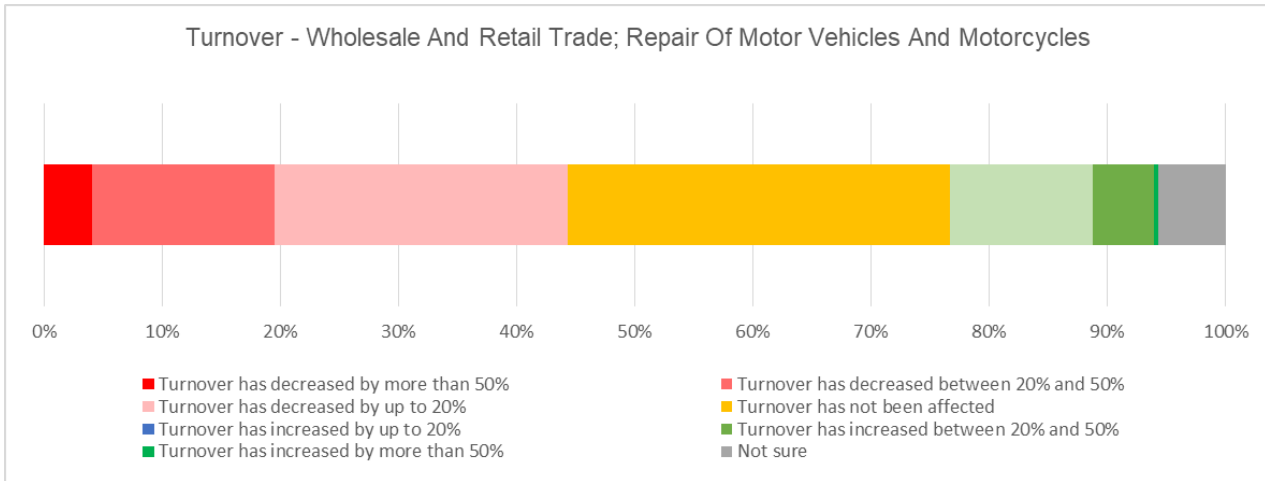
Trading



Note: This measure has been adjusted by ONS and is now a 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. Due to this adjustment this cannot be compared to previous reporting.

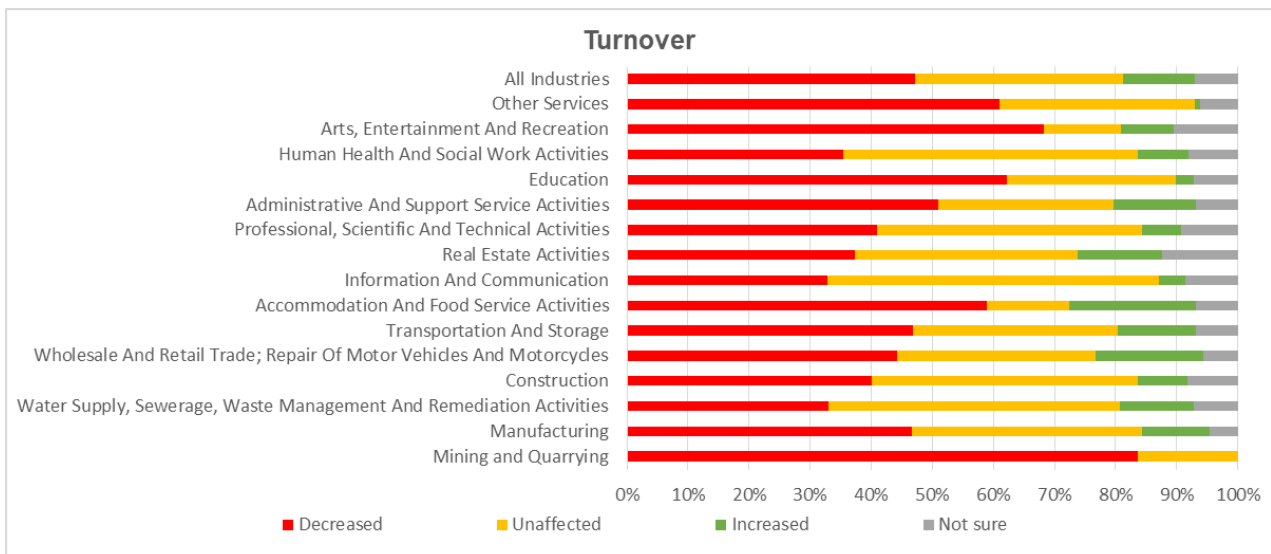
92.4% of automotive businesses are open and trading, 2.4% of which opened in the past 2 weeks. 7.5% of automotive businesses have temporarily closed or paused trading, 5.6% stated they were not intending to open in in the next 2 weeks. Less than 1% of businesses have permanently closed. The automotive sector is one of the most 'open' of all the industries reported.

