



INSTITUTE
OF THE MOTOR
INDUSTRY



COVID-19 Automotive Landscape Report

Release 12



+44 (0) 1992 511521



info@theimi.org.uk



www.theimi.org.uk



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 12 incorporates the most recent ONS BIC data released 8th October.

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

- 94% of automotive businesses are trading, one of the most 'open' industry sectors. Despite this, 6% of businesses remain temporarily closed or paused trading.
- Less than half (44%) of automotive businesses said that their confidence was high that their business will survive the next three months. 16% stated that they had low or no confidence that their business will survive the next 3 months, potentially putting 15,350 businesses at risk.
- 10% of the workforce remain on furlough or partial leave.
- Indications are that a potential 9,800 jobs are to be made redundant in the next 2 weeks, this is the highest forecast to date.
- 16% of the automotive workforce are working remotely.

Detailed summary

The positive news:

- 94% of automotive businesses are open and trading. This is an increase of 1.4% compared to last reporting, one of the most 'open' industry sectors.
- 41% of automotive businesses said that their cash reserves would last more than 6 months.
- Less than 1% of businesses have permanently closed.

Tough decisions and ways of operating:

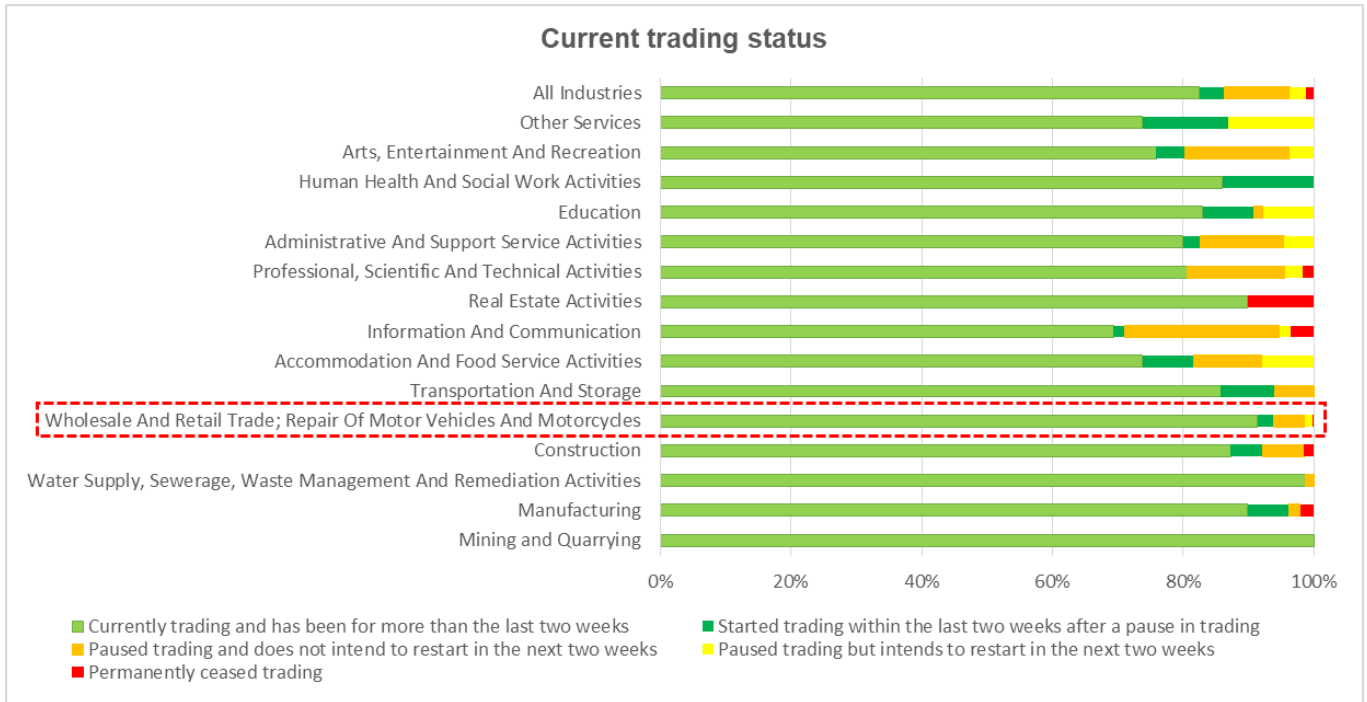
- 9% of the sector stated that their operating costs exceeded their turnover, this has increased by 2% since last reporting.
- 11% reported that they were breaking even as turnover was equal to operating costs.
- Potentially, 3,500 businesses are intending to permanently close business sites in the next three months. 31% of which outlined that they expected that this would lead to permanent redundancies.
- 79% of automotive businesses stated that their operating costs have increased.
- Indications are that potentially 9,800 jobs are to be made redundant in the next 2 weeks.
- 61% intend to apply for the job retention bonus.

