



INSTITUTE  
OF THE MOTOR  
INDUSTRY



# COVID-19 Automotive Landscape Report

Release 8



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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 8 incorporates the most recent ONS BIC data released 13<sup>th</sup> August.

The following uses the most recent issue (13<sup>th</sup> August) 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.

## Summary

### Key take away points

- The sector is now almost fully open with 97.5% of automotive businesses trading. With a further 1.5% planning to reopen in the next 2 weeks. If these plans succeed, 99% of the sector will be open and trading in the next 2 weeks.
- The governments coronavirus job retention scheme (CJRS) has assisted in keeping redundancies at a low rate - still about 1% of the sector workforce.
- 120,000 of the automotive sector remain furloughed and the rate in which those are returning to work has started to slow.
- There are dark clouds on the horizon. 5% of businesses in the sector stated that they are intending to permanently close business sites in the next 3 months and 76% of these stated that this would lead to permanent redundancies. Businesses are predicting a rise in redundancies. An additional 7000 redundancies in the sector in the next 2 weeks.
- A new measure in the BIC report outlines that 13% of automotive businesses stated that they have diversified to provide new goods or services as a result of COVID-19.

### Detailed summary

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

- 97.5% of automotive businesses are trading. This has increased each reporting period for the past 16 weeks as the sector attempts to fully reopen.
- 2% of businesses have reopened in the past 2 weeks, this equates to approx. 1,850 businesses, with a further 1.5% (1,400) planning to reopen in the next 2 weeks. If these plans succeed, 99% of the sector will be open and trading in the next 2 weeks.
- 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 (20%). The approximate equivalent of 18,000 businesses.

- 36% of automotive businesses said that their cash reserves would last more than 6 months however this has decreased by 1% since last reporting.
- Approximately 64,000 jobs have returned to work from furlough in the past 2 weeks, with an additional 52,000 planned in the next 2 weeks. This rate of return to work has slowed this reporting.

Automotive businesses are taking tough decisions in order to recover:

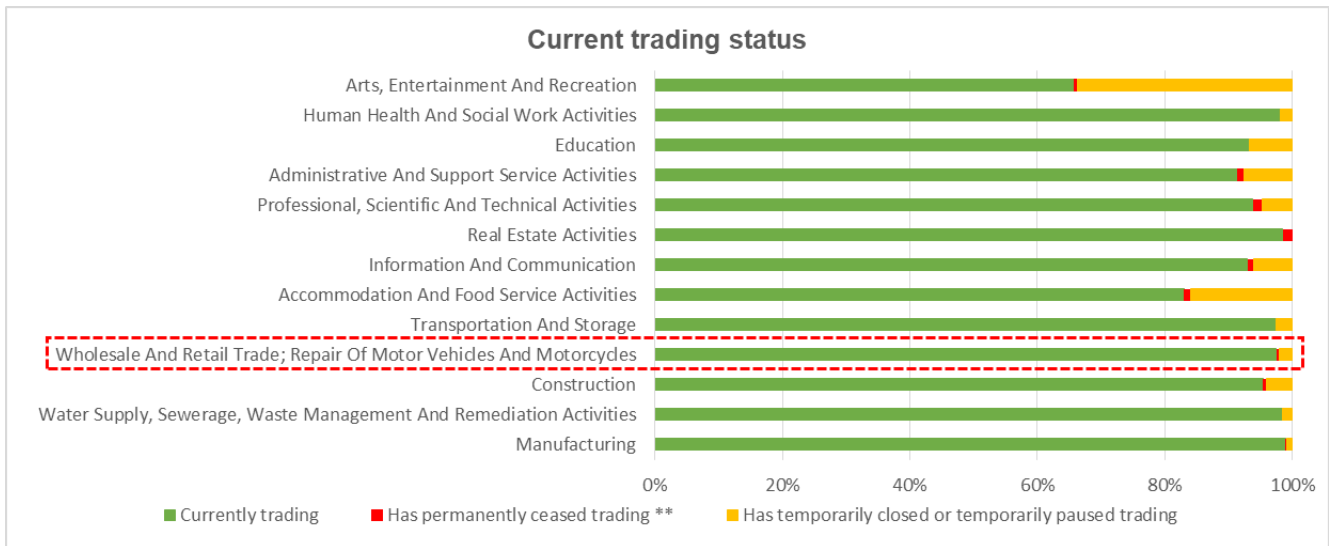
- Approximately 5,000 businesses are intending to permanently close business sites in the next three months. Of these 76% outlined that they expected that this would lead to permanent redundancies.
- Automotive businesses, on average, are advertising external vacancies at lower levels than many other industries.
- 38% of businesses with a proportion of the workforce on the furlough scheme are supplying a 'top up' to their employees.

