Brexit concerns and global consumer trends have led to a slowdown in a number of UK industries

As the UK’s planned exit from the European Union fast approaches, uncertainty surrounding near-term economic prospects has weighed on all sectors of the UK economy. However, while some industries have performed robustly, others have failed to find any respite in a challenging business environment. The Bank of England has forecast modest economic growth of 1.5% for 2019, following a promising first quarter in which the economy grew by 0.5%. However, GDP growth for the three months to June is expected to prove less encouraging, as the contributory effects of firms stockpiling ahead of the initial Brexit deadline of 29 March are diminished.

The precarious economic environment has spurred a decline in both consumer and business confidence, which is expected to have knock-on effects throughout the supply chains of the majority of UK industries. The effects of a Brexit-induced slowdown have been exacerbated by weaker global expansion, while a rapidly developing consumer and business landscape has posed difficulties for industries, even within well-established sectors.

Automotive sector
Traditionally a strong area of the UK economy, the automotive sector has recorded a sustained decline in recent months, with falling car sales reverberating throughout the manufacturing supply chain. According to recent figures from the Society of Motor Manufacturers and Traders (SMMT), British car production fell by 44.5% in April 2019, the 11th straight month of declining output. IBISWorld anticipates little let up in this trend, with revenue in the Motor Vehicle Manufacturing industry (IBISWorld report C29.100) expected to decline by 2.9% in 2019-20. Weak growth in real household disposable income and Brexit-related uncertainty has spurred a decline in domestic car sales, causing a similar contraction in the New Car and Light Motor Vehicle Dealers industry (IBISWorld report G45.111). However, troubles in the automotive sector stretch beyond Brexit-related woes, with falling car sales in China and across Europe causing a decline in export production, which accounts for four out of five cars made in the United Kingdom.
The longevity of the sector’s decline is largely dependent on the outcome of trade negotiations between the United Kingdom and the European Union. The impact of a potential no-deal scenario on motor vehicle manufacturers that rely on ‘just-in-time’ production from a complex supply chain which stretches across Europe poses a significant threat to automotive industries. Regardless, future prospects look discouraging, with Ford the latest manufacturer to announce plans to scale down UK production, citing changing customer demand and cost disadvantages as reasons for planned 2020 closure of its Bridgend plant.

C29.100 - Motor Vehicle Manufacturing  
-2.9% 2019-20 revenue

G45.111 - New Car and Light Motor Vehicle Dealers  
- 2.9% 2019-20 revenue

Construction
The uncertain economic and political environment has posed a substantial challenge to operators in the construction sector, which generally rely on investment in residential and commercial property development. Declining investment in commercial property is expected to weigh on the construction sector in 2019-20 as the precarious economic environment prompts risk aversion among downstream clients. Although the residential market is expected to provide some buoyancy, backed by a supportive policy backdrop, economic uncertainty is expected to prevail in the current year, adding a degree of hesitance among households when it comes to buying and selling residential property. This is anticipated to prompt a decline in the Plumbing, Heating and Air Conditioning Installation industry (IBISWorld report F43.220), in addition to the Joinery Installation industry.
Falling Short: Contracting UK Industries

(IBMWorld report F43.320), both of which rely on healthy activity in downstream commercial and residential building construction markets. Nevertheless, the decline within the construction sector is set to be fairly short-lived, with ongoing policy support for the UK housing market and improving economic prospects expected to boost construction activity in the medium term.

F41.201 - Commercial Building Construction
-4.9% 2019-20 revenue

F43.220 - Plumbing, Heating and Air Conditioning installation
-5.2% 2019-20 revenue

F43.320 - Joinery Installation
-3.5% 2019-20 revenue

Energy changes
Operators in the energy sector have boasted mixed fortunes in recent years, as the composition of UK energy production has undergone substantial change. Rising environmental concerns and the introduction of stringent government policy to reduce harmful emissions has led to the proliferation of renewable energy sources, to the detriment of more emissive sources such as coal. Once the chief source of energy in the United Kingdom, the use of coal in the UK's energy mix has declined dramatically over the past three decades, falling from 67% of electricity generation in 1990 to less than 5% in the current year. This has caused a sustained decline in the Hard Coal Mining industry (IBMWorld report B05.100), for which revenue is forecast to decline by 11.1% in the current year. Efforts by the government to end coal power generation by 2025 have already led to the closure of several coal plants, posing a substantial threat to the long-term viability of the industry.

B05.100 - Hard Coal Mining
-11.1% 2019-20 revenue

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Consumer trends
While the development of new technologies facilitates the establishment and growth of some industries, it can come at the expense of more traditional counterparts. The growth of internet-enabled streaming services, social media and smartphones has caused a shift in the way that people consume media. This has adversely affected demand for traditional forms of media, as they have been replaced by more convenient and technologically advanced alternatives. This has stimulated decline in the Video and Game Rental industry (IBISWorld report N77.220) and Newspaper Printing industry (IBISWorld report C18.110), in which revenue is expected to fall by 11.7% and 3.4% respectively in the current year. Nevertheless, more technologically advanced products are not immune to the challenging economic environment, with the Consumer Electronics Manufacturing industry (IBISWorld report C26.400) expected to record a notable decline in 2019-20, as falling consumer confidence is expected to limit spending on discretionary products.

N77.220 - Video & Game Rental
-11.7% 2019-20 revenue

C18.110 - Newspaper Printing
- 3.4% 2019-20 revenue

C26.400 - Consumer Electronics Manufacturing
- 11% 2019-20 revenue
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