

NEW TARIFFS MEAN HIGHER FOOD PRICES

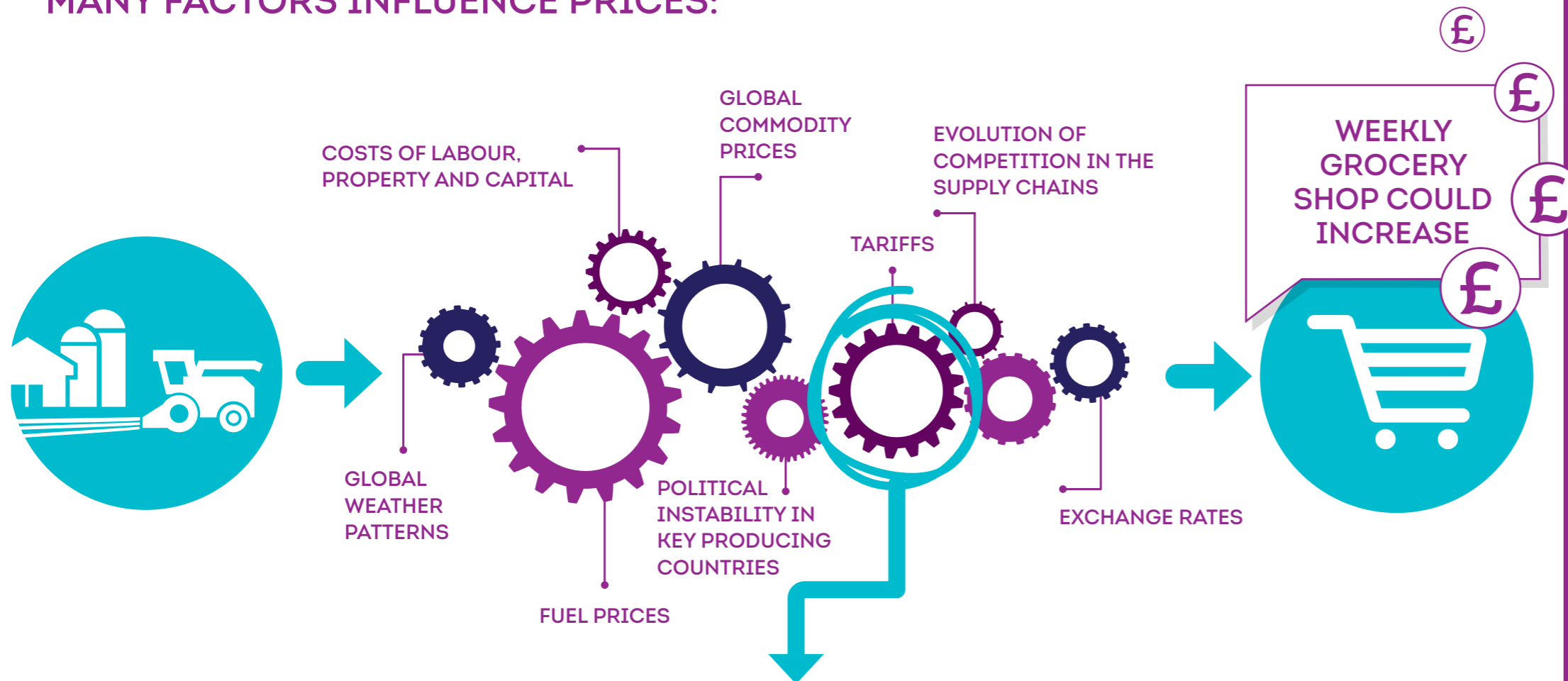
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#BREXIT