Significant challenges remain:

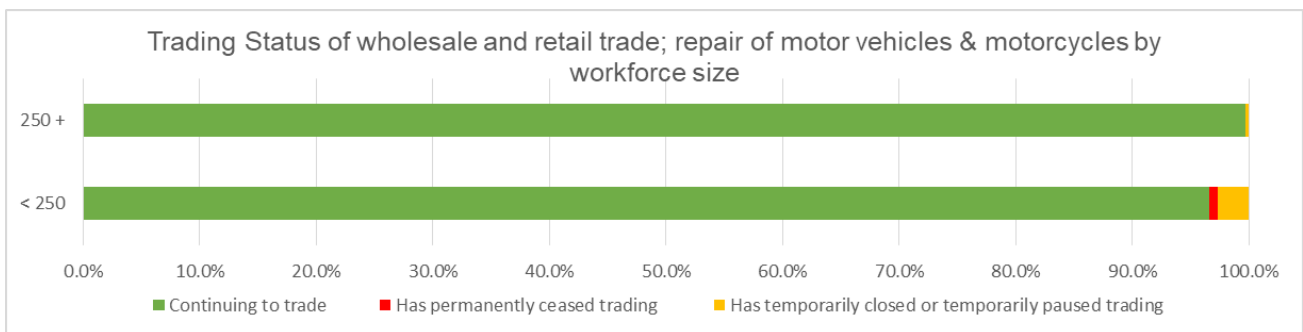
- 0.5% of businesses have permanently closed which equates to approximately 500 businesses, affecting approximately 3,000 jobs.
- Approximately 120,000 jobs remain on furlough.
- Businesses are predicting a rise in redundancies. An additional 7000 redundancies in the sector in the next 2 weeks.
- 6% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 5,700 businesses at risk.
- 73% of businesses stated that their operating costs have increased and 9% said that these costs had significantly increased.

