

Study report

Brexit and its consequences for Austrian SMEs

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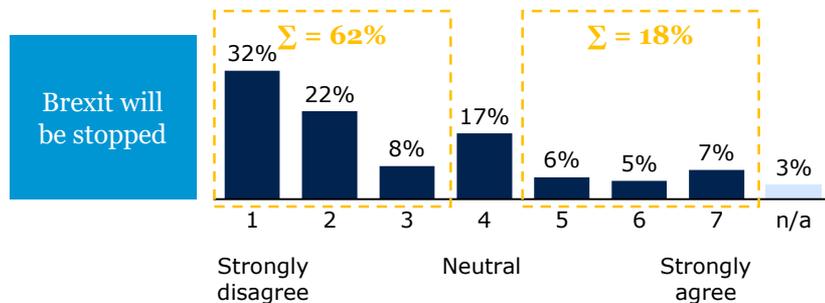
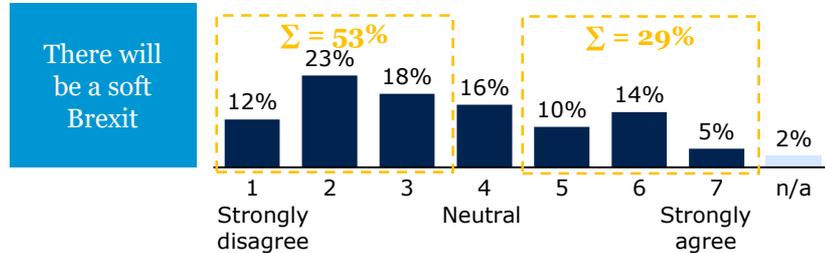
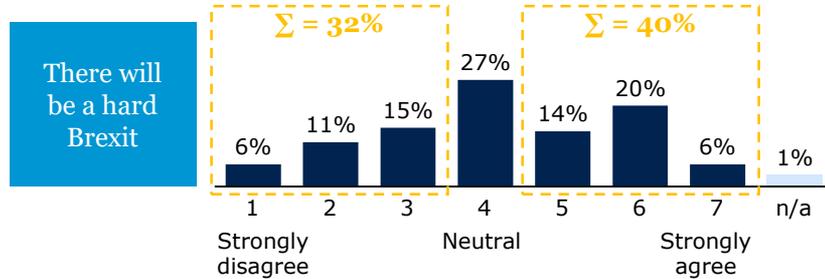
This report is based on Katrin Kernbichler's Bachelor Thesis on Brexit supervised by Prof. Dr. Phillip Nell

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Austrian SMEs assume hard Brexit

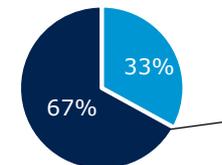
Summary of main findings: The aim of this report is to assess Brexit's strategic implications for Austrian companies – especially SMEs. We surveyed 145 Austrian firms in November 2018 – 109 are SMEs. We focused on these SMEs whose economic exposure to the UK is moderate (for example, UK sales account for a bit less than 5% of total sales):

- **Austrian SMEs do not perceive high uncertainty regarding Brexit and its consequences. They are predominantly expecting a hard Brexit scenario, and moderately higher costs.**
 - 67% are quite certain or very certain what Brexit outcome will materialize and how this will impact the firm.
 - 40% are expecting a hard Brexit – against 29% who expect a soft Brexit and 18% who expect that Brexit will be stopped.
 - Accordingly, 55% of the responding firms expect some additional tariffs and other duties – but only 18% expect tariffs and other duties to rise by more than 10%.
 - In addition, around 40% expect moderately higher export and import prices.
- **The Austrian SMEs do not perceive high uncertainty (anymore), but most do not seem very well-prepared for Brexit and its effects.**
 - Only about one quarter have already developed strategies to counterbalance the consequences of Brexit. Many of those can be implemented quickly though.
 - 20% have even developed further backup plans in case their expected Brexit-scenario will not come true.
 - About 30% state that they want to build further flexibility into their business model but, at the same time, a minority of the responding SMEs plans to seek alternative markets outside the UK – even fewer plan to withdraw their UK – activities.
- **Brexit's bottom-line impact is not expected to be a great issue.**
 - 63% of SMEs say the overall impact of Brexit on business success is neutral, some 20% even see that they might benefit from Brexit (e.g., due to lower import prices when the pound devalues).



