

## **Regional price spillovers in the UK: The impact of an increase in import prices from the EU**

Topic: Socio-economic impact modelling in the UK: Building a new model in uncertain times

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The objective of this paper is to quantify regional price spillovers (implying changes in price competitiveness) across UK regions, stemming from an expected increase in the costs of imported products from the European Union as a result of Brexit. The price model of a multi-regional IO model of the UK (SEIM-UK) is applied for this purpose, which is a framework that has not received too much attention from the IO literature so far. The matrix of input coefficients derived from the use matrices is aggregated into K, L, M factors, and a nested structure of inputs is implemented. In the second nest, the factor M is split up among imported and domestic inputs.

The change in (exogenous) import prices for commodities from the Rest of the World in each region is directly affected by the import price shock and indirectly via the loop of the price model. The indirect effect has an impact on output prices, via the impact on the price of M (intermediate inputs), as well as via the price of K (via the price of investment goods, linked to industries via an investment matrix). Price spillovers then work via the multi-regional trade structure in the model.