Northern Ireland Retail Study

Value, Volume and Proportion of Goods Sourced from GB, or transported via GB from other parts of the world

Department for the Economy

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Contents

1. Background

The Department for the Economy (DfE) have been working to develop the evidence base required to ensure that EU Exit related decisions affecting Northern Ireland (NI) are as well informed as possible. Existing data sources and other areas of research have helped provide a picture of NI's trading position. For example, while the Northern Ireland wholesale & retail sector imports some £3bn per annum by value, and data from HMRC provides insight on the types of products being imported, however, there remained a gap in knowledge around a detailed understanding of those products that come from or through Great Britain (GB) into NI in relation to the retail sector.

GB is by far NI's largest market for the routing of retail goods including acting as the main route for the transportation of goods that come from other parts of the EU and Rest of the World. Given that the diverse range of products in retail outlets is far wider than the manufacturing base in NI, and indeed much wider than that of the rest of the UK, there is a need to understand the Northern Ireland consumer's reliance on external markets and sourcing. However, little was known about the extent of this in terms of the retail sector sourcing products either directly from GB; or through the mainland as a route into NI from other parts of the globe, and which ultimately come across the Irish Sea with NI as the final destination. These retail goods coming across the Irish Sea can come directly into the NI ports, or indirectly through the Republic of Ireland (ROI) ports and transported up across the land border.

In response to this data gap DfE undertook a number of approaches to firstly estimate the value and volume of NI retail purchases to fully understand the scale and importance of the retail sector in NI. In addition DfE has also endeavoured to identify those retail product categories which are likely to have been sourced directly from GB or those retail products that have been transported through GB from other parts of the EU or Rest of the World. This is in contrast to being produced locally in NI (or imported from the ROI and just moving across the land border into NI).

The paper is presented in the sections below:

- Methodology overview
- Results and findings
- Conclusions
- Annex A – Detailed methodology
- Annex B – Annual Purchases Survey

2. Methodology overview

This piece of research aims to provide a better understanding of the retail market in NI in terms of the type, value and volume of products that are transported over from GB into NI either directly from producers in GB; or through the mainland from other parts of the globe. This research is unique in that analysis of this nature has not been undertaken before in the NI context. As relevant data was not readily available from existing sources a two stage plan was developed to deliver on the research needs, as follows:

Stage 1: DfE commissioned Global Data Retail to carry out an *aggregate study* which modelled the annual retail purchases (including volume), by broad product categories, for NI. The main aggregate study was supplemented with a food and groceries study by Kantar Worldpanel[1].

Stage 2: The focus of this piece of work was around the *proportion of retail goods transported* into NI from GB, and used a variety of sources to identify to what extent products are likely to have been transported over from GB, either directly from GB producers there or through GB from importers elsewhere in the world. This included internal analysis of Government statistics, alongside consultation with the retail industry (including the services of an independent industry retail expert) to identify at broad category product level the proportions of goods sourced from NI, RoI, and through or from GB.

Further details on methodology, data sources and data limitations have been provided in **Annex A**.

[1] Further details on Global Data Retail and Kantar Worldpanel can be found at: https://www.globaldata.com/industries-we-cover/retail/ and https://www.kantarworldpanel.com/en/Consumer-Panels-/FMCG respectively

3. Results and findings

3.1 Notes to consider in relation to the results

In viewing the results of this retail study it is important to understand the context of how the analysis was brought together as set out below.

Value and Volume

The value and volume data is sourced from Global Data Retail. The value data relates to the retail value of the goods on the shelf or in store. Volume data includes the number of items and items bought in a packet or package counts as one item. The data on food and grocery from Global Data were substantiated by the analysis provided by Kantar Worldpanel.

Proportion of retail goods sourced from GB or transported via GB

Data reported here on the proportion of retail goods sourced from GB or transported via GB is based upon a triangulation of a number of data sources (see **Annex A** for further information on methodology). That information has been categorised into ranges to demonstrate the broad proportions for each category.

Another point to highlight on this aspect of the study is that there has been no attempt to identify the balance of this proportion in terms of proportions of retail goods sourced directly from within GB and those which will have originated from outside GB, i.e. imports but which use GB as a landbridge to come across the Irish Sea into the NI ports. In addition, the analysis does not distinguish between what proportion of retail goods coming across the Irish Sea come into the NI ports and those which come into the RoI ports and ultimately cross the land border with NI as its final destination. Work being undertaken elsewhere endeavours to better understand the routing of goods to, and from, Northern Ireland via the different ports on the island of Ireland.

