The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

London Regional Participatory Workshop
Housekeeping

Twitter: #brexitregionalimpact

Presenters: 10 minutes presentations

Audience: Introduce yourself when asking questions

Don’t forget to fill in the: Feedback assessment form!!
Welcome Address

Professor Raquel Ortega-Argilés, University of Birmingham
Professor Daniel Wincott, The UK in a Changing Europe
Professor Jonathan Portes, King’s College London and The UK in a Changing Europe
The research team

Raquel Ortega-Argilés
(Project leader, City-REDI Institute, University of Birmingham),
Chloe Billing and Deniz Sevinc (City-REDI Institute, University of Birmingham),
Philip McCann (University of Sheffield),
Wen Chen, Pieter IJtsma and Bart Los (Groningen University),
Nicola Cortinovis and Frank van Oort (Erasmus University Rotterdam),
Mark Thissen (PBL Dutch Government Environmental Agency)
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

The partners

CITY REDI
UNIVERSITY OF BIRMINGHAM
centre for cities
Department for Business, Energy & Industrial Strategy
Scottish Government
Policy Scotland
ResPublica
Erasmus University Rotterdam
Sheffield University Management School
university of groningen
PBL Netherlands Environmental Assessment Agency
Significance of the research

Funded by the Economic and Social Research Council, “The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors” project started in April 2017 and is part of a series of 25 projects funded by ESRC to support the initiative The UK in a Changing Europe coordinated by Professor Anand Menon at King’s College London.

The project aims to examine in detail the likely impacts of Brexit on the UK’s sectors, regions and cities by using the most detailed regional-national-international trade and competition datasets.
Interest and engagement at this stage

- Annual Northern Ireland Economic Conference 2017
- Regional Studies Association
- Houses of Parliament
- HM Treasury
- BEIS Department
- Foreign Commonwealth Office
- West Midlands All Party Parliamentary Group
- EU Committee of the Regions
- Birmingham Post-Brexit Commission
- Managing Partners’ Forum – Professional and Business Services lobbying group
- European Parliament
How the recommendations have been taken up and by whom until now

Report contributions and mentions:

- **Brexit: Local and Devolved Government**, UKICE
- **EU Referendum: One year on**, UKICE
- **State of the North 2017: The Millennial Powerhouse**, IPPR North
- **Will the unit of the 27 crack?**, Centre for European Reform
- **Preparing for Brexit**, Cambridge Econometrics
- **Brexit - What We Know Now**, Tony Blair’s Institute for Global Change
- **Wikipedia inclusion: Brexit**
- **UK Parliament**
- **Assessing the exposure of EU27 regions and cities to the UK's withdrawal from the European Union**, CoR Committee of the Regions
The analysis

• **Trade** related **effects:** Input-Output analysis; intermediate and final goods; global fragmentation of the value chains – local GDP, regional labour income

• **Competitiveness:** FDI, Trade and Knowledge

• **Governance:** regional stakeholder workshops and regional and sectoral case studies

• **Extent:** EU countries, UK and EU regions, sectors, jobs, occupations

• **New indicators and data**
## Regional Stakeholder Participatory Workshops

<table>
<thead>
<tr>
<th>Devolved Administrations</th>
<th>Scotland, Edinburg, 4\textsuperscript{th} May 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Midlands</td>
<td>Birmingham, 11\textsuperscript{th} May 2018</td>
</tr>
<tr>
<td>Greater London</td>
<td>London, 18\textsuperscript{th} May 2018</td>
</tr>
<tr>
<td>North of England</td>
<td>Leeds, 21\textsuperscript{st} May 2018</td>
</tr>
</tbody>
</table>
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Welcome Address

Professor Dan Wincott, Cardiff University and The UK in a Changing Europe
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Professor Jonathan Portes, King’s College London and The UK in a Changing Europe
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Greater London Brexit Challenges

Professor Philip McCann, University of Sheffield
Ben Gardiner, Cambridge Econometrics
Andrew Carter, Center for Cities
Anjalika Bardalai, The City UK

Chair by: Professor Frank van Oort, Erasmus University Rotterdam
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Greater London Brexit Challenges

Professor Philip McCann, University of Sheffield

p.mccann@sheffield.ac.uk
The Continental Divide?
Economic Exposure to Brexit in Regions and Countries on Both Sides of the Channel

Wen Chen, Bart Los, Philip McCann, Raquel Ortega-Argilés, Mark Thissen and Frank van Oort
Papers in Regional Science, 97.1, 25-54

“Exposure to Brexit in Regions on Both Sides of the Channel”, 2017, VoxEU, 19 December, See:
http://voxeu.org/article/exposure-brexit-regions-both-sides-channel
How?

