

Business West Local Business Survey, Q1 2017

Between 27th February and 20th March 2017, Business West surveyed 419 businesses across the West of England, Gloucestershire and Wiltshire, focussing on issues relating to Brexit and the general business environment.

Conducted soon after the publication of the Government’s Brexit White Paper, setting out its key negotiating objectives, the survey provides a snapshot of business sentiment and activity in the immediate run-up to the triggering of Article 50.

98% of survey respondents were SME’s (<250 employees), covering a broad range of business sectors. 37% of respondents are current exporters.

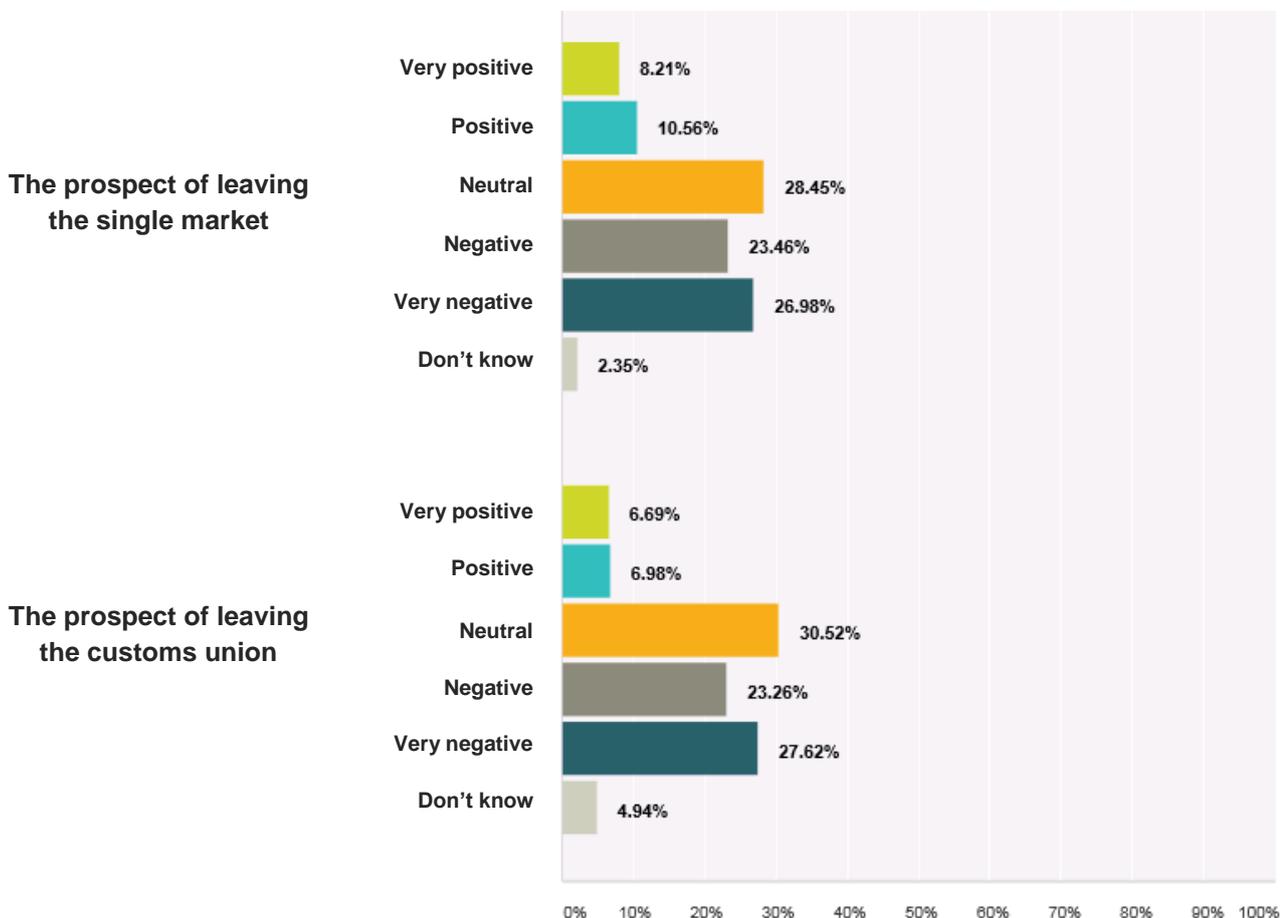
Headline Findings:

Concern over leaving the EU’s single market and customs union

51% of businesses surveyed view the prospect of leaving the single market as ‘negative’ or ‘very negative’, compared with 19% who view it as ‘positive’ or ‘very positive’.

