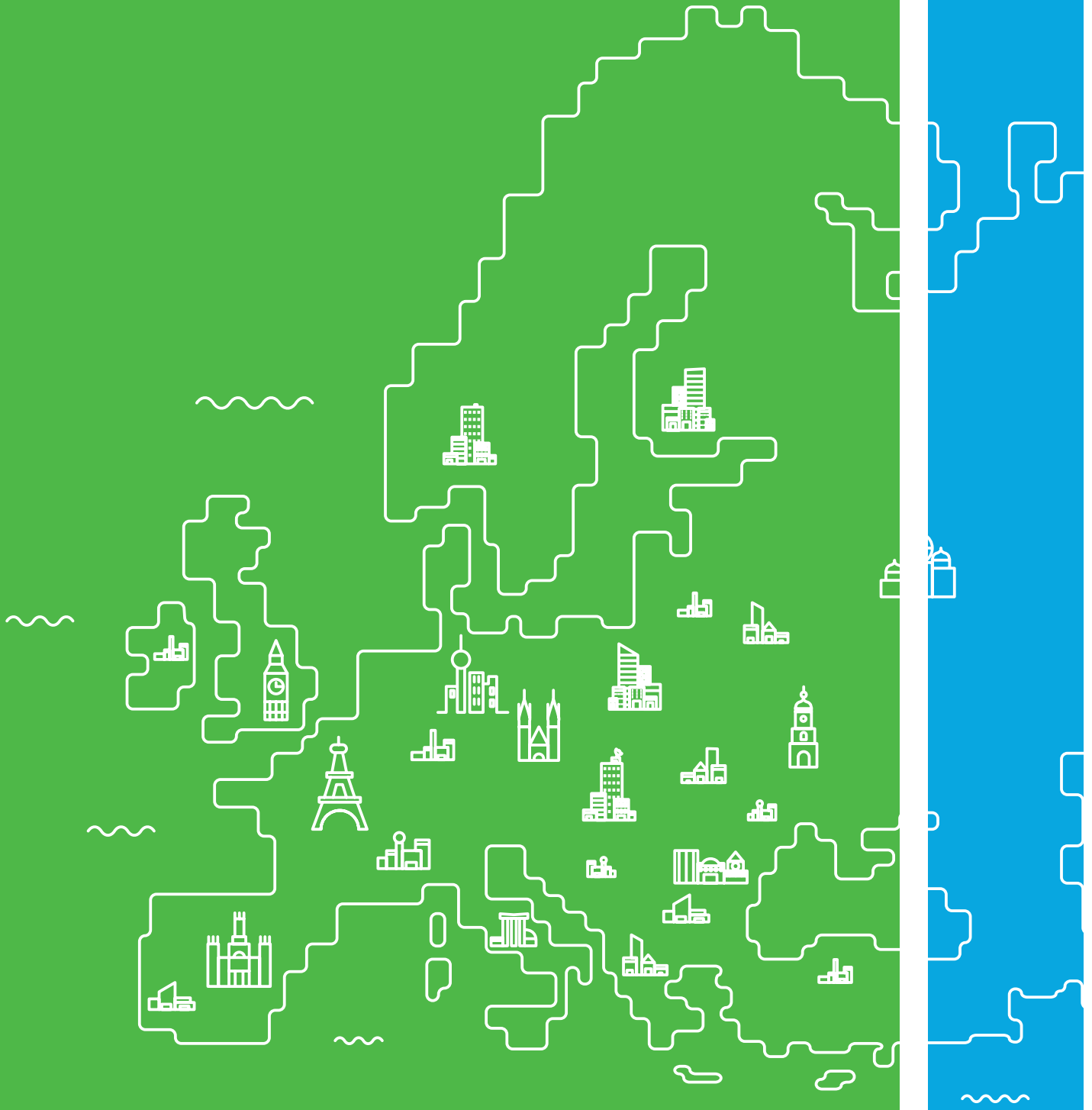


Brexit Monitor

Results

October 2018



Brexit Monitor

How is the middle market faring as the UK enters one of the most uncertain and volatile operating environments since the global economic collapse?

RSM's Brexit Monitor offers a snapshot of business sentiment as the UK prepares to leave the EU.

Methodology

The survey, carried out by YouGov is based on 325 interviews with C-suite respondents from middle market firms (with turnovers between £30–£300m) across manufacturing (54), financial services (51), technology, media and telecoms (51), construction (55), consumer (55) and other markets (59).

There were at least 30 respondents in each region: London, South, Central, North East & Yorkshire, North West and Scotland.

Fieldwork was completed between 20 August 2018 and 13 September 2018.

Chart percentages may exceed 100 per cent due to rounding.

Summary

This quarter, the RSM Brexit Monitor shows middle market leaders have grown concerned about what Brexit means for their business prospects over the medium and long term. Their earlier confidence that they could weather Brexit volatility now seems to have faltered, as the ongoing negotiations and uncertainty take their toll.

Despite an already volatile operating environment, many believe the biggest impact of Brexit is still yet to come.



Positivity has started to wane – sentiment about business and economic prospects over the next two and five years has dropped over the past quarter.



Decision makers expect Brexit to have the biggest impact on their business within the next year.