Turnover



Note: This measure has been adjusted by ONS and is now 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. Due to this adjustment this cannot be compared to previous reporting.

- 4% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%.
- 44% of automotive businesses trading are reporting a decrease in turnover.



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 (17%).

Operating costs

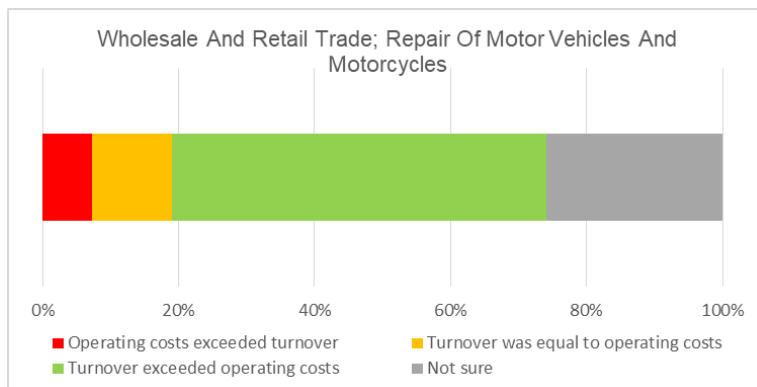
How has the implementation of these safety measures affected business operating costs?

74%
Of businesses stated that their operating costs have increased.

7%
Of businesses stated that their operating costs have substantially increased.

Turnover v Operating costs

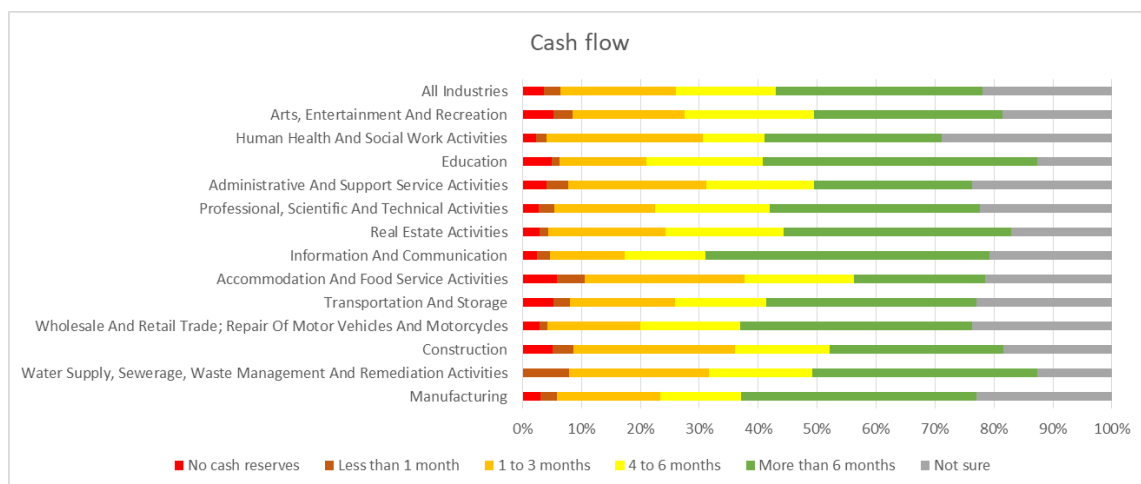
In the last two weeks, how did your business's turnover compare to its operating costs?



