



INSTITUTE  
OF THE MOTOR  
INDUSTRY



# COVID-19 Automotive Landscape Report

Release /



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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 2 incorporates the most recent ONS BIC release and updated guidance from the government.

## Summary of findings

- 20% of automotive businesses have temporarily closed or paused trading; this equates to approximately 19,000 businesses and 124,000 jobs. This has fallen from 24% reported at the last BIC release as more establishments attempt to reopen. This 4% difference equates to approximately 9,000 businesses that have reopened in the past 2 weeks.
- 37% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This is 2% more than the last reporting.
- There is however positive news in that 9.5% of the automotive businesses reported some type of increase in turnover - the highest of all the industries.
- 7% of automotive businesses said that they either had no cash reserves or less than a month of cash reserves, potentially putting 5,600 businesses at risk.
- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 79% engagement. This has increased by a further 6% since last reporting.
- 42% of the automotive businesses who are still trading (32,000 businesses) are laying off staff in the short term. This has fallen by 3% since last reporting.

## Operating in lockdown

The following outlines how sectors in our industry are able (or unable) to operate within government restrictions as a result of the Covid-19. It outlines a RAG status on the ability to operate.

### Automotive sector – limitations to operate in government restrictions

	Lockdown 23 <sup>rd</sup> March	Step 1 13 <sup>th</sup> May	Step 2 1 <sup>st</sup> June
Service & Repair	<ul style="list-style-type: none"> <li>Exempt from lockdown, but operating at a fraction of their normal capacity</li> <li>Extension to MOT eliminated demand</li> </ul>		More non essential travel permitted and encouraged to avoid public transport
Vehicle Sales	Showrooms classified as non-essential retail so unable to open, only on-line	Click & collect deliveries possible	Showrooms to reopen subject to suitable safety measures being in place.
Training & Education	Centres closed and remote learning and assessment only	Unclear the road map for return to normal	

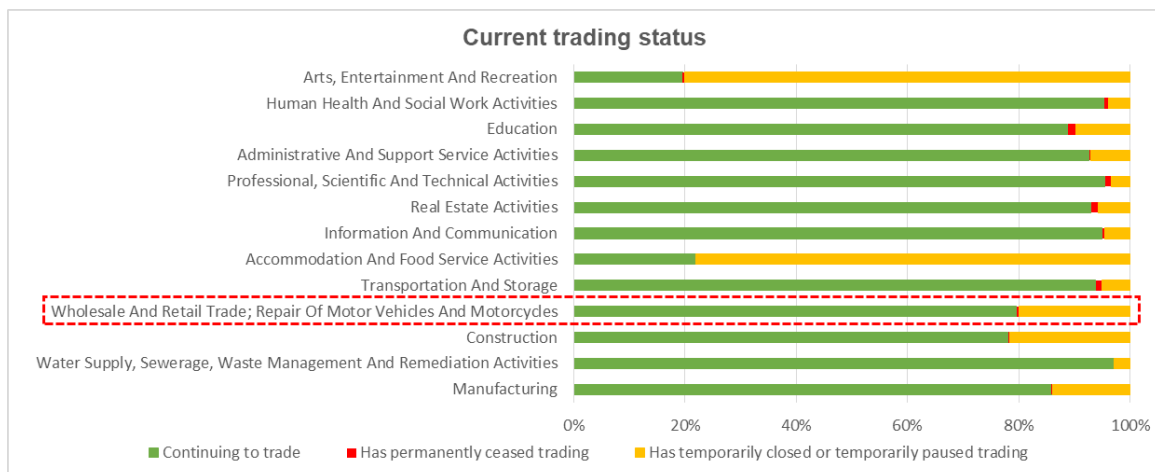
**Ability to operate in government restrictions**

Extreme limitations   
 Able to operate in some form   
 Ability to operate similar to pre Covid

## Economic Indicators

The following uses the most recent issue 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.

