

The UK Economy & Brexit: what does it mean?

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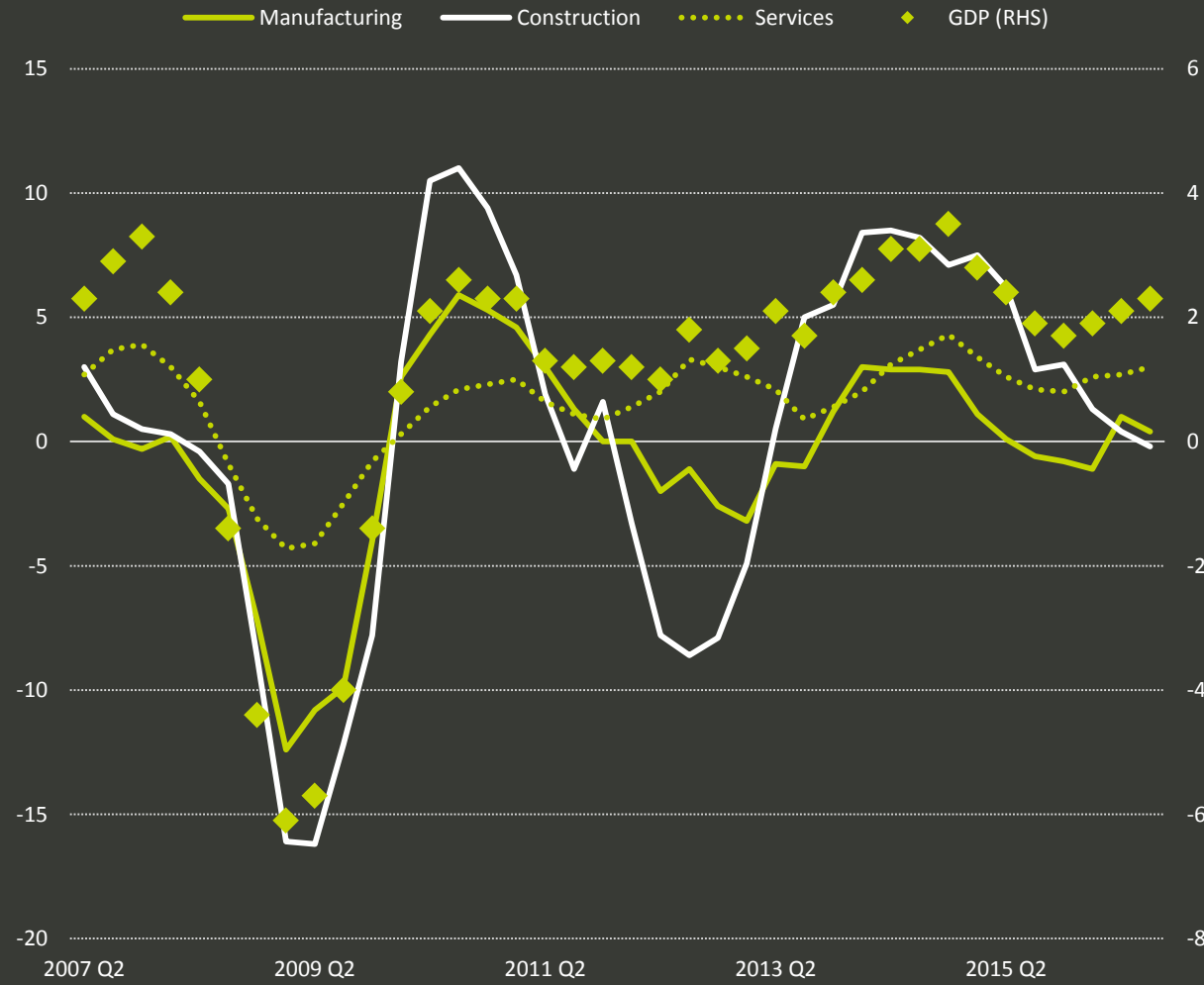
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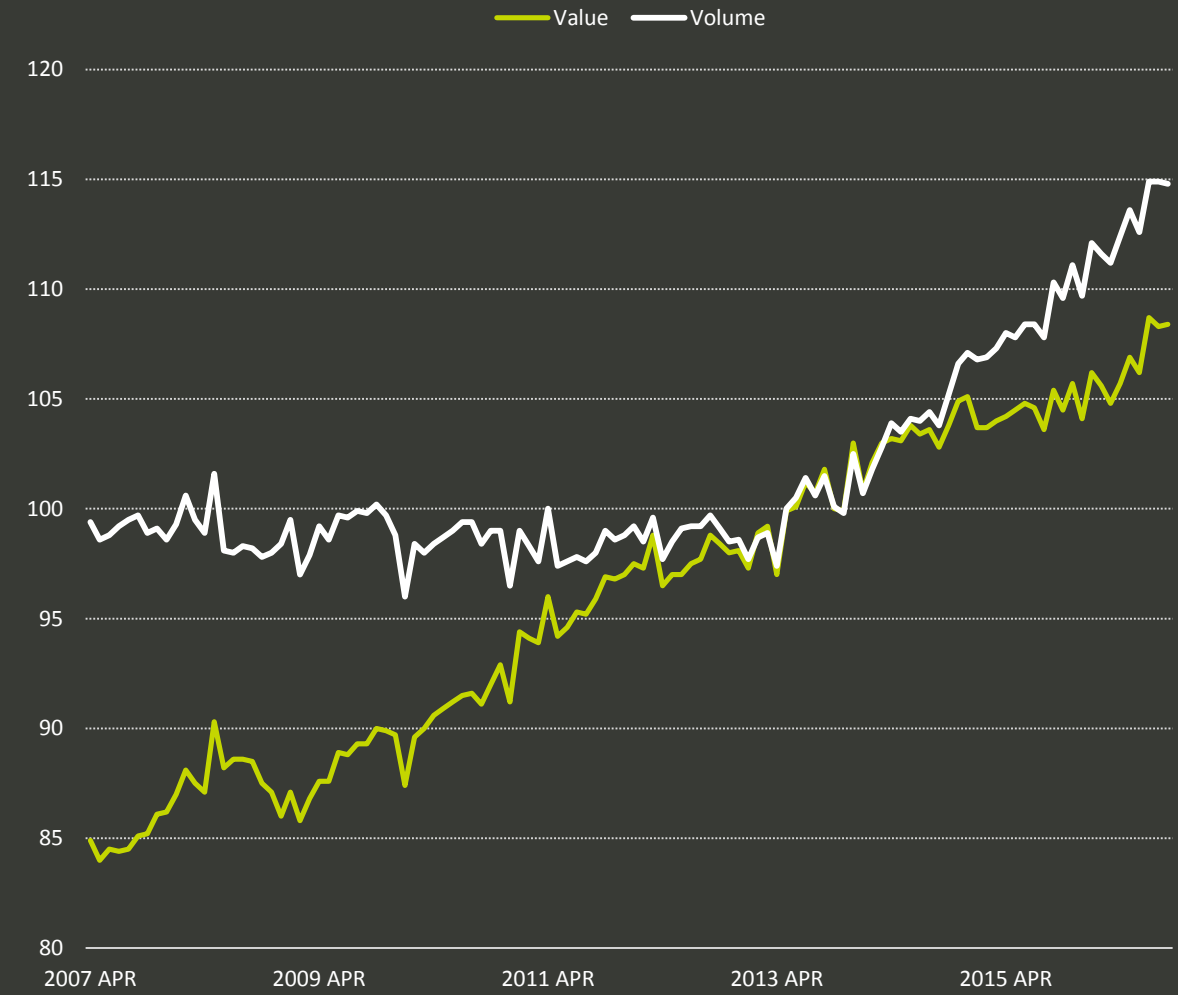
UK Output and Consumer Demand **ONS data**