## Economic Indicators

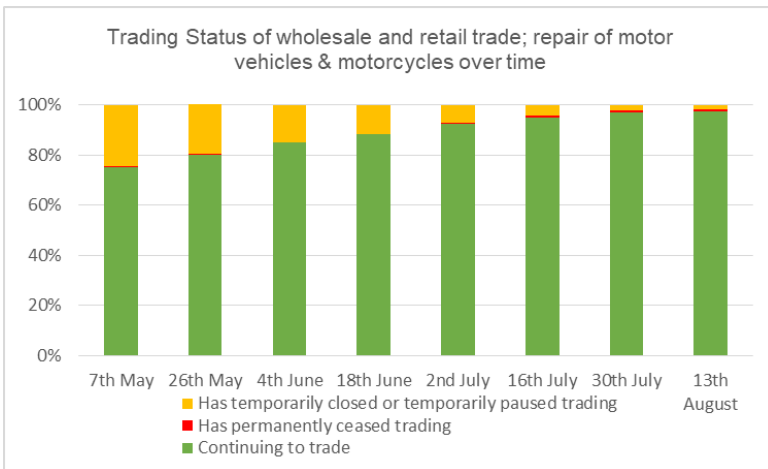
### Trading



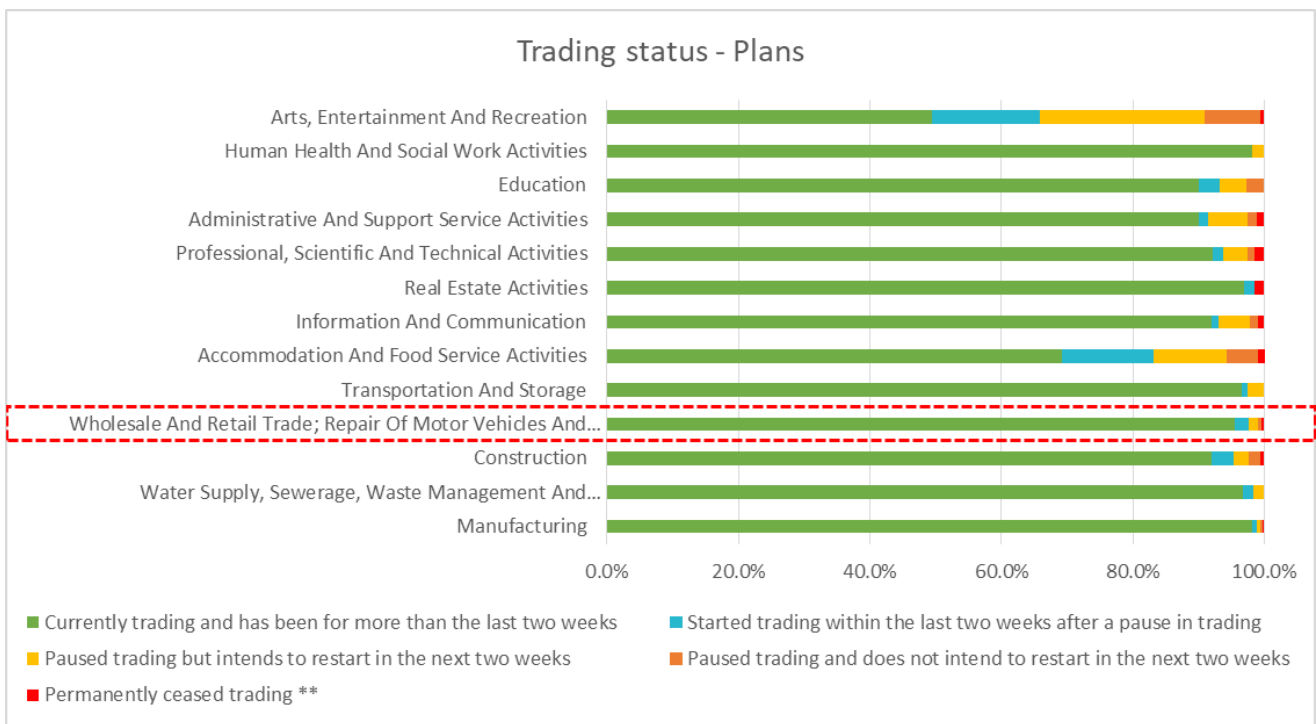
97.5% of businesses are open and trading. 2.0% of automotive businesses have temporarily closed or paused trading; this equates to approximately 1,900 businesses and 15,450 jobs. 0.5% of businesses have permanently closed which equates to approximately 500 businesses affecting approximately 3,000 jobs.



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. There are no reports in the survey of organisations of 250+ permanently closing.

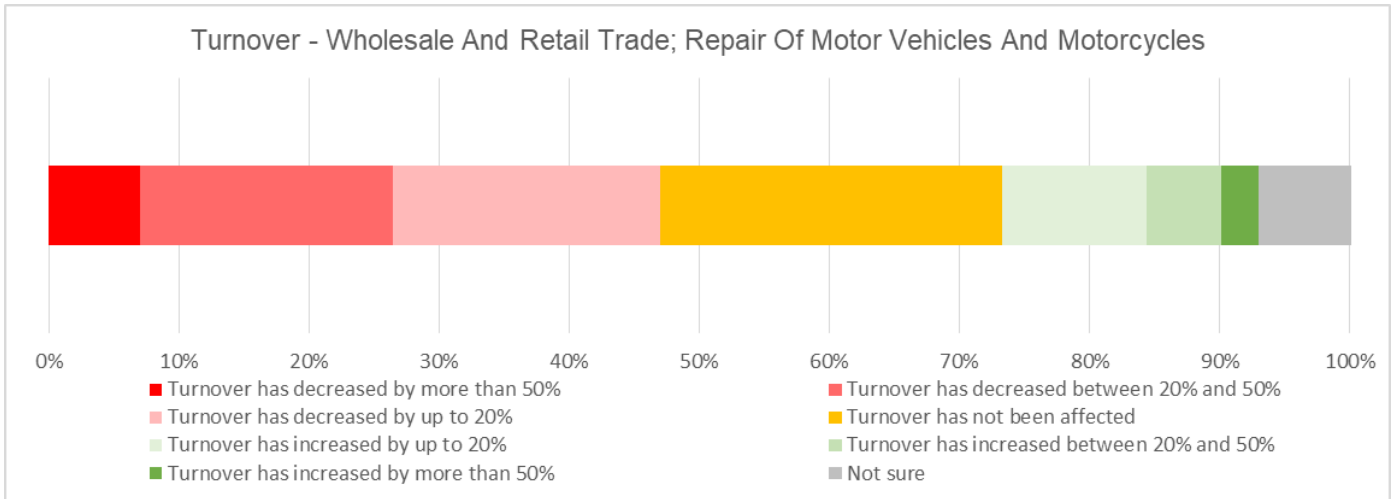


The number of businesses which have temporarily paused trading has fallen from 2.3% reported at the last BIC release to 2.0% as more establishments attempt to reopen. The number of businesses who have permanently ceased trading remained at 0.5%.

