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# Europe

## What Could, Might and Will Happen to Your Operation Here

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**SCHEDULERS & DISPATCHERS CONFERENCE**  
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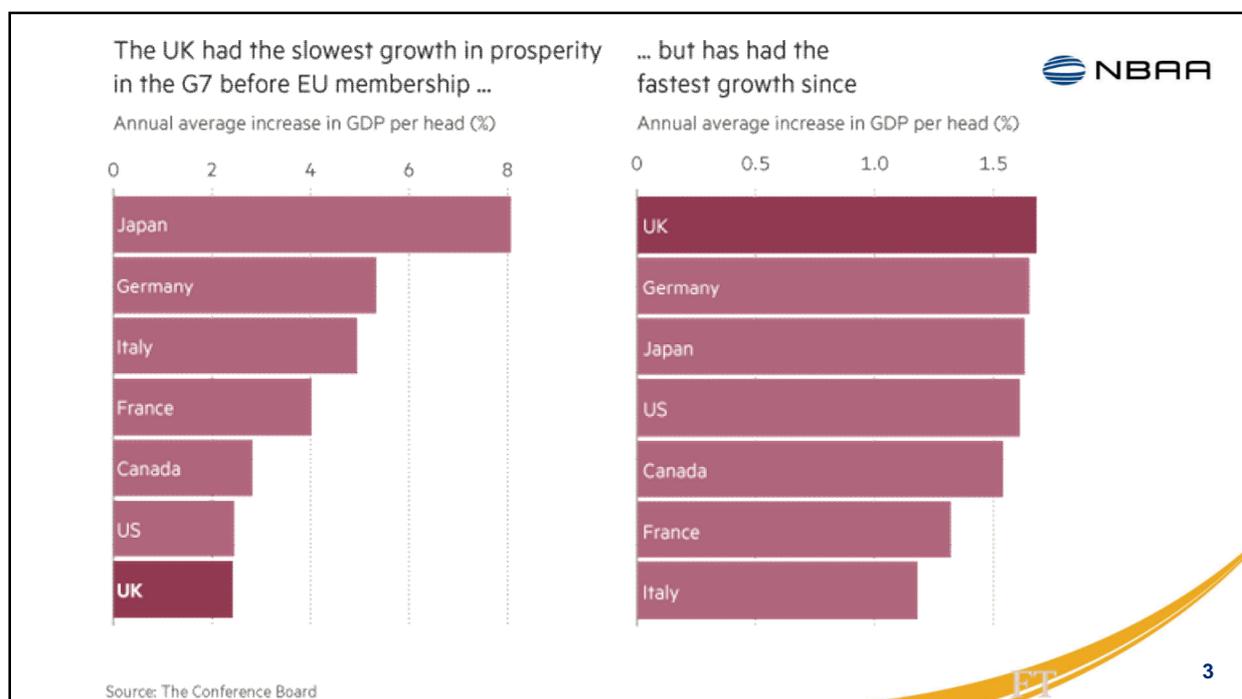


## Brexit

- Many economists prior to the referendum had been predicting an immediate and significant impact on the UK economy and consumer confidence should the country vote to leave the EU. But so far these predictions have not come to pass.
- Latest figures show the economy grew by 0.5% in the three months after the Brexit vote, powered by the UK's services sector.
- This was slower than the 0.7% rate in the previous quarter, but stronger than analysts' estimates of about 0.3%.

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## Brexit

- GfK's consumer confidence index - which had returned to pre-referendum levels in September - went down in November by five points, and despite recent strong sales, GfK also reported a drop in its major purchase index.
- But retail sales jumped by 5.9% in November compared with the same month last year.
- The Office for National Statistics (ONS) also said that online sales rose by almost a quarter compared with November 2015, adding that Black Friday discounts had boosted sales.
- Inflation has gone up from 0.5% in June, with the Consumer Prices Index (CPI) at 1.2% in November, its highest rate since October 2014.

