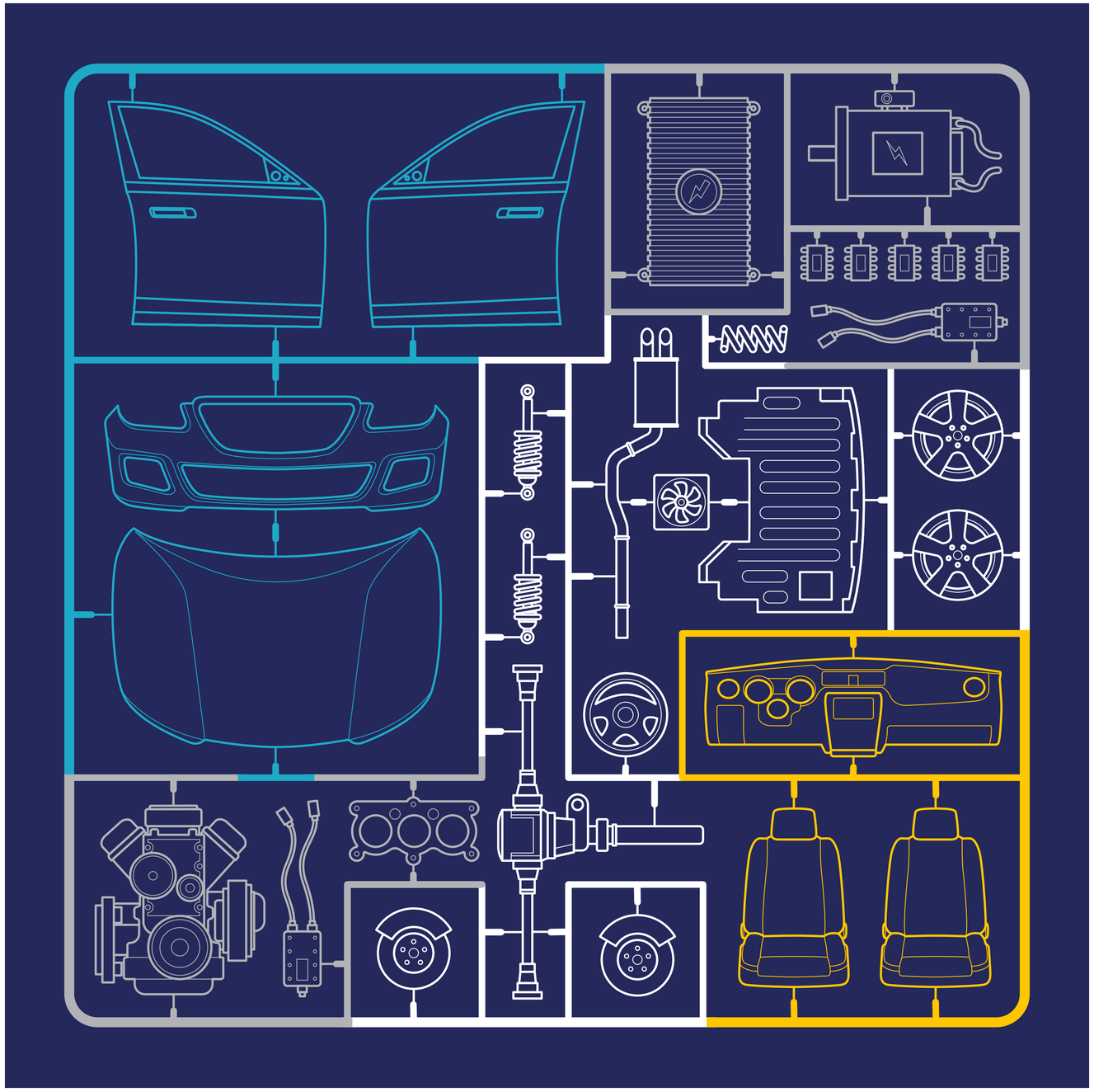


SMMT
DRIVING THE
MOTOR INDUSTRY

FROM SUPPLY CHAIN RISK TO INDUSTRIAL GROWTH

Safeguarding critical UK auto capability and unlocking investment



Mike Hawes OBE

Chief Executive, SMMT

A strong automotive industry needs a strong supply chain. Behind every vehicle built in Britain stands a network of suppliers whose skills, innovation and investment underpin our manufacturing competitiveness. These businesses sustain valuable jobs and industrial capability across the country. Their future is inseparable from that of UK vehicle production and it is those making the most common automotive commodities used across all powertrains that are under severe strain.

This report highlights both the pressures they face and the opportunity ahead. Lower production volumes, programme uncertainty and high manufacturing costs are weakening suppliers' finances and their ability to invest. Capabilities that have taken decades to develop risk being lost just as manufacturers make decisions about future sourcing and vehicle programmes.

Yet the evidence also gives us reason for confidence. Our research identifies £6.4 billion in annual spending by 2030 across priority commodities for UK supply – with £2.6 billion of current spend imported. This is not guaranteed business: winning it will require competitive conditions, quality and delivery. But it demonstrates why protecting existing capability and attracting new investment should go hand in hand.

Industry must play its part, developing a realistic, shared outlook, improving productivity and working together within a competition-compliant framework to address the demand and capacity imbalance. Government must match that commitment with competitive manufacturing conditions, secure market access and targeted support for investment, skills and liquidity. Our proposed Automotive Productivity Accelerator would help competitive suppliers turn ambition into practical improvements on the factory floor.

The priority is clear – stabilise today's supply chain so it can compete for tomorrow's growth.

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01 EXECUTIVE SUMMARY

This report examines the pressures on the UK automotive supply chain, the capabilities at risk and the scope to secure future sourcing and investment. It combines aggregated, anonymised sourcing data from participating vehicle manufacturers with evidence from 26 suppliers representing £1.2 billion in turnover and 8,500 employees, and sets out a shared programme of industry and government action.

Lower volumes, programme delays and high manufacturing costs are weakening plant utilisation, cash flow and investment. Critical capabilities, including plastics, seats, cockpit modules, pressings and castings, risk being lost before future demand materialises. The sourcing analysis identifies opportunities to put existing UK capacity to better use, replace imports where commercially viable and develop new domestic capability. These opportunities are worth billions of pounds, but securing them is not guaranteed.

This report sets out how any response must stabilise viable strategic capability while improving competitiveness and preparing for growth, and how SMMT will convene manufacturers and suppliers, working with the Advanced Propulsion Centre, Automotive Council and specialist partners within a competition-compliant framework, to:



01
Build a shared production outlook and stronger partnerships.
Improve visibility of future volumes and programme requirements, giving suppliers a credible basis for planning and investment.

02
Identify where UK suppliers can compete.
Prioritise better use of existing capacity, commercially viable import replacement, protection of critical capabilities and investment in next-generation technologies.

03
Develop a demand and capacity framework.
Assess future requirements and support improved utilisation, investment and new capability, alongside managed consolidation or restructuring where capacity materially exceeds demand.

This report also details how government must match industry action with a coordinated package to support demand, reduce costs and enable supplier transformation:

04
Support production volumes and market access.
Ensure a workable ZEV Mandate, protect UK participation in European supply chains and tariff-free EU trade, improve US access and reduce barriers in other priority markets.

05
Reduce structural manufacturing costs.
Address energy, employment, skills and business rates pressures, rewarding investment in plant, automation and decarbonisation.

06
Create a nationwide Automotive Productivity Accelerator.
Provide £100 million in capital grants, £25 million for workforce and leadership development, and a dedicated tooling finance mechanism to improve liquidity.

07
Enable diversification.
Establish a £5 million Automotive to Aerospace and Defence Readiness Programme, offering up to £50,000 match funding per supplier to assess opportunities and prepare for entry.

This is a shared plan of action – safeguarding critical automotive capability now, to unlock investment for future growth.

02 WHY UK AUTOMOTIVE AND THE SUPPLY CHAIN MATTER



The automotive sector is a major economic asset to the UK economy. It contributes £85 billion in turnover and £18 billion value added, and in 2025 invested £5.3 billion in R&D.

It also supports hundreds of thousands of productive, high-value jobs and generates substantial value through manufacturing, trade and investment. Data from 2025 shows 188,000 people are employed directly in manufacturing and 830,000 in total across the wider automotive industry. Many of these automotive manufacturing jobs are outside London and the South-East, with wages 23.5% higher than the UK average.

The UK is also home to globally recognised vehicle manufacturers and suppliers serving domestic and international markets. The sector accounts for 11.2% of UK manufactured goods exports (10% of total goods exports) and ships vehicles to more than 140 countries, generating approximately £111 billion total automotive trade (imports and exports) in 2025, helping to balance the UK's wider trade deficit with key trading partners.