GDP and Sectoral Growth Rates



Source: ONS Preliminary Estimate of GDP, October 2016

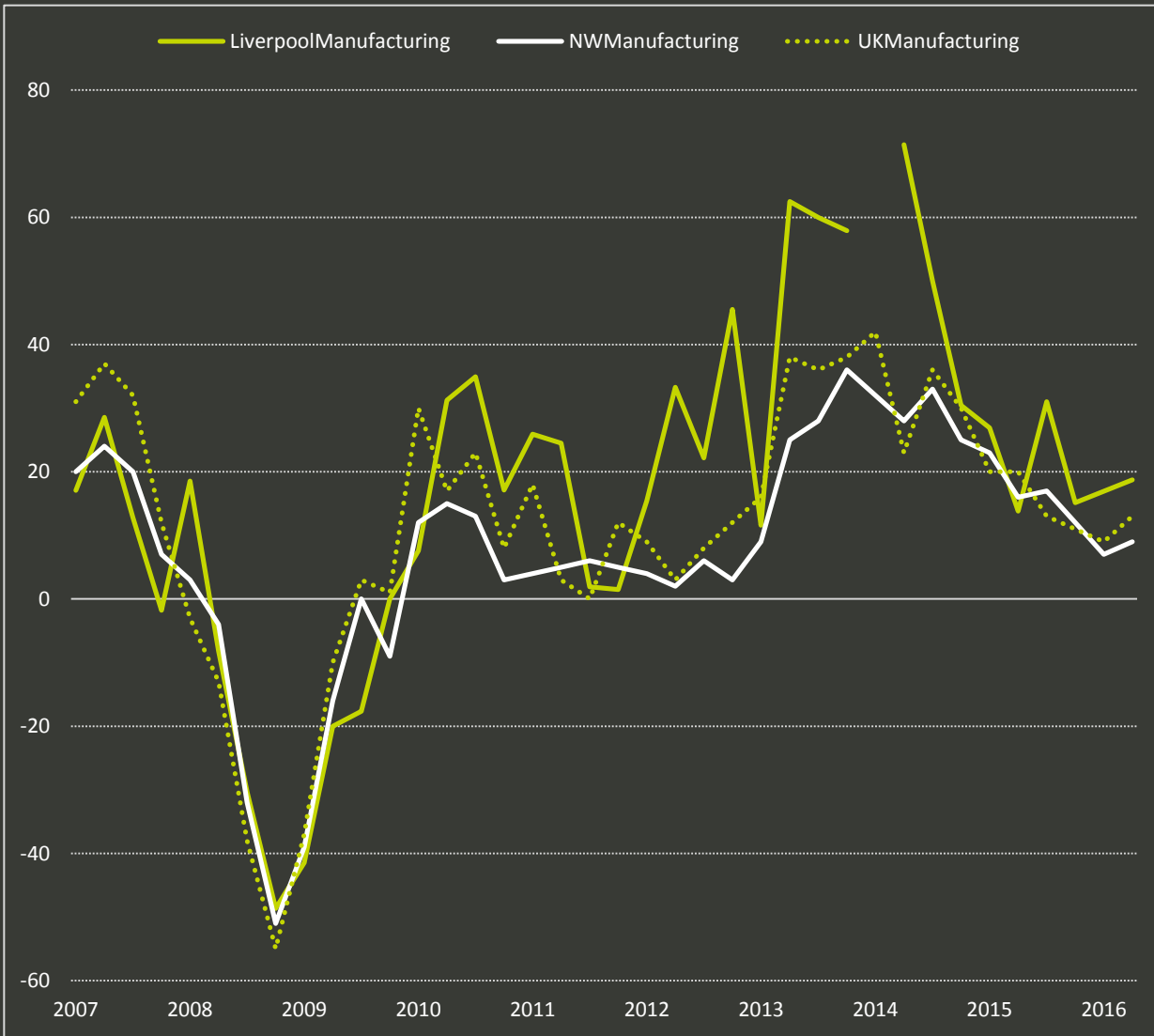
Retail Sales



Source: ONS Retail Sales, September 2016



