

Window On Brexit...What now?

February 27, 2019



Some of the critical questions and issues we will be discussing today

- How is business reacting to the extreme uncertainty regarding Brexit in the short-term?
- Looking down the road, what will be the impact of Brexit on workers, inside and outside the UK?
- What country will the UK be in 10 years from now? Will it still be an interesting place for doing business?
- The Brexit discussion is dominated by doom scenarios. Are there hidden opportunities we are overlooking?



Today's Presenters



Iain Begg
Professorial Research Fellow
*London School of
Economics and Political
Science*



Michael Keaveney
Regional Director, UK &
Ireland
The Conference Board



Simone Wyss Fedele
Head Economic & Swiss
Public Affairs
Novartis



Philip McCann
Professor of Urban and
Regional Economics
*University of Sheffield
Management School*



Ilaria Maselli (Moderator)
Executive Vice President,
Chief Economist & Chief
Strategy Officer
The Conference Board



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

Professor Philip McCann

Professor Raquel Ortega-Argilés (Project leader, City-REDI Institute)

Chloe Billing and Deniz Sevinc (University of Birmingham),

Wen Chen, Peter IJtsma and Bart Los (Groningen University),

Nicola Cortinovis and Frank van Oort (Erasmus University Rotterdam),

Philip McCann (University of Sheffield),

Mark Thissen (PBL Dutch Government Environmental Agency)



