

Impact of Brexit and the Trade Deal on London's SMEs: survey results

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Helen Moore

Opinion Research and Statistics



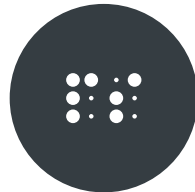
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Sample and Methodology



This survey was carried out by YouGov for the GLA between 5th–19th March 2021, with a response of 1,012 London businesses (owners or senior decision makers only).



The figures have been weighted to be representative of all London businesses by **size** and **sector**, based on [October 2020 Business population estimates](#) data



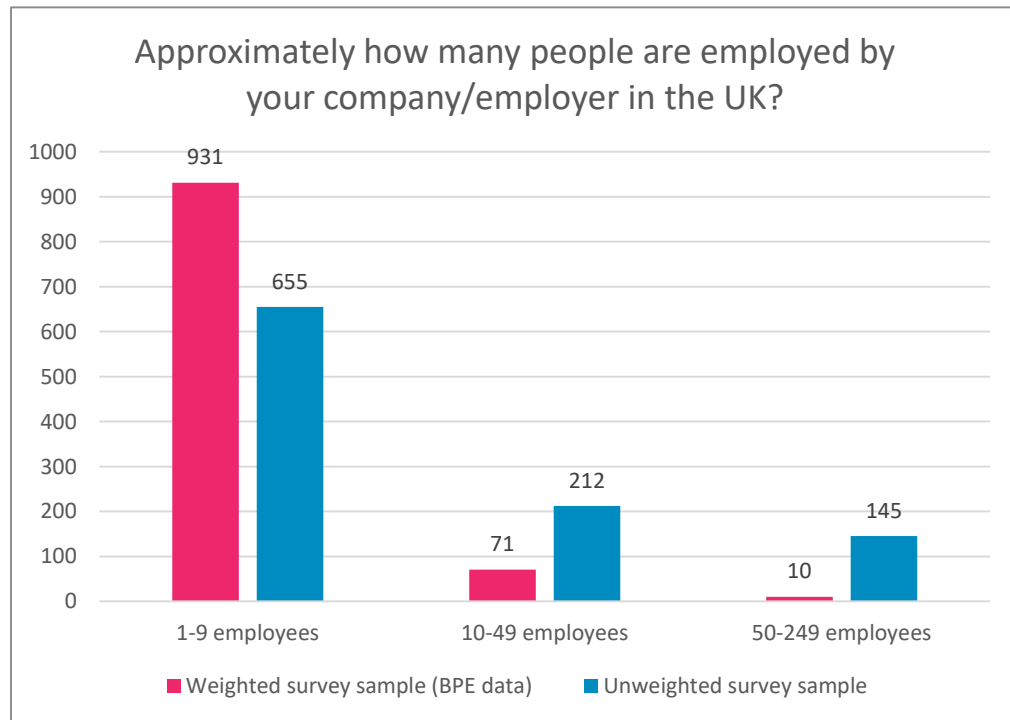
Respondents completed the surveys online from an email link.

Survey sample breakdown: size and sector

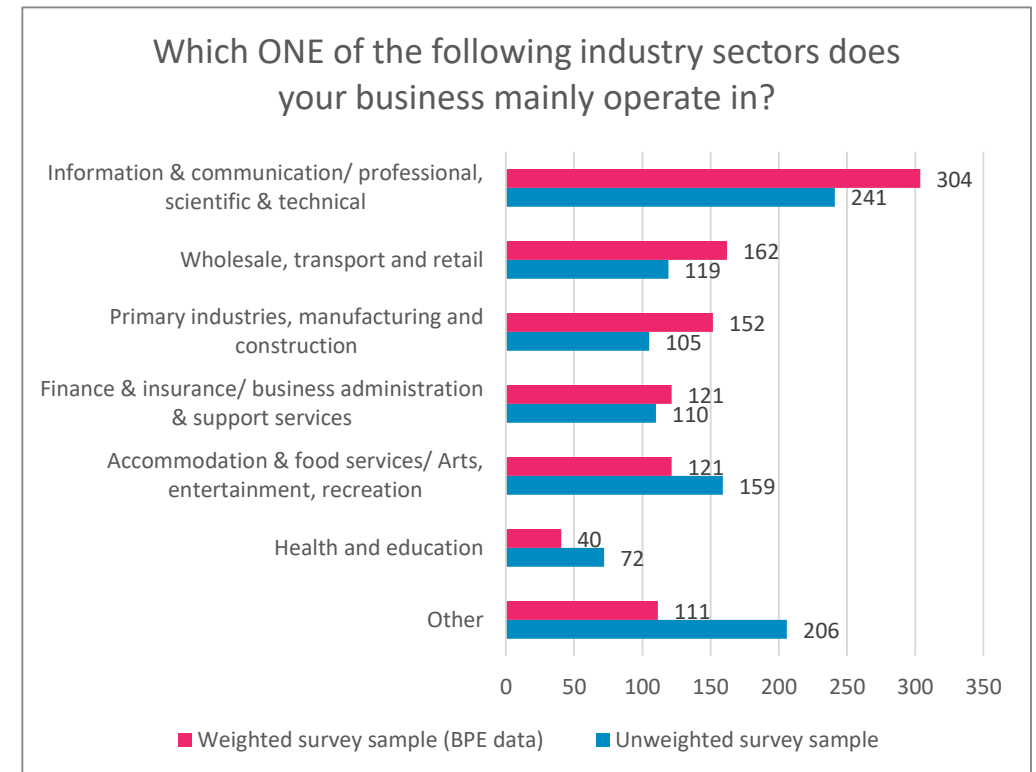
Raw numbers shown. Responses have been weighted to be representative of London Businesses by size and sector. Some sectors and business sizes have been weighted more than others – for example, the survey had a high response from small and medium sized businesses, whilst in actuality just 3% of London’s SMEs are small businesses and 1% are Medium. Therefore, responses in these categories have been weighted down.

Quotas were set on the percentage of the sample that fit each size, to avoid relying too heavily on weighting. This enabled us to gather information from a large enough number of each business size so as to compare the three groups, then weight to gain the overall picture.

Size of company

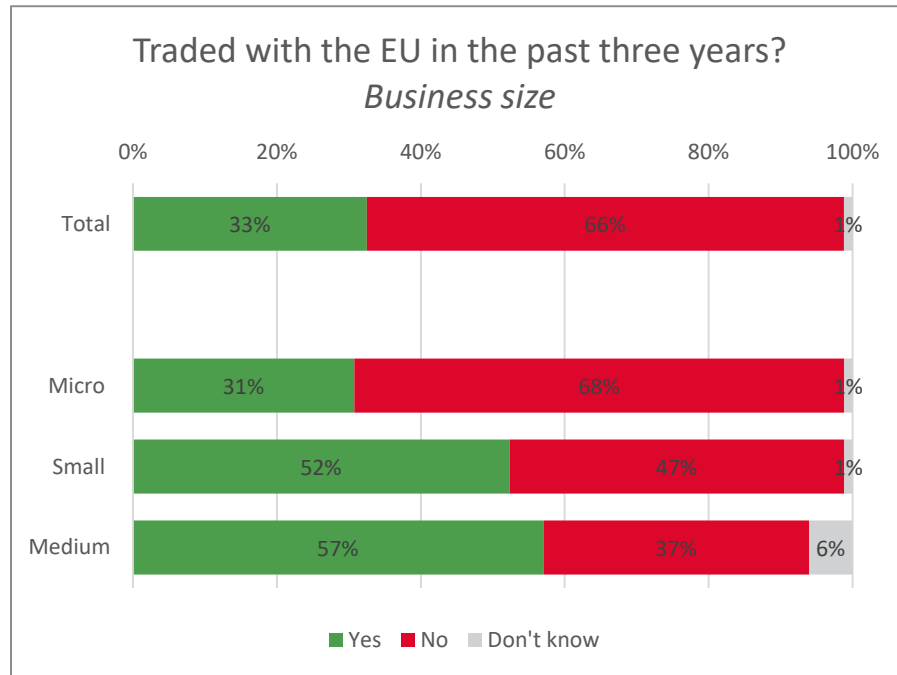


Company sector

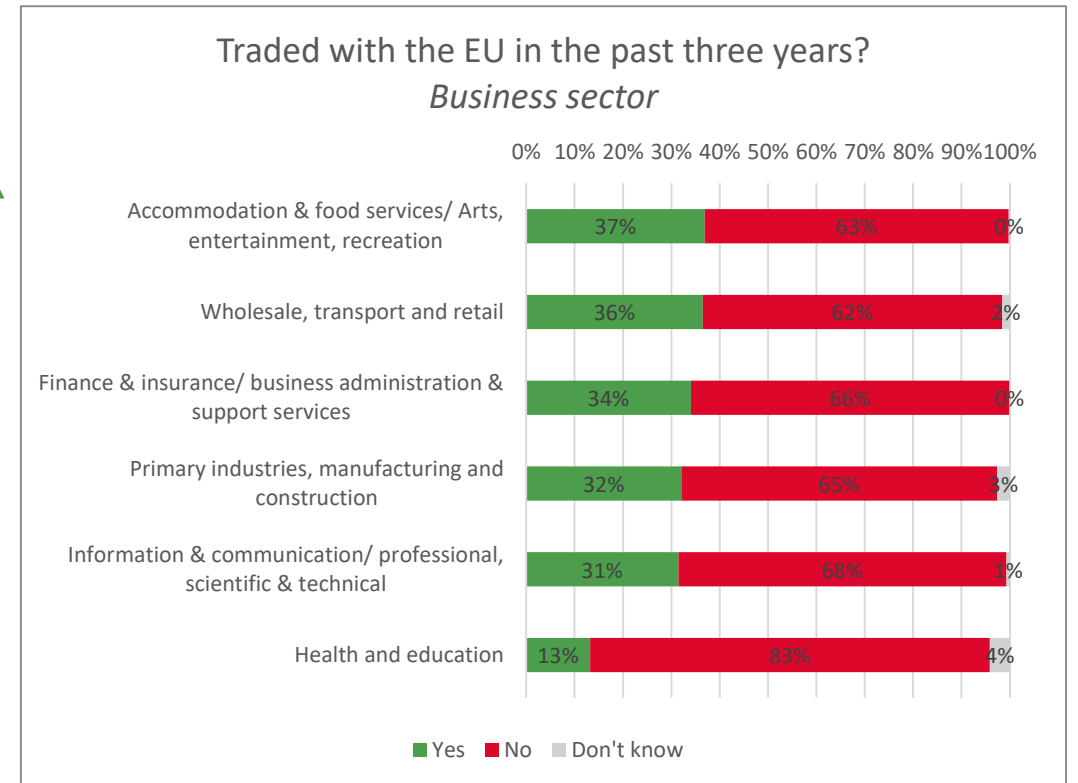


Survey sample breakdown: trade with EU by size and sector

Overall, a third of SMEs say they have traded with the EU in the past 3 years – this increases to over half of Small (52%) and Medium (57%) sized businesses



In order of trade with EU, highest to lowest



Q: In the past three years has your company traded with the EU? This includes importing or exporting goods and/or services to or from countries within the EU.

Base: All businesses (1,012)



Objectives

1. To understand the immediate impact of Brexit on London's SMEs, including which areas of business are the most/least affected, and which areas of the trade deal are causing the most confusion
2. Assess the relative impact of Brexit vs. other issues (e.g. COVID)
3. To assess the appetite of SMEs to continue/increase trading with the EU in light of the trade deal
4. Understand the most significant trade barriers to access into the EU, for different types of SMEs
5. To explore how the GLA can best offer support and advice on trading post-Brexit



Executive Summary

- **The negatives of Brexit are felt to far outweigh any positives – this is true regardless of SME size or sector.**
- Overall, a third (33%) of SMEs surveyed have traded with the EU in the past three years; two thirds (66%) have not. This belies large differences in trading behaviours by SME size: 31% of Micro SMEs have traded with the EU in the past three years, rising to 52% of Small and 57% of Medium. When looking at data at an overall level, it should be noted these figures will be majority driven by Micro businesses, who are much less likely to trade with the EU.
- Brexit is ranked as the *third* greatest challenge facing SMEs – 27% of SMEs rank this as a challenge, after a possible recession (36%) and another lockdown (34%). The extent to which Brexit is perceived as a challenge has more to do with business sector than business size. That said, all sectors see a possible recession as a bigger challenge than Brexit (although only just for some industries).
- **Overall, Accommodation and food services / Arts is the industry most negatively affected by Brexit.** SMEs within this sector are the most likely to say Brexit is a challenge (33% say this, tied with Wholesale). Wholesale and Accommodation and food services / Arts are also the sectors most likely to say they will face challenges resulting from the trade deal *specifically* – 32% and 29% of businesses in these respective sectors say this, vs. 22% average.
- As larger SMEs (Medium, and to some extent Small) are more likely to trade with and recruit from the EU than Micro businesses, they are also more likely to be affected by Brexit and the trade deal. 27% of Medium SMEs say they will face challenges resulting from the trade deal, vs. 22% average. Medium SMEs are also substantially more likely to be concerned with staffing issues resulting from Brexit: 17% are concerned about staff retention and 15% about reduced availability of labour, vs. 4% and 7% at an overall level.
- Trade with the EU is likely to decrease with London's SMEs over the next year. Of those SMEs who have traded with the EU in the past year, over half (53%) say they expect trade with the EU to decrease over the next 12 months. The major barrier to trading with non-EU markets is tariffs.
- In terms of the trade deal, the top two areas businesses require additional support around are: business travel, and providing services to EU countries. Medium SMEs are especially concerned with staffing issues – either hiring from the EU, or sending UK staff to work in the EU.

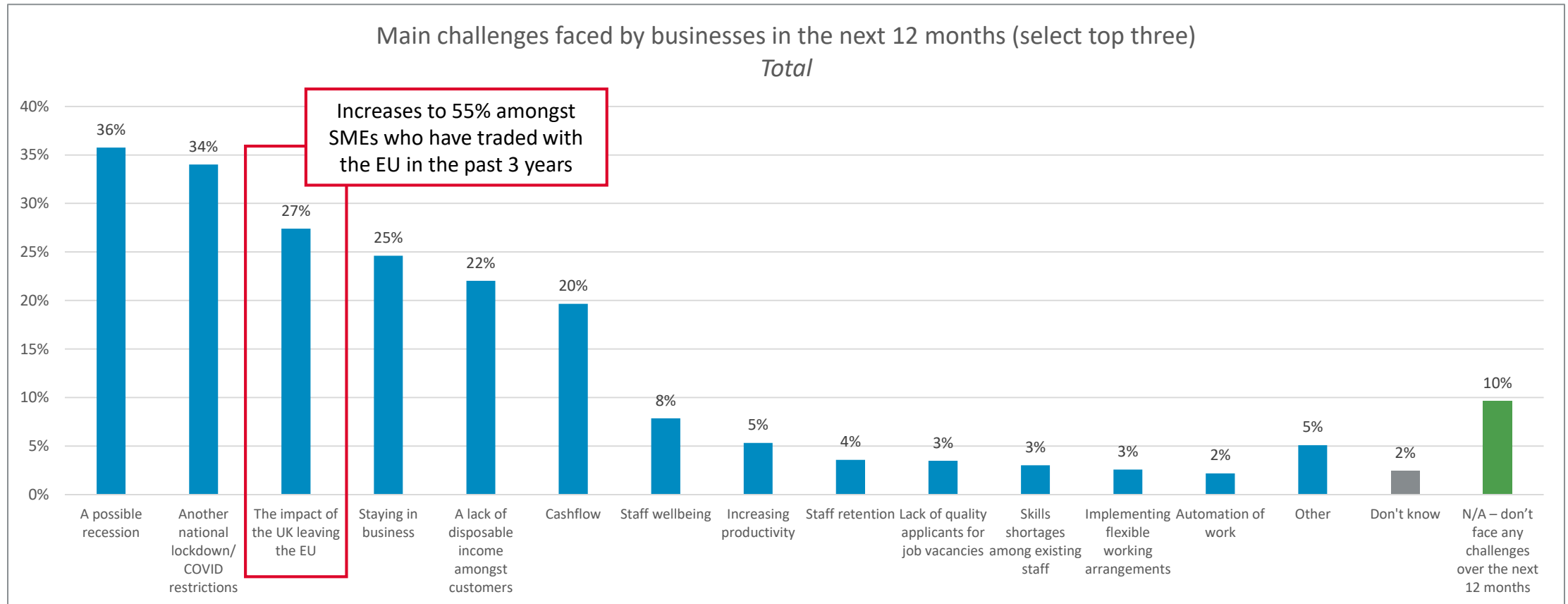


Survey findings

1. Impact of leaving the EU (vs. other issues facing SMEs)

A possible recession (36%) and another lockdown (34%) are seen as the top challenges facing SMEs over the next 12 months. **The impact of Brexit is ranked third**, with 27% rating this as a top three challenge. **However, Brexit is the top ranked challenge for businesses who have traded with the EU in the past 3 years: 55% rank it in their top three.**

10% of businesses say they don't face any challenges over the next year – this drops to 4% for businesses who have traded with the EU in the past 3 years.

