

THE CASE OF BREXIT: AN ANALYSIS OF THE POLITICAL AND ECONOMIC FACTORS

Filip Kokotovic, University College of International Relations and Diplomacy Dag Hammarskjöld Zagreb, Ilica 242, Croatia, filip.kokotovic@hotmail.com
Petar Kurecic, University North, Department of Business Economics, Varaždin, 104. brigade 3, Croatia, petar.kurecic@unin.hr

ABSTRACT

This paper analyses the short-term economic, as well as the long-term political consequences of Brexit. In order to analyse the short-term economic impact, we implement Chow's test for a structural break on the main stock exchange indexes. Another significant part of this paper is an analysis of the factors that have an impact on the exports of the United Kingdom and whether the potential decrease of the exchange rate will be more relevant than the anticipated decrease of FDI and GDP. This paper concludes that there is significant evidence that there was a negative short-term economic impact caused by Brexit, as well that it might have a detrimental impact on the long-term exports of the United Kingdom. This paper further concludes that Brexit was a unnecessary and avoidable event that might not have happened had there been an accountable political class that fairly and objectively presented the potential consequences of Brexit.

Keywords: Brexit, EU, VAR analysis, trade deficit, Chow structural brake test