



Coronavirus and the Brexit transition period

Are businesses prepared for what comes next?

Results and analysis of a survey of more than 1,000 business owners conducted between 12th May 2020 and 25th May 2020

Contents	2
Overview	3
Introduction	4
Economic Impact	5
Coronavirus and lockdown	5
Attitudes To The Future	6
Covid-19 and Brexit Double-Impact	9
Regional Impact	10
Regional Survey Results	12
Business Preparedness	13
Survey Results on Preparedness	15
Preparedness by Sector	16
Support For An Extension	22
What the public think	23
About Best for Britain's Business Survey	24

- **Key Findings**

- 77% of business owners support an indefinite extension to the transition period
- 72% think the Government will simply fail to get any kind of deal with the EU
- More than 90% of respondents feel the Government is handling negotiations with the EU badly
- 86% are concerned for the financial position of their business if the UK leaves transition without a deal during the coronavirus crisis
- 28% say they expect to survive Covid-19 but that no deal at the end of the year will put them at risk

We surveyed 1,098 business owners. A breakdown of survey respondents is included as an appendix entitled "Best for Britain's Business Survey"

Businesses, business groups and the public are clearly worried about the prospect of a No-Deal Christmas. Continued Brexit uncertainty, with very little time to prepare at a time of huge and potentially global recession, could hit British firms hardest.

What businesses and employees need is an approach based on facts and not ideology. What the UK needs is more time to manage the effects of global pandemic on our economy and society; to negotiate the best trading terms with our closest neighbours; and to give businesses the tools, advice and time they need to prepare.

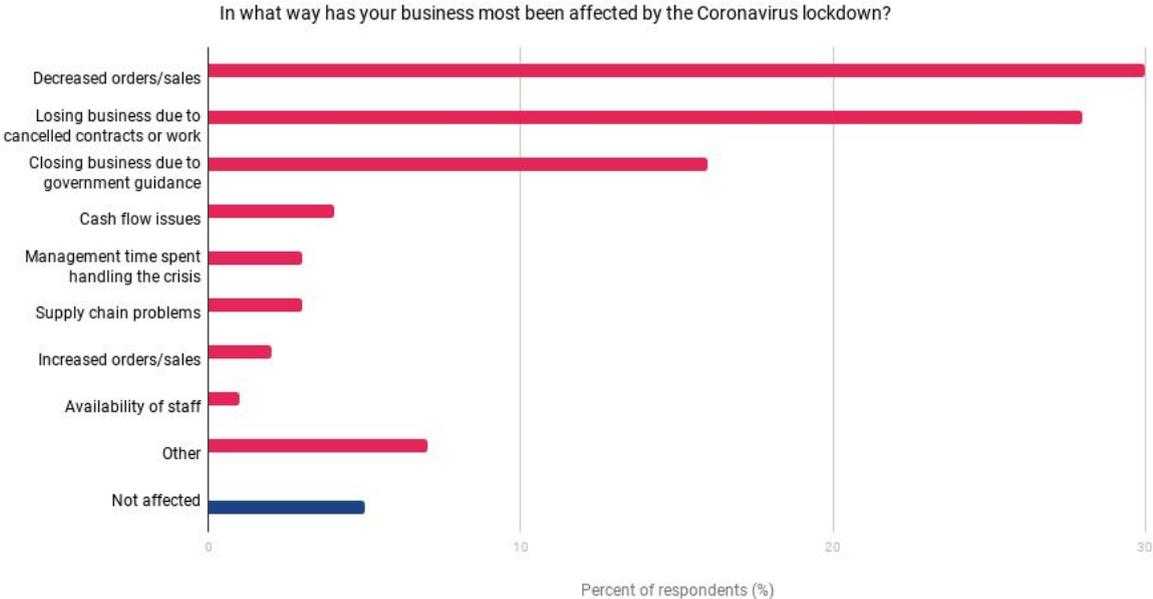
We surveyed more than 1,000 UK businesses to find out what their experience of lockdown has been, how they expect to recover in the coming months and their thoughts and feelings on trade negotiations with the EU and ending the transition period.

The majority of respondents tell us their businesses have already been affected by lockdown and they are deeply concerned by uncertainty about what comes next. A clear majority of respondents tell us ending transition at the end of the year without a proper trade deal or time to adjust will severely impact them. There is a clear need, and support, for an extension of the transition period.