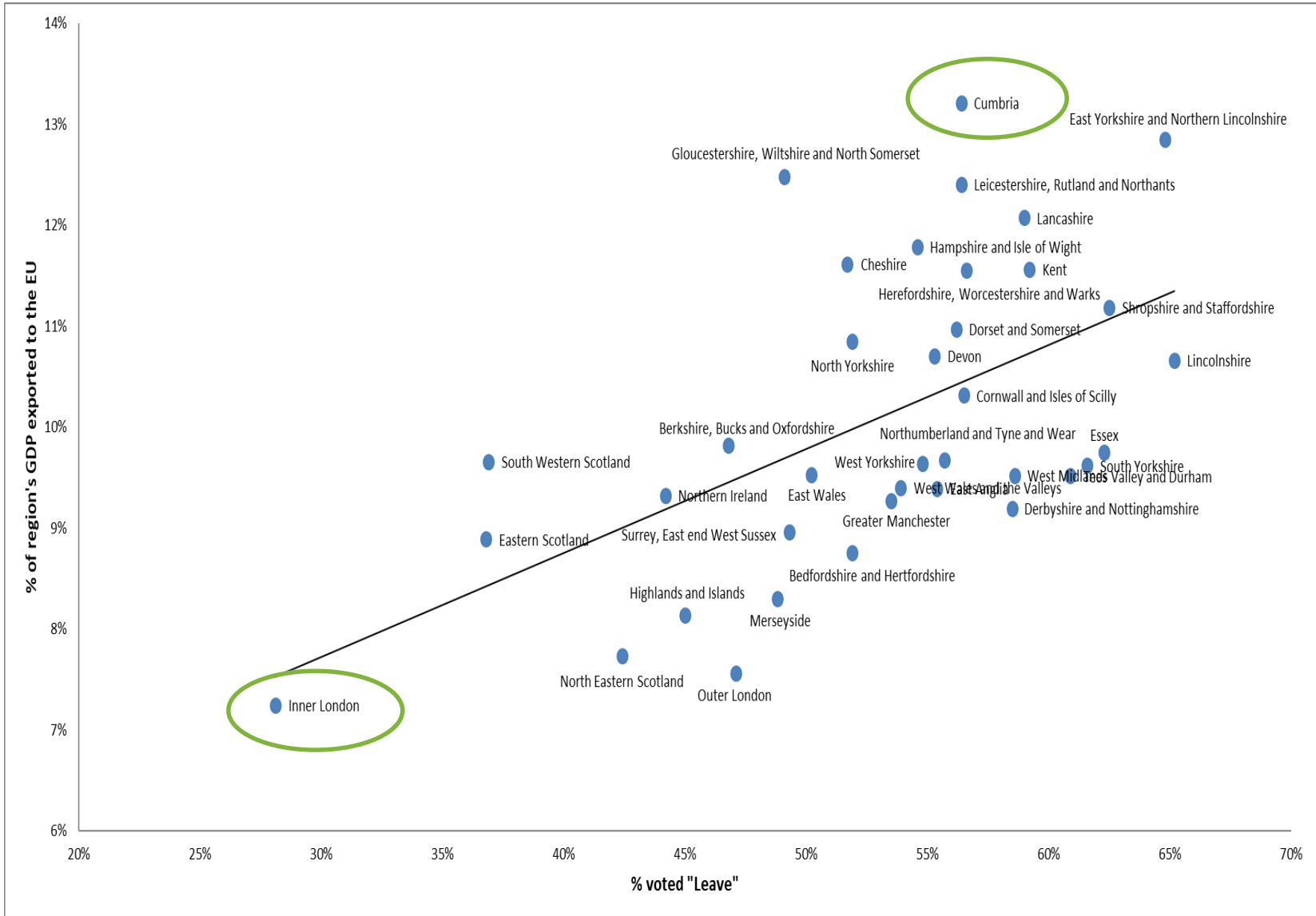
Significance of the research



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 the UK government to support the initiative **The UK in a Changing Europe** coordinated by Professor Anand Menon at King’s College London.

