

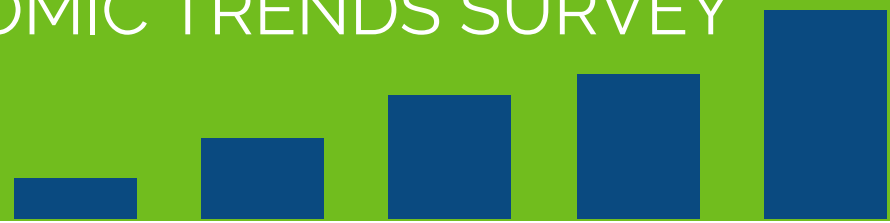


# SCOTTISH ENTERPRISE ECONOMIC TRENDS SURVEY

## PLANNING FOR LEAVING THE EUROPEAN UNION

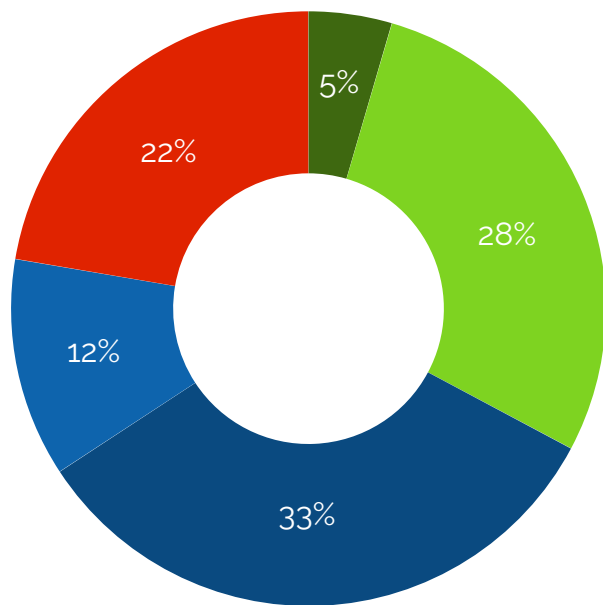
October 2018

Based on surveys completed by 1195 individual SE Account Managed companies between 1 November 2017 and 30 September 2018.