7% of the sector stated that their operating costs exceeded their turnover. 12% reported that they were breaking even as turnover was equal to operating costs.

Cash flow

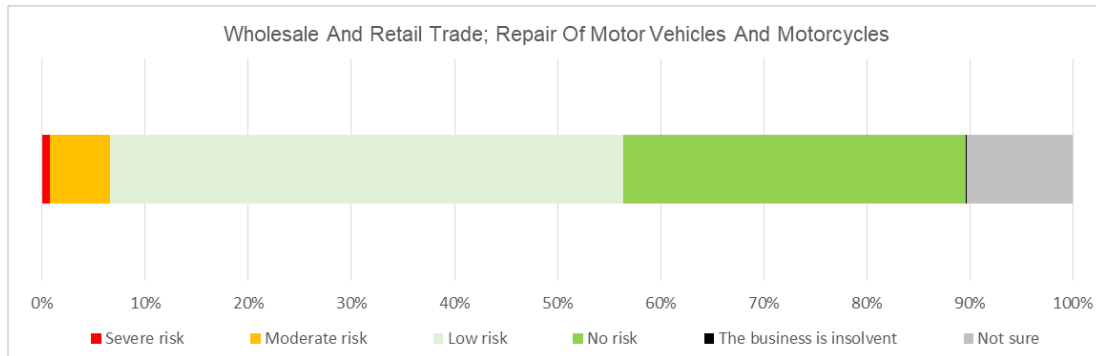
How long do you think your enterprise's cash reserves will last?



- 39% of automotive businesses said that their cash reserves would last more than 6 months. This is the same as last reporting.
- 4% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 4,000 businesses at risk. This has decreased by 1% since last reporting.

Risk of insolvency

What is your business's risk of insolvency?

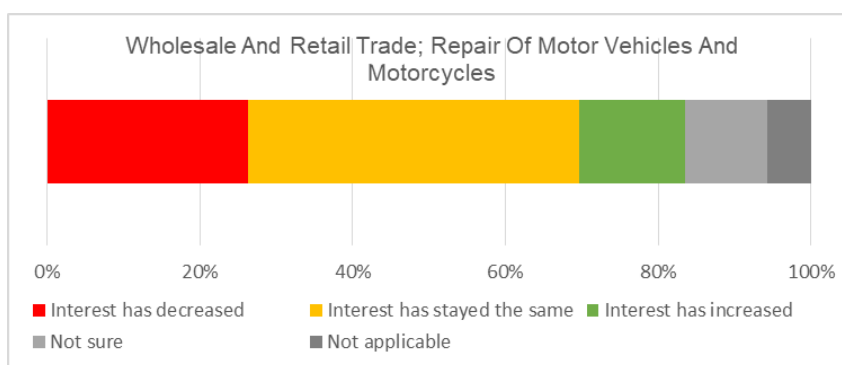


- 1% of automotive businesses stated that there was severe risk of insolvency and 0.1% stated that they are already insolvent.
- 56% stated there was some risk of insolvency. This is the same as last reporting.

34%
Of businesses in the sector stated that Covid-19 had increased the risk of insolvency of their business.

Business Interest – New measure

In the last two weeks, how has the coronavirus (COVID-19) pandemic affected customer interest in your business's goods or services compared with normal expectations for this time of year?



26% of the sector stated that interest had decreased in the last 2 weeks. 44% stated it had stayed the same and 1% said that interest had increased.

