



INSTITUTE
OF THE MOTOR
INDUSTRY



COVID-19 Automotive Landscape Report

Release 3



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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 3 incorporates the most recent ONS BIC release.

Summary of findings

The first green shoots recovery are emerging as the industry returns to work:

- 85% of business are trading, 12% of which stated that they have reopened in the past 2 weeks. This equates to approximately 10,000 businesses.
- 15% of automotive businesses have temporarily closed or paused trading, of which 51% are in the process of planning to reopen and 42% (6,000 businesses) are planning to open in the next 4 weeks. Compared to other industries this is one of the fastest reopening rates.
- The percentage of businesses reporting a decrease in turnover of more than 50% has fallen by 4% since the last reporting.
- 8% of the automotive businesses reported some type of increase in turnover which is the highest % of all the industries.
- 29% of automotive business said that their cash reserves would last more than 6months.

This ONS reporting included questions on what measures are being put in place to return to work:

- 94% of businesses returning to work will be introducing social distancing measures.
- 88% will be introducing the wearing of personal protective equipment.

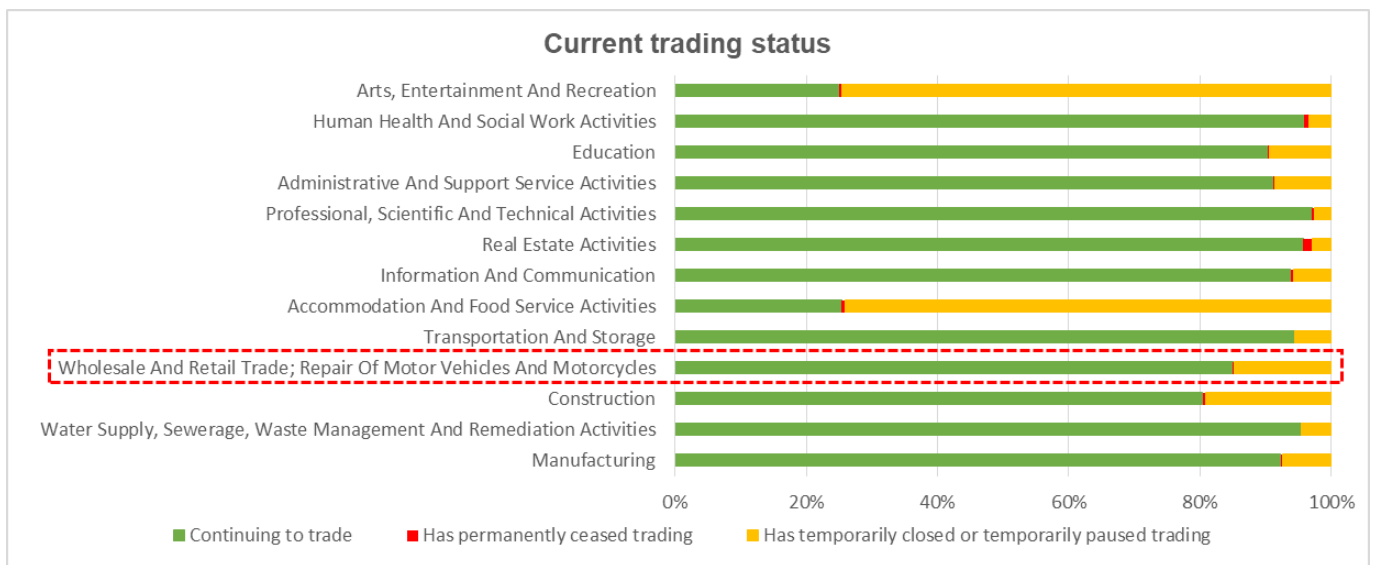
Although there are some positive messages emerging it's worth noting that there are still significant challenges:

- Although this has reduced, 33% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%.
- 7% of automotive business said that they either had no cash reserves or less than a month, potentially putting 5,600 businesses at risk.
- Approximately 7,800 businesses have received financial assistance from banks or building societies.
- 80% of automotive businesses have accessed the coronavirus job retention scheme.
- For automotive businesses still trading, 35% of the workforce are on furlough which is approximately 185,000 jobs.
- Of the automotive businesses who are still trading, 39% (32,000 business) are laying off staff in the short-term. This has dropped by 3% since the last reporting.