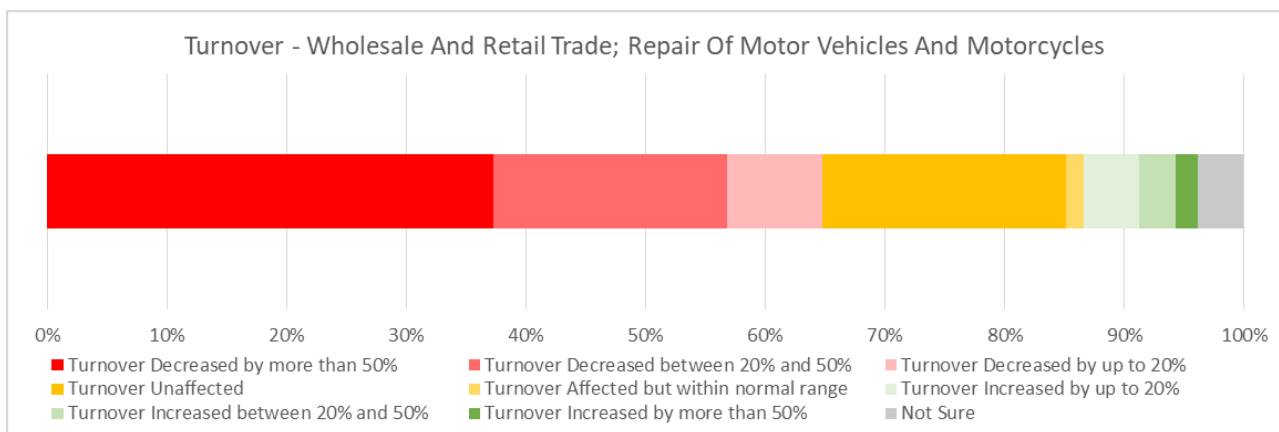
## Trading



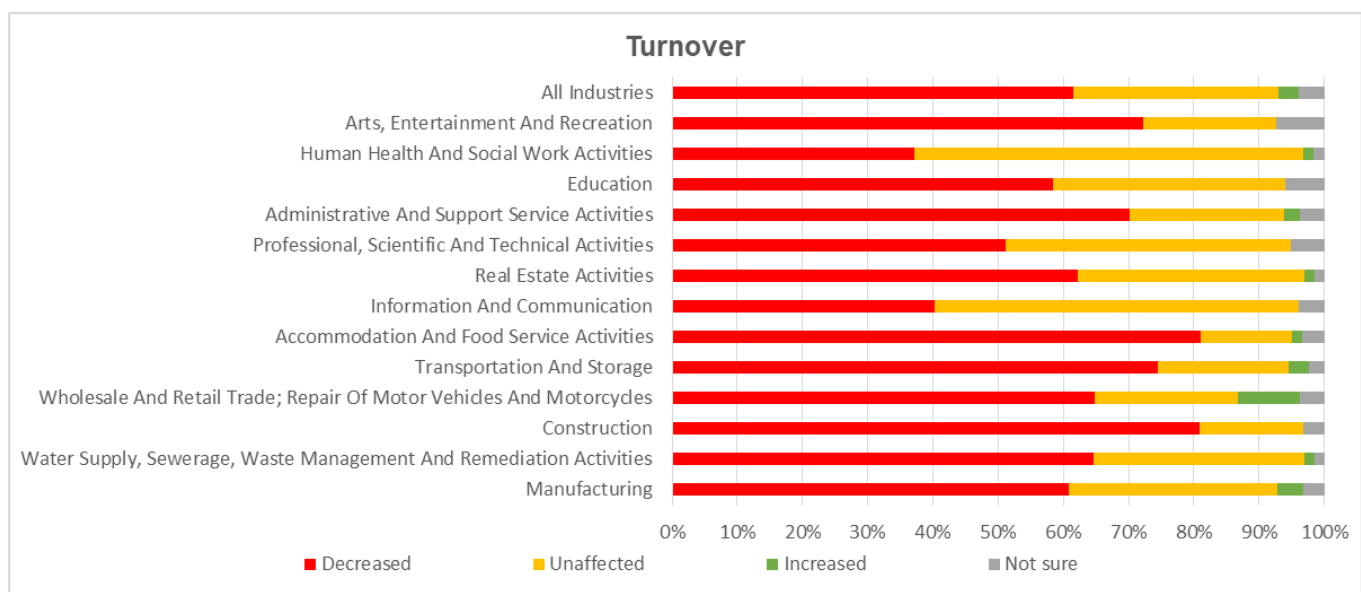
20% of automotive businesses have temporarily closed or paused trading; this equates to approximately 19,000 businesses and 124,000 jobs. This has fallen from 24% reported at the last BIC release as more establishments attempt to reopen. This 4% difference equates to approximately 9,000 business that have reopened in the past 2 weeks. Thankfully, the percentage of businesses who have permanently ceased trading remains low at 0.5% which equates to approximately 500 businesses and 3,000 jobs. This is the same level as last reporting.

