

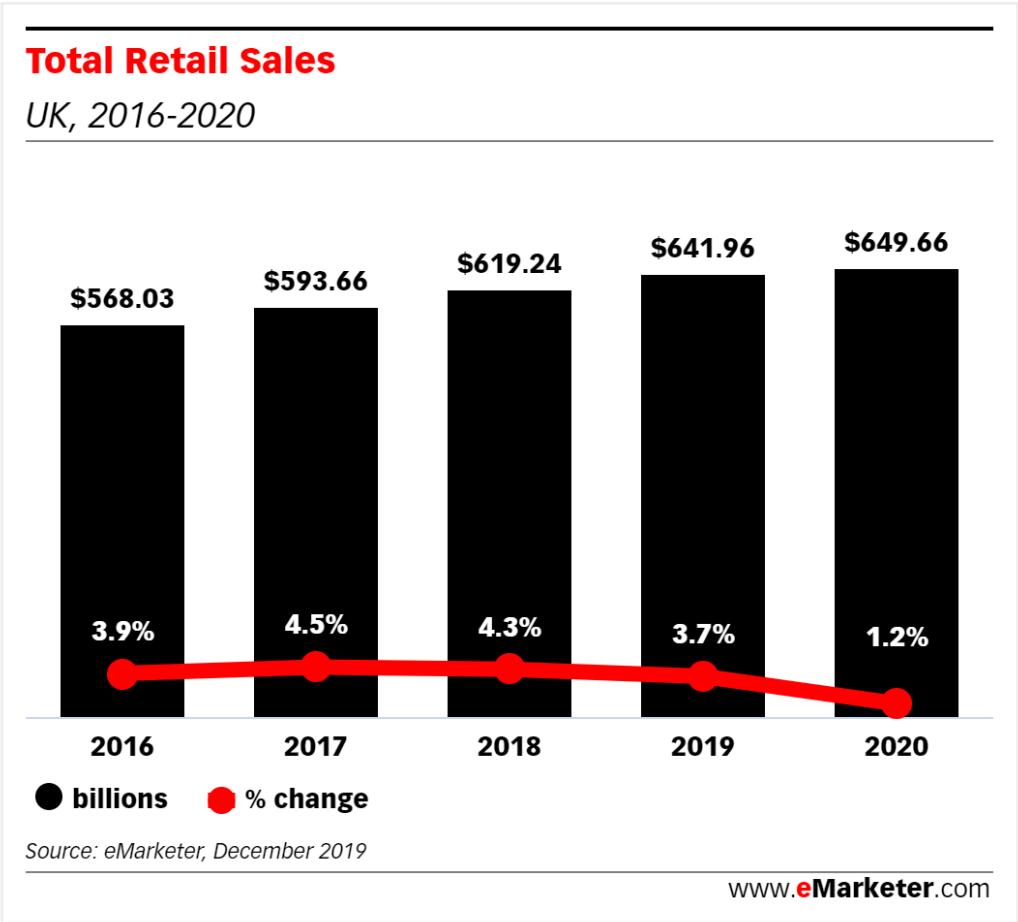
# Analysts Weigh In: How Brexit Will Impact the Retail Market

**ARTICLE** | **JANUARY 31, 2020**

**eMarketer Editors**

As the realities of Brexit finally hit, will the purse strings tighten?

Total UK retail sales (including auto sales) for the full 2020 year will grow 1.2% to £487.30 billion (\$649.66 billion), according to our estimates. That's the slowest growth rate since 2015, when it was down by 0.2%.



Meanwhile, ecommerce—which makes up an increasing portion of UK retail sales—will grow 8.9% this year, reaching £114.26 billion (\$152.33 billion).

Looking forward, industry experts from eMarketer and Business Insider Intelligence believe Brexit’s effects will change how consumers shop—not only how much money they spend, but also where they spend it. Many determining factors will influence the UK retail market over time. Here's what the experts say:

**Monica Peart, Vice President of Forecasting, eMarketer**

Brexit has had cooling effects on UK retail sales and, at other times, has spurred additional spending.

When first announced, the potential exit from the EU produced a wave of shoppers from other countries who took advantage of more favorable currency exchange rates—which certainly boosted retail sales

growth. But as uncertainty wore on, domestic shoppers curbed spending outside of shopping holidays as they sought ever-deeper sales and discounts.

Although Brexit is now a certainty, the outlook remains largely unclear. The need for EU countries, the UK's largest trading partners, to now develop separate trade deals will be one of the most important determining factors in how the UK retail market will develop over time. More or less favorable trade deals being reached in negotiations could affect everything from auto sales to financial services, with the ultimate outcome still remaining to be seen.

### **Bill Fisher, Senior Analyst, eMarketer**

The day has finally arrived, and the UK is officially no longer in the EU. However, the country will be largely adhering to EU rules until the end of December, so the effect on retail will not become immediately apparent. The past three and a half years of uncertainty are set to continue for a little while longer.

We may see the biggest change occur in how consumers spend their money—when they spend it and where. This past holiday season, for example, we saw people hold off until discount shopping events went live, and there was more ecommerce spending than ever. When the consumer purse strings tighten further, retailers with a lean structure and good digital presence stand to benefit most from the true Brexit fallout.

### **Eleni Digalaki, Managing Analyst, Fintech, Business Insider Intelligence**

While the UK and the EU settled on a withdrawal agreement last week, negotiations for a free-trade deal are still ahead of us. Failure to secure it before year-end could bring trade restrictions in the form of tariffs, along with friction from new rules and processes.

For example, border checks could affect international delivery times and lead to customer attrition. But the good news for cross-border retailers is that there won't be much change in 2020. And with an 11-month transition period in place, they have time to create a well-defined

plan to avoid disruption of their services and to protect the customer experience in the event of a no-free-trade deal.