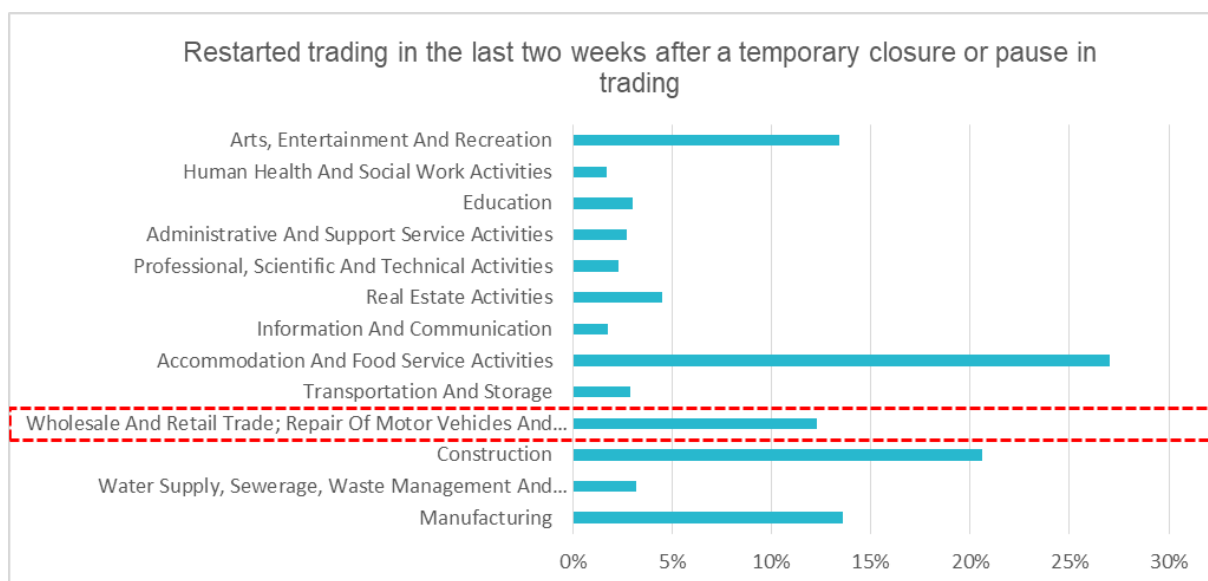
Economic Indicators

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.

