ANALYSIS

Fork in the road

How the UK's car industry might fare on the journey to electrification

October 2026

Executive Summary

The UK's car manufacturing sector faces an uncertain future, with major implications for industrial regions such as the West Midlands and the North East.

The industry's traditional focus on building petrol and diesel cars is increasingly at odds with sales trends in major markets at home and abroad, with global sales of new fossil fuel cars having peaked almost a debate ago in 2017, and demand for EVs accelerating,

Three quarters (76%) of UK-made cars are exported, predominantly to markets where EV sales are rising strongly, including in response to the Iran war, and many of which also have long-term EV sales targets. In the first half of this year, export markets with rising EV sales accounted for 70% of UK car exports, which is about 53% of cars made in the UK. And accounting for the 24% of UK-made cars that are sold in the UK, about three-quarters (77%) of UK-made cars are sold in markets with rising new EV sales, with exports outweighing domestic sales two-to-one.

This report analyses trends in EV sales in the UK and major export markets, and models future sales over the next decade, alongside a range of scenarios for the transition of UK car factories to EV manufacturing.

- The analysis finds that failing to shift production to make more EVs in the UK would lead to a loss of sales, such that economic benefit (GVA) could decline by 40% by 2035, costing £70bn over the next decade, and losing 127,000 jobs in and supported by the car industry and its supply chains, or 163,000 jobs if induced effects are included (i.e. jobs supported in the wider economy by the spending of people employed in the sector).

- Conversely, if UK car factories moved more rapidly to producing EVs, successfully transferring and building upon the UK's established reputation and expertise in automotive manufacturing, the sector's economic impact could grow by 68% by 2035, contributing an additional £87bn to UK GVA over the next decade, and supporting 142,000 new jobs in and supported by the car industry and its supply chains, or 182,000 new jobs including induced effects in the wider economy.

- The contrast between these possible futures is stark: a difference of £157bn in cumulative economic contribution, and 269,000 jobs in and supported by the car industry and its supply chains, or 345,000 jobs including the wider economy.

Whilst the choice is clear, the debate is being muddied by claims about the UK's ZEV Mandate. The ZEV Mandate's sales targets help UK drivers, by increasing availability of new EVs – that then make their way to the second-hand market – offering significant cost savings. But with UK car factories supplying fewer than 10% of the new cars sold in the UK, the ZEV Mandate has less effect on UK car factories than do the policies and sales trends in their major export markets.

By calling for cuts to the ZEV Mandate, the multinational owners of UK car factories are asking the Government to increase costs for UK drivers by limiting the supply of EVs, whilst not addressing the underlying problem facing UK-based industry, namely not keeping up with global trends and competitors – slow progress towards making more EVs for key markets around the world.

Introduction

The UK's car manufacturing industry is at a key juncture in its history. The sector's main products – vehicles with internal combustion engines (ICEs) – likely have no long-term future, with global sales of petrol and diesel cars having peaked almost a decade ago in 2017.[1]

Hybrid cars – including plug-in hybrids (PHEVs) – seen as a 'stepping stone' solution by some – are proving to be more fuel, cost and emissions intensive than previously thought,[2] and will also likely face redundancy as EV ranges and charging efficiencies continue to improve.

Increasing deployment of EVs, in part to reduce fossil fuel use and dependency, has become a central policy for many governments and trading blocs, including the UK's ZEV Mandate for new car sales. EVs are increasingly attractive to drivers, particularly in light of high fuel prices in the latest oil crisis, with sales of new EVs rising in many major markets[3] – and these new EVs in turn make their way into second-hand markets where most purchases occur.

The current debate centres around the pace of change, and the interactions between EV sales, the ZEV Mandate and the prospects for UK carmakers – whose British factories collectively supply less than 10% of the new cars bought in the UK.[4] Whilst there are challenges to expanding access to EVs, and whilst some UK manufacturers who have been slow to shift to EV production might need support to catch up, the debate is complicated by competing objectives and misinformation about EVs and the ZEV Mandate.[5]

This report seeks to unpick the issues to examine the prospects for UK car manufacturing during the global EV transition. In particular, it examines the international nature of the automotive sector, including the links between UK manufacturing and export markets.

- It first of all presents an overview of UK car manufacturing in a global context.
- It then presents a review of the merits of mandates during technology transitions.
- It then presents scenarios of how sales of UK-made cars could evolve over the next decade, based on demand for EVs and non-EVs in the UK and key export markets, and the extent to which UK car manufacturing switches to EVs.
- Finally, this report presents estimates of the economic impacts of future sales scenarios, in terms of financial benefits to the UK (gross value added, GVA) and employment (full-time equivalent jobs, FTEs).

[1] Global EV Outlook 2026 (IEA, 2026) – see comment in Executive Summary. See also data in What Next for the Global Car Industry (IEA, 2025) – see chart in Executive Summary.
[2] Smoke Screen (T&E, Oct 2025) and Press Release (T&E, Sep 2026), using data from European Environment Agency.
[3] EV sales surging in overseas markets accounting for 70% of UK car exports (ECIU, Sep 2026)
[4] UK car manufacturing data 2025 (SMMT, Jan 2026) and UK new car sales data 2025 (SMMT, Jan 2026)
[5] New analysis finds widespread misinformation around EVs in UK newspapers (ECIU, Aug 2025) and Poll shows non-EV drivers' "blind spot" for EV facts (ECIU, Mar 2026)

Global Context of UK Car Manufacturing

UK car manufacturing should be viewed in its international context. Current operations and future prospects of UK car factories are strongly affected by their export markets and their multinational ownership.

Cars manufactured in a UK factory can be sold in various markets, with three quarters (76%) of UK-made cars being exported, and only a quarter being sold in the UK.[6] This would suggest that UK factories are more affected by sales and targets overseas than in the UK.

UK-made cars are predominantly sold in markets where EV sales are rising strongly, including in response to the Iran war, and many of which also have long-term EV sales targets. In the first half of this year, such markets accounted for 70% of UK car exports,[7] which is about 53% of cars made in the UK.

Overall, accounting for the 24% of UK-made cars that are sold in the UK, about three-quarters (77%) of UK-made cars are sold in markets with rising new EV sales, with exports outweighing domestic sales two-to-one. This again suggests that the future of UK car manufacturing will be affected more by the evolution of key export markets and their EV targets than by the UK's ZEV Mandate.

Looking from the retail market, UK car factories make less than 10% of the new cars sold in the UK,[8] and over 90% of new cars sold in the UK are manufactured in other countries, yet another suggestion that the UK's ZEV Mandate has only a small bearing on UK carmakers.

Indeed, the UK's ZEV Mandate is just one part of a wider picture of EV ambition in many markets which together affect UK car factories. Put the other way, the UK's ZEV Mandate affects overseas factories more than it affects UK car factories – by a factor of nine in terms of number of new cars supplied to the UK market.

