United Kindom

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Concerns over Brexit have had both a positive and negative impact upon the UK lubricants market. Even though the country has yet to leave the European Union, the uncertainty over the timing and structure of any deal, or absence of it, has impacted confidence in the sector.

For Europe's second largest lubricants market with an annual demand of around 565,000 metric tonnes, the UK's consumption of automotive, industrial and metalworking products is a bellwether of the economy.

According to the Office for National Statistics, the UK economy grew by 0.5% in the first quarter of 2019 having fallen back to 0.2% in the previous quarter. Rather than being spurred on by consumer spending or industrial productivity, analysts believe that companies have simply been stocking up on goods and forward buying stock to overcome short-term supply chain disruption caused by Brexit.

This quarter's economic indicators won't be released until July when any signs of a slow-down in the economy as the high stocks clear through the supply chain, will become apparent. The other issue is that having stocked up once only to see notice under Article 50 extended firstly to April, then June and finally October 31st, businesses might be more cautious about stockpiling in future only to see agreement with the EU reached on the terms of the UK withdrawal.

In the meantime European elections in May, at the time of writing still a week away, have rattled the established parties. The lack of either leaving without a deal at the end of March for the Brexiteers, or putting the issue to the public in a second referendum for the Remainers, have unsettled both sides of the debate.

A new 'Brexit' party led by former UKIP leader Nigel Farage is making headways in the poll as a protest against the elected representatives' inability to agree the terms of withdrawal which have been negotiated with the European Union. Whether this is a protest vote or a longer term realignment of UK politics remains to be seen as Farage's former party UKIP failed to make significant inroads into the UK political system despite a strong performance in Europe elections.

In the meantime business investment is forecast to decline by 1% in 2019 although consumer spending might bring pressure on the economy as wage growth outperforms inflation and unemployment remains at historically low levels according to the British Chambers of Commerce. However any change to interest rates is expected to be held off by the Bank of England until 2020. On the services side growth is also expected to weaken to 1.1% in 2019, in what has traditionally been a strong performing sector for the UK economy.

More worryingly are recent announcements in the press of the loss of manufacturing jobs to overseas. Troubled Jaguar Land-Rover, has already announced production of the Discovery moving to Slovakia, with the loss of 200 jobs although production of new hybrid vehicles will remain in the UK. Honda has also confirmed the closure of its UK plant in 2021 with the loss of 3,500 jobs.

Equally worrying is the news that British Steel has been placed in compulsory liquidation, putting 5000 jobs at risk and endangering 20,000 in the supply chain.

What the future holds for the City of London, one of the leading financial centres of Europe, remains to be seen.

LINK
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