The UK referendum on EU membership

The impact of a possible Brexit on Irish business

Contents

April 2016

The UK will hold a referendum on whether to remain in or to leave the European Union (EU) on the 23 June 2016.

This will be a hugely important decision for the British people, with major potential impacts on Irish business.

Ibec strongly supports continued UK membership of a strong, forward-looking and globally competitive EU.

Ibec worked with British and European business partners to encourage the European Council decision of February 2016 on a new settlement for the UK in the EU. With the UK referendum fast approaching there is growing interest in the likely outcome, procedures for a potential Brexit if the UK votes to leave and the implications for business in the UK and Ireland.

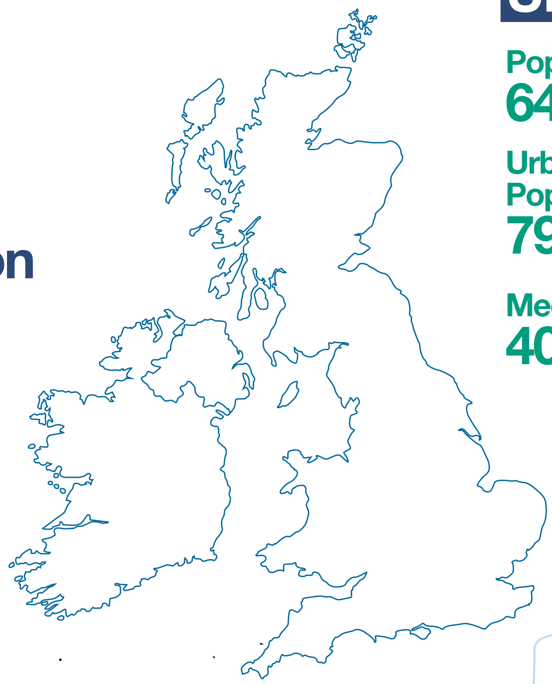
In the UK, YouGov's recent opinion poll[1] showed 40% are in favour of remaining in the EU compared to 37% in favour of leaving, with 23% undecided or indicating that they would not vote. While polls four months out from a referendum cannot be taken as a precise guide YouGov conclude that Remain's small lead has support from fundamentals, with the British public viewing leaving the EU as a risky option that would have a negative effect on jobs, the economy and British influence.

If the UK votes to remain a member of the EU the European Council decision of February 2016 will be implemented. In this event Ibec believes that the Irish government and Irish MEPs should, first, ensure that implementation of the decision of February 2016 does not disadvantage Irish business and second, work to reduce the regulatory burden on business and 'hard-wire' reforms to a long term commitment to improve EU competitiveness. Ireland will also need to pay close attention to implementation of the 'alert and safeguard mechanism' to restrict in-work benefits to ensure that free movement of people between Ireland and the UK is not adversely impacted. The Irish government should support improved cooperation and communication between euro and non-euro member states. A strong and resilient single currency will benefit Europe as a whole, not just the Eurozone countries. We must also ensure the integrity of the single market and ensure compliance with agreed EU rules.

Though a vote to leave is not the most likely outcome of the UK referendum; neither can it be ruled out particularly as referenda can be impacted by other issues. The remainder of this document focuses on what a UK vote to leave would mean from an economic and business perspective. Given our unique trade and investment relationship Ireland would be impacted most by a UK vote to leave the EU.

1. YouGov UK Poll conducted on 2 and 3 March 2016

The UK – a large and increasing population[2]



