

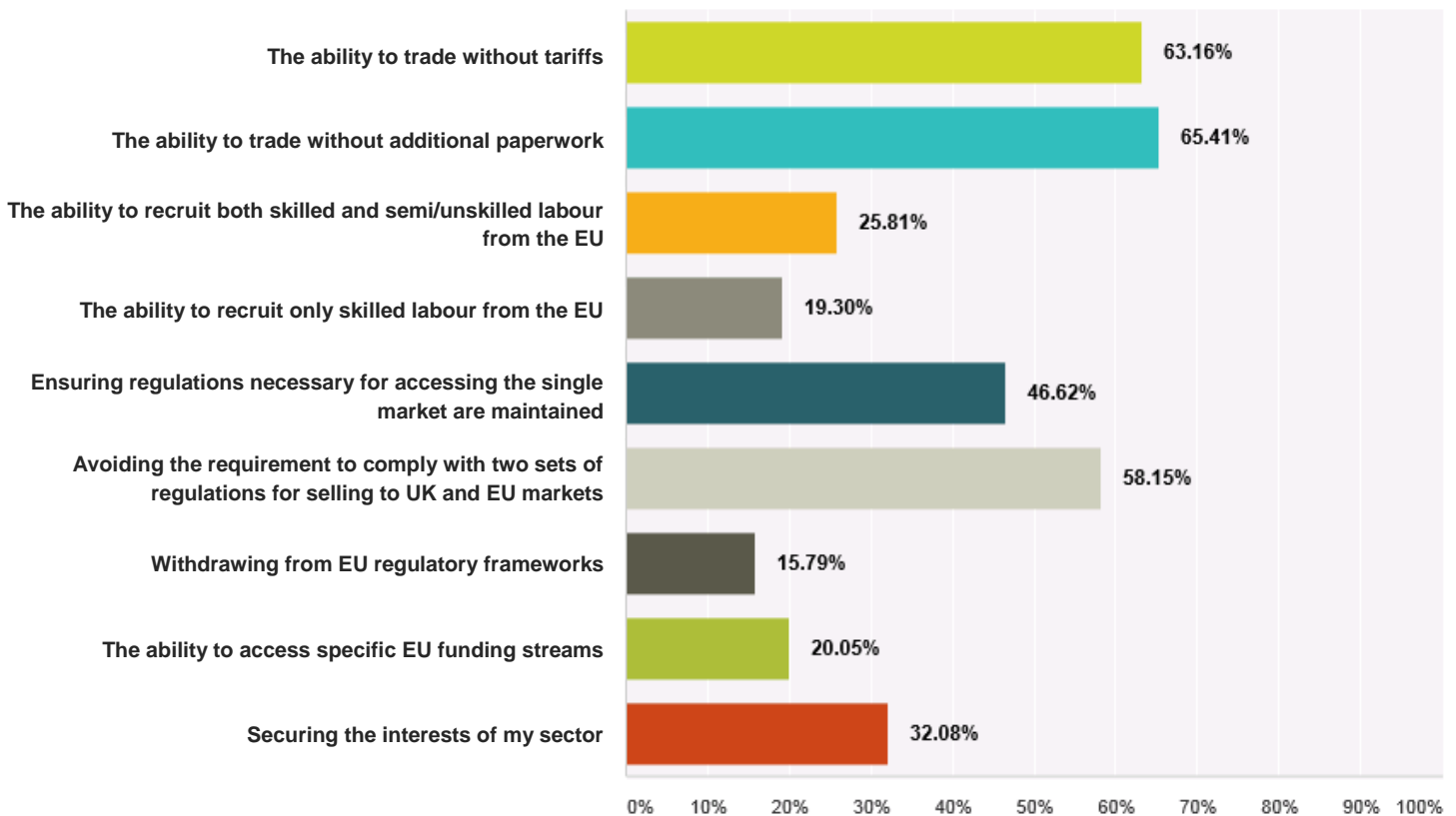
## Business West EU Local Business Survey, Q3 2016

### Headline Finding: Negotiating priorities for the UK in leaving the EU

When asked about future negotiating priorities for the UK to raise with the EU, the four highest scoring answers centred around the quality of market access into the European market and minimising regulatory disruption and duplication.

