coface FOR SAFER TRADE

June 2017

BREXIT: DESPITE A SERIES OF SHOCKS, BRITISH COMPANIES REMAIN SOUND

MIXED RESILIENCE

Company profits at record high
105 billion £

BUT investments decreased by
- 1.5% in 2016

Impact of 15% depreciation in the exchange rate
Exports grew by + 1.6 pp in a year

FIRST SIGNS OF BREXIT during the exit negociations phase

WEAK INTERNAL DEMAND
Inflation up by +2.7%
> Due to the exchange rate shock

3.3% of disposing income
> Savings at historically low rate

RISING INPUT COSTS FOR COMPANIES
> Exchange rate shock

INVESTMENTS REACHING THEIR LOWEST LEVELS SINCE THE CRISIS
at 8.8% of GDP in 2016
> Companies adopted a wait-and-see approach

FROM APRIL 2019

TRADE PROTECTIONIST SHOCK TO GDP

«SOFT BREXIT»
(optimistic scenario)
-3.8% OECD

«HARD BREXIT»
(back to WTO rules)
-7.5% OECD

WEAKENED ATTRACTION

-22% Foreign Direct Investments (FDI)* down
(main destination of FDI in Europe)

> Fall in corporate investments
> Less buoyant R&D

IMPACT OF REDUCED IMMIGRATION ON GROWTH

UK Border

«SOFT BREXIT»
-0.3 pp

«HARD BREXIT»
-0.6 pp

> Demographic shock
> Productivity shock

COMPANY INSOLVENCIES

+8.7% in 2017** (f) +8% in 2018** (f)

IMPACT ON SECTORS

STILL SOME POSITIVE POINTS…

SOUND COMPANIES
The protectionist threat is nothing new

GOOD BUSINESS CLIMATE
UK ranked 7th out of 190*** with significant comparative advantages

FAVOURABLE PUBLIC POLICY
> Fiscal relief for companies from 20% in 2016 to 17% in 2020

* Bruno, R., N. Campos, S. Estrin et M. Tian «Gravitating towards Europe: An Econometric Analysis of the FDI Effects of EU Membership», 2016.
** Coface's estimations calculated with the exclusion of the exceptional increase in the number of insolvencies in 4Q 2016 (1,796 companies) due to legal changes. When these figures are included, insolvencies should be down by -2.7% in 2017 and up by +8.8% in 2018.
*** «Doing business» classification.