



BREXIT AND THE MANUFACTURING INDUSTRY

HEADLINE REPORT

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BACKGROUND, OBJECTIVES AND METHODOLOGY

BACKGROUND

EEF, the manufacturer's organisation is the largest sectoral employers' organisation in the UK, working with decision-makers and influencers in the UK and across the EU to create and maintain the best possible business environment where manufacturers and wider industry can innovate, thrive and compete in Britain, Europe and globally. EEF supports businesses in ensuring they remain compliant with changes in employment and health, safety and environmental legislation. EEF connects industry leaders, managers, professional staff, apprentices, policy-makers, and the media. EEF offers its members with an array of tools, campaigning and business support services.

EEF wishes to better understand the manufacturing industry's needs and how best to serve them in the run-up to Brexit: allowing them to represent members' needs to Government, as well as supporting their members in preparing for EU exit and its implications for their businesses.

OBJECTIVES

ComRes was commissioned by EEF to undertake a research programme to:

- Explore perceptions of business decision makers in manufacturing of their business' prospects, needs and priorities;
- Understand how members and the industry in general expect Brexit to impact their businesses: both in terms of opportunities and risks;
- Gain an understanding of how businesses in the industry are preparing for Brexit and how EEF can best support them in doing so;
- Identify areas in which EEF can represent members' interests to legislators and policy decision-makers in the run-up to Brexit.

METHODOLOGY

Quantitative research:

The research involved a telephone survey with business decision-makers in the manufacturing industry, defined as below.

Those with financial or operational decision-making responsibility in UK manufacturing businesses, working in the manufacturing sector (UK SIC code section C, codes 10–33.20)

To aid with analysis, some open-ended questions have been coded to enable quantitative analysis of the answers. Others have been left uncoded due to the nature of the question or a low base size making them not suitable for quantitative study.

Data were weighted to be representative of UK manufacturing businesses by size and region. ComRes is a member of the British Polling Council and abides by its rules.




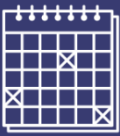
Please note that throughout the report, responses marked with an asterisk () are where the base size is less than 50 and should be considered indicative, rather than definitive.*

Qualitative Research:

This was accompanied by three face-to-face workshops with **business-decision makers from EEF's membership** in Birmingham, Newcastle, and London who opted in to take part.

Please note that blue text denotes qualitative analysis, while dark grey denotes quantitative analysis.

Full methodology and sample details can be found below:

	Method 	Sample definition 	Sample size 	Fieldwork dates 
PHASE I – QUANTITATIVE	CATI (Telephone)	Manufacturing industry: Business decision-makers	503	29 th August – 12 th September 2018
PHASE II – QUALITATIVE	Focus groups	EEF members: Business decision-makers	33	10 th , 11 th , 13 th September 2018

EXECUTIVE SUMMARY

PREPARATION FOR BREXIT

Many manufacturing businesses are cautious about the future as a result of Brexit – around a quarter expect to put UK investment on hold, while a similar proportion expect to change their growth plans. Many EEF members who have started preparing have taken an approach of expecting the best but preparing for the worst, but find this difficult given the lack of certainty around Brexit.

PRIORITIES FOR THE FUTURE

Trade with the EU is seen as critical for manufacturing business decision-makers. Their top priorities in the Brexit negotiations are ensuring no tariffs on EU goods and ensuring full access to the single market. In addition, given the difficulties presented by a lack of certainty around what Brexit will look like, EEF members voice a strong desire for clarity, even if it was on a result not conducive to business such as a no-deal Brexit. America is the top priority for a future trade deal after Brexit. Similarly, two in five are already exploring, or planning to explore, new markets outside of the EU.

IMPACT OF BREXIT

Manufacturing business decision-makers in the UK strongly see Brexit as a net risk to the UK, as opposed to presenting significant opportunity. When asked about the biggest potential opportunities of Brexit, two in five cannot name any. By contrast, respondents cite a wide range of potential risks to trade, particularly tariffs on imports and exports and excessive bureaucracy at borders.

A quarter say that as a result of Brexit they have experienced, or are expecting to experience losing out on investment, skilled EU workers or new contracts. Three in ten expect to find it more difficult to recruit skilled EU workers. EEF members are concerned that investors have already begun to look elsewhere, and that business opportunities in Europe will be restricted. While some did see opportunities with markets outside of the EU, for most, these are secondary to Europe.

Most expect turbulence in the short-term, although in the long-term manufacturing businesses are optimistic that business affairs will settle naturally as Britain and the EU reach a stable agreement.

A 'NO-DEAL' BREXIT

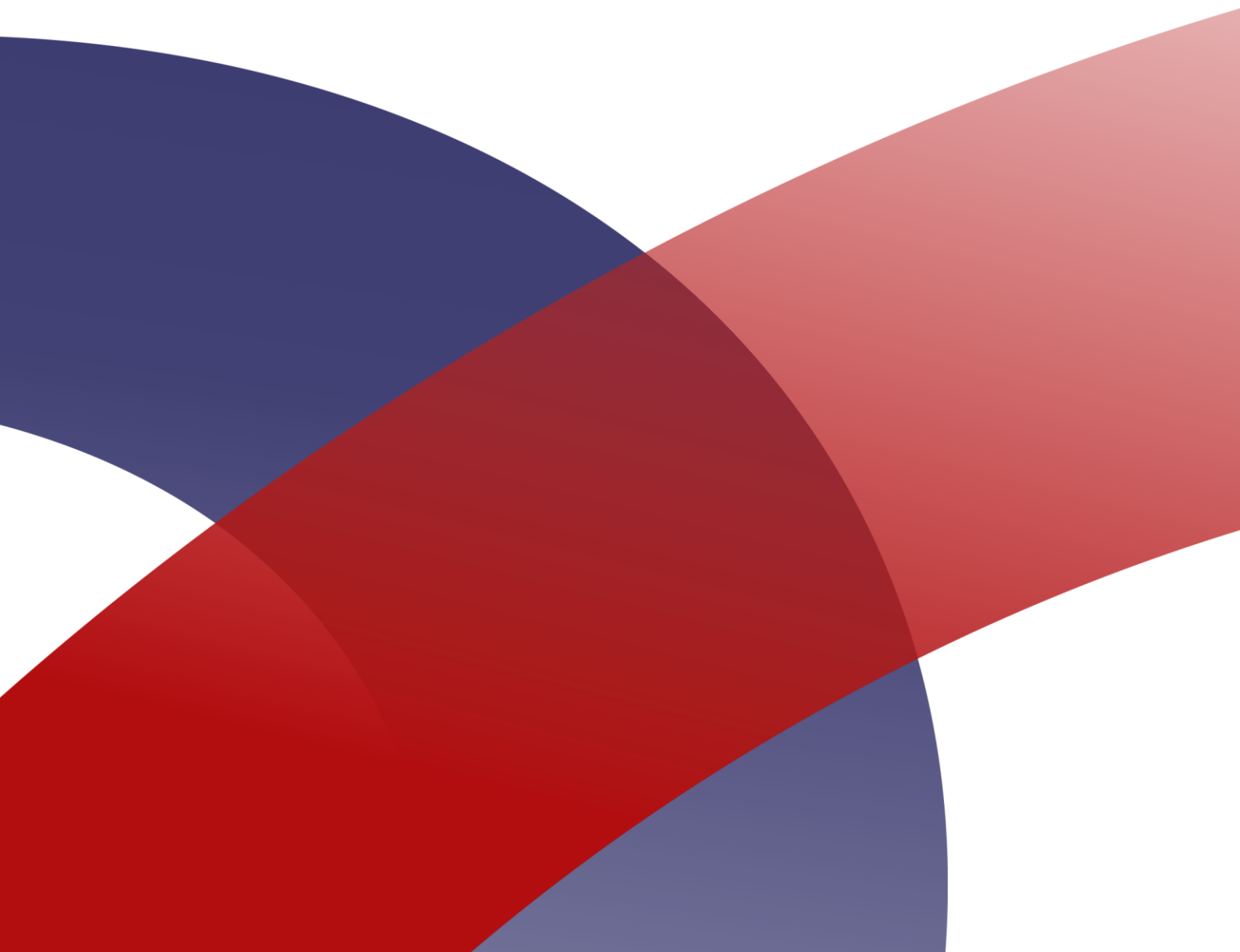
With 6 months to go until Britain leaves the EU, four in five manufacturing business decision-makers in the UK say that they are currently not prepared for a no-deal Brexit. Two in five say they are not prepared and will not be preparing.