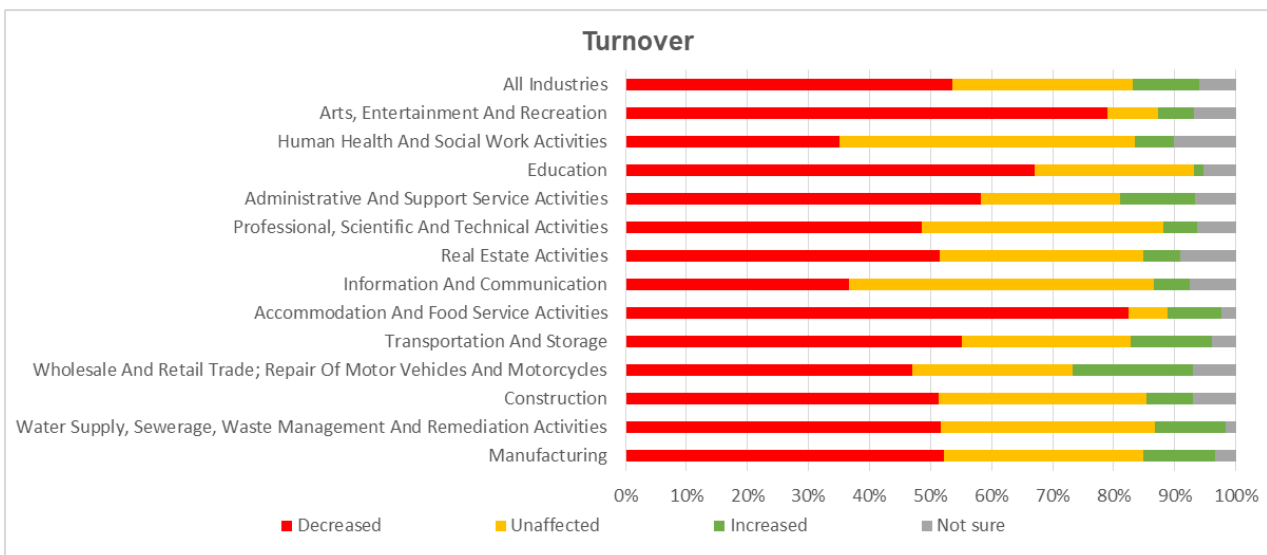


2% of businesses have reopened in the past 2 weeks, this equates to approx. 1,850 businesses, with a further 1.5% (1,400) planning to reopen in the next 2 weeks. If these plans succeed, 99% of the sector will be open and trading in the next 2 weeks.

## Turnover

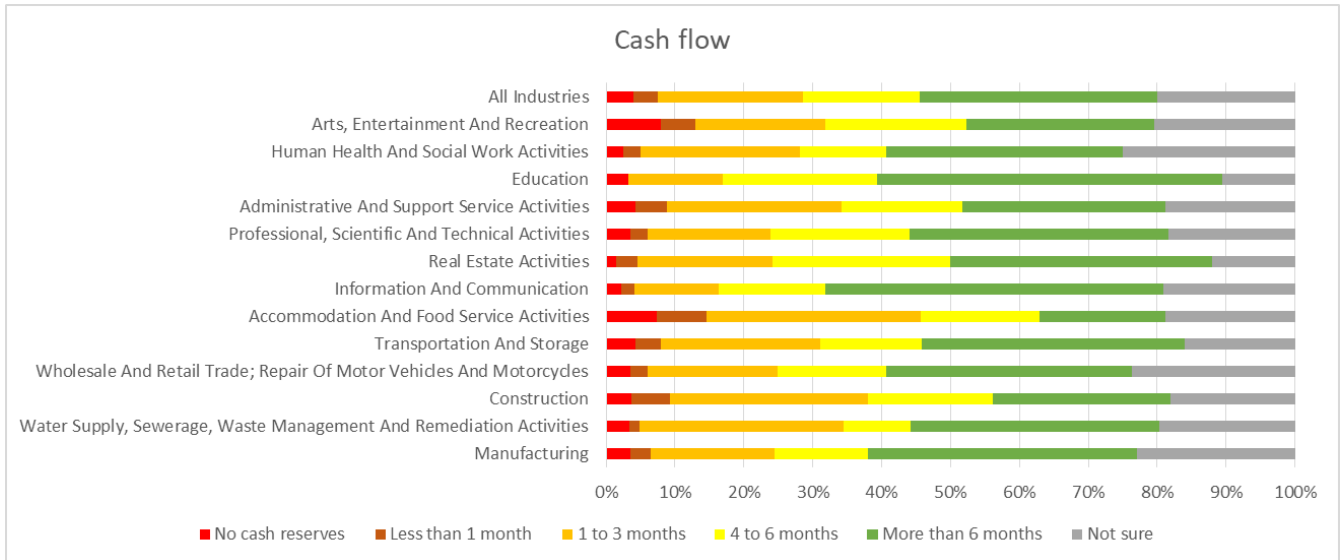


- 7% of automotive businesses who are continuing to trade are reporting turnover has decreased by more than 50%. This has decreased by 4% since last reporting.
- 47% of automotive businesses trading are reporting a decrease in turnover. This has decreased by 3% since last reporting.
- 2.9% of automotive 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 (20%). The approximate equivalent of 18,000 businesses.

