

UK car sales crash to 1946 low as virus slams economy

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The car market shrank to basically nothing

Sales of new cars in Britain plunged 97 percent in April, striking the lowest level since 1946, as coronavirus fallout slams the brakes on economic output, data revealed Tuesday.

Separate data showed that the UK service sector plummeted to another

record low in April.

It comes one day after British finance minister Rishi Sunak promised there would be no "cliff-edge" cut-off to the government's furlough scheme that is supporting millions of workers in the private sector.

Reacting to the COVID-19 outbreak, the UK Treasury has paid 6.3 million workers up to 80 percent of their salaries at a total cost of £8.0 billion (\$9.8 billion, 9.1 billion euros).

It is part of an emergency package of measures by the government and the Bank of England, with the latter having slashed its main interest rate to a record-low 0.1 percent and pumped £200 billion more into the economy.

While the BoE is expected to sit tight on rates at its meeting this week, the central bank is set to slash its forecasts for British economic growth following the recent dire data.

"The Bank of England is likely to indicate that it is in 'wait and see' mode as the substantial stimulus that it announced in March is still being enacted, notably the buying of £200 billion of government and corporate bonds," said Howard Archer, chief economic advisor to the EY ITEM Club.

"Significant attention will be focused on the new Bank of England forecasts for GDP, contained in the quarterly Monetary Policy Report that will be released on Thursday along with the MPC's decision and minutes of the meeting," he added.

'Grim reading'

Ahead of the BoE update, the Society of Motor Manufacturers and

Traders said new registrations for cars sold in Britain collapsed by a "precipitous" 97 percent last month on a yearly basis to just 4,321 vehicles.

That was the worst performance since February 1946 just after the Second World War and compared with 161,000 cars in the same month of 2019, the SMMT said.

"The decline was the steepest of modern times, and is in line with similar falls across Europe, with France 88.8 percent down and the Italian market falling 97.5 percent in April," the Society said in a statement.

It noted that while car showrooms shut for Britain's lockdown implemented on March 23, some deliveries did take place for key workers and front-line public services and companies.

Overall however, the figures "make for exceptionally grim reading, not least for the hundreds of thousands of people whose livelihoods depend on the sector", said SMMT chief executive Mike Hawes.

"A strong new car market supports a healthy economy and as Britain starts to plan for recovery, we need car retail to be in the vanguard."

Separately on Tuesday, the closely-watched IHS Markit/CIPS UK services purchasing managers' index plunged to 13.4 in April after an all-time low of 34.5 in March.

A PMI score below 50 indicates a contraction.

"The services survey data was, quite frankly, appalling and knocked the pound in the immediate aftermath of the release but the currency has since rebounded," said Craig Erlam, analyst at Oanda trading group.

"The services sector is a hugely important part of the UK, representing around 80 percent of the economy," he said, adding that "hopes of a fast and strong recovery are fading fast".

The Department of Health on Monday said 28,734 people in Britain had died with coronavirus, almost on a par with Italy, the worst-hit country in Europe.

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