

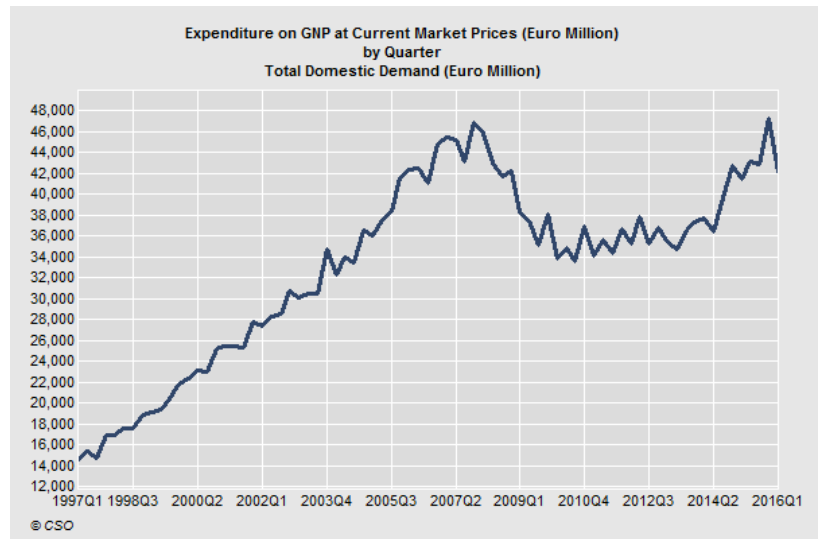
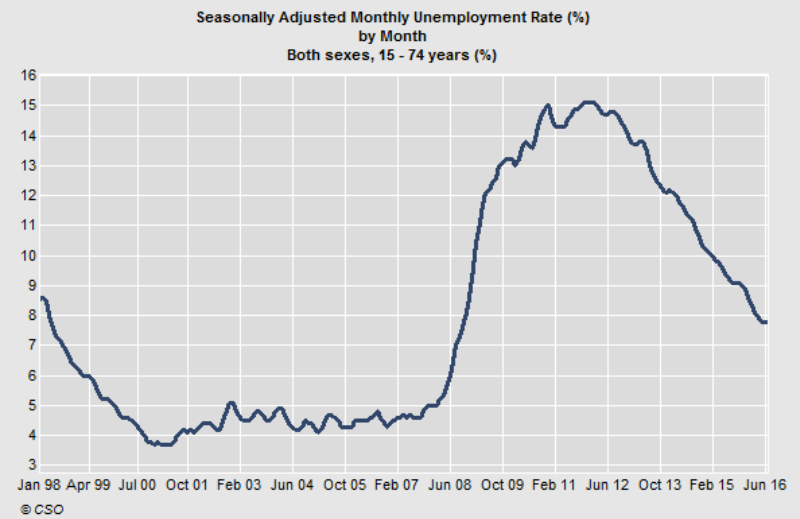
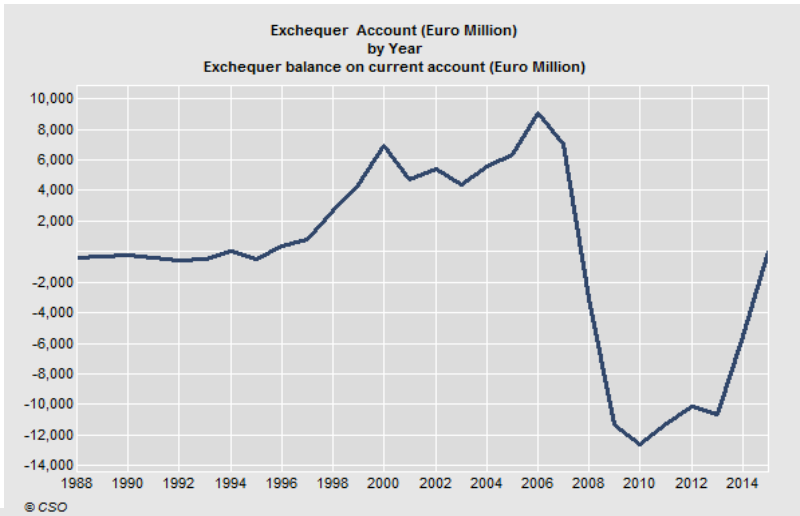
Ireland Post Brexit
Opening Address

Credit Union Compliance Centre
Annual Conference
TCD, August 2016

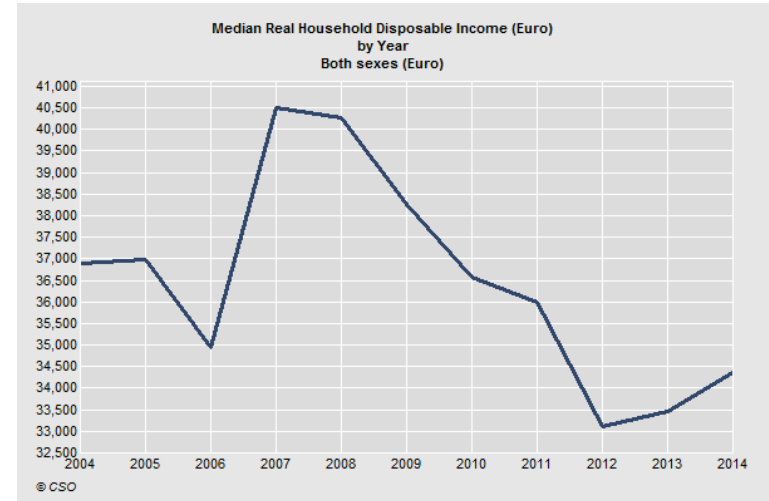
Professor Brian Lucey

- Ireland From the Ashes – a tale of several recoveries
- Why did brexit happen? And could it happen here or elsewhere?
- Where does a Brexit leave us?
- What can we do?
- What's the impact on Credit Unions?