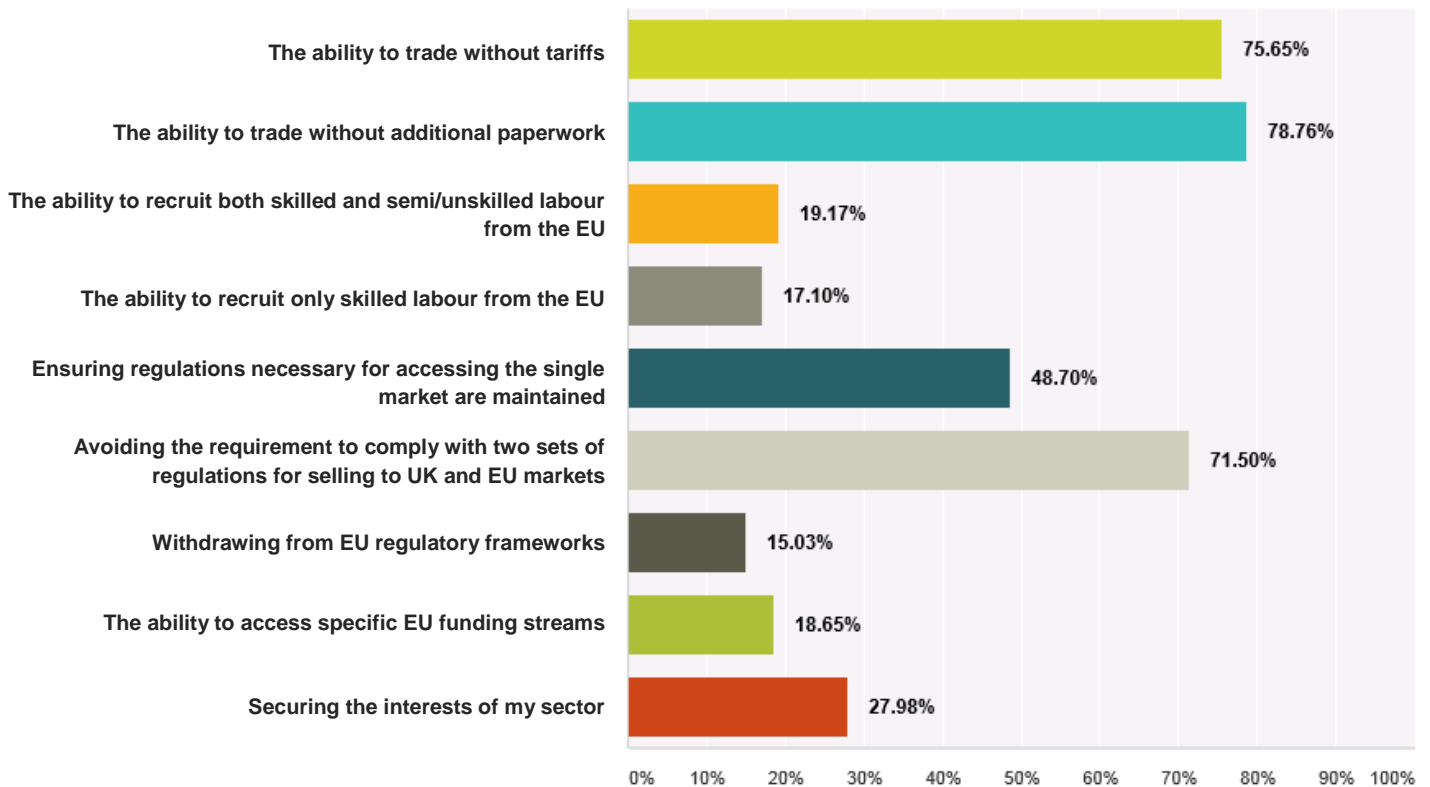
- The most popular priority was “the ability to trade without additional paperwork”, with 65% of all businesses and 79% of exporters choosing this answer. In policy terms this means that the significant majority of businesses favour staying in the EU customs union.
- The second most popular answer was “the ability to trade without tariffs”, with 63% of all businesses and 76% of exporters choosing this answer.
- The third most popular answer was “avoiding the requirement to comply with two sets of regulations for selling to UK and EU markets”, with 58% of all businesses and 71% of exporters choosing this answer.
- Hiring EU nationals was a less common answer, with the options of “the ability to recruit both skilled and semi/unskilled labour from the EU” and “the ability to recruit only skilled labour from the EU” coming sixth and eighth respectively.

**Fig. 1** In future negotiations with the EU, which of the following do you consider priorities for your business?



**Fig. 2 - Exporters only**

**In future negotiations with the EU, which of the following do you consider priorities for your business?**



Given the fact that additional paperwork when trading with Europe, such as Rules of Origin, would occur upon leaving the customs union, these answers reveal a strong preference from companies to remain part of the customs union. They also highlight the desire to have some form of UK-EU regulatory co-operation (even among non-exporters).

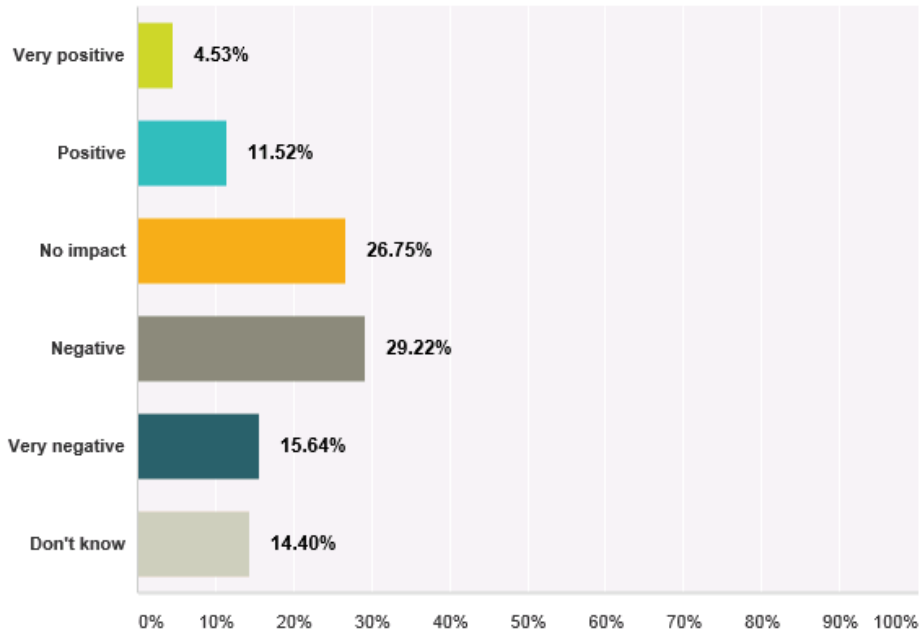
**Headline Finding: Economic impact of the referendum vote and for 'when the UK leaves the EU'**

