# Brexit – what next?

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# 1. Agenda

- What Brexit is about
- Economic costs and benefits
- Has the politics changed
- The ‘reset’
- What next?

- Q&A

# 2. A recap

- On 23 June 2016 the UK voted narrowly (52%/48%) to leave the EU (aka "Brexit")
- Vote was technically "advisory", but the government said this was a "once in a generation decision" and that it would "implement what you decide"
- A long and damaging process followed…
- UK left the political structures of the EU in January 2020 and economics structures in December 2020
- But it did so with a relatively favourable trade deal (the Trade and Cooperation Agreement, or TCA)

# 3. It's not just about the economics…

"I've never met anyone who's said…

*I'd be in favour of Brexit if I thought the impact on GDP would be less than 2%, but I'll be in favour of Remain if I thought it was more than 5%*

It's the issues of identity and culture and politics that are motivating people."

Mervyn King, 2019
(Former Bank of England Governor)



# 4. The EU's two main economic pillars

- Single Market

  - four freedoms of movement
  (goods, services, capital, people)

  - regulations that apply to whole economy



- Customs Union

  - no internal 'tariffs' (taxes on imports)

  - common external tariffs

  - little scope for independent trade policy

# 5. Brexit means 'taking back control' of…

1. 'Borders': end 'freedom of movement' to/from the EU
2. 'Laws': leave the EU's Single Market and end jurisdiction of European courts
3. 'Money': stop paying into the EU budget




And we should probably add…

4. 'Trade policy': leave the EU's Customs Union
5. 'Fish' (CAP and CFP)

# 6. Brexit long-term economic costs and benefits

- Potential costs
  - new trade frictions with the EU
  - knock-on effects on investment and productivity
- Potential benefits
  - lower barriers to trade with rest of world
  - freedom to determine own regulations and taxes
  - savings on contributions to EU budget
- Could go either way
  - policies on immigration

# 7. Mainstream view: Brexit has cost 4-8% of GDP

- Problem of the 'counterfactual'

1. Model-based predictions (e.g. the OBR's 4% long-term hit to productivity and a 15% fall in global exports and imports)
2. "Bottom-up" estimates looking at particular sectors
3. "Top-down" estimates based on doppelgangers (e.g. the NBER's 8%)

Office for Budget Responsibility

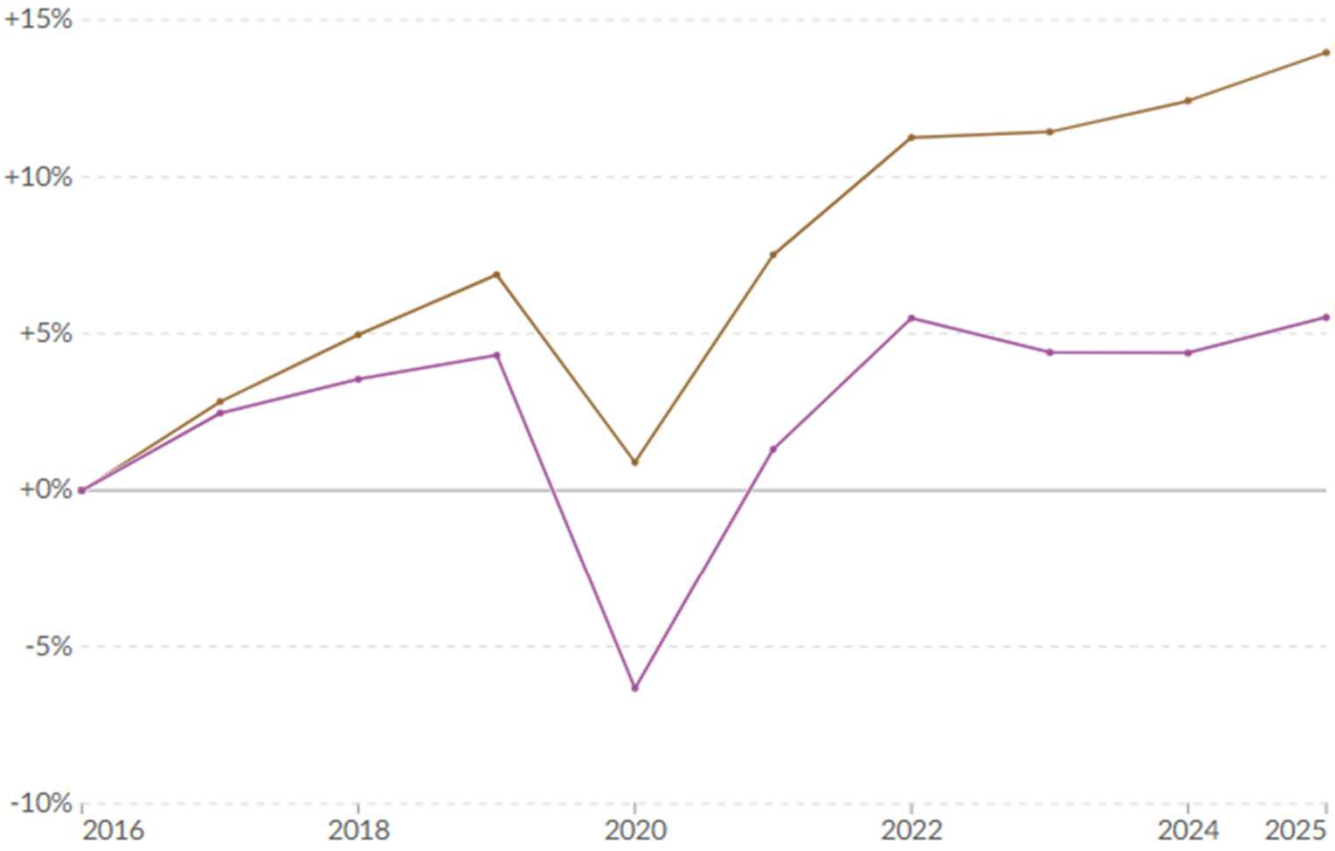
NBER | NATIONAL BUREAU of ECONOMIC RESEARCH

