

Experts' breakfast, 10 November 2016

New wiiw forecast for Central, East and Southeast Europe, 2016-2018

Special topic:
Brexit – Impacts on CESEE

Robert Stehrer

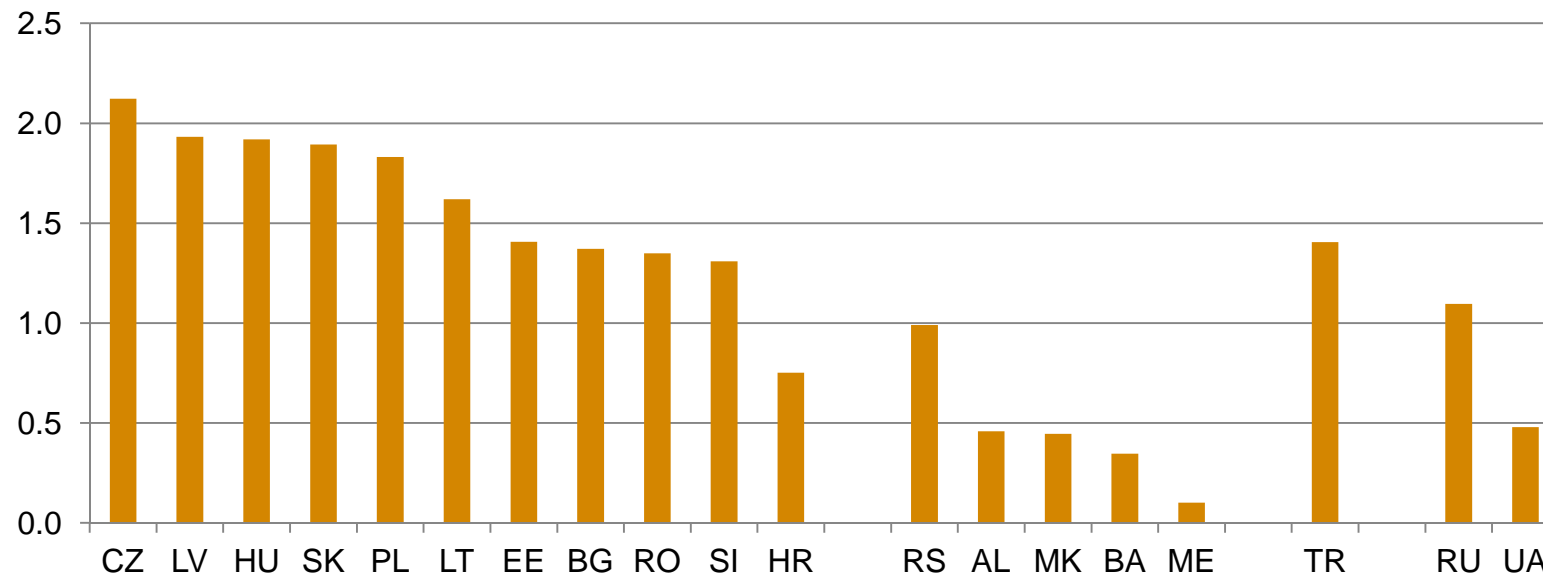
Robert.Stehrer@wiiw.ac.at

Relations between EU-27 – UK

- Trade and FDI
 - About 40% of UK exports go to EU-27
 - Only 6% of EU exports go to UK
 - Similar dimensions for FDI
- Budget
 - UK accounts for second largest net contribution to the EU budget
- Mobility
 - Almost 3 mn EU citizens living in UK (4.5% of UK population)
 - About 1.2 mn UK citizens live in EU (2% of UK population; 0.3% of EU-27 population)