The economic impact to date of the UK's vote to leave the European Union has been contained; with 49% of respondents saying it had no impact. 35% said the impact of the vote had been 'negative' or 'very negative', whilst 11% said it was 'positive' or 'very positive'.

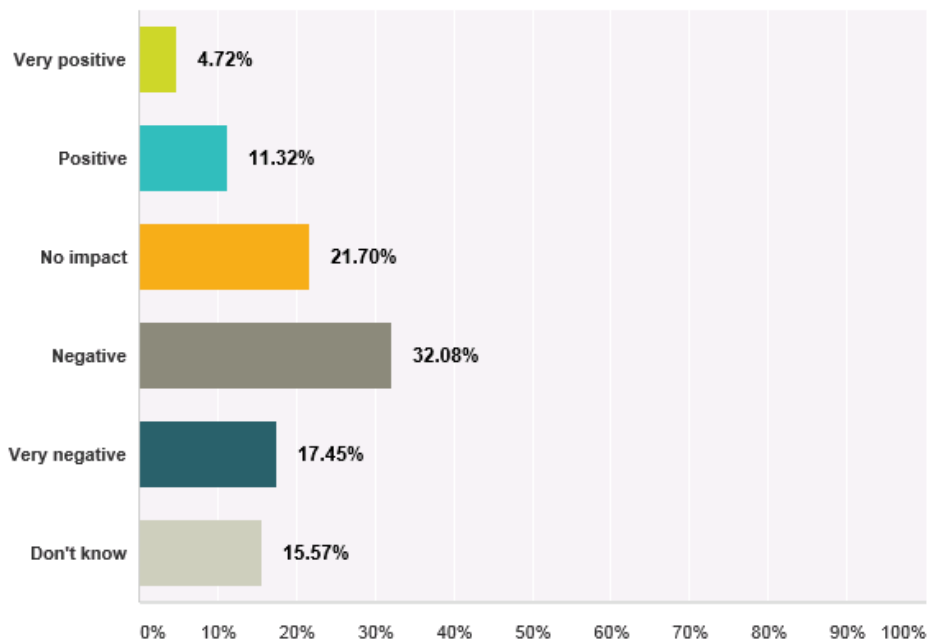
However there is more concern about the business impact of the UK actually leaving the EU; with 45% of respondents saying they thought there would be a 'negative' or 'very negative' impact on their business. 27% said there would be 'no impact', whilst 16% thought it would be 'positive' or 'very positive'. Among exporters there was a more negative outlook, with 49% saying they thought leaving the EU would be 'negative' or 'very negative' for their business.

**Fig. 3**

**What impact do you think there will be on your business when the UK leaves the EU?**



**Fig. 4 - Exporters only**



**Headline Finding: High levels of uncertainty for businesses – on future economic performance, trading relationships and foreign exchange levels**

Respondents felt there are greater levels of uncertainty facing their businesses following the vote to leave the EU.

Over 50% of respondents felt there was ‘moderate’ or ‘strong’ levels of uncertainty around 5 of the 7 available categories. For all respondents there was ‘moderate’ or ‘strong’ levels of uncertainty over the future immigration status of EU employees (54%), the future health of the UK economy (61%), the future status of EU regulations in the UK (64%), the rules for future trading with EU countries (64%) and the future value of the pound (65%).

Interestingly, exporters felt higher degrees of uncertainty than their non-exporting counterparts in all of the above categories, with noticeably higher levels of ‘moderate’ or ‘strong’ uncertainty regarding the future status of EU regulations in the UK (65%), the rules for future trading with EU countries (69%), and the future value of the pound (68%). 42% of exporters felt there was ‘strong’ uncertainty over the rules for future trading with EU countries. Given that 85% of responding exporters trade with Europe, this level of uncertainty poses questions over their confidence in future investment and expansion.

Exporters also were more likely to cite uncertainty about ‘future impact on the supply chain’, with 51% citing ‘moderate’ or ‘strong’ levels of uncertainty.