• Simple measures of gross exports and imports tell us very little about the potential impacts of Brexit on a nation or region, because both the back-and-forth trade in raw materials, parts and components and business services (often within the boundaries of multinational enterprises) typical of global value-chains obscures the links between local value-added and trade (Baldwin, 2016).
Data construction

• Two types of sources:
  • The World Input-Output tables of the WIOD 2013 release containing 40 countries (accounting for about 85% of world GDP, including all EU27) plus a composite ‘super-country’ labelled 'Rest of the World' are represented (Timmer et al., 2015).
  • Second type of data, from regional sources: Eurostat’s regional economic accounts, a number of survey-based regional supply and use tables or input-output tables produced in a subset of countries, and estimates of interregional goods and services trade based on freight and airline business passenger statistics (Thissen et al., 2013).
• The merging of the information contained in these data sources allows us to:
  • Incorporate regional details regarding production structure and trade at the NUTS2-level for all major EU-countries in global input-output tables for 2000-2010.
  • 245 NUTS2 European regions are represented and 14 industries can be identified for all regions and countries.
How?

• We develop a measure of regional exposure to Brexit building upon a flourishing strand of literature using global input-output tables to link trade to value-added (Johnson and Noguera, 2012; Timmer et al., 2013; Koopman et al., 2014).

• We use a bilateral version of the Domestic Value Added in Exports (DVAiX) indicator proposed by Koopman et al. (2014).
IO-tables allow for mapping of trade to labor income and value added

“Regional GDP exposed to Brexit”: Difference between actual GDP and GDP without EU-UK trade

Scenario:
No trade flows crossing the red line, as long as EU countries are involved (trade between e.g. Norway and UK regions still “allowed”)
Research Question

• “Which shares of regional Labor Income and regional GDP are at risk as a consequence of future Brexit-related trade barriers?”

• (which is not identical to:

• “Which shares of regional LI and GDP will be lost as a consequence of Brexit?”)

• How big are the required structural and economic adjustments?
Brexit Exposure Risk

• For UK regions:
  • direct trade linkages (export, import, re-export, re-import)
  • indirect trade linkages via other UK regions
  • third country demand mediated via EU value-chains

• For EU regions:
  • direct trade linkages (export, import, re-export, re-import)
  • indirect trade linkages via other EU regions
  • third country demand mediated via UK value-chains

• Exclude UK-EU and EU-UK demand linkages mediated via third countries
Regional Shares of Local GDP Exposed to Brexit

Regional Shares of Local GDP Exposed to Brexit (Excluding the UK)
Map 2. Regional Shares of Local Labour Income Exposed to Brexit

Map 4. Regional Shares of Local GDP Exposed to Brexit (Excluding UK)

Share of Regional Labour Income exposed to Brexit

Share of Regional Labour Income exposed to Brexit (UK regions omitted)
National Brexit Exposure Risk

- UK regions → 10%-17% of regional GDP
- Irish regions → 10% of regional GDP
- German regions → 4.5%-6.4% of regional GDP
- Dutch regions → 3.5%-5% of regional GDP
- Belgian regions → 2.8%-4% of regional GDP
- French regions → 1.8%-2.7% of regional GDP
- Italian, Spanish, Greek → < 1% of GDP
- UK Brexit risk exposure = 12.2% of UK GDP
- EU Brexit risk exposure = 2.64% of EU GDP
- UK Brexit exposure risk is 4.6 times higher than the EU
Sectoral Brexit Exposure Risk

• City-REDI Policy Briefing Series, December 2017

• “An Assessment of Brexit Risks for 54 Industries: Most Services Industries are also Exposed”
  • Bart Los, Wen Chen, Philip McCann and Raquel Ortega-Argilés