Ireland

Population
4.8 million

Urban Population
62.2%

Median Age
36

UK

Population
64.9 million

Urban Population
79.6%

Median Age
40

EU

Population
506.8 million

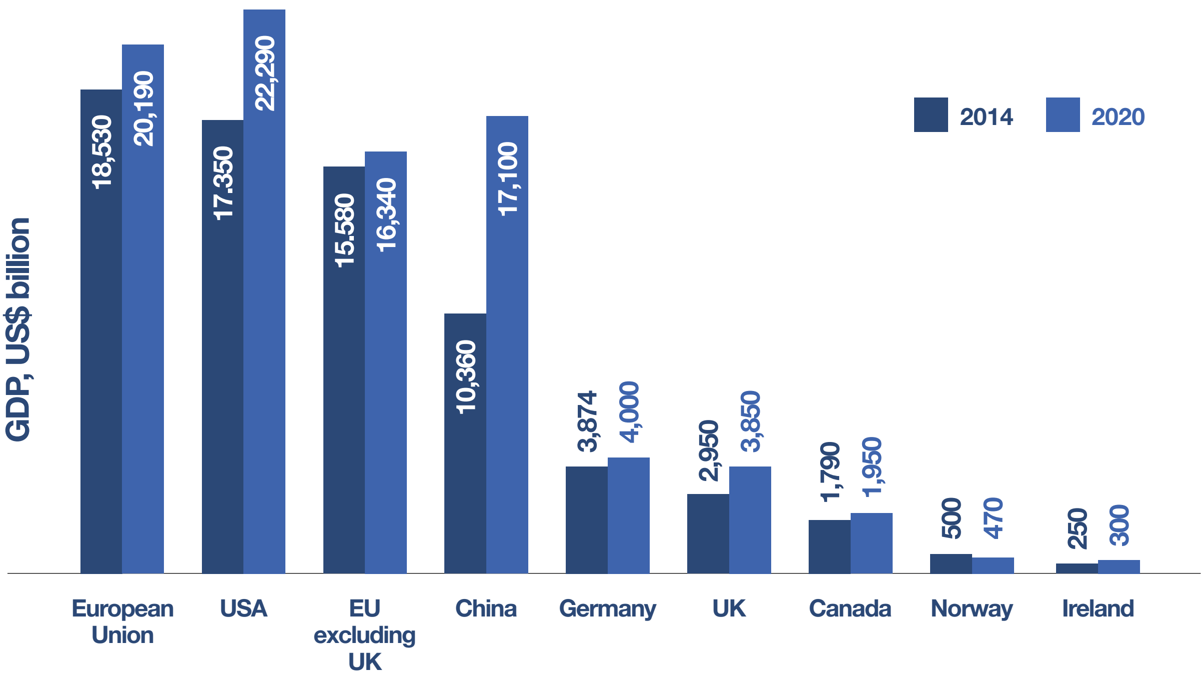
Urban Population
72.4%

Median Age
42

Eurostat forecast by 2050 the UK will be the largest country in Europe with 77.2m people, compared to France (74.3m) and Italy (67.1m). In contrast, almost half of European countries are forecast to experience population decreases, with Germany forecast to fall from its current population of 81 million to 74.7 million.

2. Eurostat (2015) 'People in the EU – Population Projections' and Index Mundi (2014): http://www.indexmundi.com/ireland/demographics_profile.html, http://www.indexmundi.com/united_kingdom/demographics_profile.html

The EU is the world's largest economy with the UK[3]



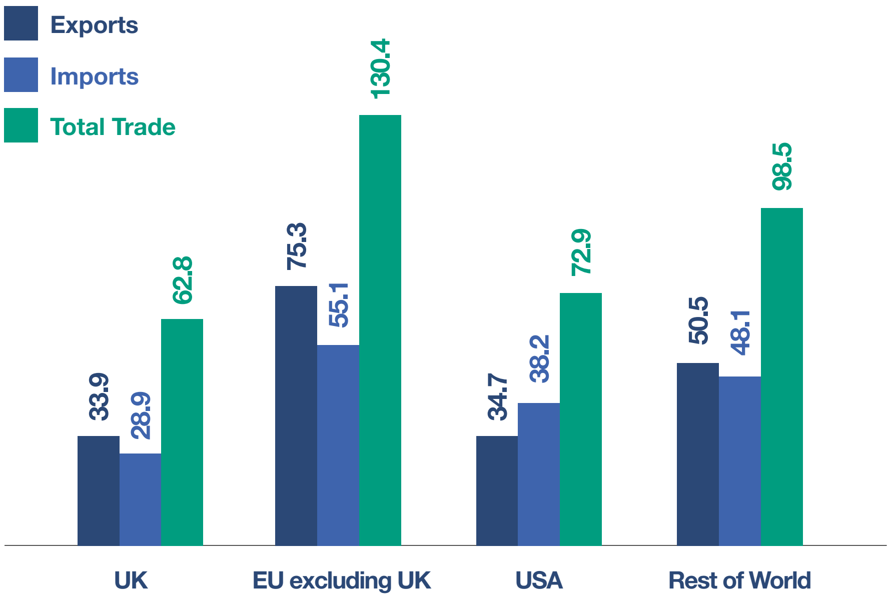
The European Union is the largest economy in the world; if the UK were to leave, the EU would be the second largest economy behind the USA but still ahead of China.

The UK economy is larger than Canada, who has recently completed a comprehensive economic trade agreement with the EU. Norway is the largest European economy outside the EU and is around one sixth the size of the UK economy. The size of Ireland's economy is roughly half that of Norway or one twelfth the size of the UK economy.

3. IMF, Economic Outlook, October 2015

Ireland and the UK – important trading partners[4]

Irish trade in goods and services (€ billion)



The UK is one of Ireland's most important trading partners along with the EU and USA.

For both goods and services trade, the movement of people between Ireland and the UK is critical and could be restricted in the case of Brexit. However, Ireland has long enjoyed special status for its citizens to travel and work in the UK without restriction – even prior to EU membership in 1973.