## Cash flow



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

- 36% of automotive businesses said that their cash reserves would last more than 6 months. This has decreased by 1% since last reporting.
- 6% of automotive businesses said that they either had no cash reserves or less than a month, potentially putting 5,700 businesses at risk. This has decreased by 0.8% since last reporting.

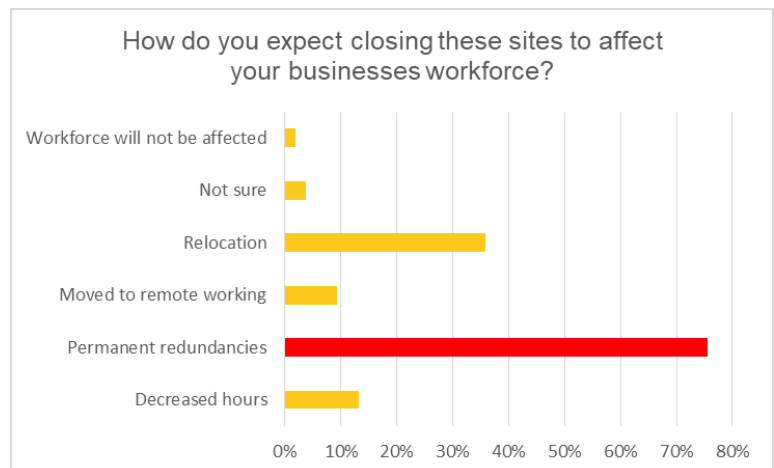
## Closing business sites – New measure

**5%**

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

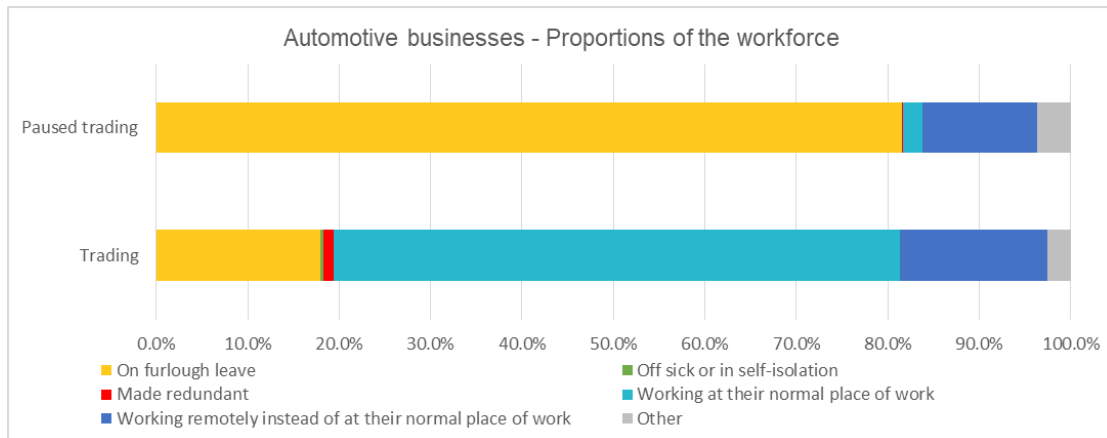
Potentially, 5000 businesses are intending to permanently close business sites in the next three months.

76% outlined that they expected that this would lead to permanent redundancies.