Negative news:

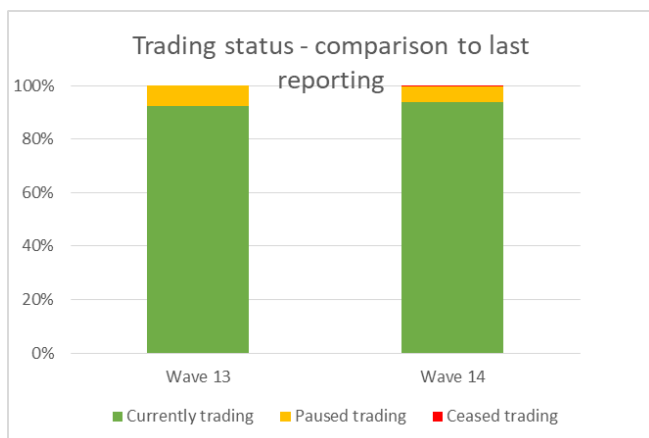
- 4% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%.
- 40% of automotive businesses trading are reporting a decrease in turnover.
- 4% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 8,500 businesses at risk.
- Less than half (44%) of automotive businesses said that their confidence was high that their business will survive the next three months. 16% stated that they had low or no confidence that their business will survive the next 3 months, potentially putting 15,350 businesses at risk.
- 10% of the workforce are on partial leave or remain on furlough.

Economic Indicators

Trading

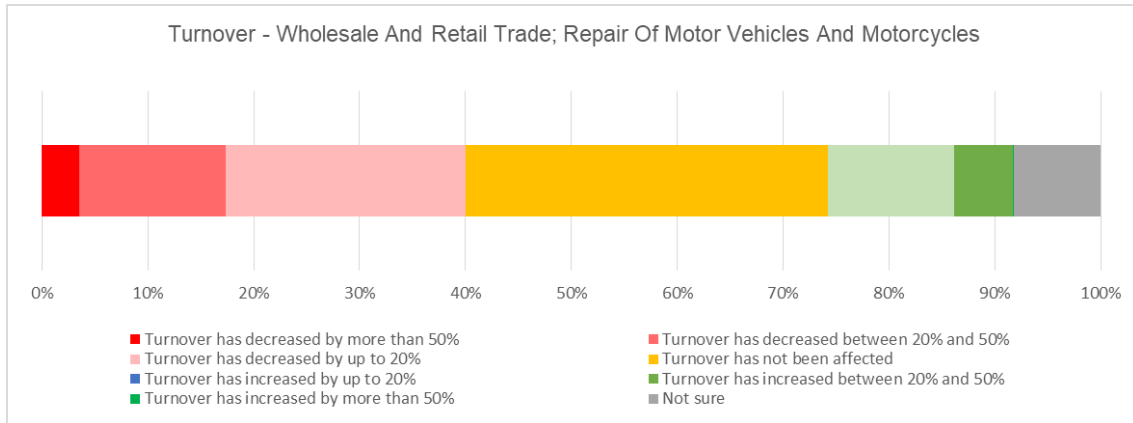


Note: This measure has been adjusted by ONS and is now a weighted count. Weighting by count scales up responses in BICS to be representative of all businesses in the UK. It scales up responses for all businesses that have between 0 and 249 employees, to the point where the counts of all businesses of 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 can be compared to last reporting only.