In addition, the inputs (in terms of the manufacturing process) into final retail products produced locally have not been considered in this project – some of which may still come from GB or further afield.

The data on goods sourced from or through GB produced as part of this research is supplemented by retail sector specialist knowledge and judgment. There is a considerable amount of information behind the overall figures which have been summarised to produce an overall end estimation and subsequently allocated to very high; high; medium or medium-low category (further definitions set out later in Section 3.3).

This study did not attempt to estimate the value, volume or source of goods for inputs to the production of goods manufactured here in NI or the RoI (commonly referred to as Intermediate Consumption goods).

Annual Purchases Survey information on wholesale and retail

In addition to the above analysis on the NI Retail sector, DfE have also taken forward work using Annual Purchases Survey (APS) data to obtain more detailed data on NI trade. This has involved DfE working with ONS survey data on the purchases made by NI businesses in relation to *intermediate consumption goods*. The results around that piece of work has been published and can be found at www.economy-ni.gov.uk/publications/annual-purchases-survey-northern-ireland-modelling-origin-products. It is important to note that this is wholly separate analysis to that carried out in the retail study presented here in this paper. This NI retail study includes VAT and mark ups associated with retail goods for sale directly to the consumer, whereas the APS data is at the wholesale level, therefore no attempt should be made to add these two together. **Annex B** provides estimates of the product proportion and proportion of retail goods sourced from GB or transported via GB for these intermediate goods by way of further background.

3.2 Headline results

The research found that in 2017, the overall value of retail products purchased in NI was estimated to be just over £9.2Bn equating to just under 3.5Bn individual products/packs. Food and Grocery represented the largest area of retail spend by NI consumers (almost two-fifths) followed by Clothing and Footwear (around 15%).

Food and Grocery and Pharmaceuticals accounted for the highest proportions in terms of volume[2].

In general a significant proportion of the Food and Grocery in NI's retail sector is sourced from GB or travels from other parts of the EU or the rest of the world through GB. However, Meat and Fish and Bakery products are the exception to this, whereby sizeable proportions are sourced from within NI compared to the other sub-categories. Therefore the analysis demonstrates that the Northern Ireland consumer's reliance on external markets is very high.

3.3 Results by broad retail category

Figure 1 plots the value and volume of all the broad retail categories, with the exception of Food and Grocery. Colour coding of data points reflect the proportion of the retail goods that come into NI directly from GB or have been transported through GB from other parts of the EU or Rest of the World as imports. Equivalent information for food and grocery sub-categories are provided in **Figure 2**. Food and Grocery was separated out into sub categories given the sheer size of this sub sector and also to demonstrate the differences between these sub categories in the source from/through GB information.

[2] Note volume is defined as the number of items and items bought in a packet or package which counts as one item.

Figure 1: Value, volume[2] and % of retail goods sourced from GB or transported via GB into NI (including indirectly via ROI ports) by broad sector