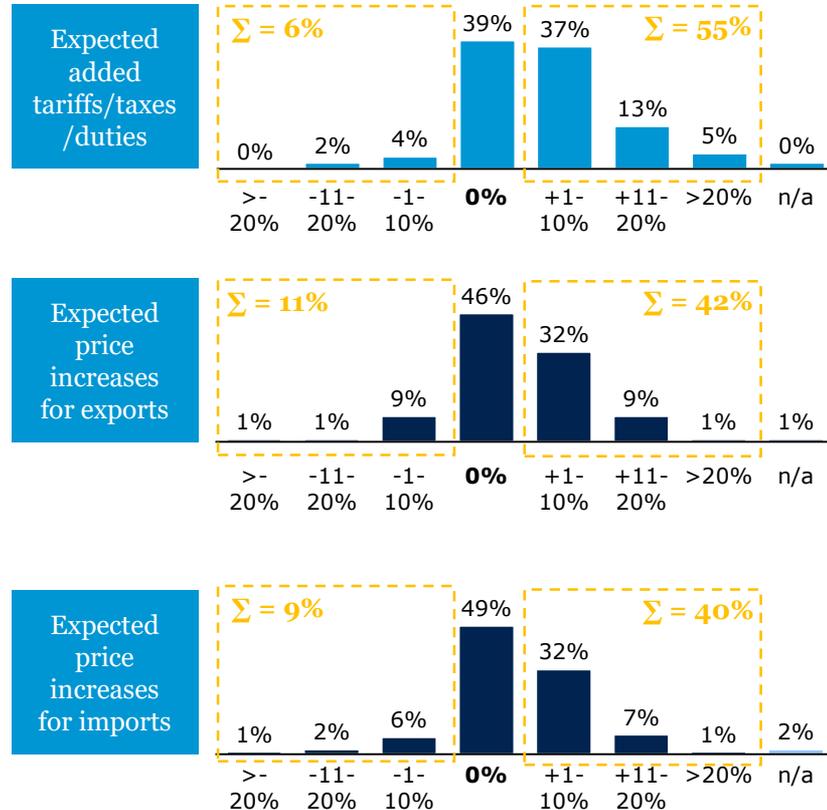
- Austrian SMEs think that a **hard Brexit is more likely than a soft Brexit.**
- **40%** of small and medium-sized companies expect a **hard Brexit to be likely**, while only **32%** expect the **opposite.**
- More companies (**53%**) answered a **soft Brexit deal scenario is not likely**, whereas only 29% of SMEs said that it is likely.
- The **majority of companies (62%)** is of the opinion that **Brexit is not going to be stopped.**
- 2/3 of the firms say they do not perceive high **uncertainty**

