

FASHION ROUNDTABLE

Politics | Economics | Business



Inside Parliament

PM on EU Exit

The month began with the PM introducing her Florence speech to the Commons. Advocating for a 2-year transition period is an appropriate strategy in the face of an ever approaching financial and legal cliff edge. Lord Kerr, the author of Article 50, has proposed an alternative strategy. The activation of Article 50 is entirely reversible and this is not something we should rule out yet. Sadly movement onto the negotiation of a new trading arrangement is still delayed until the UK and EU can agree the divorce proceedings, with the principle concerns surrounding the final financial settlement.

Lords Get Creative

Talk of creative collaboration between Britain and the rest of the world sat within a House of Lords debate where the economic and social value of the creative industries got a welcome promotion.

You can see our full press release on the Bazalgette Report, which engages directly with this debate, on our Facebook.

International Trade White Papers

Long awaited, the Department for International Trade, has released separate White Papers on our future customs and trade policy. A White Paper is a proposal for legislation that will in the future be debated in Parliament, and so offers us a good understanding of the key objectives of the Government of the day.

A strong theme through both of the trade-focused White Papers was the desire for continuity; the avoidance of disruption at all costs. This is something we strongly endorse, as many of the smaller businesses we work with, in particular, could face enormous additional costs should the terms of the UK's international trade dramatically change.

Concerning however, is the proposition to introduce VAT requirements on small value parcels/deliveries (under £15), coming from the EU to the UK. The objective of the policy outlined in the Customs White Paper is to ensure the UK high street can maintain its competitiveness against EU products, however policies like this are likely to do nothing but begin a process of barrier erection that will only hurt the UK high street. Despite there being a clear commitment within these White Papers to maintain 'business as usual', aggressive expansionary fiscal policies like this are unlikely to set the tone needed for future cooperation.

On top of concerns regarding future fiscal rules, we at Fashion Roundtable are not satisfied with the provisions set out for a new customs relationship with the continent. Heavy uncertainty within these papers only serves to reinforce our fears that large bulks of this crucial legislation will be implemented with delegated powers, away from the scrutiny of Parliament.



Observations: Dr Swati Dhingra (LSE)

The depreciation of sterling is bad news both because of what it tells us and because of its impact on the UK. The depreciation is a signal that investors' expectations about the UK's economic performance have deteriorated. Many factors determine exchange rate movements, but one of them is economic growth. Fast growth leads to exchange rate appreciation, while countries that grow slower than the rest of the world see their currency become less valuable. The pound depreciated because markets anticipate that the UK's future economic growth will be lower than it would have been if the UK remained in the EU.

The effect of the depreciation has been to reduce the UK's terms of trade – that is, the price of the UK's exports relative to its imports. The terms of trade are a measure of how much the UK can buy from the rest of the world in return for what it produces. Crucially, a reduction in the terms of trade makes the UK worse off even if GDP is unchanged because it means the UK can afford to buy less in return for its exports.

#baccforthefuture

Fashion Roundtable supports the #baccforthefuture campaign because we know the value: economic and cultural, of there existing a talent pipeline of students educated in the arts.

The creative sector is thriving, 1 in 11 of us work in these industries, with fashion leading this exciting growth. However, the jobs of the future will need us to be critical and creative thinkers: all the skills provided in a STEAM education programme.

But while other countries are priming the pump of creative education, the UK's Ebacc approach has led to a 16% decline in Art and Design GCSE participation over a 2 year period.

That's not future-proofing our economy or our international reputation.

We need to be fighting to build and support our domicile talent to ensure Britain remains at the centre of the international creative economy.

Bank of England Raises UK Interest Rate

For the first time in over a decade, the Bank of England has raised the UK interest rate above its historic low rate of 0.25% to 0.5%, signalling the fear within Mark Carney's team that inflationary pressures are threatening UK competitiveness and growth.

This was not a decision the Governor wanted to make and he has not been subtle about what he believes the cause is. The politics of Brexit have totally destabilised Sterling and led to an exacerbation of the UK's Balance of Payments deficit, which in the long-term will harm the UK's international competitiveness; not the economic reality those in Whitehall were hoping for.

There is already a systemic problem within Britain of low productivity and this interest rate rise, unlikely to be the final interest rate ceiling we will see, will place an even greater burden on businesses seeking to invest in long term productivity.

In order to incentives investment, the Chancellor will need to use the upcoming budget to install fiscal levels capable of overcoming the costs imposed by this interest rate. In particular, we would like to see the removal of VAT on long-term capital investments.