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Central Bank of Ireland

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Economic Implications of Brexit

Presentation to Dundalk Institute of Technology and Dundalk Chamber of Commerce

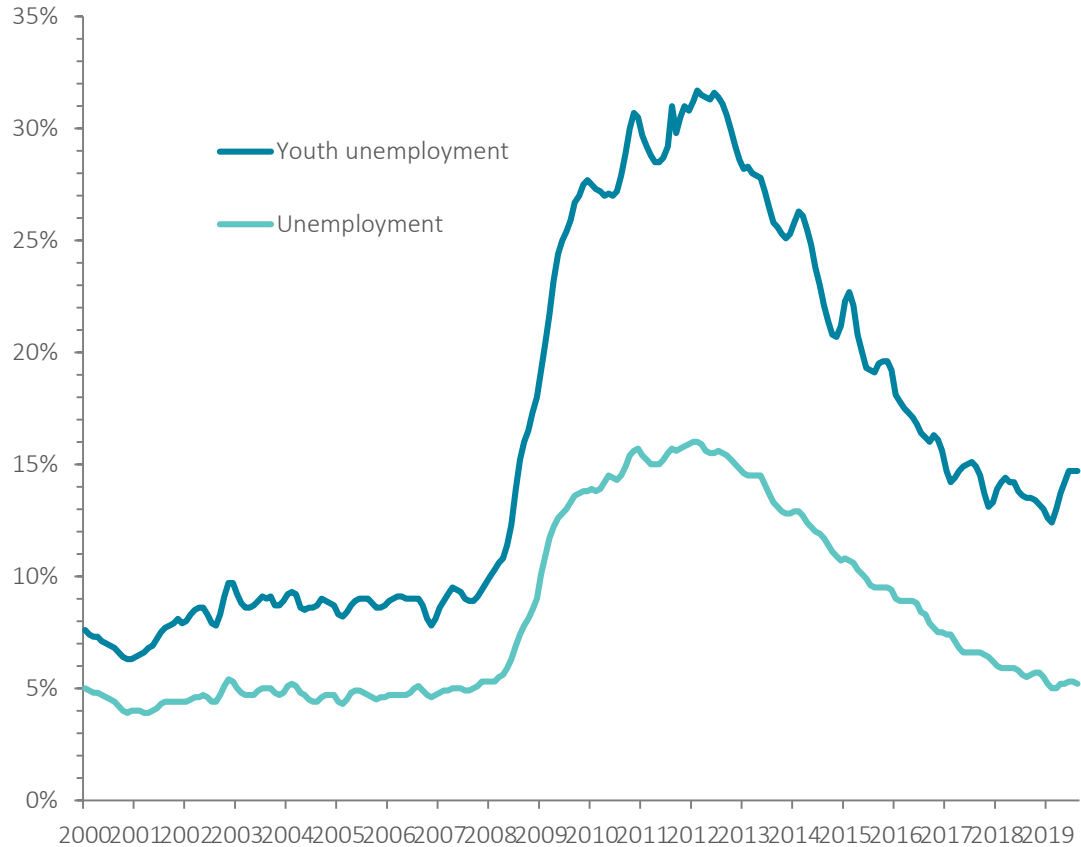
Mark Cassidy, Director of Economics and Statistics, 3 October 2019

