BREXIT and the Northern Ireland Labour Market

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NERI Nevin Economic Research Institute

Research for new economic policies

BREXIT - Unknowns

- Exact trade relationship between UK and both EU and non-EU countries
- Freedom of movement of both capital and labour
- Reconciliation of EU funding for regions
- Future of current UK (Scottish question)
- Direction of EU economy particularly in relation to the EURO

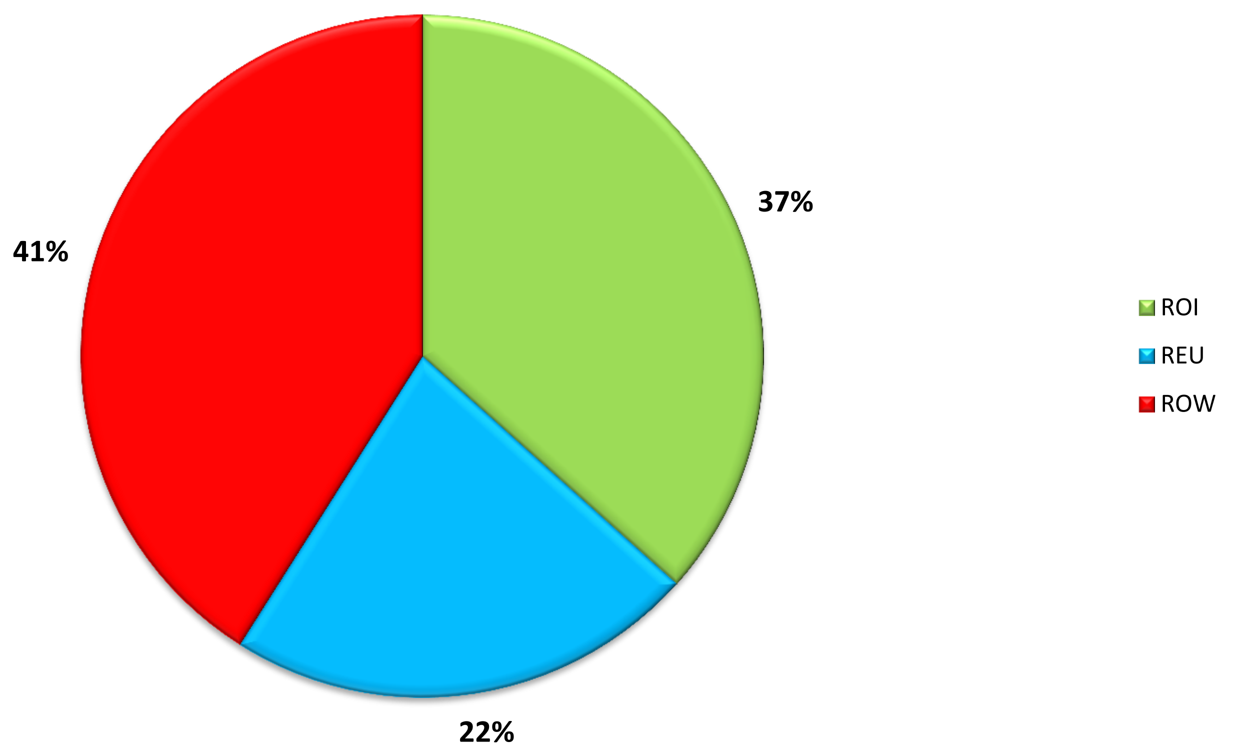
BREXIT - Knowns

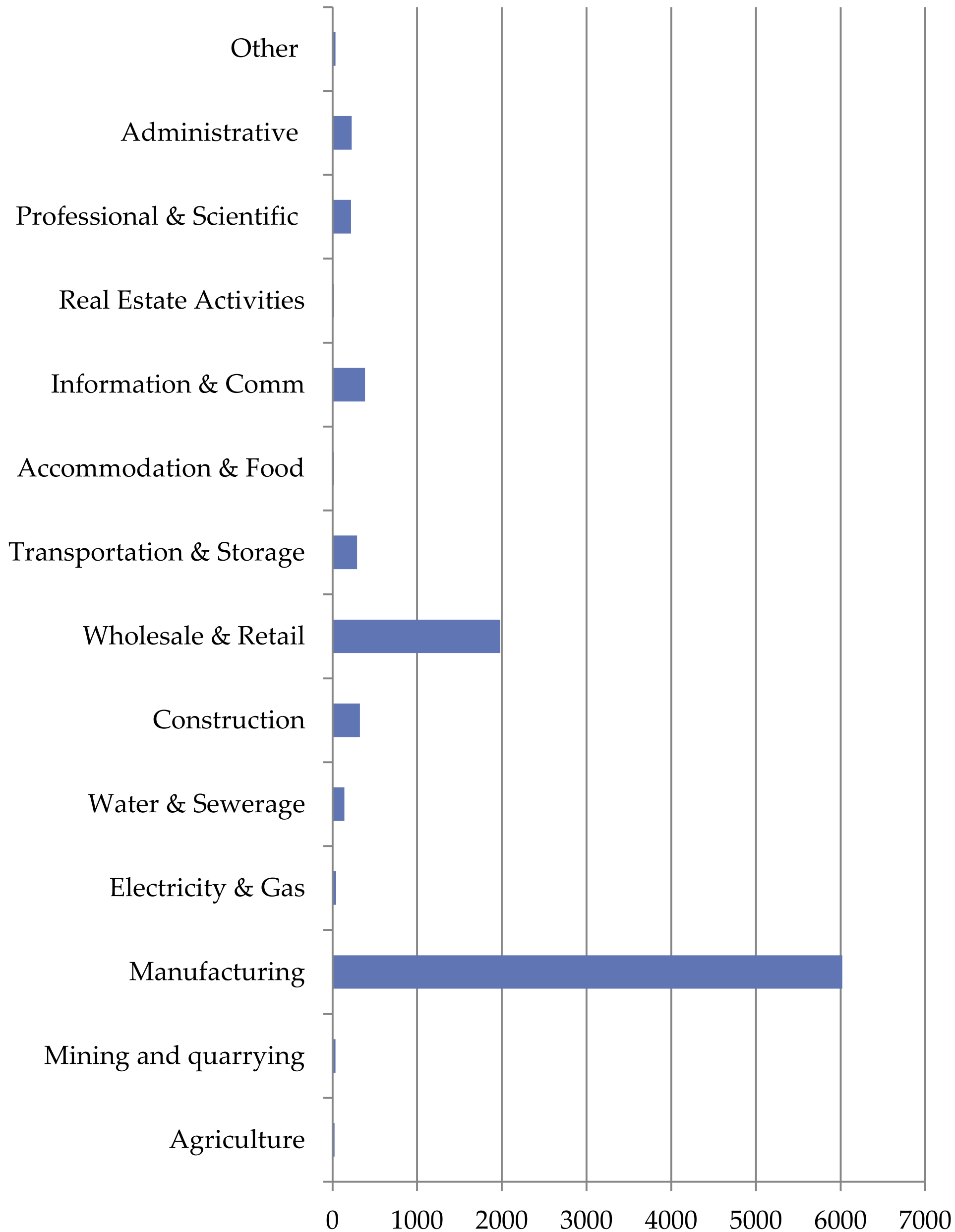
- Trade relationships would change
- BREXIT will have disproportionate impact in NI, one way or the other
- Likely to have disproportionate effect on sectors/industries and regions within NI
- Long-term outcomes hard to predict, short-term turbulence largely unavoidable

BREXIT and NI Economy

- Trade
  - NI’s EU trade compared with GB – sectoral make-up
- Other Issues
  - FDI - What effect on current FDI and possible future FDI?
  - EU Funding - Implications for public finances
  - The all-Island economy

