

Opening Statement Joint Committee on Enterprise, Tourism and Employment

Chair, Deputies and Senators, thank you for the invitation to appear before the Committee today. My name is Adele Bergin and I am an Associate Research Professor at the Economic and Social Research Institute. I am joined today by our Director, Professor Martina Lawless. We welcome the opportunity to discuss the ESRI and NIESR macroeconomic model of Northern Ireland, known as AMNIE, and its potential to support economic analysis on issues affecting Northern Ireland, Ireland and the all-island economy. I led the team that developed the model and am pleased to outline why it was developed, how it works and how it can be used.

At the outset, it is important to emphasise that a macroeconomic model is not designed to predict a particular future. Rather, it is a framework that allows us to analyse how an economy is likely to respond under different scenarios and policy choices. In essence, it provides an evidence-based way of answering "what if?" questions.

Until recently, Northern Ireland was the only part of these islands without its own dedicated macroeconomic model. Ireland has long had economy-wide models, while NIESR's NiGEM model is widely used to analyse the UK and international economies. However, there was no comparable framework designed specifically around Northern Ireland's economic structure and its links with Ireland, Great Britain and the wider global economy.

This mattered because Northern Ireland has a distinctive economic structure. Productivity levels are lower than elsewhere in the UK, investment rates are weaker, exports are less diversified and the public sector plays a relatively large role in economic activity and employment. As a result, policies and external shocks can affect Northern Ireland differently from other regions.

The project was initially funded by Ibec, which identified the need for a dedicated macroeconomic model for Northern Ireland. The ESRI subsequently partnered with NIESR to bring together expertise on both the Irish and UK economies. The result was AMNIE, the first dedicated macroeconomic model of the Northern Ireland economy.

Building the model involved not only developing the modelling framework itself but also constructing a comprehensive database for Northern Ireland. The model captures the behaviour of households, firms, government and the external sector, allowing us to analyse the effects of changes in areas such as trade, taxation, public spending and investment. Importantly, the model can also be linked with the ESRI's COSMO model of Ireland and NIESR's wider modelling framework, allowing us to examine interactions between the Northern Ireland, Irish, UK and global economies.

The questions the model can address are wide-ranging. For example:

- What happens to growth and employment if exports increase?
- How sensitive is Northern Ireland to changes in interest rates?

- What is the impact of higher government investment?
- What are the consequences of tariffs or changing trading arrangements?
- What are the economic implications of stronger cross-border economic integration?

These are questions that policymakers increasingly face and where robust evidence can add significant value. While macroeconomic models are often viewed as tools for governments, they are equally relevant to business. Decisions on investment, expansion, supply chains and workforce planning are all influenced by economic conditions. A model such as AMNIE provides a consistent evidence base that can help inform those decisions.

A particularly useful example of the model in action comes from a recent study for the Department for the Economy in Northern Ireland, which examined the potential impact of US tariffs on the Northern Ireland economy. The analysis considered a range of tariff scenarios and found that Northern Ireland would experience persistent output losses under all cases examined. Trade was the main transmission mechanism, with exports and imports responding more quickly and more strongly than overall output. Under the most severe broad-based tariff scenario, Northern Ireland GDP was estimated to remain around 1.8 per cent below its baseline level by 2030. The analysis also showed that tariffs targeted specifically at the UK or the EU would be more damaging for Northern Ireland than a uniform global tariff because of the economy's close integration with those markets. The study also explored whether Northern Ireland's dual access to the UK internal market and the EU Single Market for goods could provide some protection from these effects. While the simulations suggested that trade and investment diversion could generate some temporary gains, these were not sufficient to offset the wider negative impact of sustained tariff increases. Importantly, the analysis demonstrated how the model can be used to address a live policy issue and generate quantified evidence that is directly relevant to policymakers and businesses.

Beyond individual policy questions, the model has significant potential in an all-island context. Economic links across the island continue to deepen through trade, labour mobility, tourism, infrastructure and energy markets. As a result, there is increasing value in understanding how developments in one jurisdiction affect outcomes in the other. The model provides a framework for undertaking that analysis and for assessing the impact of policies designed to strengthen economic cooperation.

Importantly, the purpose of the model is not to advocate for any particular policy position. Its role is to provide evidence. By making assumptions explicit and estimating their likely economic consequences, the model allows policy discussions to be informed by analysis rather than speculation.

Looking ahead, the model can be used to analyse a broad range of policy issues including productivity, skills, infrastructure, housing, energy and trade. As the data and modelling

framework continue to develop, it will become an increasingly valuable addition to the evidence base available to policymakers in both jurisdictions.

In conclusion, AMNIE represents an important addition to the economic evidence base available to policymakers, businesses and researchers. For the first time, Northern Ireland has a dedicated macroeconomic model that allows us to analyse how the economy responds to policy changes and external shocks, and to assess the implications of those developments for Northern Ireland, Ireland and the all-island economy.

Ultimately, the value of the model lies not in forecasting a single future, but in helping policymakers understand the consequences of different choices. Whether the issue is trade policy, investment, productivity, skills or cross-border cooperation, the model provides a framework for moving from assertion to evidence.

Thank you, Chair. We look forward to the Committee's questions.