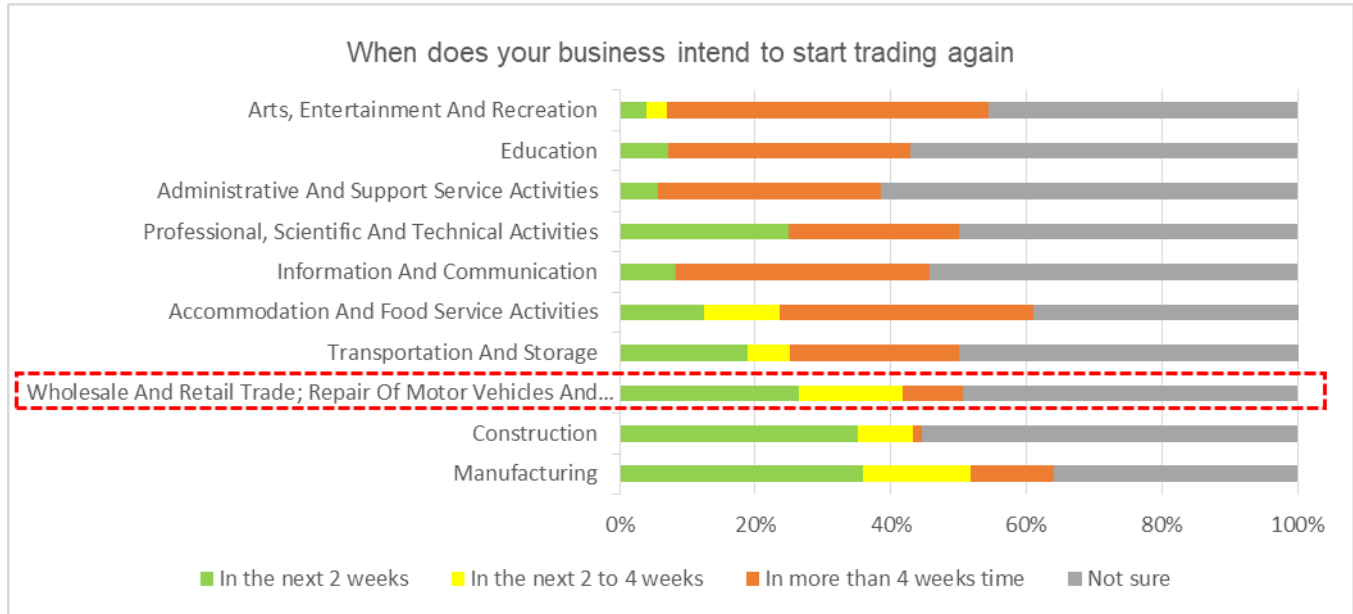
Trading



15% of automotive businesses have temporarily closed or paused trading; this equates to approximately 14,000 businesses and 91,500 jobs. This has fallen from 20% reported at the last BIC release as more establishments attempt to reopen.



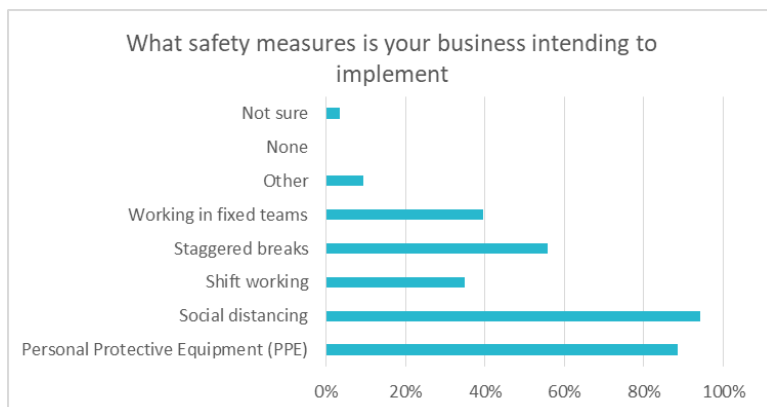
12% of businesses who are currently trading stated that they have reopened in the past 2 weeks. This equates to approx. 10,000 businesses.



Of the businesses who temporarily closed or ceased trading 51% are planning to reopen, and 42% (6,000 businesses) are planning to open in the next 4 weeks. Comparing to other industries this is one of the fastest reopening rates.

The percentage of businesses who have permanently ceased trading in the last 2 weeks is 0.3% which equates to approximately 190.