Broadly speaking, if key markets continue on their recent trends, then manufacturers that focus on non-EVs will see their opportunities shrink in future, whereas carmakers that shift their focus to EVs will be in a better position to maintain (or increase) their market shares.

The current debate is about the pace of change. Owners of factories in the UK and the EU are arguing for weaker EV sales targets in the UK and the EU, allowing them to sell more ICEs and PHEVs for longer. Whilst this might seem like a way of manufacturers securing a 'captive market' for ICEs and PHEVs in the short-term, it poses the risk that they do not build what customers want and so lose market share in their own region – let alone in other markets.

The risk to legacy carmakers in the UK and EU is being highlighted by the acceleration in EV demand during the current oil crisis, with some UK and EU customers turning to new

[6] Data for UK car manufacturing and exports for 2026 up to July shows that 76.0% of UK-made cars were exported: UK New Vehicle Manufacturing July 2026 (SMMT, Aug 2026). Data for UK car manufacturing and exports in 2025 shows that 75.5% (rounding to 76%) of UK-made cars were exported: UK car manufacturing data for 2025 (SMMT, Jan 2026).
[7] EV sales surging in overseas markets accounting for 70% of UK car exports (ECIU, Sep 2026)
[8] In 2025, 9.3% of cars sold in UK were made in UK, based on UK car manufacturing data 2025 (SMMT, Jan 2026) and UK new car sales data 2025 (SMMT, Jan 2026). In 2026 to August (latest month with complete data), 8.5% of new cars sold in the UK were made in the UK, based on UK car manufacturing data YTD August 2026 (SMMT, Sep 2026) and UK new car sales data YTD August 2026 (SMMT, Sep 2026)

entrants to the market.[9] This is the second oil crisis in just four years, and will almost certainly not be the last that will occur during the EV transition, such that further accelerations in EV demand could occur.

There are worrying signs that some legacy car manufacturers are repeating historic mistakes of sticking with outdated technologies despite unstoppable global trends. The UK's car industry declined in the 1970s because it did not match competitors – mainly from Germany and Japan – who modernised their manufacturing and offered cheaper and more efficient cars.

The dieselgate scandal of the 2010s came about essentially because legacy manufacturers wanted to eke out small (potential) gains from fossil fuel cars,[10] rather than move to developing EVs. Whilst these legacy companies delayed their electric transitions by about a decade, new entrants were pushing down the costs of batteries more rapidly than expected and gaining market share for their EVs.[11]

Legacy carmakers are now in a world where EVs sell for around the same price as equivalent ICEs that they manufacture[12] – and cheaper than equivalent PHEVs.[13] Whilst it has been claimed that EV prices have been discounted in order to hit ZEV Mandate sales targets, recent analysis found that new petrol cars in the UK now have larger discounts than EVs.[14] Some EU carmakers have recently developed new EV models to better compete, for example Renault that manufacturers in France.[15]

Unfortunately, the current push for PHEVs risks being just another incremental change to fossil fuel technology, offering little or no benefits compared to ICEs, neither for drivers' costs, nor energy security, nor the climate.[16] For PHEVs to be a meaningful 'bridging technology' would require tighter rules to ensure larger batteries, and would require that drivers actually charged them more often.

[9] Electric Vehicle Data (SMMT, accessed Oct 2026) – At the time the page was accessed, the table of top ten UK BEV cars in September 2026 included several non-legacy carmakers e.g. Telsa at 1 & 2, BYD at 3 & 4, and Leapmotor at 10.
[10] See, for example, How the ICCT unearthed the dieselgate scandal (ICCT, 2025) and How conniving carmakers caused the diesel air pollution crisis (The Guardian, Apr 2017)
[11] The IEA says that the price of a lithium-ion cell (the individual parts that together form a battery pack) fell by 97% from 2000 to 2025: The rise of lithium-ion batteries (IEA, Sep 2026). The IEA says that EV battery pack prices fell by more than 75% from 2015 to 2025: Energy Snapshot (IEA, Mar 2025). Bloomberg NEF's annual survey of battery pack prices found that they had fallen by 93% from 2010 to 2025: New record lows for battery prices (BNEF, Dec 2025)
[12] There has been some evidence that new EVs are selling at lower prices than petrol equivalents: New electric cars now cheaper than petrol on average for the first time (Autotrader, Apt 2026).
[13] 8 of 10 of the UK's best-selling plug-in hybrids cost more to buy than EVs (ECIU, Apr 2026)
[14] Autotrader found that "Petrol discounts reached 11.7%, overtaking electric for the first time": Monthly Market Intelligence (Autotrader, Jun 2026)
[15] Renault produced 400,000 EVs from 2010 to 2021, but then developed new models and built its "ElectriCity" manufacturing site, which has produced 600,000 new EVs from 2022 to mid-2026: Press Release (Renault, Oct 2022)) and Press Release (Renault, Jul 2026)
[16] Smoke Screen (T&E, Oct 2025) and Press Release (T&E, Sep 2026), using data from European Environment Agency.

Merits of Mandates

Major industrial transitions require businesses to make investment decisions long before new technologies become commercially dominant. Mandates can provide a clear planning framework, which is particularly important in industries such as automotive manufacturing where investment lead times are long and assets often remain in use for many years.[17] The transition away from ICE vehicles towards EVs is already reshaping global markets, and for UK manufacturing to remain competitive, manufacturers will need to keep pace with that shift.

Clear regulatory expectations can help businesses plan long-term investments in research and development, manufacturing capacity, skills and supply chains. Mandates do this by setting a trajectory and timetable for the transition away from incumbent technologies. Research on Europe's automotive sector suggests that phase-out policies help firms plan investment, transform production facilities and prepare their workforce by reducing uncertainty about future market conditions.[18] Consistent political and regulatory messaging can also support demand for the new product.