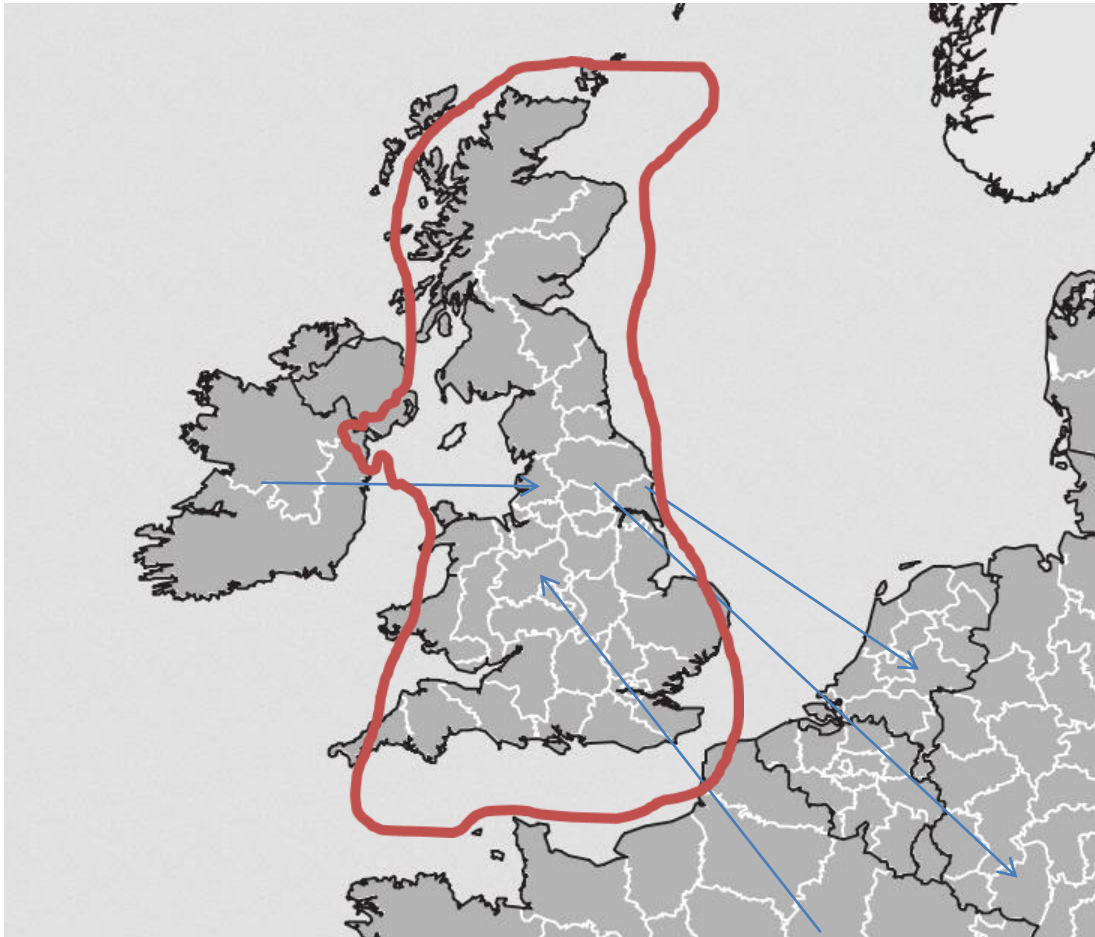
The project aims to examine in detail the **likely impacts of Brexit on the UK’s sectors, regions and cities** by using the most detailed **regional-national-international trade and competition datasets**