Coronavirus and lockdown

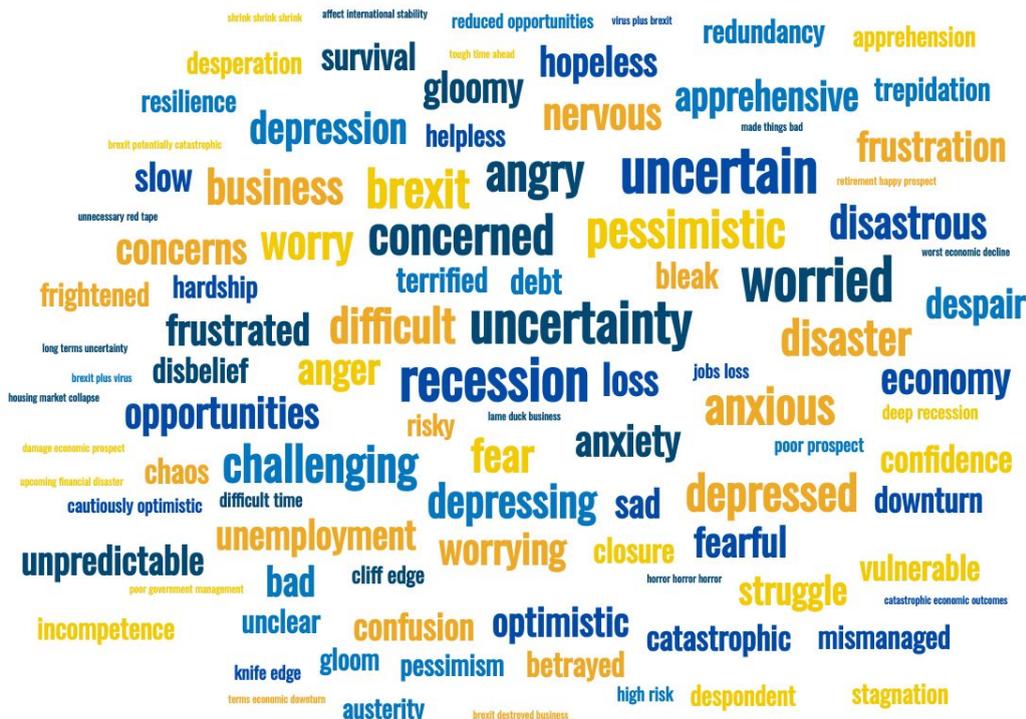
On 23rd March 2020, the UK Government imposed emergency measures to prevent the spread of the coronavirus, including the closure of schools, universities, restaurants, pubs, leisure facilities and many other non-essential businesses, and instructed most people to “stay at home”.

The lockdown caused immediate disruption to economic and business activity, both on the supply side, with businesses forced to close their doors, and on the demand side, with consumers and businesses restricted in their spending options. While the Government's emergency fiscal policies – in particular statutory sick pay, the Coronavirus Job Retention Scheme and self-employment support – may have offset some of the immediate impact, the speed and pattern of recovery for businesses remains uncertain.



Attitudes To The Future

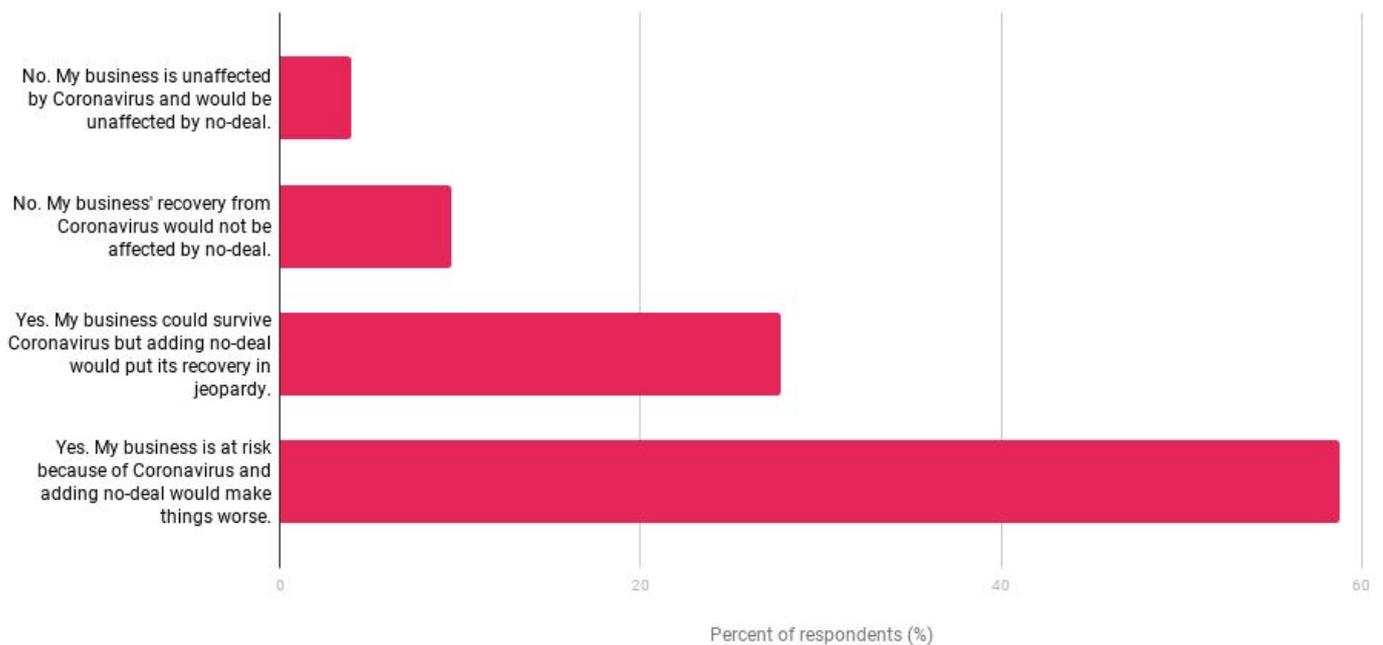
- **80%** of respondents tell us their business has **already been affected** by coronavirus and the lockdown. A further 13% expect their business to be affected by the pandemic at some point in the future.
- Respondents use the words **'uncertain'** or **'uncertainty'** a total of 147 times, making it the most frequent descriptor. The next most frequently used words are **'worried'** (72 instances) **'recession'** (69), **'depressed/depressing'** (55), **'concerned'** (42), **'pessimistic'** (39), **'angry'** (39) **'anxious'** (36).
- It is notable and alarming that many of these descriptors link negative economic effects directly to negative mental wellbeing and health.



