PRODUCTION FORECAST

Stormy weather for Jaguar Land Rover's UK production

*LMC Automotive: Uncertainties surrounding diesel and Brexit cloud future at luxury carmaker's British plants*

Oxford, 22 October 2018. There is no immediate end in sight to falling production at Jaguar Land Rover’s (JLR) UK facilities. Research by independent global automotive intelligence and forecasting specialist LMC Automotive points to declining output through 2021 as demand weakens for the company’s thus far popular diesel engines. Prior to 2017, JLR recorded seven consecutive years of increases.

After a 2.5% year-on-year decline last year from the 2016 peak of 532,000 units, LMC Automotive expects production from the company’s three UK plants to shrink by 10% in 2018 and another 2.3% next year (see chart). Having temporarily scaled back output at Halewood in spring, JLR has put 2,000 employees at Castle Bromwich on a three-day week until Christmas, also shutting down Solihull for two weeks starting today. The latter cut 1,000 jobs in April.

Anti-diesel policies such as higher road taxes and urban driving restrictions have a disproportional effect on companies like JLR, whose diesel-powered models made up 90% of European sales in 2017. Falling residual values and the subsequent rising costs of financing have aggravated the situation. Last year, almost half of JLR’s UK production was earmarked for Europe, including the domestic market, according to LMC Automotive. Another 14% of output goes to China; weak demand there was cited as a reason for the Solihull shutdown.

The carmaker is working to extend its range of powertrain alternatives. Earlier this year, it launched a battery-electric SUV, the Jaguar I-Pace, and JLR plans to offer an electric or hybrid powertrain option for every model within the next few years. In 2020, the company will begin converting its line-up to the new MLA/MTA modular architecture platforms, which can handle electric and hybrid powertrains in addition to internal combustion engines.

“This bodes well for production in the UK in the medium term, but will not for now greatly alleviate the reliance on diesel,” says James Norris, LMC Automotive’s senior analyst for European production forecasts. And although he sees JLR sales increasing by 11% across Europe next year after a flat 2017 and a 1% decrease this year, UK output will reap limited benefit with current hot sellers like the I-Pace and Jaguar.
PRESS RELEASE

E-Pace, a subcompact SUV, being built in Austria by Magna Steyr. Moreover, JLR is officially launching a new plant this week with an annual capacity of 150,000 units in Slovakia, where it will initially manufacture the Land Rover Discovery, a large SUV also produced at Halewood.

A no-deal Brexit could force the luxury carmaker to further reduce UK output, diverting it to Slovakia and/or increasing contract production with Magna. Competitors are also preparing. BMW, for example, plans to bring forward the summer shutdowns at its UK manufacturing sites to coincide with the period immediately following the Brexit deadline. LMC Automotive, however, does not foresee a worst-case scenario.

“Although unfavourable developments could certainly put a major damper on the recovery of JLR’s UK production, we see a more positive trade scenario unfolding with concessions being made a la NAFTA,” says Norris. “UK output will inevitably decline further in the near term, but a recovery should follow with the release of the new platforms.”

Please visit www.lmc-auto.com/the-future-for-jlr to see the related blog post

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About LMC Automotive

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