

## Damage to the car market

The latest industrial output figures for the UK are disappointing but not surprising. In part they reflect a general decline in industrial activity, which was more pronounced in France and Germany last month than here.

They also reflect local matters that are longer term and more worrying. A strong domestic car market up to March 2017 has been transformed into a weak one in the four months since by a combination of higher taxes and tougher regulations. The new levels of Vehicle Excise duties for dearer cars has hit that part of the market badly. The new messages against diesels with the longer term threat to both diesels and petrol vehicles has also had an impact. More people are waiting for further clarification, and to see if electric cars are going to become cheaper and easier to use. Meanwhile the Bank of England is tightening the availability of credit to buy or lease a new vehicle. One of the recent successes of the UK economy in increasing car sales and output has just been damaged by a combination of an attack on the idea of the purchase, and tougher controls over innovative ways of financing it.

Those who dislike cars, wrongly seeing them as the source of all the pollution that matters, may be pleased. They usually ignore the pollution coming out of the bus, train and household boiler. Those who fear any kind of borrowing by anyone to do anything may also rejoice. I think it does matter. I see no special dangers in more people leasing a vehicle. All the time they have the income they will make the lease payments and all will be well. If someone loses their job or struggles to meet the payments then the lending institution will take the car back and sell it on to someone else second hand. They will get something for it, and if they have run a sensible business may even get all their money back on that customer. None of this need be bank threatening!

The UK now has a strong car industry with some excellent factories, products and employees. The fact that these are in foreign ownership does not affect the important underlying reality that the factories, jobs, ideas and energy for these businesses are here in the UK. They export a lot to non EU destinations as well despite the absence of EU trade deals with the main markets. Public policy should look after the industry in a sensible way. Working with them to produce greener and better products is fine. Taxing too much and stifling credit is not such a good approach.