



INSTITUTE
OF THE MOTOR
INDUSTRY



COVID-19 Automotive Landscape Report

Release 7



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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 7 incorporates the most recent ONS BIC data released 30th July.

Summary of findings

The green shoots of recovery continue to grow as the industry returns to work:

- 97% of automotive businesses are trading. This has increased each reporting period for the past 14 weeks as the sector attempts to fully reopen.
- 3% of businesses have reopened in the past 2 weeks, this equates to approx. 2,900 businesses, with a further 1.1% (1,000) planning to reopen in the next 2 weeks. If these plans succeed, 98% of the sector will be open and trading in the next 2 weeks.
- Analysis shows that larger organisations have been able to remain trading or reopened faster than smaller organisations. All but 0.3% of organisations with a workforce of greater than 250 are open and trading, and there are no reports in the survey of organisations of 250+ permanently closing.
- 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 (22%) the approximate equivalent of 20,000 businesses.
- 37% of automotive businesses said that their cash reserves would last more than 6 months, this has increased by 3% since last reporting.
- Approximately 72,000 jobs have returned to work from furlough in the past 2 weeks, with an additional 49,000 planned in the next 2 weeks.
- 25,000 jobs have returned from working remotely to the usual working location in the past 2 weeks, with a further 20,000 planned in the next 2 weeks.
- 15% of automotive businesses stated that there has been more innovation since Covid-19.

Automotive businesses are taking tough decisions in order to recover:

- Automotive businesses, on average, are advertising external vacancies at lower levels than many other industries.
- Although still relatively small numbers, there are now a number of reported redundancies. Currently, 9,800 have been reported with between 500 and 5500 planned in the next 2 weeks. This has increased by over 1,000 jobs since last reporting.
- 39% of businesses with a proportion of the workforce on the furlough scheme are supplying a 'top up' to their employees. This is the fourth lowest of all the industries. Of these, 60% of furloughed employees are receiving a 'top up' from their employer, indicating that approximately 110,000 individuals are not receiving their usual pay.

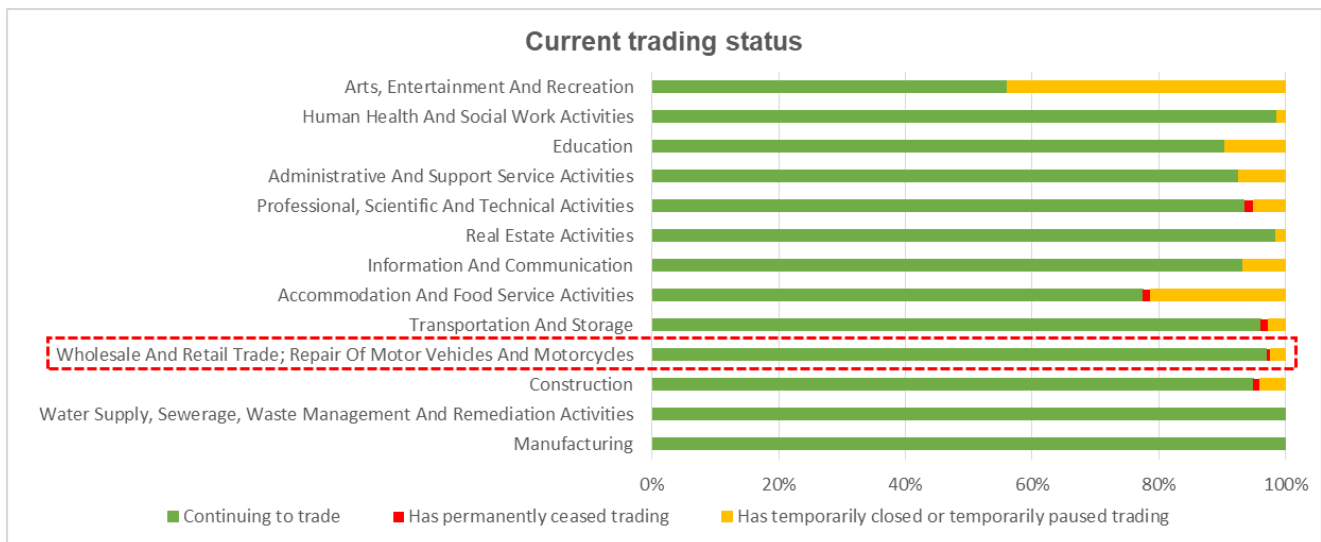
Significant challenges still remain:

- 0.7% of businesses have permanently closed which equates to approximately 665 businesses, affecting approximately 4,300 jobs.
- Analysis shows that smaller organisations (those with less than 250 employees) are struggling to reopen. Of the 2.3% of businesses who have still paused trading the vast majority are smaller organisations and all of those report to have permanently closed.
- Approximately 144,000 jobs remain on furlough.
- 6.8% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 6,400 businesses at risk. This has increased by 0.4% since last reporting.
- 73% of businesses stated that their operating costs have increased and 9% said that these costs had significantly increased.
- Approximately 9,900 businesses have received financial assistance from banks or building societies, 79% of which stated that this assistance helped them continue to trade.

