



Tiverton U3A Economics Group

12th August 2020
Online Meeting

Impact of Brexit
on Different Industries

Agenda

- Review of COVID-19 extra costs
- Relative impact of COVID-19 & Brexit
- What are “WTO rules”?
- Current situation with EU trade
- Impact by Industry

>> Situation is “fluid” !! e.g. easily out of date !!

Breakdown of extra Government Expenses for COVID-19 for 2019/20

Initial Announcements

Estimates of COVID-19 Impact in 2020/21
Sources: mostly OBR

- £182bn extra
- Response Fund (£16b)
- Furlough scheme (£100b 7 months)
- Cash grants to Small Bus. (£12b)
- VAT deferrals (£30b)
- Self Assessment deferrals (£13b)
- Business Rates holiday (£11b)
- 2nd Qtr GDP -35%
- 2020/21 GDP -15%
- 7.5m Employees in Furlough Scheme

Announcements on or before 7th August

Estimates of COVID-19 Impact in 2020/21
Sources: mostly OBR

- £221bn extra

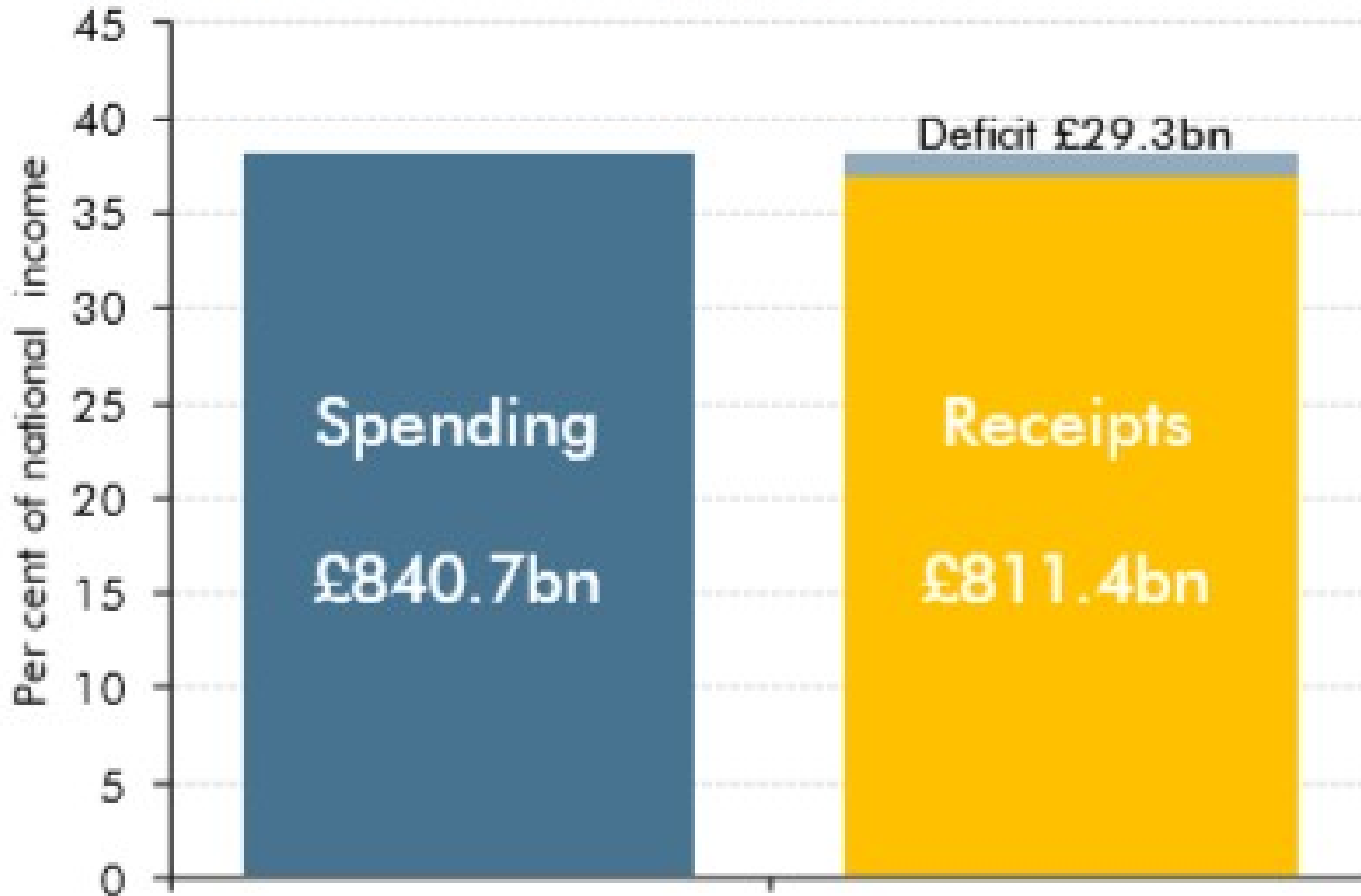
Category	Sum of Current estimated cost £b
Support for businesses	117.4
Health & social care	39.0
Support for individuals	36.5
Other public srvcs & emergency	26.7
Other support	1.2
Grand Total	220.8