Source: Wordcloud generated from most frequently used words and phrases in answer to the survey question "What five words best describe your feelings about the economy and your business going into next year?"

- Only 4% of respondents think the Government will manage to agree a deal that would be good for business.
- 72% think the Government will simply fail to get any kind of deal with the EU.
- More than 90% of respondents feel the Government is handling negotiations with the EU badly.
- Only 11% of respondents tell us that, before coronavirus hit, their businesses were totally prepared for Brexit; 88% say their businesses were either not at all prepared or only somewhat prepared.

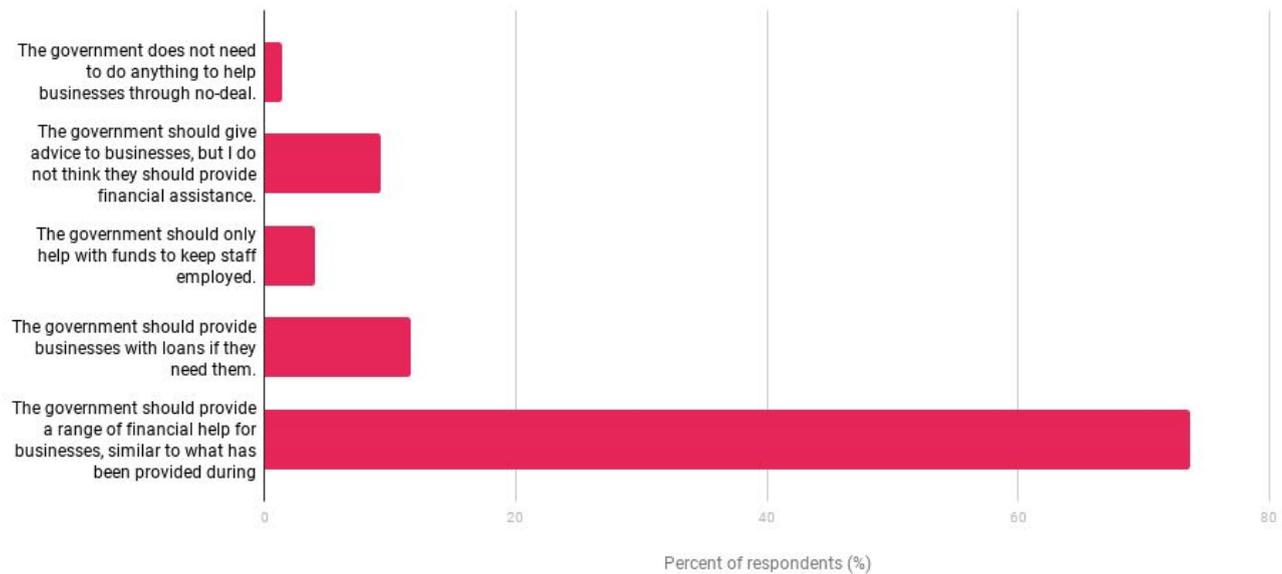
Do you have concerns about your financial position if a no-deal Brexit in December 2020 was added to the impact of Coronavirus?