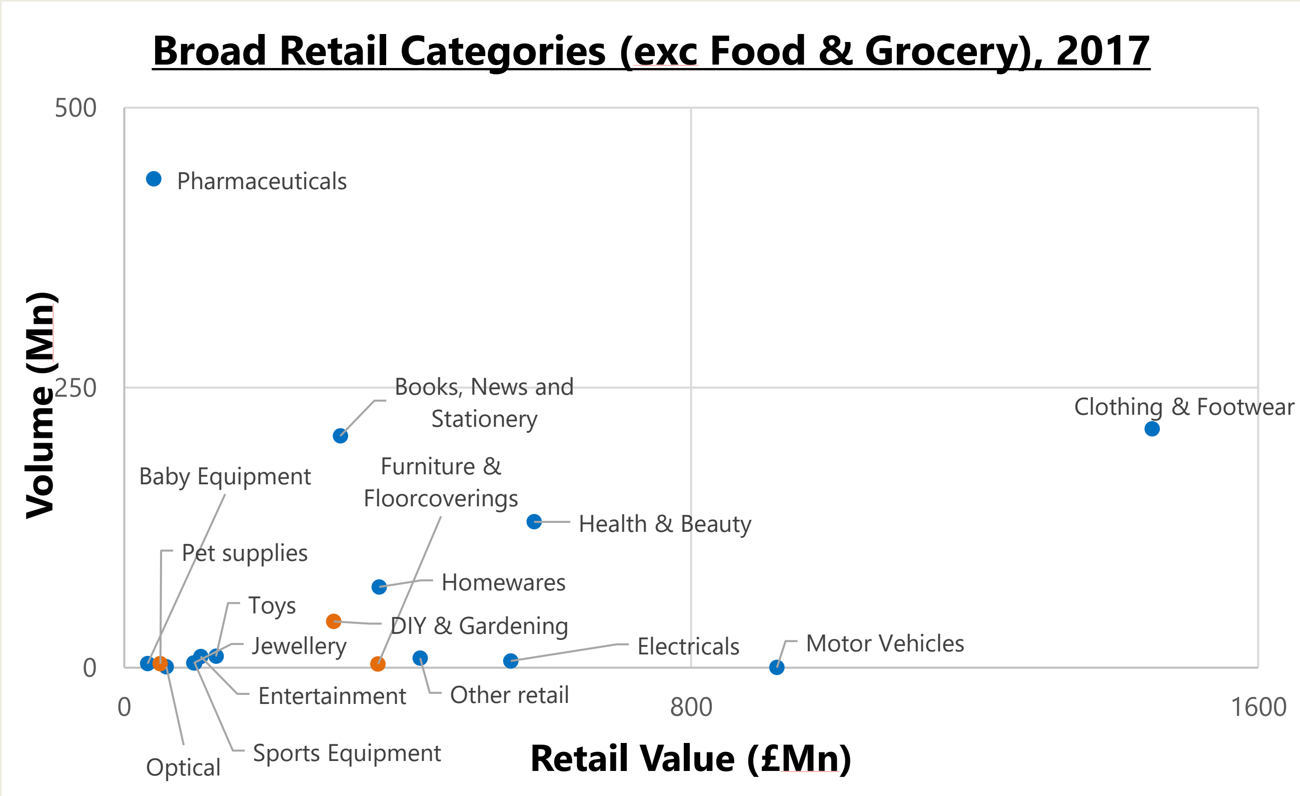
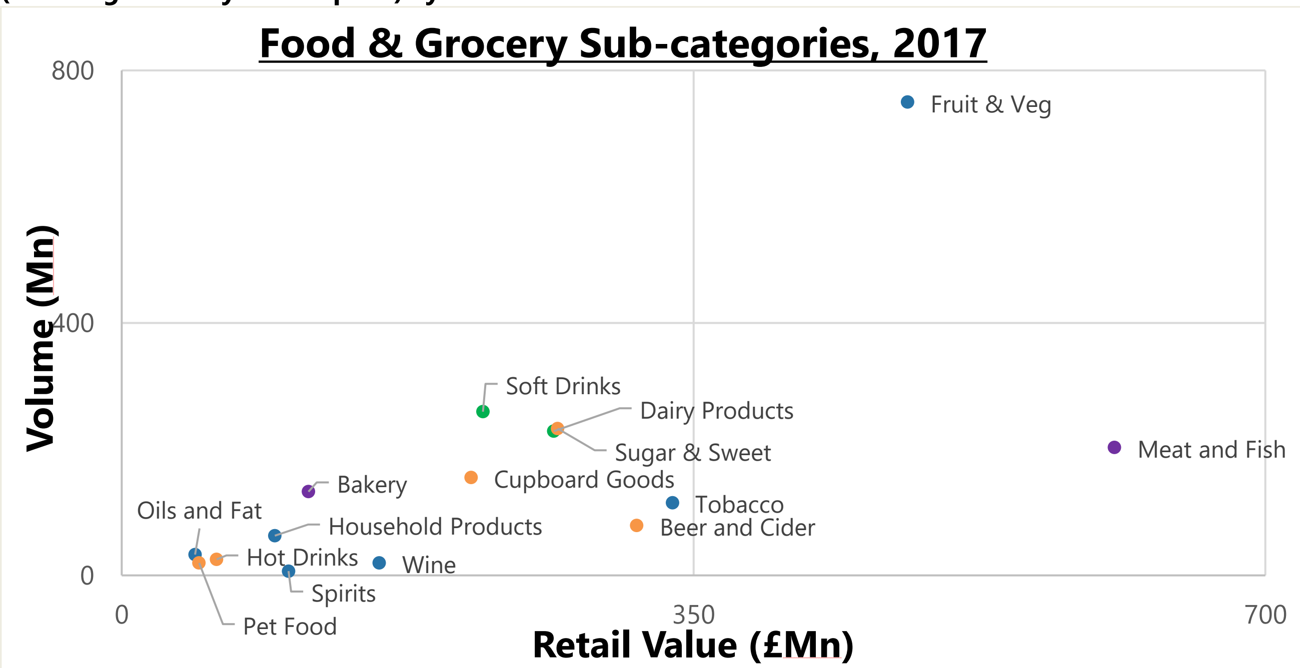