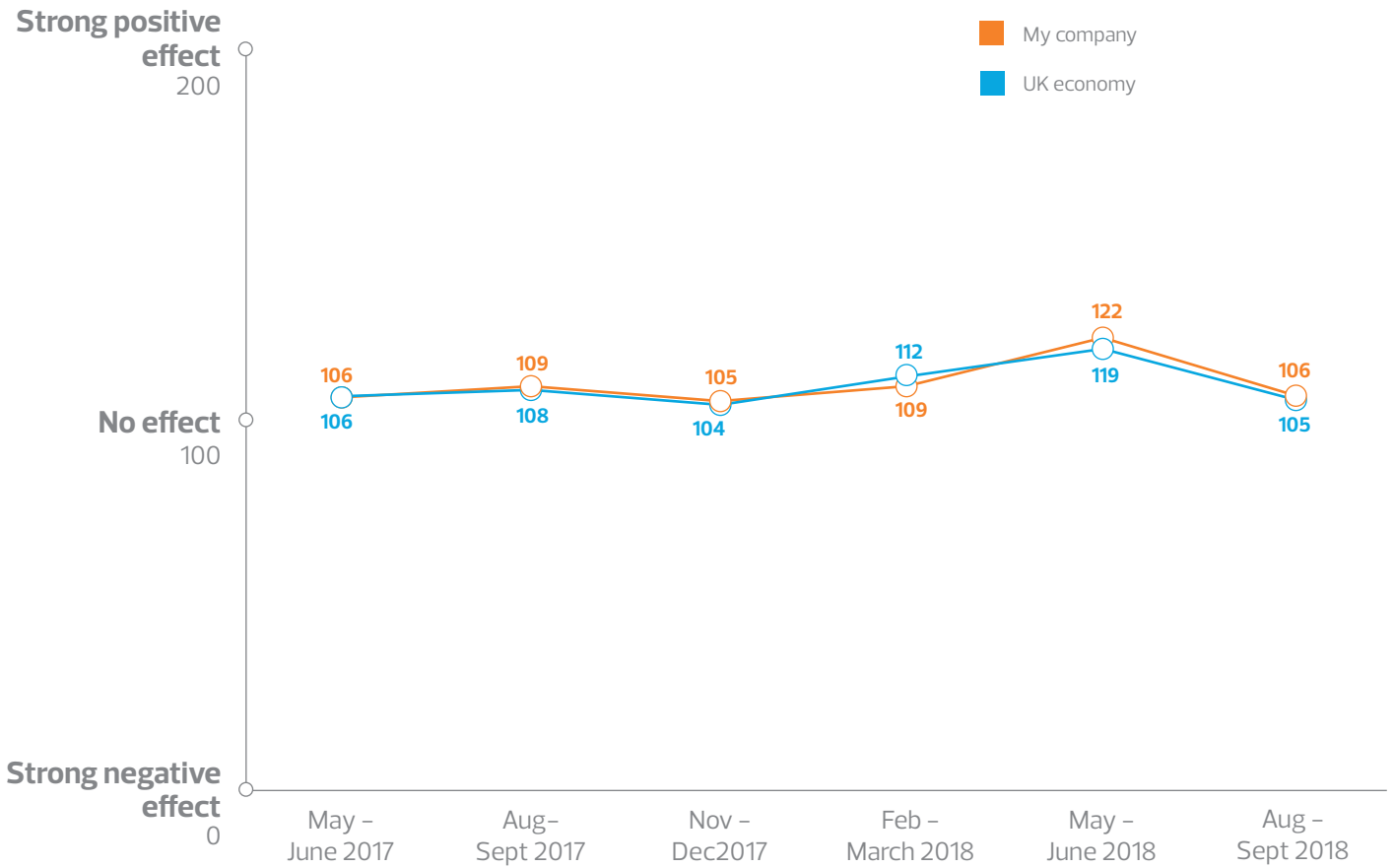
Confidence is down in all industries – all sectors have grown more pessimistic about the impact of Brexit on their two-year and five-year business prospects.



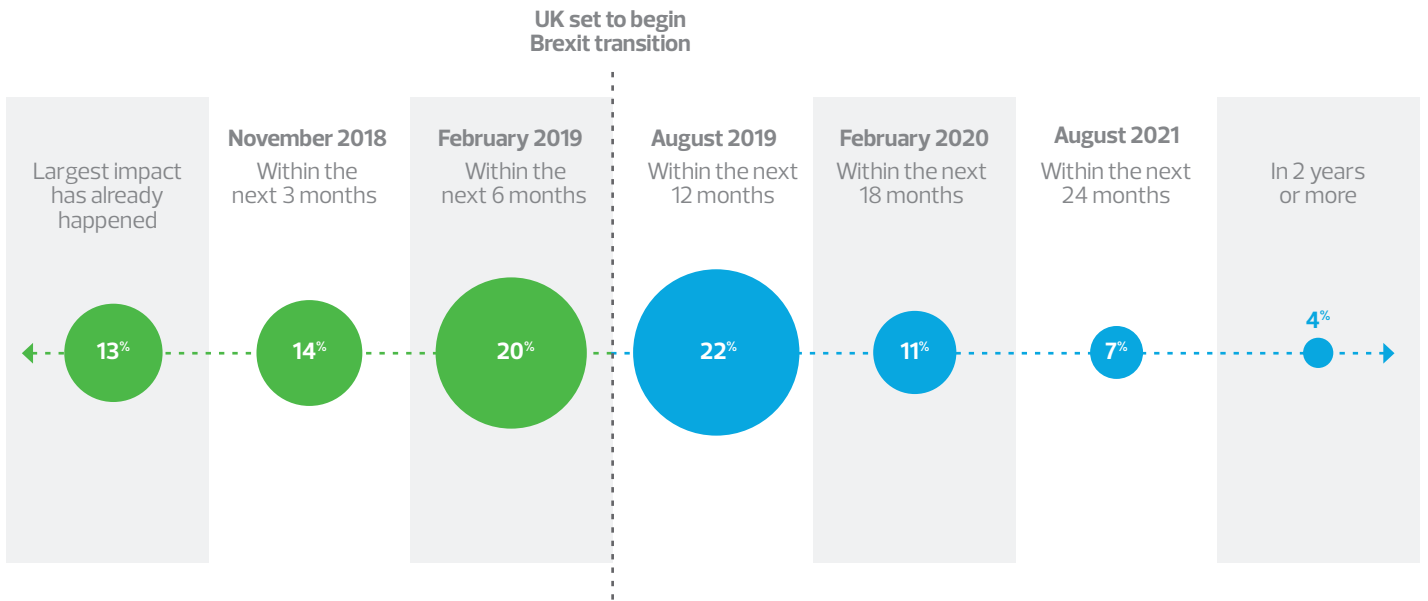
All regions have become less confident about the impact of Brexit on the UK economy over the next two years.

Q What effect do you believe the UK exiting the EU will have on each of the below over the next five years?

Index: all sectors



Q Thinking about the UK's decision to leave the European Union, when, if at all, do you expect it to have the largest impact (positive or negative) on your business?



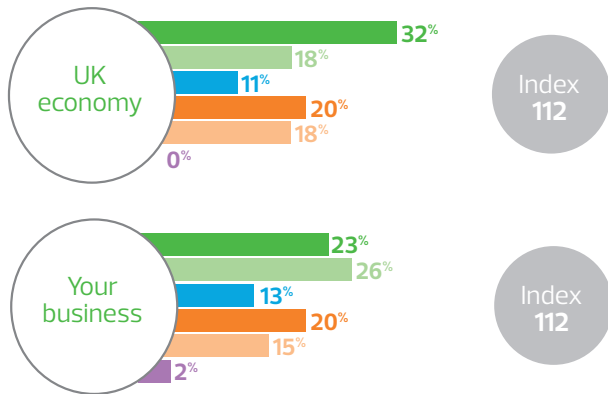
7% Not applicable – the UK leaving the European Union will have no impact on my business

3% Not sure

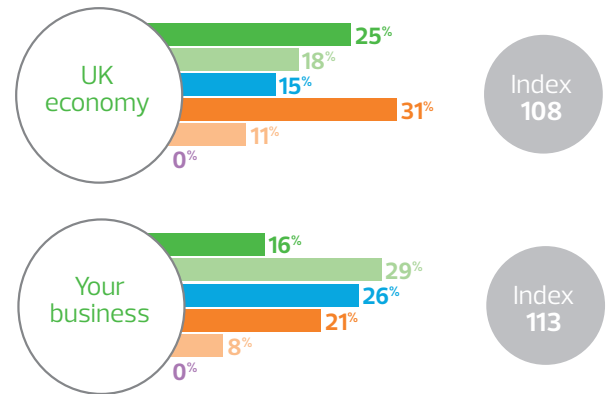
Q What effect do you believe the UK exiting the EU will have on each of the following over the next five years?