Ireland's trade of goods and services with the UK totals over €60 billion per year or more than €1billion each week.[5] The UK is Ireland's largest single trading partner in Europe and ranks second to the USA in terms of global export markets. The EU (excluding the UK) accounts for more than twice the volume of Irish merchandise exports to the USA, which indicates the high dependence of Ireland on the EU market.[6]

4. CSO (2016) 'Goods Exports and Imports' and CSO (2015) 'International Trade in Services', all figures relate to 2014 the most recent year that full data is available. accessed: http://www.cso.ie/en/releasesandpublications/er/gei/goodsexportsandimportsdecember2015/
5. DFA (2016) 'British-Irish Relations', accessed: https://www.dfa.ie/irish-embassy/great-britain/our-role/british-and-irish-relations/
6. Morgenroth, E. 'Economic Consequences for Ireland', Chapter 10, Britain and Europe: The Endgame – An Irish Perspective, IIEA – February 2015

Irish export of goods and services to the UK

Ireland exports goods worth €14 billion and services worth €20 billion to the UK, the main exports by value are:

Food and Drink
€4bn

Pharmaceuticals and Chemicals
€3.5bn

Manufactured goods, machinery and transport equipment
€3bn

Computer services
€6bn

Transport services
€4bn

Financial and Insurance services
€5bn

Other business services
€3bn

The UK list Ireland their fifth largest export market[7], with Ireland importing goods worth over €17.5billion from the UK, the main imports by value are:

Mineral fuels and lubricants
€4bn

Machinery and transport
€2.5bn

Food and Drink
€3bn

Chemicals and related products
€2bn

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7. UK Government (2016) 'Doing Business in Ireland: Ireland trade and export guide', accessed: https://www.gov.uk/government/publications/exporting-to-ireland/exporting-to-ireland#ireland-export-overview

Impact of a Brexit on trade would be more severe for certain sectors

A Brexit could reduce trade flows between Ireland and the UK by 20% on average, while the impact would differ significantly across sectors and products.[8]

The UK accounted for 43% of exports of indigenous Irish firms, while foreign owned companies exported 12% of their exports to the UK.[9]

The impact of a Brexit will vary depending on company size. Small and medium sized enterprises (SMEs) with a higher proportion of their trade with the UK would be more severely impacted than larger companies with a more diverse range of export markets.

For example, the pharmaceutical and medical devices sectors, with a significant FDI element, have a diverse range of EU and non-EU export markets. In contrast indigenous-owned sectors with a high share of exports to the UK such as wood and wood products except furniture (72.9%) and paper and paper products (64%) would be particularly impacted.

The agriculture, food and drink sectors, while exporting across the world, are more dependent on the UK and so the impact of a Brexit on these sectors would be severe. The UK and Ireland are each other's largest export market for food and drink. The main sub-sectors are:

- Dairy
- Meat
- Prepared Consumer Foods and Beverages
- Alcoholic Beverages

Each year around 55% of Irish meat exports, valued at close to €2 billion, and 30% of Irish dairy exports, valued at close to €1 billion, go to the UK. The UK is also an important market for ingredients and prepared consumer foods, accounting for 70% of exports,[10] with Irish exporters building important relationships with major retail and foodservice business based in the UK market.

8. 'Scoping the Possible Economic Implications of Brexit on Ireland', ESRI, Research Series No. 48, November 2015

9. Morgenroth, E. 'Economic Consequences for Ireland', Chapter 10, Britain and Europe: The Endgame – An Irish Perspective, IIEA – February 2015

10. Bord Bia, Export Performance and Prospects for 2015 - 2016

Despite our smaller economic size, Ireland is the UK's fifth most important export destination.

For example, Ireland accounts for nearly a quarter of the UK's food and non-alcoholic drink exports and, even if the UK leave the EU, is likely to continue to be an important market as business tend to sell perishable goods to nearby countries. British firms will still have to apply EU regulations, such as labelling laws, if they want continued access to the EU single market and may also have to shoulder the cost of applying separate UK regulations as well.[11]

If the UK vote to leave, then regardless of the type of new arrangement it reaches with the EU, customs and other procedures are likely to become more onerous for exporters to UK. This could be particularly challenging for Ireland given our close trading linkages and we are also the only member state that shares a land border with the UK. The likelihood of trade tariffs being reintroduced remains low, but this could impact certain specific products depending on the type of new arrangement with the EU. For example, while the trading relationship in the drinks sector between Ireland and the UK is not symbiotic, any additional barrier to the free movement of alcohol products between two neighbouring counties presents challenges for the industry. An additional concern is that such trade barriers could mobilise consumers in the Republic to buy in Northern Ireland, thus damaging the drinks, hospitality and retail industry in Ireland's border counties.

Firms operating within both the EU and UK markets would also have to deal with the prospect of regulatory divergence in the years ahead if the UK voted to leave. This could lead to increased transaction and compliance costs for business. The degree to which this might happen would depend on the type of new agreement reached with the EU. If the UK continued to gain access to the single market then British firms would be required to continue to comply with EU regulations and standards. This would reduce the disruption for trade in goods. For services companies operating in both jurisdictions the impacts are potentially greater as the single market in services is less complete. Therefore, even if the UK gained access to today's single market it is not clear what access they would have to future market opening in the services area. On the other hand UK services firms would not be required to comply with new EU regulations in the services areas in the event of a Brexit.

If the UK voted to leave and negotiated more liberal free trade agreements, with countries outside the EU, then this would increase competition in the British market for specific sectors. This could have a significant impact on certain sectors of Irish business. However, the negotiations of such FTAs are likely to take many years and it is unclear what level of access the UK could gain to other markets and conversely what access they would offer to the UK market.

