

**2001 SURVEY OF THE USE OF THE EURO BY
ENTERPRISES IN SCOTLAND**

FINAL REPORT

Scottish Executive
Enterprise & Lifelong Learning Department

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2001 Survey of the Use of the Euro by Enterprises in Scotland

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Foreword

This report presents the findings of the Scottish Executive's second survey of enterprises on the use of the Euro in Scotland. It was undertaken in summer 2001 and follows the first survey in 2000. The survey was commissioned to provide background information for the Scottish EMU Co-ordination Group, which brings together business intermediaries in Scotland to assist the Government's programme of helping enterprises in their Euro preparations.

Not surprisingly, the results show an increase in the usage of the Euro in Scotland as the date for the introduction of Euro notes and coins within the Euro-Zone (1 January 2002) comes closer. Usage has particularly increased in the areas of invoicing and tendering. There is also an expectation that usage will increase by mid-2002 across a range of functions. The second survey allows an assessment of how usage of the Euro has changed from a year ago.

It should be emphasised that, as last year, the survey concentrated on issues relating to the use of the Euro - current and anticipated - and did not seek to obtain information or opinions relating to UK membership of EMU.

I am most grateful to those enterprises that took part in the survey.

DR JOHN RIGG
Senior Economic Adviser
Enterprise and Lifelong Learning Department
Scottish Executive

October 2001

Key Findings

- 27.2% of all survey responses in 2001 were *Euro Users* (22.7% in 2000). A *Euro User* is defined as an enterprise which uses the Euro in one or more ways, including invoicing, making payments, quoting for work, preparing accounts or holding a Euro bank account.
- 14.7% of the average enterprise's Euro Zone exports were invoiced in Euros (3.5% in 2000). 33.2% of the average *Euro User's* Euro Zone exports were invoiced in Euros (7.3% in 2000).
- 35.9% of the average enterprise's Euro Zone exports were expected to be invoiced in Euros by mid-2002 (60.1% of *Euro Users'* exports to the Euro Zone).
- 8 out of 10 exporters cited demand from their Euro Zone customers as the reason for a rise in Euro Invoicing.
- Based on the results of the 2000 and 2001 surveys, there has been a steady rise in the use of the Euro in quoting for new work, from 2.9% of all enterprises using the Euro in this way in 2000 to an expected 42.4% by mid-2002.
- Purchases from *Euro Zone* countries invoiced in Euros made by the average Scottish enterprise remained constant at 5.7% between 2000 and 2001, although this was expected to rise to 13.3% by mid-2002.
- 11.5% of *Euro Users* reported that the introduction of the Euro had reduced the impact of exchange rate fluctuations in their pricing policy (7.5% in 2000).
- 8.7% of all enterprises (9.9% of *Euro Users*) reported that the Euro had led to a change in the pricing of goods that they purchase from the Euro Zone.
- 6.9% of all enterprises in Scotland had a bank account denominated in Euros (unchanged from 2000).
- Less than one per cent of all enterprises used the Euro to prepare internal or statutory accounts, or to make tax payments. Between one and two per cent of *Euro Users* use the Euro in this way.
- 78.3% of all enterprises said that they were aware that Euro notes and coins would be introduced in January 2002 (94.2% of *Euro Users*).
- 58.5% of all enterprises were aware that legacy currencies will be withdrawn by no later than the end of February 2002 (89.1% of *Euro Users*).
- The number of enterprises seeking help with Euro related matters remained constant at 5.9% between 2000 and 2001. Of those enterprises that did seek help, 73% did so from their bank.
- Almost a quarter of *Euro Users* had used the Internet to seek information on the Euro.

2001 Survey of the Use of the Euro by Enterprises in Scotland

Executive Summary

Introduction

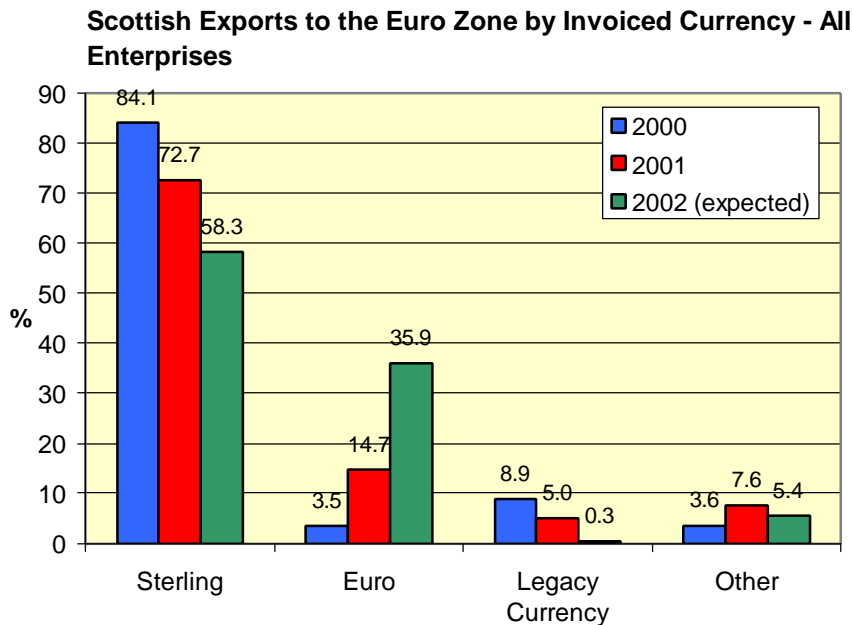
- E1 A survey was carried out in the summer of 2001 for the Scottish Executive, Enterprise and Lifelong Learning Department to discover the extent to which Scottish enterprises are using the Euro in buying and selling goods and services. The survey also explored enterprises' expectations on how this will change in a year's time, following full adoption by the twelve Euro Zone countries of the Euro as their trading currency by the end of February 2002.
- E2 A similar survey was conducted in 2000, enabling changes in enterprises' usage of the Euro, and progress in their preparedness for Euro pricing to be assessed. Where possible, comparisons are made between the responses of a matched sample of enterprises which responded to the survey in 2000 and 2001.
- E3 In order to achieve a meaningful response to the postal survey, enterprises employing less than 3 people and those in service sectors unlikely to be affected by the Euro were excluded from the sample. This left enterprises representing approximately 93% of Scotland's total employment, and the survey results summarised below are weighted to this significant proportion of the Scottish economy.
- E4 A good response rate of 23.1% was received to the survey (1,157 responses), but a margin for error should nevertheless be applied to the detailed results, especially those for individual sectors.

Euro Users

- E5 In addition to giving results for all Scottish enterprises in the sectors and employment size categories covered by the survey, the report provides results for “*Euro Users*”. These are defined as enterprises that use the Euro in one or more specific ways; including invoicing, making payments, quoting for work, preparing accounts, or holding a Euro bank account.
- E6 27.2% of all survey respondents in 2001 were *Euro Users*, which equates to 6,328 Scottish enterprises on a weighted basis in the sectors and employment size bands covered by the survey. This is a significant increase from the 4,525 *Euro Users* calculated from the 2000 survey results. An increase of 87.9% from 1,549 to 2,910 enterprises in the 3-9 employment size band is particularly noteworthy.

Exports to the Euro Zone

- E7 Survey respondents exported an average of 2.1% of their Scottish turnover to the Euro Zone, although the average manufacturing enterprise exported 8.0%. The proportion of Scottish turnover exported to the Euro Zone by the average enterprise that was invoiced in Euros rose from 3.5% in 2000 to 14.7% in 2001, and is expected by respondents to the 2001 survey to rise further to 35.9% by mid-2002.



- E8 Correspondingly, the use of sterling for invoicing exports to the Euro Zone fell from 84.1% in 2000 to 72.7% in 2001, and is expected to fall to 58.3% by mid-2002. Demand from customers is the predominant reason for the switch from sterling (and legacy currency) invoicing to Euro invoicing.
- E9 Usage of the Euro by enterprises quoting for new work in Euro Zone countries has risen markedly. In 2000, just 2.9% of enterprises quoting for new work did so in Euros, rising to 17.4% in 2001, and to an expected 42.4% in 2002. 40.0% of manufacturing enterprises are already quoting for new work in Euros, and 44.9% of enterprises employing over 250 people.

Invoicing to UK Customers

- E10 Only a small number of enterprises (2.0% of survey respondents, unweighted) had UK customers who demanded to be invoiced in Euros; although this proportion had more than doubled since the 2000 survey.

