

Presentation to the Richmond Group

Your clients and Brexit

11 May 2019

Britons saying EU is one of the most important issues facing the country (%)

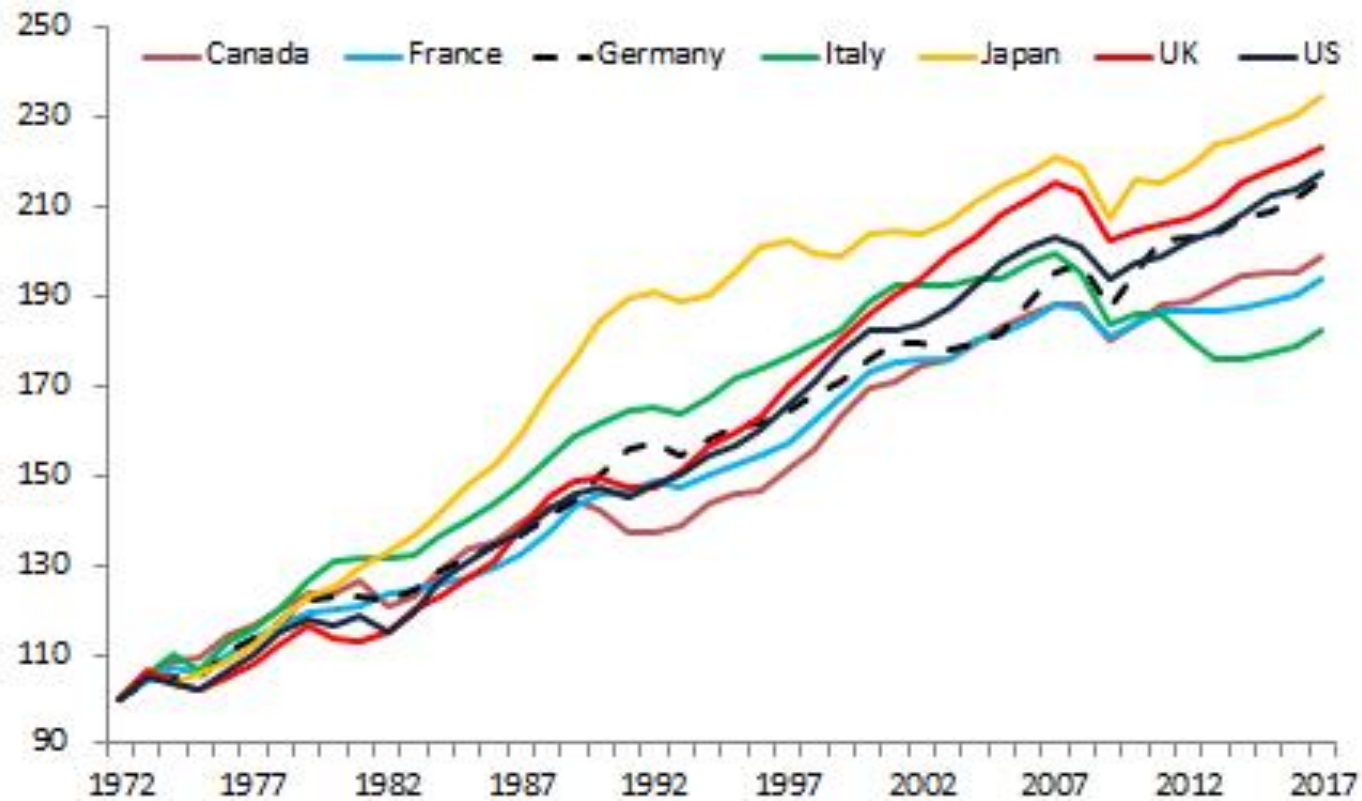


Source: Ipsos MORI

Economist.com

UK GDP per capita for G7 since 1972

GDP per capita in real terms, 1972 = 100



Sources: ONS, MF World Economic Outlook and Maddison Growth Database

Slide 25

Source: Andrew Sentence CBE

UK trade (2017)

Table 2 UK overall trade 2017						
	Goods (£bn)	Services (£bn)	Total (£bn)	Goods	Services	Total
Exports	339	277	616	55%	45%	100%
Imports	476	166	642	74%	26%	100%
Trade (exports + imports)	815	443	1,258	65%	35%	100%
Surplus/(deficit) (exports – imports)	(137)	111	(26)	-	-	-

