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Brexit – The Truth About the Economy and What's Next

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Last December, TruePublica broke the news that the mainstream media had either misunderstood or blatantly misquoted a very particular study about the real cost of Brexit. The most accurate of reports of that study in the MSM stated that –"Theresa May's Brexit deal is expected to cost the UK economy as much as £100bn over the next decade compared with remaining in the EU, according to one of the country's leading economic thinktanks."

One of TruePublica's readers spotted the difference between what was said by the media and what was actually said by the economists. He contacted the author of the study.

Arno Hantzsche, co-author of the original *the National Institute of Economic and Social Research (NIESR)* report, stated in a tweet to the reader:

> "the 3.9% figure is the difference in annual GDP relative to Remain reached in 2030 (this difference is building up over the years prior to 2030). **We have calculated the cumulative "cost" (i.e. adding up annual differences over 12 years) which is £770bn by 2030**, £30bn of which accrue between 2019-20. Hope that clarifies things."

TruePublica then challenged separately the second co-author Amit Kara for confirmation, who said:

> "There is no contradiction. The cumulative loss over 12 years is £770bn. If you had asked Arno what was the loss in the 12th year, he would have said to you £100bn."

The MSM understood this as a loss to the economy of £100bn by 2030, not £770bn by 2030 – with 2030 itself losing £100bn.

Another point to remember here is the prediction by the NIESR that losses to the economy would be £30billion by year-ending 2019. That figure has already been surpassed and is now sits at £40billion. It is, therefore, safe to say the authors have been somewhat conservative in their calculations.

No 'Brexit dividend' as economic growth falters

In June last year, The Centre for European Reform (CER) said that the performance of the economy, compared with what it would have been if the 2016 referendum had gone the other way and that it was significant.

The government's argument that there would be a "Brexit dividend", out of which it would help to fund a large increase in spending on the NHS, was at best – just plain nonsense. CER said the cost was calculated at a loss to the British economy of £440 million a week. Over the course of one year, that loss was estimated then to be £23 billion.

In August, the Bank of England confirmed that the economy had lost tangible economic growth as a direct result of Brexit. That report more or less confirmed the CER report two months earlier.

By February, the latest statistics by the Bank of England were being reported as more data became available. Bank of England economist Jan Vlieghe stated that since the vote, Britain has lost 2 per cent of GDP "relative to a scenario where there had been no significant domestic economic events" – equating to a total of around £80bn over the past two years.

£23 billion was now £40 billion a year loss to the economy. But even if the £440 million a week or £23 billion a year losses to the economy were actually true and confirmed, the economy would have lost (since mid-2016) £64 billion by now.

To put the lower and much more conservative sum of £64 billion in perspective. The NHS is short of about 30,000 nursing and medical staff (not including 11,000 doctors). £64bn pays for all 30,000 at average wages today for the next 91 years. Or, 20,000 police officers could be recruited and paid for, for the next 160 years. Another 36 state-of-the-art, fully equipped hospitals could be paid for. In other words, this waste of money is costing lives – and huge sums to the economy.

But the truth is this. Every time the economy is measured, it is taking a hit as a direct result of the Brexit limbo crisis and each report that emerges is worse than the last making the future yet more uncertain. And the vast majority of these reports do not include the one-off costs of managing Brexit.

One-off costs and red tape

For instance, now that the threat of a no-deal Brexit has reduced, the government have stood down a team of 6,000 people whose job it was to measure the 'battle rhythm' of riots and protests on the streets of Britain. The cost of that single operation is now confirmed at £1.5 billion. Another £4.2 billion has been allocated to managing government departments – a third of which, has already been spent. Other costs will be police and military preparations, stockpiling and the like – of which there is no data available.

Just the red tape of Brexit will cost the economy dearly. The direct impacts that will result from new tariff and non-tariff barriers that could be imposed on trade between the UK and EU27 are estimated to be around £27 billion for UK firms. Even if a new customs agreement was made – the equivalent of agreeing on an EU customs union – would still cost UK businesses £17 billion.

The Institute for Government also admits that the real cost of Brexit is not only unknown but that it may not be known for years. Its report also admits that other significant effects of Brexit have not been considered.

Last month, the City of London was reported to have moved £1 trillion (yes – a trillion) of financial assets to Europe in anticipation of any kind of Brexit. The [FT] venomously spat out in its article:

> "Good news, Brexiters! There are now even fewer members of the "metropolitan liberal elite" to frustrate your dream of a sovereign nation of unemployed van drivers spending £350m a week in Wetherspoons."

The article cited a report that stated that the loss of 7,000 city workers will be a loss of £600 million in taxes alone. The FT continued with its angry rant – "*Who needs any of that when you've got root vegetables — and vacant City window boxes to grow even more?*"

Opinions

In May of last year, only 16 per cent of Leave voters thought the economy would be worse off after Brexit and incredibly 42 per cent thought the economy would be better. Barely nine months later, after all the political infighting and negative news from business leaders, economists and government-related experts alike – the shift is dramatic and it can be translated a bit like this.

The margin of those who believe the decision was "wrong" to leave the EU is now eight to 10 percentage points — much larger than the margin in favour of Leave back in 2016. In other words, one way of putting this is that if the question was not Leave or Remain – but will the economy be Better or Worse as a result of leaving – approximately 57 per cent would vote to Remain, a huge swing from the original 48.1 per cent originally. The suggestion here is that given a second referendum, many would indeed change their minds and vote to remain.