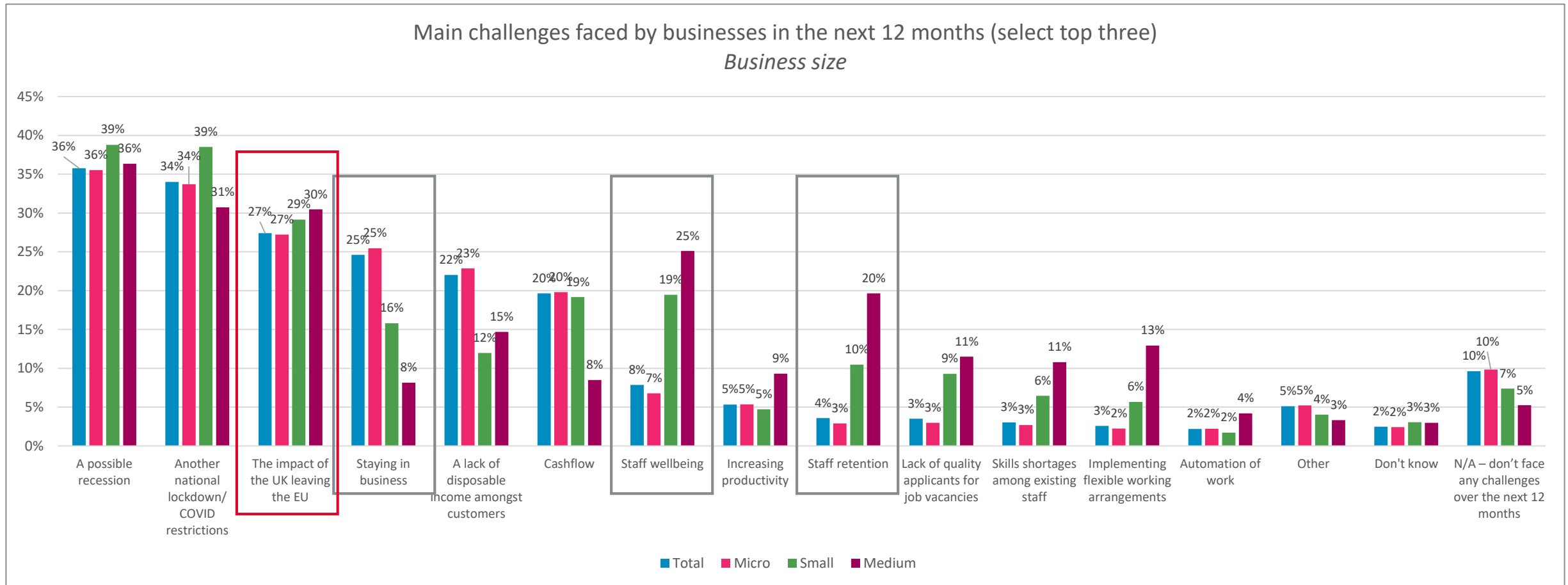


Q: What, if anything, do you perceive as the main challenges that your business faces in the next twelve months? (Please select the top three most serious challenges facing your business).

Unweighted base: All businesses (1,012); Traded with the EU in the past three years (388)

Recession and lockdown are the two biggest concerns for all businesses, regardless of size. **The extent to which Brexit is perceived as a challenge does not vary much by business size (27% of Micro businesses rank Brexit as a top three challenge, 29% of Small and 30% of Medium).**

Micro businesses are more concerned about staying in business (25% Micro, vs. 16% Small and 8% Medium), whilst Medium businesses are more concerned about staff well-being and retention.



Q: What, if anything, do you perceive as the main challenges that your business faces in the next twelve months? (Please select the top three most serious challenges facing your business).

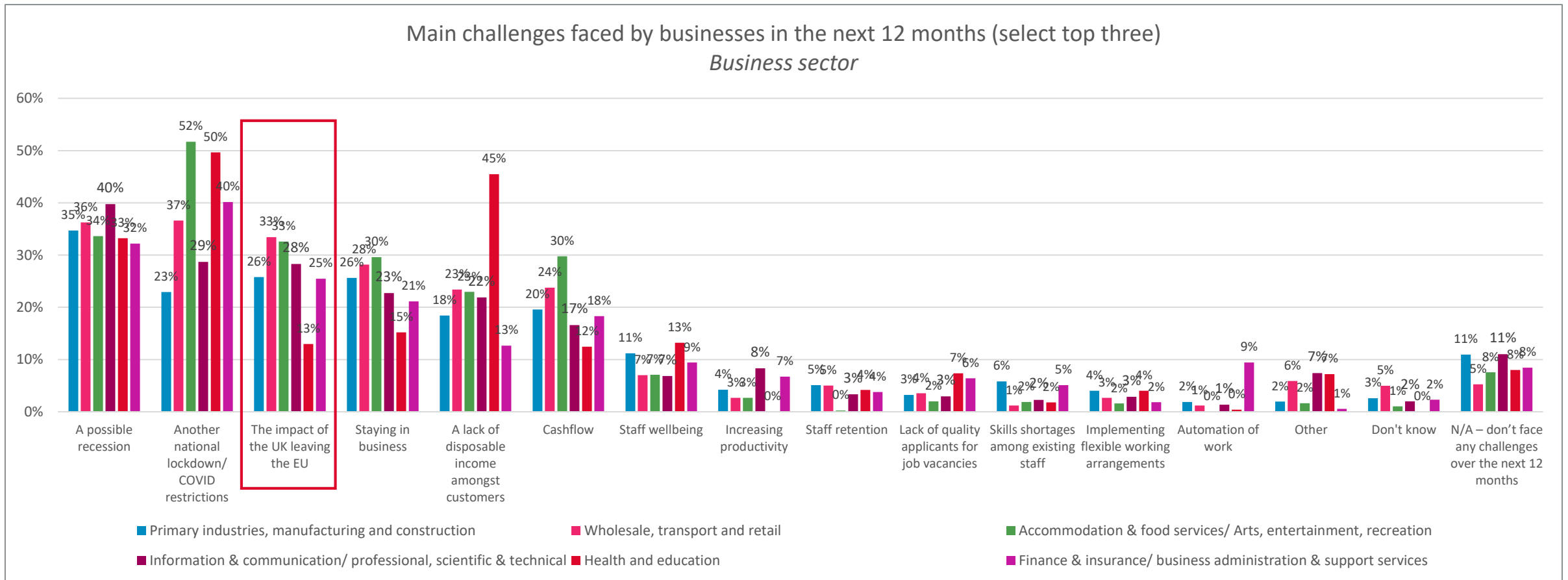
Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145)

The impact of Brexit differs by sector. The sectors most likely to see Brexit as a challenge are Wholesale, transport and retail (33% say this is a top three concern) and Accommodation and food services / Arts (33%). These industries make up 16% and 12% of London SMEs respectively.

All sectors see a possible recession as a bigger challenge than Brexit (although only just for some industries). The ICT and professional services sector makes up the largest proportion of London businesses (30%). 40% of these businesses say a possible recession is a top three concern, followed by a national lockdown (29%), and Brexit (28%).

Lockdown is a major concern for Accommodation and food services / Arts (52%) and Health and Education businesses (50%) (vs. just 23% of Construction businesses). These industries account for 12% and 4% of London SMEs respectively .

Main challenges faced by businesses in the next 12 months (select top three)
Business sector

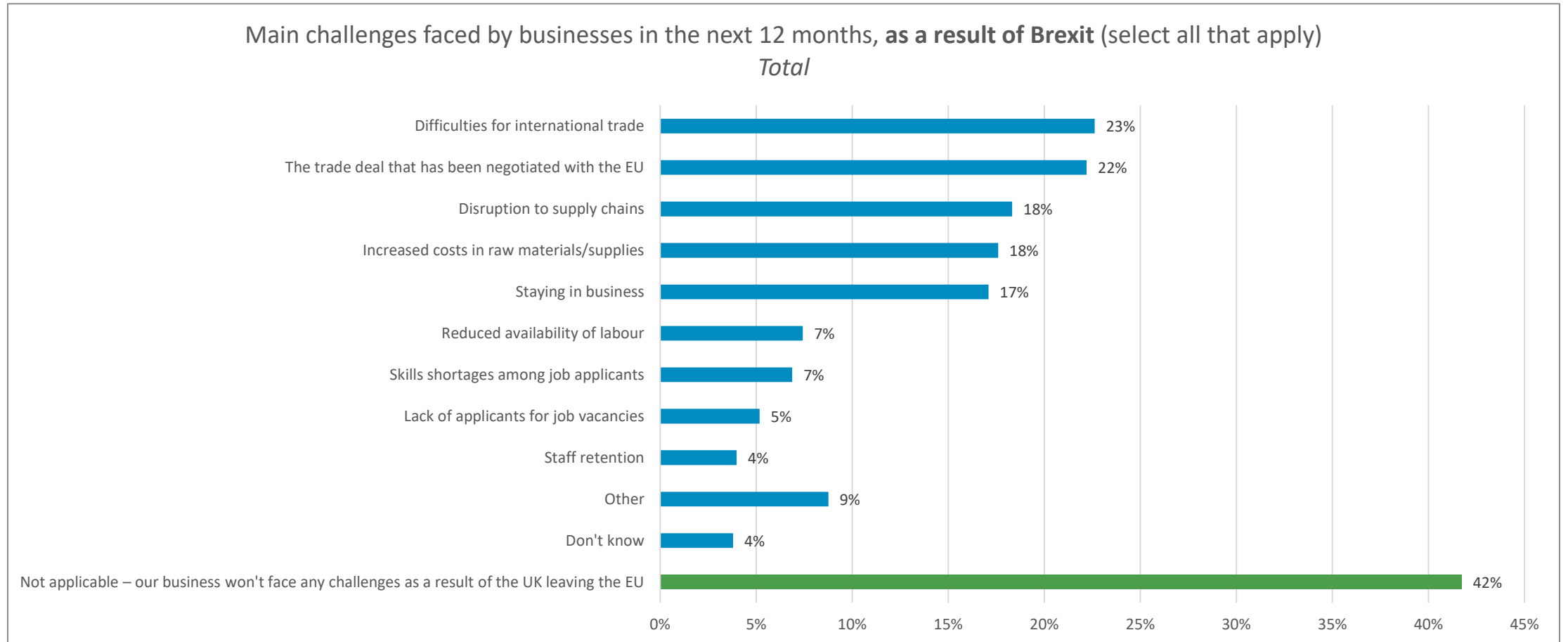


Q: What, if anything, do you perceive as the main challenges that your business faces in the next twelve months? (Please select the top three most serious challenges facing your business).

Unweighted base: All businesses (1,012); Primary industries (105); Wholesale (119); Accommodation/Arts (159); ICT (241); Health and education (72); Finance (110)

4 in 10 SMEs – the majority – say their business won't face any challenges as a result of Brexit.

The biggest challenges are difficulties for international trade (23%) and challenges relating to the trade deal (22%).



Q: Thinking specifically about the UK leaving the EU, what, if anything, do you perceive as the main challenges that your business faces as a result of that in the next twelve months?

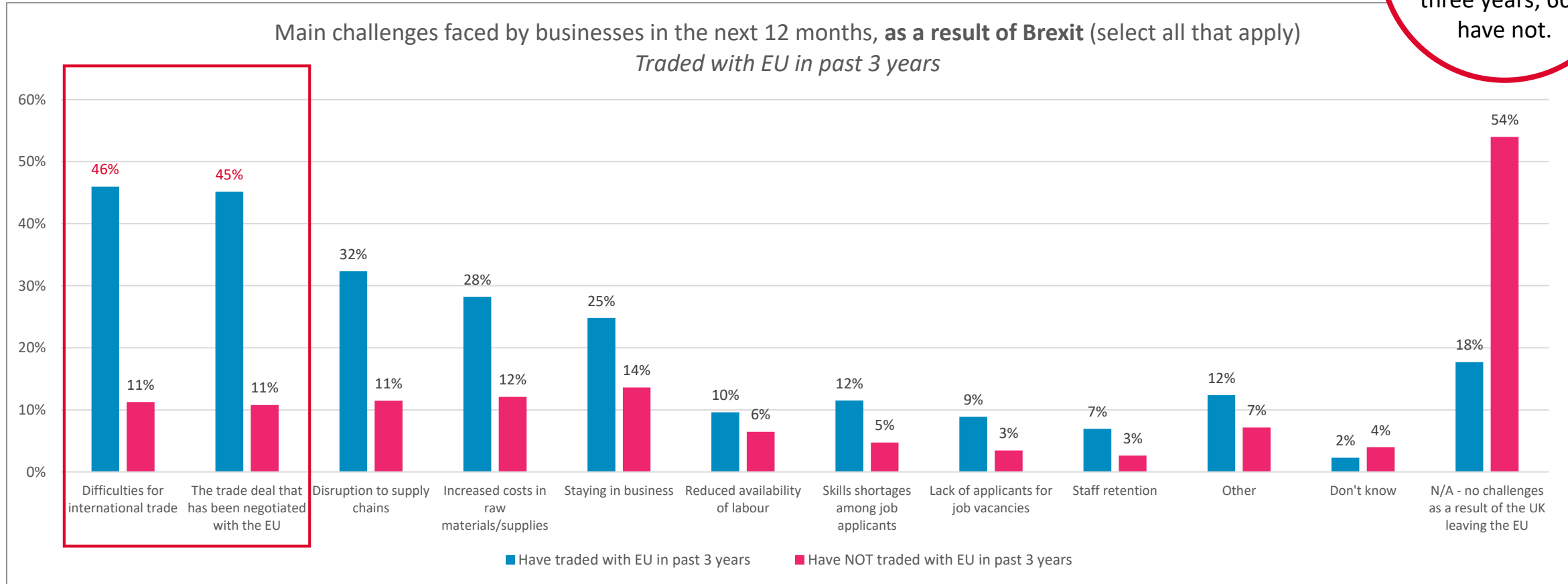
(Please select all that apply)

Unweighted base: All businesses (1,012)

However, challenges are much more severe for those who have **traded with the EU in the past 3 years** (more likely to be Small or Medium SMEs). 46% see difficulties for international trade as a major challenge resulting from Brexit; a further 45% see the trade deal as a major challenge.