51% view the prospect of leaving the customs union as ‘negative’ or ‘very negative’; while 14% view it as ‘positive’ or ‘very positive’.

From the perspective of your business, what is your view about:



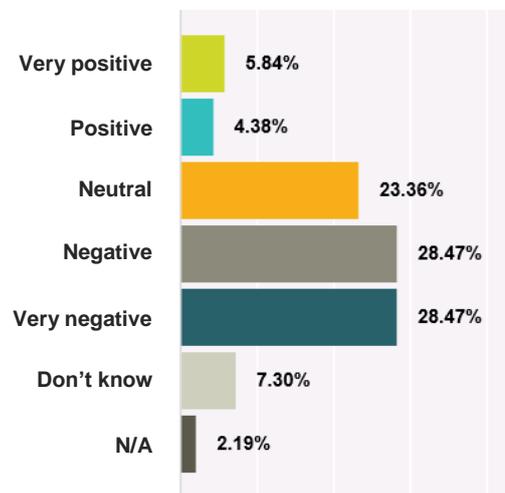
Concern over customs paperwork, tariffs, regulatory issues and access to EU workers following Brexit

Paperwork

36% of respondents think the implications of Brexit for customs paperwork and procedures will be 'negative' or 'very negative' for their business, compared with 8% who think the impact will be 'positive' or 'very positive'. Unsurprisingly, exporting businesses are more concerned about this issue, with 57% believing the impact will be 'negative' or 'very negative', compared with 10% who think the impact will be 'positive' or 'very positive'.

Exporters only

What is your view about the possible implications of Brexit for your business in relation to customs paperwork / procedures

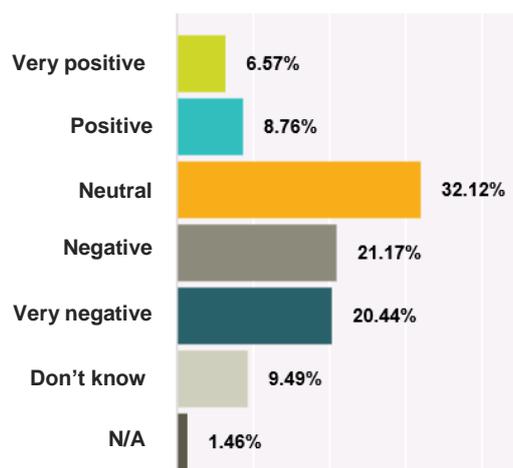


Regulatory and compliance issues

31% of businesses believe the implications of Brexit for regulatory and compliance issues will be 'negative' or 'very negative', while 17% think any changes brought by Brexit will be 'positive' or 'very positive'. Exporters are more worried than their non-exporting counterparts, with 41% believing the impact will be 'negative' or 'very negative' in this regard, compared with 15% who think it will be 'positive' or 'very positive'.

Exporters only

What is your view about the possible implications of Brexit for your business in relation to regulatory / compliance issues

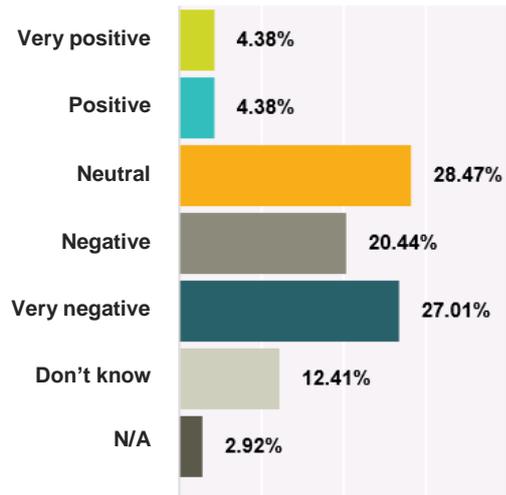


Tariffs

38% of firms think the impact of Brexit in relation to tariffs is likely to be 'negative' or 'very negative' for their business, while 8% feel the impact will be 'positive' or 'very positive'. Exporting businesses are more concerned, with 47% believing the impact on tariffs will be 'negative' or 'very negative' for their operations, compared with 9% who think the impact will be 'positive' or 'very positive'.