Returning to work



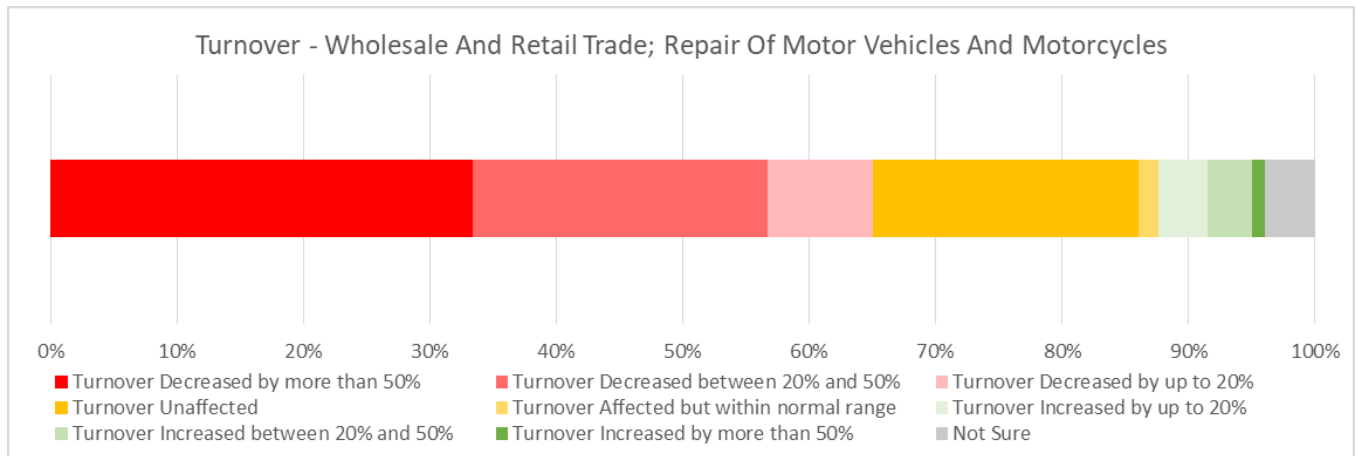
- 94% of businesses returning to work will be introducing social distancing measures.
- 88% will be introducing the wearing of personal protective equipment.
- Unsurprisingly no businesses planning to reopen will be opening with no safety measures.

Percentages of businesses who have temporarily paused or ceased trading and intend to restart trading in the next two weeks, next two to four weeks or in more than 4 weeks' time.