# 8. A simplified “doppelganger”

## GDP per capita

Our World in Data

GDP per capita is a country's gross domestic product[1] divided by its population. This data is adjusted for inflation and differences in living costs between countries.






**Data source:** Eurostat, OECD, IMF, and World Bank (2026)

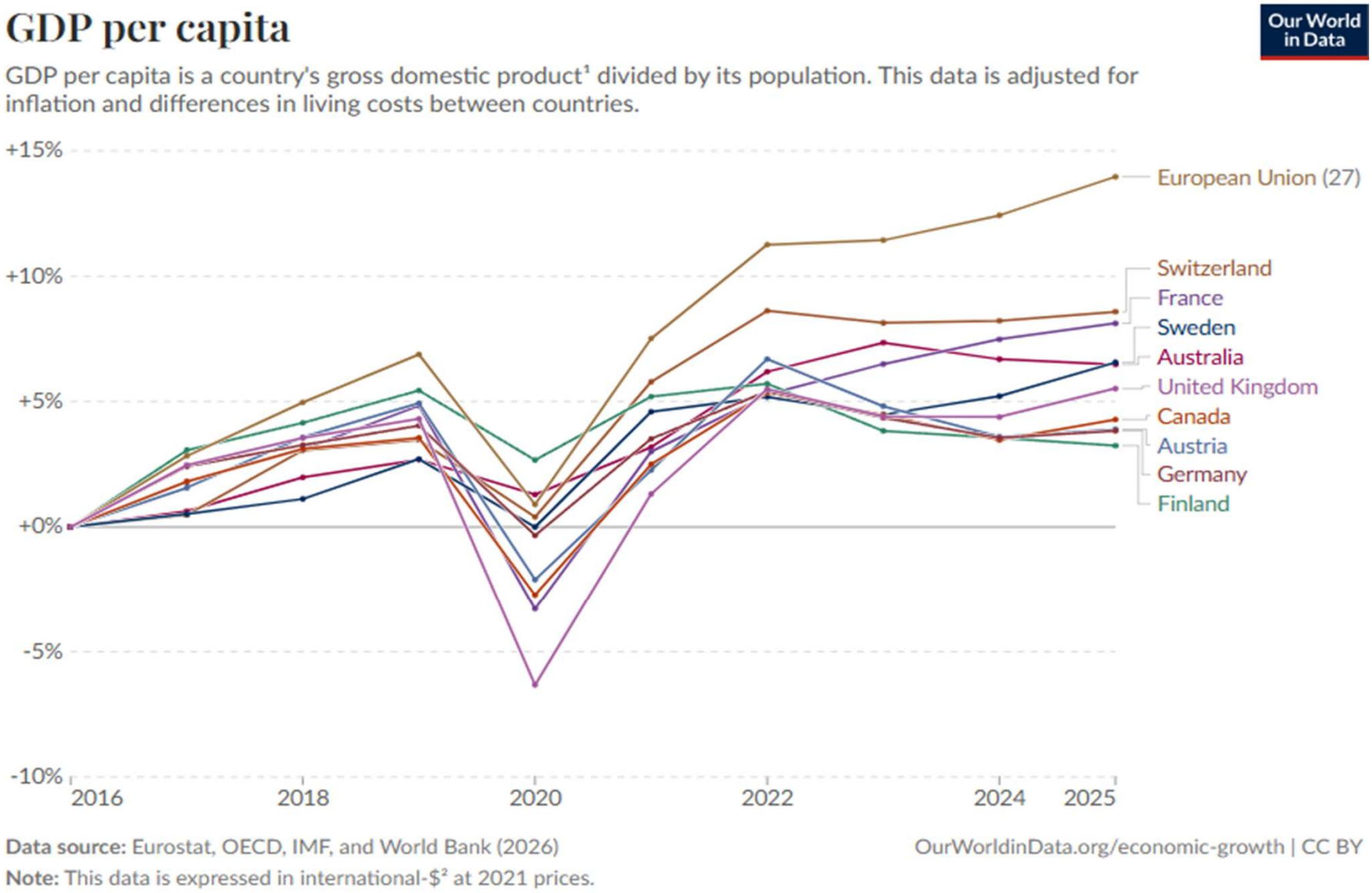
**Note:** This data is expressed in international-$[2] at 2021 prices.