Source: Best for Britain survey

- Only 13% of respondents are unconcerned for their financial position if the Government fails to get a deal with the EU during the coronavirus pandemic. These businesses are either unaffected by impacts caused by the pandemic (4%), or their recovery from the pandemic will be unaffected by a No-Deal Brexit (10%).
- 86% are concerned for the financial position of their business if the UK leaves transition without a deal during the coronavirus crisis.

What sort of help do you think the UK government should provide to businesses if they are adversely affected by a no-deal end to the transition period on 31st December?



Source: Best for Britain survey

- 89% think the Government should provide businesses with financial support to help them survive a No-Deal end to the transition period.
- 74% say the Government should treat a No-Deal end to transition as being just as threatening to businesses and the economy as coronavirus, and provide a full range of financial help to businesses.

Covid-19 and Brexit Double-Impact

- A recent [economic study by the Social Market Foundation for Best for Britain](#) finds several UK industries will be severely exposed by the double economic hit of coronavirus and Brexit, if the UK fails to secure a trade deal with the EU at the end of the transition period¹. The assessment finds manufacturing, insurance, banking and finance will be the most exposed sectors to a No-Deal exit.

	FTA Impact	WTO
Ag & Fishing	Mild	Mild(+)
Energy & Water	Mild	Mild
Manufacturing	Medium	Severe
Construction	Mild	Mild
Distribution, Hotels & Restaurants	Medium	Medium
Transport & Communication	Mild	Mild
Banking, Finance & Insurance	Medium	Severe
Public Admin, Health, Education	Medium	Medium
Other Services	Medium	Medium

Source: SMF analysis, based on data from HM government and other various sources we created an industry impact from either an FTA or WTO scenario.

- The report assesses regional and sectoral impact on the UK economy in 2021 and 2022 for each of the following scenarios: the Government's preferred FTA and a No-Deal exit on WTO terms. It then combines each of these assessed impacts with the impact of coronavirus, to analyse which areas of the country are likely to face a double hit in the medium-term, looking at both GVA and jobs.

¹ 'Assessing the Economic Implications of coronavirus and Brexit', Social Market Foundation, May 2020, <https://www.bestforbritain.org/impactassessment>

- Regions will be impacted differently by the double economic hit, depending on their industrial make-up. The highest impact is felt if the UK fails to secure a deal with the EU. In this scenario, while London and the East of England will be badly affected, the North West, West Midlands and East of England are likely to face the most severe double impact. This is due to these areas having a substantial proportion of their GVA coming from sectors likely to be severely impacted under coronavirus.

Table 15: List of areas in Q5 of coronavirus and WTO analysis with more than 50% of GVA from manufacturing, finance, banking, insurance etc.

Local areas (NUTS 3)	Region	GVA from manufacturing and finance, banking, insurance etc.
Camden and City of London	London	71%
Tower Hamlets	London	68%
Cheshire East	North West	62%
East Surrey	South East	56%
Swindon	South West	56%
Solihull	West Midlands	55%
Cheshire West and Chester	North West	55%
Telford and Wrekin	West Midlands	53%
East Lancashire	North West	53%
West Cumbria	North West	52%
City of Edinburgh	Scotland	51%
West Kent	South East	50%
Bromley	London	50%

Source: SMF analysis

- Based on the same weighted industrial impact rankings, SMF created quintiles of job composition rather than GVA. There are 66 areas in the top quintile (5) which represents the highest concentration of jobs in what SMF deems to be the most severely impacted under WTO terms and coronavirus.

- The vast majority (95%) of local areas in London are in quintile 4 & 5 for high impact.
- Half (50%) of areas in the North West are also in quintile 5 and a further 40% are in quintile 4.
- One sixth (11 out of 66) of the areas have more than a third of their labour market in either manufacturing or finance, banking and insurance, the sectors deemed most at risk in a No-Deal scenario.
- Across the 66 areas, a total of 3.9million people are employed in these 2 industries. Four of the 66 areas have more than 100,000 jobs in these sectors.

