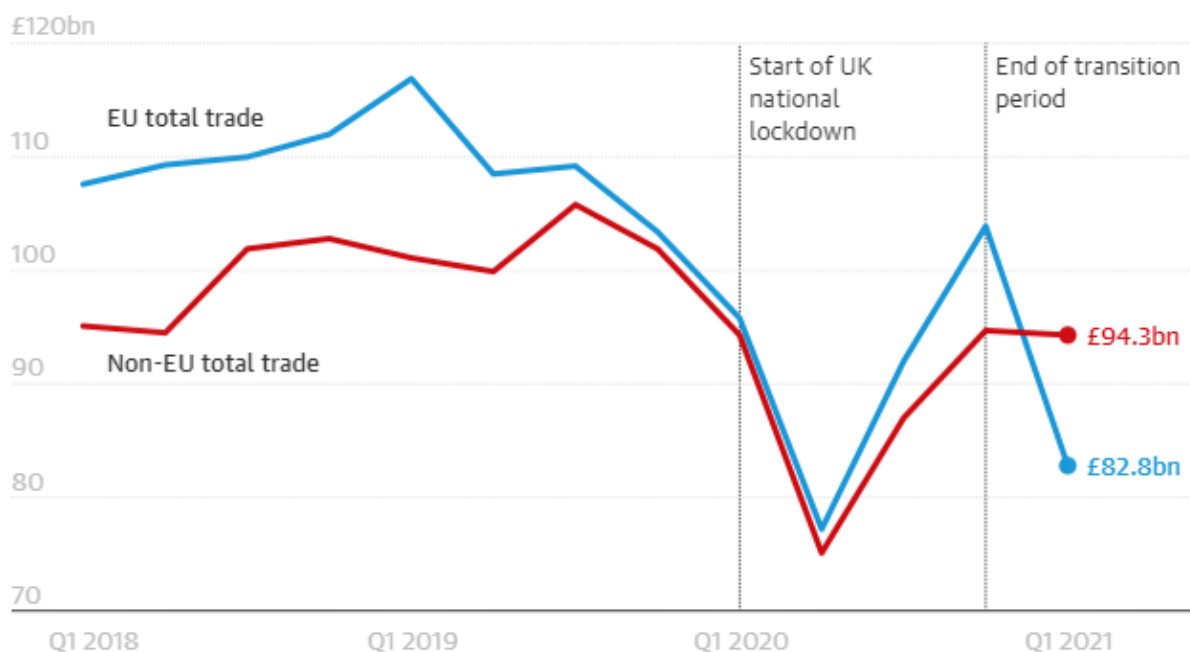


Brexit: The economic impact

One independent report estimated that as a result of Brexit UK gross domestic product (GDP) would fall by 4.4%. ¹ The UK Government's view of the likely economic effects of Brexit was even worse. In 2018 Theresa May's government reported that, provided there were no drastic changes to the inflow of workers from EU countries, GDP in fifteen years' time would be 4.9% lower than if the country had stayed in the EU, while GDP per capita would also be 4.9% lower. If on the other hand, the inflow of workers from EU countries was significantly reduced, UK GDP could be 6.7% lower with GDP per capita around 5.4% lower. ²

A recent report by the jobs website 'Indeed.com' revealed that the number of EU citizens searching for work in Britain has fallen by more than a third since Brexit. Searches undertaken by EU-based jobseekers for work in the UK were down by 36% compared to levels in 2019 and 45% down since the referendum in 2016. And it's not just because of the pandemic. The sharp decline of interest in British jobs among EU jobseekers was not found in other countries. Searches from non-EU countries for example fell by just 1%. The biggest declines were in low-paid jobs in hospitality, the care sector and warehouses. While the UK's new Brexit immigration rules are intended to prioritise those workers with the highest skills, they are also making it more difficult to recruit workers from abroad for lower-paid jobs. ³



The chart shows total UK trade with EU countries and non-EU countries since the beginning of 2018. ⁴ The Office for National Statistics (ONS) has said that it is difficult to separate out the different effects which the pandemic and exit from the EU has had on UK trade. They therefore compared the period between January and the end of March 2021 with the situation at the beginning of 2018, "*as the most recent period in which relatively stable trade patterns were observed*". Total trade in goods, which includes imports and exports, with EU countries fell by 23.1% in the first three months of the year, compared with the first three months of 2018. Trade with countries outside the EU fell by just 0.8% over the same period. ⁵

Since Brexit small businesses have reported a marked drop in exports to the EU. The Federation of Small Businesses (FSB) said 35 of the 132 exporters it surveyed had

temporarily suspended trade with the EU or stopped it permanently. Mike Cherry, the FSB's national chairman, said, *"Three months on from the end of the transition period, what we hoped would prove to be teething problems are in danger of becoming permanent, systemic ones."* 6

This view was confirmed by both the meat industry and the food and drink industry. In their Brexit impact report the British Meat Industry dismissed suggestions by the government that the trade disruption their members were experiencing at the borders was nothing more than short term teething problems. British meat companies, they said, were painting a very different picture. *"They are reporting systemic weaknesses in the current export system, mountains of red tape and a potential permanent loss of trade of between 20 and 50 percent."* 7

British food and drink exports to the EU fell by £2 billion in the first three months of 2021. Dairy products were down more than 90% and exports of cheese by 66% compared with 2020. Whisky fell by 32%, chocolate by 37% and lamb and mutton by 14%. Exports to Spain were down 63%, to Italy by 61% and to Germany by 55%. Like the meat industry the Food and Drink Federation (FDF) concludes that the problems facing the industry are not just teething problems but more like the new normal as a result of the UK's departure from the EU. 8

In July James Ramsbotham, the CEO of North-East England Chamber of Commerce, wrote to Boris Johnson. He called on the Prime Minister to save the north-east from the *"damage being done to our economy"* by Brexit. He spoke for thousands of businesses caught up in the new customs checks and extra costs which the UK now faces trying to trade with the EU. 9

A study by the University of Sussex found that despite the Brexit deal being hailed as tariff-free many exports had taxes applied. The deal does allow for tariff free trade but obtaining zero tariffs under the post-Brexit deal is not automatic – it depends on the rules of origin which are *"complex and product-specific"*. The UK government itself admits that *"working out the country where your goods are treated as originating from can be complicated."* 10

Export taxes also need to be claimed on customs declarations which now have to accompany every export to the European Union. The figures indicated that between £2.5bn and £3.5bn of British exports faced a tariff in the first three months of 2021, or about 10% of all British goods exported to the EU. 11

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