Statement from Numbers (UK) Limited

concerning the

outcome of the EU referendum

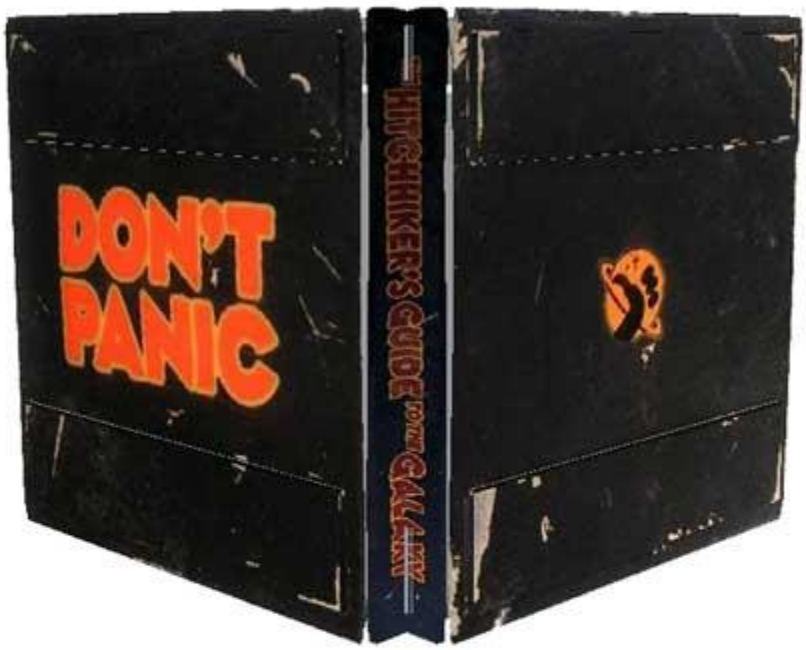
Introduction
On Thursday last week, the UK delivered a vote to leave the EU, of which it has been part for over 40 years. This is a seismic decision, and will no doubt affect international trade and political and diplomatic relationships for many years to come.

Immediate impact
The dramatic fall in stock markets and the value of the pound was forecast. A partial recovery happened later on Friday, but the markets are still volatile.

The resignation of the Prime Minister, and most of the shadow cabinet has put UK politics into a state of flux. We are unlikely to see strong leadership until the main parties have new leadership.

The Chancellor’s speech on Monday morning has gone some way to calming the markets. As we all suspected, the Bank of England and the Treasury are working together to keep our economy on track.

Our advice on two words



In the famous words of the Hitchhikers Guide to the Galaxy, don’t panic. We are in for some economic turbulence, but that shouldn’t throw us off our strategic plan.

What next for the economy?
If the UK economy does fall into recession, we may well see the Bank of England cut interest rates from their historic low. This will give a boost to consumer spending, but risks weakening the pound, and consequently boosting inflation.
If inflation is perceived to be a bigger risk, the Bank of England may raise rates, which will increase the value of the pound, thereby cutting inflation.
It works this way, the price of many goods is set in Dollars. If the pound weakens, $100 costs us more pounds. Hence, a barrel of oil at $50, will cost us around £35 at the moment, but could rise to £45 or even £50. This price increase will be reflected at the pumps, but also in the many products that use oil as a base ingredient, or any factory that uses electricity.
The Bank of England have a mandate to keep inflation at around 2%, looking forward two years. At the moment, it’s kicking around 0.5%, so there’s room for a little bit of increase before rates have to rise. However, if the Bank foresaw inflation at say 4% in two years time, they would start to raise rates before the end of the year.

The truth is:

NO ONE REALLY KNOWS WHAT’S GOING TO HAPPEN.

It would be very dangerous to make any decision when the future is so uncertain, so we would recommend that you continue on your plan, avoiding panicked reactions when the worst will (probably) not happen.

An offer to help
However, if you feel particularly nervous, and would welcome an analysis of how your business might be affected, please drop in for a chat. Using our profit planning software, we can demonstrate the potential impact, and give you ideas on how you can avoid the worst case scenarios.

Steven Carey
Numbers (UK) Limited
27 June 2016.