Regional Impact: Coronavirus & FTA

	FTA JOBS					
	SMF Quintile					
	1	2	3	4	5	4 & 5
North East (England)	86%	14%	0%	0%	0%	0.0%
North West (England)	35%	50%	15%	0%	0%	0.0%
Yorkshire and The Humber	45%	36%	18%	0%	0%	0.0%
East Midlands (England)	36%	55%	9%	0%	0%	0.0%
West Midlands (England)	43%	57%	0%	0%	0%	0.0%
East of England	13%	44%	44%	0%	0%	0.0%
London	0%	5%	62%	24%	10%	33.3%
South East (England)	19%	52%	29%	0%	0%	0.0%
South West (England)	42%	42%	17%	0%	0%	0.0%
Wales	67%	25%	8%	0%	0%	0.0%
Scotland	70%	26%	4%	0%	0%	0.0%

Regional Impact: Coronavirus & WTO

	WTO JOBS					
	SMF Quintile					
	1	2	3	4	5	4 & 5
North East (England)	0%	0%	57%	43%	0%	42.9%
North West (England)	0%	0%	25%	35%	40%	75.0%
Yorkshire and The Humber	0%	0%	18%	55%	27%	81.8%
East Midlands (England)	0%	0%	9%	55%	36%	90.9%
West Midlands (England)	0%	0%	7%	71%	21%	92.9%
East of England	0%	0%	0%	38%	63%	100.0%
London	0%	0%	0%	5%	95%	100.0%
South East (England)	0%	0%	14%	48%	38%	85.7%
South West (England)	0%	0%	25%	42%	33%	75.0%
Wales	17%	8%	25%	25%	25%	50.0%
Scotland	9%	17%	39%	22%	13%	34.8%

Regional Survey Results

What do our survey respondents from the regions expected to be worst affected have to say?

- **North West**

- 81% support indefinite extension
- 63% say their business is at risk because of coronavirus and adding No-Deal would make things worse
- 23% say their business could survive coronavirus but the double whammy would put them at risk
- 82% say their business has already been affected by coronavirus

- **West Midlands**

- 64% support indefinite extension
- 45% say their business is at risk because of coronavirus and adding No-Deal would make things worse
- 40% say their business could survive coronavirus but the double whammy would put them at risk
- 82% say their business has already been affected by coronavirus

- **East of England**

- 78% support indefinite extension
- 56% say their business is at risk because of coronavirus and adding No-Deal would make things worse
- 33% say their business could survive coronavirus but the double whammy would put them at risk
- 71% say their business has already been affected by coronavirus

- For businesses, especially SMEs, the transition period² was intended to be used to prepare for the UK's departure from the EU, and to understand what new Customs procedures and product standards would mean for their specific circumstances. However, Covid-19 has meant the transition period is being wasted. Firms are preoccupied with the unprecedented pandemic challenges.
- More than 88% of survey respondents say they are not fully prepared for a No-Deal scenario at the end of 2020.
- A number of UK business and trade organisations have spoken out about the readiness of businesses to leave the transition period on the 31st December 2020, and our survey raises questions about the adequacy of Government guidance on how to prepare for new rules and regulations.

² The transition period, agreed in the UK-EU Withdrawal Agreement, is the period which allows the UK to continue its current relationship with the EU while the future trading relationship is negotiated.

Commenting on the publication of the UK Global Tariff that will apply to imported goods from 1 January 2021, **British Chambers of Commerce** Director General Adam Marshall said:

"The publication of the UK Global Tariff provides welcome clarity for businesses as they prepare for life outside of the EU.

"While the new tariff regime will provide the Government with some leverage in future trade talks, it also demonstrates the importance of reaching a UK-EU agreement to avoid substantial increases in costs for businesses on both sides of the Channel.

"With any tariff changes, there are both winners and losers. Support will be required for the industries, places and people affected by tariff changes at what is already a difficult time."³

Northern Ireland Chamber of Commerce and Industry President Ian Henry stated:

"As businesses continue to deal with the fallout from Covid-19, arguably the biggest economic shock on record, they also face another mammoth task over the next six months – the ending of the Brexit transition period.

"With many unknowns in terms of agreeing, understanding and implementing the way in which Northern Ireland will trade with the EU and the rest of the UK in the future, all efforts must be made to avoid unnecessary risks and costs to Northern Ireland businesses and to urgently provide them with the information that they require to start planning.