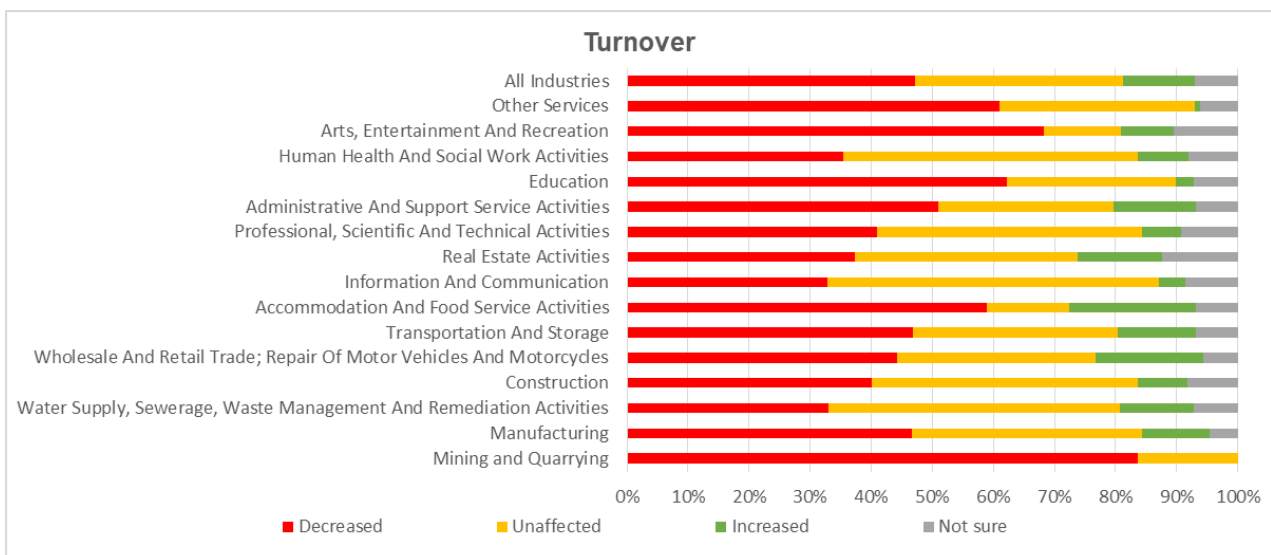
93.8% of automotive businesses are open and trading. This is an increase of 1.4% compared to last reporting. 2.4% reported to have opened in the past 2 weeks. 6% of automotive businesses have temporarily closed or paused trading. 4.8% stated they were not intending to open in the next 2 weeks. Less than 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.

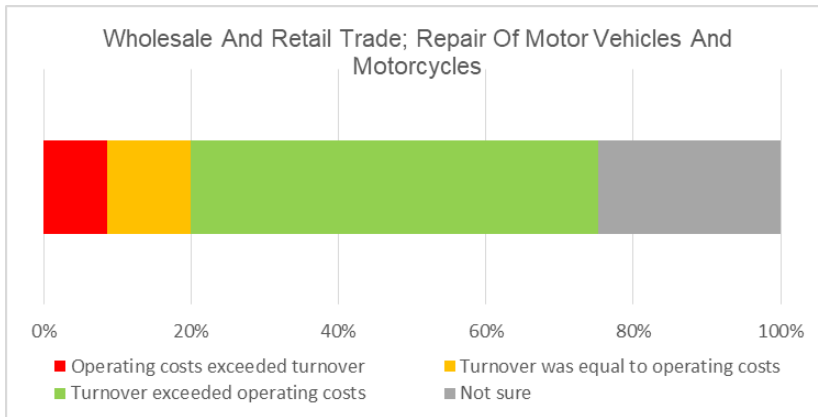
- 4% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%.
- 40% of automotive businesses trading are reporting a decrease in turnover.



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 (18%).