Results and index: by sector

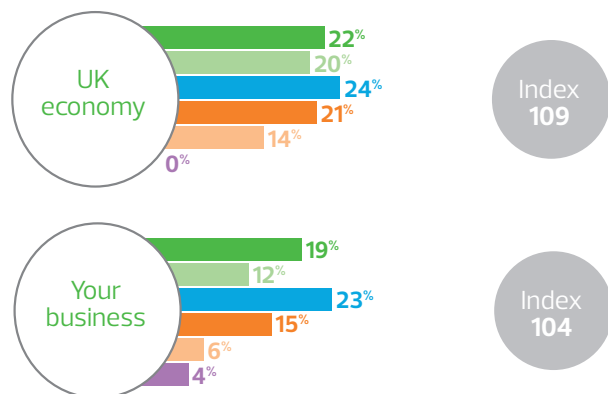
Manufacturing



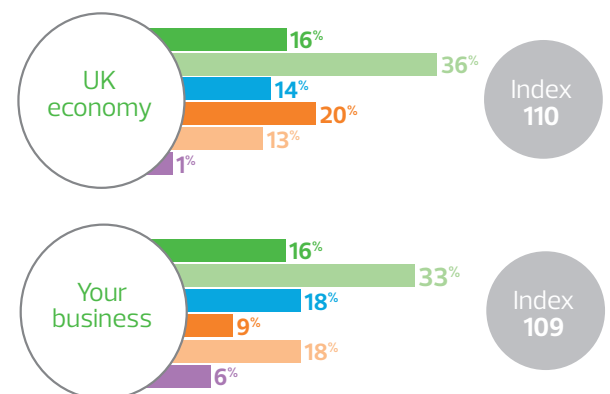
Financial services



Technology, media, telecoms



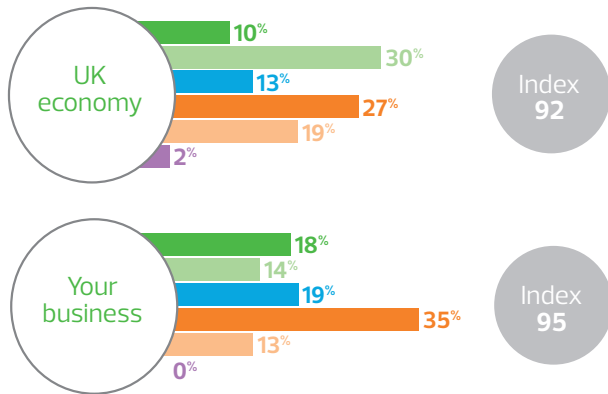
Construction



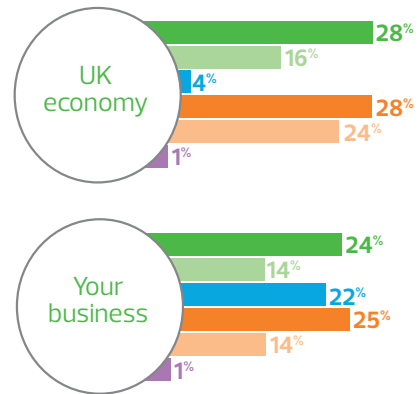
Q What effect do you believe the UK exiting the EU will have on each of the following over the next five years?

Results and index: by sector

Consumer



Other

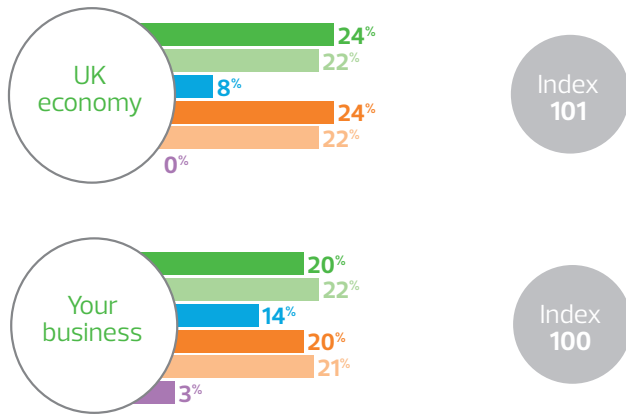


■ Strong positive
 ■ Weak positive
 ■ No effect
 ■ Weak negative
 ■ Strong negative
 ■ Don't know

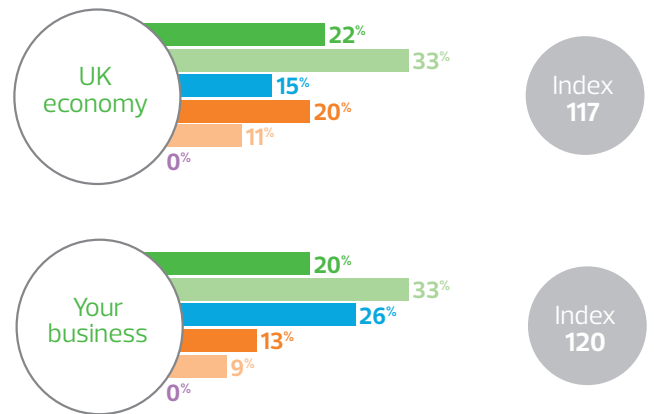
Q What effect do you believe the UK exiting the EU will have on each of the following over the next five years?

