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INDUSTRY



Automotive Sector Report

Edition 1

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Automotive Sector Report

Introduction

The aim of this report is to extract sector relevant analysis from a number of sources and has combined a number of IMI research reports including current landscape report, labour market report and job postings analysis. These have been combined with other data sources and headline news to present a picture of the current landscape of the automotive sector.

Please note that throughout this report, 'Wholesale and Retail Trade; Repair of Vehicles and Motorcycles' is the nearest proxy to represent the automotive sector. However, the data used for this report does include other sectors which may not be strictly automotive, and it is likely that other 'retail sectors' may have effected some measures disproportionately.

The majority of the data used related to the time period September and October 2021.

Summary

Key take away points

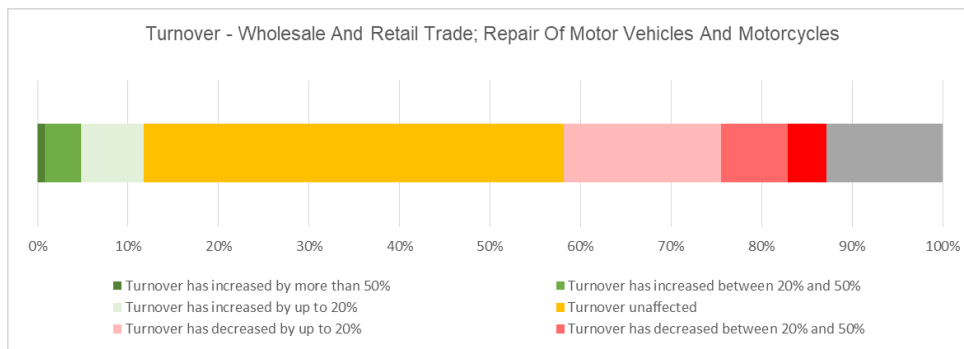
- Education and retail automotive sectors have large proportions of businesses showing downturns in turnover over the past month. In fact, these proportions are the second and fourth largest of all sectors.
- Although automotive businesses cash reserves are low in comparison to other businesses, confidence of business survival is high.
- The proportion of the workforce in automotive sector on furlough and predominantly working from home are at the lowest levels since start of pandemic.
- There does appear to be an uptick in redundancies in the sector, although numbers are significantly lower than at the peak of pandemic. The redundancy rate is the 3rd highest of all the sectors. Conversely, vacancy rate is one of the lowest, specifically, the motor trades sub sector is particularly low.
- Job posting for the 6 automotive occupations have seen significant increases in the past month all increasing by more than 10%. All apart from paint technicians see job postings now not only higher than 2020 but also higher than 2019 levels.
- 5% of all businesses in the UK are electrifying their vehicle fleet and 4% are installing charging points.
- Latest SMMT data forecasts that 287,000 plug-in vehicles will be registered in 2021 and there will be more plug-in vehicles to be registered in 2021 than the whole of the last decade.
- 90,000 TechSafe™ technicians are needed by 2030.
- Plug-in car performance holds steady despite overall registrations falling (-24.6%). Plug-in vehicles now account for 16.6% of all cars registered so far in 2021.

Economic Indicators

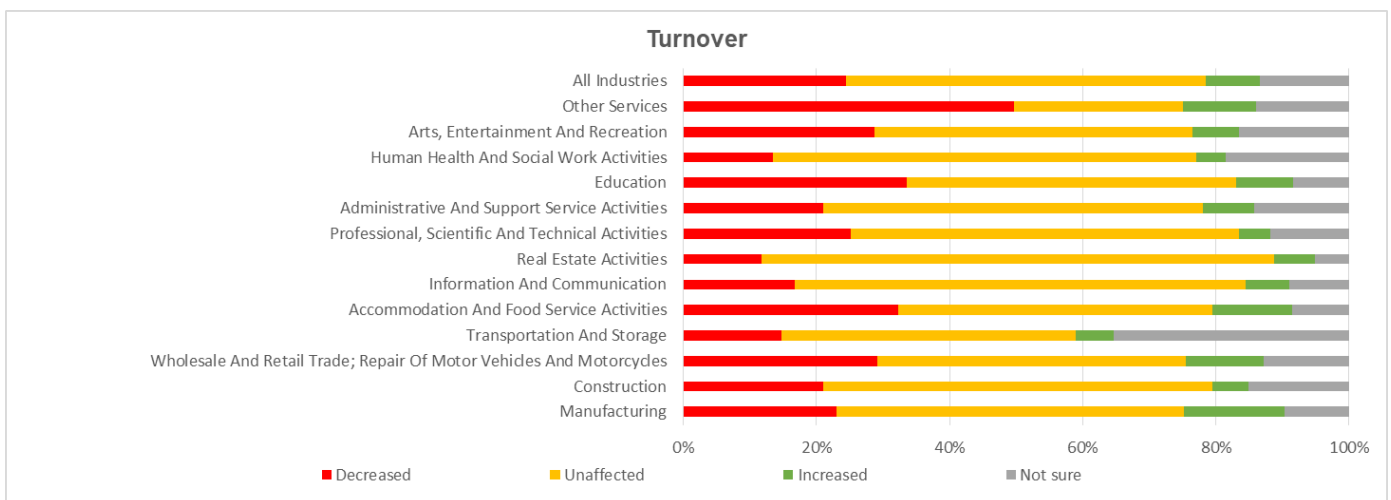
Data used in the Economic Indicators section uses ONS data taken from the results of the fortnightly business impact of COVID survey (BIC) – see data sources.

Turnover

In the last two weeks, how has the Coronavirus (COVID-19) pandemic affected your business's turnover, compared to what is normally expected for this time of year?



