Economic Implications of Brexit

Presentation to Dundalk Institute of Technology and Dundalk Chamber of Commerce

Mark Cassidy, Director of Economics and Statistics, 3 October 2019
Overview

- Irish economy continues to grow strongly, supported by domestic activity and growth in exports
- Labour market close to full employment – risk of overheating in event of a favourable outcome to Brexit
- A no-deal Brexit would materially reduce economic growth and jobs – particularly in the near term
- Apart from Brexit there are other risks on the horizon:
  - Potential further slowdown in global/euro-area growth
  - Global trade tensions / risks of protectionism
  - Reliance on Multinational Enterprises (MNEs) and challenges to international tax regimes
Disorderly No-Deal Brexit scenario

- Exports to UK affected by:
  - Large fall in UK demand,
  - Potentially large further depreciation of sterling
  - Direct imposition of tariffs
  - Other barriers to trade, including regulatory and customs checks (non-tariff barriers)

- UK also an important route for Irish exports to continental Europe (Landbridge)
- Imports of intermediate products and raw materials - disruption to supply chains with implications for production, distribution and retailing
- Large presence of UK owned firms in Irish retail sector: groceries/clothing/electrical - trade frictions likely to lead to shortages and higher prices for some brands of consumer products
- Uncertainty and sentiment effects - adverse impact on investment plans and consumer spending
Channels: Exporting

- UK an important destination for Irish exports – particularly for small and medium size enterprises (SMEs)

- Agri-food most exposed
  - 40% of exports go to UK; over 50% for beef
  - Subject to higher tariffs under WTO schedule
  - Greater non-tariff barriers (phyto-sanitary and veterinary checks)
  - Sensitive to time delays

- Freight, distribution and logistics sector; tourism and machinery and equipment exports also vulnerable

- UK an important route for Irish exports to continental Europe (Landbridge)

- 40% of volume of Irish exports to EU uses landbridge - landbridge shortens journey times to continent by more than half - important for time-sensitive goods
Regional Effects

- Agri-food production concentrated in regions outside major urban centres
- Highly vulnerable beef production more concentrated in West, Midlands, Mid-West regions
- Less exposed dairy sector more prevalent in South and South East
- Ireland-NI trade relationships are closer in Border area
- Any positive FDI effect likely to benefit urban areas where existing FDI is concentrated

Source: Census 2016, CSO.
Notes: Chart shows employment in the agri-food sector in each region as a proportion of total employment.
Impact of Disorderly Brexit on Output and employment

% deviation from baseline

Output
Employment

Short Run  Medium Run  Long Run

Unemployment rate

p.p. deviation from baseline

Short Run  Medium Run  Long Run
Short-Run Effects of Disorderly Brexit

GDP Growth Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>QB Forecast July 2019</th>
<th>Disorderly Brexit</th>
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<td>2019f</td>
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<td>2020f</td>
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Employment Growth Rate

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<th>Year</th>
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<tr>
<td>2020f</td>
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Other Risks

- Overheating
- Potential slowdown in global/euro-area growth
- Trade tensions / international shift to protectionism
- Reliance on MNEs; international tax regimes and FDI
Getting Ireland Brexit Ready — [www.gov.ie/brexit](http://www.gov.ie/brexit)
Deliverables

Brexit FAQ – Financial Services Firms
www.centralbank.ie/regulation/how-we-regulate/brexit-faq

Brexit FAQ – Consumers
www.centralbank.ie/consumer-hub/brexit-faq---consumers

Brexit - Ceisteanna Coitianta do Thomhaltóirí
www.centralbank.ie/ga/tomhaltoiri/brexit---ceisteanna-coitianta-do-thomhaltoiri