That said, 18% say there won't be any challenges.

33% of those asked have traded with the EU within the past three years; 66% have not.



Q: Thinking specifically about the UK leaving the EU, what, if anything, do you perceive as the main challenges that your business faces as a result of that in the next twelve months?

(Please select all that apply)

Unweighted base: Have traded with the EU in past 3 years (388); Have not traded with the EU in past 3 years (603)

CITY INTELLIGENCE

Breakdown by size and by sector in Appendix.

Respondents who said they will face multiple challenges as a result of Brexit were asked to rank their **top three**:

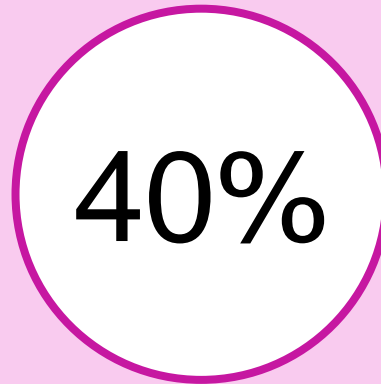
1



ranked the **trade deal** as a top three challenge.

26% ranked this as the no. 1 challenge

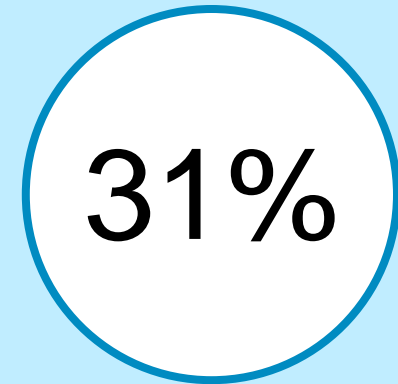
2



ranked **difficulties for international trade** as a top three challenge.

15% ranked this as the no. 1 challenge

3



ranked the **disruption to supply chains** as a top three challenge.

14% ranked this as the no. 1 challenge

Q: You said the following were challenges that your business will face in the next 12 months, related to the UK leaving the EU. Which do you think are the most serious challenges that your business will face? (Please rank your top three)

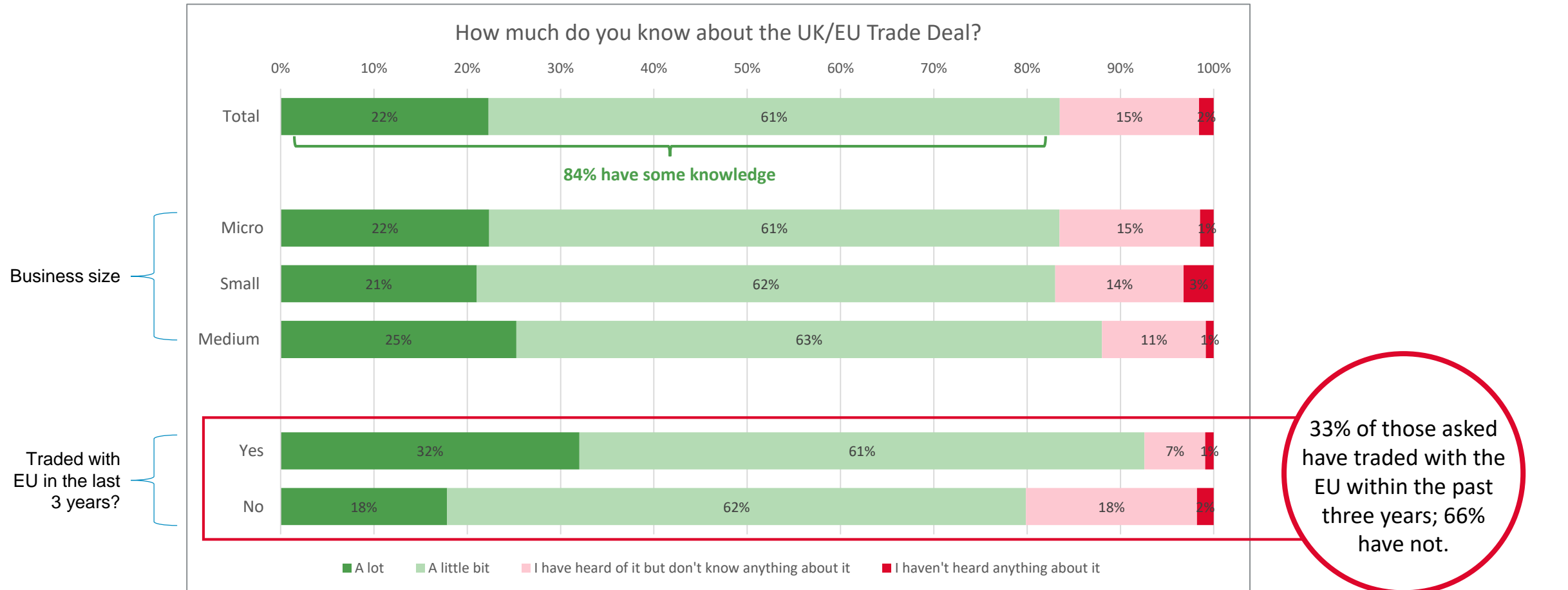
Unweighted base: All businesses who said they will face multiple challenges as a result of Brexit (min. base: 200)



2. Trading under the EU Trade Deal

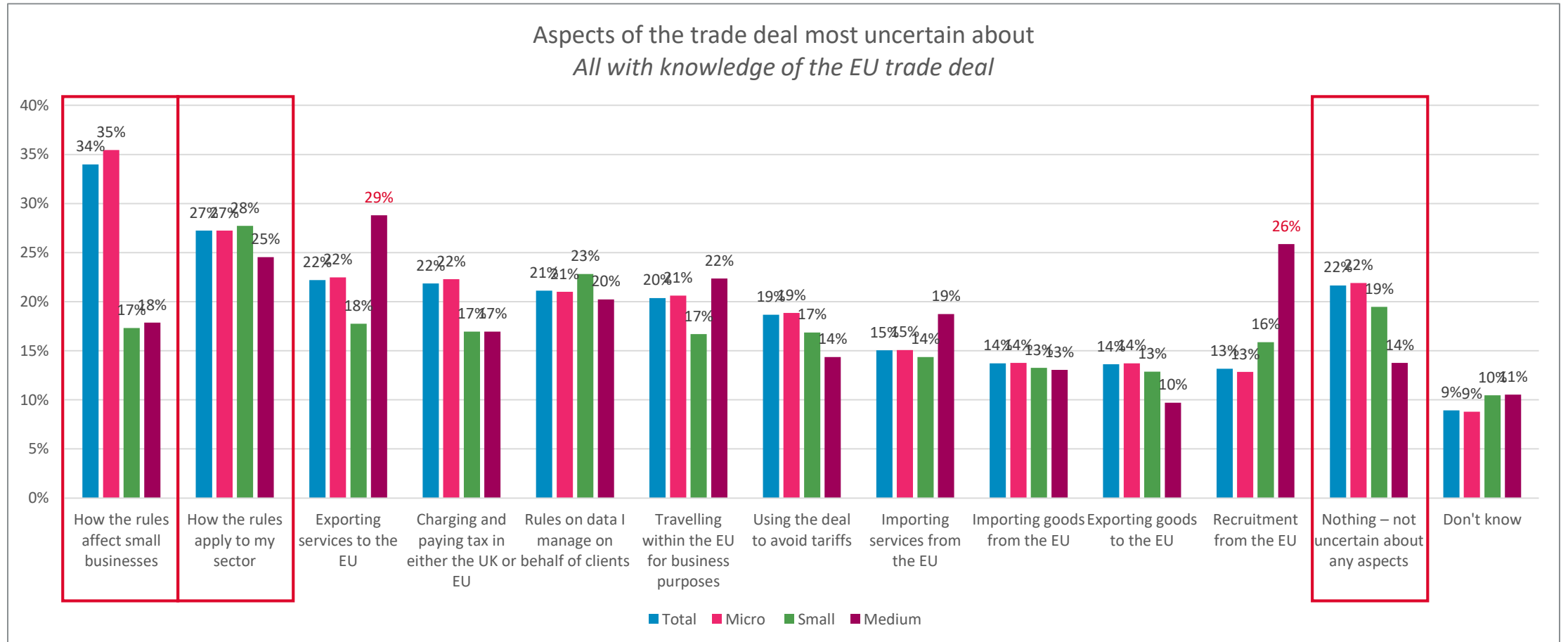
The majority of SMEs (84%) know at least something about the EU trade deal; 22% of these know 'a lot'. Just 2% 'haven't heard anything' about the deal.

Unsurprisingly, knowledge is higher amongst SMEs who have traded with the EU in the past 3 years: 93% know at least something about the trade deal; 22% of these know 'a lot' (for SMEs who have not traded with the EU in the past 3 years, this drops to 80% who know something and 18% who know a lot).



SMEs are most uncertain on how the trade deal affects small businesses – however, this score is mainly driven by Micro SMEs (35% uncertain, vs. 17% Small and 18% Medium). **A major uncertainty for businesses of all sizes is how the rules apply to their sector (27% overall).** Medium SMEs are significantly more likely to be uncertain about exporting services to the EU (29%) and recruitment from the EU (26%).

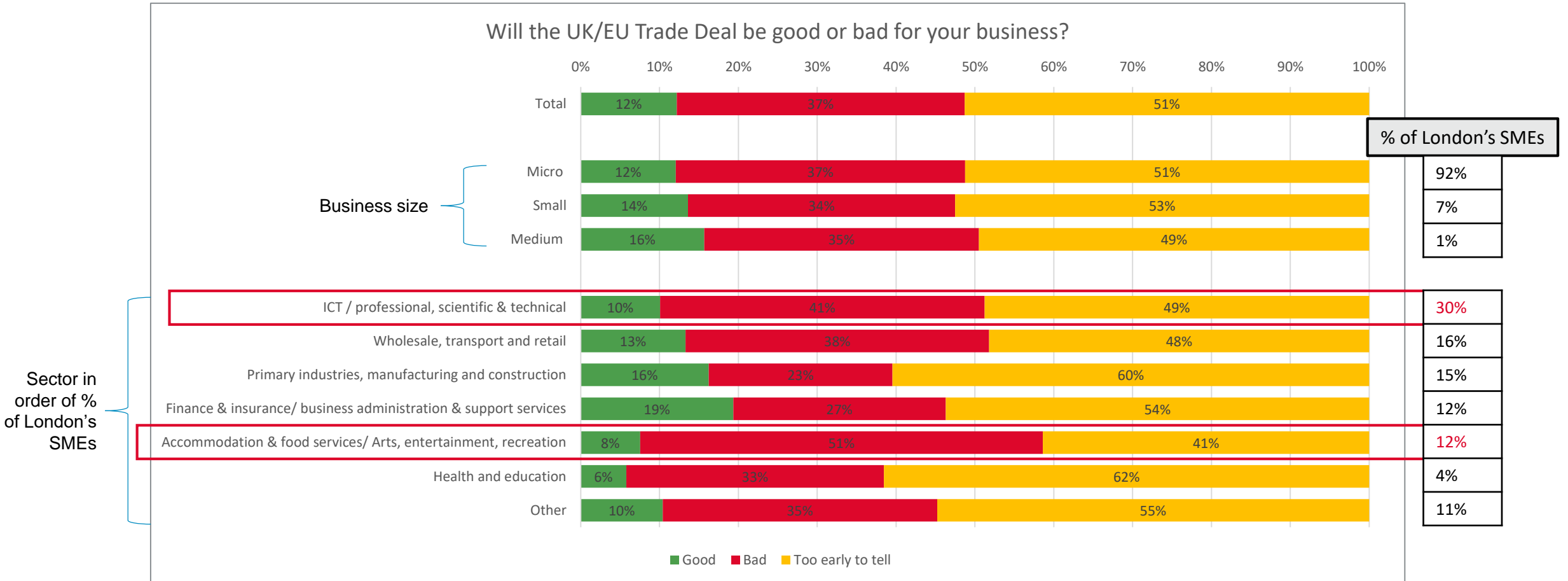
Overall, 22% of SMEs state there are no aspects of the trade deal they are uncertain about.



Half (51%) of London's SMEs think it is too early to tell if the trade deal will be good or bad for business. Results are similar by business size, but differ depending on sector.

Amongst those who have expressed an opinion, the proportion stating the trade deal will be bad for businesses is greater than those saying it will be good. Overall, 37% of London SMEs say the trade deal will be bad for business; 12% say it will be good.

The Accommodation and food / Arts sector is the most negative – half (51%) say the deal will be bad for business; just 8% say it will be good (41% say it is too early to tell). In London's largest SME sector, ICT and professional services, 4 in 10 say the trade deal will be bad for business.



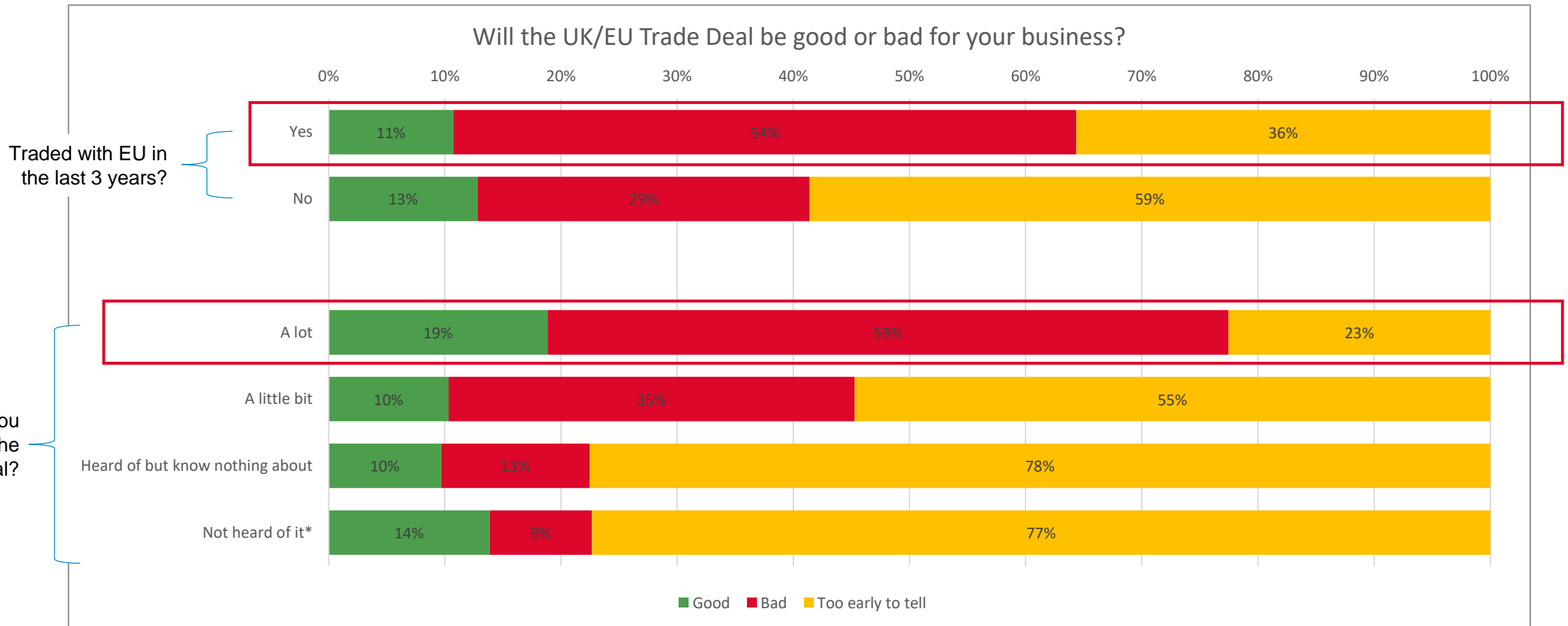
Q: Overall, do you think the UK's trade deal with the European Union will be good or bad for your business or is it too early to tell?

Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145); ICT (241); Wholesale (119); Primary industries (105); Finance (110); Accommodation/Arts (159); Health and education (72); Other (206)

The more experience an SME has trading with the EU / the more they know about the trade deal, the more likely they are to say the trade deal will be bad for their business.

54% of those who *trade with the EU* say the trade deal will be bad for business; 11% say it will be good. 36% say it's too early to tell.

59% of those who *know 'a lot' about the trade deal* say it will be bad for their business; three times as many than those who say it will be good (19%).



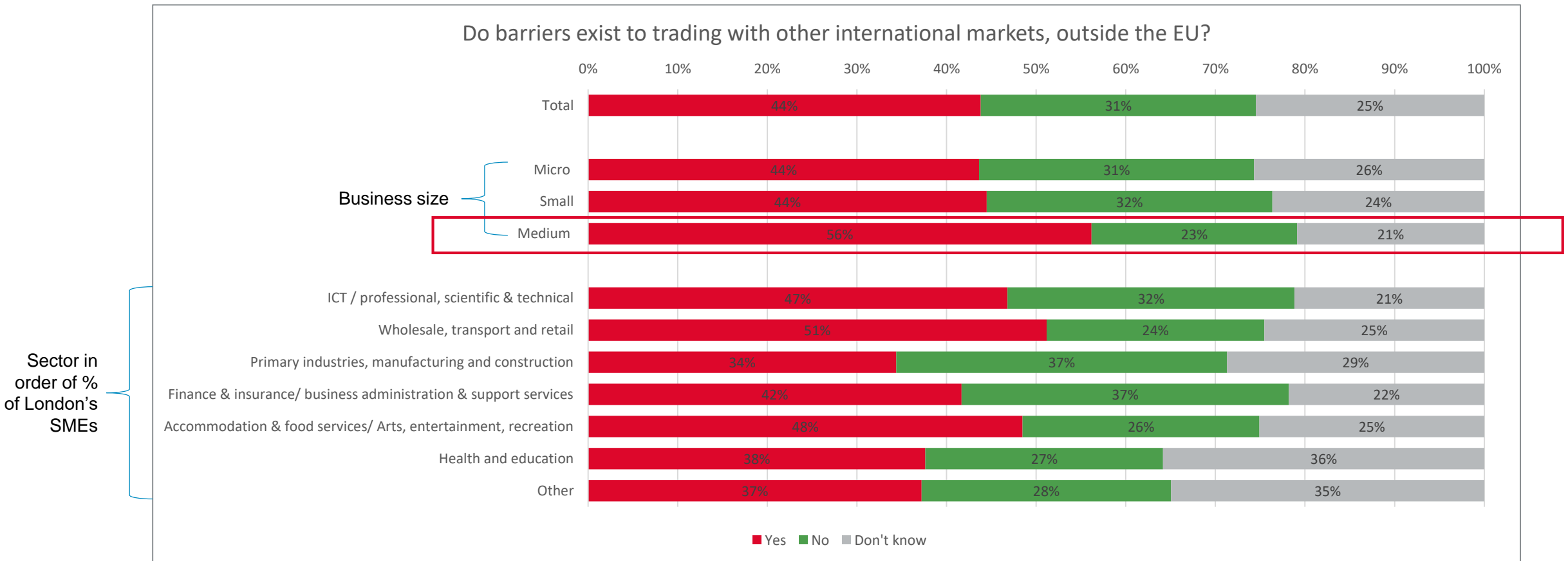
Q: Overall, do you think the UK's trade deal with the European Union will be good or bad for your business or is it too early to tell?
 Unweighted base: Have traded with the EU in past 3 years (388); Have not traded with the EU in past 3 years (603); Know a lot about the trade deal (215); Know a little bit (629); Heard of but know nothing about (150); Not heard of it (18). *Caution, extremely low base (n = 18)



3. Trading with non-EU markets

A small majority of SMEs say barriers to trading with non-EU international markets exist (44%, vs. 31% say do not) – but this is not definitive: a sizable proportion of businesses ‘don’t know’ (25%) if barriers exist. This remains the case when looked at by business size and by business sector.

Medium businesses are significantly more likely than other SMEs to say barriers exist (56%, vs. 44% each for Micro and Small). They are also more likely to have an opinion on this, suggesting more experience with international trade.

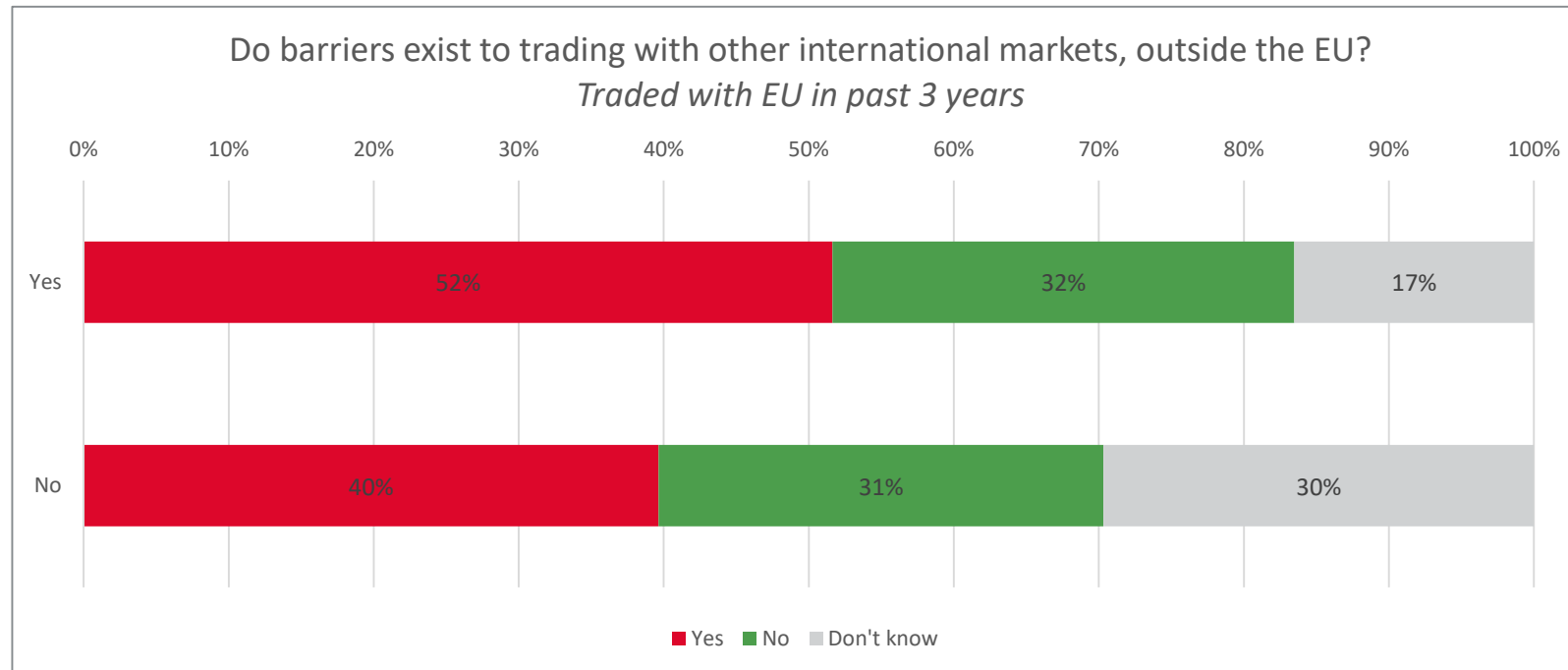


Q: Thinking about trading with other markets outside of the EU. Do you feel that barriers exist to trading with other international markets?

Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145); ICT (241); Wholesale (119); Primary industries (105); Finance (110); Accommodation/Arts (159); Health and education (72); Other (206)

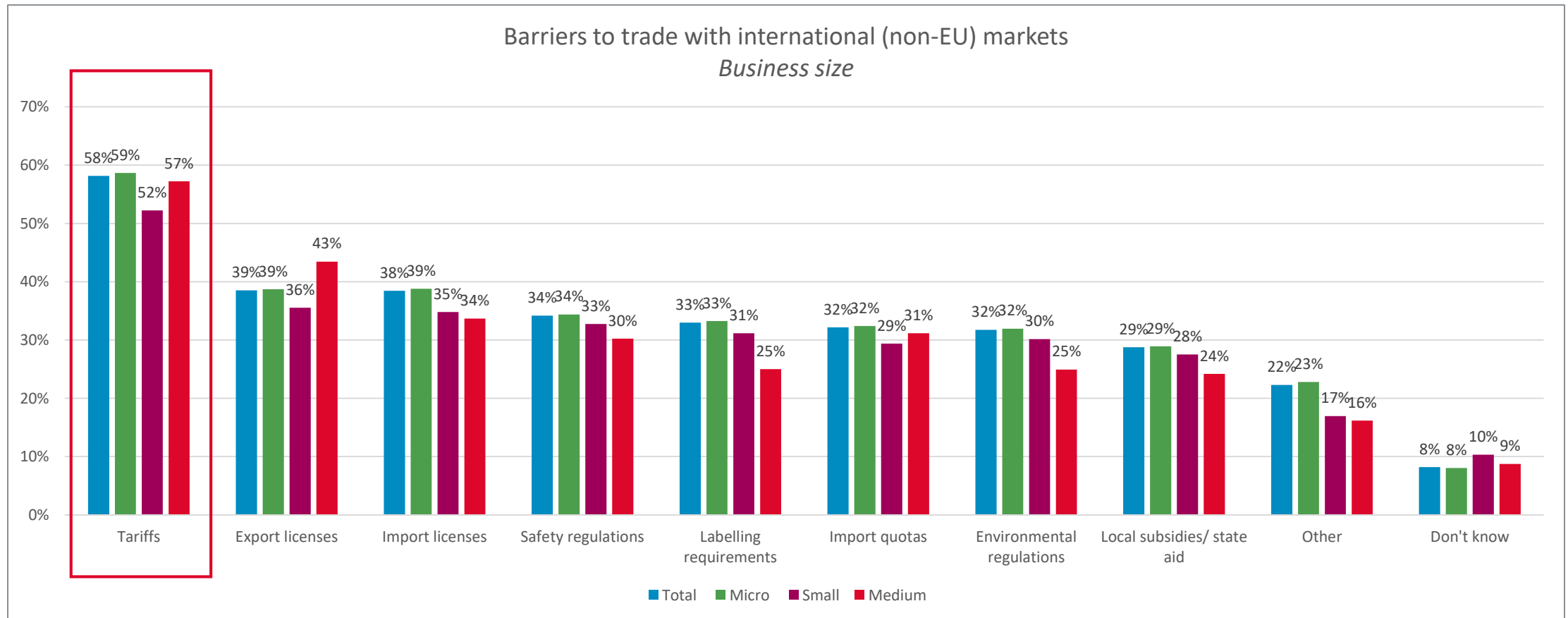
Over half (52%) of SMEs that have traded with the EU in the past 3 years say there are barriers to trade with other, non-EU, markets (vs. 40% those who have not traded with the EU). Just 32% say there are not barriers.

Those who have not traded with the EU are more likely to 'not know' if there are barriers to trading in other, non-EU, markets (30% vs. 17%) – suggesting businesses who do not trade with the EU are perhaps less likely to trade internationally at all.



The major barrier to trading with non-EU markets is tariffs – this is true of all SMEs, regardless of size.

Almost 6 in 10 SMEs (58%) say tariffs are a barrier, followed by export licenses (39%) and import licenses (38%).



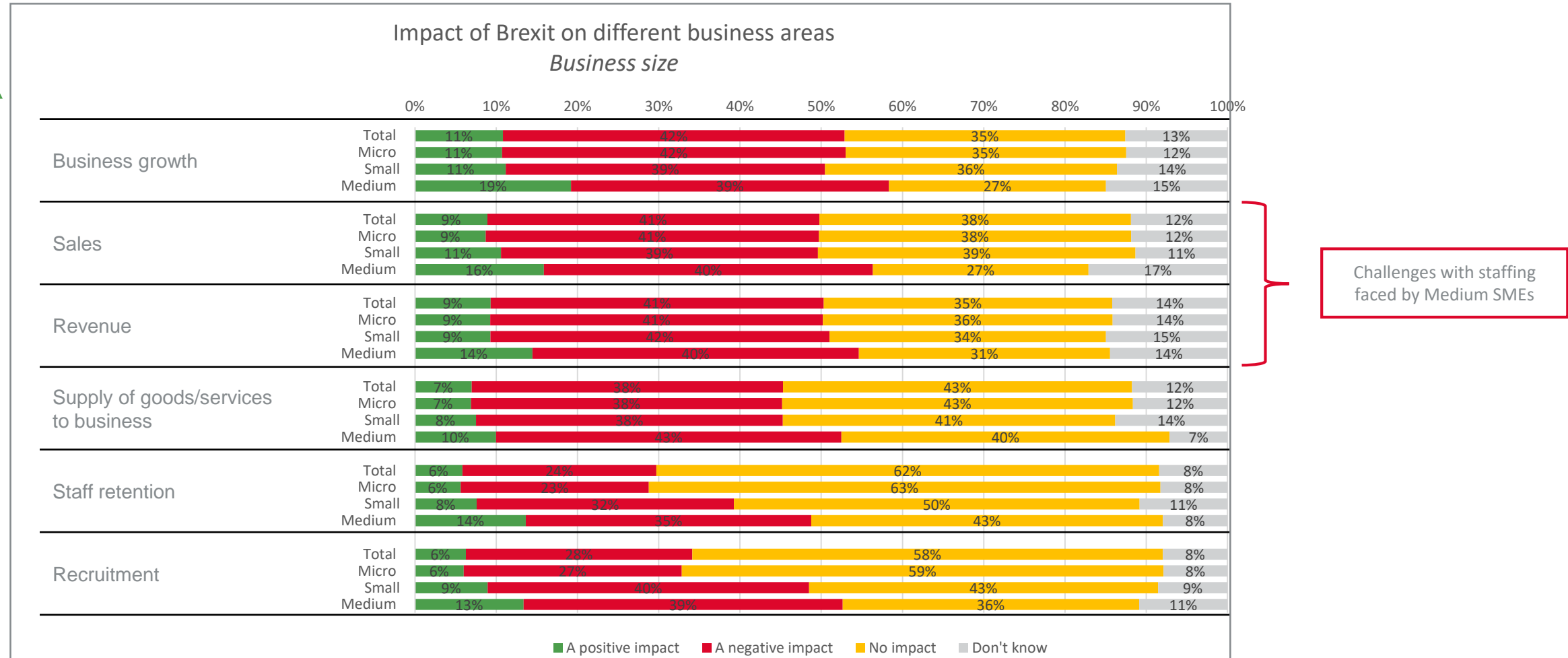
4. Impact of leaving the EU on different business areas

For all areas of business, the negative impact of Brexit is predicted to be much larger than the positive impact. Medium SMEs are more likely to feel the impact of Brexit, both positively and negatively.

