

BCC: Currency volatility compounding cost pressures for many businesses

The British Chambers of Commerce (BCC) today releases the results of its survey, in partnership with American Express, which finds the majority of businesses expect the fall in sterling to increase their costs.

The survey of over 1,300 businesses found that 63% of businesses expect their costs to increase in the next 12 months as a result of the devaluation in sterling, including a quarter (24%) who expect costs to rise significantly. In comparison, only 6% of firms expect their costs to decrease.

Over 70% of manufacturers (73%) and business-to-consumer firms (71%) anticipate costs increases, compared to 55% of business-to-business firms, according to the results.

The survey also found that many businesses trading abroad are leaving themselves exposed to currency fluctuations, with nearly half (46%) of UK firms not taking proactive steps to manage currency risk. Smaller firms are less likely than their larger counterparts to be managing risk (44% of firms with 1-9 employees, compared to 70% of those with 50-249). Manufacturers have the highest proportion of businesses managing currency risk (76%), compared to B2C (57%) and B2B (39%).

The findings of the survey highlight the extent to which the depreciation in sterling is expected to compound the price pressures on firms, underlining the need to ease the domestic cost of doing business. There is also a clear need for more support and information for exporting businesses on the importance of managing currency risk.

Other key findings in the survey are:

- The most common forms of managing currency risk are invoicing in sterling (27%), opening foreign currency accounts (15%), and waiting for an advantageous rate and buying using the spot market (15%)
- Less than a quarter (24%) of businesses say they have a complete understanding of the types of international payment methods available, with 23% saying somewhat and 13% none at all
- The biggest challenges businesses face in making or receiving international payments are delays (21%), bad or misleading exchange rates (16%) and hidden fees (16%)

Dr Adam Marshall, Director General at the British Chambers of Commerce (BCC), said:

“Weak sterling reflects the current climate of political uncertainty and lack of clarity on the Brexit process. A clear and firm strategy from government about the nature of the UK’s future trading relationship with the EU would go a long way to reassure and stabilise markets.

“While businesses await answers on Brexit, and a return to a stronger currency, they must take the necessary steps to prepare for potential risks. It’s concerning to see the proportion of UK companies not actively managing currency risk. For those trading internationally, it makes good business sense to explore the options available to insure against currency fluctuations.

“Companies are clearly feeling price pressure from the depreciation in sterling. The government made a crucial first step in the Budget with action on business rates, but further steps need to be taken on the upfront cost of doing business, so that firms can mitigate currency pressures and grow their business.”

Karen Penney, Vice President & General Manager, Global Commercial Payments and Small Business Services UK, said:

“Whilst managing currency fluctuations can seem daunting, technology is rapidly lowering these barriers, helping to streamline the payment process and granting added layers of security to businesses. At American Express we know that simple currency tools such as forward contracts can effectively protect a business from exchange rate volatility by guaranteeing a fixed rate. Not only will this protect margins, it will enable more accurate forecasting and budgeting. With the right tools and resources, businesses can unlock growth opportunities both at home and abroad.”

Ends

Notes to editors:

In September and October 2017, the BCC surveyed over 1,300 business people from all regions of the UK online to understand how the devaluation of sterling is impacting on businesses, and whether they are taking action to mitigate currency risk.

The British Chambers of Commerce (BCC) sits at the heart of a powerful network of 52 Accredited Chambers of Commerce across the UK, representing thousands of businesses of all sizes and within all sectors. Our Global Business Network connects exporters with nearly 40 markets around the world. For more information, visit: www.britishchambers.org.uk

American Express

At American Express we’re dedicated to offering commercial payment and lending solutions to businesses and organisations of all sizes, ranging from tools to manage everyday business and travel spending through to global currency solutions and business financing services.

We work with businesses to help them identify where our payment tools can be applied to help them control spending, achieve savings and drive efficiency, underpinned by exceptional service.

This includes our international payment capabilities, which can help facilitate streamlined cross-border payments and manage currency risk.

Whether you need to pay your supplier in China or protect your margins from currency volatility, we can put together an international payments solution tailored to your business.

To learn more about American Express International Payment Solutions visit www.americanexpress.co.uk/internationalpayments

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