

In January 2020, one in five manufacturing companies believed that *Brexit* would have a negative impact on their activity in the short term

A one-off question was added to the monthly outlook survey in industry for January 2020 on the probable effect of *Brexit* on business activity.¹ Twenty-one per cent of companies surveyed in the industry sector believed that *Brexit* would have a negative effect on their activity in the short term, especially in the manufacture of transport equipment and agrifood sectors. Delays, administrative problems and customs tariffs were the main concerns expressed.

In January 2020, companies in the industry sector responding to the outlook survey were questioned about the probable effect of *Brexit* on their activity over the course of the next three months. At that time, following the British general election on 12 December 2019, the scenario of an “orderly” exit by the United Kingdom from the European Union (EU) on 31 January 2020 had stabilised. On 22 January 2020, the British Parliament definitively validated the agreement negotiated in September 2019 with the EU. The United Kingdom then formally left the Union on 31 January 2020, with no immediate consequences for trade relations. European regulations continue to apply until the end of 2020, with this transition period giving the UK time to define its future relations with the EU.

To respond to the question of the likely effect of *Brexit* on their future activity, companies were invited to choose one qualitative modality (positive, neutral or negative effect), and were also given the opportunity to leave an open comment (*Figure 1*). Out of about 4,000 companies surveyed, over 2,800 replied and of these, more than 500 left an open comment.

1 - Question on the effect of *Brexit* included in the monthly outlook survey in industry in January 2020

EFFECT OF BREXIT ON YOUR BUSINESS			
Likely effect of <i>Brexit</i> on your business over the next 3 months.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Specify :	positive	neutral	negative

Among the industrial companies surveyed in January, 21% believed that *Brexit* would have a negative effect on their activity in the course of Q1 2020 (*Table*). This share of companies was particularly high in the manufacture of transport equipment (37%) and agrifood (26%) sectors. According to the comments that companies left, their concerns focused on delays and administrative problems linked to customs controls, as well as additional costs generated by possible customs tariffs (*Figures 2 and 3*), both for deliveries and for obtaining supplies. Also mentioned were the risk of fluctuations in the sterling exchange rate, the need to increase inventory due to longer delivery times and the potential loss of customers in the United Kingdom. To a lesser extent, they anticipated legislative problems related to ownership rights or certifications. Lastly, in the shorter term, companies mentioned some precautionary stockpiling by their British customers in 2019, which would seem to have resulted in lower sales at the beginning of 2020.

Opinions of industrial companies on the probable effect of *Brexit* on their activity in Q1 2020

in %

	Positive	Neutral	Negative
Industry as a whole	1	78	21
Manufacturing industry	1	78	21
C1-Manufacturing of food, beverages and tobacco products	2	72	26
C3-Manufacturing of electrical, electronic and computer equipment; manufacture of machinery	1	82	17
C4-Manufacturing of transport equipment	2	61	37
C5-Manufacturing of other industrial products	1	83	17

How to read it: in January 2020, 21% of industrial companies interviewed believed that *Brexit* would have a negative effect on their activity during the next three months.

Note: responses are weighted according to company turnover.

Source: Insee, January 2020 business survey in industry

1. The results of this module are only being published today, priority having been given to analysing the health crisis in the previous *Points de Conjoncture* published from March onwards. Since then, the Covid-19 pandemic has disrupted the world economy, but questions still remain about the consequences of *Brexit*.