UK Demand QES UK Sales



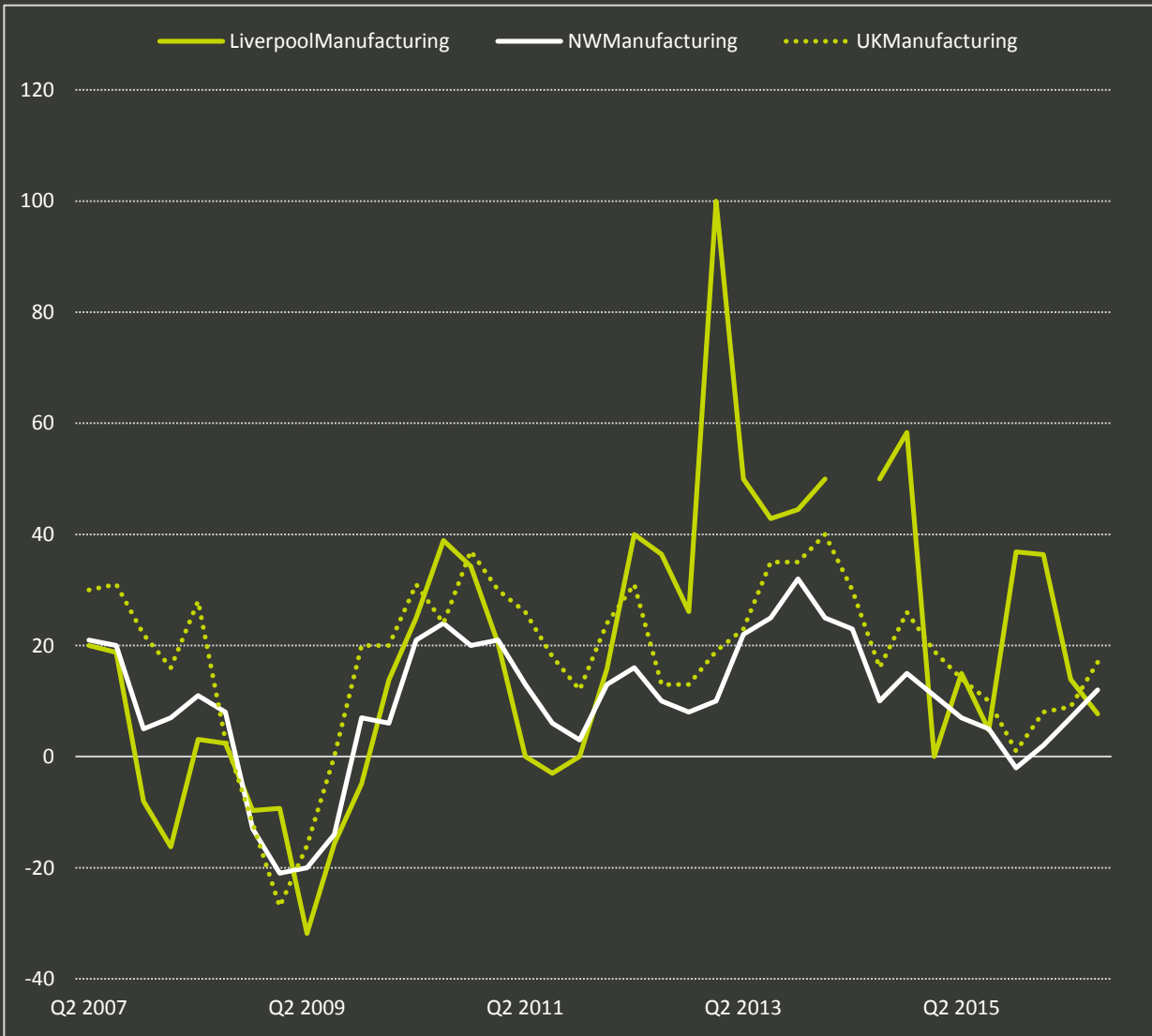
Source: LSCC QES Q3 2016



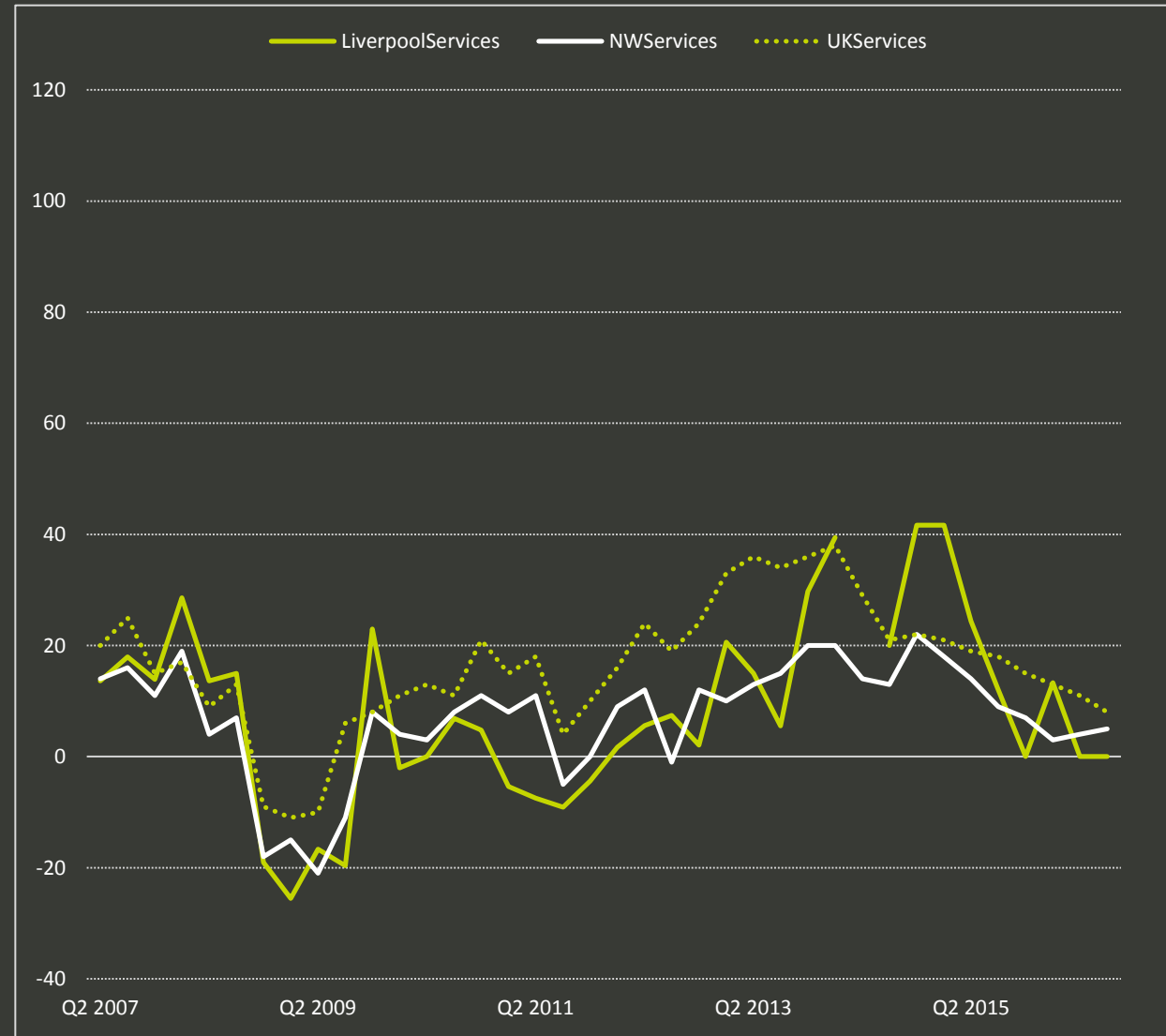
Source: LSCC QES Q3 2016



International Demand QES Export Sales