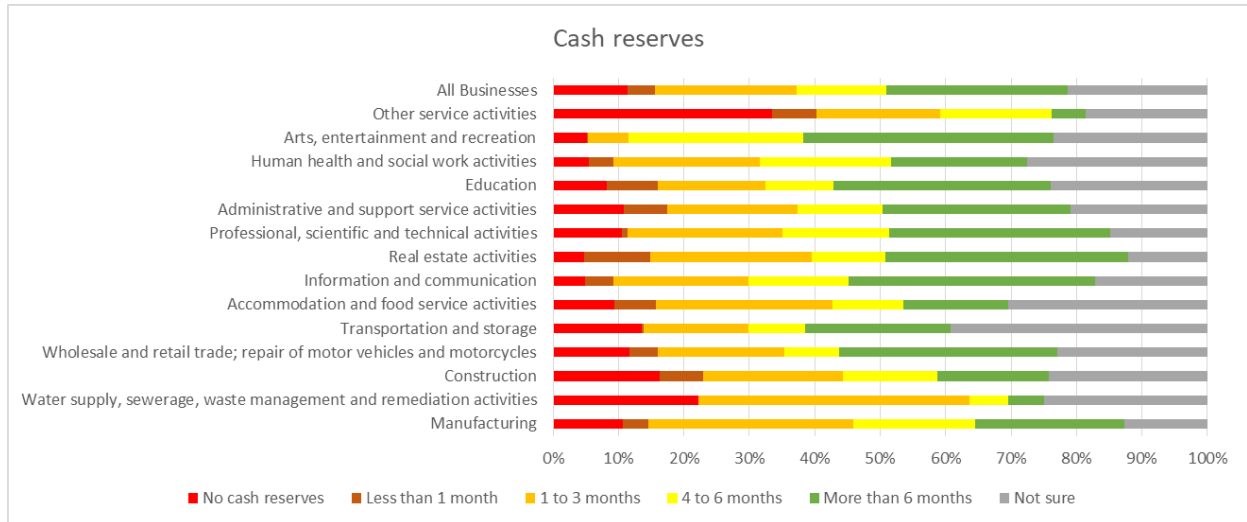
12% of automotive businesses trading are reporting an increase in turnover. 29% are reporting decreases in turnover of which 4% are reporting turnover decreases of more than 50%.



Data source: ONS BIC 21st Oct

In the education (private sector and higher education businesses only) industry, 34% of businesses reported experiencing a decrease in turnover in the last two weeks compared with normal levels for this time of year, in early October 2021. This is the second largest proportion of all the sectors. 29% wholesale and Retail Trade; Repair of Vehicles and Motorcycles businesses reported experiencing a decrease in turnover, the 4th largest proportion.

Cash reserves

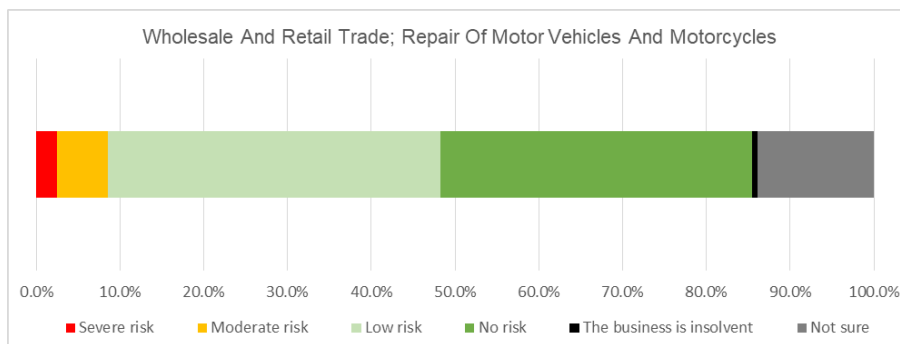


Data source: ONS BIC 21st Oct

34% of automotive businesses said that their cash reserves would last more than 6 months. 16% of automotive businesses said that they either had no cash reserves or less than a months' worth.

Risk of insolvency

What is your business's risk of insolvency?

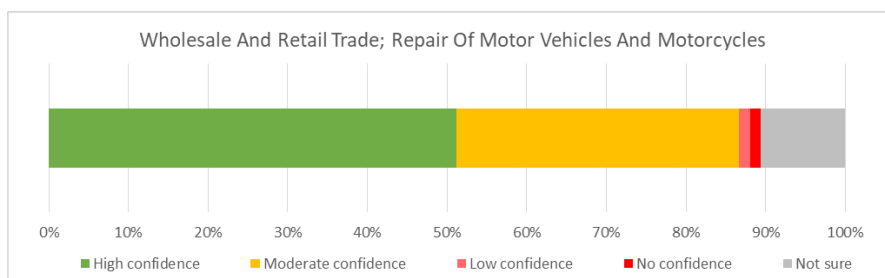


In this reporting, less than 1% of automotive businesses stated being insolvent. However, 2.5% stated that they were at severe risk of insolvency and 48% stated there was some risk of insolvency.

Data source: ONS BIC 21st Oct

Business confidence

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



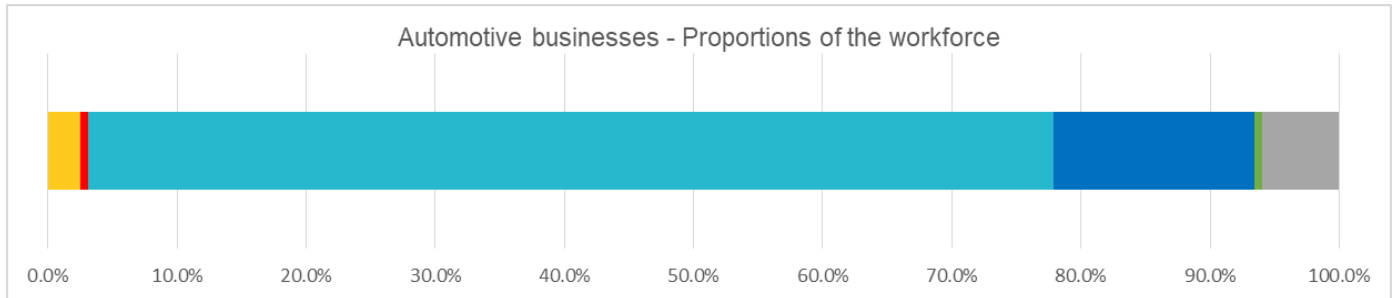
Business confidence continues to improve with just 3% stating that they had low or no confidence that their business will survive the next 3 months.

Data source: ONS BIC 21st Oct

Workforce

Workforce status

Work status uses ONS data taken from the results of the fortnightly business impact of COVID survey (BIC) – see data sources.



Data source: ONS BIC 21st Oct

For automotive businesses still trading, 3% of the workforce are on partial leave or furlough. 16% of the workforce are working remotely instead of at their normal place of work, this has fallen by 1% since last reporting. These equate to approximately the following jobs in the sector:

- 16,500 jobs on furlough (full and partial)
- 103,500 jobs working remotely
- 499,000 jobs working in the usual location
- 19,500 redundancies

The number on furlough and those working remotely are at the lowest since the start of the pandemic.