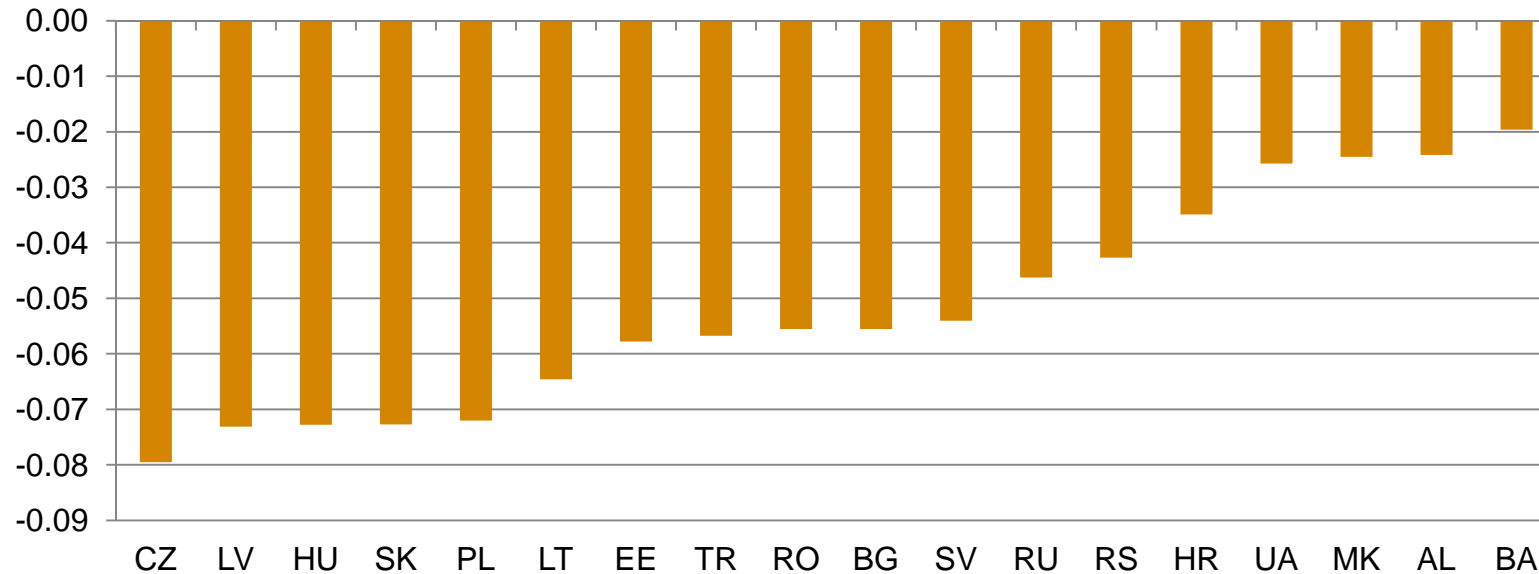
CESEE export share to UK is small

Value-added exports to the United Kingdom in 2014, in % of GDP



Lower UK demand has limited effects on CESEE

Impact of a -1% final demand shock in the UK, in % of GDP



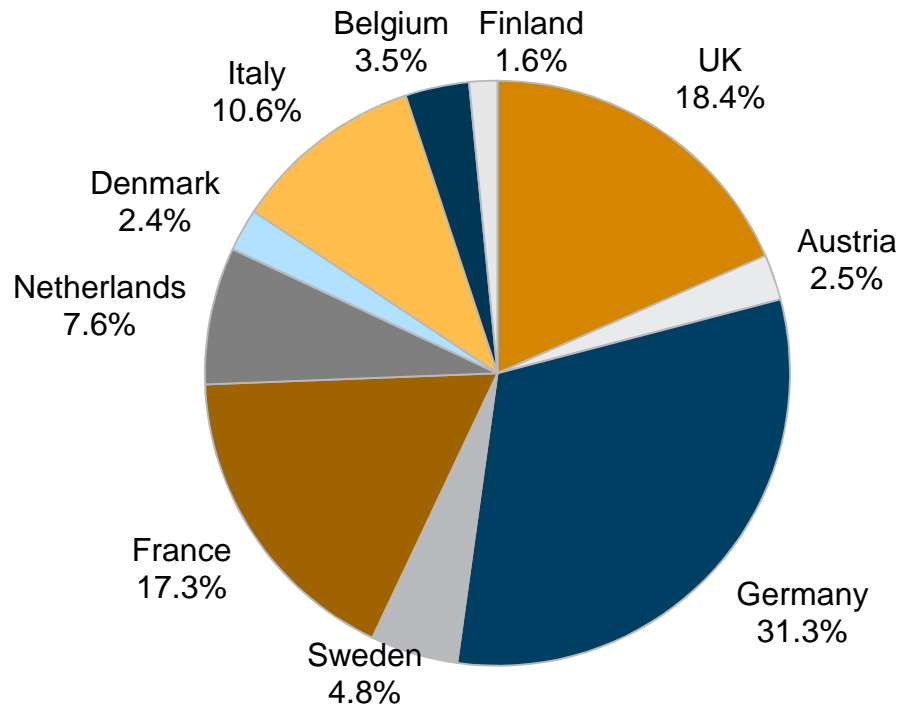
- Various scenario simulations show a (cumulated long-term) decline of UK GDP (against 'baseline') from 0 to -10%
- However, potentially other risks

Note: The scenario assumes a drop in UK final demand by 1% and includes direct, indirect and induced effects (assuming a ratio of final demand to GDP change of 0.5).

