

**25 July 2016**

*Client Notes*

As the dust settles after the vote for Brexit, the fashion industry and luxury brands sectors have been assessing the likely impact of the UK leaving the EU. Brexit will have profound implications for both parts of this industry: the fashion industry contributed £26bn to the UK's economy in 2015, and employed nearly 800,000 people in jobs ranging from the design team to the shop floors, whilst the luxury sector generated £32.2bn in sales, and was projected to employ around 158,000.

The EU creates a framework through which the UK and the 27 other Member States cooperate. At its core is the principle that the combined territory of those states forms a Single Market within which goods, services, capital and people can move freely, there is fair competition and consumers and workers are protected. The fundamental principle is that EU citizens must not be discriminated against on the grounds of their nationality, including in relation to their free movement around the EU.

The UK has not left the EU yet and, as the UK has not yet triggered any legal exit process, it will likely remain a member of the EU for at least the next two years. The process and timing of Brexit, and the shape of the UK's future relationship with the EU, are yet to be decided but some changes are almost inevitable. For the fashion sector, much will turn on the details of the arrangements negotiated for the UK during the two-year exit period before Brexit. With no clear plan for exiting the EU yet in sight, there are a number of possible options for what might follow Brexit.

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