One in six manufacturing business decision makers in the UK say that business would become untenable for them if the UK experienced a no-deal Brexit that involved reverting to WTO tariffs, increased border checks on people and increased border checks on goods. Half say that business would become more difficult for them in the situation above.

EEF'S ROLE

EEF is seen to be a supportive and reliable partner for members on how to prepare for Brexit as UK manufacturers. Members would most like to see guidance from EEF on cost implications for them in the event of a no-deal Brexit. Members look to EEF to represent their needs as a sector in Westminster and lobby Government on their behalf for a Brexit deal that will be the best for manufacturing.

PREPARATION FOR BREXIT



EXPECTED BREXIT OUTCOMES

Business leaders in the UK are unsure as to what the Brexit outcome will be, and unsure of implications for their business. The expectation is that the first and greatest impact will be on their supply chain, and there will be an initial period of serious turbulence which smaller businesses may not be prepared for. In the longer term, business leaders in Birmingham, Newcastle and London are hopeful that trade deals will be established and their businesses will adapt.

*"With 6 months down the road... we're still none the wiser. That's not EEF's doing." **Newcastle***

*"[Government need to] Do a deal, tell us what the numbers are so we can do our spreadsheets. That's what it comes down to." **London***

Thinking about the potential consequences for Britain in the event of a 'no-deal' Brexit, business leaders were concerned about significant panic in the domestic market, alongside a lack of decision-making and investment throughout the economy. Some felt that the most likely consequence would be a recession. Despite the feeling that this would be a worst-case scenario, participants still felt this would be preferable as it would allow them to know what was happening and make appropriate plans to mitigate any negative effects.

*"We are hoping for the best and preparing for the worst." **Birmingham***

Most (if not all) business leaders expected moderate to serious disruption in the short-term following Brexit – whether the outcome is 'soft', 'hard', 'no-deal' or otherwise. Business leaders in London, Newcastle and Birmingham expected significant variations in currency, with a decline in the value of the pound, delays and long waiting times at ports and borders. Many expected initial turbulence, irrespective of the deal struck, owing to supply chain disruption – which was spontaneously raised as a great risk for businesses and remained front of mind for business leaders throughout each workshop.

However, in the long-term, participants expected that business affairs would settle naturally as Britain and the EU reach a stable and mutually beneficial agreement on trade and tariffs, as well as businesses better understanding the environment in which they are operating.

*"It's probably a short-term pain... to what is a potentially a long-term gain because if it happens we're going to get on with it. It's as simple as that, we're British." **Newcastle***

One of the clearest problems for participants was the shortage of engineers in the UK. This is already a problem currently, but would become exacerbated if there was an end to freedom of movement between the EU and the UK, with deep concerns among participants that the UK labour market lacks the skills needed to fill the gap that exists.

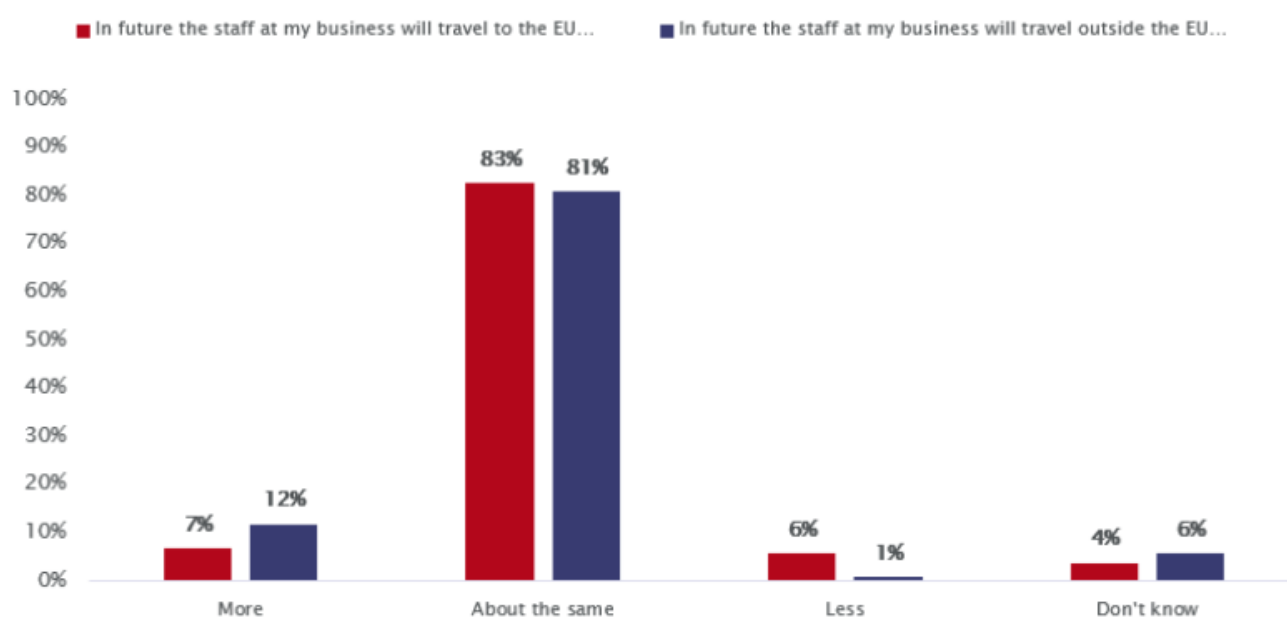
*"The movement of labour is only going to get more complicated and therefore more costly... regardless of the deal we get. I'm hoping we are ground breaking, I'm hoping there is some greater land on the other side of this, and it is a hell of a risk to take." **London***

Despite this broader pessimism, there was a feeling among Newcastle participants in particular that in the long term they would be able to adapt and ‘carry on’. There was some confidence that Britain had enough clout internationally in order to be able to negotiate strong and convenient trade deals in the long term.

“It will be fine. Industry will carry on.” Birmingham

The large majority of manufacturers do not expect that there will be significant changes to the amount that their staff will travel for work after Brexit, either to countries within the EU (83%) or to countries outside the EU (81%). Around one in ten businesses (12%) expect that their staff will travel outside the EU more as a result of Brexit. Only 6% say that the staff at their business will travel to the EU less after Brexit.