Turnover v Operating costs

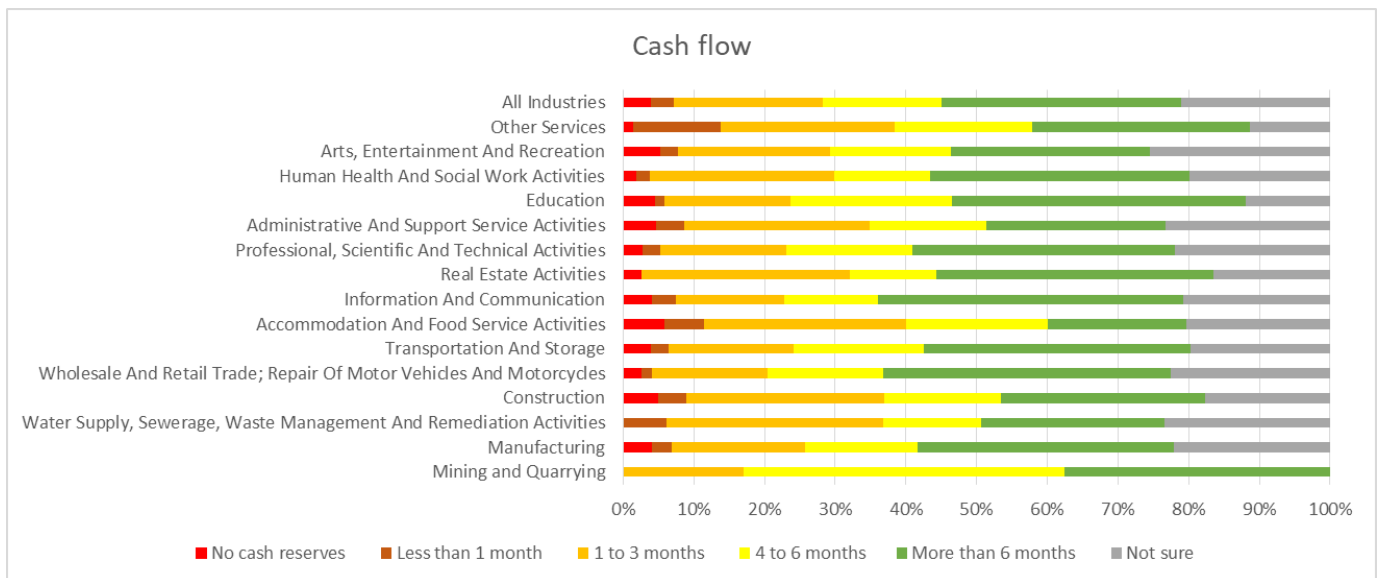
In the last two weeks, how did your business's turnover compare to its operating costs?



9% of the sector stated that their operating costs exceeded their turnover, this has increased by 2% since last reporting. 11% 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?

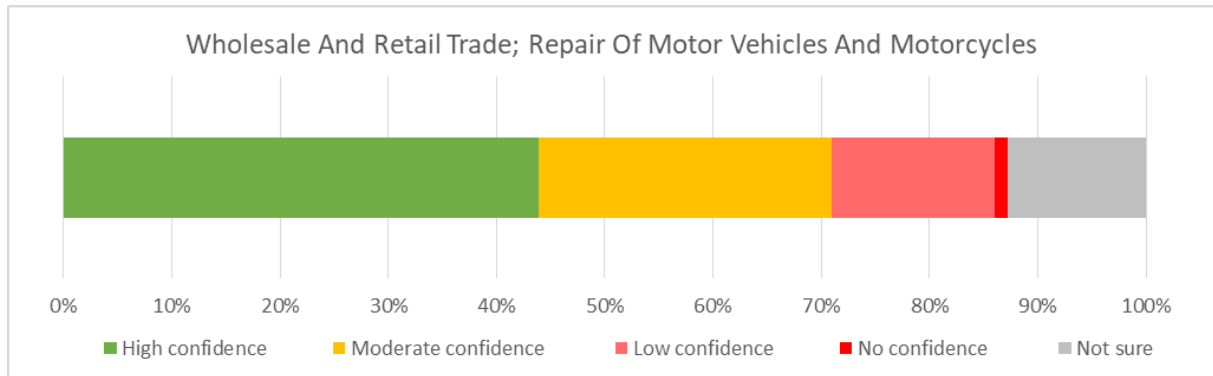


Note: This measure has been adjusted by ONS and is now weighted by turnover. The value of turnover is derived using the percentage of questions asked on the BICS and registered turnover in the Inter-Departmental Business Register (IDBR), which is used to construct the BICS sampling frame. In effect, businesses with larger turnover are given greater emphasis in results. Due to this adjustment this cannot be compared to previous reporting.