Results and index: by region

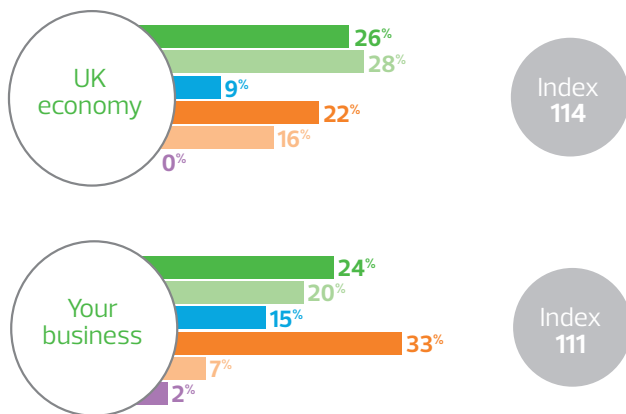
London



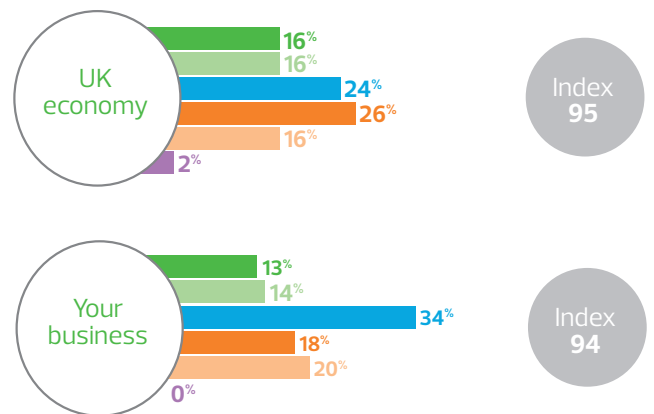
South



North West



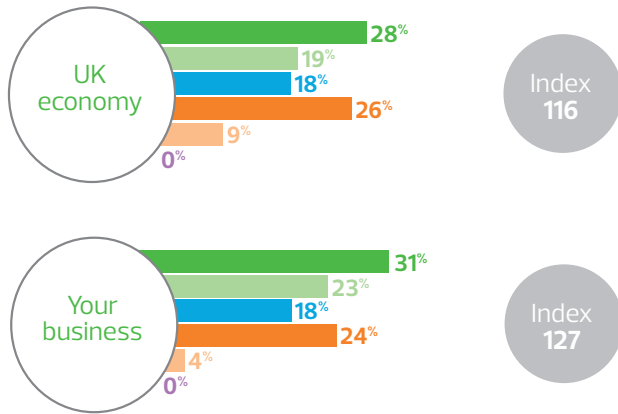
North East and Yorkshire



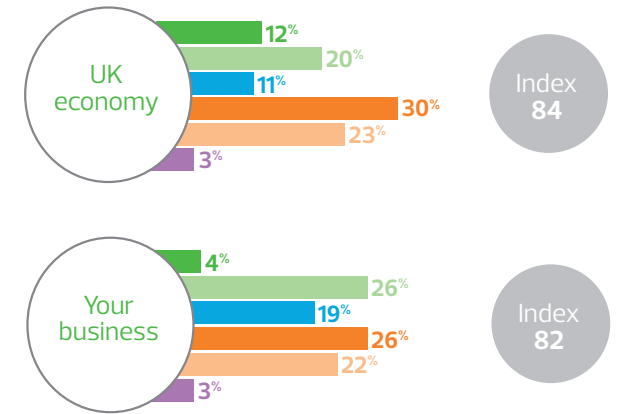
Q What effect do you believe the UK exiting the EU will have on each of the following over the next five years?

Results and index: by region

Central



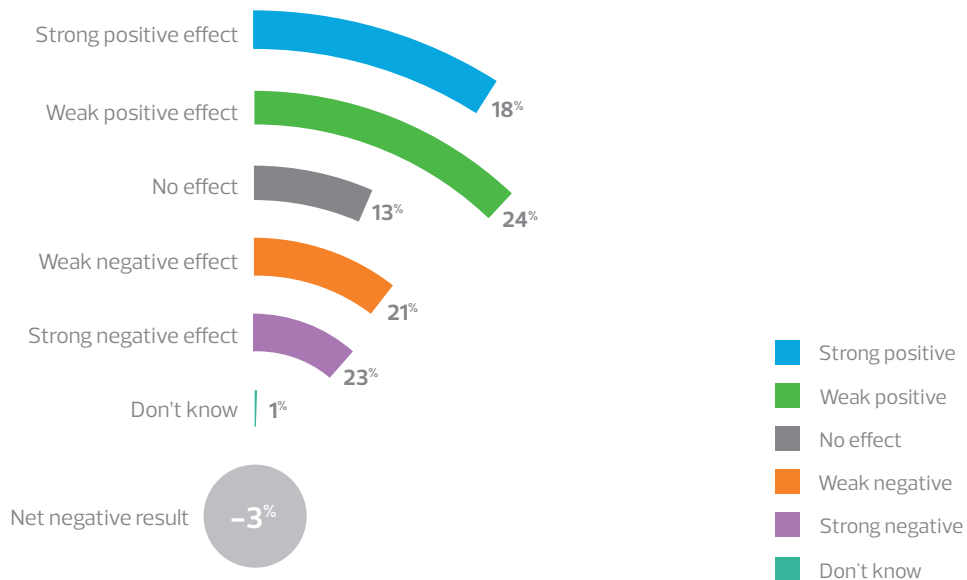
Scotland



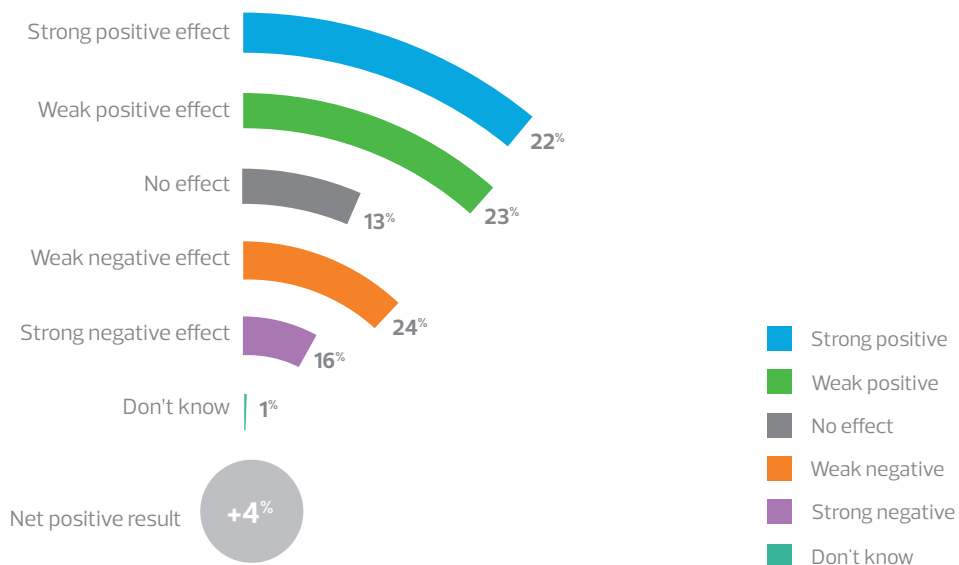
■ Strong positive
 ■ Weak positive
 ■ No effect
 ■ Weak negative
 ■ Strong negative
 ■ Don't know

Q What effect do you believe the UK exiting the EU will have on the economy over the next...

