



UK AUTOMOTIVE BUSINESS LEADERS BAROMETER

Q2 2026

Survey conducted 1 May to 2 June 2026

About the survey

SMMT's UK Automotive Business Leaders Barometer surveys how key leaders in the auto sector perceive conditions impacting their business and sets out their recommendations on how the sector can progress to support the growth, trade and net zero agendas.

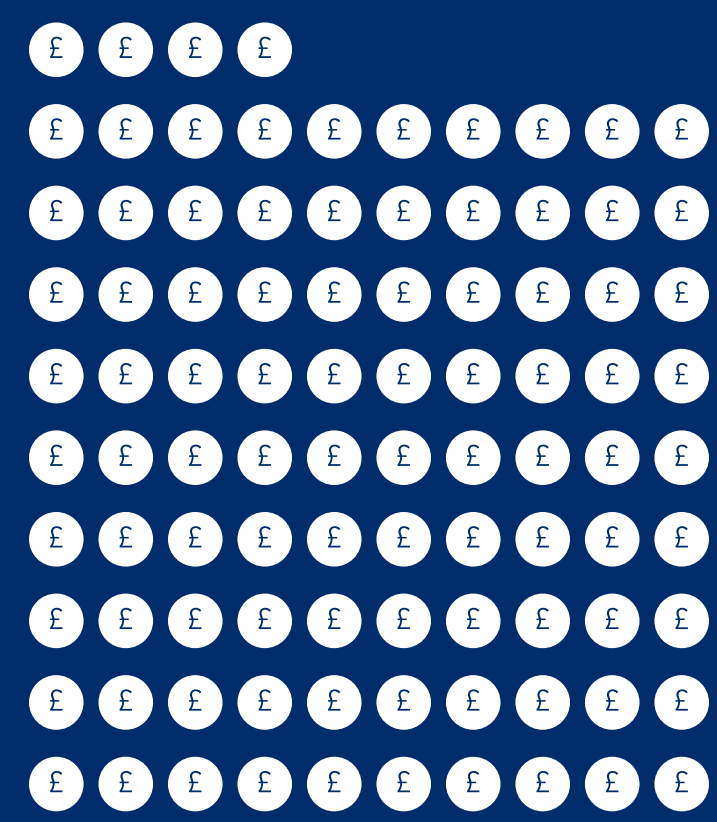
Participants in the survey had a combined turnover of £94 billion and employed 113,000 people, covering 98.4% of UK vehicle production.

The survey was set against the backdrop of ongoing geopolitical tensions, including the conflict in the Middle East, tensions over 'Made in Europe' proposals from the EU and the challenge of transitioning the market and industrial base towards a zero emissions future.

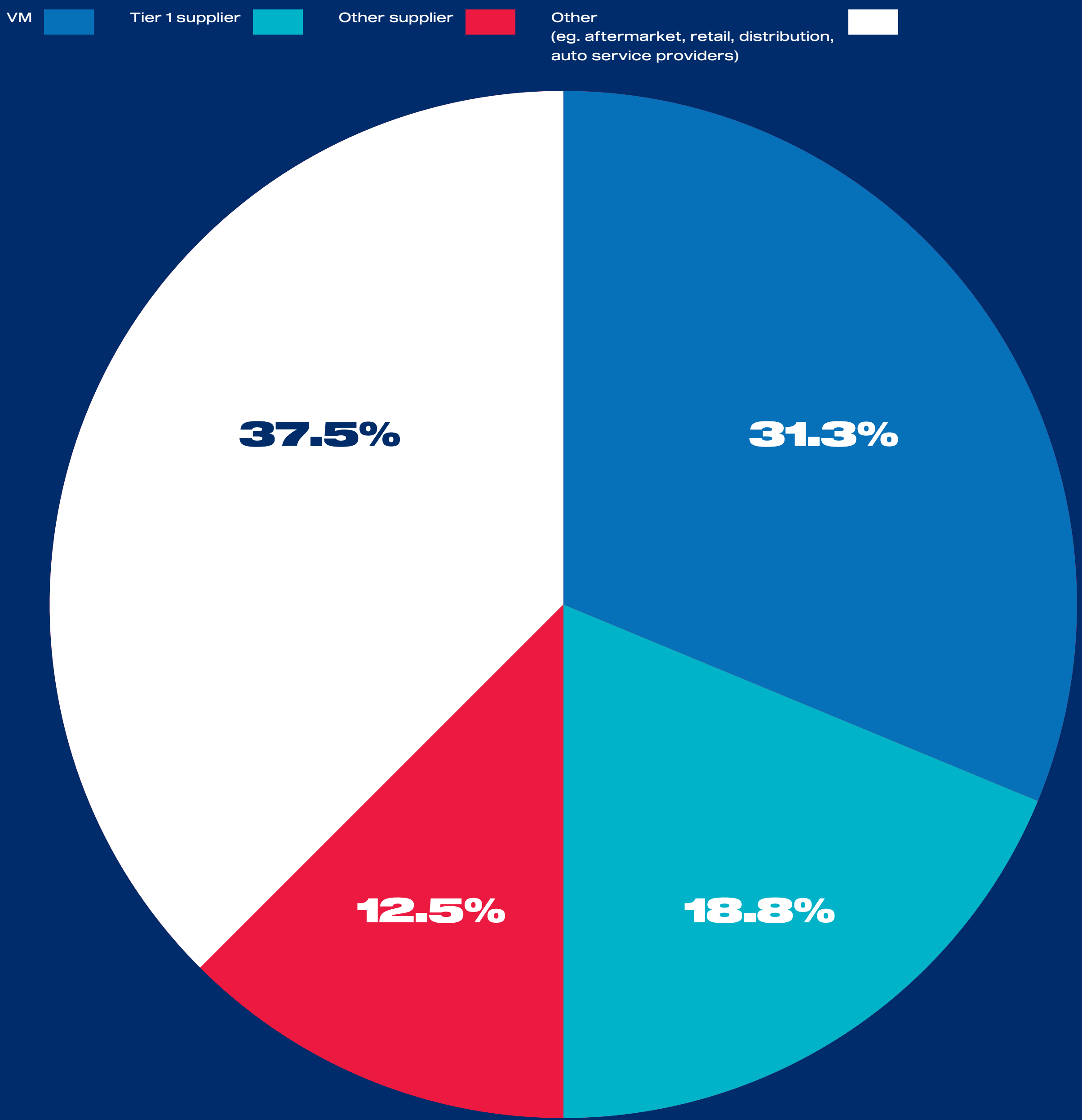
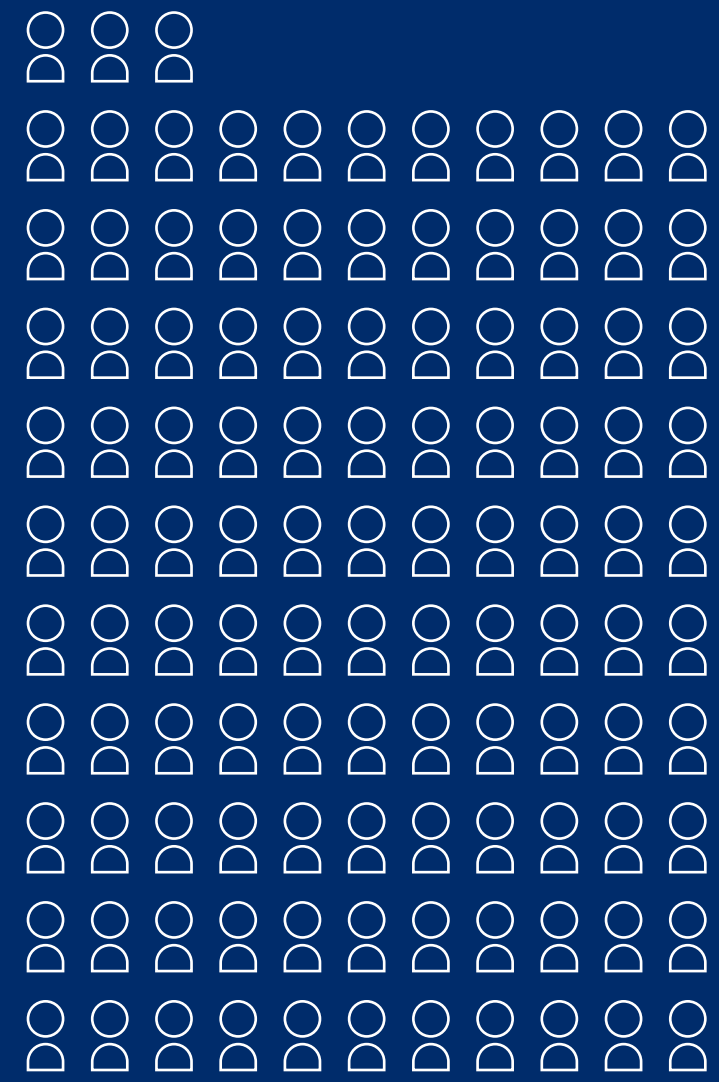
50
RESPONDENTS



