

Brexit and its initial impacts on Swedish businesses

We now have recent data (19 January - 5 February) from a survey conducted amongst our member companies on how the UK's withdrawal from the EU has affected their trade. The survey covered 1661 Swedish firms that trade with the UK.

Of these, 22% said they had encountered problems with their trade after Brexit took full effect 1 January 2021. There is a difference between firms in the manufacturing sector and in the services sectors. 28 % of the manufacturing firms had experienced problems but only 19 % of firms in the services sectors.

In addition, of those responders that had not *yet* experienced a problem; some 12% (17 % for manufacturing and 10 % for services) expect problems to arise at a later date.

This means that 34% of the firms – around one third of the total – will have either have experienced problems or expect to do so. For the manufacturing sector, this number rises to 45 % whereas it is 29 % for firms in the services sectors. However, for services firms with heavy reliance on personal mobility (hotels, transports etc), 37 % have experienced problems or expect problems.

Finally, of those firms saying that they already have had problems, 57% expected them to continue. Especially smaller firms (less than 50 employees) expect problems to continue.

For a number of reasons, this is likely to underestimate the scale of the problem. First, the individual responding may not be fully aware of all aspects of their firms business interactions with the UK. Second, what we may perceive as a 'problem', in the form of a trade barrier, might not be seen that way by a firm that may simply view it as "just part of doing business". It may be something that has already been internalised. As a result, these figures are likely to be on the low side. Also, the impact of the ongoing coronavirus crisis may mean there is currently no clear method of attributing the causes of certain problems definitively, which in turn could contribute to both an over- and under-estimation in the responses.

The survey also tell us nothing about how trade flows could be affected, as we don't know the size of the companies or the extent of their trade with the UK. One-third of all firms could represent a large or small proportion of the overall volume of trade.

The firms were given the opportunity to comment on the nature of the problems they have encountered; 77% of those surveyed took advantage of this to provide a short comment on the details of these. We then classified their answers into 14 categories; some of these categories may overlap; for example problems cited with 'red tape' may well be associated with 'customs formalities'.

The most common category of problems were associated with a slower flow of goods (40%), followed by customs formalities (23%) and logistics (22%). All of these categories naturally have an influence on each other and all have to do with the most immediate effect of Brexit, i.e. the erection of a third-country border.

Other categories that were mentioned frequently were general red tape (18%), uncertainty (14%), increased costs (12%) and delivery problems from the UK (8%). The remaining categories were mentioned by fewer than 5% (some barely at all).

As firms look to the future, the picture evolves. It appears that firms expect future problems to be less about slow flows, customs formalities and logistics and more about increased costs and greater red tape. This can be interpreted as a belief that some of the issues are expected to be temporary and are likely to disappear, or at least diminish, while other problems are expected to grow. The most common future problems are expected to be higher costs (30%), followed by increased red tape (25%). Only 23% point to the most pressing issue of the moment, i.e. slower trade flows. Around 5% of the firms expressed a negative attitude towards future business with the UK.

Problems barely mentioned were product requirements and data flows; however, that does not mean these problems will never materialise. As of day one of Brexit, product requirements in the EU and the UK were identical; however, over time they will likely start to diverge. When it comes to data flows, the agreement provides a temporary solution, which should mean there are zero problems at this stage, but could see problems arise later.

Not one firm mentioned problems with the trade in services (apart from transport services, which we counted in the logistics category) but these also will only materialise over time.