OurWorldinData.org/economic-growth | CC BY

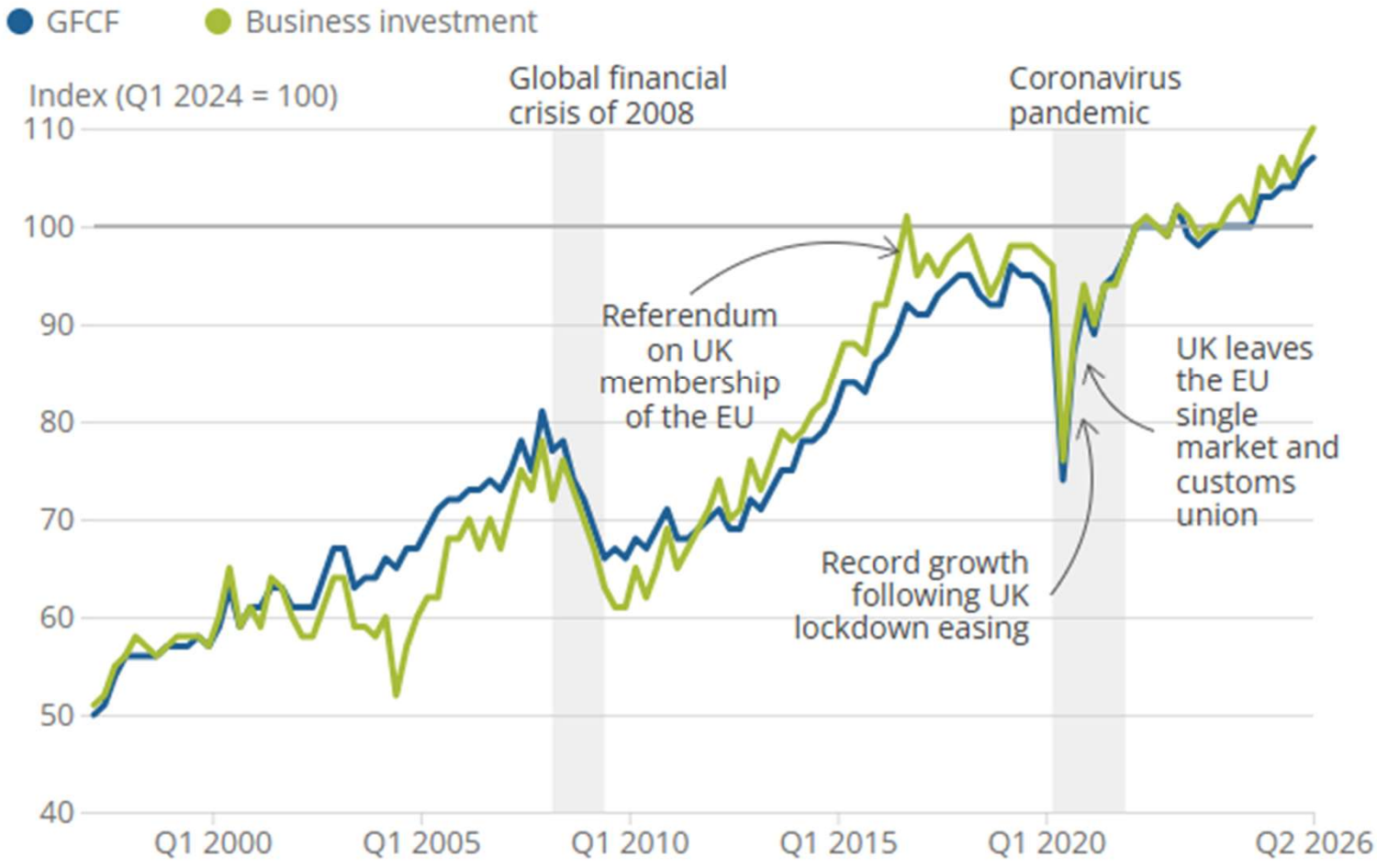
# 9. Minority view: Brexit has largely been a non-event in macro-economic terms

1. The UK economy has grown faster than its peers in terms of headline GDP and matched Germany and France in terms of GDP per head
2. Any under-performance can be explained by non-Brexit factors, e.g. energy prices
3. Business investment initially suffered, but has since rebounded
4. Overall trade has outperformed
5. Food inflation has been similar