In comparison to other industries, the automotive industry has seen the fourth highest proportion of temporarily closed or paused trading of businesses, behind accommodation & food service activities, entertainment & recreation and construction.

### Turnover

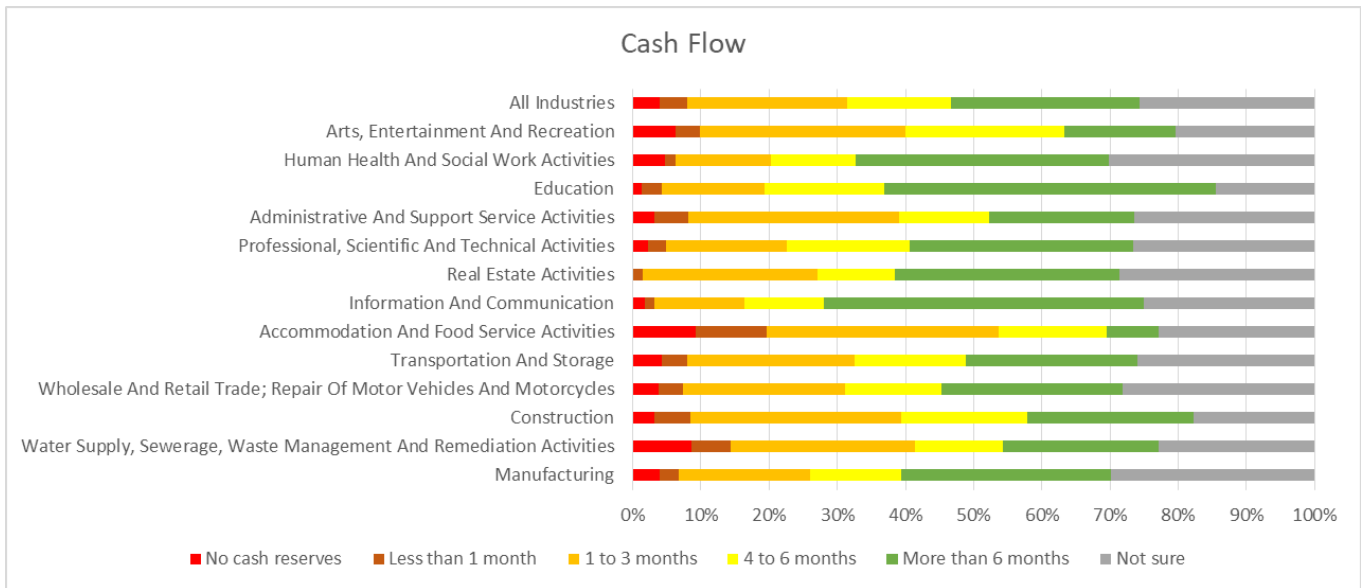


- 37% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This is 2% more than last reporting.
- 65% of automotive businesses trading are reporting a decrease in turnover. This is 1% more than last reporting.
- Taking conservative estimates of these percentages, this could see a potential reduction of £300million GVA per month to the UK economy.



- In terms of ranking of industries reporting a decrease in turnover, the automotive sector ranks mid table but is higher than the all industries total (65%) compared to 61%.
- There is however positive news in that 9.5% of the automotive businesses reported some type of increase in turnover - the highest of all the industries.