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

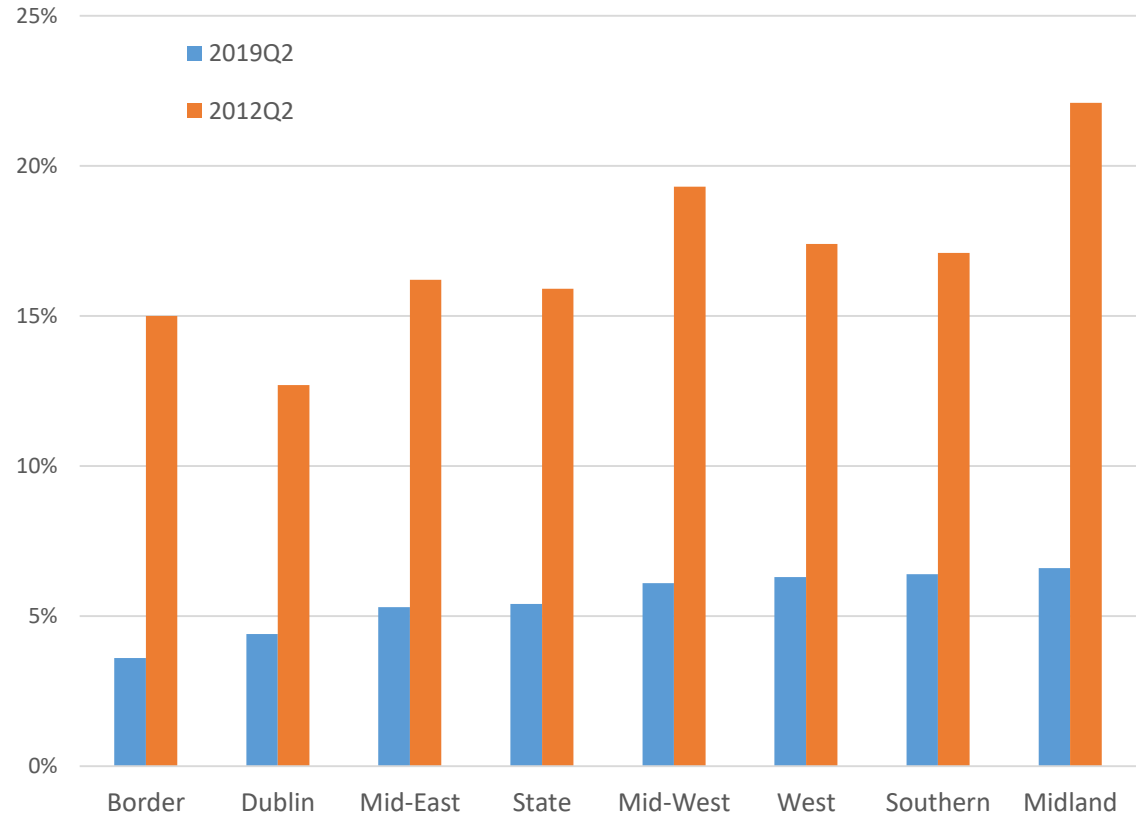


Unemployment



Source: CSO

Unemployment rate by region



Source: CSO



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Disorderly No-Deal Brexit scenario