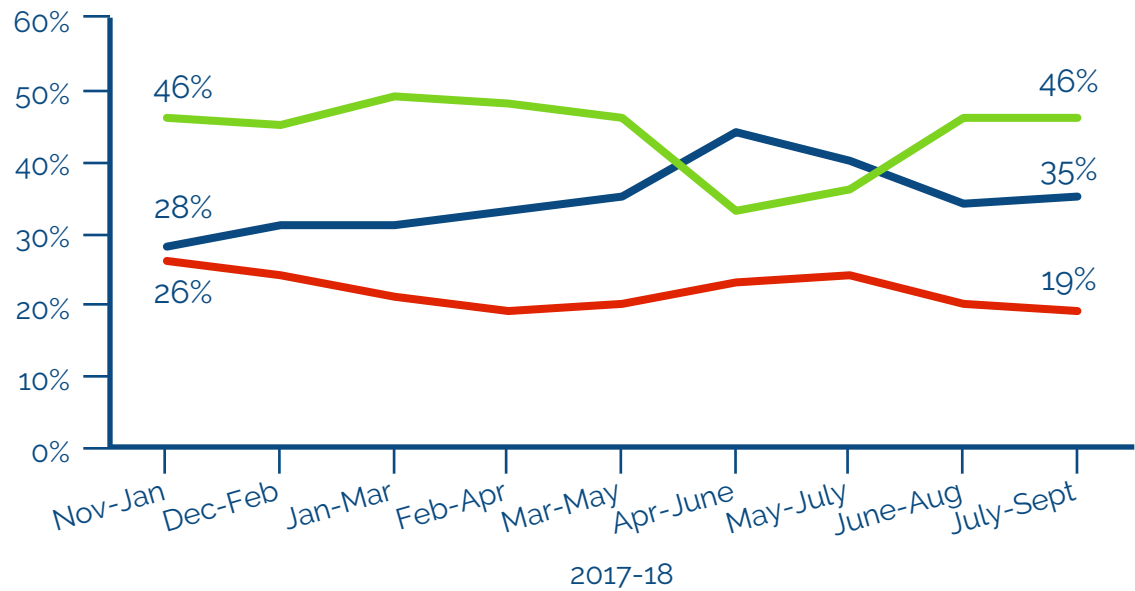


### Planning for exiting the European Union - All responding companies

Current extent of planning



Trend over time

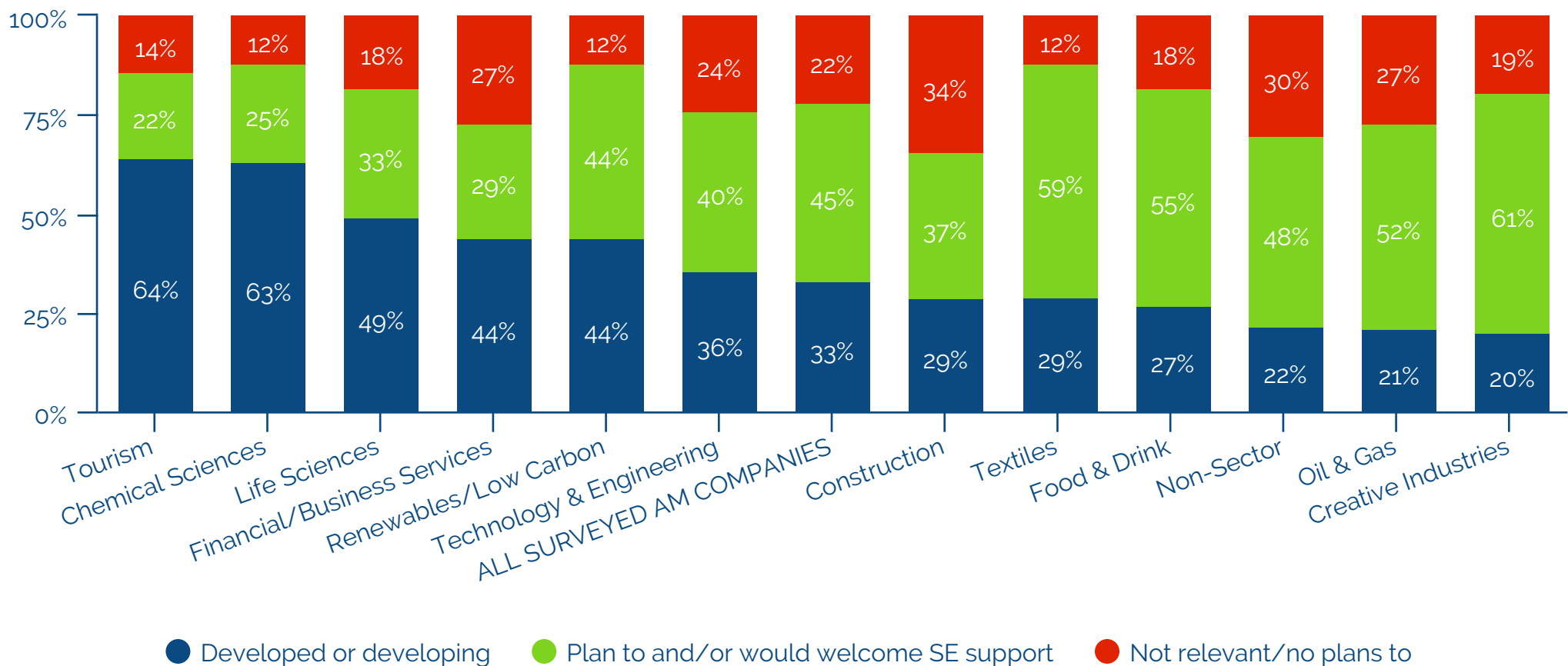


- Developed
- Developing
- Plan to, but not started
- Plan to, and would welcome SE support
- No plans to prepare
- Developed or developing
- Plan to and/or would welcome SE support
- Not relevant/no plans to

There has been relatively little change in the last six months in terms of preparation amongst Account Managed companies, likely reflecting the continued view amongst many there is still no enough detailed information available about the landscape once the UK leaves the EU.

There has been a marginal upwards shift (+3% of all surveyed companies) in companies actively planning for life outside the EU with the commensurate decline of -3% in the percentage of companies expecting they will undertake planning, but have not yet begun. There has consistently been around one-fifth of respondents who have no current plans or any plans at all to prepare for Brexit. These are considered further on in this report.

### Current extent of planning within sectors



- Developed or developing
- Plan to and/or would welcome SE support
- Not relevant/no plans to

There are significant variances between sectors who are actively planning and those who are still planning to, but for whatever reason, have not yet begun.

Whilst Tourism and Chemical Sciences are actively planning, sectors such as Creative Industries, Textiles, Food & Drink and Oil & Gas appear to be awaiting more details before beginning. Why these companies have yet to begun planning since November, and when they anticipate starting (since May). These are considered further on in this report.

The sector results also suggest which are least active in the Single Market, with Construction (due to low number of exporters), Non-Sector companies and Financial & Business Services (both have larger numbers identifying that corporate HQs outside Scotland are managing any preparations) having the largest percentage of companies not anticipating to plan at all for the UK's exit from the EU.