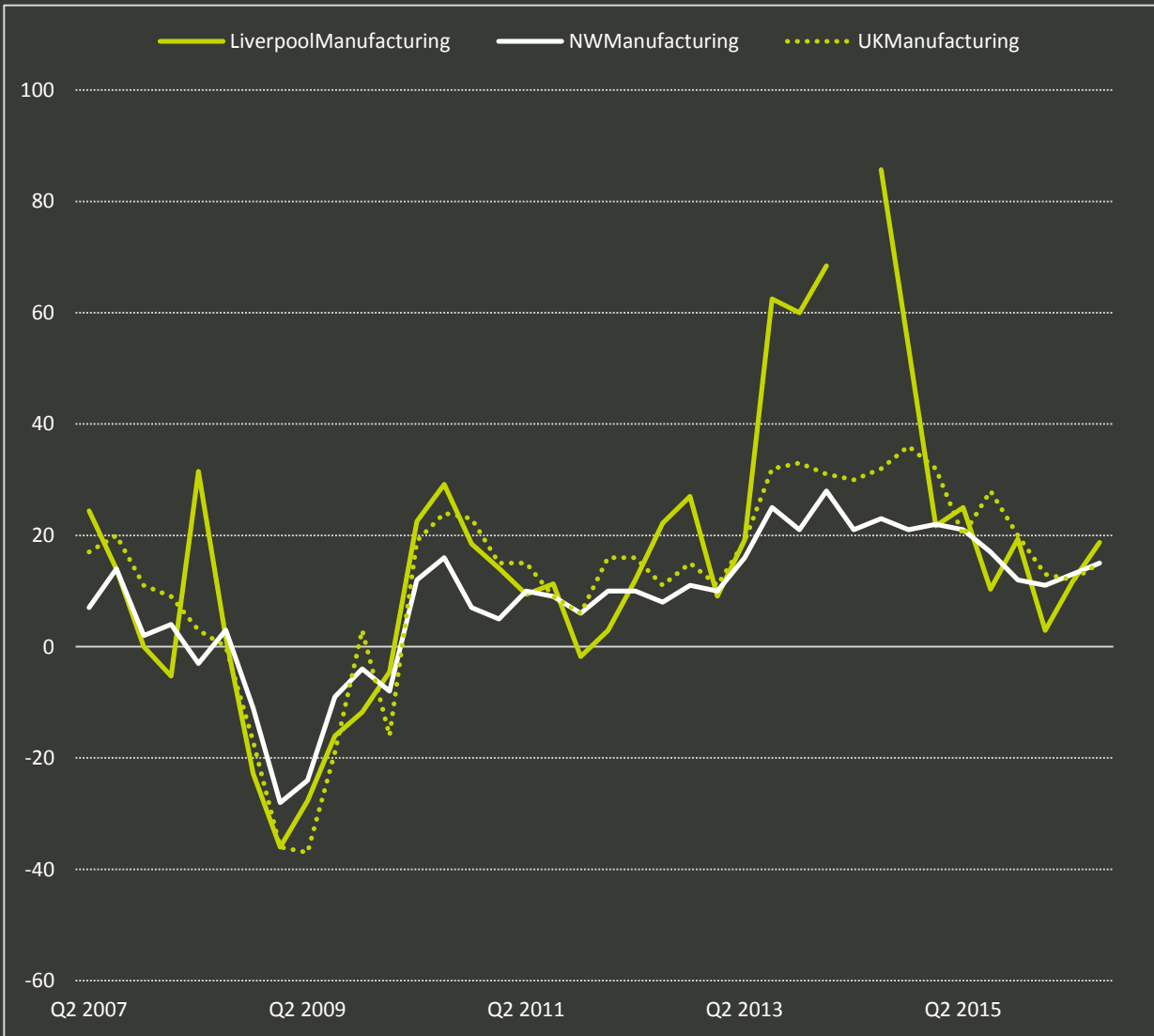
Source: LSCC QES Q3 2016



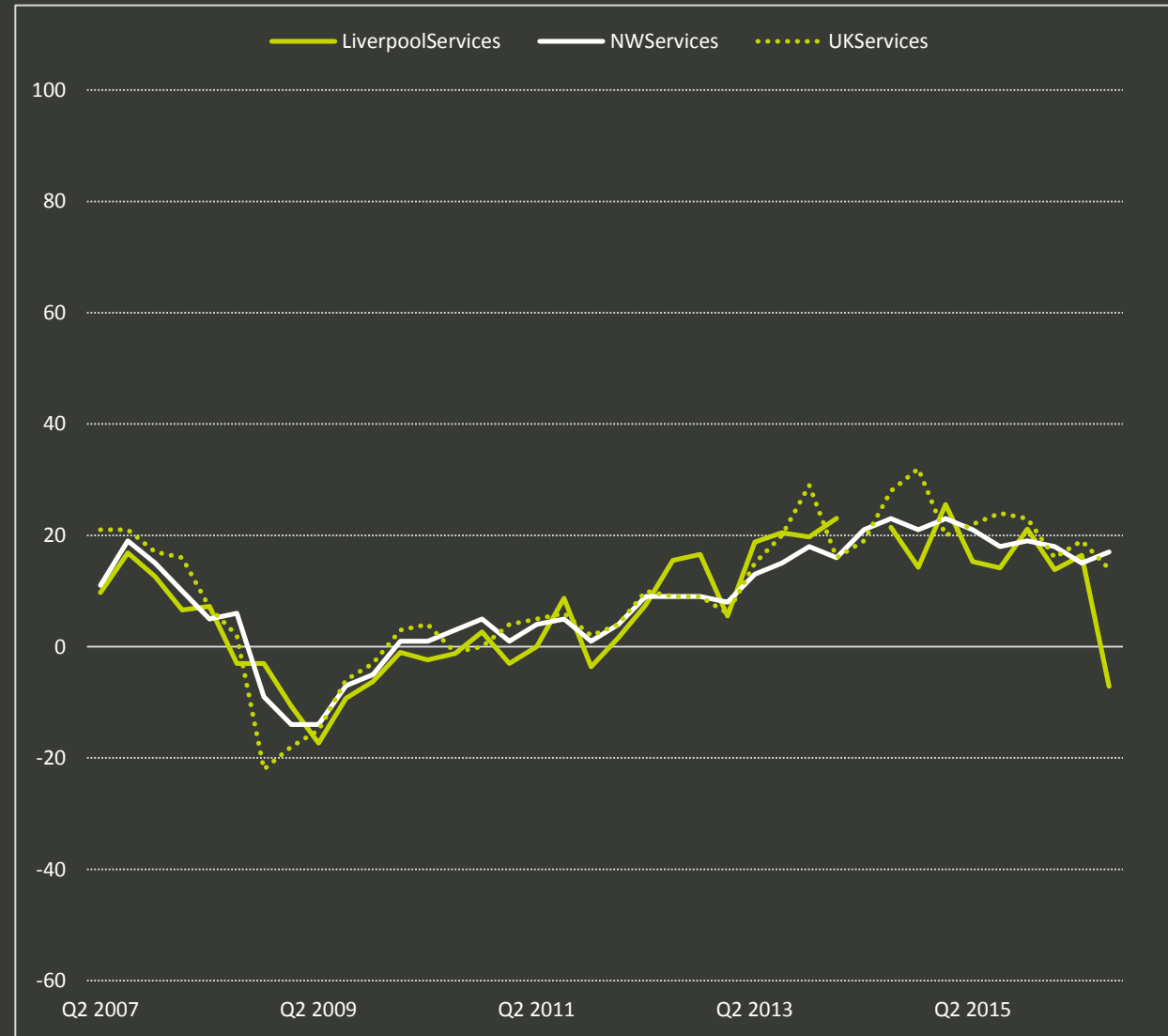
Source: LSCC QES Q3 2016



Labour Market QES Employment (this quarter)



