The Macroeconomic Impact of US Tariffs on Northern Ireland

Summary of ESRI research, July 2026

Authors: Adele Bergin[1], Luke Doyle[2] and Stephen Millard[3]

Research Purpose

The Department for the Economy commissioned the Economic and Social Research Institute (ESRI), in conjunction with the National Institute of Economic and Social Research (NIESR) to assess the impact of US tariffs on the Northern Ireland economy.

The researchers used scenario analysis to estimate the potential impact of increased US tariffs on Northern Ireland's trade flows and to examine how these effects impact on key macroeconomic indicators, including Gross Domestic Product (GDP), employment, unemployment, domestic demand, wages and prices.

This paper provides a summary of the main findings of the ESRI/NIESR report and should be read in conjunction with the full report, which provides more detail on the overall assumptions and results.

Context

The research is set in the context of Northern Ireland's unique post-Brexit position under the Windsor Framework, whereby it remains part of the United Kingdom while aligning with the EU Single Market for goods.

This arrangement provides dual-market access to both Great Britain and the European Union, albeit with some administrative frictions, and introduces additional complexity in the face of US tariffs that differentiate by origin.

A potential tariff differential between EU and UK goods could incentivise firms to reroute trade through Northern Ireland, subject to rules of origin requirements, potentially enhancing its strategic role in international trade. While the scale of such

[1] Economic and Social Research Institute; Email: adele.bergin@esri.ie.

[2] Economic and Social Research Institute; Email: luke.doyle@esri.ie.

[3] National Institute of Economic and Social Research, Durham University Business School and Portsmouth University; Email: s.millard@niesr.ac.uk.

trade diversion is uncertain, it may carry important macroeconomic implications for the Northern Ireland economy.

Modelling Approach

The research uses AMNIE – A Macro-Model of the Northern Ireland Economy[4] developed jointly by ESRI and NIESR – to assess the macroeconomic impacts of five US tariff scenarios, covering the period 2025 to 2030. It estimates the impact of different tariff scenarios on Northern Ireland's economy relative to a no-tariff baseline.

Scenarios examined

- Benchmark Shock: tariffs of 20% on goods applied to Northern Ireland, the United Kingdom, the European Union, and the rest of the world, with 60% applied to China.
- UK Preferential**:** As the *Benchmark shock*, but with a reduced tariff of 10% on goods applied to UK exports, isolating the effect of the UK trade agreement.
- UK-EU Differential: As in the *Benchmark shock*, but with tariffs of 10% on the UK and 15% on the European Union, capturing a differential regime between the United Kingdom and the European Union.
- 10% Global Permanent**:** A uniform and permanent 10% tariff on goods applied to all trading partners.
- 10% Global Temporary**:** A temporary uniform 10% tariff on goods applied for eight quarters, allowing an assessment of the persistence of tariff shocks.

Results are reported for key indicators such as GDP, consumption, exports, imports, inflation, and unemployment.

Across all scenarios, the pattern is consistent. Tariffs lead to an immediate reduction in trade volumes, a short-term increase in inflation, and a persistent decline in output and consumption. The scale of these effects is driven by both the intensity of the tariffs and the degree of each economy's exposure to the affected trading partners.

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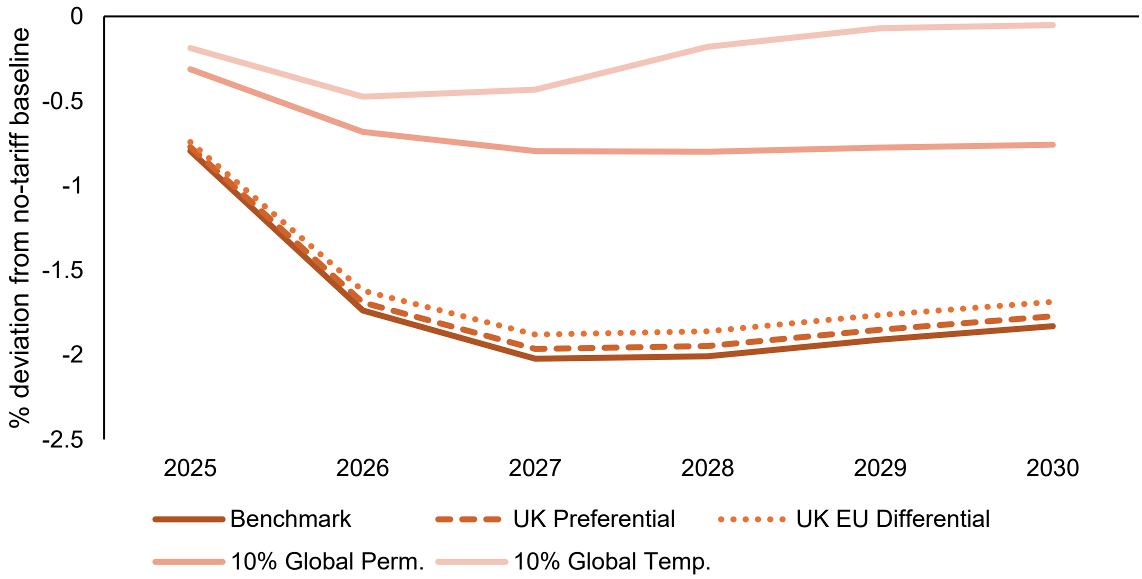
[4] For a technical description of the AMNIE model see Bergin, A., Low, H., Millard, S., and Kumar Verma, A. (2025) A macro-model of the Northern Ireland Economy, ESRI Working Paper 796, Dublin: ESRI/NIESR