This value generation occurs across almost every type of vehicle, from cars, to vans, taxis, trucks, buses and coaches, as well as specialist and off-highway vehicles. Vehicle manufacturers are in turn supported by more than 2,500 businesses in a nationwide supply chain, including component manufacture, sub-assembly, remanufacturing and logistics through to raw materials production.

The benefits extend beyond automotive. Suppliers further down the chain also serve other advanced manufacturing sectors, where automotive volumes, capabilities and processes help underpin high-quality, cost-competitive production, while maintaining sovereign capability in critical commodities.

Automotive manufacturing is also more productive than much of the wider economy, with value generation running over 60% higher per job[1] than the rest of the economy, reflecting its capital-intensive production, advanced processes and skilled workforce.

This impact is felt across the whole of the UK. Vehicle plants and supplier operations anchor skilled employment, investment and industrial activity in their regions.

The sector retains skills, technology and production capabilities that are difficult and costly to recreate once lost. These include engineering knowledge, manufacturing processes, supplier relationships and the ability to produce complex components at scale.

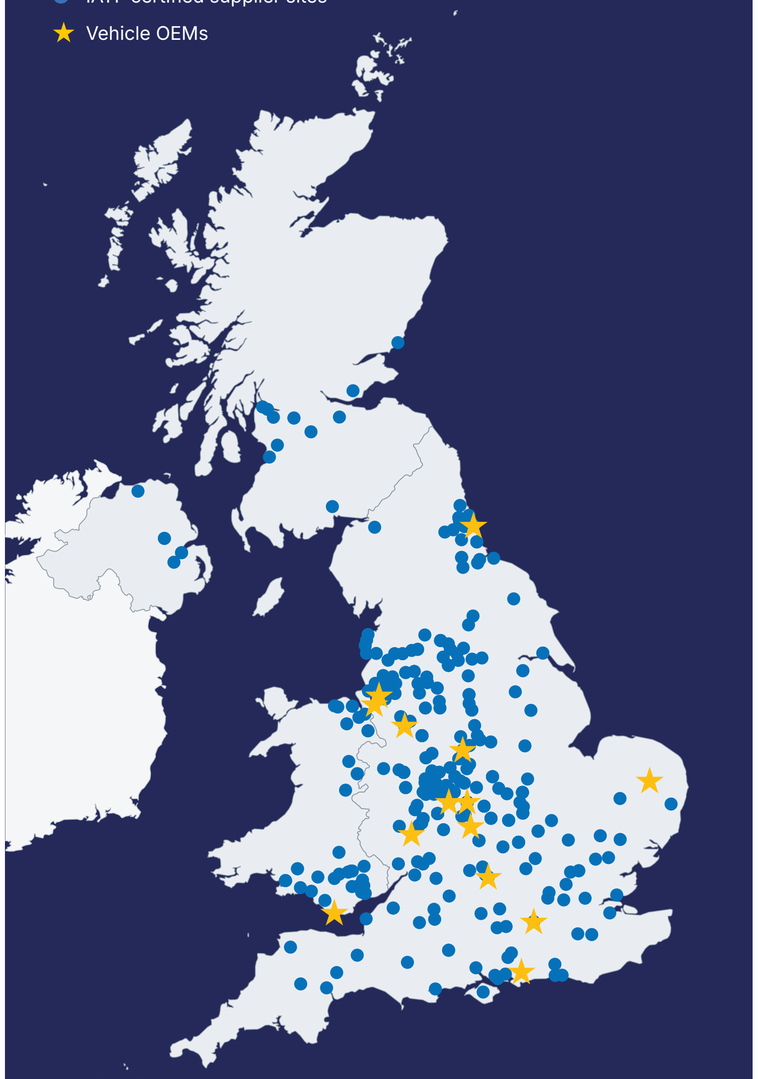
Recent years have placed that industrial base under sustained pressure. Weaker demand, higher costs, international competition and changes in vehicle technology have constrained investment and left parts of the supply chain exposed. These pressures do not diminish the sector's underlying strengths: established vehicle manufacturers, a capable supplier base, a skilled workforce and substantial future demand for locally sourced components.

The immediate priority is to stabilise the businesses and capabilities most affected, preserving the foundations of viable UK vehicle manufacturing. From that position, the UK can compete for investment, future vehicle programmes and new supply chain opportunities.

This report identifies where targeted action is needed, where UK capability remains strong and how industry and government can convert future demand into production, investment and growth.

UK AUTOMOTIVE SUPPLY CHAIN

IATF certified suppliers and major vehicle manufacturing sites



Source: supplied IATF sites; SMMT Facts 2026.

1 ONS 2024 data – Productivity per job (SIC 29 vs UK economy)

INTRODUCTION TO THE SUPPLY CHAIN

The automotive supply chain turns raw materials into the thousands of parts, components and systems required for a finished vehicle.

Vehicle manufacturers, known as Original Equipment Manufacturers (OEMs), sit at the top of the chain. They combine parts made in-house with components and systems bought from suppliers.

Tier one suppliers sell directly to OEMs. Tier two suppliers provide parts and materials to tier ones. These are supply relationships, not fixed categories: the same business may operate at different tiers for different customers or programmes.

The chain is international. UK OEMs buy from domestic and overseas suppliers, with strong links to Europe. Sourcing decisions balance cost, quality and delivery with resilience, embedded carbon and trade compliance.

Most vehicle production runs on a just-in-time basis, with parts delivered when needed rather than held in stock. Some arrive in the exact sequence of vehicles on the line. This reduces inventory, but a delay to one part can stop production.

Local supply matters most for large, time-sensitive or sequenced components. Shorter lead times improve flexibility, support closer engineering collaboration and reduce exposure to international disruption. UK manufacture also retains more value where design, tooling and research and development sit alongside production.



THE AUTOMOTIVE MANUFACTURING SUPPLY CHAIN

From parts and materials to finished vehicles

VEHICLE MANUFACTURERS (OEMS)

Assemble the finished vehicle from purchased parts and in-house manufactured parts

Finished Vehicle



TIER ONE SUPPLIERS

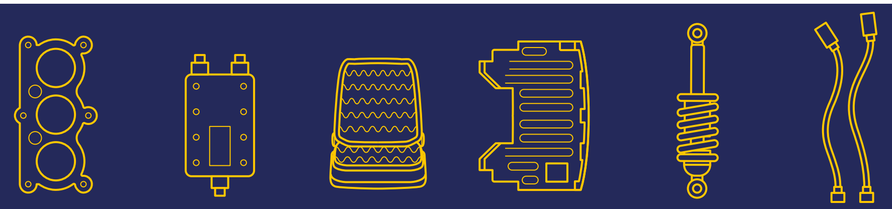
Supply complete components or sub-assemblies directly to the OEM.



- Powertrain module
- Cockpit module
- Seating system
- Body structure
- Chassis module
- Electrical system

TIER TWO SUPPLIERS

Supply parts, components or materials to tier one suppliers.



