Latest results from the Decision Maker Panel survey - 2019 Q3

The Decision Maker Panel (DMP) is a survey of Chief Financial Officers from small, medium and large UK businesses. We use it to monitor developments in the economy and to track businesses' views. This is a summary of the results up until August 2019.

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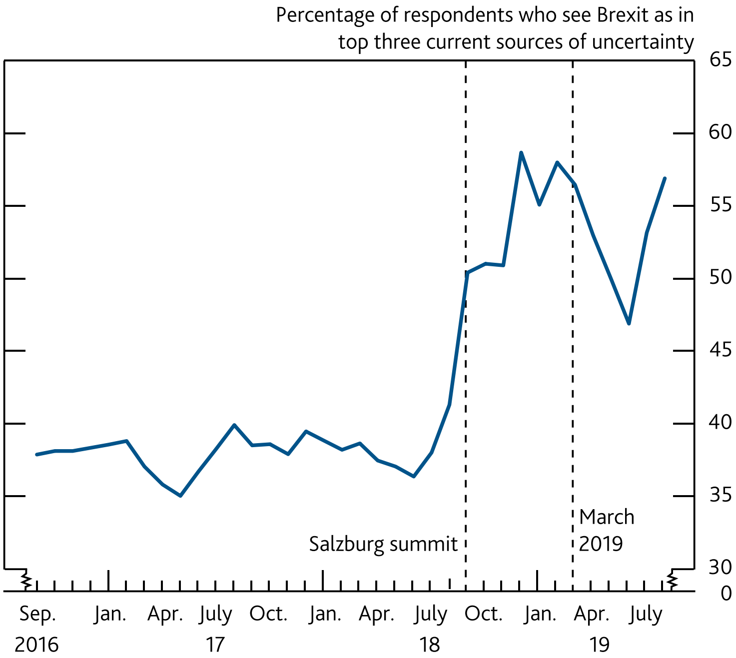
Brexit uncertainty

Almost 60% of firms said that Brexit was an important source of uncertainty for their business in August. That is approaching the highest percentage that we have seen since the EU referendum.

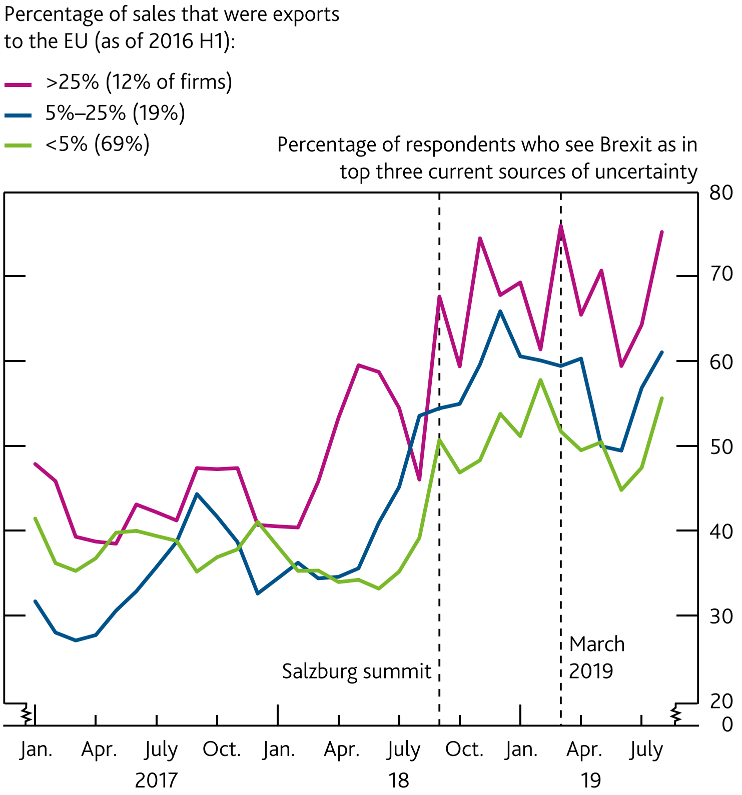
Chart A tracks the percentage of businesses who reported that Brexit was in their top three sources of uncertainty, which we refer to as our Brexit Uncertainty Index (BUI). This had fallen back somewhat between March and June after the UK's departure from the EU was delayed from the end of March. But it has risen again more recently from 47% in June to 53% in July and 57% in August. The highest recorded value was 59% in December 2018.

