

# Brexit Deal or No Deal

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October 2018

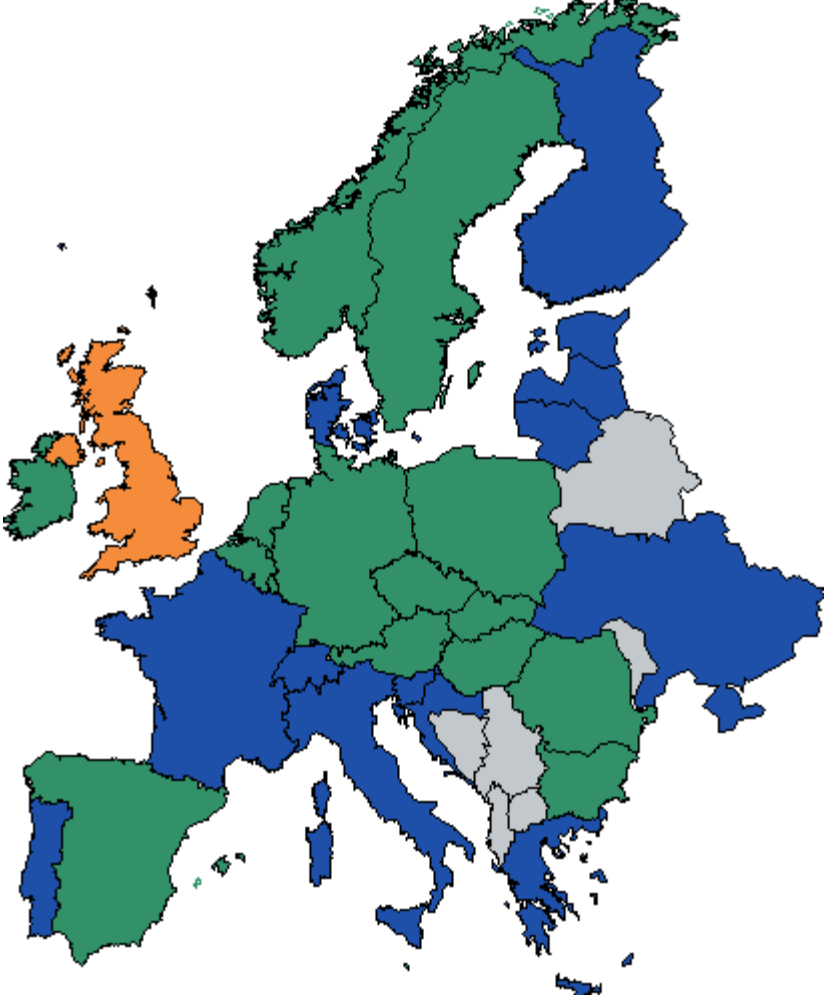
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Fallout From Brexit Vote

# Europe Weathers Brexit Storm Well

Business Cycle Status, Oct 2018

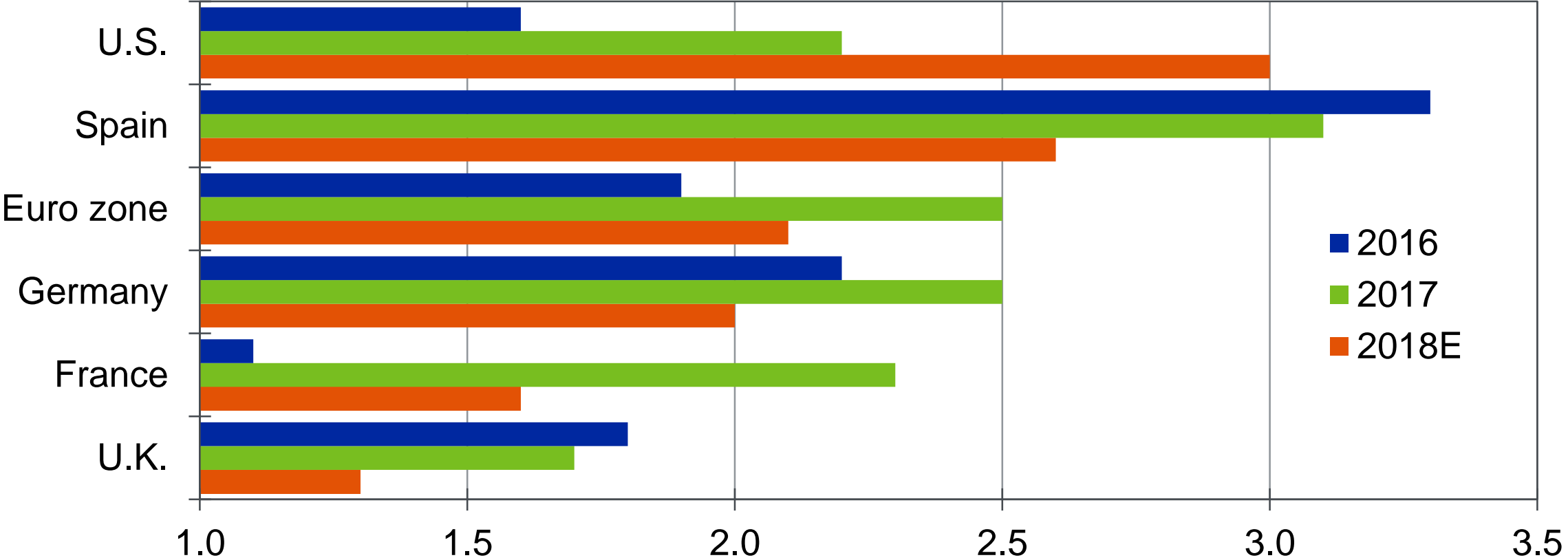
- Expansion
- Recovery
- At risk
- In recession