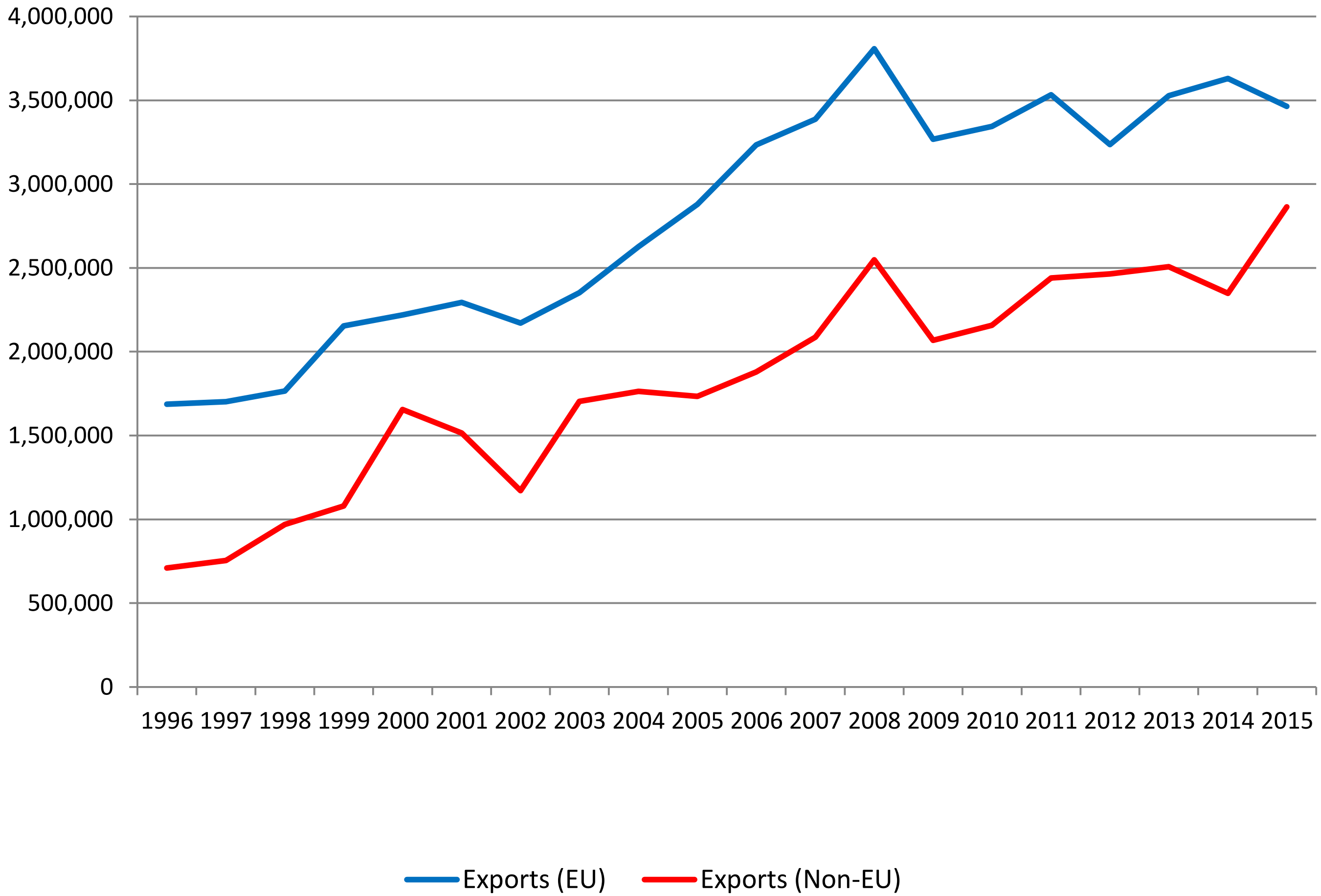
NI External Trade



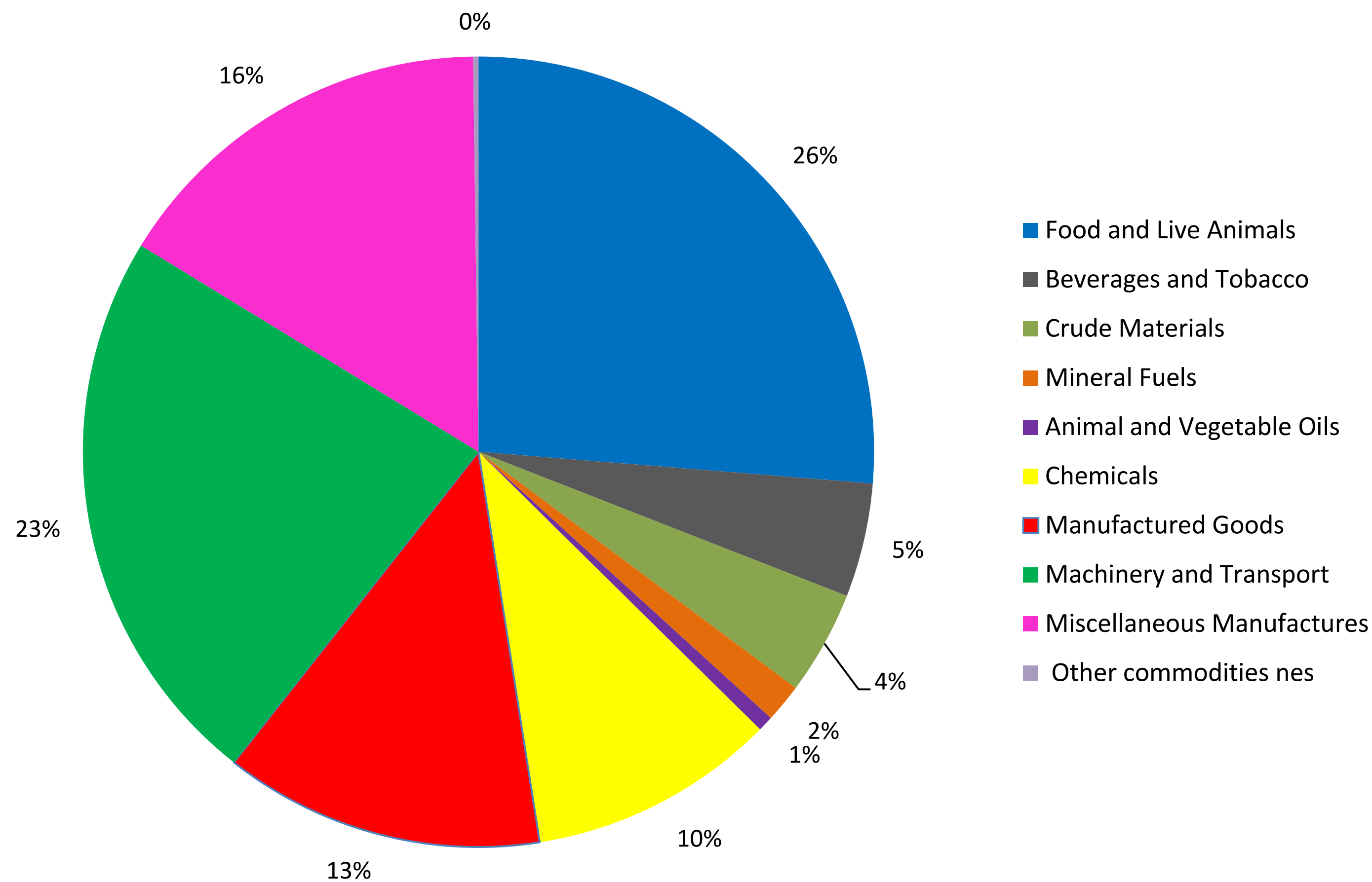


Other
Administrative
Professional & Scientific
Real Estate Activities
Information & Comm
Accommodation & Food
Transportation & Storage
Wholesale & Retail
Construction
Water & Sewerage
Electricity & Gas
Manufacturing
Mining and quarrying
Agriculture
0
1000
2000
3000
4000
5000
6000
7000