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

How? With Input-Output Data



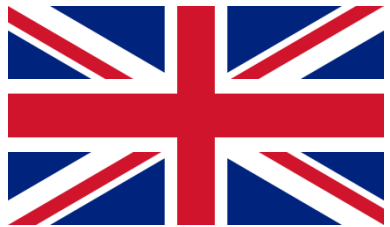
**“Regional GDP
exposed to
Brexit”:**

**Difference
between actual
GDP and GDP
without EU-UK
trade
relationships**

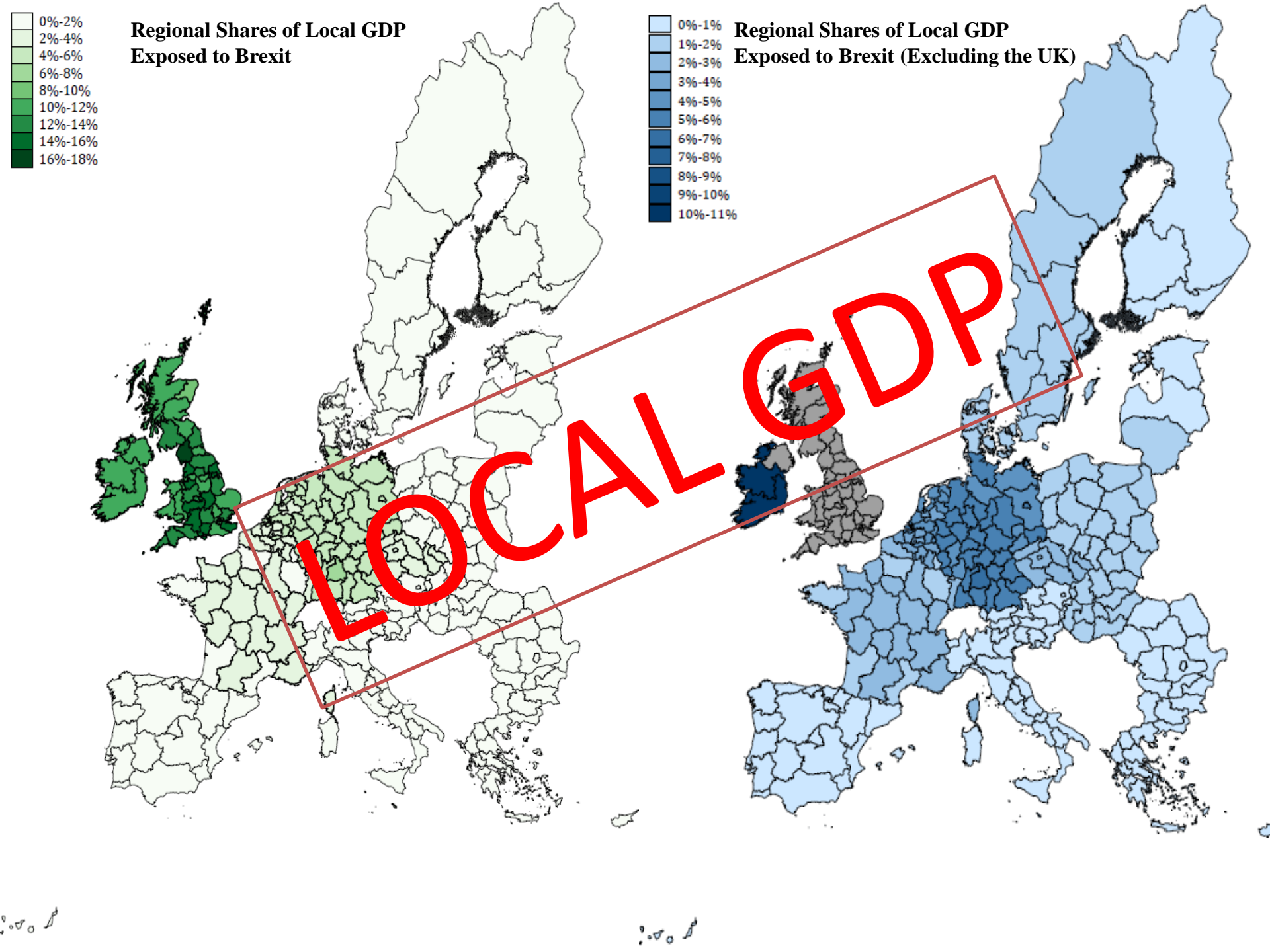
National Brexit Exposure Risk



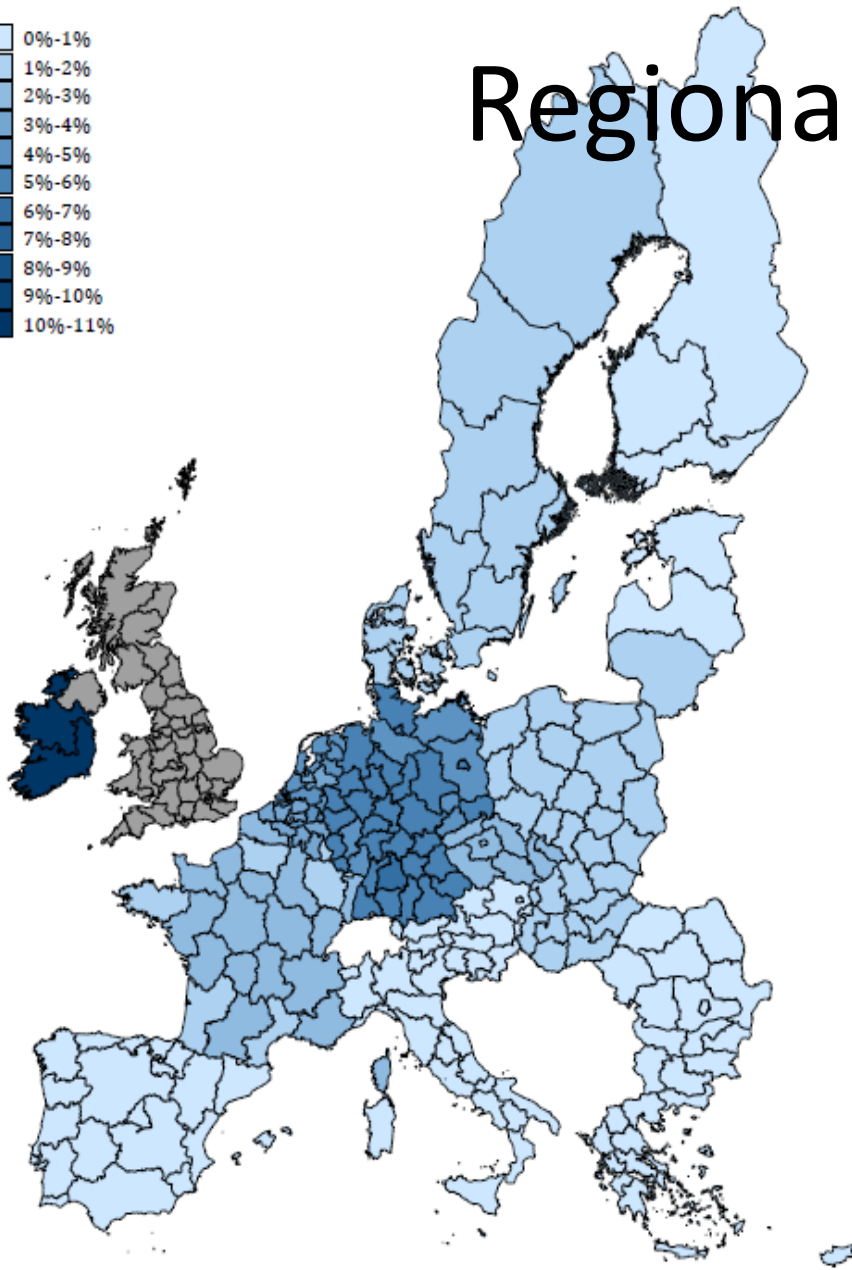
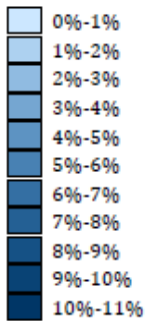
EU Brexit risk exposure =
2.64% of EU GDP



