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AUTOMOTIVE

Slow progress on Brexit negotiations could stall UK auto's growth

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British auto brands have seen record growth but uncertainty about Brexit may impede that. Image credit: Rolls-Royce

By DANNY PARISI

Automakers throughout the United Kingdom are concerned over the progress of Brexit negotiations, fearing that a stalling-out of the talks could reverse the progress the industry has made.

The Society of Motor Manufacturers and Traders has released a statement urging the British government to hurry along with negotiations of Brexit in light of the recent record revenues from British automotive companies. While the Brexit vote is now just over two years old, the full scope of what the U.K.'s exit from the E.U. is still unclear.

"Today's figures show the critical importance of the automotive industry to the U.K. economy," said Mike Hawes, chief executive of SMMT, London. "There is growing frustration in global boardrooms at the slow pace of negotiations.

"The current position, with conflicting messages and red lines, goes directly against the interests of the U.K. automotive sector which has thrived on single market and customs union membership," he said. "There is no credible plan B' for frictionless customs arrangements, nor is it realistic to expect that new trade deals can be agreed with the rest of the world that will replicate the immense value of trade with the E.U."

Brexit talks

The initial referendum vote that triggered Brexit occurred just over two years ago on June 23, 2016.

Since that time, the relationship between the U.K. and the E.U. has deteriorated even more, but the actual specifics of the U.K.'s exit are still up in the air.

This is a concern for the automotive industry, which has had record years of revenue growth since the vote. U.K. Automotive's 19th annual Sustainability Report found that the manufacturing sector turned over 82 billion pounds, or about $108 billion, in 2017, marking its eight consecutive year of growth.

British auto brands such as Jaguar will be affected. Image credit: Jaguar Land Rover

The automotive sector's overall share of the U.K. economy is around 20 billion pounds, or 26.4 billion dollars at current exchange rates, though the SMMT believes that its impact is far larger if the effect on adjacent sectors is accounted for.

But the SMMT warns that the beginning of 2018 has seen a significant slowdown of growth, partially due to job cuts and other effects from the stalling Brexit talks.

Most notably, the uncertainty over the U.K.'s trade relationship with the rest of the E.U. is causing the most trouble as investors are hesitant to pour money into a sector that may have its trade capabilities severely limited in the near future.

Automotive concerns
Brexit will have a major impact on all industries throughout the U.K., but the automotive sector is particularly invested in the specifics of the decision.

The SMMT is not the only automotive representative to urge action on Brexit. Ahead of the E.U. summit in March, the European Automobile Manufacturers' Association shared the implications of a significantly damaged auto industry if sector-specific guidelines are not handled with care in regards to Brexit.

With 300 automotive production plants spread across Europe and many different countries involved in the assembly process of individual models, E.U. standards will have a big impact on the industry. The ACEA is focused on whether or not British-approved vehicles will be allowed to sell in the E.U. (see story).

Aston Martin, a British automaker, could be impacted by Brexit. Image credit: Aston Martin.

The impacts of Brexit on the luxury economy have already been established.

While Brexit negotiations still remain at a standstill, the possibility of a future "Light Brexit" is revealing to have a significantly positive impact on British affluent.

According to a report from Euromonitor, those with a disposable income of $75,000 or more will benefit from the healthy economy that a softer Brexit would create. However, the most severe "No-Deal" Brexit could open up the potential for a significant increase in poverty (see story).

As Brexit negotiations continue to show little sign of progressing any faster, the automotive industry of U.K. will be watching closely to see what the ultimate effects will be.

"There is no Brexit dividend for our industry, particularly in what is an increasingly hostile and protectionist global trading environment," Mr. Hawes said. "Our message to government is that until it can demonstrate exactly how a new model for customs and trade with the E.U. can replicate the benefits we currently enjoy, don't change it."