

GOVERNMENT

Potential Brexit breakthrough could ease luxury business' worries

October 17, 2019



Burberry's swank London store that attracts visitors from around the world. Image credit: Burberry

By STAFF REPORTS

In a welcome move for the British luxury industry, the United Kingdom and European Union have tentatively agreed to a Brexit deal ahead of the Oct. 31 deadline.

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While the deal must still be approved by British parliament and European leaders, it is a promising development after years of negotiations for the U.K.'s removal from the E.U. If successful, this would avoid a "no-deal" Brexit, which many British luxury brands, from fashion houses to automakers, have long argued against.

Luxury and Brexit

Luxury businesses across Britain have been preparing for Brexit since the 2016 referendum, but political turmoil within Parliament had increased the possibilities of a "no deal" when the U.K. withdraws from the E.U.

A "no deal" would mean that the fruitful economic relationship that has long been held between the U.K. and E.U. would no longer be available, leading to extra hardship for luxury brands based in the U.K. or non-U.K. brands looking to target U.K. consumers ([see story](#)).

For instance, in the event of the a no-deal Brexit, designers would have to navigate increased tariffs, including deciding whether to raise prices for consumers or eat the cost difference. There are also logistical challenges that would be new, such as changes to the shipping process ([see story](#)).

Concerns over a "no deal" only increased after Boris Johnson, one of the primary architects of Brexit, was named Prime Minister in July. Mr. Johnson had previously and repeatedly pledged that the U.K. will leave the E.U. on Oct. 31, even if a new Brexit agreement has not been reached ([see story](#)).



Conservative politician Boris Johnson became Prime Minister in July. Image credit: Instagram

One of the main points of contention has been a "backstop," which is meant to prevent a new hard border between Ireland and Northern Ireland.

The new proposal would keep Northern Ireland in the U.K.'s customs territory, but it would serve as an "entry point" into the E.U.'s single market, reports [CNN](#).

Despite the continued uncertainty around Brexit, the British luxury business is growing at more than double the rate of the U.K.'s overall economy. According to a report from Walpole, Britain's luxury business achieved almost 50 percent growth in the four years from 2013 to 2017.

Walpole estimates that in 2019 alone, British luxury could see sales between 51.1 and 57 billion pounds, or up to \$72.3 billion at current exchange. However, this forecast is highly dependent on the outcome of Brexit ([see story](#)).

British Parliament is expected to vote on the new withdrawal deal on Oct. 19, but its approval is not guaranteed.

Former Prime Minister Theresa May had three Brexit proposals fail in Parliament before her resignation this summer ([see story](#)), which led to Mr. Johnson taking her place.

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