<table>
<thead>
<tr>
<th>Sector</th>
<th>Risk Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and support services</td>
<td></td>
</tr>
<tr>
<td>Wholesale trade, except motor vehicles</td>
<td></td>
</tr>
<tr>
<td>Legal and accounting activities</td>
<td></td>
</tr>
<tr>
<td>Activities auxiliary to financial services</td>
<td></td>
</tr>
<tr>
<td>Professional and technical activities</td>
<td></td>
</tr>
<tr>
<td>Computer programming, consultancy</td>
<td></td>
</tr>
<tr>
<td>Other service activities</td>
<td></td>
</tr>
<tr>
<td>Architectural and engineering activities</td>
<td></td>
</tr>
<tr>
<td>Trade and repair of motor vehicles</td>
<td></td>
</tr>
<tr>
<td>Land transport services</td>
<td></td>
</tr>
<tr>
<td>Retail trade, except of motor vehicles</td>
<td></td>
</tr>
<tr>
<td>Warehousing</td>
<td></td>
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<tr>
<td>Food products, beverages and tobacco</td>
<td></td>
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<tr>
<td>Crop and animal production</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td></td>
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<tr>
<td>Fabricated metal products</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
</tr>
<tr>
<td>Financial service activities</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
</tr>
<tr>
<td>Postal and courier activities</td>
<td></td>
</tr>
</tbody>
</table>
UK Sectoral Risk Exposure

- In the UK as a whole, more than 2.5 million jobs are exposed to the trade effects of Brexit
- Annually, almost £140 billion pounds of UK economic activity is directly at risk because of Brexit
- Professional, scientific and technical activities, activities auxiliary to financial services and wholesale trade.
- Financial services are only exposed to 8% of the sector’s GDP - consistent with the estimates for City job relocation to rest of the EU – and the aggregate effect on the UK economy of their exposure is only 0.33% of UK GDP
UK Sectoral Risk Exposure

• Many important manufacturing and primary industries are highly exposed to Brexit, but so are many services industries (and not just the financial services industry)

• These services are not only exported directly to EU countries, but also sell intensively within domestic supply chains to UK manufacturing firms exporting to the EU

• Workers in the jobs at risk are on average slightly more productive than the average British worker – Brexit is likely to exacerbate the UK’s productivity problems
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Ben Gardiner, Cambridge Econometrics
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

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Andrew Carter, Center for Cities
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Greater London Brexit Challenges

Anjalika Bardalai, The City UK
BREXIT ANALYSIS AND LONDON REGIONAL DATA

Anjalika Bardalai
Chief Economist and Head of Research, TheCityUK
EU countries feature prominently among the UK’s FS export markets

UK financial services trade surplus, % share of total, 2016

- EU countries: 36%
- Rest of world: 64%

Source: Office for National Statistics; TheCityUK estimates

UK financial services trade surplus, £m, 2016

- France, 5,581
- Germany, 4,808
- Netherlands, 3,770
- Italy, 1,598
- Spain, 1,579
- Luxembourg, 1,112
- Ireland, 999
- Other EU, 5,153
- Other non-EU, 23,804
- Russia, 1,180
- Switzerland, 1,567
- Japan, 3,774
- US, 13,291
- World, 68,216

Source: Office for National Statistics; TheCityUK estimates
London dominates the UK’s FRPS exports

<table>
<thead>
<tr>
<th>Region/nation</th>
<th>2015 financial and related professional services exports*</th>
<th>2016 financial and related professional services exports*</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>39.7</td>
<td>46.6</td>
</tr>
<tr>
<td>South East</td>
<td>10.5</td>
<td>11.6</td>
</tr>
<tr>
<td>Scotland</td>
<td>6.6</td>
<td>7.2</td>
</tr>
<tr>
<td>North West</td>
<td>5.9</td>
<td>6.6</td>
</tr>
<tr>
<td>East of England</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>South West</td>
<td>3.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>3.3</td>
<td>4.0</td>
</tr>
<tr>
<td>West Midlands</td>
<td>3.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Wales</td>
<td>2.0</td>
<td>2.2</td>
</tr>
<tr>
<td>East Midlands</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>North East</td>
<td>1.3</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Great Britain</strong></td>
<td><strong>82.6</strong></td>
<td><strong>95.7</strong></td>
</tr>
</tbody>
</table>

* Financial and related professional services exports are defined as financial services, insurance, accountancy, legal services, and management consultancy and business management. Regional and national figures for related professional services (all years) have been estimated by TheCityUK using ONS UK data. All 2016 figures have been estimated by TheCityUK based on ONS Pink Book data and regional export data for 2011-15.
THE IMPACT OF THE UK’S EXIT FROM THE EU ON THE UK-BASED FINANCIAL SERVICES SECTOR
Segmentation of the UK financial services industry