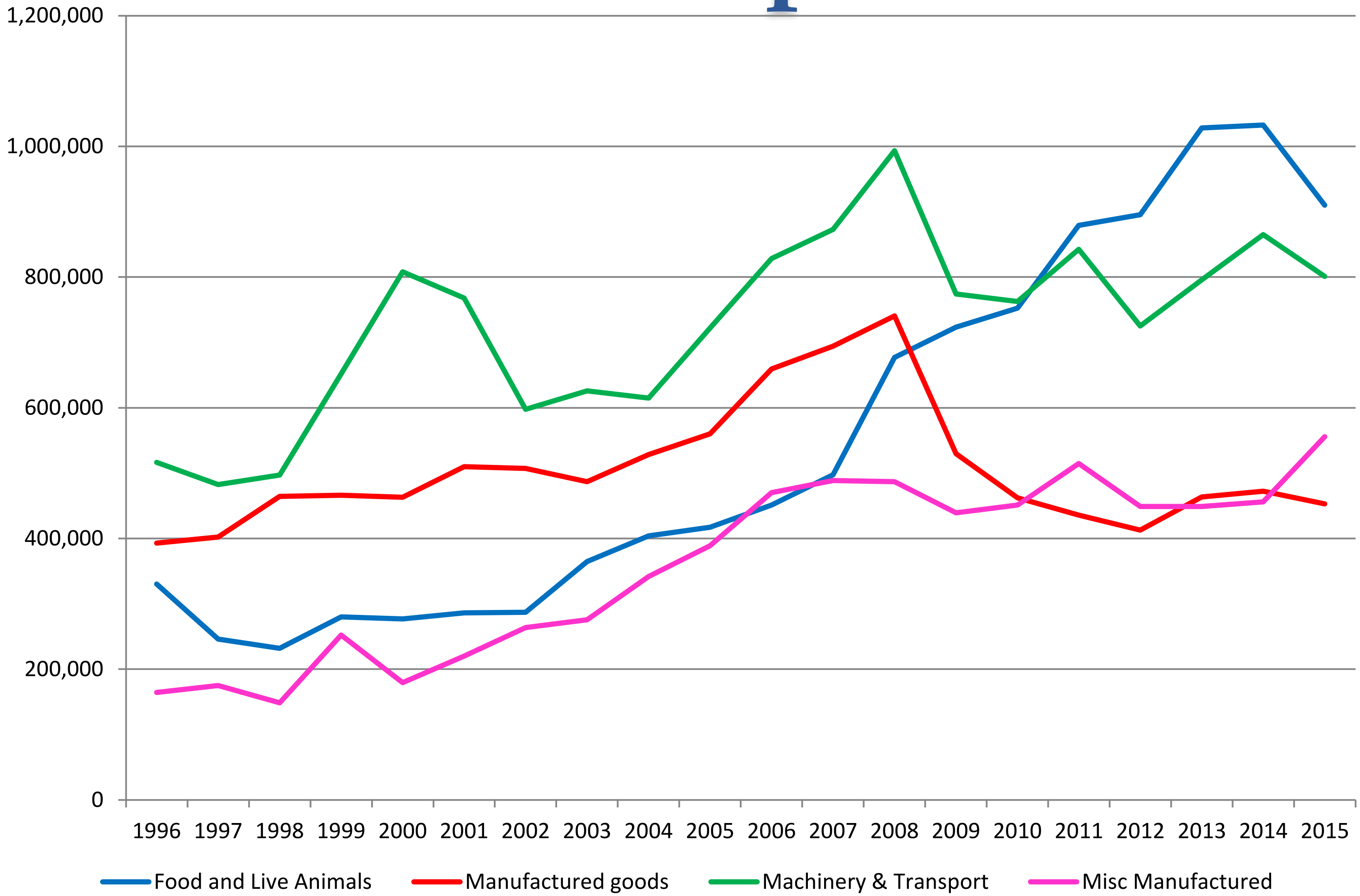
NI Goods Trade



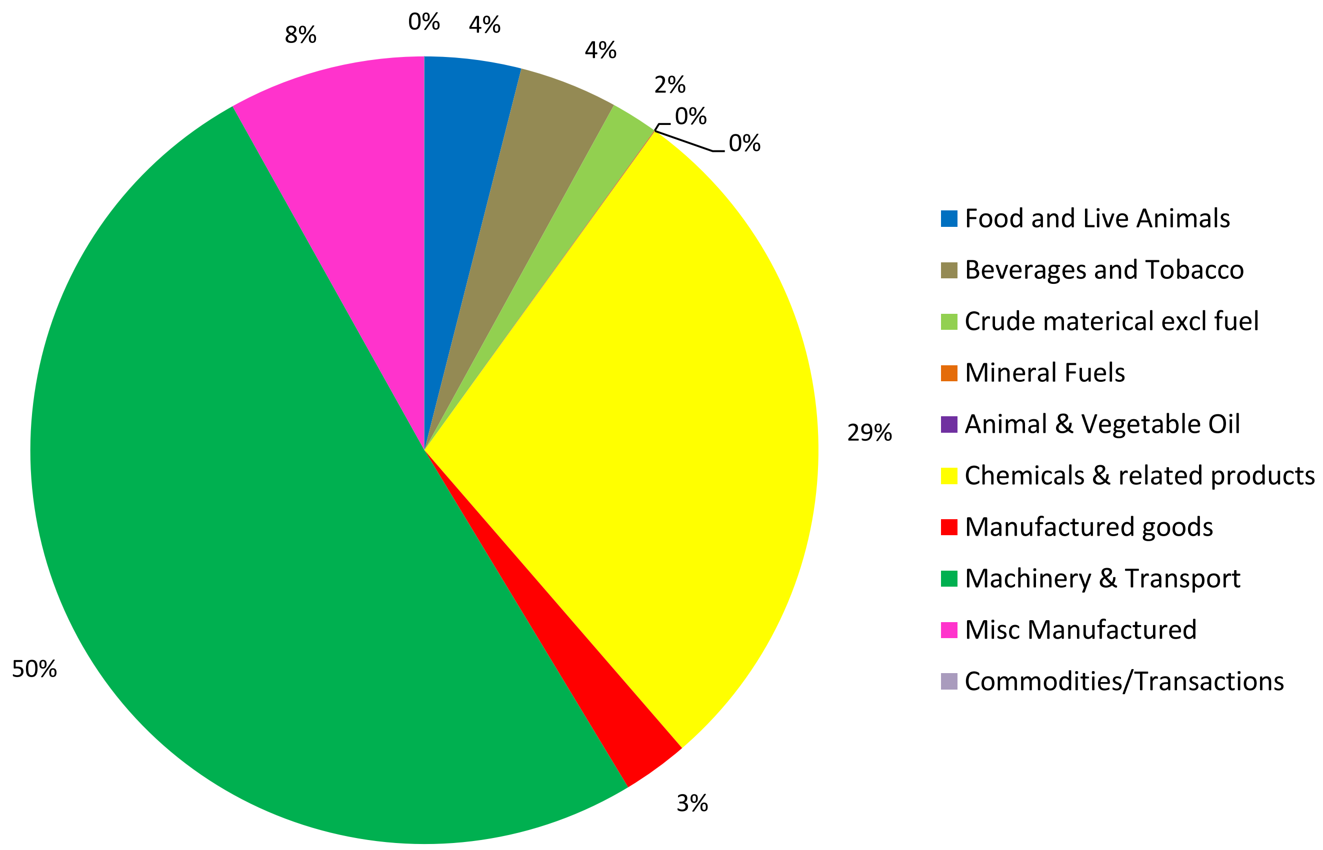
NI EU Goods Trade



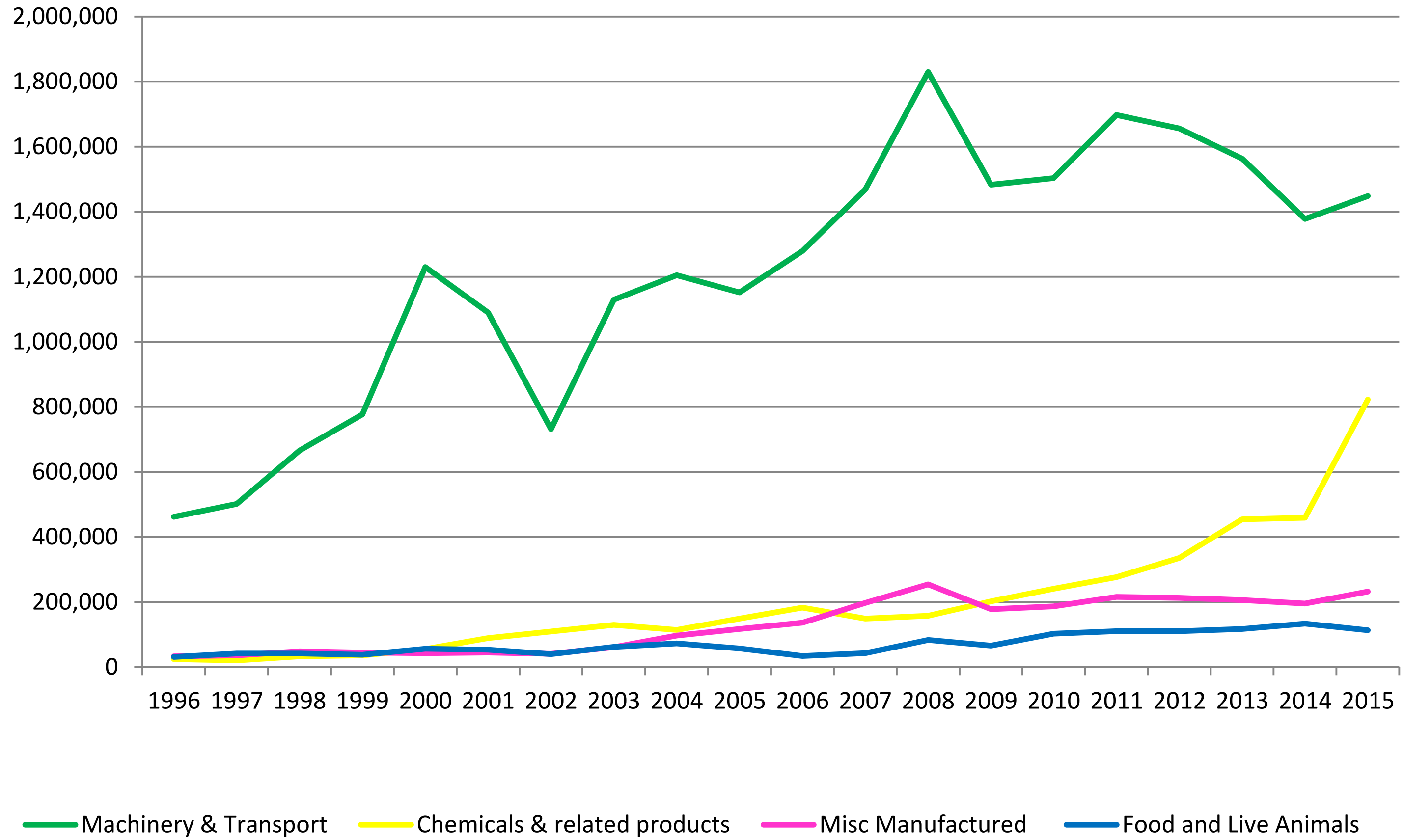
NI EU Goods Exports Trends



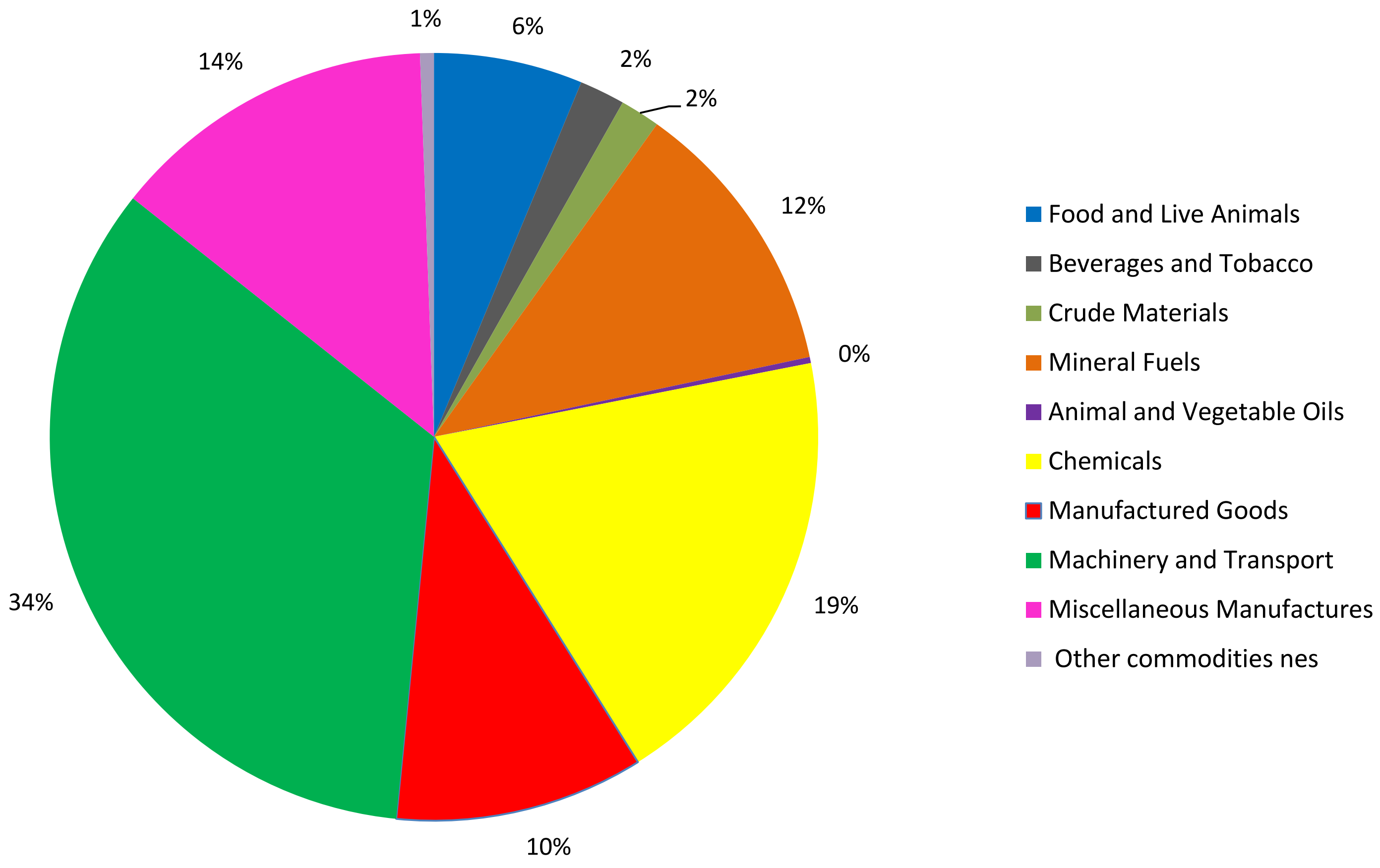
NI Non-EU Goods Trade



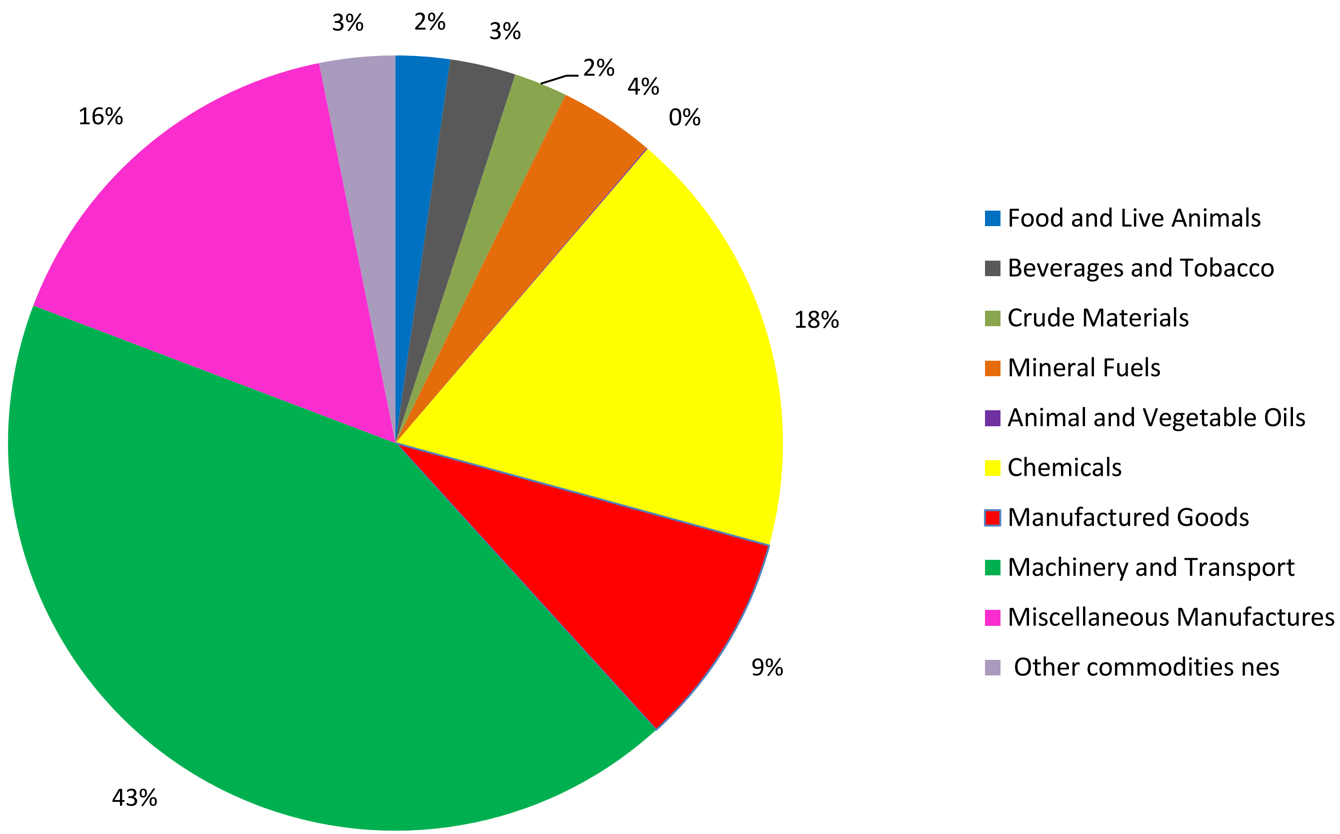
NI Non-EU Goods Exports Trends



GB EU Goods Exports



GB Non-EU Goods Exports



Goods Trade

- Average tariff on goods from outside EU currently 5.2%, much higher for food (12.8% on wheat, 32% tariff on wine)
- Effect on supply chain industries unclear
- GB different mix of industries in Goods trade with EU
- EU accounts for 47% of GB goods trade V's 55% for NI