Source: LSCC QES Q3 2016

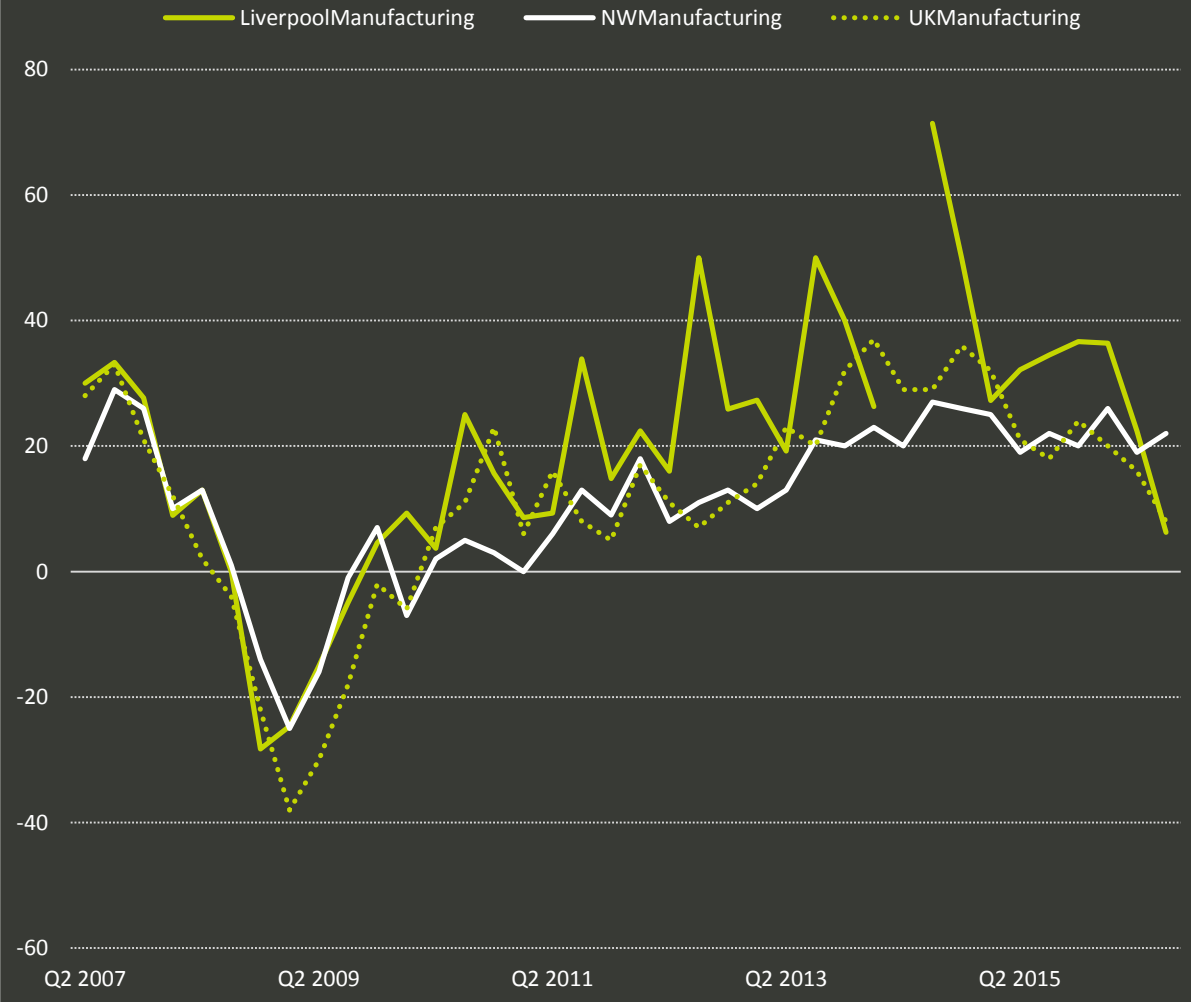


Source: LSCC QES Q3 2016



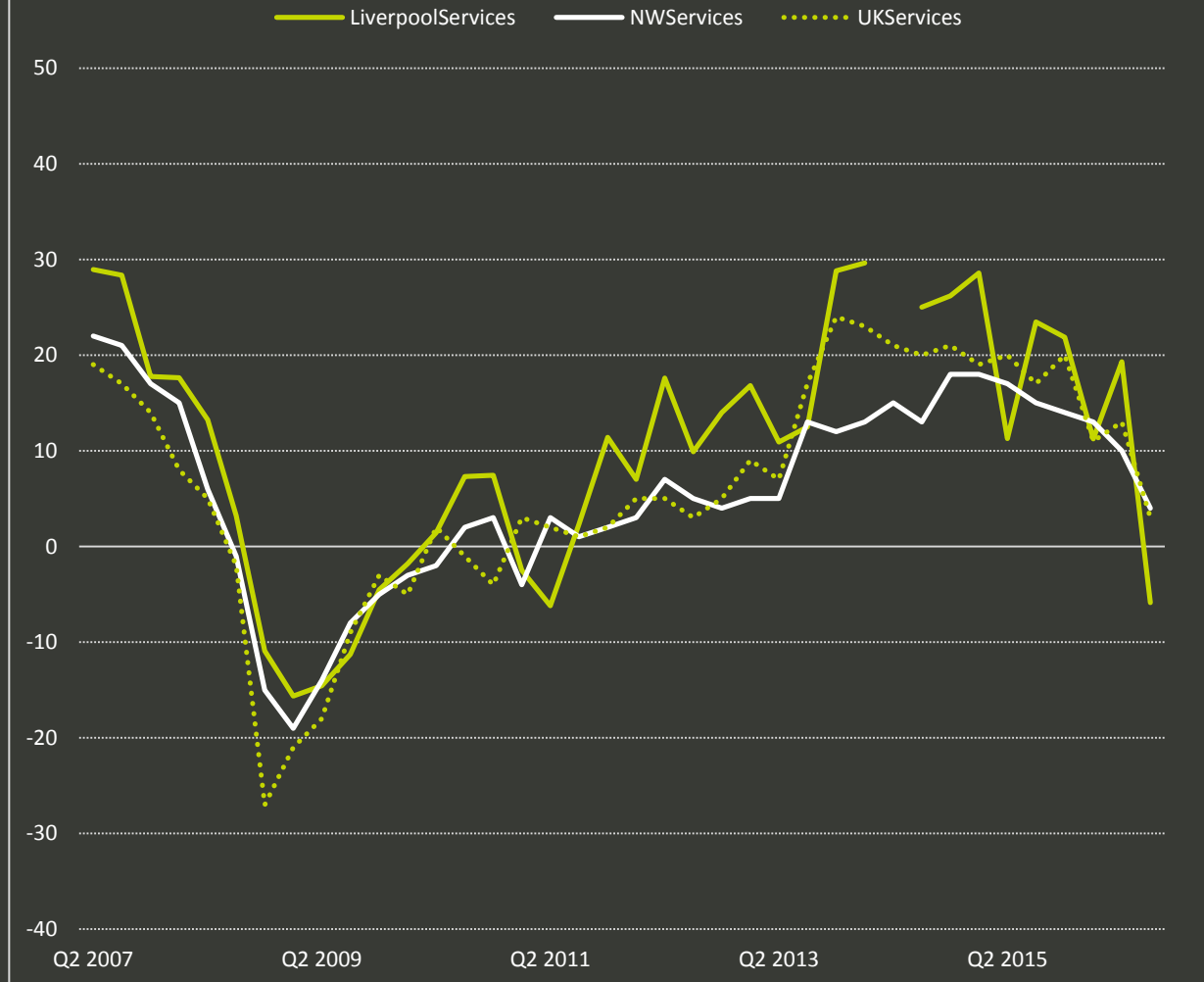
Confidence & Investment QES Investment

Plant & Machinery



Source: LSCC QES Q3 2016

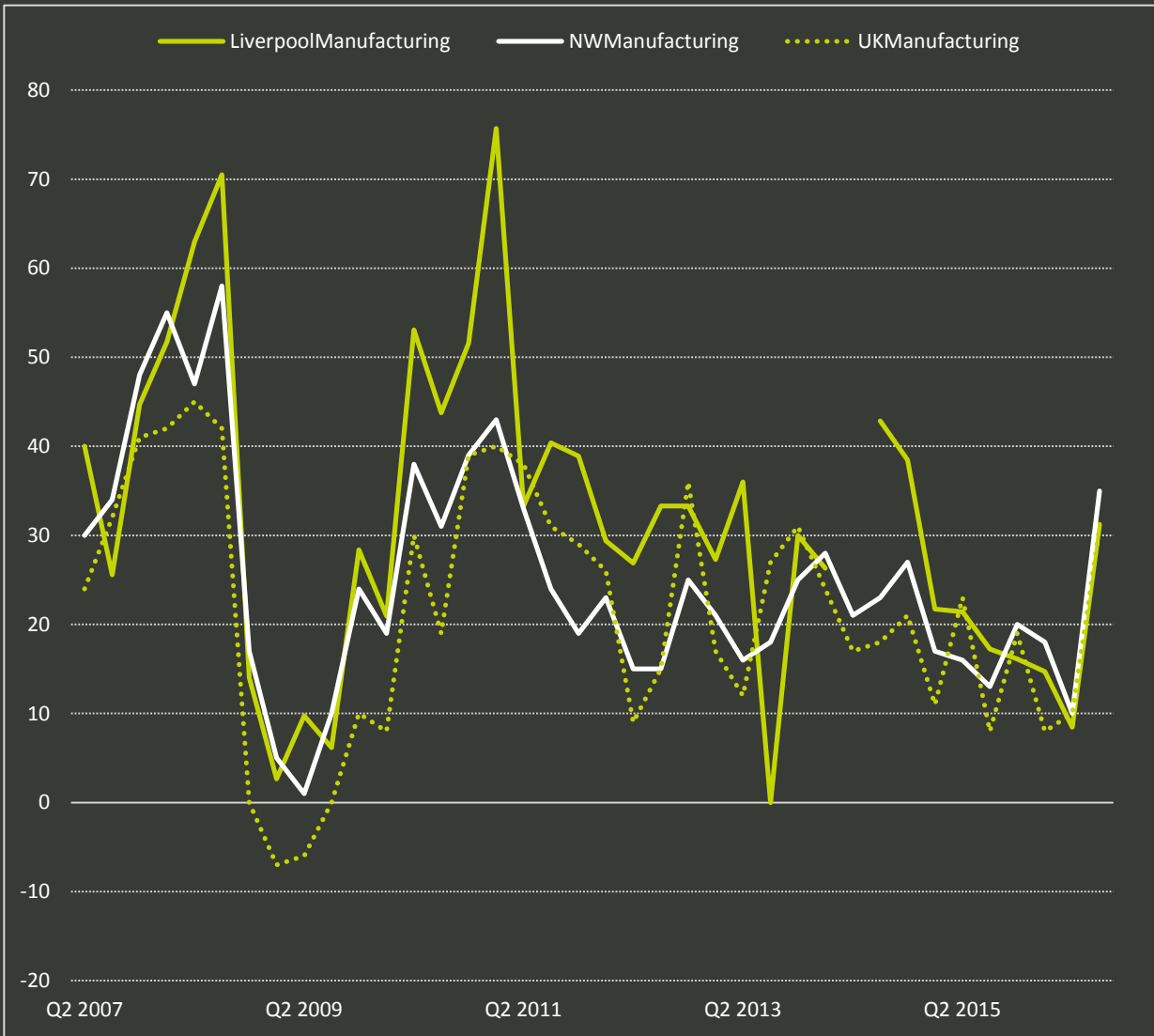
Plant & Machinery



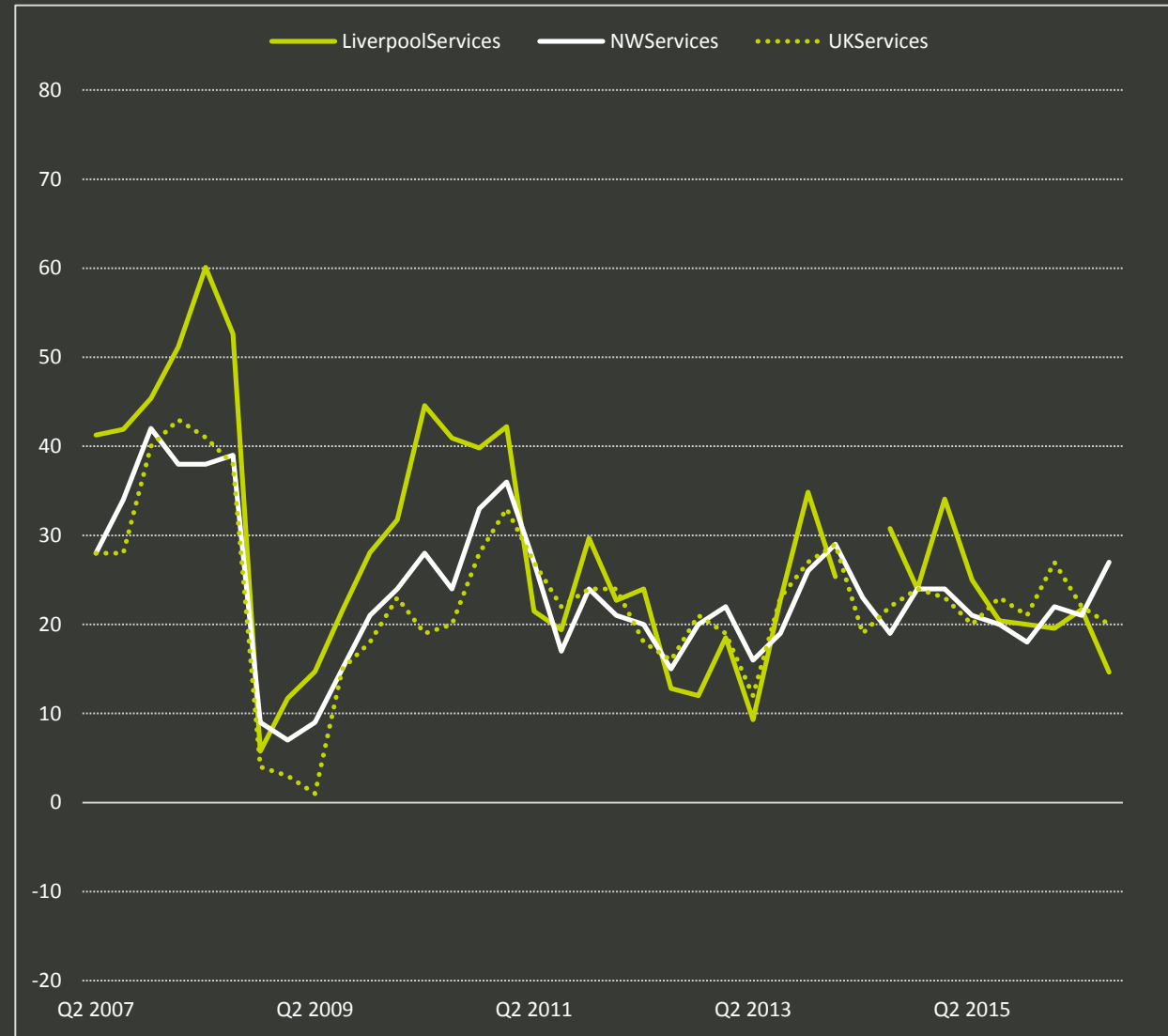
Source: LSCC QES Q3 2016



Costs & Prices QES Price Intentions



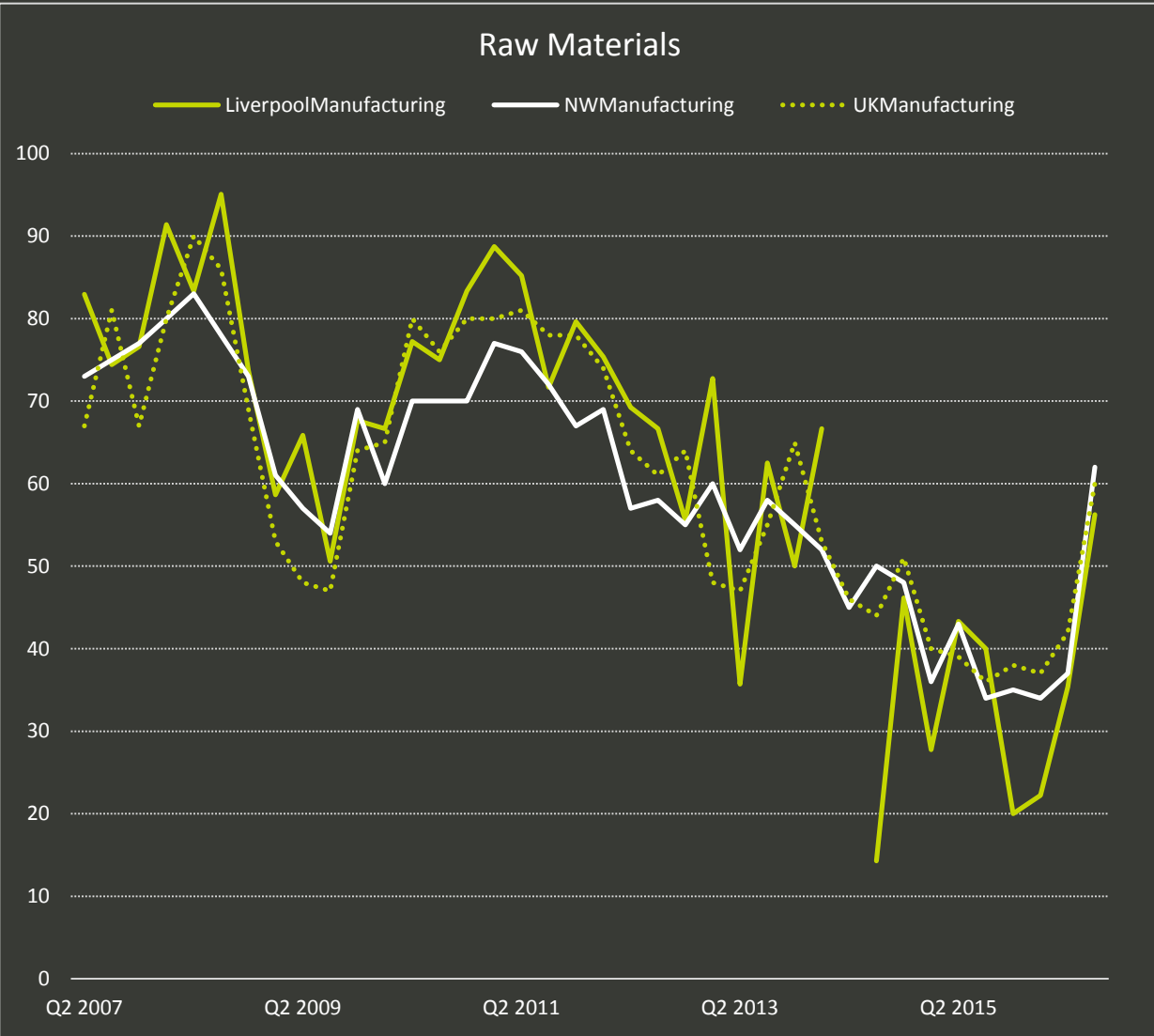
Source: LSCC QES Q3 2016



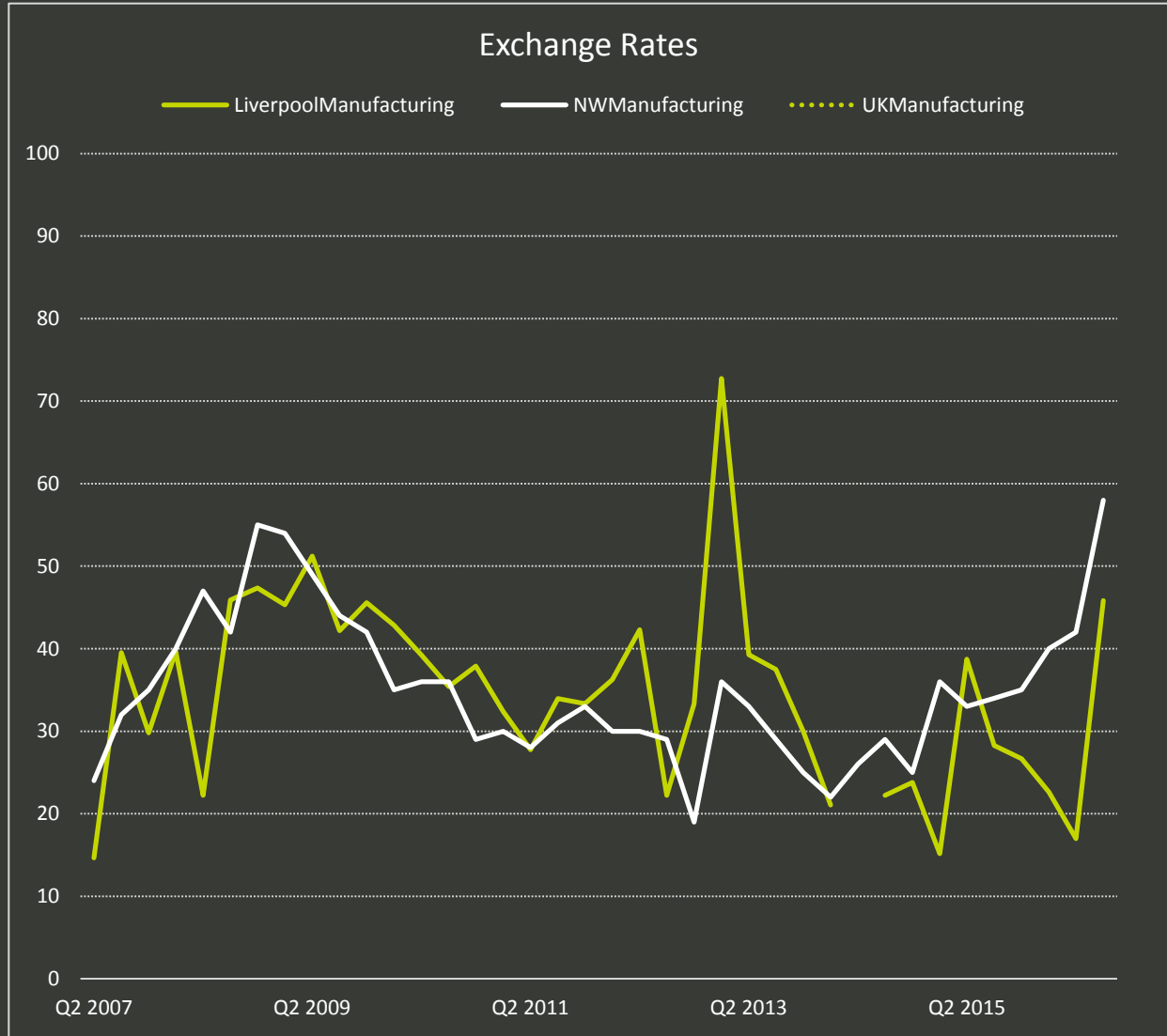
Source: LSCC QES Q3 2016



Costs & Prices QES Price Pressures



Source: LSCC QES Q3 2016



Source: LSCC QES Q3 2016



Brexit and the Future of International Trade



1. Continuing relationship with the EU

- Article 50 negotiations
- Exit options
- “Soft” and “Hard” Brexit?

2. The future of international trade

- Tariffs vs. Regulations
- Bilateral vs. Multilateral



1. Continuing Relationship with the EU

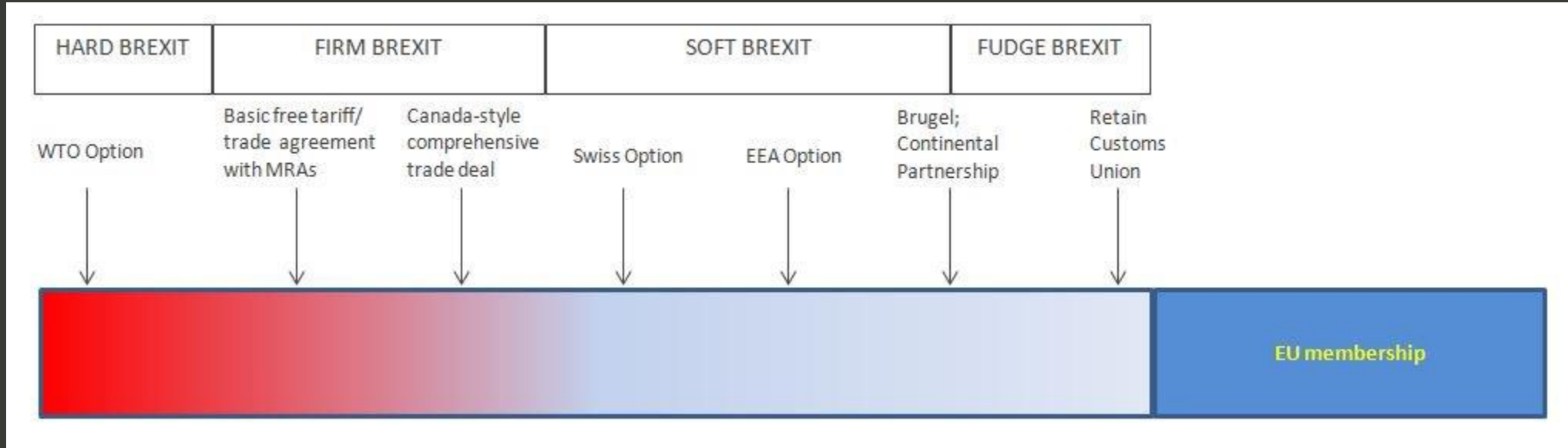
What are the options?

- **EEA/EFTA based-option – (Something similar to Norway)**