# 10. ‘Brexit Britain’ is not such an outlier

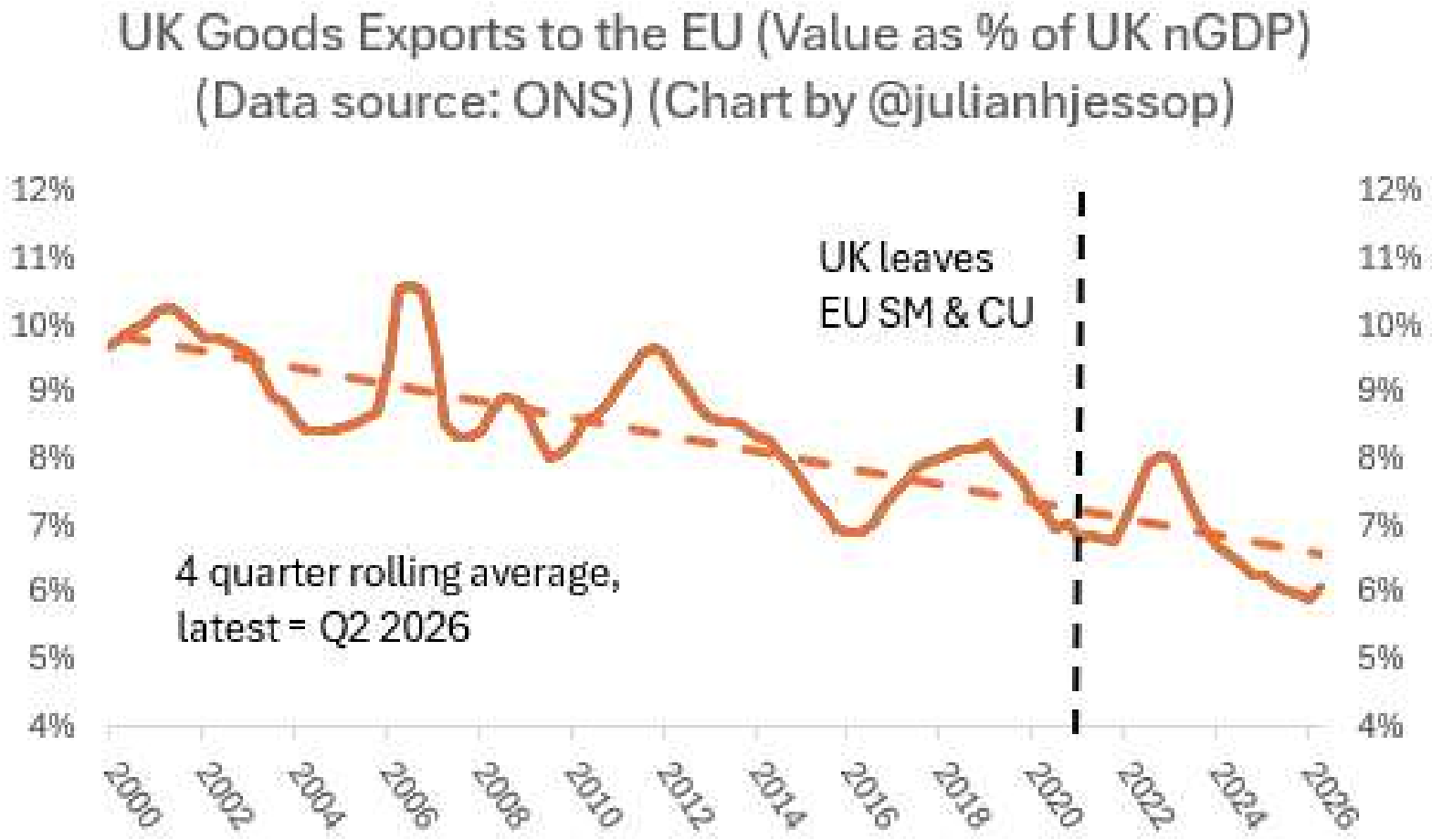


# 11. Business investment has recovered

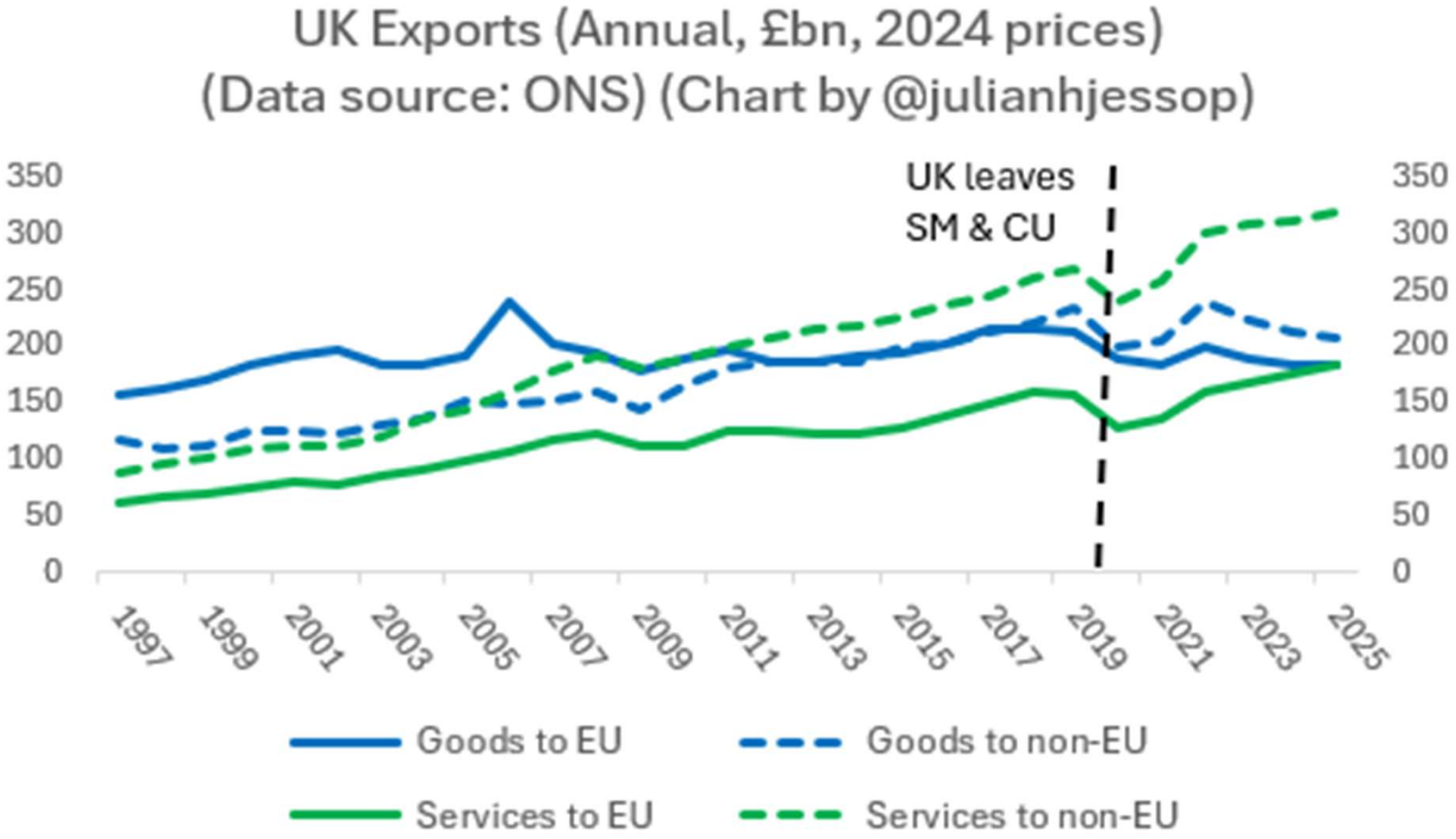