# PLANNING FOR LEAVING THE EUROPEAN UNION - OPPORTUNITIES



Those companies who have already completed plans or are in the midst of planning for leaving the EU are asked to highlight any opportunities or challenges they have identified.

Companies are invited to set out as many as five opportunities. 253 companies (21% of those surveyed) have set out at least one.

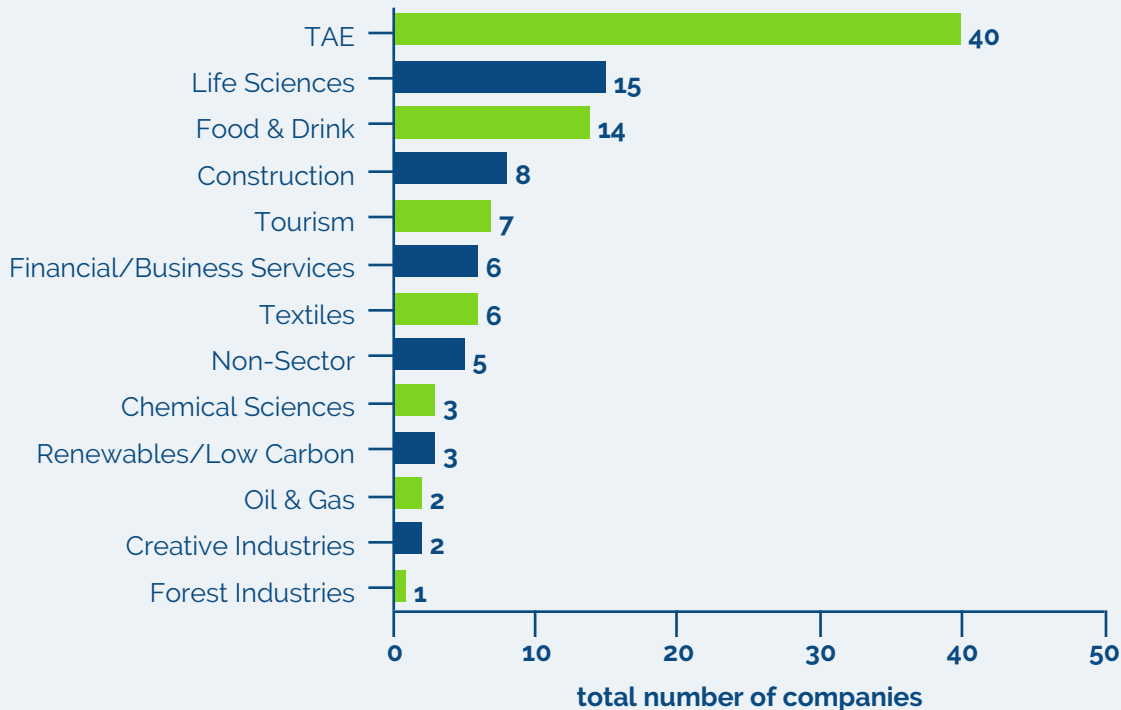
## 44% of responding companies were able to provide some outline of their approach.

Over recent months a sharpening of plans, ideas and actions has emerged, as more companies began to consider in-depth their plans for being outside the EU.

These companies are reviewing supply chains and logistics, but also looking positively for new markets, new products to develop and sell - and sell more of, as well as ways to become more efficient.