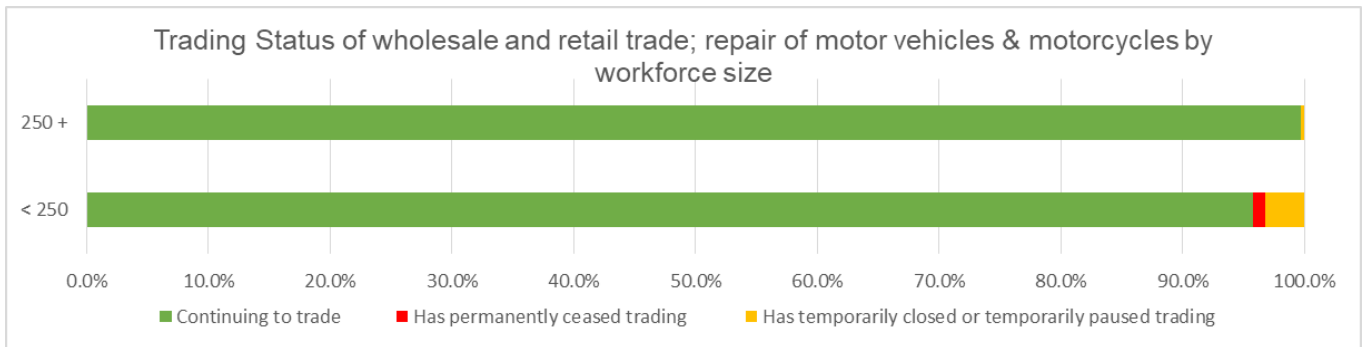
Economic Indicators

The following uses the most recent issue (30th July) of the governments **Business impacts of Covid-19 report** which is based on responses from the new voluntary fortnightly business survey. This 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.