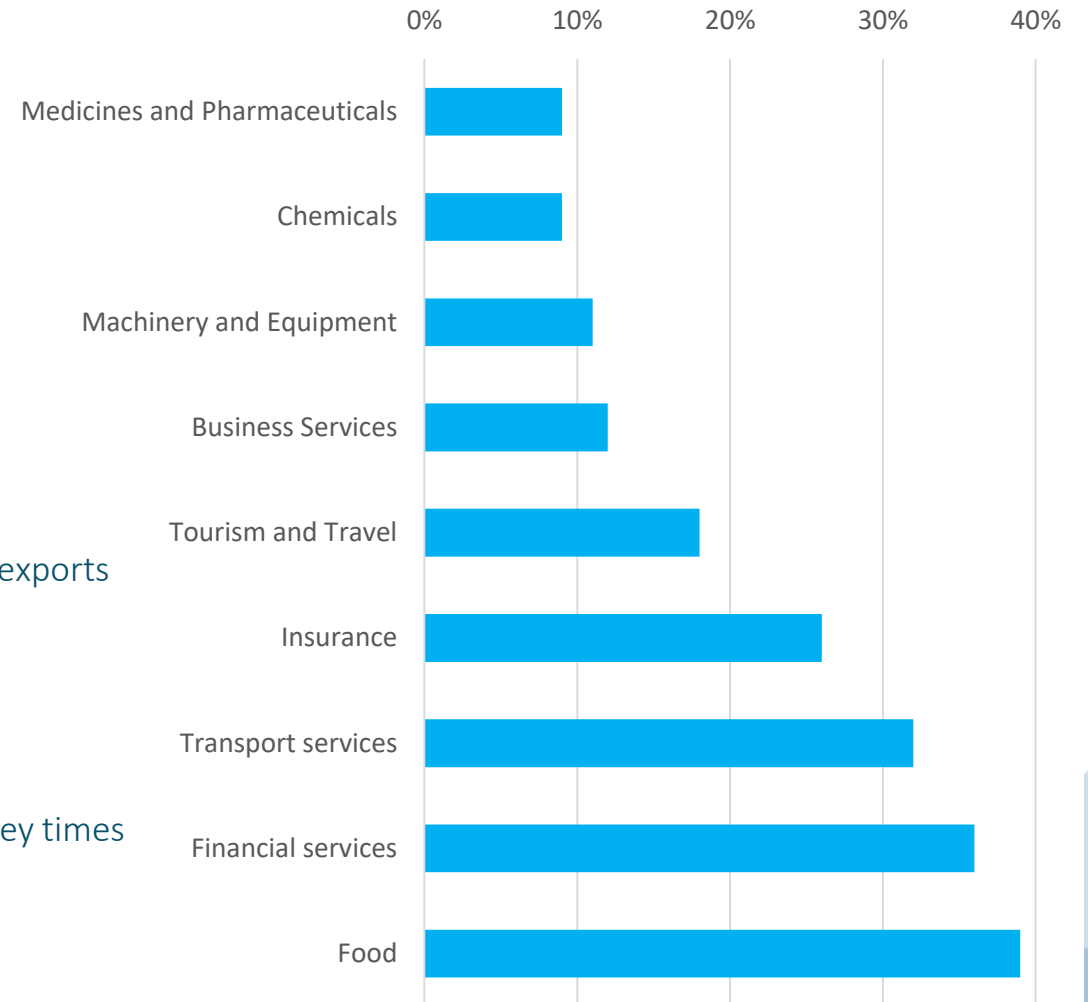
- Exports to UK affected by:
 - Large fall in UK demand,
 - Potentially large further depreciation of sterling
 - Direct imposition of tariffs
 - Other barriers to trade, including regulatory and customs checks (non-tariff barriers)
- UK also an important route for Irish exports to continental Europe (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

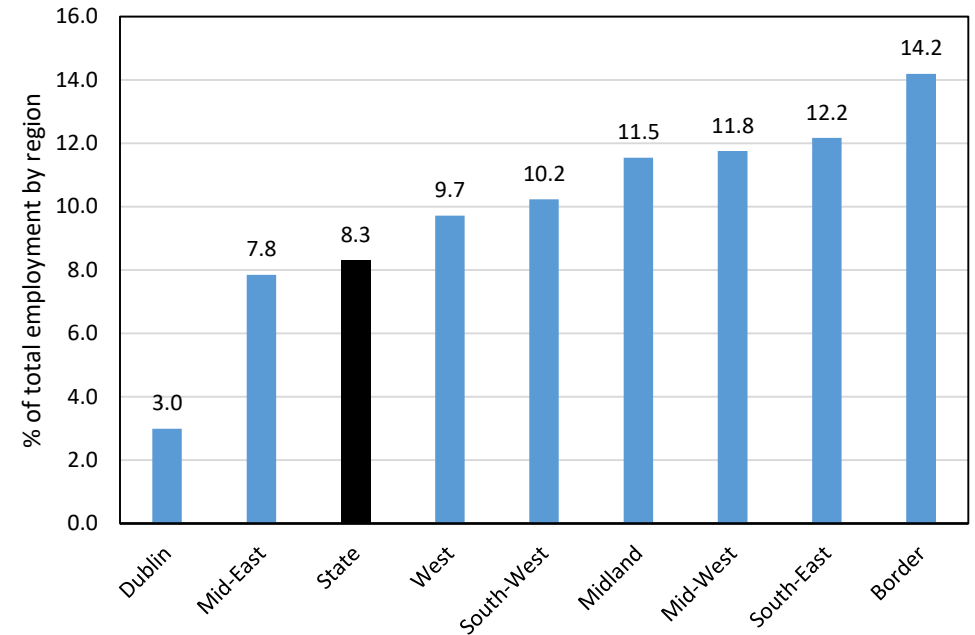
- UK an important destination for Irish exports – particularly for small and medium size enterprises (SMEs)
- Agri-food most exposed
 - 40% of exports go to UK; over 50% for beef
 - Subject to higher tariffs under WTO schedule
 - Greater non-tariff barriers (phyto-sanitary and veterinary checks)
 - Sensitive 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