Redundancies

Please note that, 'Wholesale and Retail Trade; Repair of Vehicles and Motorcycles' is the nearest proxy to represent the automotive sector. However, the data will include other sectors which are not strictly automotive. The following uses ONS labour market data specifically RED02: Redundancy levels and rates by industry for those aged 16 and over.

Redundancy Rates

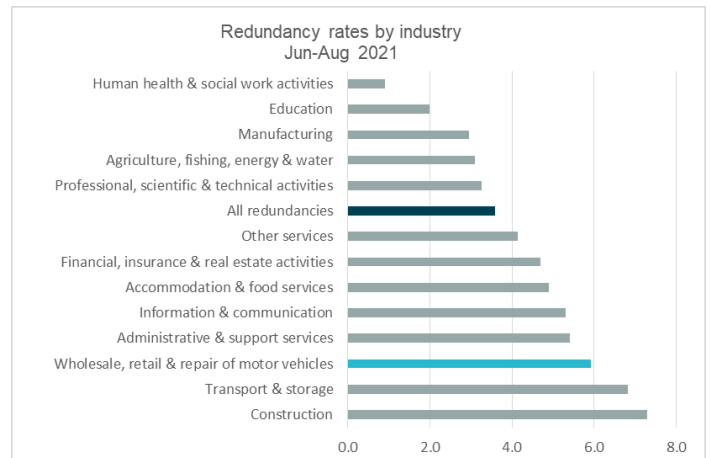
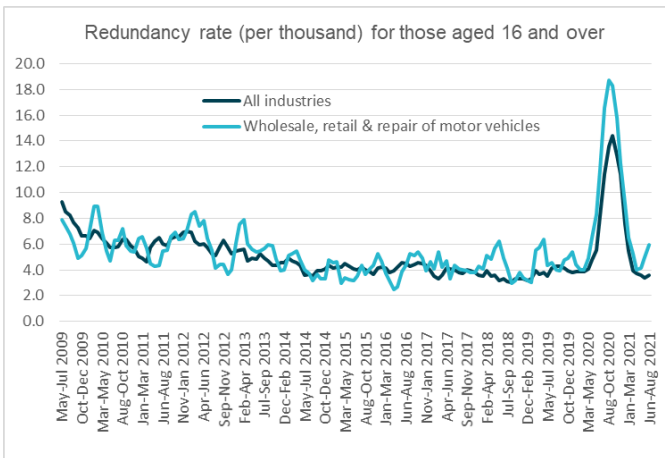
3.6%

Redundancy rate
Jun-Aug 2021

5.9%

Automotive sector
redundancy rate
Jun-Aug 2021

- 19% increase in the past month
- 50% decrease compared to the same period last year
- 29% increase since 2019



Data source: ONS LAB RED02

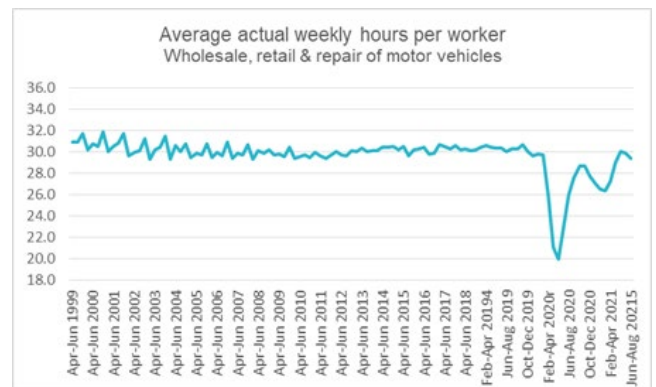
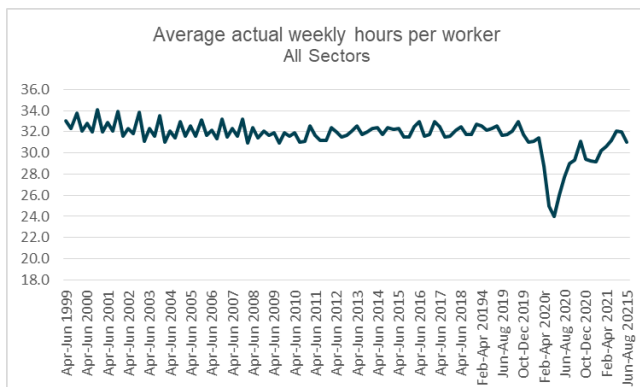
The redundancy rate in the 'Wholesale and Retail Trade; Repair of Vehicles and Motorcycles' sector is currently 5.9%, which has seen an uptick in the past month of 19%. Levels are, however, still significantly lower than at the height of the pandemic. It is 1.3 percentage points higher than the 'All Industries' rate. It has the 3rd highest rate of the 13 outlined industries. As previously stated, the 'Wholesale and Retail Trade; Repair of Vehicles and Motorcycles' is the nearest proxy to represent the automotive industry.

Hours worked

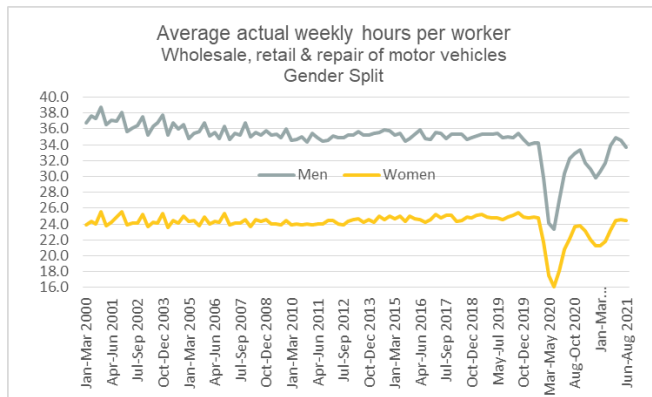
The following uses ONS labour market data specifically HOUR03: Average actual weekly hours of work by industry sector

All Jobs
31.0 hrs
Avg worker hours per week Jun - Aug 2021

Automotive Jobs
29.4
Avg worker hours per week Jun - Aug 2021



- In the period June to August 2021, the average worker carried out 31.0 hours of work in comparison to those in the 'Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycle', who on average worked 29.4 hours.
- Average hours worked have decreased this month likely due to it being summer months, however levels are marginally lower compared to 2019 and 2018 summer periods.