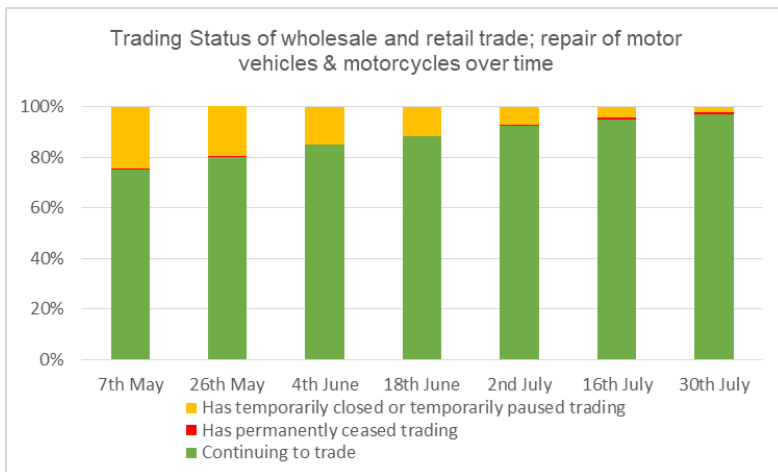
Trading



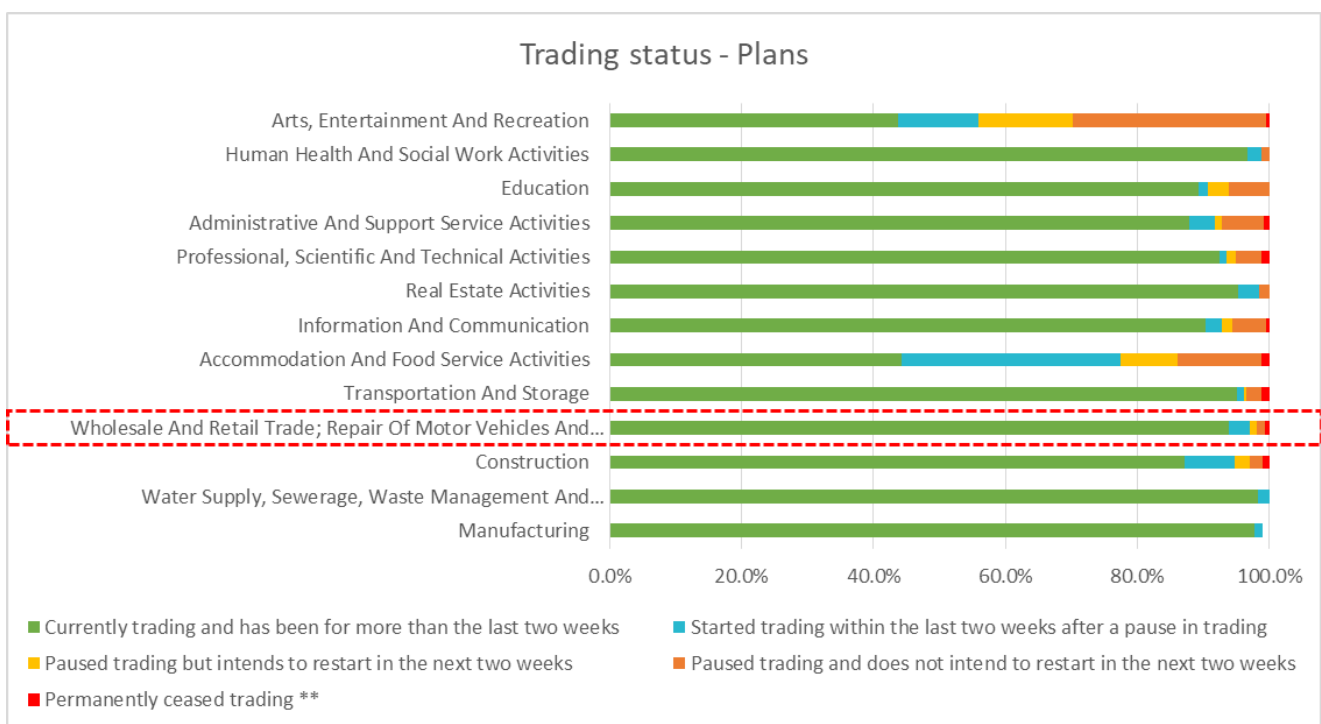
97% of businesses are open and trading. 2.3% of automotive businesses have temporarily closed or paused trading; this equates to approximately 2,200 businesses and 17,000 jobs. 0.7% of businesses have permanently closed which equates to approximately 665 businesses affecting approximately 4,300 jobs.



Analysis shows that larger organisations have been able to remain trading or reopen faster than smaller organisations. All but 0.3% of organisations with a workforce of greater than 250 are open and trading, and there are no reports in the survey of organisations of 250+ permanently closing.

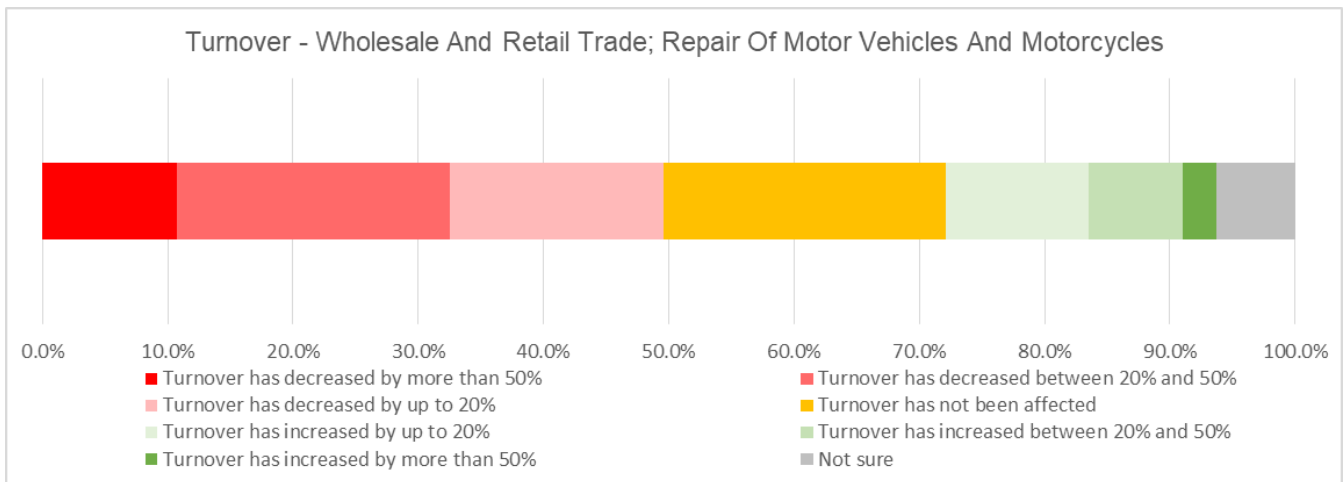


The number of businesses which have temporarily paused trading has fallen from 4% reported at the last BIC release to 2.3% as more establishments attempt to reopen. The number of businesses who have permanently ceased trading remained at 0.7%.

