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PRESS RELEASE

UK AUTOMOBILE MARKET

No-Deal Brexit to cost UK auto sector £9 billion per year

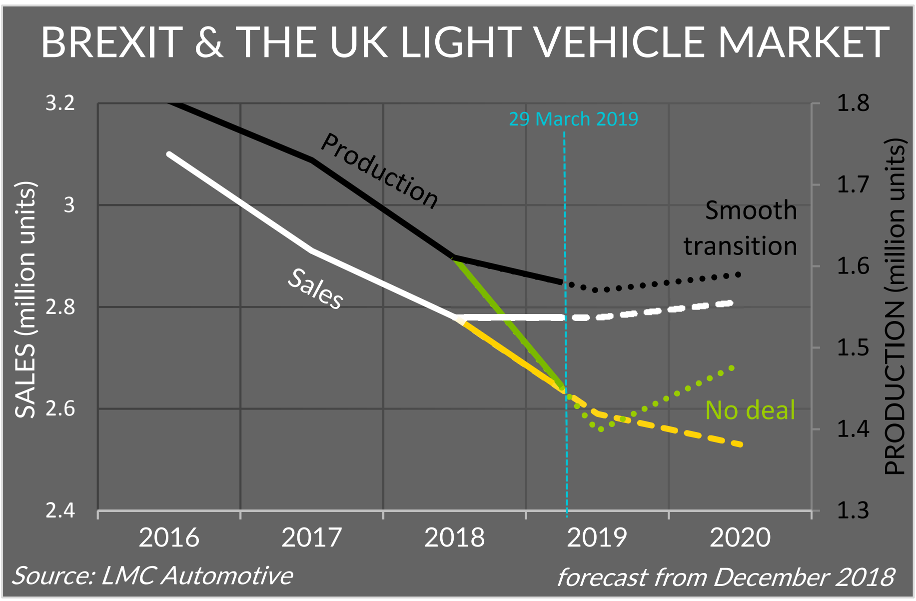
Diverging forecasts: LMC Automotive outlines impact of two different Brexit scenarios on light vehicle sales and production in the UK

Oxford, 10 December 2018. A no-deal Brexit could cost the UK automobile market some £9 billion (€10 billion) in annual revenue, according to research from LMC Automotive.

The figure is based on the market intelligence and forecasting specialist's UK sales estimate of 2.53 million light vehicles (LV) in 2020 following in a no-deal scenario, 10% fewer than would be the case after a smooth-transition Brexit. The lost revenue figure, based on an average vehicle transaction price of £30,000, would be spread across OEMs, dealers, suppliers and other car industry participants. LMC Automotive pegs 2018 LV sales at 2.78 million units.

"The impact on the vehicle market would be greater than for the UK economy as a whole," says Pete Kelly, LMC Automotive's managing director. The no-deal scenario, run by LMC in conjunction with Oxford Economics, assumes GDP growth of only 1% in 2019 and 0.8% in 2020 as opposed to 1.7% and 2.0% for a smooth transition, defined as a period of at least two years during which very little would change. "As the UK imports most of its cars, prices would inevitably rise with the further devaluation of the pound after a no-deal Brexit. The very likely imposition of tariffs would only compound the negative effect on demand."

On the production side, supply line disruptions in the immediate aftermath of 29 March 2019 could exacerbate the short-term market and would certainly affect all UK-based manufacturers, despite the inevitable stock building beforehand.



After a forecast of 1.61 million units this year, LMC Automotive places total "no-deal" UK light vehicle production at under 1.4 million in 2019 and 1.48 million in 2020 – respectively 11% and 7% lower than following a smooth transition. By brand, Nissan, Jaguar-Land Rover, Vauxhall/Opel, Honda and Toyota are the UK's top five producers.

A no-deal Brexit might even threaten the very existence of certain facilities. For the PSA Group, the Opel/Vauxhall Ellesmere Port plant may be tough to justify after 2021, when the current-generation Astra compact produced there is slated for

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replacement. Jaguar-Land Rover, meanwhile, could divert more production to a new facility in Slovakia and/or increase contract production with Magna in Austria. Kelly is also concerned about the response of the Japanese brands.

"It would be overly optimistic to assume that manufacturers who export large portions of their UK output to the EU would continue to do so indefinitely under sustained difficult – and probably unprofitable – operating conditions," he adds.

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About LMC Automotive

LMC Automotive is the leading independent and exclusively automotive focused provider of global forecasting and market intelligence in the areas of vehicle sales, production, powertrains and electrification. Highly respected for its responsive customer support, the company's client base from around the globe includes car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions.

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