**Men
Automotive Jobs**
33.7
Avg worker hours per week
Jun - Aug 2021

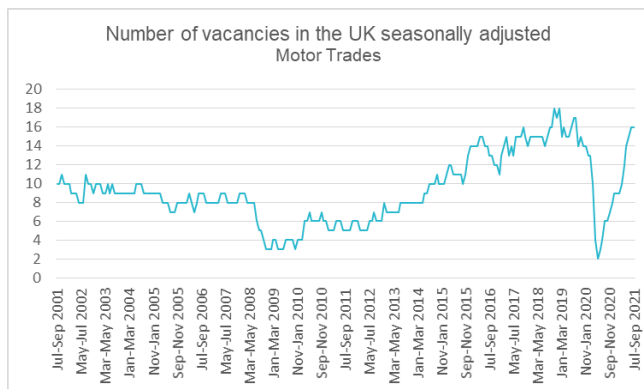
**Women
Automotive Jobs**
24.1
Avg worker hours per week
Jun - Aug 2021

In the period April to June 2021, the average male working in 'Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycle' worked 33.7 hours, compared to females at 24.1 hours. Male hours decreased by 2% but female remained the same in the past month.

Data source: ONS LAB HOURS03

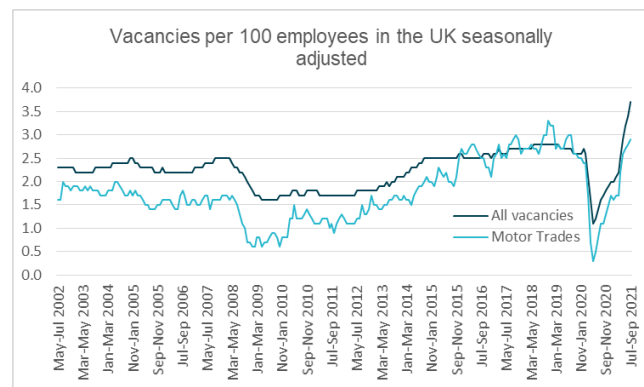
Vacancies

The following uses ONS labour market data specifically VACS02: Vacancies by industry

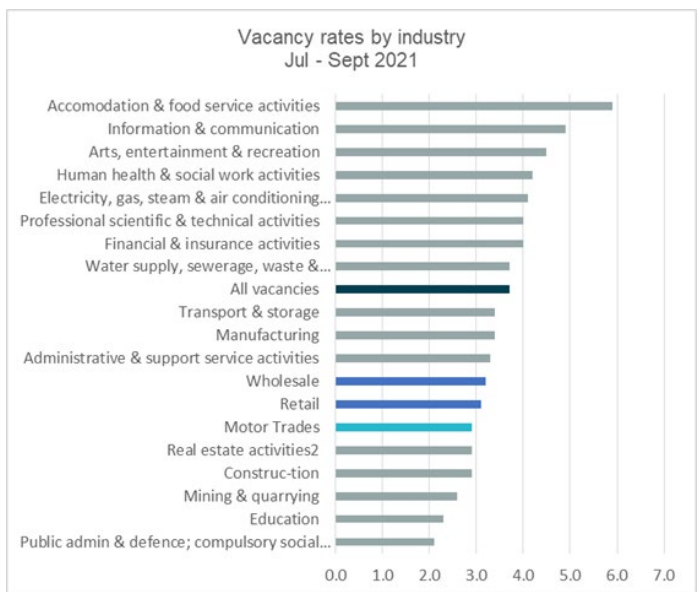


**Sector
16,000**
Vacancies in July – September 2021

For July to September 2021, there were an estimated 16,000 vacancies in the Motor Trades sub sector; this has been increasing for the past 7 months. Levels are currently at 2019 levels.



The motor trade vacancies ratio is 2.9 which is 0.8 lower than the all vacancy rate. In comparison to other sectors the vacancy rate is the 6th lowest.

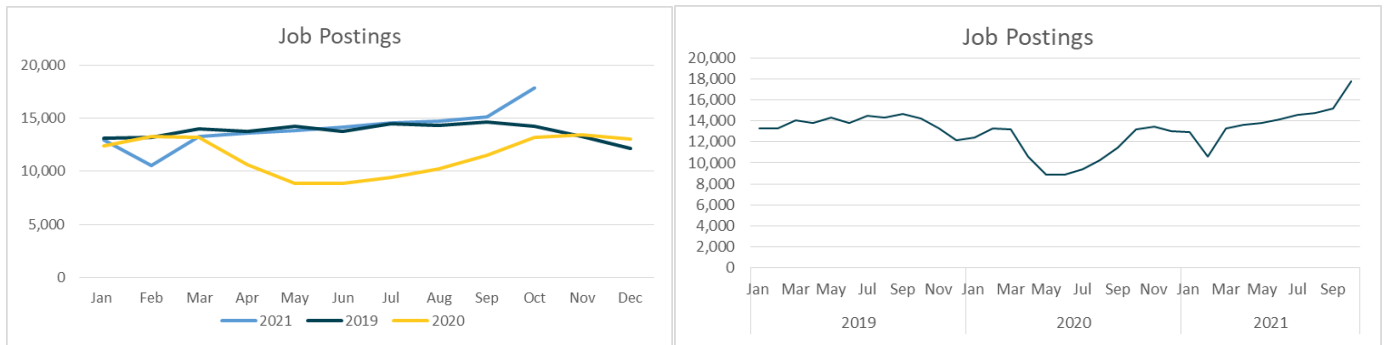


Data source: ONS LAB HOURS03

Occupation Analysis

Data used in the following section is taken from EMSI job postings data – see data sources.