Mandates can also influence how industry allocates resources between legacy and emerging technologies. Research examining the EU's 2035 phaseout of new ICE vehicle sales found that such policies reduce the incentive to continue investing in legacy technologies and encourage the allocation of resources towards business transformation. The same research suggests phase-out policies can be much less damaging to firms than critics assume, and result in making them better equipped for the future with a greater chance of surviving technological change.[19]

A further advantage of mandates is helping to resolve coordination challenges across complex industrial transitions by creating a common reference point for manufacturers, suppliers, investors and adjacent markets. The transition to electric vehicles relies not only on vehicle manufacturers but also their supply chains, infrastructure developments, technology and logistics. Providing a clear endpoint and timeline encourages all sectors involved to coordinate, reducing the risk of delays and bottlenecks, and enabling investment.[20] Research suggests that delays in ecosystem development can lead to investor uncertainty and inertia, slowing industrial adaptation. Phase-out policies can help shift attention from *whether* firms should adapt to *how* they can do so.[21]

Policy credibility is critical to the success of mandates. Evidence from industry surveys suggests that firms are more likely to make investments in new technologies when they believe governments will maintain long term commitments, while weakening or repeated revisions of phase-out policies can undermine planning certainty and investor confidence.[22] This can create risks for firms who have moved early to invest in research, development and production of new technologies. Research suggests that businesses

[17] Dead end ahead? How phase-out policies affect incumbent adaptation to technological change in the automotive industry (Hauke Luetkehaus & Joern Hoppmann, Research Policy, Volume 55, Issue 6, 2026)
[18] How phase-out policies strengthen Europe's automotive industry (Rogge, K. S., Goedeking, N., Hoppmann, J., Luetkehaus, H., et al., EMPOCI Policy briefing, Issue 1, February 2025)
[19] Dead end ahead? How phase-out policies affect incumbent adaptation to technological change in the automotive industry (Hauke Luetkehaus & Joern Hoppmann, Research Policy, Volume 55, Issue 6, 2026)
[20] How phase-out policies strengthen Europe's automotive industry (Rogge, K. S., Goedeking, N., Hoppmann, J., Luetkehaus, et al., EMPOCI Policy briefing, Issue 1, February 2025)
[21] Dead end ahead? How phase-out policies affect incumbent adaptation to technological change in the automotive industry (Hauke Luetkehaus & Joern Hoppmann, Research Policy, Volume 55, Issue 6, 2026)
[22] Don't punish the pioneers: Winning the automotive innovation race requires credible political commitment (Rogge, K. S., Luetkehaus, H., et al., EMPOCI policy briefing, Issue 2, May 2026)

who have been proactive in EV innovation are less likely to favour changes to targets, whereas firms that have moved more slowly are more likely to support reversing or diluting mandates.[23] When there is little perceived credibility to phase-out policies, firms may maintain flexibility by using hybrid technologies to straddle both the old and new technology as a hedge against potential policy reversal, but this can introduce inefficiencies compared to full adaptation. Research suggests that a broad policy mix of supportive policies including phase-out is helpful for shaping overall credibility. [24]

Mandates are not only regulatory tools; they also have the potential to support industrial planning, attract and retain investments, coordinate supply chains and encourage innovation, creating more stable conditions for industry to compete in a changing global market.

[23] Don't punish the pioneers: Winning the automotive innovation race requires credible political commitment (Rogge, K. S., Luetkehaus, H., Mahendiran, S., et al., EMPOCI policy briefing, Issue 2, May 2026)
[24] Dead end ahead? How phase-out policies affect incumbent adaptation to technological change in the automotive industry (Hauke Luetkehaus & Joern Hoppmann, Research Policy, Volume 55, Issue 6, 2026)

Modelling Demand in Key Markets

The UK exports around 80% of all the cars it manufactures domestically. Of those exports, 2025 saw 57% sent to the EU, 15% to the US and a little over 6% to China. The 20% retained and sold in the UK have in recent years met around 7-9% of domestic demand for new cars.

Our demand side (i.e. new car sales) modelling focuses on these primary export markets alongside domestic sales, aiming to quantify the trajectory of demand for both Battery Electric (BEV) and non-BEV cars in each territory, to inform forecasts of future demand for UK manufactures. Each market is modelled separately, using historic data from New Automotive's Global Electric Vehicle Tracker (GEVT) database, which captures monthly sales figures by powertrain across all of the UK's key export destinations, which allows us to calculate the historic trajectory of BEV market share in each market.

It is worth noting a few points about 'new EV demand'. We use this term to mean sales of new EVs, but it should be recognised that this does not include those drivers who want to buy a new EV but cannot and instead buy a new non-EV. This difference can be for a number of reasons, including that some drivers currently lack access to low-price charging. The same is true of second-hand car sales, but these are beyond the scope of this analysis. When considering future new EV sales in various markets, the modelling implicitly assumes that policies are enacted to address barriers such that EVs become increasingly accessible all drivers.

We use this historic BEV adoption rate to fit a logarithmic Sigmoid or 'S' curve, in line with Everett Rogers' theory of the diffusion of innovations, which describes the manner in which new technologies propagate through a market; early adopters kick off the process, before the uptake accelerates through a diffusion phase, and slows again as late adopters bring the transition towards saturation. In order to forecast the rate of future transition towards fully electric vehicles in each market we fit monthly historic data to a sigmoidal curve, allowing the 'inflection point' – that at which a 50% adoption rate is observed and diffusion is occurring most rapidly – to be determined by the observations rather than imposing it. The natural saturation point is 100% adoption – though it should be noted that on our fitted curves none of the modelled markets reach this point prior to the end of the modelled period in 2035.

The period used for the S curve fitting is January 2020 through to August 2026 (June 2026 for the USA due to data availability). Fit is conducted on a 12 month rolling average BEV share of total sales. Recent data shows marked acceleration across multiple markets: the 12 month rolling average for the EU hit 20% in August 2026, but this masks significant diversity across the EU countries and rapid acceleration in recent months, with France's share reaching a record 38% in that month doubling from 19% 12 months prior (and increase again to 42% in September 2026). China is unsurprisingly ahead of the pack, its 12 month average sitting at 37%, with sales figures above 45% in some recent months. Charts for the EU and China are presented below, in Figure 1.