Invoicing of Purchases from Euro Zone Countries

- E11 5.7% of the purchases from Euro Zone countries made by the average enterprise were invoiced in Euros in 2001, a similar proportion as in 2000; although this is expected to rise to 13.3% by 2002. The average volume of purchases from Euro Zone countries rises with company size, but the pattern is less clear with respect to the proportion of this invoiced in Euros.

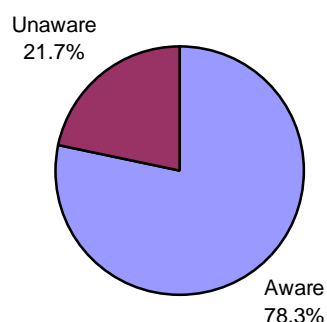
Impact on Operating Systems and Corporate Behaviour

- E12 An extremely small number of enterprises prepare internal or statutory accounts in Euros (0.2% of respondents in each case), or make tax payments in Euros (0.1%). A higher, but still small, proportion receive public sector grants (2.0%), or payments from customers in Euros (5.3%). The latter could rise to around 10% by 2002, however. 6.9% of all enterprises had opened a Euro bank account (unchanged from 2000), and 56.4% of *Euro Users* had opened a bank account denominated in Euros (51.3% in 2000).

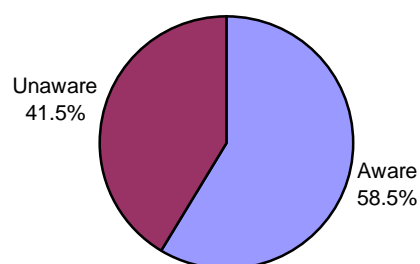
Awareness of the EU Timetable for Introducing Euro Notes and Coins and for Withdrawing Legacy Currencies

- E13 The levels of awareness of survey respondents are illustrated by the pie charts below:

Enterprises' Awareness that Euro Notes and Coins to be Introduced 1 January 2002



Enterprises' Awareness of Withdrawal of Legacy Currencies by end February 2002



Help and Information on the Euro

- E14 5.9% of all enterprises in the sectors and employment size bands covered by the survey have sought help on Euro-related matters, although this rises to 24.3% for *Euro Users*. 73.0% of the enterprises that have sought help have consulted a bank, 17.5% an accountant, and 10.8% a Local Enterprise Company or Business Shop.

Key Indicators of Euro Usage

E15 The usage of the Euro by three key indicators is summarised in the following chart, which draws on the findings of the 2000 survey and the findings of the 2001 survey relating to current and expected usage of the Euro by enterprises in Scotland. A numerical summary of the key indicators is provided in Table E1.

Summary of Euro Usage by Key Indicators - All Enterprises

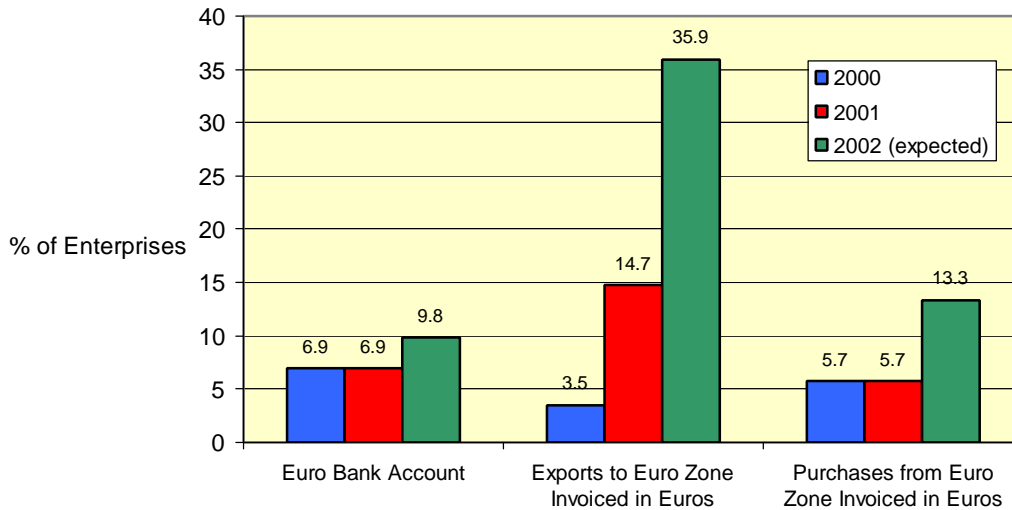


Table E1 Summary of Key Findings for the 2001 and 2000 Surveys

	All Enterprises		Euro Users		Matched Sample	
	2000 %	2001 %	2000 %	2001 %	2000 %	2001 %
Percentage of Euro Zone exports invoiced in Euros	3.5	14.7	7.3	33.2	7.5	13.9
Percentage of exports expected to be invoiced in Euros in 12 months time	17.0	35.9	23.5	60.1	21.4	41.2
Percentage of enterprises using the Euro in seeking new business in the Euro Zone	2.9	17.4	22.5	46.5	32.6	54.9
Percentage of enterprises with a Euro bank account	6.9	6.9	56.4	51.3	20.6	20.0
Percentage of enterprises aware of the EU timetable for introducing Euro notes and coins (1 January 2002)	-	78.3	-	94.2	-	-
Percentage of enterprises aware of the EU timetable for the withdrawal of legacy currencies (end February 2002)	-	58.5	-	89.1	-	-

Chapter One - Introduction and Survey Objectives

- 1.1 This survey report has been produced for the Scottish Executive, Enterprise and Lifelong Learning Department by Snedden Economics and Market Research, and Economist, Steve Westbrook. It follows a similar survey conducted 12 months previously in July and August 2000.
- 1.2 The term *Euro Zone*, which is used throughout the report, refers to twelve countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. Conversion rates are now locked, with a single rate of interest and monetary policy in these countries. Throughout this report, the term “legacy currency” is used to refer to the national currencies of the twelve *Euro Zone* members that are being replaced by the Euro.
- 1.3 During the transitional period up to 31st December 2001, enterprises in the *Euro Zone* have been able to choose when to start using the Euro for particular enterprise functions (or they can opt for a dual currency approach for all of their enterprise functions). On 1st January 2002, bank statements and accounts still in the national currency will automatically be converted into Euros. Legacy notes and coins such as the Franc and Lira will cease to be legal tender and will be withdrawn from circulation by no later than 28th February 2002.
- 1.4 The UK has opted not to adopt the single currency at present, but the Euro will affect a number of aspects of the commercial operations of certain UK enterprises, especially those trading directly with the *Euro Zone*. The UK’s membership of the Euro is a reserved matter for the UK government. However, there is a role for the Scottish Executive in ensuring that enterprises in Scotland are aware of the forthcoming introduction of the currency within the Euro-Zone in January 2002, and the need to take preparation steps accordingly.
- 1.5 Issues that might be faced by particular Scottish enterprises include: suppliers invoicing in Euros; customers wishing to be invoiced in Euros; competitive pricing policies; exchange rate risks; promotional documentation, price labels, etc; internal reorganisation to deal with Euro impacts.
- 1.6 The Scottish Executive manages the Scottish European and Monetary Union (EMU) Co-ordination Group, which brings together business intermediaries in Scotland to assist the Government’s programme of helping enterprises in their Euro preparations. As part of its role, the Co-ordination Group commissioned the postal surveys of enterprises in Scotland in 2000 and 2001.
- 1.7 Key findings from the 2000 survey included the following:
 - 22.7% of the enterprises in the sectors and employment size bands covered by the survey (weighted) were already *Euro Users*, as defined in paragraph 2.17 of this report
 - 3.5% of all enterprises’ Scottish turnover exported to the *Euro Zone* was being invoiced in Euros (expected to rise to 17.0% by mid-2001)
 - 5.7% of purchases from *Euro Zone* countries by all enterprises was being invoiced in Euros (expected to rise to 7.5% by mid-2001)

- 2.9% of all enterprises quoted for new work in the *Euro Zone* in Euros (expected to rise to 7.3% by mid-2001)

1.8 More recently, the July 2001 Business Survey by the Scottish Chambers of Commerce, which received 665 responses, found that:

- 25% of respondents had made payments to their suppliers in Euros.
- 25% of respondents had received payments in Euros from customers.
- 13% of respondents had used the Euro for pricing/labelling.
- 20% of respondents had checked, and where necessary, adapted computer software/hardware to accept the Euro, while 17% had adapted their accounting systems/practices to accept the Euro.

1.9 The aims of the 2001 project have been to:

- identify the extent to which enterprises in Scotland have begun to use the Euro;
- assess the ways in which the Euro is used;
- gauge enterprises' expectations regarding future use of the Euro;
- compare the results of the 2000 and 2001 surveys.