Expected staff travel to and outside the EU in future – UK manufacturing business leaders

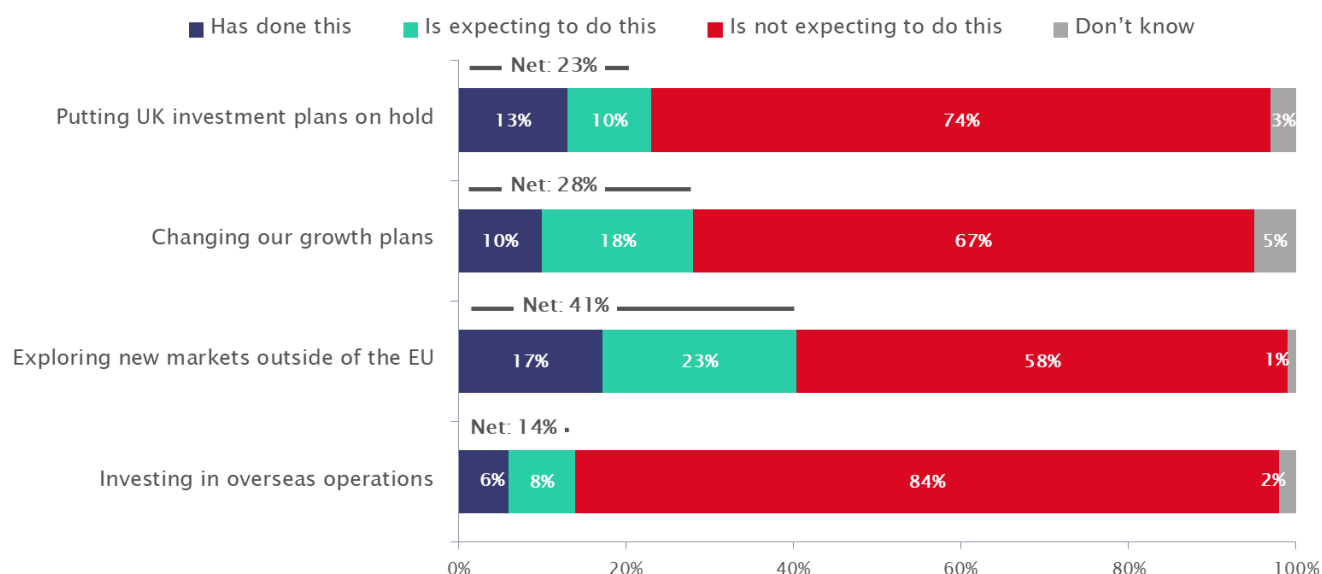


Q14 Compared to now, do you think your company's staff will travel for business in the future more, less or about the same amount to... Base: All Respondents (n=503)

The majority of manufacturers in the UK are not expecting major changes to their business' plans as a result of Brexit. For example, 67% do not expect to change their growth plans, and 84% do not expect to invest in overseas operations. Businesses in the devolved nations are the most likely to anticipate changing or have already experienced changing their growth plans (32% vs 25% in the North of England).

However, a significant minority are either anticipating or have already put UK investment plans on hold (23%). Businesses who export to the EU are the most likely to put investment plans on hold (15% vs 10% of businesses that do not export).

Brexit preparations both under way and planned – UK manufacturing business leaders



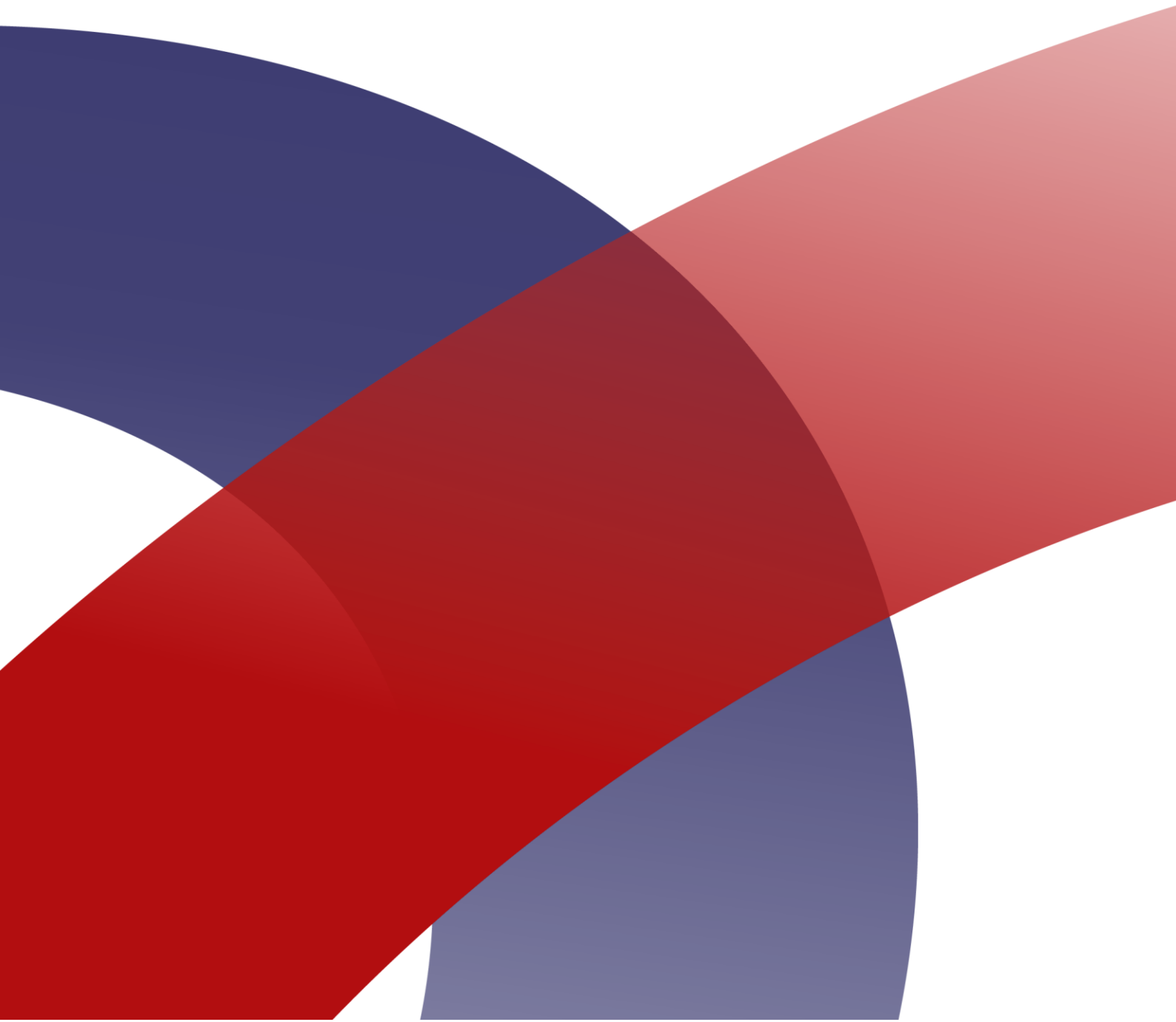
Q11 For each of the following options, please tell me whether, as a result of Brexit, your company has done, or is planning to do, each of the following: Base: All Respondents (n=503), Respondents from devolved nations (n=69), Respondents from the North (n=97), Respondents whose Businesses Export to the EU (n=224), Respondents whose Businesses do not Export (n=184)

Manufacturers in the Midlands are generally the most likely to anticipate experiencing problems as a result of Brexit. For example, they are the most likely to say that they have already experienced (12%) or expect to experience (19%) losing a new contract or contracts. They are also the most likely to have experienced (8%) or be expecting to experience (20%) losing out on investment or having investment put on hold.