Proportion of exports to UK by sector



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.

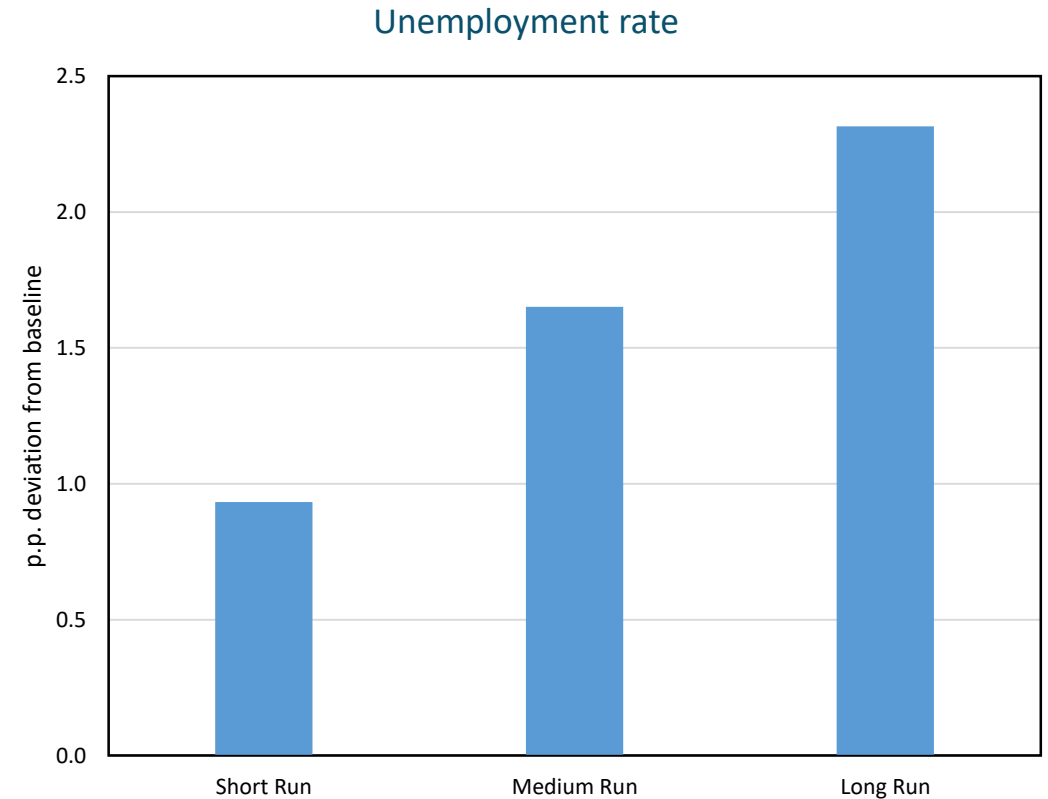
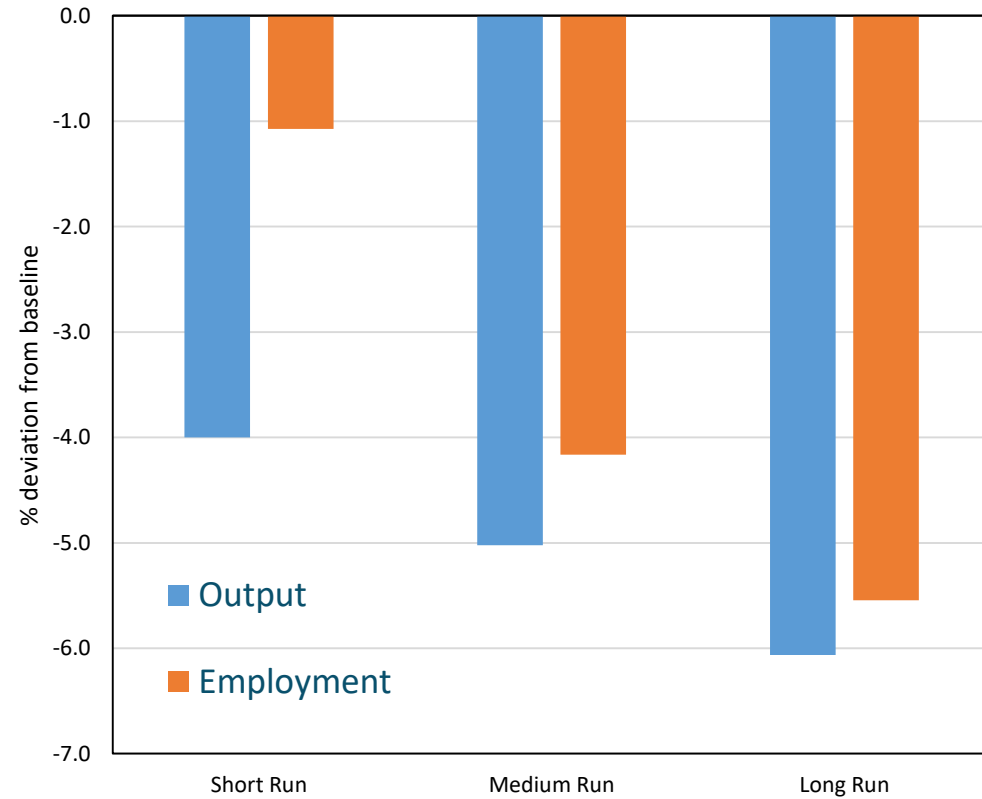
Notes: Chart shows employment in the agri-food sector in each region as a proportion of