Vehicle Technicians, Mechanics and Electricians



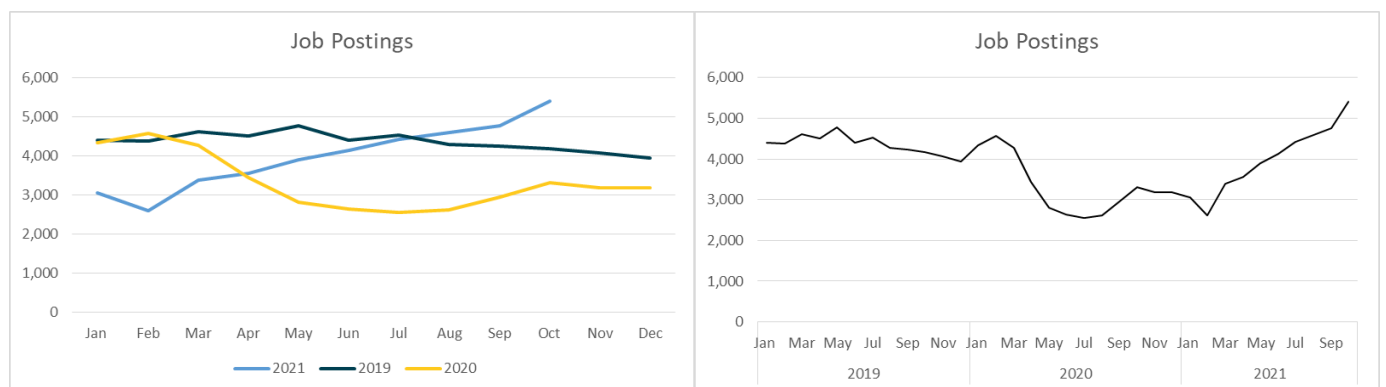
17,827
Job Postings in October 2021

Top 10 Skills requested			
1	Mechanics	6	Enthusiasm
2	Vehicle Maintenance	7	Detail Oriented
3	Communications	8	Problem Solving
4	Customer Service	9	Sales
5	Management	10	Automotive Industry

Job postings for vehicle technicians have been increasing month on month since

February 2021 and are currently 35% higher than 2020 level, and 25% higher than 2019 levels. Halfords continues to be the biggest direct recruiter.

Vehicle and Parts Sales persons



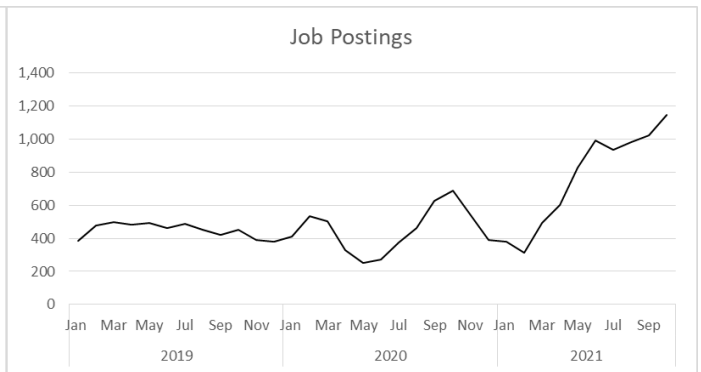
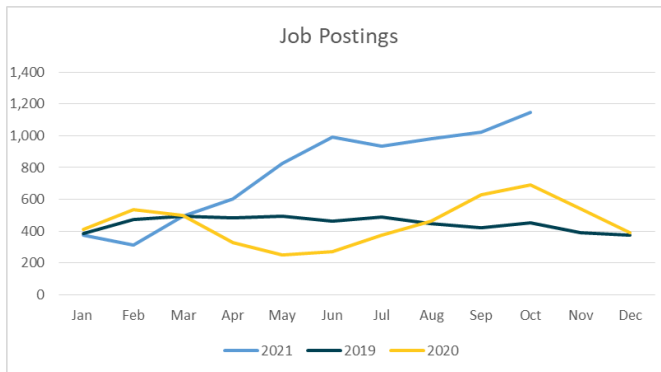
5,399
Job Postings in October 2021

Top 10 Skills requested			
1	Sales	6	Finance
2	Customer Service	7	Enthusiasm
3	Automobile Dealership	8	Upselling
4	Communications	9	Sales Management
5	Selling Techniques	10	Vehicle Parts

Job postings for vehicle sales and parts sales

persons have been increasing month on month since February 2021 with a significant 12% increase in the past month, and are at the highest levels since 2018. They are currently 63% higher than 2020 levels and are 29% higher than 2019 levels. Vehicle parts has moved into the top 10 requested skills in October.

Vehicle Valeters and Cleaners

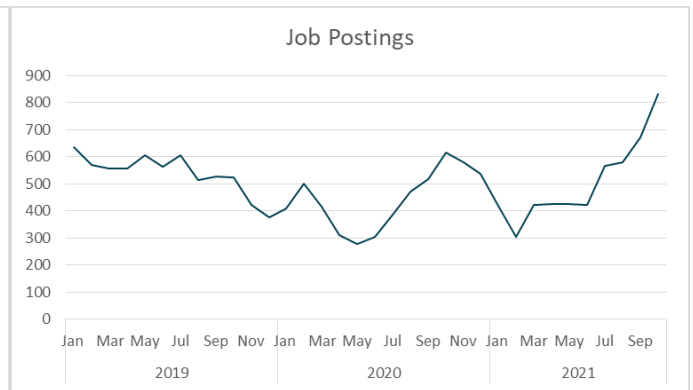
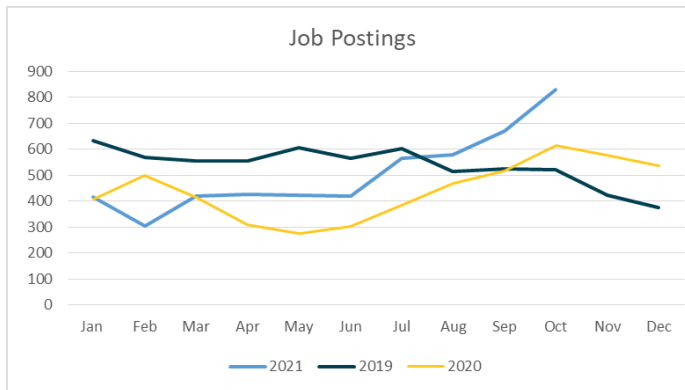


1147
Job Postings in October 2021

Top 10 Skills requested			
1	Detail Oriented	6	Pressure Washer
2	Enthusiasm	7	Polishing
3	Customer Service	8	Communications
4	Self-Motivation	9	PPE
5	Multitasking	10	Machinery

Job postings for vehicle valeters continues its record demand and increased by 12% from last month. Job postings are 66% higher than October 2020 and 154% higher than 2019. Customer Service skills moved up 2 spaces in the top 10 skills list.