UK Brexit risk exposure =
12.2% of UK GDP



Regional Findings



**Regional Shares of Local GDP
Exposed to Brexit (Excluding the UK)**

- 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

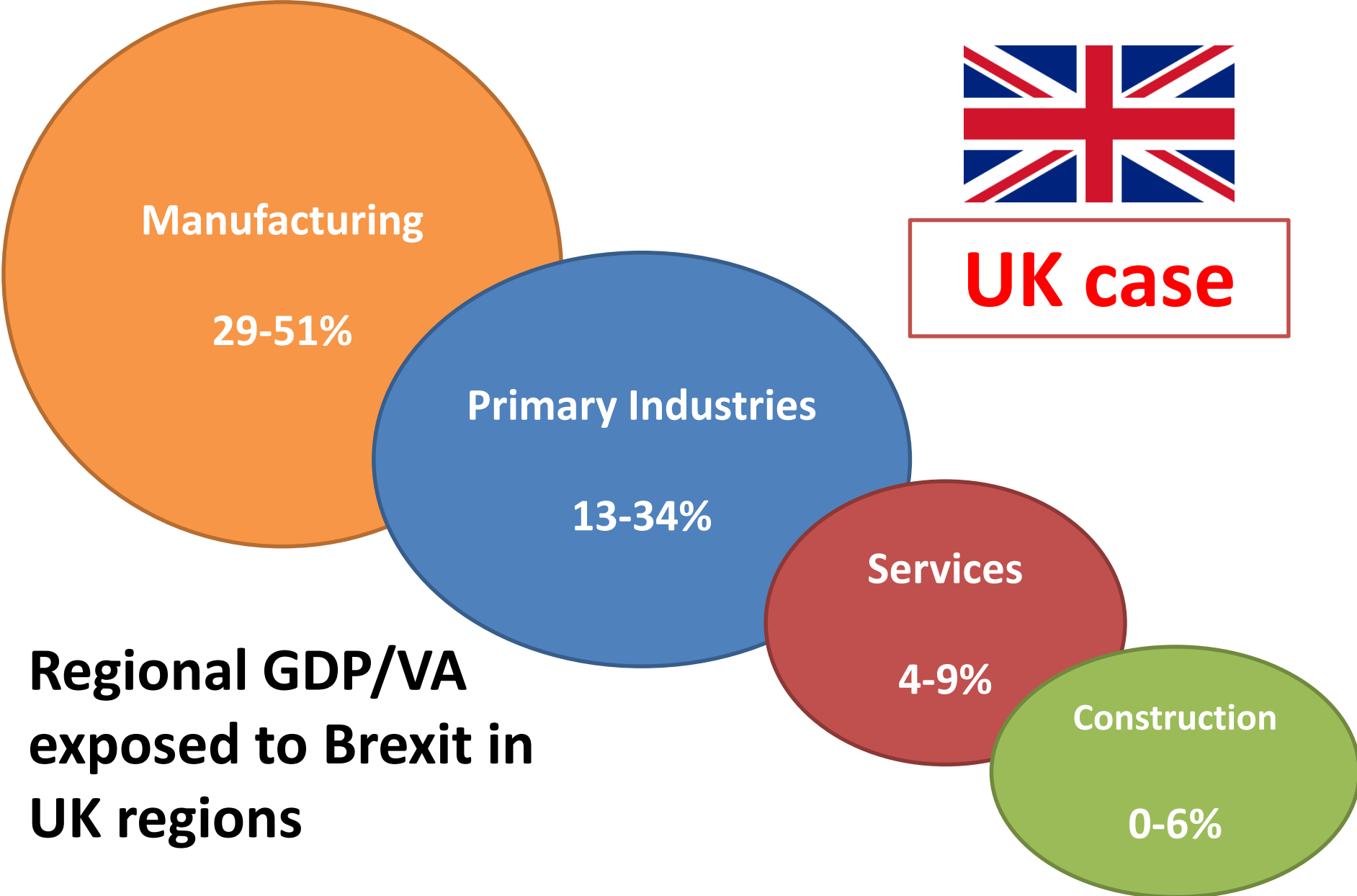
- UK Brexit risk exposure = 12.2% of UK GDP
- EU Brexit risk exposure = 2.64% of EU GDP
- UK Brexit exposure risk is 4.6 times higher than EU

- **Geography** plays a role, the closer geographically to the UK the bigger the risk of exposure.
- **Industrial Structure**, the stronger the trade relationships with certain regions in terms of value chain relationships the bigger the risk.

Broad Sector Brexit Exposure Risk



UK case



**Regional GDP/VA
exposed to Brexit in
UK regions**

Broad Sector Brexit Exposure Risk

Results for Broad Sectors: Regional GDP/VA exposure to Brexit

	Primary Industries	Manufacturing	Construction	Services	Total economy
UK (37)	13–34%	29-51%	0-6%	4-9%	8-17%
Ireland (2)	24-30%	18-19%	2%	6%	10%
Germany (42)	4-6%	13-17%	1-4%	2-4%	4-6%
Malta (1)	5%	4%	1%	5%	5%
Netherlands (12)	8-12%	8-11%	1-2%	3%	4-5%
Belgium (10)	3-8%	9-10%	2-3%	2-3%	3-4%
France (22)	3-4%	6-11%	0-1%	1-2%	2-3%
Italy (21)	0.5-1%	0.9-1.6%	0.05-0.3%	0.3-0.5%	0.3-0.6%