Recovery



But at a cost



Number of People Recorded as
Homeless in June 2016

6,358

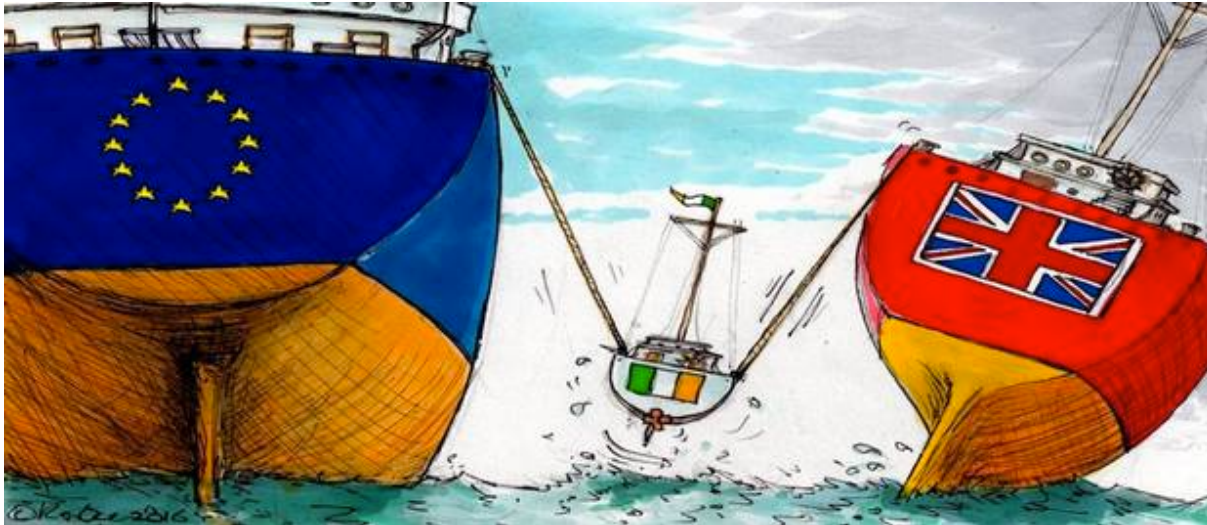
Number of Adults Recorded as
Homeless in June 2016

4,152

Number of Children Recorded as
Homeless in June 2016

2,206

Brexit



- Impact on Ireland will be bad. Only question is how bad
- Other issue is who will win and who will lose

The All island economy is not linked

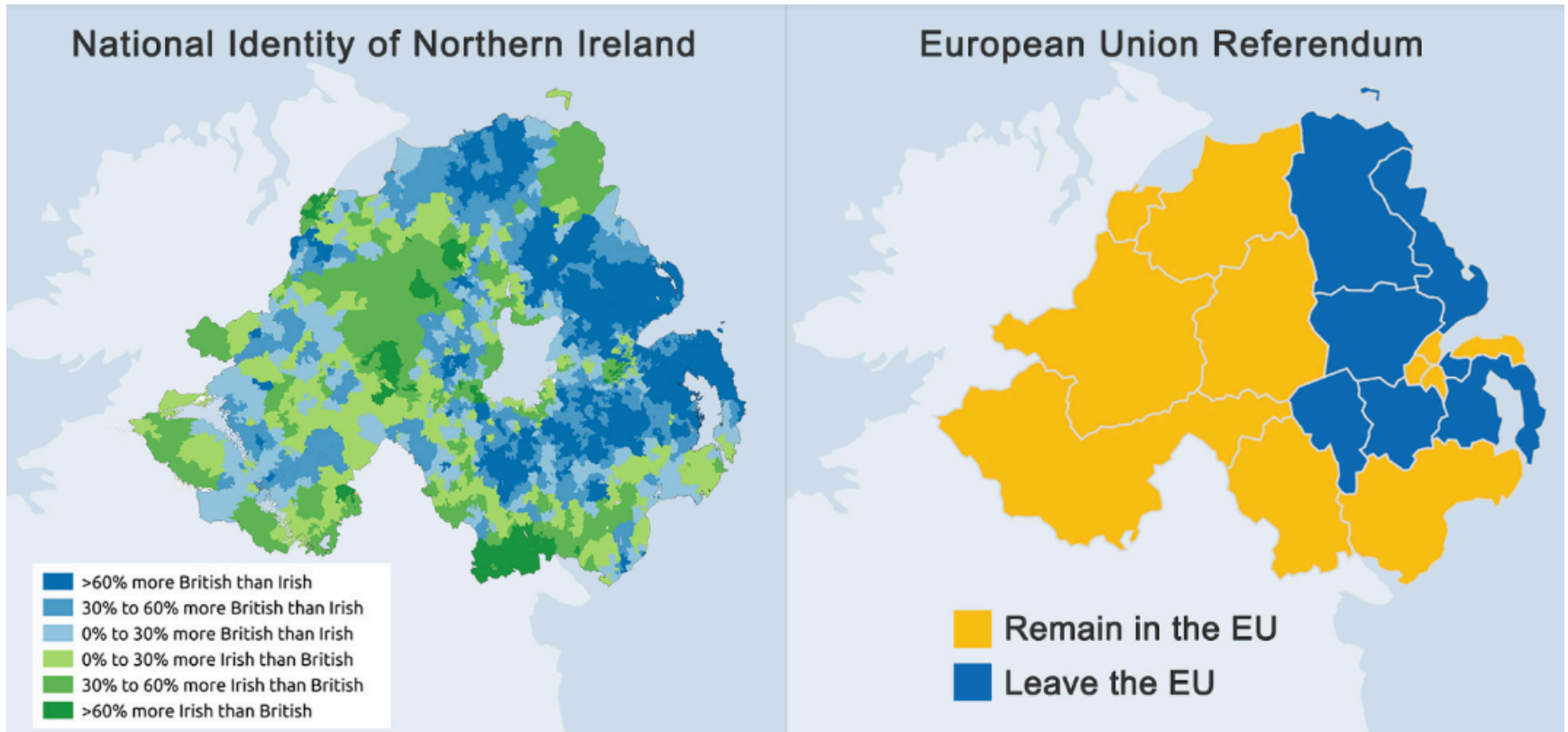
While in 1974, 47 per cent of Irish merchandise exports were destined for Great Britain and 9.3 per cent destined for Northern Ireland, this share has declined to 13.3 per cent and 1.8 per cent respectively. The share of exports going to Northern Ireland declined more over the 1973 to 2014 period than that going to the UK, and there is little evidence of any increase in the Northern Ireland share since the Good Friday Agreement.