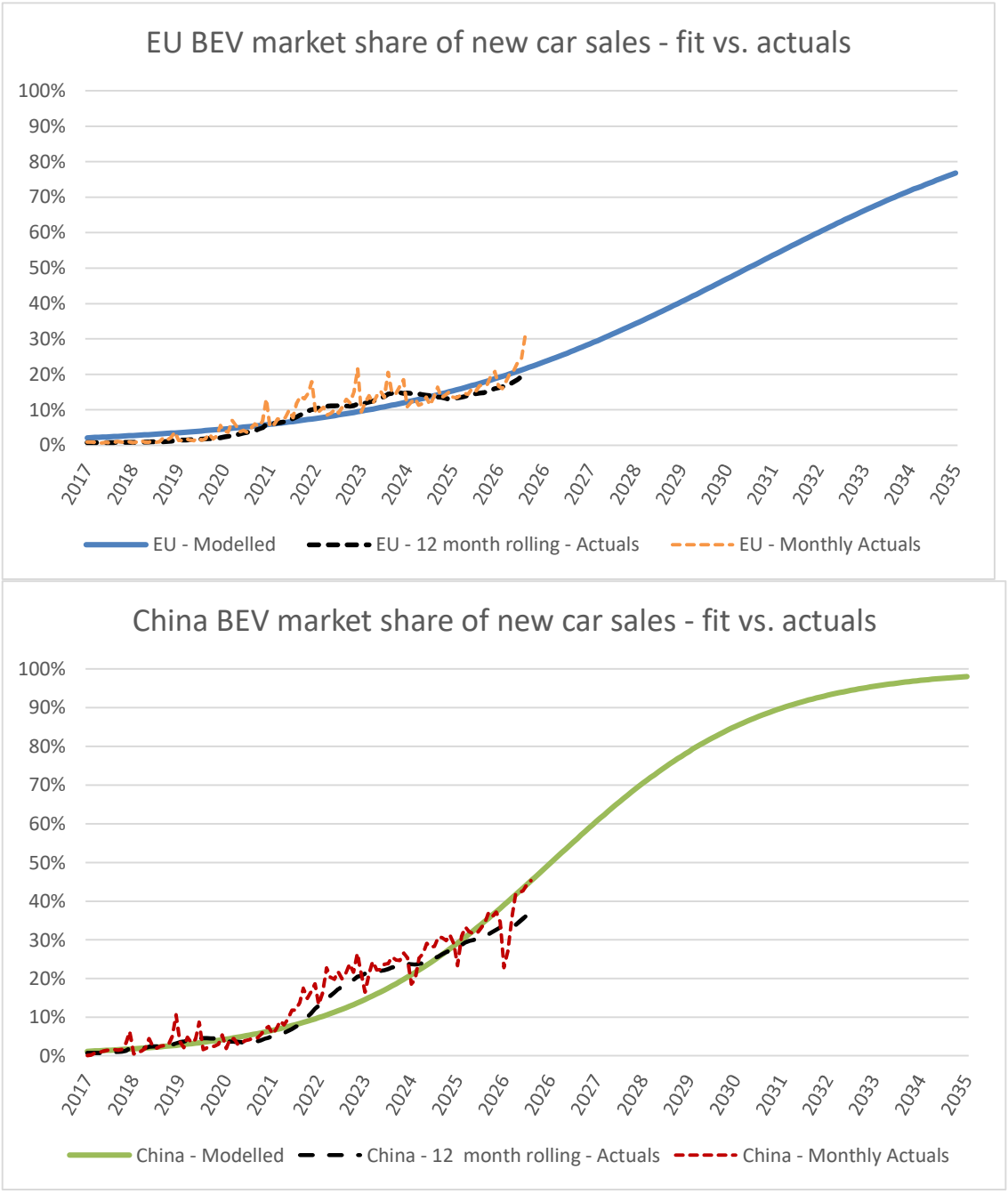


Figure 1: Historical new EV sales data and S-curve projections for (upper) EU and (lower) China

The overall market size for new cars in the UK's domestic and export markets is relatively stable, so we adopt the conservative assumption that this remains constant over the modelled period. Overlaying modelled market shares on historic average market size allows us to quantify the expected future level of demand for BEVs and non-BEVs. What remains is to quantify the UK's market share of that demand. Here we rely on the UK's historic performance to calculate benchmarks which provide upper and lower bounds on our modelled future export scenarios. The bounds are calculated as the maximum and minimum historic values for UK manufactured cars' share of total BEV and non-BEV sales in each market in the post-covid period. A third 'stretch' value is defined as a 1.5x multiple of the highest historical share, indicative of a scenario where the UK's market share recovers to a point 50% higher than its recent (post-Covid) high.

The forecast demand trends shed light on rapid shifts expected across all of the UK's sales markets in the coming years, and the critical importance of transitioning the domestic manufacturing base to move with market trends. In recent years, the UK has sold between 300,000 and 400,000 non-BEV cars annually into the EU market, serving between 3 and 4% of total EU demand in any given year. By 2035, the rapidly transitioning EU market will see *total* demand for non-BEV cars fall to around 2.9 million vehicles, down from around 10 million today. In order to keep selling the same volume of non-BEVs to the EU, the UK's market share would have to rise by a factor of 4, competing for a market share vastly above anything historically achieved, in a declining market.

The UK's future car sales potential is therefore a function of each market's modelled demand by powertrain, and the UK's share of that market. A key outcome of this exercise is that it demonstrates the fragility of the UK's potential future car sales if it fails to transition its production base to BEVs. Over the course of the next decade, demand in all of the UK's primary export markets is expected to continue rapidly transitioning to electric powertrains, and with it the demand for ICE and hybrid vehicles shows an accelerating decline. Even in scenarios which envisage the UK capturing increased market share of the non-BEV portions of those export markets, by the early 2030s demand has collapsed sufficiently that it would struggle to find a market for non-BEV cars manufactured at a scale in line even with recent post-covid levels. Meanwhile, an effective transition of the UK's manufacturing base to BEVs enables it to take advantage of a rapidly growing market around the world.

The second constraint on UK exports is production capacity; potential demand for UK manufactured cars only generates value if the UK is in a position to service it. Recent years have seen a decline in output of UK produced cars, with output falling from around 1.7 million in 2017 to just over 700,000 in 2025. In the last 2 years there has been a very sharp decline in output of BEVs, though this is in large part due to the closure of several production lines for retooling ahead of the planned launch of new models.

The setting of bounds on UK production in our modelling follows a similar approach to that taken for UK market shares. Under different capacity scenarios, total manufacturing output is assumed to recover either to recent (post-Covid) highs, mid-term (pre-Covid) highs, or in the case of our more optimistic scenarios, outturn based on 2035 industry projections or input from discussion with industry experts[25]. In all of our reported scenarios total capacity in both BEV and non-BEV manufacturing is assumed to recover from the levels seen over the last two years, as factory downtime skews the data downwards.

Some UK car factories are being retooled for EV production and are coming back online. Whilst this should lead to higher EV production above prior levels, it is not clear to what extent this will automatically happen. Some of the new EV manufacturing is for new models replacing older models, for example at Nissans' Sunderland plant.[26] Two other plants are being retooled to manufacture EV and ICEs and/or PHEVs, with ambitions to manufacture only EVs by 2030: JLR's plant on Merseyside,[27] and the Mini factory in

[25] SMMT's 'Vision 2035' targets "more than 1 million" UK manufactured BEVs by 2035. Discussion with our industry advisory group has indicated a high-ambition figure of 2 million total UK manufactured cars by the same year. In none of our core scenarios is a domestic production of 2 million cars per year reached by 2035 because this is not the binding constraint on output in any of the modelled trajectories.
[26] Press release (Nissan, Dec 2025)
[27] Press release (JLR, Sep 2024)

Oxfordshire.[28] The flexibility to manufacture non-EVs and the absence of stated plans for EV production numbers mean that it is reasonable for the modelling to consider pessimistic scenarios in which these factories produce few EVs such that overall UK EV production does not rise above its pre-Covid level.