Figure 2: Value, volume and % of food & grocery retail goods sourced from GB or transported via GB into NI (including indirectly via ROI ports) by broad sector



Key to colour coding of % of goods sourced from GB or transported via GB (as imports) from REU or RoW:

Very High	High	Medium	Medium – Low
Greater than 90%	Greater than 70%; less than 90%	Greater than 55%, less than 70%	Around 50%

The estimated values and volumes are also presented in **Table 1**. The table highlights that the Food and Grocery sector was the largest sector in terms of both value and volume, (twice as big as the second largest sector Clothing and Footwear by value), with products to the value of £3.3Bn equating to 2.3Bn individual products purchased in NI in 2017.

In general a significant proportion of the Food and Grocery in NI's retail sector is sourced from GB or travels from other parts of the EU or the rest of the world through GB. However, Meat and Fish and Bakery products are the exception to this, whereby sizeable proportions are sourced from within NI compared to the other sub-categories. For Meat and Fish and Bakery, NI has a number of local producers and given the fresh nature of these products is therefore less likely to source these from other markets.

Table 1: Estimates of value, volume and proportion of goods sourced from GB or transported via GB into NI (including indirectly via ROI ports) by broad sector

	Annual data for 2017	Retail Value (£Mn)[3]	Volume (Mn)	Proportion of goods sourced from GB or transported through GB into NI
	Clothing & Footwear	£1,450.3	213.3	Very High
	DIY & Gardening	£295.6	41.3	High
	Electricals	£545.4	6.0	Very High
	Homewares	£359.8	72.1	Very High
	Health & Beauty	£578.3	130.2	Very High
Food and Grocery Sub Categories[4]	**Bakery**	£114.3	132.6	Medium - Low
	Dairy Products	£264.5	228.5	Medium
	Fruit & Veg	£481.1	749.6	High
	Meat and Fish	£607.8	202.6	Medium - Low
	Oils and Fat	£44.9	33.0	Very High
	Pet Food	£47.4	19.7	Very High
	Sugar & Sweet	£266.8	232.6	Very High
	Cupboard Goods	£214.0	155.0	High
	Soft Drinks	£221.1	259.3	Medium
	Hot Drinks	£58.1	25.4	High
	Beer and Cider	£315.2	78.8	High
	Wine	£157.6	19.7	Very High
	Spirits	£102.1	6.8	Very High
	Household Products	£93.7	62.9	Very High
	Tobacco	£337.1	115.3	Very High
	Total Food and Grocery	£3,325.8	2,321.9	
	Books, News and Stationery	£304.8	206.9	Very High
	Entertainment	£107.8	10.0	Very High
	Furniture & Floorcoverings	£358.3	3.3	High
	Pet Supplies	£51.0	3.4	High
	Jewellery	£98.1	4.2	Very High
	Sports Equipment	£99.5	4.1	Very High
	Toys	£129.5	10.1	Very High
	Baby Equipment	£32.9	3.6	Very High
	Optical	£59.4	0.8	Very High
	Other Retail	£417.6	8.5	Very High
	Motor Vehicles[5]	£921.0	0.1	Very High
	Pharmaceuticals	£42.0	436.3	Very High

Sources: Value and volume sourced from Global Data, goods sourced from/through GB from independent research and government statistics

[3] Retail value and volume sourced from Global Data study with exception of Motor Vehicles and Pharmaceuticals. See Annex A for details on how these 2 categories were estimated.