Likewise the share of imports into Ireland from Northern Ireland peaked in 1981, accounting for 5.1 per cent but has declined to just 1.8 per cent by 2014, while that from Great Britain peaked in 1980 (46.7 per cent) and declined to 30.5 per cent in 2014. Statistics on the sales destination of the Northern Ireland Manufacturing sector for the 2013/2014 financial year show that the Republic of Ireland accounted for over 25 per cent of sales (exports) by firms in Northern Ireland outside the UK (see NISRA, 2014).

In relation to merchandise trade it has been shown that overall trade between two parts of the island is less than expected overall, with only the Food and Beverages and Non-metallic Minerals sectors recording a trade intensity at or above that expected for two jurisdictions located on an island which have only one land border (Morgenroth, 2009). Subsequent analysis on the underlying drivers for the lower trade intensity suggests that this is driven by differences in sectoral structure and the importance of foreign multinational firms particularly in Ireland, which would not regard Northern Ireland as a specific market (Morgenroth, 2011).

The only data source for services trade between Ireland and Northern Ireland is a study by the Northern Ireland Statistics and Research Agency (NISRA 2013). It focuses on the services sectors with export potential and firms that employ more than 10 persons in Northern Ireland. These data show that Ireland is a very important destination for services exports from Northern Ireland, accounting for between 37.9 per cent and 29 per cent of services exports from Northern Ireland. While no data are available to assess the importance of Northern Ireland as a services export destination, with services exports from Ireland to the whole UK accounting for 17.8 per cent of total Irish services exports, Northern Ireland is not as important a services export destination for Irish services exports as Ireland is for Northern Irish services exports.

NI vote was quite clear



<http://leftfootforward.org/2016/06/brexit-the-view-from-northern-ireland/>

Brexit Scorecard

- Sterling volatility to increase, downward pressure.
- FDI UK a competitor but single market an issue
- Scotland?
- UK economy to be adversely affected – especial issue for SME exporter/ agribusiness
- Single energy market issue
- Labour market and related
- Biggest issue – where do we go now?