"With time running out and businesses in the middle of the Covid-19 public health emergency, it seems increasingly unlikely that the transition period will be extended beyond 31 December, with only weeks left for the UK Government to make that call. The potential for 'No Deal' with the EU also remains. We urgently need answers to all of our questions and simply cannot deal with further uncertainty as we manage our way out of the Covid-19 crisis."⁴

³ BCC, '[BCC responds to publication of UK trade tariffs](#)', 19 May 2020

⁴ Northern Ireland Chamber of Commerce, '[View from the Chair: The many Brexit unknowns](#)', 2nd June 2020

Survey Results on Preparedness

- Many businesses say they have received no or inadequate advice pertinent to their business from Government guidance on changes to rules and regulations from January 2021. A business owner from the North West working in manufacturing says the advice has been **“incomplete and confusing** [...] particular problem areas are details of exporting goods to the EU and how companies will have to demonstrate compliance with EU standards when exporting to EU”.
- Others remark that Brexit and coronavirus have made the future so uncertain as to render any advice or guidance impossible. One respondent, who owns a management/consultancy business employing more than 26 staff, says: **“It's hard to prepare for something that's as big and unknown as what the Brexit deal might look like.”**
- Preparations for No-Deal, or an altered trading relationship with the EU, have understandably taken a back-seat, as businesses struggle to deal with the pandemic.
- “I increased my stock massively in preparation for a No-Deal at the end of last year as I needed to ensure we could trade for up to 12 weeks with limited deliveries,” said one SME owner, from Oxford, in the hospitality sector. But now, “we are putting our energy into planning for re-opening when the restrictions are lifted; our funds will be invested in surviving Covid.”
- Even when lockdown is lifted, those in the hospitality sector will have to completely rethink their business models and daily operations.

Preparedness by Sector

This section presents a qualitative assessment of sectoral impact, and considers how different sectors are affected by the transition period ending on 31st December 2020. We asked business owners how extending the transition period would help their business specifically. We also asked if they have received helpful advice from the Government on how to prepare for the end of the transition period.

- **Construction**

The construction industry is likely to be severely affected, with Brexit only adding to the impact. The end of freedom of movement for staff and the end of the flow of materials without tariffs are both cited as likely problem areas by respondents.

One respondent in the construction industry says: "The extension of the transition period [...] would allow everyone to prepare for the new scenario without the fear and uncertainty caused by a sudden and inconsistent change of rules."⁵

- **Agriculture/Fishing**

A Scottish Highlands farmer highlights the importance of potential changes to animal welfare and food standards regulations at the end of the transition period, saying extending transition will "allow crofters and smallholders find/maintain sustainable support."⁶

Another says extending the transition period "would buy time for the economy to recover from coronavirus so that a double shock

⁵ Survey respondent (26-50 employees)

⁶ Survey respondent (Ross, Skye and Lochaber, sole trader)

wouldn't destroy confidence" in British farming.⁷

- **Finance**

Financial services is one of the two most vulnerable sectors to a double economic hit of Brexit and coronavirus.⁸ A large-scale employer, with more than 50 staff, could "keep trading in Europe without the cost of a physical presence in the EU" if the transition period was extended.

- **Hospitality/Tourism**

Ending freedom of movement from the EU to the UK will have the greatest impact on the tourism and hospitality industry, one of the sectors worst hit by the coronavirus pandemic. European tourists, faced with new restrictions on entering the UK, will take their business elsewhere in 2021, just as the sector attempts to recover.

"I depend on incoming tourism from France. Coronavirus is currently the primary reason for their absence. However, the intended insistence on passports when most people use free ID cards to travel here [...] will be a problem. No one will spend €100 for a passport for a one-off trip to Britain. I think incoming tourism from EU countries will suffer a great deal."⁹

A couple who run a B&B in Inverness say: "The vast majority of our guests are from mainland Europe. They fear that travel to and from the UK will become too challenging and are likely to holiday elsewhere within Europe. Scotland has built a huge trade in tourism that is already under extreme pressure because of coronavirus. Leaving the EU with no deal has potentially catastrophic consequences that are likely to crush any regeneration effort."

⁷ Survey respondent (sole trader, Ynys Mon)

⁸ Assessing the Economic Implications of coronavirus and Brexit', Social Market Foundation, May 2020

⁹ Survey respondent (Sole trader, Hammersmith)

- **Manufacturing**

Manufacturers often rely on global supply chains and just-in-time delivery of parts. Competitive international markets means any interruptions to the supply chain can be extremely costly. One SME owner from Wallasey, Merseyside, says: "Apart from the added administration for all parties, if we are subject to even minor tariffs, then I expect to lose all our current European business."

Another employer from Telford says: "Our programme of automation investment ceased in 2016 because of uncertainty; we have now cancelled the 2021 program."¹⁰

Ahead of talks this year, **Society of Motor Manufacturers & Traders (SMMT)** Chief executive Mike Hawes emphasised the need for the UK and the EU to secure a trade deal that meant zero tariffs for the automotive industry:

"With both mandates now on the table, negotiations for an ambitious, world-leading FTA must now begin in earnest. The UK Government's special focus on automotive is welcome given the sector's importance to both economic prosperity and jobs across Britain. We look forward to continuing our close work with the Government and our European partners on the detail to ensure we secure a deal that supports UK-EU automotive trade which means that, when it comes to tariffs, zero really does mean zero."¹¹

- **Food and Drink**

This business owner, who employs more than two dozen staff, highlights the particular problems caused by potentially abandoning EU regulations for food and drink products. Their

¹⁰ Survey respondent (Telford, 26 - 50 employees)

¹¹ SMMT, 'SMMT response to the UK Government's Approach to Negotiations', 27 February 2020

business faces an “increase in costs for importing goods to the UK, loss of exports to the EU as we would not be competitive enough, and a loss of quality in products due to not abiding by EU rules for food and drink”.

