

Analysis on East-to-West trade flows

1. Northern Ireland Executive (NIE) officials continue to engage on the risks and opportunities that may be created as a result of EU Exit. Our analysis continues to be framed by the ability of the options to recognise the unique economic context of the land border, without creating any material obstacles to trade and networks within the UK. This analysis includes assessment of the full range of options that seek to either mitigate the impact of controls/restrictions or maximise the benefits.

East-to-West trade flows

2. This paper provides a summary of East-to-West trade flows, i.e., goods and services purchased from Great Britain (GB). The full data is available at Annex A. This paper and data annex is an extract from a wider body of analysis taking place in the land border workstream and seeks to complement the contribution of others, notably DAERA's analysis on sanitary and phytosanitary controls (SPS).
3. Analysis on east-to-west trade flows should not be looked at in isolation. There is a need to consider these findings alongside the picture of NI's trade with Ireland, the EU26 and non-EU countries. For example, analysis has previously highlighted that the sale of finished products to Great Britain relies upon cross border trade in raw materials and components within integrated supply chains meaning trade with both Great Britain and Ireland are vital to Northern Ireland's economy.

Whole economy

4. Northern Ireland is heavily integrated into the rest of the UK economy with over three quarters of purchases from outside the Northern Ireland economy (£20bn) coming from Great Britain (GB), which also accounted for nearly half of external sales in 2013¹ (Table 1). Northern Ireland purchased some £11bn more than it sold to GB in that year (see Slide 1).

Table 1 Overview of NI Imports by Origin and external sales by Origin, 2013

Origin of Imports / Destination of external sales	Imports (including purchases from GB) (£bn)	External sales (including sales to GB) (£bn)	Trade Surplus / (Deficit) (£bn)
Great Britain (GB)	20.2	9.2	(11.0)
Republic of Ireland (ROI)	2.4	3.8	1.4
Rest of the World (ROW)	4.1	7.2	3.1
Total Imports / External sales	26.6	20.2	(6.4)

Business economy

5. More recent data relating to the business economy shows that nearly 70% of NI businesses' purchases from outside the local economy came from GB in 2015,²

¹ Tables 1,9 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/NI-Economic-Accounts-Project-2013-experimental-results.pdf>

² Table 1.1 <https://www.nisra.gov.uk/sites/nisra.gov.uk/files/publications/BESES-imports-goods-services-internet-tables-2011-2015.xlsx>

worth £14.1bn (excluding the financial sector, tourism, farming and fishing). This compared with 10% of external purchases from Ireland (worth £2.1bn or one third the value of businesses' imports in that year (£6.2bn)).

6. Other key messages in the data include:

- In value terms, purchases from a small number of industries stand out with a long tail of lower value trade - wholesale and retail trade account for 65% (£7.6bn) of all goods purchased from GB (slide 4).
- Telecommunications has a particularly strong dependency on GB (90% of all goods purchased by this industry were from GB), and there is a large number of other industries where 50%-30% of goods are from GB (slide 5).
- It is important to also consider tradable services. The top ten industries account for 62% (£1.6bn) of all services purchased from GB (slide 7).
- Manufacture of transport equipment and travel agencies have a particularly strong dependency on GB (over 70% of all services purchased by these industries were from GB) (slide 8).
- Over 20,000 NI businesses purchase goods and services from GB. While the majority (67%) of this group of businesses employ less than ten people the GB market is more important to larger businesses - 35% of micro businesses in NI purchase from GB, compared to 76% of all businesses with more than 250 employees (slide 10).
- Purchases from GB are also important for large businesses in value terms – 40% of all purchases by value are from large businesses (+250 employees), this represents nearly 40% of total purchases from this demographic (slide 12).

Next steps

7. This analysis begins to identify where the spotlight could be focussed next (in addition to the work on wider trade flows). For example, the same level of analysis that has been applied to SPS controls could now look into the potential tariff and non-tariff barriers facing wholesale and retail industries, or the extent to which tradable services in transport and travel are dependent on the UK market.
8. Further interrogation of the data can also help identify which mitigations and flexibilities could support trade flows. For example, if the data reveals the majority of wholesale and retail purchases are from large UK supermarkets then trusted trader schemes could be developed to carve these businesses out of any controls.
9. Similarly, deeper analysis of the products being imported from GB could reveal more detail on the controls that may be required. For example, further analysis could show that particular products which do not originate in GB might be imported to NI directly from the source country, but also may be 'imported' to NI via GB. This could be a particularly salient issue for products such as the import of coal for NI power stations which is generally sourced from outside the EU, largely from Russia (c75%) and Kazakhstan (c25%), delivered by ship to Belfast Port (potentially via GB) and then transported by smaller ships to the jetty at Kilroot power station.

10. We would welcome further engagement with UKG on these issues to confirm and establish a collaborative work programme. Importantly, we would also seek to continue the constructive engagement currently ongoing between DEFRA/DExEU and DAERA on SPS issues.

Northern Ireland Executive officials

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