Segmentation of UK Financial Services Sector Revenues
2015, £BN

<table>
<thead>
<tr>
<th>International and wholesale business related to the EU¹</th>
<th>International and wholesale business not related to the EU²</th>
<th>Domestic business earned from UK clients³</th>
</tr>
</thead>
<tbody>
<tr>
<td>190–205</td>
<td>55–65</td>
<td>90–95</td>
</tr>
<tr>
<td>40–50</td>
<td>55–65</td>
<td>40–50</td>
</tr>
<tr>
<td>20–25</td>
<td>55–65</td>
<td>20–25</td>
</tr>
</tbody>
</table>

Sectoral Breakdown of UK Financial Services Sector Revenues Segmentation
2015, £BN

<table>
<thead>
<tr>
<th>Banking</th>
<th>Asset Management⁴</th>
<th>Insurance &amp; Reinsurance⁵</th>
<th>Market infrastructure &amp; other⁶</th>
</tr>
</thead>
<tbody>
<tr>
<td>23–27</td>
<td>15–18</td>
<td>7–10</td>
<td>9–12</td>
</tr>
<tr>
<td>20–25</td>
<td>65–70</td>
<td>27–29</td>
<td>13–15</td>
</tr>
<tr>
<td>5–6</td>
<td></td>
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</tr>
</tbody>
</table>

1. International and wholesale business related to the EU includes all EU client activities with financial services firms based in the UK, UK & Rest of World (RoW) client activity in EU/Euro-linked products, UK and RoW activity occurring as a result of EU client activity (for example, portfolio delegation and risk management of trading positions).
2. International and wholesale business not related to the EU includes financial services activity with UK and RoW clients that is not related to the EU.
3. Domestic business earned from UK clients includes UK personal and business banking, private banking and wealth management for UK clients, UK domestic and commercial insurance.
4. Portfolio management for UK client funds included in the international and wholesale business not related to the EU.
5. For insurance, we use an estimate of GDP as revenues as opposed to GWP to ensure a more accurate comparison of economic contribution with other sectors.
6. All “market infrastructure and other” is considered potentially internationally portable. There is £10-14BN of UK client business included in the International and wholesale business not related to the EU category.

Sources: Oliver Wyman analysis
Quantification of first order and ecosystem effects of the UK’s exit from the EU in different scenarios

### High Access Scenario

**1st order:** ~£2BN (~1%) of revenues lost  
Ecosystem: ~£2BN (~1%) of revenues at risk

<table>
<thead>
<tr>
<th>JOBS</th>
<th>TAX</th>
<th>GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>3–4,000 (~1%)</td>
<td>£0.5BN (~1%)</td>
<td>£1BN (~1%)</td>
</tr>
<tr>
<td>3–4,000 (~1%)</td>
<td>£0.5BN (~1%)</td>
<td>£1BN (~1%)</td>
</tr>
</tbody>
</table>

### Low Access Scenario

**1st order:** £18–20BN (~10%) of revenues lost  
Ecosystem: £32–38BN (15–20%) of revenues at risk

<table>
<thead>
<tr>
<th>JOBS</th>
<th>TAX</th>
<th>GVA</th>
</tr>
</thead>
<tbody>
<tr>
<td>31–35,000 (~3%)</td>
<td>£3–5BN (5–8%)</td>
<td>£9–12BN (7–10%)</td>
</tr>
<tr>
<td>65–75,000 (6–7%)</td>
<td>£8–10BN (13–16%)</td>
<td>£18–22BN (14–17%)</td>
</tr>
</tbody>
</table>

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1st order impacts: regulatory impacts on EU-related activity  
Ecosystem impacts

- 1,000 jobs  
- £100MM tax  
- £200MM GVA

**Note:** In this analysis we do not take into account other factors that may impact the size and scale of the UK financial services sector – for instance structural changes in the way that services are delivered or impacts of cost reduction programs (for example, outsourcing of activities). Nor do we include any impacts on the financial services sector due to changes in the wider economy as result of impacts of the UK’s exit from the EU on households and corporates (for example, in changes in demand for loans, impacts on interest rates), or make any assumptions on changes to economic activity such as exchange rates or inflation changes.