 - Full participation in single market – nothing much changes in terms of trade.
 - No direct say over EU matters, but we would gain a seat on global regulatory bodies.
 - The framework required is already in place (an “off-the-shelf” option)
- **Bilateral Deals – (Something similar to Switzerland)**
 - Multiple bilateral deals with the EU on specific aspects of trade.
 - More scope to tailor specific arrangements.
 - Must accept some EU law in return – bargaining involved.
 - Time and effort intensive – would be a start from scratch.
- **Something more bespoke**
 - Could be significantly time and effort intensive
 - Would likely be based upon existing framework
 - Could be difficult to negotiate
- **World Trade Organisation – all ties with EU severed**



1. Continuing Relationship with the EU

“Hard” Brexit? Or “Soft” Brexit?



- Not particularly useful terms – no clear definitions.
- Government seems to be leaning towards “hard” at this point.
 - But are they increasingly seeing it as the finishing line instead of a first step? Transitional arrangements are key.



2. The Future of International Trade

Tariffs Vs. Regulation

- What do we mean by “trade deal”?
 - The trade deals we keep hearing about only deal with monetary tariffs.
 - These are the 53 that the EU has with non-EU countries.
 - These are the ones being spoken about by Liam Fox (mostly).
- Non-tariff barriers (NTBs) are the real issue...
 - The EU has around 38 NTB deals with the USA and 63 with China, **but none specifically on tariffs.**
 - The WTO option would see us lose these agreements, WTO rules alone are not enough.
- **If you are not talking about regulation, you are not talking about trade...**



2. The Future of International Trade

Bilateral Vs Multilateral

- Bilateral trade deals (between two countries) are increasingly outdated
- Globalisation is increasingly multilateral (agreements that apply to all who are signed up)
- Through global regulatory bodies, **a global single market is taking shape.**
 - United Nations Economic Commission for Europe (UNECE)
 - Codex Alimentarius – setting global food and agriculture standards
 - International Labour Organisation (ILO)
- **The EU is increasingly a rule-taker not a rule-maker**
- The future of trade is in **International Regulatory Cooperation**
- Britain can be at the forefront of this movement outside the EU – **a real opportunity to lead global trade.**



Final Thoughts

- **Brexit is a process, not an event...**
 - Article 50 gives us an initial negotiation of 2 years
 - Where should we be at the end of this?
 - What would the next steps be?
 - Can a bespoke arrangement be achieved in this time?
- **Securing EU Trade relations is vital**
 - We need a solid footing from which to progress...
- **International trade is changing...**
 - Britain could become the leader in International Regulatory Cooperation...
- **It's time to think big...**
 - What other opportunities are there to be had?



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