We model four core scenarios as outlined in Table 1, below.

Scenario	Outline
Worst Case	UK car output recovers to its 2023 post-COVID peak by 2028 and the UK holds its best recent shares of export markets. BEV production returns only to its 2023 level of around 70,000 cars a year and grows no further – for example, if retooled factories with flexible production focus on non-BEVs.
Mid Case	Capacity recovers towards its pre-COVID average and BEV production can scale to 1 million cars by 2035. The UK wins BEV sales at its best recent market shares but does not raise them.
UK pivot + capacity recovery	The UK commits to BEV production, winning 1.5 times its best historic share of each BEV market. Non-BEV output is left at historically low market shares, and capacity recovers to its pre-COVID average.
UK BEV specialisation + capacity growth	The UK carries its traditional strength in conventional cars into BEVs and builds on it. It wins 1.5 times its best historic non-BEV share of each market, applied to BEV sales, including large markets such as China and the US where UK-built BEVs sell little today. Capacity grows towards 2 million cars.

Table 1: Outline of scenarios

[28] Press release (Mini, Sep 2023)

Modelling Economic Impacts in UK

After determining the output trajectories under each of our core scenarios, the value of that output is passed through ECIU's in-house Input-Output model to evaluate the economic contribution generated under each pathway, and the Full Time Equivalent (FTE) jobs supported across the economy as a result.

Input-Output, or I-O modelling, utilises the ONS's IO Analytical Tables generated from the UK national accounts to build a complete picture of the interactions and dependencies between UK industries. This type of modelling enables us to quantify the impact of a given (*initial*) output from the UK car industry, by tracing the value of inputs required to produce that output (*direct*) through the automotive industry's supply chain, the inputs to those suppliers in turn, and so on throughout the economy (*indirect* effects). Further, by accounting for the incomes paid to workers employed in producing those goods, we also arrive at a value for the (*induced*) value generated thanks to household spending triggered by the production of this output. These initial, direct, indirect and induced elements together generate a picture of the total economic contribution of the initial productive activity, in Gross Value Added (GVA) terms and FTE jobs. A more detailed outline of our I-O methodology is provided in the appendix.

UK car manufacturing GVA and jobs across our scenarios are measured against a baseline year of 2023 car manufacturing output. While more recent years' data are available, 2024 and 2025 production were well below recent outturn, in part due to temporary factory closures as outlined in the previous section. The use of 2024 or 2025 figures would therefore represent an artificially depressed baseline; we therefore take the conservative approach of using the higher output as the basis for comparison. This results in our 2026 figures across all scenarios showing below the baseline output, as industry output recovers and assembly plants come back online.

