

Press release

11 December, 2018

Swedbank Macro Research: Important for companies to prepare for all possible Brexit outcomes

A Swedbank Macro Research analysis on the effects of Brexit on companies in Sweden and the Baltics shows that a no-deal would be costly and cause great uncertainty for businesses. It would affect trade as well as cut off legal arrangements with the EU. The Brexit outcome and the future agreements will be decisive for the magnitude of Swedish and Baltic trade with the UK ahead. Over time, supply chains and trade patterns could change and during the transition become harder to foresee. If Brexit is followed by a transition period, obligations and rights for companies will remain similar to those in effect today at least until end-2020; but the need for companies to prepare for all possible scenarios is strong – no Brexit, a deal, a good-deal and a no-deal scenario.

Brexit will impact Swedish and Baltic companies, but the effects will probably vary geographically and between sectors. For example, WTO tariffs will have a greater impact on Lithuania's and Latvia's economies due to a higher degree of openness, but Sweden will face higher trade weighted average rates than the Baltics.

"The Swedish goods sectors would face higher costs of non-tariff barriers than services. Especially regulated goods, such as chemicals and road vehicles, would be hit by higher costs from WTO tariffs while paper and iron would face zero duties", says Cathrine Danin, Senior Economist at Swedbank. "Brexit is not likely to cause major disruptions to consumption but over time Swedish investment plans may change, especially if future trade agreement is far from status quo", she continues.

The Swedbank Macro Research team highlights several recommendations for businesses to take into account for Brexit-related issues. The future relationship for companies with business relations in the UK will, lead to new rules of conduct and likely higher administration costs after Brexit. The financial markets, especially FX, will be volatile up until, and directly after, 29 March 2019 (Brexit Day) so for some companies hedging could be appropriate. Other recommendations include hands-on advice for businesses such as e.g.:

- Define your trade relationship with the UK; in particular the companies and collaboration partners' policies, contracts, full supply chain and trade pattern.
- Make sure to collect appropriate information – have a dialog with the national Customs service for details on trade with third countries and on tariff rates.
- Check whether the company has goods that must follow the EU's policy on goods of origin, and be familiar with product rules for goods from third countries.

The complete analysis and recommendations are available [here](#).

For further information:

Cathrine Danin, Senior Economist, Swedbank +46 70 540 68 78

Carina Sesser Nylund, Press Contact, Swedbank +46 72 230 52 64

Swedbank encourage a sound and sustainable financial situation for the many households and businesses. As a leading bank in the home markets of Sweden, Estonia, Latvia and Lithuania, Swedbank offers a wide range of financial services and products. Swedbank has over 7 million retail customers and around 600 000 corporate customers and organisations with 191 branches in Sweden and 125 branches in the Baltic countries. The group is also present in other Nordic countries, the US and China. As of 30 September, 2018 the group had total assets of SEK 2 461 billion. Read more at www.swedbank.com