1.10 The detailed objectives of the project were as follows:

- To report on the current and expected future use of the Euro, analysed by enterprise size and sector;
- To assess the current and expected impact of the Euro on enterprises' operating systems and corporate behaviour;
- To explore the relationship between the extent to which an enterprise trades internationally and its use of the Euro;
- To explore any correlation between the profile of an enterprise's UK suppliers and its use of the Euro;
- To assess the extent to which enterprises in Scotland have either changed their output prices or experienced significant changes in their import prices as a result of the Euro;
- To assess the extent of awareness among Scottish enterprises of key milestones in the *Euro Zone's* conversion to adopting the Euro and discontinuing legacy currencies;
- Where possible, to undertake a comparative analysis of a matched sample of enterprises which responded to the survey in 2000 and 2001.

Chapter Two - Survey Method

Sampling Method

- 2.1 A postal survey was conducted in July and August 2001, with the intention of receiving at least 1,000 responses. There was no need to pilot the questionnaire since the experience gained through conducting the 2000 survey allowed amendments to be made to the questionnaire in advance of issuing a single batch of 5,000 questionnaires in July 2001.
- 2.2 Enterprise details were extracted from the Inter Departmental Business Register (IDBR), which identifies enterprise units by enterprise within Scotland and was used as the sampling frame for the survey.

Match Sample

- 2.3 Using IDBR reference numbers, 1,034 enterprises that responded to the 2000 survey were included in the sample frame for the 2001 sample. The remainder of the 2001 sample frame was then selected from the IDBR. As in the 2000 survey, enterprises employing fewer than three people were excluded from the sample frame on two grounds:
 - i) the very high number of such small enterprises relative to all other sizes of enterprise would skew the sample frame;
 - ii) enterprises employing only one or two employees would, generally, be less likely to be directly affected by the Euro at this stage.

Full details of the sample frame used for the 2001 survey are provided at Appendix 1.

Stratified Random Sample

- 2.4 Having selected the respondents to the 2000 survey, sample quotas for the remainder of the 2001 sample frame were set by sector strata and by enterprise employment size strata, with the intention of weighting the survey responses to reflect the composition of the sampling frame. Individual enterprises were then sampled at random within sector and employment size strata.
- 2.5 Respondents to the 2000 survey were included in the sample frame of the 2001 survey. 405 enterprises responded to the survey in both years, 94 of which were *Euro Users* in 2000, rising to 109 in 2001 (see paragraph 2.17 for a definition of *Euro User*).

2.6 Nine sectors were derived for the survey, as follows:

	Sector	SIC Groups
1.	Agriculture, Forestry, Fishing	1, 2, 5
2.	Construction	45
3.	Financial Intermediation	65-67
4.	Hotels and Restaurants	55
5.	Manufacturing	15-37
6.	Other Primary	10-14, 40, 41
7.	Real Estate, Renting and Business Services	70-74
8.	Transport, Storage & Communications	60-64
9.	Wholesale, Retail & Repairs	50-52

Note: The above survey frame excluded the public sector, gas, electricity, water, etc and certain miscellaneous services.

2.7 Four employment size bands were used for the survey, as follows:

	Number of Employees
1.	3 to 9
2.	10 to 49
3.	50 to 249
4.	250 and over

The Survey Universe and Adjusted Universe

2.8 The IDBR contains 129,542 enterprises with units in Scotland in the sectors that were used for the survey, 55% of which have two or fewer employees (excluding proprietors), but which account in total for only 7% of Scottish employment.

2.9 The *Adjusted Universe* that was adopted for the survey comprised only enterprises with three or more employees. This *Adjusted Universe* comprises 45% of all enterprises with employees in Scotland in these nine sectors, 93% of all employment (total Scottish employment is 1,413,075 people) in these nine sectors and 92% of the turnover (total Scottish turnover is £224 billion) in these nine sectors, according to the Inter Departmental Business Register (IDBR), a register of enterprises registered for VAT and/or PAYE.

Weighting

2.10 The survey results were weighted back up to the *Adjusted Universe*, and unless otherwise stated, all survey results in Chapter 3 are weighted in line with the *Adjusted Universe* by enterprise employee size band and by sector. Full details of the weights used are provided at Appendix 1.

Details of the Survey Response

- 2.11 A total of 1,157 survey responses were analysed - a response rate of 23.1%. This is slightly higher than last year's response rate of 19.7%, and possibly reflects growing interest in the topic of the Euro.

Survey Response by Sector

	Unweighted Responses		Weighted Responses	
	Number	%	Number	%
All Sectors	1,157	100	58,768	100
Agriculture, Forestry, Fishing	56	4.8	6,150	10.5
Construction	92	8.0	6,549	11.1
Financial Intermediation	74	6.4	900	1.5
Hotels and Restaurants	99	8.6	9,717	16.5
Manufacturing	250	21.6	6,211	10.6
Other Primary	54	4.7	205	0.3
Real Estate, Renting and Business Services	238	20.6	9,429	16.0
Transport, Storage and Communications	71	6.1	2,852	4.9
Wholesale, Retail and Repairs	223	19.3	16,754	28.5

Base: All Respondents

Survey Response by Enterprise Size

	Unweighted Responses		Weighted Responses	
	Number	%	Number	%
All Sizes	1,157	100	58,768	100
3-9 Employees	230	19.9	41,807	71.1
10-49 Employees	360	31.1	12,218	20.8
50-249 Employees	286	24.7	2,785	4.7
250+ Employees	281	24.3	1,959	3.3

Base: All Respondents

- 2.12 Appendix 2 provides a full cross-tabulation of the survey response by sector and enterprise size band.
- 2.13 896 enterprises (77.4% of respondents) provided a n estimate of their Scottish workforce on the survey questionnaire. Their aggregated employment is shown by sector in the following table, overleaf.

Aggregated Employment by Sector

	Unweighted Responses		Weighted Responses	
	Number	%	Number	%
All Sectors	135,393	100	1,540,202	100
Agriculture, Forestry, Fishing	757	0.6	25,673	1.7
Construction	8,426	6.2	99,528	6.5
Financial Intermediation	15,070	11.1	246,979	16.0
Hotels and Restaurants	8,971	6.6	145,644	9.5
Manufacturing	43,812	32.4	320,869	20.8
Other Primary	3,248	2.4	18,141	1.2
Real Estate, Renting and Business Services	18,635	13.8	189,109	12.3
Transport, Storage and Communications	16,811	12.4	205,379	13.3
Wholesale, Retail and Repairs	19,663	14.5	288,879	18.8

Base: 869 Respondents

Response by Enterprise Turnover

- 2.14 869 enterprises (75.1% of respondents) provided an estimate of their Scottish turnover. Weighted by enterprise size and sector, the mean (weighted) Scottish turnover of these respondents was £7.8 million, while their aggregated Scottish turnover was £308 billion.
- 2.15 Certain enterprises such as oil traders or insurance enterprises have particularly large turnovers, however, and these figures for gross turnover are therefore of limited value. Analysis by employment (above) is a better guide to the survey's coverage of the Scottish economy.
- 2.16 The aggregated turnover (weighted) by sector of enterprises that provided information is illustrated below.

Aggregated Turnover by Sector

	%
All Sectors	100
Agriculture, Forestry, Fishing	0.6
Construction	2.1
Financial Intermediation	33.5
Hotels and Restaurants	1.2
Manufacturing	14.0
Other Primary	1.7
Real Estate, Renting and Business Services	29.5
Transport, Storage and Communications	4.1
Wholesale, Retail and Repairs	13.2

Base: 869 Enterprises

Response by Euro Users

- 2.17 Throughout this report, the term *Euro User* refers to an enterprise which fits one or more of the following criteria. The question numbers shown refer to the questionnaire provided as Appendix 3.
1. A proportion of the enterprise's Scottish turnover is invoiced in Euros (question 3)
 2. A proportion of the enterprise's UK customers are invoiced in Euros (question 8)
 3. A proportion of the enterprise's Euro Zone suppliers invoice in Euros (question 13)
 4. The enterprise holds a Euro denominated bank account (question 22)
 5. The enterprise prepares internal accounts in Euros (question 23)
 6. The enterprise prepares statutory accounts in Euros (question 23)
 7. The enterprise makes tax payments in Euros (question 23)
 8. The enterprise receives payments from customers in Euros (question 23)
 9. The enterprise has received public sector grants in Euros (question 23)
- 2.18 Using these criteria, there were 315 completed survey returns from *Euro Users* (27.2% of all survey responses). The mean (weighted) Scottish turnover of these *Euro Users* was £26.5 million and their aggregated Scottish turnover was £17.3 billion. Their aggregated Scottish employment was 67,927.
- 2.19 Weighting the survey response by enterprise size and sector, 10.8% (7.7% in 2000) of all enterprises in the *Adjusted Universe* are *Euro Users* on the above criteria. This is disaggregated by sector in the table below.

