

MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

The UK's car industry is flagging



This summary is based on [this article](#) in The Conversation

Theme:

The region's automotive manufacturing sector has been affected by a national decline.

Area of Focus:

The UK needs to build more electric vehicle batteries to compete internationally.

Key Findings:

The latest car registration figures for 2021 show just a 1% increase on 2020 figures. In November 2021, UK car production saw its fifth consecutive month of falling output, with the month's figures reaching the worst since the 1950s.

This decline is a problem. The sector employs 180,000 people and is worth 13% of total UK export goods. 80% of the cars made in the UK were due for export, with 60% of those going to the EU. But exports to the EU fell by 29%, 57% to Japan, and 67% to the US. The global microchip shortage, as well as rising inflation and new customs arrangements between the UK and the EU from January 1 2022 means 2022 also looks challenging for the automotive sector. However, future forecasts find that UK car and van production could reach one million in 2022.

In the longer term, the sector must handle the shift towards battery powered electric vehicles. Whilst the government has set a deadline of 2030 to phase out the sale of petrol and diesel cars, progress is slow. Incremental rollout of the charging infrastructure or the cut in subsidies for new battery electric vehicles are curbs on consumer willingness to buy an electric vehicle.

Whilst battery electric vehicles and hybrid cars took a record share of production in 2021, UK battery production is lagging behind the major investment seen in the EU. The bloc aim to be an independent battery producer by 2026, and has formed the European Battery Alliance. Investment is required to make the shift to electric vehicles successful in the UK and support the automotive industry.



Midlands Engine Impact:

- The Midlands has a large automotive sector, including multiple firms building battery powered electric vehicles. However, this industry is at risk if the sector ceases to be competitive internationally.
- The Automotive Manufacturing sector has been identified by the Midlands Engine as a sector at high risk due to the impacts of both COVID-19 and the Eu Exit. Without proper support, the industry is at risk of failure.
- The region experienced a £13.3bn trade deficit in the year ending Q2 2021 an increase of the deficit in the year ending Q2 2020. The continued loss of exports from the automotive sector would be damaging to the region's economy.

For Further Information Contact:

Professor David Bailey
Professor of Business Economics
University of Birmingham
Email: d.j.bailey@bham.ac.uk
Telephone: +44 (0)121 414 2991