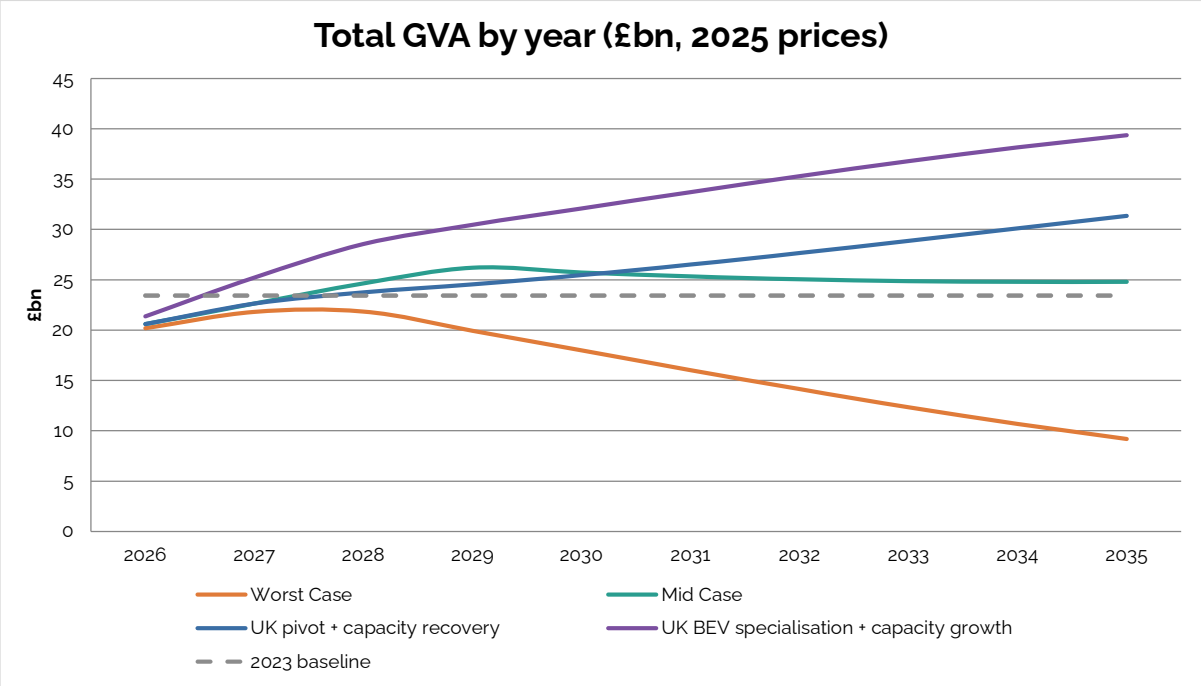


Figure 2: GVA under each scenario and baseline

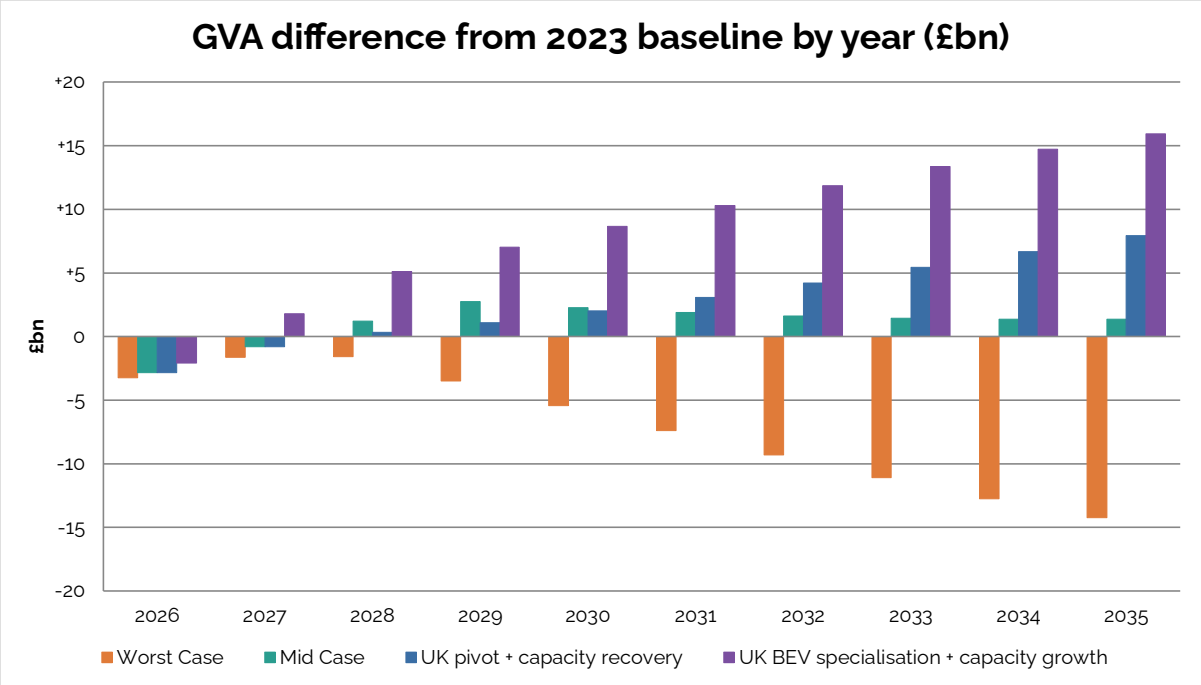


Figure 3: GVA differences between each scenario and baseline

Figures 2 and 3 show the total GVA across our baseline and modelled scenarios. In the worst case scenario where UK manufacturing does not evolve with rising market demand for battery electric vehicles, GVA is rapidly eroded over the modelled period, falling by £14.2bn per year relative to the baseline by 2035 and jeopardising over 160,000 FTE jobs. Under a maximalist scenario of a successful UK pivot to BEV manufacturing enabling an increase in the UK's market shares in key territories, economic contribution rises steadily from £23.4bn to almost £40bn in 2035, supporting an additional 182,000 FTE jobs throughout the supply chain and wider economy.

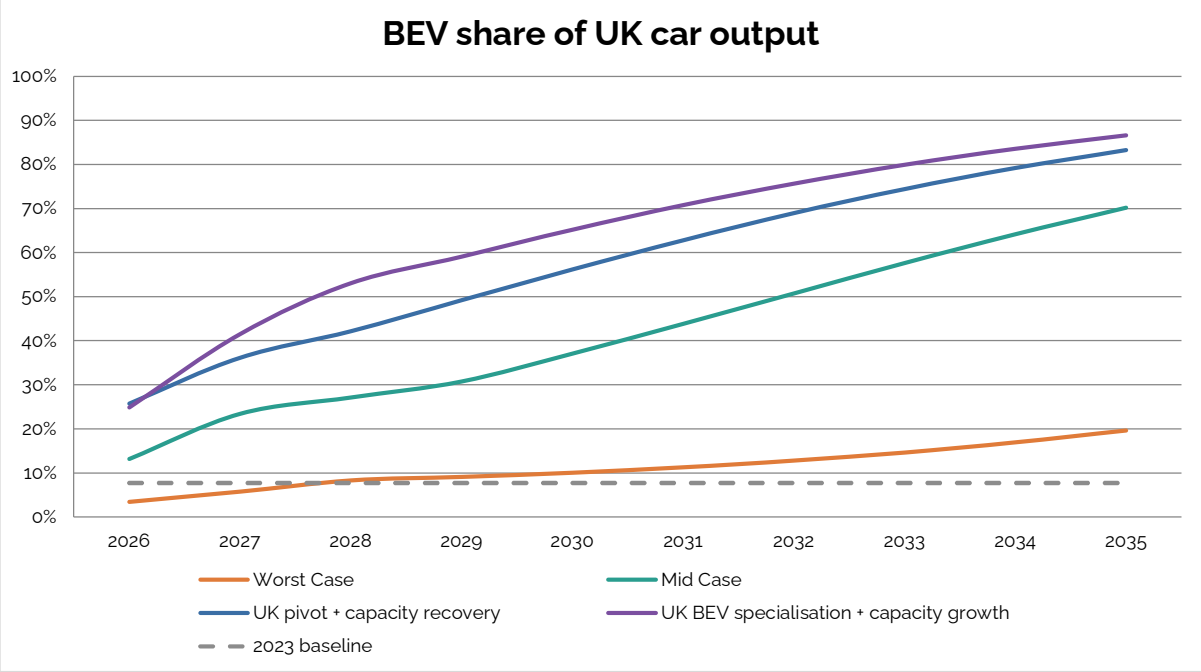


Figure 4: EVs are share of UK car manufacturing under each scenario and baseline

The diffusion of BEV adoption In the UK's markets means that across our modelling, the scenarios which generate higher economic value from the car manufacturing industry and wider UK economy are those which manufacture and sell a higher share of BEVs. [Figure 4] above illustrates the evolution of the UK's manufacturing base over the modelled period under each scenario: in all cases the share of BEV cars manufactured rises above the historic rate, although in the worst case scenario this is driven by falling non-BEV output as UK manufactures fails to find a market rather than increasing output of BEVs. Figure 5 below summarises how this translates into GVA by the end of the modelled period, while the composite chart presented in Figure 6 illustrates how these contribution shares evolve over time.