### Cash flow

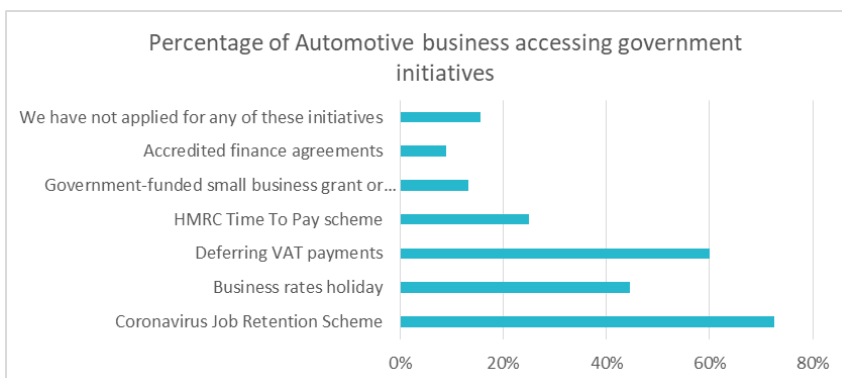


Businesses were asked “How long do you think your enterprise's cash reserves will last?”.

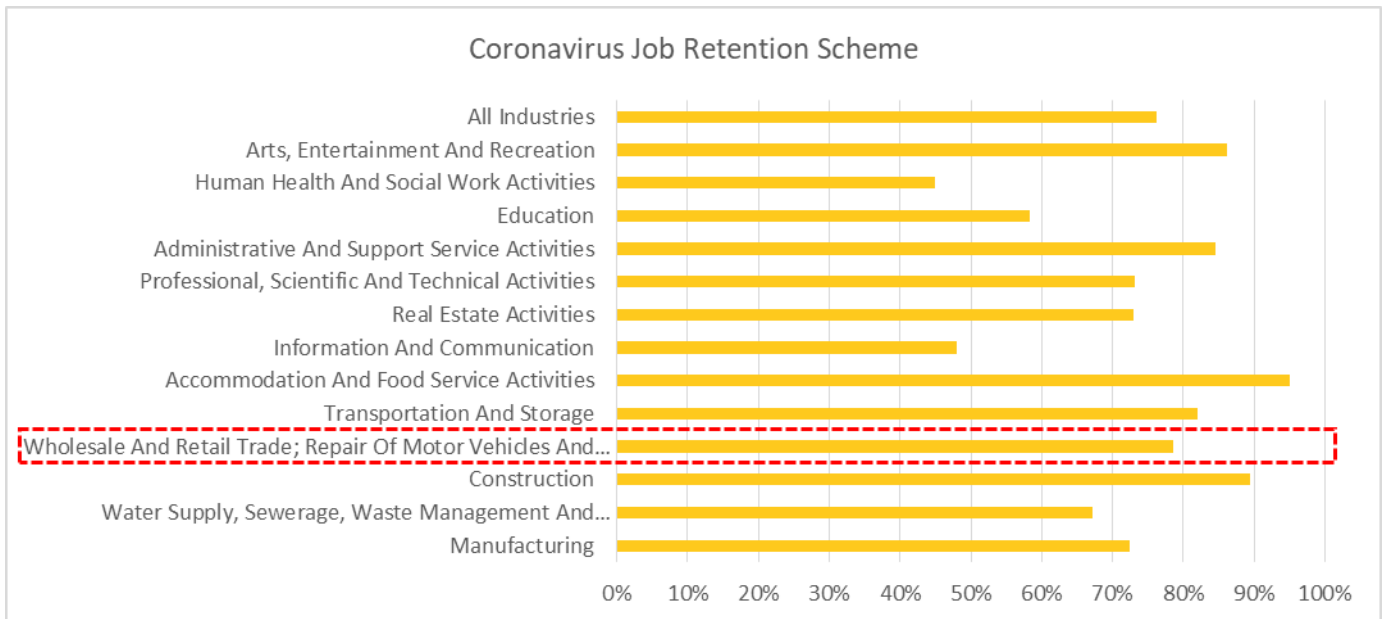
- 27% of automotive business said that their cash reserves would last more than 6months.
- 7% of automotive business said that they either had no cash reserves or less than a month, potentially putting 5,600 businesses at risk.
- In terms of cash flow, automotive businesses compare similarly to the all industry average.