[4] Category breakdowns within Food and Grocery may not add to the total due to rounding.

[5] Note: this excludes buses

In terms of value for Food and Grocery, NI shoppers collectively spent the most on Meat and Fish (18% of total Food and Grocery expenditure) followed by Fruit and Vegetables (14% in terms of value however almost one third in terms of volume).

The second largest sector in terms of value is Clothing and Footwear, which amounts to just under £1.5Bn and 0.2Bn products purchased in 2017 with the vast majority of products being sourced from GB or transported through GB into NI.

Motor vehicles was the third largest sector in value equating to an estimated £0.9Bn in 2017 and just over one hundred thousand vehicles. A very significant proportion of these vehicles are sourced from GB or transported through GB into NI and this includes both new and used vehicles sourced from GB.

For the remaining sectors Health & Beauty, Electricals, Homewares, Furniture & Floorcoverings, Books, News and Stationary, DIY & Gardening and Entertainment, whilst smaller in terms of retail value and volume, these products are almost entirely sourced from GB or transported through GB into NI.

Health & Beauty was the largest of these remaining sectors with retail sales of approximately £578Mn in 2017 and over 130Mn products purchased. Electricals followed with retail sales of £545Mn but a significantly smaller amount of products purchased (6.0Mn), which would be expected given that in general these are higher value items which are not every day purchases.

The Furniture & Floorcoverings and DIY & Gardening sectors have a smaller, but still very significant, proportion of products sourced from GB or transported through GB into NI than the other remaining sectors, with greater than 70% of products coming from or through GB versus over 90% from the other remaining sectors.

The Books, News & Stationery sector whilst one of the smaller sectors in terms of retail value is the fourth largest in terms of volume.

The Pharmaceuticals sector whilst one of the smallest sectors in terms of retail value is the second largest in terms of volume with substantially significant proportions of these sourced from GB or transported through GB into NI.

4. Conclusions

Given that the diverse range of products in retail outlets is far wider than the manufacturing base in NI, and indeed much wider than that of the rest of the UK, there was a need to understand the Northern Ireland consumer's reliance on external markets and sourcing. In the absence of routinely collected data and statistics in relation to the movement of retail goods from GB to NI, this research project represented a novel retail-based approach. There was a need to identify and understand what information was available and to develop this information through tapping into the expertise of external retail market researchers and industry experts as well as consulting with the sector itself, to which DfE are grateful for their participation in this study. The analysis developed has been useful for informing key considerations around EU Exit as part of the ongoing negotiations and in helping to communicate NI's unique position in relation to the broader retail sector.

In 2017 the overall value of retail products purchased in NI was estimated to be just over £9.2Bn equating to just under 3.5Bn individual products/packs. Food and Grocery represented the largest area of retail spend by NI consumers (almost two-fifths) followed by Clothing and Footwear (around 15%). Food and Grocery and Pharmaceuticals accounted for the highest proportions in terms of volume.

The above analysis demonstrates that the Northern Ireland consumer's reliance on external markets is very high. GB purchases and RoW imports represent a significant proportion of the goods in NI retail shops and showrooms. To a large degree these imports and purchases are sourced from, or transported through, GB into NI regardless of where they have originally come from. Consultation with the retail sector showed that even products that have originated within NI may still travel to GB for further processing or to join a distribution chain or centre, particularly products within the Food and Grocery sector. All sectors, with the exception of some sub-categories in Food and Grocery, have a high or very high proportion of goods being sourced from or through GB. For some product categories the proportion is effectively 100% given that NI or the RoI do not produce these goods. Within Food and Grocery 11 of the 15 subsectors have a high or very high proportion of goods being sourced from or through GB. Soft Drinks and Dairy products are less likely to be sourced from GB than some of the other subsectors however between 55-70% of these goods are likely to be sourced from or through GB. For Meat and Fish and Bakery goods these are more likely to be sourced on the Island of Ireland (around half), however, it is important to bear in mind that inputs into these final products in terms of the manufacturing process may still come from GB and this particular study did not attempt to unpick the complexities around these supply chains.

Annex A – Detailed Methodology

Stage One – Aggregate Study – Value and Volume

Global Data undertook a bespoke nationally-representative consumer survey of 1,000 NI consumers, alongside a control sample of 500 UK consumers, for comparison. This survey was designed to measure consumer behaviour across different retail categories, including purchase penetration, average spend per purchase and number of goods purchased.