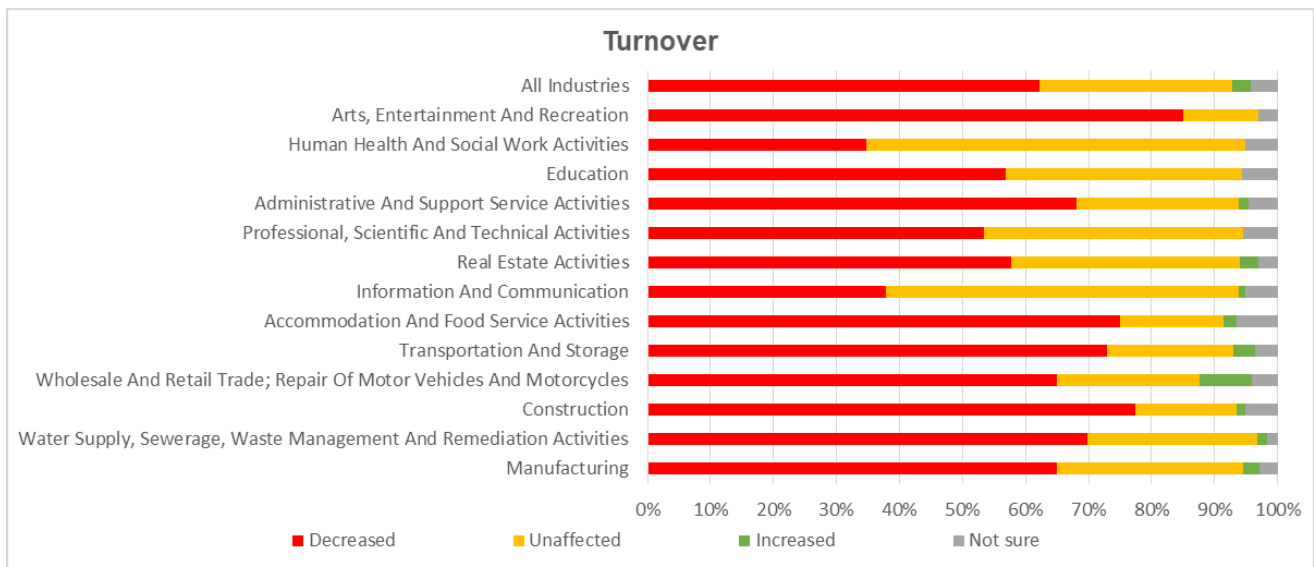
Return from Furlough



Turnover

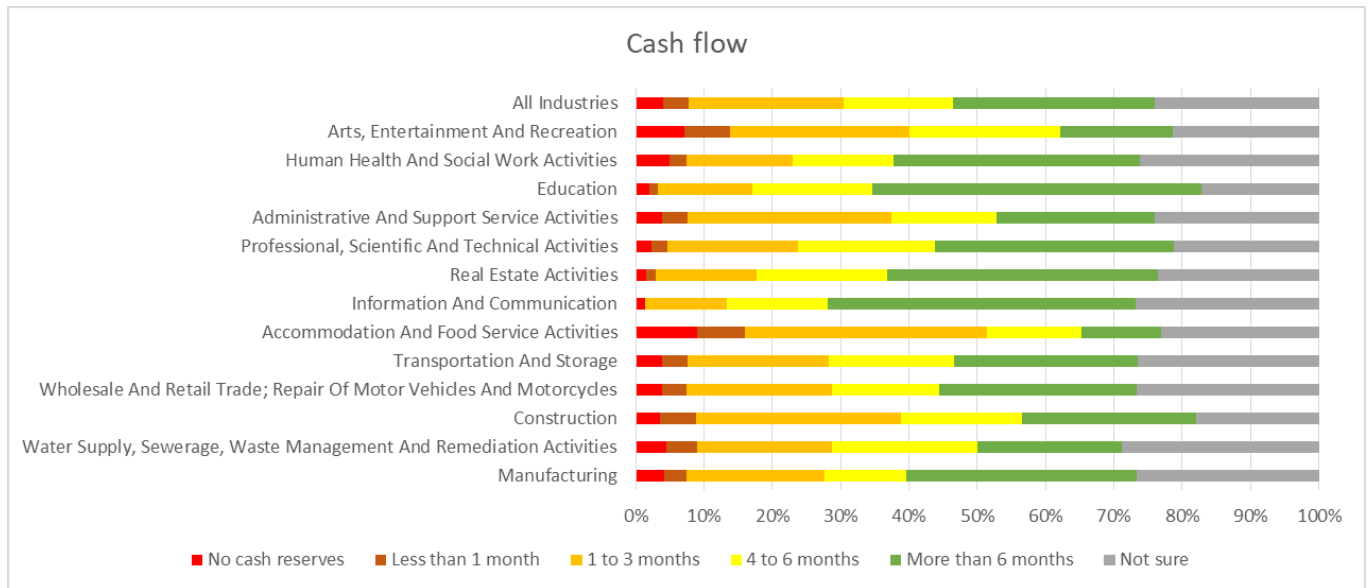


- 33% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 4% since last reporting.
- 65% of automotive businesses trading are reporting a decrease in turnover. This is the same level as last reporting.



- 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 8.4% of the automotive businesses reported some type of increase in turnover - the highest of all the industries.

Cash flow

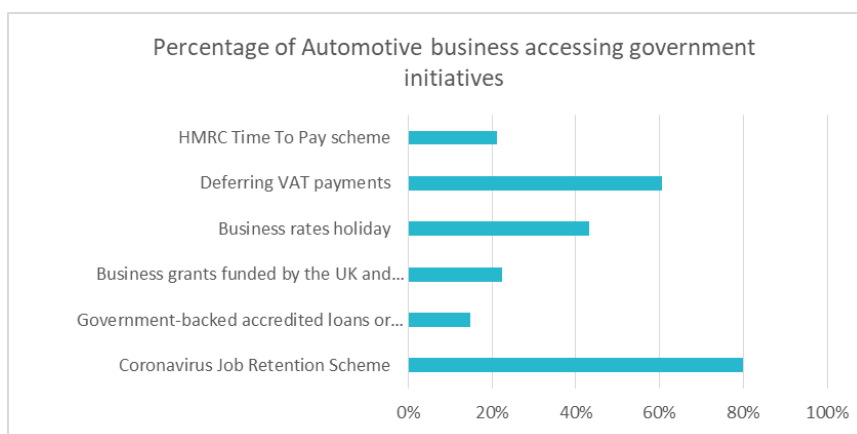


Businesses were asked “How long do you think your enterprise's cash reserves will last?”.

