A WINE IMPORTER'S GUIDE TO THE AUTUMN BUDGET

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BUSINESS AFTER THE BUDGET: A GUIDE FOR WINE IMPORTERS

The UK government's autumn budget was one of the most anticipated economic set pieces in years. Not only did it represent the Labour party's first set of economic plans after 14 years in opposition, it also served as a sea change in how the British government treated its industry.

Even before the budget, wine importers were grappling with structural changes that threatened the very foundations of their business model. Brexit (and all the new legislation that accompanied it) caused a fundamental rethink in how importers sourced raw goods from traditional production hubs. Changing consumer habits saw fewer young people consume wine, opting instead for craft beers, spirits or even alcohol-free alternatives. Meanwhile, a changing climate is making harvests in heritage wine regions increasingly fraught.

These challenges combine to pose significant risks to the long-term viability of wine importing. Coupled with new policies laid out in the autumn budget, many in the industry are questioning where they go from here.

NEW GOVERNMENT, NEW POLICY

Soon after taking office, the new Labour government loudly and repeatedly drew attention to the fiscal "black hole" left by the previous government. In the opinion of chancellor Rachel Reeves, this left the treasury with only a few options to plug the gap: increase borrowing or increase taxation. In the end, Reeves opted for a little from each column.

A KICK IN THE TEETH FOR WINE IMPORTERS?

To plug the shortfall and pay for new policies, the lion's share of the funding requirements fell on businesses. Rather than ask workers to contribute more, the chancellor effectively increased employer national insurance contributions, making it more expensive for businesses to hire and train staff.

Voices from a number of industries voiced concern with this strategy. For the wine industry, higher staff costs will inevitably lead to strained balance sheets, leaving few desirable options as solutions. The likeliest outcome is that importers will either be forced to operate with razor thin profit margins or pass the cost on the consumer, a decision that is unlikely to increase wine's popularity amid the cost of living crisis.

HIGHER DUTIES HIT HARD

The most direct impact of the autumn budget came with an extended levy on alcoholic beverages. While cutting duty on draught beverages, Reeves announced an increase in the non-draught duty in line with retail price inflation – the highest of the inflation measurements she might have picked.

Miles Beale, chief executive of the Wine and Spirits Trade Association (WSTA), described these changes as "real kick in the teeth for both businesses and consumers". The Wine Society CEO Steve Finlan dubbed the Budget an "assault on the wine industry", which would increase costs for the consumer and decrease tax receipts.

The response from wine importers was one of almost universal disappointment. Rather than protecting SMEs, businesses took this as an assault on their models and another stumbling block on the path to growth. But can the industry overcome these challenges?

Fortunately, there are ways that wine importers can protect their profit margins while meeting (or even exceeding) their strategic objectives. Through a comprehensive, rounded approach to currency risk and overseas exposures, importers can ensure their profits remain safe even amid the mayhem of volatile markets.

> "Instead of reversing the last Government's damaging plans to bring in unnecessary, complex and costly changes to the way wine is taxed, Labour wants to plough ahead. And for what?"
>
> Miles Beale, CEO WSTA

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HOW WE CAN HELP

Smart Currency Business offers a range of financial products designed to mitigate currency risk. Each of these offers specific benefits and, when used correctly, can completely transform the way your wine importing business approaches its payments.

Our products include:

Forward contracts: Forward contracts allow your business to "lock in" a rate at a specified future date. Forward contracts are an effective way of ensuring future payments are portected from risk.

Spot contracts: Take advantage of favourable exchange rate movements to secure the best possible price. Good for businesses looking for adhoc arrangements, but far riskier when it takes the place of a more comprehensive risk management strategy.

Market orders: Market orders allow you to target an optimal rate and only execute a transaction when the rate is achieved. This helps minimise risk and is good for businesses with the flexibility to search for the best outcome.

Foreign currency options: Option deals are perhaps the most complex currency contract. Options give businesses the right to execute trades, subject to market dynamics and various other considerations.

WE PROVIDE EXPERT GUIDANCE THAT ALLOWS CLIENTS TO GROW THEIR BUSINESS INTERNATIONALLY

- Treasury management
- Risk identification and management
- Trade an exposure analysis
- Daily currency updates and quarterly forecasts
- All client funds ringfenced in tier 1 banks
- Implied credit rating of A

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Unlike banks and brokerages, Smart Currency Business offers comprehensive treasury management solutions, from risk identification all the way to trade execution. Our dedicated team of account managers will continue to monitor market movements and sector-specific trends to ensure that your business has a bespoke strategy to help overcome currency risk.

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