11. 'Brexit – the Business View', CBI lecture at the London Business School, 21 March 2016.

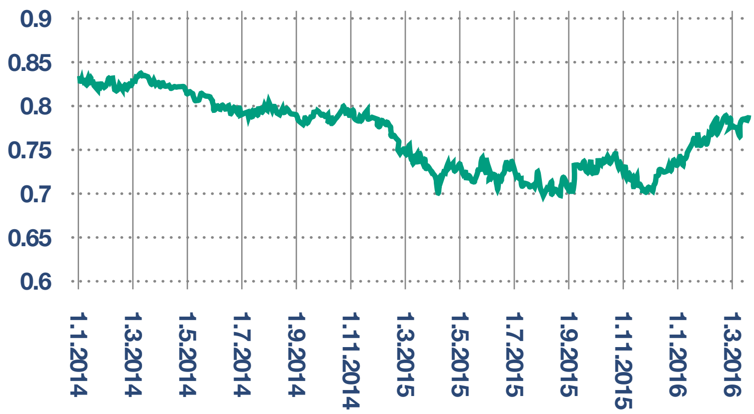
Sterling depreciation, capital outflows and credit risk

The most immediate impact of the UK referendum and the possibility of a vote to leave the EU is the impact on the sterling exchange rate.

The sterling / euro exchange rate is key for Irish companies in the traded sector and has moved from around Stg£0.7 in December 2015 to Stg£0.8 by March 2016. Analysis indicates that a vote to leave followed by Brexit could weaken sterling by a further 10 -15 % moving close to parity with the Euro in the aftermath of the referendum.[12] In contrast a UK vote to remain in the EU could see sterling / euro moving back to around Stg£0.75.

One of the most challenging things for business to deal with is this high level of uncertainty and exchange rate volatility, making it more difficult to plan and invest. Any significant further weakening of sterling would also have particular impacts for sectors in the Irish economy that trade heavily with the UK.

Euro/Sterling Exchange Rate



12. PwC 'Leaving the EU: Implications for the UK economy', March 2016.

The potential impact of a Brexit (Continued)

Brexit could weaken sterling by a further 10 -15% moving close to parity with the Euro in the aftermath of the referendum.

Research also indicates that if the UK were to vote to leave the EU, this could lead to potential sell-offs of UK assets and capital outflows, exacerbating the recent sterling depreciation.

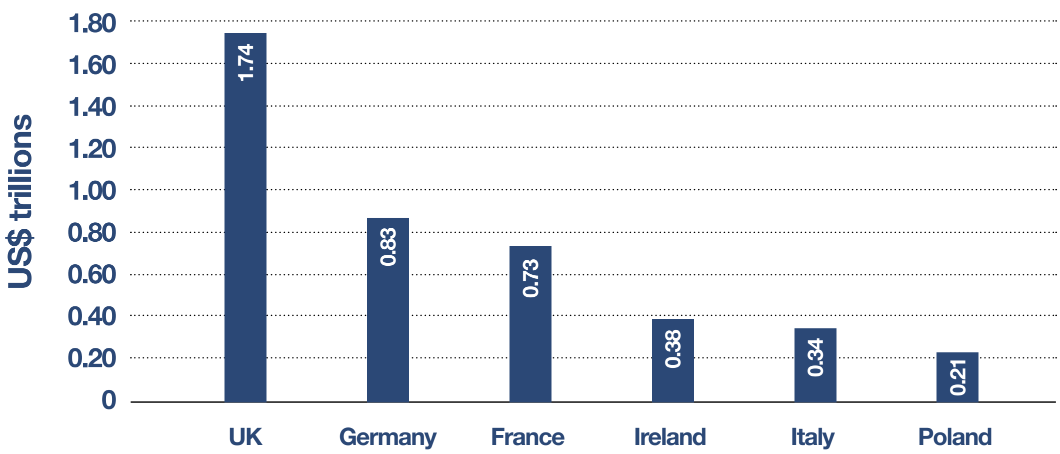
The Bank of England has emphasized that membership of a reformed EU is in the UK's interest and that Brexit is likely to increase financial stability risks. It also announced that it would offer extra liquidity to the financial system around the dates of the referendum in a precautionary move to ensure the markets function smoothly. This has been interpreted as offering commercial banks exceptional opportunities to borrow money to offset any threat of a run on banks.

Credit rating agencies Standard and Poor's and Moody's have indicated that a vote to leave could lead to a downgrade in the UK's sovereign credit rating, which could also have knock-on impacts on UK corporate credit ratings, particularly in the financial sector.[13]

13. PwC 'Leaving the EU: Implications for the UK economy', March 2016

Potential impacts of a Brexit on FDI for UK and Ireland

UK and Ireland FDI inward positions



The development of the single market has enhanced attractiveness for investment in the EU, with the UK and Ireland both major beneficiaries of inward FDI.