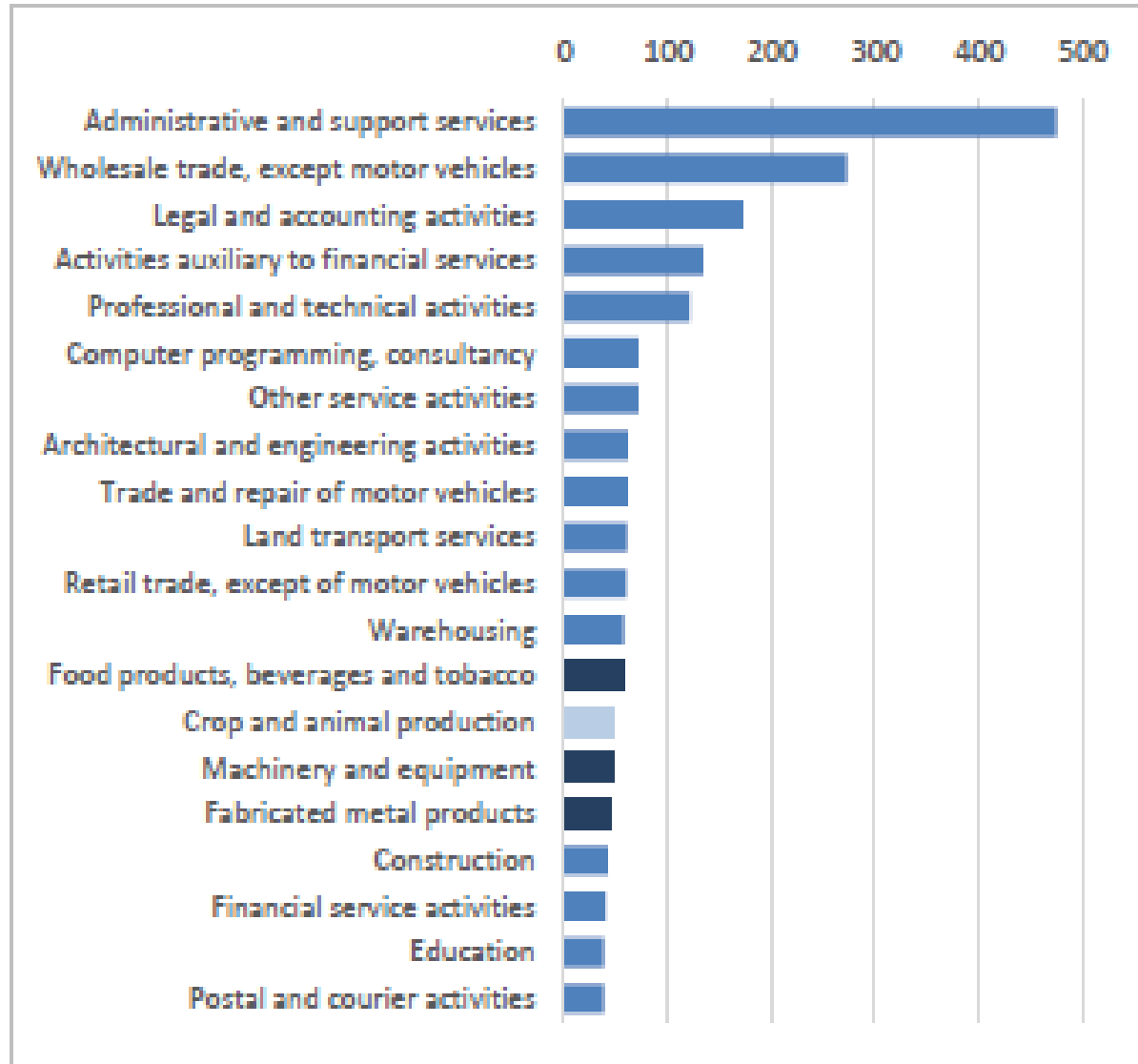
In parentheses: number of regions

Assessing
the **negative trade effects** of a
chaotic or **no-deal Brexit**
scenario
in **UK manufacturing** and
services sectors

“Jobs at Risk”

In the UK as a whole more than 2.5 million jobs are exposed to the trade effects of Brexit.

Many important manufacturing and primary sectors are highly exposed to Brexit, but so are many services.