Another owner from London brings up staffing issues caused by ending freedom of movement at the end of the year: “We rely on young, motivated, hard working and reliable people from the EU. Cutting off this source of staff will be disastrous.”¹²

Ian Wright CBE, Chief Executive at the **Food & Drink Federation**, welcomes the Government’s announcement of the UK global tariff. However, he emphasises the need for the UK to secure a trade deal with the EU before the end of the year:

“This is a sensible step back from the temporary tariffs set out in March 2019. This approach will preserve essential negotiating capital for the UK in trade talks with the EU, US and Japan. That said, it is vital that the UK secures a trade deal with the EU before the end of the year to avoid serious damage to manufacturers and for consumers.

“It will take time for business to understand the implications of these tariffs. The FDF will work closely with both members and government to identify any concerns and ensure the best possible outcomes.”¹³

- **Transport/Haulier**

A self-employed owner-operator of a truck, who works in entertainment/corporate events, says: “I have no work at all and

¹² Survey respondent (0 - 10 employees, Hampstead and Kilburn)

¹³ Food & Drink Federation, [‘The Food and Drink Federation responds to the announcement of the UK’s global tariff’](#), 19 May 2020

nothing announced for later in the year either as everything has been cancelled or will still be cancelled. From January I will need a permit to operate in Europe. It is very unlikely that I will receive one, as my first application has been declined.”

A number of key voices in the UK logistics sector, including the [Freight Transport Association](#), the [Road Haulage Association](#) and the [British International Freight Association](#), have urged the Government to request an extension to the transition period so that companies are able focus on the unprecedented challenge which Covid-19 has placed on the industry.

In March 2020, the **Freight & Transport Association** (FTA) urged the Government to seek an extension so that businesses tasked with keeping the UK's supply chain intact can...

“...concentrate on the serious issues which the Covid-19 pandemic is placing on the industry. Our first priority is always to deliver for our customers, and there is simply not enough capacity available to plan the major structural changes needed to implement a successful departure from the EU, as well as the myriad of other planned legislation changes on the horizon, as well as dealing with unprecedented pressures caused by Covid-19”.¹⁴

- **Technology/Computing**

This respondent from South Suffolk highlights the specific issues faced by businesses which trade in services, rather than goods: “All the advice has been related to products or setting up businesses in other countries [...] but, given that we have no idea yet whether there will be a deal, there is nothing else we can do.”

¹⁴ FTA, '[Logistics needs transition extension to counter COVID-19 challenges](#)', 25 March 2020

- **Retail**

According to one retailer who responded to our survey, the transition period... “would allow more time to attempt to negotiate new ways of working with my EU-based suppliers. Nothing is certain, but it seems likely there will be a new administrative burden placed on EU companies looking to supply UK businesses like mine, and it may be that, without careful negotiation on my part, they will decide it simply isn't worth their time and effort. This, of course, would spell disaster for my business as it stands”.

