

## **Navigating acute Brexit instability through scaling back growth expectations, and investing in technology, strategy and people skills**

The Forum's 12th Sector Trends tracker was conducted on 8/9 July 2019. The primary purpose of the series is to provide a reliable benchmark for sector firms and Government. The Forum does not publish a list of the 93 sector firms that participated.

### **KEY FINDINGS** *(numbers in brackets are from the January 2018 tracker)*

- **Current activity levels** - Activity, new work flow and headcount have reverted to normal levels, compared with 20 points above UK benchmark indices in 2018.
- **Future activity levels** – 73% (76%) expect expansion in levels of activity; 72% (80%) in new work flow; and 57% (66%) in headcount. 13% (3%) expect contraction levels of activity, 15% (4%) in new work flow and 17% (9%) in headcount.
- **One-year growth** - 70% (84%) expect their firm to grow but only 44% (51%) expect their sub-sector to grow. 15% (5%) expect their firm to contract compared with 28% (11%) who expect their sub-sector to contract.
- **Three-year growth** – Firms remain optimistic with 87% (87%) expecting their firm to grow but only 56% (53%) expecting their sub-sector to grow. 26% (15%) expect their sub-sector to contract.
- **Investment** – Technology remains the key area for investment, but at a slightly reduced growth rate with 84% (92%) of firms looking to increase their expenditure in this area.
- **Priorities** – 'Developing a clear purpose and strategy' is seen as the top priority to facilitate growth over the next year, selected by 67% (60%). 'Developing the skills and capabilities of people' was selected by 56% (65%); and 'Increasing the use of technology' by 52% (50%).
- **Constraints** - The top constraint on growth is 'political uncertainty (eg. Brexit)' 73% (60%). As regards other important constraints, fee pressures was cited by 54% (60%); economic outlook by 50% (51%); and margin erosion by 44% (54%).
- **Messages to Government** – 55% (40%) commented on the adverse impact of Brexit, followed by the need for stability at 19%, and enhanced regulation at 17%.

### **DEMOGRAPHICS** *(The 2018 tracker with 98 responses had comparable demographics)*

- **Size:** 54 SMEs (UK headcount of less than 250) and 39 larger firms.
- **Sector:** 61% from legal services, followed by property and consultancy with 16%, and accountancy with 8%.
- **Footprint:** 33% from regional firms, followed by global firms (28%), London firms (24%) and national firms (16%).
- **Location:** 53% based in London and 47% elsewhere in the UK.
- **Seniority:** 77% firmwide leaders and 18% C-Suite or divisional leaders.