Brexit: The current excuse for poor exporting performance!

By Stephen Huyton, Group Financial Director, Thermopatch International B.V.

“British manufacturing output growth weakens in August as exports showed slowest growth in almost a year” – That was the headline from CityAM.

According to the latest CBI purchasing managers index, growth in the British manufacturing sector slowed as exports slowed in August. The reasons given being the slowdown in the world economy, the loss of the effect of a weak sterling and Brexit uncertainties.

Less than a month earlier Anna Leach, CBI Head of Economic Intelligence, said: “Manufacturing growth remains strong, supported by the lower level of sterling and strong global economy.”

In May 2017 the CBI was reporting that “the sun had come out for British manufacturing” with exports benefiting from the 13% depreciation in the value of sterling vs the dollar since Brexit day.

Fifteen months on and the effective depreciation rate is almost the same but now the global economy is slowing and Brexit uncertainty is said to be affecting exports.

By comparison the euro has seen a six percent appreciation in its value against the dollar over the same period yet exports from the UK’s main trade partners do not seem to have suffered.

In the immediate aftermath of the Brexit vote when the country did not fall off the predicted economic cliff, exporters were given an injection of high octane fuel in the guise of a sharp depreciation in the value of Sterling. Something on this scale has not been seen for many years. It was like a massive economic experiment that economists often dream of. Clearly some exporters took advantage of the situation but in general growth in exports has not been spectacular and nothing special compared to countries like the Netherlands.

Reading the UK financial press and watching the news I am often struck by the imaginative excuses that are given to explain away the generally poor performance of British exports. At the moment it is the uncertainties created by Brexit. Helena Sans, Head of Manufacturing at Barclays Bank said recently: “Political and economic uncertainty is clearly impacting manufacturers investment intentions but one thing that is certain is in order to increase exports and drive growth, what manufacturers need to see sooner rather than later is a Brexit transition deal to avoid the risk of prolonging a more cautious and tentative approach to investment from the sector.”

I would argue that this statement is a simple answer to something more deep routed. Whilst I acknowledge that business does not like uncertainty, the world is full of uncertainty. After Brexit, British companies will have to get used to that as they adjust to being outside of the EU. It seems like the UK is always in need of a reason for poor performance. A bit like the English football team!

Exporting has never been easy, based in the Netherlands, my company exports to over 70 countries with nearly 75% of what it manufactures being exported. The biggest challenges we face today have to do with bureaucracy and local regulation. Brexit will present its own new challenges but so does exporting to the USA, as anyone who does so now will tell you. The USA is no more a one country than the EU 28 is with 50 states many with a web of bureaucracy of local regulations, which makes the EU by comparison seem like a trading Heaven.

My argument is that there is something more fundamental underlying the long term poor performance of Britain’s exports.

In a nutshell I think it has a great deal to do with the dysfunctional, disjointed and disorganised approach taken by the government towards its export strategy over many years. The dysfunctionality is best exemplified by the department itself, with regular name changes, a new minister every year with yet another new initiative and never sure exactly to which department of state it belongs. This is in sharp contrast to our key trading partners where consistency and certainty have been the by-words in helping businesses plan their export strategy over the longer term.

For years the governments of all persuasions have been disinterested in supporting exporters, in part, perhaps because the UK was a member of the EU, it was too easy to pass the buck. The result has been a cut back in overseas trade support staff, now reversed and too much time devoted to fighting turf wars between government departments over who controls the DIT or Chambers of Commerce, rather than supporting companies export efforts.

Even now with the sudden explosion in activity since Brexit the effort continues to be disjointed, with no proper integrated command and control structure to support business. Watching the DIT daily feed on LinkedIn only reinforces my view that they do not really have an export strategy other than to focus on 'GREAT'.

My contention is that the UK requires a long term integrated and seamless strategy that involves everyone from local Chambers of Commerce, business organisations, trade bodies, International Chambers, and the DIT. One that provides consistency and certainty for business. Until then commentators will continue to rely on imaginative reasons to explain away an erratic export performance.

After Brexit what will be next? Trading under WTO rules proved to be more difficult than politicians thought!

Bio: Stephen Huyton

Stephen is currently Group Finance Director of Thermopatch International BV. The company, which specializes in apparel embellishments, is located just outside Amsterdam and is the European headquarters of a private American Company.

Outside work he is very active in the Anglo Dutch Business community. Currently he is chairman of the Professional Accountants in Europe (PAiE, Dutch branch), and a board member of the

Netherlands British Chamber of Commerce. He is also a member of the Commercial Anglo Dutch Society, The International Business Forum Amsterdam as well as being the Dutch representative for the Institute of Chartered Accountants in England & Wales.

He was most recently involved with the Article 20 case before the Dutch courts, seeking a referral on the question of British citizens retaining their rights post Brexit to the ECJ.