£94bn
TURNOVER



113,000
STAFF



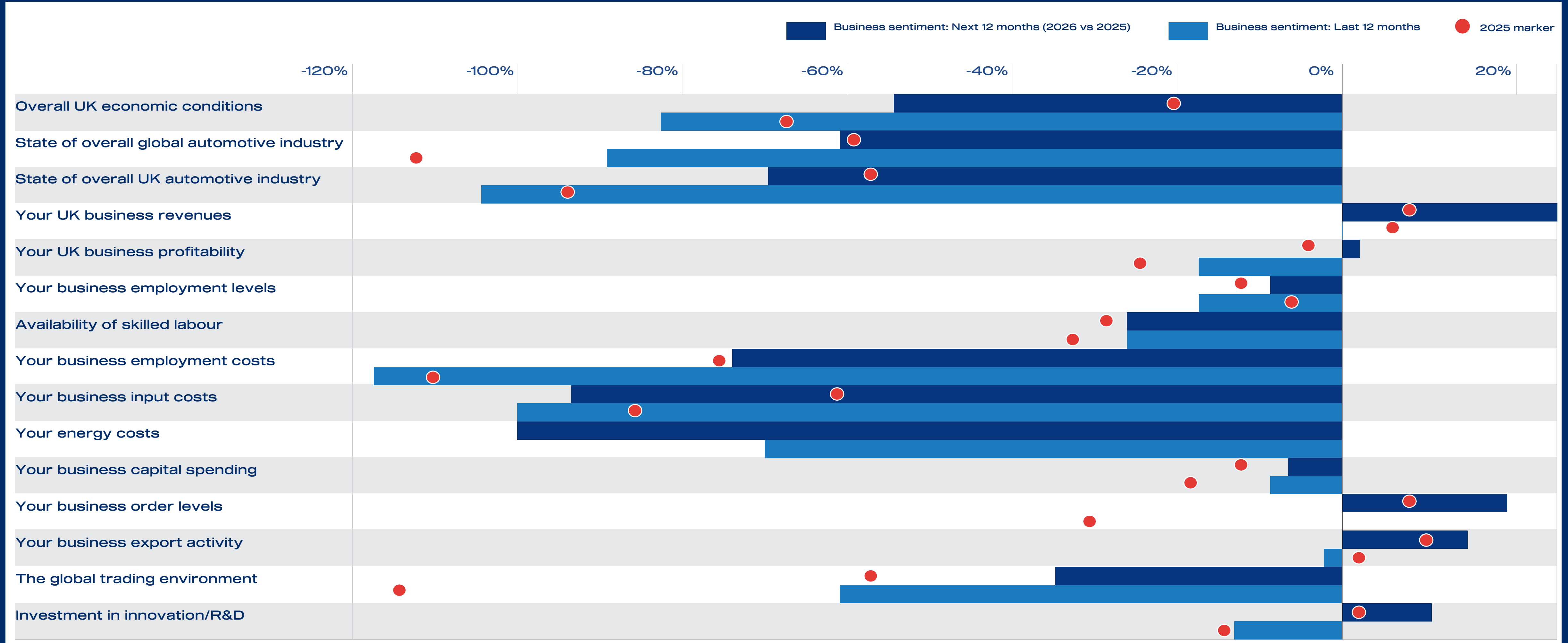
PERFORMANCE

How do you perceive each of the following factors have changed over the last 12 months and what is your outlook for the next 12 months?

Net perceptions about the UK economy and the auto industry – globally and locally – remain challenging and have worsened since the last survey. The situation is expected to improve, marginally, in the 12 months ahead.

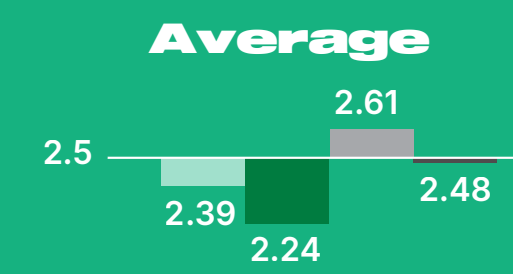
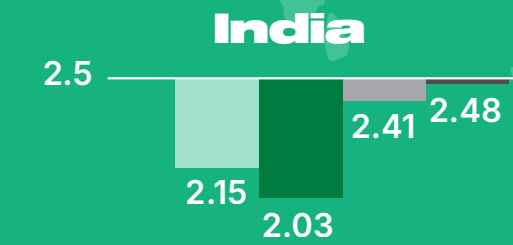
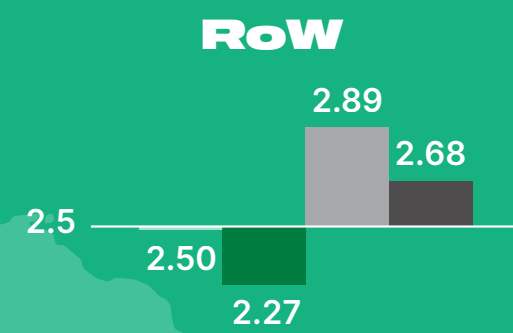
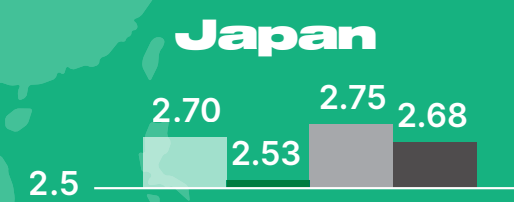
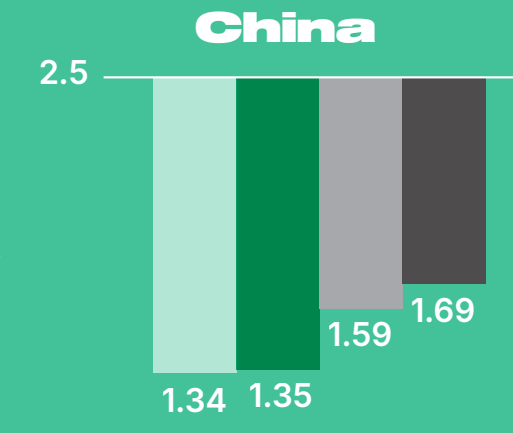
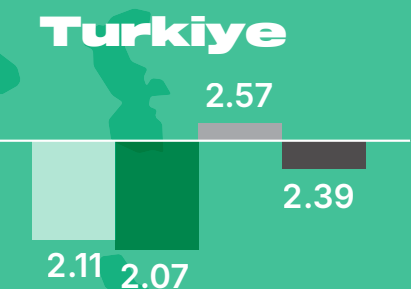
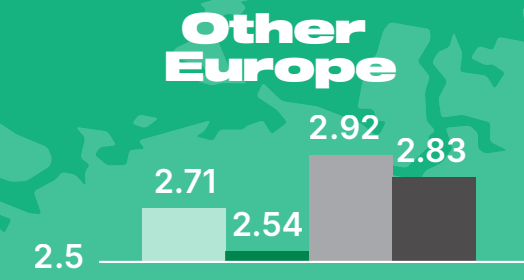
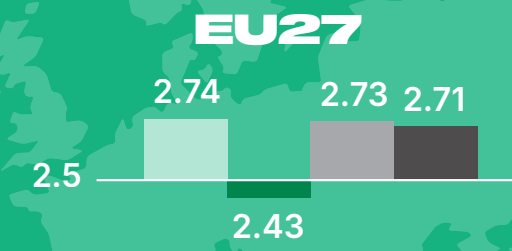
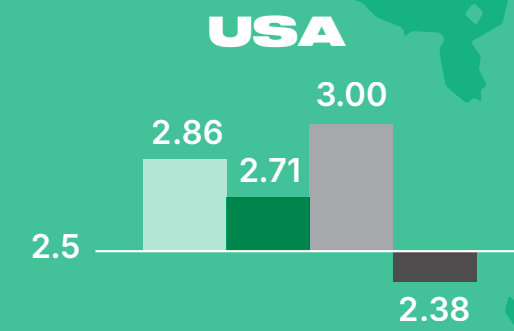
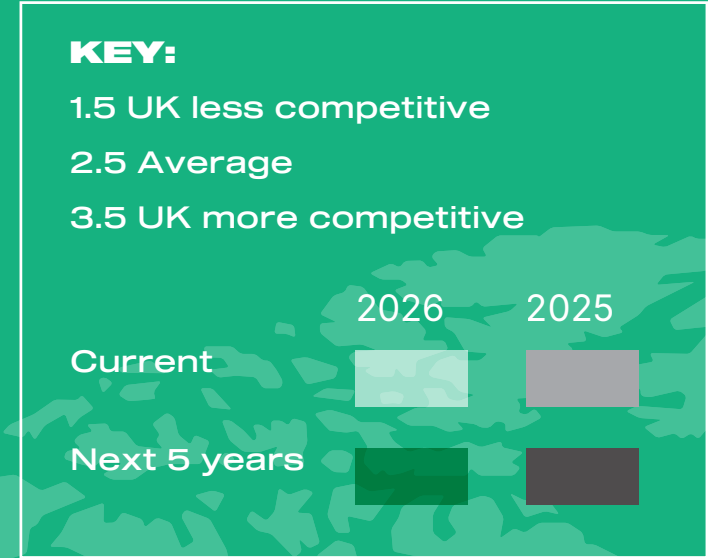
Business costs remain a significant issue. However, revenues have grown while profitability is improved, albeit from a low base.