Manufacturers in the Midlands are the most likely to have already experienced losing skilled EU workers (11% vs 6% in the North) but businesses in the South are most likely to expect to experience it (19% vs 8% in the North).

“The question mark I have is what I do in the short-term, because long-term is important, but what should I be doing for March next year, something, maybe nothing. Because we have a lot of components coming in from Europe, going out from Europe every single day, so do I need to mitigate that somehow? I have no idea. It seems to be the advice is ‘anything can happen’.” London

PRIORITIES FOR THE FUTURE

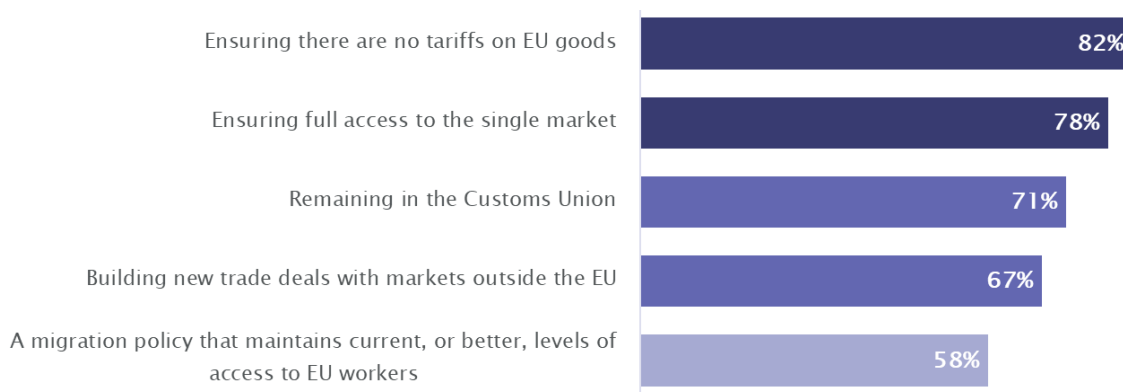


DESIRED BREXIT OUTCOMES

Around eight in ten (82%) manufacturers say that it is important that the Brexit negotiations ensure there are no tariffs on EU goods, with a similar proportion (78%) saying that they should prioritise ensuring full access to the single market. Although a majority (58%) of respondents think that it should also achieve a migration policy that ensures current levels of access to EU workers, it is of lower priority.

Manufacturers from the devolved nations are the most likely to say that it is important that Britain have no tariffs on EU goods (88% vs 79% in the North) and stay in the customs union (78% vs 66% in the North). Manufacturers in the South are the most likely to say that it is important to ensure full access to the single market (80% vs 74% in the Midlands).

Brexit negotiation priorities for Government – UK manufacturing business leaders



Q9 On a scale from very important to not at all important, how important to your business, if at all, is it that the Brexit negotiation achieves each of the following? Base: All Respondents (n=503), Respondents from devolved nations (n=69), Respondents from the North (n=97), Respondents from Midlands (n=121)

When considering what businesses would like to see following Brexit, all were keen to see access to the Single Market as one of the top priorities for the government to pursue. Within this, participants were keen to stress the importance of freedom of movement, allowing for free trading without tariffs and greater ease in transferring goods – this would ensure they do not lose out on skilled workers, EU clients and investors who would be less interested in working with UK manufacturers than their EU competitors. For some, building new trade links was a lower priority as a consequence of how their business operates.

Some participants wanted to see the government make a deal of any kind as the uncertainty was the issue that was felt to be restricting them the most. Once they had a clearer idea of what the consequences of Brexit would be, this would allow them to effectively plan for how to respond.

“The issue about certainty makes everything better for anybody, even if it is a bad result.” Birmingham

A transition period was also something that would be acceptable to participants, with key steps and an end date in place in order to make preparing for the actual transition easier for businesses. Some believe Government would need to work with both leading parties to put a plan in place.

*"For me that would be acceptable actually, if there were a transition period, to allow us to adjust, but with clear milestones, that are actually proper lines in the sand that get met and not debated continuously, they are what they are." **London***

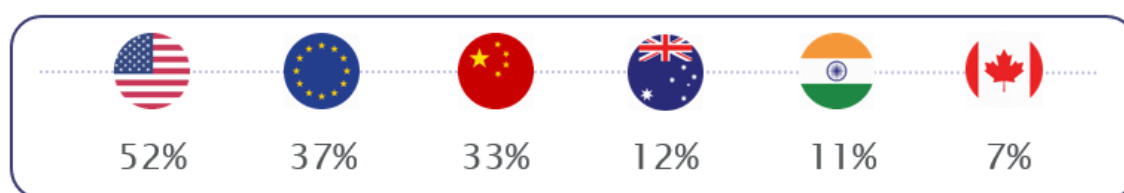
*"It's such an important decision for the country that it should be a joint-party decision." **Birmingham***

Around a quarter (24%) of manufacturers said that they don't know what opportunities Brexit will present, with almost a third saying this in the devolved nations (30%).

*"The key point: what is going to happen, in terms of trade? We don't know. The trade and the economics will follow the political in this scenario, and the political is extremely uncertain." **Birmingham***

Over half of manufacturers (52%) think that the UK government should prioritise striking a trade deal after Brexit, significantly more than those who say the same about the EU (37%). Almost as many manufacturers would like the EU to prioritise a trade deal with China (33%) as they would EU countries, despite currently trading far more with the latter. Asian countries are heavily represented on the list of preferred markets for trade deals, including China (33%), Australia (12%), India (11%), MENA (6%), and Japan (4%).

Desired UK Government priorities for trade deals post-Brexit – UK manufacturing business leaders (showing top six)



Q10. Which markets do you think the UK government should prioritise striking a trade deal with after Brexit? Base: All Respondents (n=503)

*"It's taken 40 years for the European Union including the UK to be what it is... How long is it going to take to re-build those trade links?" **Newcastle***

*"Other trade deals are really important but they're not likely to happen next year. It's a longer-term view." **Newcastle***

Businesses with consumers and clients outside the EU express some optimism with regards to Brexit. Some businesses are relying on growth amongst their non-EU clients in the coming months and years, and others report that significant growth in those areas of their business has happened already. Others, particularly those selling to the United States, report that the value of the pound has been beneficial to their businesses – the value of the pound having fallen due to the uncertainty of the Brexit outcome.