In addition to the primary research, Global Data also:

- Used their existing retailer, consumer and market data to provide additional insight where relevant. This included their general shopping dynamics survey which is conducted on an annual basis with 6,000 UK shoppers (including shoppers from NI), their quarterly home market tracking survey and regular consumer behaviour tracker, which monitors over 24,000 consumers a year in terms of their feelings, attitudes and motivations.
- Obtained retailer sales feed-in - this key input into Global Data's methodology ensures market data is as accurate as possible, with some of the UK largest retailers regularly sharing EPOS data.
- Conducted fieldwork store visits over a cross-section of retailers in NI – a mix of retailer types and categories. This was used to evaluate store formats and space allocations at each destination.
- Used secondary sources such as trade association data, media sources, HMRC, ONS, Eurostat, Inland Revenue, NISRA and other official government information.

Using these sources Global Data provided estimates for the value (including VAT) and volume of total retail expenditure in NI per annum and the average price of total retail products sold in NI per annum, split by category[6].

The Global Data aggregate study was supplemented by a piece of research from **Kantar** on the NI grocery market using their panel of 650 shoppers who they track over time in terms of what they are buying, price paid, attitudes, age, and where they shop (amongst other things). This culminated in an analysis on Fast Moving Consumer goods in NI as well as some information in terms of origin of products over the space of a year.

Some gaps were identified in the data that was available to Global Data in terms of Motor Vehicles and Pharmaceuticals and as a result departmental DfE economists undertook **internal desk research** to identify the potential value and volume of both.

For estimating the value and volume of motor vehicles from GB, DfE economists used Department for Transport (GB) statistics, Port Freight statistics for 2017 and Department for Infrastructure (NI) vehicle registrations data to estimate the number of new and used vehicles potentially imported to NI from GB. Additional desk based research was also carried out to estimate the potential value of these vehicles using DfI statistics to identify the profile of the NI car market. Prudence was shown here by identifying the most basic level vehicle across the different type of vehicles.

For the Pharmaceuticals sector, information was gathered from economists in the Department for Health which provided estimates of the potential value and volume of pharmaceuticals which come into NI from their own internal data.

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[6] Clothing and Footwear, DIY & Gardening, Electricals, Homewares, Health & Beauty, Food & Grocery, Books, news & stationary, Entertainment, Furniture & Floor coverings and Other Markets.

Stage Two – Proportion of Goods Transported from or via GB

A number of methods were used to identify the proportion of goods transported directly from GB or imported via GB from other parts of the world. These are detailed below.

Consultation with retailers - DfE commissioned Hugh Black Consulting, a local retail expert, to support the Department's research around the origin of retail goods. Hugh was commissioned specifically to provide retail industry insight into the proportions of retail goods 1) produced and sourced locally in NI; 2) those which are produced in RoI and cross the land border into NI; and 3) those largely sourced directly from GB or through the mainland as a route into NI from other parts of the globe. Hugh carried out field and desk based research with large, medium and small retailers and wholesalers across a number of locations in NI to form a well-rounded assessment of the NI market in terms of origin of products. In addition, DfE liaised directly with a number of retailers to gather this information.

BESES & HMRC - NISRA statisticians did a matching exercise to match BESES and HMRC data to Global Data categories. Data cuts from the broad economy sales and exports statistics was extracted for retail categories below Section G, and NISRA endeavoured to match the output material from Global Data and the BESES broad retailer groupings. The BESES purchase data is effectively the cost of goods purchased excluding VAT.

Similarly NISRA statisticians undertook a cut of the HMRC Data for Section G and amalgamated this to the broad Global Data categories, with ROI and the ROW the two real points of interest as this dataset does not include NI or GB purchases. That said, a point of interest in this dataset is the UK apportioned imports to NI from within Section G. The data is often collected at the enterprise level and since there are many UK multiples that operate in NI this data set provided insight into the products UK retailers source from around the world, and which a portion of those will end up crossing the Irish Sea and being sold in NI high street and supermarkets.

Supply Use Tables - NISRA also provided a cut of the Supply Use Tables in relation to the overall purchases of the various aspects of retail which was used in order to calibrate/verify the estimates of GB purchases by retail and product types.