In the last survey, the threat of significant hikes in US tariffs was a predominant concern, and while the trading environment remains a significant challenge, conditions are perceived to have improved.



UK COMPETITIVENESS

How do you rate the UK's competitiveness in the global auto industry today compared with the following regions and how do you expect it to rate in the next five years?



The UK remains broadly competitive with the EU27, but overall competitiveness has weakened compared with last year's survey, with the outlook against all comparator regions expected to decline over the next five years.

China and India are both still seen as significantly more competitive than the UK.

Current UK average competitiveness is 2.39 out of 5 and is expected to dip to 2.24 over the next five years, unless industry and government can work together to improve the situation.

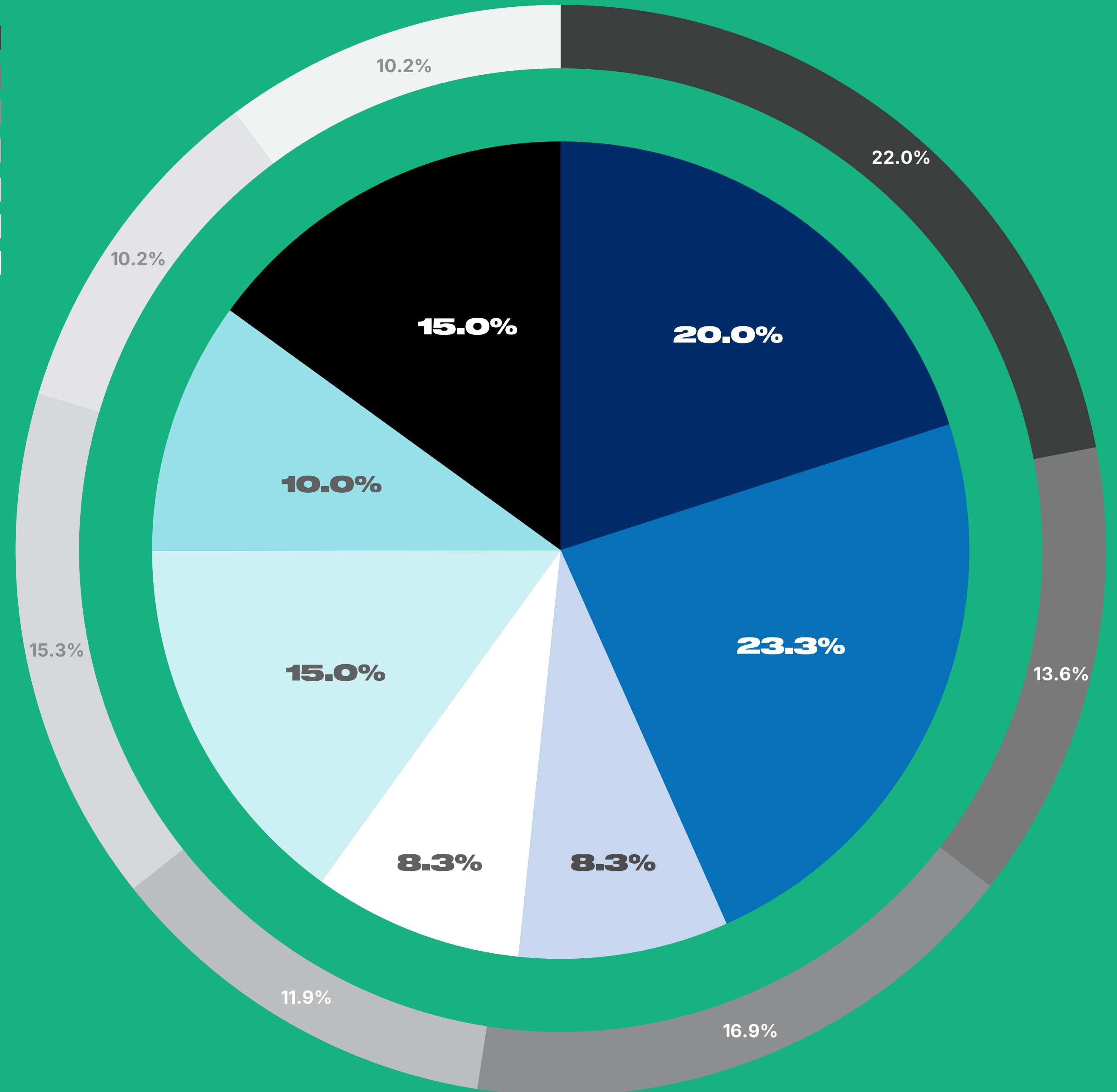
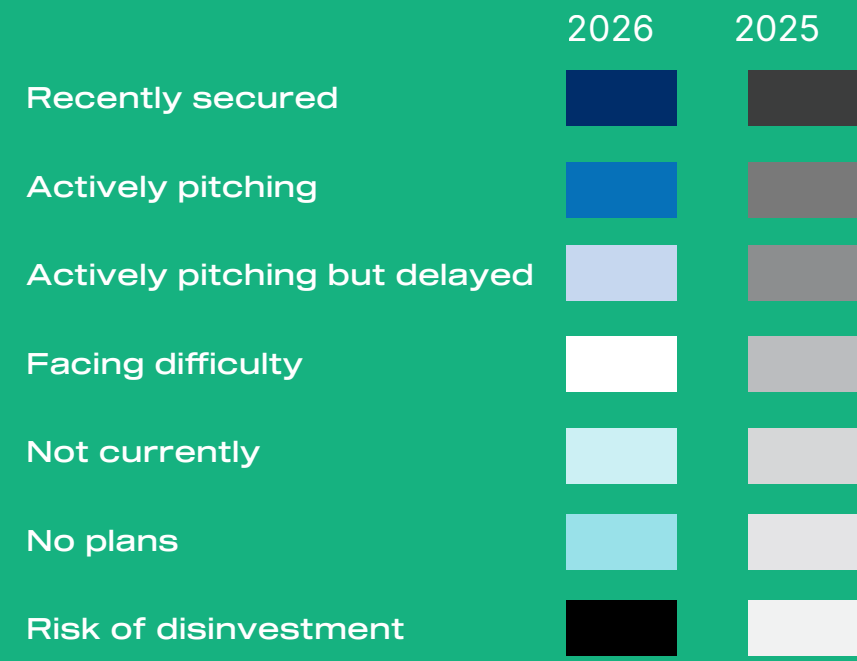
INVESTMENT

Based on current economic conditions, which of the following best describes your business's current investment activity and expectations in the UK?

A fifth (20.0%) of respondents had recently secured investment in the UK.

23.3% said they were actively pitching (up from 13.6% a year ago), with 8.3% reporting delays or difficulties.