Source: Moody's Analytics

# Brexit Has Diminished the U.K. Economy...

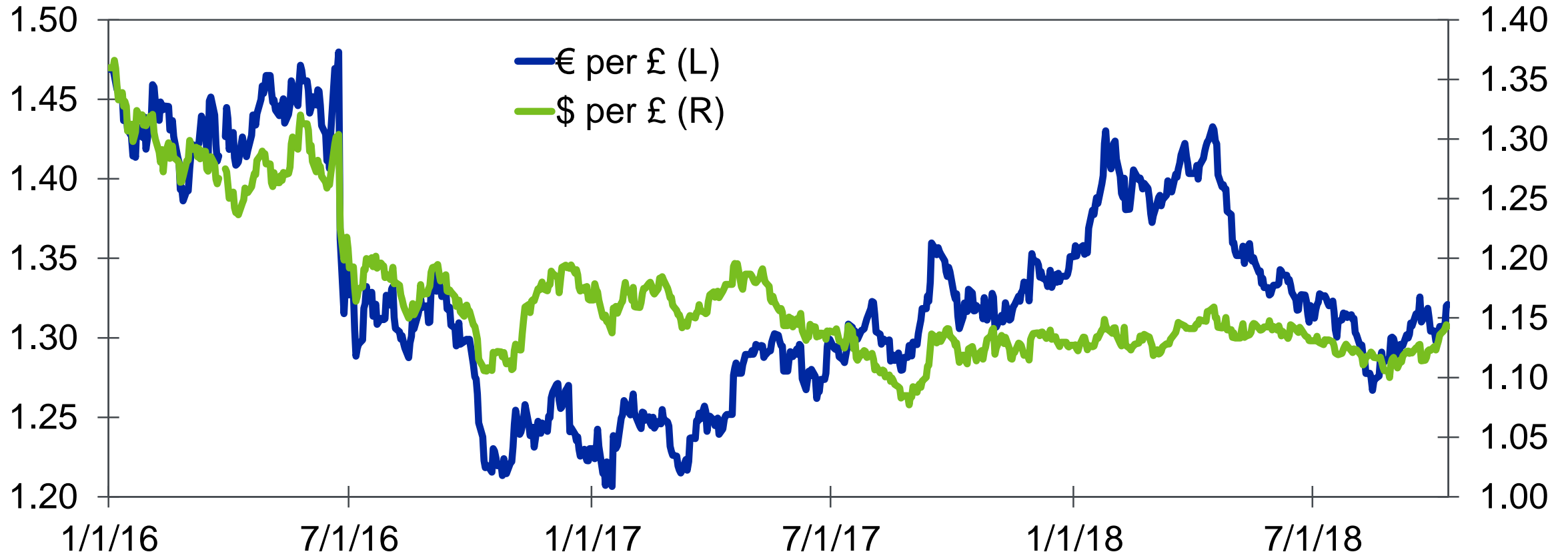
Real GDP, % change



Source: Moody's Analytics

# ...the Pound Weakened...

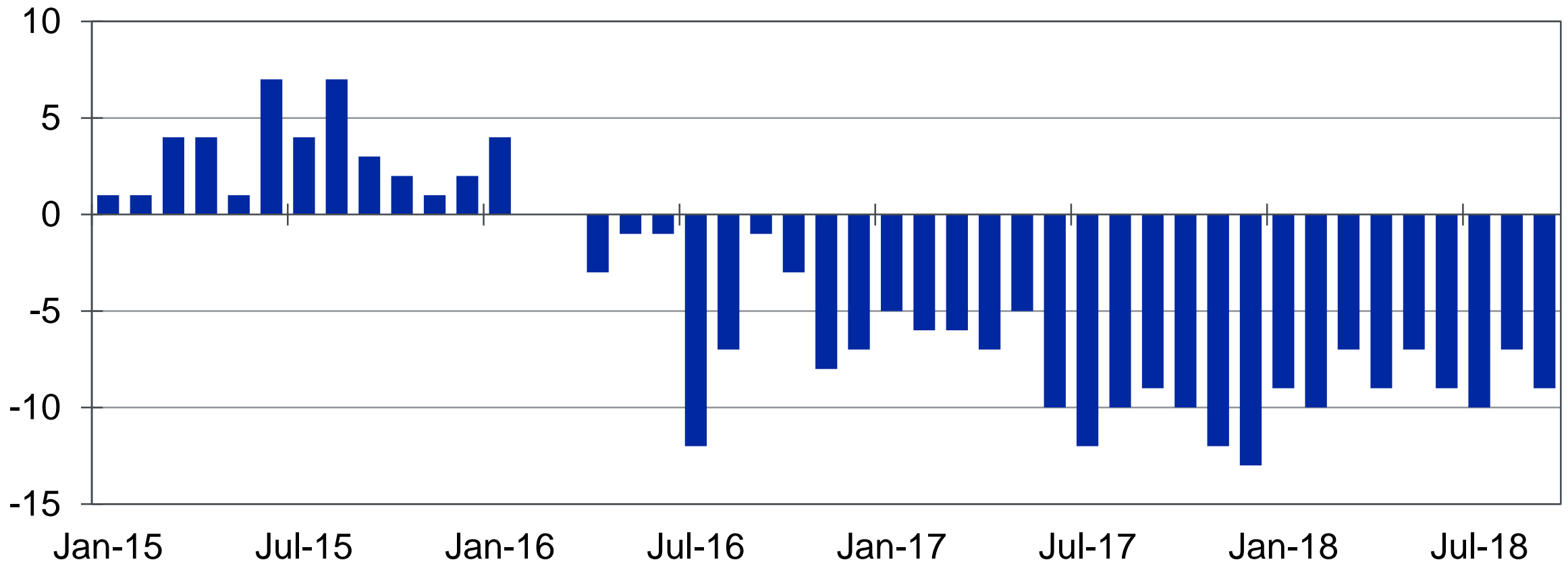
Spot exchange rate