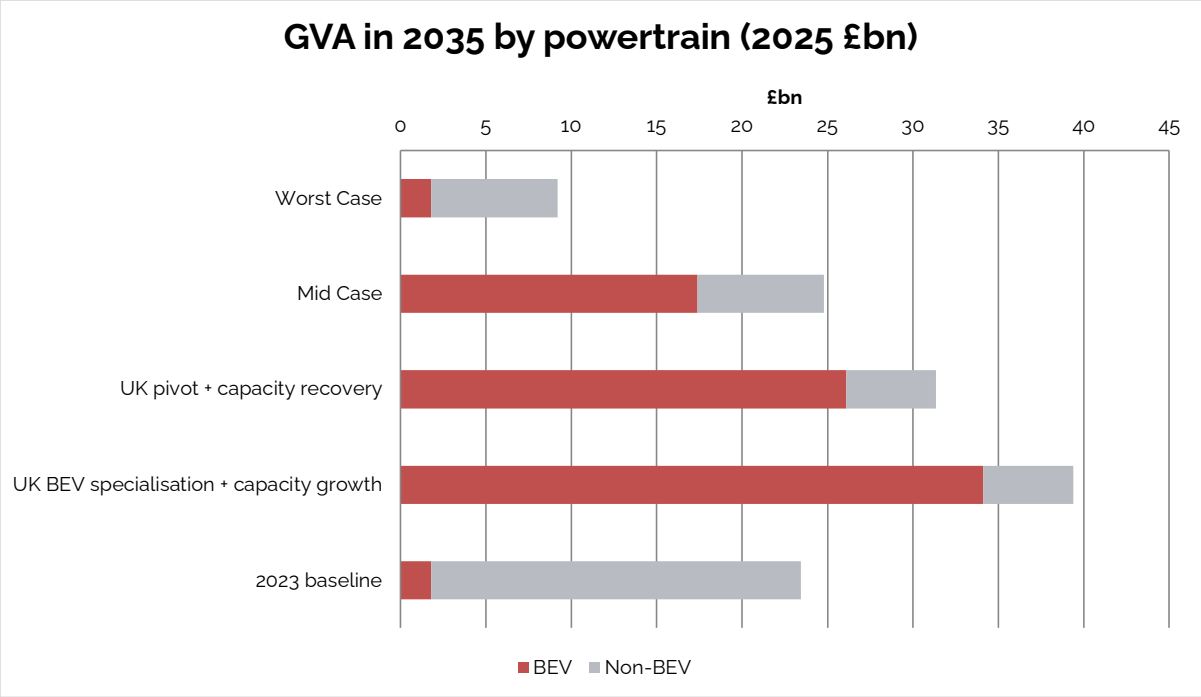


Figure 5: GVA in 2035 under each scenario and baseline

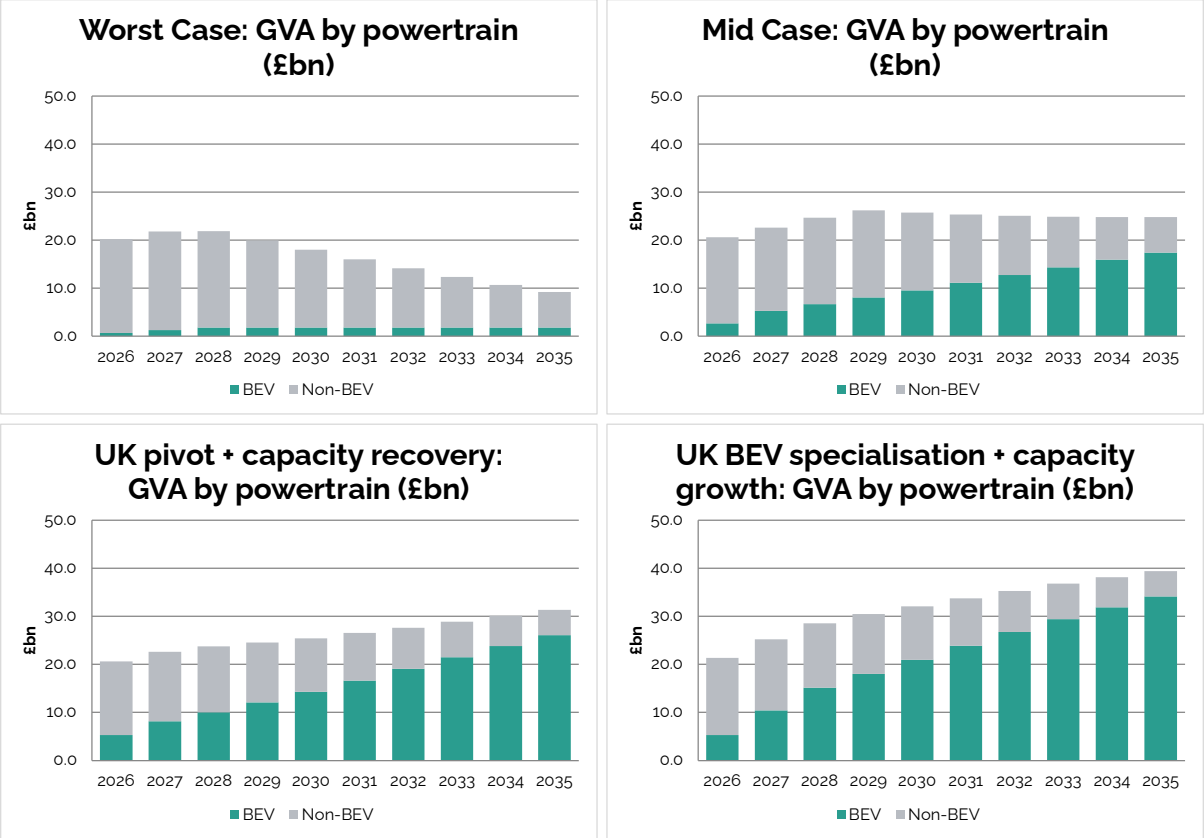


Figure 6: GVA each year from 2026 to 2035 under each scenario and baseline

The cumulative economic contribution over the decade to 2035 of our most positive scenario –in which the UK successfully specialises into BEVs in order to take advantage of growing demand at home and abroad – is almost double that of the worst case where the industry fails to transition, and some £87bn higher than the 2023 baseline. As shown in Figure 7, over half of this is generated in the automotive industry and its immediate supply chain, with around 20% generated in the wider economy upstream of this, and a similar amount supported by induced spending triggered by wages paid to employees.