Survey Response by Euro User and Sector

	Unweighted Responses		Weighted Responses	
	Number	%	Number	%
All Sectors	315	100	6,328	100
Agriculture, Forestry, Fishing	8	2.5	601	9.5
Construction	12	3.8	251	4.0
Financial Intermediation	13	4.1	116	1.8
Hotels and Restaurants	7	2.2	327	5.2
Manufacturing	136	43.2	1,679	26.5
Other Primary	18	5.7	75	1.2
Real Estate, Renting and Business Services	50	15.9	980	15.5
Transport, Storage and Communications	14	4.4	365	5.8
Wholesale, Retail and Repairs	57	18.1	1,935	30.6

Base: 315 Euro Users

- 2.20 *Euro Users* by employment size band are shown below. There were only 17 responses for the 3-9 employee size band, therefore the results may not be reliable.

Survey Response by Euro User and Enterprise Size

	Unweighted Responses		Weighted Responses	
	Number	%	Number	%
All Sizes	315	100	6,328	100
3-9 Employees	17	5.4	2,910	46.0
10-49 Employees	64	20.3	1,589	25.1
50-249 Employees	87	27.6	847	13.4
250+ Employees	147	46.7	983	15.5

Base: 315 Euro Users

Chapter Three - Survey Results

- 3.1 The survey results are tabulated below for all respondents and for *Euro Users*. Certain key results are also shown for the matched sample of 405 enterprises that responded in 2000 and 2001. All results for the full survey are weighted to bring the results into line with the *Adjusted Universe* of enterprises in Scotland; although the matched sample analysis is unweighted. Table numbers refer to the question numbers on the Questionnaire (see Appendix 3).

Overall Euro Usage

- 3.2 The weighted survey response given at the end of Section 2 indicates that the number of Euro users in Scotland among enterprises employing 3 or more people in the sectors covered by the survey rose to 6,328 from 4,525 in 2000; a significant increase of 38%. An increase of 88% from 1,549 to 2,910 for enterprises in the 3-9 employment size band is particularly noteworthy.

Enterprise Ownership

- 3.3 As shown in Table 1 below, 92% of all survey respondents were UK-owned enterprises. *Euro Users* were more likely to be owned by a non-UK enterprise.

Table 1 - Response by Enterprise Type

	All Enterprises %	Euro Users %
UK Owned	92.0	80.8
Owned by an enterprise from the <i>Euro Zone</i>	1.3	5.2
Other	6.7	14.0

Base: All Enterprises and *Euro Users*

Exporting to Europe – Current and Future

- 3.4 As shown in Table 2 overleaf, the average enterprise exported 2.1% of its turnover to the *Euro Zone*. By comparison, the average *Euro User* exported 11.4% of its turnover to the *Euro Zone*. There is little apparent correlation between the size of a *Euro User* enterprise and the share of its Scottish turnover it exports to the *Euro Zone*.
- 3.5 Among the matched sample of 405 enterprises that responded in both years, the average percentage of Scottish turnover exported to the *Euro Zone* fell from 5.3% in 2000 to 4.5% in 2001.
- 3.6 The average manufacturing *Euro User* exported over 25% of its turnover to the *Euro Zone*. Among a matched sample of manufacturing enterprises which responded in both years, the average percentage of their Scottish turnover exported to the *Euro Zone* fell from 27.7% in 2000 to 22.5% in 2001.¹

¹ Based on unweighted data from a matched sample of 45 enterprises in the manufacturing sector. Owing to the relatively small matched sample sizes, these apparent differences between the 2000 and 2001 findings relating to the share of turnover exported to the *Euro Zone* could be due to sampling error rather than a real difference in the *adjusted universe* of enterprises in Scotland. The apparent differences between the 2000 and 2001 matched sample discussed above are not statistically significant at the 95% confidence level.

Table 2 - Share of Scottish Turnover Exported to the Euro Zone

	All Enterprises %	Euro Users %
All	2.1	11.4
Sector		
Agriculture	1.6	2.5
Construction	*	0.4
Financial Intermediation	0.9	5.7
Hotels and Restaurants	0.2	*
Manufacturing	8.0	25.1
Other Primary	8.5	16.7
Real Estate, etc	1.5	6.7
Transport and Communications	4.2	17.1
Wholesale, Retail and Repairs	1.7	6.8
Enterprise Size		
3 to 9	1.4	10.3
10 to 49	2.9	13.2
50 to 249	5.7	14.7
250+	5.1	9.1

Base: All Enterprises and *Euro Users*

Note: Percentages are weighted by sector and number of employees, not by turnover.

* denotes a value below 0.1%

Breakdown by Currency of Scottish Turnover Exported to the Euro Zone

- 3.7 Those enterprises that exported to the *Euro Zone* were asked to provide a breakdown of the currencies used to invoice their Scottish exports. This is shown in Table 3 below.

Table 3 - Breakdown by Invoiced Currency of Scottish Turnover Exported to the Euro Zone

	All Enterprises %		Euro Users %	
	2000	2001	2000	2001
Sterling	84.1	72.7	78.9	48.5
Euro	3.5	14.7	7.3	33.2
Legacy Currency	8.9	5.0	8.1	11.2
Other	3.6	7.6	5.8	7.1
Total	100.0	100.0	100.0	100.0

Base: Exporters to the *Euro Zone*

Note: Legacy Currencies are the domestic currencies of *Euro Zone* countries that are being phased out by the end of February 2002, e.g. the DMark, Lira, etc.

- 3.8 The proportion of Scottish turnover exported to the *Euro Zone* invoiced in Euros by the average enterprise rose from 3.5% in 2000 to 14.7% in 2001. The corresponding figure for *Euro Users* rose from 7.3% in 2000 to 33.2% in 2001. Among the matched sample, the figure rose from 7.5% in 2000 to 13.9% in 2001.

- 3.9 Invoicing in sterling dropped correspondingly over the 12 month period, although invoicing in legacy currencies was at least as prevalent in 2001 as it was in 2000 among *Euro Users*.
- 3.10 Enterprises were then asked how they expected their *Euro Zone* exports will be invoiced by mid-2002. Their responses are analysed in Table 4 below, compared with their position at the time of the survey in July 2001.

Table 4 - Use of the Euro in Invoicing Scottish Turnover Exported to the Euro Zone

	All Enterprises		Euro Users	
	%		%	
	2001	Mid-2002 Expected	2001	Mid-2002 Expected
Sterling	72.7	58.3	48.5	33.0
Euro	14.7	35.9	33.2	60.1
Legacy Currency	5.0	0.3	11.2	0.4
Other	7.6	5.4	7.1	6.5
Total	100.0	100.0	100.0	100.0

Base: Exporters to the *Euro Zone*

- 3.11 Enterprises trading in the *Euro Zone* expected to be invoicing a greater proportion of their *Euro Zone* exports in Euros by mid-2002 (35.9% of all enterprises and 60.1% for *Euro Users*). Correspondingly, the use of Sterling was expected to fall to 33% by *Euro Users* by mid-2002, whereas the use of non-legacy currencies (mainly the dollar) was expected to fall only slightly over the 12 months following the 2001 survey.
- 3.12 The use of legacy currencies should, technically, reduce to zero by mid-2002, although not all companies were aware that the legacy currencies would cease to be valid tender by that time (see question 26). Table 3 indicated that there was no clear evidence of a drop in the use of legacy currencies for invoicing between the 2000 and 2001 surveys, which would indicate that exporters to the *Euro Zone* have been waiting until nearer the February 2002 deadline before dropping legacy currencies when invoicing in the *Euro Zone*.
- 3.13 A number of Scottish based enterprises reported that their *Euro Zone* exports were first sold to another company within their group. Such transactions might be made in sterling or dollars even though the ultimate sale is made in Euros. In such cases, the Euro has a direct impact on the parent or holding company, but not on the Scottish subsidiary. In other cases, most especially for oil sales, trade is conducted in dollars regardless of the origin or destination of the product.
- 3.14 Enterprises which expected an increase in Euro usage over the coming year for invoicing exports from Scotland to the *Euro Zone* were asked what the most important factor was for the expected increase. The results are shown in Table 5 overleaf.

