

IoD July Brexit Survey

Survey conducted between 1-17 July, 952 respondents.

Respondent characteristics

- 37% sell goods and 87% sell services overall (12% sell goods only, 63% services only, 24% sell both).
- 52% import from the EU and 44% import from non-EU countries, while 61% export to the EU and 54% export to non-EU countries.

Table 1 – Does your (primary) organisation currently trade internationally? (tick all that apply)

	Total	Financial + Insurance Activities	ICT	Manufacturing	Prof/Scientific/Technical Activities	Other Service Activities
We buy goods from outside the UK (for business purposes) We buy services from outside the UK	35%	8%	26%	79%	21%	28%
We buy services from outside the UK	26%	31%	37%	32%	26%	21%
We sell goods outside the UK	25%	4%	23%	77%	15%	17%
We sell services outside the UK	53%	57%	71%	37%	64%	59%
We neither buy nor sell anything outside the UK for business purposes	23%	31%	13%	4%	25%	23%
Don't know	1%	1%	0%	1%	0%	1%

No-Deal vs Extension

Table 2.1 - Which of the following do you consider would have a more negative impact on your (primary) organisation?

A no-deal Brexit on 31 October 2019	51%
A further extension beyond 31 October 2019	32%
N/A - I do not believe either would have a negative impact on my organisation	12%
Don't know	5%

Table 2.2 – Sectoral Snapshot

<i>Which of the following do you consider would have a more negative impact on your (primary) organisation?</i>	Total	Financial + Insurance Activities	ICT	Manufacturing	Prof/Scientific/Technical Activities	Other Service Activities
A no-deal Brexit on 31 October 2019	51%	37%	48%	53%	61%	53%
A further extension beyond 31 October 2019	32%	43%	33%	34%	23%	32%
N/A - I do not believe either would have a negative impact on my organisation	12%	17%	12%	8%	11%	11%
Don't know	5%	4%	6%	5%	5%	4%

Financial services firms appear markedly more split on this issue, though we know from previous surveys that they are furthest ahead on planning. Financial services firms surveyed are also notably more likely to be domestic-oriented only with no international trade ties compared to other sectors (see Table 1).

Table 2.3 – Goods vs Services Overall

<i>Which of the following do you consider would have a more negative impact on your (primary) organisation?</i>	All Goods Sellers	All Services Sellers	Sell Both Goods + Services
A no-deal Brexit on 31 October 2019	54%	51%	58%
A further extension beyond 31 October 2019	32%	32%	30%
N/A - I do not believe either would have a negative impact on my organisation	9%	12%	7%
Don't know	5%	4%	4%

Goods and services traders were generally evenly matched on views. However, those specifically indicating their business did both were more strongly of the view that no-deal would detrimentally impact their activities (possibly reflecting the multiple diverging areas to manage on Brexit plus a wider set of unknown unknowns).

Table 2.4 – Business size (number of employees)

<i>Which of the following do you consider would have a more negative impact on your (primary) organisation?</i>	Sole Trader* (0)	Micro (0-10)	Small (0-49)	Medium (50-249)	Large (250+)
A no-deal Brexit on 31 October 2019	60%	54%	52%	47%	60%
A further extension beyond 31 October 2019	19%	27%	31%	39%	25%
N/A	16%	15%	12%	10%	14%
Don't know	5%	6%	5%	4%	2%

*for Sole Trader category, n=57

One-man bands appear just as likely as directors of large companies to find ND more negative for their business than a further extension. Similar trends emerge for micro and small company approaches generally. For the smaller end of the scale, this is likely because there isn't anyone in these firms to allocate (away) responsibility to deal with managing Brexit, so concern over impact diffusion is particularly marked for this group. For larger companies, no-deal as a similarly larger concern may be partially due to worry over supplier readiness. Managing and being integrated into a much bigger set of supply/value chains is one reason for this, as the potential effect is multiplied across different direct and indirect aspects of the organisation.