There are of course a lot of polls, studies and reports to say anything depending on what Brexit stance you have. However, the translation of all this must surely be – are we better off or worse off by voting to leave the EU. And by far, the data confirms the same as each quarter performance is reported – everyone is worse off now and will be much worse off in years to come if the trend continues.

In fact, the average household is now known to be losing almost £2,000 worth of resources (mainly lower private consumption, but also lost public spending and investment). This number is broadly consistent with estimates the governor of the Bank of England gave in May.

Leaving Britain

Here's a reasonably up to date list of household known companies that have issued warnings of complete relocation, announced plans to cut UK jobs or beefed up their European operations since the June 2016 referendum.

Jaguar LandRover, Airbus, Nissan, Honda, Michelin, Schaeffler, Aviva, Dyson, Panasonic, P&O, Phillips, Rolls Royce, Sony, Toyota, Unilever, Ford. Then there is the financial industry who have already moved a £trillion in financial assets. They include – HSBC, Barclays, Credit Suisse, Goldman Sachs, JP Morgan Chase, UBS and Lloyds of London.

Some of these companies are using Brexit as an excuse for downsizing their operations, some because they want better tax advantages elsewhere or access to markets in different regions, like Asia for instance. However, these announcements are dangerous to the economy as it will have an impact on inward investment decisions by other firms. And then comes the really bad news.

A measure of Britain's economic fall

The collapse of inward investment in Britain really ought to be a wake-up call. It is indicative of the confidence of capital and the indications of 2018 and leading into 2019 is truly alarming. The last time (FT paywall) inward investment collapsed at the same rate as three quarters in a row, which has now happened – was in the aftermath of the global financial crisis and dot com crash.

Infrastructure project spending has literally ground to a complete stop. Non-residential building expenditure is in reverse at -12 per cent last year compared to 2016 and dramatically fallen behind its EU peers of France, Germany and Italy.

How about this for a set of statistics to sober up those who still believe that leaving the EU is a good thing at this moment in time.

- Foreign direct investment into the U.K. has fallen by almost 20 per cent since the EU referendum in 2016.
- Since the vote, the U.K. has experienced its sharpest decline in overseas investment since records began.
- Germany overtook the U.K. last year to become the European country receiving the most foreign investment.

Propagandists of Brexit

The same characters keep popping up and lying about what is really happening. We know that the £350 million for the NHS on a bus claim was a lie. We know that 'taking back control' has led to the opposite. In fact, we know that many of the most powerful claims made by the official Leave campaign were lies and we know they broke the law on campaigning. But it doesn't stop the propaganda.

Boris Johnson said in January this year that a No-Deal option was the preferred choice of voters in his weekly column in the Telegraph. This was a lie.

The Telegraph was then forced to correct their column of disinformation and eventually wrote –

> "In fact, no poll clearly showed that a no-deal Brexit was more popular than the other options. This correction is being published following a complaint upheld by the Independent Press Standards Organisation."

The Telegraph said in its defence that Johnson was "entitled to make sweeping generalisations based on his opinions". These 'sweeping generalisations' are nothing more than 'fake news' – the scourge of the modern political environment we find ourselves in today and the Telegraph should hang its head in shame for such blatant lies and deceptions.

But did this stop Brexiteers poster-boy Jacob Rees-Mogg, the radical right-wing Conservative

MP leading the ERG group, who said just last week that – "*The country wants 'no deal'…' No deal' is consistently the preferred option of the British public*."

This is still a blatant lie.

John Redwood MP – of the same mould said one day earlier -"*The polling evidence shows that people now think No-Deal is the least bad option… The public accepts, by a majority now, that the best option is just to leave and offer them a free trade deal.*"

This is a lie too.

FullFact UK said in response to these claims:

> "We aren't aware of any poll showing that, in John Redwood's words to Channel 4 News, "most of the public" (in other words, more than 50%) support a no deal exit."

What's next?

The facts about Brexit and its effects on the economy are, of course, yet to fully be seen. Don't forget that the economy is performing dramatically less than the 0.7 per cent expected for Q1 2019 at 0.2 per cent. Britain is now lagging well behind almost all of the EU members states effectively moving from the No1 position of performance to the bottom. The effects of a protracted Brexit negotiation will continue to drag on the economy as more and more companies make plans to leave the UK and inward investment continues its moment of collapse. Even if Brexit was cancelled – it will take years to recover lost ground because many companies will not spend the resources to return unless there is a significant reason to so do.

So far, Britain has signed less than 15 per cent of the replacement value of losing the EU as a full trading partner. It will take at least a decade to match it if ever it does, which is unlikely. Liam Fox promised in October 2017 that he would have dozens of trade deals in the bag by April 2019. By January this year, he blamed all other countries for not signing trade deals with Britain.

The writing is on the wall for Britain. The economic damage being done is calamitous. This will eventually translate into social harms because tax receipts will fall meaning either continued austerity or ramping up the national debt. This, in turn, will likely cause social cohesion to fracture far more so than now. This statement is not alarmist – because it is already happening and gathering pace. One only has to look at recent street protests, mass marches, massive petitions, the huge rise of racism and acts of violence against both people and property – all in the name of Brexit.

The facts, the statistics and evidence of a downward spiral are there in plain sight as there are almost no indicators pointing in the opposite direction. Wages are again stagnating, employment numbers are falsified to mask the truth, economic investment is in a nosedive, infrastructure investment has flatlined, investment risk is rising and GDP is falling.

From purely an economic point of view – there are no short or medium term upsides to Brexit. As for the long-term – put a finger in the wind and take a guess because no-one knows and no-one can predict what may be in 20 years from now.

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