

BREXIT? TAKING THE TEMPERATURE OF SCOTTISH BUSINESS

Brexit and beyond will continue to present many challenges and opportunities for Scottish business leaders. Whatever shape Brexit takes and whenever it happens, many aspects of Scottish industry will continue to be touched by it.

That's why Anderson Strathern, as a Scottish law firm, decided to take the pulse of business Scotland. We've polled over 250 senior people from across our industries to understand how ready we are for Brexit. This uncovered some interesting statistics and trends:

- The EU workforce is viewed as the single largest exposure point for Scotland
- The EU is third most important market for Scotland with domestic business remaining the main driver
- Over half of businesses in Scotland don't yet have a full Brexit contingency plan
- Small to medium sized enterprises (SMEs) need most help with how post-Brexit tariffs & quotas may affect business
- There is a difference between Glasgow and Edinburgh on preparedness

We also looked at the differences between the two largest Scottish economic centres Edinburgh and Glasgow. This is a snapshot of how Scotland plc feels pre-Brexit, taken from our recent Scottish business research White Paper.

Bruce Farquhar, Chair at Anderson Strathern, said: "We commissioned the survey to take the temperature of how our business leaders feel and to really understand how ready Scotland is for Brexit, revealing the challenges and the opportunities. While the research shows that domestic business continues to be the main driver for the Scottish economy, it is clear that the EU market and its workforce will remain a key part of business through Brexit and beyond.

Our survey has produced clear evidence that Scottish organisations need time, help and advice in preparing for the path ahead."

How much do we rely on the EU?

The EU is the third most important market for Scottish companies and the EU workforce is key for the smooth running of our businesses. What's more, our companies think that leaving the EU will have a negative impact on the economy.

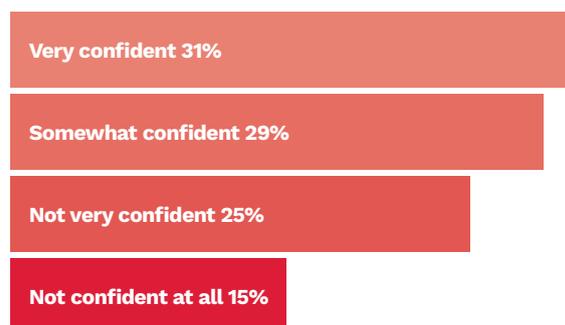
There is a nervousness around what may happen to our EU workforce, employment is the largest exposure point. And clients have given us feedback on the need for a transition period to allow the smooth running of business. More than a third of Scottish companies rely heavily on highly-skilled EU staff and almost a quarter rely heavily on low-skilled EU staff. Regardless of how Brexit develops, there will be a continued demand for an EU workforce in Scotland.

More than a quarter of Scottish business' are expecting to recruit EU workers, post Brexit, than they plan to recruit from non-EU countries. Murray McCall, Managing Partner, at Anderson Strathern said: "We know that workforce retention is a big issue for many of our clients and this survey has revealed that it's the same across corporate Scotland, in fact over a third of our organisations rely heavily on highly-skilled EU staff. Our immigration and employment practice currently spends most of its time focused on Brexit related issues and the largest concern is around transitional arrangements to ensure business as usual."

Scottish business confidence

Opinion is divided about corporate Scotland's confidence under the various Brexit scenarios – A no-deal exit, a negotiated exit and another referendum. We discovered a 60/40 split in confidence levels, under a no-deal, and our temperature chart illustrates this.

Business as usual in a 'no-deal' scenario? Gives a 60/40 split



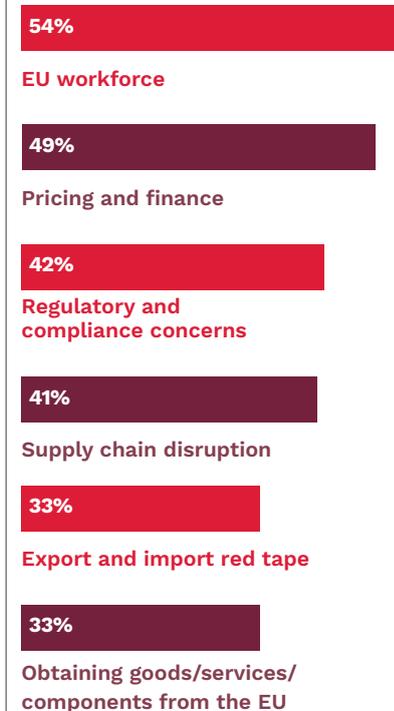
How prepared are we?

It is clear from the survey results, and it is also widely supported by the Glasgow Chamber of Commerce, that SMEs need the most help in identifying risks and preparing for Brexit. Only 26% of SMEs in Scotland are completely aware of the tariffs and quotas they may face.

This is especially true when it comes to deciphering what World Trade Organisation rules might mean. We are finding that larger companies are more aware of barriers to exporting and importing.

There is clearly a lot of work to be done to get our businesses up to speed.

When asked about their most common Brexit business exposure points overall Scottish companies identified:



With many Scottish companies relying on goods from the EU, supply chain disruption is a key concern and this is reflected in our poll results on Brexit exposure points.

Neil Amner, Anderson Strathern Director and Brexit Group Lead, said: "The survey indicates that many Scottish businesses are still in the process of going through a risk assessment, while a worrying number haven't even started doing so. This is more apparent when we looked at SMEs, with just over a quarter still to start a risk assessment. In fact, more than half of businesses are missing a fully contingency plan. It is clear that larger businesses have the resources to be more prepared, but smaller businesses still need a bit of help in taking a closer look at what could be in store and prepare accordingly."

Glasgow and Edinburgh

Glasgow businesses are noticeably more reliant on the EU, with nearly two thirds identifying it as a key market, compared to under a half of Edinburgh businesses. Glasgow is also much more reliant on an EU workforce, perhaps reflecting the nature of business in the west. Edinburgh are ahead of the game when it comes to assessing Brexit risks, while Glasgow is more practical, being ahead on scenario planning.

Stockpiling, something which also affects the commercial property market, is being carried out by a third of businesses with a further third 'planning to'.

Glasgow and Edinburgh follow this trend. With regards to business confidence, Glasgow is much more uncertain than Edinburgh. We are finding many organisations are 'battening down the hatches' and 'waiting to see' before making a move.

Do we have a crystal ball?

We also asked our businesses to forecast their turnover across the various Brexit scenarios over one, three and five years. And 43% of all firms we surveyed said for one year after Brexit they expect a decrease in turnover. We uncovered that remaining in the EU is, at present, the best outcome for company turnover. Over the long term (5 years), well over half of our respondents are forecasting an increase under 'remain'.

Whilst we don't have a crystal ball on the outcome of Brexit, we can tell overall that unpredictability is affecting business confidence. You can read our full Brexit White Paper – Taking the temperature of Scottish business on Anderson Strathern's online Brexit Hub at www.andersonstrathern.co.uk or call our Brexit Lead Neil Amner on 0141 242 7984 for further information on Brexit and business.