

# Briefing for Members

**EU Referendum: June 2016**

## 1. Who does this affect?

- Businesses across the North East

## 2. How to get involved

- You can contact the NECC Policy Team to discuss any of the topics listed below;
- If you want to get directly involved with the campaign, NECC can connect you with figures on both the Remain and Leave side of the referendum.

## 3. Summary of NECC members' views

NECC has conducted three surveys to gauge North East businesses' views of the European Referendum debate. Across the three surveys, there has been little change within the margin of error. If you take an average of the three over 60% of NECC respondents indicated a desire to stay in the European Union, with just over 30% suggesting they would vote to leave.

Survey date	Remain	Leave
Sep 2015	60.8%	29.9%
Jan 2016	63%	29.3%
Apr 2016	57.3%	31.1%

We then asked how committed businesses were to their current view, to better understand the likelihood of them changing their mind.

*Q. You said you would vote for the UK to [remain a member/leave the EU], how committed are you in this view?*

Survey date	Completely Committed	Quite Committed	Somewhat Committed	Uncommitted
Sep 2015	39.8%	43.2%	17%	0%
Jan 2016	49.4%	25.9%	24.7%	0%
April 2016	51.5%	39%	9.4%	0%

We also asked whether businesses were aware of what impact remaining or leaving the EU would have on their business.

*Q. If the UK votes to remain/leave the EU... to what extent do you understand the long term business implications of the following:*

		I completely understand the business implications	I have a good understanding	I have some understanding	I do not understand the business implications
Access to skilled labour	Remain	22.1%	48.1%	21.4%	3.1%
	Leave	17.6%	31.3%	32.1%	12.2%
Trade with countries inside the EU	Remain	23.7%	44.3%	22.1%	5.3%
	Leave	11.5%	33.6%	29.8%	19.8%
Trade with countries outside the EU	Remain	20.8%	43.1%	26.2%	4.6%
	Leave	15.3%	30.5%	33.6%	13.7%

The effect on the prices your business buys and sells goods at	Remain	21.4%	41.2%	23.7%	6.9%
	Leave	14.6%	25.4%	33.1%	19.2%
The effect on the UK's political governance arrangements	Remain	16%	35.1%	24.4%	21.4%
	Leave	13%	23.7%	33.6%	25.2%

Our members also forecasted how various aspects of their business strategy might be affected in either a remain or leave outcome.

*Q. If the UK votes to remain a member of/leave the EU... what do you believe the impact on the following aspects of your business strategy and profitability would be, if any?*

		Strong positive impact	Slight positive impact	No impact	Slight negative impact	Strong negative impact	Unsure
Import / supply chain strategy	Remain	9.9%	13.0%	63.4%	6.9%	2.3%	4.6%
	Leave	2.3%	11.5%	38.2%	20.6%	17.6%	9.9%
Export / international sales strategy	Remain	14.6%	10.0%	60.8%	6.2%	3.8%	4.6%
	Leave	3.1%	9.2%	42.7%	13.7%	20.6%	10.7%
Treasury / cash management	Remain	7.7%	10.8%	65.4%	6.9%	2.3%	6.9%
	Leave	2.3%	6.1%	51.1%	15.3%	11.5%	13.7%
Recruitment strategy	Remain	6.9%	8.4%	74.8%	5.3%	1.5%	3.1%
	Leave	3.8%	6.1%	57.3%	16.8%	11.5%	4.6%
Investment strategy	Remain	8.4%	11.5%	68.7%	3.8%	0.8%	6.9%
	Leave	1.5%	6.2%	51.5%	17.7%	13.1%	10.0%
Tax management strategy	Remain	4.6%	3.8%	72.5%	5.3%	3.1%	10.7%
	Leave	3.1%	6.9%	61.8%	3.1%	6.9%	18.3%
Overall growth strategy	Remain	13.7%	16.8%	52.7%	6.1%	5.3%	5.3%
	Leave	3.1%	9.2%	41.2%	12.2%	21.4%	13.0%
Your company's profitability	Remain	12.2%	16.0%	51.1%	8.4%	3.8%	8.4%
	Leave	2.3%	12.2%	34.4%	17.6%	19.8%	13.7%

#### 4. International Trade & Foreign Investment

Every quarter, NECC analyses HMRC's regional trade statistics which show how the North East is performing in terms of the export of goods.