Exporters only

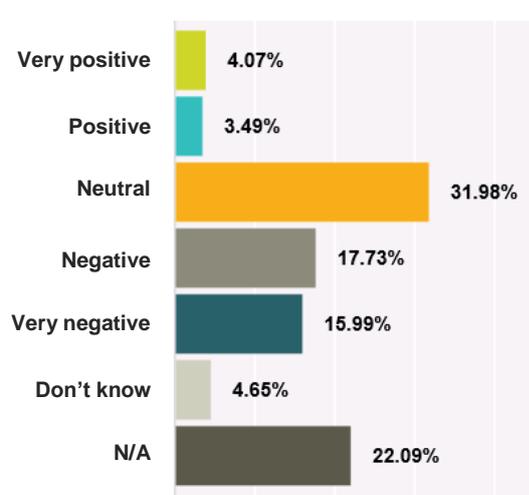
What is your view about the possible implications of Brexit for your business in relation to tariffs



Access to non-UK EU workers

One third (34%) of businesses believe the implications of Brexit for accessing EU workers will be 'negative' or 'very negative' for their operations, compared with 8% who suggest the implications will be 'positive' or 'very positive' in this regard.

What is your view about the possible implications of Brexit for your business in relation to access to EU workers



Business uncertainty remains high

Over half of respondents suggest there are ‘moderate’ or ‘strong’ levels of uncertainty facing their business in light of Brexit across 5 of the 8 available categories: rules for future trading with EU countries (57%); future impact on the supply chain (53%); future status of EU regulations in the UK (61%); future value of the pound (68%); and the future health of the UK economy (65%).

In light of Brexit, how do you assess the level of certainty facing your business across the following areas:

	Strong certainty	Moderate certainty	Moderate uncertainty	Strong uncertainty	Don't know	N/A
Rules for future trading with EU countries	3.79%	11.95%	26.53%	30.90%	7.29%	19.53%
Rules for future trading with non-EU countries	9.59%	19.77%	22.09%	18.02%	10.76%	19.77%
Future impact on the supply chain	5.54%	12.83%	28.28%	24.49%	10.50%	18.37%
Future status of EU regulations in the UK	4.08%	13.70%	28.28%	32.36%	12.54%	9.04%
Future immigration status of current EU employees	4.36%	13.08%	18.60%	27.33%	7.85%	28.78%
Ability to hire EU workers in the future	4.66%	11.08%	20.41%	27.70%	8.75%	27.41%
Future value of the pound	5.88%	13.53%	28.24%	40.29%	7.65%	4.41%
Future health of the UK economy	11.11%	15.20%	25.73%	39.47%	7.02%	1.46%

Despite Government interventions intended to provide greater clarity for businesses in the intervening months, levels of uncertainty across these areas have not changed significantly since they were last measured by Business West in September 2016. While uncertainty levels have fallen modestly in relation to rules for future trading with EU countries (by 7%) and the future status of EU regulations in the UK (by 3%), uncertainty over the future impact of Brexit on the supply chain has increased by 6%. Reported levels of uncertainty have also increased in relation to the future value of the pound (by 3%) and the future health of the UK economy (by 4%) over this 6 month period.

Exporters report notably higher levels of uncertainty over rules for future trading with EU countries than their non-exporting counterparts (71%) and the future status of EU regulations in the UK (66%). 51% of exporting firms also suggest there are ‘moderate’ or ‘strong’ levels of uncertainty around their ability to hire EU workers in the future.

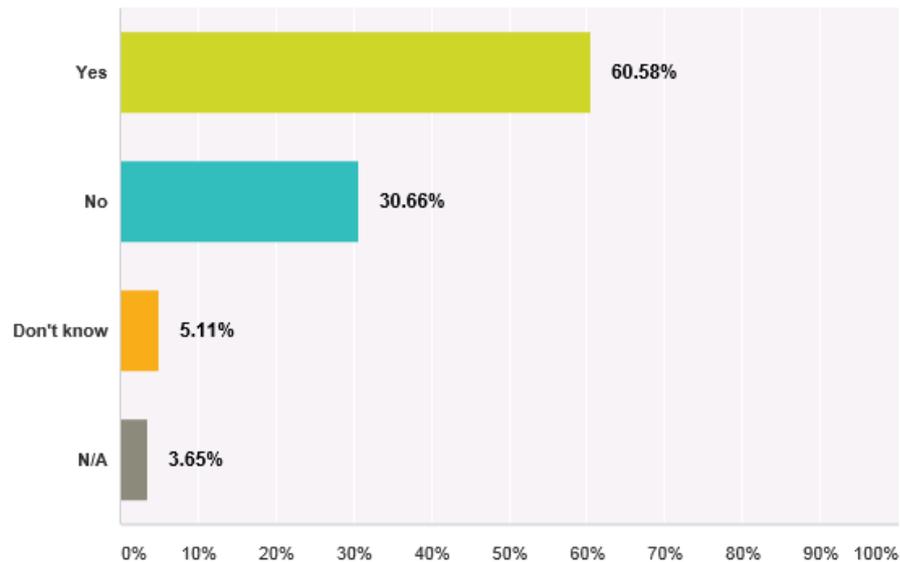
In addition, 64% of respondents report that ‘general business uncertainty’ represents more of a concern to their business than it did three months ago.

