Press release

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Belgium in top 4 EU countries most likely to be affected by Brexit

Preparing for the worst now means that businesses can be ready for all eventual outcomes

Brussels – 1 March 2018

Launched today, Deloitte's report Belgium's Brexit: Why you should plan today confirms that the impact of Brexit on Belgium will be significant. The UK is one of country's top 5 most important export partners. The total of Belgian exports to the UK represent almost nine percent of total exports from Belgium (an amount of EUR 31.99 billion), whereas the UK accounts for nearly five percent of total Belgian imports (a total amount of EUR 16.06 billion). Belgium's most important exports to the UK are in the vehicles, chemicals, food and beverages, textiles (of which about 30 percent of output goes to the UK), synthetic materials and the machine industries.

These economic links with the UK mean that Belgium ranks fourth among the 27 EU countries in terms of the economic risk created by Brexit. The impact will mainly be felt in Flanders, which produces 80 percent of Belgian exports to the UK (and accounts for 87% of UK imports).

In the wood, stone, glass, medical devices and arms industries, the impact will be felt mostly in Wallonia. And the automotive and leather industries will be most impacted in the Brussels region.

If the Brexit negotiations result in a disruptive situation (which could range from no deal at all being agreed to partial restriction of some or all of the EU Internal Market's four freedoms - free movement of goods, capital, services and labour), business will face changes in trading with and doing business in the UK. These could include:

- tariffs on trade in goods, changed customs procedures and delays at border crossings – with the consequent disruption to the supply chain;
- restrictions on companies' ability to deploy UK staff in Belgium or non-UK nationals in business operations in the United Kingdom;
- restrictions on the sharing of data between Belgium and the UK;
- changes in tax treatment (both direct tax and VAT); and
- a requirement to observe differing technical standards if the UK and EU's regulatory regimes diverge after Brexit.

"There are conventionally two scenarios for Brexit, a so-called hard and soft version, and innumerable variations are possible for both. Whatever the scenario, it is inevitable that Belgian companies, both those trading with the UK and those with operations in the UK, will have to deal with a rising cost of doing business " said Richard Doherty, Deloitte's Brussels-based global Brexit service leader.

Automotive exports account for 29.8% of Belgium's exports to the UK

Transport equipment accounts for 29.8 percent of exported value to the UK and 22 percent of imported value in 2016. More than three million cars and other vehicles are shipped annually from the ports of Antwerp and Zeebrugge. With a workforce of 70,000 in 300 companies, the automotive industry accounts for almost 10 percent of the jobs in Belgian industry.

As the UK is the leading destination of exported transport equipment (including automotive vehicles) from Belgium, the impact of Brexit on the Belgian automotive industry could be very significant.

Chemicals account for nearly 20% of Belgium's exports to the UK

Belgium has Europe's eighth biggest chemical industry, generating five percent of the value created by the sector across the continent. Belgium is number one in the world in sales of chemicals and plastics per capita, ten percent of all chemical industry employees worldwide are in Belgium, and Flanders has Europe's largest petrochemical cluster.

Belgian chemical exports to the UK are worth EUR 2.5 billion, and if pharmaceuticals are included, chemicals make up nearly 20 percent of Belgium's export to the UK. With 720 companies and 90,000 direct employees in Belgium, the chemical industry will suffer from a hard Brexit scenario.

Textile exports account for 4.2% of Belgium's exports to the UK

Deloitte's Belgium's Brexit study shows that textile firms based in Flanders are especially dependent on the UK market. More than 30 percent of the industry's exports of special woven fabrics, tufted textiles and lace, and 27.8 percent of all carpet exports, go to the UK.

Mitigate potential Brexit risks along the way

To prepare for Brexit, Belgian companies should confront the Brexit risk by establishing solid insights into how important the UK is for the business in sourcing, producing and selling. Deloitte's Belgium's Brexit report also highlights the need to take a broad supply chain perspective, including indirect relationships with the UK. These can include licensing, outsourced working and other aspects, such as outsourced tasks to logistics service providers or third-party suppliers.

Businesses should prepare an action plan covering processes, systems and staff in order to react quickly and appropriately before it is too late. The time required to implement important business decisions means that companies can not afford to wait until the political negotiations produce clarity.

Doherty continued: "Companies need to assess the impact of Brexit on their supply chain, analyse the resulting risks from their exposure to Brexit, plan for risk mitigation and make sure their processes, systems and staff are ready to react rapidly as soon as their organisation reaches its decision-making deadline. Time is running out and the future is uncertain. Planning now is essential to manage the challenges and opportunities of Brexit."

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Deloitte in Belgium