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money

**Are we better off after Brexit?**

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It is difficult to gauge the impact of the referendum decision. Two experts offer contrasting views

With a pandemic and a cost of living crisis following hot on the heels of Britain leaving the European Union (javascript:void(0);) in 2020, it has been hard to tell the impacts that the referendum decision and withdrawal agreement have had. We ask two very different experts for their verdict.

Yes

Lord Frost, former minister and Brexit negotiator

Only one statistic matters for our living standards and that is economic growth. That statistic tells us that we are not poorer for leaving the EU. We did not leave the EU economic zone until the end of 2020 and since then Britain's economy has grown faster than that of France, Germany, Italy and Spain*.

UK productivity in the private sector is back well above pre-pandemic levels and is growing in line with the, admittedly slow, norms seen post the banking crash. Only in the public sector is it weak, but that's because of poor management, not Brexit.

Nor, despite what you hear, is trade falling. Everyone's figures are hugely distorted by the pandemic and big changes in energy flows and prices because of the Ukraine war.

Critics of Brexit brandish one statistic after another, desperate to prove it is failing. Many of these are predictions not facts. Don't listen to them. Remainers said the economy would crash if we voted to leave. It did not.

The International Monetary Fund (javascript:void(0);), the Organisation for Economic Co-operation and Development (javascript:void(0);) (OECD (javascript:void(0);)) and others, all said Britain would be in recession this year. We are not. They said Germany would grow. It is in recession, as is the whole Eurozone.

And finally — though it is rarely mentioned nowadays — we no longer have to send vast sums to the EU budget. In 2019 we paid just under £10 billion. The EU budget is now nearly twice as big, so we could be paying around £20 billion.

Of course, just doing as well as the EU is not good enough. We should aim to do better. All of Europe, in the EU or not, has a growth problem. None of us can be happy with that, it's easier for us to grow when Europe does too. But now outside the EU, we have the tools to deal with our problems and get on a different path.

*This data applies to GDP % change for 2021 and 2022 according to OECD (javascript:void(0);) figures

No

Emily Fry, economist at The Resolution Foundation (javascript:void(0);)

Firstly, Brexit has left us less open to buy and sell goods and services from abroad. In early 2023, total trade as a share of GDP had fallen by 7.8 per cent since Q4 2018, by far the worst in the G7, where trade openness was down by just 0.5 per cent on average, according to analysis of OECD (javascript:void(0);) data.

Second, our prized high-value manufacturers are particularly struggling as they are more reliant on EU supply chains that are becoming more cumbersome and expensive for British firms.

The car industry provides a turbocharged case study of the problems manufacturers are facing, as firms make investment decisions over where to make electric vehicles today. Car producers need a large market — more than half of cars made in the UK in 2019 were shipped to the EU. It is also specialised. The UK makes twice as many engines as cars and sells them to international plants. Supply frictions with the EU are a big problem.

The UK's performance following the Trade and Cooperation Agreement (TCA) with the EU has been poor. Transport equipment exports were 11 per cent below TCA levels, far worse than the G7 average fall of 4 per cent, according to International Trade Centre (javascript:void(0);) data. There are similarly disappointing performances in other key sectors like chemicals.

But while Brexit has made us poorer, it is not too late to make it work better for Britain.

We need to ensure firms have better access to EU supply chains. We should build on the success of the Northern Ireland Protocol and make it a UK-wide arrangement.

We also need to do more with the Brexit freedoms we now have and open up new markets to our world-leading services firms — from banking to business services, education and culture. Britain is the second biggest exporter of services in the world and yet services barely feature in the free trade agreements we've signed.

A new post-Brexit trade strategy, more focused on services, could ride the global services exports boom. If the UK could maintain its current market share of global exports, it would generate up to £200 billion a year of extra exports by the middle of the next decade, boosting revenues for firms and wages for workers.

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