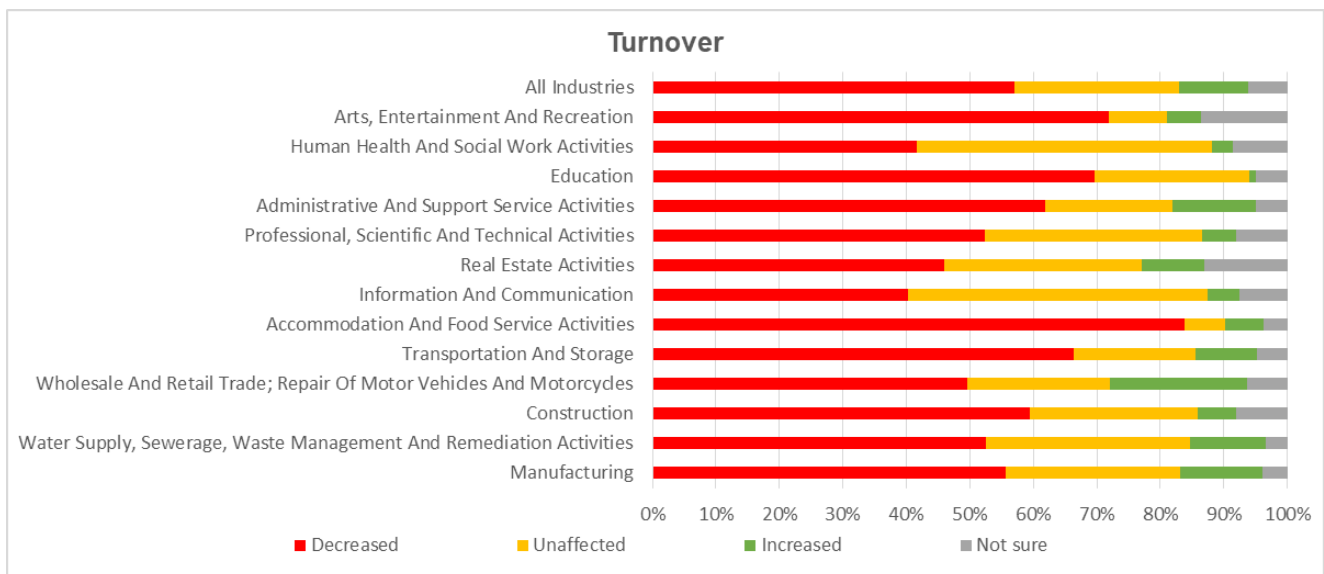


3% of businesses have reopened in the past 2 weeks, this equates to approx. 2,900 businesses, with a further 1.1% (1,000) planning to reopen in the next 2 weeks. If these plans succeed, 98% of the sector will be open and trading in the next 2 weeks.