Preparedness

Table 3.1 - Has your (primary) organisation prepared for the possibility of a no-deal Brexit?

We believe we are fully prepared	15%
We have done as much preparation as we can, but cannot be fully prepared	53%
We still have more preparation to do	14%
We do not expect Brexit to impact our organisation	15%
Don't know	2%

Table 3.2 – Sectoral Snapshot

<i>Has your (primary) organisation prepared for the possibility of a no-deal Brexit?</i>	Total	Financial + Insurance Activities	ICT	Manufacturing	Prof/Scientific/ Technical Activities	Other Service Activities
We believe we are fully prepared	15%	24%	10%	11%	15%	12%
We have done as much preparation as we can, but cannot be fully prepared	53%	44%	57%	58%	58%	51%
We still have more preparation to do	14%	4%	12%	21%	15%	19%
We do not expect Brexit to impact our organisation	15%	26%	19%	10%	12%	16%
Don't know	2%	2%	2%	0%	1%	3%

ICT and manufacturing are the least likely to feel prepared, likely because knock-on effects could be greatest across supply chains in these industries. The financial services sector is both most likely to feel Brexit won't impact them at all and to feel most fully prepared for a no-deal exit. This may be partially down to the fact that contingency plans have been demanded by regulators across the piece for many listed fin servs companies some time ago, as well as generally being further ahead (from previous IoD Brexit survey evidence) on having triggered their contingency plans. They also tend to operate with larger profit margins and cushions for any fallout.

Table 3.3 – Business Size (number of employees)

<i>Has your (primary) organisation prepared for the possibility of a no-deal Brexit?</i>	Small (0-49)	Medium (50-249)	Large (250+)
We believe we are fully prepared	13%	12%	26%
We have done as much preparation as we can, but cannot be fully prepared	52%	58%	57%
We still have more preparation to do	15%	13%	13%
We do not expect Brexit to impact our organisation	17%	17%	3%
Don't know	3%	1%	1%

Smaller company directors are far less likely than those at larger firms to feel their organisations are fully prepared for a no-deal Brexit (13% vs 26%), though they are also more inclined to think Brexit won't impact them than large company counterparts (17% vs 3%).

Relocation in connection with Brexit

Table 4.1 – Has Brexit led or will it lead to your (primary) organisation moving/setting up operations outside of the UK?

We have no intention to move or set up operations outside the UK in connection with Brexit	63%
We are doing so, but this has nothing to do with Brexit	4%
We are actively considering doing so	11%
We plan on doing so	4%
We have already done so/are already in the process of doing so	14%
Don't know	4%

Table 4.2 – Sectoral Snapshot

<i>Has Brexit led or will it lead to your (primary) organisation moving/setting up operations outside of the UK?</i>	Total	Financial + Insurance Activities	ICT	Manufacturing	Prof/Scientific/Technical Activities	Other Service Activities
No intention to move/set up ops outside the UK in connection with Brexit	63%	67%	62%	55%	55%	66%
Doing so but this has nothing to do w/Brexit	4%	7%	6%	5%	3%	2%
Actively considering doing so	11%	4%	7%	15%	15%	13%
Plan on doing so	4%	2%	6%	7%	12%	1%
Already done/in process of doing so	14%	18%	16%	14%		12%
Don't know	4%	2%	2%	5%	1%	6%

Table 4.3 – Business Size (number of employees)

<i>Has Brexit led or will it lead to your (primary) organisation moving/setting up operations outside of the UK?</i>	Total	Micro (0-10)	Small (0-49)	Medium (50-249)	Large (250+)
No intention to move/set up ops outside the UK in connection with Brexit	63%	60%	62%	66%	56%
Doing so but this has nothing to do w/Brexit	4%	2%	4%	4%	9%
Actively considering doing so	11%	16%	13%	9%	9%
Plan on doing so	4%	7%	5%	1%	2%
We have already done so/are already in the process of doing so	14%	10%	13%	18%	18%
Don't know	4%	6%	4%	2%	6%

In terms of overall engagement with relocation (actively considering + plan to + done so/in process), rates are as follows: Small (31%), Medium (28%), Large (29%). Small firms are actually the most likely to be engaged overall with relocation because of Brexit, owing to a slightly higher share that are both planning to do so and actively mulling the idea. Interestingly the share of small company directors who say they have relocated or are doing so already is only slightly behind that of medium and large sized counterparts.

