The Potential Regional Impact of Brexit in Ireland

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Introduction

— Given that the potential exposure to Brexit varies across sectors and their distribution is not even within countries, the impact of Brexit is likely to be uneven regionally.

— Various papers have highlighted that Ireland is likely to be more affected by Brexit than other EU members.

— Here we consider the regional impact of Brexit in Ireland

— The analysis here builds on that on trade impacts (Lawless and Morgenroth, 2019)

— Specifically the impact of a hard Brexit are assessed where WTO tariffs are imposed.
Methodology

1. Take the reduction in exports (Lawless and Morgenroth, 2019);
2. Aggregate to industrial sectors using a concordance table;
3. Calculate the jobs dependent in each sector on UK trade (based on CSO Census of Industrial Production);
4. Calculate the jobs lost nationally; and across counties using a detailed geography of employment based on a special tabulation of the Census of Population (see Morgenroth, 2009).
Reduction in Total Exports to the UK under WTO Tariffs

Source: Own calculations using Lawless and Morgenroth (2019) results
Importance of the Agri-Food Sector Share of Jobs (2016)
Reduction in Merchandise Exporting Sector Employment (%)
Reduction in Total Employment (%)
Employment Impact (Manufacturing) by Per Capita Income

Source: Own calculations and per capita income from CSO County incomes and Regional GDP
Employment Impact (Total) by Per Capita Income

Source: Own calculations and per capita income from CSO County incomes and Regional GDP
FDI

- FDI in the UK is at least partly there to serve the wider EU market;
- The UK accounts for about one 5\textsuperscript{th} of the total stock of FDI inside the EU
- A hard Brexit will make it more difficult to serve that market and may thus lead to changes in the pattern of FDI and FDI diversion;
- Ireland’s share in non-UK EU FDI stock is 6.9%.
- Here the regional dimension of the results published in Lawless and Morgenroth (2016) for the impact on the FDI in Ireland are regionalised.
Distribution of FDI in Ireland
Summary and Conclusion

— The analysis here has shown that under WTO scenario, there is significant heterogeneity of impacts across Ireland.

— Importantly, weaker parts of Ireland are likely to be hit hardest. When it comes to potential positive FDI effects these are likely to be concentrated in and around the big cities i.e. areas that are less significantly affected by the trade shock.

— It is therefore likely that a hard Brexit will increase regional disparities in Ireland.

— A similar result is likely for other countries given that the sectors that are most susceptible to a hard Brexit are generally more important in weaker regions.
Caveats

— While the scenario considered here might constitute an extreme scenario it is not the most severe scenario possible! — **non-tariff barriers**…..

— Only merchandise trade is considered - Scenarios on services trade are harder to do as the data is not as detailed and a clear scenario is difficult to identify.

— A WTO scenario would also imply significant impacts on services => results here are very partial.

— Primary Production and Manufacturing only account for 16% of employment => a real WTO scenario would be more severe than the results here might suggest.

— Exchange rates
— Third country effects
— Trade re-orientation……..
References


