

Some products imported to the UK from the European Union have been more affected by the post-Brexit trading rules than others.

**Jan David Bakker, Nikhil Datta, Josh De Lyon, Luisa Opitz and Dilan Yang** find that leaving the single market and customs union has led to a 6% rise in food prices in the UK.



# How Brexit has raised UK food prices

The UK's exit from the European Union (EU) led to a large increase in barriers to trade with the country's largest trading partner. Since January 2021, under the Trade and Cooperation Agreement (TCA) goods continue to be traded without tariffs and quotas but the regulatory and customs framework for trade has changed, causing an increase in trade frictions between the UK and the EU.

Recent research by CEP colleagues suggests that Brexit precipitated a 25% fall in imports from the EU (see page 6 of this *CentrePiece*). We find that UK imports

from the EU have fallen both in absolute terms since the referendum and relative to imports from non-EU countries since the TCA's implementation. This is not the case for exports, where trade with the EU has followed a similar path to trade with non-EU countries so far.

But not all imports have been affected in the same way. There are three broad patterns: some sectors, such as textiles, experienced a slower rate of relative growth even *before* the implementation of the TCA in 2021; while others

experienced a sizeable drop in the UK's trade volume with EU countries compared with that of non-EU countries *after* the TCA implementation – fats and oils, which includes olive oil, sunflower oil and margarine, have been affected this way. There are also some products – such as coal, gas and petroleum oils – for which no observable difference has been seen.

Focusing on the food industry, we show that food products that were more reliant on imports from the EU in 2015 saw larger increases in prices than those less reliant on the EU, both immediately after the 2019 election – when it was confirmed that the UK would leave the single market and customs union – and after the implementation of the TCA in January 2021.

We estimate a 6% increase in food prices due to Brexit, over the two years to the end of 2021. Products with high exposure to imports from the EU such as fresh pork, tomatoes and jams experience a larger increase in prices than those with low EU import shares, such as tuna and exotic fruit like pineapples.



Figure 1 shows the change in prices in percentage terms for food products with a high EU import exposure in comparison with those with low EU import exposure, against a reference date of May 2016. The treatment measure is the share of imports in 2015 that came from the EU for each product. The method controls for macroeconomic shocks that affects all food prices such as Covid-19.

The event study shows that in all quarters leading up to the Brexit referendum and in almost all leading up to the 2019 election, there was no statistically significant difference in price changes between food products that were more and less exposed to imports from the EU. These results suggest that the parallel-trends assumption (that in the absence of Brexit, prices for products with a higher EU import exposure would change in a similar fashion to those with a lower EU exposure), required for a causal interpretation using this method, is not violated during the “before” periods.

The implementation of the TCA aligns perfectly with a sharp, statistically significant increase in prices for more-exposed products relative to those less exposed. Although the introduction of the TCA coincides with the third national UK lockdown, there is no

relationship between the exposure-induced price changes with the timing of the other two lockdowns, nor with the easing of restrictions from the third, suggesting that Covid-19 is not driving the results. The statistically significant negative estimates found soon after the referendum result are likely to be driven by the depreciation of sterling relative to other countries, which was stronger for non-euro currencies.

Despite a strong impact of Brexit on food prices, we do not detect impacts when examining all products together. Impacts are likely to be more visible in food prices given the nature of the products:

- First, food products tend to be more perishable, so they are more vulnerable to border delays.
- Second, food products are close to being finished products in that they do not tend to require many intermediate inputs or labour costs, meaning that there is more likely to be observable pass-through for direct product-level matched data.
- Third, they are among the most exposed product categories to Brexit-related non-tariff trade barriers such as sanitary and phytosanitary (SPS) measures that are set to be introduced.

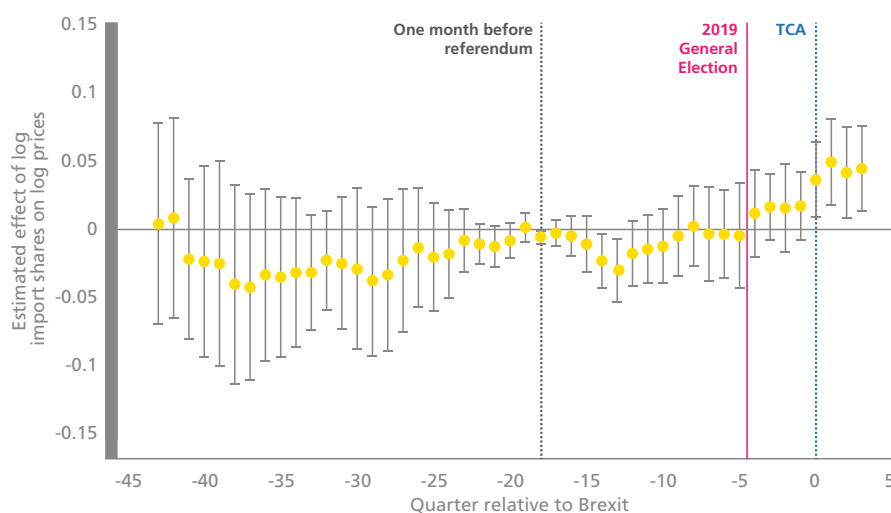
Leaving the single market and customs union marked a major disruption in the UK’s import patterns. In our study, we used data up until 30 September 2021 to analyse changes in supply chains and consumer prices. While full customs checks will be phased-in during 2022 and more data will be collected, we can already conclude that Brexit had a significant short-run effect on consumer prices. The long-run impacts of Brexit are yet to be determined.

This article summarises ‘Post-Brexit Imports, Supply Chains, and the Effect on Consumer Prices’ by Jan David Bakker, Nikhil Datta, Josh De Lyon, Luisa Opitz and Dilan Yang. UK in a Changing Europe (<https://ukandeu.ac.uk/research-papers/post-brexit-imports-supply-chains-and-the-effect-on-consumer-prices/>).

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## Fresh pork and tomatoes have seen bigger price rises than exotic fruit like pineapples

Figure 1:  
Impacts of Brexit on food prices over time:  
Event study estimates



**Notes:** The figure presents estimates on the relationship between EU import exposure and food prices over time relative to Brexit. Vertical lines represent Brexit-related events: the black line represents the month before the EU referendum, the red line the 2019 General Election and the blue line the commencement of the TCA. Black dots are the estimates of the interaction of the exposure measure and the quarter dummies, and vertical bars represent 95% confidence intervals.