**Fig. 5 Following the vote to leave the EU, 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
Future health of the UK economy	7.59%	22.77%	33.04%	27.90%	6.25%	2.46%
Future immigration status of EU employees	3.13%	10.51%	27.96%	25.95%	10.51%	21.92%
Future status of EU regulations in the UK	4.03%	13.20%	30.20%	33.33%	12.53%	6.71%
Rules for future trading with EU countries	4.47%	9.40%	24.38%	39.37%	11.63%	10.74%
Rules for future trading with non-EU countries	11.63%	18.57%	25.95%	20.13%	12.53%	11.19%
The future value of the pound	5.83%	16.59%	30.72%	34.53%	8.30%	4.04%
Future impact on the supply chain	5.16%	13.45%	28.03%	19.28%	14.80%	19.28%

**Fig. 6 - Exporters only**

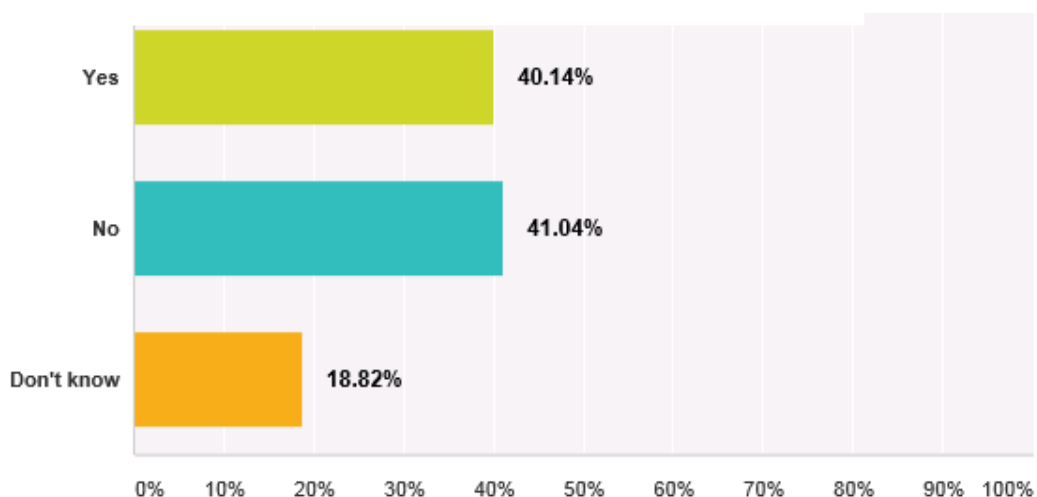
**Following the vote to leave the EU, how do you assess the level of certainty facing your business across the following areas:**

	Strong certainty	Moderate certainty	Moderate uncertainty	Strong uncertainty	Don't know	N/A
Future health of the UK economy	10.05%	20.60%	33.67%	29.15%	4.52%	2.01%
Future immigration status of EU employees	3.52%	7.54%	27.64%	28.64%	10.55%	22.11%
Future status of EU regulations in the UK	4.02%	12.56%	29.15%	35.68%	12.56%	6.03%
Rules for future trading with EU countries	6.03%	9.05%	27.64%	41.74%	11.56%	4.02%
Rules for future trading with non-EU countries	15.00%	21.00%	29.00%	18.50%	11.00%	5.50%
The future value of the pound	5.05%	16.16%	33.33%	34.85%	9.09%	1.52%
Future impact on the supply chain	5.03%	9.55%	35.18%	15.08%	15.08%	20.10%

**Headline Finding: The impact of Brexit on companies' own future investment decisions**

When asked whether they anticipated that future investment decisions for their company would be influenced by the nature the UK's post-Brexit relationship with the EU, opinions were evenly split between those who thought it would have an influence (40%) and those who thought it wouldn't (41%). 19% didn't know. Exporters were more likely to think it would have an influence on future investment decisions, with 44% choosing this option.

**Fig. 7 Do you anticipate that future investment decisions for your company will be influenced by the nature of the UK's post-Brexit relationship with the EU?**