Effects on Northern Ireland

Gross Domestic Product (GDP)

NI GDP declines across all scenarios and remains persistently below baseline. The scale of the contraction increases with both tariff intensity and the extent to which tariffs target key partners. Given Northern Ireland's strong trade links with the rest of the United Kingdom and the European Union, disruptions affecting these economies have a disproportionate impact on NI GDP.

Figure 1: Effects of US tariffs on NI GDP (2025-2030)



Source: AMNIE simulations

Trade

Higher tariffs reduce external demand and increase the cost of traded goods. As a result, trade responds more sharply than output, with imports and exports falling quickly, below where they otherwise would have been, across all scenarios. While targeted tariff reductions provide some relief, broader tariff reductions have a significantly larger effect.

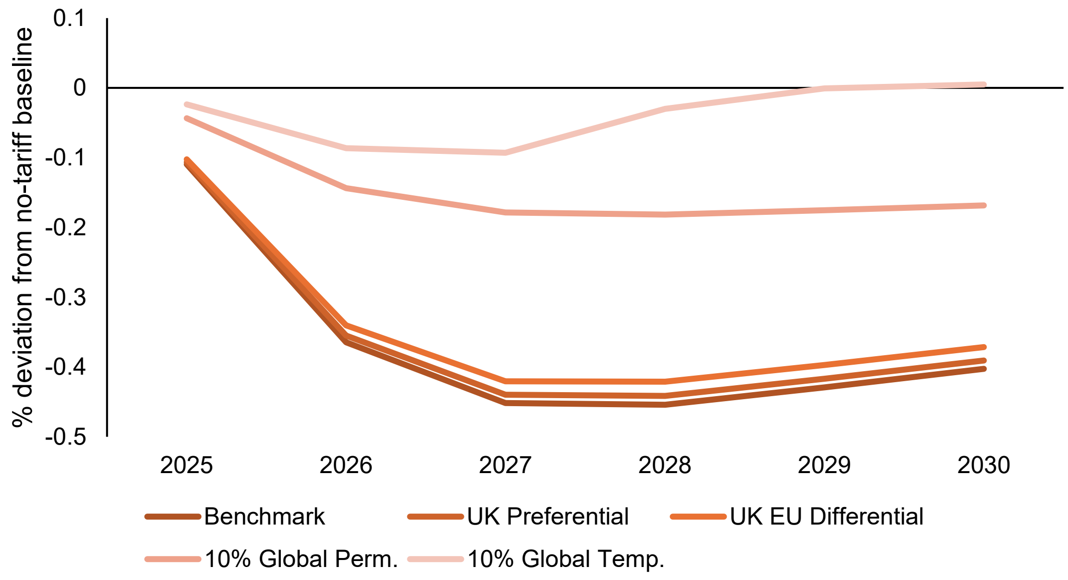
Consumption

Consumption falls below baseline in all scenarios, driven by reduced real incomes and weaker economic activity. The decline closely mirrors output, indicating that domestic demand reinforces, rather than offsets, the initial trade shock.

Labour Market Response

Weaker trade and demand feed through to the labour market. Real disposable income declines due to higher import prices and softer labour market conditions, while employment falls modestly. Overall, labour market impacts are negative but more gradual and less pronounced than output effects.

Figure 2: Effects of US tariffs on NI employment (2025-2030)



Source: AMNIE simulations

Inflation

Tariffs lead to a short-term rise in inflation, driven by higher import prices. This effect is strongest initially and fades over time as weaker demand reduces price pressures.

Comparison with the United Kingdom as a whole, Ireland and the European Union

The analysis found that each of these economies experience negative impacts, but the scale differs. Northern Ireland's exposure sits between the United Kingdom (larger impacts) and the European Union (more moderate impacts), reflecting differences in trade openness and economic structure.

Conclusion

Overall, the analysis suggests that Northern Ireland is vulnerable to changes in the global trading environment, with tariff shocks affecting the economy primarily through trade. The findings indicate that tariffs targeting key trading partners, particularly the EU, have the greatest impact on trade and economic activity.

While Northern Ireland's unique dual-market access provides some degree of resilience and may create opportunities for trade diversion or investment adjustment, these benefits are expected to be limited and insufficient to offset the broader negative effects of higher trade barriers.

The research suggests that Northern Ireland's exposure to tariff shocks lies between that of the European Union and the United Kingdom as a whole.

A key caveat is that the modelling does not fully capture the potential for firms to relocate investment or production in response to tariff differentials, which may be particularly relevant given Northern Ireland's proximity to Ireland and its unique market access arrangements

For further information or queries please contact andrew.doherty@economy-ni.gov.uk