BACKGROUND
to the UK Referendum

BRITAIN’S ECONOMIC PERFORMANCE - VS - THE EU’S

NEGATIVE SIDE - to - GLOBALISATION
POST-WAR UK ECONOMIC GROWTH UNDERPERFORMED THAT IN EUROPE
But since the mid-1980s, it has **outperformed** the EU.
The UK’s labour market HAS BEEN BETTER at creating jobs.
and it has attracted THE LION'S SHARE of FDI into the EU.
EURO CRISIS
Britons’ view of the EU as a progressive, fast-growing project
Britain has been at the forefront of globalisation, but MANY IN THE UK HAVE FELT THE DOWNSIDE.
The ‘07–‘08 financial crisis hit the UK strongly and necessitated a **LARGE GOVERNMENT BAILOUT** of the banking sector.
Although the economy has recovered strongly over the last few years, **living standards have stagnated**

**Wage growth in real terms* since 2010**
Change in average weekly earnings (regular pay)

*Earnings adjusted for inflation using CPIH

Source: ONS
The austerity programme since 2010 has also **REDUCED SPENDING ON KEY SERVICES**

**Chart 1.5: Public sector net borrowing (PSNB) with and without fiscal consolidation**

![Chart showing public sector net borrowing (PSNB) with and without fiscal consolidation. The chart illustrates the reduction in PSNB over time, with a significant decline post-2010, indicating the impact of austerity measures.](chart)

*Source: Office for National Statistics, Office for Budget Responsibility, HM Treasury analysis.*
And inward migration has continued at historically unprecedented rates.
The Brexit referendum results map shows THE COUNTRY SPLIT BETWEEN REGIONS that have done well out of Globalisation and those that have not.

<table>
<thead>
<tr>
<th>Region</th>
<th>Leave</th>
<th>Remain</th>
<th>County Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>England</strong></td>
<td>53.4%</td>
<td>46.6%</td>
<td>15,188,406</td>
</tr>
<tr>
<td><strong>Northern Ireland</strong></td>
<td>44.2%</td>
<td>55.8%</td>
<td>349,442</td>
</tr>
<tr>
<td><strong>Scotland</strong></td>
<td>38.0%</td>
<td>62.0%</td>
<td>1,018,322</td>
</tr>
<tr>
<td><strong>Wales</strong></td>
<td>52.5%</td>
<td>47.5%</td>
<td>854,572</td>
</tr>
</tbody>
</table>

Key:
- Blue: Majority leave
- Yellow: Majority remain
- Gray: Tie
- Undeclared

Counting complete
Turnout: 73.0%

Counting complete
Turnout: 62.9%

Counting complete
Turnout: 67.2%

Counting complete
Turnout: 71.7%
The UK ECONOMY since THE REFERENDUM
Sterling has taken much of the strain.
MARKETS have held up well
GDP growth has continued
Unemployment hascontinued to fall.
And, so far,  
**INVESTMENT IS HOLDING UP**  

- 2016 UK FDI inflows were $253.7bn (£197bn), highest in EU (OECD)  
- Major investments since Brexit – Logos of GSK, Tata Steel, Boeing, Nissan, Facebook, Google, Apple and Snapchat  
- Government moving forward with major investment plans including Hinkley Point, High Speed II, Heathrow expansion
But Uncertainty remains for now.
UK Government is seeking a
“DEEP AND SPECIAL RELATIONSHIP”
between the UK and the EU

Lancaster House Speech, January
- Leave single market
- No ECJ role post Brexit
- Control over EU immigration
- Comprehensive, bold and ambitious free trade agreement

Florence Speech October
- Implementation phase of up to two years
- UK to contribute to EU budget during this phase
POSSIBLE OUTCOMES

• Deep and comprehensive trade deal, no tariffs, advanced customs facilitation, good service access

• Less comprehensive trade deal, closer to EU-Canada. No tariffs, but less service sector access

• No trade deal, WTO rules (EU’s trade weighted average MFN tariff was 2.3% for non-agricultural products)
BREXIT
OPPORTUNITIES AND RISKS

Trade

Less friction on trade outside EU

Greater friction on trade with EU
WTO ONLY
Is it that bad?
VULNERABLE SECTORS
of the UK Economy
TOP 10 REASONS investors come to the UK

No. 1 The UK is the easiest major economy in Europe in which to do business

Fewest barriers to entrepreneurship in the world

Strong and flexible labour market

13 days Typical company set up time

48 HOURS To register a company

8th most competitive country in the world

£919m annually

TAX

20% Corporation Tax by 2015

The lowest in the G7

10% Tax on patents from April 2013

Saved by UK-based businesses from reductions in red tape
CONCLUSION

Let's hope the prize is worth it.