- Our total exports in 2014 came to £12.475bn, of which £6.989bn went to the EU (approximately 56% of North East exports)
- Our total exports in 2015 came to £12.146bn, of which £7.002bn went to the EU (approximately 57.7% of North East exports)
- The region's global trade surplus stands at over £3.4bn, the only English region with a consistent trade surplus

## Exports

Market	2014 Exports (£m)	Percentage of North East Exports (2014)	2015 Exports (£m)	Percentage % of North East Exports (2015)	Percentage % Change (from 2014 to 2015)
<b>European Union</b>	<b>6,989</b>	<b>56</b>	<b>7,002</b>	<b>57.7</b>	<b>+0.2</b>
Asia & Oceania	1,393	11.1	1,562	12.9	+12.1
North America	1,643	13.2	1,357	11.2	-17.4
Western Europe (excl. EU)	849	7	919	7.6	+8.2
Middle East & North Africa (excl EU)	403	3.2	436	3.6	+8.2
Eastern Europe (excl EU)	805	6.5	409	3.4	-49.1
Latin America & Caribbean	192	1.5	244	2	+27
Sub-Saharan Africa	202	1.6	213	1.8	+5.4
Total Exports	12,475		12,141		-2.7

Collectively, the European Union is the North East's largest export market, with over half of our total exports going to the EU. The region's trade with the EU saw a slight growth of 0.2% in 2014/15. This trade in goods with the EU makes up approximately 57.7% of our exports, whilst the UK as a whole exported 47.7% of its goods to the EU.

## Imports

Market	2014 Imports (£m)	Percentage % of North East Imports (2014)	2015 Imports (£m)	Percentage of North East Imports (2015)	Percentage % Change (from 2014 to 2015)
Latin America & Caribbean	14	0.2	22	0.3	+57.1
<b>European Union</b>	<b>4,300</b>	<b>54.2</b>	<b>5,172</b>	<b>59.2</b>	<b>+20.3</b>
North America	814	10.3	897	10.3	+10.2
Sub-Saharan Africa	33	0.4	36	0.4	+9.1
Middle East & North Africa (excl EU)	70	0.9	74	0.8	+5.7
Western Europe (excl. EU)	264	3.3	262	3	-0.8
Asia & Oceania	2,269	28.6	2,167	25	-4.5
Eastern Europe (excl EU)	171	2.2	104	1.2	-39.2
Total Imports	7,934		8,734		+10.1

Imports to the North East from the EU increased through 2014/15 by over 20%. The EU now accounts for well over half (59.2%) of the goods brought into the region.

## Foreign Direct Investment

Recently, Ernst & Young (EY) released a report into how the UK has benefited from Foreign Direct Investment. The UK is the largest beneficiary of FDI jobs out of any other European

country with 42,336 being created as a result of it in 2015 (a 35% increase from 2014), over double the amount of jobs that the second highest FDI beneficiary, Poland, received at 19,651.

Furthermore, the UK is seen as the second most attractive countries for FDI in Europe, behind Germany but ahead of France. The North East saw the second highest increase in FDI growth, with a substantial 83% increase in FDI projects, sitting only behind the North West.

Regarding the link between the EU Referendum and Foreign Direct Investment, EY asked investors how important access to the European Single Market.

***“How important to you is access to the ESM in terms of the attractiveness of the UK as an investment destination?”***

*The results for 2016 are clear. 79% of investors cited access to the ESM as a key feature of the UK’s attractiveness. This is an increase from 72% last year and 63% the year before. I*

*It does appear that access to the ESM is both important and increasing in importance for foreign investors. Investor responses to other questions in our survey suggest that access to the ESM is regarded by investors as a slightly more valuable element of the UK’s appeal than access to the UK’s domestic market. How important to’*

EY asked participants what effect leaving the EU would have on the attractiveness of investing in the UK. Overall, 52% of investors surveyed said a slight change to the UK’s access to Europe would reduce the UK’s attractiveness compared to 7% who said it would increase the appeal. For a significantly less favourable arrangement on access to the ESM, the respective responses were 55% and 7%.

Source: <http://www.ey.com/UK/en/Issues/Business-environment/ey-attractiveness-survey-2016-uk>

## 5. EU Funding

The European Structural and Investment Funds (ESIF) are the European Union’s main funding programmes supporting jobs and growth across Europe. In the UK, these are made up of the European Regional Development Fund (ERDF), European Social Fund (ESF), European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF).

Whilst all the programmes are managed nationally, the Government is keen to ensure this funding is focused on local priorities which align with the Strategic Economic Plans as defined by Local Enterprise Partnerships (North East LEP and Tees Valley Unlimited in our case), with the exception of EMFF which is much smaller and is managed nationally.

