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Department of Business, Enterprise and Innovation

September 20th 2018

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Key Impacts for the Irish Retail sector

1

Tariffs

Tariffs will apply to both EU imports and exports with the UK. These tariffs will vary by product and lead to cost increases.

2

Customs Compliance

This will drive incremental cost for organisations as they seek to comply with the additional customs requirements both on the EU and UK sides.

3

Route to Market

UK market access will become more difficult as EU imports become more expensive versus UK competitors.

4

Supply Chain

Supply chain lead times will become longer and more expensive with the need to allow for increased inventory within supply networks.

5

Regulatory Divergence

Issue of regulatory divergence / regulatory drift will create ongoing complications for EU-UK trade

Hard or Soft Brexit both add complexity and cost

The current reality – its easy to do business with the UK

1

We share **common brands/retailers** with the UK. Supported by complex ***Just in Time*** **supply chains** which are often dependent on the **UK landbridge**

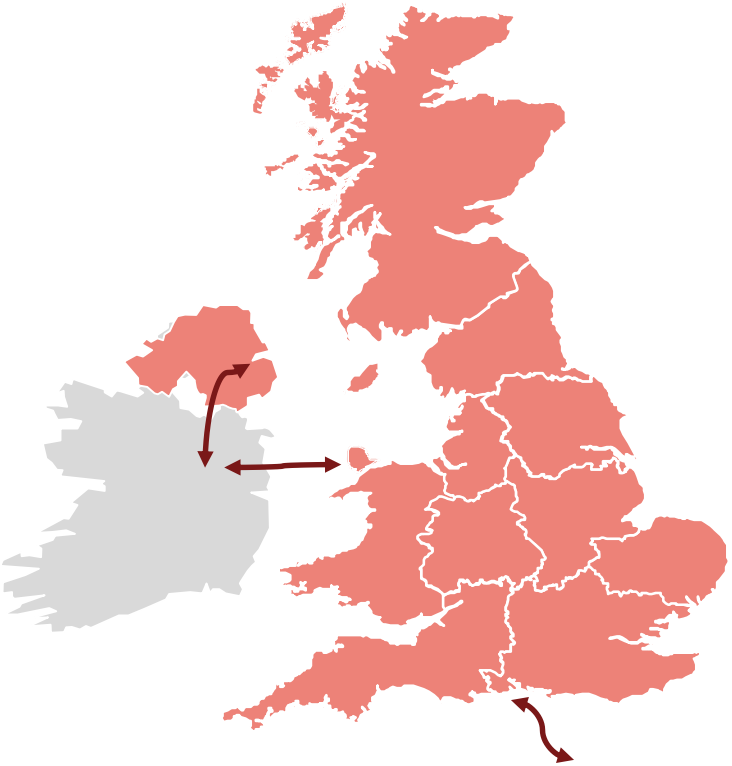
2

Irish exporters trading with the UK achieve economies of scale. **With a potential decline in these volumes, these economies are at risk**

3

Contingency planning and stockpiling has commenced however **warehousing space is heading towards maximum capacity**

Heavy reliance on UK for key consumer categories



Continental EU

	UK import share%
Bread & Cereals	59%
Coffee & Tea	54%
Sugar, Jam, Choc & Confectionery	32%
Soft Drinks	56%
Oils & Fats	27%
Garments & Clothing	22%

Source: ESRI Special Article – Brexit and Irish Consumers

At a sub category level, UK dependency is higher

Likely negotiation outcomes – Transition or No-Deal

Transition Deal – Smooth

a) EU and UK agree on a framework that allows future negotiations to continue
b) UK leave the EU on March 29th 2019
c) Transition lasts until Dec 31st 2020
d) During these 20 months, it is business as usual with no new Customs and Trade processes

No-Deal - Disorderly

a) The worse case scenario with the UK leaving the EU without a deal
b) From March 30th 2019:

- Tariffs take effect
- Customs and Trade compliance
- Supply chain disruption
- UK economic consequences

Hard or Soft Brexit both add complexity and cost

Possible Brexit scenarios and their implications

	Transition Deal	Free Trade Deal	No Deal
Tariffs	No	No*	Yes
Customs Admin	No	Yes	Yes
Delays	No	Yes	Yes
Import VAT	No	Yes	Yes

*Dependent on final outcome – tariffs may not be eliminated on all products

A Free Trade Deal will still drive cost and complexity

A No-Deal scenario is the worst possible eventuality

Customs & Trade

- Tariffs are applicable
- New Customs procedures are required
- Companies not prepared at risk of import/export delays