Tyre, Exhaust and Windscreen Fitters

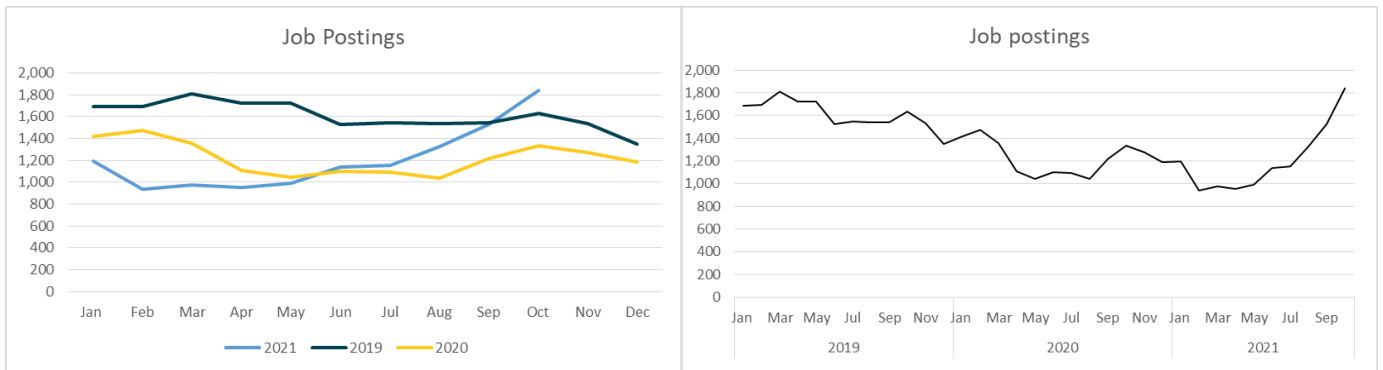


831
Job Postings in October 2021

Top 10 Skills requested			
1	Customer Service	6	Management
2	Communications	7	Brakes
3	Willingness To Learn	8	Training And Development
4	Mechanics	9	Suspension (Vehicle)
5	Self-Motivation	10	Sales

Job postings for tyre, exhaust and windscreen fitters levels increased by 19% this month, and are 35% higher than the same period last year. Willingness to learn and management are skills that moved into the top 10 requested skills in October.

Vehicle Body Builders and Repairers

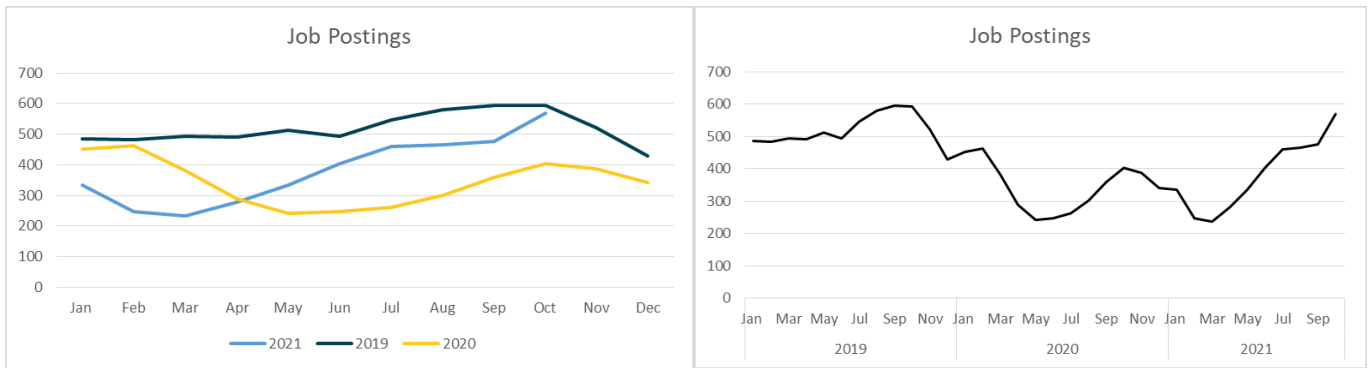


1839
Job Postings in October 2021

Top 10 Skills requested			
1	Self-Motivation	6	Mechanics
2	Painting	7	Customer Service
3	Customer Satisfaction	8	Estimators
4	Detail Oriented	9	Communications
5	Paint Sprayers	10	Production Management

Job postings for body builders and repairers have increased this month by 17%, levels are now 38% higher than the same period last year, and are now higher than 2019 levels.

Vehicle Paint Technicians



570
Job Postings in October 2021

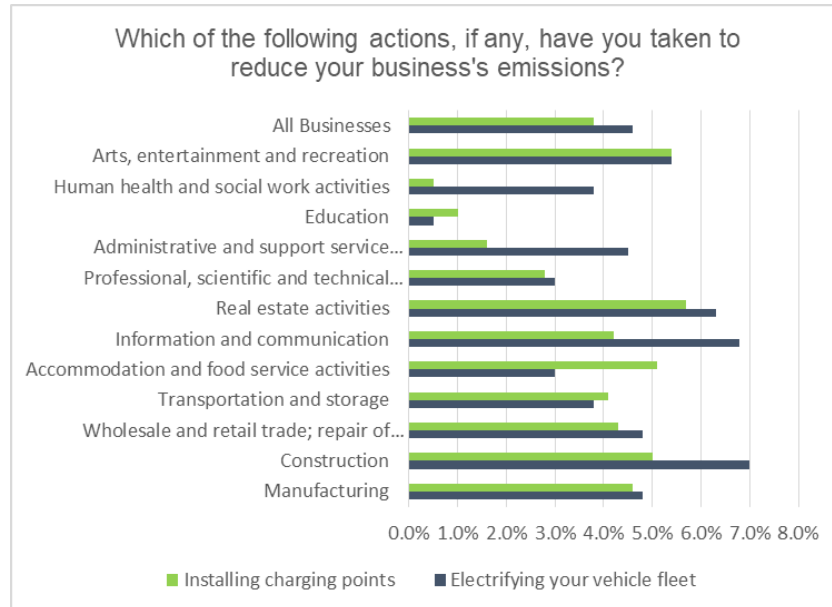
Top 10 Skills requested			
1	Paint Sprayers	6	Self-Motivation
2	Painting	7	Production Management
3	Spray Painting	8	Detail Oriented
4	Mechanics	9	Communications
5	Estimators	10	Automotive Industry

Job postings for vehicle paint technicians increased in October by 20%. Levels are now 41% higher than the same period last year, but are 4% lower than 2019. Experience of the automotive industry has entered the top 10 skills requested.

