Fearing no-deal Brexit, UK carmakers slam brakes on investment

July 31 2019, by Roland Jackson

Fears of a no-deal Brexit are bringing car investment to a screeching slowdown

Britain's carmakers, fearful of a chaotic no-deal Brexit and global economic turmoil, are slamming the brakes on investment, the nation's automotive industry warned on Wednesday.

New investment in the sector crashed 70 percent to £90 million ($109 million, 98 million euros) in the six months to June, the Society of Motor Manufacturers and Traders said in a statement.

That contrasted sharply with an annual average of £2.7 billion over the previous seven years.

The SMMT also revealed that total production tumbled by a fifth to 1.7 million vehicles in the first half of 2019 from a year earlier.

Investment stalls on fear

"Today's figures are the result of global instability compounded by ongoing fear of no-deal," said Mike Hawes, chief executive of the SMMT industry organisation.

"This fear is causing investment to stall, as hundreds of millions of pounds are diverted to Brexit cliff-edge mitigation—money that would be better spent tackling technological and environmental challenges."

In another worrying Brexit signpost, British-based carmakers meanwhile suffered their 13th successive monthly output drop in June.

The SMMT has long argued that a no-deal Brexit would ramp up costs and hurt supply chains, while tariffs would undermine competitiveness and bite into profits.

Newly-installed British Prime Minister Boris Johnson has vowed to leave the European Union on October 31 come what may—with or without a trade deal with Brussels.

Britain's biggest trade union Unite however called Wednesday on Johnson's Conservative administration to stem the loss of valuable investment and protect jobs.

"Prime Minister Johnson and his government cannot bat this aside," said Unite's assistant general secretary for manufacturing Steve Turner.

"There is a £330 million hole in investment into the UK auto sector because money must now be diverted into no deal preparations, draining the life out of the industry.

"That is money that ought to be creating new jobs and investing in new models and a future dedicated to the UK."

Britain's largely foreign-owned car sector is still reeling after French carmaker PSA warned on Monday that it could shut down a key plant in northwest England if it becomes unprofitable because of Brexit.

PSA Chief Executive Carlos Tavares said the company had an alternative to the Ellesmere Port plant, which employs 1,000 workers making Astra cars for both the Vauxhall and Opel marques.

"If the conditions are bad and I cannot make it profitable then I have to protect the rest of the company," Tavares was quoted by the Financial Times as saying.

Production could switch to southern Europe, according to the report.

Bond favourite hits skids

In a separate development on Wednesday, James Bond's favourite carmaker Aston Martin saw its share price hit the skids after revealing that it swung to a £78.8-million loss as demand fell across the UK and Europe.

The auto group —whose cars play a starring role in the fictional British spy's blockbuster films—saw sales volumes to dealers in the UK slump by 17 percent in the first half—and by 19 percent in the rest of the Europe, Middle East and Africa region.

And it blamed the performance on the "more challenging" global economy, after issuing a recent profit warning.

The company had already warned one week ago that it faced a "worsening" economic environment, particularly in Britain and Europe, and cut its 2019 earnings and sales guidance.

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