**Source:** Oliver Wyman analysis
For further information TheCityUK’s Economic Research programme, please contact:
Anjalika Bardalai, Chief Economist and Head of Research, TheCityUK
anjalika.bardalai@thecityuk.com, +44 (0)20 3696 0100
Service sectors: competitiveness challenges

Dr. Mark Thissen, PBL Dutch Environmental Assessment Agency
Dr. Simon Marginson, UCL and UKICE
Yong Jing Teow, CBI
Dr. Ingo Borchert, University of Sussex, UKTPPO
Richard Chaplin, Managing Partners Forum
Antony Raine, Deloitte

Chair: Professor Raquel Ortega-Argiles, The University of Birmingham
Service sectors: competitiveness challenges

Dr. Mark Thissen, PBL Dutch Environmental Assessment Agency
Towards an integrated regional economic development strategy

Brexit and Regional Economic Competitiveness

The Economic Impacts on the UK, its Regions, its Cities and Sectors: London Participatory Workshop

Mark Thissen (PBL), Frank van Oort (EUR) and Nicola Cortinovis (EUR)

http://themasites.pbl.nl/winnaars-verliezers-regionale-concurrentie/

http://www.torre.nl/eugrowth/bilingual4/
Scenario production costs analysis:

Barriers (non tariff and tariff) to trade following the red line and based on Dhingra et al. (2017).

Interregional Cost chain price-model to determine the effect on the costs:

- We use measure of interregional dependence introduced by Johnson and Noguera (JIntE, 2012)
- Data: Regionally disaggregated global input-output tables for 2013
Production cost increase

Brexit loss in competitiveness by NUTS 2 regions

**Production cost increase:**

Large regional variation in UK:
- Minimum of 0.46% (Inner London)
- Maximum of 1.33% (Highlands and Islands)
- Europe's manufacturing core in Belgium, Germany, Czech and Hungary (car manufacturing) takes a harder hit

**Reason for regional variation:**
- Production structure (indirect dependence/exposure to trade with the continent)
- Sector composition (higher impact on agriculture and manufacturing than on services)
Region and sector specific production cost increases (preliminary results – additional to tariffs)

<table>
<thead>
<tr>
<th>Sector</th>
<th>UK1 Inner London</th>
<th>UK1 Outer London</th>
<th>UK2 Inner London</th>
<th>UK2 Outer London</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average regional cost increase</td>
<td>0.46%</td>
<td>0.64%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crop and animal production, hunting and related service activities</td>
<td>5.2%</td>
<td>5.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forestry and logging</td>
<td>4.5%</td>
<td>4.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining of coal and lignite</td>
<td>3.3%</td>
<td>2.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fishing and aquaculture</td>
<td>3.2%</td>
<td>3.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of wood and of products of wood and cork, except furniture; manufacture of food products</td>
<td>2.5%</td>
<td>3.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of textiles</td>
<td>2.5%</td>
<td>2.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing and reproduction of recorded media</td>
<td>2.4%</td>
<td>2.4%</td>
<td></td>
<td></td>
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<tr>
<td>Manufacture of paper and paper products</td>
<td>2.3%</td>
<td>2.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of chemicals and chemical products</td>
<td>2.1%</td>
<td>2.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of coke and refined petroleum products</td>
<td>1.7%</td>
<td>1.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of basic metals</td>
<td>1.6%</td>
<td>1.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of rubber and plastic products</td>
<td>1.5%</td>
<td>1.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of other non-metallic mineral products</td>
<td>1.3%</td>
<td>1.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of fabricated metal products, except machinery and equipment</td>
<td>1.3%</td>
<td>1.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of machinery and equipment n.e.c.</td>
<td>1.3%</td>
<td>1.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of electrical equipment</td>
<td>1.3%</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of basic pharmaceutical products and pharmaceutical preparations</td>
<td>1.1%</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of motor vehicles, trailers and semi-trailers</td>
<td>1.1%</td>
<td>1.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of computer, electronic and optical products</td>
<td>1.1%</td>
<td>1.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail trade and repair of motor vehicles and motorcycles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of furniture</td>
<td>0.9%</td>
<td>1.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repair and installation of machinery and equipment</td>
<td>0.9%</td>
<td>0.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacture of other transport equipment</td>
<td>0.8%</td>
<td>0.9%</td>
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</tbody>
</table>
Region and sector specific production cost increases (preliminary results – continued – additional to tariffs)