Top 20 industries; Numbers for 2014, in thousands, including self-employed.
Primary industries in light blue, manufacturing industries in dark blue.
Source: Authors' computations based on WIOD (Timmer et al. 2016)

“Value added at risk”

- For as many as 15 out of 54 industries **more than 20% (up to 36%) of the jobs and value added are at risk**
- Manufacturing and primary industries are highly exposed, but **services too**
- These services do not only export directly to EU countries, but also sell **intensively to UK manufacturing firms** exporting to the EU
- Professional/Scientific/Technical Services (36%); Activities auxiliary for financial services (31%); wholesale trade (24%); Legal, accounting and consultancy (14%)

Assessing which
UK occupations
are ***at risk*** due to
Brexit negative
trade-related consequences

UK occupations at risk due to trade-related aspects of Brexit

(by 1-digit ISCO2008 class)	#jobs	#jobs at risk	% of jobs at risk
Armed forces occupations	83.909	1.036	1,2%
Managers	3.196.794	240.572	7,5%
Professionals	7.277.269	478.524	6,6%
Technicians and Associated Professionals	3.756.158	252.821	6,7%
Clerical support workers	2.920.860	225.598	7,7%
Services and sales workers	5.588.793	171.168	3,1%
Skilled Agricultural, Forestry and Fishery Workers	334.141	39.115	11,7%
Craft and Related Trades Workers	2.505.466	188.665	7,5%
Plant and Machine Operators and Assemblers	1.452.320	158.935	10,9%
Elementary Occupations	2.623.028	194.958	7,4%

Based on Eurostat Labor Force Surveys and WIOD (2016-release), data for 2013

Timmer, Marcel P. Bart Los, Robert Stehrer, and Gaaitzen J. de Vries, "An Anatomy of the Global Trade Slowdown based on the WIOD 2016 Release", GGDC Research Memorandum 162, University of Groningen

de Vries, Gaaitzen J., Sebastien Miroudot and Marcel P. Timmer (2018), "Measuring Functional Specialization in Trade", Journal of Economic Geography, in press.

“Occupations at risk”

- In terms of risk exposure:
 - The largest occupational group in absolute terms are **professionals**
 - Followed by **workers in services**
 - Followed by **technicians and associated professionals**
 - And **managers**

UK long-term productivity is at risk as **higher productive and skilled occupations** are going to be highly **affected** by negative trade-related consequences of Brexit

- The **economically weaker regions** of the UK (most of which voted for Brexit) are **more exposed to Brexit trade risks** than the UK's most prosperous regions (many of which voted Remain).

Brexit will make the **UK's interregional inequalities worst.**

- The **sectors** which are **heavily exposed** to Brexit include not only **manufacturing** and **primary industries** but many **services industries**, specially those connected with manufacturing value chains

- The **jobs at risks** tend to be **more productive jobs** which raises further concerns to **UK long-term productivity**

Conclusions

- As a whole the **UK's sub-national governance** system appears to be largely **unprepared** for the post-Brexit challenges.
- With the many observed Brexit-related initiatives and activities being largely ad hoc and uncoordinated between localities, reflecting the widespread **policy paralysis** evident in the **UK institutional system**.

Brexit Priority Grant: *The Impact of Brexit on the UK, Its Regions, Its Cities and Its Sectors, ES/R00126X/1,*
Project Leader: Professor Raquel Ortega-Argilés, University of Birmingham City-REDI

For information please contact

Professor Raquel Ortega-Argilés
Chair Regional Economic Development
City-Region Economic Development Institute
Birmingham Business School
R.Ortega-Argiles@bham.ac.uk

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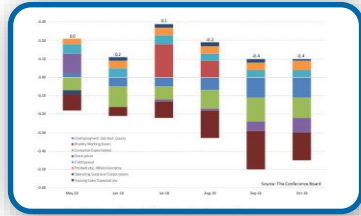
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