*"We are looking forward to Brexit: devaluation has changed the picture. We were already selling to the Far East so our prices were good anyway but suddenly people are looking more and more towards the UK because of the pound to the Euro." **Birmingham***

IMPACT OF BREXIT



RISKS OF BREXIT FOR THE MANUFACTURING INDUSTRY

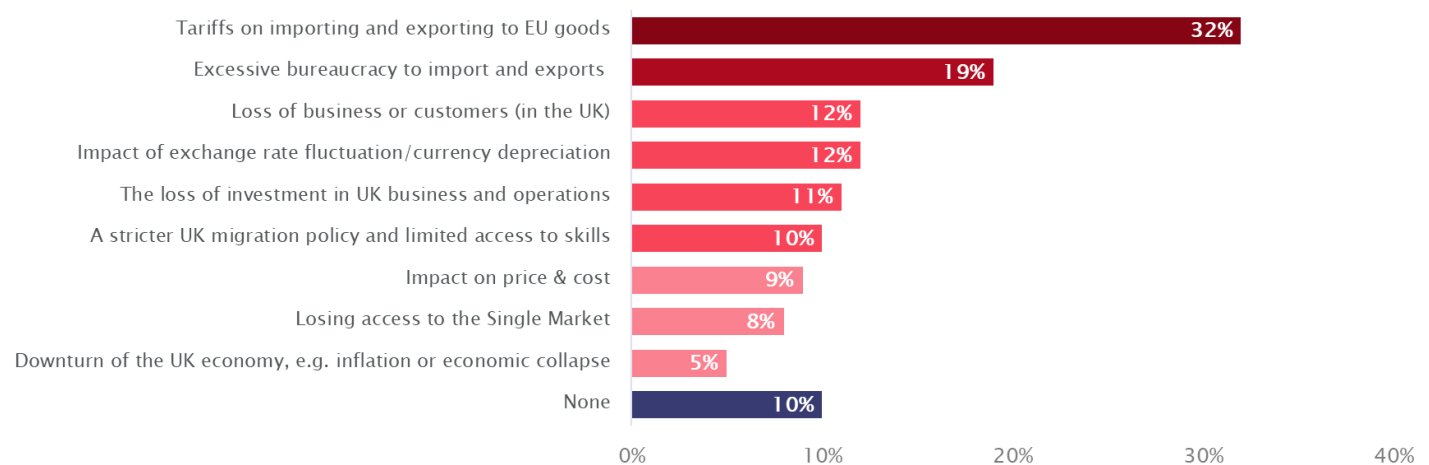
Business leaders in the manufacturing sector – particularly those in the North and the devolved nations – are more certain about the potential risks presented by Brexit than the opportunities: tariffs causing additional expense and bureaucracy leading to delayed movement of goods at the EU border are consistent and widespread concerns. Access to labour and investment are also key concerns for businesses across the UK.

When asked to select the biggest potential risks of Brexit concerning trade, UK manufacturers were more confident in their answers. Only one in ten (10%) said that they didn't know the potential risks of Brexit, compared to a quarter (24%), who said the same about potential opportunities.

When talking about challenges for businesses, thoughts immediately turned to Brexit across all three groups. Foremost in business leaders' minds was the lack of certainty around the post-Brexit landscape. This restricted them from being able to make the long-term and short-term decisions about how best to prepare. Participants were keen for any further information or clarity, even if it was not conducive to business i.e. a 'no-deal' Brexit. It was felt that this would at least give them the opportunity to think and plan ahead to mitigate the negative impact it might have.

"We just want a deal done... having that deal in place is very important." Newcastle

Biggest potential risks of Brexit – UK manufacturing business leaders (showing those selected by 5%+)



Q8 What, if anything, do you see as the biggest potential risks of Brexit specifically concerning trade? Base: All Respondents (n=503), Respondents from devolved nations (n=69), Respondents from the North (n=97), Respondents whose Businesses Export to the EU (n=224), Respondents whose Businesses do not Export (n=184)

One in three business leaders (32%) said that tariffs on importing and exporting will be one of the biggest risks of Brexit. Businesses in devolved nations were by far the most likely to say this, with two in five agreeing (43% vs 27% of businesses from the North). Two in five (37%) manufacturers who export said that it will be one of the biggest risks, compared to a quarter of those who do not export (23%).

When thinking about specific consequences of Brexit, business leaders were most concerned about potential tariffs on their goods and supply chain disruptions. Moving to World Trade Organisation tariffs after leaving the EU was seen by business leaders in Birmingham, Newcastle and London as an outcome that would cripple some of their businesses. EEF members and business leaders expected they would lose their clients to EU competitors offering cheaper and smoother delivery and sale of goods from

within the EU. Furthermore, the impact that this would have on supply chains was seen as a particular concern for businesses, with most taking steps to build buffer stocks in order to account for any disruptions in supplies they expect. Delays in delivery owing to supply chain issues and delays at the border are expected to be the first and biggest impacts of Brexit for manufacturing businesses in the UK. While larger businesses are expecting to have to stockpile supplies in anticipation, smaller businesses reported in the workshops in Birmingham, Newcastle and London that many do not have the resources or physical space to do so.

"I can't say I've been overworried because for the last 10 years we've been really concentrating on not having such a big supply chain... we try and manufacture most of the components ourselves."

Birmingham

"Maybe I'll spend a lot of money on warehousing I don't need." **London**

After tariffs, the biggest risks identified were excessive bureaucracy to import and exports at borders between the UK and EU respectively (17%), the loss of investment in UK business and operations (11%), and a stricter migration policy and limited access to skills (10%). Businesses in the devolved nations and the North are the most likely to identify the loss of investment as a risk (14% for both).

Investment and funding cause business-leaders and EEF members significant concern. Participants from smaller businesses in particular were concerned that if they required investment, investors would not look to their companies. There was a feeling amongst some in Newcastle, London and Birmingham that investors had already begun to look elsewhere. Participants in London specifically were keen to see greater investment from banks and releasing capital to allow for investment.

In line with expectations around decreased investment in UK manufacturing businesses, business leaders expressed concern about the loss of potential business opportunities with Europe. While some participants did note the potential for opportunities with markets outside of the EU, most businesses did the majority of their trading within the EU. For them, this meant that any loss to that market would have an immediate impact on their profit margins which they expect their businesses will not recover from for a number of years. This feeling was particularly prevalent amongst smaller businesses who have the capacity to be nimbler and make quicker decisions in the event of any concrete decisions coming to light, but would also be more financially susceptible to large scale economic shocks.

"My greatest fear would be complete panic in the domestic market and lack of decision making on investment throughout the economy. The products we manufacture go into buildings, if there's any sense of slowdown in investment... any small blip in domestic terms makes a difference to our business anyway because decisions get slowed down. I fear recession... I think there will be a complete lack of decision making because people will be hanging on wondering what's going to happen for 6, 9, 12 months and I think it will severely damage the UK economy. No matter which way it goes." **London**