Results: two years

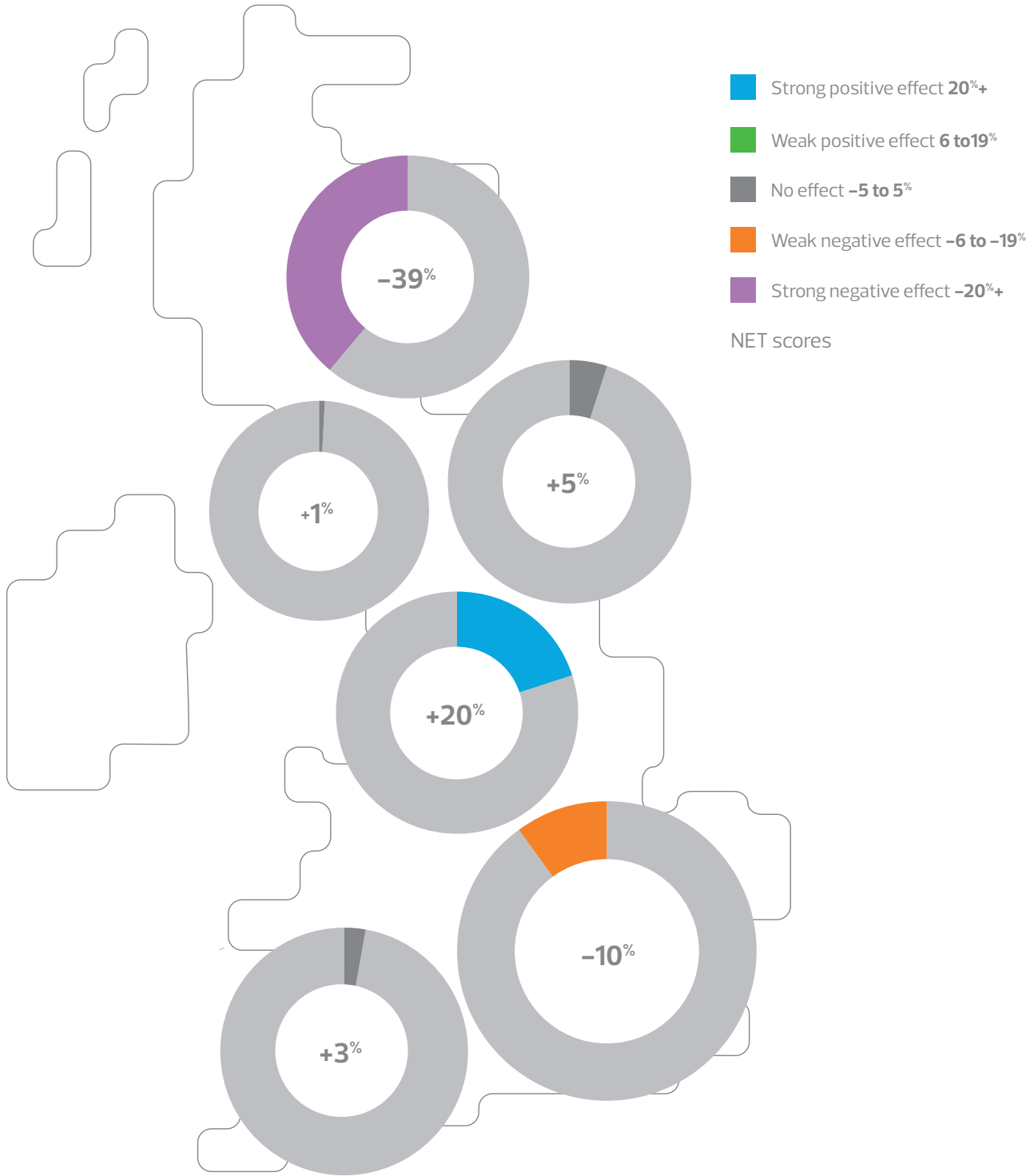


Results: five years

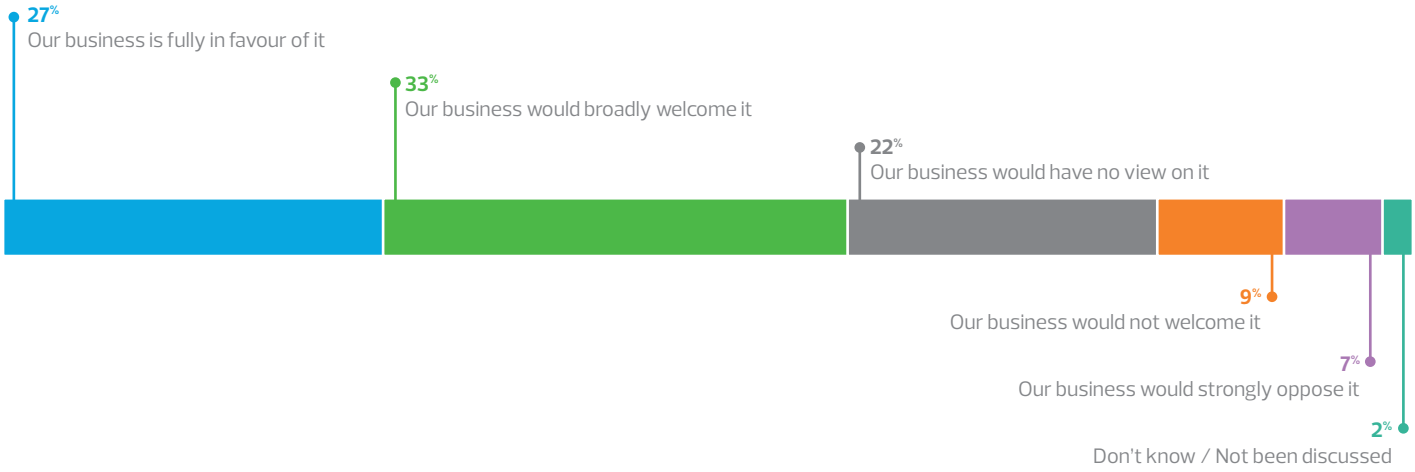


Q What effect do you believe the UK exiting in the EU will have on the UK economy over the next two years?

Results: by region



Q Thinking about a potential Second Referendum on the terms of the UK's exit from the European Union, which of the following best represents your business thinking?



Summary

Middle market leaders are becoming increasingly pessimistic that the government will secure a 'good deal' with Brussels. Confidence levels dropped 10 percentage points over the past quarter – the biggest decline we've seen so far.

Business sentiment hints of more uncertainty to come: the RSM Brexit Monitor shows many middle market leaders would back a second referendum. Many are also taking steps to prepare their businesses for a 'no deal' scenario.



Just 39 per cent of businesses think the government will secure a good deal with Brussels – down from 49 per cent last quarter.



Scottish businesses are most pessimistic about the likelihood of a positive deal outcome.