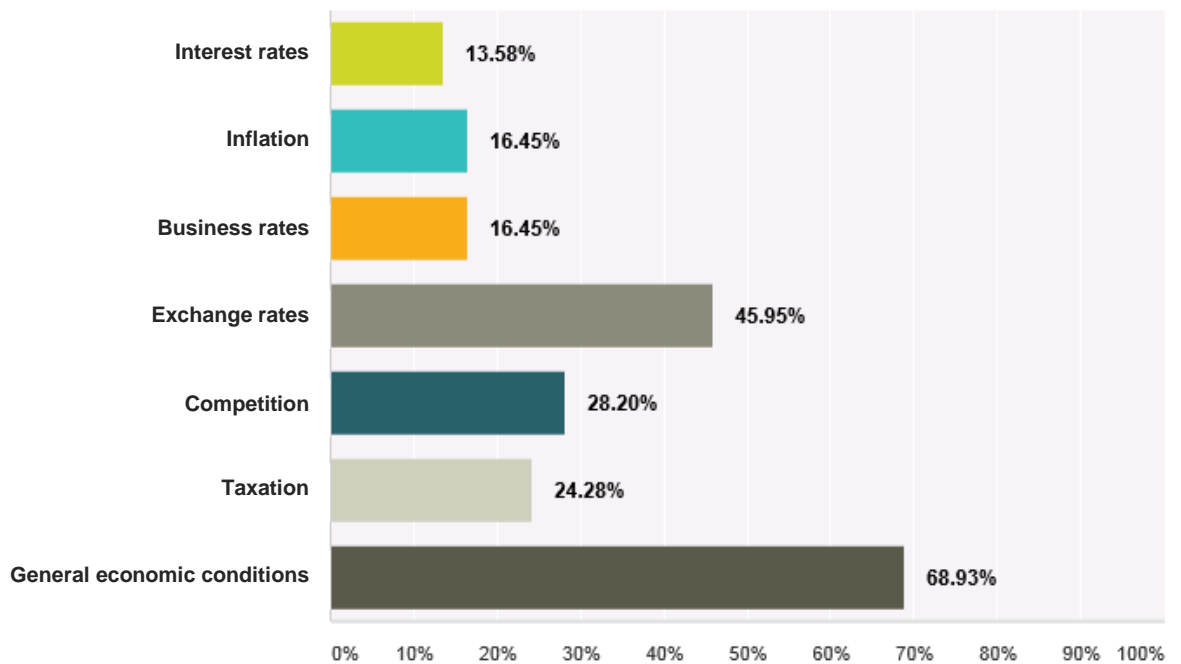


**Headline Finding: Factors of greater concern to business than three months ago**

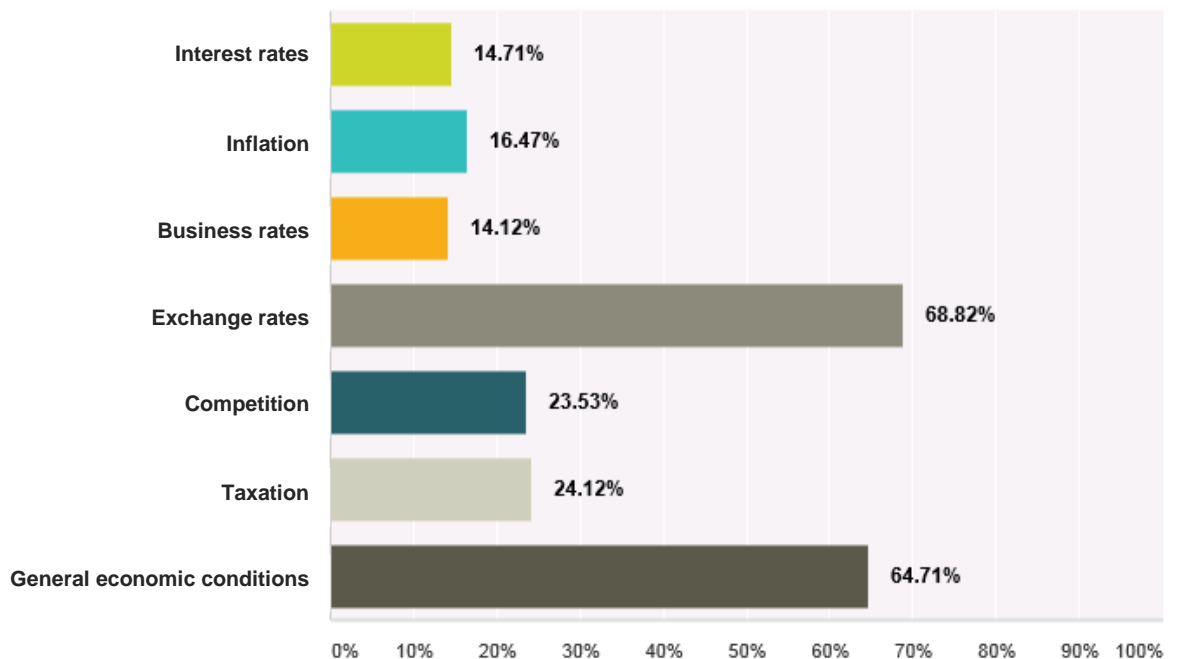
When asked which factors were more of a concern to their business than 3 months ago, the greatest rises in concern were about the exchange rate (with 46% choosing this option) and general economic conditions (with 69% choosing this option). Concerns about interest rates and inflation remain relatively muted (at 14% and 16% respectively), although our survey closed before sterling’s most recent falls.

Exporters were much more likely to be concerned about exchange rates, with 69% of exporting firms choosing this option.