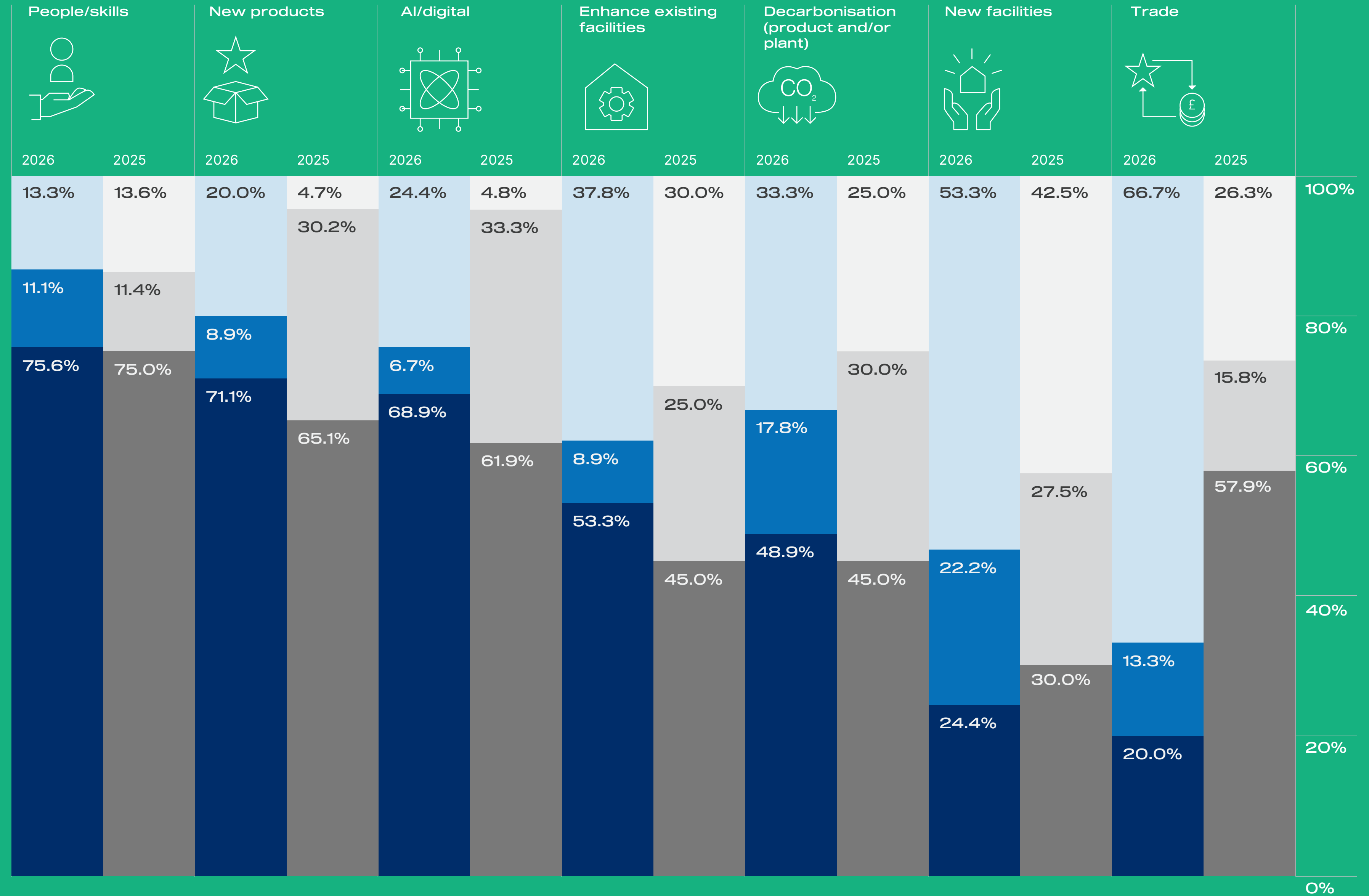
Meanwhile, 15.0% reported they are at risk of losing investment in the UK, compared with 10.0% a year ago.



INVESTMENT

In which areas are you planning to invest over the next 12 months?

2026 ■ Yes - next 12 months ■ Yes - longer term ■ No
 2025 ■ Yes - next 12 months ■ Yes - longer term ■ No

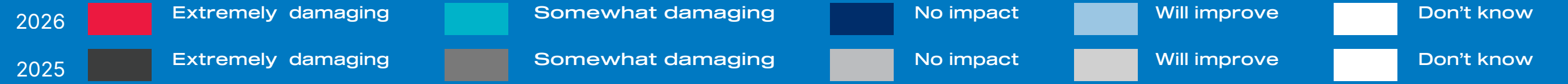


People, new products and AI/digital are the key investment focus.

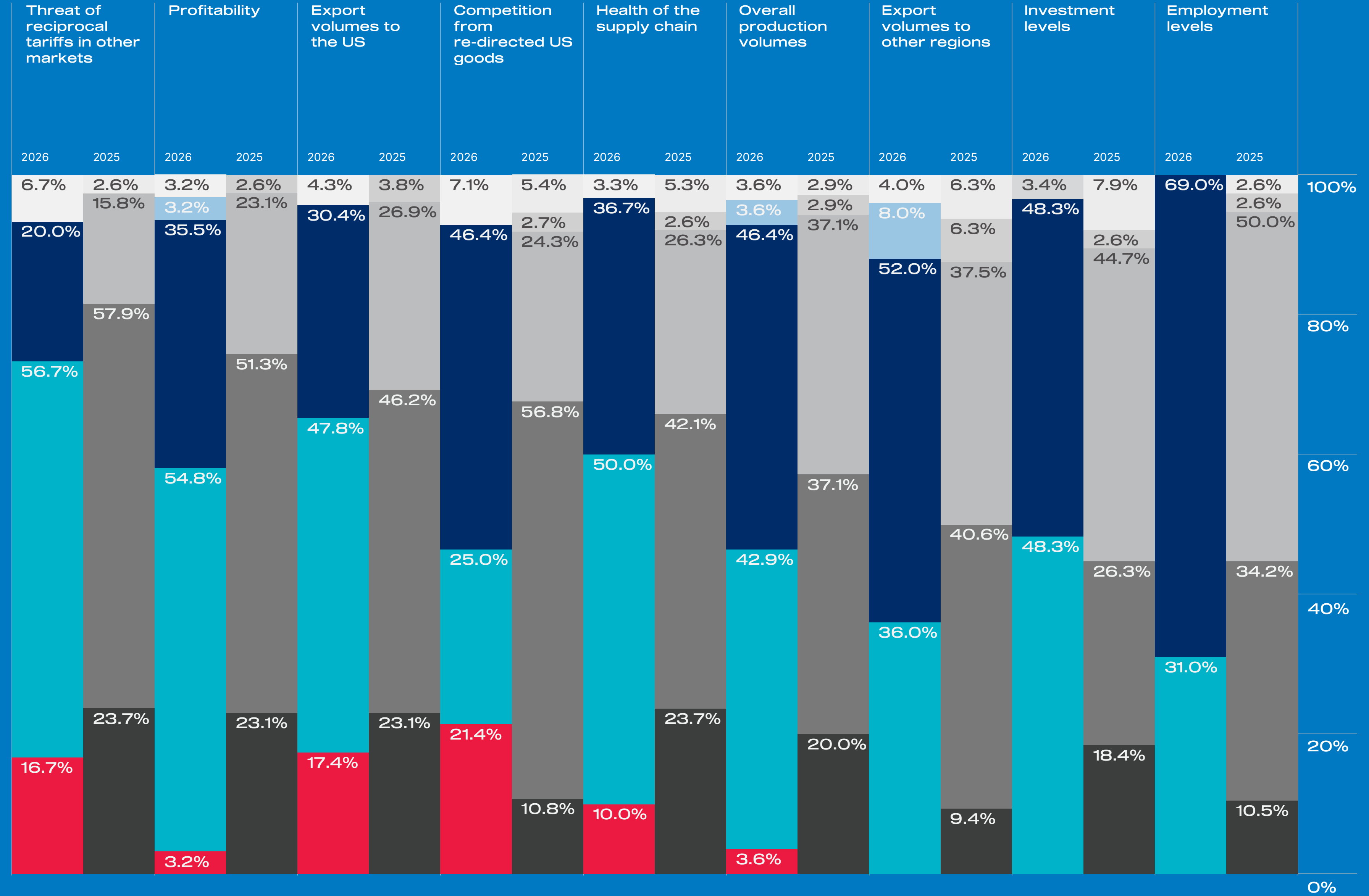
Three quarters (75.6%) of respondents expecting to invest in the next year said spend will be focused on people and skills, unchanged from the 2025 survey.

71.1% expect to invest in new products and 68.9% in AI/digital, while 53.3% will focus spend on enhancing existing facilities and 24.4% on new facilities.

US TARIFFS



How damaging has the imposition of the new US tariffs been on your UK business in each of the following areas?



58.0% of respondents impacted by the US tariffs said their profitability has been damaged.