Table 5 - Most Important Factor for Expected Rise in the Use of the Euro for Export Invoicing

	All Enterprises %	Euro Users %
Demand from Customers (Euro Zone based)	82.4	74.5
Enterprise's Own Decision	11.9	17.9
Demand from Customers (UK-based multinational)	4.3	5.3
Other	1.3	2.2

Base: Exporters Expecting a Rise in Euro Usage

- 3.15 Demand from their *Euro Zone*-based customers was the main reason enterprises gave for their expected increase in invoicing their exports to the *Euro Zone* in Euros. *Euro Users* were more likely than enterprises as a whole to describe the rise in Euro usage as their own decision, possibly reflecting their greater experience of using the Euro.
- 3.16 Responses in the “other” category included enterprises who cited the withdrawal of legacy currencies in 2002 as a reason for the expected rise in their use of the Euro for export invoicing. This reason underlies all response options to question 5, but relatively few enterprises mentioned it expressly.

Exporting to Europe – New Business

Currencies Used in Quoting for New Business

- 3.17 Table 6 below shows current and expected usage of the Euro by Scottish enterprises in quoting for new work in Europe and expected usage by mid-2001.

Table 6 : Currency Usage by Enterprises Quoting for New Work

	All Enterprises			Euro Users		
	2000 %	2001 %	Mid-2002 Expected %	2000 %	2001 %	Mid-2002 Expected %
Sterling	98.5	88.3	79.9	90.2	70.5	49.8
Euro	2.9	17.4	42.4	22.5	46.5	81.9
Domestic/Legacy	2.8	7.4	0.7	18.8	19.1	0.7
Other Currency	5.5	8.9	8.5	22.9	23.0	18.3

Base: All Enterprises and *Euro Users*

Note: Totals sum to more than 100% because multiple responses were accepted.

- 3.18 Table 6, above, shows a steady rise in the use of the Euro in quoting for new work, from 2.9% of all enterprises using the Euro in this way in 2000 to an expected 42.4% by mid-2002. Among the other, non-legacy currencies, the dollar was mentioned most frequently.
- 3.19 Enterprises in the manufacturing sector were particularly likely to use the Euro in quoting for new work during 2001; 40.0%, compared with an all-sector average of 17.4%.

- 3.20 There was a direct correlation between enterprise size and likely use of the Euro in quoting for new work, with 44.9% of enterprises employing over 250 people using the Euro in this way, compared to only 13.5% of enterprises in the 3-9 employees size band.
- 3.21 Among the matched sample of *Euro Users* that responded in 2000 and 2001, the Euro was used in quoting for new business by 54.9% in 2001, a rise from 32.6% in 2000. This increase might relate to the fact that these enterprises had been *Euro Users* for at least a year by the date of the 2001 survey.

Supply to UK Enterprises

Euro Invoicing to UK Customers (Questions 8-10)

- 3.22 In 2001, only 23 respondents from the sample of 1,157 enterprises (compared with 10 in 2000) invoiced UK-based customers in Euros. 16 out of the 23 enterprises had 50 or more employees and 14 of them were in the manufacturing sector. All of them, by definition, were *Euro Users*.
- 3.23 The sales of these 23 enterprises to UK customers invoiced in Euros accounted for 19.2% of their UK turnover (8.2% in 2000). The corresponding figure for mid-2002, based on the expectations of these 23 companies, was only 4.5%. Other than the apparent rise in the incidence of Euro invoicing to UK customers, the results to these questions should not be relied upon due to the very low base for the figures.
- 3.24 In 2001, as in 2000, over 80% of respondents reported that demand from customers was the key factor in their decision to invoice UK customers in Euros.

Purchases From The Euro Zone

- 3.25 Enterprises were asked whether they purchased goods or services from *Euro Zone* countries. The response to this question by employment size is summarised in Table 12 below.

Table 12 – Purchase of Goods or Services from Euro Zone Countries

	All Enterprises		Euro Users	
	“Yes” 2000 %	“Yes” 2001 %	“Yes” 2000 %	“Yes” 2001 %
All	21.4	19.6	73.7	66.9
Enterprise Size				
3 to 9	15.1	14.3	68.1	51.8
10 to 49	26.7	23.6	77.4	76.6
50 to 249	43.7	44.9	73.4	81.2
250+	55.4	56.0	77.9	84.0
Matched Sample	32.8	34.3	73.1	76.1

Base: All Enterprises / Euro Users / Matched Sample

NB: the matched sample is unweighted, and is based on a small number of enterprises (109 *Euro Users*)

- 3.26 Enterprises in the “other primary” (42.6%) and manufacturing (43.6%) sectors were most likely to purchase goods and services from *Euro Zone* countries and hotels and restaurants (7.0%) were least likely to do so. The level of purchasing from the *Euro Zone* in general was little changed from the 2000 survey. Two thirds of *Euro Users* purchased goods or services from *Euro Zone* countries.
- 3.27 As enterprise size increases, the more likely are purchases from the *Euro Zone*. Over half of all enterprises employing at least 250 people purchase goods or services from the *Euro Zone*, compared with only 14.3% of enterprises employing between 3 and 9 people.
- 3.28 Enterprises purchasing goods or services from *Euro Zone* countries were then asked what percentage of these purchases are invoiced in Euros. The results are shown in Table 13 below, together with enterprises’ expectations for mid-2002 (taken from their responses to Question 14).

Table 13 - Purchases from the Euro Zone Invoiced in Euros

	All Enterprises			Euro Users		
	2000 %	2001 %	2002 Expected %	2000 %	2001 %	2002 Expected %
All	5.7	5.7	13.3	14.0	12.0	23.8
Enterprise Size						
3 to 9	6.0	3.2	9.3	21.5	9.6	26.8
10 to 49	4.6	5.8	15.1	11.0	11.2	18.9
50 to 249	4.4	11.7	21.5	8.2	18.9	30.6
250+	9.1	10.2	19.3	11.3	11.9	20.0

Base: Enterprises Purchasing from the *Euro Zone*

- 3.29 In 2000, 5.7% of purchases from *Euro Zone* countries by the average enterprise were invoiced in Euros. This figure did not change in the 2001 survey. This finding is supported by the matched sample figures for question 13 which were within 1 percentage point of the whole sample figures.
- 3.30 A Scottish enterprise might receive an invoice in dual currency (legacy and Euro or Euro and Sterling) and be unaware of how their supplier’s bank treats the payment. For example, throughout 2000 and 2001 some banks would have been instructed by their *Euro Zone* clients to convert foreign currency receipts to Euros automatically. Thus the Scottish enterprise might pay an invoice in Sterling and the supplier receive Euros.
- 3.31 In 2000, enterprises were expecting only a small rise in Euro invoicing over the year to mid-2001, and the 2001 survey results are consistent with this expectation. However, the expectation among all enterprises is for Euro invoicing for *Euro Zone* purchases to almost double over the 12 month period to mid-2002. The largest expected rise was reported among enterprises employing fewer than 50 people.
- 3.32 Where an increase in purchases invoiced in Euros was expected by mid-2002, this was mainly due to demand from suppliers, as shown in Table 15 overleaf.

Table 15 - Reasons for Expected Increase in Purchases from the Euro Zone Invoiced in Euros

	All Enterprises %	Euro Users %
Demand from Suppliers	73.3	84.4
Enterprise's Own Decision	14.4	8.5
Other	12.3	7.1

Base: Enterprises Purchasing from the *Euro Zone*

- 3.33 Of enterprises which mentioned “other” reasons for expecting an increase in the use of the Euro for purchasing by mid-2002, over 50% mentioned the changeover from legacy currencies to Euros as the main reason for the expected increase. Most of the remainder in the “other” category were enterprises which mentioned both demand from suppliers and their own decision.

Pricing

- 3.34 In the next section of the questionnaire, respondents were asked about the impact of the introduction of the Euro on their pricing policies. Firstly, the effect of the Euro on price harmonisation between *Euro Zone* countries was probed, currently (through Question 16) and by mid-2002 (through Question 17).
- 3.35 Price harmonisation means common sales prices for an enterprise across the *Euro Zone*, for example, the Euro price of an item is the same in France, Germany and Italy whereas previously the prices might have differed for exchange rate or other reasons.
- 3.36 The term “additional” in Table 16 means, for example, that in addition to the 3.0% of enterprises which had already experienced price harmonisation in 2001, a further 2.6% of enterprises expected price harmonisation to happen in the 12 month period following the survey in mid-2001.