Turnover

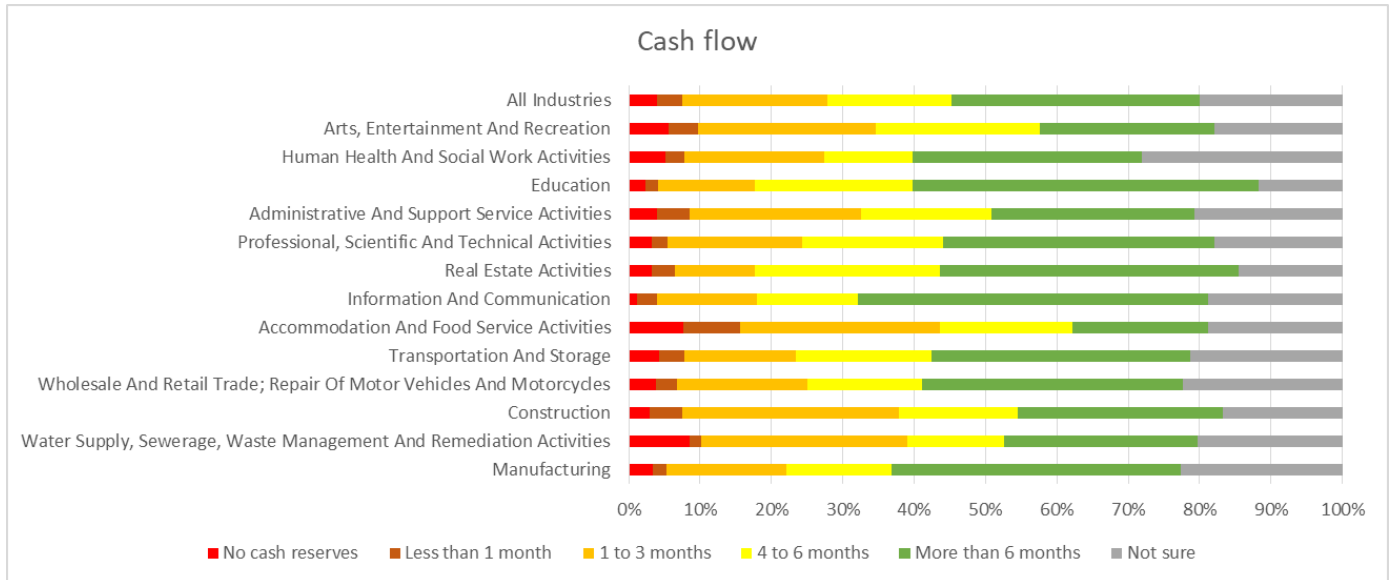


- 11% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 2% since last reporting.
- 50% of automotive businesses trading are reporting a decrease in turnover. This has decreased by 3% since last reporting.
- 2.7% of automotive businesses who are continuing to trade are reporting turnover has increased by more than 50%. This is the highest proportion of all the industries.



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 (22%). The approximate equivalent of 20,000 businesses.

Cash flow

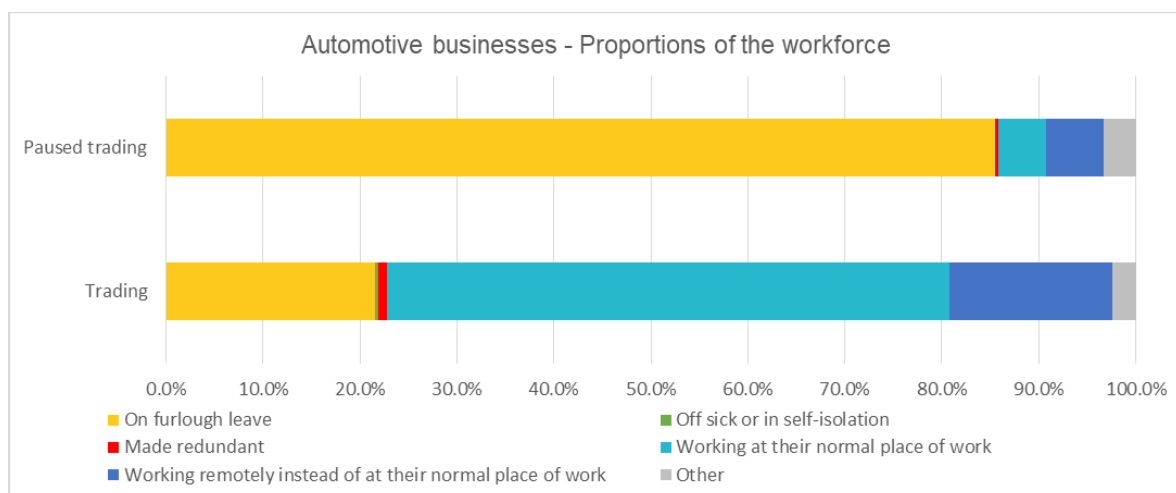


Businesses were asked “How long do you think your enterprise's cash reserves will last?”.

- 37% of automotive businesses said that their cash reserves would last more than 6 months. This has increased by 3% since last reporting.
- 6.8% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 6,400 businesses at risk. This has increased by 0.4% since last reporting.