- 41% of automotive businesses said that their cash reserves would last more than 6 months.
- 4% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 8,500 businesses at risk.

Business confidence

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



- 44% of automotive businesses said that their confidence was high that their business will survive the next three months.
- 16% stated that they had low or no confidence that their business will survive the next 3 months, potentially putting 15,350 businesses at risk.

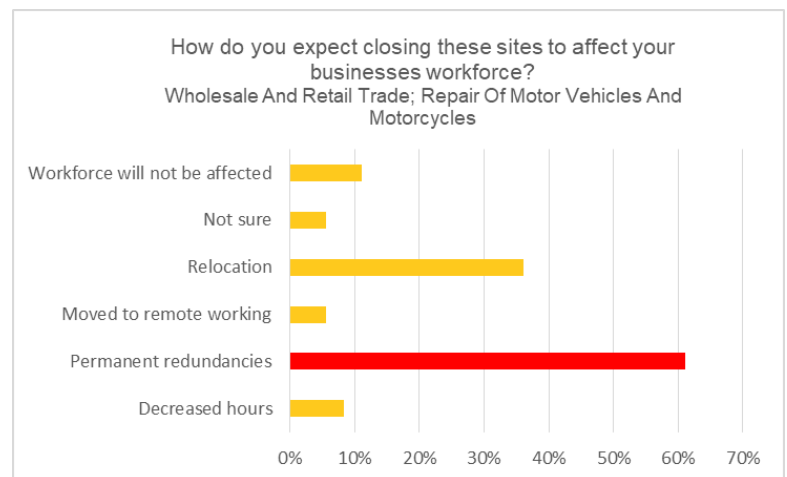
Closing business sites

4%

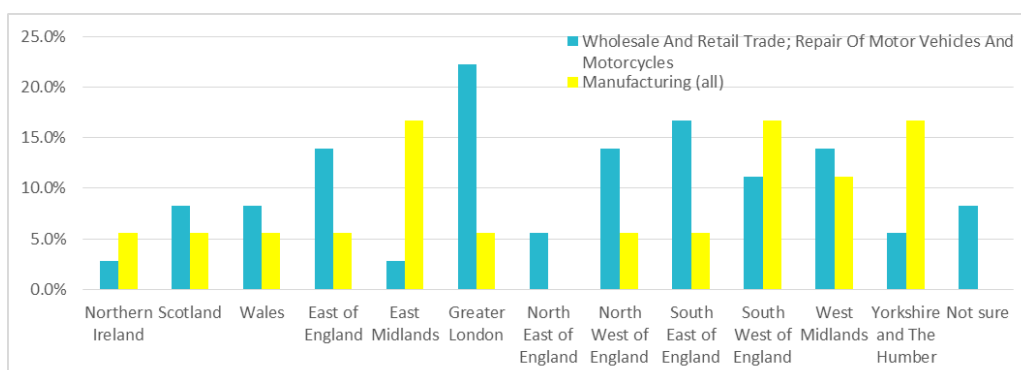
Businesses in the sector stated that they are intending to permanently close business sites in the next 3 months.

Potentially, 3,500 businesses are intending to permanently close business sites in the next three months.

31% outlined that they expected that this would lead to permanent redundancies.



Where in the UK are the business sites that will permanently close in the next three months?