<table>
<thead>
<tr>
<th>Region and sector</th>
<th>Cost Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity, gas, steam and air conditioning supply</td>
<td>0.8%</td>
</tr>
<tr>
<td>Sewage</td>
<td>0.7%</td>
</tr>
<tr>
<td>Water collection, treatment and supply</td>
<td>0.7%</td>
</tr>
<tr>
<td>Construction of buildings</td>
<td>0.7%</td>
</tr>
<tr>
<td>Retail trade, except of motor vehicles and motorcycles</td>
<td>0.7%</td>
</tr>
<tr>
<td>Wholesale trade, except of motor vehicles and motorcycles</td>
<td>0.7%</td>
</tr>
<tr>
<td>Water transport</td>
<td>0.6%</td>
</tr>
<tr>
<td>Land transport and transport via pipelines</td>
<td>0.6%</td>
</tr>
<tr>
<td>Warehousing and support activities for transportation</td>
<td>0.6%</td>
</tr>
<tr>
<td>Air transport</td>
<td>0.6%</td>
</tr>
<tr>
<td>Postal and courier activities</td>
<td>0.6%</td>
</tr>
<tr>
<td>Motion picture, video and television programme production, sound recording and</td>
<td>0.6%</td>
</tr>
<tr>
<td>Publishing activities</td>
<td>0.5%</td>
</tr>
<tr>
<td>Food and beverage service activities</td>
<td>0.5%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>0.5%</td>
</tr>
<tr>
<td>Computer programming, consultancy and related activities</td>
<td>0.5%</td>
</tr>
<tr>
<td>Architectural and engineering activities; technical testing and analysis</td>
<td>0.5%</td>
</tr>
<tr>
<td>Insurance, reinsurance and pension funding, except compulsory social security</td>
<td>0.5%</td>
</tr>
<tr>
<td>Financial service activities, except insurance and pension funding</td>
<td>0.5%</td>
</tr>
<tr>
<td>Activities auxiliary to financial services and insurance activities</td>
<td>0.5%</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>0.4%</td>
</tr>
<tr>
<td>Other professional, scientific and technical activities</td>
<td>0.4%</td>
</tr>
<tr>
<td>Legal and accounting activities</td>
<td>0.4%</td>
</tr>
<tr>
<td>Scientific research and development</td>
<td>0.4%</td>
</tr>
<tr>
<td>Advertising and market research</td>
<td>0.4%</td>
</tr>
<tr>
<td>Rental and leasing activities</td>
<td>0.3%</td>
</tr>
<tr>
<td>Security and investigation activities</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
Paris is a larger competitor than Vienna because Rotterdam and Paris have the largest market overlap.
• Regional competition (cost increase relative to competitors):
  • Manchester firms win, London not,
  • Because of the international component in competition
  • Substantial Loss in competitiveness, also for London, especially international
Classification of regions:
- Horizontal: Structural growth (doing better than competitors).
- Vertical: Demand led growth (market access)

London:
- Good performance on Structural growth (doing better than competitors).
- Especially in comparison to other British regions

Financial Services:
- Reinventing itself after the crisis.
- Moving to structural growth

http://themasites.pbl.nl/winnaars-verliezers-regionale-concurrentie/
http://www.torre.nl/eugrowth/bilingual4/
Competition policies: Learning from regions that outperform London’s financial sector!
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Brexit Challenges for Higher Education

Dr. Simon Marginson, University College London and UKICE
ESRC research on Brexit and higher education: the research questions

1. What are the perceived implications of Brexit for UK HEIs as their executive leaders and other operational personnel see it?

2. What are the organisational capabilities of UK HEIs to monitor their environment and to judge, strategize, respond, initiate and make changes, in relation to Brexit? 
   [interviewing in 12 universities]

3. How are these factors differentiated by HEI? What does this mean for HE system design?

Project personnel: Simon Marginson, William Locke and Ludovic Highman (UCL Institute of Education), Vassiliki Papatsiba (University of Sheffield)
EU and UK higher education: menu of issues

- **Revenues**
  - Horizon 2020 and other research support
  - European structural funds and EIB loans
  - Incoming EU student fees in 1\textsuperscript{st} and 2\textsuperscript{nd} degrees
  - Non-EU student fees—the ‘filler’ of HE revenue gaps

- **People and ideas**
  - Contribution of EU doctoral students to UK research
  - EU-citizen staff in UK HEIs, future recruitment

- **Cross-border student learning**
  - Incoming and outgoing Erasmus students

- **Orientation and strategies**
  - Partnerships beyond Europe
  - Universities and regional/local communities
## Brexit and higher education: 5-10 year horizon