Business expansion plans

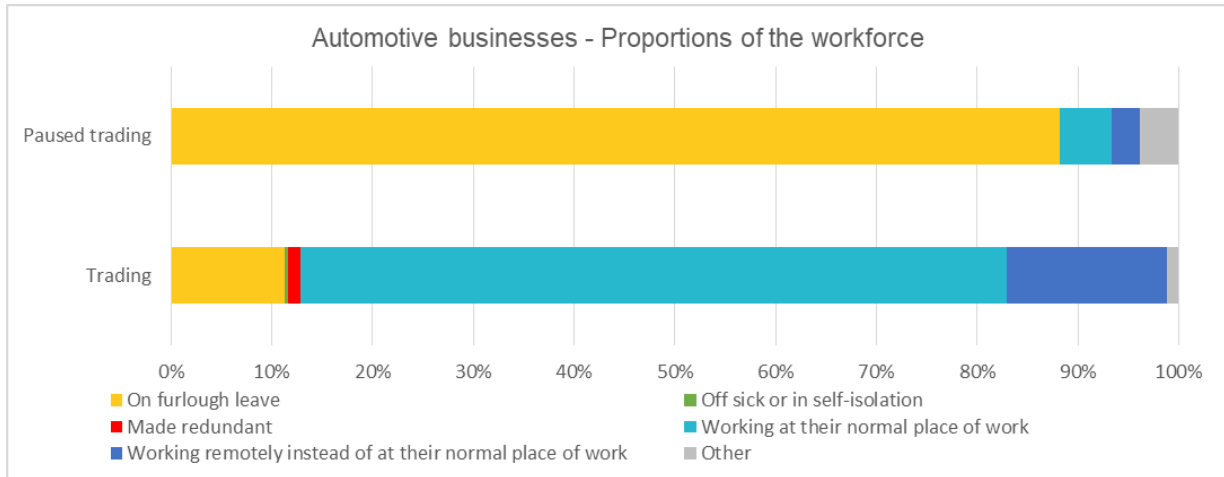
34%
(32,300)
Of automotive businesses were planning to expand their business before Covid-19.

15%
Say these plans are now less ambitious.

18%
Say these plans have been postponed or cancelled.