Source: [UK trade and the World Trade Organisation, Richard Barfield, 2018](#) (primary sources: ONS and Treasury Blue Book)

UK trade: EU & Non-EU (2017)

	Goods £bn	Services £bn	Total £bn	Goods	Services	Total
Total						
Exports	339	277	616	55%	45%	100%
Imports	476	166	642	74%	26%	100%
Total	815	443	1,258	65%	35%	100%
Surplus/(deficit)	(137)	111	(26)	-	-	-
EU					% of total	
Exports	164	110	274	48%	40%	44%
Imports	259	82	341	54%	49%	53%
Total	423	192	615	52%	43%	49%
Surplus/(deficit)	(95)	28	(67)			
Non-EU						
Exports	175	167	342	52%	60%	56%
Imports	217	84	301	46%	51%	47%
Total	392	251	643	48%	57%	51%
Surplus/(deficit)	(42)	83	41			

DExEU economic impact assessment

Compared to today's arrangements (per cent change in GDP)	Modelled no deal scenario	Modelled average FTA scenario	Modelled EEA-type scenario
Trade contribution:			
Tariffs	-1.4	0	0
NTBs	-6.5	-5.1	-1.5
New trade deals	+0.2	+0.1	+0.1
Total Trade impact	-7.6	-4.9	-1.4
Additional regulation and migration contributions:			
Regulatory flexibility	+0.1	+0.1	0
Migration (no change to migration arrangements)	-0.2	-0.1	0
Migration (zero net inflows of EEA workers)	-1.8	-1.8	N/A
Overall combined impact			
UK GDP (no change to migration arrangements)	-7.7 (-9.0 to -6.3)	-4.9 (-6.4 to -3.4)	-1.4 (-2.4 to -0.9)
UK GDP (zero net inflows of EEA workers)	-9.3 (-10.7 to -8.0)	-6.7 (-8.1 to -5.1)	N/A

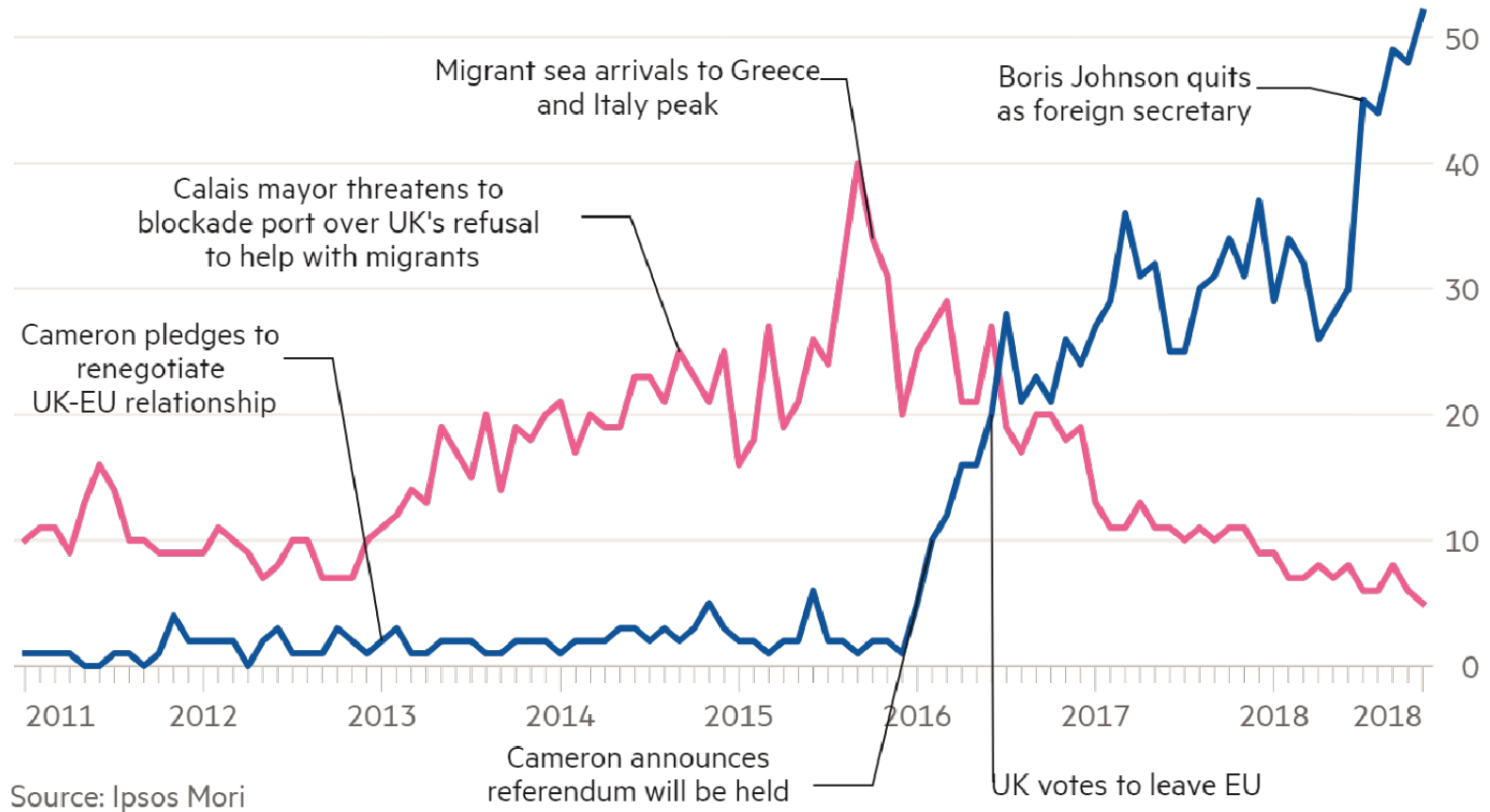
Source: [EU Exit, Long-term economic analysis, HMG, November 2018](#)