Brexit – a cultural lens

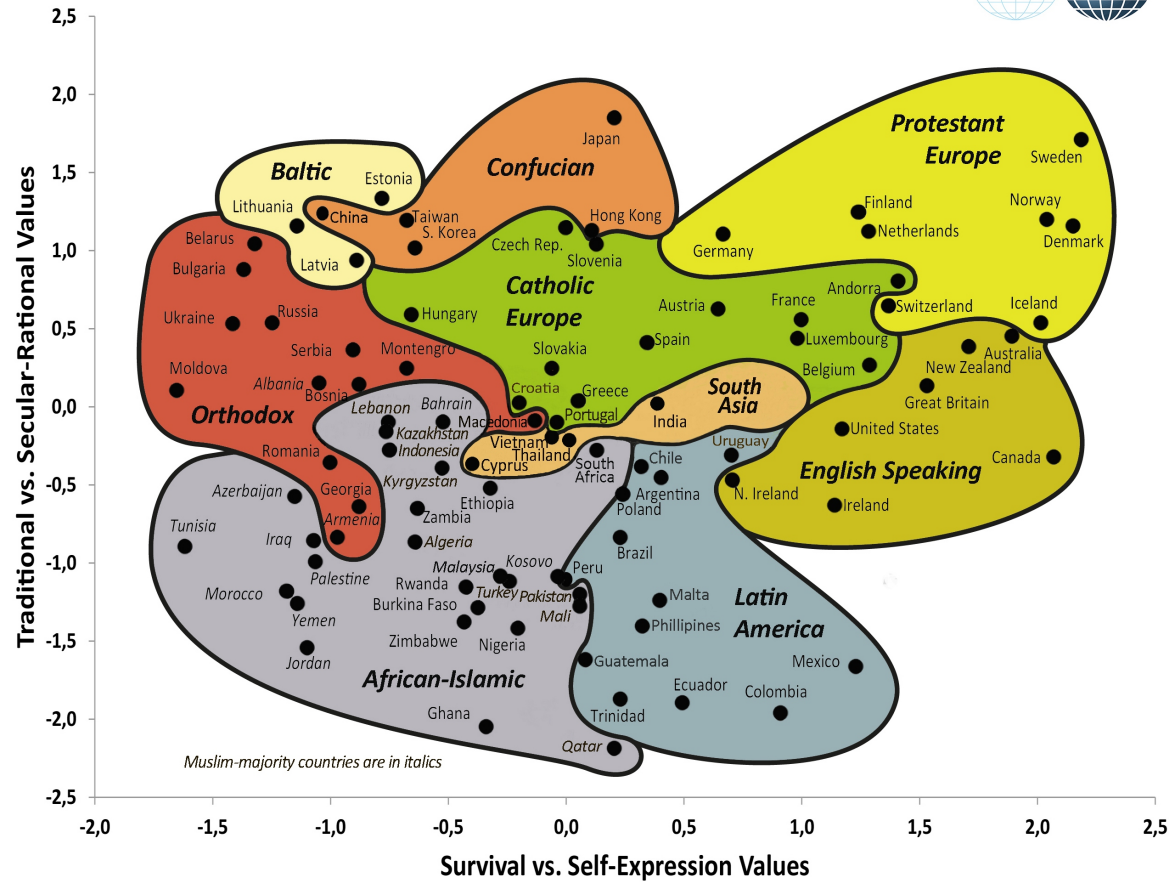
- Culture – a preferred way of doing things.
- Organizational v national culture
- Much effort on quantifying aspects of national culture
 - Schwartz
 - GLOBE
 - World Values
 - Hofstede

WVS

- World Value Survey – 400k respondents in 100 countries covering over 90% of world population
- Dozens of questions which can reduce to two axes
- Traditional-Rational/Secular (religiosity, sense of control of own destiny) and Survival/Self Expression (do you need to scratch along or follow your star?)

Ireland an outlier?

WVS6, 2015



Hofstede

- “Granddaddy” of cultural metrics
- Initially a focus on organizations (IBM, early 70’s) now much more national focused.
- 6 measures of cultural orientation