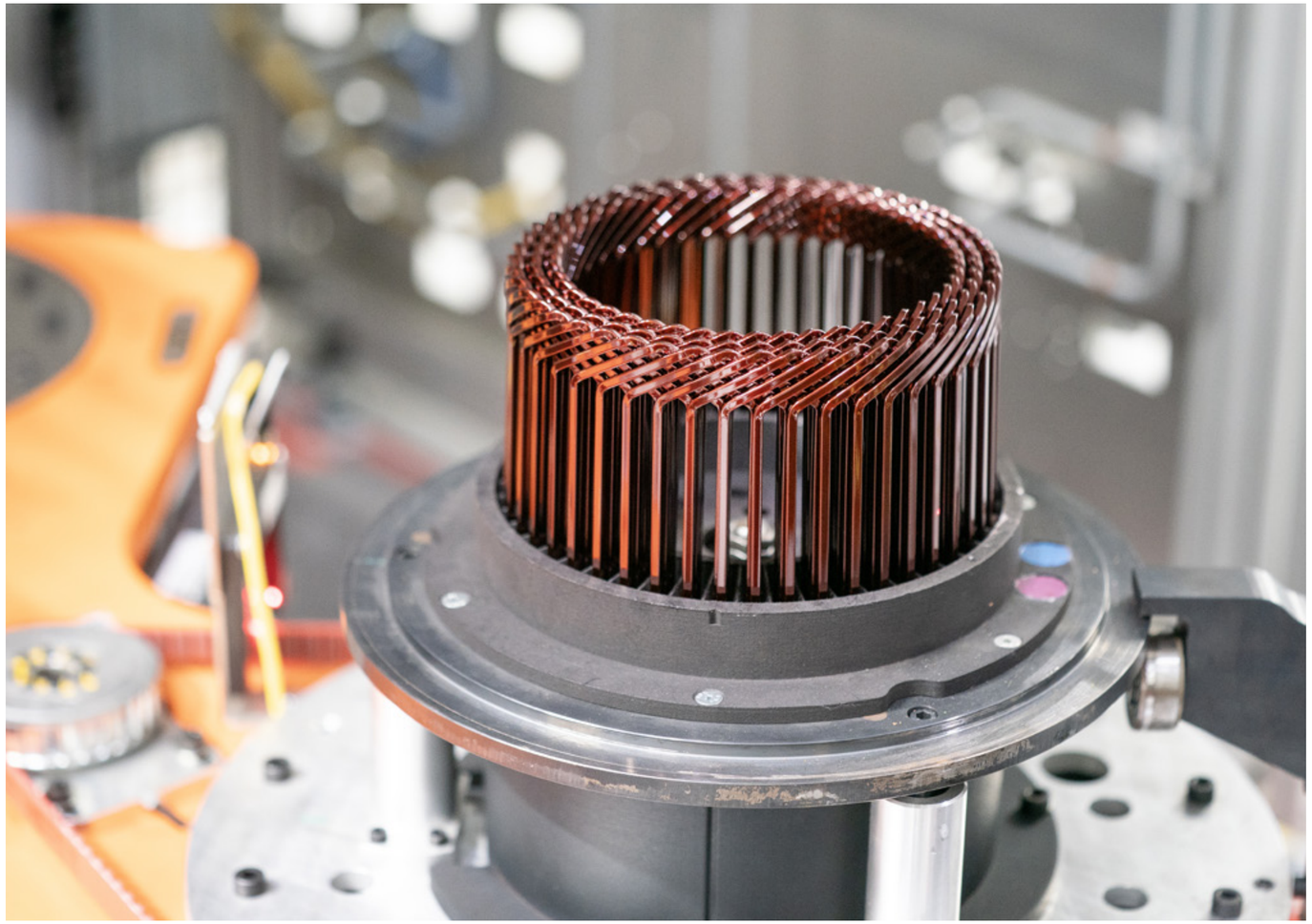
- Engine components
- Electronic control unit (ECU)
- Seat frame
- Sheet metal pressings
- Suspension parts
- Wiring & connectors

RAW MATERIALS & COMMODITIES

Provide the basic materials used in parts and components.

- Metals (steel, aluminium)
- Plastics & polymers
- Rubber
- Glass
- Non-ferrous metals (copper, etc)
- Other materials (electronics, chemicals, etc)

03
EVIDENCE BASE AND METHODOLOGY



SMMT combined OEM sourcing data with direct supplier evidence and market outlook analysis to distinguish short-term pressure from longer-term opportunity, and to identify where action can protect and build critical UK capability.

The research combines two primary evidence streams:

- aggregated and anonymised OEM data on localisation and commodity spend; and
- supplier evidence from interviews, consultations and workshops.

The core dataset was collected from participating UK vehicle manufacturers through the SMMT Chief Procurement Officer (CPO) Forum, an SMMT member group representing 99% of UK-based passenger car manufacturing. It covers commodity-level sourcing requirements, current UK and imported content, localisation priorities, supplier distress and future spending outlooks.

SMMT aggregated and anonymised all OEM submissions to protect commercially sensitive information. The report presents findings at a consolidated commodity level and only where multiple OEMs provided data.

Supplier evidence provides the commercial and operational context behind the OEM data. SMMT conducted interviews and held workshops with a total of 26 suppliers. Together, the participating businesses represent £1.2 billion in turnover and 8,500 employees. Their input covered competitiveness, investment barriers, capacity utilisation, localisation opportunities and supplier distress.

The evidence streams serve different purposes. OEM data identifies commodity-level opportunities and vulnerabilities. Supplier evidence explains the underlying commercial and operational conditions. Taken together, they provide an assessment of current capability, areas of strategic importance and the case for intervention.

The analysis has limitations. Participation was voluntary, so the findings reflect the businesses involved. Future spending and sourcing remain subject to vehicle programmes, market conditions and commercial decisions.

THE UK SUPPLY CHAIN HAS STRONG FOUNDATIONS, BUT RECENT PRESSURES HAVE PLACED IT UNDER STRAIN.

THE SIZE OF THE OPPORTUNITY

The evidence points to a healthy future spend profile and strong appetite to source critical commodities from the UK, where they can be supplied competitively. Across many commodities, the UK already has a significant supplier footprint. In some cases, this can be up to 90% of current vehicle manufacturer demand being sourced with UK-based suppliers. The priority is therefore not just to grow UK content, but to protect and strengthen the capability already here.

The CPO Forum analysis identified £6.4 billion of annual OEM spend in 2030 across commodities considered priorities for UK supply. This is future demand that vehicle manufacturers would, where commercially viable and a competitive source found, prefer to place with domestic suppliers.

The spend is largely associated with an established manufacturing base. UK suppliers currently account for 62% of spend across these commodity areas, demonstrating existing capability at scale. The remaining imported content represents a potential pool for localisation, given the right conditions and a competitive domestic capability.

The sourcing opportunity is also broad, covering a wide range of commodities. It includes established components and systems required across vehicles irrespective of powertrain, many of which remain important to the operation and competitiveness of UK vehicle plants. The opportunity spans products that can be manufactured competitively in the UK, including plastic mouldings, metal pressings and stampings, as well as higher-value sub-assemblies such as seats and cockpit modules. Many of these larger systems are delivered on a just-in-time or just-in-sequence basis, making proximity, production responsiveness and close integration with vehicle plants particularly important.

Most important is to preserve the critical capabilities the UK currently has. The research has identified that many commodity areas identified as critical also have a domestic supply base in financial distress. If lost, this could have a detrimental impact on the attractiveness of the UK as a place to manufacture vehicles in the future.

There could also be opportunities to grow the UK supply base. Capturing more demand could increase domestic production, improve utilisation of existing facilities and strengthen the case for new investment. The route will vary by commodity. Some opportunities would require a greater use of existing UK capacity, while others would need new capability or inward investment to fill gaps, and some may not be commercially viable for UK production at all.

Timing matters. Several of the capabilities best placed to capture future demand are also experiencing significant pressure at a time when key vehicle programmes are being placed. Stabilising viable suppliers is therefore time sensitive but intrinsically connected to growth. If critical capabilities, supplier capacity and skills are lost before future contracts are awarded, part of the localisation opportunity may be lost with them.

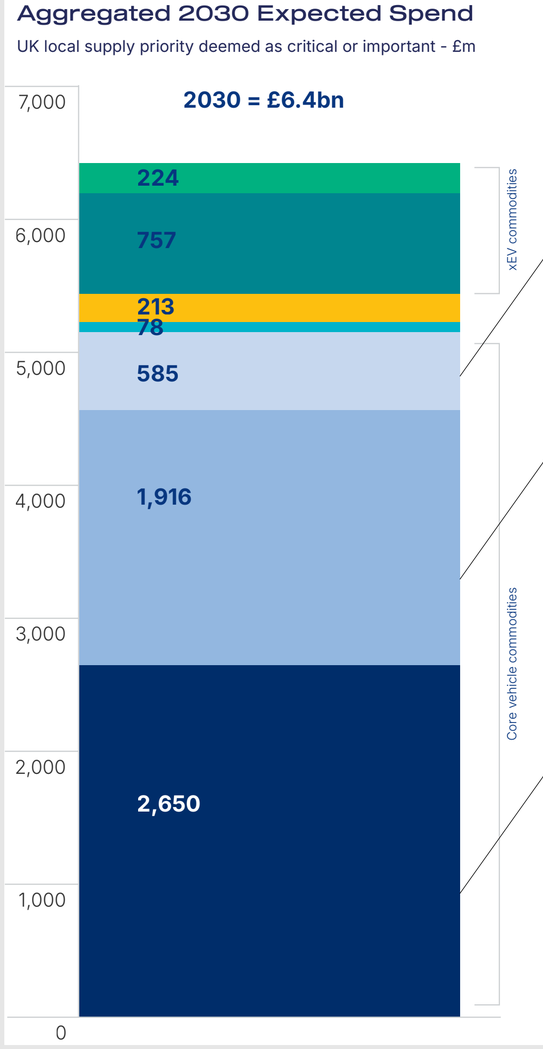
CHART 01 PRIORITY FOR UK SUPPLY IN 2030 BY COMMODITY

£6.4bn identified as critical or important for local UK supply

Source: SMMT

Aggregated 2030 Expected Spend

UK local supply priority deemed as critical or important - £m



Extracted commodities >£200m

Exterior: Commodities > £200m

Level 2 Commodity	2025 UK Sourced %	2030 Spend £m	Overall Distress
Exterior Plastics / Trim	68%	£517m	High

Interior: Commodities > £200m

Level 2 Commodity	2025 UK Sourced %	2030 Spend £m	Overall Distress
Seats	93%	£1053m	Medium
Cockpit Module	94%	£495m	Medium
HVAC Components	20%	£221m	Medium