What UK cares most about

Ipsos Mori issues index (% citing issue as most important)

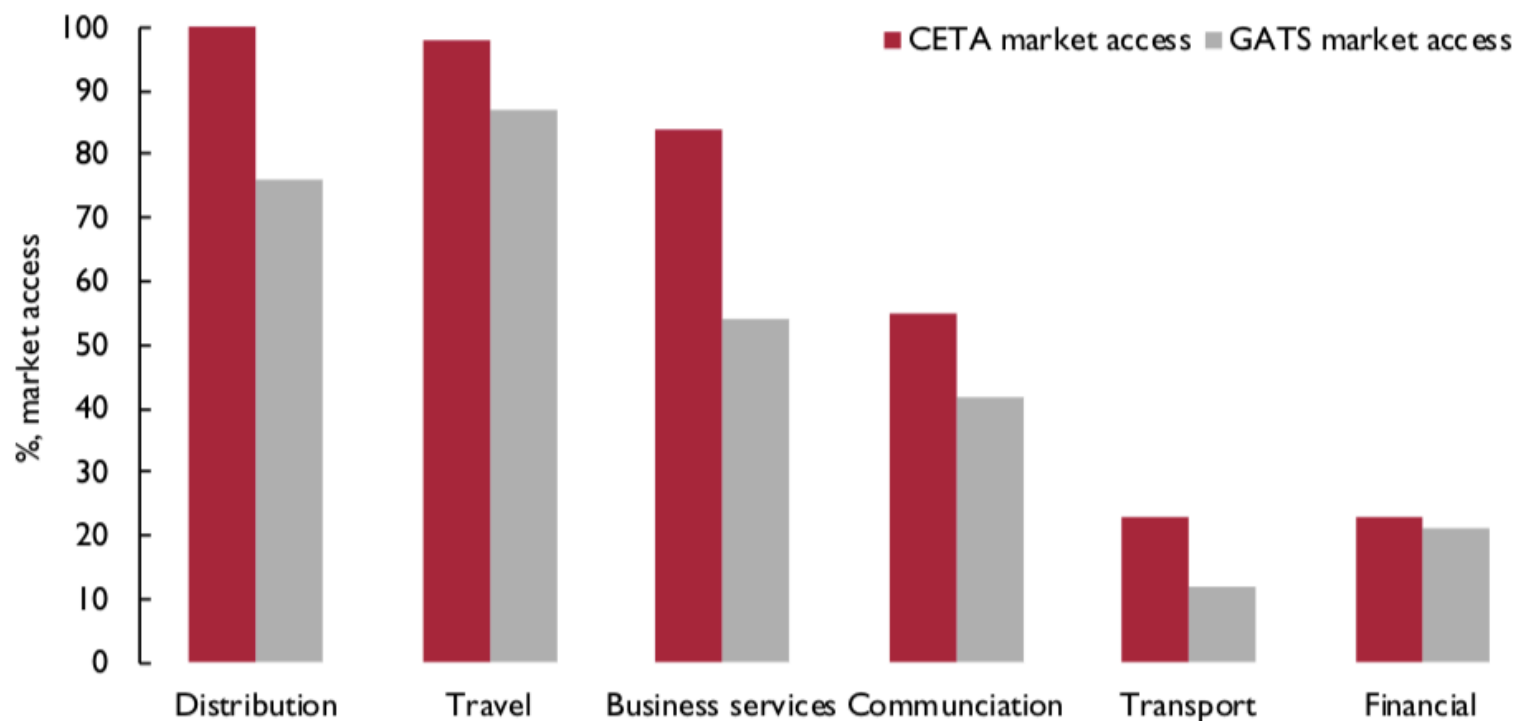
— Common Market/Brexit/EU/Europe/Euro

— Immigration/immigrants



Source: FT Alphaville, 11 December 2018

Market access for services under CETA and GATS



Source: Magntorn and Winters (2018).

Notes: Full market access represented by score of 100%. CETA stands for Comprehensive Economic and Trade Agreement between the EU and Canada, GATS for the General Agreement on Trade in Services.

Source: [The Economic Impact on the United Kingdom of a Customs Union Deal with the European Union, NIESR, Arno Hantzsche and Garry Young, 9 May 2019](#)

Some observations (1/2)

Economic context

- Low growth = low resilience
- Uncertainty: delayed investment in UK; increased employment

Non-tariff barriers>> tariff barriers

However, UK likely to follow EU rules for several years

Immigration – staff retention and attraction (multi-year)

Manufacturing top concerns

- Supply chain disruption (17%)
- Divergence in standards (18%)
- Tariffs (21%)

Services

- Impact on cross-border supply
- Commercial presence in EU27
- Movement of people to provide services

No deal would be catastrophic (not just for trade): possible but no longer a tactical priority

Some observations (2/2)

“Reverse stress test” your business to Brexit risks

Build in Brexit resilience

Appoint ‘head of Brexit’ and steering group

Identify triggers for action

[PwC](#) eight-point checklist:

1. Plan to be agile
2. Support your people
3. Know your supply chain
4. Clean up your current data
5. Build ways to capture more data
6. Take advantage of existing government schemes
7. Check out your contracts
8. Engage with key third parties