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## Brexit

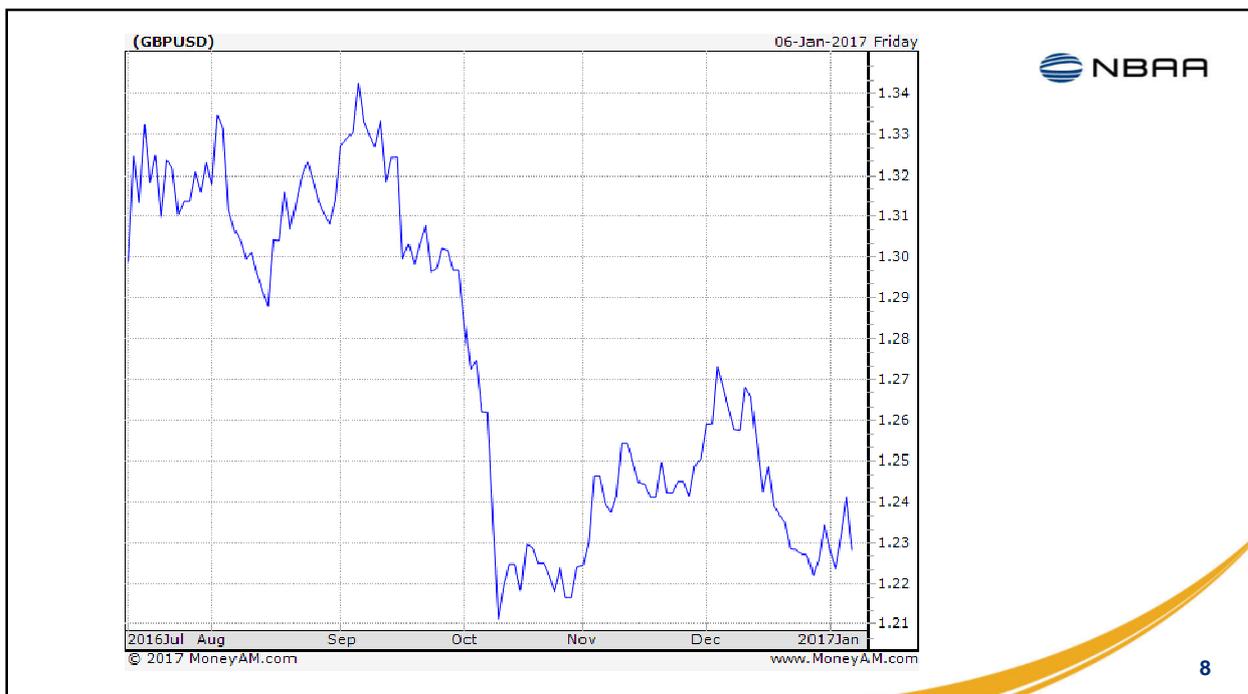
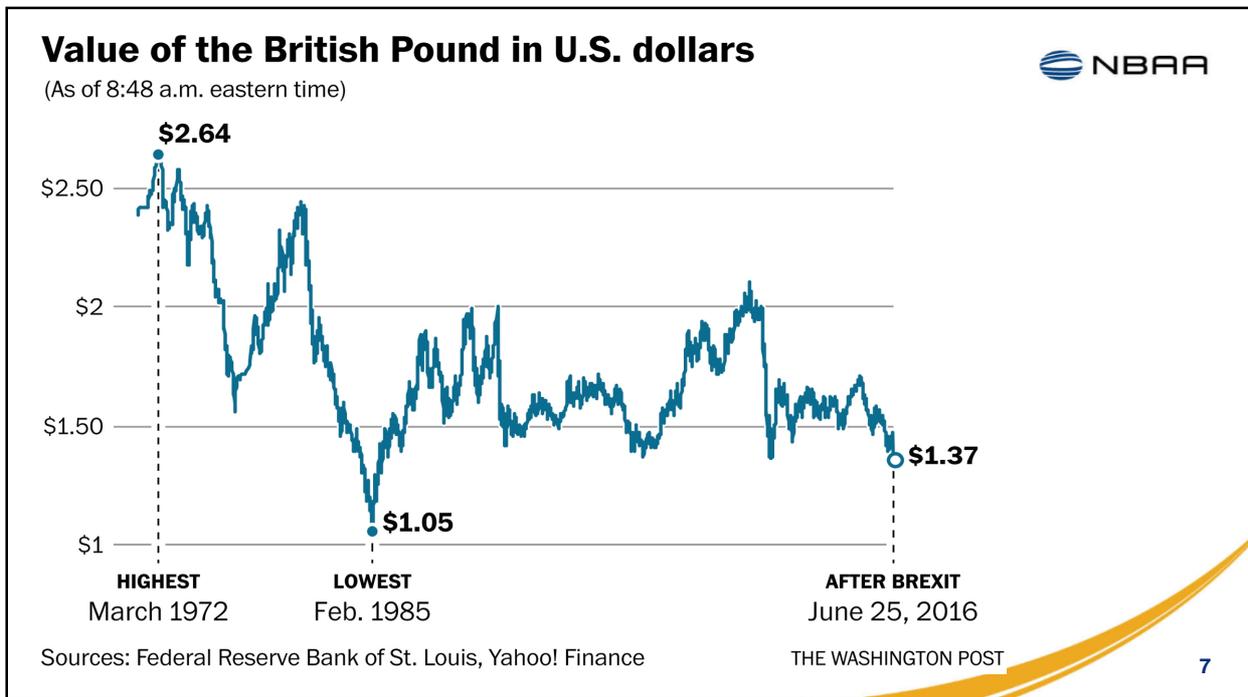
- Prime Minister Theresa May - who replaced David Cameron after he quit in the aftermath of the referendum - announced at the start of October her deadline for beginning the formal Brexit process.
- She said that Article 50 of the Lisbon Treaty, which triggers two years of formal negotiations, will be invoked before the end of March 2017. In practice this means the UK will be out of the EU by the summer of 2019.
- A legal challenge - to force the government to give MPs a say before the Article 50 process starts - has been heard in the Supreme Court, with the decision expected in January.
- The government has agreed to publish some details of its Brexit "plan" before Article 50, but it is not clear how much detail will be released.