- 29% 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.

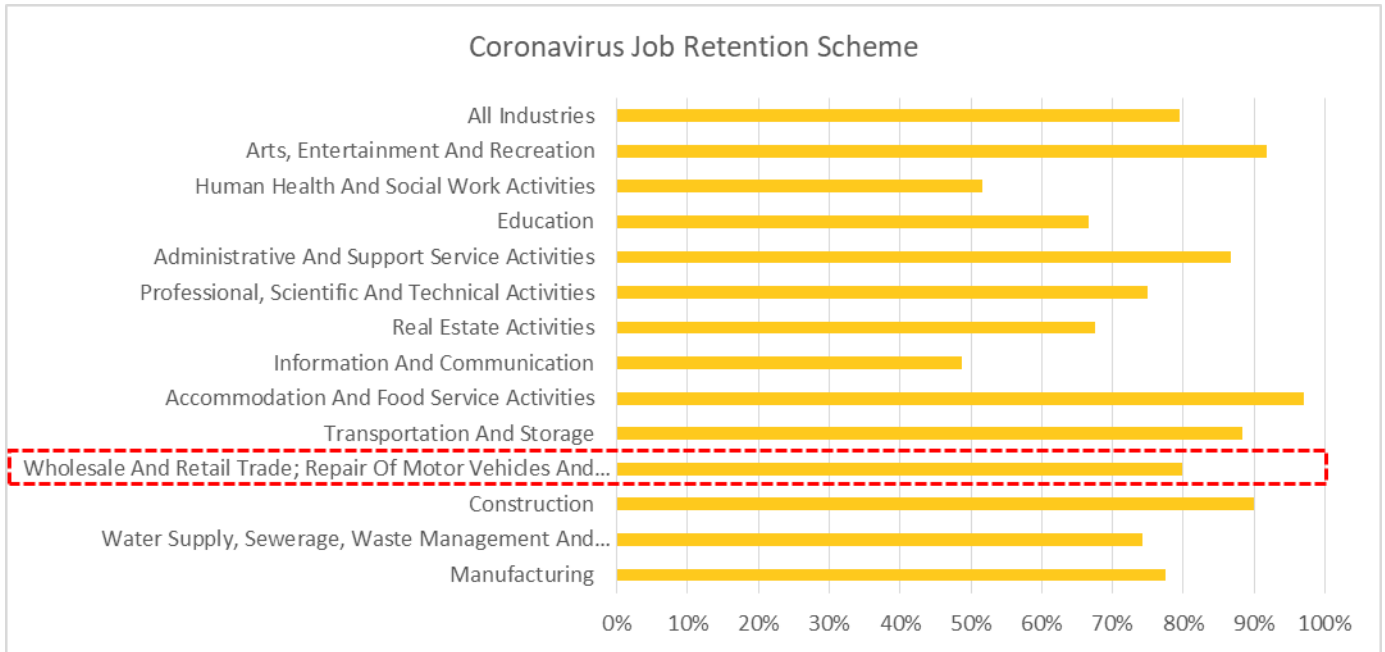
Government Schemes & Furlough

Government Schemes and Furlough

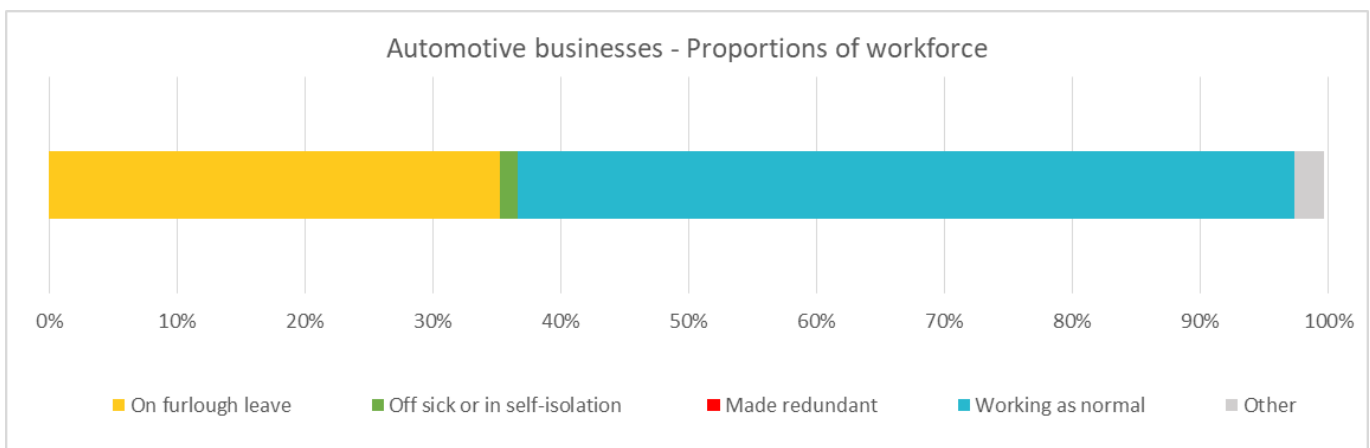


- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 80% engagement. This has increased by a further 1% since last reporting.
- 61% have deferred VAT payments and 43% have taken business rates holidays.

7,800
Businesses have received
financial assistance from banks
or building societies

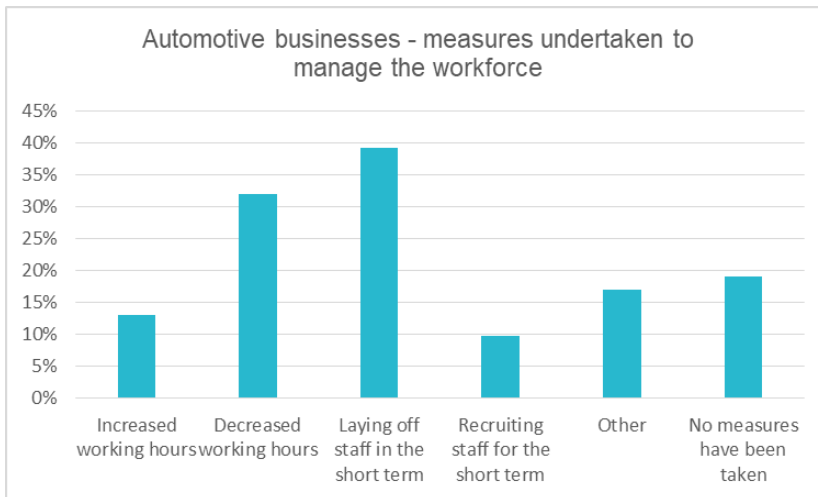


- 80% of automotive businesses have accessed the coronavirus job retention scheme.
- Compared to other industries, automotive ranks 'mid-table' but is higher than the all industry average.



- For automotive businesses still trading, 35% of the workforce are on furlough which is approximately 185,000 jobs. This has decreased by 2% since last reporting.
- 7,000 are on sick or in isolation (1%).
- 61% of the automotive trading business are working as normal.

Measures for managing the workforce



- Of the automotive businesses who are still trading, 39% (32,000 business) are laying off staff in the short-term. This has dropped by 3% since last reporting.
- A further 32% are decreasing working hours.



Data Sources

- ONS - Business impacts of COVID-19 data released 4th June 2020 [Data relates to the period 18 May 2020 to 31 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.