**Fig. 8** Which of the following factors are more of a concern to your business than 3 months ago?



**Fig. 9 - Exporters only**

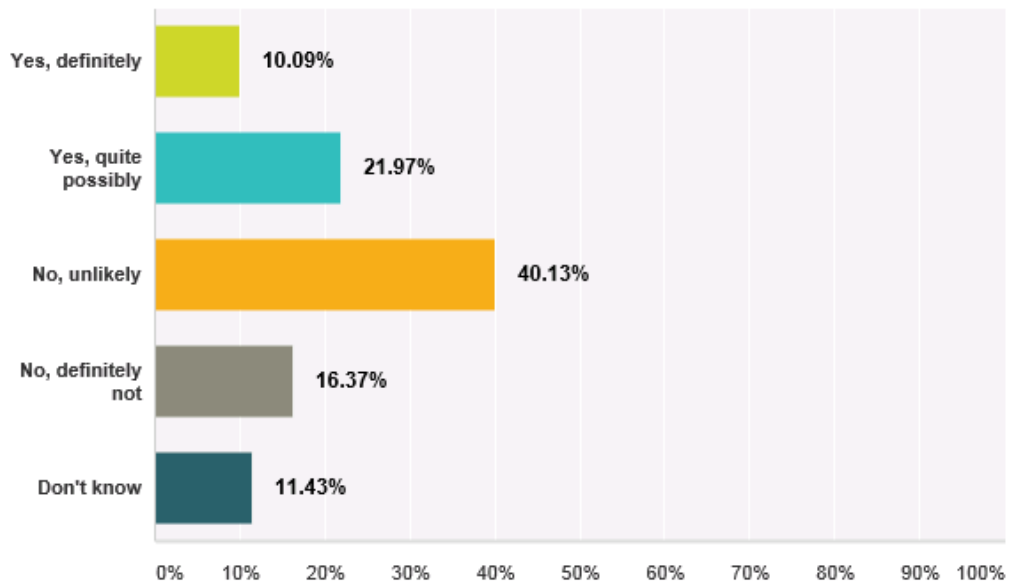


When asked about pressure to raise prices, 39% of businesses cited ‘raw material prices’ and 34% chose ‘import costs’ as factors behind price pressures. 45% of businesses chose ‘other overheads’.

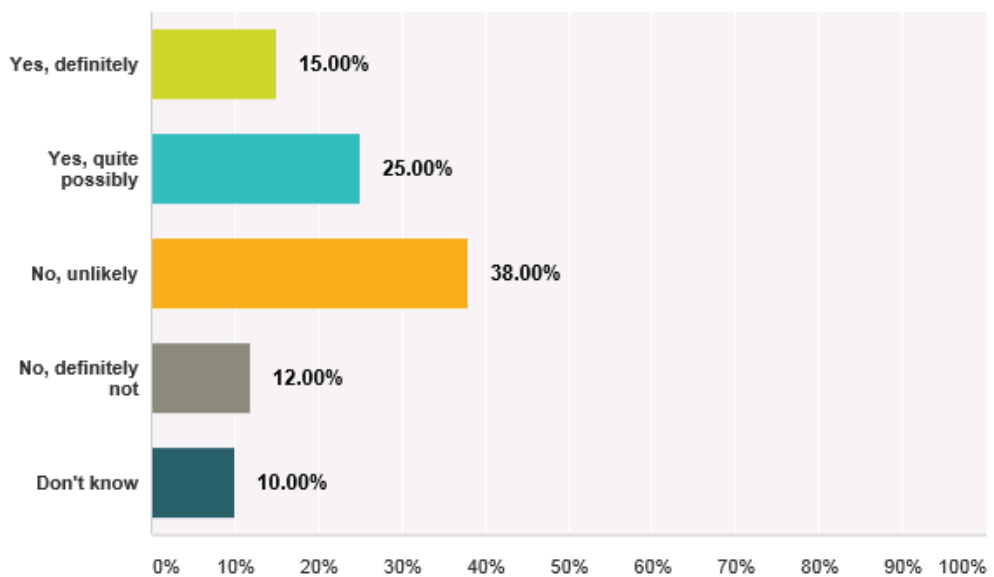
**Headline Finding: The opportunities presented by leaving the EU**

When asked whether leaving the EU would present any opportunities to their business, 32% said it would ‘definitely’ or ‘quite possibly’ present opportunities, whilst 57% said it was either ‘unlikely’ to or would ‘definitely not’ present opportunities. Exporters were more optimistic, with 40% saying it would ‘definitely’ or ‘quite possibly’ present opportunities, whilst 50% said it was either ‘unlikely’ to or would ‘definitely not’ present opportunities.

**Fig. 10** Do you think the vote to leave the EU will present any opportunities for your business?



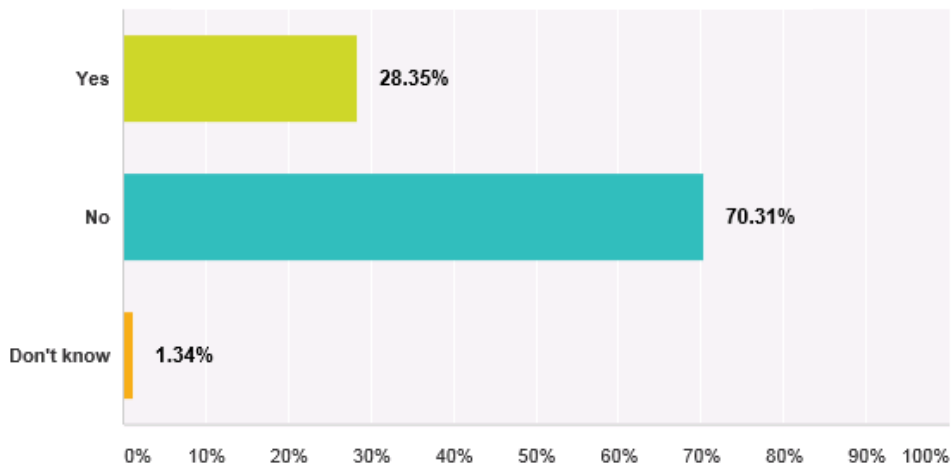
**Fig. 11 - Exporters only**



### Headline Finding: EU nationals employed by local businesses

Approximately one third of businesses questioned said they employed non-UK EU nationals as part of their workforce (28%). Within these firms the proportion of non-UK EU nationals in the workforce varied widely, although for over 60% of the firms who said they employed non-UK EU nationals, these workers made up 10% or less of total employees. These are fairly moderate levels of non-UK EU nationals within the sample workforce and put some of the popular concerns about EU immigration into perspective.