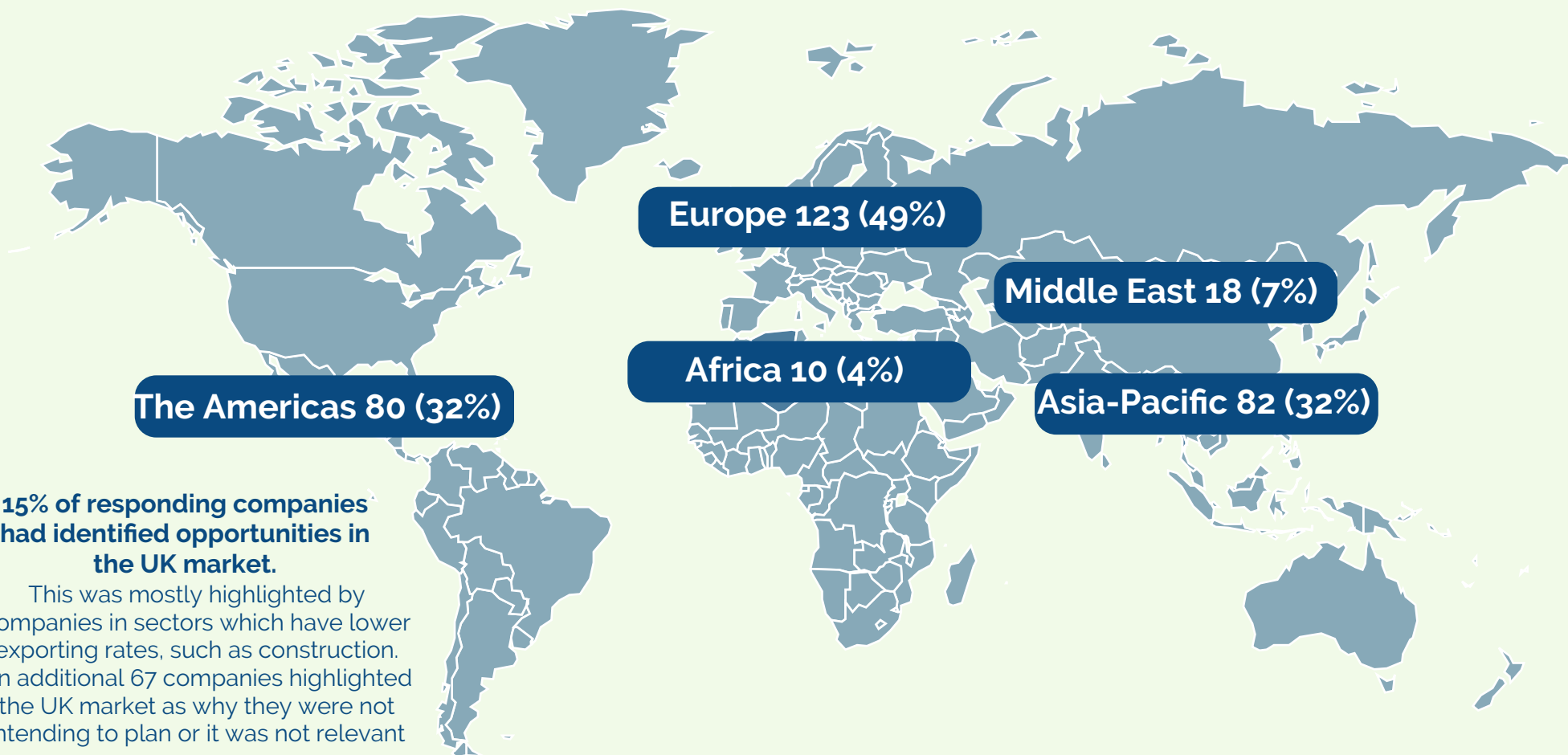
It reflects a 'find a way to do business' mantra some companies have articulated consistently. They argue that whilst there are concerns and worries around leaving the EU, they still need to evolve and adapt anyway to seize any advantage they can. The business world is constantly changing and they see leaving the EU as another - if not extremely challenging for some - part of this.

Total number of companies outlining their approach



## 44% of responding companies named non-EU nations as presenting opportunities for them. 37% of responding companies identified Europe or EU nations.

The main nations (and regions) specifically identified are:



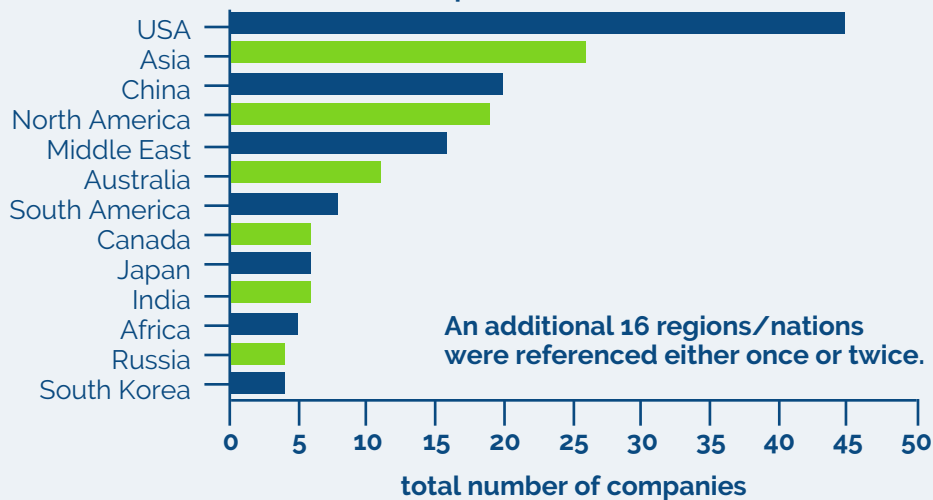
### 15% of responding companies had identified opportunities in the UK market.

