



ERG: OECD Brexit Report

The OECD has released a report on the economic consequences of Brexit. The key findings are:

- By 2020, UK GDP would be 3%+ smaller equivalent to £2,200 per household
- By 2030, UK GDP would be 5%+ smaller– equivalent to £3,200 per household

You report can be found here: [THE ECONOMIC CONSEQUENCES OF BREXIT: A TAXING DECISION¹](#)

The report is based on comparing a positive remain scenario with further market liberalisation and deregulation with a Brexit scenario where there is no EU trade deal in place until 2023, no other deals and little deregulation.

Key Assumptions:

- **Central scenario is a EU FTA by 2023 but with no other UK preferential agreements**
- **Key benefits of leaving the EU such as deregulation and the EU Budget are minimised or not included.**
- **The Remain scenario includes more EU reform and trade deals**
- **They do include an adjustment for immigration: There is a difference between the GDP changes between scenarios and the per household drop**

De-regulation assumption:

The report assumes a minimal gain from deregulation stating: “there is no guarantee that the political constellation after Brexit would ensure more business friendly legislation in substitution of abolished EU laws.”

EU Budget assumption:

It is unclear what level of EU budget saving, if any is included in the household figures. They do say that “Fiscal savings from stopping net transfers to the EU budget are likely to be 0.3-0.4% of GDP per year, which is a relatively small amount.”

Free Trade assumptions:

¹ OECD, 27 April 2016; <http://www.oecd.org/eco/The-Economic-consequences-of-Brexit-27-april-2016.pdf>

The report assumes no EU trade deal until 2023 and no other deals. This seems a highly unlikely scenario. They say:

“After leaving the EU, the UK would lose unrestricted access to the Single Market, and preferential access to 53 non-EU markets. UK trade would then initially be governed by World Trade Organisation rules, leading to higher tariffs for goods and to other barriers in accessing the Single Market, notably for financial services. Bilateral UK-EU trade would contract.

“Concluding a Free Trade Agreement with the EU, similar to the one between the EU and Canada, would provide a partial offset for UK trade by 2023. Yet, the costs of accessing the Single Market would still be higher than they are now after that time.”

A positive Remain scenario:

“further reforms, by lowering administrative burdens, especially for SMEs, repealing unnecessary legislation, and pursuing an ambitious policy on trade”

Immigration:

“Net inward migration is assumed to decline by 84,000 per year over 2019-2023” under a Brexit scenario.”

“Out of around 2.5 million jobs that were added to the UK in 2005-15, 2.2 million were supplied by immigrants, with nearly 60% originating from the EU”

“Immigrants have contributed on average 0.7 percentage points to GDP per year since 2005, accounting for roughly half of GDP growth”

EU exports to the UK would be more affected than UK exports to EU:

UK imports from the EU go down by 6.3%. UK exports to EU would reduce by only 3.1%.²

² Table 3 on p.20 ; <http://www.oecd.org/eco/The-Economic-consequences-of-Brexit-27-april-2016.pdf>