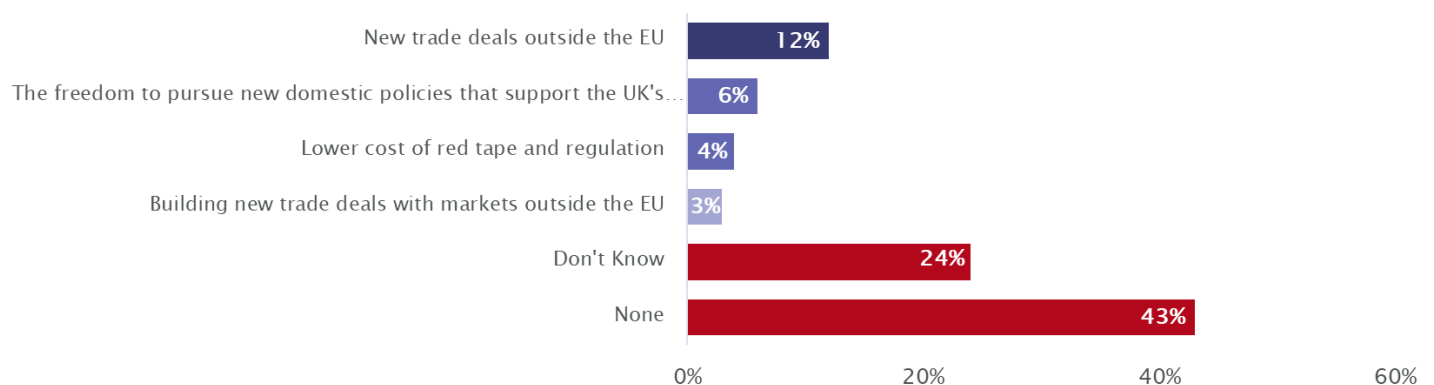
One of the largest and most difficult questions participants faced was that of labour and skills. Business leaders were unsure of how freedom of movement, or lack thereof, between the UK and the EU would impact their businesses. It appears that this area is particularly dependent on the nature of the UK-EU deal struck, and participants are struggling to prepare for the eventuality that they might lose a significant proportion of their workforce. A number of small business owners/business decision-makers report they have already begun to lose EU employees due to uncertainty around the freedom of movement issue.

OPPORTUNITIES FOR THE MANUFACTURING INDUSTRY IN BREXIT

In general, businesses in the manufacturing industry struggle to see short-term opportunities presented by Brexit. Those who do see opportunities for growth are those who are confident in their relationships with buyers and clients outside the EU, or those who believe they can successfully entrench and secure their UK client-base.

Qualitative workshops with business leaders (all EEF members) in London, Birmingham and Newcastle showed that Brexit was more likely to be perceived as a net risk for manufacturing businesses in the UK – as opposed to presenting significant opportunity.

Biggest potential opportunities of Brexit – UK manufacturing business leaders (showing 3%+)



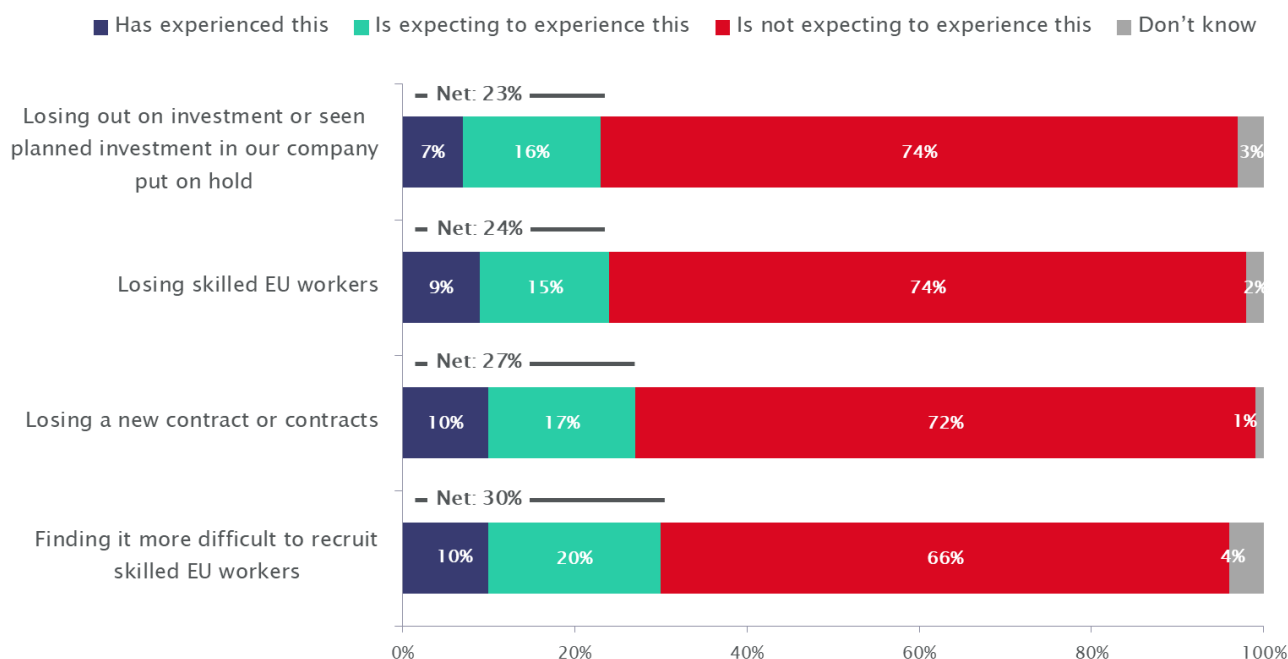
Q7 What, if anything, do you see as the biggest potential opportunities of Brexit? Base: All Respondents (n=503), Respondents from devolved nations (n=69)

UK business decision-makers across the manufacturing sector, surveyed via telephone, struggle to collectively identify opportunities presented by Brexit, with answers scattered widely across a large selection of options. The most commonly named opportunity of Brexit was the chance to build new trade deals with countries outside of the EU, with just over one in ten (12%) selecting this option. The freedom to pursue new domestic policies was the next most commonly selected option (6%), followed by the lower cost of red tape and regulation (4%).

Opportunities presented by Brexit are likely to depend on the size and market of the business. Smaller businesses are likely to believe they can manoeuvre and adapt to challenges posed by EU exit, more so than their larger counterparts or competitors, giving them the advantage of being nimble and responsive to consumer and business needs post-Brexit.

"That future opportunity for such a small island is actually quite exciting. But it is that absolute pain frustration/discomfort that we're going to have to go through for this divorce." Newcastle

Brexit repercussions both existing and expected – UK manufacturing business leaders



Q12 For each of the following options, please tell me whether, as a result of Brexit, your company has experienced, or is expecting to experience, any of the following: Base: All Respondents (n=503), Respondents from Midlands (n=121), Respondents from the North (n=97), Respondents from the South (n=216)

Approaching a quarter of manufacturers in the UK are either experiencing or expect to experience loss of or temporary absence of investment in their company as a result of Brexit. A quarter of UK manufacturing businesses (24%) are already experiencing or expecting to experience the loss of skilled EU workers as a result of Brexit. Three in ten (30%) say the same for finding it more difficult to recruit skilled EU workers.