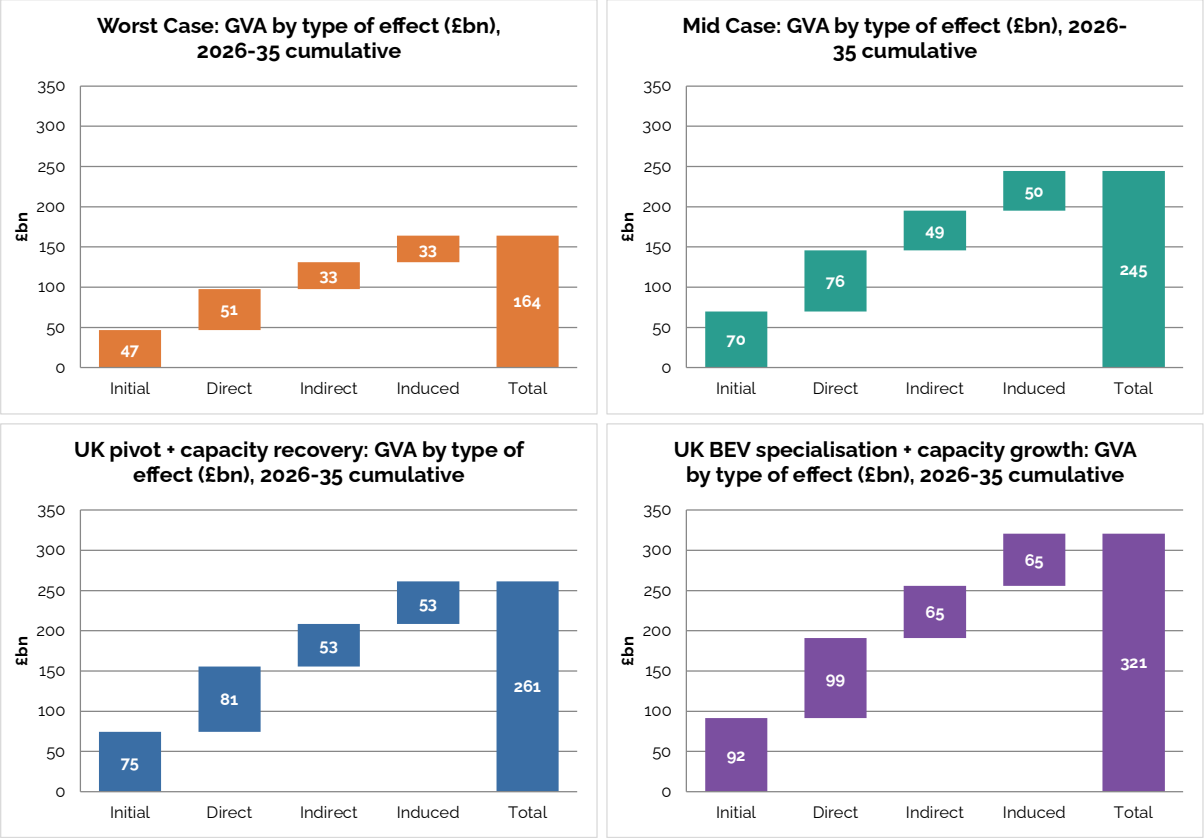


Figure 7: Cumulative GVA in 2026 to 2035 under each scenario and baseline, and split by economic layer

Table 2 provides a narrative outline of the impact of each of our modelled scenarios.

Scenario	Outcome
Worst Case	Output peaks in 2028, then shrinks by more than half as demand for non-BEVs falls away in key export markets, while BEV demand the UK could serve goes unmet for lack of BEV capacity. By 2035 GVA has fallen to £9.2bn, £14.2bn below the 2023 baseline, and 163,000 fewer FTE jobs are supported throughout the economy.
Mid Case	BEV growth roughly offsets the decline in non-BEV demand, so output peaks around 1 million cars in 2029 and then levels off, with a third of capacity unused by 2035. The industry ends the decade about where it was in 2023 (+£1.4bn GVA in 2035), held back by its market share rather than its capacity. FTE impact is marginal.
UK pivot + capacity recovery	Output grows every year to 1.2 million cars by 2035, over 80% of them BEVs, as BEV gains more than replace the shrinking non-BEV business. 90,800 additional jobs are supported and GVA reaches £31.4bn in 2035, £7.9bn above the 2023 baseline.
UK BEV specialisation + capacity growth	This is the strongest growth path, with output reaching 1.5 million cars by 2035, nearly 90% of them BEVs. GVA of £39.4bn is generated in that year, £15.9bn above the 2023 baseline. Output is limited by demand rather than capacity, so its upside rests on the UK winning market share abroad beyond anything it has achieved before.

Tabel 2: Summary of impacts of each scenario

Below in Table 3 we summarise the key modelling outputs across our four scenarios, and the relative outturn in both GVA and FTE terms compared to the 2023 baseline and our worst case. The results clearly demonstrate the risk associated with failing to follow the global transition to electric vehicles; while a successful pivot to electric powertrain manufacture stands to generate billions in GVA and create hundreds of thousands of jobs, in the worst case the industry goes into long term decline as its demand base erodes, risking over 150,000 jobs up and down the supply chain and across the wider economy by 2035.

Scenario	2035 GVA (vs baseline)	Cumulative GVA 2026–2035 (vs baseline)	FTE jobs 2035 (vs baseline)	FTE jobs 2035 excl. induced layer (vs baseline)	BEV share of UK car output, 2035	2035 GVA vs Worst Case	Cumulative GVA 2026–2035 vs Worst Case	FTE jobs 2035 vs Worst Case
Worst Case	£9.2bn (–£14.2bn)	£164.2bn (–£70.1bn)	105,400 (–163,000)	81,942 (-126,711)	19.6%	–	–	–
Mid Case	£24.8bn (+£1.4bn)	£244.5bn (+£10.2bn)	284,000 (+15,600)	220,776 (+12,123)	70.2%	+£15.6bn	+£80.3bn	+178,600
UK pivot + capacity recovery	£31.4bn (+£7.9bn)	£261.4bn (+£27.1bn)	359,200 (+90,800)	279,210 (+70,557)	83.2%	+£22.2bn	+£97.2bn	+253,800
UK BEV specialisation + capacity growth	£39.4bn (+£15.9bn)	£320.9bn (+£86.6bn)	451,000 (+182,600)	350,605 (+141,952)	86.6%	+£30.2bn	+£156.7bn	+345,600

Table 3: Summary of results for each scenrio

Methodology

This report addresses the same topic as an earlier report by CBI Economics for ECIU,[29] but it has been conducted by ECIU and with a narrower scope (car manufacturing, as opposed to the wider automotive sector) and some updated approaches and assumptions, such that the results are not comparable.

The analysis models future demand for new cars in the UK auto manufacturing sector's main markets: the EU (where 44% of UK-made cars are sold), the UK itself (23%), the USA (12%) and China (5%), plus a 'Rest of World' group (17%) by drawing on monthly new car registration data in those markets from New Automotive's Global Electric Vehicle Tracker. Future EV adoption rates are then modelled on an S-Curve, wherein adoption of a new technology begins with early adopters, accelerates through mass-market uptake, and slows as late-adopters switch. This data is used to project EV and non-EV sales over the next decade. Total market sizes (i.e. the total number of new vehicles purchased in each market every year) are assumed to remain at recent post-Covid levels.

These demand projections are combined with the UK's current share of sales in each market, calculated using SMMT production and export figures and HMRC trade data. We then model four scenarios – ranging from worst case, where UK manufacturers do not sufficiently shift towards EVs and even those with retooled factories instead focus on non-EVs, to best case, where UK manufacturers shift more quickly to expanded EV production, and grow their market share in key export markets as a result. In every scenario, output is capped by whichever is lower: demand for UK-made cars or the factories' capacity to build them. The drop in UK EV output in 2024 and 2025, caused by temporary retooling of production lines for new models, is not treated as a sign of long-term trends.

The value of each scenario's output is then run through ECIU's Input-Output model, which uses ONS data on how UK industries buy from and supply one another. This estimates the economic value (GVA) and full-time equivalent jobs supported by the car factories themselves, their direct suppliers and the wider supply chain. It also counts 'induced' effects, which quantify the economic activity and additional jobs supported when workers spend their wages in the wider economy. The study builds on earlier work by CBI Economics for ECIU but uses a narrower scope and updated assumptions, so its results are not directly comparable.

[29] Electrifying Growth (CBI Economics for ECIU, Oct 2024)