The most negatively impacted areas are: Business growth (42% SMEs say Brexit will negatively impact this), Sales (41%) and Revenue (41%).

Overall, Staff retention is the least negatively impacted area – 62% of businesses say Brexit will have no impact on this. However, the negative impact is felt more by larger businesses: 43% of Medium sized businesses say Brexit will have no impact on Staff retention, whilst 35% say it will have a negative impact (vs. 24% overall). The same is true of Recruitment (40% of Small and 39% of Medium SMEs negatively impacted, vs. 27% Micro SMEs).

In order of total positive impact, highest to lowest



Q: Over the next 12 months, do you think that the UK leaving the European Union will have a positive, a negative or no impact on your business in each of the following areas?

Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145)

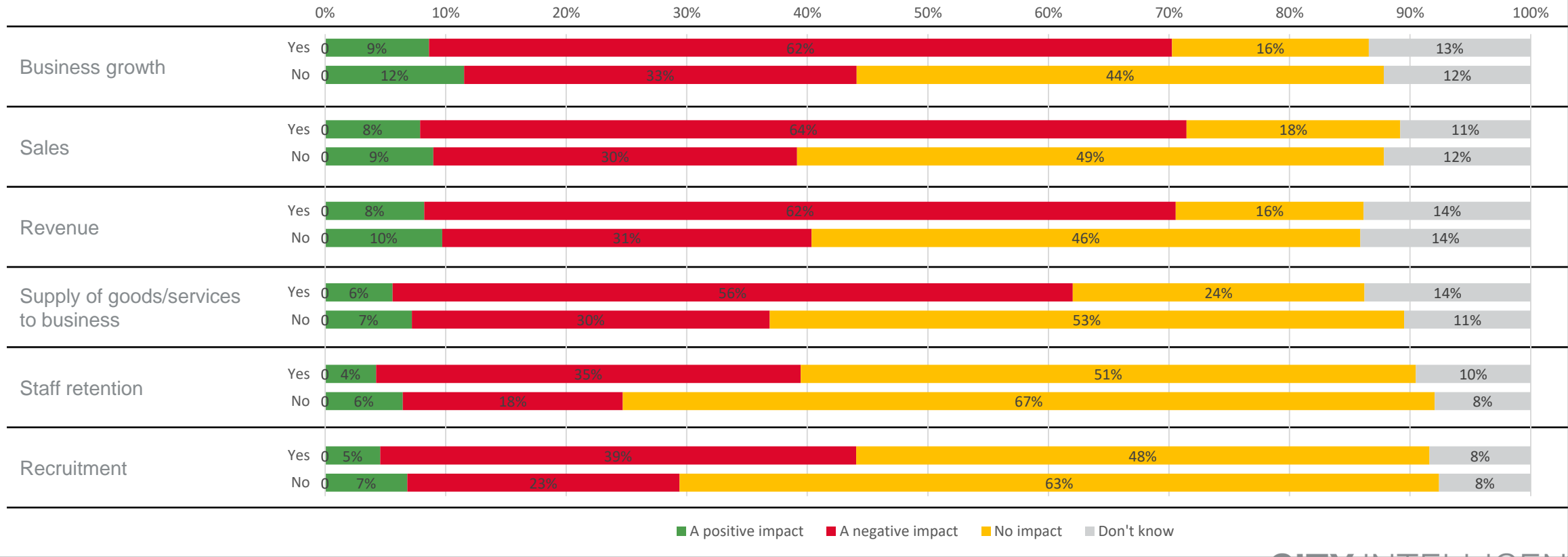
Negative impact of Brexit is not limited to SMEs who trade with the EU.

SMEs that trade with the EU are significantly more likely to say they will be negatively impacted by Brexit in every area. **Over 6 in 10 say Brexit will have a negative impact on Sales, Business growth and Revenue respectively.** Over half (56%) say Brexit will negatively impact supply of goods/services.

For each of the business areas, the majority of SMEs who don't trade with the EU say Brexit will have no impact. However, for each of Business growth, Revenue, Supplies and Sales, **3 in 10 SMEs who *don't* trade with the EU say their business will be negatively impacted.**

Impact of Brexit on different business areas
Traded with EU in past 3 years

In order of total positive impact, highest to lowest



CITY INTELLIGENCE

Breakdown by sector in Appendix.

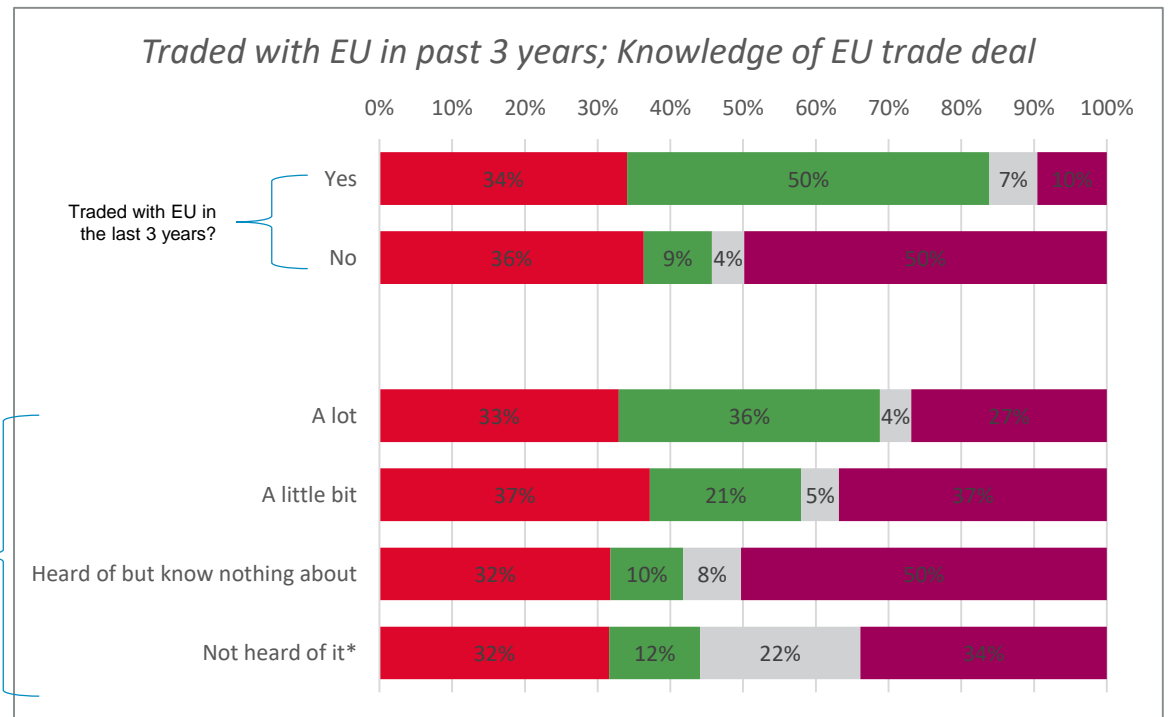
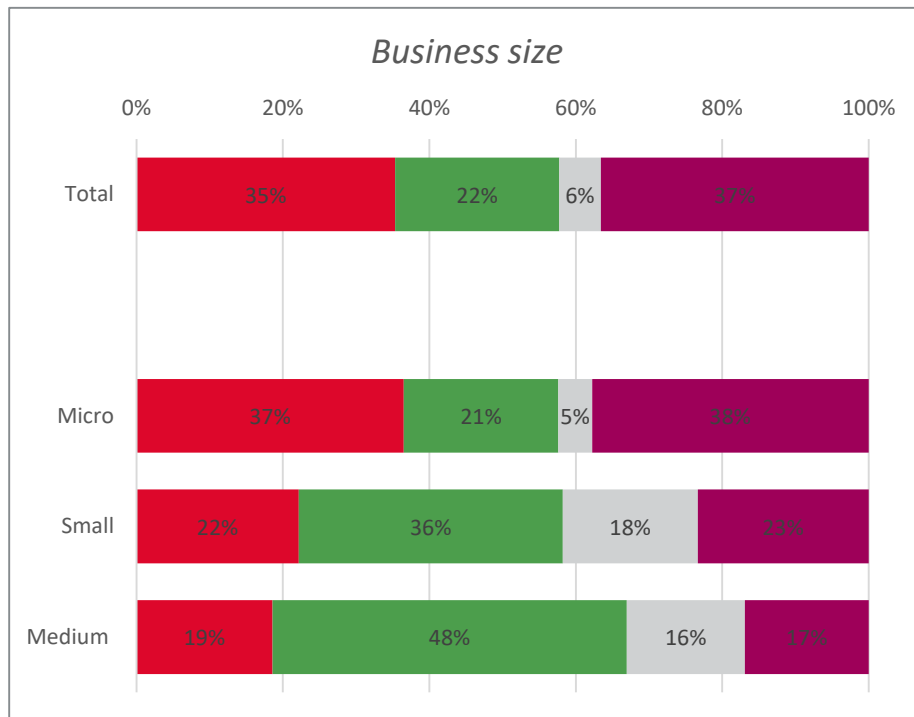
Q: Over the next 12 months, do you think that the UK leaving the European Union will have a positive, a negative or no impact on your business in each of the following areas?
Unweighted base: Have traded with the EU in past 3 years (388); Have not traded with the EU in past 3 years (603)

Overall, around 1 in 5 SMEs (22%) prepared for how they would operate post-Brexit.

When looked at by size, this increases to 36% of Small SMEs and almost half (48%) of Medium SMEs.

Half of those who trade with the EU made preparations.

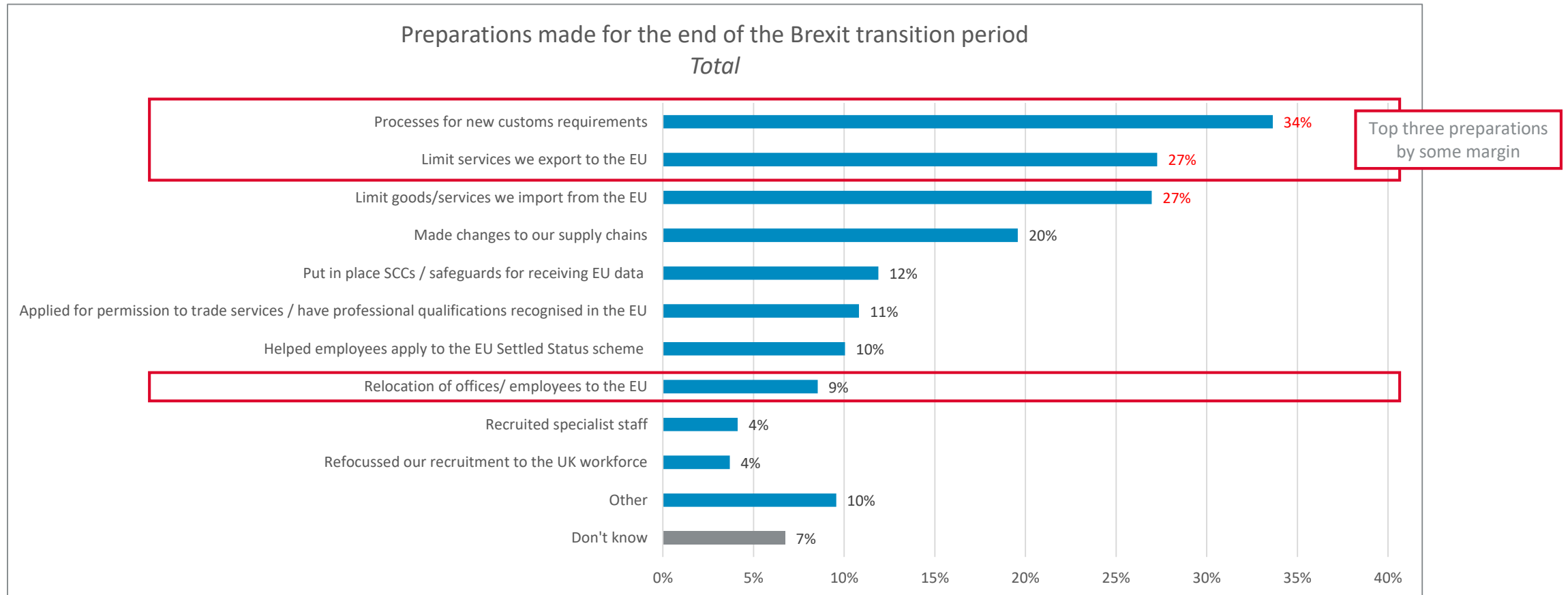
Did you make any preparations for operating after the end of the Brexit transition period?



Q: Did your organisation make any arrangements or plans to prepare for operating after the end of the Brexit transition period (on 1st January 2021)?
 Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145); Have traded with the EU in past 3 years (388); Have not traded with the EU in past 3 years (603); Know a lot about the trade deal (215); Know a little bit (629); Heard of but know nothing about (150); Not heard of it (18). *Caution, extremely low base (n = 18)

Of those who made preparations, a third (34%) implemented processes to comply with new customs requirements. This was the top preparation by some margin, followed by reviewing business to limit the export of services to the EU (27%), and to limit the import of goods/services from the EU (27%).

Just 1 in 10 SMEs relocated offices / employees to the EU.

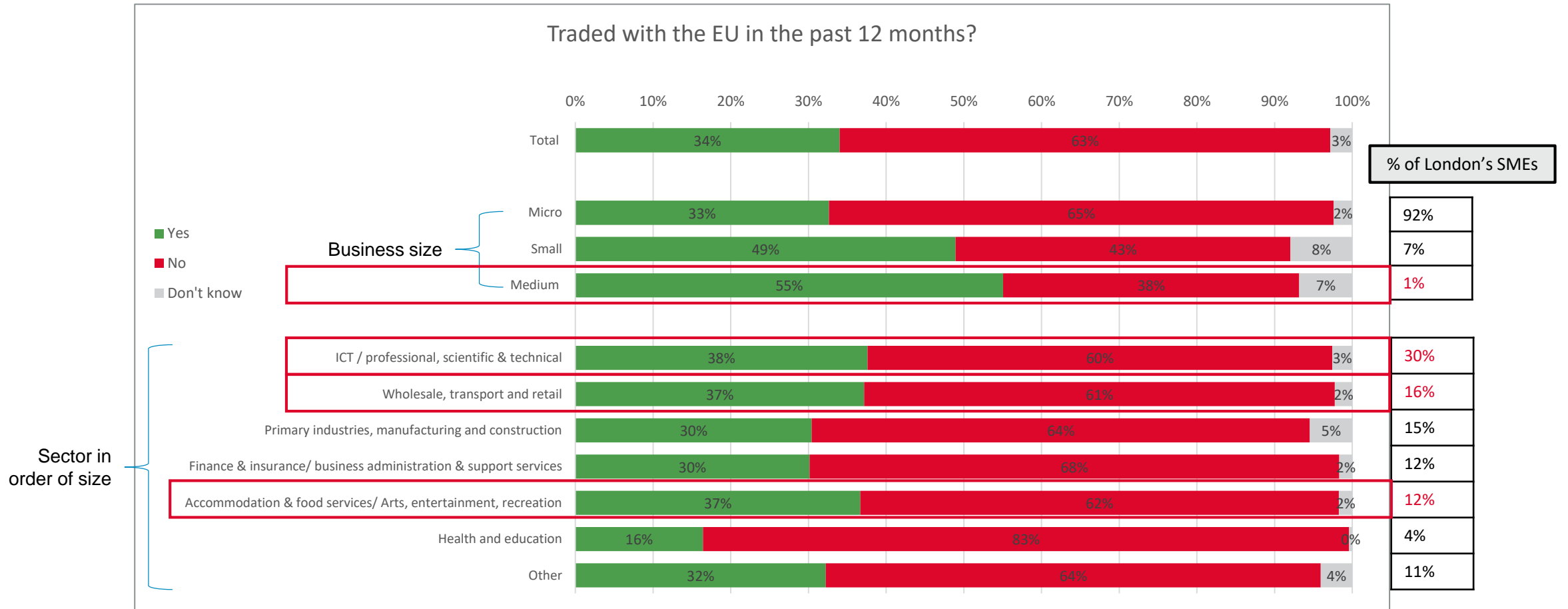


Q: You said that your business prepared for the end of the Brexit transition period. What changes did you put in place?