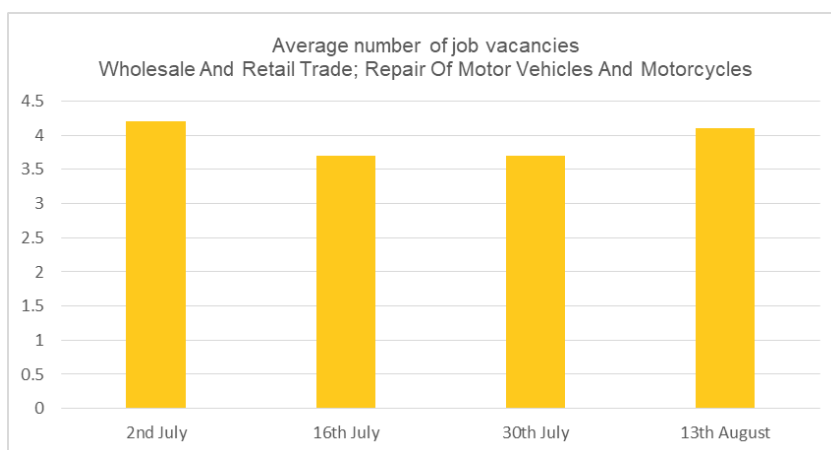
## Emerging from lockdown

### Workforce



- For automotive businesses still trading, 18% of the workforce are on furlough which is approximately 108,000 jobs. This proportion has fallen by 4% since last reporting.
- 82% of the workforce of those businesses that have paused trading are on furlough. This is approximately 13,000 jobs.
- 2,400 are on sick leave or in isolation, this increased by about 1000 since last reporting.

### Recruitment

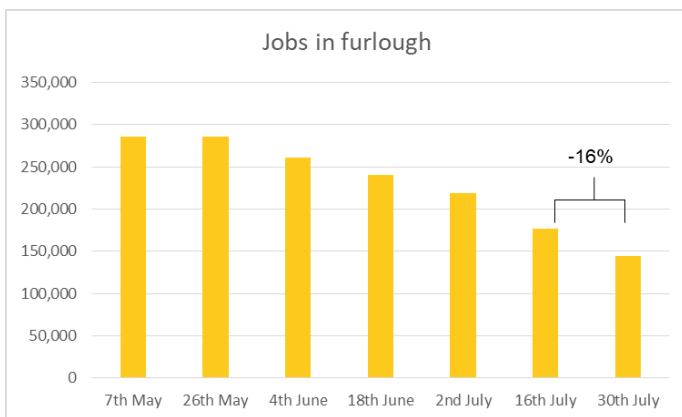
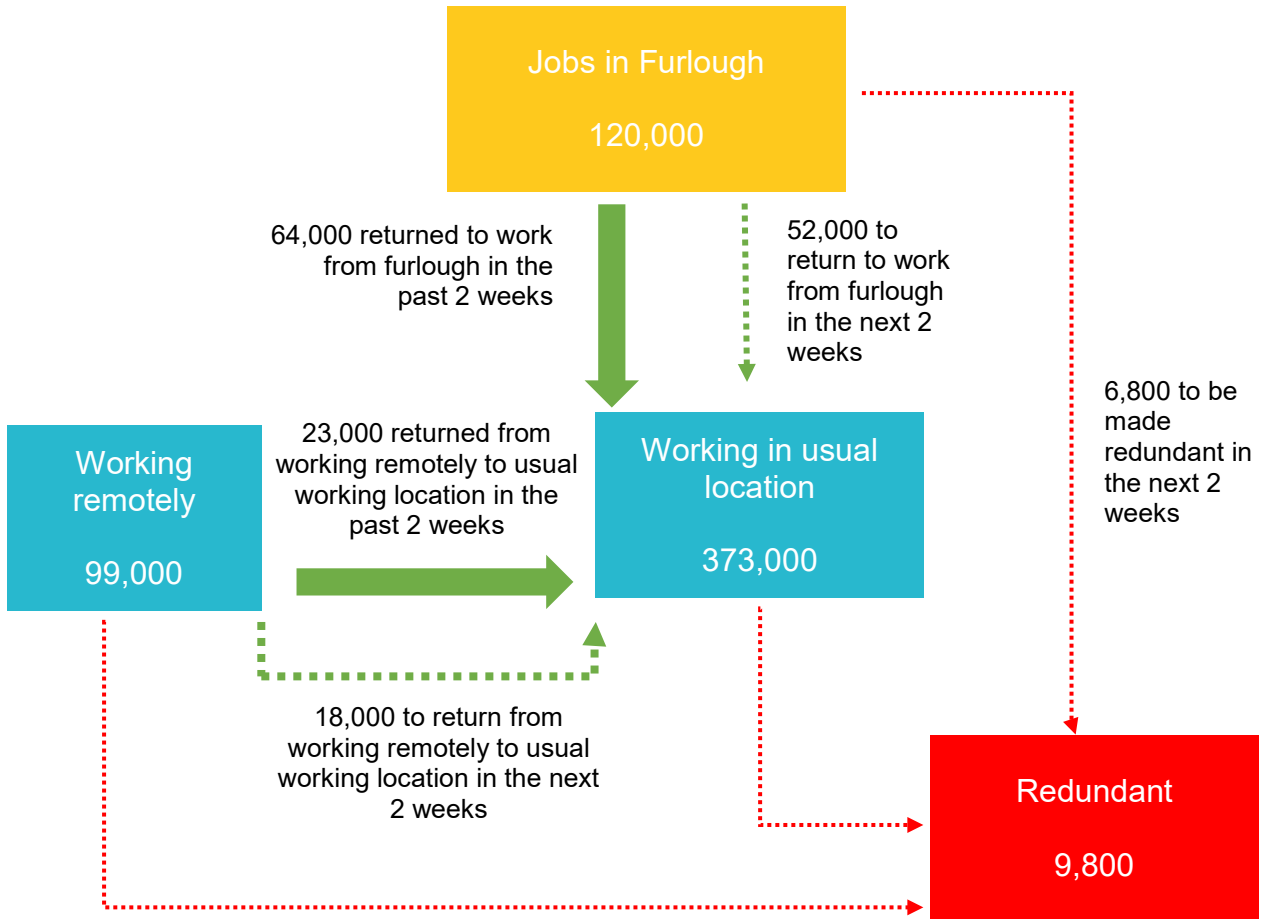