Emerging from lockdown

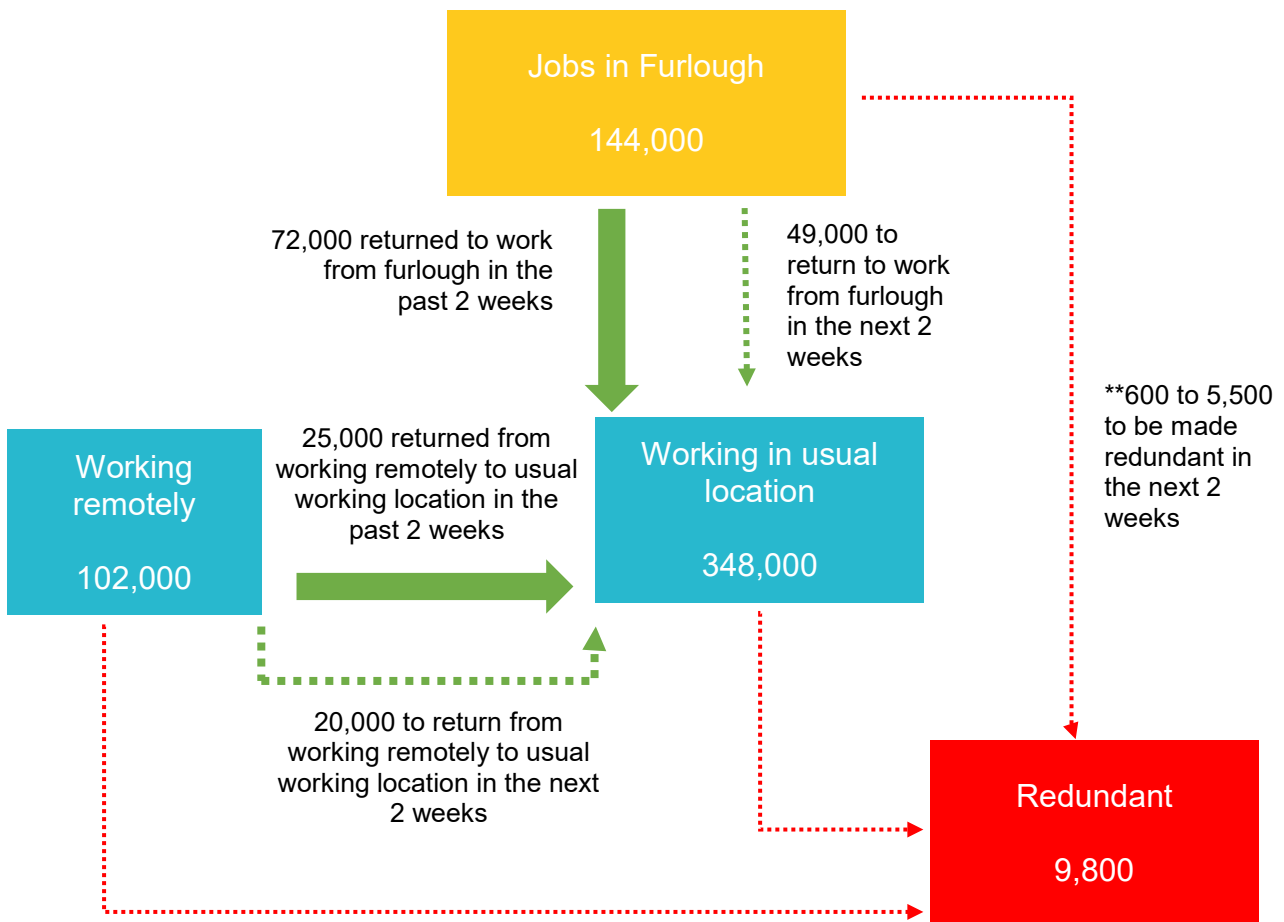
Workforce



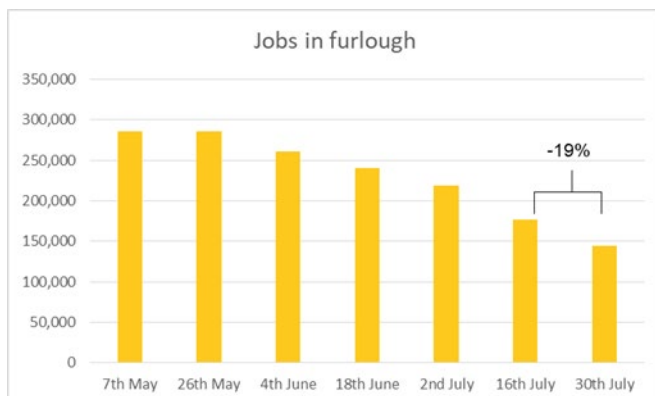
- For automotive businesses still trading, 22% of the workforce are on furlough which is approximately 129,000 jobs. This proportion has fallen by 4% since last reporting.

- 86% of the workforce of those businesses that have paused trading are on furlough. This is approximately 14,000 jobs.
- 1,800 are on sick leave or in isolation.

Furlough

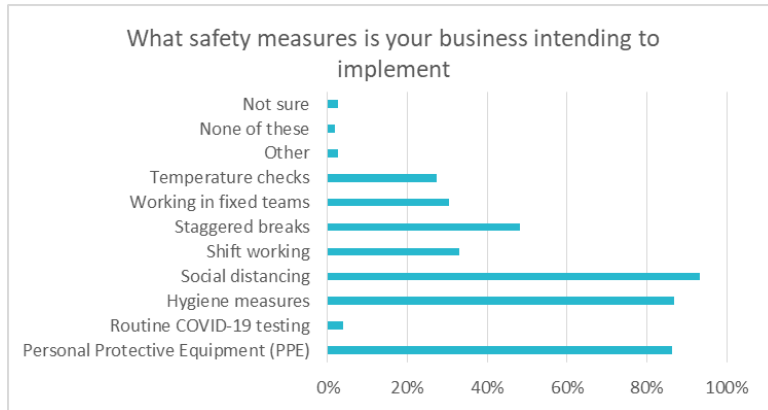


** Percentage below 1% and so suppressed by ONS report, estimates are 0.1% to 0.9%.



- At lockdown peak there were 286,000 jobs in furlough.
- Since 26th May, the reported numbers in furlough have been falling.
- The numbers in furlough have fallen by 19% this reporting.