Unweighted base: All who stated they had made preparations for the end of the Brexit transition period (275)

Overall, a third (34%) of London's SMEs have traded with the EU in the past year. This increases to half for Small (49%) and Medium SMEs (55%).

The sectors most likely to have traded with the EU in the last year are ICT / professional services; Wholesale (these being the two largest sectors within London's SMEs); and Accommodation and food services / Arts.

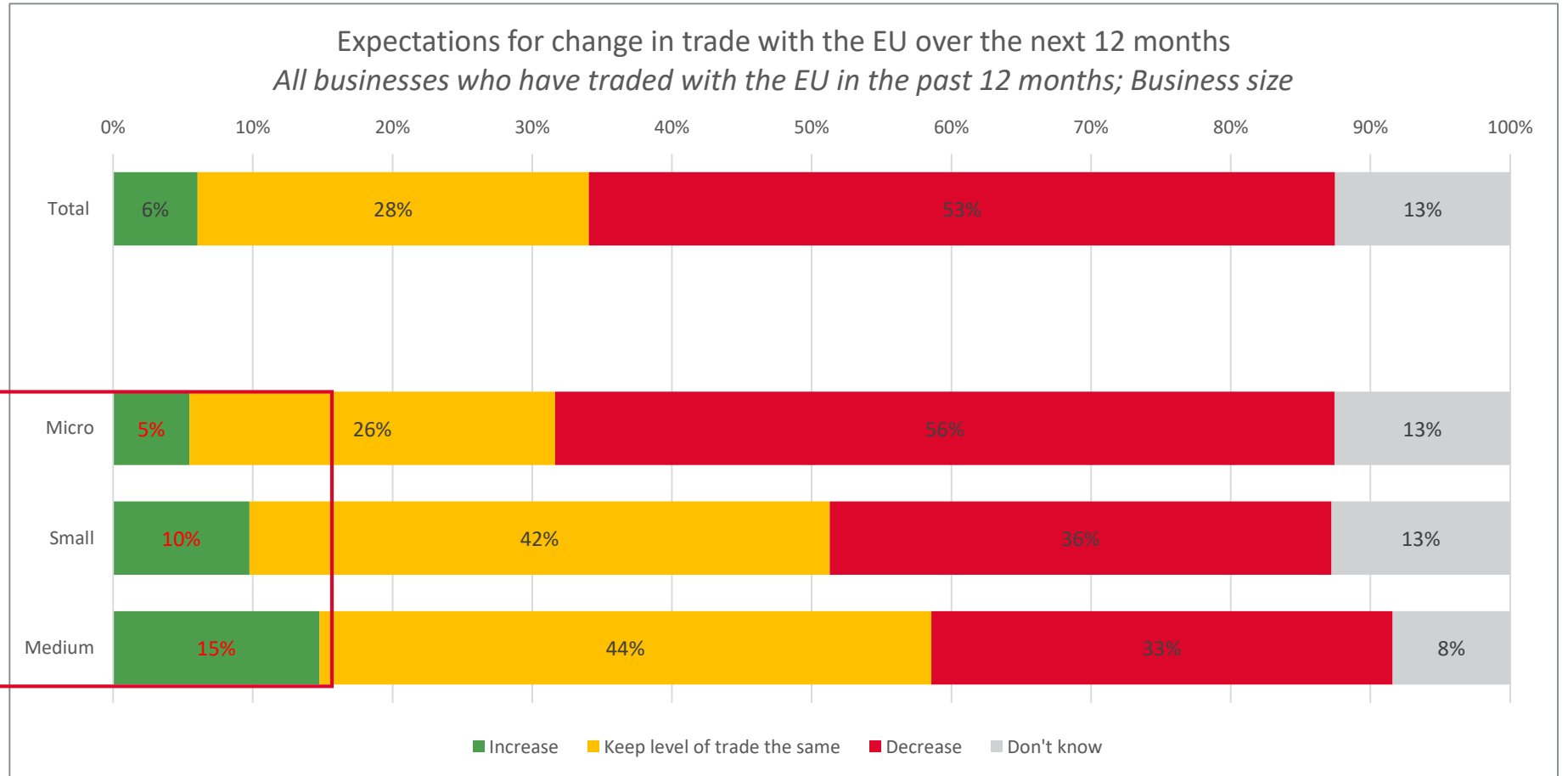


Q: In the past 12 months has your business bought or sold goods or services with countries who are member states of the European Union?

Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145); ICT (241); Wholesale (119); Primary industries (105); Finance (110); Accommodation/Arts (159); Health and education (72); Other (206)

Of those SMEs who have traded with the EU in the past year, **over half (53%) say they expect trade with the EU to decrease over the next 12 months.**

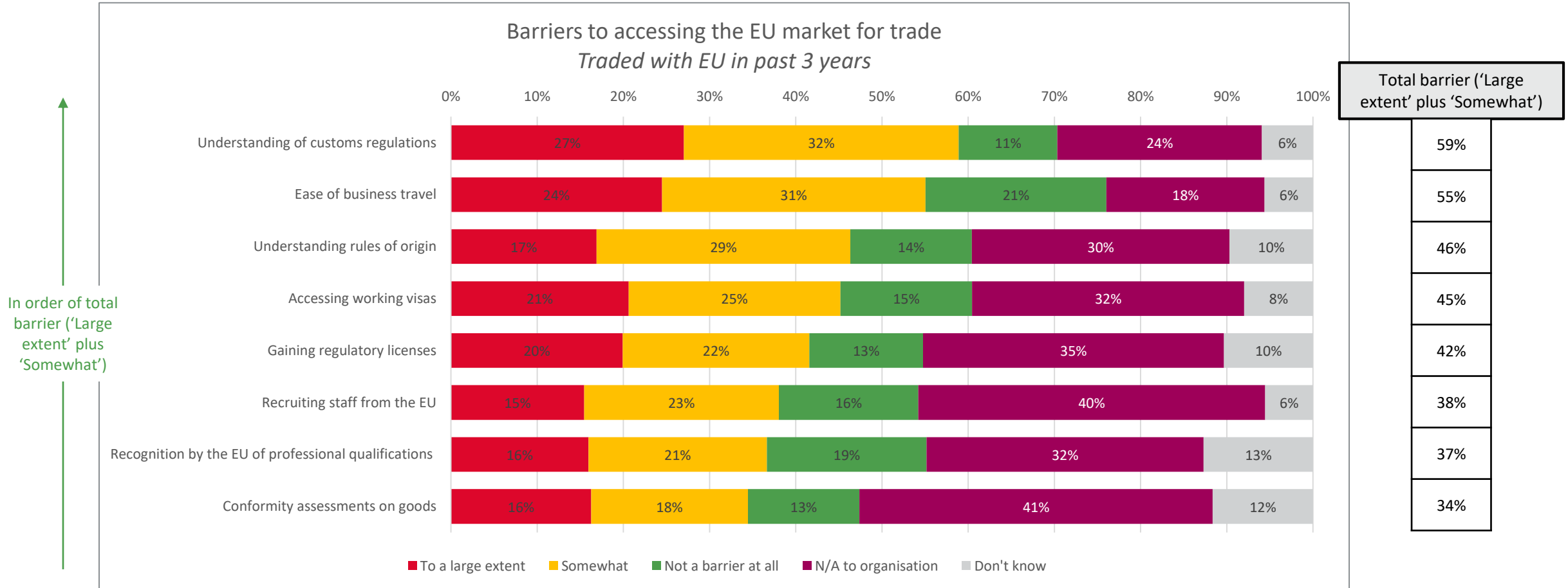
This decrease is driven by Micro businesses. Small and Medium sized businesses are less likely to say trade with the EU will decrease (36% and 33% respectively): instead, a small majority in these businesses say trade will stay the same (42% and 44% of Small and Medium SMEs respectively).



Just 5% of Micro SMEs say trade with the EU will increase in the next year. Whilst this doubles to 10% of Small SMEs, and 15% of Medium, it is **very unlikely that trade between London SMEs and the EU will increase next year.**

Understanding customs regulations is the main barrier to accessing EU markets – 59% of SMEs who have traded with the EU in the past 3 years say this poses a barrier (27% of which say ‘to a large extent’). This is closely followed by business travel (55% barrier): only 18% of SMEs say that business travel is not applicable to their organisation.

Conformity assessments on goods is least likely to pose a barrier (34%): 41% of SMEs say that business travel is not applicable to their organisation.

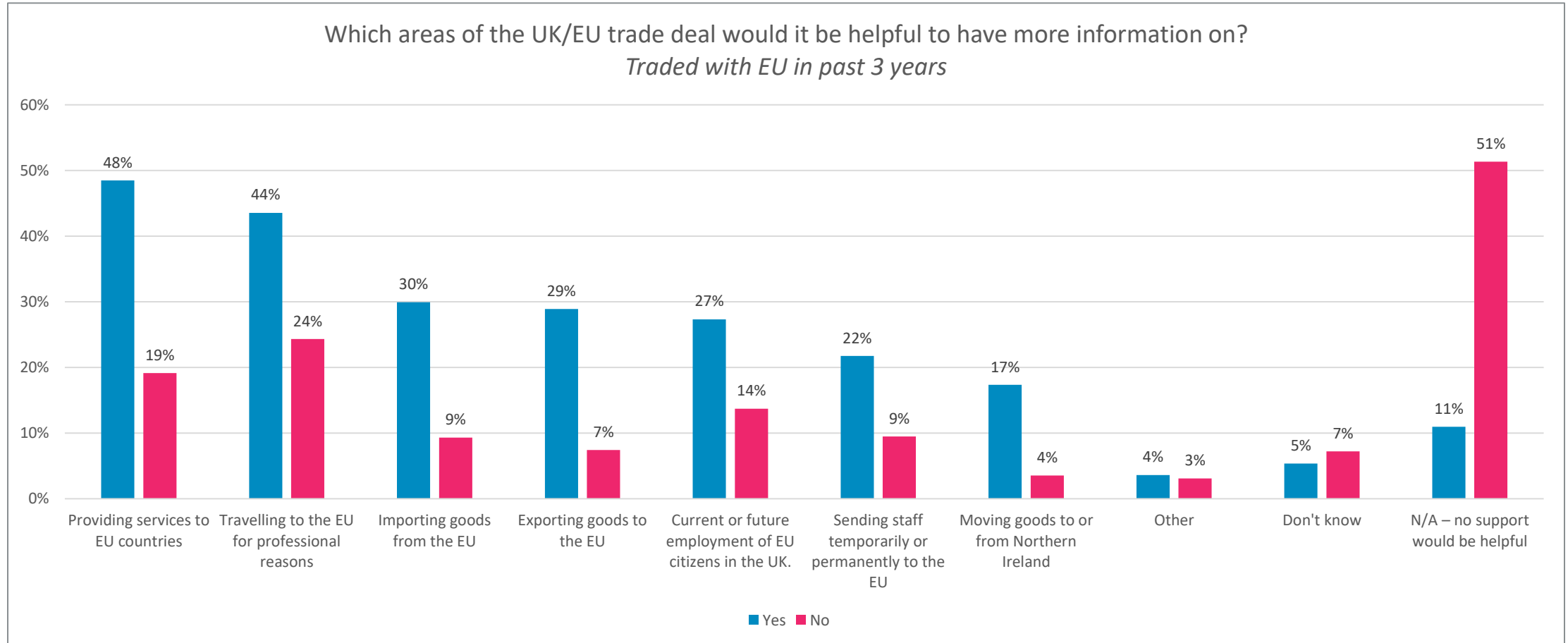


Q: Thinking about accessing the EU market for trade, to what extent do the following pose barriers to your business in doing that successfully?
Unweighted base: All businesses who have traded with the EU in past 3 years (388)

5. Supporting SMEs through the trade deal

Almost half (48%) of those who have traded with the EU in the past 3 years say it would be helpful to have support on providing services to EU countries. This is likely driven by the ICT / professional services and financial sectors: at an overall level, 39% and 35% of SMEs within these respective sectors say more information on this would be helpful.

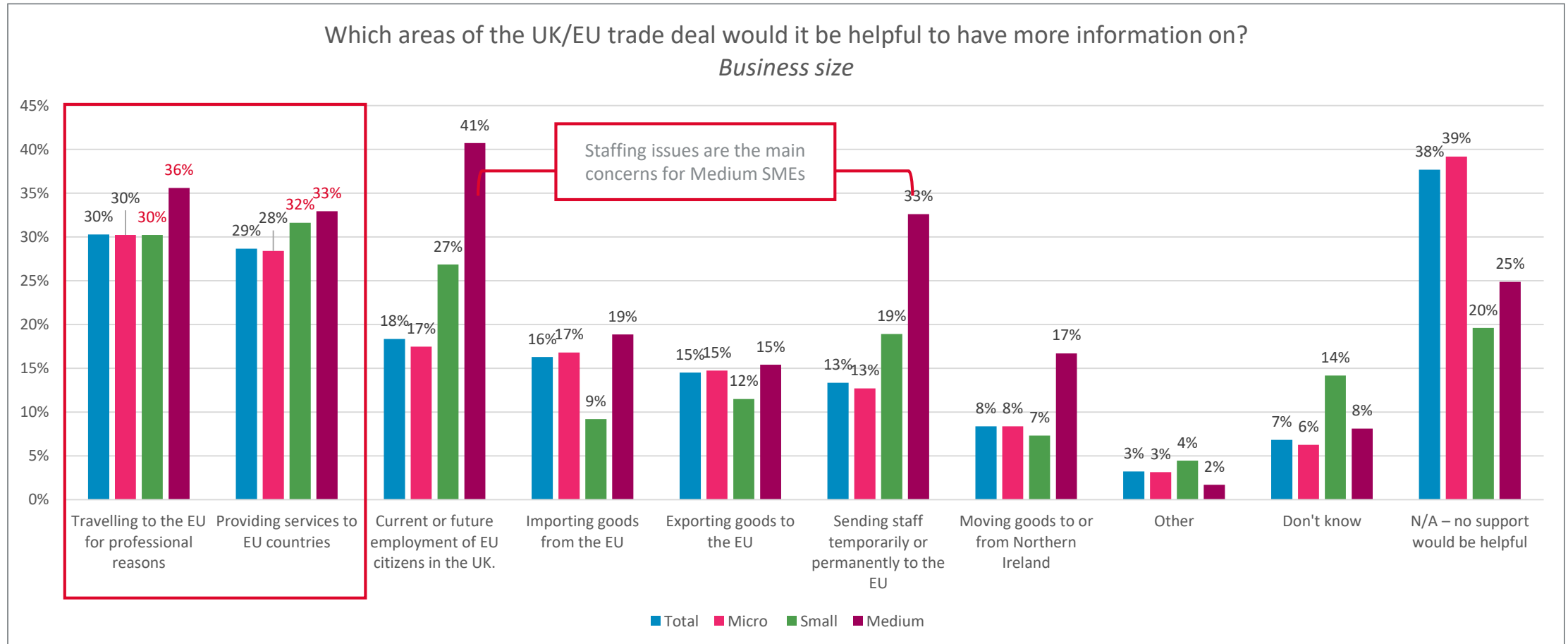
A further 44% say support around business travel would be helpful.