Source: Business Investment results from Office for National Statistics

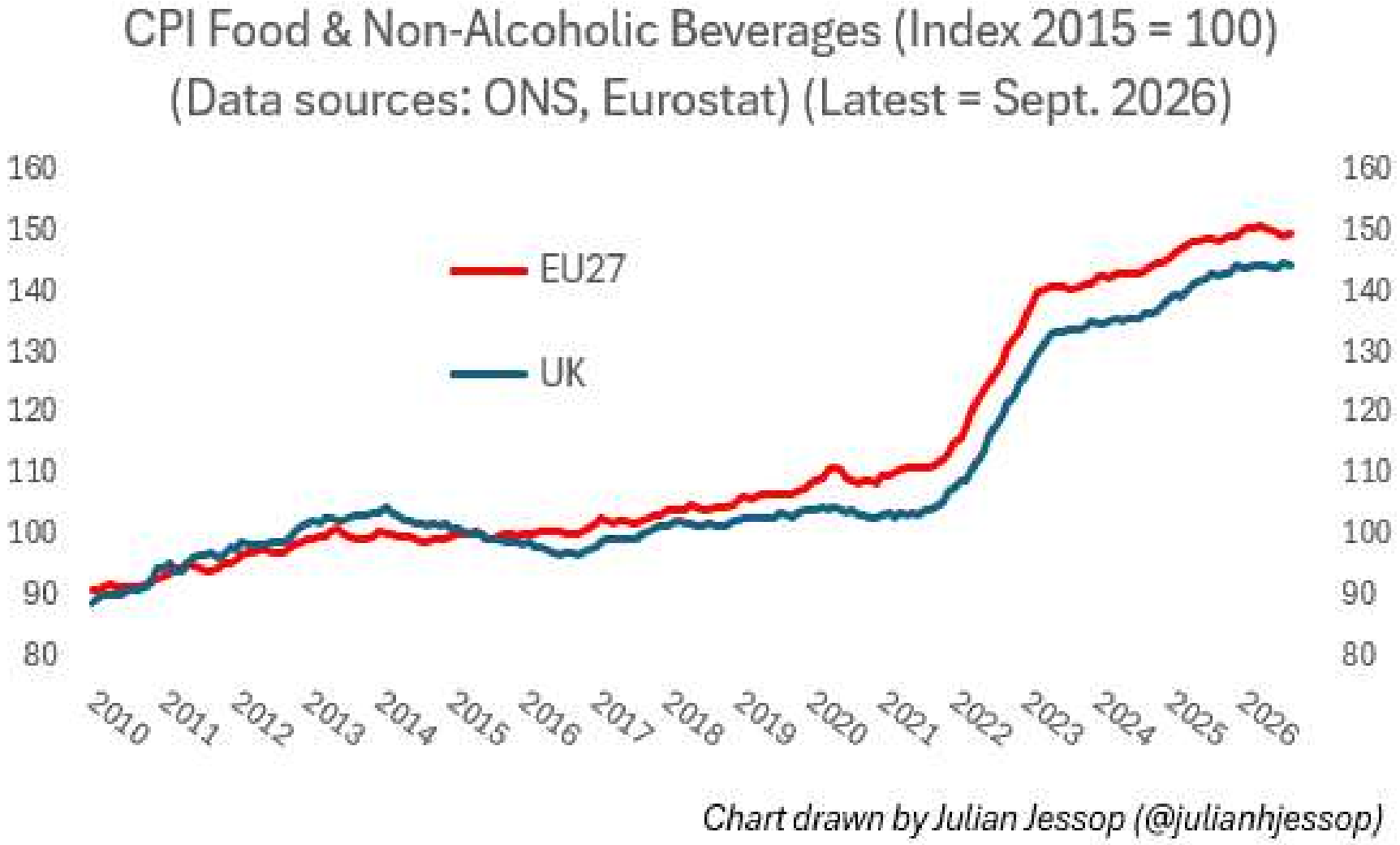
# 12. UK goods exports to the EU were on a downward trend – well before Brexit