Net zero, electric vehicles and alternative fuels

Business Net Zero plans

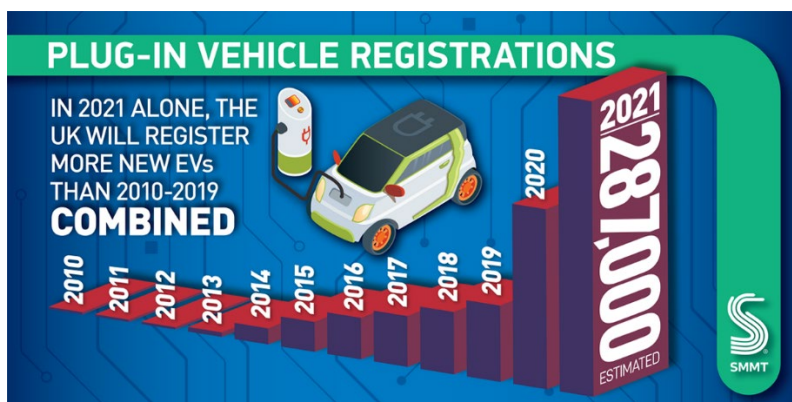
Data used in this section uses ONS data taken from the results of the fortnightly business impact of COVID survey (BIC).



Data source: ONS BIC 21st Oct

5% of businesses in the UK are electrifying their vehicle fleet and 4% are installing charging points. The construction sector has the highest proportion of businesses electrifying their fleet.

Electric Vehicle forecasts



Latest SMMT data forecasts that 287,000 plug-in vehicles will be registered in 2021. This is more plug-in vehicles to be registered in 2021 than the whole of the last decade. BEV registrations are also expected to exceed those of diesel by the end of 2022. The rise is even more remarkable given that 2021 is expected to be a relatively weak year for new car registrations, some -30% below

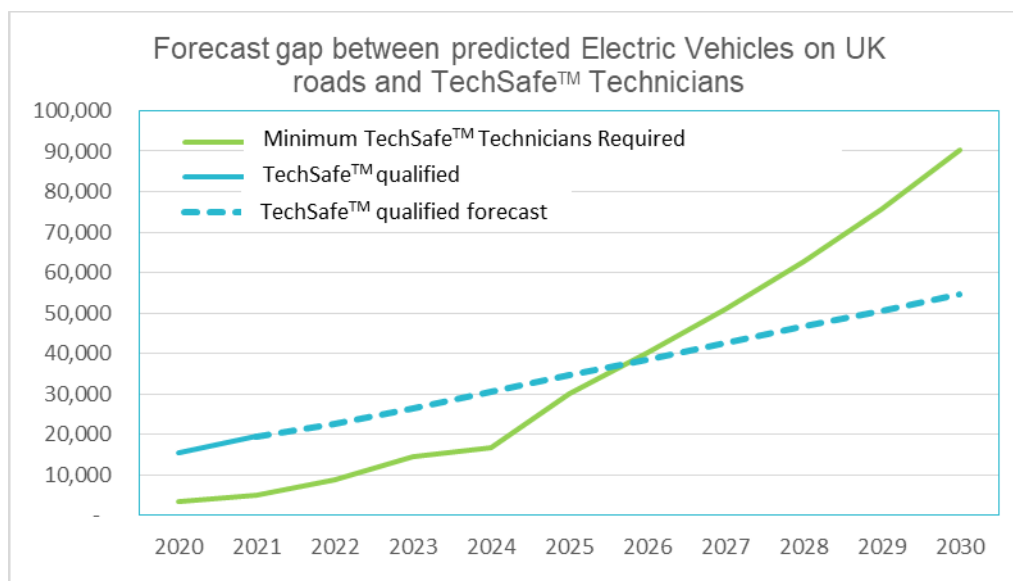
the average recorded over the past decade. The semiconductor shortage has reduced overall global car production, but manufacturers have done all they can to ensure the availability of as many plug-in vehicles as possible.

Uptake rates of plug-in vehicles began to accelerate dramatically during 2020, as the billions of pounds invested by manufacturers in new technology resulted in the widest ever choice of zero emission-capable cars. More than a quarter of all car models available in the UK can now be plugged in.

The UK already plans to be the first major automotive market to end the sale of new conventional petrol and diesel cars in 2030, but delivering this bold aim will require the continuation of purchase incentives to encourage those drivers currently unable or unwilling to make the transition to electrified motoring. Even more significant, however, is the need for turbocharged investment by both the public and private sector into the essential public charging infrastructure required by a growing plug-in vehicle fleet.

TechSafe™

Using the Society of Motor Manufacturers and Traders (SMMT) high scenario, the IMI predicts that the number of TechSafe™ qualified technicians required by 2030 is 90,000. As of 2020 there were 15,400 qualified TechSafe™ technicians, and using current forecast trends, by 2030 there could be a shortfall of 35,700 qualified technicians, risking the safety of technicians and undermining confidence that consumer’s electric vehicles can be serviced, maintained and repaired by a garage with the right skills. The forecast also indicates that the gap could materialise as soon as 2026 thus risking the government’s 2030 green ambitions.



Key headlines from the sector news

Ford to invest £230m to make Halewood plant its European EV component hub

Ford is to invest £230m in its Halewood plant on Merseyside to make electric car parts, helping safeguard 500 jobs. There had been speculation about the future of the Halewood factory complex as Ford moves towards electrifying its vehicles. Part of the investment will come from the government’s Automotive Transformation Fund. The plan is set to be fully realised by 2024 as part of Ford’s commitment to make 100% of its passenger vehicles EVs by 2030. Ford is not the first manufacturer to receive financial help for electric vehicle production through the fund, set up to encourage investment in electric vehicle manufacturing in the UK. In July, Nissan announced a major expansion of electric vehicle production at its car plant in Sunderland, which will create 1,650 new jobs.

UK Government's Net Zero strategy 'brings clarity' to EV retail plans

The UK Government's newly-published Net Zero Strategy includes proposals for a zero-emission vehicle (ZEV) mandate forcing manufacturers to sell a certain proportion of electric vehicles (EVs). Ministers will earmark a further £620m for zero emission vehicle grants and EV infrastructure, including funding for local EV infrastructure, with a focus on local on street residential charging. It is also allocating a further £350m of its £1bn Automotive Transformation Fund (ATF) to support the electrification of UK vehicles and their supply chains. Government said it plans to consult on its ZEV mandate plans in early 2022. It will seek views on the design of the ZEV mandate (including uptake trajectories) and CO2 emissions regulation (as a backstop to ensure standards in the remainder of the fleet are maintained), and how and when targets will be set and enforced.