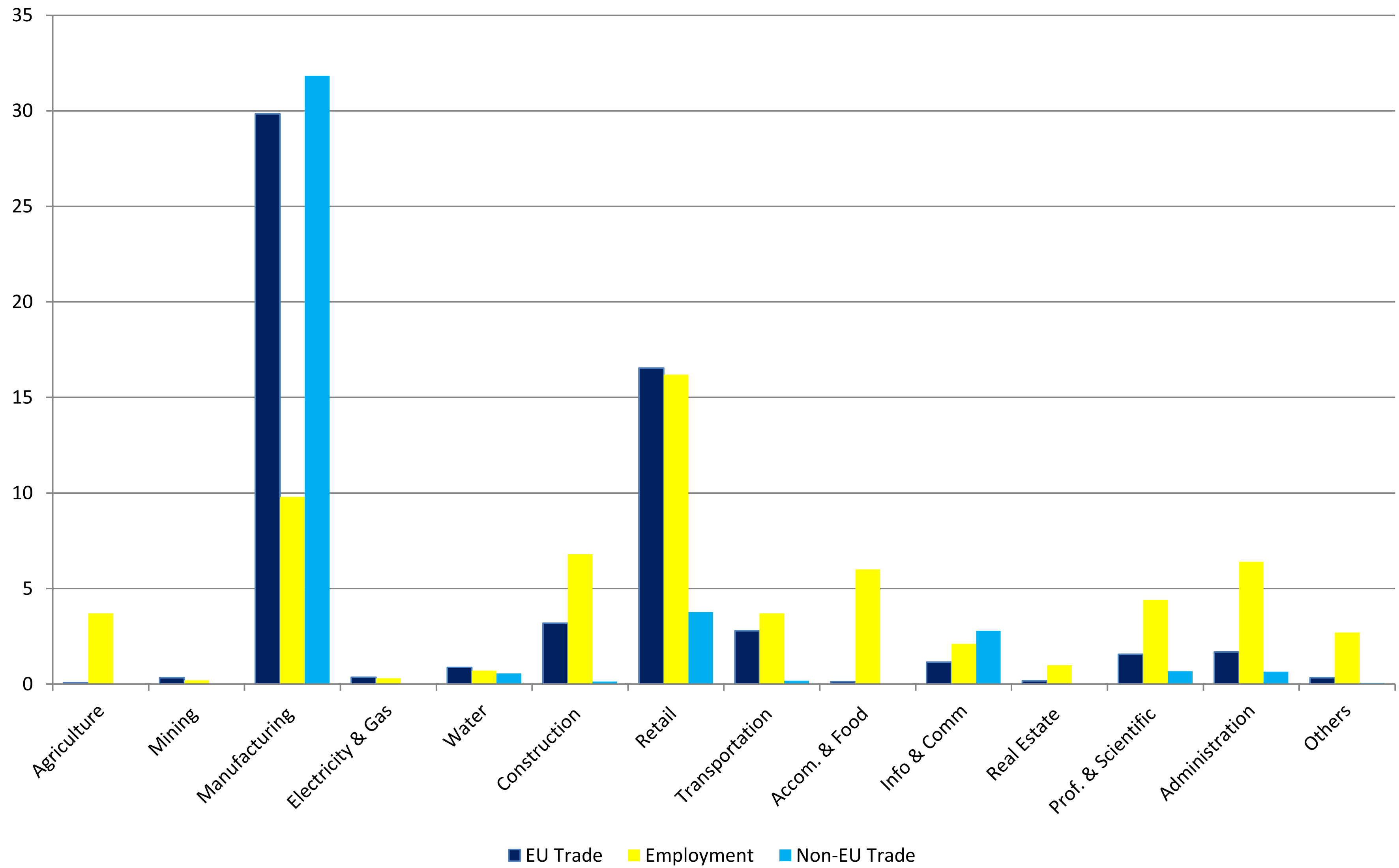
Services Trade

- Harder to measure, data availability more limited
  - EU Services Exports in 2014 £1.9bn
  - Non-EU Services Exports in 2014 £1.5bn
- No breakdown of Services Exports by sector, but Wholesale and Retail the majority
- Possible measurement issues

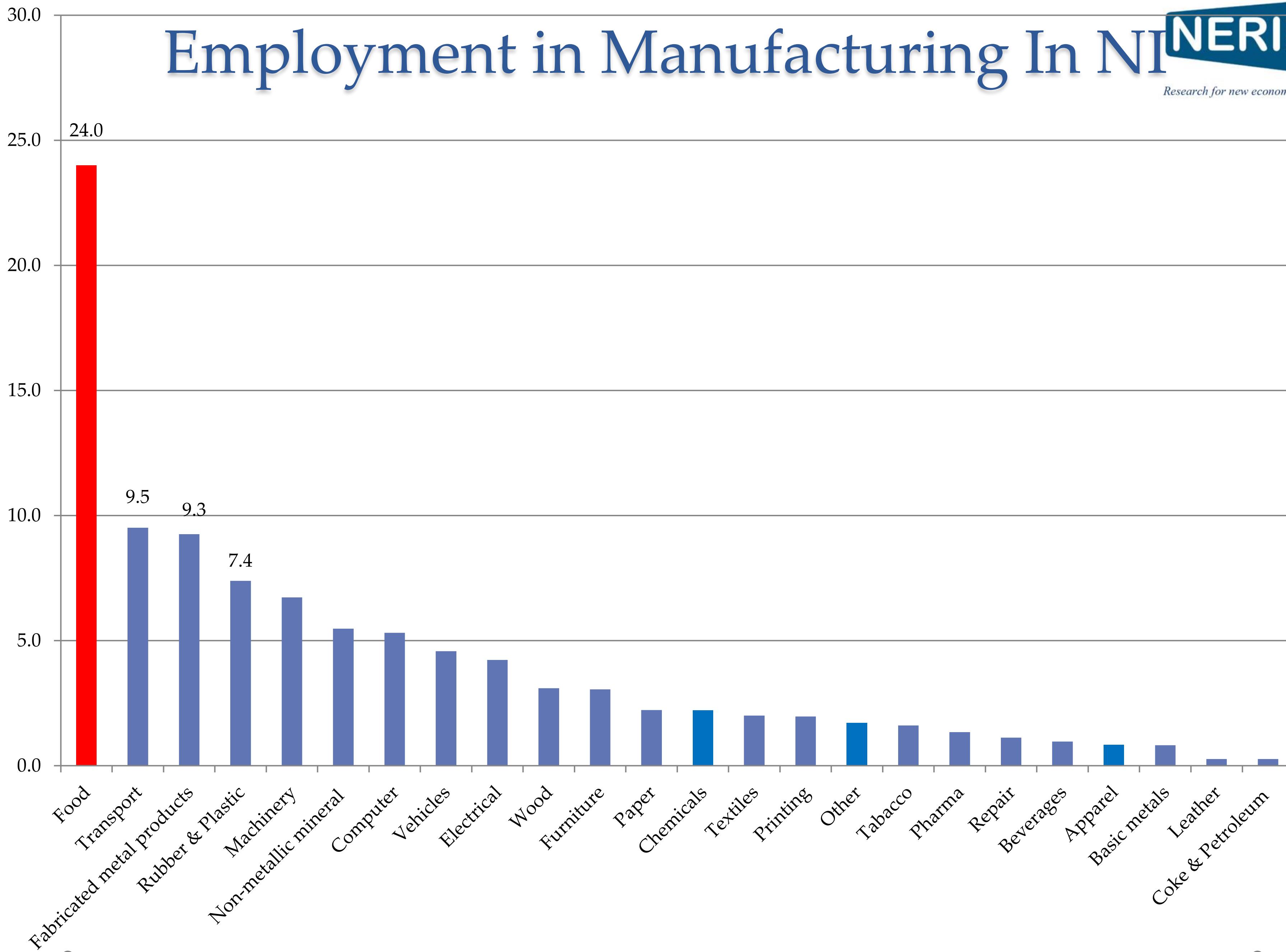
Trade post-BREXIT

- EU membership found to be most important for output/trade in agriculture, textiles, services and transport equipment.
- Customs controls tend to have greatest effect on high volume/low value (mostly lower wage) trade products
- Impact on particular industries important for labour market