Two thirds (65.2%) said their export volumes to the US have been hit, 17.4% extremely so, while more than a fifth (21.4%) cited extreme damage from competition from redirected US-bound goods

The threat of reciprocal tariffs in other markets remained the biggest concern, with almost three quarters (73.4%) saying this would be damaging to their business.

Compared with last year, the concerns have moderated with the deal now in place, notably so for concerns around employment levels.

MIDDLE EAST

Has the Middle East conflict materially impacted the following areas of your business, and if not yet, when do you expect it to?

Three-quarters (73.8%) of respondents have already seen logistics costs increase, while half say energy costs (48.8%) and other input costs (48.7%) have increased.

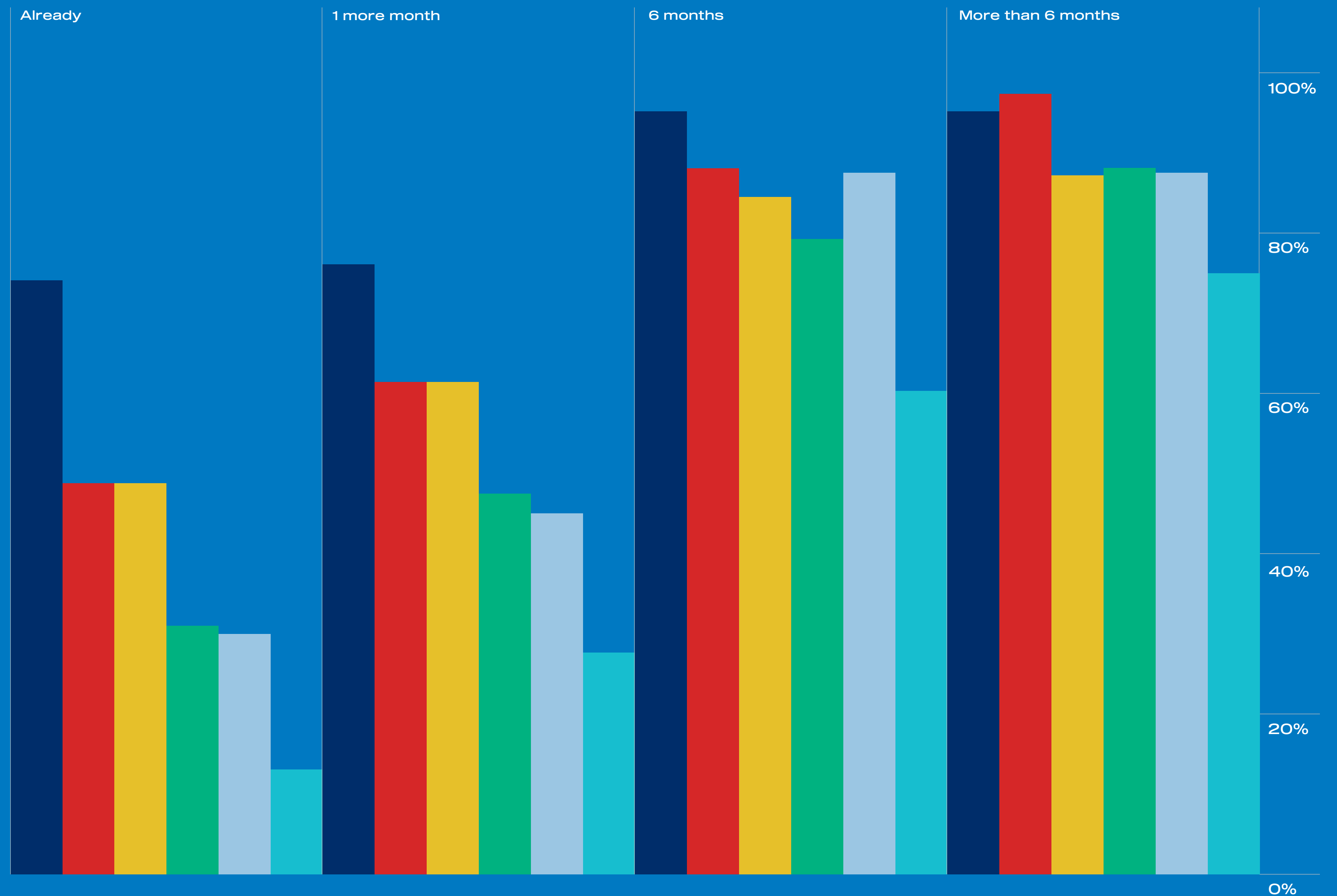
If the conflict were to last for another six months, these levels would rise significantly.

The US-Iran Memorandum of Understanding peace deal signed in June hopefully will begin to ease some of the concerns and impacts in the months ahead.

"In relation to the Middle East crisis, we reiterate our request for fuel duty relief and temporary relief on energy-related costs. Targeted freight and logistics support would also be welcome."

MD of a vehicle manufacturer

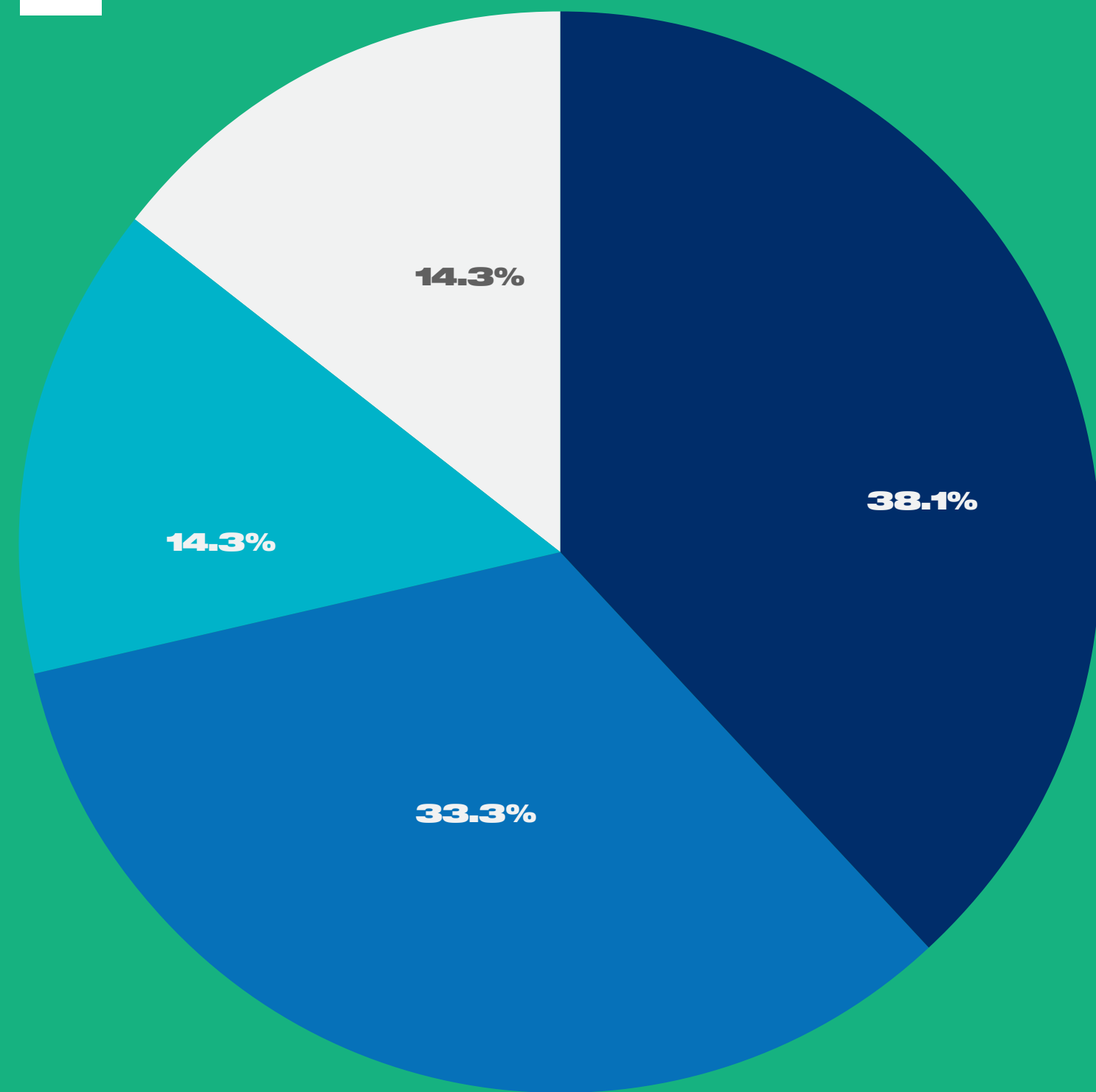
- Logistics costs
- Energy costs
- Other input costs
- Customer demand
- Production/output
- Supplies



