

THE POTENTIAL IMPLICATIONS OF A HARD (NO DEAL) BREXIT ON THE ECONOMY OF EASTBOURNE

The National Picture (as at December 2018)

There remains a considerable amount of political uncertainty over the Brexit process. It is possible that the UK will leave the European Union without any agreement being in place concerning future relationships.

A No Deal Brexit would mean that the UK would leave the EU on 29 March 2019 without any certainty on what happens next. It is likely that there will be a substantial negative impact on the economy as many of the regulations that underpin the UK's economic and regulatory structure will effectively disappear overnight.

Research undertaken by the 'UK in a Changing Europe' think-tank highlights that it is very difficult to accurately predict the short-term impacts of a No Deal Brexit although a severe recession is a possibility. Key areas of concern highlighted include:

- A negative impact on consumer and business confidence, which could impact upon demand for goods and services (ie. expenditure).
- Rising prices (particularly for businesses) due to a fall in value of Sterling and the need to replace components manufactured in the EU with those from elsewhere that are potentially more expensive.
- Potential for rising consumer prices as businesses are forced to pass on increased costs, but also the risk of rising inflation further impacting on the cost of living relative to real wage increases.

The South East is the most heavily engaged region in terms of cross-border trade. In 2017, the region exported £45.3 billion of goods overseas – of which 49% were destined for the EU. The potential impact on the regional economy is therefore significant. It is important to note, however, that issues related to Brexit are national in scope. There is very little that the Council can do to influence the wider national agenda and it's important to highlight the enormous uncertainty that exists nationally at the current time.

Economic Overview

Published economic data highlights that the Eastbourne economy is relatively diverse with businesses across a wide range of sectors. The Council's regeneration and investment plans will support the town's transition to a 21st century business destination.

Compared to regional and national averages, however, Eastbourne has a lower proportion of residents employed in managerial and senior level professional roles, with a higher concentration of caring, leisure, sales, customer service and elementary occupations. This is reflected in earnings levels that are below the regional average, albeit above the county figure.

Top 5 Economic Sectors by Proportion of Businesses	1. Professional, scientific & technical
	2. Retail
	3. Construction
	4. Accommodation & food service activities
	5. Health

Furthermore, a detailed review of future growth sector opportunities has been undertaken for Eastbourne. Analysis from this study identifies that the following sectors offer the greatest potential to drive future economic growth:

- Health and Wellbeing
- Creative and Learning
- Cultural and Visitor Economy
- Entrepreneurial Services.

Potential Local Impact

Although there is significant uncertainty about the impact of a No Deal Brexit, research by the London School of Economics¹ shows that under a Hard Brexit (based on the UK being forced to adopt WTO trading conditions – effectively a ‘No Deal’), Eastbourne’s Gross Value Added (GVA)² is forecast to fall by 2.1%. This is slightly better than the national average (2.3%), but this still equates to a fall of almost £37million for Eastbourne alone. This research accords with estimates prepared by the UK Trade Policy Observatory and the University of Sussex so it is evidence that can be supported by a range of statistical analyses.

In employment terms, the UKTPO / University of Sussex research has estimated the impact of a No Deal Brexit on employment by parliamentary constituency. This is shown in the table below.

Area	Workplace Basis			Residence Basis		
	Employment Loss among Workers	Employment Loss among Workers who Live Elsewhere	Employment Loss among Workers (% of all Employment)	Employment Loss among Residents who Work Elsewhere	Employment Loss among Residents	Employment Loss among Residents (% of all Employment)
East Sussex	- 8,320	- 5,310	- 2.5%	- 6,601	- 9,611	- 2.5%
Eastbourne	- 977	- 369	- 2.5%	- 635	- 1,243	- 2.6%
Wealden	- 907	- 588	- 2.4%	- 789	- 1,108	- 2.3%
Lewes	- 906	- 606	- 2.3%	- 767	- 1,066	- 2.3%
Hastings & Rye	- 861	- 220	- 2.2%	- 670	- 1,311	- 3.0%
Bexhill & Battle	- 718	- 582	- 2.4%	- 519	- 655	- 1.7%

As shown, employment loss in Eastbourne is forecast to be one of the highest in East Sussex – both as a proportion of residents and a proportion of all those that work in the town.

It is much more difficult, however, to apply sector specific impacts of a No Deal Brexit. The percentages shown below are taken from the LSE research but the authors do urge considerable caution in placing strong weight on the estimated impact for any particular sector due to the difficulty in calculating accurately. It is also important to note that the sector descriptions do not match fully due to different industry classifications being used for the LSE research.

¹ <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

² Gross Value Added is the measure of the value of the goods and services produced in an area, industry or sector of an economy.