### **North East Local Enterprise Partnership (NELEP)**

In total, the **North East LEP receives £205.5m in ERDF funding**, of which £66.5m goes to Durham and £139m to Tyne Wear & Northumberland. They aim to support 13,626 enterprises, help create 4,165 new enterprises, increase employment by 4,145 and achieve greenhouse gas reductions of 40,328 tonnes of carbon.

In terms of priorities, £41.3m is allocated to Innovation, £90.3m to SME competitiveness, £60m to Low Carbon, £8.3m to Climate Change and £4.6m to Community Led Local Development.

NELEP also receives **£182.3m in ESF funding**, of which £50.7m goes to Durham and £131.6m goes to Tyne Wear & Northumberland. They aim to get 163,930 participants engaged in

programmes of which 55,020 are unemployed. Also 33,150 participants with disabilities, 19,900 participants under the age of 25, 1,460 between ages of 25-29 and 35,330 of people over 50.

For the breakdown, £94.6m is allocated to Skills, £56.8m to Employment, £22.1m to Inclusion and £8.8m to Community Led Development.

The North East LEP also receives **£10.5m** from EAFRD funds, which aims to create 350 jobs, support 140 businesses and increase 300 premises access to broadband.

Source: [North East Local Enterprise Partnership](#)

### **Tees Valley Unlimited (TVU)**

In total, **TVU receives £173m in ERDF and ESF funding.**

TVU also received £12.59m of EU Youth Employment Initiative Funding to help support younger people and their access to the job market.

Tees Valley Unlimited also received **£1.1m** from EAFRD fund.

Source: [Tees Valley Unlimited](#)

### **Other EU funding areas:**

- Universities in the region also receive significant amounts of support from the EU, in some cases up to one third of their research funding.
- [LEADER funding](#) - designed to support rural businesses to create jobs and support the rural economy.
- There are also inter-regional and transnational funding allocations which are distributed on a project by project basis through a national and/or European and cross border approach. This includes some significant funding such as Horizon 2020 that our higher education institutions benefit from.
- The North East also receives maritime funding but again this is part of a national programme run through the Marine and Maritime Organisation. The UK was allocated £243.1m in the 2014-2020 budgets.

## **6. Immigration & Skills**

In 2014/15 there were 3360 EU students were studying in the North East, 3.4% of the total number of students, which is slightly below the average for England. For the country as a whole, 124,575 EU students were studying in the UK in 2014-15. .

Total including postgraduate and undergraduate, full time and part time students (2014-2015)

<b>University</b>	<b>UK Students</b>	<b>EU</b>	<b>Non-EU</b>
Durham	12,960	960	3,680
Newcastle	16,495	1,015	5,600
Northumbria	23,755	495	2,820
Sunderland	9,490	665	3,535
Teesside	16,870	225	825
Total	79,570	3,360	16,460

Source: [HESA First Statistical Release 224 \(2014-15\)](#)

Source: <http://www.universitiesuk.ac.uk/news/Pages/eu-students-vital-to-regional-economies.aspx>

According to analysis by Universities UK, in 2011-12 EU students at North East universities generated £82m for the regional economy and supported 770 jobs through their on-campus and off-campus spending.

Immigration is a key talking point of the EU debate. The North East has one of the lowest proportions of foreign-born population in the UK. In total, 1.6% of the North East's population were born overseas.

#### **Distribution of foreign-born population, 2014**

<b>Region</b>	<b>2014</b>
London	36.9%
South East	13.3%
East	8.2%
West Midlands	7.6%
North West	7.6%
East Midlands	5.8%
Yorkshire & the Humber	5.7%
South West	5.2%
Scotland	4.3%
Wales	2.3%
<b>North East</b>	<b>1.6%</b>
Northern Ireland	1.5%

Source: <http://www.migrationobservatory.ox.ac.uk/briefings/migrants-uk-overview> - Labour Force Survey, Q4

## **7. Other useful sources**

British Chambers of Commerce Referendum Hub - <http://www.britishchambers.org.uk/policy-maker/eu-referendum-hub/>

Bond Dickinson, Brexit: The possible legal implications of a UK withdrawal from the EU - <http://www.bond dickinson.com/insights/publications-and-briefings/brexit-possible-legal-implications-uk-withdrawal-eu>

KPMG EU Referendum Portal - <https://home.kpmg.com/uk/en/home/insights/2016/05/the-eu-referendum.html>

## **Contact**

For further details on any of these issues, please contact either NECC Head of Policy and Campaigns Jonathan Walker on 0191 374 6465, [jonathan.walker@necc.co.uk](mailto:jonathan.walker@necc.co.uk) or Policy Adviser, Ben Powick on 0191 374 6479, [ben.powick@necc.co.uk](mailto:ben.powick@necc.co.uk)