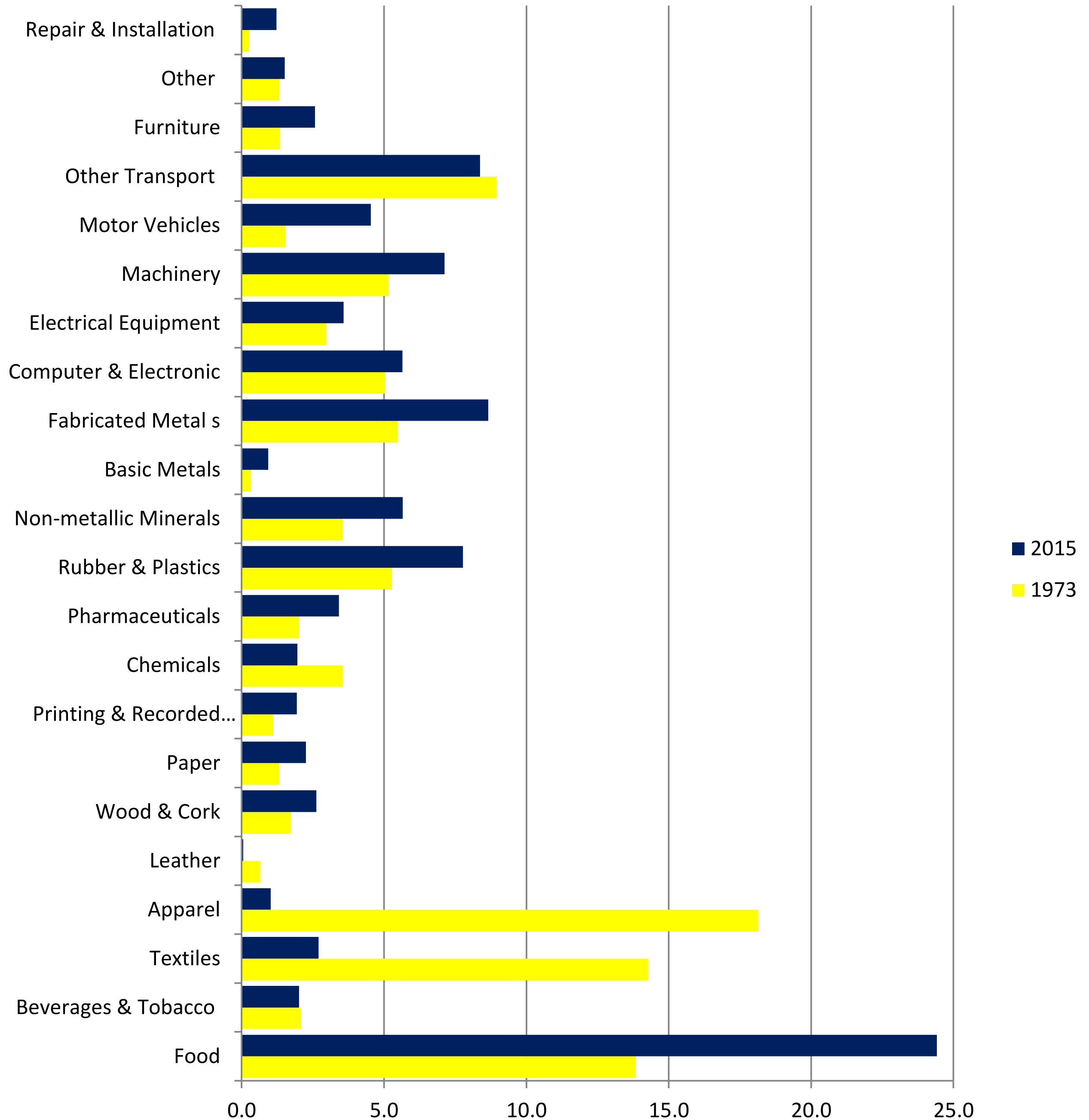
Trade and Employment



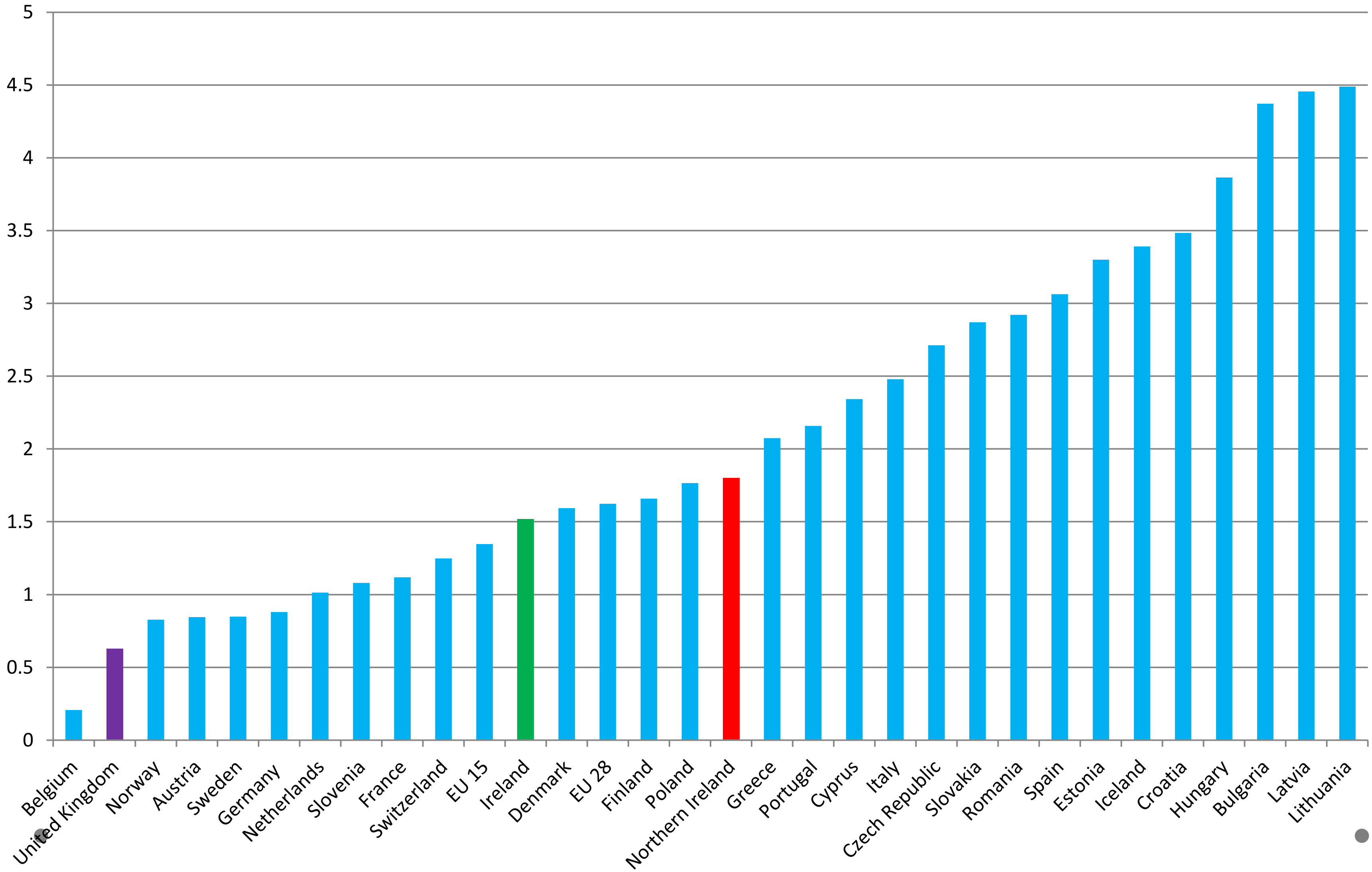
Employment in Manufacturing In NI



Research for new economic policies


Repair & Installation
Other
Furniture
Other Transport
Motor Vehicles
Machinery
Electrical Equipment
Computer & Electronic
Fabricated Metal s
Basic Metals
Non-metallic Minerals
Rubber & Plastics
Pharmaceuticals
Chemicals
Printing & Recorded…
Paper
Wood & Cork
Leather
Apparel
Textiles
Beverages & Tobacco
Food
0.0
5.0
10.0
15.0
20.0
25.0
2015
1973

Food Manufacturing (% of total Emp)