Source: National Audit Office

OBR Estimates for Government 2019/20

No similar data available for 2020/21

Spending and receipts in 2019-20



Government estimate of £221bn needs to be seen against “normal” spending & receipts

Impact of Covid-19 versus Brexit

Difficult to disentangle them but current view is:

- Covid-19 has a Short Term Impact
- Brexit has a Long Term Impact

18th October 2019

House of Commons Library

UK Parliament > House of Commons Library > Insight > Brexit deal: Potential economic impact

Insight

Brexit deal: Potential economic impact

Published Friday, 18 October, 2019

UK long-term GDP impacts under different scenarios

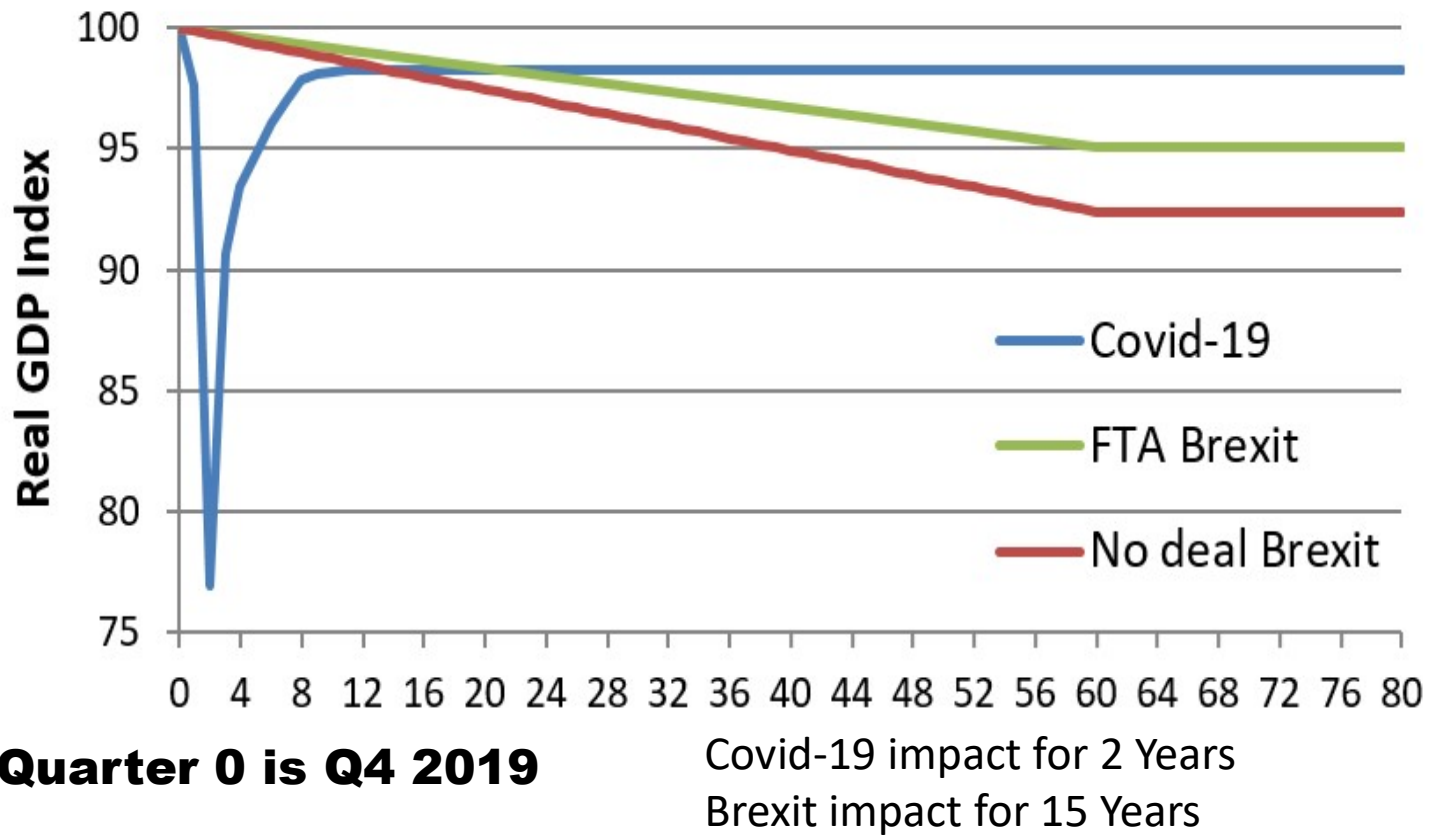
% difference in GDP level in 15 years compared to staying in EU



Source: HM Govt, EU Exit: Long-term economic analysis, Nov 2018

* In view of most analysts

Figure 2: Forecast Shocks to UK GDP



Sources: Bank of England for Covid-19 impact
HM Government's 'EU Exit: Long Term Economic Analysis' paper

World Trade Organisation

No Deal = WTO rules. Why does it have such a big impact?