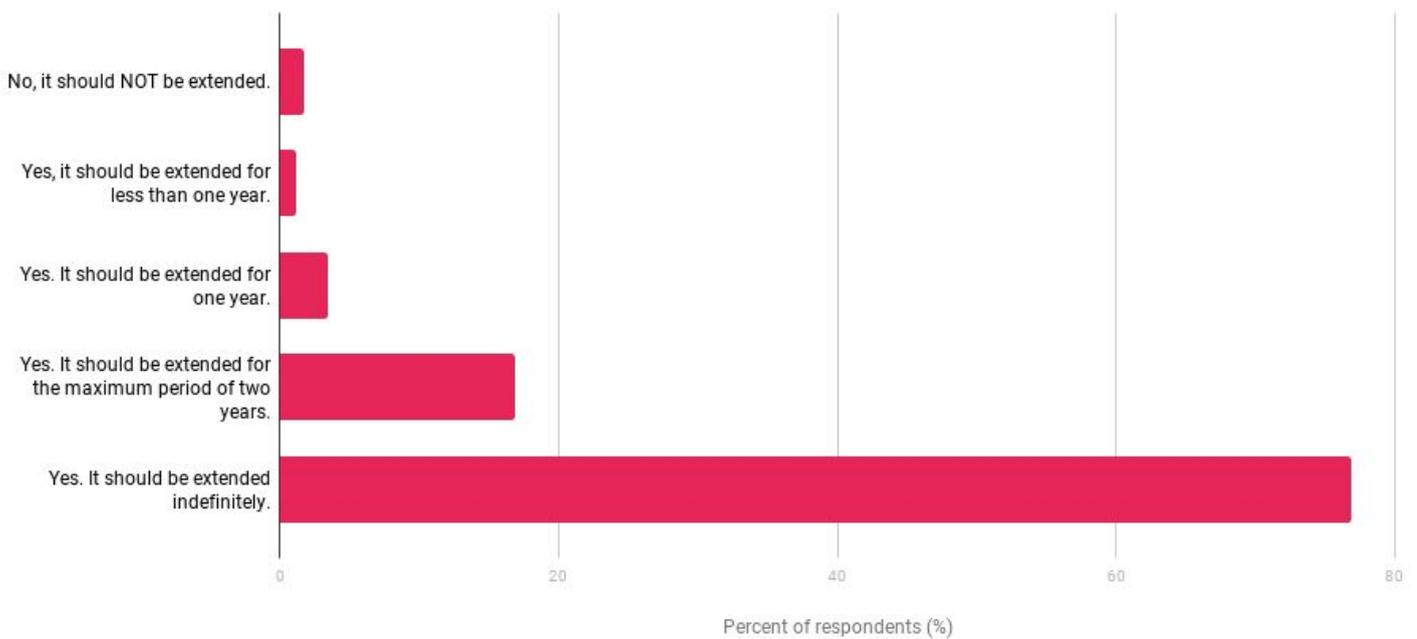
- **Health**

Again, the health sector will be impacted by changes to EU safety standards. “I fear a huge influx of materials from countries who do not follow EU safety guidelines. There are products that could reduce prices but compromise safety. I won't compromise on safety so fear being priced out. I also fear for data storage rules being relaxed and my clients' details being at risk,” says an employer from the West Midlands with more than 100 staff. They supported an extension as it “would allow more time to understand the onerous reporting requirements around Customs duty and declarations and approach Customs agents”.

Support For An Extension

- Fewer than 2% of respondents think transition should not be extended.
- 98% support an extension and 77% think that extension should be indefinite.

Do you think the government should request an extension to the transition period to allow more time to negotiate a good deal and more time for businesses to recover from Coronavirus?



Source: Best for Britain survey

What the public think

- Our polling consistently shows the British public want the Government to secure a trade deal with the EU.
- Best for Britain's May 2020 polling found that **three-quarters of the public (75%) want a trade deal with the EU**, with a majority of people now expecting the transition period to be extended in order to secure one.¹⁵
- The poll showed the public is still overwhelmingly in favour of the Conservative Party's manifesto commitment to secure a trade deal with the EU, despite recent briefings from EU officials that a No-Deal Brexit has become more likely due to the coronavirus crisis. **64% of Conservative voters and 57% of Leave voters** want a trade deal with the EU. This is also strongly supported across all age groups and UK regions.

¹⁵The Focaldata survey polled 2,003 UK adults between 1st-4th May 2020 on their support for extending transition. Three-quarters of those asked said they would prefer that "A UK-EU trade deal comes into force after the transition period", as opposed to "The UK exits with no EU trade deal"

About Best for Britain's Business Survey

- We surveyed 1,097 business owners from across the UK between 12th May 2020 and 25th May 2020, using an online questionnaire. The data collection and analysis is our own.
- Respondents were asked a mixture of multiple-choice and open-ended questions. The survey was advertised to Best for Britain's supporter mailing list and online via Best for Britain's Facebook, Twitter and LinkedIn channels.
- 52% reported having up to 50 employees, 4% have more than 50 employees and 43% are sole traders or self-employed.

Where in the UK were respondents' businesses located?	
Unknown	99
East Midlands	58
Eastern	94
London	171
North East	24
North West	71
Northern Ireland	3
Scotland	53
South East	205
South West	147
Wales	44
West Midlands	73
Yorkshire and the Humber	56

Which industry sectors are represented in our survey?

Agriculture / farming	9
Charity / non profit	14
Construction / building trades	56
Creative	106
Education	63
Financial Sector	24
Food / drink	31
Health	39
Hospitality / tourism	72
Legal	20
Management / consultancy	133
Manufacturing	42
Media / communications	85
Retail	89
Science / research	18
Technology / computing	80
Transport / haulier	24
Other	193