<table>
<thead>
<tr>
<th></th>
<th>Best case</th>
<th>Middle case</th>
<th>Worst case</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL FLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Horizon 2020 and other research</td>
<td>No change (current net gain £3 billion)</td>
<td>UK stays in most, but pays what it takes</td>
<td>Rest of world access only</td>
</tr>
<tr>
<td>ERDF, EIB and matching funds</td>
<td>UK government replaces all funds</td>
<td>Some UK funds in lieu, politics decides</td>
<td>All funding disappears</td>
</tr>
<tr>
<td>EU student revenues</td>
<td>Net gain at higher fee, but differential</td>
<td>Modest decline affects many</td>
<td>Major income fall in many HEIs</td>
</tr>
<tr>
<td>Other international student revenues</td>
<td>Policy/regulation opens up: big growth</td>
<td>Slow return to modest growth</td>
<td>Absolute decline, differential effects</td>
</tr>
<tr>
<td><strong>TALENT FLOWS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EU doctoral students</td>
<td>No change, flow continues as before</td>
<td>Loss of some very bright students</td>
<td>‘Not welcome’: big fall in EU numbers</td>
</tr>
<tr>
<td>EU-citizen academic staff</td>
<td>Very broad High Skill Migration pathway</td>
<td>Some loss present and future staff</td>
<td>Sharp fall in EU-citizen numbers</td>
</tr>
<tr>
<td>Study abroad by UK students</td>
<td>Erasmus role is maintained</td>
<td>UK government mobility scheme</td>
<td>Sharp fall in outward mobility</td>
</tr>
</tbody>
</table>
Brexit as uncertainty

• ‘...volatility is alright but uncertainty is difficult... you can’t put firm plans in place... There are more variables in play now than there have been for a long time’ (Russell Group finance executive)
• ‘We could be into the next government cycle before the impact really becomes visible’ (Post-1992 executive)
• ‘the impact will not be equal across the whole sector’ (Post-1992 executive)
• ‘We at the top end are being pushed away from coordination roles in projects, whereas the lower end, who are possibly less critical to [European] projects, seem to have lost them altogether’ (Russell Group executive)
• We are developing close bespoke alliances with selected universities in Europe and also beyond Europe (Russell group executive)
• We have no choice but to hedge against uncertainty with new markets [but] ... ‘we ignore at our peril our local community’ (Post-1992 Board of governors)
• ‘Relying on the old Commonwealth countries is an error’ (Post-1992 executive)
Service Sectors: competitiveness challenges

Yong Jing Teow, CBI
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Service Sectors: competitiveness challenges

Dr. Ingo Borchert, University of Sussex, UKTPO
Challenges for UK services sectors

Ingo Borchert
Senior Lecturer in Economics
University of Sussex and UKTPO
Exposure to Services Trade

Total services exports/GVA (%)

London: 26%
South East: 12%
North West: 10%
Scotland: 11%
East England: 8%
South West: 7%
West Midlands: 6%
Yorkshire & Humber: 6%
East Midlands: 5%
Wales: 6%
North East: 5%

UK TRADE POLICY
OBSERVATORY
EU orientation of services exports

Services exports from manuf firms

All services exports (Pink Book)
Services embodied in Manufg Exports

Direct and Indirect Services Exports, by Region, 2015
Thank you

https://blogs.sussex.ac.uk/uktpo

Follow @uk_tpo
Service Sectors: competitiveness challenges

Richard Chaplin, Managing Partners Forum
The challenges raised by Brexit for professional services

Richard Chaplin
Founder & Chief Executive
Managing Partners’ Forum
18 May 2018
Brexit survey key facts

• Survey conducted in January 2018
• 35 responses - 71% CEOs; 18% other C-Suite
• 60% of respondents based in London; 40% elsewhere
• 43% law firms; 20% accountancy; 20% consultancy; 17% property
• Brexit glossary provided to ensure level playing field
• Presented as evidence to a hearing of the House of Lords EU Internal Market subcommittee held on 31 January
Impact on firm’s financial performance

SOFT BREXIT
• Short-term boost
• Followed by modest decline

HARD BREXIT
• Short-term boost
• Followed by significant decline
  – Revenues from EU27 clients are expected to decline by more than new revenues from other countries
  – Work for EU27 clients will increasingly be serviced from non-UK offices
Talent

• **54%** of respondents consider recruitment of non-UK nationals to be either essential or important for their firms

• **48%** often send their UK nationals to EU27 countries to deliver services to local clients on a temporary basis
Trading arrangements

• 74% consider the EU Services Directive to be essential or important to facilitate supply of services to EU clients.