Operating costs

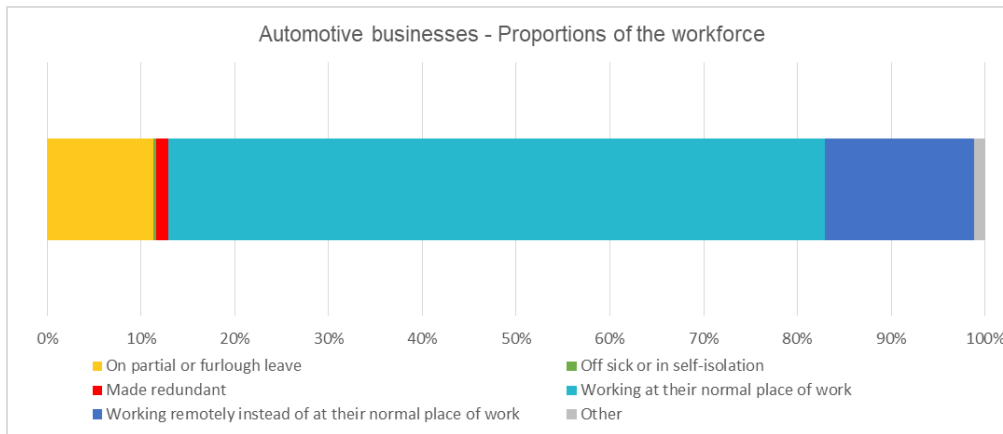
How has the implementation of these safety measures affected business operating costs?

79%
Of businesses stated that their operating costs have increased.