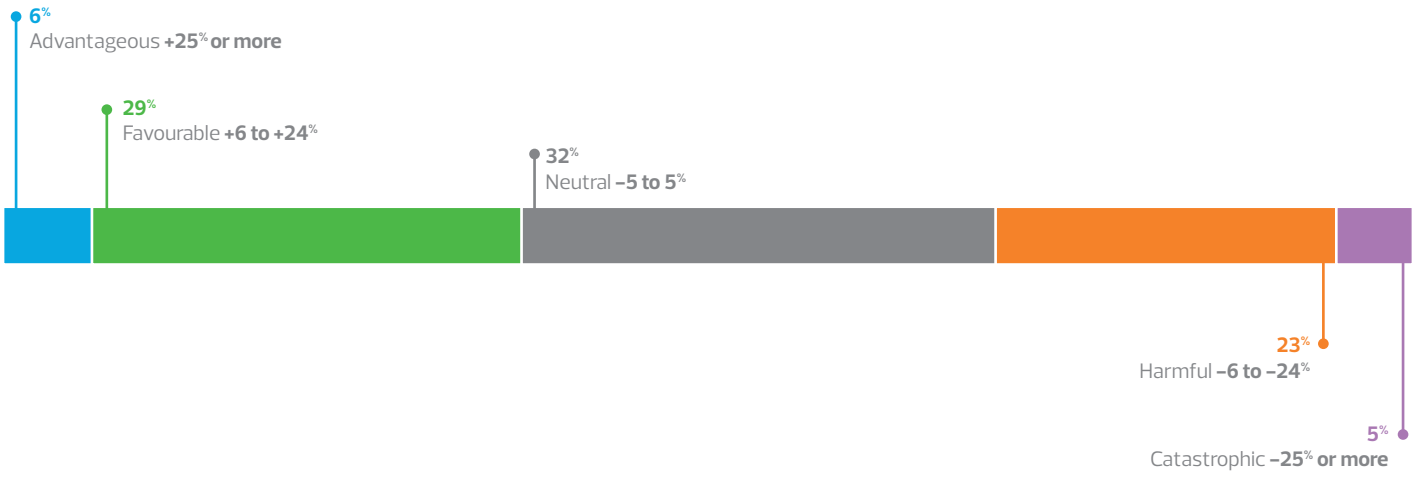


There is strong support for a second referendum on the terms of Brexit – 60 per cent of middle businesses would back this option.



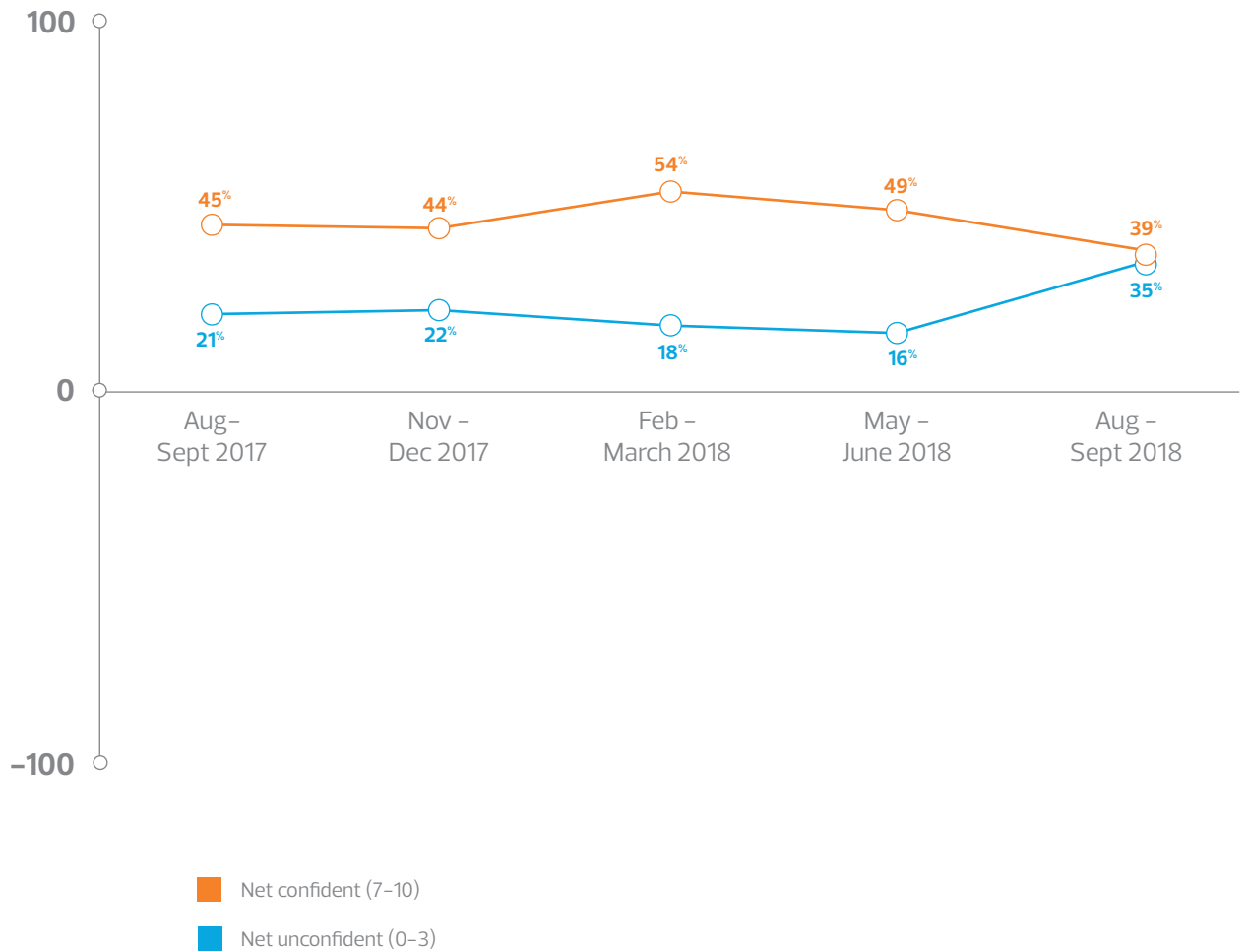
Businesses are preparing for a 'no deal' scenario. Many have already sourced extra working capital or set aside a contingency fund. Looking ahead, many are considering relocating operations, increasing prices and moving jobs abroad.

Q What impact, if any, would the UK exiting the European Union in March 2019 having failed to negotiate a deal, have on your business' expected turnover?