Living costs and food survey[7] **-** The living costs and food survey data from ONS for NI was used to build up a profile of the typical NI shopper. The average weekly household expenditure for 2017 was used, services were excluded and the remaining goods expenditures were aligned with Global Data Categories to ensure comparisons on a like for like basis. This profile was used to verify/sense check the data provided by Global Data to ensure it was accurate and realistic.

DEARA - DfE economists engaged with DAERA officials to verify the origin information gathered in terms of the Agri-food sector. Information provided by DEARA showed that NI would be highly dependent on imports for all grains and fruit and vegetables. This would also apply to produce not grown in NI which would include sugar, wine and tropical products. As regards milk, beef, sheep, pigs, poultry, and eggs, it was clear that NI is a net exporter. However imports of these products may occur to meet seasonality requirements and as a result of NI products being sent to GB distribution centres and being reimported.

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[7] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/detailedhouseholdexpenditurebycountriesandregionsuktablea35

Annex B – Annual Purchases Survey

Estimates of Product Proportion and Proportion of retail goods sourced from GB or transported via GB - Intermediate Consumption – top 40 products

APS 2015 - Goods products purchased	Product Proportion (% of total goods intermediate consumption)	Proportion of retail goods sourced from GB or transported via GB
Wood And Of Products Of Wood And Cork, Except Furniture; Articles Of Straw And Plaiting Materials	9.5	High
Fabricated Metal Products, Except Machinery And Equipment	9.1	Medium - Low
Machinery And Equipment N.E.C.	8.9	Medium
Basic Iron And Steel	8.6	High
Products Of Agriculture, Hunting And Related Services	6.6	Medium - Low
Preserved Meat And Meat Products	6.5	Medium - Low
Plastic Products	6.3	Medium
Dairy Products	4.9	Medium - Low
Motor Vehicles, Trailers And Semi-Trailers	4.3	Medium
Paper And Paper Products	3.1	Medium
Petrochemicals (Part Of Chemicals And Chemical Products)	3.1	Medium
Electrical Equipment	2.6	Medium - Low
Grain Mill Products, Starches And Starch Products	2.5	Medium - Low
Cement, Lime, Plaster And Articles Of Concrete, Cement And Plaster	2.5	Medium - Low
Alcoholic Beverages	2.1	Medium - Low
Other Basic Metals And Casting	1.9	Medium
Computer, Electronic And Optical Products	1.8	Medium - Low
Other Food Products	1.8	Medium - Low
Rubber Products	1.8	High
Textiles	1.5	High
Other Mining And Quarrying Products	1.4	Medium - Low
Wearing Apparel	1.3	High
Prepared Animal Feeds	0.9	Medium - Low
Processed And Preserved Fruit And Vegetables	0.8	Medium - Low
Other Non-Metallic Mineral Products	0.7	Medium - Low
Metal Ores	0.7	Medium - Low
Paints, Varnishes And Similar Coatings, Printing Ink And Mastics	0.6	Medium - Low
Basic Pharmaceutical Products And Pharmaceutical Preparations	0.5	Medium - Low
Sports Goods And Safety Wear (Part Of Other Manufactured Goods)	0.5	Medium - Low
Vegetable And Animal Oils And Fats	0.4	Medium - Low
Bakery And Farinaceous Products	0.3	Medium - Low
Soap And Detergents, Cleaning And Polishing Preparations, Perfumes And Toilet Preparations	0.3	Medium - Low
Soft Drinks; Mineral Waters And Other Bottled Waters	0.3	Medium - Low
Processed And Preserved Fish, Crustaceans And Molluscs	0.3	Medium - Low
Fish And Other Fishing Products; Aquaculture Products; Support Services To Fishing	0.3	Medium - Low
Medical And Dental Instruments (Part Of Other Manufactured Goods)	0.2	Medium - Low

APS 2015 - Goods products purchased	Product Proportion (% of total goods intermediate consumption)	Proportion of retail goods sourced from GB or transported via GB
Pens And Writing Implements (Part Of Other Manufactured Goods)	0.2	Medium
Furniture	0.2	Medium
Other Chemical Products	0.2	Medium - Low
Products Of Forestry, Logging And Related Services	0.1	Medium - Low