MADE IN EUROPE

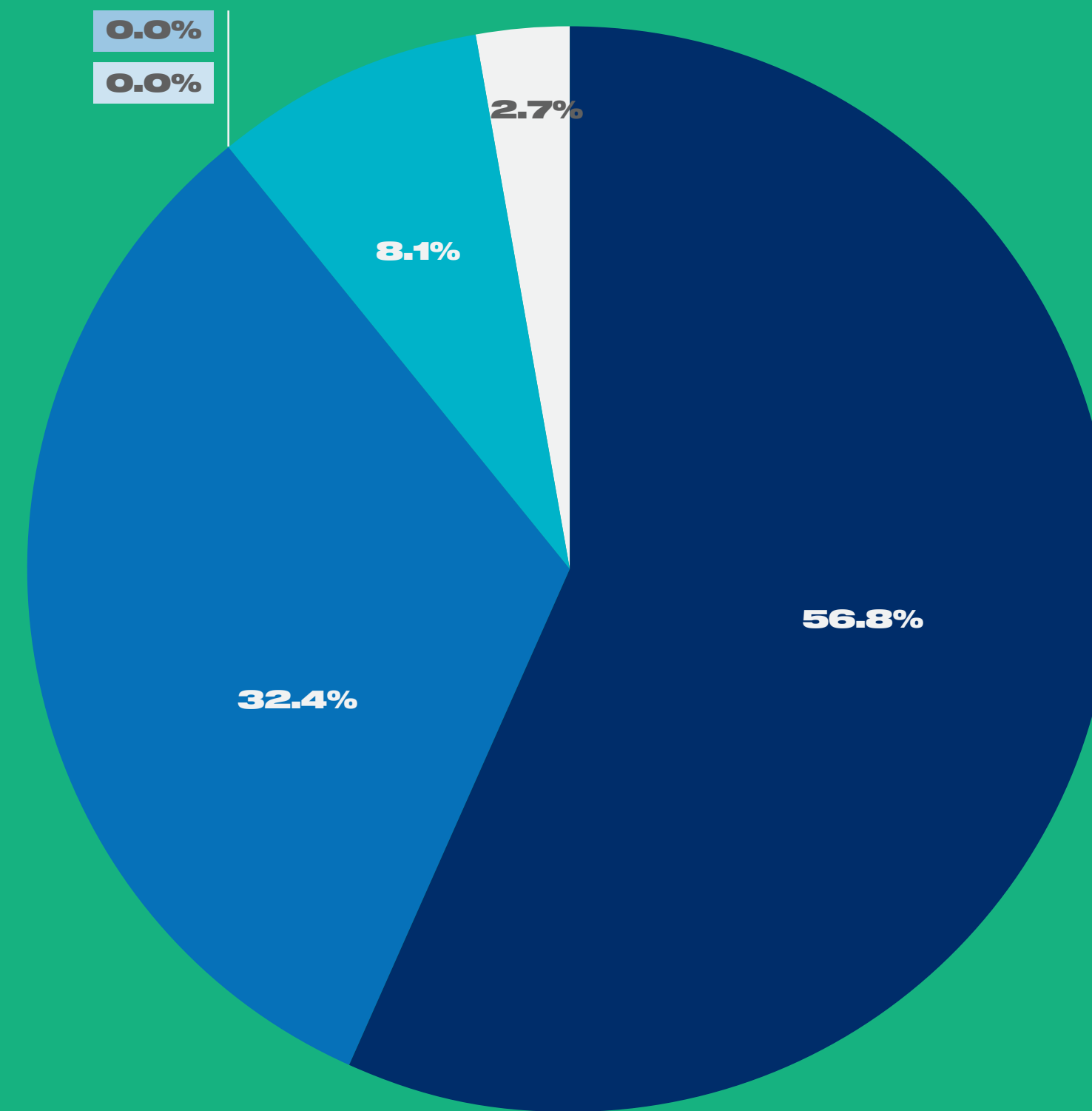
Would the imposition of the EU's 'Made in Europe' (MiE)/Industrial Accelerator Act (IAA) create an existential threat to your UK business?

- Major negative impact
- Modest negative impact
- No impact
- N/A



What should the UK government prioritise in its trade policy, given the MIE/IAA?

- UK treated as MIE
- EU trading reset
- Cars with % EU content be treated as MIE
- Better trade with others
- Adopt wait-and-see approach
- Impose retaliatory measures



More than four in five of those who trade with the EU (83.3%) said MiE would negatively impact their UK operations, 44.4% majorly so.

More than half (56.8%) wanted the UK to be treated as Made in Europe, with a third (32.4%) seeking a EU trading reset (ie. a closer economic partnership).

No respondent called for retaliatory measures, but equally none advocated a wait-and-see (do nothing) approach.

"As a net exporter to EU27, we would be in severe difficulty if our products were excluded. Not only would we have the tariff damage from Brexit, but there would be a disincentive for our products to be sourced by EU OEMs. It would be an existential threat for the entire industry."

CEO of a tier 1 supplier

The Made in Europe proposal is already impacting future investment decisions, which impact future business viability. This must be resolved as a priority."

MD of a vehicle manufacturer

INDUSTRIAL STRATEGY

One year on from the government's modern Industrial Strategy, which of the following themes would be most beneficial to your business?

Energy and infrastructure remain the top asks of respondents. 72.5% thought this would positively impact their business, with 37.5% citing it as the most positive action.

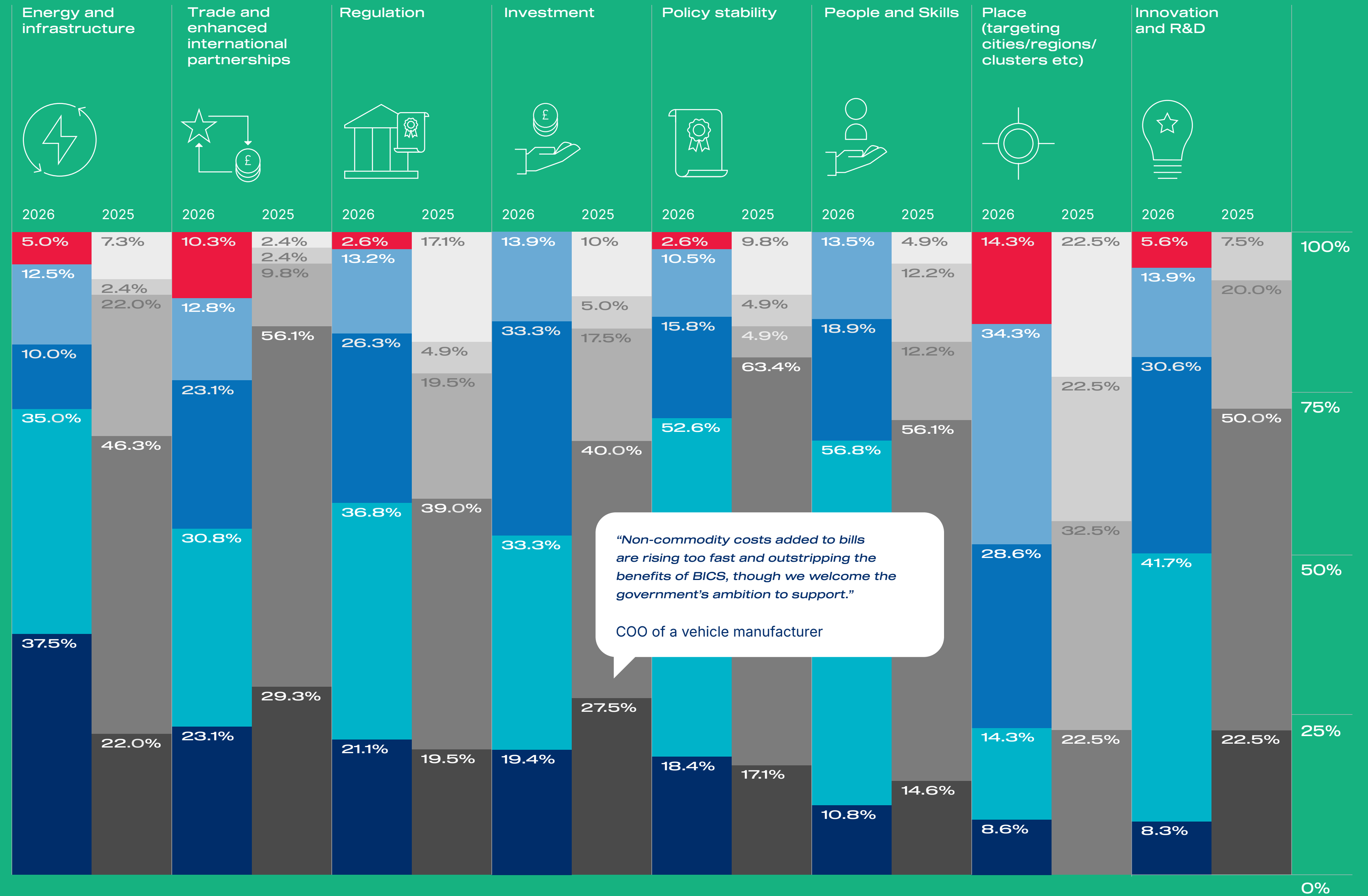
The new British Industrial Competitiveness Scheme (BICS), which aims to lower electricity costs by up to 25%, was broadly welcomed. 27% said it will boost competitiveness while 40.5% are awaiting more detail to assess its impact.

