The Centre for
Cross Border Studies

MEDIA WATCH

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Post-Brexit trade tariffs pose threat to UK's food and drink sector

Post-Brexit trade tariffs pose a "major risk" to the performance of Britain's £28 billion food and drink sector, an industry body has warned.

A report commissioned by the Food & Drink Federation (FDF) said the introduction of tariffs on existing EU trade would heap further pressure on manufacturers already squeezed by higher import costs linked to sterling's weakness.

It added that the sector also faces disruption if Brexit reduces access to EU workers, with the industry looking to attract 140,000 new staff by 2024 to fill a hole left by an ageing workforce.

Produced by professional services firm Grant Thornton, the report said : "Food and drink manufacturing businesses that source ingredients from abroad have already experienced a negative effect through the devaluation of the pound which resulted in a sharp increase in the cost of raw materials and, therefore, higher production costs, which have to be shared with their customers and subsequently consumers.

" For many, the costs associated with any tariffs being imposed on existing trade with the EU represent a major risk on margins.

"A risk that is exacerbated for those with cross-border integrated supply chains in the industry."

According to the study, t he food and drink sector is the UK's largest manufacturing industry, adding around £28.2 billion to the UK economy each year and employing close to 400,000 people.

While the UK's exit from the EU poses challenges to the sector, it said a small number of businesses could benefit from lower costs by importing raw materials from markets outside the 27-nation bloc.

However, it said efforts by firms to prepare for life outside the EU single market and the Customs Union will be "extremely costly and prone to errors" unless the Government draws up a clear plan.

The pound's plunge since last year's referendum on EU membership has the potential to boost UK exports because it makes British goods cheaper for overseas buyers.

The UK's 2.2% share of the global food and drink market currently lags behind France and Germany, at 4.7% and 5.6% respectively, the report said.

It comes as former Sainsbury's boss Justin King warned that shoppers will see "prices, quality and choice" impacted by Britain's decision to exit the EU.

He said consumers are "completely in the dark" over the effect leaving the EU will have on their shopping basket.

Speaking to BBC Panorama, he said it was "very clear" shoppers would face "higher prices, less choice and poorer quality" outside the bloc.

Source: The Belfast Telegraph

13 July 2017

Varadkar offers €465 million extra for A5 project

The A5 road project could get a €465 million boost from the Republic's government as part of Taoiseach Leo Varadkar's plans to improve infrastructure.

According to reports, the Fine Gael leader wants to prioritise several large projects, including road access to the north-west and a metro for Dublin.

His plans to improve transport and cut taxes could cost around EUR5 billion, the Irish Independent reported.

The 55-mile A5 connects Derry with the border at Aughnacloy in Co Tyrone, forming part of a cross-borderlink between Donegal, Derry and Dublin.

Plans to upgrade it have been split into several phases, with work on the Newbuildings to Strabane stretch due to start as early as November this year.

The government's funding for the A5 has been set at €200m.

However, it is now thought it will give a further €465m to help upgrade the busy route.

Among the other main projects costed by Mr Varadkar are the long-postponed Dublin Metro, at around €2.5bn, and the M20 Cork to Limerick motorway, which will need up to €1bn in funding.

Source: The Irish News

14 July 2017

UK fiscal watchdog warns over taxes and public spending in Brexit Britain

The Office for Budget Responsibility said ensuring robust trade agreements was more significant for the long-run health of Britain s public finances than the size of any divorce bill to settle one-off liabilities with the EU.

A continuation of Britain s recent weak productivity would also make tax rises or spending cuts more likely, the OBR said.

UK chancellor Philip Hammond said the report was a stark reminder of why we must deliver on our commitment to deal with our country s debts .

The report comes as Theresa May unveiled the landmark law that will remove Britain from the EU, setting up clashes with opposition parties and the Scottish government that will prove the prime minister s biggest tests since her Conservative Party lost its parliamentary majority.

The so-called repeal bill is aimed at transferring EU laws on to the British statute book for when Brexit takes place in March 2019. The draft would hand the government two years to alter UK law through a fast-track process.

Meanwhile, the British Chambers of Commerce said that consumer-facing businesses had suffered in the face of higher inflation over the past three months and that a better outlook for exporters was too little to compensate.

Whether stronger exports can offset a squeeze on consumer demand is the key question for Britain s economy as it grapples with the effect of last year s sharp fall in sterling following the vote to leave the EU.

The Bank of England predicts the overall effect will be modest, and could raise interest rates for the first time in a decade later this year if that continues to be the case.

But the BCC, which carries out Britain s biggest quarterly survey of businesses, said economic activity was subdued in the three months to the end of June.

For many businesses growth is static at best, and at worst, beginning to slow, BCC director general Adam Marshall said. The subdued growth picture underlines the importance of getting as much clarity on the Brexit transition as possible, as quickly as possible over the coming months.

British banks expect to cut back lending to consumers in the coming months as they turn more cautious about the economy, according to a Bank of England survey.

The central bank’s quarterly Credit Conditions Survey also found that banks planned to tighten their credit standards further in the July-September period for credit cards and other unsecured borrowing.

The Bank of England said last week it wanted banks and other lenders to show they are not being too complacent about risks to their balance sheets in case Britain s economy slows, raising the risk of higher loan losses.

Britain s economy slowed sharply early this year as consumers felt the inflationary pinch from the fall in value of sterling.

The survey also showed banks expected to provide fewer mortgages to highly indebted homebuyers in the third quarter.

The Bank of England survey was conducted between May 22 and June 9, mostly covering the period before the UK s inconclusive general election on June 8.

British house price inflation slowed last month to its weakest since just after last year s Brexit vote, but this time domestic political worries played the greatest role, the Royal Institution of Chartered Surveyors said yesterday.

Meanwhile, the supply of life-saving medicines in Europe could be severely disrupted unless Britain successfully negotiates a smooth and orderly exit from the EU, pharmaceutical industry leaders has warned.

Europe s pharmaceutical and bio-science industry is concerned about Brexit because it is currently well integrated across the EU, with many EU-wide regulatory agreements and cross-border collaborations.

In a letter to Brexit negotiators stressing the importance of securing ongoing co-operation on medicines after Britain leaves the EU, drug company representatives said a bad transition could put patients at risk.

There was better news for the UK in an assessment of tourism as spending by overseas visitors to the UK climbed to £4.4bn (€4.9bn) in the first quarter, a 15.6% increase from a year earlier.

Source: The Irish Examiner