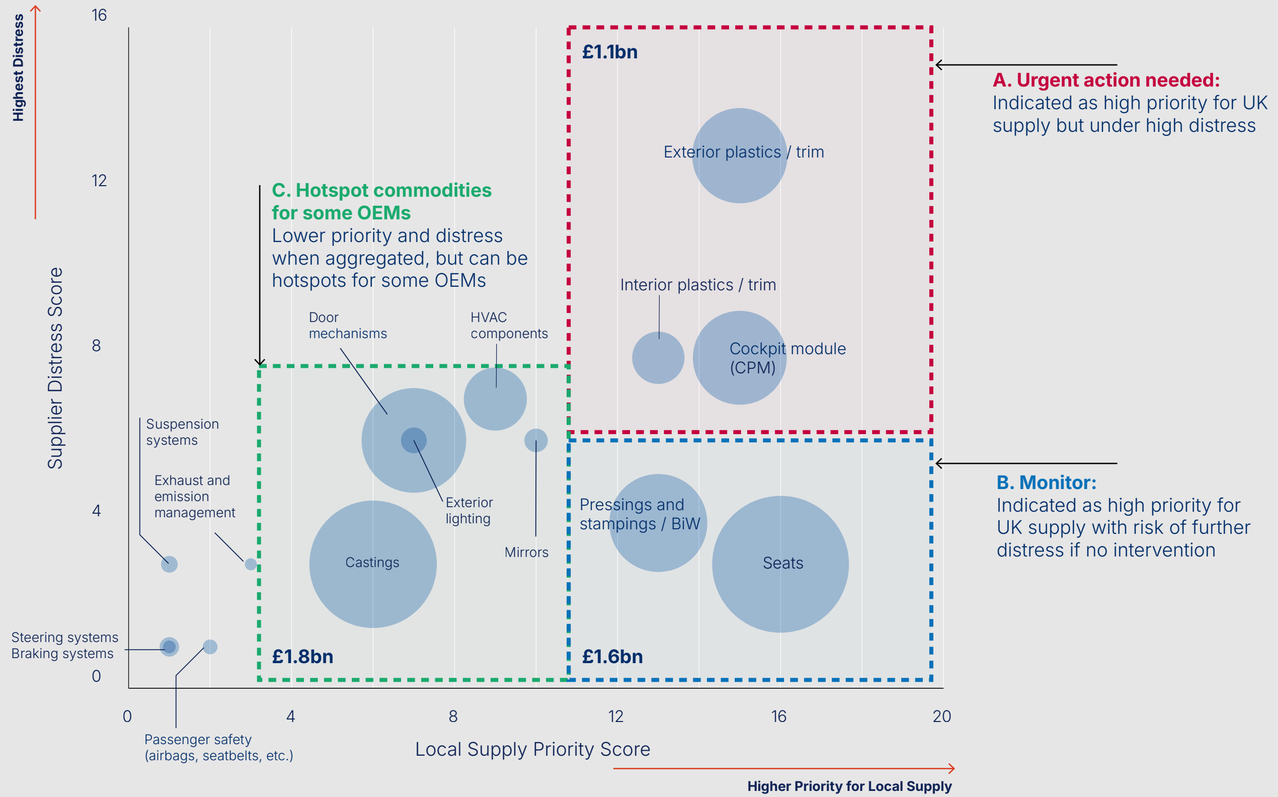
Body & Chassis: Commodities > £200m

Level 2 Commodity	2025 UK Sourced %	2030 Spend £m	Overall Distress
Castings	74%	£906m	Medium
Door Mechanisms	66%	£605m	Medium
Pressing & Stamping / BiW	61%	£528m	Medium
Wheels & Tyres inc. assembly	29%	£478m	Low

DISTRESS WITHIN THE UK SUPPLY BASE

This opportunity is time sensitive. In several key areas, the UK capabilities best placed to capture future demand are also those currently experiencing the greatest pressure and financial distress.

CHART 02 SUPPLIER DISTRESS HEATMAP: SUPPLIER DISTRESS V LOCAL SUPPLY PRIORITY 2030 SPEND £M



Data Explanation
Aggregated survey data from participating UK vehicle manufacturers **Local supply priority score** = indexation of number of survey inputs indicating a commodity for UK local supply as critical with factor of 3, plus number indicating as important with factor 1. **Supplier distress score** = indexation with High distress = 3, Medium = 1, Low = 0. **Size of spheres** = aggregated spend 2030 where indicated as priority for local supply. Does not include commodities with no High or Medium distress indicated

The chart compares the priority that OEMs place on securing UK supply with the level of financial distress they perceive within the existing domestic UK supplier base.

The horizontal axis shows the level of weight placed behind localisation, aggregated across OEMs, while the vertical axis shows supplier distress. Bubble size represents aggregated OEM spend expected in 2030 for each commodity.

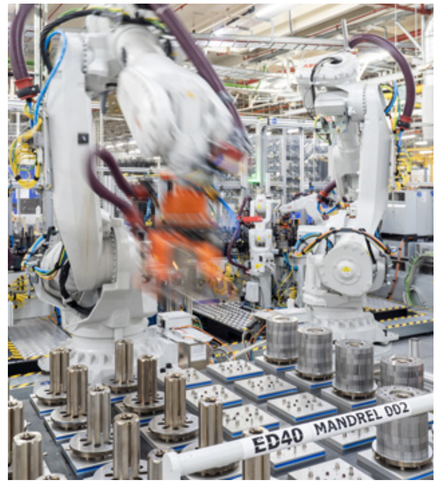
The top-right quadrant identifies the areas of greatest concern. These commodities combine a high priority for UK sourcing with significant pressure among domestic suppliers. The analysis shows that distress is present across substantial parts of the supply chain and extends into several commodities considered important to UK vehicle production.

OEMs placed particular emphasis on protecting UK capability in:

- exterior plastics and trim;
- interior plastics and trim;
- cockpit modules;
- seats;
- pressings and stampings; and
- castings.

OEMs expect future demand in these commodities and want to source locally if competitiveness can be achieved. Given the spend profiles across these key commodities, the UK supply base clearly has a significant footprint and capability in these areas. The risk is that current pressures weaken that base before future sourcing is awarded and their future secured.

Timely action to stabilise viable suppliers and improve their competitiveness can preserve strategically important capability while positioning UK businesses to win future sourcing decisions. The choice is between allowing capability to erode before future demand materialises, or acting now to ensure that UK suppliers are ready to compete, invest and grow when those opportunities arise.



THE VIEW FROM THE SUPPLIER BASE

The OEM data shows a supply base delivering with real capability, but also the effects of several difficult years. To supplement these insights, SMMT conducted interviews and held a workshop to build a qualitative assessment of the situation facing the supply chain.

In total 26 suppliers took part, ranging in size from global tier one suppliers through to smaller upstream manufacturers. Together they represented more than £1.2 billion in turnover and 8,500 employees. The below narrative covers a set of messages and common themes which came up on a consistent basis through the process.

THERE IS A MISMATCH BETWEEN PRODUCTION VOLUMES AND INSTALLED CAPACITY IN THE SUPPLY CHAIN

UK vehicle production has fallen significantly since its 2017 peak and now stands at around 700,000 units a year.

Many suppliers invested between 2016 and 2019, when volumes were higher and forecasts pointed towards recovery. That recovery was impacted by Covid-19, semiconductor shortages, geopolitical disruption and continued market uncertainty.

Some suppliers reported operating around a 50% utilisation rate in parts of their businesses. Low utilisation raises the cost of every part, weakens competitiveness and erodes profitability. Without a recovery in demand, further consolidation and capacity loss are likely.

"We have got about 50% of our capacity standing idle."
– Commercial lead at a tier one supplier

"The supply chain is over capacity."
– CEO tier two supplier

DELAYS AND LOWER VOLUMES HAVE WEAKENED SUPPLIER CASH FLOW

Automotive suppliers typically commit significant capital before a vehicle programme enters production. This includes expenditure on tooling, component engineering and launch activity. Suppliers recover these costs over the programme's lifetime, either through staged payments or through the price of each part. Chart 4 shows how a supplier's cash profile would typically change following a successful nomination and in the build-up to, and supply of a vehicle programme. Two scenarios are detailed, one where the programme and associated volumes are on time and as expected. The second shows the impact of a delayed programme with less than expected production volumes.

Programme delays extend the period for which suppliers must finance these costs, which can include interest payments, unused labour and occupied floorspace. Lower than expected production volumes can reduce cost recovery and prevent a supplier from achieving its expected return.

The effects can compound quickly. Rising input costs place further pressure on cash flow, while less working capital remains for equipment, skills and new business. Rising interest rates can also accelerate a challenged position. In the most serious cases, a prolonged shortage of liquidity can lead to insolvency.