Chart A Brexit uncertainty has risen again in recent months to close to its highest level



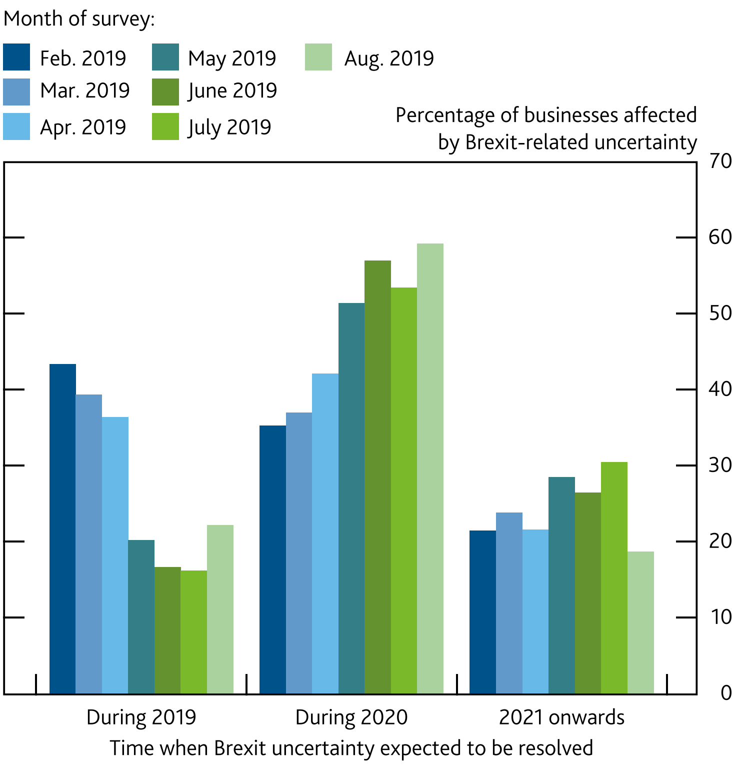
The recent pickup in uncertainty has been broadly based across companies. Chart B breaks the BUI down by the importance of EU exports to firms. It shows that uncertainty has increased by a similar amount for all of the groups shown since June, suggesting that uncertainties around Brexit are not just associated with trading relationships with the EU. Nonetheless, the level of uncertainty is still highest for businesses who sell most to the EU, as it has been throughout. Recently published research work using the DMP data by Bloom et al (2019) shows that higher Brexit uncertainty has also been associated with other channels of exposure to the EU via imports as part of their supply chain, migrant labour, regulation and ownership.

Chart B The rise in Brexit uncertainty has been broadly based



During the course of this year, businesses have reported that they expect the uncertainty created by Brexit to last longer. The DMP survey asks panel members about when they expect Brexit uncertainty to be eventually resolved. Between February and July, the percentage of panel respondents affected by Brexit uncertainty (of any degree) who thought that this uncertainty would be resolved by the end of 2019 fell from 43% to 16%, before increasing slightly in August (Chart C). Around 60% of panel members thought the Brexit-related uncertainty facing their business would be resolved during 2020 in the August survey, up from around 35% earlier in the year.

Chart C Brexit uncertainty is expected to be more persistent

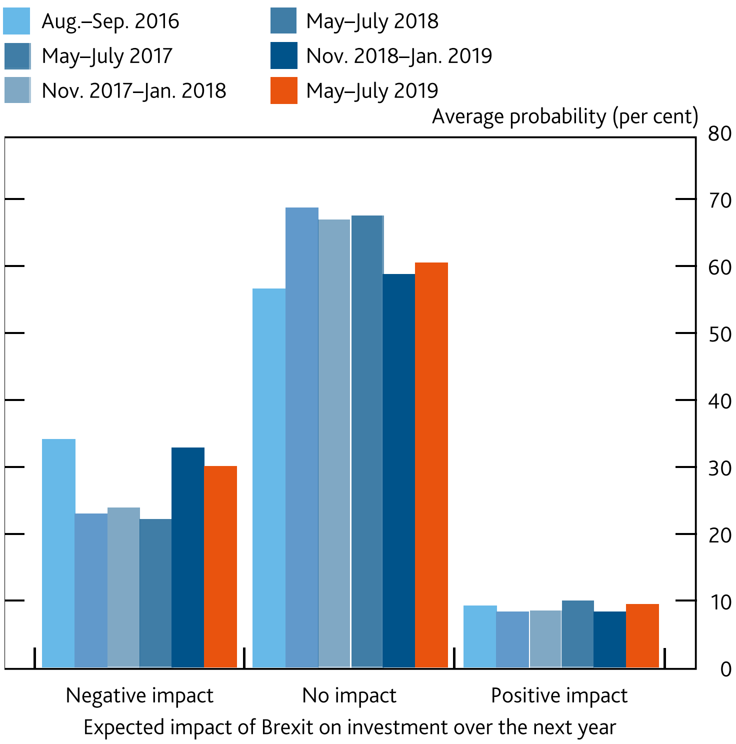


Investment

Panel members continued to report that their recent investment growth has been subdued. In the May to July surveys, nominal investment was estimated to have grown by an average of around 1% over the year to 2019 Q1, which was close to both the average growth rate of the previous year reported in the survey and the average over the three years since the EU referendum. Research using data from the DMP, see Bloom et al (2019) for details, has estimated that the Brexit process has reduced the level of UK investment by around 11%, relative to what might otherwise have happened, over the three years since the referendum.