Brexit consequences on the SME



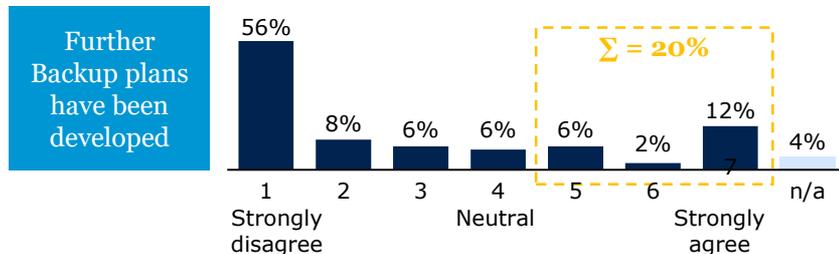
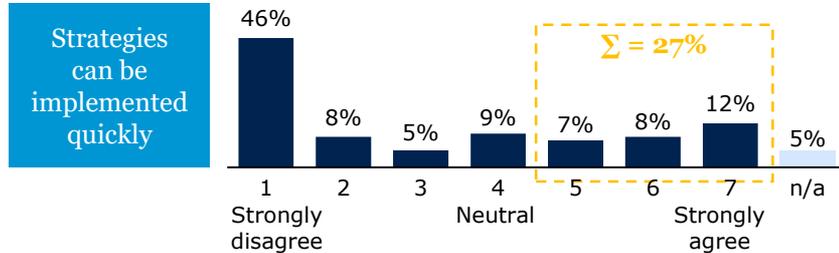
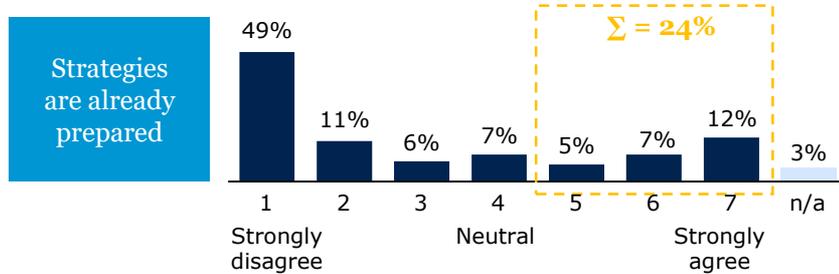
67% of all responding firms are quite certain that they can predict Brexit's consequences on their firm

Market implications



- Austrian companies **expect cost and prices for imports/exports to stay as-is or rise slightly** (up to 10%). **Extreme price increases or decreases are not expected.**
- Most SMEs expect a **steady state or between +1 and +10% of additional costs due to customs, duties and other trade restrictions.**
- Similarly, a majority of SMEs expects **no to little positive change in the expected price increases for exports to the UK.**
- The **same is true for the expected price increases for imports from the UK.** About half of the SMEs believe there will be 0% change, while some anticipate a change between +1 and +10%. A minority thinks there will be a change between +11 and +20% or even a price reduction.

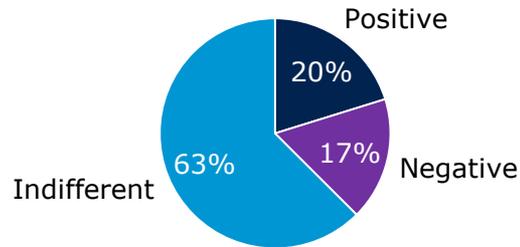
Business strategies & -performance (1/2)



- About **one quarter of the Austrian SMEs** seem to **have a strategy to counter Brexit consequences in place.**
- However, the **majority of SMEs (76%)** does not **have concrete plans in such a case.**
- About **one fifth of the companies** has **additional backup plans in place in case their own Brexit forecast does not prove to be right.**

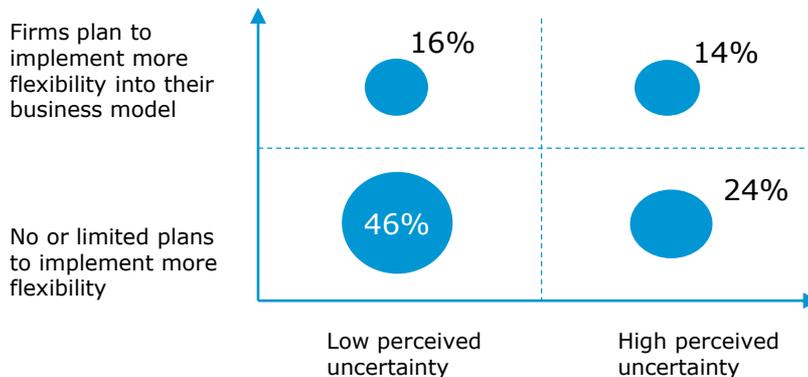
Business strategies & -performance (2/2)

Expected effect on business success



- The **overall impact of Brexit on business success was considered neutral by 63% of SMEs.**
- Among the rest there was a slight tendency of a **positive impact (20%) of Brexit on business success** rather than a **negative impact (17%).**