• Very strong agreement that WTO membership will not allow most exports of services to the EU27 to continue as at present, in particular having a foreign commercial presence (mode 3) and movement of natural persons (mode 4).
Legal structures

• 39% believe that Freedom of Establishment for individuals has an essential or important impact on their firm’s legal structure

• 56% of these respondents are looking to restructure their firm if there is no mutual recognition of corporate structures between the UK and the EU27
Priorities for Government

The top priorities for Government in helping professional firms navigate Brexit are seen as:

1. Maintain **freedom of movement** for EU27 nationals

2. **Withdraw Article 50** (ie reverse Brexit)

3. Focus on making the UK a **more attractive place** to do business
Contingency planning
(January data)

• 77% of respondents are analysing their options

• 20% of contingency plans are already being implemented

• 37% of respondents report that more than 50% of their clients are in the process of planning for Brexit

Reasonable to assume that these numbers will now be much higher
77% of UK professional firms are currently analysing the likely impact of hard and soft Brexit on the UK’s largest sector, with 20% of contingency plans already being implemented.

The Forum’s second Brexit survey was conducted in January 2018. The primary purpose was to provide a reliable benchmark for Forum members and Government. This report will be shared with the media, survey respondents, Forum members, the Forum’s Advisory Board, Government officials, the Professional & Business Services Council (PBSC) and the House of Lords.

KEY FINDINGS

- **Contingency planning** – 77% of respondents are analysing their options with 20% of contingency plans already being implemented. 37% of respondents report that more than 50% of their clients are in the process of planning for Brexit.

- **Impact of hard v soft Brexit** - Respondents anticipate a short-term boost to their firm’s financial performance, followed by modest decline under soft Brexit but significant decline under hard Brexit. Under hard Brexit, revenues from EU27 clients are expected to decline by more than new revenues from other countries, and work for EU27 clients to be increasingly serviced from non-UK offices.

- **Talent** - 54% of respondents consider recruitment of non-UK nationals to be either essential or important for their firms. 48% often send their UK nationals to EU27 countries to deliver services to local clients.
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Service Sectors: competitiveness challenges

Anthony Raine, Deloitte
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Brexit policy challenges

Professor Tony Travers, LSE
Professor Jonathan Portes, King’s College London and UKICE

Chair: Professor Philip McCann, The University of Sheffield
Brexit policy challenges

Professor Tony Travers, London School of Economics
The Economic Impacts of Brexit on the UK, its Regions, its Cities and its Sectors

Brexit policy challenges

Professor Jonathan Portes, King’s College London and UKICE
Immigration after Brexit
Jonathan Portes
King’s College London & UKandEU
May 2018

@jdportes  UKandEU.ac.uk
Net migration to UK by citizenship
Withdrawal Agreement will cover EEA nationals resident in UK and UK nationals elsewhere in EEA

Free movement will continue in transition period

EU Withdrawal Bill will transpose EU law into domestic law

Process of granting “settled status”/”temporary” leave to remain
  - 3 million plus EU citizens eligible
  - New “light-touch” digital system
  - Windrush scandal: political and administrative implications
  - Complicated interaction between domestic law/administration, Withdrawal Agreement and ECJ continuing role
Negotiations on future relationship on hold – aim is for “political declaration” by October

EU guidelines: “ambitious provisions” on natural persons

UK: Cabinet split (again!) on whether to make “offer” on labour mobility

Service providers, students, self-employed?
September 2018: Migration Advisory Committee report on economic impacts of immigration and implications for future policy;

Late 2018? Immigration White Paper

2019: Immigration Bill and structure of a post-Brexit system?
Post-Brexit system

- Likely to be based on current system for non-EEA nationals: work permits with skills, salary, qualification thresholds.

- Key questions:
  - European preference?
  - Sector-based schemes?
  - Regional differentiation?
  - Overall system – “liberal” vs restrictionist

Government has so far kicked the can on all of these
Immigration after Brexit
Jonathan Portes
King’s College London & UKandEU
May 2018

@jdportes  UKandEU.ac.uk
Closing Speech

Professor Raquel Ortega-Argilés, University of Birmingham

Don’t forget to fill in the: Feedback assessment form!!