Supply Chain

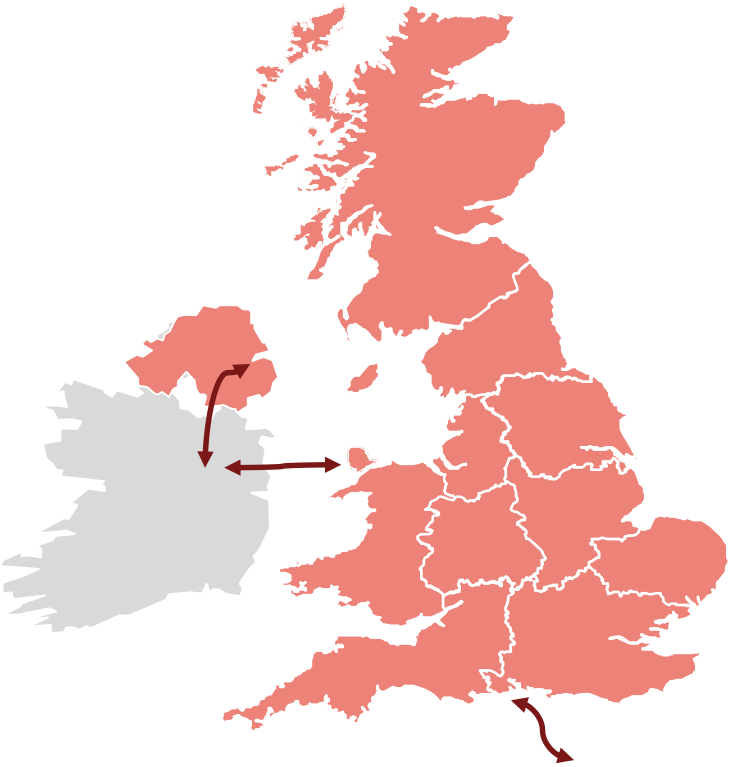
- Seamless supply chains are disrupted
- Stock delays and product availability issues
- Irish exporters at risk to tariffs and exchange rates

Economic Impact

- Sterling weakens in the short-term
- Exports to UK at risk of decline
- Imports at risk of cost increases

Collaboration can reduce risk but not eliminate it

Heavy reliance on UK for key consumer categories

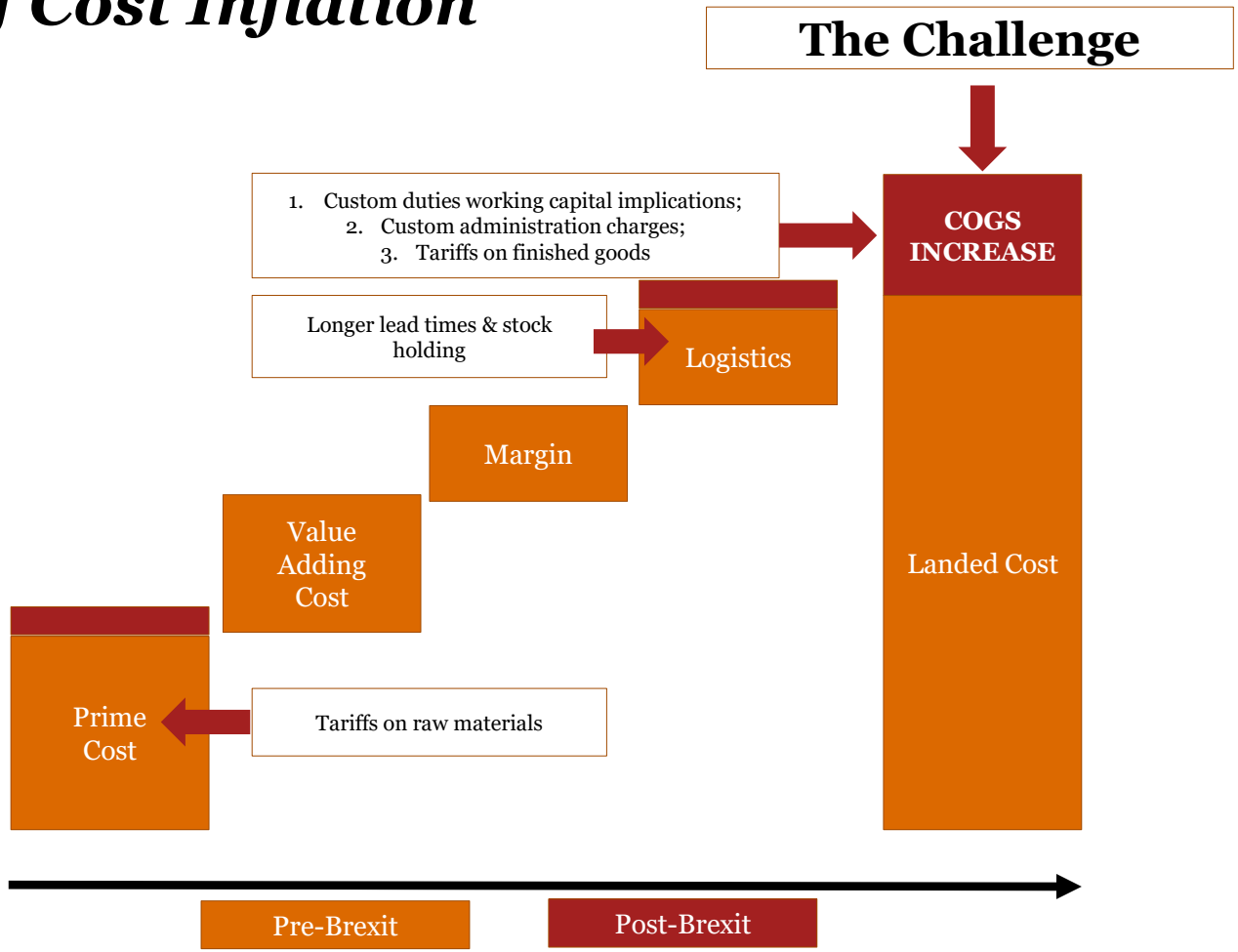


	UK import share%	WTO tariff %
Bread & Cereals	59%	16%
Coffee & Tea	54%	7%
Sugar, Jam, Choc & Confec	32%	29%
Soft Drinks	56%	13%
Oils & Fats	27%	23%
Garments & Clothing	22%	11%

