

Economics

\$170 Billion and Counting: The Cost of Brexit for the U.K.

By [Fergal O'Brien](#)

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[Bloomberg Economics](#) calculates impact on U.K. growth vs G-7

Government still has to negotiate post-Brexit deal with the EU

U.K. Prime Minister Boris Johnson wants to “unleash Britain’s potential.” First the economy has to catch back up with the rest of the world.

Research by [Bloomberg Economics](#) estimates that the economic cost of Brexit has already hit 130 billion pounds (\$170 billion), with a further 70 billion pounds set to be added by the end of this year. That’s based on the damage caused by the U.K. untethering from its Group of Seven peers over the past three years.

Collateral Damage

Brexit has already cost the U.K. economy £130 billion, and there’s more to come

Source: Bloomberg Economics

While growth globally has also cooled in recent years, the analysis by Bloomberg Economics shows the U.K. has still lagged. There is a strong historic correlation between the U.K. and G-7 countries. But they have been diverging since the vote to leave the EU, with the British economy now 3% smaller than it could have been had the relationship been maintained.

The U.K. is finally set to leave the European Union at the end of this month after Johnson’s decisive election victory. But the uncertainty since the 2016 referendum has taken a toll. Business investment in particular has been held back, and annualized economic growth has halved to 1% from 2%.

Dan Hanson, U.K. economist for Bloomberg Economics, puts the total cost of Brexit by the end of 2020 at 200 billion pounds as uncertainty continues to take a toll on companies and consumers.

Falling Short

Brexit disrupted the historical correlation between growth in the U.K. and that in the other G-7 countries

Source: Bloomberg Economics, ONS, National Statistics Agencies

While Johnson’s deal with the EU late last year removed the imminent threat of a no-deal split, he still has to negotiate new trading arrangements. That creates another potential cliff edge at the end of the year.

The government remains upbeat. Ahead of the budget in March -- the first major opportunity to spell out the economic plans of the new Conservative-majority government -- Chancellor of

the Exchequer Sajid Javid has promised a “decade of renewal.” Tax cuts and increased borrowing for investment are all on his agenda.

Despite this, none of the ground lost since 2016 is likely to be made up, according to Hanson. “Looking beyond 2020, we forecast the growth spurt in this year will be a one off -- the economy will get a shot in the arm, but the cyclical lift that provides won’t last,” he said. “As the U.K. comes to terms with its new trading relationship with the EU and grapples with the productivity challenge that has hindered growth since the financial crisis, the annual cost of Brexit is likely to keep increasing.”

— With assistance by Zoe Schneeweiss

Politics

Barnier Says Post-Brexit Deal Unlikely to Be Concluded in 2020

By [Niclas Rolander](#)

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The talks over the future relationship between the European Union and the U.K. are unlikely to be completed this year, EU chief negotiator Michel Barnier said on Thursday.

“The timetable ahead of us is extremely challenging,” Barnier said in a speech in Stockholm. “We simply cannot expect to agree on every single aspect of this new partnership in under a year.”

His comments come a day after U.K. Prime Minister Boris Johnson told European Commission President Ursula von der Leyen that Britain won’t extend the country’s post-Brexit transition period beyond the end of the year.

Negotiations will therefore need to focus on the most important issues that can be solved before the end of 2020, Barnier said on Thursday. The Commission should be ready to propose a negotiating mandate to the union’s member states by Feb. 1, so that talks with the U.K. can start “at the end of February or the first days of March,” Barnier said.

The main priorities for the EU in the year ahead include building up “a new capacity that enables us to work together,” forming “a very close security relationship” and “an economic partnership based on a level playing field,” Barnier said.

“We will insist on a trade partnership with zero tariffs, zero quotas, but also zero dumping,” the former French government minister said. “We are ready to do our best, to do the maximum, in the 11 months.”