Foreign direct investment (FDI) is a major feature of economic development and the interaction between FDI and trade heavily influences flows[14], particularly in the area of services. The EU attracts more FDI (US$7.6 trillion) than any part of the world and even without the UK would have a stronger FDI inward position than the USA (US$5.4 trillion).[15]

14. 'Foreign Direct Investment and International Trade: Complements or Substitutes?', Fontagné L. OECD, 1999

15. OECD FDI in Figures, October 2015

Competition for FDI is likely to continue to increase in the years ahead, with the UK referendum having the potential to create both opportunities and threats for Ireland.

Within the EU, in recent years the UK has lowered corporation tax[16] and increased support for innovation to attract more FDI and at US$1.7 trillion is currently significantly ahead of other large EU member states such as Germany and France. In 2014 the UK secured a record number of projects and achieved a lead market share of 29% of US projects in Europe and was the main destination for investment in Europe from France, Japan, Australia, Canada, India and Ireland.[17] Ireland also continues to perform well - attracting more FDI than many larger EU countries such as Italy and Poland. However, there is no reason for Ireland to be complacent as competition for inward FDI will increase further.

The referendum on EU membership has already created uncertainty in the UK with 31% of investors indicating that they will freeze or reduce investment until the outcome is known.[18]

A decision to leave the EU would have the potential to dramatically change the perception of the UK with 72% of investors citing access to the European single market as important in terms of attractiveness for FDI. This could bring potential opportunities as well as threats to Ireland.

One of the most important FDI sectors in the UK is financial services, with the City of London hosting over 250 foreign banks, many of whom use the UK as 'gateway to Europe'. In the event of a Brexit, and the UK signing an FTA instead, these banks would lose 'passporting' rights across the 27 other EU member states, which could lead some to relocate their HQ to a country within the EU and the loss of substantial jobs to the UK.[19] However this may be an opportunity to attract additional FDI into Ireland from firms relocating from the UK. As an English speaking location in close geographical proximity - and with a similar legal system - Ireland could be a beneficiary.

There may also be negative side effects for Ireland from Ireland's largest trading partner and a key destination for FDI exports from Ireland being outside the EU. Though some firms might consider relocation within the EU there would be intense competition from other European capitals to attract this FDI.

16. The UK 2016 budget indicated that corporation tax would be reduced to 17% by 2020.

17. 'Another great year – but time to reflect on the UK can stay ahead of the pack' EY's Attractive Survey, UK 2015.

18. EY's Attractive Survey, UK 2015

19. 'Brexit – the Business View', CBI lecture at the London Business School, 21 March 2016.

The potential impact of a Brexit (Continued)

Based on OECD data and the pattern of FDI flows it has been estimated that Ireland could attract some US$6.6 billion of additional FDI, raising the stock of FDI in Ireland by 2%.

Of course, the value of investment by Irish firms in the UK may reduce following a decision to leave, which would be a cost to these firms.[20]

In the longer term, the UK's large and growing market size, competitive tax regime and innovation capacity are likely to continue to make it an attractive location for FDI, even in the event of a Brexit. If British citizens vote to leave then the UK government might introduce enhanced business and investment supports in order to prevent capital flight in the short term and improve long term attractiveness for FDI.The UK would no longer have to comply with state aid rules if it were outside the EU.

Investors in the UK highlight the potential of the ICT and life sciences sectors to contribute to future growth, with R&D facilities and the ability to drive innovation as key factors shaping investment decisions.[21] Pharmaceuticals, medical devices, ICT and software are also important sectors, so Ireland will need to continue to compete vigorously and ensure that our own suites of measures, including taxation levels and supports for innovation, are sufficient to continue to attract high levels of inward FDI.

On the broader macroeconomic side the ESRI have also pointed out that less FDI in the UK would likely translate into lower potential growth in the UK with negative consequences for Ireland's economic growth, particularly in sectors with a higher level of trade with the UK e.g. food and drink and computer services.

20. Morgenroth, E. 'Economic Consequences for Ireland', Chapter 10, Britain and Europe: The Endgame – An Irish Perspective, IIEA – February 2015

21. EY's Attractive Survey, UK 2015

Northern Ireland – cross-border trade and investment

The ESRI conclude that overall Ireland is more important to Northern Irish exporters than Northern Ireland is for Irish exporters so there would be differing impacts of a Brexit.[23]

Trade between Ireland and Northern Ireland has been declining as a share and the overall volume is below the level expected for two trading partners located on an island. Trade in goods across the Irish border has been valued at €3billion, with €1.8bn of this going from north to south and €1.2bn going from south to north.[22] The main goods traded across the border are:

- food and drink
- chemicals
- rubber and plastic
- basic metals
- non-metallic mineral products

Some companies with an international focus who are based in Northern Ireland have said that staying within the EU is key to their future and that a decision by the UK to leave could result in relocating operations and investment south of the border. Other companies have said that they have not as yet made up their mind. However, there appears to be a definite risk of some firms relocating following a Brexit with impacts for prosperity in Northern Ireland.