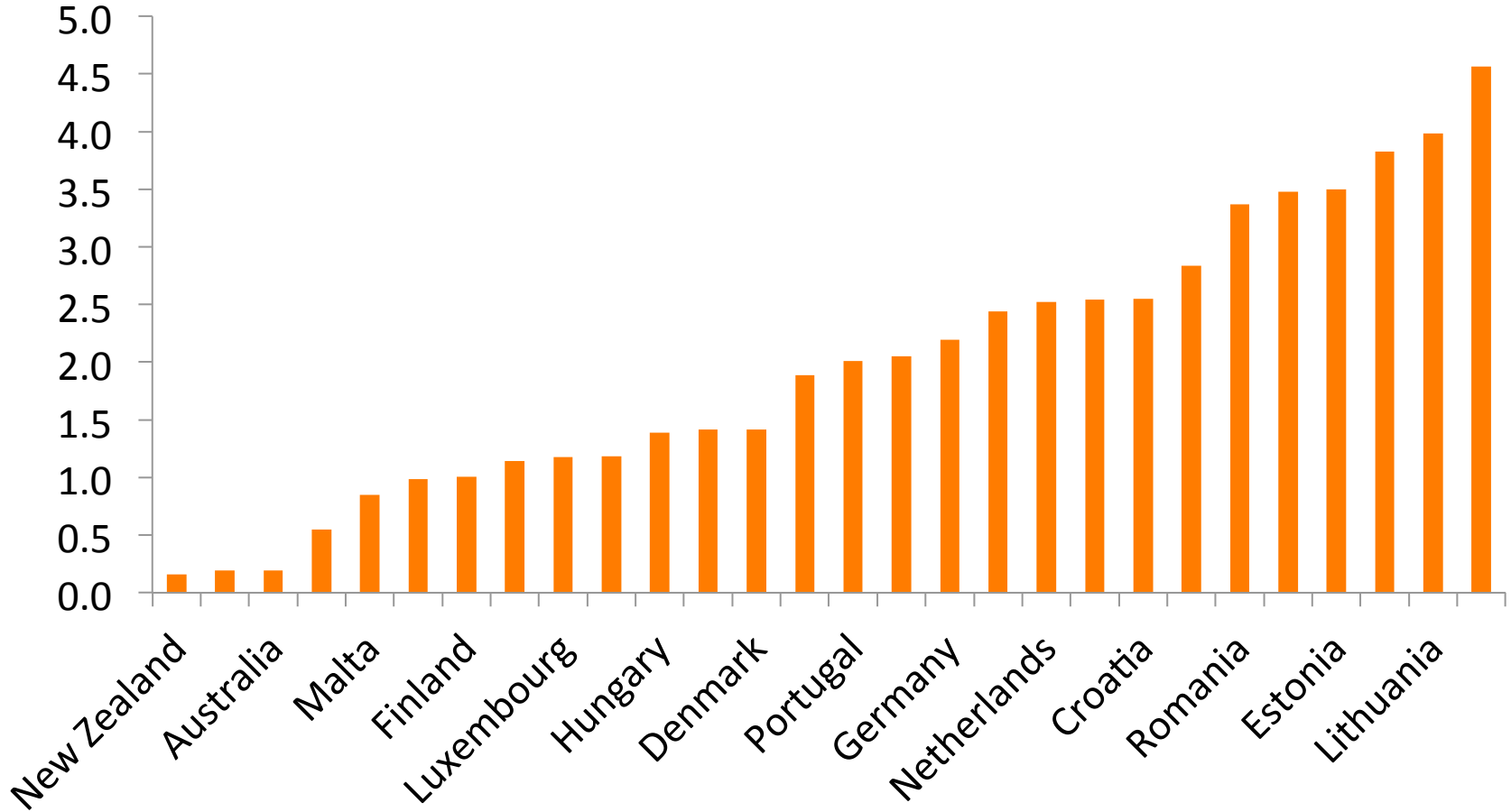


The image shows a slide titled "Hofstede's Cultural Dimensions" with a table of six dimensions. The slide has a blue header with a white wave graphic. The table is light blue with a thin border. The dimensions listed are: Individualistic / Collectivistic, Masculine / Feminine, Uncertainty Avoidance, Power Distance, Time Perspective, and Indulgence / Restraint. Each dimension is paired with a brief description of what it measures.

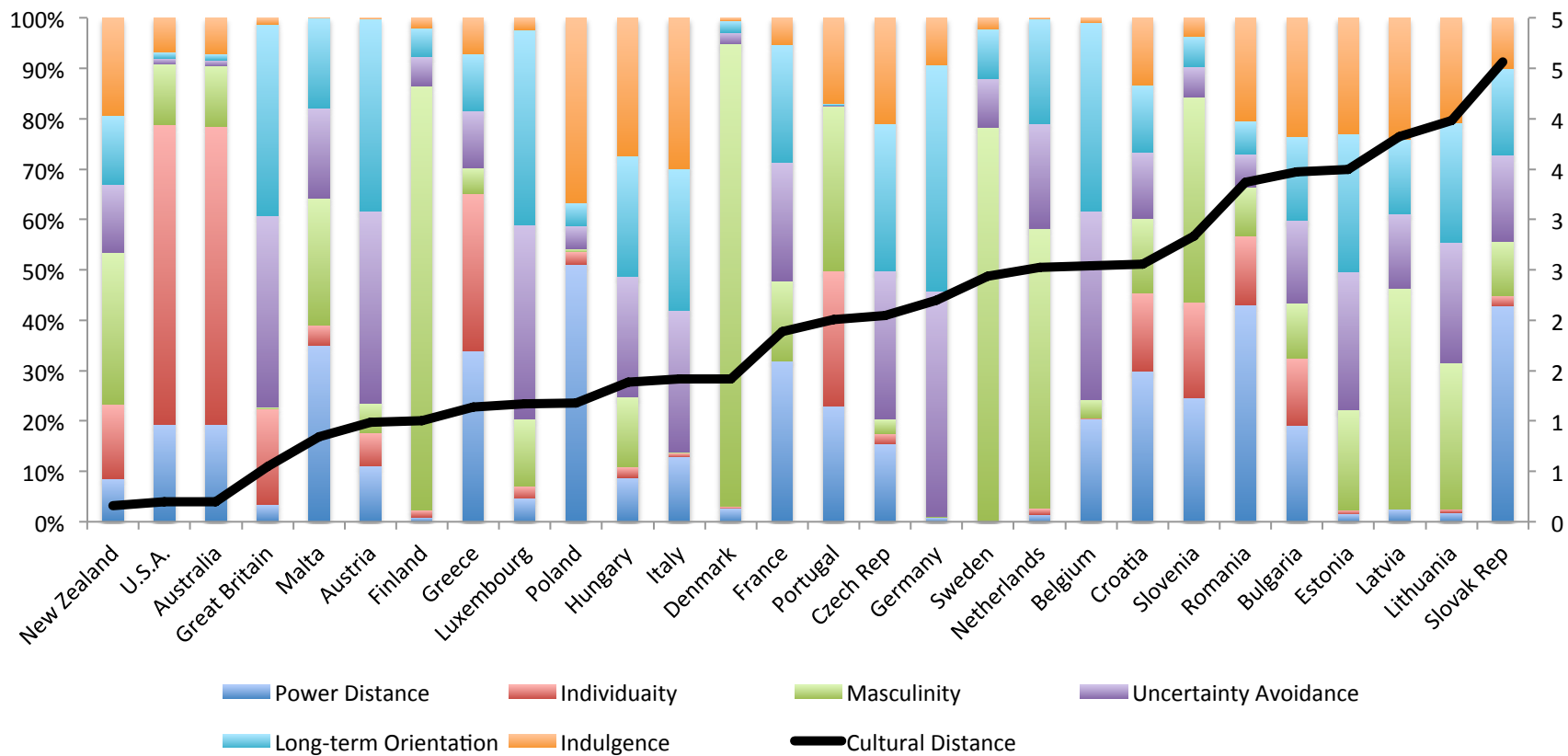
Hofstede's Cultural Dimensions	
Individualistic / Collectivistic	How personal needs and goals are prioritized vs. the needs and goals of the group/clan/organization.
Masculine / Feminine	Masculine societies have different rules for men and women, less so in feminine cultures.
Uncertainty Avoidance	How comfortable are people with changing the way they work or live (low UA) or prefer the known systems (high UA).
Power Distance	The degree people are comfortable with influencing upwards. Accept of inequality in distribution on power in society.
Time Perspective	Long-term perspective, planning for future, perseverance values vs. short time past and present oriented.
Indulgence / Restraint	Allowing gratification of basic drives related to enjoying life and having fun vs. regulating it through strict social norms.