A 'NO-DEAL' BREXIT

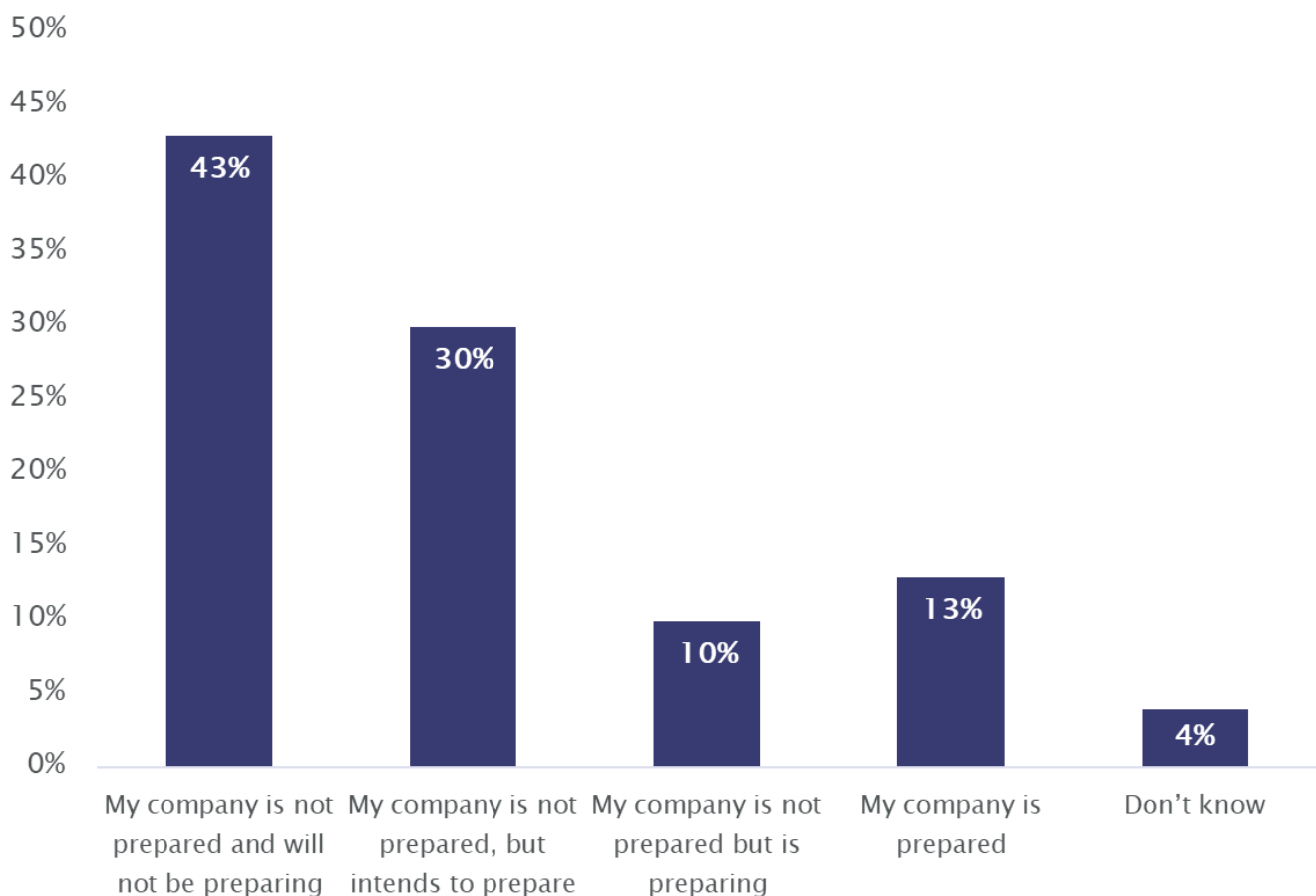


EXPECTATIONS OF 'NO-DEAL' BREXIT'S EFFECT ON BUSINESS OPERATIONS

UK manufacturing businesses are most likely to believe they are not prepared for a 'no-deal' Brexit and will not be. That said, some businesses are preparing in minor ways for supply chain-related delays and loss of EU business and investment – in anticipation of a 'no-deal' Brexit as the worst-case scenario.

A large plurality of manufacturers (83%) are not currently prepared for a no-deal Brexit, and 43% do not intend to prepare at all. Only 13% of businesses are prepared already. Micro-businesses are the most likely to say that they will not be preparing (48%). Manufacturers in the devolved nations are the least likely to be prepared (7%) and manufacturers in the North are the least likely to intend to prepare (48%).

Preparation for a 'no-deal' Brexit thus far and in future – UK manufacturing business leaders



Q15 Which of the following best describes your company's preparation for a no-deal Brexit? Base: All Respondents (n=503), Respondents from devolved nations (n=69), Respondents from the North (n=97), Respondents who work for micro businesses (n=317)

Most businesses had begun to prepare for the impact of Brexit in some form or another. For the majority, this relied on an 'expect the best, prepare for the worst' approach, planning for the worst possible situation (a no-deal Brexit with restricted movement of goods and people) while expecting

better. However, given the uncertainty around the final outcome, participants were aware that these preparations may need to be changed as more specific details came to light. For participants, the process of preparing their businesses for Brexit drove home the need for the government to prioritise finding a deal and announcing it as soon as possible in order to minimise the adverse impact on businesses and ensure they can react and adapt appropriately.

*“The uncertainty... if we really end up with no-deal, I have to recruit people for example to do all the administration of imports and exports, it's probably too late.” **Birmingham***

When comparing across locations, those in London seem less likely to be prepared for any kind of Brexit fall-out. This is due to them feeling as though they are caught between two competing positions: businesses are torn between practicing cautiousness owing to the uncertainty about the final outcome (which may leave them on the back foot when the final deal is announced) and spending money on preparing for the worst-case scenario (wherein their investment may have been wasted on a Brexit outcome that never transpired).

There is a distinct difference between large and small companies when it comes to preparing for Brexit. Smaller companies felt that their ability to prepare for Brexit was limited by their size, not having the financial clout or physical space to be able to put in place the preparations they need, or find out what might be happening in order to prepare for it. Furthermore, any plans for increasing the amount they are stockpiling are hindered by their ability to actually pay to increase the amount they have, as well as lacking the physical space to store it.

*“I’ve seen a lot of – I’ll call it panic for want of a better word – stockpiling in supply chain, and I’m thinking well should I be doing that? If I do I’m parting with a whole bunch of cash, if I don’t I might be left with my trousers down.” **London***

For larger companies, there was a feeling that Brexit was one part of a wider picture of issues that are affecting them. While Brexit is one issue, growing tensions in terms of competition with China may have an impact on some of these organisations, the same is true of other financial changes on a global scale.

*“Until such time when there is some sort of clarity... it becomes almost impossible to see how any deal at all can get through the House of Commons and become the economic trading reality that we have got to deal with.” **Birmingham***

Specifically, EEF members are preparing for Brexit by doing a number of things:

