

UK Manufacturing looks stronger in August

The UK manufacturing PMI survey rose to 56.0 in August, well above the level of around 52 it was at during 2015 before the Brexit referendum became an issue. Industrial and manufacturing output is up slightly in June 2017 compared to June 2016, confounding the predictions of recession at the time of the vote.

Car output and sales which did extremely well from July 2016 until April this year, were hit by the tax increases of the last budget. However, total car output so far this year is only 1.6% down on the same period last year despite this. In part this reflects the high proportion of vehicles that are exported.

The UK industry runs a £13 bn surplus with the rest of the world and a £21.8bn deficit with the rest of the EU on vehicles. It also runs a £6.2bn a year deficit on components with the rest of the EU and is in balance on parts with the rest of the world. The EU has not been a good or easy market for the UK industry.

Since the vote Nissan has announced two new models for its Sunderland plant and Honda has pledged a substantial additional investment at its Burnaston facility. Component manufacturers also see the opportunity for more UK sourced parts, with Gestamp announcing a new Midlands manufacturing facility.

Meanwhile Ford has said it will be shedding an additional 1100 jobs from its Bridgend plant. This is in line with its progressive run down of UK vehicle assembly and related work over many years. It closed all vehicle assembly at Dagenham more than a decade ago, and closed its last vehicle assembly line in Southampton before we had in mind a Brexit vote. Transit manufacture for Europe shifted not to the EU but to Turkey. It does intend to carry on making engines in the UK, where UK technology and skills are a strength.

The UK's two largest vehicle manufacturers are Jaguar Land Rover, producing 544,000 last year and Nissan with 507,000, out of the total production of 1.7 million. Both are committed to their UK base and have scope to buy more components manufactured locally.

The UK government is promoting R and D in new vehicles and new technology, and is backing the Automotive Investment Organisation which seeks new investors to set up component capacity. The aim is to get the UK component proportion up from around 40% to well over 50%.

Boosting the component proportion is an important part of the strategy to generate more jobs here, add more value, and simplify the application of rules of origin for international trade. The motor industry has risen from just 5.4% of UK manufacturing output in 2007 to 9.4% last year.