Table 16 - Has the Introduction of the Euro Led to a Harmonisation of Your Enterprise Prices Between the Euro Zone Countries?

	All Enterprises			Euro Users		
	2000 %	2001 %	Additional Enterprises Expecting Price Harmonisation By 2002 (%)	2000 %	2001 %	Additional Euro Users Expecting Price Harmonisation By 2002 (%)
Yes	1.8	3.0	2.6	12.6	10.5	4.9
No	97.8	97.0	56.7	86.3	89.5	53.1
Don't Know	0.4	0.0	40.6	0.8	0.0	42.0

Base: All Enterprises and *Euro Users*

- 3.37 As shown in Table 16 above, the Euro continues to have a minimal impact on the average enterprise with regard to price harmonisation between the Euro Zone countries. *Euro Users* are more likely than enterprises as a whole to attribute price harmonisation to the Euro (10.5% of *Euro Users* in 2001 compared to only 3.0% of all enterprises). An additional 4.9% of current *Euro Users* expect that the introduction of the Euro will have led to a harmonisation of their prices by mid-2002.

- 3.38 A significant number of respondents continue to be uncertain about whether the Euro will lead to price harmonisation by mid-2002 (40.6% of all enterprises). A proportion of the “no” responses could have been from enterprises which already practise price harmonisation, but which do not attribute this activity to the Euro.
- 3.39 Respondents were then asked about the impact of the Euro on their price point setting, and the results are summarised in Table 18 below. Price point setting is a term for rounding prices up or down to a more convenient or strategic level (e.g. 10 Euros or 9.99 Euros).

Table 18 - Has the Euro Altered Your Policy Regarding Price Point Setting?

	All Enterprises			Euro Users		
	2000 %	2001 %	Additional Enterprises Expecting Alteration By 2002 (%)	2000 %	2001 %	Additional Euro Users Expecting Alteration By 2002 (%)
Yes	2.0	3.7	3.5	13.8	14.6	4.3
No	97.4	96.3	60.3	81.8	85.4	66.1
Don't Know	0.6	-	36.2	4.4	-	29.6

Base: All Enterprises and *Euro Users*

- 3.40 The response to the question about price point setting was similar to that to the question on price harmonisation: ie. a very small impact on enterprises as a whole, but a moderate impact on *Euro Users*. A further 3.5% of respondents (4.3% of *Euro Users*) expected an impact by mid-2002.
- 3.41 The 2001 results in relation to price point setting are broadly in line with enterprises' expectations in the 2000 survey. Among a matched sample of *Euro Users* responding to both surveys, the incidence of price point setting being influenced by the Euro remained relatively unchanged at between 10% and 11% (unweighted).
- 3.42 As shown in Table 20 overleaf, the introduction of the Euro has reduced the impact of exchange rate fluctuations on the pricing policy of 3.7% of all enterprises (11.5% of *Euro Users*) in 2001, compared to the 2000 level of 2.8% for all enterprises (7.5% of *Euro Users*).
- 3.43 The matched sample of all enterprises re-inforces the observation that *Euro Users* are more likely to report a reduction in exchange rate fluctuations. However, such enterprises are relatively few compared to those who reported no reduction in exchange rate fluctuation. This result is not surprising since such a benefit would be felt mainly by enterprises which trade between countries within the Euro Zone rather than enterprises conducting trade between a Euro Zone country and a non-Euro Zone country such as the UK.

Table 20 – Has the Introduction of the Euro Reduced the Impact of Exchange Rate Fluctuations on Your Pricing Policy?

	All Enterprises		Euro Users	
	2000 %	2001 %	2000 %	2001 %
Yes	2.8	3.7	7.5	11.5
No	97.2	96.3	92.3	88.5
Don't Know	-	-	0.2	-
<i>Matched Sample</i>	2.0	4.4	11.6	10.4

Base: All Enterprises and *Euro Users*

- 3.44 As shown in Table 21 below, 35% of respondents did not know whether the introduction of the Euro has led to a change in the pricing of the goods that they purchase. 8.7% of all enterprises thought that it had, rising to 9.9% for *Euro Users*. Respondents were not asked whether price changes were upwards or downwards.

Table 21 – Do You Think that the Euro Has Led to a Change in the Pricing of Goods That You Purchase?

	All Enterprises %	Euro Users %
Yes	8.7	9.9
No	56.3	52.8
Don't Know	35.0	37.3

Base: All Enterprises and *Euro Users*

Finance/Operating Systems

- 3.45 Table 22 below shows that 6.9% of all enterprises and 51.3% of *Euro Users* had already opened a bank account denominated in Euros.
- 3.46 Larger enterprises were most likely to have opened a Euro bank account. 3.5% of all enterprises employing less than 10 people had done so (38.2% of similar sized *Euro Users*), compared to 37.9% of all enterprises employing 250 or more people. 67.6% of all *Euro Users* employing 250 or more people had opened a denominated bank account in Euros.

Table 22 - Percentage of Enterprises With a Bank Account Denominated in Euros

	All Enterprises		Euro Users	
	2000 %	2001 %	2000 %	2001 %
Yes	6.9	6.9	56.4	51.3

Base: All Enterprises and *Euro Users*

- 3.47 There was no rise in the number of all enterprises which had opened a Euro bank account in 2001 compared to 2000. Among a matched sample of all enterprises responding to the survey in both years, the percentage of enterprises which had opened a bank account also appeared to remain static. A further 2.9% of all enterprises expected to open a Euro bank account by mid-2002 (a further 9.3% of *Euro Users*). Several enterprises reported having a Euro bank account but having not used it.
- 3.48 Enterprises were also asked about their use of the Euro in the five different ways listed in Table 23a below. The 2000 results are compared with the 2001 results and with enterprises' expectations about the 12 months following the 2001 survey.

Table 23a Percentage of Enterprises Using or Expecting to Use the Euro in the Ways Listed – All Enterprises

All Enterprises				
	2000	2001	Additional Use Expected by Mid-2002	
			% “yes”	% “don’t know”
Preparing Internal Accounts	0.6	0.2	0.2	8.9
Preparing Statutory Accounts	0.4	0.2	0.2	8.6
Making Tax Payments	0.2	0.1	0.6	9.4
Receiving Payment from Customers	4.2	5.3	3.5	14.5
Receiving Public Sector Grants	0.6	2.0	1.8	14.4

Base: All Enterprises

Table 23b Percentage of Enterprises Using or Expecting to Use the Euro in the Ways Listed – Euro Users

Euro Users				
	2000	2001	Additional Use Expected by Mid-2002	
			% “yes”	% “don’t know”
Preparing Internal Accounts	4.7	1.5	0.7	6.4
Preparing Statutory Accounts	3.4	1.6	0.6	6.6
Making Tax Payments	1.5	0.8	3.3	7.6
Receiving Payment from Customers	35.0	37.6	7.8	16.7
Receiving Public Sector Grants	5.4	14.0	3.7	21.4

Base: *Euro Users*

- 3.49 Receiving payments from customers was the most common use of the Euro among the various uses listed above in Tables 23a and 23b. 5.3% of all enterprises and

37.6% of *Euro Users* used the Euro in this way, a slight increase over the 2000 level. This corresponds with the earlier finding that in 2001 Euro Users invoiced one third of their *Euro Zone* exports in Euros.²

- 3.50 It was noted by some respondents that although they did not currently receive payments from customers in Euros, their banks had advised them that they could do so at short notice, if necessary.
- 3.51 Enterprises in the manufacturing and other primary sectors were most likely to receive payment from customers in Euros (22.2% and 22.7% of all enterprises respectively). 75% of manufacturing *Euro Users* reported receiving payments from customers in Euros. Large enterprises were the most likely to receive payments in Euros. 24.9% of all enterprises employing 250 or more employees did so compared with only 2.3% of all enterprises with between 3 and 9 employees.
- 3.52 Public sector grants were more frequently received in Euros in 2001 (14.0% of *Euro Users*) than in 2000 (5.4% of *Euro Users*). This finding was supported by a similar increase among a matched sample of *Euro Users*.
- 3.53 Otherwise, there was generally little use made of the Euro in the above ways, or expected to be made by next year. The term “additional” in Table 23a and 23b means, for example, that in addition to the 1.5% of *Euro Users* which were already preparing internal accounts in Euros in 2001, a further 0.7% of *Euro Users* expected to start preparing internal accounts in Euros during the 12 month period following the 2001 survey. By mid-2002, therefore, 2.2% of *Euro Users* expect to be using the Euro in this way, and a further 6.4% “didn’t know”.
- 3.54 One Scottish enterprise with a parent company in Ireland described its programme of conversion to Euros at different dates for different functions over the six month period following the survey. For example, the company’s dual denominated bank account would switch fully to Euros in October 2001 and its PAYE and National Insurance system was scheduled to convert to Euros in December 2001.