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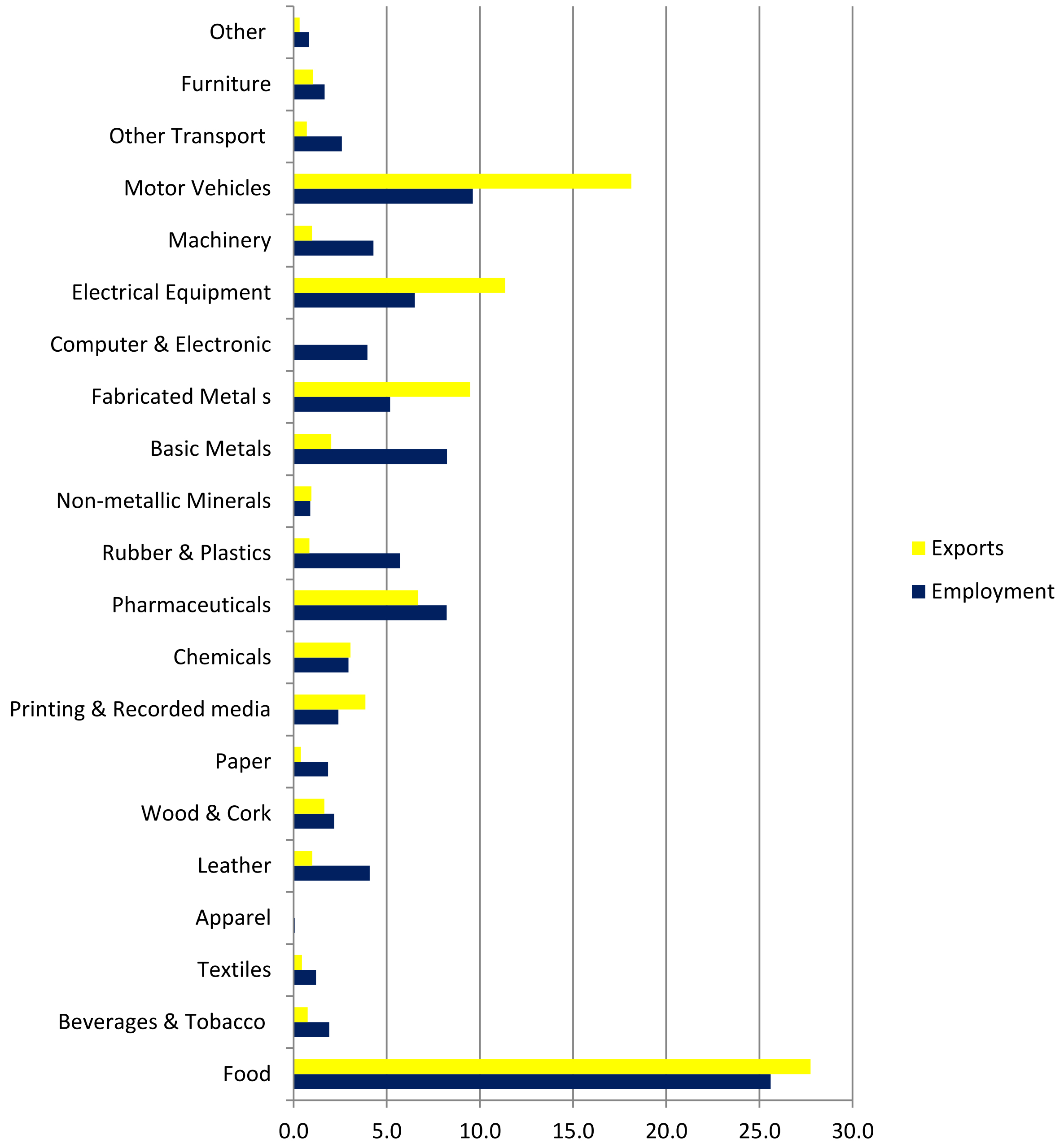
Other
Furniture
Other Transport
Motor Vehicles
Machinery
Electrical Equipment
Computer & Electronic
Fabricated Metal s
Basic Metals
Non-metallic Minerals
Rubber & Plastics
Pharmaceuticals
Chemicals
Printing & Recorded media
Paper
Wood & Cork
Leather
Apparel
Textiles
Beverages & Tobacco
Food
0.0
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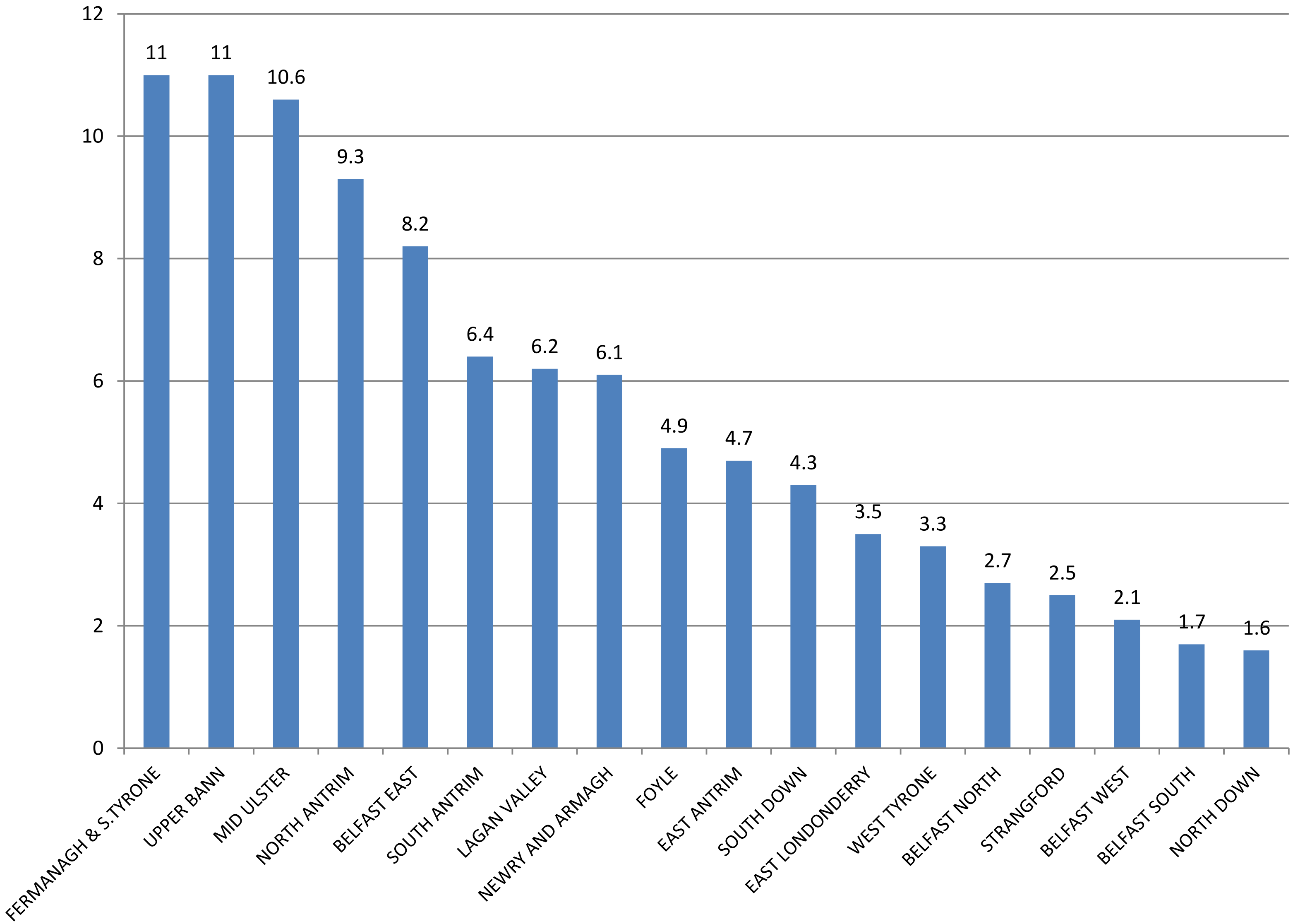
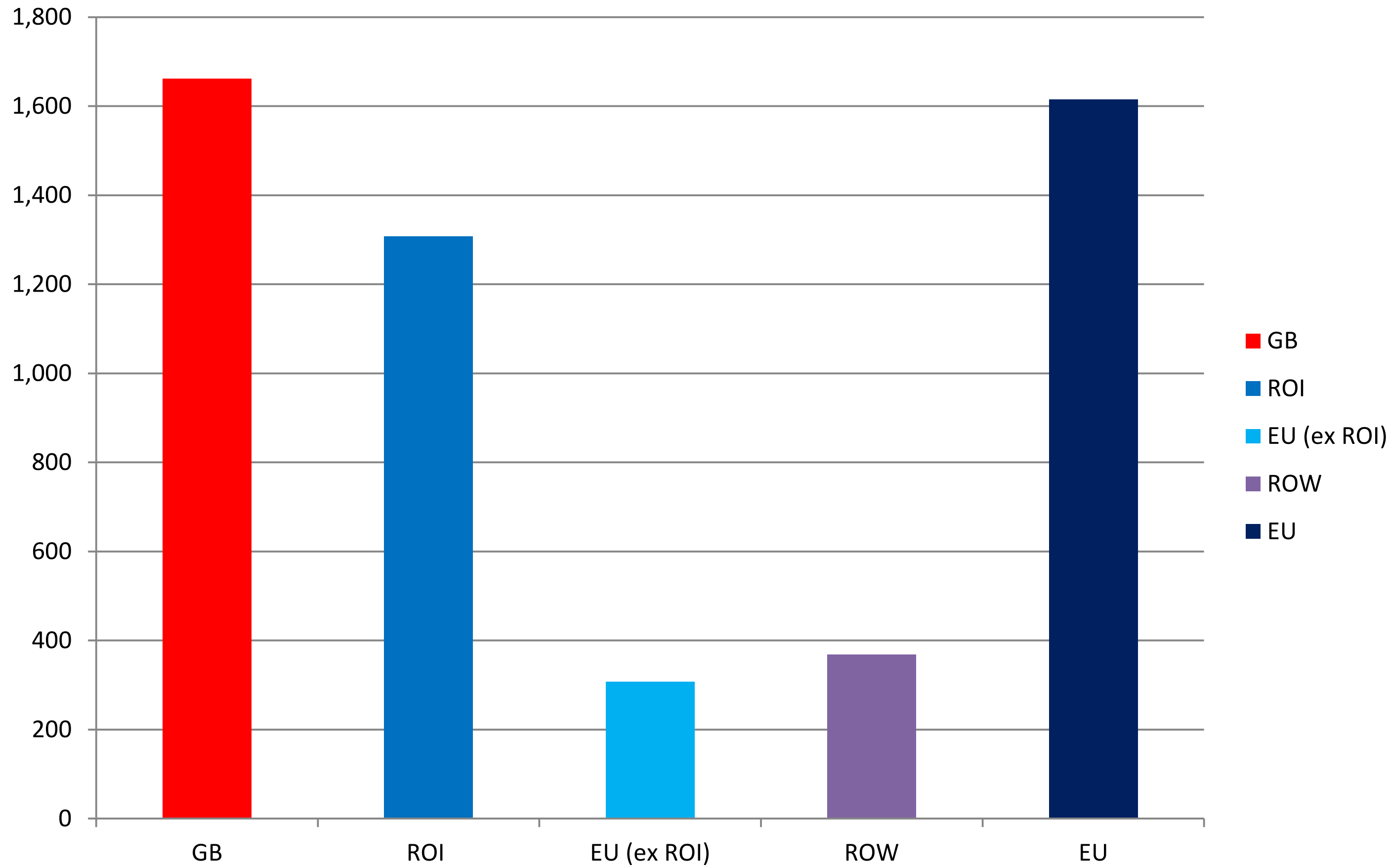
25.0
30.0
Exports
Employment