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## Brexit

- The pound fell dramatically after the Brexit vote at the end of June.
- It then declined to a three-year low against the euro following Theresa May's announcement that the UK would begin formal Brexit negotiations by the end of March taking its fall from a pre-referendum rate of over 1.30 euros to a low of 1.09 euros in October. By 22 December it had regained some ground back to a pound being worth 1.18 euros.
- On 22 December the pound was worth \$1.23 - compared with \$1.47 pre-referendum.

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## Brexit

- The fall in the pound helps exporters but it makes foreign holidays more expensive for British tourists and it has also increased import costs for manufacturers
- The falling pound triggered a stand-off between Tesco and its biggest supplier, Unilever, which wanted to increase prices in the UK to compensate for drop in value. This led Tesco to temporarily stop selling some of his most famous brands - including Marmite - to online shoppers.
- However... beneficiary of cheaper sterling has been the UK's own tourism sector, as a weaker pound makes Britain a cheaper destination for overseas tourists. The travel analytics firm ForwardKeys says flight bookings to the UK rose 7.1% after the vote.

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## Brexit

- Caissa Touristic, a tour operator specialising in Chinese travel to Europe, says it saw a 20% increase in enquiries and bookings for the UK this summer compared with the same period last year, while Irish no-frills airline Ryanair says it has seen a rise in overseas visitors travelling to London, Manchester, Liverpool, Leeds and Scotland.

