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CIP COMMERCIAL INSURANCE PROFILE

DID YOU KNOW?

UK business leaders should remain calm after Britain's vote to leave the EU, according to Business Secretary Sajid Javid. In support of his comment, Javid met with two dozen senior figures from across the economic sector to discuss the challenges and opportunities brought about by the historic vote. While the specific details concerning the effect that Brexit will have on UK businesses are still uncertain, Javid has stressed that the government is committed to securing continued access to the single market.



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How Will Brexit Affect Your Business?

Find out how Britain's decision to leave the EU will affect your business.

A Timeline of Brexit's Potential Effects

In order to help your company properly prepare for the potential effects of Brexit, here is a timeline that outlines what you could expect.

Brexit's Effect on International Trade and Recruitment

Undoubtedly, Brexit will have long-term ramifications. While the specifics of those repercussions are still coming into focus, industry experts have offered their best estimates of what may occur.

How Will Brexit Affect Your Business?

The repercussions of Britain's decision to leave the EU will undoubtedly have a lasting impact. While many of the long-term effects of Brexit are still only speculative, the more immediate repercussions are clearer.

A pall has been cast over Britain's economy, with Goldman Sachs predicting a mild recession by early 2017. The initial signs of this forecast can already be observed in the weakened value of the pound, which fell about 12 per cent the day after the vote, bottoming out at a 30-year low. Furthermore, international investors have already begun to withdraw their support from UK businesses.

Despite Britain's current tumultuous financial environment, SMEs should remain calm. Britain will remain a member of the EU until the negotiations for the terms of its decoupling are finalised. This process will take at least two years, meaning that UK businesses will continue to have access to more than 500 million EU customers. However, that time should additionally be spent finding alternatives to EU suppliers and customers in case Britain is unable to secure access to the single market.

Yet, even with EU trade agreements still accessible to UK businesses for the time being, higher tariffs may eventually be placed on UK imports and exports. This may then force UK SMEs to raise their prices by as much as 10 per cent, according to a survey conducted by Bidvine, a professional services marketplace. As a reaction to the inflated cost of goods, Britons may alter their spending habits and limit their impulse buys. For these reasons, your business should consider alternatives—such as participating in the online marketplace.

While the full effects of Brexit have yet to be seen, UK businesses—both large and small—must remain optimistic and focus their efforts on weathering the current economic turmoil. For more information about how you can support your business during this time of significant change, contact **Crendon Insurance Brokers Ltd** today.



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A Timeline of Brexit's Potential Effects

It is important to plan how your organisation will manage the potential effects of Brexit. To help your company be successful in this process, consult this timeline:

First 100 Days

- **Economic:** There will be market volatility, and the pound will plummet.
- **Business:** There will be a delay in investment decisions, and some investors may pull out.
- **Legal and regulatory:** Nothing will change until Britain submits Article 50, which begins the two-year negotiation to exit from the EU.
- **Market access:** Market access will remain the same during the negotiation period.

2 Years

- **Economic:** Britain may be able to maintain access to the single market. However, the cost of goods may experience inflation, and Britons may spend less.
- **Business:** Some businesses will make investment/relocation decisions, but most will probably wait for stabilisation.
- **Legal and regulatory:** Direct EU regulations will no longer apply to UK businesses. In addition, Parliament will agree on and enforce new legal and regulatory framework.
- **Market access:** Britain will renegotiate its access to the single market and its third country EU trade agreements.

Beyond 2 Years

- **Economic:** The value of the pound may still be recovering from its initial fall.
- **Business:** UK companies will have had a fair amount of time to adopt.
- **Legal and regulatory:** It is unlikely that new UK legislation will be finalised by now.
- **Market access:** The focus of new trade deals will be on the movement of goods—services may be slower and the movement of people more limited.

While this timeline is speculative, treat it with a certain amount of gravitas in order to help your company properly prepare.

Brexit's Effect on International Trade and Recruitment

As a part of negotiations to disentangle from the EU, Britain will have to broker new trade agreements with not only the EU, but third countries as well. To exacerbate this complex process even more, Britain only has two years to establish these connections. While the full repercussions of Brexit cannot be totally foreseen, industry experts have offered their best estimates for how the decision will affect Britain's trade with the EU and third countries.

The most pronounced uncertainty concerning Britain's decision to leave the EU is whether it will be able to retain its competitive international trade and business agreements. Business Secretary Sajid Javid has stated that one of the government's chief priorities is to ensure that Britain retains its access to the single market. However, retaining access to the single market is just one of many challenges Britain will have to face.

As a result of Britain leaving the EU, highly skilled EU workers will no longer be able to freely enter the country and offer their services. This loss could worsen the skills gap already affecting UK industries. In addition, EU nationals who have already been hired by UK employers and are living in the country will be required to obtain immigration permission under UK immigration rules. However, it is not only EU workers that will be affected by the decision. British workers may lose their jobs due to either their parent company withdrawing its business from Britain or as a result of a stalled economy. This situation could be further worsened by the reduced number of new, incoming foreign direct investments.

However, there are some potential Brexit benefits. With more insular borders, UK businesses will be encouraged to invest in the skills, education and talents of their workers. This would not only help narrow the widening skills gap, but would also bolster the overall health of all industry sectors while enriching the lives of UK workers.

Brexit's Impact on Britons' Incomes



UK incomes may fall between
1.3 and 2.6 PER CENT
as a result of Brexit.

Source: Centre for Economic Performance

