

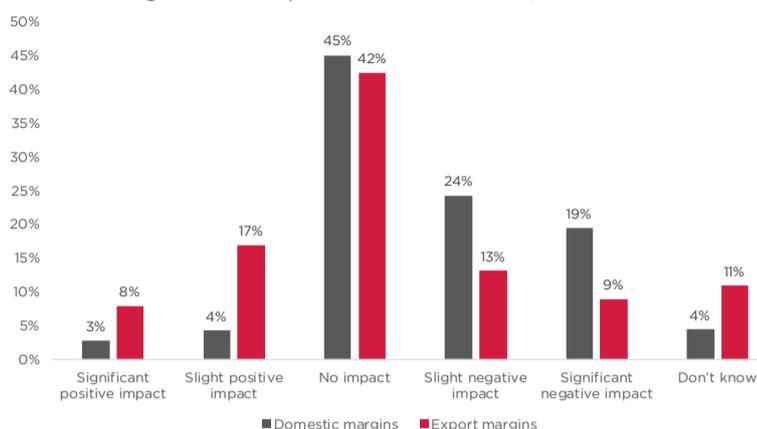
# Continued weakness in Sterling is squeezing domestic sales margins and increasing cost base of UK firms

The British Chambers of Commerce (BCC), in partnership with moneycorp, surveyed nearly 1,500 businesspeople online in December 2016 to understand how, if at all, the recent devaluation in Sterling is impacting on their company. Around 95% of responding businesses were SMEs from all regions of the UK. A vast majority (80%) of responding businesses also sell products or services overseas.

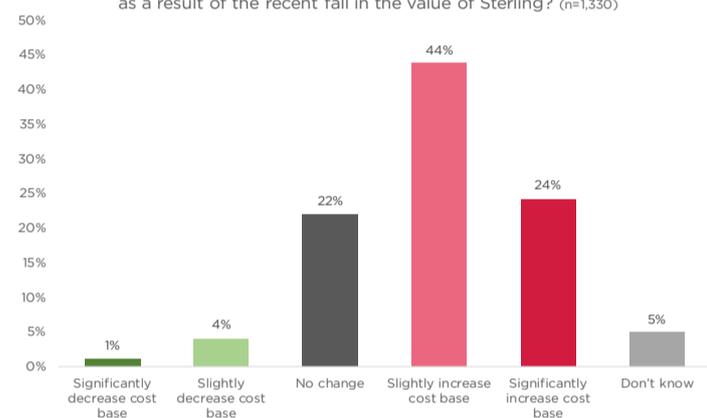
## The recent devaluation of Sterling is having a negative impact on the domestic sales margins of nearly half of respondents (44%)

The effect is more diverse on export margins, with roughly equal levels of respondents reporting a positive (25%) and negative (22%) impact, suggesting that while the fall in value of the pound may be helping some UK exporters, it's also hurting others.

How has the recent devaluation of Sterling affected sales margins over the previous three months, if at all? (n=1,255)



To what extent will business costs change over the next 12 months as a result of the recent fall in the value of Sterling? (n=1,330)



## Over two-thirds of respondents (68%) expect the fall in the value of Sterling to increase their cost base in the coming year

In turn, over half (54%) of respondents expect to have to increase the prices of their products and services over the next 12 months.

## Nearly half of respondents (45%) do not currently manage currency risk

For those that do, invoicing in Sterling instead of their customer's local foreign currency (32%) is the most popular means, followed by opening a foreign currency bank account to deal with sales and purchases in the same currency (16%), and waiting for an advantageous rate and buying using the spot market (14%).

How do businesses currently manage currency risk? (n=1,279)



“The depreciation of Sterling in recent months has been the main tangible impact that firms have had to grapple with since the EU referendum vote.

Our research shows that the falling pound has been a double-edged sword for many UK businesses. Nearly as many exporters say the low pound is damaging them as benefiting them. For firms that import, it's now more expensive, and companies may find themselves locked into contracts with suppliers and unable to be responsive to currency fluctuations.”

Dr Adam Marshall  
Director General, British Chambers of Commerce

“The post referendum fall in sterling has clearly had an impact on many UK businesses and, as hedging begins to expire, importers and exporters will have to adapt to the new landscape. For exporters, the move potentially allows for greater competitiveness on an international level; however, importers may now have to think of new ways of protecting their businesses from further volatility.

The timeframe for stepping away from the European Union is long, with at least two years of negotiation as and when Article 50 is triggered; this means that companies will have to be nimble and proactive when it comes to managing foreign exchange exposure.”

Lee McDarby  
Managing Director of UK Corporate International Payments, moneycorp

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