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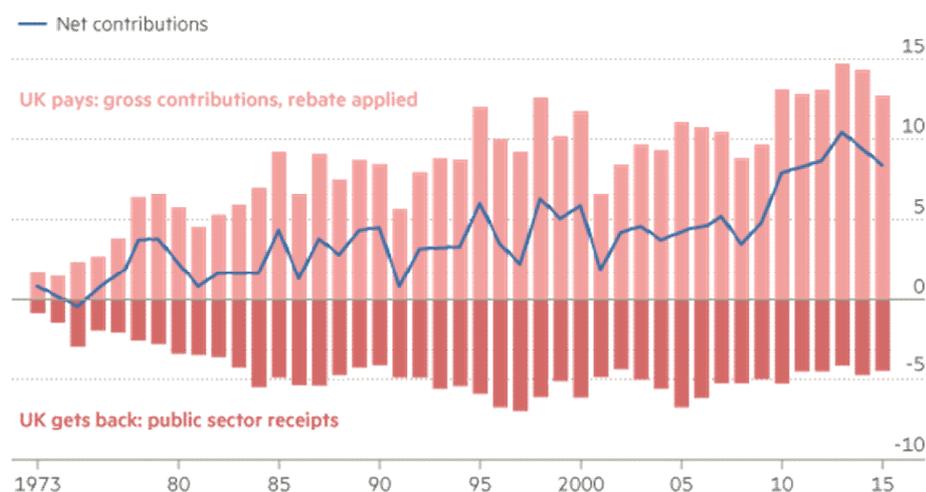
## Brexit

- Since the vote the Bank of England has taken a number of steps to boost the UK economy.
- It cut interest rates from 0.5% to 0.25% in August - the first reduction in the cost of borrowing since 2009 and taking UK rates to a new record low.
- The Bank left its main interest rate at 0.25% in November.
- After the referendum the Bank also announced a huge extension of its quantitative easing programme by an extra £70bn, and a £100bn scheme to force banks to pass on the low interest rate to households and businesses.
- One effect of the interest rate cut is that it has exacerbated the growing pension funds deficit because of falling bond yields. As yields fall it reduces the incomes pension funds get from their investments.

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## UK payments to EU budget

Balance of UK contributions to and public sector receipts from the EU budget, £bn (adjusted for inflation, calendar years)



Source: Treasury

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## Brexit

- Mrs May has met EU leaders including Germany's Angela Merkel and French president Francois Hollande, but formal negotiations on the UK's departure from, and its future relationship with, the EU have yet to start. EU leaders have said Article 50 of the Lisbon Treaty must be triggered before negotiations can begin.
- The government has not yet set out in detail what it wants from the talks, with reported differences between key figures on the balance between free trade and immigration curbs.
- Mrs May has faced repeated calls to set out what she wants Brexit to look like, but has refused, saying there will be "no running commentary".
- Former French Foreign Minister Michel Barnier has been appointed by the European Commission to lead the negotiations.

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## Brexit

- The number of hate crimes overall in the year 2015-16 were up 19% on the previous year.
- Police have also said reported hate crime rose by 57% in the four days after the referendum.
- It's impossible to tell to what extent the spike was about a rise in reporting and to what extent it was about a rise in actual incidents. What we do know is that most hate crimes typically go unreported. The government has announced a plan to tackle hate crime in England and Wales and police handling of such incidents will be reviewed.
- As the latest figures were published on 13 October, the National Police Chiefs' Council said the number of hate crime incidents had fallen from the post-referendum spike.

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## Brexit

- According to Home Office figures, racist or religious abuse incidents recorded by police in England and Wales jumped 41% in the month after the UK voted to quit the EU.
- There were 3,886 such crimes logged in July 2015, rising to 5,468 in July this year, it said.
- The sharp increase declined in August but has "remained at a higher level than prior to the EU referendum".