This was mostly highlighted by companies in sectors which have lower exporting rates, such as construction. An additional 67 companies highlighted the UK market as why they were not intending to plan or it was not relevant

Percentages are the number of 253 companies giving the region (or nation within it) as an opportunity

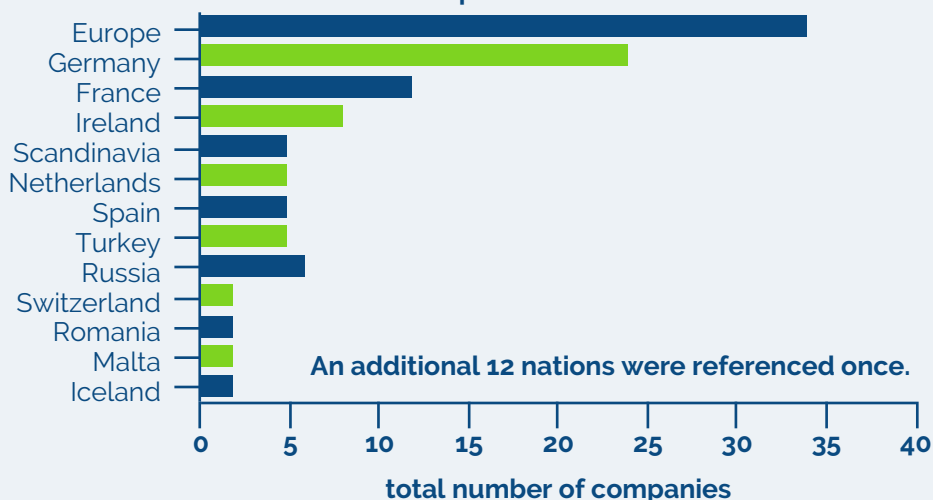
The specific nations identified as opportunities were

Opportunities outside of Europe highlighted by Account Managed companies



An additional 16 regions/nations were referenced either once or twice.

Opportunities in Europe highlighted by Account Managed companies



An additional 12 nations were referenced once.