**Fig. 12** Do you employ non-UK EU nationals as part of your workforce?

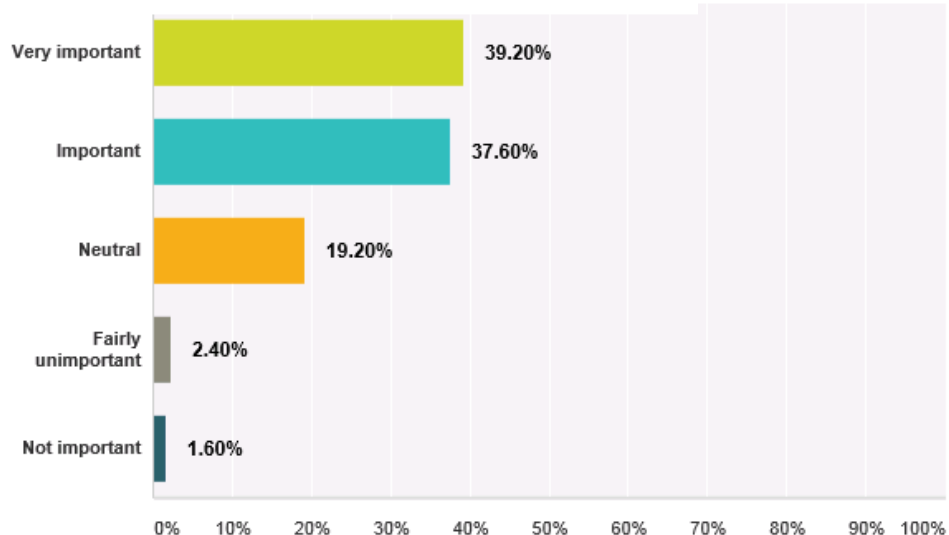


When asked about the types of roles these non-UK EU nationals performed, 57% of the firms who employed EU nationals said they included 'professional and managerial', 24% said they included 'administrative' and 33% said they included 'skilled manual'. 35% of firms chose 'semi or unskilled'.

There was a strong feeling that non-UK EU nationals are important for these businesses. 77% said these workers are either 'important' or 'very important' to their company.

This raises questions about the current immigration status of non-UK EU employees and how any skills gaps will be filled under a new immigration regime with the European Union.

**Fig. 13** How important are the skills of non-UK EU nationals to your company?





**ANNEX: Methodology**

Business West is England’s largest chamber of commerce and business leadership organisation, serving 18,000 members throughout Gloucestershire, Wiltshire, Swindon, Bristol, Bath and the West of England.

Our local business survey is the largest regional business survey of its kind, with higher participation than any other regional business organisation.

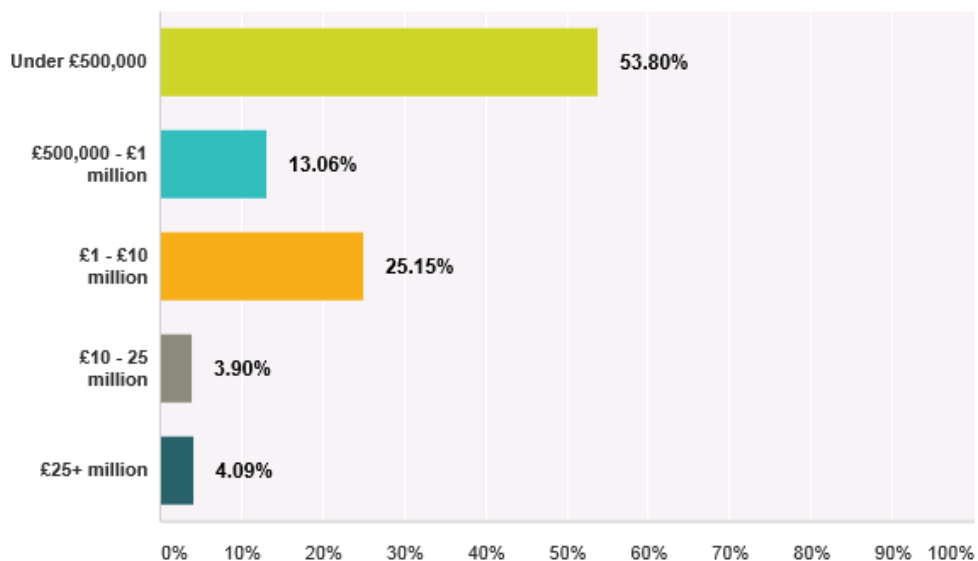
Our survey is part of the British Chamber of Commerce’s (BCC’s) Quarterly Economic Survey (QES). We have been running the survey for over two decades and it is completed overwhelmingly by businesses with which Business West has existing relationships.