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## Brexit

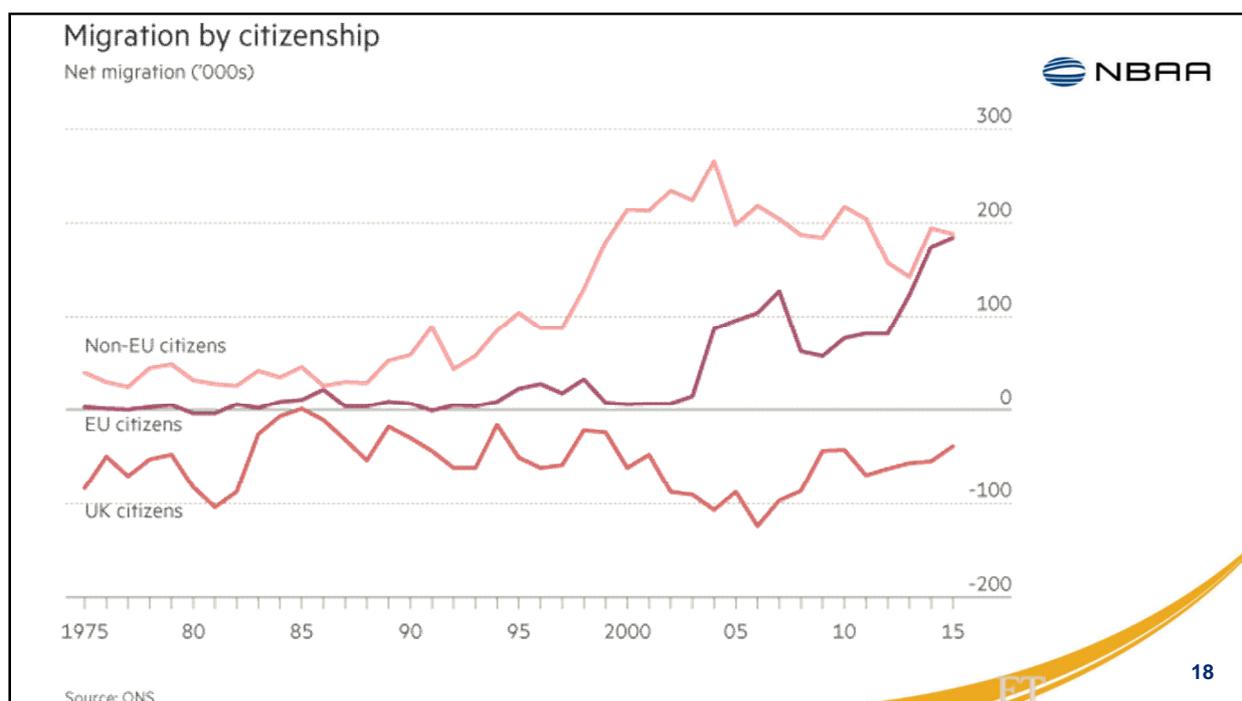
- House price inflation across the UK is continuing to ease, according to the latest data from the Office for National Statistics (ONS). Prices rose by 6.9% in the year to October, down from 7% in September.
- However, the number of homes for sale is at near 30-year lows, which is why some say the pace of house price growth has remained broadly stable. It's a view backed up by Bank of England figures showing the number of new mortgages being approved by banks and building societies falling to its lowest for a year and a half in July.

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## Brexit

- Most of the period covered by the latest migration figures was before the EU referendum, but they also include one week after the poll.
- In the year to June, net migration stayed near record levels, standing at 335,000, the Office for National Statistics said.
- There was also a record number of EU citizens coming to live in Britain with the figure standing at 284,000.

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## Brexit

- In the month of the referendum, the UK trade deficit in goods and services widened to £5.1bn after imports hit a new high.
- But latest figures show it narrowed to £2bn in October as exports rose by £2bn, lifted by machinery and transport orders, while imports decreased by £1.8bn, the Office for National Statistics said.
- The ONS said there was "only limited evidence so far" that the fall in the pound's value had led to a "marked increase in UK exports".
- The UK has long been running a trade deficit, meaning that overall it imports more than it exports.

