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**Brexit bureaucracy hits UK fashion and textile companies hard**

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* 98% of UK fashion and textile companies experienced increased bureaucracy around exporting and importing as a result of the UK’s exit from the European Union
* 92% experienced increased freight costs
* 83% had problems with customs clearance
* 55% had cancelled orders from wholesale customers/retailers where Brexit was the only cause
* 44% had rejected/returned orders from consumers where Brexit costs were the only issue
* 38% had problems returning goods to the UK from the EU (for example if they were unsold)
* 74% experienced an increase in costs due to new tariffs

98% of UK fashion and textile companies have experienced increased bureaucracy around exporting and importing in the first half of this year, according to a new survey from the UK Fashion & Textile Association.

“We have had lots of VAT costs in our EU supply chain, extra paperwork, product caught at customs for weeks,” said one UK menswear brand, adding that freight costs have increased by a minimum of 30%. Others have reported freight costs increasing by as much as 50% during the first months of 2021.

UKFT found that 92% of the survey’s respondents had experienced increased freight costs and 83% had problems with customs clearance following the UK’s exit from the EU on 31 December 2020.

Three quarters (74%) said they had experienced an increase in costs due to new tariffs and almost half (44%) had been affected by unexpected duties when re-exporting goods.

83% had experienced problems with customs clearance while 55% had cancelled orders from wholesale customers/retailers where Brexit was the only cause. Similarly, 44% had rejected/returned orders from consumers where Brexit costs were the only issue. One UK menswear brand said there was now a 12% tariff payable by EU consumers on the brand’s products bought online. “We have lowered some costs but cannot absorb them all,” said the brand.

A UK knitwear brand told of an EU customer ordering a £200 jacket incurring £160 duty as one example, as well as samples being held up in customs for months.

Over a third (38%) had problems returning goods to the UK from the EU (for example if they were unsold).

“Exporting old or returned stock back to us is prohibitively expensive,” one UK childrenswear brand, adding that the costs of sending samples to customers and trade shows will also be an issue going forward.

“Customers returning items for repair have received import bills from Customs,” added a UK jewellery brand.

The complex nature of Rules of Origin requirements been particularly problematic, with almost a third of respondents (32%) saying they did not know if their UK-manufactured goods met the Rules of Origin requirements for the UK-EU Trade Continuity Agreement (TCA). 41% had been hit by double duties as a result of the implications of free circulation in the TCA.

“As we had already sold for the season we have had to absorb the cost [increases], which is having a dramatic impact on our business,” said one UK outerwear brand. “The next season we will need to pass this on, but we have already encountered problems with our existing customers. The increase has been approximately 12%.”

Several respondents also raised the issue of the end of free movement of people for EU citizens. One UK fashion brand said: “We have always been able to bring in talent from around the EU. Our access to talent is now reduced which stifles creativity and diversity for our business.” A UK manufacturer agreed: “It will make finding skilled staff more difficult.”

However, some respondents pointed to new opportunities the UK’s exit from the EU offers, particularly in light of reshoring and the appeal of UK-produced product domestically. One UK knitwear manufacturer and brand said: “It has already resulted in growth in sales,” adding that the company expects to expand production and new staff over the next few years.

**UKFT has been in very close dialogue with the UK Government on the problems that the industry has faced as a result of the UK leaving the EU. UKFT has held numerous meetings with civil servants and ministers and most recently met with Lord Frost to discuss issues including how to make the movement of samples easier, ways in which the rules of origin regime with the EU could be simplified and the need to look at a more straightforward mechanism of dealing with UK/EU returns.**

**“UKFT has issued a wide range of sector-specific advice to members and has held a number of webinars to help companies understand the pitfalls in the new trading arrangements with the EU. UKFT, in conjunction with BFC, has also held a series of industry briefings providing in-depth reports on the organisations interactions with government.**

**Adam Mansell, CEO of the UK Fashion & Textile Association (UKFT), said: “The findings of this survey have been shared with government to highlight the severe impact leaving the EU has had on our sector. As the new trading relationship with the EU develops, UKFT will continue to raise the industry’s concerns with government and seek further support to ensure businesses can continue to trade with our biggest and closest market. At the same time, we will continue to develop simple and effective solutions to help the UK fashion and textile industry in its drive to increase export sales.”**

**Survey methodology**

UKFT conducted the survey in May 2021 and received responses from 138 businesses, including leading UK fashion brands, UK textile manufacturers, wholesalers, fashion agencies, garment manufacturers and retailers.

**Further comments**

One UK textile merchant said: “We will have to work very hard and spend a lot of money to convince EU customers to buy from the UK.”

“Trading will be more difficult with a negative impact on demand for our UK made product,” added Scottish textile manufacturer.

Another UK textile manufacturer said: “In the longer term, I think the initial problems/challenges will settle down but costs won’t decrease so ultimately we have put ourselves at a disadvantage compared to our EU competitors.”

A UK-based technical textile manufacturer, which has some of its production in the UK and some overseas, said it now expects to move more production and increase capacity in the EU, which would result in possible redundancies in the UK.

One UK knitwear brand said: “EU Sales are at an all-time low, yet costs are at an all-time high by comparison. We have handed several "wins" to our EU based manufacturing competition.”

One UK womenswear brand said: “We are considering mothballing our business as currently business is too challenging with the current Brexit deal.”

“As a small business it has absorbed precious time, energy and money which we didn't have spare,” said a UK menswear brand. “Once there has been a price adjustment for the increase in costs, we may be able to rebuild the trust with our EU customers but it has been negative in the short term. It will be possible to reallocate capital and invest in new markets and local resources but this takes time to develop. I think leaving the EU has left business with skills and labour gaps that can't be filled immediately by the UK labour force.”

One UK garment manufacturer said: “Import and export with the EU used to be easy, now it is extremely cumbersome and quite expensive.”

A UK occasionwear brand said: “Companies who do not export UK origin goods, will have to increase their prices or find a cheaper way to manufacture. This will play out over a period of time but as we are dealing with the effects of a pandemic, it is not possible to truly understand the impact Brexit will have long term. We will look to grow existing markets outside of the EU [in response].”

“Our business in the EU feels very bleak,” said one UK jewellery brand. “Since 'Brexit' was first announced we have seen a decline in business at tradeshows, and now it has actually happened, we are left with little to no European business. We have exhibited in Paris for many, many years, but will as the already expensive show will now incur additional costs, we will need to reconsider if this it still a viable option for us.”

“We expect to see a decrease in custom from EU countries [over the next few years], due to increased costs on customer's side,” said one UK knitwear manufacturer and brand, adding that it could however be a benefit for domestic market in the future.

A UK designer fashion brand said: “We need to re-think our business model. Over time it might be that we close the UK business and move the brand name and its sales activities over to a Portugal registered business. This won't happen for a few years. But it is a possibility after then.”

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