Insolvencies among UK vehicle and component manufacturers (SIC 29) have risen considerably faster than across the wider economy. Between 2016 and 2025, the number of insolvencies in the sector increased by approximately 180%, compared with approximately 63% for all UK businesses. Since 2022, auto sector insolvencies have remained at between 2.5 and 2.9 times their 2016 level, while the national figure has stabilised at around 1.6 times.

"There are a lot of struggling companies – a lot that have gone out of business."
– Commercial director, tier two supplier.

IN TOTAL 26 SUPPLIERS TOOK PART. TOGETHER THEY REPRESENTED MORE THAN £1.2 BILLION IN TURNOVER AND 8,500 EMPLOYEES.

CHART 03 **CAR OUTPUT – ROLLING YEAR TOTALS (MILLIONS)**

Source: SMMT manufacturing figures August 2026

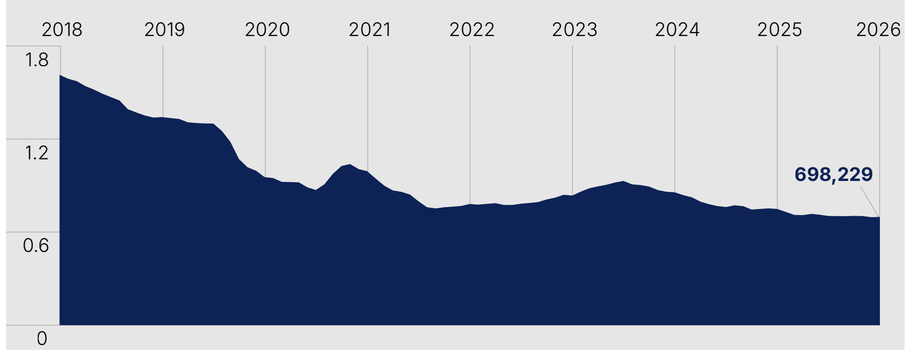


CHART 04 **SUPPLIER CUMULATIVE CASH POSITION (ILLUSTRATIVE)**

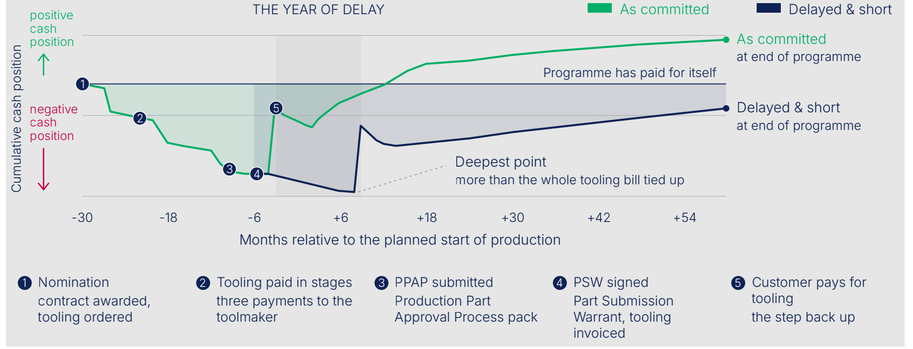
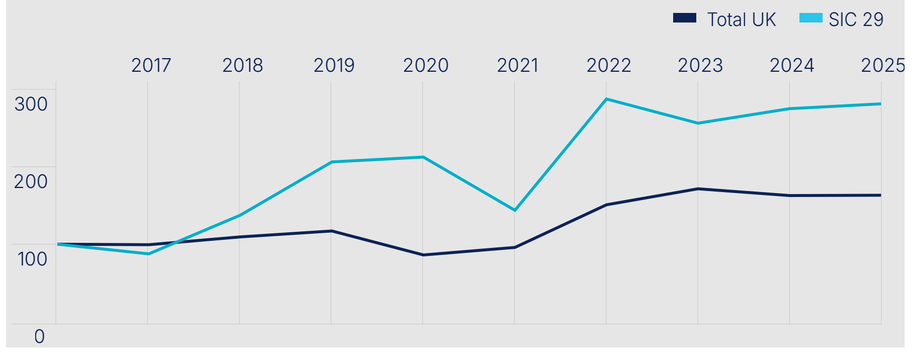


CHART 05 **INSOLVENCIES (UK VS SIC 29 - INDEXED)**

Source: UK government insolvency data 2025



VOLUME UNCERTAINTY IS HOLDING BACK INVESTMENT

Suppliers remain willing to invest in new projects, vehicle lines and production capability. However, programme delays or cancellations, and volume reductions, have weakened confidence in future demand. Some suppliers have been left with stranded or underutilised assets.

This uncertainty makes new investments and their associated business cases harder to justify. UK plants within international organisations must also compete for capital against facilities in markets offering stronger or more predictable growth.

Improving market access and demand for UK-built vehicles is therefore directly linked to supply chain investment. More certain production volumes through stable market access would strengthen the case for allocating new vehicle programmes to the UK and give suppliers a clearer basis on which to invest.

"If you cannot see the end of the chasm, you are jumping into nowhere."
– CEO, tier two supplier

"If we can get that volume and the throughput, everything else will follow."
– CEO, tier one supplier

UK SUPPLIERS FACE A SYSTEMIC COMPETITIVENESS GAP

Capacity underutilisation is being compounded by the rising cost of manufacturing in the UK. Suppliers identified industrial energy, labour, business rates, materials and skills as sources of pressure.

Energy costs are the main concern for energy-intensive component manufacturers. The British Industrial Competitiveness Scheme (BICS) is expected to reduce electricity bills by up to 25%, but suppliers still expect UK industrial energy costs to remain above those in most European countries post implementation.

Recent increases to the cost of energy due to the war in Iran are placing greater pressure on manufacturing, and risk eroding the positive impact of BICS and other government support measures in this space.

For many suppliers, labour costs present the greater challenge. Suppliers reported that higher employer National Insurance contributions had reduced or, in some cases, entirely eroded profit margins. While many pay above the National Minimum Wage, recent increases had narrowed pay differentials between automotive manufacturing and other options for workers, making recruitment more challenging.

These pressures affect both immediate financial performance and longer-term competitiveness. Lower profitability reduces liquidity, leaving less cash available for equipment, workforce development, energy efficiency and site improvements. A lack of competitiveness, particularly in terms of landed cost, will make a supplier's position untenable when competing for future contracts.

CHART 06 **BUSINESS ENERGY COSTS ($)**

Source: Automotive Council

Electricity cost for businesses ($)
Global Electricity Prices (Q4 2024)

Indonesia	0.07
China	0.09
South Africa	0.09
Spain	0.10
Morocco	0.11
Brazil	0.11
Canada	0.11
India	0.12
Turkey	0.13
South Korea	0.13
Thailand	0.13
US	0.15
Hungary	0.15
Netherlands	0.17
France	0.18
Japan	0.18
Mexico	0.19
Romania	0.22
Czech Rep.	0.23
Germany	0.24
Slovakia	0.30
Poland	0.42
Italy	0.43
UK (24th)	0.52

Gas cost for businesses ($)
Global Natural Gas Prices (March 2025)

Mexico	0.02
Canada	0.02
Turkey	0.03
US	0.04
India	0.06
South Korea	0.07
UK (7th)	0.08
Spain	0.08
Czech Rep.	0.08
Japan	0.09
Poland	0.09
Germany	0.10
Brazil	0.10
France	0.11
Netherlands	0.11
Italy	0.13
Slovakia	0.13