Q: In which of the following areas, if any, would your business find it helpful to have more information and support related to the UK's trade deal with the EU?
 Unweighted base: Have traded with the EU in past 3 years (388); Have not traded with the EU in past 3 years (603).

At an overall level, 38% of SMEs say no support around the trade deal would be helpful – presumably because they are not planning on trading with the EU.

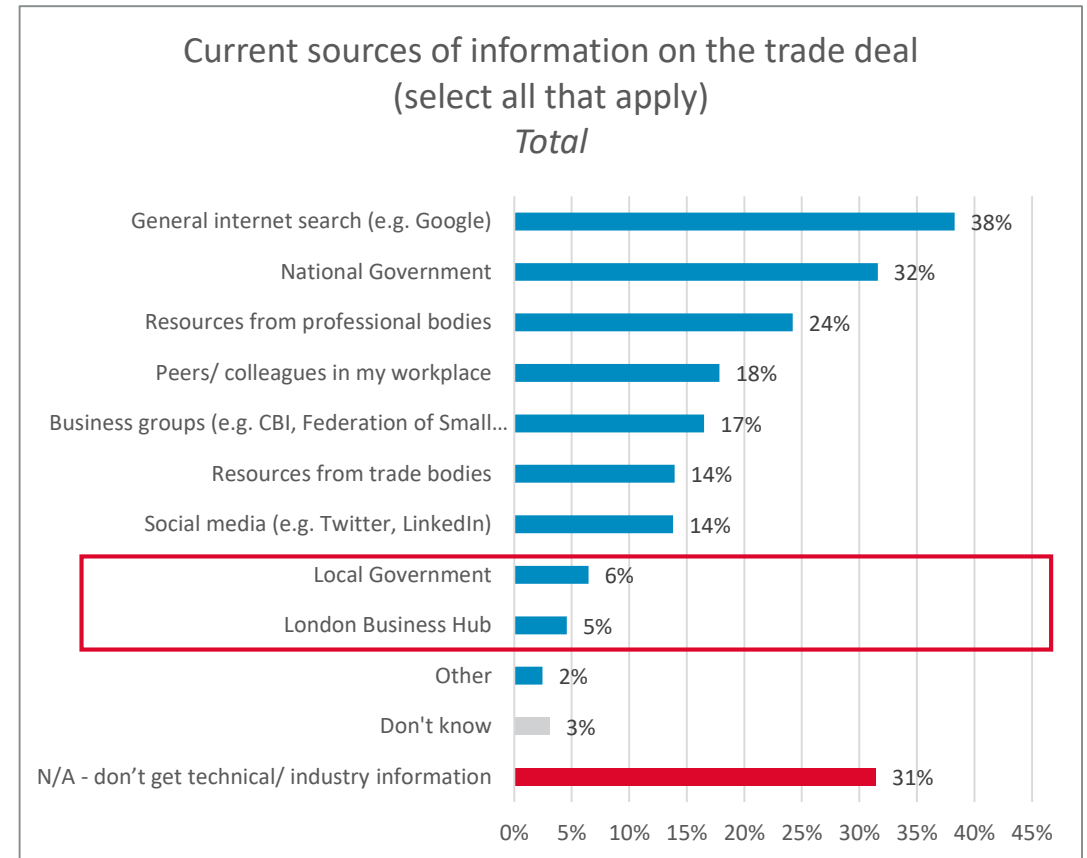
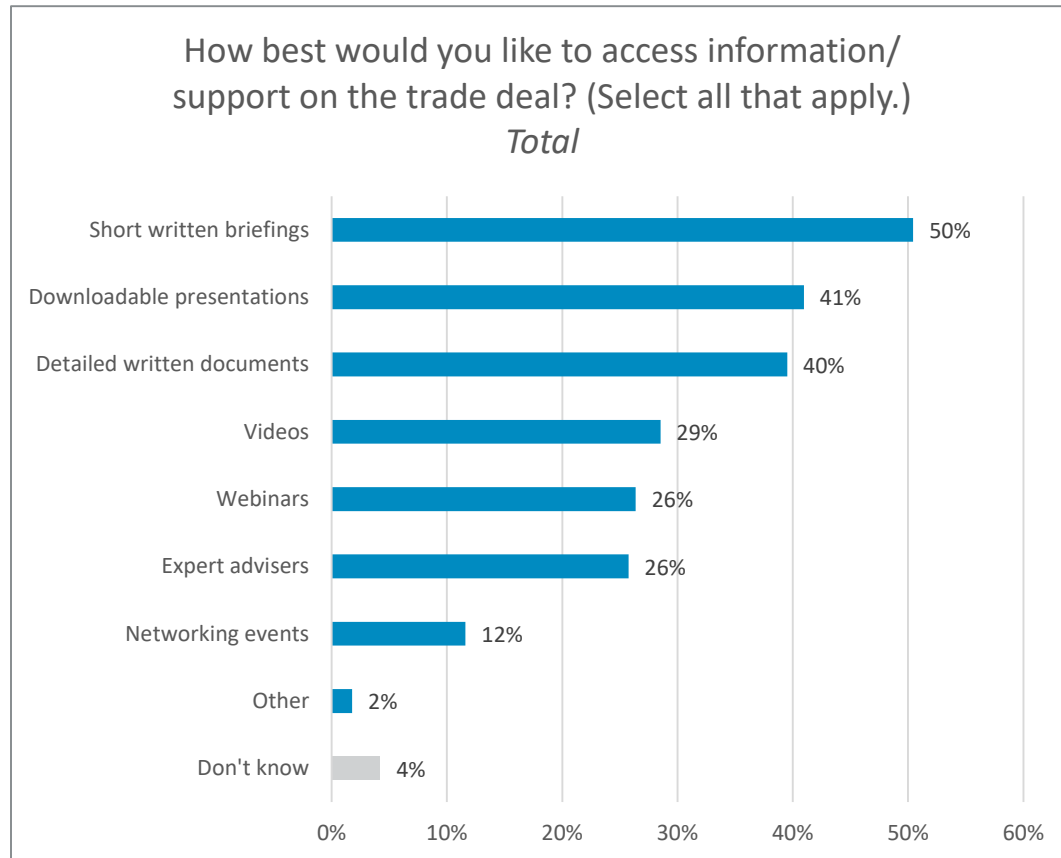
This is driven by Micro businesses – **Small and Medium SMEs are more likely to require support.** Medium SMEs require support around staffing issues. Both Small and Medium SMEs require support around business travel, and providing services to EU countries.



Q: In which of the following areas, if any, would your business find it helpful to have more information and support related to the UK's trade deal with the EU?
Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145)

The most popular formats for receiving info / support on the trade deal are those which allow SMEs to digest the information in their own time – such as short written briefings (chosen by half of SMEs), downloadable presentations (41%) and detailed written documents (40%).

38% of SMEs use Google to get information on the trade deal, with a third (32%) going to national government. Local government and the London Business Hub are little used sources, at 6% and 5% respectively.



Q: Thinking about accessing information and support to help you understand the UK's new trade deal with the EU, how best would you like to receive that information and/or support?

Q: Thinking about any information you or your business might need on the UK's trade deal with the EU. From which, if any, of the following are you getting information from?

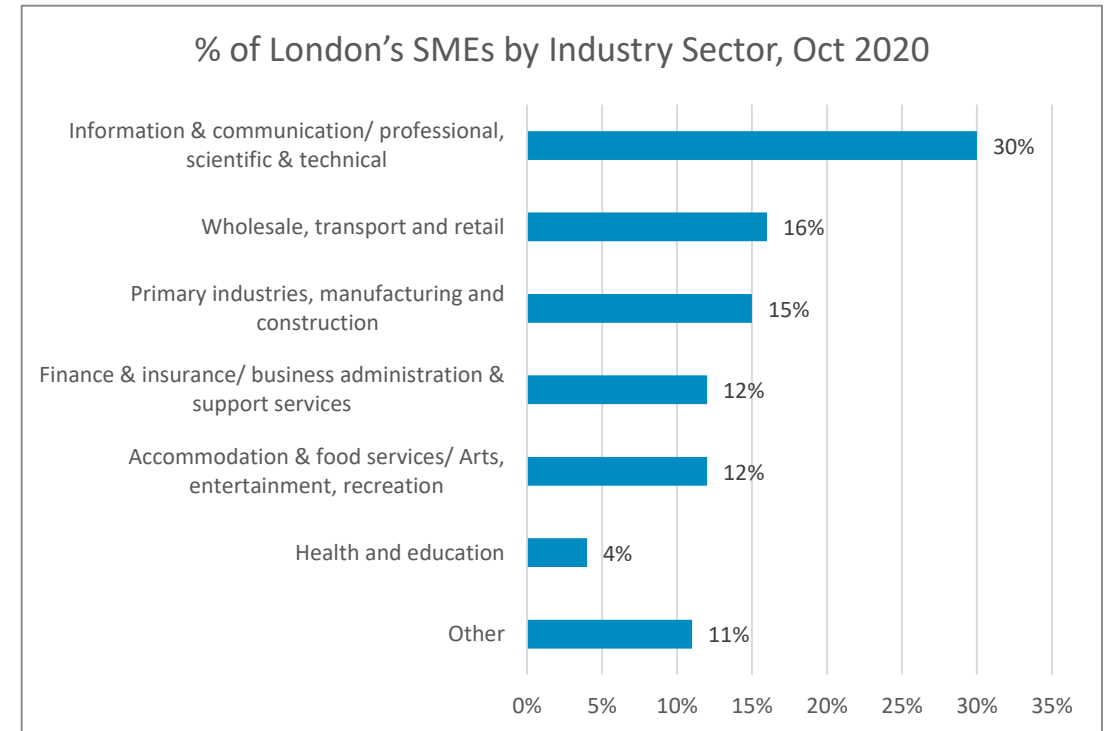
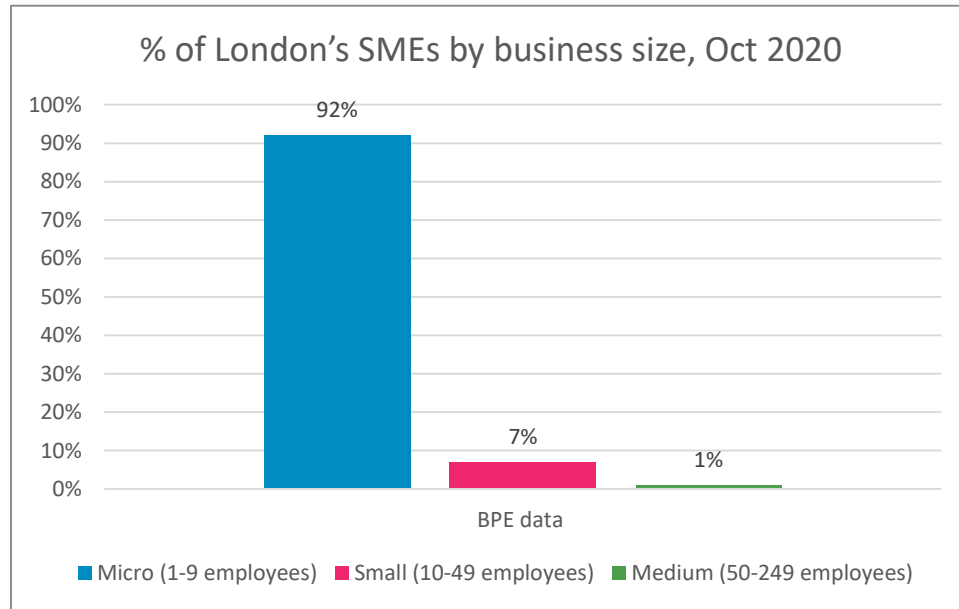
Unweighted base: All businesses (1,012)



Appendix

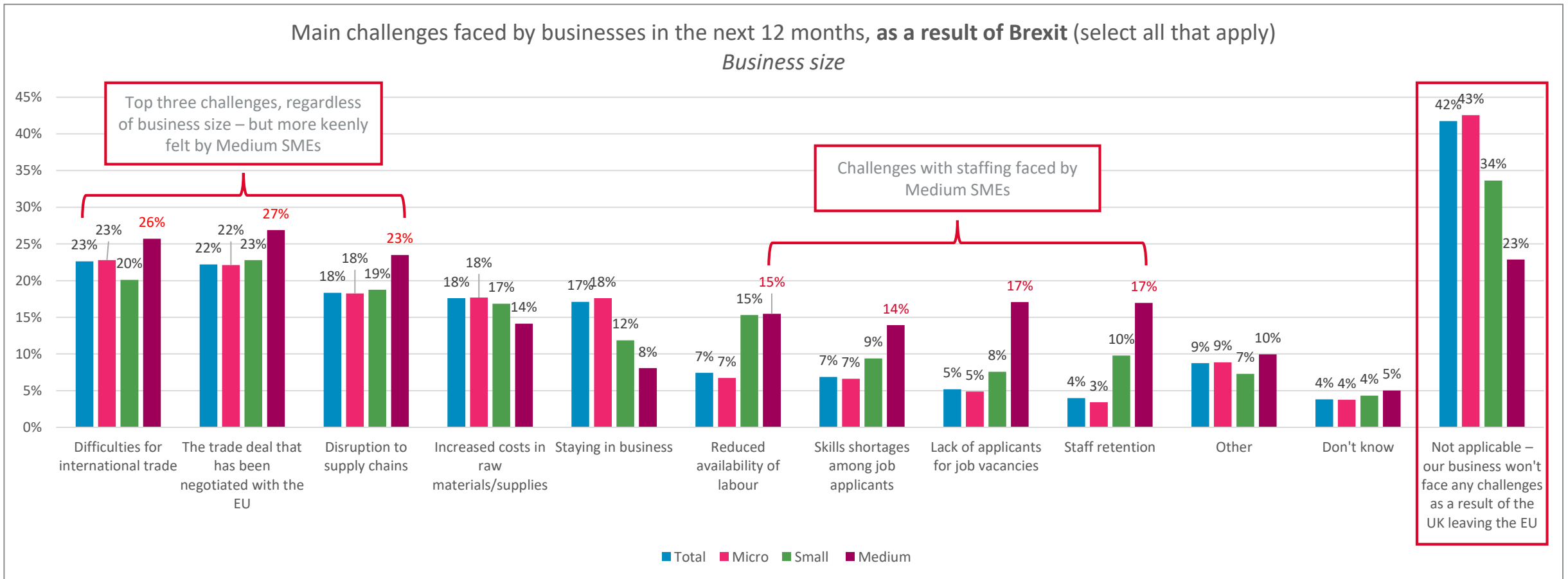
London's business landscape: BPE data

These charts show London's SMEs broken down by size and by sector. **The survey sample has been weighted to this data.**



There are distinct differences by size: whilst 43% of Micro SMEs say their business will be unaffected by Brexit, this drops to 34% of Small and just 23% of Medium businesses.

