Windsor Framework's value to economy unlikely to be notable but may lift Brexit malaise

How much of a difference might the Windsor Framework make to the UK economy?

The answer, as with so many other economic questions, rather depends on how you look at it.

Let's begin with the basics.

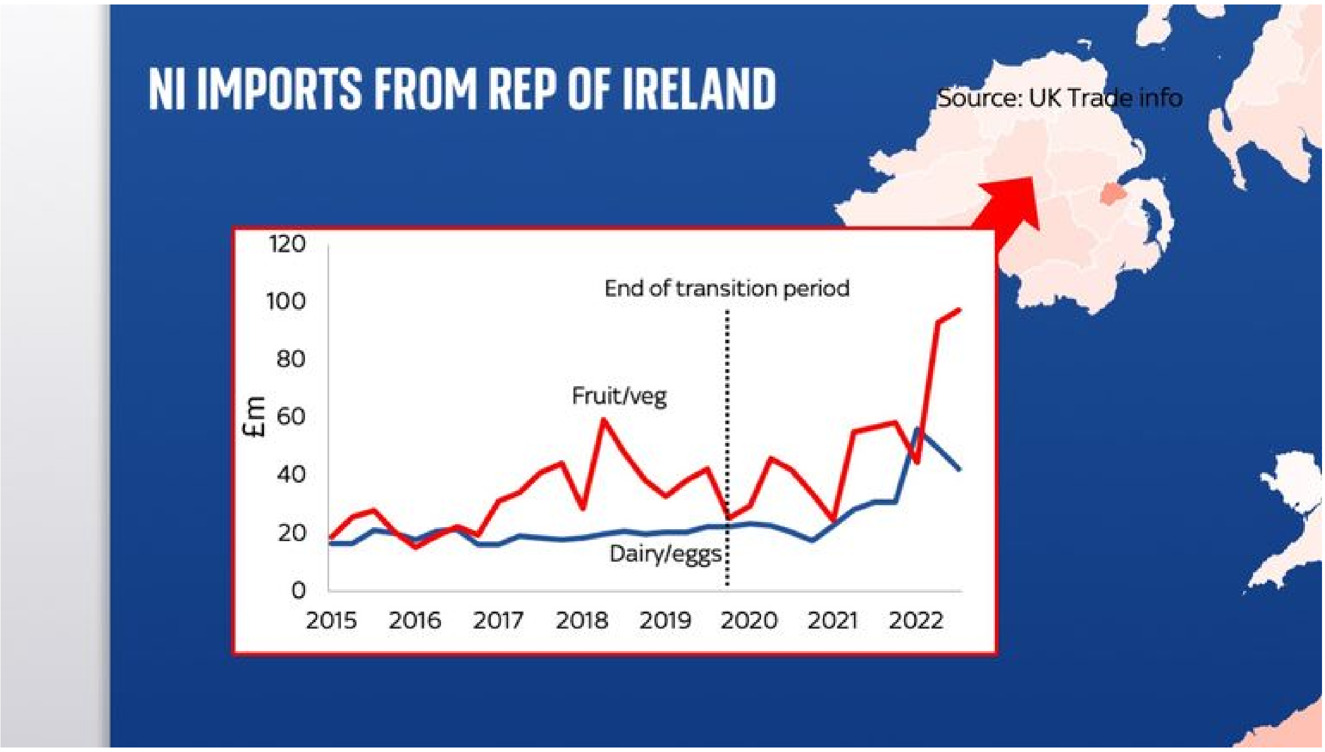
This deal will not change the formal trade relationship between the UK and the EU.

All those post-**Brexit** issues with frictions and customs checks stay as they are, at least for goods passing between the EU and the rest of the UK.

Mostly, this deal is aimed at improving the flow of goods across the Irish Sea, while also preventing the erection of a border on the island of Ireland. And here, there are certainly some areas where the friction is all too evident.

That might not be altogether obvious from overall trade figures, which still show a gradual increase in sales passing across the Irish Sea to Northern Ireland. But since the imposition of EU rules on trade between Northern Ireland and the rest of the UK, there has been a sharp fall in food imports.

One way of seeing this is by drilling down into the data and looking at how much in the way of food and vegetables Northern Ireland gets these days from the Republic of Ireland (as opposed to the rest of the UK). And indeed: after the end of the transition period the food and veg imports from Ireland more than doubled – a massive shift.



If the Windsor Framework does as intended, it should unblock these UK flows, meaning Northern Ireland can once again rely on free (or freer) transit of most goods from the rest of the UK.

That could help boost economic growth and possibly investment too. As the PM said on Tuesday, Northern Ireland will benefit from being part of two economic zones at once, the UK and European single market.

Leaving aside the obvious rejoinder that that was precisely Britain's situation pre-Brexit, this could encourage businesses to pump more cash into Belfast and beyond.

Will this make much difference to Britain's wider economic fortunes? Not necessarily, or if it does it might not be especially noticeable.

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Why? Because Northern Ireland accounts for just 2.2% of UK gross value added (London is 24%). Even a big boost in that part of the UK won't necessarily be evident from overall UK GDP.

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What is the Windsor Framework?

That being said, the real question is whether this agreement – the most conciliatory yet since 2016 – will be seen as a step shift.

Will it persuade international investors that the era of instability in Britain's trade relations is now at an end? If so that could well persuade people to reallocate their cash to this country.

Guessing at the overall impact of that is a mug's game. Indeed, even the size of the economic hole made by Brexit is a hard thing to work out. The Bank of England and Office for Budget Responsibility reckon it might amount to 3-4% of GDP – a big number, and even if you subscribe to these numbers there are also questions about how much of the pain has already been inflicted.

One Bank of England policymaker, Jonathan Haskel, has a more conservative estimate: based on what's happened to business investment numbers, he thinks the UK may be around 1.3% less well off than it would otherwise have been.

That might sound trivial, but it equates to around £1,000 per household.

It seems unlikely that the Windsor Framework could make all that much difference to that figure – Britain still went for a hard Brexit and this will not change it – but some suspect there is a chance that this is the turning of the tide.