CHART 07 **2025 NON-DOMESTIC ELECTRICITY PRICES INC. TAXES IN EU VS UK**

Source: UK government data

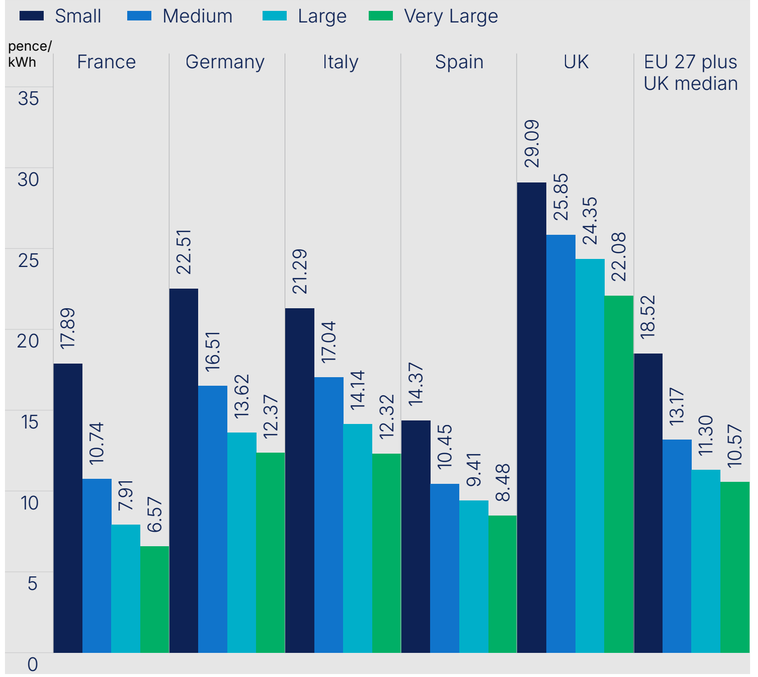


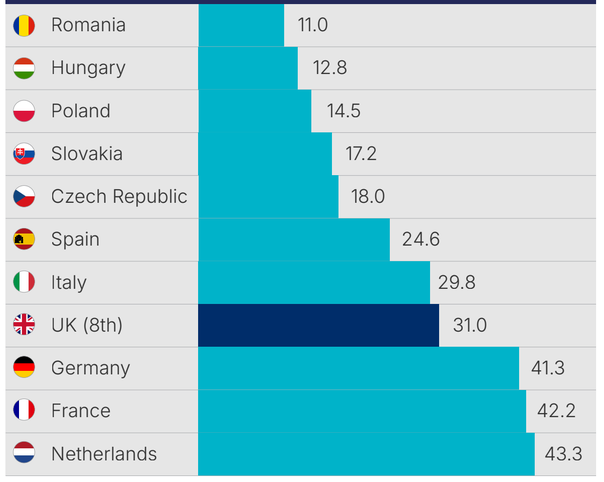
CHART 08 **UK ELECTRICITY SPOT PRICES (GBP/MWH)**

Source: UK electricity spot price 2026



CHART 09 **HOURLY LABOUR COST (€)**

Source: Eurostat/ONS labour costs (total), 2024



EXISTING SUPPORT DOES NOT ADDRESS THE FULL COMPETITIVENESS CHALLENGE

Government funding for the automotive sector is primarily directed towards the transition to electrified vehicles. DRIVE35 provides £4 billion of funding for R&D, commercialisation, manufacturing scale-up and industrial transformation for zero-emission vehicle technologies. This support is highly welcome, but it does not help address the full set of pressures facing suppliers of core components, for example in injection mouldings for interior and exterior plastic parts, or steel pressings and stampings for structural body parts, all of which remain necessary for a vehicle irrespective of powertrain.

Pilot Supplier Readiness and Transformation (SRT) programmes in the West Midlands and North-East, funded by DRIVE35, extend capital investment support to a wider group of suppliers. However, their geographic eligibility means that equivalent support is not available across the UK.

A national offer covering capital investment, skills development and support on liquidity would therefore be welcomed by the supply chain, especially one which could facilitate investment in the CAPEX required to boost competitiveness and productivity.

THE VALUE OF LOCAL SOURCING

The case for local sourcing extends beyond cost. UK-based suppliers provide readily available capability, specialist expertise and the ability to work directly with vehicle manufacturers to design, engineer and resolve production and engineering challenges.

Proximity also creates greater resilience. Shorter supply chains reduce lead times, logistics complexity and exposure to international disruption, while allowing suppliers to respond quickly to changing production requirements. Local sourcing can also support ESG ambitions through lower carbon emissions from reduced transport, plus greater transparency and closer oversight of environmental and social performance.

These benefits depend on retaining a sufficiently deep and competitive domestic supply base. As production volumes fall and costs rise, that capability becomes harder to sustain. Suppliers invest less, competitiveness weakens, and the risk of permanent capacity loss increases.

THE RISK OF FURTHER CAPABILITY LOSS

Taken together, the findings describe a supplier base caught between lower production volumes and a rising cost base. Underutilisation weakens profitability, while programme uncertainty holds back the investment needed to improve competitiveness. This results in more parts being sourced overseas, resulting in the UK missing out on the associated investments, jobs and value creation that go with it.

The UK may therefore lose capability even where future domestic demand exists. If strategically important suppliers, skills and tooling are lost, restoring them will be difficult and costly. Continued losses could also reduce the depth of local supply needed to secure future vehicle programmes from established manufacturers or new entrants.

Breaking that cycle would allow existing capability to compete more effectively for future demand.

Any intervention should respond to the sources of pressure identified earlier and prioritise the capabilities needed to sustain UK vehicle manufacturing.



DRIVE35 PROVIDES £4 BILLION OF FUNDING FOR R&D

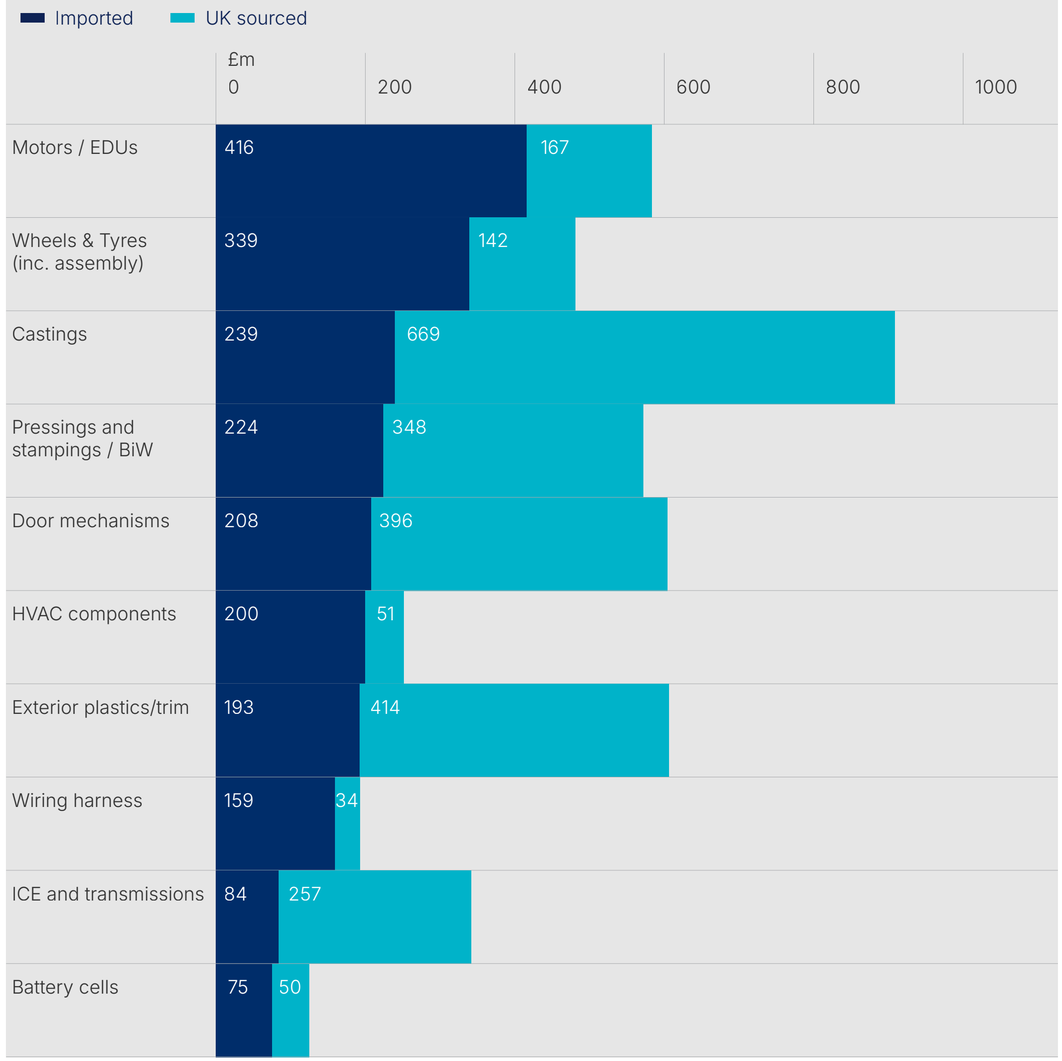




LOCAL SOURCING CAN ALSO SUPPORT ESG AMBITIONS THROUGH LOWER CARBON EMISSIONS

OPPORTUNITIES FOR GROWTH BUT NOT WITHOUT RISK

CHART 10 UK CONTENT RISKS & OPPORTUNITIES. 2025 SPEND BY COMMODITY, RANKED BY IMPORTED VALUE



The OEM data also provides a credible basis for potential growth in the future. OEM demand is substantial; there is clear intent to source locally if competitive, and the UK retains established capability across many of the commodities needed for future production.

The CPO Forum analysis identified £2.6 billion of spend across priority commodities for UK supply which is currently being imported, representing a potential localisation opportunity in the future.

Capturing this spend will not be straightforward. UK suppliers and prospective investors will need to compete on cost, quality, capacity and delivery. In many cases, existing import patterns reflect a gap against one or more of these requirements.

