

*Usdaw*

*Union of Shop, Distributive  
and Allied Workers*



# The Impact of Brexit on Consumers

# Foreword

By John Hannett, Usdaw General Secretary



**Usdaw, the Union of Shop Distributive and Allied Workers, has been running a campaign to ensure that our members are fully aware of the many positive benefits brought about through our membership of the European Union. Usdaw firmly believes that the European Union guarantees additional workplace protections, an increased number of jobs across the economy and lower prices for goods and services.**

Whilst the leave campaign has continued to brush aside the impact that Brexit would have on consumer prices, this research clearly shows that our members would be, on average, at least £580 per year worse off outside the European Union. At a time when many working families are struggling to make ends meet, this is too great a tax not only for Usdaw members but for working families across the UK.

Usdaw's analysis shows that many essential goods, such as footwear (12.17%), vegetables (8.11%) and fruit (7.21%) would see some of the largest price increases from the implementation of World Trade Organisation (WTO) trade tariffs. Such price increases are likely to have the largest impact on low-paid households.

Usdaw's research is backed up by a number of other organisations who have confirmed how leaving the European Union would affect working households across the UK. All of this research clearly shows that Brexit will harm the UK economy, leading to fewer jobs, increased pressure on workers' rights and greater insecurity for Usdaw members.

**It is undoubtedly in the best interests of Usdaw members to vote to remain within the European Union on 23 June.**

A handwritten signature in blue ink that reads "John Hannett". The signature is fluid and cursive, with a large initial 'J'.

**John Hannett  
General Secretary**

## Background on Consumers and Prices

Being inside the European Union means lower prices for consumers which allows people already struggling to make their incomes go further.

Membership of the European Union's single market has meant the UK has eliminated trade barriers which has reduced costs of doing trade, not only with Member States across Europe, but also with countries that the European Union has negotiated trade deals with. The dismantling of tariffs, along with border costs and different regulation costs all allow for cost savings which are ultimately passed through to consumers in the form of lower prices.

Economic theory also clearly defines that by creating a market of 500 million consumers rather than a domestic market of 64 million consumers, allows for economies of scale which reduce costs of production, which delivers cost savings for consumers.

A number of different research reports have confirmed that being inside the European Union means consumers save money, and leaving would put this at risk:

- Analysis by the independent Centre for Economics and Business Research (CEBR) has found that food prices are lower in the UK as result of EU membership. It has found that UK consumers' average price saving from EU membership is 8.8% for dairy products, 3.9% for sugar products, 3.3% for cereals and 3% for alcoholic beverages, due to the removal of tariffs inside the EU.

*Centre for Economics and  
Business Research, Oct 2015*

[www.cebr.com/reports/britain-stronger-in-europe/](http://www.cebr.com/reports/britain-stronger-in-europe/)

- The London School of Economics' Centre for Economic Performance has estimated that the free trade agreements the EU has negotiated, which the UK has access to, along with the widening of the single market has meant UK households on average save £350 per year.

*London School of Economics' Centre for Economic  
Performance, Mar 2016*

[cep.lse.ac.uk/pubs/download/dp1417.pdf](http://cep.lse.ac.uk/pubs/download/dp1417.pdf)



- The AA has warned that drivers face a £494 Brexit petrol bill if Britain decides to quit the EU.

*“According to the AA, a Brexit could add a wallet busting £494 a year to a two car family’s fuel bill as motorists pay the price for a weaker pound. An “out” vote could send today’s average price of petrol rocketing from 102.23p a litre to 121p as experts predict a plummeting pound will hammer motorists at the pumps.”*

*The Mirror, 17 Feb 2016*

[www.mirror.co.uk/money/drivers-face-494-brexit-petrol-7387241](http://www.mirror.co.uk/money/drivers-face-494-brexit-petrol-7387241)

- The Chief Executive of Centrica has made clear that being in the EU keeps energy prices lower:

*“Prices are going to become really important for British consumers and we need to do everything we can to make sure that the market in Europe is as competitive as possible...It’s very hard to see what we can do to drive competition in Europe if we are outside. That’s why I think we’re better off in.”*

*Iain Conn, Chief Executive, Centrica,  
Evening Standard, 18 Feb 2016*

[www.standard.co.uk/business/britain-leaving-the-eu-could-increase-gas-bills-centrica-warns-a3183441.html](http://www.standard.co.uk/business/britain-leaving-the-eu-could-increase-gas-bills-centrica-warns-a3183441.html)

- Efficiency standards introduced by the EU for household appliances mean that families use less energy and will save £158 per household per year by 2020.