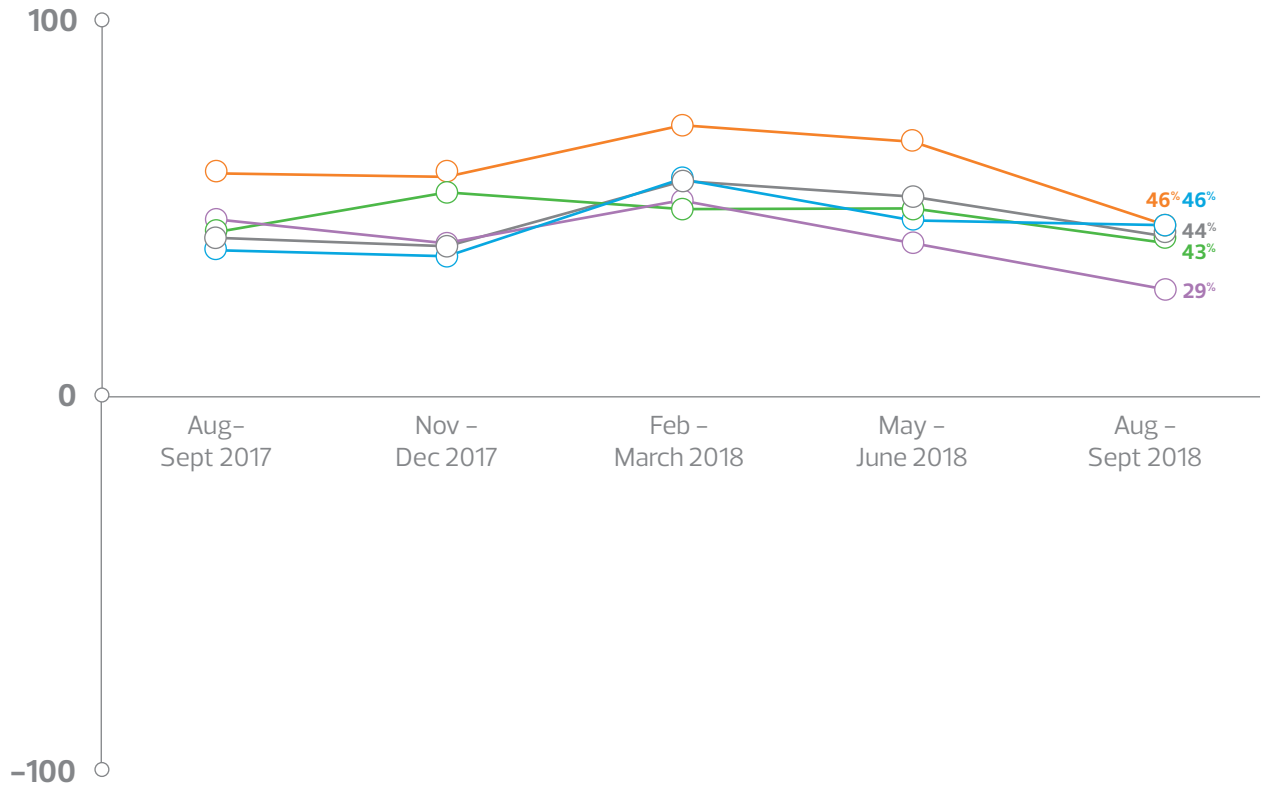
Q How confident are you that the UK's delegation, negotiating the country's exit, will achieve a good deal with the EU?

Results: all



Q How confident are you that the UK's delegation, negotiating the country's exit, will achieve a good deal with the EU?

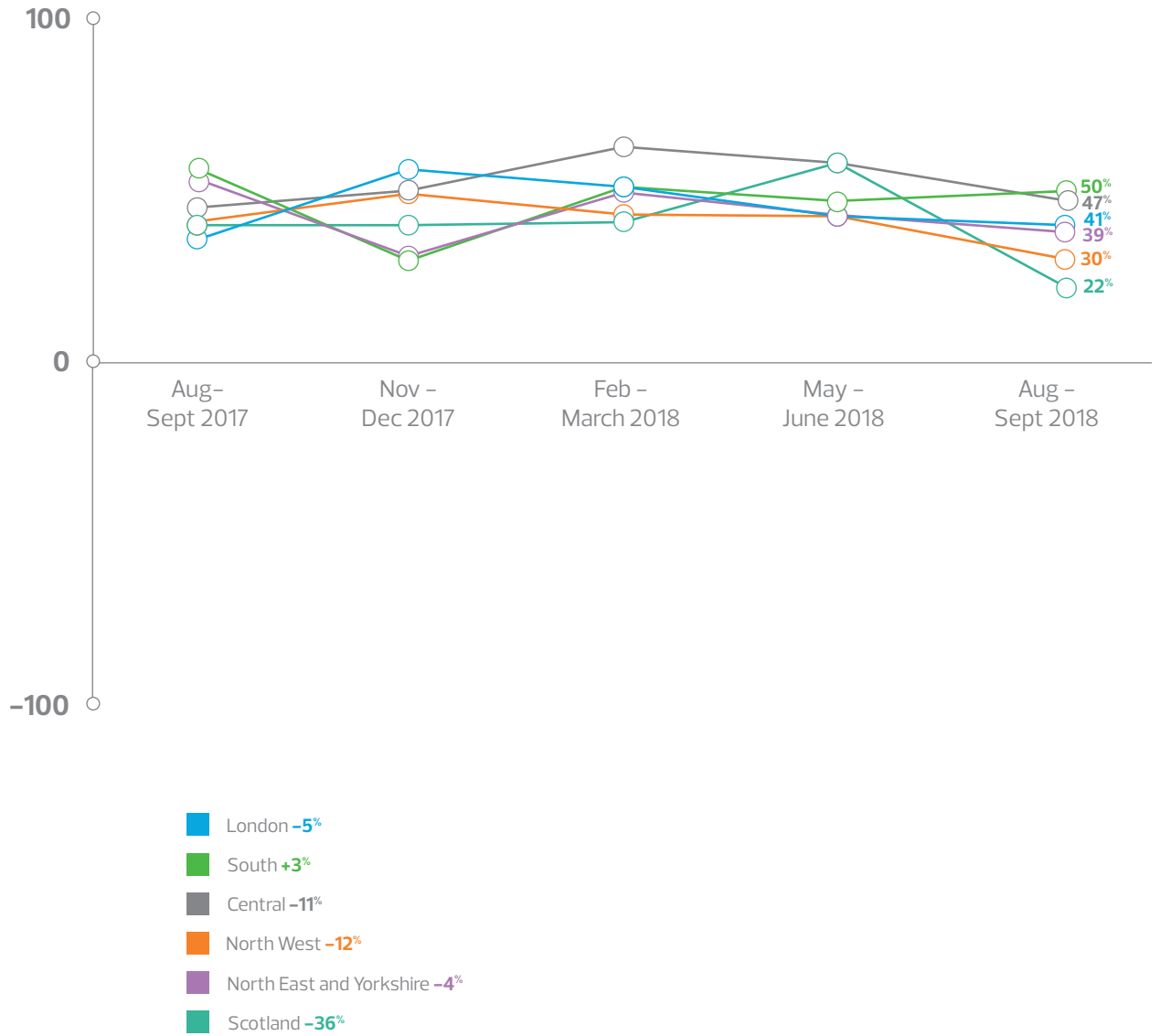
NET: Confident (by sector)