The challenge is heightened by contraction across the international automotive supply chain. As multinational suppliers consolidate capacity, UK plants must compete with other locations to retain existing volumes and secure new business. Sourcing decisions may also be taken by OEM purchasing teams based outside the UK. Improving the competitiveness and attractiveness of UK manufacturing is therefore central to both protecting current capability and securing future investment.

The chart shows the top 10 commodities by imported value, alongside current UK spend. The opportunities span a wide range of commodities identified as a priority to source locally, from motors and electric drive units, through to plastic trim parts. Each represents a potential opportunity, if the UK can demonstrate its competitiveness to secure more spend in the future. However, each also poses a risk whereby if the UK's business environment is not competitive, the value of imports will increase at the expense of the UK's supplier base.

Across these areas three potential groupings emerge.

INCREASING UTILISATION OF EXISTING UK CAPACITY

There is also scope to direct more volume through existing UK facilities. Relevant commodities include interior and exterior plastics, pressings and stampings, cockpit modules and seats.

These products are already sourced from UK suppliers, on average at a level of 54% and in some cases as high as 93%. They are also among the commodities OEMs consider important to source locally, particularly where parts are large, costly to transport or delivered just in time or in sequence.

More domestic volume could raise utilisation, lower unit costs and strengthen the position of existing UK plants. OEM evidence also shows pressure across these supplier groups, making stabilisation and competitiveness measures important to securing a greater share of future spend.

DEVELOPING CAPABILITY IN IMPORT-DEPENDENT COMMODITIES

Some commodities considered important for local supply continue to be sourced mainly from overseas. These include wheel and tyre assemblies, heating, ventilation and air-conditioning components (HVAC), and wiring harnesses.

Localisation will not be equally viable across all products. Labour or energy-intensive commodities may struggle to compete from the UK, even when international transport costs are included. The commercial case may be stronger where demand from several OEMs can be combined to achieve sufficient production volumes.

Aggregated demand could support investment in new UK facilities and enable greater automation to offset higher labour costs. This would require coordination between participating OEMs within a competition-compliant framework and a clear assessment of aggregate demand, investment requirements and commercial viability.

BUILDING DOMESTIC SUPPLY IN ELECTRIC VEHICLE COMPONENTS

Electric drive units accounted for the largest imported spend in 2025 across commodities prioritised for localisation, at £416 million. Total spend is expected to increase by 30% by 2030 as electric vehicle uptake grows. A similar increase is expected across battery-related components and parts.

This offers a credible route to establish more of the future electric vehicle supply chain in the UK, a strategic priority for the UK government. The opportunity builds on expected growth in demand but will depend on competitive propositions and investment in production capability.

The £2.6 billion of imported spend is a pool of potential opportunity, not a directly recoverable figure. It shows the scale of demand available if the UK can compete. The route will differ by commodity: attract new investment where capability is limited, raise utilisation where capacity exists, and strengthen important suppliers where capability is under pressure.

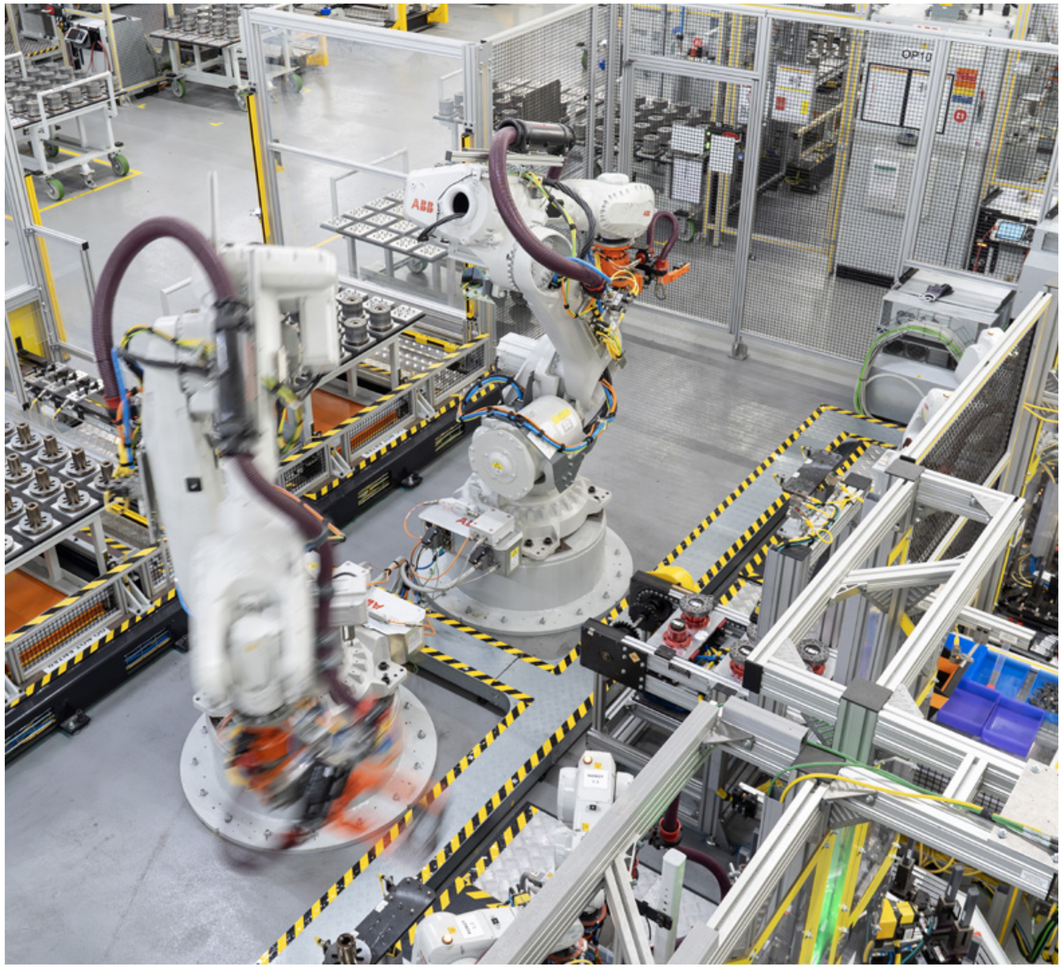
ANALYSIS IDENTIFIED £2.6 BILLION OF SPEND ACROSS PRIORITY COMMODITIES FOR UK SUPPLY WHICH IS CURRENTLY BEING IMPORTED, REPRESENTING A POTENTIAL LOCALISATION OPPORTUNITY IN THE FUTURE

04
MOVING FROM EVIDENCE TO ACTION

The UK retains valuable automotive capability, but lower production volumes, excess capacity and a structurally high-cost base are placing viable suppliers under sustained pressure. Further consolidation is likely. The priority must be to manage that change in a way that protects critical capability, improves utilisation and positions the supply chain to compete for future demand.

No single organisation can deliver this alone. Industry must share evidence, confront difficult capacity decisions and act collectively. Government must improve the fundamental conditions for competitiveness, investment, market access and productivity. Together, these actions can stabilise and secure today's supply chain while creating the platform to compete and grow.

The immediate call to action: OEMs, suppliers and partners should engage with SMMT to build the shared evidence base and practical framework needed to protect capability, balance demand and capacity, and convert future sourcing opportunities into UK production.



INDUSTRY COMMITMENT: WORK TOGETHER TO SECURE CAPABILITY AND GROWTH

SMMT will convene OEMs and suppliers and work with key partners including the Advanced Propulsion Centre (APC) and Automotive Council, to develop a practical, evidence-led response within a clear competition-compliant framework to help secure and stabilise the UK automotive supply chain.

BUILD CONFIDENCE THROUGH A SHARED OUTLOOK AND STRONGER PARTNERSHIPS
Greater confidence and closer collaboration across the supply chain will be critical to supporting investment. SMMT, working with APC and wider industry partners, will convene vehicle manufacturers and suppliers to strengthen transparency and engagement across all parts of the supply chain. This should include earlier engagement on future programmes, greater visibility of changing requirements and a stronger culture of partnership between customers and suppliers.

As part of this, industry should develop a shared outlook for UK vehicle production, building on the SMMT Production Outlook to provide a common set of planning assumptions and a clearer view of potential future volume ranges. This should support, rather than constrain, the UK's ambition for future production growth, giving suppliers a credible basis for near-term planning and investment while providing a foundation from which industry and government can work together to close the gap between current production and longer-term ambition.

IDENTIFY WHERE UK SUPPLIERS CAN COMPETE

SMMT and industry partners will identify where action offers the strongest prospect of a sustainable outcome. This includes:

- increasing the utilisation of existing, competitive UK facilities;
- challenging for imported volumes where domestic supply can meet cost, quality, capacity and delivery requirements;
- supporting viable restructuring, or inward investment where critical capability is at risk or missing;
- identifying strategically important capabilities where it will be critical for the UK to be competitive or to have a sovereign capability in the future, e.g. originating batteries; and
- exploring next-generation technologies and manufacturing processes where the UK could build a competitive, investible proposition for longer term growth.