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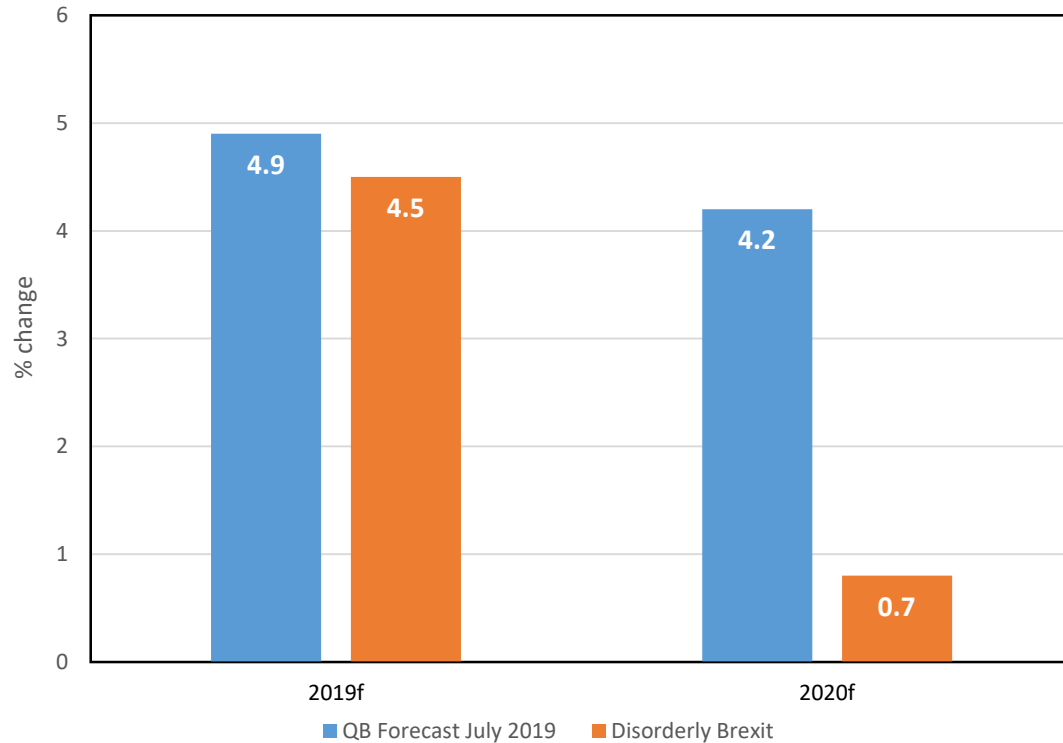
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Impact of Disorderly Brexit on Output and employment

