

With No Frexit, the Focus Returns to Brexit

May 9, 2017

With French presidential elections out of the way, expect further clarity on Brexit and more competition from French banks.

Last week the debate across the channel about how the U.K. and the EU should best engage on the Brexit process could be heard at near DEFCON 1 levels.

Countering European Commission president Jean-Claude Juncker's contention that "Brexit cannot be a success," U.K. Prime Minister Theresa May warned, "[I will be a bloody difficult woman.](#)"

It is hard to avoid the impression that some of this display was posturing toward the rest of Europe—and French voters in particular—to emphasize that leaving the EU is best avoided.

Exit Frexit

With Emmanuel Macron's resounding victory in the French presidential election, the prospect of Frexit is off everyone's mind—at least for the next 5 years. And there is not another major electoral trap within the EU in the next 1 to 2 years, as German voters will head to the polls this fall and appear likely to vote for some version of mainstream, pro-EU political continuity.

While there will still be some need for political posturing in the U.K. ahead of the British elections, it is fair to assume that the U.K.-EU discussion will become more business-focused. In the coming months, the discussion will focus on the practical questions of Brexit and the impact on companies.

The main question will be how companies should organize their businesses, including:

- recruitment of EU nationals in the U.K.
- the provision of cross-border financial services
- organizing cross-border supply chains that may no longer enjoy complete freedom of trade in goods and services

Paris Back in the Game

A second immediate implication of the French election is that financial services providers and their clients should find that "Paris is back in the game" and poised to pick up business from providers that are moving some of their operations from the U.K. to continental Europe.

The public announcements from firms including [Goldman Sachs](#), [J.P. Morgan](#) and [UBS](#) have so far clearly favored Frankfurt, as few banks would have ventured to staff up in Paris with the prospect of an extreme left or extreme right government. But with Macron's background, it is fair to assume there will be an early focus in his administration to attract more of the "Brexit crowd" to Paris by relaxing labor market rules, taxation and other regulations that have acted as a drag on Paris' attractiveness for financial services providers.

Furthermore, the major French banks are showing stronger business momentum than most of their European peers, as illustrated in particular by the [first quarter results of BNP Paribas](#).

This is also supported by the strong business momentum among corporates toward BNP Paribas, according to [our latest corporate banking research](#) , which shows that a net 8% of major European corporates expect to increase business with the bank. Only Santander matches this scores with a net 9%, while the remaining Top 20 European corporate banks achieve scores ranging from -17% to +7%.

With the Macron election, the threat of politics and further regulation in their home market has receded significantly, leaving the French banks free to capitalize on their strong business momentum.

Summary

The implications for corporates conducting business across the EU are straightforward and rather positive. In the coming months, expect to see more clarity on those parts of your business that are impacted by Brexit and more options among French financial services providers, as competition heats up.

The data reported in this document reflect solely the views reported to Greenwich Associates by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.

©2019 Greenwich Associates, LLC. Javelin Strategy & Research is a division of Greenwich Associates. All rights reserved. No portion of these materials may be copied, reproduced, distributed or transmitted, electronically or otherwise, to external parties or publicly without the permission of Greenwich Associates, LLC. Greenwich Associates,® Competitive Challenges,® Greenwich Quality Index,® Greenwich ACCESS,™ Greenwich AIM™ and Greenwich Reports® are registered marks of Greenwich Associates, LLC. Greenwich Associates may also have rights in certain other marks used in these materials.