Future plans

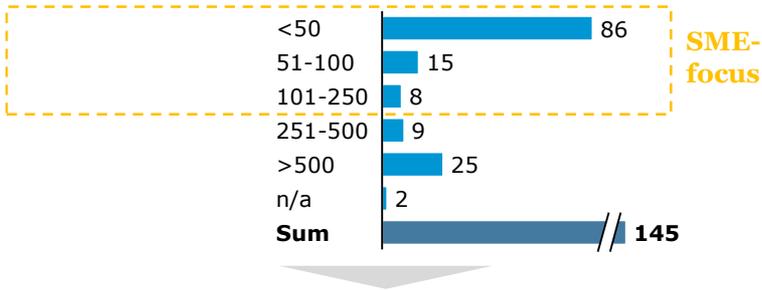


- About **30% of SMEs have plans to integrate more strategic flexibility** into their business model. This seems unrelated to the perceived uncertainty.
- About 62% of the SMEs state they are quite certain regarding Brexit and its consequences

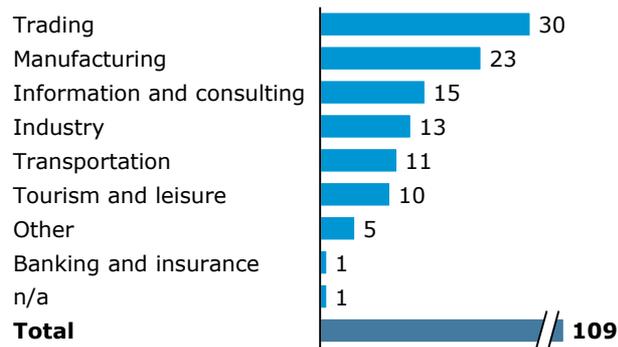
Our approach and sample

Analysis

Sample by company headcount



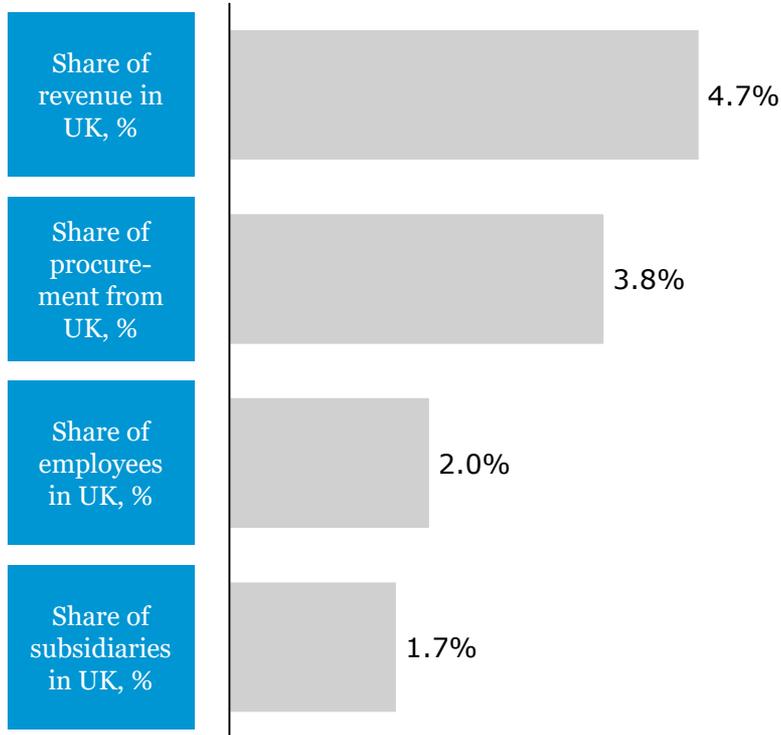
SME respondents by industry



Research Approach

- An **anonymous online survey** was conducted between **mid-October and the end of November 2018**. The survey received 145 responses in total. The companies were categorized according to the number of employees. The majority of companies (109) are SMEs (employee count of 250 or less).
- The companies are **distributed across a wide range of industries**.
- Approximately **75% of the firms** are active in the largest four industries **Trading, Manufacturing, Information and consulting, and Industry**.

Sample description



On average, Austrian SMEs ...

- ...have **proportionally higher revenues in UK than they have sourcing activities, employees and subsidiaries;**
- ...do **not seem to be heavily dependent on the UK market,** given a share <5% in all dimensions.