

Brexit And London Stock Exchange – How Brexit Impacted the Initial Public Offerings?

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Abstract

The United Kingdom (UK) has faced with a number of significant changes affecting its economy recently, such as the COVID-19 pandemic, the energy crisis and frequent changes in key government positions. Unarguably, Brexit, due to its individual nature, had the greatest impact on the UK's economic situation. Considering the Brexit timeline, the two most significant events can be distinguished - the conducting of the referendum on 23.06.2016 and the finalization of Brexit at the end of 2020. The objective of this study is to analyse the impact of Brexit on the number of IPOs and IPO proceeds of British and foreign companies on the London Stock Exchange (LSE). The study covers the period 2012 to 2022 and considers two LSE markets - the Main Market and the Alternative Investment Market. In the study the Autoregressive Distributed Lag (ARDL) model is used, which examines cointegration between variables and estimates long-run effects. The results of the study indicate a negative short-term effect of leaving the EU on the number and proceeds of IPOs on the LSE of British and foreign companies, whereby the referendum results had a negative impact only on British companies.

Keywords: Brexit, initial public offering, London Stock Exchange, macroeconomic indicators, going public