# PLANNING FOR LEAVING THE EUROPEAN UNION - CHALLENGES

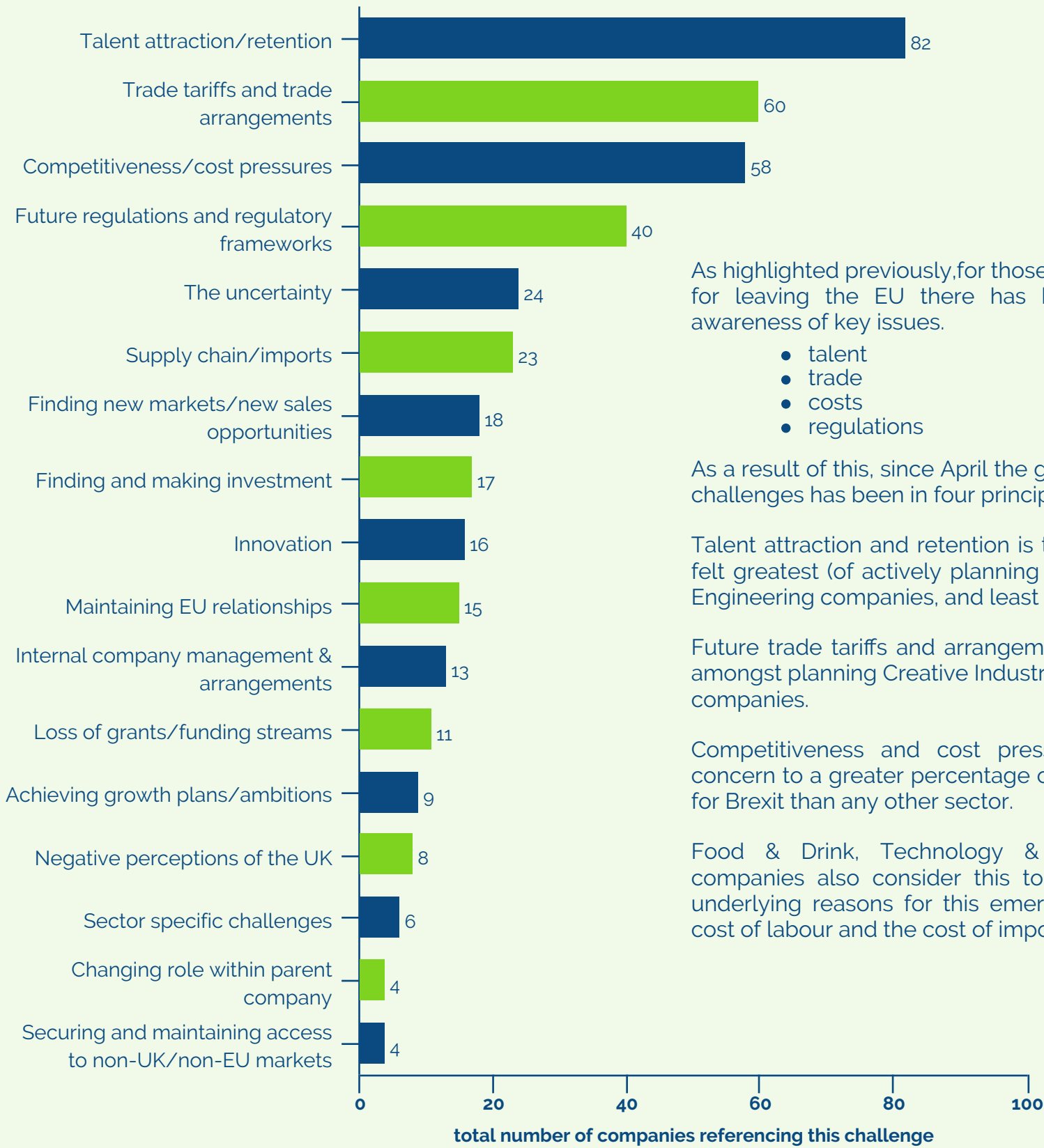


Those companies who have already completed plans or are in the midst of planning for leaving the EU are asked to highlight any opportunities or challenges they have identified.

Companies are invited to set out as many as five opportunities. 268 companies (22% of those surveyed) have set out at least one.

The challenges identified by companies are broader than the opportunities, which has enabled them to be coded. 17 themes have emerged,

## SE Account Managed companies - Challenges identified as a result of leaving the EU (Nov 2017-Sept 2018)



As highlighted previously, for those companies actively planning for leaving the EU there has been a sharpening in their awareness of key issues.

- talent
- trade
- costs
- regulations

As a result of this, since April the greatest increases in identified challenges has been in four principal areas:

Talent attraction and retention is the biggest issue of concern, felt greatest (of actively planning companies) in Technology & Engineering companies, and least in Chemical Sciences.

Future trade tariffs and arrangements are of greatest concern amongst planning Creative Industries, Textiles and Food & Drink companies.

Competitiveness and cost pressures are most acutely of concern to a greater percentage of Textile companies planning for Brexit than any other sector.

Food & Drink, Technology & Engineering and Tourism companies also consider this to be a challenge. Two main underlying reasons for this emerge from these sectors - the cost of labour and the cost of imports.

Regulations and future regulatory frameworks are raised most in Life Sciences, Financial & Business Services as well as Renewables and Low Carbon, reflecting the nature of operations in these sectors as well as the lack of clarity companies have about arrangements.

General uncertainty from those companies planning, was broad in its sector focus, but most commonly cited in sectors with the greatest degree of planning taking place.

Concerns over supply chains and imports - both in terms of the cost challenges and the logistics was cited as challenging from a range of sectors - Technology & Engineering, Oil & Gas, Life Sciences, Construction and Food & Drink.

Over one third of companies recognising challenges in finding new markets and customers are in Textiles. This appears to have close ties in these companies to a concern around cost and competitiveness challenges, Other sectors beginning to identify this as a challenge are Food & Drink and Technology & Engineering.

Securing and making investments remains a concern cited in several sectors, most often in Technology & Engineering but also in Textiles, Construction, Renewables/Low Carbon and Oil & Gas.

Some Account Managed companies with well-established relationships and trading networks in the EU felt that maintaining these was a challenge. However, this has only been highlighted twice in the last six months, suggesting that an initial perception or reality is now dissipating.

Similarly, innovation - cited by 14 companies up to April, has only been referenced twice in the last six months of responses.