Ireland and Northern Ireland's relationship has been largely stable and has strengthened since the Good Friday Agreement was signed in 1998. The peace process is now viewed internationally as one of the most successful peace agreements in history between two border countries. If the UK votes to leave the EU, this could potentially have consequences for the Northern Ireland peace process that has recently come under strain and may have a destabilising effect on the region. Northern Ireland also receives significant funding from the EU under a special PEACE programme[24] that builds on two main priorities; reconciling communities and contributing to peace. If the UK votes to leave the EU, this would undoubtedly be affected.[25]

The all-island electricity market is particularly important for Northern Ireland as it relies on electricity imports from Ireland to make up for insufficient local generation capacity.

22. InterTradeIreland(2014) 'All-Ireland Trade Statistics: Cross-border trade in manufacturing', accessed: http://www.intertradeireland.com/researchandpublications/trade-statistics/total_cross_border_trade/
23. 'Scoping the Possible Economic Implications of Brexit on Ireland', ESRI Research Series No.48, November 2015
24. European Parliament (2015) 'Northern Ireland PEACE programme', accessed: http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_5.1.9.html
25. 'Scoping the Possible Economic Implications of Brexit on Ireland', ESRI Research Series No.48

The impact of Brexit on the energy market and climate change

On the face of it, the climate and energy implications for Ireland stemming from a UK exit appear relatively benign, if a little uncertain. Ireland shares a wholesale all-island electricity market with Northern Ireland which looks set to continue even in the event of an exit.

The East West Interconnector links the British and Irish electricity market, and it is in the interest of British consumers from a security of supply and cost perspective to import electricity from the all-island Single Electricity Market in Ireland.

One area that would require a review relates to the security of supply requirements for liquid fuels. Ireland's close proximity to Britain means we have benefitted from a security of supply perspective. However, the national requirement to have 90 days oil in reserve would necessitate moving the portion stored in Britain to an EU member state.

The UK has strongly advocated for the EU leading by example in terms of international climate commitments. The UK national climate framework has established an ambitious mitigation trajectory which will endure regardless of their membership of the EU. How will this impact Ireland? The EU's pledge to the international climate Paris Agreement includes the UK. Therefore, exit may require an examination of the UK's implicit contribution towards the collective EU effort. Depending on the timing of an exit, and given that the process of sharing the collective effort between member states in the EU remains undecided and subject to negotiations, it could in theory raise Ireland's target. In terms of emissions from the power generation and manufacturing industry, continued participation in the EU Emissions Trading Scheme seems on the cards. This environmental market-based tool works on the 'cap and trade' principle. A 'cap', is set on the total amount of certain greenhouse gases that can be emitted by factories and qualifying firms. The cap is reduced over time so that total emissions fall.

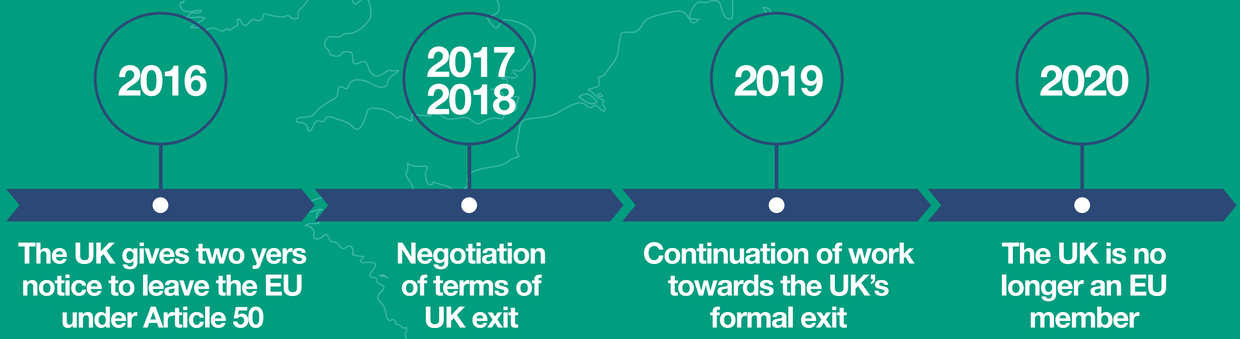
From a competitiveness perspective, Irish firms could be at a disadvantage should the UK decide to disregard State Aid legislation for the energy sector. The EU has a strict legal framework in place to prevent companies from gaining an advantage over its competitors through government support. A removal of these restrictions in the energy sector could therefore damage the competitiveness of Irish firms competing in the same market.

Procedure and timetable for withdrawal if the UK votes to leave

No member state has left the EU under article 50 so the timeline for completion of exit negotiations is uncertain and likely to be longer than the two years provided.

If British citizens vote to leave, the UK would then have to notify the European Council of its intention to withdraw under Article 50 of the Treaty on the European Union. This provides a period of two years (with the possibility to extend) for the European Council to negotiate a withdrawal agreement, with very little input from the exiting member state. PwC in its study for CBI in the UK assumed a transitional period while an exit is negotiated would run from mid-2016 until the end of 2019, culminating in a formal exit in 2020.