European election scenario modeller

Input cells		Output area							
Region	South East								
Scenario	ComRes poll								
Number of seats	10								
		1	2	3	4	5	6	7	8
Vote share (%)	20.0 Labour	20.0	10.0	6.7	5.0	4.0	3.3	2.9	2.5
	18.1 Conservative	18.1	9.1	6.0	4.5	3.6	3.0	2.6	2.3
	2.0 UKIP	2.0	1.0	0.7	0.5	0.4	0.3	0.3	0.3
	30.0 Brexit Party	30.0	15.0	10.0	7.5	6.0	5.0	4.3	3.8
	15.1 LibDem	15.1	7.6	5.0	3.8	3.0	2.5	2.2	1.9
	7.0 Green	7.0	3.5	2.3	1.8	1.4	1.2	1.0	0.9
	9.0 Change UK	9.0	4.5	3.0	2.3	1.8	1.5	1.3	1.1
	SNP	-	-	-	-	-	-	-	-
	Plaid Cymru	-	-	-	-	-	-	-	-
	Other (balancing figure)	(1.2)	(0.6)	(0.4)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)
		100.0	50.0	33.3	25.0	20.0	16.7	14.3	12.5

Source: <https://brexitfactbase.com/pdfs/EUElectionModeller.xlsx>

Brexit FactBase aims to:

- Inform as wide an audience as possible
- Provide objective, balanced analysis without political spin

Brexit FactBase:

- Gives the full picture for you to assess the implications of Brexit
- Provides evidence to help you navigate selective views and myths
- Uses authoritative sources that you can rely on
- Puts Brexit facts at your fingertips

<https://brexitfactbase.com>



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Appendices

Briefing papers/articles

<https://brexitfactbase.com>

Briefing papers and articles

Briefing papers for non-specialists

- 'No deal' and WTO rules (February 2019)
- UK Trade and the World Trade Organisation (September 2018)

Articles

- 'No deal' – are the people right? (April 2019)
- Challenges with Common Market 2.0 (March 2019)
- UK Trade Forum: What trading on WTO terms alone really means for Britain (November 2018)

<https://brexitfactbase.com/publications-resources/>

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