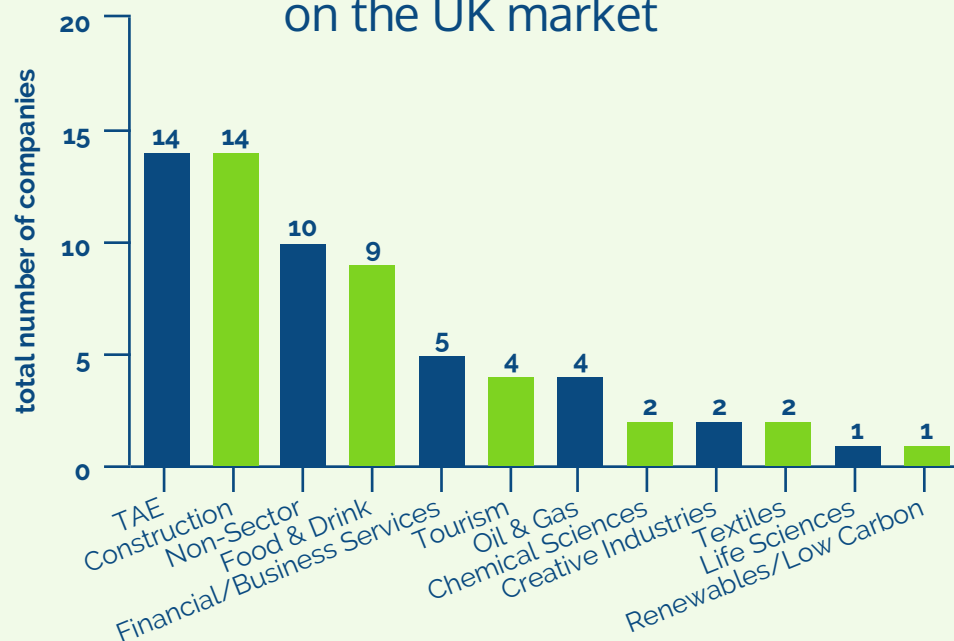
# PLANNING FOR LEAVING THE EUROPEAN UNION - COMPANIES NOT ANTICIPATING MAKING PLANS

Those companies indicating they have no plans to undertake any preparation for leaving the EU are asked to explain why this is.

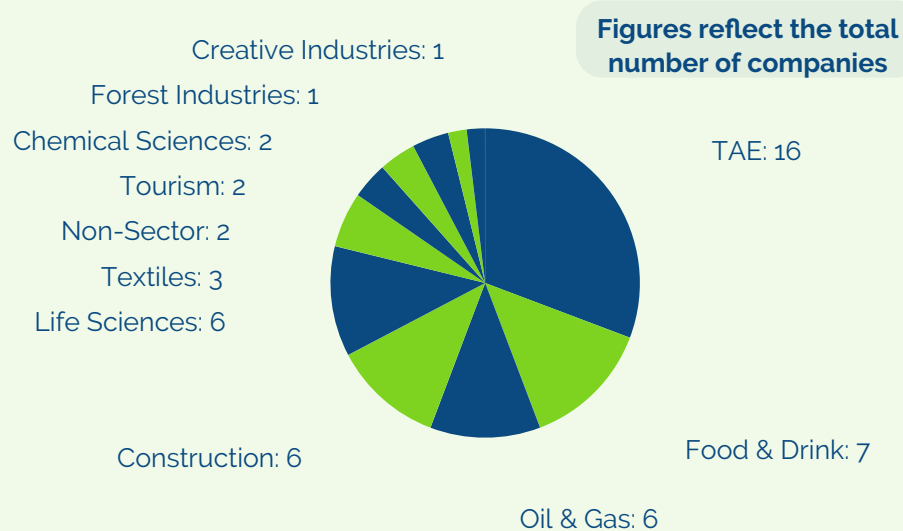
266 companies (22%) have said they do not anticipate planning for exiting the European Union. 244 of these have explained why they think this. Some companies have outlined multiple reasons. Therefore percentages reflect the proportion of responding companies who cite this.

Five reasons are emerging for why they are not considering plans or have no reason to:

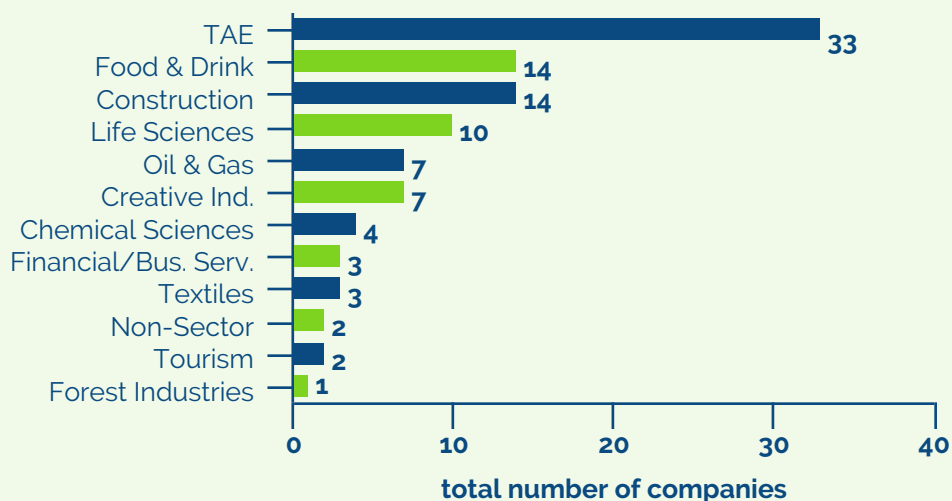
## 27% of companies say their main focus is on the UK market