Sector	% Impact due to Hard Brexit	Eastbourne	
		Sector GVA (£m)	Likely GVA Impact (£m)
Construction	- 2.6%	104	- 2.7
Health & Social Work	- 2.4%	323	- 7.8
Public Administration	- 2.3%	77	- 1.8
Hotels & Restaurants	- 0.2%	102	- 0.2

Based on these four sectors alone, a fall of around £12.5million in GVA is highlighted – equivalent to around 1/3 of the total forecast fall in GVA for Eastbourne.

Impact on the Visitor Economy:

It is also important to note that, whilst there is forecast to be little impact on GVA in the tourism sector, the impact may be more severe due to shortages of suitably skilled staff. It is estimated³ that between 12.3% and 23.7% of the UK hospitality sector workforce is currently made up of EU nationals. It is also worth bearing in mind the importance of language schools to Eastbourne – estimated to generate around £20 million per year to the local economy⁴.

With emerging proposals on migration, such as a minimum earnings threshold, it is conceivable that this would create a national shortfall of up to 60,000 hospitality workers per year⁵. This is because many hospitality roles are relatively low-skilled and / or low-paid.

Locally this has considerable implications for the Eastbourne economy, including the Devonshire Quarter redevelopment. Indeed, it is estimated that more than 9,600 jobs in Eastbourne are directly or indirectly supported by tourism, which equates to almost 25% of all employment in the town⁶. Clearly, restrictions on migration have the potential to have a substantial negative impact on the supply of workers for Eastbourne’s visitor economy. This in turn could lead to a greater impact on the hotels and restaurants sector than forecast by the LSE research.

Impact on Agriculture and Food Security:

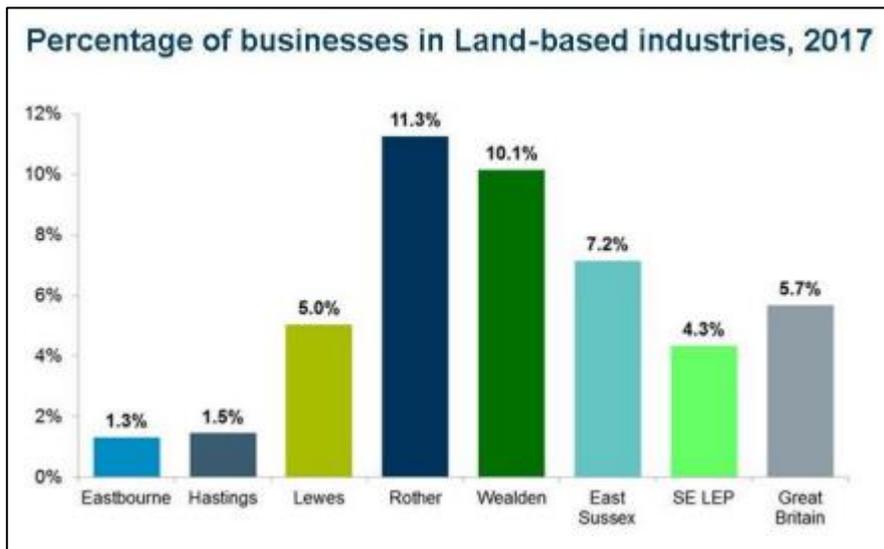
Eastbourne has a very limited agriculture sector, accounting for just 0.6% (£13m) of the borough’s total GVA. This is reflected in the low proportion of land-based businesses in the town. The LSE research highlights that the impact of a Hard Brexit could lead to an uplift of 4.2% in GVA within the agriculture, hunting, forestry and fishing sectors.

³ [Labour Migration in the Hospitality Sector, March 2017, KPMG / British Hospitality Association](#)

⁴ <https://www.eastbourneherald.co.uk/news/politics/no-deal-brexit-could-badly-damage-eastbourne-language-schools-say-heads-1-8653482>

⁵ Catering Today, 23 November 2018 (<https://www.cateringtoday.co.uk/comment/features/what-challenges-will-the-hospitality-industry-face-post-brexit/>)

⁶ The Economic Impact of Tourism in Eastbourne Borough 2017, Tourism South East



Source: Skills East Sussex

In terms of preparation for a No Deal Brexit, food policy experts have recommended that local authorities look to set up 'Food Resilience Teams'⁷. This should include:

- Mapping existing food systems in their regions
- Conducting rapid assessments of where risks and potential disruptions lie
- Clarifying the limits to stockpiling
- Bringing together relevant professionals and expertise
- Being prepared to convey this information to the Government and public.

Summary

There is an enormous level of uncertainty for Eastbourne in the event of a No Deal Brexit. It is clear, however, that the overall economic impact is likely to be rather negative with forecasts for key sectors demonstrating an overall loss in employment and GVA. Equally, however, there may be opportunities for more local residents to find permanent employment – it is recommended that the Council continues to work with East Sussex College Group, ESCC and Skills East Sussex to capitalise on such opportunities.

⁷ <https://foodresearch.org.uk/publications/local-authorities-food-brexit/>