The average number of external vacancies advertised for an automotive business is 4.1. This has increased since last reporting by 0.4.

Automotive businesses are lower than the whole industries average.

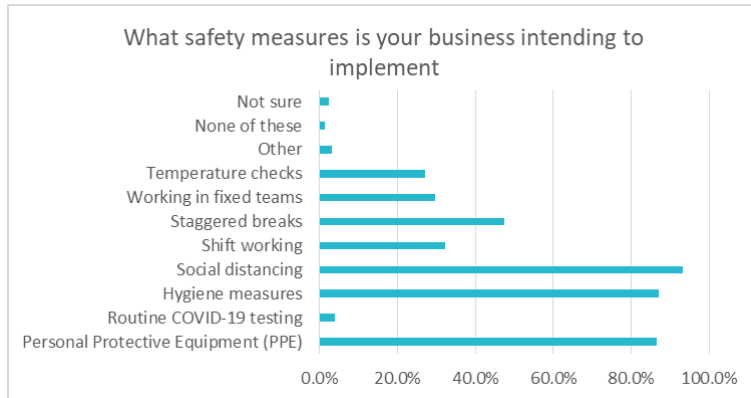


## Furlough



- 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, 16% this reporting which is 3% less than last reporting.

## Returning to work



- 93% of businesses returning to work will be introducing social distancing measures.
- 87% 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

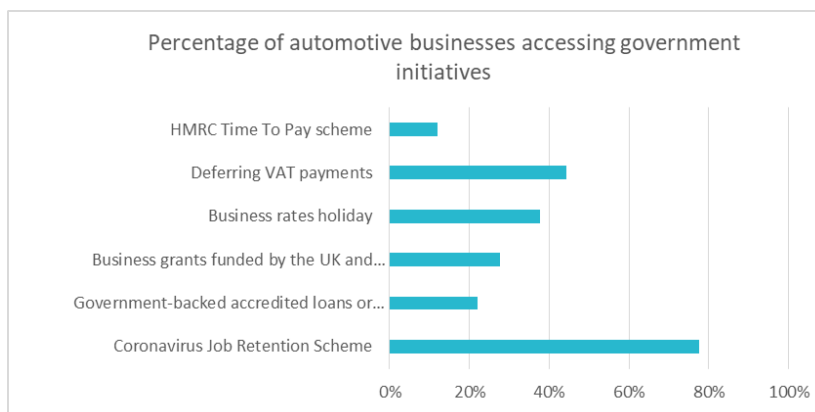
How has the implementation of these safety measures affected business operating costs?