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## Brexit

- The UK's construction industry seems to have recovered in August from a downturn that started just before June's Brexit vote. The latest Markit/CIPS UK Construction Purchasing Managers' Index rose to 56.1 from 45.9 in July, although the figure is still below the 50 mark that divides expansion from contraction.
- The uncertainty over what happens next acted as a brake on the construction sector during August, especially in terms of house building, the survey suggests. However, a number of firms say that sales have held up better than had been expected.
- Significantly these figures also indicate the sector has seen a further steep rise in the cost of raw materials, with input costs now rising at their fastest pace since July 2011.

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## Brexit

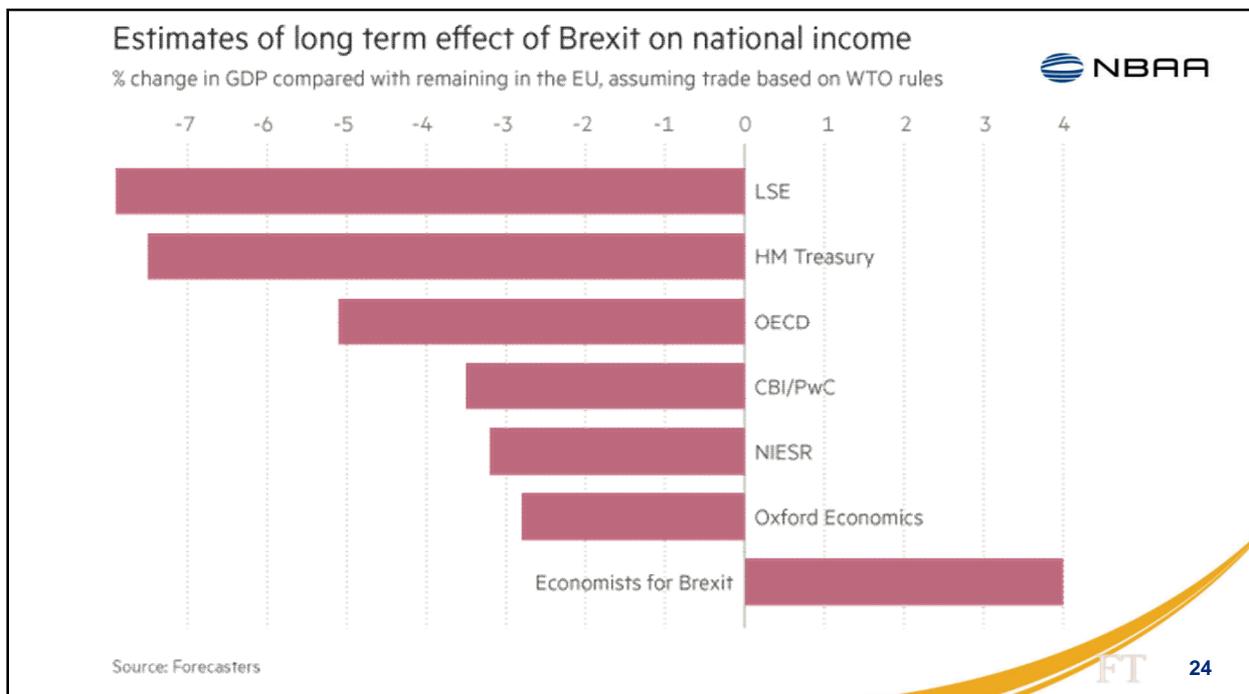
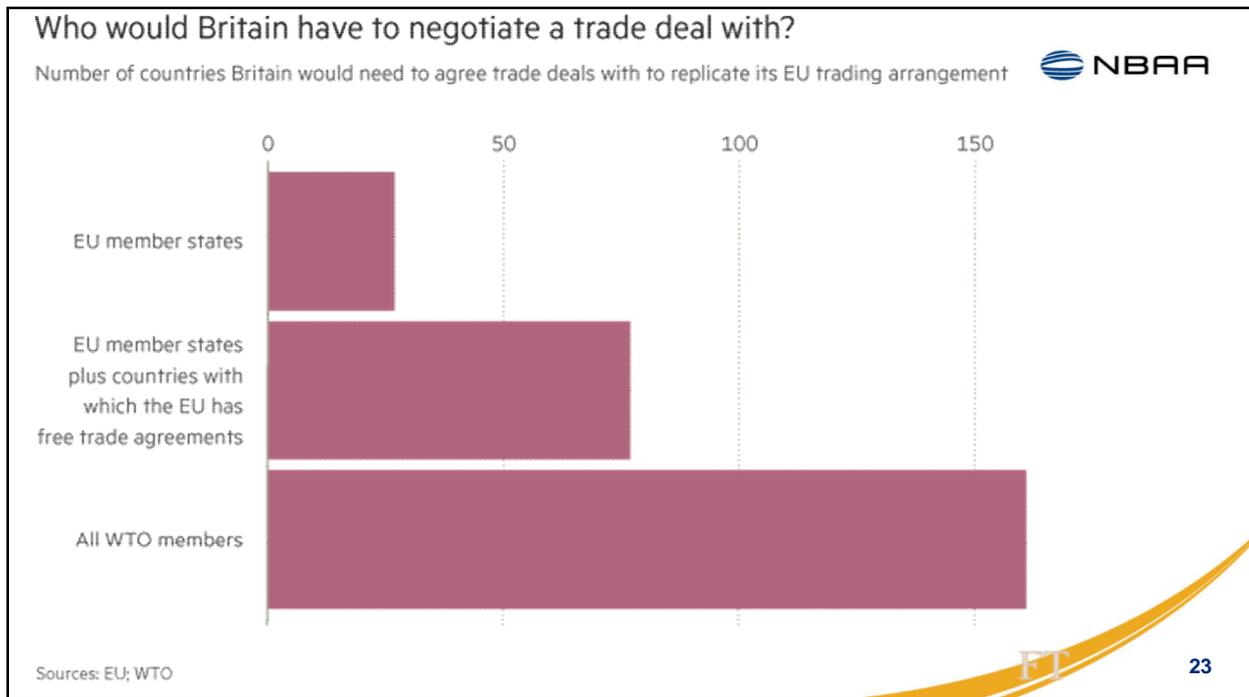
- Although UK unemployment fell slightly to 1.62 million in the three months to October, economists warned there were signs the labour market had started to "cool off" since the Brexit vote.
- In total, there were 31.76 million people in work, which was "slightly down on the record set recently", said ONS senior statistician David Freeman.
- "The labour market appears to have flattened off in recent months," he said.
- When it comes to individual firms the picture is mixed.
- Nissan confirmed it would build both the new Qashqai and the X-Trail SUV at its Sunderland plant thanks to government "support and assurances", an announcement Theresa May described as a "vote of confidence".

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## Brexit

- The Japanese company's commitment to Britain's biggest car plant had been in doubt following the EU referendum.
- But the world's biggest security firm, G4S, warned that the UK's workforce and economic growth might shrink, and one of Britain's biggest banks, Lloyds, has accelerated its job cuts, axing a further 3,000 posts - although it said it had made this decision before the referendum.
- Elsewhere Japan's Softbank said it was buying the UK microchip-maker ARM Holdings for £24bn, and would double the number of staff in five years, pharmaceuticals firm GlaxoSmithKline is investing £275m in the UK, while McDonald's is creating 5,000 new jobs.

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## Crowd Source Question #1

How long is the UK bound by EU law to negotiate BEFORE exiting the EU?

- A. None, leave now
- B. None, leave ASAP
- C. 3 Months, then leave
- D. 1 Year, to develop an orderly plan of exit
- E. 2 Years, negotiate terms have an orderly plan for exit



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