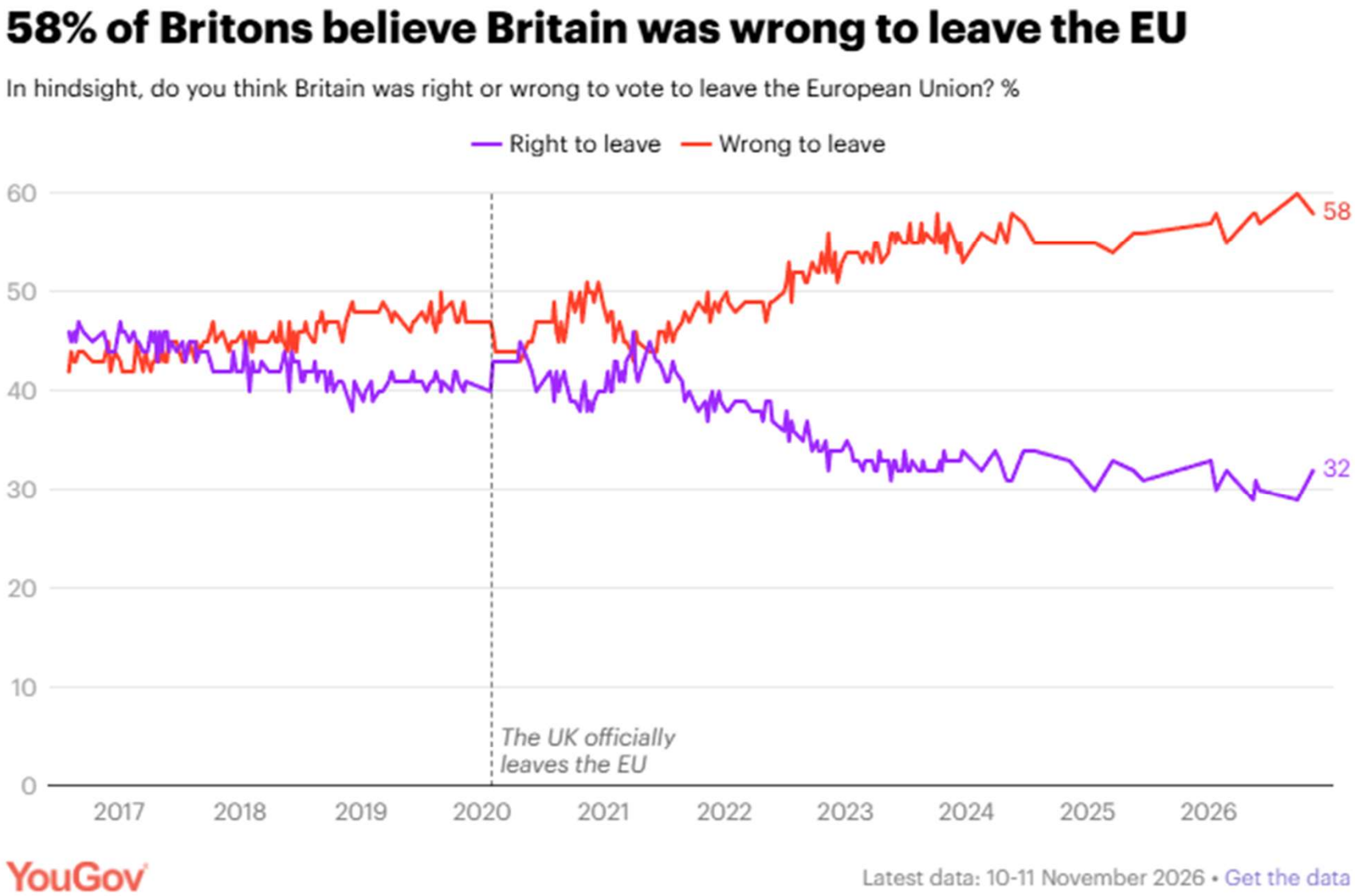
# 13. UK goods exports to the EU have always underperformed