*Source: Department of Energy  
and Climate Change, 2012*

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/172923/130326\\_-\\_Price\\_and\\_Bill\\_Impacts\\_Report\\_Final.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/172923/130326_-_Price_and_Bill_Impacts_Report_Final.pdf)

- The cost of flights has come down by 40% because the EU changed the rules to allow low-cost airlines like EasyJet to enter the market.

*Source: European Commission*  
[ec.europa.eu/internal\\_market/publications/docs/citizens\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/citizens_en.pdf)

- Using a mobile phone in another EU country is 73p cheaper for every pound. Roaming charges will be scrapped entirely by 2017, thanks to the EU forcing companies to give customers a fairer deal.

*Source: Foreign and Commonwealth Office, Sept 2015*  
[www.gov.uk/government/news/foreign-secretary-travels-to-brussels-for-eu-reform-talks](http://www.gov.uk/government/news/foreign-secretary-travels-to-brussels-for-eu-reform-talks)

- HM Treasury have warned that quitting the single market would cause inflation to rise by 2.3 percentage points.

*HM Treasury, May 2016*  
[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/524967/hm\\_treasury\\_analysis\\_the\\_immediate\\_economic\\_impact\\_of\\_leaving\\_the\\_eu\\_web.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524967/hm_treasury_analysis_the_immediate_economic_impact_of_leaving_the_eu_web.pdf)

- Citi bank has warned that inflation could balloon to 3-4%.

*Financial Times, 8 Feb 2016*  
[next.ft.com/content/891a8b7d-255d-3937-985c-e670a88d283a](http://next.ft.com/content/891a8b7d-255d-3937-985c-e670a88d283a)

- HM Treasury have warned how the depreciation of sterling could lead to the average cost of a holiday to Europe rising by £230.

*HM Treasury, May 2016*  
[www.gov.uk/government/news/pm-cost-of-holidays-and-travel-to-rise-if-the-uk-left-the-eu](http://www.gov.uk/government/news/pm-cost-of-holidays-and-travel-to-rise-if-the-uk-left-the-eu)

- HM treasury have also shown the impact of sterling depreciation alone would lead to the average spend on food and drink, and clothing and footwear increasing by £220.

*HM Treasury, May 2016*  
[www.gov.uk/government/publications/impact-of-a-sterling-depreciation-on-the-costs-of-a-family-shop-on-food-non-alcoholic-drink-clothing-and-footwear](http://www.gov.uk/government/publications/impact-of-a-sterling-depreciation-on-the-costs-of-a-family-shop-on-food-non-alcoholic-drink-clothing-and-footwear)

## Summary

Leaving Europe would result in a depreciation of the pound, and could mean tariffs on trade, leading to higher prices for British consumers importing from the EU.

Using the latest figures from HM Treasury, ONS, and World Trade Organisation, we estimate the average household could see price increases of £580. This would be as a direct result of the implementation of import costs.

This would be an underestimate of the total increase in prices, as it does not take into account increasing costs for British manufacturers and potential for higher prices due to lower competition.



## New Trading Arrangements

The economic experts are clear that leaving Europe would result in a depreciation of UK currency. This would mean the cost of imports would rise, driving up costs in supermarkets, and costs for businesses.

The Leave campaign have also highlighted how if the UK were to leave Europe, it would quit the single market, and trade with the EU on World Tariff Organisation terms. Boris Johnson and Michael Gove have made this clear, by setting out how they would like the UK to trade with the EU as countries on WTO terms do.