Similarly, some 9 in 10 respondents thought, or were uncertain whether, the benefits of BICS would be negated by the impacts of the Middle East conflict or other energy cost rises, with further energy cost reduction a key priority for the sector.

Policy stability was seen as positively impacting by three-quarters of respondents (65.9%), while almost a quarter (23.3%) said the most positive measure was trade and enhanced international partnerships.

"The UK needs to create a level playing field with the EU and match energy prices with theirs to create a more considered competitive environment."

CEO of a tier 1 supplier



"Non-commodity costs added to bills are rising too fast and outstripping the benefits of BICS, though we welcome the government's ambition to support."
COO of a vehicle manufacturer

Do you think the UK is on track to meet the following Zero Emission Vehicle (ZEV) and Net Zero-related targets?

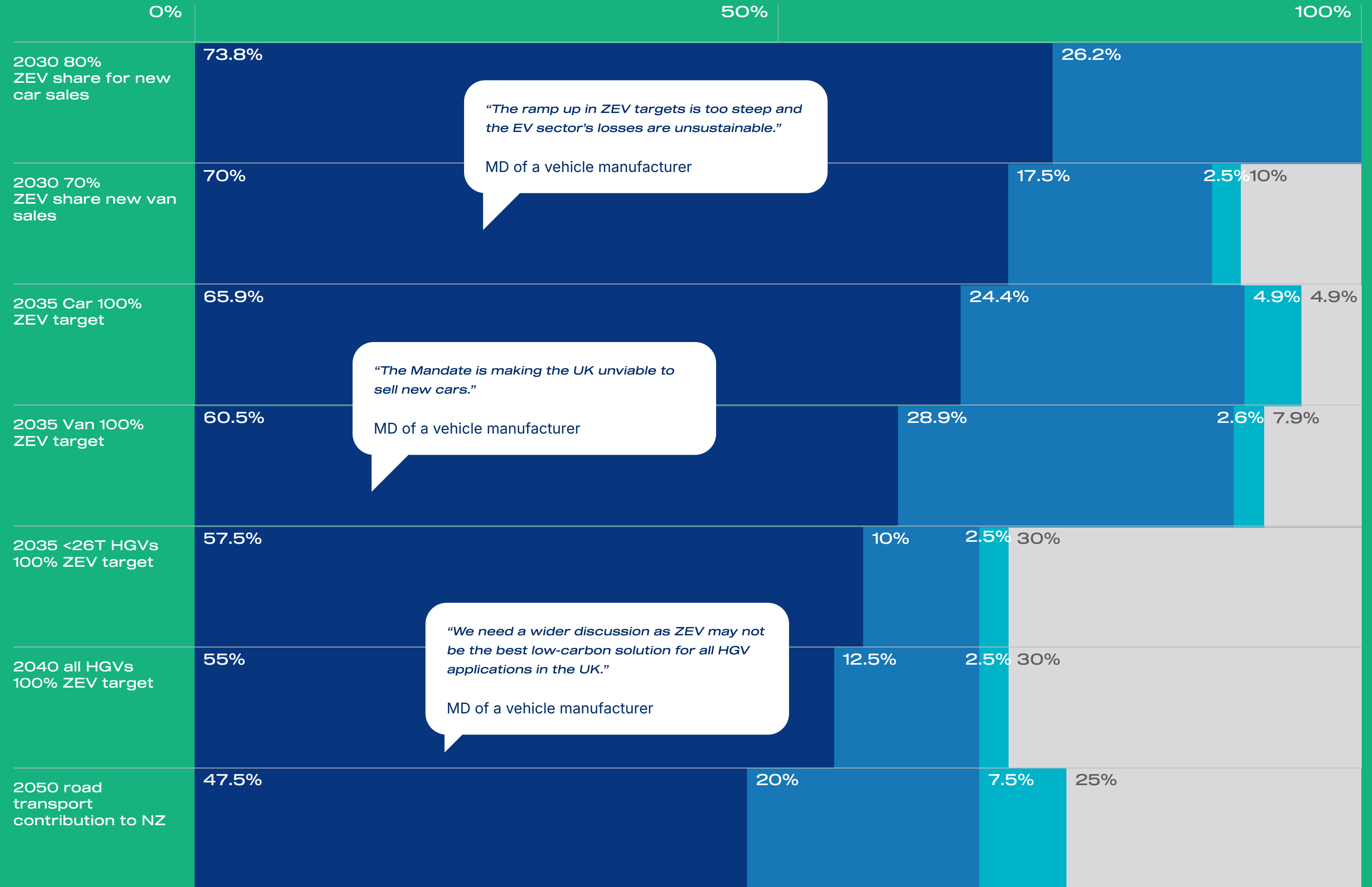
Not a single respondent thought the UK was running ahead of any of the targets.

All respondents thought the 2030 80% zero emission vehicle (ZEV) ambition was behind target, with almost three-quarters (73.8%) saying it was significantly behind. Two-thirds (65.9%) said the 2035 ambition was also significantly behind target.

87.5% thought the 2030 van ambitions were behind target – 70% significantly so, while 10% (those not operating in the sector) were unsure. Only 2.5% thought the market was on track.

“We need the ZEV trajectory to reflect real consumer demand to ensure a transition which lowers carbon emissions up to 2035 while protecting the competitiveness of UK EV manufacturing.”

COO of a vehicle manufacturer



“The ramp up in ZEV targets is too steep and the EV sector’s losses are unsustainable.”

MD of a vehicle manufacturer

“The Mandate is making the UK unviable to sell new cars.”

MD of a vehicle manufacturer

“We need a wider discussion as ZEV may not be the best low-carbon solution for all HGV applications in the UK.”