# 14. Food prices: no impact (either way)



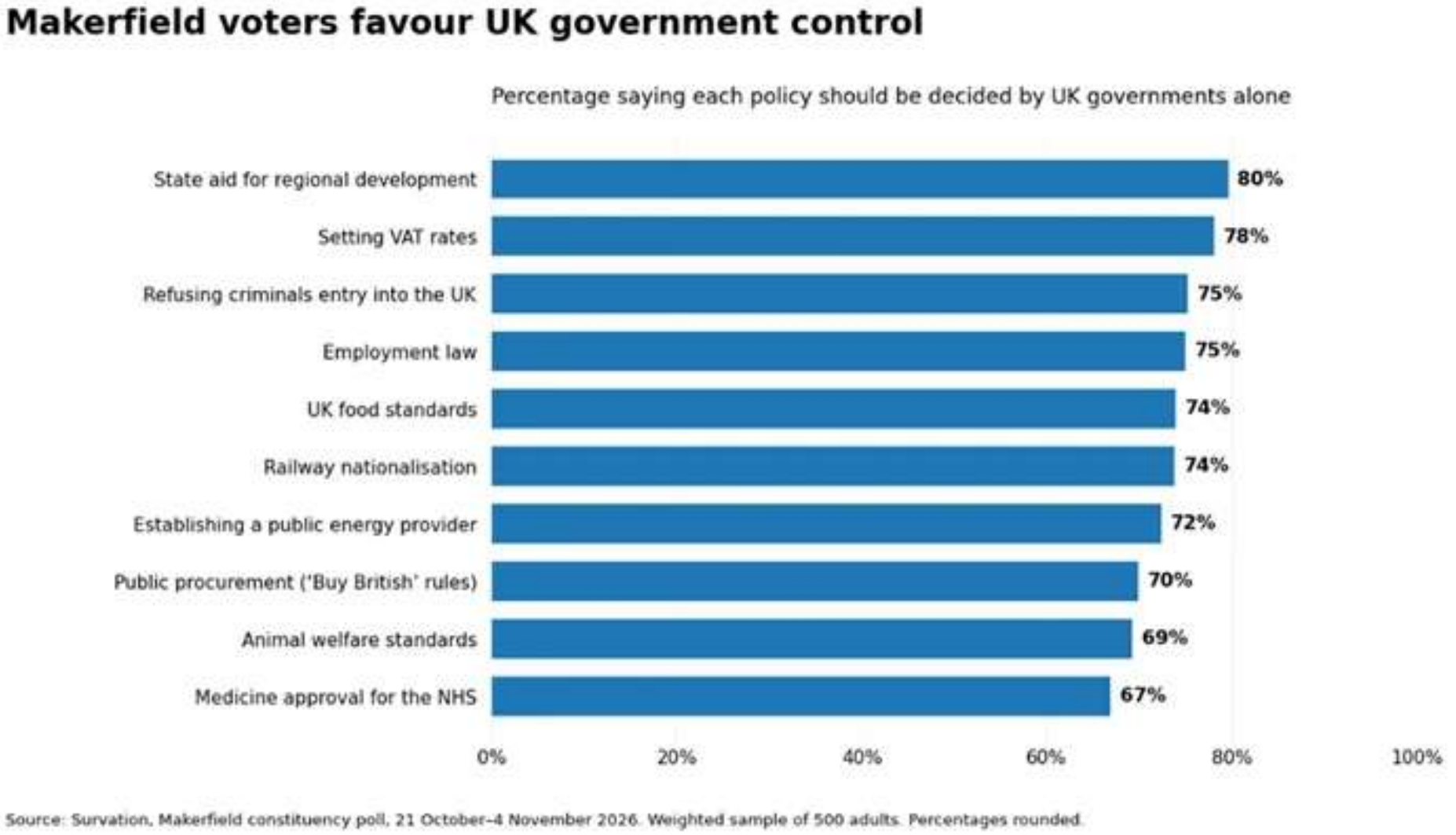
# 15. “Bregret”?


58% of Britons believe Britain was wrong to leave the EU
In hindsight, do you think Britain was right or wrong to vote to leave the European Union? %
Right to leave
Wrong to leave
60
50
40
30
20
10
0
58
32
The UK officially leaves the EU
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
YouGov
Latest data: 10-11 November 2026 • Get the data