Timeline for possible UK exit negotiations



In any scenario the period of negotiation of a UK exit from the EU is likely to be protracted and characterised by uncertainty.

The UK government take a cautious approach and estimate that it could take up to a decade or more to negotiate a new agreement with the EU and to replace all its existing trade deals with other countries.

Given Ireland's close trade and investment linkages with the UK this would be particularly challenging for Irish business, with potential impacts on employment, investment and export plans.

The alternative models for the UK relationship with the EU

There are three potential models for the UK's relationship with the EU, if British citizens vote to leave, the Norway, FTA or WTO model.

These models offer different balances for the UK in terms of advantages, obligations and influence. They also have different implications for Ireland and other EU countries trading relationship with the UK.

The Norway Model

- Norway is a member of the European Economic Area (EEA) but not the EU.
- This model offers access to the Single Market but not in agriculture and fisheries.
- It does not give access to the EU's trade deals with countries outside the EU.
- It still requires customs checks on goods crossing borders into the EU.
- It involves making a significant contribution to the EU budget, accepting the free movement of people, and complying with EU rules without having a vote on them.

In essence this model is closest to full EU membership but with no seat at the European Council table to influence regulations, standards and rules set by the EU.

The Bilateral / FTA agreements model

- The EU has exclusive competence to negotiate FTAs on behalf of all its members. Therefore, in the event of a Brexit the UK could not negotiate an FTA with an individual member state, such as Ireland. The UK would be free to negotiate FTAs with all non EU countries.
- There are a number of variations of this model but none provide full access for services, which constitute 80% of the UK economy.
- One version offers higher levels of access to the Single Market but includes implementing EU rules in domestic legislation, accepting free movement, and in some cases making contributions to EU budget spending e.g. Switzerland.
- A second version is a more classical free trade agreement (FTA) e.g. the recently negotiated EU-Canada Comprehensive Economic and Trade Agreement (CETA) provides reduced access to the Single Market for example in services and agriculture.

The WTO model

- The WTO provides a global framework for trade relations between countries. Ireland, the UK and all EU countries are members of the WTO.
- If the two year time limit under Article 50 expired (and was not extended) before alternative arrangements were agreed then the UK would fall back on its WTO membership as the basis for trading with the EU.
- This model would provide the most complete break with the EU.
- It would not involve accepting free movement of people, contributions to the EU budget or implementing EU rules.
- But would cause a major economic shock to the UK, the EU and other trading partners applying WTO tariffs on imports from the UK – putting UK companies at a competitive disadvantage.

Key findings of PwC study on the implications of an EU exit for UK economy

A PwC[26] study focused on the UK estimated that total UK GDP could be between 3% and 5.5% lower under alternative models. This could equate to an estimated reduction of between 0.9% and 1.6% in Irish GDP in the medium term.[27]

The CBI commissioned PwC to provide a detailed assessment of the potential economic implications of possible scenarios where the UK voted to leave the EU, as compared to the UK voting to remain in the EU. While the PwC study focused on the UK economy its findings are particularly interesting for Ireland given our close business relations with Britain.

The Norway model was not included in the PwC modelling, possibly because it was judged so close to full EU membership.

PwC assessed the potential impacts of a UK exit from the EU (Brexit) under the other two possible scenarios – an 'FTA scenario' and a 'WTO scenario' – and compared these to a 'counterfactual scenario' in which the UK remains a member of a reformed EU under the agreement negotiated with the UK government and concluded by the European Council in February 2016. The main findings were:

- Under the 'business as usual' counterfactual scenario, the UK economy would continue to grow at a long-run trend rate of 2.3% per annum.

Under the FTA and WTO models:

- Total UK GDP in 2020 could be between 3% and 5.5% lower. This could equate to an estimated reduction of between 0.9% and 1.6% in Irish GDP in the medium term.[28]
- Uncertainty could result in a reduction of around £55-100 billion in UK GDP, at 2015 values.
- In the longer term, the net impact of other changes related to EU exit could result in total UK GDP in 2030 being between 1.2% and 3.5% lower in the two exit scenarios than if the UK remains in the EU.
- UK GDP could be reduced by around 1 to 1.6% in both scenarios due to reduced labour supply. This would particularly impact sectors that are heavily dependent on low-skilled migrant workers. PwC suggest that these projected differences in migration will change the size of the UK population and hence GDP per capita.
- Average GDP per capita (in real terms) could be between 0.8% and 2.7% lower in 2030 in the two exit scenarios than if the UK remains in the EU.
- GDP per household could be £2,100 to £3,700 lower in 2020 if the UK leaves the EU.
- In the short-term employment levels in the UK could fall by 1.7% and 2.9% under the FTA and WTO scenarios respectively by 2020 compared to the counterfactual scenario. Over the longer-term the number of people employed in the UK by 2030 could be between 350,000 and 600,000 lower in the two exit scenarios.
- In the short-term, unemployment could rise to around 7 to 8% in the three to four years following a decision to leave compared to a rate of 5% if the UK remains in the EU.
- In the longer-term in the exit scenarios the labour market would be expected to adjust and the unemployment rate should return to 5% by 2030.