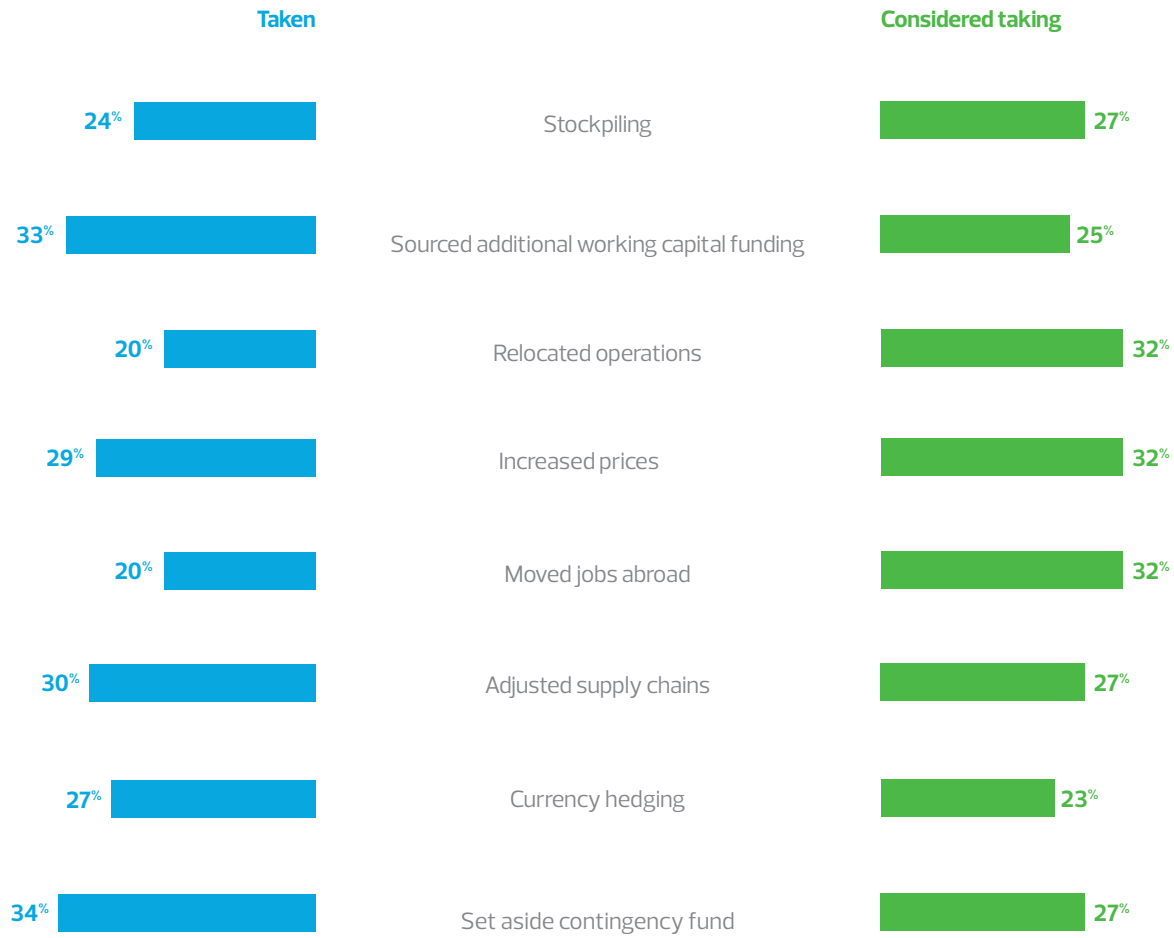
- Manufacturing **-8%**
- Financial services **-8%**
- Technology media, telecoms **-3%**
- Construction **-22%**
- Consumer **-13%**

Q How confident are you that the UK's delegation, negotiating the country's exit, will achieve a good deal with the EU?

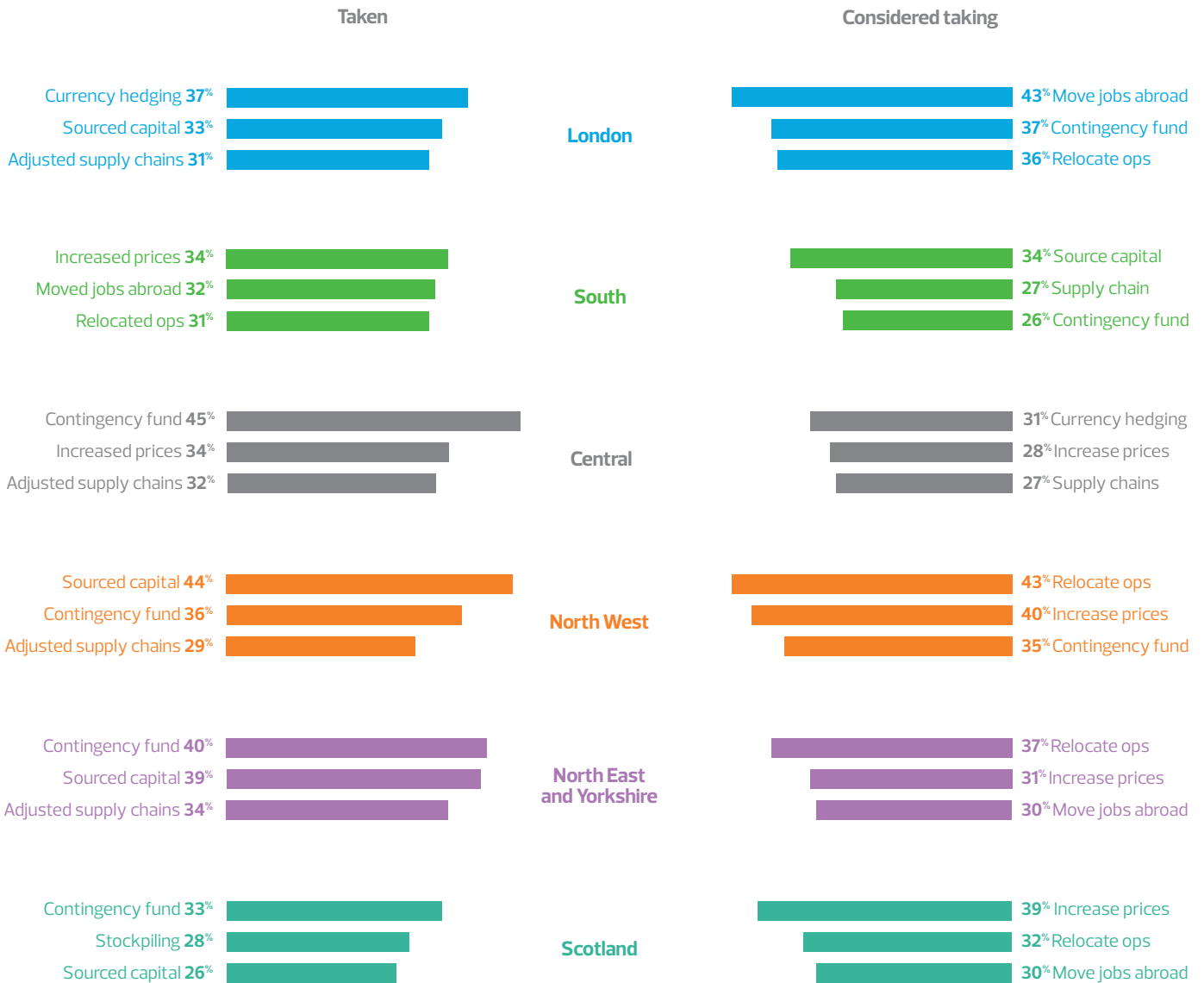
NET: Confident (by region)



Q Thinking about a 'No Deal' scenario where the Government fails to negotiate a deal with the European Union, which of the following actions, if any, have you...



Q Thinking about a 'No Deal' scenario where the Government fails to negotiate a deal with the European Union, which of the following actions, if any, have you...



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