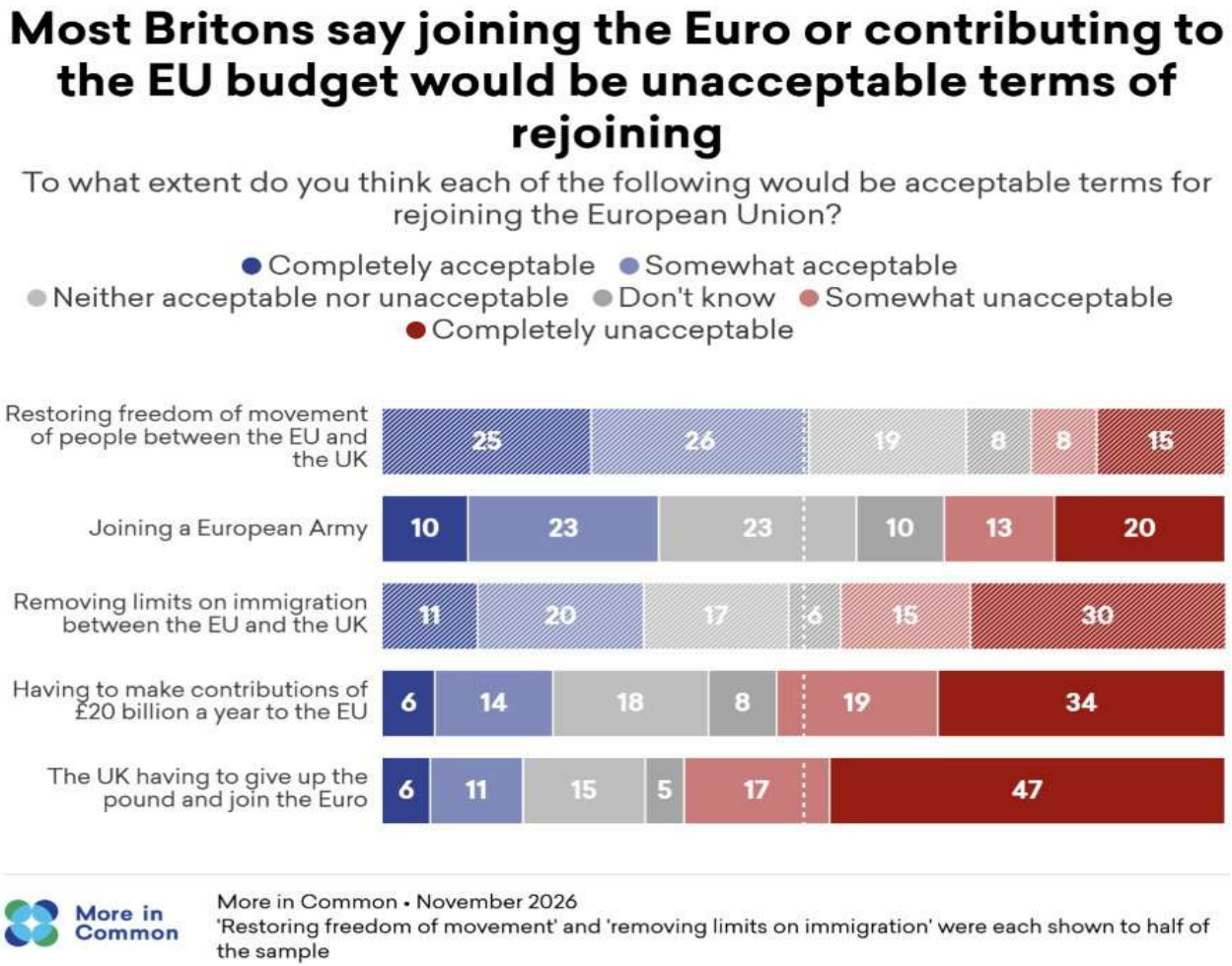
# 16. The global backdrop…



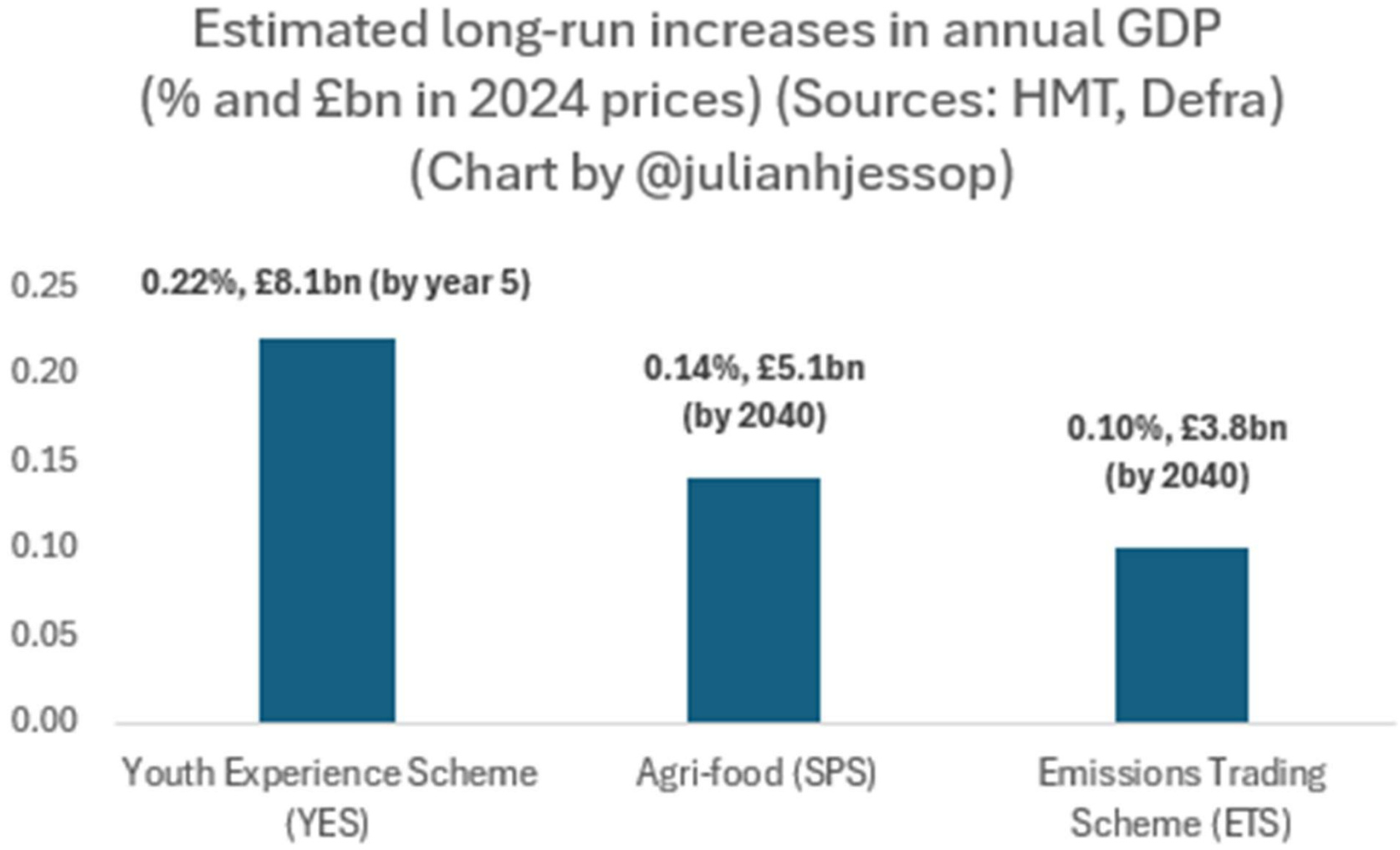
# 17. But Brits still want control



# 18. Key terms of ‘rejoin’ likely to be unacceptable



# 19. Government estimates of gain from ‘reset’



# 20. The view from Brussels




- No "cherry picking" or "a la carte" membership
- Only four options:
  - Rejoin (without previous concessions?)
  - Single Market (Norway)
  - Customs Union (Turkey)
  - Stay out

# 21. What next?

- Still work to be done on the ‘reset’
- The Prime Minister has put the brakes on a rush back to the EU (Labour itself is divided), but he wants to keep the conversation going
- He will set out what he sees as the options (alongside his 10-year plan?)
- EU won’t engage until the UK has picked one
- Andy Burnham may need an early general election to gain a fresh mandate…
- …more uncertainty ahead!

# Questions and discussion

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