### Furlough

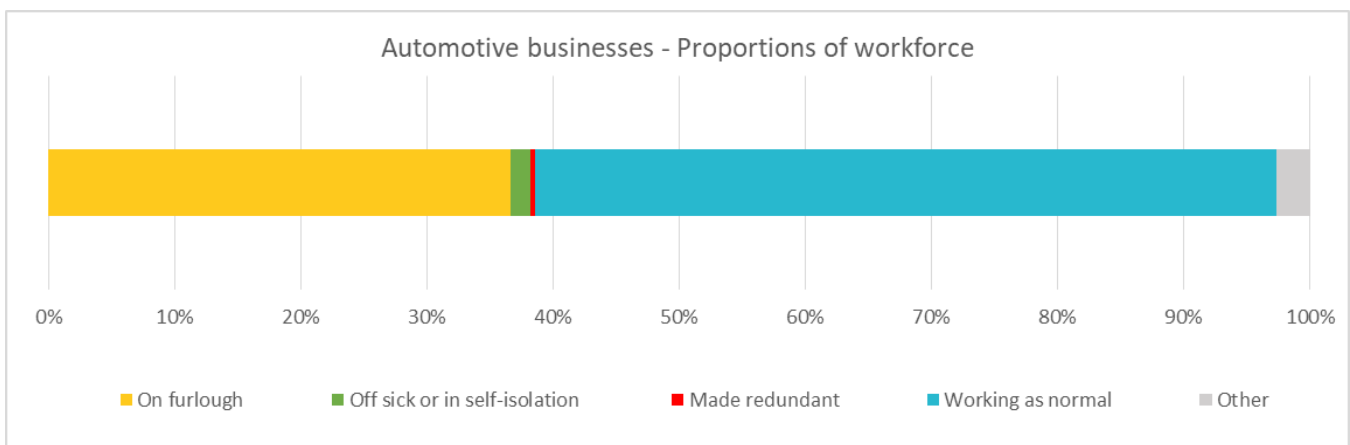
#### Government Schemes and Furlough



- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 79% engagement. This has increased by a further 6% since last reporting.
- 61% have deferred VAT payments and 44% have taken business rates holidays.

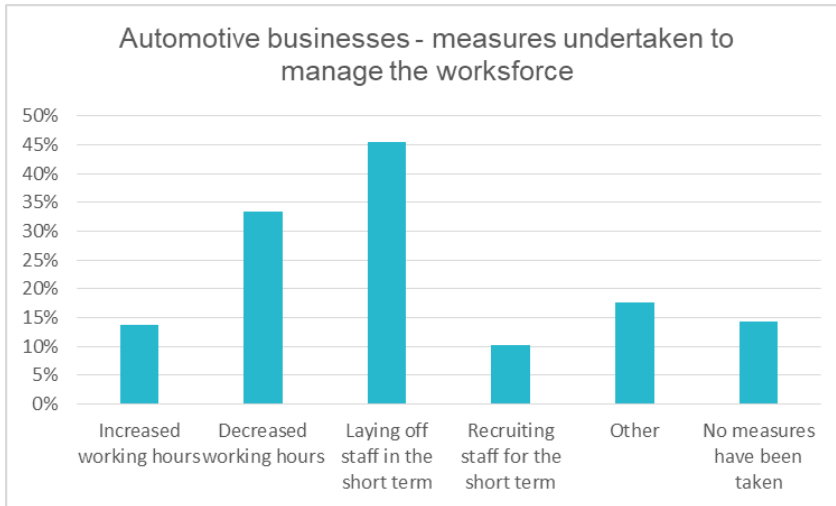


- 79% of automotive businesses have accessed the coronavirus job retention scheme.
- Compared to other industries, automotive ranks 'mid-table' but is higher than the all industry average.



- For automotive businesses still trading, 37% of the workforce are on furlough which is approximately 181,000 jobs. 8,000 are on sick or in isolation (2%) and 2,000 have been made redundant (0.4%).
- 59% of the automotive trading business are working as normal.

## Measures for managing the workforce



- Of the automotive businesses who are still trading, 42% (32,000 business) are laying off staff in the short-term. This has dropped by 3% since last reporting.
- A further 33% are decreasing working hours.



## Data Sources

- ONS - Business impacts of COVID-19 data released 21/5/20 [Data relates to the period 20 April 2020 to 3 May 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.