DEVELOP A FRAMEWORK FOR DEMAND AND CAPACITY BALANCING

SMMT will work with the Advanced Propulsion Centre, industry and specialist advisers to develop a framework through which demand and capacity can be assessed and, where necessary, proactively aligned to support a sustainable and competitive UK supply chain. This should include mechanisms to support managed consolidation and restructuring where capacity materially exceeds future demand. Options could include compliant aggregation of demand across OEMs, shared assessment of critical commodities and clear routes to improve supplier utilisation rates, accelerate consolidation, restructuring and investment, or attract new entrants and capabilities. Any intervention must be commercially credible, evidence-led and consistent with competition law.

SMMT WILL WORK WITH APC, INDUSTRY AND SPECIALIST ADVISERS TO DEVELOP A FRAMEWORK TO ASSESS CAPACITY AND DEMAND



THE ASK OF GOVERNMENT: CREATE THE CONDITIONS TO STABILISE, COMPETE AND GROW

Industry action must be matched by government intervention in the areas that materially shape investment decisions. The following package addresses demand, structural competitiveness, supplier transformation, liquidity and access to new markets, particularly important during a period of additional and intense competitor pressures.



SUPPORT PRODUCTION VOLUMES AND MARKET ACCESS

More certain demand for UK-built vehicles is fundamental to supplier utilisation, cash flow and investment. Government should protect market access and avoid policy choices that unnecessarily constrain UK production by:

- ensuring the ZEV Mandate supports the transition while sustaining a viable UK market and manufacturing base;
- engaging with the EU on Made in Europe proposals such as the Industrial Accelerator Act, potential EU trade defence measures impacting trade in hybrids and the Rules of Origin cliff edge on 1 January 2027, with the aim to protect the position of UK-built vehicles and components in European supply chains and tariff free market access;
- ensuring necessary access to the US market and reducing the impact of tariffs on UK automotive exports; and
- continue to seek ambitious trade agreements with other priority markets to reduce barriers and improve access for UK-built vehicles and components.

REDUCE THE STRUCTURAL COST OF MANUFACTURING IN THE UK

The British Industrial Competitiveness Scheme is welcome, but electricity support alone will not close the competitiveness gap. Government should take a broader approach to the automotive manufacturing cost base, including:

- relief from employment cost pressures, including targeted employer National Insurance relief for advanced manufacturing;
- action to further support UK manufacturers with energy costs, including decoupling electricity prices from the international price of gas and expediting grid improvements to unlock investment in industrial decarbonisation;
- skills measures that are flexible, accessible and aligned with the needs of industrial employers including access to funded higher level training, funding bands that are accessible for providers, and unspent levy funds ringfenced and reallocated back into the automotive supply chain through SME-focused skills schemes, such as mentorship programmes or work readiness bootcamps for NEET individuals; and
- business rates reform that rewards, rather than penalises, investment in plant, machinery, automation and decarbonisation.

CREATE A NATIONWIDE AUTOMOTIVE PRODUCTIVITY ACCELERATOR

Government should build on the strengths of the Supplier Readiness and Transformation Fund pilots with a nationally coordinated, locally delivered programme available across the UK. The proposed Automotive Productivity Accelerator pilot should provide:

- £100 million of capital grant support for productivity, automation and other supplier investments across critical commodities;
- £25 million for workforce skills in automation, robotics, digitalisation and AI, alongside supplier leadership development; and
- a dedicated automotive tooling finance mechanism, using UK Export Finance or other facilities as appropriate, to improve liquidity and help suppliers manage tooling and launch costs.

HELP SUPPLIERS DIVERSIFY INTO THE AEROSPACE AND DEFENCE SECTORS

Government should establish a pilot £5 million Automotive to Aerospace and Defence Readiness Programme, providing up to £50,000 match funding per supplier to help diversify their market coverage, while retaining and strengthening the automotive supply chain's resilience.

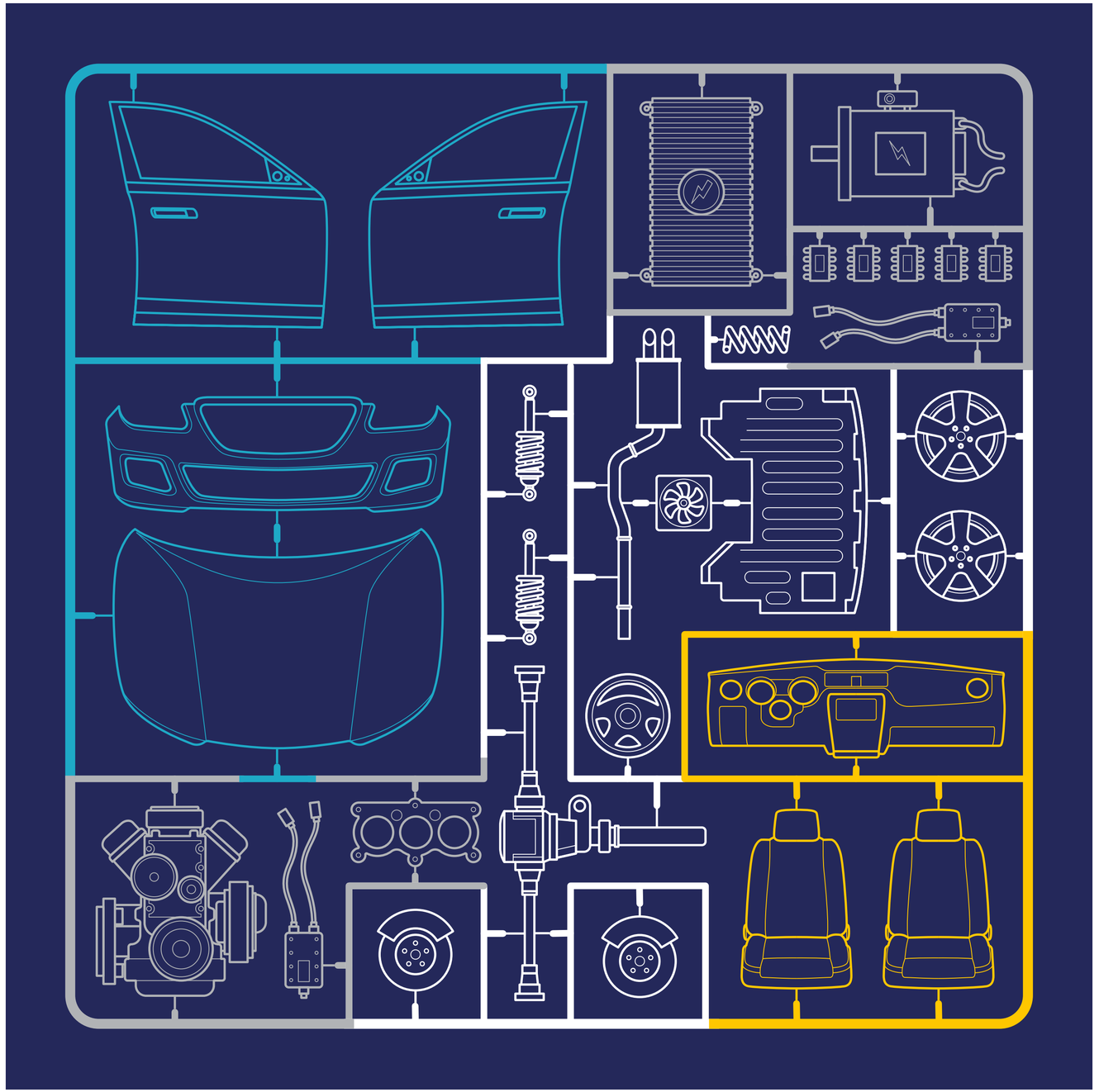
Support should help capable automotive businesses assess opportunities, understand if they are an appropriate fit and meet the practical costs of entry, including market intelligence, commercial readiness, skills, production preparation, cyber security and accelerate progress towards AS9100 certification.

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A SHARED PLAN FOR ACTION

The UK does not lack capability or opportunity. It lacks the margin for delay. Valuable suppliers, skills and tooling are under pressure now, while future sourcing and investment decisions are being made.

Industry must engage openly and work through difficult decisions together. Government must provide the market access, competitive business environment and targeted support needed to turn viable opportunities into investment and production.

SMMT stands ready to convene that partnership. The next step is for vehicle manufacturers, suppliers, government and delivery partners including SMMT, APC and the Automotive Council to work together on the shared outlook, priority commodities and a compliant intervention framework. Coordinated action now can protect the foundations of UK automotive manufacturing and give the supply chain a credible route to compete and grow.



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