[World Trade Organisation explained in One Minute \(& 29 seconds\)](#)

- Established in 1995 to provide a level playing field for trade ww
 - Sets rules by majority
 - Resolves disputes
 - Imposes sanctions if/when necessary

[Explaining Brexit & the WTO](#) (13 Minutes)

- Timetables have changed since this video was made in Aug 2018
- WTO rules apply equally to all countries without a Trade Deal

Current Situation

- Labour Market
 - 2.4 million EU nationals in the UK
 - 1.3 million UK nationals in the EU
- Exports
 - Represent about 15% of GDP (Imports ~16%)
- Trade with EU
 - EU accounts for 48% of UK exports
- Manufacturing
 - Represents 10% of UK economy
 - Represents 45% of Exports to EU (e.g. ~ 22% of total exports)
 - Supply chains very tightly integrated with EU

UK Exports & Imports

Top 10 countries (incl. 7 in EU)

This is a list of the largest trading partners of [United Kingdom](#) based on data from Office for National Statistics Pink Book for 2019 Goods and Services.^[1]

Trade in GBP £ Millions

Rank ↕	Country ↕	Imports to UK ↕	Exports from UK ↕	Total trade ↕	Trade balance ↕
-	Total for non-EU	300,974	341,932	642,726	41,138
-	 European Union (Total)	341,002	273,978	614,980	-67,024
1	 United States	70,366	112,217	182,583	41,851
2	 Germany	78,109	56,818	134,927	-21,291
3	 Netherlands	46,941	39,046	85,977	-7,885
4	 France	40,814	40,378	81,192	-436
5	 China	45,227	22,311	67,538	-22,916
6	 Ireland	21,788	34,034	55,822	12,246
7	 Spain	31,302	16,115	47,417	-15,187
8	 Belgium	28,211	18,745	46,956	-9,466
9	 Italy	24,010	18,869	42,879	-5,141
10	 Switzerland	11,657	19,035	30,692	7,378

Industries High impact from Brexit

(excluding Service Industries)

Industry Name	Net Increase April-June 2020	Brexit Predicted Effect
Chemicals & Chemical Products	-70.0%	-15.1%
Mining & Quarrying	32.9%	-12.5%
Electrical & Optical	-53.5%	-6.3%
Textiles & Leather	-58.7%	-5.2%
Other Business & Equipment Rental	-70.2%	-4.0%
Telecoms	-77.1%	-3.9%
Real Estate Activities	-62.0%	-2.6%
Other Support & Auxiliary Transport Activities	33.9%	-2.5%

Source: LSE Study by Industry

Industries Medium impact from Brexit

(excluding Service Industries)

Industry Name	Net Increase April-June 2020	Brexit Predicted Effect
Retail Trade (excl Motor Vehicles)	-41.5%	-2.3%
Recreation, Social & Personal Services	-91.2%	-2.3%
Wholesales including Motor Vehicles	-76.9%	-1.6%
Inland Transport	-104.3%	-1.2%
Transport Equipment	-75.4%	-0.9%
Other Machinery	-71.2%	-0.2%
Hotels & Restaurants	-88.6%	-0.2%

Source: LSE Study by Industry

Industries Low impact from Brexit

(excluding Service Industries)

Industry Name	Net Increase April-June 2020	Brexit Predicted Effect
Other Non-Metal Minerals	-99.7%	0.2%
Rubber & Plastics	-123.7%	0.7%
Other Manufacturing	-29.0%	2.5%
Food Beverages & Tobacco	-56.6%	2.8%
Agriculture Forestry & Fishing	-9.1%	4.2%
Basic Metals & Fabricated Metal	-76.9%	5.1%
Pulp, Paper, Printing & Publishing	-95.9%	6.3%
Water Transport	-73.6%	9.1%
Wood & Wood Products	23.9%	15.9%

Source: LSE Study by Industry

Industries most at risk

Chemicals & Chemical Products

Mining & Quarrying

Electrical & Optical

Textiles & Leather

Telecoms

Source: LSE

- **Automotive**
- **Financial Services**
- **Airline**
- **Pharmaceutical**

Source: World Finance

- **Automotive & Supply Chain**
- **Financial Services**
- **Health Care**
- **Food & Farming**
- **Telecoms**

Source: tutor4u



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Comments relating to Brexit:

Impact on Agriculture seems underestimated

Agriculture/Food impacts poorer people most

Comments relating to COVID-19:

Permanent effect on Retail expected

Also major impact on Tourism likely