The curious case of the car industry

Day after day I hear scare stories on the media that the UK car industry may suffer if some undefined friction were created at our ports impeding the inflow of components after we have left the EU. I have proposed no tariffs on any parts coming in, so there would be less friction on non EU parts than today, and the government may well adopt such a proposal. They have certainly not ruled it out. No-one has yet explained why we will mess up our ports in ways which delay deliveries to car plants. Just in Time systems anyway flex according to how far the components come and the journey conditions they experience in the regular course of business.

What I do not hear is analysis and concern about the very real damage being done to our car industry whilst we remain full members of the EU. The collapse in car sales since the Spring of 2017 has nothing to do with Brexit and everything to do with the high Vehicle Excise Duties, the tax and other regulatory attacks on diesel cars, and the tough guidance to banks to cut down the car loans imposed by the UK authorities. As a result car sales have fallen by almost one quarter, and car sales by Jaguar Land Rover have been hit much harder given the high proportion of expensive cars and of diesels in their mix.

Why doesn’t the media take up these unhelpful policies, and make more of them than the silly scare stories about why might happen if we just leave the EU?

It would also be good to have more informed comment and discussion of a real economic problem worldwide, rather than the false worries about Brexit. The rest of the world is talking about the general move to slow money and credit growth in the USA, the Eurozone and China as well as in the UK. Car sales are very dependent on credit and get hurt early on when rates rises or when cash is restricted in banking systems. Car sales in China fell heavily last month. US car sales peaked earlier this year and are also in decline. The German car industry got hit badly this autumn. It was largely attributed to changes in EU regulations delaying certification and sales of new vehicles, but it is probably also about the turning of the credit cycle and the decline in underlying demand in the world car market.

I have often said that whilst Brexit is a very important political and democratic event for the UK, it is unlikely to have much impact on the world economy, and will have just a modest positive impact on the UK economy once we leave if the government follows sensible policies. We should try to prevent endless scare stories and the Groundhog day coverage that is the current UK media from stifling debate on the things that do have an economic impact. The media should be expressing some alarm about what monetary tightening is now doing to the world car industry. There is no obvious inflation threat in the advanced world, and clear signs of economic slowdown.