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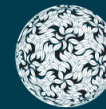
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# Brexit & Supply Chain Disruptions in the Import Channel

*Presentation to the Brexit Supply Chain Round Table meeting, Central Bank of Ireland  
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The views expressed are solely those of the authors and do not necessarily reflect those of the Central Bank of Ireland.

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- Implication for consumer prices depends on how retailers respond to increases in costs
- Important implications for economic forecasting
- Supplements research from Brexit Taskforce



- Great Britain accounted for 29% of goods imported into Ireland and Northern Ireland accounted for 1.7%, and 35% of our imports come from elsewhere in the EU
- Irish/UK trade relationship more important than headline figures suggest, due to the substantial use of the UK as a “land bridge” for other EU imports
- In 2016 we bought more British food than any other country, half of our total imports of food, drink and tobacco
- Just 9% of our total food, drink and tobacco are imported directly from non-EU countries



- 1. Customs Procedures:** Should the UK exit the customs union there will be an increase in customs declarations. Post-Brexit, roughly what proportion of agri-food imports will be subject to additional controls?
- 2. Supply Chain Costs:** Given the extensive costs associated with agri-food good imports what are the options for Irish retailers looking to reduce their exposure, and might they choose to cut back options for consumers?
- 3. The Grocery Market and Consumer Prices:** What is the current competitive state of the grocery industry in Ireland, and how readily may retailers pass increased costs on to the consumer?
- 4. Logistics:** Are we suitably placed to handle the increased traffic through Irish ports?



- Third country imports enter through designated Dublin ports
- Revenue are the competent authority for customs issues, Department of Agriculture and the Health Service Executive are responsible for Agricultural goods.
- Non-EU import consignments are electronically risk analysed at the border and allocated to Green, Yellow, Red channels for customs purposes.

Green	Yellow	Red
Limited checks	Additional documentary checks	Documentary & physical examinations

- Current Green/Yellow/Red: ~92%/4-6%/1-2%
- UK exiting the customs union will increase customs declarations. Post-Brexit, roughly what proportion of agri-food imports will be subject to additional controls?



- Under a WTO scenario, agri-food and clothing are particularly exposed to tariff duties (10.2% – 73.4%)
- Agri-food products also appear to be more sensitive to non-tariff barriers, the volume of trade in meat products appear to be over twice as sensitive to border waiting times than average, and fruit and vegetables three times more sensitive. (research paper forthcoming)
- Given the extensive costs associated with agri-food good imports what are the options for Irish retailers looking to reduce their exposure, and might they choose to cut back options for consumers?



- Profit margins in the grocery sector are typically lower than other retail sectors. Our research suggests that, based on past evidence, decreases in supply chain costs are passed on more quickly and more extensively than increases in these costs. Suggests that competitive forces are strong (research paper forthcoming)
- Since 2014, Irish consumer prices of food and beverages have been seen consecutive monthly falls, falling by 2% per year on average. A race to the bottom or passing on of lower costs?
- Some supermarkets may be more exposed to cost shocks than others, UK-affiliates practicing centralised distribution from the UK are likely to be particularly exposed
- Do retailers have the scope to absorb increases in supply chain costs or will these costs be passed on to consumer prices?





- Extent to which imported goods may be longer in transit or rerouted to avoid UK borders (e.g. trans-shipment hubs in continental Europe (Rotterdam/Antwerp)).
- Will UK be part of the EU Common Transit or fall back on the Transport International Routers (TIR) for transit purposes
- Foreign exporters who would have previously dealt with UK customs officials will be unfamiliar to Irish import agents and Irish customs inspectors
- Does the official sector (Revenue/Dept. of Ag./HSE/ports authority) have the capacity to absorb increases in physical traffic through designated entry ports?



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