Key : we can create a single index of cultural distance from these – in essence the sum of the squared normalized deviations from a given country to others

Cultural Distance of Ireland v EU



What drives cultural distance vs Ireland?



Cultural Takeaway

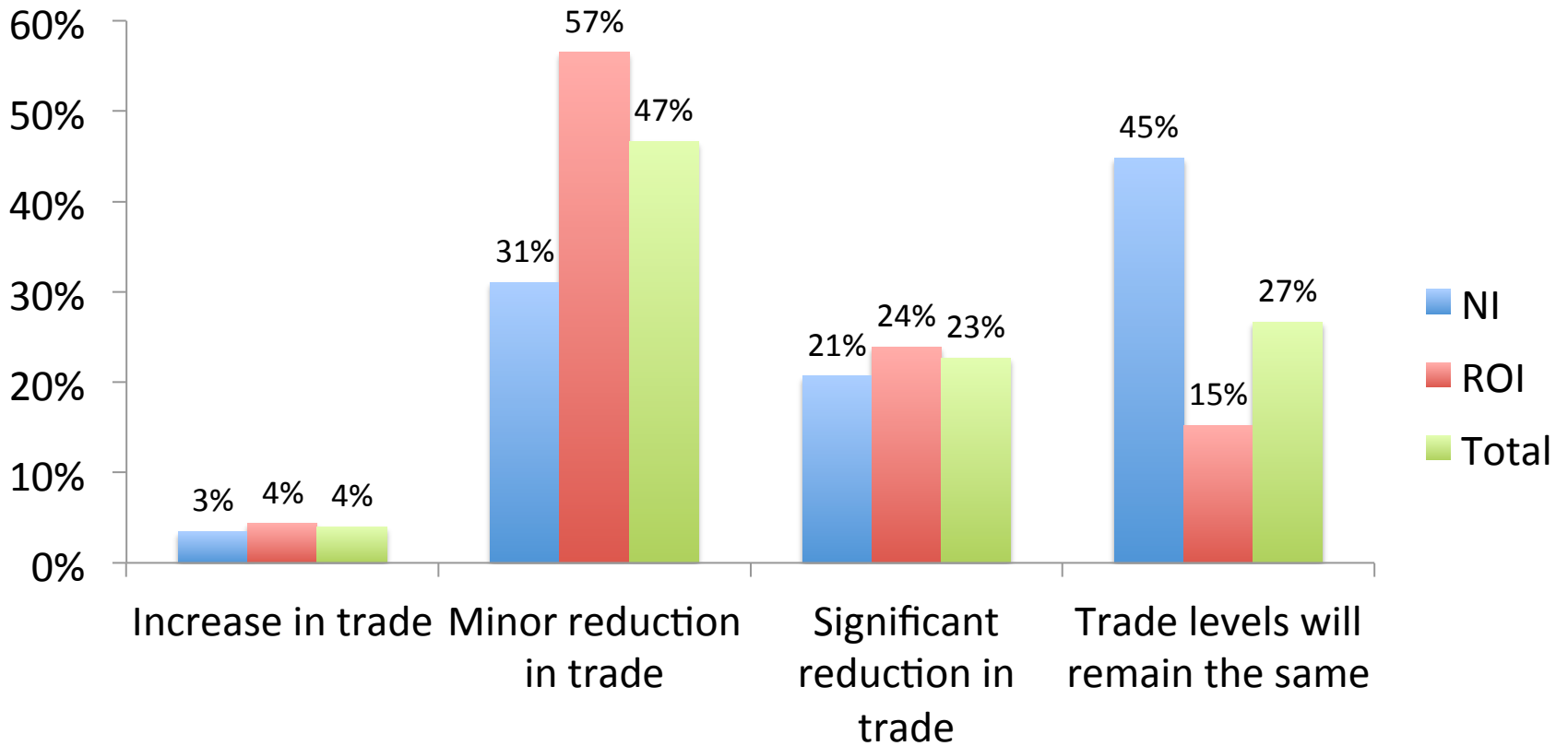
- Without the UK we stand further from the core
- UK too big to ignore = mitigated a lot of what we might not have liked
- Expect a more rule bound, less short-term orientated, hierarchical EU than before.
- None of this is good for us so we need to think hard
- National cultures can be changed. We need to talk about this.