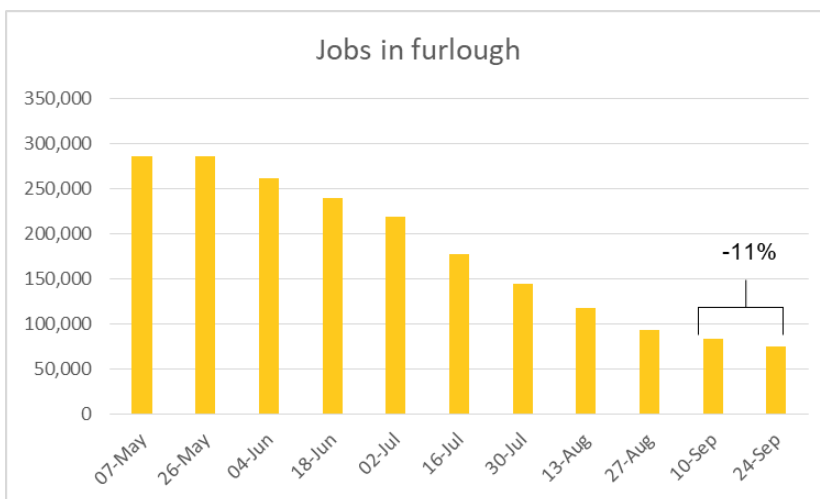
Emerging from lockdown

Workforce

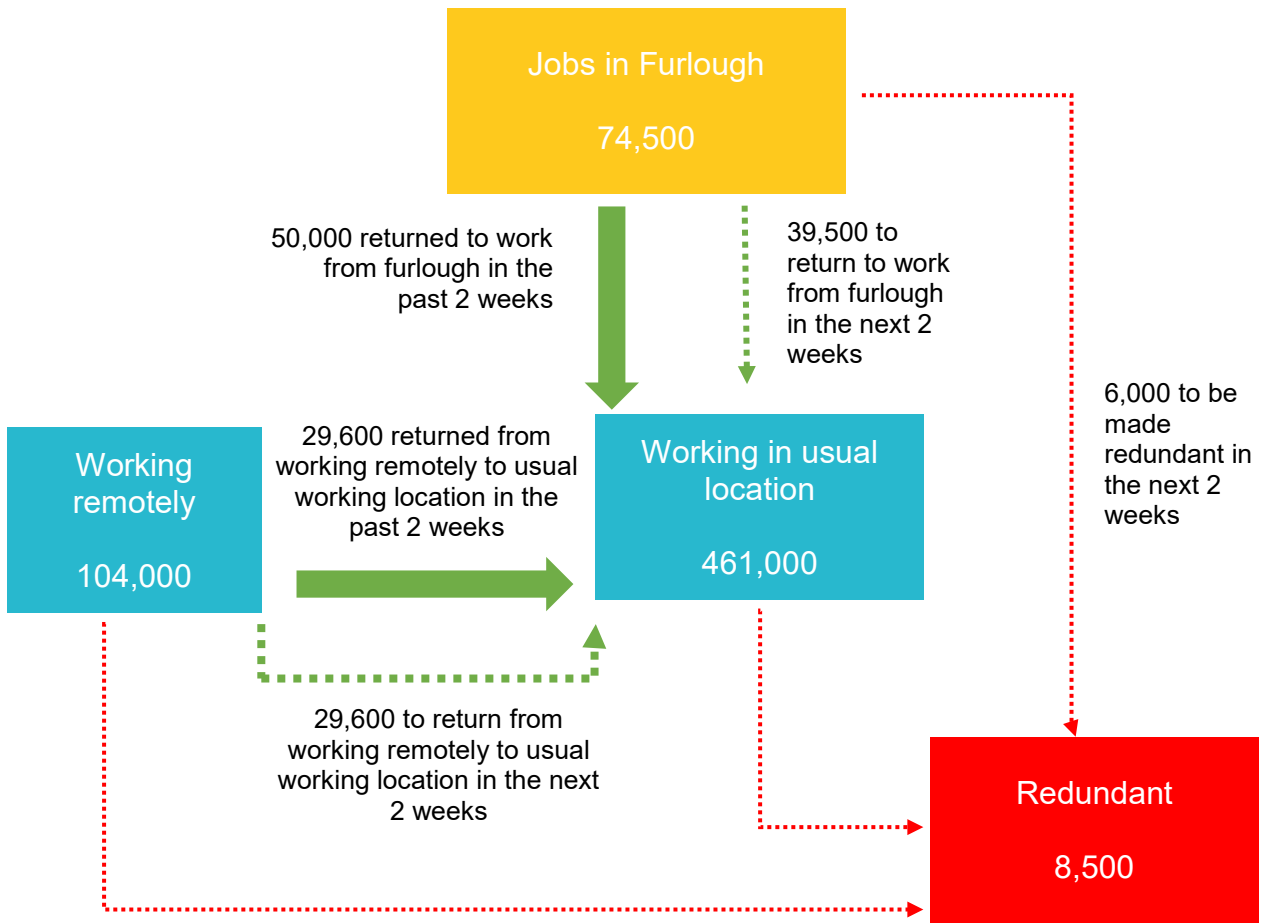


- For automotive businesses still trading, 11% of the workforce are on furlough. This proportion has fallen by 2% since last reporting.
- 88% of the workforce of those businesses that have paused trading are on furlough. This is almost 20% higher than last reporting and therefore I would question the validity of this. For analysis examining furlough numbers, the 11% figure has been applied.
- 1,800 are on sick leave or in isolation.

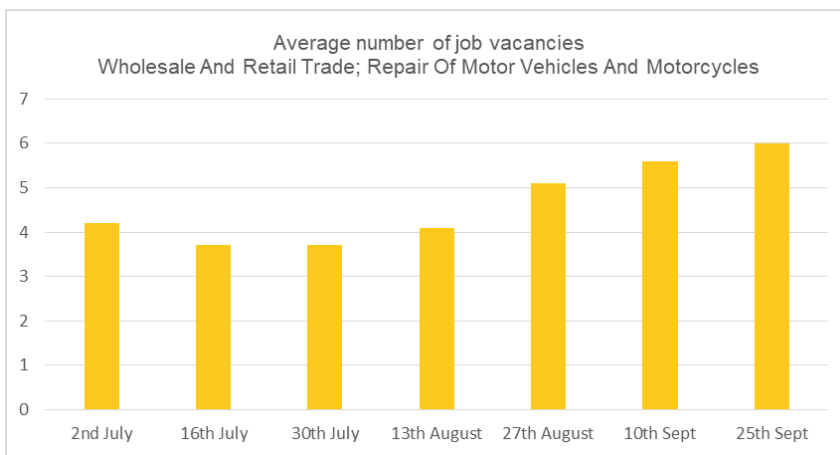
Furlough



- 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. 11% this reporting.