Many exporters lack experience of trade documentation

Almost a third of exporting businesses (31%) have no experience of using customs documentation to trade with other countries.

Exporters only

Does your business have experience of using customs documentation to trade with other countries?



Of those which have used some form of customs documentation before, over half have no experience of using value declarations (51%), preferential certificates of origin (55%), export licenses (68%) or ATA carnets (83%) – documents which may be required for UK-EU trade post-Brexit.

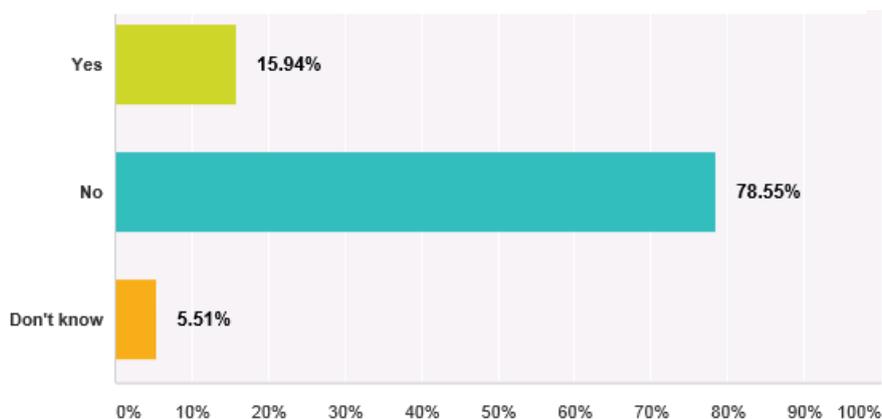
This appears to reflect the current dominance of the EU as an export destination (with 91% of current exporters selling to Europe) – where members are ordinarily permitted to trade with one another in the absence of special documentation.

Few businesses are taking measures to prepare for Brexit

79% of businesses are not currently taking any specific measures in preparation for Brexit, while 16% report doing so.

18% of firms say they require more information or assistance to help them prepare for Brexit, 24% don't know and 58% say they do not need further information or assistance. Among exporters, the need for more information or assistance is higher (26%).

Is your business taking any specific measures in preparation for Brexit?

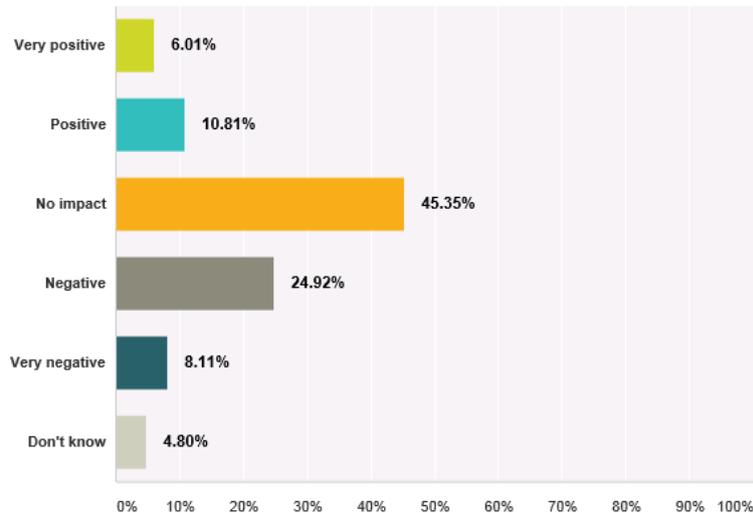


The impact of the lower pound remains mixed

One third (33%) of firms say the lower value of Sterling has had a ‘negative’ or ‘very negative’ impact on their business over the past three months, compared with 17% who say the impact has been ‘positive’ or ‘very positive’.

In addition, nearly a third (31%) of respondents say they are suffering pressure to raise prices due to higher import costs.

Over the past 3 months, what impact has the lower pound had on your business?



Exporting businesses have benefitted more from the lower pound than non-exporters, with 35% reporting it has had a ‘positive’ or ‘very positive’ impact, and 34% saying it has had a ‘negative’ or ‘very negative’ impact.

Business confidence remains low by historical standards

61% of firms are ‘confident’ or ‘very confident’ about the prospects of their business for the next 12 months, compared with 12% who are ‘negative’ or ‘very negative’ about their prospects.

This represents a 4% increase in the ‘confidence balance’ compared with that reported in the final quarter of 2016 (which was the lowest recorded in over 4 years), but is still some 17% lower than the confidence value reported this time last year (Q1 2016).

How confident are you about the prospects of your business for the next 12 months?