Timetable, Help and Assistance

- 3.55 The final Section of the Questionnaire checked respondents’ awareness of the timetable for introducing Euro notes and coins and removing legacy currencies.
- 3.56 Table 26, overleaf, shows that 78.3% of all enterprises said that they were aware that Euro notes and coins would be introduced in January 2002. Fewer enterprises were aware that legacy currencies will be withdrawn by no later than the end of February 2002 (58.5% of all enterprises). In both cases, *Euro Users* displayed a higher level of awareness of these key dates.
- 3.57 There was some confusion among a small number of enterprises, sometimes at a senior level within the enterprise. Most commonly, this centred on the term legacy

² Among a matched sample of Euro Users, 45.2% of enterprises used the Euro for receiving payments from customers in 2000, rising to 50.9% in 2001 (unweighted).

currency, which in some cases was taken to include sterling. There was, therefore, some disagreement with the statement that all legacy currencies will cease being legal tender and be withdrawn from circulation by the end of February 2002.

Table 26 - Awareness of EU Timetable for Introduction of Euro Notes and Coins and Withdrawal of Legacy Currencies

	All Enterprises % Aware	Euro Users % Aware
Introduction of Euro notes and coins - 1 January 2002	78.3	94.2
Withdrawal of legacy currencies - end February 2002	58.5	89.1

Base: All Enterprises and *Euro Users*

- 3.58 Respondents were then asked if they had sought help or information about the Euro. A checklist of potential sources was not given, although examples were provided in the explanatory notes. As shown in Table 27 below, the number of enterprises seeking assistance with the Euro remained relatively constant between 2000 and 2001.³

Table 27 - Enterprises Which Have Sought Help with Euro Related Matters

	All Enterprises		Euro Users	
	2000 %	2001 %	2000 %	2001 %
Yes	5.9	5.9	29.0	24.3

Base: All Enterprises and *Euro Users*

- 3.59 As shown in Table 28 below, 73.0% of all enterprises who have sought help with Euro related matters have turned to a bank as a source of assistance. *Euro Users* are apparently more likely to have used an accountant or Government Department such as the Treasury, DTI or Scottish Executive.

Table 28 - Sources of Help with Euro Related Matters

	All Enterprises %	Euro Users %
Bank	73.0	69.5
Accountant	17.5	27.2
Local Enterprise Company/Business Shop	10.8	7.1
Professional Advisors/Consultants	8.5	11.0
Parent Enterprise or Internal Source	8.0	8.5
Government Department	7.6	13.4
Suppliers (most especially software suppliers)	7.0	7.0
Business Federation / Trade Association	5.9	8.5
Press Sources / Seminars	4.2	4.0

Base: Enterprises Who Have Sought Help with Euro Related Matters

Note: Column totals exceed 100% because multiple responses to the question were possible.

³ The apparent drop in the percentage of Euro Users seeking help in 2001 is not statistically significant at the 95% confidence level.

- 3.60 Sources of information other than those listed above included solicitors, the Euro Information Centre, European Commission and Enterprise Trusts, all of which were mentioned by less than 2% of enterprises.
- 3.61 As shown in Table 29 below, a growing number of enterprises are using the Internet to search for information on Euro-related matters, especially *Euro Users*, 24.3% of which had done so, compared to 9.8% of all enterprises.

Table 29 - Percentage of Enterprises Using the Internet to Search for Information on Euro Related Matters

All Enterprises		Euro Users	
2000	2001	2000	2001
%	%	%	%
6.4	9.8	20.6	24.3

Base: All Enterprises and *Euro Users*

Chapter Four - Conclusions

- 4.1 As in 2000, a good response was received to the survey – 1,157 returns and a response rate of 23.1%, which gives robustness to the main findings reported in Chapter 3. The 1,157 returns included 405 from enterprises that also responded to the 2000 survey, and this allowed (unweighted) comparisons to be made between the two years for this matched sample, as well as for survey respondents as a whole.
- 4.2 Broadly, the results for the matched sample reflected the results from the full survey, and this adds confidence to the conclusions from the latter (ie. the differences between the two years appear not to be due to changes in the composition of respondents).
- 4.3 For most questions, the survey response disaggregated by sector will not be very reliable, except for the manufacturing sector and the real estate, renting and business services sector. The disaggregated results for each of the four employment size bands should, however, be reasonably reliable for most questions.
- 4.4 The main findings from the survey are summarised below under sub-headings that refer to the detailed project objectives as stated in paragraph 1.10 of this report.

Current and Expected Use of the Euro

- 4.5 For the purposes of analysing the survey results, a *Euro User* was defined in paragraph 2.17 as an enterprise which fits one or more of nine criteria. The results for these *Euro Users* were separately analysed in Section 3 in tables that were compiled from weighted survey responses. 27.2% of the respondents to the survey were *Euro Users*, an increase from the 22.7% of respondents to the 2000 survey. Euro usage by enterprises in the 3-9 employment size band grew particularly strongly between 2000 and 2001.

Relationship to Scottish Turnover Exported to the *Euro Zone*

- 4.6 14.7% of the average enterprise's Scottish turnover exported to the *Euro Zone* was being invoiced in Euros at the time of the survey, rising to 33.2% for *Euro Users*. These are significant increases from 3.5% of all companies' Scottish turnover and 7.3% of *Euro Users* Scottish turnover in 2000. In the latter case the increase was greater than the rise that had been expected by *Euro Users* in the 2000 survey. These percentages were expected to rise further by mid-2002, to 35.9% for all enterprises and to 60.1% for current *Euro Users*.
- 4.7 For 82.4% of those who expected invoicing in Euros for their exports to rise, the most important factor was given as demand from their *Euro Zone*-based customers.
- 4.8 17.4% of all enterprises covered by the study now use the Euro in quoting for new work, compared with 2.9% in 2000, and 46.5% of *Euro Users*, compared with 22.5% in 2000. By mid-2002, 42.4% of all enterprises expect to be quoting for new work in Euros, and 81.9% of current *Euro Users*. Larger enterprises are the most likely to quote for new work in Euros, and manufacturing enterprises have been particularly likely to use the Euro in quoting for new work in the *Euro Zone*.

Invoicing of Purchases from *Euro Zone* Countries

- 4.9 There was little change from 2000 in the proportion of purchases from *Euro Zone* countries invoiced in Euros: 5.7% of purchases by all enterprises in 2001, and 12.0% by *Euro Users*. Increases by 2002 to 13.3% for all enterprises, and to 23.8% by current *Euro Users*, however, were expected. There is no clear pattern of the proportion of purchases from *Euro Zone* countries invoiced in Euros by size of enterprise, but total purchases from *Euro Zone* countries increase as company size increases.

Impact on Enterprises' Operating Systems and Corporate Behaviour

- 4.10 To-date, the introduction of the Euro has had a limited impact on harmonisation of enterprise pricing between the *Euro Zone* countries; enterprises' policies regarding price point setting; and exchange rate fluctuations on pricing policy; and a minimal impact on preparing internal accounts; preparing statutory accounts; making tax payments; and receiving public sector grants (although there was a significant increase since 2000 in this latter category). Where enterprises responded, they often did not know whether there would be a change in these categories of impact by mid-2001.
- 4.11 37.6% of *Euro Users* currently receive payments from customers in Euros, and this is expected to rise to between 45.4% and 54.3% by mid-2002 (taking "don't knows" into account).
- 4.12 6.9% of all enterprises have a bank account denominated in Euros (51.3% of *Euro Users*), with no change in the former and a small reduction in the latter since 2000. The likelihood of having a bank account denominated in Euros rises markedly with enterprise size.

Awareness of Key Dates for the Introduction of the Euro

- 4.13 78.3% of all enterprises said that they were aware that Euro notes and coins would be introduced in January 2002 (94.2% of *Euro Users*), while 58.5% of all enterprises were aware that legacy currencies will be withdrawn by no later than the end of February 2002 (89.1% of *Euro Users*). Neither of these were probed in the 2000 survey.

Other Key Points from the Survey

- 4.14 8.7% of all enterprises (9.9% of *Euro Users*) think that the Euro has led to a change in the pricing of the goods that they purchase, the former proportion having risen from 4.9% in 2000.
- 4.15 Banks have overwhelmingly been the main source of help that enterprises have accessed for advice regarding the Euro; although a significant number of enterprises, particularly *Euro Users*, have used an accountant or Government Department (such as the Treasury, DTI, or Scottish Executive). The proportion of respondents seeking help remained constant at 5.9% between 2000 and 2001.