Recruitment



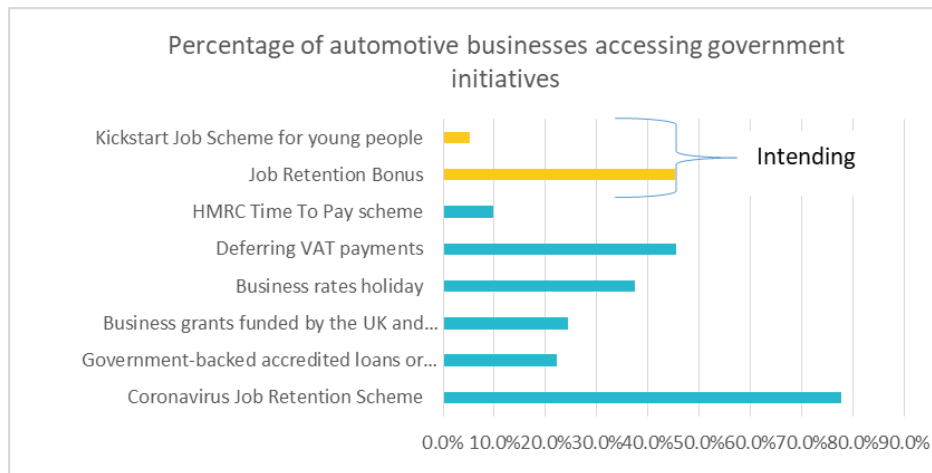
The average number of external vacancies advertised for an automotive business is 6. This has increased since last reporting by 0.4.

Automotive businesses are lower than the whole industries average.

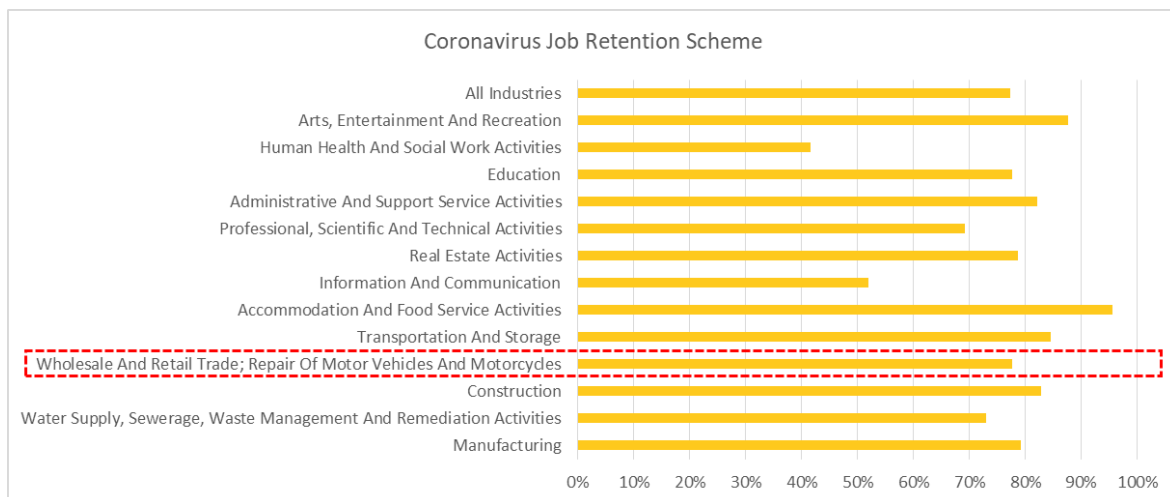
Government Schemes and Assistance

Please note that the survey relates to a time period prior to the chancellor’s statement on 24th September relating to the new job support scheme.

Government Schemes



- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 78%.
- 46% have deferred VAT payments and 38% have taken business rates holidays.
- 45% intend to apply for the job retention bonus and 5% have stated they intend to apply for the kickstart job scheme for young people.



78% 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 24th September 2020 [Data relates to the period 7th September 2020 to 20th September].
- 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.