

No-deal Brexit could wipe out £3.5bn in UK automotive exports

Euler Hermes counts the cost if UK leaves the EU without any trade agreement in place

- UK automotive exports could fall by 6.5% in 2019 alone in a no trade deal scenario
- Chemicals would be hardest hit non-services industry, followed by machinery and commodities
- Average UK manufacturer turnover growth to slow to 3.5% next year and contract -1.0% in 2019

LONDON – 4 SEPTEMBER 2017 – UK automotive exports could fall by £3.5bn if a Brexit deal isn't secured and ratified by March 2019, warns the global leader in trade credit insurance, Euler Hermes.

The forecasted impact on UK manufacturing has been published as part of Euler Hermes' latest [Country Report](#) on the UK economy. The report predicts that average turnover growth of UK manufacturers will slow to 3.5% next year before contracting by -1.0% in 2019 should the UK leave the EU with no trade agreement in place and is forced to trade under World Trade Organisation (WTO) terms, or if limited or extensive Free Trade Agreements (FTA) are secured.

Katharina Utermöhl, European economist at Euler Hermes, said: "British industry is enjoying a period of strong growth but the chief concern among the sector's leaders is leaving the EU with no transitional deal in place, at the very least. For the likes of automotive and chemicals, two of the UK's flagship industries, the prospect of a no-deal Brexit would have significant consequences for export values.

"No matter what deal can be secured, uncertainty is starting to weigh heavily on manufacturing. Although gains from export sales continue to be made from the cheap pound, businesses are now holding off on investment in new equipment and recruitment. Manufacturers are telling us that rising import costs are starting to put a squeeze on margins, and many are battenning down the hatches against the potential increase in financial risk in the supply chain."

The report forecasts the UK chemicals sector would be hardest hit, outside of services, if WTO trade terms are imposed. British chemical businesses could witness a £5.6bn fall in exports if the UK left the union without a deal in place. The losses would be reduced to £2.3bn for a limited FTA, and £0.9bn with an extensive FTA, in place.

The machinery and commodities industries could see the next greatest drops in export values under WTO terms in 2019 with declines of £5.2bn and £4.8bn, respectively. The automotive industry, could suffer a £3.5bn fall, compared to £1.5bn if a limited FTA were in place and £0.6bn with an extensive FTA. The forecast expects export losses in the services sector to reach £35.9bn should the UK Government opt for a no-deal Brexit.

Euler Hermes defines a transition deal as a bridge solution in which the UK will remain in the Single Market in exchange for making continued contributions to the EU budget, sticking to the vast majority of EU regulations and imposing no migration controls until a final trade deal is concluded, perhaps as early as 2021. The company believes a transitional agreement is needed as the UK will officially exit the EU as soon as 2019.

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Further information: www.eulerhermes.com. LinkedIn or Twitter @eulerhermes.

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