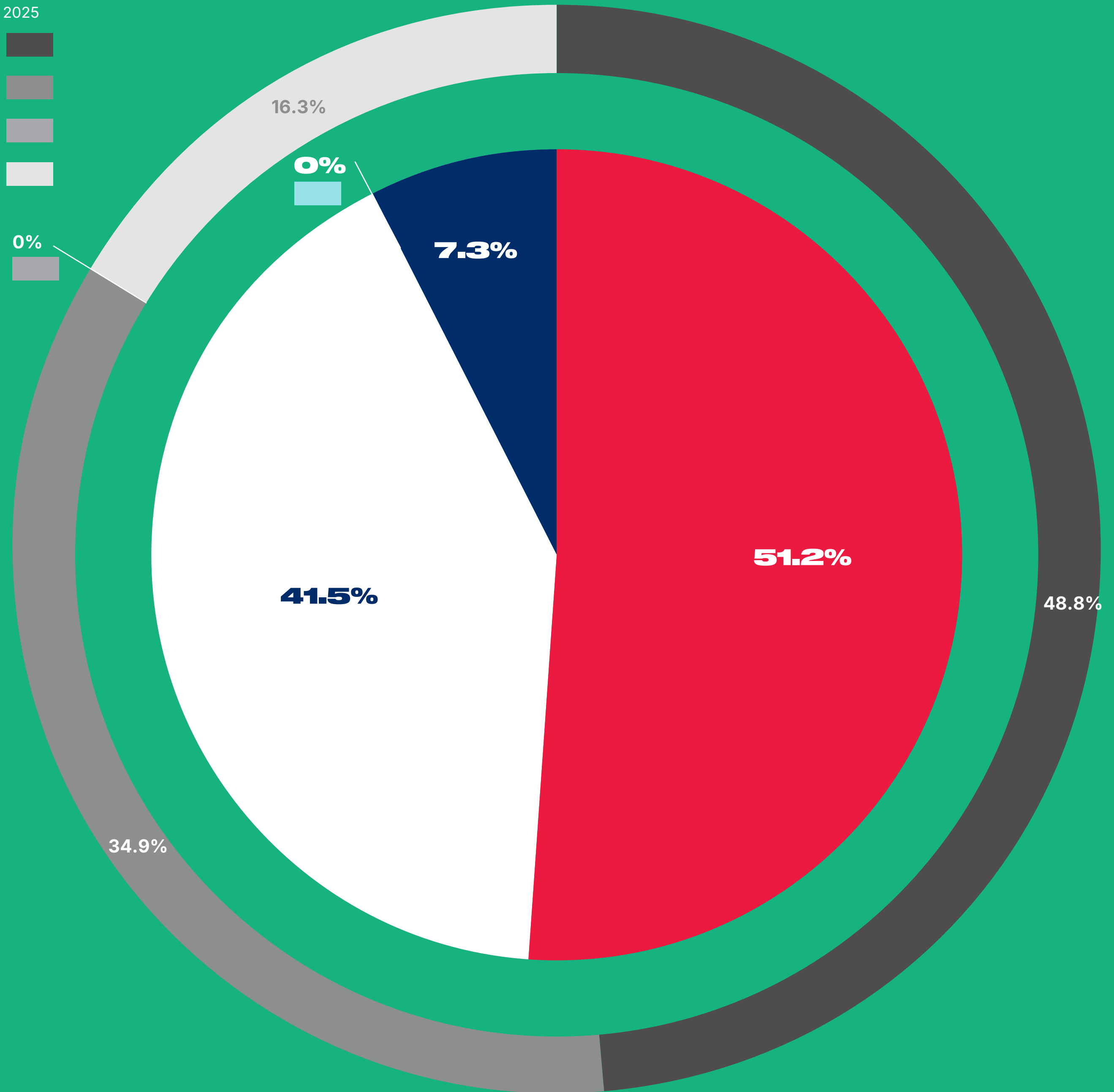
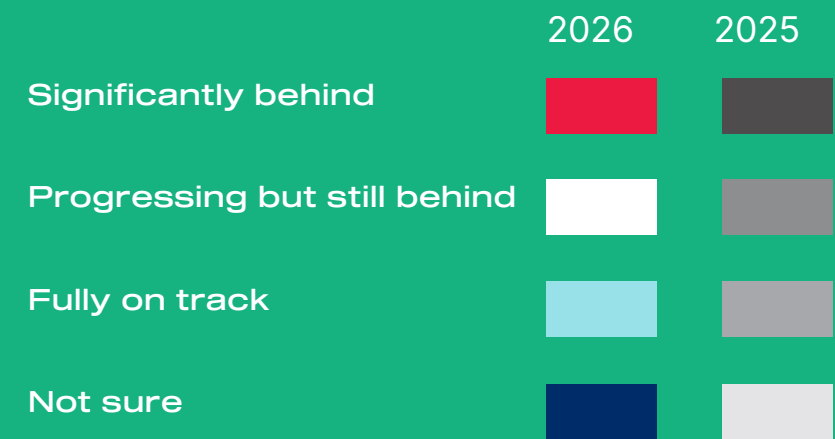
MD of a vehicle manufacturer

NET ZERO

Do you believe the UK's Zero Emission Vehicle (ZEV) supply chain is ready to support a successful UK ZEV manufacturing transition?

More than half of respondents (51.2%) thought the UK supply chain was significantly behind in its ability to support ZEV manufacturing (up from 48.8% in 2025).

Once again, no respondent thought it was fully on track.



"The UK is killing its own industry by chasing the mandate. When looking at the behaviour of many other countries, we are no longer an attractive location for automotive manufacturing."

CEO of a component manufacturer

"Without infrastructure, consumers won't be convinced to switch to EVs. Without long term policy and incentive, OEMs cannot make long term plans."

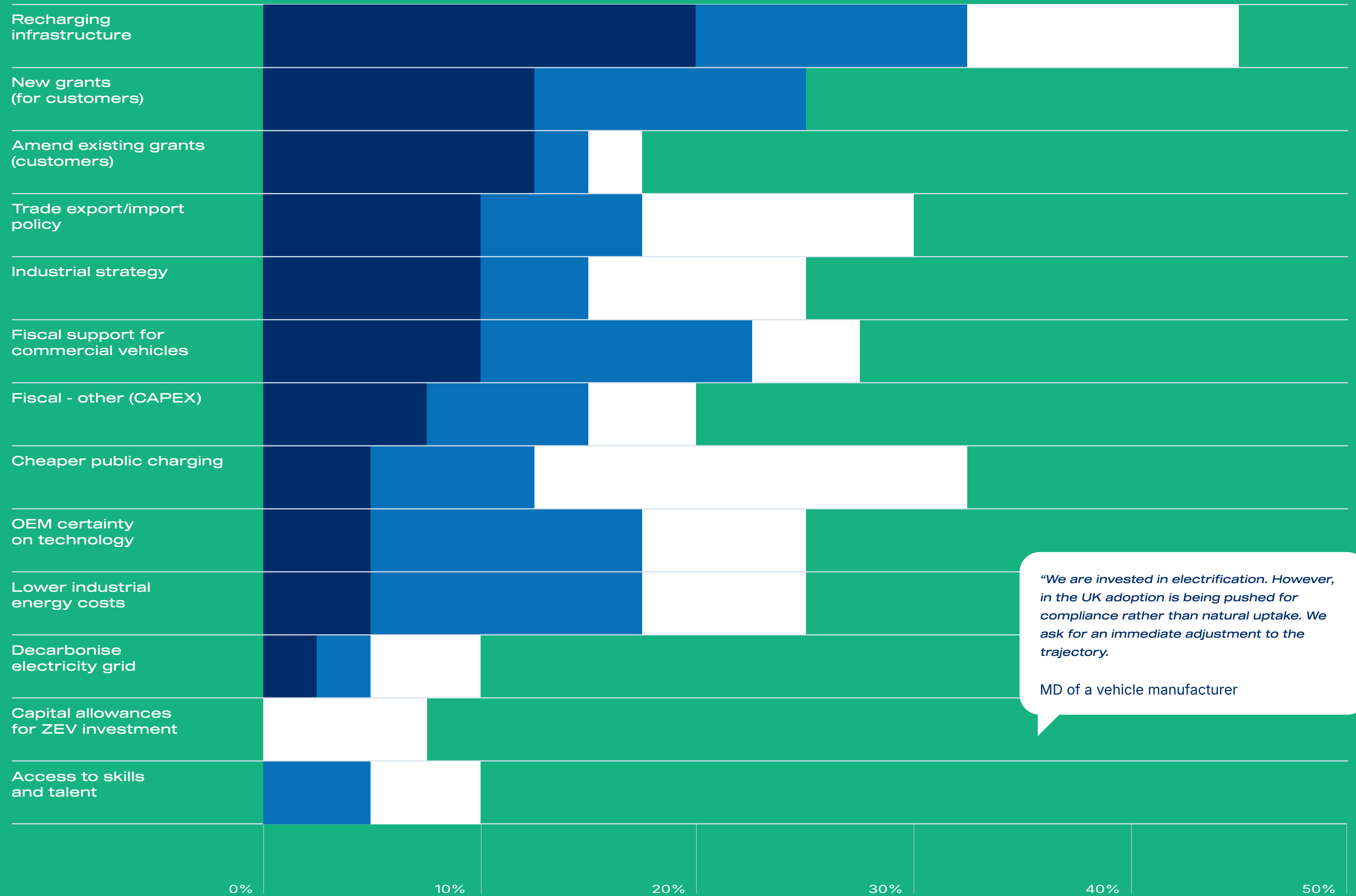
CEO of a component manufacturer

What are the top three measures most needed to further support the UK's Zero Emission Vehicle (ZEV) supply chain and vehicle manufacturing transition?

Getting the market conditions right was seen as key to enabling the manufacturing industry transition to ZEVs.

Enhanced infrastructure for vehicle recharging was the most cited measure needed to support the transition.

Fiscal support for consumers and cheaper public charging also featured strongly.



"We are invested in electrification. However, in the UK adoption is being pushed for compliance rather than natural uptake. We ask for an immediate adjustment to the trajectory."

MD of a vehicle manufacturer

"Government should scrap the planned pay per mile tax rates for ZEVs and remove the fossil fuel costs cap. Instead, charge all cars and vans the same road tax."

MD of an EV battery supplier

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