*“They put up various kinds of straw men and say that ‘do this, or do that’. Look 73% of our trade is already done without any free trade deals, at all. I think it was very interesting that there wasn’t much commentary by the Treasury on a simple WTO arrangement. We are a great trading country. We’re going to continue to be so. And we will be liberated from the bureaucracy that currently affects 100% of British businesses, even though only 5% of them do business with the EU.”*

**Boris Johnson, BBC News**  
18 April 2016

**BBC News**  
12 June 2016

*“There is no need to be part of this expensive legislative machine in order to export goods or services into the EU. The latest figures show that between 1993 (the dawn of the single market) and 2015 there were 36 countries – including India, Russia, China, America, New Zealand, Canada, Brazil – who did better than the UK at exporting to the single market.”*

**Boris Johnson, The Telegraph**  
12 June 2016

[www.telegraph.co.uk/news/2016/06/12/when-it-comes-to-the-single-market-you-dont-have-to-be-in-it-to/](http://www.telegraph.co.uk/news/2016/06/12/when-it-comes-to-the-single-market-you-dont-have-to-be-in-it-to/)

**Laura Kuenssberg:** *But votes are about the future, and as we talk this afternoon, ten days away from the vote, you can’t tell voters how our economy would work. You can’t tell voters how we could continue to trade with the rest of the EU. You can’t guarantee anything.*

**Michael Gove:** *All I want for the people of the United Kingdom is what people in Australia and Canada have, which is the chance to take back control of their own future. So in that sense, I am not suggesting that Britain boldly goes where no man has gone before.*

**Chair:** *Just to push you on the technical side of it, when you talk about a WTO agreement are you talking about the outline set out there which is the ‘WTO Most Favoured Nation scenario’ and nothing beyond that?*

**Nigel Lawson:** *WTO status is a perfectly acceptable one.*

**Oxford Economics report launch**  
22 March 2016

World Tariff Organisation terms would mean no special access for imports and exports, and would result in tariffs being erected on importing goods. These would have to be the same tariffs that the UK applies to all countries under WTO rules, otherwise the UK would have to reduce tariffs on imports from all countries.

This would mean that UK consumers and businesses would face tariffs on their imports of goods from the European Union.



## Increased Costs for Households

The following analysis focuses on the direct impact to households when purchasing imported goods and does not look at the impact of increased costs for businesses and how these are passed on.

Following the HM Treasury, we assume that after two years, the UK currency depreciates 12% causing imports to increase in price <sup>i</sup>.

Furthermore, the WTO provides an itemised list of the UK's current external tariffs levied on imports from third countries <sup>ii</sup>.

Using ONS data on household expenditure <sup>iii</sup>, and adjusting for the proportion directly imported using ONS import intensity statistics <sup>iv</sup>, means that we can calculate the direct increase that will be spent on imports in two years, when WTO tariffs would be applied.

As the table overleaf shows, the average household expenditure would increase by £584.

The additional cost for each item is calculated by working out the cost of direct imports, and then applying the 12% extra cost from the depreciation of sterling, and then applying the appropriate tariff rate.



Household item	Average Household Annual Expenditure 2014	Direct Import Intensity	Tariffs	Total Additional Cost
Bread and cereals	£281	20.1%	10.7%	£13.51
Meat	£681	31.5%	5.1%	£38.13
Fish	£140	32.8%	11.1%	£11.26
Milk, cheese and eggs	£94	21.8% <sup>v</sup>	42.1%	£12.07
Oils & fats	£68	34.8%	5.4%	£4.24
Fruit	£244	38.8%	5.9%	£17.61
Vegetables	£421	37.7%	8.5%	£34.16
Sugar, jam, honey, syrups, chocolate and confectionery	£203	27.3%	6.8%	£10.89
Food products	£130	30.8%	9.2%	£8.94
Coffee	£42	27.9% <sup>vi</sup>	6.1%	£2.19
Tea	£26	27.9%	0.8%	£0.94
Cocoa	£5	27.9%	6.1%	£0.27
Fruit and vegetable juices	£57	19.9% <sup>vii</sup>	18.4%	£3.71
Mineral or spring waters	£16	19.9%	0.0%	£0.37
Soft drinks (inc. fizzy and ready to drink fruit drinks)	£99	19.9%	9.6%	£4.47
Spirits	£94	0.4%	0.0%	£0.04
Wine (inc perry)	£208	0.4%	32.0%	£0.40
Beer	£104	0.4%	0.0%	£0.05
Tobacco	£224	9.9%	44.7%	£13.74
Garments	£926	41.6%	11.7%	£96.55
Other articles of clothing and accessories	£52	30.5%	11.7%	£3.98
Footwear	£239	49.9%	11.1%	£29.10
Furniture, furnishings	£879	33.6%	2.3%	£42.93
Carpets and other floor coverings	£166	17.5%	7.3%	£5.89
Household textiles	£94	17.5%	6.1%	£3.09
Major household appliances and small electrical household appliances	£146	34.3%	2.8%	£7.55
Glassware, tableware and household utensils	£88	25.6%	5.0%	£3.98
Tools and equipment for house and garden	£146	30.5%	3.1%	£6.88
Non-durable household goods	£73	26.3%	3.3%	£3.00