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

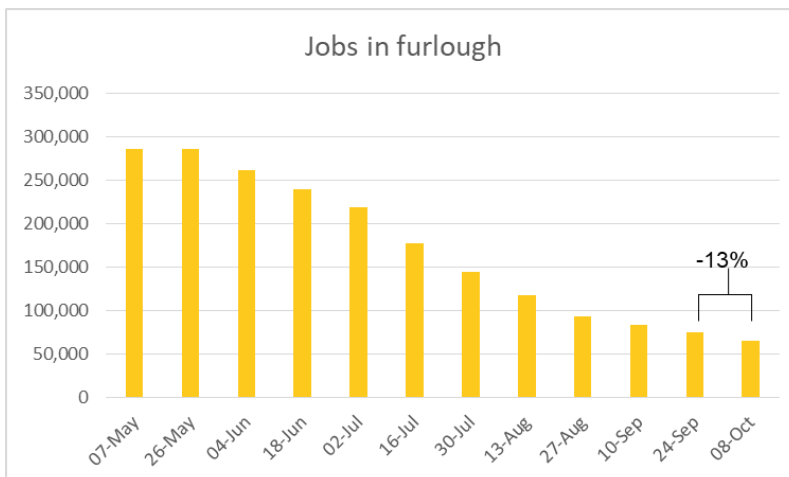
Emerging from lockdown

Workforce

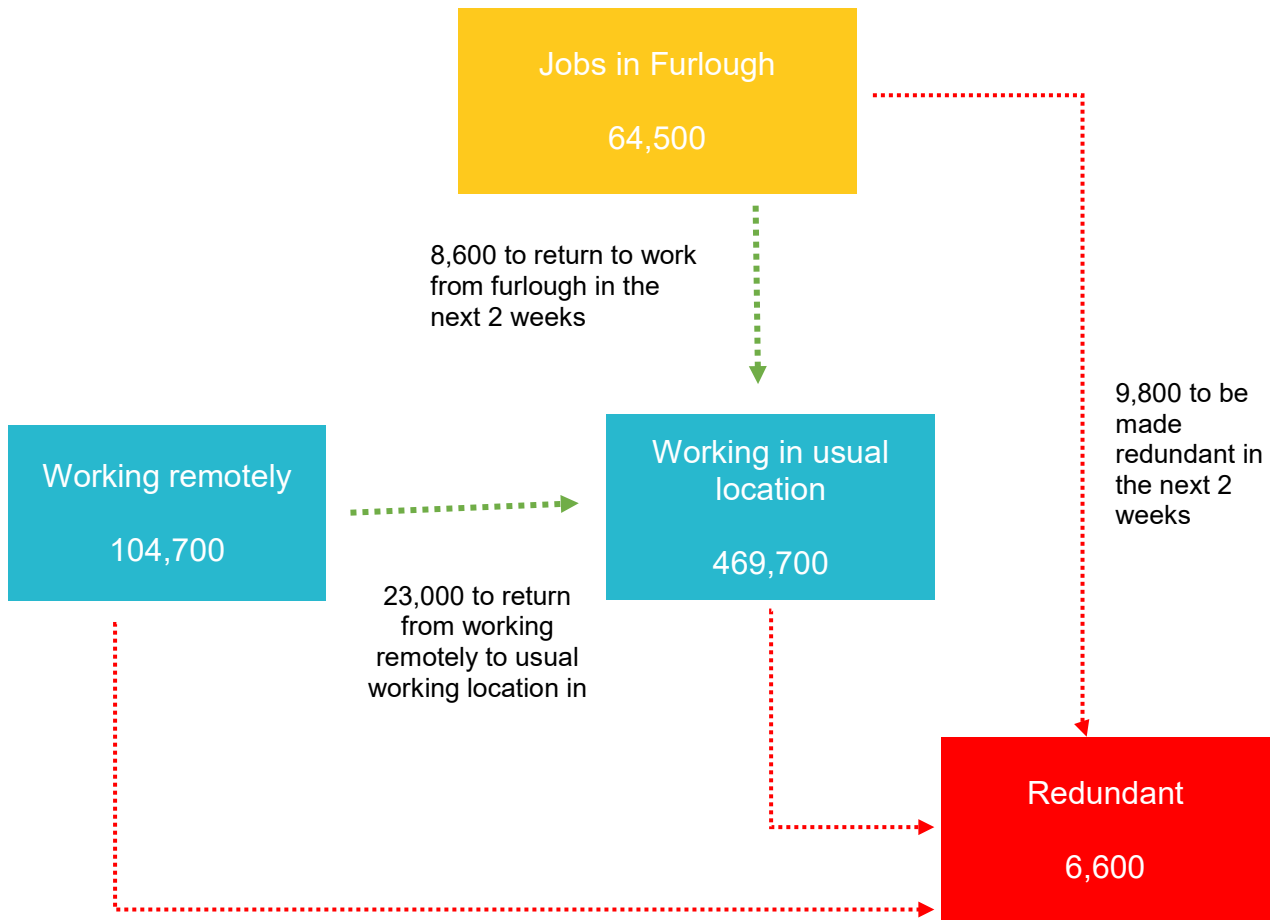


- For automotive businesses still trading, 10% of the workforce are on partial leave or furlough. This proportion has fallen by 1% since last reporting.
- 3,900 are on sick leave or in isolation.

Furlough

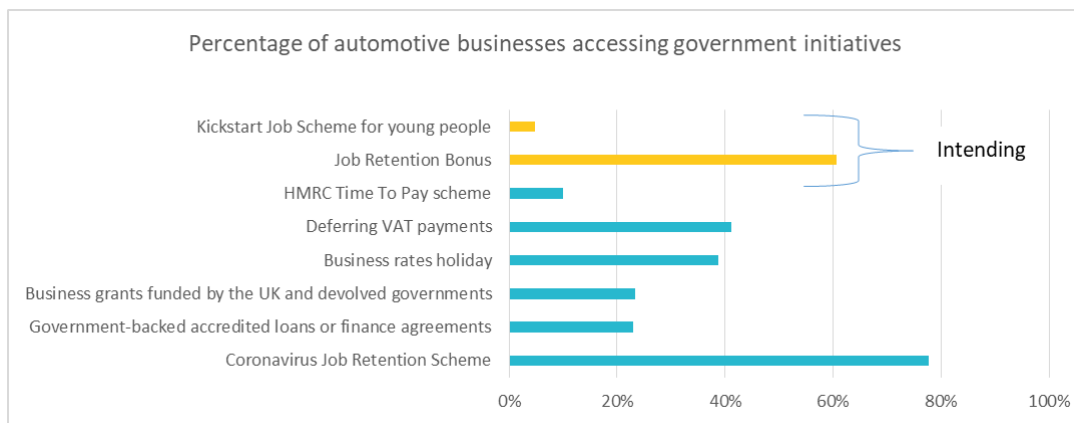


- At lockdown peak there were 286,000 jobs in furlough.
- Since 26th May, the reported numbers in furlough have been falling.
- The rate of fall in the numbers in furlough has begun to slow. 13% this reporting.



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 78%.
- 41% have deferred VAT payments and 39% have taken business rates holidays.
- 61% intend to apply for the job retention bonus and 5% have stated they intend to apply for the kickstart job scheme for young people.



Data Sources

- ONS - Business impacts of COVID-19 data released 8th October 2020 [Data relates to the period 21st September 2020 to 4th October 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.