

## The Significance of the UK to the German Confectionery Industry

On 23 June 2016, when the British electorate voted by a narrow majority for the UK to leave the EU (Brexit), the shock went deep, not only at a political level. Already the initial reactions to this historic decision made it clear that the food industry, especially the confectionery sector, would bear the brunt of this secession.

### UK Economy Closely Interlocked with EU and World Economy

The economy of the UK, as a nation with a long and proud trading tradition, is closely intertwined with international flows of goods, in respect of which, according to figures published by the UK's Office for National Statistics (ONS), six countries account for almost half its foreign trade on the exports and imports side respectively. On the exports side these are the USA (15.7%), Germany, France, the Netherlands, Ireland, and China. On the imports side Germany ranks first (14.8%), followed by China, the USA, the Netherlands, France, and Belgium. When it comes to foodstuffs, close ties especially exist with Ireland, but also with Spain and Italy.

### UK is a Key Confectionery Market in Worldwide Terms

UK consumers love their confectionery, especially chocolate goods, fine bakery wares, and snack products. These categories, in particular, enjoy a long-standing British tradition and have brought forth world-renowned and popular brands. Directly after Scotch, chocolate is also one of the UK's key export products, with fine bakery wares also featuring prominently. Many international companies have invested in the UK and steer their export business from there. EU companies have simultaneously ventured onto mainland Britain. And last but not least, the business activities of two German discounters have contributed heavily to the intra-Community movement of goods.

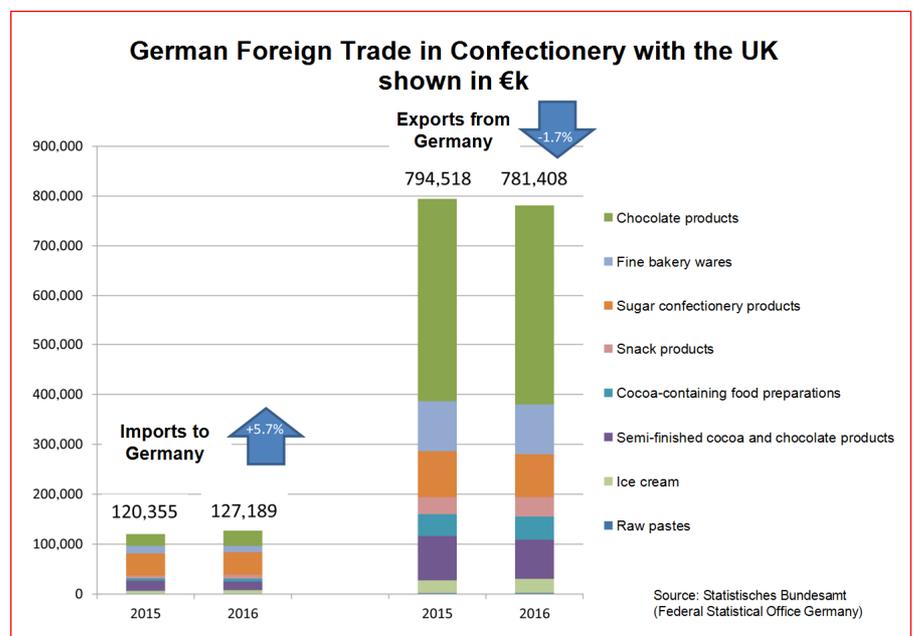
### Significance for German Confectionery Manufacturers

The UK has been one of the key export markets for German confectionery for some time now. It ranked second in 2016. Especially chocolate goods, sugar confectionery products, and fine bakery wares have become well-established in the UK market. As for imports to Germany, UK manufacturers take ninth place, but with a rising trend.

whether these framework conditions will persist for long. At the start of 2017, the ONS observed a higher increase in import prices than in export prices. It is altogether conceivable that the rising costs for imports could wipe out the UK's export benefits, especially in view of the fact that the UK has a trade deficit.

### Outlook: Brexit will be No Walk in the Park

Forecasts about the ramifications of Brexit will remain difficult until negotiations have begun in earnest. Two polar opposites have already crystal-



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### Decline of the UK Pound provides a Foretaste of Brexit

Directly after the Brexit vote, the UK pound lost value considerably against the euro. Though UK manufacturers were quick to complain about the resulting increase in their raw material costs, such as for cocoa, the change in the exchange rate simultaneously improved their export capabilities. The UK food industry, in particular, quickly took advantage of this momentum. What is more, the UK government sees exports as a key pillar in achieving a successful Brexit strategy and has initiated a huge exports promotion programme. It is, however, doubtful

lised: a hard Brexit accompanied by customs tariffs or else a free-trade solution. However, one thing appears to be sure – it will not be a “sweet” farewell. All in all one can only hope that, regardless of the final divorce arrangements, EU policy-makers will see this as an occasion to focus on the Community's traditional objectives, especially that of strengthening the EU's single market.