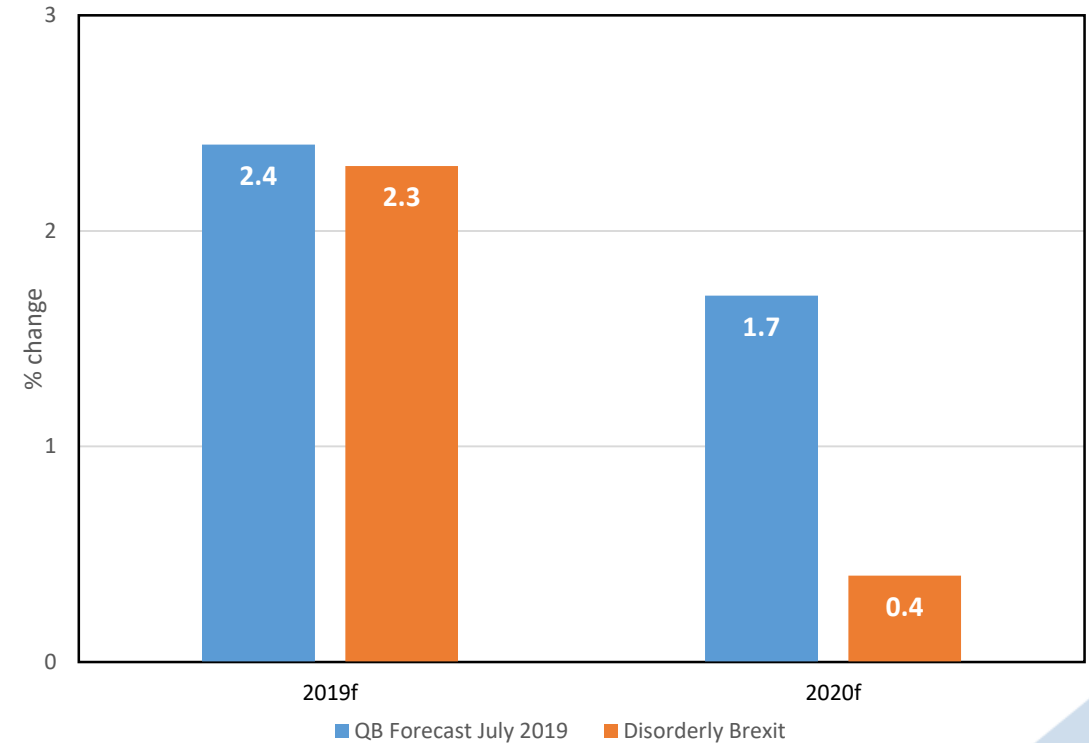


Short-Run Effects of Disorderly Brexit

GDP Growth Rate



Employment Growth Rate



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



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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