Manuf. jobs across NI

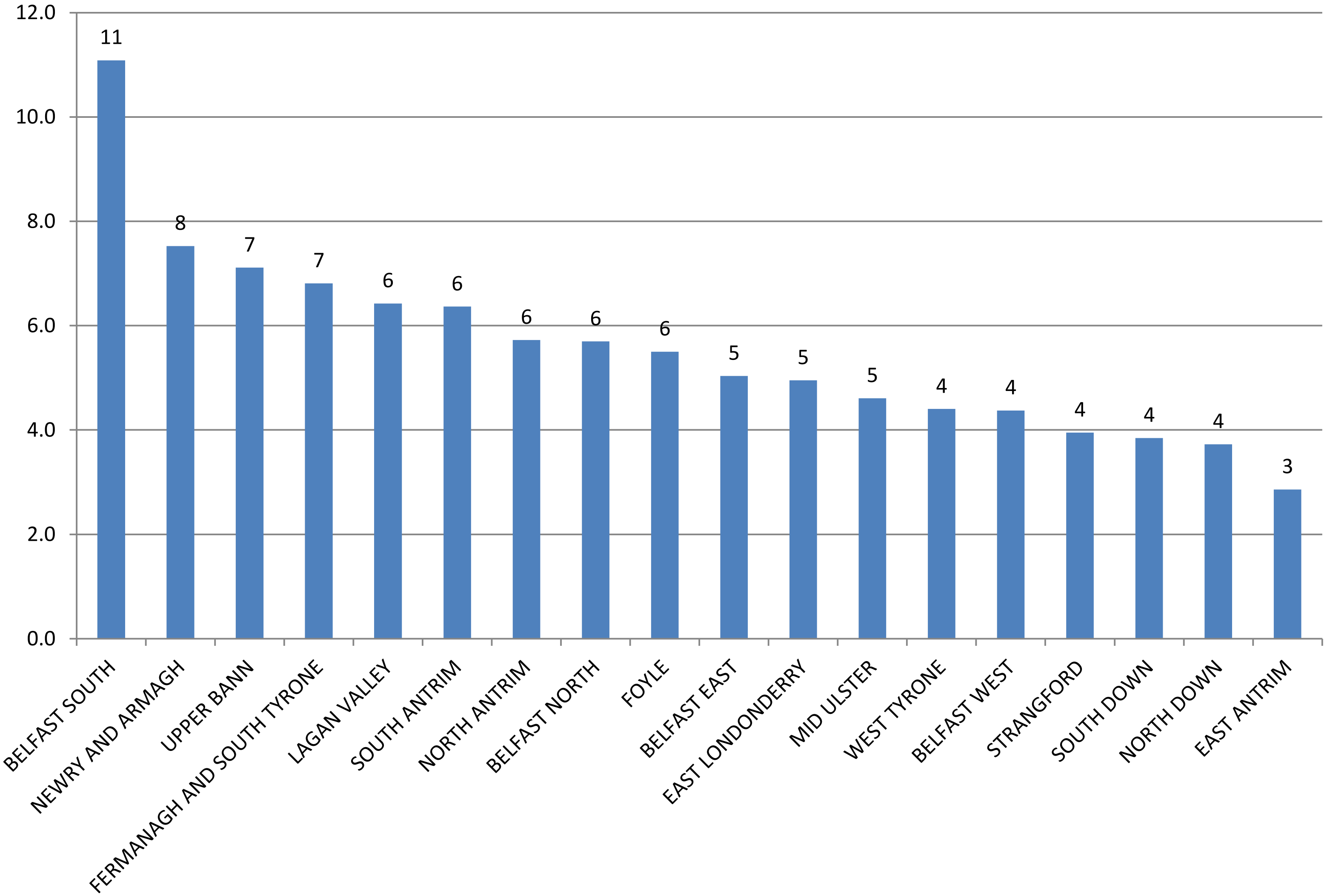


Research for new economic policies

Retail External Sales



Retail jobs across NI



Trade & Labour Market

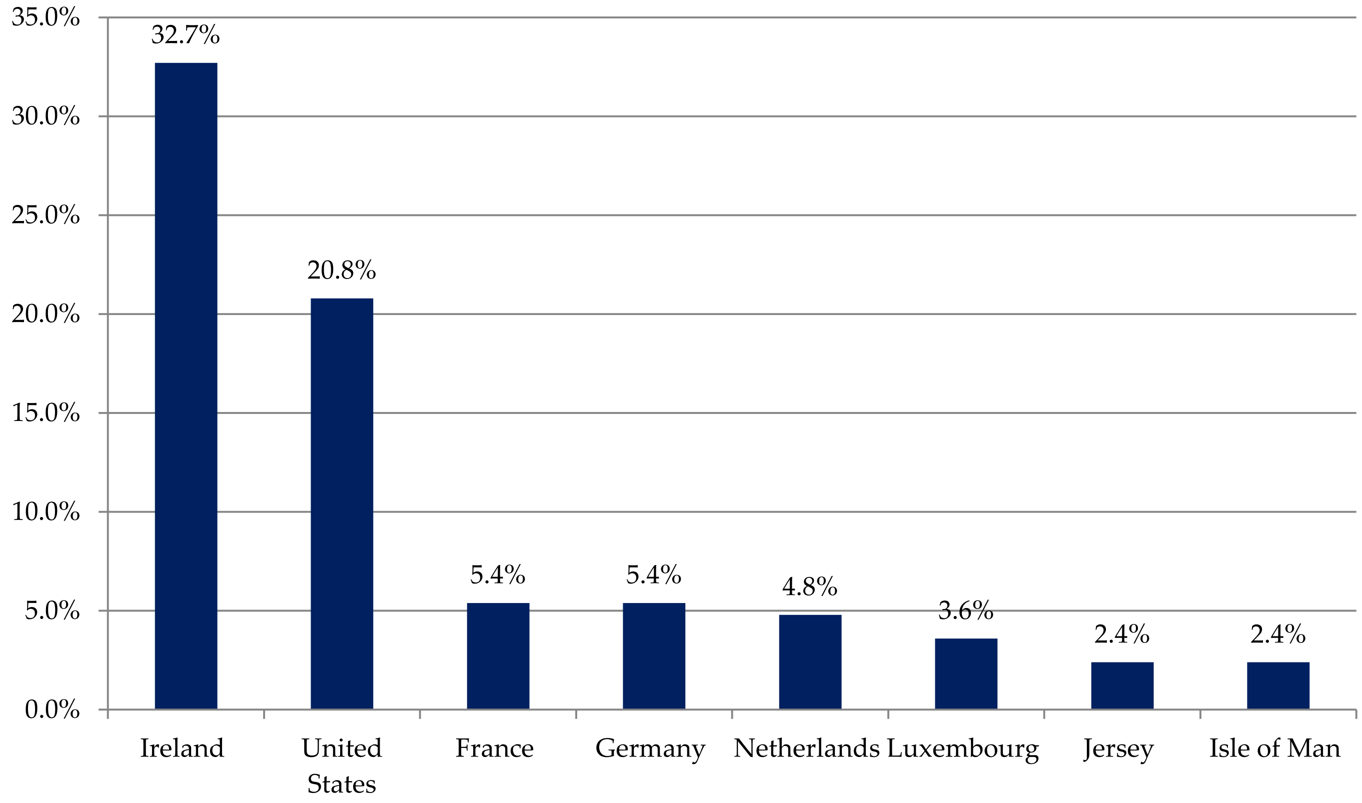
- Manufacturing sector clearly vulnerable but especially food and agri-food.
- Retail also vulnerable, but scale of this question.
- GB does not have either of these risks.

FDI in NI

- 99% of NI firms owned by NI or GB residents
- These firms only account for 86% of employees
- 14% dependent on foreign owned firms

- Position of Northern Ireland FDI post-BREXIT
  - Loss in integration with ROI may reinforce NI's peripheral position within UK
  - Effect on spill-overs from ROI FDI activity

Non GB/NI owned firms in NI



EU funding NI

- UK contribution to EU in 2015
  - £17.6bn - £4.9bn (rebate) = £12.9bn
  - NI's hypothetical population share = £366m
  - NI's hypothetical revenue share = £322.5m – £270.9m

- UK receipts from EU in 2015
  - £4.4bn (net contribution of £8.5bn)
  - NI's hypothetical receipts £124.9bn
  - No need for hypothetical – looking at CAP, CFF, Investment fund, NI received £320m in 2015, with a further $50m in PEACE and INTERREG Funds
- Only in very benevolent circumstances does NI break even. Also likely to be trade costs for UK outside EU

All-Island Economy

- Trade between NI and ROI already below expected level
- ROI market more important to NI firms than vice-versa
- Particular issues such as SEM – v important for manufacturing
- ROI will be most affected EU economy from BREXIT
- Hard to avoid negative short-term outcomes

Conclusions

- Longer term – many unknowns
  - What kind of UK will emerge? What trade deals will be created?
  - To what extent will that favour the NI economy in terms of its structure? More reliant on services?
- Short-term
  - Particular sectors within manufacturing that account for large numbers of employees disproportionately disrupted.
  - All-Island economy significantly strained – retail and energy uniquely so