ESRI predict CPI of 2%-3.1%. Impact on Grocery is higher with up to 6% CPI from tariffs alone

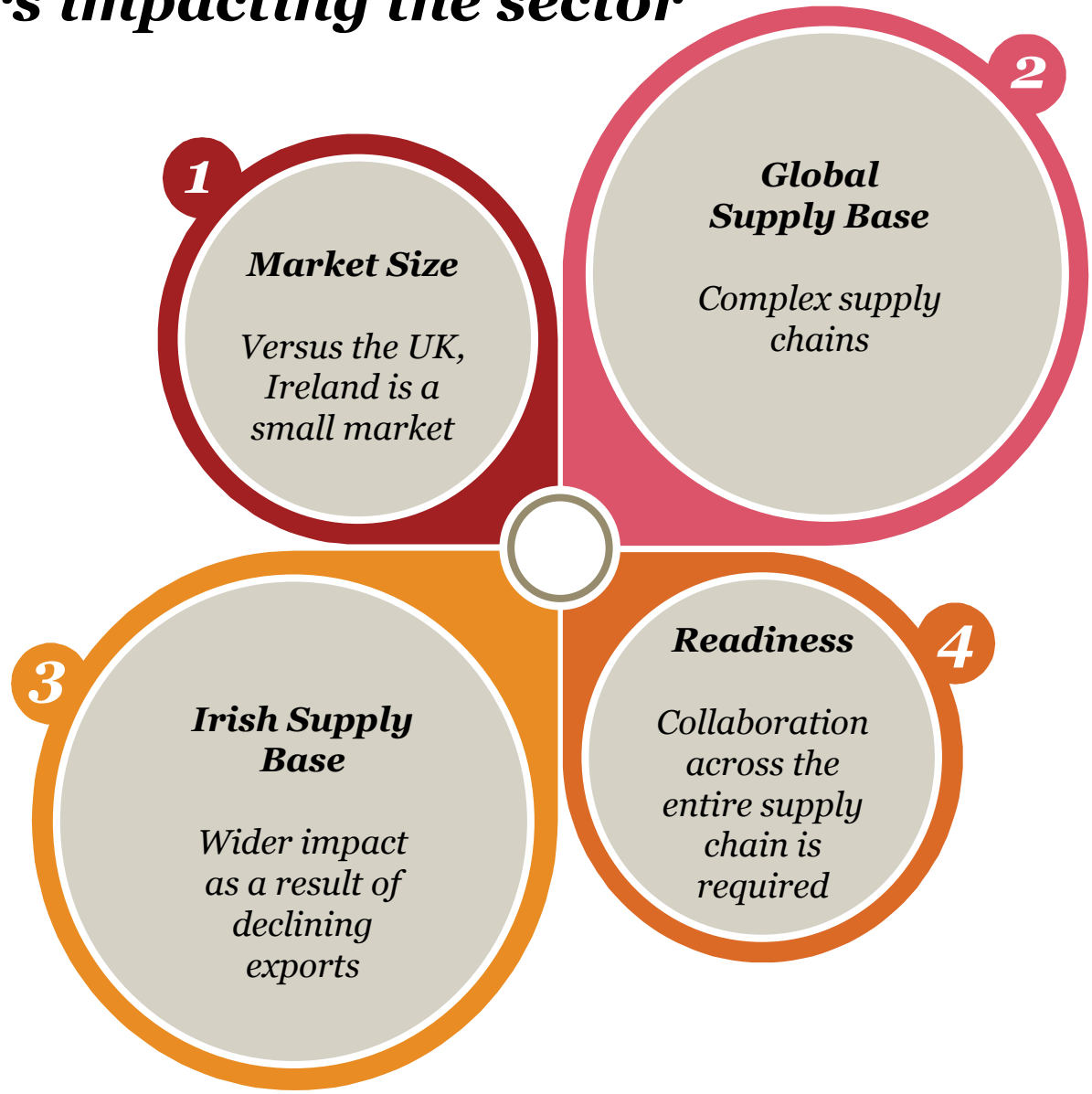
Source: ESRI Special Article – Brexit and Irish Consumers

Drivers of Cost Inflation



To protect the consumer, business can and must take steps to mitigate these cost increases

Key factors impacting the sector



No Risk Actions

1. *Customs & Trade*
2. *Supply Chain*
3. *Contracts*
4. *People*
5. *Cash flow*
6. *Contingency Plans*

The Retail sector needs to understand the issues and put plans in place to mitigate

Thank You

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