

BCC International Trade Survey: Fall in Sterling expected to increase cost base and push up prices

The BCC today publishes the results of its International Trade Survey, looking at the impact of the depreciation in Sterling on businesses.

The recent fall in the value of Sterling is squeezing domestic sales margins, and increasing the cost base of UK businesses, according to the results of the British Chambers of Commerce's (BCC) latest International Trade Survey. The findings, released today (Monday), also indicate that the weak pound is expected to push up the prices of products and services.

The results of the survey, **run in partnership with moneycorp** and based on the responses of nearly 1,500 surveyed businesses, indicate that the recent devaluation of Sterling is having a negative impact on the domestic sales margins of nearly half of businesses (44%). The effect is more diverse on export margins, with roughly equal levels of businesses reporting a positive (25%) and negative (22%) impact, suggesting that while the fall in value of the pound may be helping some UK exporters, it's also hurting others.

The survey also found that 68% of businesses expect the fall in the value of Sterling to increase their cost base in the coming year. In turn, over half (54%) of companies expect to have to increase the prices of their products and services over the next 12 months.

Away from prices, the findings also show that nearly half of businesses (45%) do not currently manage currency risk. For those that do, invoicing in Sterling instead of their customer's local foreign currency (32%) was the most popular means, followed by opening a foreign currency bank account to deal with sales and purchases in the same currency (16%), and waiting for an advantageous rate and buying using the spot market (14%). The same number of businesses (46%) don't expect to manage their currency risk in the next six months.

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

"The depreciation of Sterling in recent months has been the main tangible impact that firms have had to grapple with since the EU referendum vote.

"Our research shows that the falling pound has been a double-edged sword for many UK businesses. Nearly as many exporters say the low pound is damaging them as benefiting them. For firms that import, it's now more expensive, and companies may find themselves locked into contracts with suppliers and unable to be responsive to currency fluctuations.

"Our survey shows that inflation is going to be an important concern for

businesses over the coming year. While inflation rates aren't high by historical standards, they are still putting increasing pressure on companies. Rising costs are squeezing margins, and forcing many firms to increase the prices of their goods and services.

"Currency fluctuations aren't something in the UK government's direct control, and they are likely to continue as the Brexit transition unfolds. Ministers must do everything in their power, meantime, to help businesses keep costs down and stay competitive. Alleviating many of the up-front costs facing companies should be a priority for the Budget in March – starting with the sledgehammer of business rates."

Lee McDarby, Managing Director of UK Corporate International Payments at moneycorp, said:

"The post referendum fall in sterling has clearly had an impact on many UK businesses and, as hedging begins to expire, importers and exporters will have to adapt to the new landscape. For exporters, the move potentially allows for greater competitiveness on an international level; however, importers may now have to think of new ways of protecting their businesses from further volatility.

"The timeframe for stepping away from the European Union is long, with at least two years of negotiation as and when Article 50 is triggered; this means that companies will have to be nimble and proactive when it comes to managing foreign exchange exposure.

"The key events of 2016 have certainly caused market uncertainty and there are no signs that this will subside in 2017. On that basis we are definitely engaging more with new and existing clients who are turning to FX specialists such as moneycorp for support and assistance when it comes to managing their currency risk."

Ends

Notes to editors:

The British Chambers of Commerce surveyed 1,474 business people online between 1 December and 19 December. The survey sourced respondents from every region and nation of the UK. Around 95% of responding businesses were SMEs, and around one third were manufacturing, with the remaining two thirds operating in the service sector. A vast majority (80%) of responding businesses also sell products or services overseas.

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

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