

MIDLANDS ENGINE OBSERVATORY ACADEMIC INSIGHTS

The Impact of Brexit on Manufacturing



Theme:

Manufacturing in the Midlands relies on international trade and co-operation.

Area of Focus:

Britain's exit from the EU has made manufacturing and trade more difficult as barriers are now in place. This insight comes from [this seminar](#).

Key Findings

Trade

There are non-tariff barriers, including customs declarations that could cost the UK up to £15 billion a year.

January trade figures showed a 40% decline in exports to the EU and a 29% decline in imports. Although patterns of trade are now stabilizing, long-term changes such as restructuring are yet to take place.

Changes and Resilience

Disruption is the new normal – supply chains must be prepared for more Black Swan events.

Distributed manufacturing networks with regional hubs will become the norm, with a hub possibly located in the Midlands.

Digital transformation has been accelerated by the pandemic and allows some sectors to create a global shop floor by digitally connecting regions.

Even by 2023, only a third of firms think they would reach end to end supply chain optimization. Data and digital could significantly increase the readiness of supply chains.

Midlands Manufacturing

In 2020, vehicle production fell by 28.5%, making it the first time UK production fell below 1 million in over 10 years. In 2021, January and February production was down 22% vs 2020.

Most of the European car companies relied on batteries made in Asia, although this is slowly moving into Eastern European centres.



Midlands Engine Impact:

- GKN Automotive build drivelines from imported parts to export them to Europe. This is being closed in the Midlands and production shifting to elsewhere in Europe.
- Midlands firms can lead the way in circular economies, environmental sustainability, and a new economic model.
- Car manufacturing is suffering in the Midlands with Honda closing by July and MINI is shutting down temporarily for an upgrade. However, the new JLR strategy has been released, seeing the company going fully electric and regional manufacturing secured for the future.
- The net value of UK vehicle manufacturers' expenditure with Midlands suppliers is approximately £3bn in a typical year.



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