Returning to work



- 93% of businesses returning to work will be introducing social distancing measures.
- 86% will be introducing the wearing of personal protective equipment.
- 27% will be introducing temperature checks.
- 4% will be implementing routine COVID-19 testing.

Percentage of surveyed businesses who have not permanently stopped trading.

Operating Costs – new measure

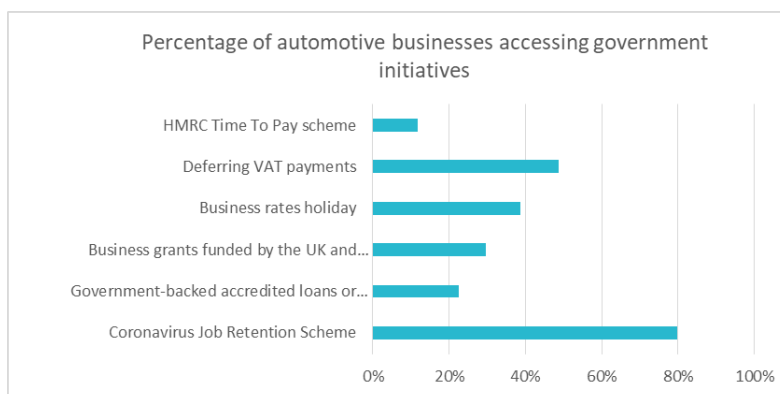
How has the implementation of these safety measures affected business operating costs

73%
Businesses stated that their operating costs have increased

9%
Businesses stated that their operating costs have substantially increased

Government Schemes and Assistance

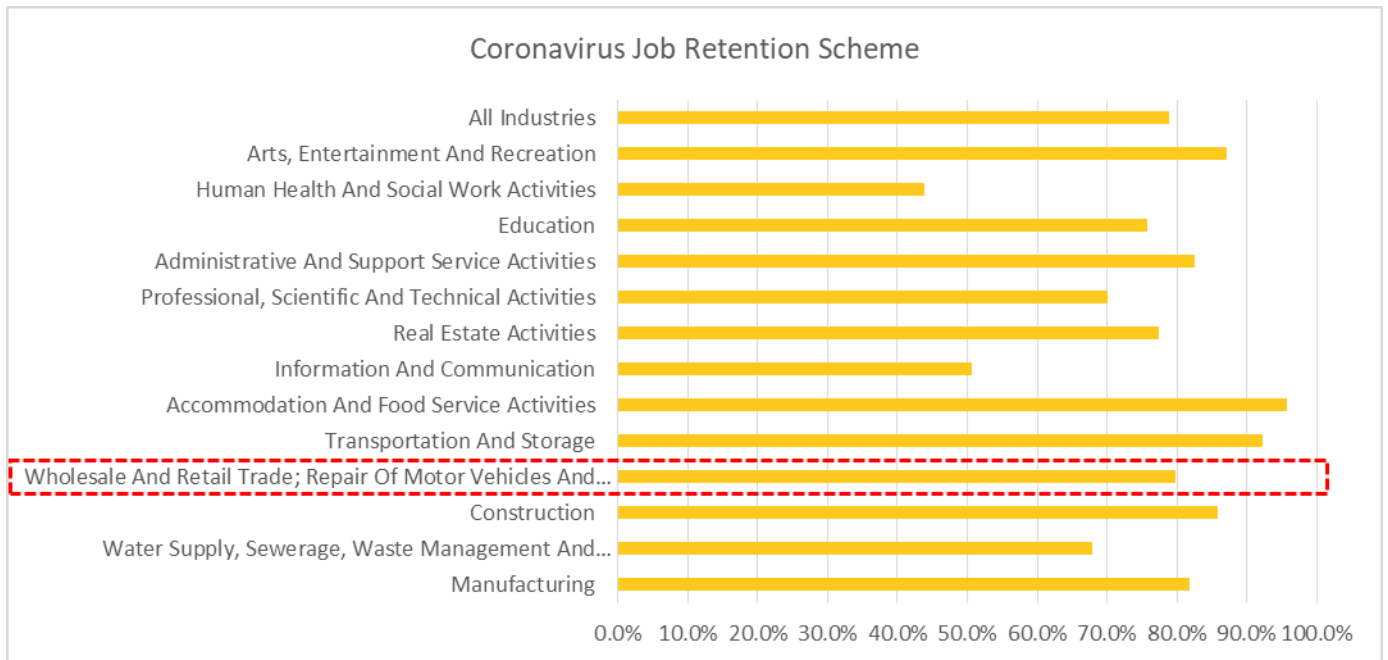
Government Schemes



- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 80%.
- 49% have deferred VAT payments and 39% have taken business rates holidays.