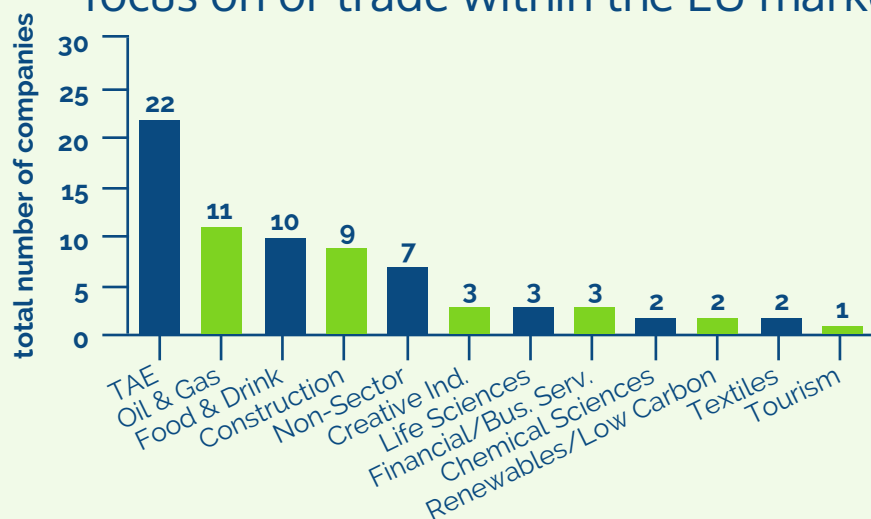
## 21% of companies say they do not have enough information to plan



## 41% of companies say planning is not relevant to them



## 27% of companies say they do not focus on or trade within the EU market



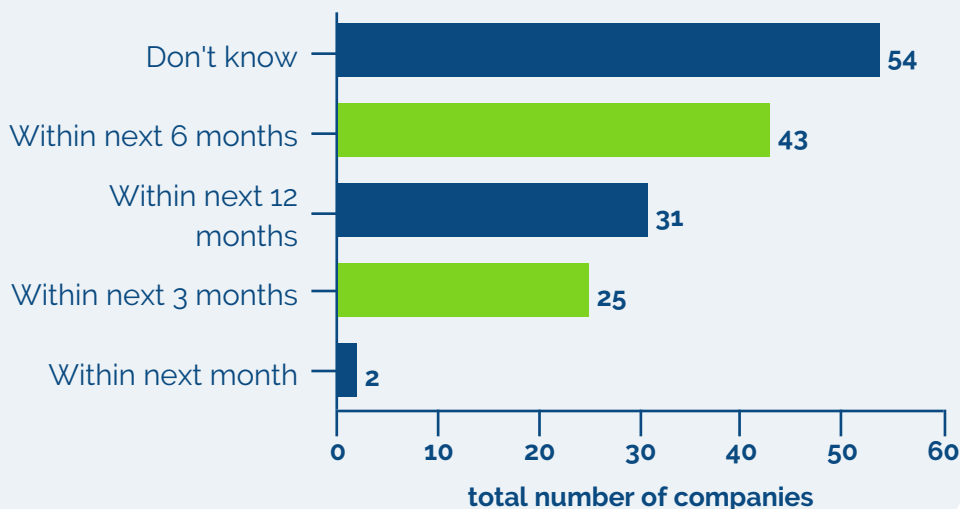
Finally, three companies say they do not anticipate planning due to a lack of resources available. These companies also cite other, likely bigger reasons for this, in particular the lack of enough information.

Since 1 May, companies who have not started planning have been asked when they anticipate starting.

These results highlight the lack of information and clarity over arrangements. These companies are most likely to say they do not have enough information yet to plan, and that it is not relevant for them to do so. This is evident in the number of these companies putting the idea of planning in the long grass.

It reflects the overriding message throughout the ETS - a desire for more independent information and clarity. Whilst some have enough information, or feel they need to act now, many Account Managed companies (in some sectors more than others) do not feel they are in this position.

### When do you anticipate starting planning?



### SECTOR SAMPLE SIZES (Nov 2017- Sept 2018)

Technology & Engineering	327	Construction	97	Creative Industries	66	Financial/Business Services	41
Food & Drink	191	Tourism	73	Textiles	66	Renewables/Low Carbon	25
Life Sciences	115	Chemical Sciences	71	Non-Sector	58	Forest Industries	11
Oil & Gas	103						