Household item	Average Household Annual Expenditure 2014	Direct Import Intensity	Tariffs	Total Additional Cost
Cars	£478	48.7%	9.7%	£53.33
Motor cycles and bicycles	£47	43.4%	6.7%	£3.95
Spare parts and accessories	£140	56.8%	4.1%	£13.20
Fuels and lubricants	£1,196	20.5%	0.8%	£31.66
Telephone and telefax equipment	£42	39.1%	0.6%	£2.06
Audio equipment and accessories, cd players, tv, video and computers	£530	39.1%	1.9%	£29.21
Photographic, cinematographic and optical equipment	£16	39.1%	3.8%	£0.99
Major durables for in/outdoor recreation	£109	53.8%	2.2% <sup>viii</sup>	£8.52
Games toys and hobbies	£125	26.8%	2.3%	£4.89
Equipment for sport camping and open-air recreation	£62	35.0%	12.0%	£5.56
Garden plants and flowers	£146	29.1%	6.8%	£8.29
Pets and related products	£224	9.5%	0.4%	£2.64
Books	£62	13.9%	0.0%	£1.04
Newspapers and periodicals	£125	13.9%	0.0%	£2.08
Misc. Printed matter stationery and drawing materials	£99	28.5%	3.3%	£4.42
Personal care	£598	24.6%	2.4%	£21.60
Jewellery clocks and watches	£130	32.6%	3.6% <sup>ix</sup>	£6.79
Other personal effects	£73	33.7%	3.3%	£3.84
Social protection	£192	2.1%	0.0%	£0.48

<sup>i</sup> [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/524921/Weekly\\_shop\\_technical\\_note.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524921/Weekly_shop_technical_note.pdf)

<sup>ii</sup> [www.wto.org/english/tratop\\_e/tariffs\\_e/tariffs\\_e.htm](http://www.wto.org/english/tratop_e/tariffs_e/tariffs_e.htm)

<sup>iii</sup> [www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015/familyspending2015referencetables](http://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015/familyspending2015referencetables)

<sup>iv</sup> ONS, 25 May 2016  
[webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hoc-data/econ/may-2015/index.html](http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/published-ad-hoc-data/econ/may-2015/index.html)

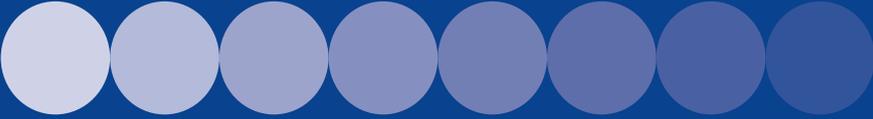
<sup>v</sup> Dairy products tariff used from WTO tariff trade tables  
[www.wto.org/english/res\\_e/booksp\\_e/tariff\\_profiles15\\_e.pdf](http://www.wto.org/english/res_e/booksp_e/tariff_profiles15_e.pdf)

<sup>vi</sup> Import intensity data for Coffee, tea, cocoa used.

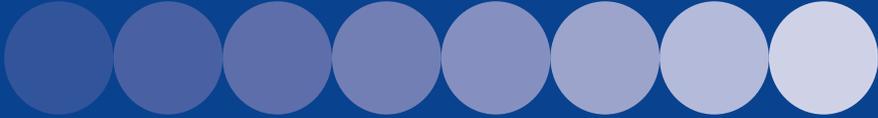
<sup>vii</sup> Import intensity data for Mineral waters, soft drinks, and juices used.

<sup>viii</sup> Simple average of boats, caravans and musical instruments.

<sup>ix</sup> Simple average of Clocks and Watches, and Articles of jewellery.



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**Improving workers' lives – Winning for members**

Usdaw, 188 Wilmslow Road  
Manchester M14 6LJ

Printed on environmentally responsible paper.  
Promoted by John Hannett on behalf of Usdaw, both of 188 Wilmslow Road, Manchester M14 6LJ.  
Printed by Usdaw, 188 Wilmslow Road, Manchester, M14 6LJ.