9,900
Businesses have received financial assistance from banks or building societies

79%
Stated that this assistance has helped them to continue to trade



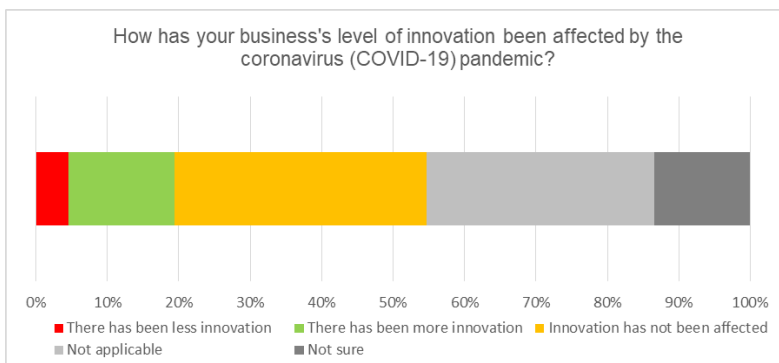
- 80% of automotive businesses have accessed the coronavirus job retention scheme.
- Compared to other industries, automotive ranks 'mid-table' and is at the same level as all industries average.

Furlough – Top ups

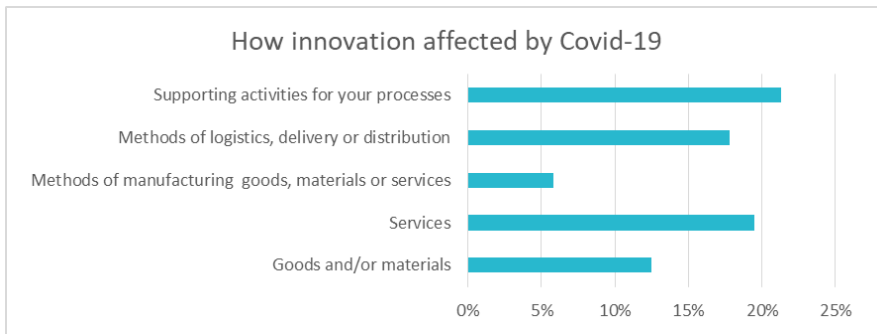


Other Measures

Innovation

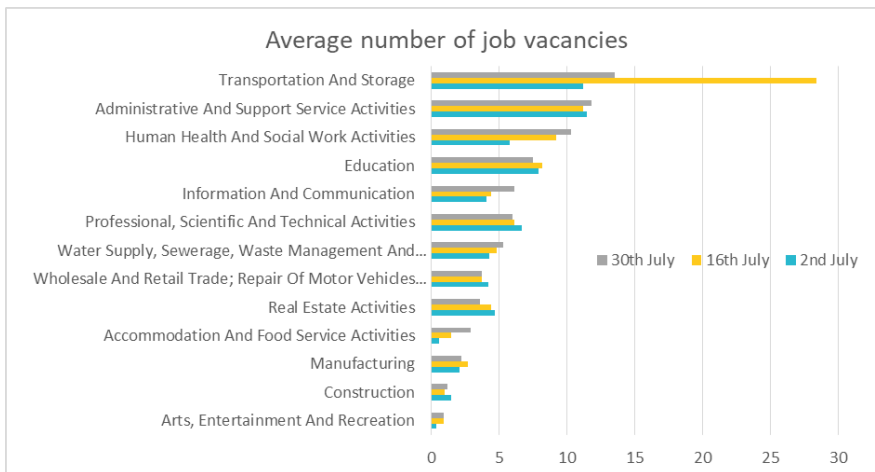


15% of automotive businesses stated that there has been more innovation since Covid-19.



Supporting activities for your processes is the most affected innovation by Covid-19.

Recruitment



The average number of external vacancies advertised for an automotive business is 3.7. This is the same level as last reporting.

Automotive businesses are lower than the whole industries average.

Data Sources

- ONS - Business impacts of COVID-19 data released 30th July 2020 [Data relates to the period 13th July 2020 to 26th July 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.