The top three challenges faced by businesses as a result of Brexit are the same, regardless of business size. However, medium businesses feel these challenges much more keenly. 27% of Medium business say the trade deal poses a challenge, 26% say difficulties with international trade, and 23% disruption due to supply chains. **Medium SMEs are also much more likely than Micro or Small businesses to face challenges with staffing due to Brexit.**



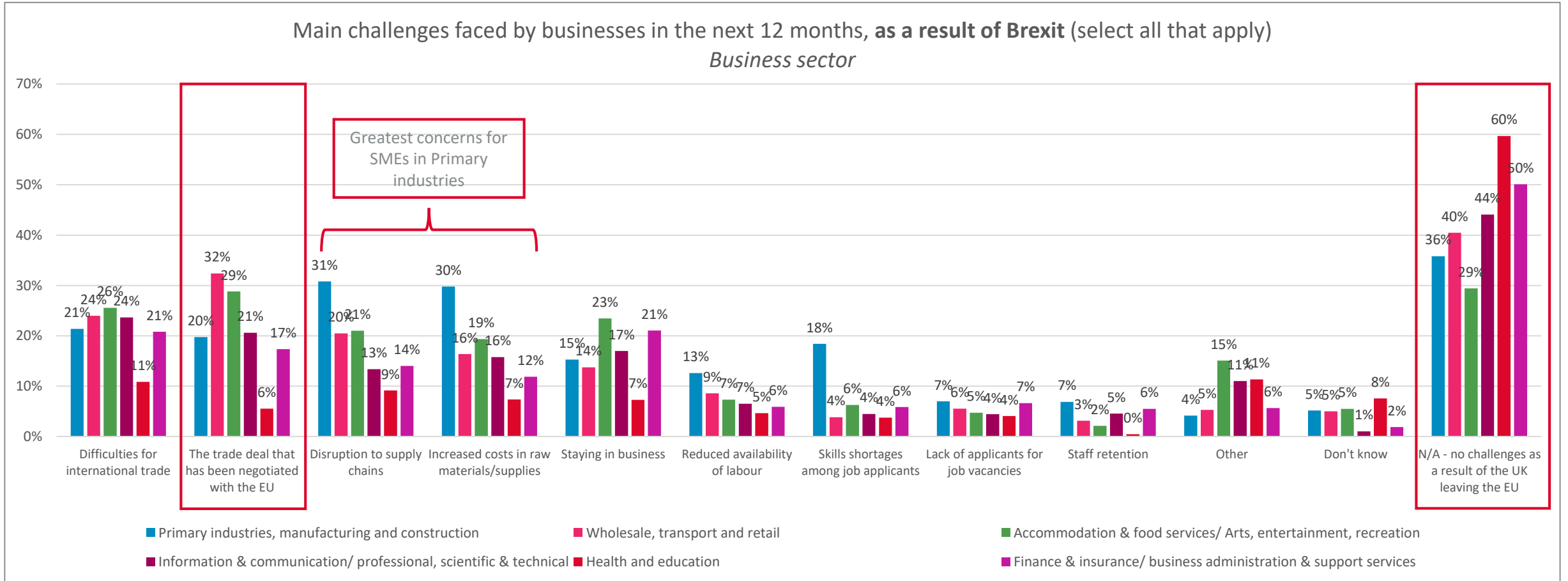
Q: Thinking specifically about the UK leaving the EU, what, if anything, do you perceive as the main challenges that your business faces as a result of that in the next twelve months?

(Please select all that apply)

Unweighted base: All businesses (1,012); Micro (655); Small (212); Medium (145)

Challenges vary more by sector than by business size. Accommodation and food services / Arts and Primary industries are the *least* likely to say they will not face any challenges from Brexit, at 29% and 36% respectively. Wholesale and Accommodation and food services / Arts are the sectors most likely to say they will face challenges *resulting from the trade deal* – 32% and 29% of businesses in these respective sectors say this, vs. 22% average.

The concerns for SMEs within primary industries differ significantly to other sectors. These businesses comprise 15% of London’s SMEs. Their greatest concerns are disruption to supply chains (31% concerned); and increased costs in supplies (30%). They are also more significantly more concerned than other sectors about skills shortages (18% concerned, vs. 7% average) and labour availability (13% vs. 7% average).



Q: Thinking specifically about the UK leaving the EU, what, if anything, do you perceive as the main challenges that your business faces as a result of that in the next twelve months? (Please select all that apply)

Unweighted base: All businesses (1,012); Primary industries (105); Wholesale (119); Accommodation/Arts (159); ICT (241); Health and education (72); Finance (110)

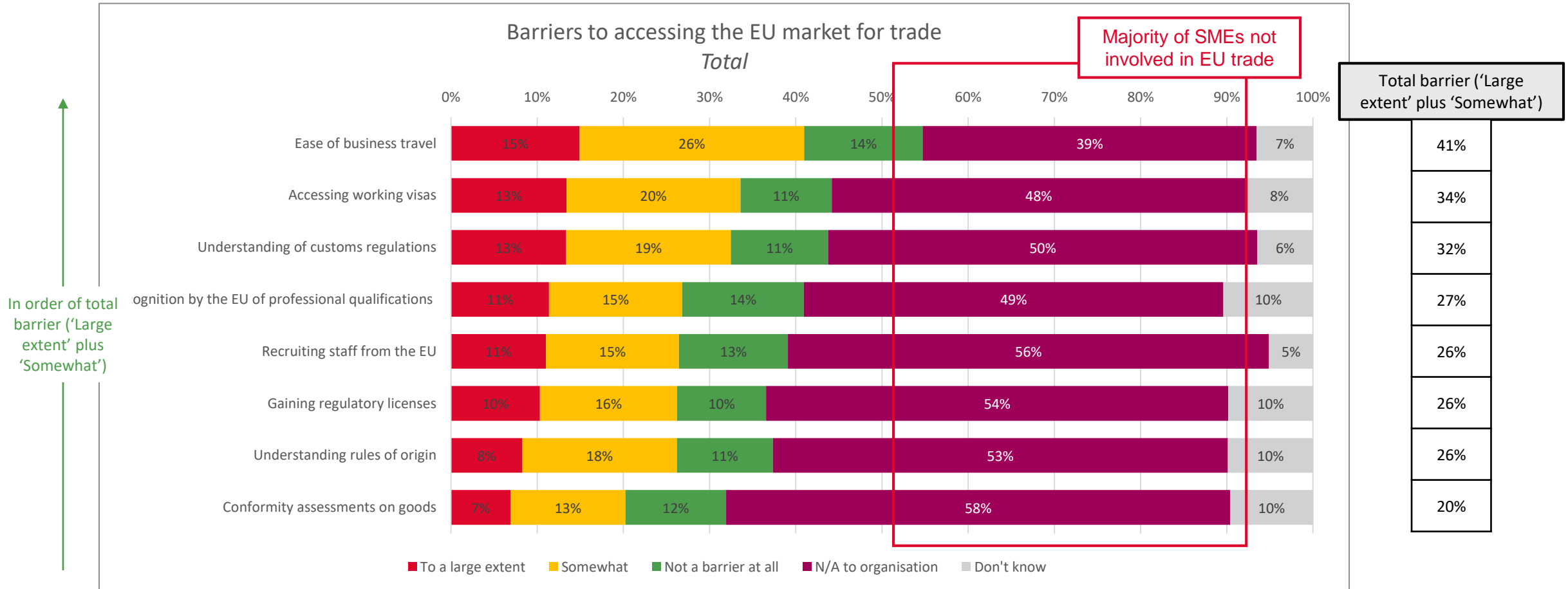
By sector: For all sectors, the negative impact of Brexit is greater in every business area than the positive impact (especially in the case Business growth).

However, the majority of sectors say Brexit will have 'no impact' in each of the business areas.

- **The most negatively impacted sector overall is Accommodation & food services/ Arts, entertainment, recreation**
 - Over half of SMEs in this sector say Brexit will have a negative impact on Sales (55% vs. 41% average); Business growth (53% vs. 42% average); and Revenue (52% vs. 41% average)
 - 47% say Brexit will have a negative impact on the supply of goods/services (38% average). 48% of SMEs in the Wholesale sector also say this
- **Primary industries is the most positive sector.** The greatest differences are seen in predictions for Business growth and Sales
 - 22% of SMEs in this sector say that Brexit will have a positive impact on Business growth (vs. 11% average); 36% negative (42% average)
 - 19% of SMEs in this sector say that Brexit will have a positive impact on Sales (vs. 9% average); 26% negative (41% average)

Ease of business travel is considered the main barrier to accessing the EU market for trade (41% of SMEs consider this a barrier, either to a large extent or somewhat – but 39% say it is not applicable to their organisation).

At an overall level, the majority of SMEs are likely to say barriers are not applicable to their business – underscoring the fact that only 34% of London’s SMEs have traded with the EU in the last 12 months

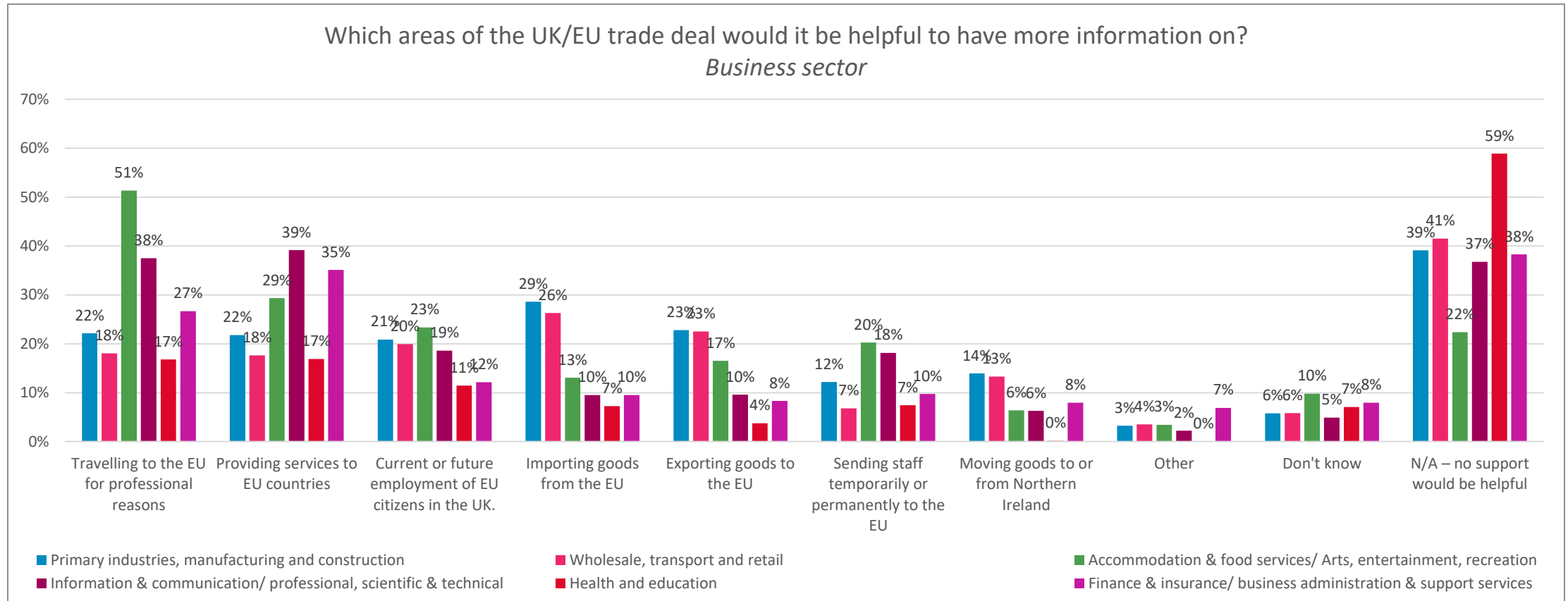


Q: Thinking about accessing the EU market for trade, to what extent do the following pose barriers to your business in doing that successfully?
 Unweighted base: All businesses (1,012)

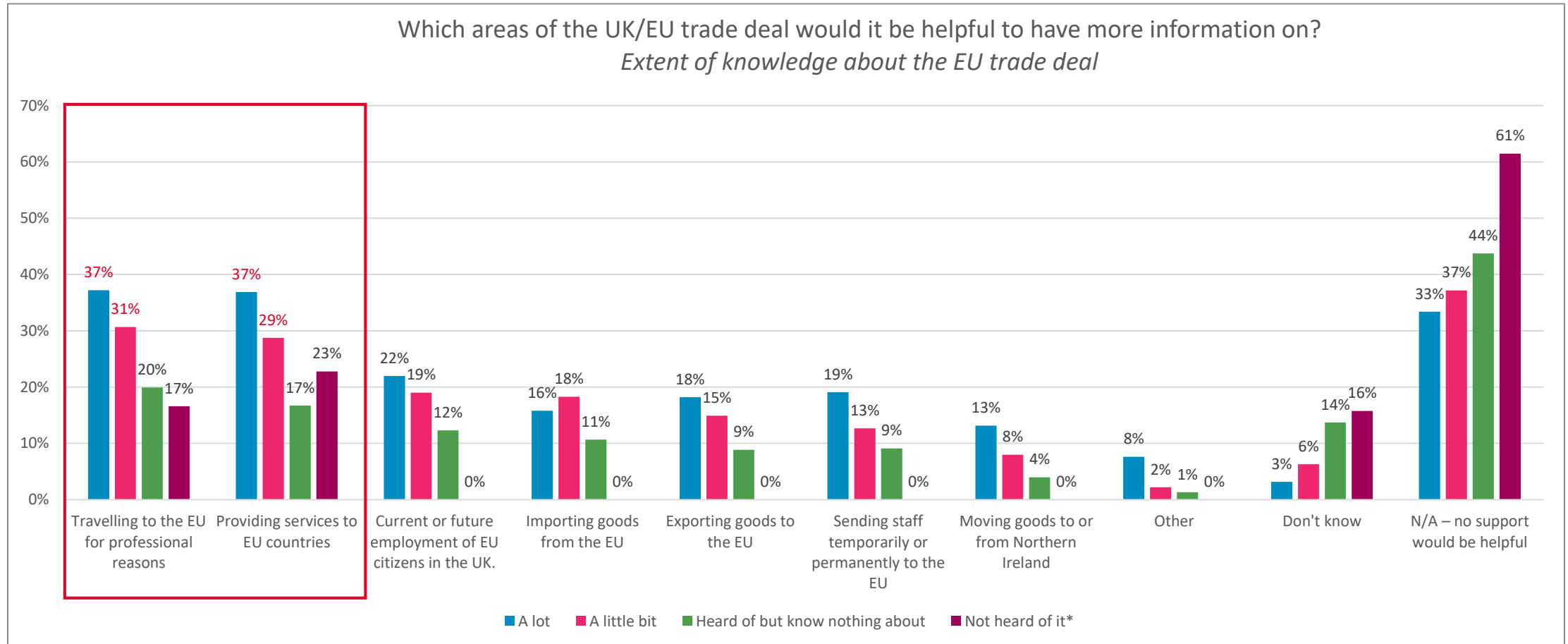
The areas where support would be most appreciated differ by sector. Half of SMEs in the Accommodation and food services / Arts sector – the most negatively impacted sector – say more support on business travel would be helpful.

SMEs in ICT and professional services – London largest sector (30% of all SMEs) – say information on providing services to the EU (39%) and business travel (38%) would be helpful. Similarly, 35% of Finance / business admin SMEs say information on providing services would be helpful

Primary industries top two areas in need of support are importing (29%) and exporting (23%) goods from/to the EU.



Those who know 'a lot' and 'a little bit' about the EU trade deal agree that the top two areas requiring support are business travel and providing services to EU countries.





Impact of Brexit and the Trade Deal on London's SMEs: survey results

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For more information please contact Helen Moore, GLA Intelligence
Greater London Authority, City Hall, The Queen's Walk, More London, London SE1 2AA
e-mail: helen.moore@london.gov.uk

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