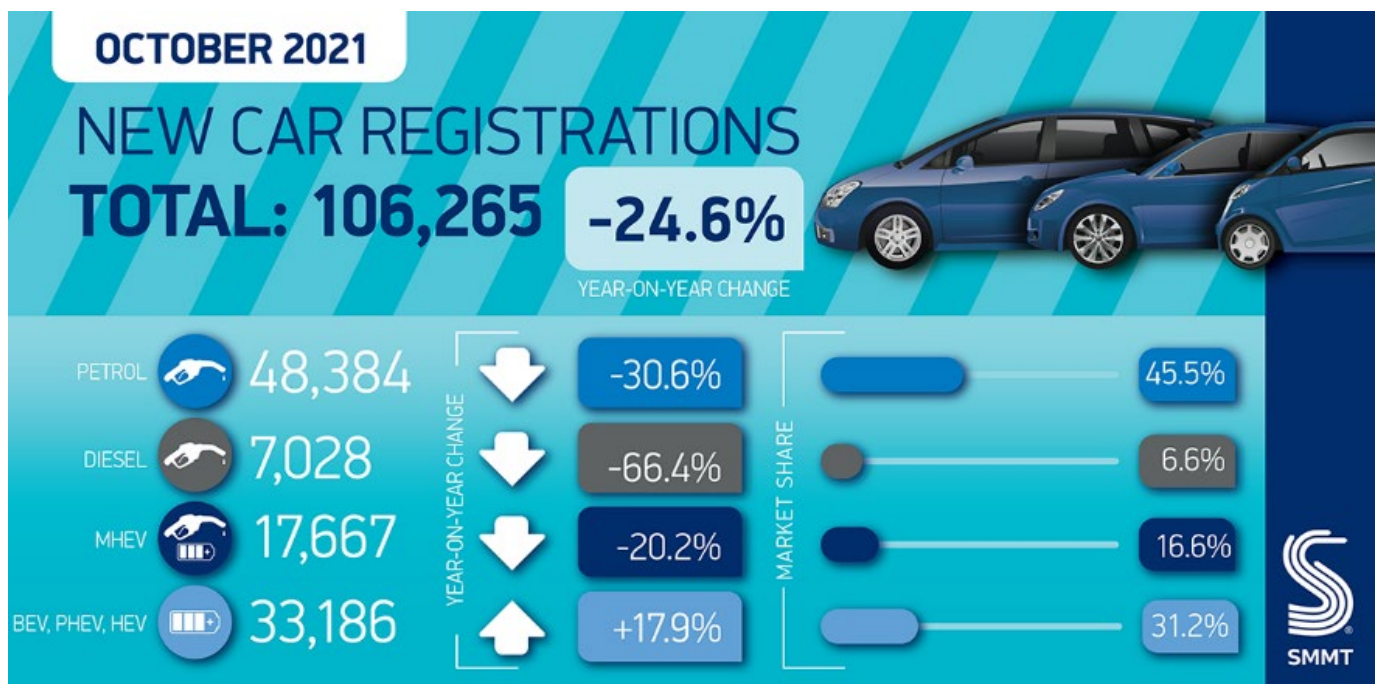
Hydrogen-powered Ineos Grenadier SUV to begin testing in 2022

Ineos Automotive has confirmed that it is developing a hydrogen fuel cell version of the new Grenadier SUV, which will begin testing by the end of 2022. In November 2020, Ineos founder Sir Jim Ratcliffe signed an agreement with Hyundai to co-develop new hydrogen fuel cell technologies. The firm is also the largest producer of hydrogen via electrolysis in Europe. Ineos says it creates and uses up to 400,000 tonnes of low carbon hydrogen each year, the equivalent, it claims, to 2 billion litres of diesel. Ineos are not alone in developing a hydrogen fuel cell tough off-roader - Jaguar Land Rover has announced it is evaluating a fuel cell Defender prototype, which will begin testing towards the end of this year.

Other Sector News

Vehicle registration data

New car registrations have fallen for the fourth consecutive month, with a decline of -24.6% to 106,265 units compared to October last year, according to data from the SMMT. Plug-in vehicle uptake remained positive in the month before COP26 where plug-in vehicles now account for 16.6% of all cars registered so far in 2021. Despite this strong performance in electrified vehicle registrations, the overall market's monthly performance was the weakest seen since October 1991. Demand from large fleets fell by a substantial -40.4%, driving most of the decline. Chip shortages and tax rises mean the industry expects to finish year on 1.66m units, or only 1.9% ahead of COVID-hit 2020.



Source: SMMT

Other key headlines from the sector news

New car supply challenges cost aftersales sector £600m

The decline on new cars sales, caused by the Coronavirus pandemic and the semiconductor shortage, in the last two years is estimated to have cost the aftersales sector £600 million.

Microchips - Effecting global vehicle production

Why is there a shortage? - During the Coronavirus pandemic, carmakers shut down, so microchip manufacturers diverted the chips that would normally go into those cars to the consumer electronics market.

What is the effect of this? - The UK's car manufacturing sector suffered a 27% year-on-year decline in vehicle production in August, 32% down on the pre-COVID performance of August 2019 and 42.8% down on the five-year average. The chip shortage has forced car makers around the world to curb production, and focus their efforts on particular models - those which are most profitable to make and sell. The result is that waiting times for new cars have been getting longer. Scarcity is also pushing up prices, with discounts being slashed. That may well be deterring buyers. The slump in sales is bad news for the industry overall - but higher prices could be good for the carmakers long term. Customers, though, could have to get used to paying more. With fewer new cars for sale, sought-after second-hand motors have shot up in price. The supply crisis is unlikely to end soon. Daimler and Mercedes-Benz, outlined that the chip shortage could continue into 2022 and even 2023. SMMT have called for Furlough to be extended to accommodate production decreases.

Data Sources

- ONS Business impacts of COVID-19 data (ONS BIC 21st Oct) released 21st October 2021 [Data relates to the period 4 to 17 October 2021].
- EMSI 2021.1 data [All data sourced from EMSI UK Analyst and Career information taken from EMSI occupation data].
- ONS Labour market indicators (ONS LAB):
 - RED02: Redundancy levels and rates by industry for those aged 16 and over - Release 12th October 2021
 - HOUR03: Average actual weekly hours of work by industry sector – Release 12th October 2021
 - VACS02: Vacancies by industry – Release 12th October 2021
- SMMT new car registration data October 2021 data released 4th November