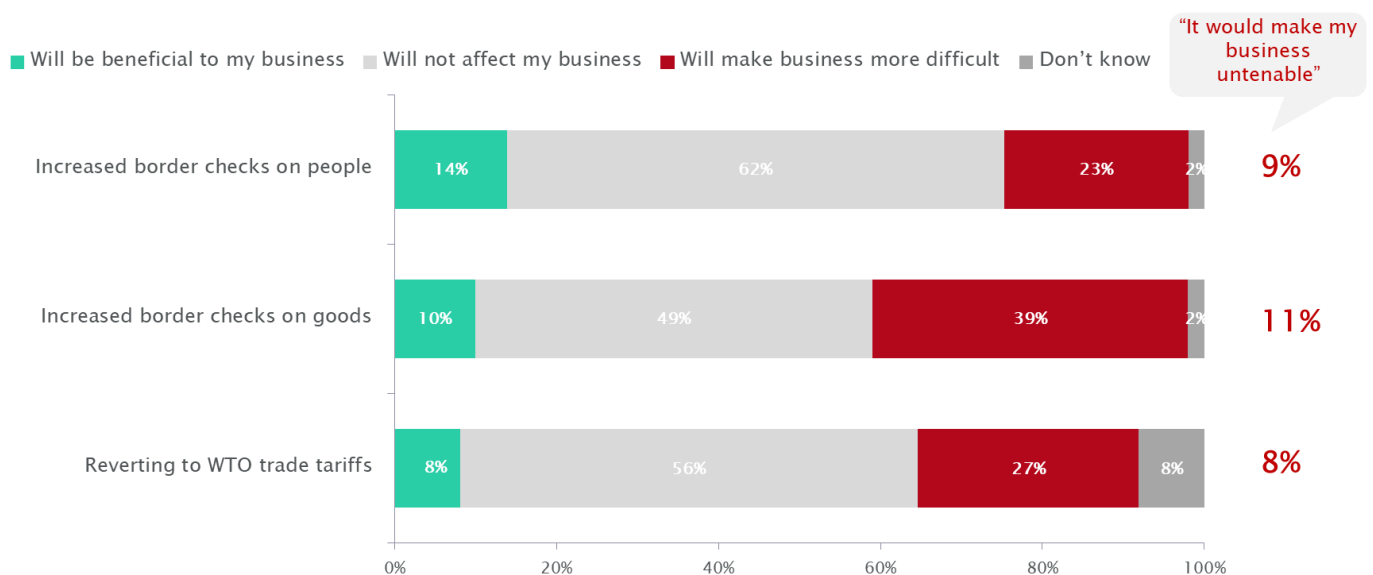
- Speaking to various links in their supply chain (for example about their need to increase prices, but with longer payment terms);
- Seeking to reassure employees about their employment status if they are not UK citizens;
- Trying to move to AEO status (authorized economic operator) for imports and exports;
- Speaking to their employees about the impact of Brexit on their immigration status;
- Seeking to buy more stock to mitigate problems (but this would come at a high cost to the business) and locating warehouses to stock it;
- Auditing their supply chain to mitigate any impact on quality affected by suppliers changing their suppliers;
- Attempting to safeguard against tariffs by strengthening relationships with EU customers;

- Implementing cost escalators, sharing cost implications of tariffs; and
- Localisation programmes to rely on local labour, suppliers and supply routes where possible.

"We have set up a duty deferments count, we are looking at trying to achieve authorised economic operative status, we're looking at the work that needs to be done to re-define all our country of origins of all our products. We've also started currency planning, and we are offshoring work because we can't get labour." Birmingham

Although pluralities of manufacturers think that the different elements of a 'no-deal' Brexit will not affect their business, they are far more likely to see these as having a negative than a positive effect.

Expected implications of 'no-deal' Brexit – UK manufacturing business leaders



Q16 A no-deal Brexit would mean a number of changes to the UK's border system. On the following scale, how would you assess the impact of each of the following on your business? Base: All Respondents (n=503), Respondents from Midlands (n=121), Respondents from devolved nations (n=69), Respondents from the North (n=97), Respondents whose Businesses Export to the EU (n=224), Respondents whose Businesses do not Export (n=184), Respondents whose staff travel to the EU (n=219), Respondents whose staff travel outside the EU (n=183)

Overall, if all three changes were to occur, 55% of respondents say that at least one of the changes would make business more difficult for them. In addition, one in six (16%) say that business would become untenable for them if the UK experienced a no-deal Brexit that involved reverting to WTO tariffs, increased border checks on people and increased border checks on goods.

Manufacturers from the devolved nations are the most likely to say that increased border checks on goods will make business more difficult for them (53%), compared to the overall score of 39% and 31% in the North. 45% of businesses who export to the EU say that business will become more difficult as a result of border checks on goods, with 11% of them saying that it would make business untenable.

EEF'S ROLE



EEF'S PERFORMANCE

EEF is seen to be a supportive and reliable partner for members seeking guidance on how to prepare for and navigate Brexit as UK manufacturers. What members would most like to see from EEF is guidance on cost implications for them in the event of a no-deal Brexit. Crucially, members look to EEF to represent their needs as a sector in Westminster and lobby Government on their behalf for a Brexit deal that will allow their businesses to survive, even thrive.

Business leaders were most likely to associate EEF with HR, employment law, training, communications and Brexit. Some participants were working closely with EEF already and supporting them through HR issues as well as communications and budgeting. Particularly in Newcastle, business leaders were grateful for the support that they feel EEF to be providing, recognising that EEF is similarly limited by the lack of information on what the outcome of Brexit will be. Furthermore, EEF's role as facilitator and bringing like-minded people together to share ideas and compare their plans was also something that participants prized highly and wanted to see continued.

*"We work with British Water... they haven't been particularly focused on Brexit. EEF have been far stronger in providing information and availability and opportunity for lobbying." **Newcastle***

*"There's a lot of one-to-one support available for smaller organisations... EEF have been very supportive and helpful... it has given us insights for smaller businesses into what's happening in government that maybe we wouldn't have got access to without being part of that organisation." **Newcastle***

Participants wanted to see EEF doing more to lobby the government; in the first instance to achieve an agreeable outcome for businesses, in the second instance to be able to communicate to how they are lobbying Government to help reassure them.

Concise briefings about what different Brexit scenarios would mean for their business and sector would be valued by members and the industry in general. A tool to calculate the cost implications of Brexit for manufacturing businesses would be very useful for business leaders in creating a strategy for EU exit. This would allow businesses to at least have some idea of what different scenarios would look like and what they may need to do to prepare for those eventualities.

*"I've got here something from the EEF that lays out exactly what you should be doing based on planning for a no-deal and all the steps to take. That's what we've used as the basis. It captures all of the different scenarios." **Birmingham***

Finally, business leaders were keen to see a best practice guide for Brexit from EEF. This would outline what EEF think the sector should be doing to prepare tailored by business size and then by sector.

*"I think what we would find useful... some kind of mentoring scheme, for emerging manufacturers to have access to advice from established manufacturers, we'd find very useful." **London***

CONCLUSIONS AND RECOMMENDATIONS



RECOMMENDATIONS

REPRESENTATION AND LOBBYING

EEF should make sure it is representing the manufacturing sector in Westminster, and lobby Government on the behalf of the sector in order to ensure the best possible Brexit for UK manufacturing. In particular, this should include:

- a. Making the case for no tariffs on EU goods and full access to the single market in the eventual Brexit deal, as these are the key priorities for manufacturing businesses.
- b. Gaining clarity on what Brexit will look like – clarity on a bad deal is better than no clarity at all.
- c. Lobbying for avoiding a no-deal solution, as this is forecast to make business highly difficult for the manufacturing sector.

SUPPORTING MEMBERS IN PREPARING FOR BREXIT

In its relations with its members, EEF should look to guide members through the Brexit process and how to deal with it. In particular, some mentioned that they would like to see:

- a. Concise briefings on what different Brexit scenarios would mean for manufacturing businesses.
- b. Some form of calculation tool which could outline the cost implications for businesses.
- c. A best practice guide for Brexit. This would outline what EEF think the sector should be doing to prepare tailored by business size and then by sector.

EXPLORE OPPORTUNITIES TO ENCOURAGE INVESTMENT

Given concerns about potential loss of investment and restricted business opportunities in Europe, EEF may wish to explore how it can encourage investors to continue to invest in UK manufacturing, and open up new business opportunities for members within and outside the EU, as well as locally within the UK.



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