Looking ahead, businesses expected nominal investment growth to pick up a little to around 3% over the year to 2020 Q1 (based on the May to July surveys). Again, this was similar to the average expected growth rate over the period since the DMP has been running, although average expected investment growth has typically been a little higher than subsequent realised growth. The Brexit process is likely to be influencing future investment plans and businesses continued to report that this would hold back their investment decisions over the next year. Between May and July, they reported a 30% chance, on average, of Brexit having a negative impact on investment over the next year, compared with a 9% chance of a positive effect (Chart D). These probabilities were similar to when the question was last asked six months earlier.

Chart D Firms reported that Brexit was more likely to lower investment over the next year than increase it

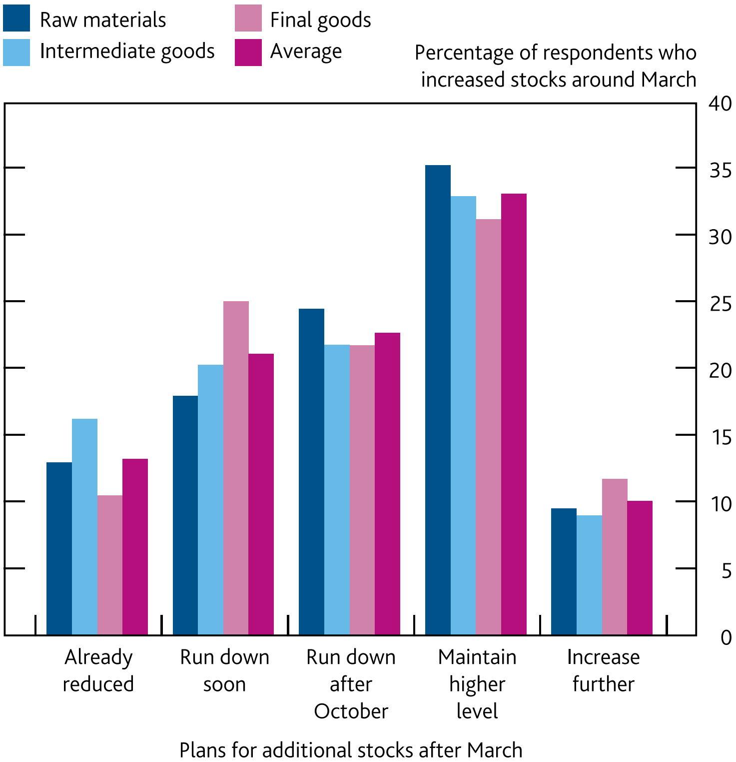


Stockbuilding

Results from previous DMP surveys have shown that around 30% companies increased their stock holdings around the original March date for the UK leaving the EU. These firms were most likely to be in manufacturing and wholesale and retail and to be dependent on imports from the EU. Between May and July, panel members were also asked about what they expected to happen to those additional stocks. Chart E shows those responses. About 35% of respondents who had increased stocks had either already run those additional stocks or were about to do so at the time of the survey. But the remaining 65% planned to either maintain those stocks until at least October.

The August survey also asked businesses whether they intended to build stocks up again around the end-of-October date for leaving the EU. Some firms were planning to build up stocks again, although the proportion of firms who said that they expected stock levels to be higher than normal because of Brexit around October was a little lower than in March.

Chart E Some firms planned to reduce stocks built up in the run-up to March, but others planned to maintain or increase them



Methodology

The DMP consists of Chief Financial Officers from small, medium and large UK companies in a broad range of industries.

We survey panel members to monitor developments in the UK economy and to track businesses' views on them. In particular, we try to understand how Brexit is affecting British businesses. This work complements the intelligence gathered by our Agents.

This box is a summary of surveys conducted with DMP members up to August 2019. In August, there were around 8,000 panel members and we got around 3,000 responses each month.

We have published quarterly aggregate-level data on all survey answers up to July and monthly data on the Brexit Uncertainty Index up to August 2019. These data files also include the wording of the questions asked.

The panel was set up in August 2016 by the Bank of England and with academics from Stanford University and the University of Nottingham. It was designed to be representative of the population of UK businesses. All results are weighted. See Bloom et al (2017) for more details.

The DMP receives funding from the Economic and Social Research Council.

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