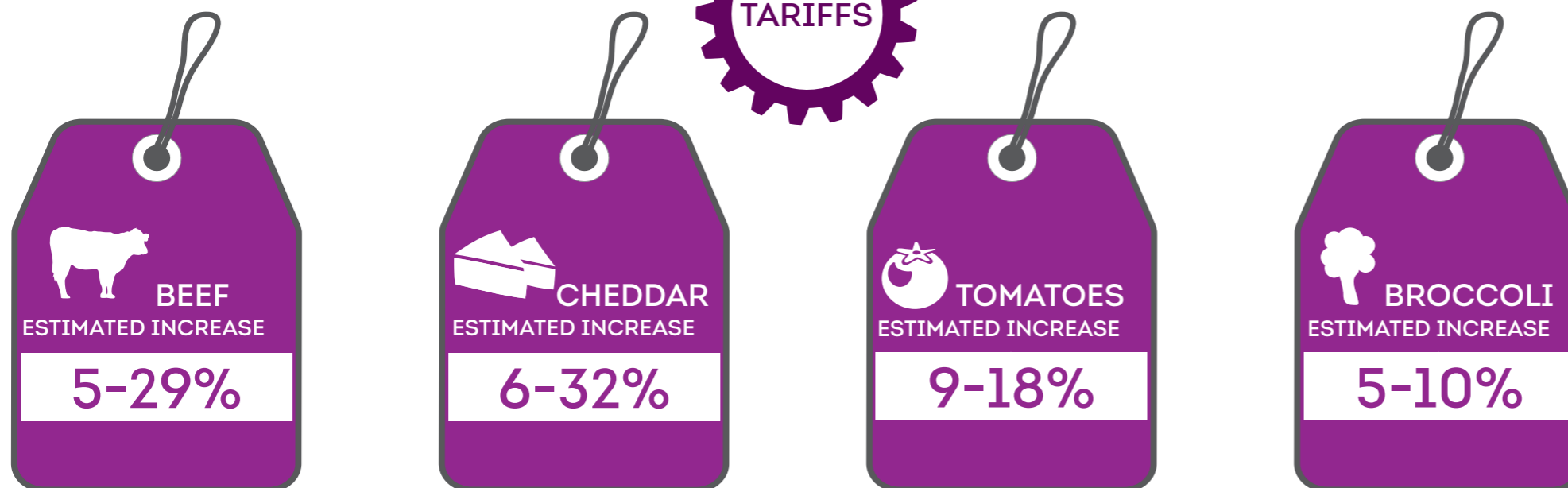
NEW TARIFFS MEAN HIGHER FOOD PRICES

MANY FACTORS INFLUENCE PRICES:



PRICES COULD INCREASE BY...

Our estimates, taking into account how much we import, suggest that prices in shops of familiar goods we import from the EU could increase by:



Sources:

Calculations based on import and sales data gathered from BRC members and tariff rate data from the International Trade Centre.

Note: Ranges are generated by varying the degree to which domestic producers put up prices.

THE IMPACT OF TARIFFS

- The relationship with the EU is more important to the price of food than to the price of other goods as more than three quarters of the food retailers import comes from the EU.
- If the UK leaves the EU with no trade agreement, EU imports will be subject to new tariffs under World Trade Organisation Most Favoured Nation tariff rates.
- The weighted average tariff of all food imported by retailers from the EU would be 22 per cent, with some tariffs as high as 44 per cent for cheese and 40 per cent for beef.
- Thus the cost to retailers of importing goods will rise.
- But working out what that means for consumers isn't straightforward, as there many factors which influence prices.
- Even if those other factors stayed the same, there isn't a direct relationship between tariff costs and consumer prices.
- Not all of the food we buy is imported and the quantity imported depends on the time of year, so the influence of tariffs on products will vary.
- Domestic producers are likely to put up prices when tariffs are imposed on foreign produced goods, in order to maximise profits. As a result, for many products, the effect could be as if all goods foreign or domestically produced faced the tariff.
- Based on this and using the current level of imports from the EU, we've estimated the potential range of price increases for a number of goods found in the UK's weekly shopping basket, if imports from the EU were to face WTO tariffs.
- The lower estimate assumes domestic producers do not react and the higher assumes they react by putting up their prices to match the new tariffs.
- However, predicting what would actually happen to prices after we leave the EU is more complicated than just considering the direct tariff impact.
- The many factors which determine prices of goods are changing all the time.
- What is clear is that new tariffs will only put upward pressure on prices.