

RES Conference 2018

Proposal for a Special Session:

Evidence on the Impact of Brexit in the UK Economy

The session would comprise three presentations using newly collected data on the impact of Brexit in the UK economy. The session is a joint venture between the Bank of England, the Centre for Economic Performance (LSE), the Centre for Globalisation and Economic Policy (Nottingham), and the Money, Macro and Finance Research Group. The focus is on the impact of Brexit on UK firms, the impact on trade and prices and the effect on the UK regions. Two common themes that run through this proposal are the effect of economic uncertainty, during and after the eventual Brexit, and the impact of trade flows on employment, productivity, costs and prices. When 'expert' views may be discounted, particularly on Brexit issues, we believe this session will allow the Royal Economic Society to promote evidence based assessments of the impact of the largest economic shock for a generation, and perhaps regain some ground for the 'experts'.

If the session is accepted we will recruit a high profile individual to Chair.

Chair TBC

Paper 1 New Survey Evidence on the Impact of Brexit on UK Firms

Nicholas Bloom (Stanford), Phil Bunn (Bank of England), Paul Mizen (Nottingham), Pawel Smietanka (Bank of England), and Greg Thwaites (Bank of England).

The initial predictions about the effects of Brexit on UK businesses were extremely negative. Perhaps rather surprisingly these predictions have not materialised, but is that a reason to assume economists were wrong to highlight the potentially disruptive effects of Brexit? This paper present new evidence from a monthly online survey of nearly 3000 firms about CFO's subjective expectations over sales revenue growth, investment growth, hiring, relocation possibilities and assessments of how important Brexit may be as a source of uncertainty for their decision making. The paper draws on quantitative and qualitative information about subjective expectations and uncertainty from a panel aligned with the UK Business Register. The results suggest Brexit is a major source of uncertainty for UK firms, it will impact negatively on real activity, costs and prices and on productivity.

Paper 2 The Economic Impact of the Leave Vote: Evidence from Prices and Trade Flows

Tom Sampson (LSE), Holger Breinlich (Nottingham) and Dennis Novy (Warwick).

The UK has voted to leave the EU, but Brexit has yet to occur. In this paper we study the economic consequences of the leave vote. The referendum led to a depreciation in sterling and an increase in economic policy uncertainty in the UK, particularly trade policy uncertainty. We analyse the effect of these changes on disaggregated price and trade flow data. Our results shed light both on how the UK's economy has been affected by the referendum and on agents' expectations about the long-run effects of Brexit.

Paper 3 The Local Economic Effects of Brexit

Swati Dhingra (LSE) and Steve Machin (LSE and CEP)

Predictions on the economic consequences of Brexit are of interest for both central and local government in understanding how different areas might be affected by Brexit and in designing the appropriate policy response. We study the local impacts of the increases in trade barriers associated with Brexit. Using the sectoral employment shares of local authorities, we estimate the impact of different Brexit scenarios in different local areas. The average effect of Brexit is on a local area is negative, with areas in the South of England, and urban areas, predicted to be harder hit by Brexit. Our results show areas that were most likely to vote remain are those that are predicted to be most negatively impacted by Brexit.