In addition to regular core questions around business performance, Business West runs additional topical questions. For this Quarter (Quarter 3, 2016), we ran a series of additional questions on the impact of the vote to leave the European Union on business activity and sentiment.

We have had 535 respondents to this survey. 97% of respondents were classified as Small and Medium Enterprises<sup>1</sup> and they come from a broad range of business sectors, with approximately 40% of respondents classified as manufacturers, 40% as services and 20% as other (Fig. 15).

44% of this survey’s respondents are current exporters (Fig. 16), making it a good way to understand how exporting firms are thinking about the challenges and opportunities ahead. 15% of respondents were part of a supply chain that exported (Fig. 17). Of the exporters who took this survey, most trade with the European Union (85%), but there was a good range of experience and exposure to other global markets, with 51% exporting to North America, 43% to the Middle East and 36% to Australasia (Fig. 18).

**Fig. 14** What is your annual company turnover?



<sup>1</sup> Meaning employing 250 people or less

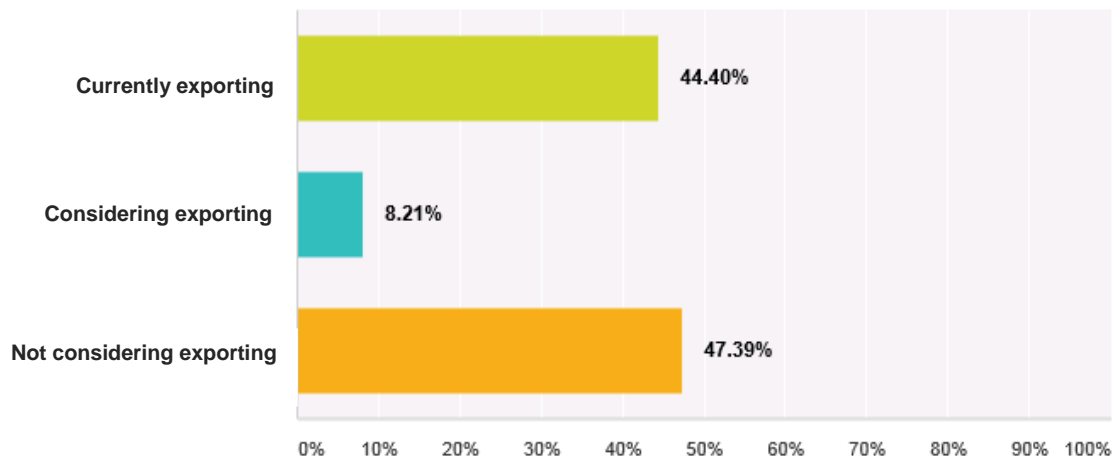
Fig. 15

What is your main business activity?

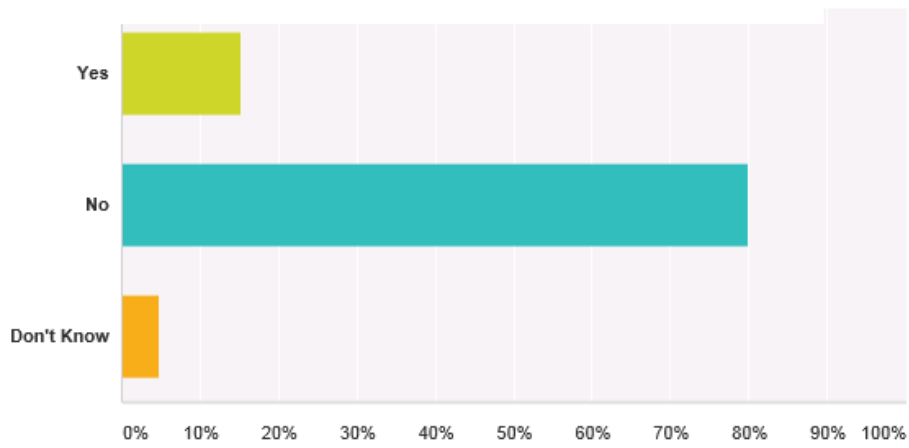
Advanced engineering, aerospace and defence	4.75%
Construction and development	4.75%
Consumer services (e.g. cleaning, decorating, plumbing, repairs, private leisure/education/health)	2.85%
Creative	4.56%
Food and drink	3.80%
Low carbon industries	0.57%
Manufacture of electronic or information technology goods	1.90%
Manufacture of other goods	10.27%
Marketing and media	4.75%
Micro-electronics	0.76%
Other services	12.93%
Professional services (e.g. finance, consultancy, legal, IT support, recruitment)	30.23%
Public or voluntary sector services	1.71%
Retail	7.03%
Rural economy & agriculture	0.76%
Social enterprise	1.71%
Tourism	2.47%
Transport & distribution	4.18%

Fig. 16

Is your business:



**Fig. 17** Is your business part of a supply chain that exports?



**Fig. 18** Where in the world does your business currently export its products/services?