26. PwC 'Leaving the EU: Implications for the UK economy', March 2016

27. 'Scoping the Possible Economic Implications of Brexit on Ireland', ESRI, Research Series No. 48, November 2015

28. 'Scoping the Possible Economic Implications of Brexit on Ireland', ESRI, Research Series No. 48, November 2015

Conclusion

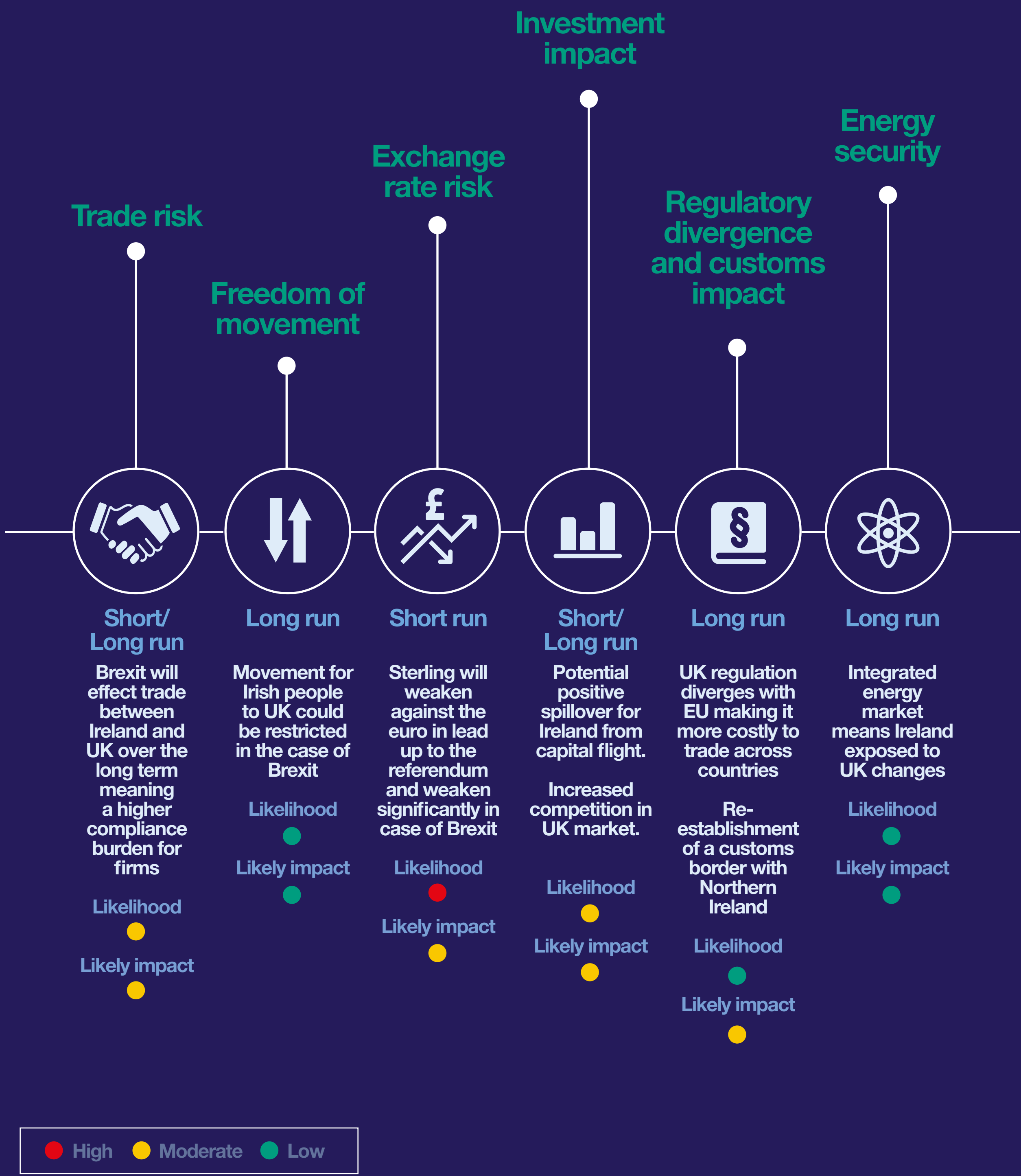
Ibec strongly believes that UK membership of the EU is good for European, British and Irish business.

The EU's standing on the international stage would be diminished by a Brexit. The EU's economy would no longer retain its position as the largest economy in the world. The loss of the UK, a dynamic and growing member state, would have a negative impact on the competitiveness of the EU as well as prospects for future growth.

Studies show that Brexit will have a negative impact on the UK economy which would contract with a lower GDP, less people in work, less access to talent and potentially less investment.

Given the significant trade relationship between Ireland and the UK, Ireland would be the most impacted EU member state by a Brexit. A potentially weaker sterling would affect Irish exporters. For Irish business as a whole, there would be potentially higher transaction costs and an uncertain environment for investment and planning.

Ibec assessment of the impact of a Brexit



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