

The state of the car industry

June saw car showrooms re open and some sales take place. Some dealerships reported brisk trade and pent up demand. We now know the overall result. June sales were 35% down on June 2019, and year to date sales are now down by just under one half.

Some of you write in and point out many people cannot afford a new car. Others tell me it is silly to buy one, given the costs and the early depreciation. I continue to research and write about the car industry because it has figured prominently in UK debates about manufacturing, tariffs and trade. It is a modern political paradox or contradiction. The MPs who are keenest on green policies are also often those who worry about the state of our car industry, not seeing that it is green policies which have done most to undermine traditional car manufacturing.

There are several reasons for the collapse of car output and demand. Of course the main one is the lock down period and the impact of anti virus policies. There are however underlying trends and policies that were weakening car output well before covid 19 hit. The high VED put people off buying new. Tax and regulatory attacks on diesels cut buying interest in these cars., These were the vehicles the EU and UK governments had urged the industry to specialise in when they saw diesels as more environmentally friendly than petrol cars. The Bank of England under Mr Carney also tightened credit conditions for car loans. Readers of this blog read my forecasts of decline at the time of the new measures.

There is this central muddle in UK car industry policy. The government seems to want a major car industry, yet still dislikes its main products. It wants a very different car industry. The danger is its recourse to higher taxes and more regulations puts people off existing products without bringing them to buy the products the government wants to see. The industry is caught spending money closing down the old before its time, and spending even more money on the new before there is mass demand. The virus just got in the way and blew a crater in the sales figures.