

Estimating the Trade and Welfare Effects of Brexit

Topic: Modelling the effects of Brexit II

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This paper proposes a new panel data structural gravity approach for estimating the trade and welfare effects of Brexit. Assuming different counterfactual post-Brexit scenarios, our main findings suggest that UKs exports of goods to the EU are likely to decline within a range between 7.2% and 45.7% six years after the Brexit has taken place. For the UK, the negative trade effects are only partially offset by an increase in domestic trade and trade with third countries, inducing a decline in UKs real income between 0.3% and 5.7%. The estimated welfare effects for the EU are not different from zero.