CU Views on Brexit

- 160 survey universe – Members of the CUCC
- 75 responses = =75/160
- Strong

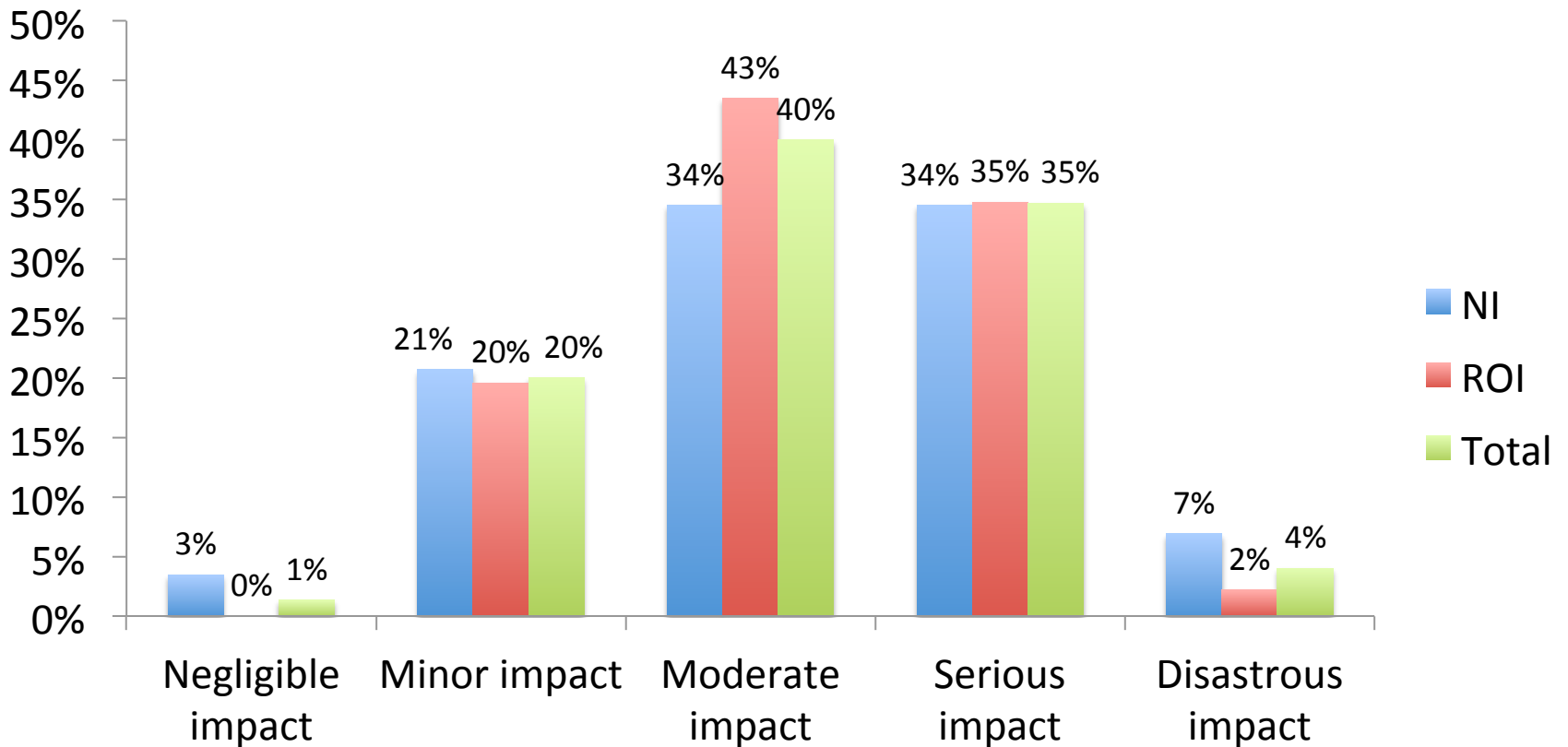
CU Views on Brexit

Effect of Brexit on NI-ROI trade



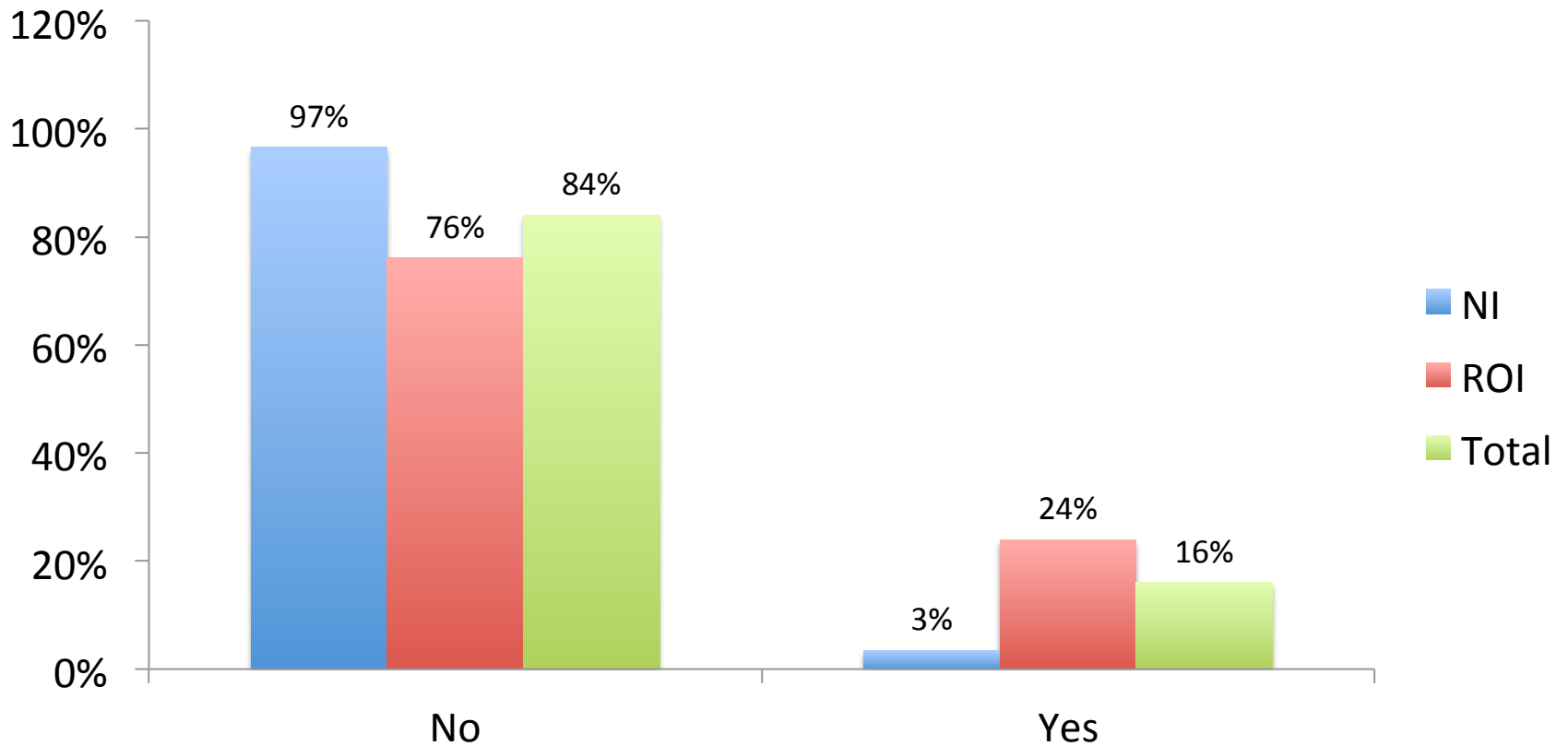
CU Views on Brexit