Appendix 1

IDBR Universe, Adjusted Universe and Weights

Table A Sample Response

	Number of Enterprises				
	3-9	10-49	50-249	250+	ALL
1. Agriculture Forestry and Fishing	22	26	6	2	56
2. Construction	25	22	17	28	92
3. Financial Intermediation	22	23	20	9	74
4. Hotels and Restaurants	32	32	21	14	99
5. Manufacturing	11	67	83	89	250
6. Other Primary	17	19	10	8	54
7. Real Estate, etc	33	76	66	63	238
8. Transport and Communications	10	23	20	18	71
9. Wholesale, Retail, etc.	58	72	43	50	223
TOTAL	230	360	286	281	1157

Table B IDBR Universe

	Number of Enterprises				
	3-9	10-49	50-249	250+	ALL
1. Agriculture Forestry and Fishing	22,781	407	15	5	23,208
2. Construction	12,221	1,413	222	130	13,986
3. Financial Intermediation	1,565	144	78	160	1,947
4. Hotels and Restaurants	10,062	2,438	204	90	12,794
5. Manufacturing	6,710	1,830	795	460	9,795
6. Other Primary	194	63	43	52	352
7. Real Estate, etc	26,611	2,230	586	375	29,802
8. Transport and Communications	4,833	686	206	168	5,893
9. Wholesale, Retail, etc	27,611	3,008	633	513	31,765
TOTAL	112,588	12,219	2,782	1,953	129,542

Table C IDBR Adjusted Universe

	Number of Enterprises				
	3-9	10-49	50-249	250+	ALL
1. Agriculture Forestry and Fishing	5,722	407	15	5	6,149
2. Construction	4,785	1,413	222	130	6,550
3. Financial Intermediation	517	144	78	160	899
4. Hotels and Restaurants	6,985	2,438	204	90	9,717
5. Manufacturing	3,122	1,830	795	460	6,207
6. Other Primary	48	63	43	52	206
7. Real Estate, etc	6,238	2,230	586	375	9,429
8. Transport and Communications	1,793	686	206	168	2,853
9. Wholesale, Retail, etc	12,597	3,008	633	513	16,751
TOTAL	41,807	12,219	2,782	1,953	58,761

Table D Weighting Matrix D=C/A

	3-9	10-49	50-249	250+	ALL
1. Agriculture Forestry & Fishing	260.1	15.7	2.5	2.5	109.8
2. Construction	191.4	64.2	13.1	4.6	71.2
3. Financial Intermediation	23.5	6.3	3.9	17.8	12.1
4. Hotels & Restaurants	218.3	76.2	9.7	6.4	98.2
5. Manufacturing	283.8	27.3	9.6	5.2	24.8
6. Other Primary	2.8	3.3	4.3	6.5	3.8
7. Real Estate	189.0	29.3	8.9	6.0	39.6
8. Transport	179.3	29.8	10.3	9.3	40.2
9. Wholesale	217.2	41.8	14.7	10.3	75.1
TOTAL	181.8	33.9	9.7	7.0	50.8

Table E Questionnaires Issued

	Number of Questionnaires				
	3-9	10-49	50-249	250+	ALL
1. Agriculture Forestry & Fishing	70	70	15	5	160
2. Construction	105	83	70	87	346
3. Financial Intermediation	103	95	70	104	373
4. Hotels & Restaurants	415	125	70	70	680
5. Manufacturing	83	250	275	416	1,025
6. Other Primary	48	63	43	52	206
7. Real Estate	142	217	217	267	842
8. Transport	70	70	83	125	348
9. Wholesale	278	259	192	292	1,020
TOTAL	1,314	1,232	1,035	1,418	5,000

Appendix 2

Cross-Tabulation of Survey Response by Sector and Enterprise Size Band

All Enterprises and *Euro Users*

Table A Survey Response by Sector and Size Band – ALL ENTERPRISES

	Total	Size Band			
		3-9	10-49	50-249	250+
Total	1157	230	360	286	281
Agriculture, Forestry, Fishing	56	22	26	6	2
Construction	92	25	22	17	28
Financial Intermediation	74	22	23	20	9
Hotels & Restaurants	99	32	32	21	14
Manufacturing	250	11	67	83	89
Other Primary	54	17	19	10	8
Real Estate, Renting and Business Services	238	33	76	66	63
Transport, Storage and Communications	71	10	23	20	18
Wholesale, Retail and Repairs	223	58	72	43	50

Table B Survey Response by Sector and Size Band – EURO USERS

	Total	Size Band			
		3-9	10-49	50-249	250+
Total	315	17	64	87	147
Agriculture, Forestry, Fishing	8	2	5	1	-
Construction	12	1	-	1	10
Financial Intermediation	13	2	5	5	1
Hotels and Restaurants	7	1	1	-	5
Manufacturing	136	1	22	47	66
Other Primary	18	2	8	4	4
Real Estate, Renting and Business Services	50	2	12	12	24
Transport, Storage and Communications	14	1	3	3	7
Wholesale, Retail and Repairs	57	5	8	14	30

Appendix Three
Survey Questionnaire



SURVEY ON THE USE OF THE EURO BY ENTERPRISES IN SCOTLAND
(Please note that your answers should reflect only the Scottish-based activities of your enterprise)

A ENTERPRISE/RESPONDENT DETAILS

Name of Person: _____

Job Title: _____

Address: _____

Annual turnover for whole enterprise: £ _____ Annual turnover for Scottish units: £ _____ Number of employees for whole enterprise: _____ Number of employees for Scottish units: _____

1. Is your company: UK owned ? Owned by a firm from the Euro-zone ⁴ ? Other ?

B EXPORTING TO EUROPE

2. What share of your Scottish turnover is exported to the Euro-zone area (approximately)? _____%

3. Please indicate how these Scottish based Euro-Zone exports are currently invoiced::

Sterling _____%

Euro _____%

Domestic/Legacy Currency (eg DM, FFr, etc) _____%

Dollar/Other _____%

Total **100%**

⁴ The Euro has been introduced in twelve EU countries. The countries involved are: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain.

4. By mid-2002, please indicate how you expect these Scottish based Euro-Zone exports will be invoiced:

Sterling _____ %
 Euro _____ %
 Other (please specify) _____ %
 Total **100%**

5. In question 4, if you expect the percentage of your Euro-Zone exports invoiced in Euros to rise over the coming year, what is the single most important factor in this?

Demand from customer (Euro-zone based) ? Demand from customer (UK-based multinational) ?
 Your own decision ? Other (please Specify) ?

New Business

6. When seeking new business in the Euro-Zone, which currencies do you currently use in your quotation process? (Please tick as many as necessary.)

Sterling
 Euro
 Domestic/Legacy Currency
 Other

7. By mid-2002, when seeking new business in the Euro-Zone, which currencies do you expect to use in your quotation process? (Please tick as many as necessary.)

Sterling
 Euro
 Other (please specify) _____

C SUPPLY TO UK BUSINESS

8. What percentage of your UK-based customers demand to be invoiced in Euros (approximately)? _____ %

9. What percentage of your UK-based turnover does this account for? _____ %

10. By mid-2002, what percentage of your UK-based turnover do you expect to be invoiced in Euros? _____ %

11. If this is an increase, what are the main reasons?

Demand from customers ? Your own decision ?
 Other (please specify) _____

24. By mid-2002, do you anticipate that your business will have opened a bank account denominated in Euros?

Yes ? No ? Don't Know ?

25. By mid-2002, do you expect to be using the Euro in the following ways:

	Yes	No	Don't Know			
(a) preparing internal accounts;			?	?	?	
(b) preparing statutory accounts;			?	?	?	
(c) making tax payments.				?	?	?
(d) receiving payments from customers;				?	?	?
(e) receiving grant payments from the public sector (including EU).		?	?	?		

G TIMETABLE, HELP AND ASSISTANCE

26. Are you aware that, according to the EU's current timetable:

- (a) Euro notes and coins are being introduced into the Euro-zone on 1 January 2002?
- (b) All legacy currencies will cease being legal tender and be withdrawn from circulation by the end of February 2002?

27. Have you sought help with Euro related matters? Yes ? No ?

28. If yes, who have you turned to for help? (Please list as many as necessary.)

29. Did you use the internet to search for information in this area?

Yes ? No ?

Thank you.

Please return the questionnaire in the envelope supplied.