Source: Wider Europe WIOD (preliminary version, October 2016); wiiw calculations

EU-CEE countries could lose up to 20% of EU transfers

Share of net contributor Member States in the net cross-Member State redistribution in the EU, average 2011-2015, in %

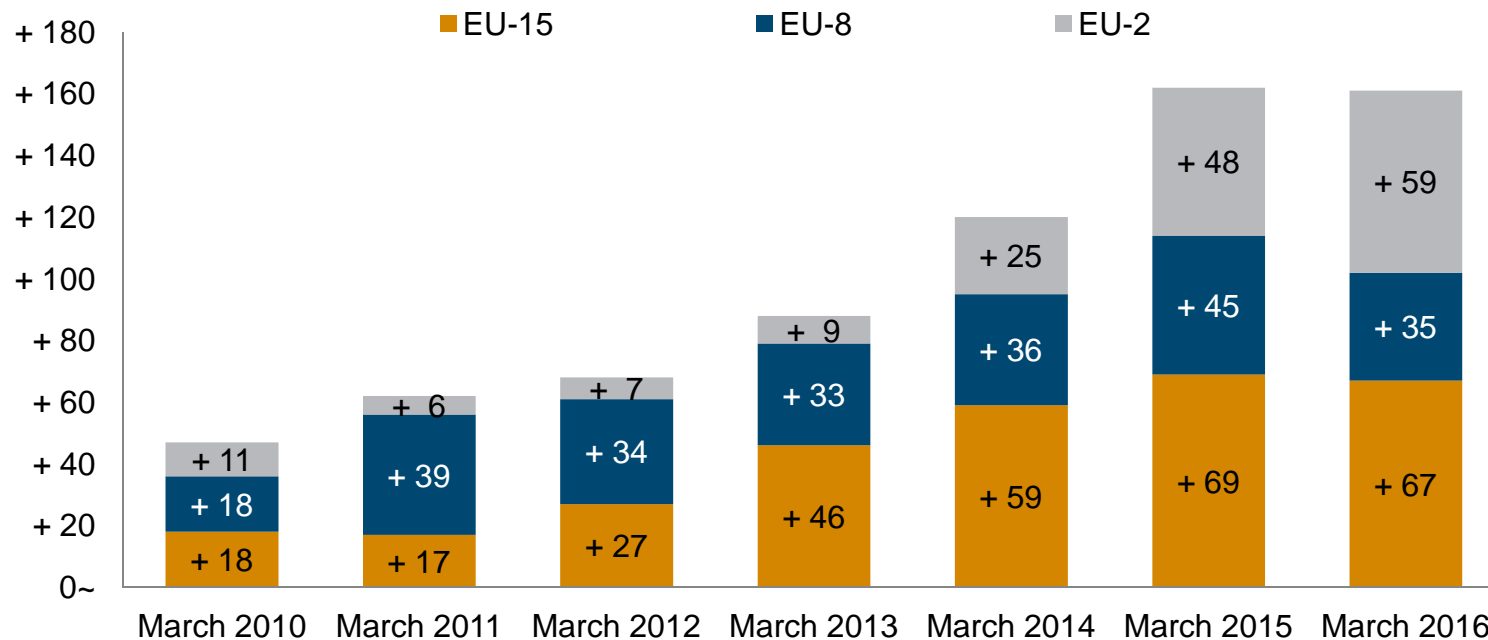


- No reduction in 2017 and 2018
- Maybe from 2019 on (though Brexit timing unclear)
- In EU financial framework from 2021 on CESEE region may be hit by substantially lower EU transfers
- Cohesion funds likely to be affected relatively strongly

Source: Calculations based on European Commission data.

EU-CEE migration to UK already stagnating ...

Net migration from EU-2 (Bulgaria and Romania), EU-8 (Visegrad countries & Baltics), and EU-15 to the UK, 2010-2016, in thousands



Source: UK Office of National Statistics.

... likely to fall strongly even without Brexit

- Announcement of reduction of net migration flows (per year) from about 330,000 to 100,000; about 50% from EU
 - Migrants already living in UK likely to be not affected
- Migration flows from EU-CEE region to UK will fall in the medium run by 50% even without restrictions
 - About 100,000 from EU (from about 160,000-180,000 in 2015/2016)
 - About 50-60,000 from EU-CEE (from about 95,000 in 2015/2016)
- Reasons: UK losing attractiveness; better economic prospects in sending countries, demographic aspects, ...
 - However: likely increase in 'circular migration' (visa regulations, study purposes, ...)



Wiener Institut für
Internationale
Wirtschaftsvergleiche

The Vienna Institute for
International Economic
Studies

www.wiiw.ac.at

Thank you for your attention!

Visit us at:

www.wiiw.ac.at

facebook.com/wiiw.economic.studies/

twitter.com/wiiw_news/