Likely effect of Brexit on ROI Economy



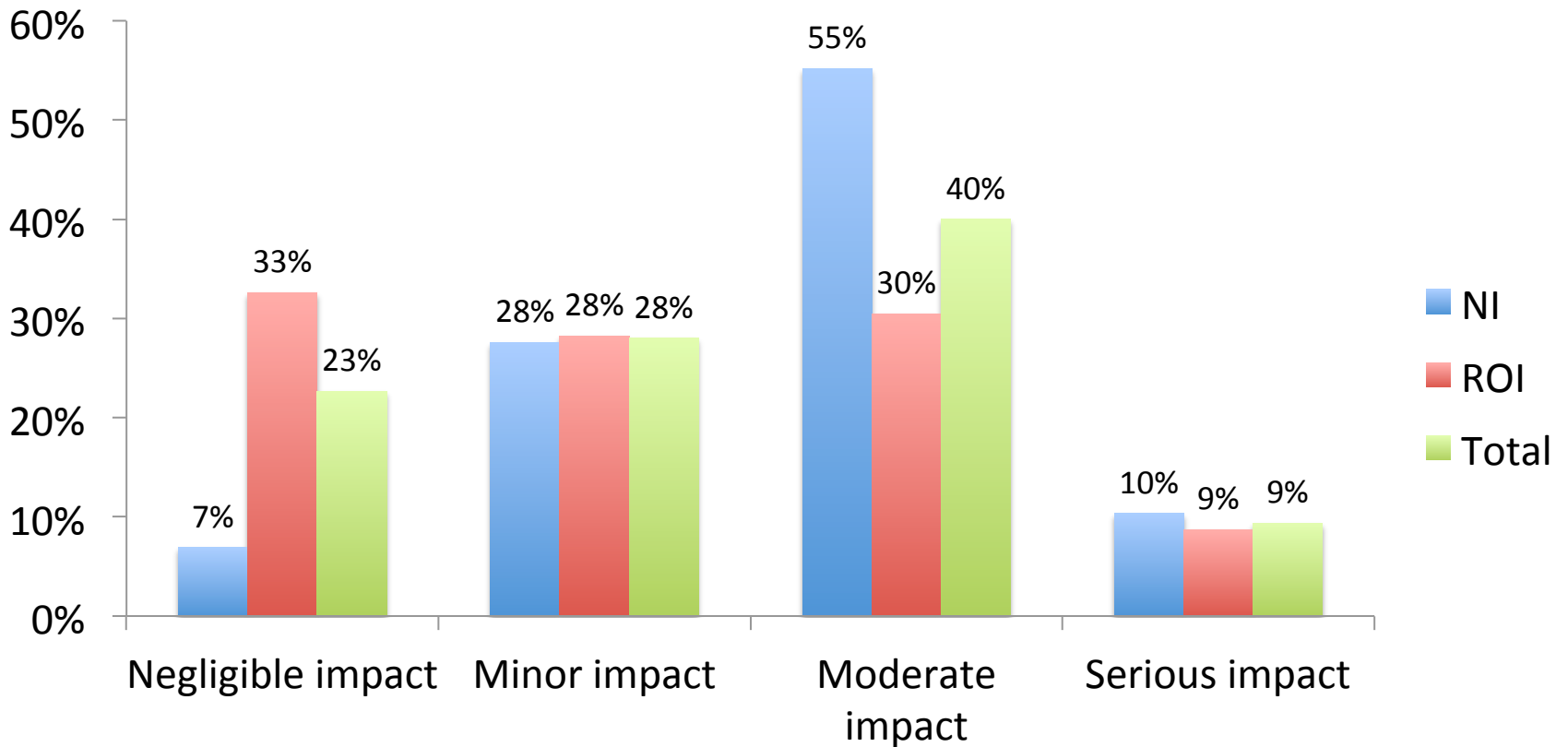
CU Views on Brexit

Has your CU done a formal risk assessment of Brexit?



CU Views on Brexit

Likely Brexit Effect on your CU



CU Views on Brexit

Greatest Brexit effect on your CU?

