

## Press Release 3/2019

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### **No-deal Brexit would hit the German labour market particularly hard**

The United Kingdom leaving the European Union without a deal would have consequences for international trade and labour markets in many countries, including outside Europe. Calculations by the Halle Institute for Economic Research (IWH) indicate: More than 600,000 jobs may be affected worldwide, but nowhere as many as in Germany.

A disorderly withdrawal of the United Kingdom from the European Union (EU) would impact many of the world's economies. As a recent study by the Halle Institute for Economic Research (IWH) based on data for 43 countries shows, a total of more than 600,000 jobs could suffer the consequences of a hard Brexit. In absolute numbers Germany would be hit the hardest, with more than 100,000 jobs affected, followed by China (just under 60,000) and France (around 50,000) as well as Poland and Italy (around 46,000 jobs each). The shortage of skilled labour in many developed economies suggests that companies may try to keep their staff by, for example, reducing working hours or opening up new markets.

In their study, the IWH economists gave a detailed breakdown of (a) which industries would be affected in (b) which countries and (c) what consequences this would have for the respective labour markets. All calculations are based on the assumption that demand for EU goods and services in the UK will fall by a quarter after a hard Brexit, without British demand for goods from other regions increasing. This is due to higher prices, since imports from the remaining EU countries would become more expensive because of new tariffs. Within the then smaller European Union, almost 180,000 jobs could be affected in companies that supply their products directly to the UK. Suppliers based outside the EU are also affected because of global supply chains. This explains why countries like China are so deeply affected. Sectorally, services, agriculture, the metal and IT industries will be most affected.

“A hard Brexit would disrupt global value chains,” says study author Oliver Holtemöller, Vice President and Head of the Macroeconomics Department at IWH. “This is why Britain’s disorderly withdrawal from the EU has the potential to cause a significant loss of wealth. From an economic perspective it is crucial that a deal can still be reached.”

The IWH researchers also investigated the effects on the 401 German administrative districts. In Germany, a hard Brexit would particularly affect the car industry and, as a result, the districts of Wolfsburg (Volkswagen headquarters) and Dingolfing-Landau (BMW). A total of 15,000 employees in the German automotive industry (production and trade) could be affected by the decline in sales.

[no press embargo:](#)

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The IWH calculations are based on figures from the World Input Output Database (WIOD). This study was motivated by the Brexit vote of the British Parliament on 15 January 2019. It rejected the withdrawal agreement Prime Minister May had negotiated with the EU. The vote has increased the probability of Britain's disorderly withdrawal from the EU.

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#### Publication

Bratzsch, Hans-Ulrich; Holtemöller, Oliver: [Potential International Employment Effects of a Hard Brexit](#). IWH Discussion Paper No. 4/2019, Halle (Saale) 2019.

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