**73%**  
Businesses stated that their operating costs have increased

**9%**  
Businesses stated that their operating costs have substantially increased

## Government Schemes and Assistance

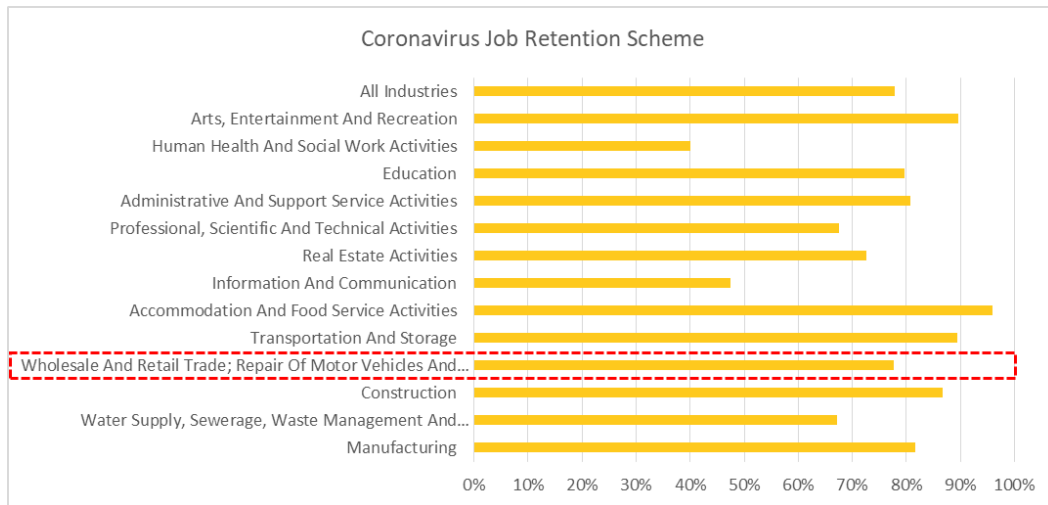
### Government Schemes



- The most popular initiative that automotive businesses have accessed during COVID-19 is the job retention scheme (furlough) at 78%.
- 44% have deferred VAT payments and 38% have taken business rates holidays.

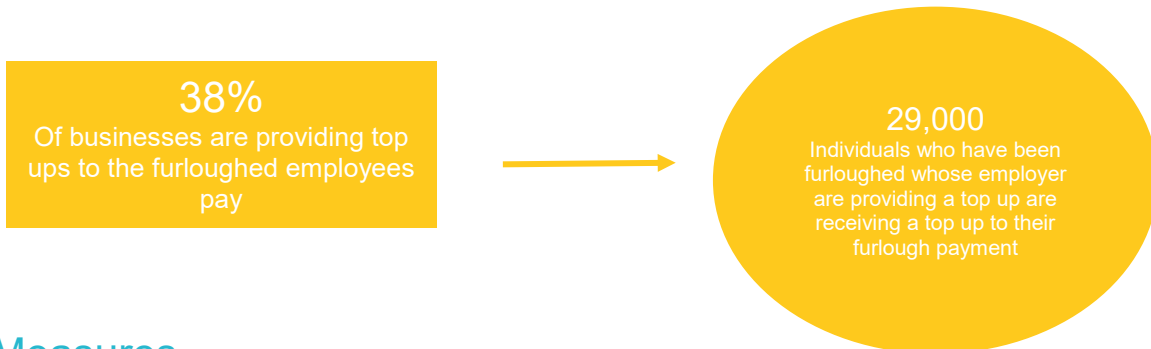
**8,700**  
Businesses have received financial assistance from banks or building societies

**78%**  
Stated that this assistance has helped them to continue to trade



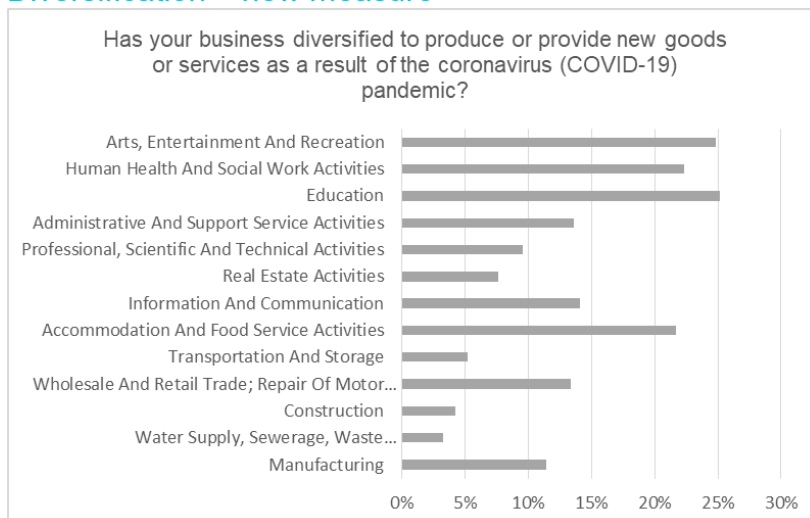
- 78% of automotive businesses have accessed the coronavirus job retention scheme.
- This is the same level as all industries average.

### Furlough – Top ups



### Other Measures

#### Diversification – new measure



- 13% of automotive businesses stated that they have diversified to produce or provide new goods or services as a result of COVID-19.
- 25% of the education sector has also diversified.



## Data Sources

- ONS - Business impacts of COVID-19 data released 13<sup>th</sup> August 2020 [Data relates to the period 29<sup>th</sup> July 2020 to 9<sup>th</sup> August 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.