Where and What Kind of Relocation? *[Directors relocating or actively considering relocation, n=272, were asked the following questions.]*

Table 5.1 – You indicated that your (primary) organisation has moved or is considering moving some operations/setting up new ones in connection with Brexit. Is this:

In/to the EU	66%
In/to non-EU countries	9%
In/to both the EU and non-EU countries	24%
Don't know	1%

Table 5.2 - What is/would be your (primary) organisation's approach to this relocation? (tick all that apply)

Opening up a brand new office/location and transferring a small amount of operations	27%
Opening up a brand new office/location and transferring a sizable amount of operations	28%
Transferring a small amount of operations to an existing office	12%
Transferring a sizable amount of operations to an existing office	12%
Shutting down most of our presence in the UK	18%
Other (Please specify)	20%
Don't know	1%

Among the 29% of IoD members relocating or seriously considering relocating in connection with Brexit, nearly one in five (18%) take this to mean shutting down their commercial operations in the UK. Interestingly, opening up a brand new location is generally much more common (55%) than having an overseas office to begin with (24%).

Table 5.3 – Business Size (number of employees)

<i>What is/would be your (primary) organisation's approach to this relocation?</i>	Total	Small	Medium	Large
		(0-49)	(50-249)	(250+)
Brand new location + transferring small share of ops	27%	27%	22%	14%
Brand new location + transferring sizeable share of ops	28%	35%	14%	35%
Transferring small share of ops to existing location	12%	8%	30%	19%
Transferring sizeable share of ops to existing location	12%	8%	24%	28%
Shutting down most of our UK presence	18%	24%	3%	4%
Other	20%	15%	29%	21%
Don't know	1%	2%	0%	0%

The most popular Brexit relocation approaches for small businesses are opening up a new office and transferring sizeable amounts of activity abroad (35%), followed by a new office and moving small amounts of operation (27%), and close behind in 3rd is shutting down entire UK presences. This chimes with the fact that the small firms surveyed were just in front of medium and large businesses

in looking at relocation, as they may feel forced to choose whether or not they keep their European customer base, as they are less likely to have a base in Europe already.

Reshoring

Table 6.1 – Has Brexit led or will it lead to your (primary) organisation setting up operations in/moving (back) to the UK - in addition to any UK operations you may currently have? (i.e. on-shoring/re-shoring?)

We have no intention to move or set up operations in the UK in connection with Brexit	77%
We are doing so, but this has nothing to do with Brexit	3%
We are actively considering doing so	1%
We plan on doing so	1%
We have already done so/are already in the process of doing so	7%
Don't know	11%

Significantly more directors are engaged with Brexit relocation than Brexit reshoring, as nearly a third (29%) are either relocating or strongly considering it because of Brexit, while just 9% are doing so for reshoring.

Feedback on UK and EU Guidance

Table 7.1 - What is your (primary) organisation's impression of the guidance published to date by the UK Government and the EU on planning for a no-deal Brexit?

	UK	EU
Very helpful	2%	1%
Somewhat helpful	20%	12%
Not helpful at all	25%	16%
We plan on doing so	17%	8%
Not aware/not consulted it yet	20%	44%
N/A I do not expect Brexit to affect my organisation	14%	14%
Don't know	3%	5%

Directors are almost twice as likely to say they have found the Government's own guidance on no-deal to be lacking, with 42% reporting it to be unhelpful compared with 22% finding it helpful. The EU's information fared little better, although a notably bigger share of respondents said they were unaware of or had not yet consulted European-level guidance.