Sources: Bank of England, Moody's Analytics

# ...British Consumers Turned More Cautious...

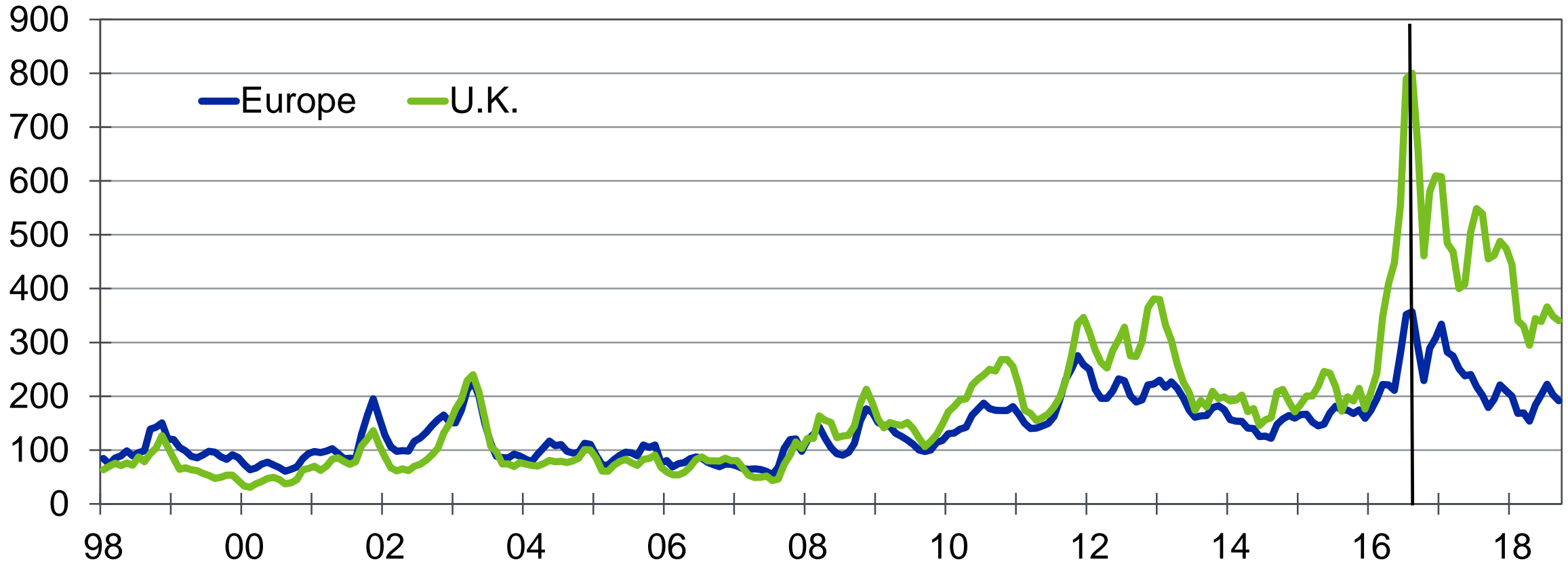
GfK consumer confidence



Sources: GfK, Moody's Analytics

# ...While Uncertainty Remains Elevated

Economic policy uncertainty index, 3-mo MA



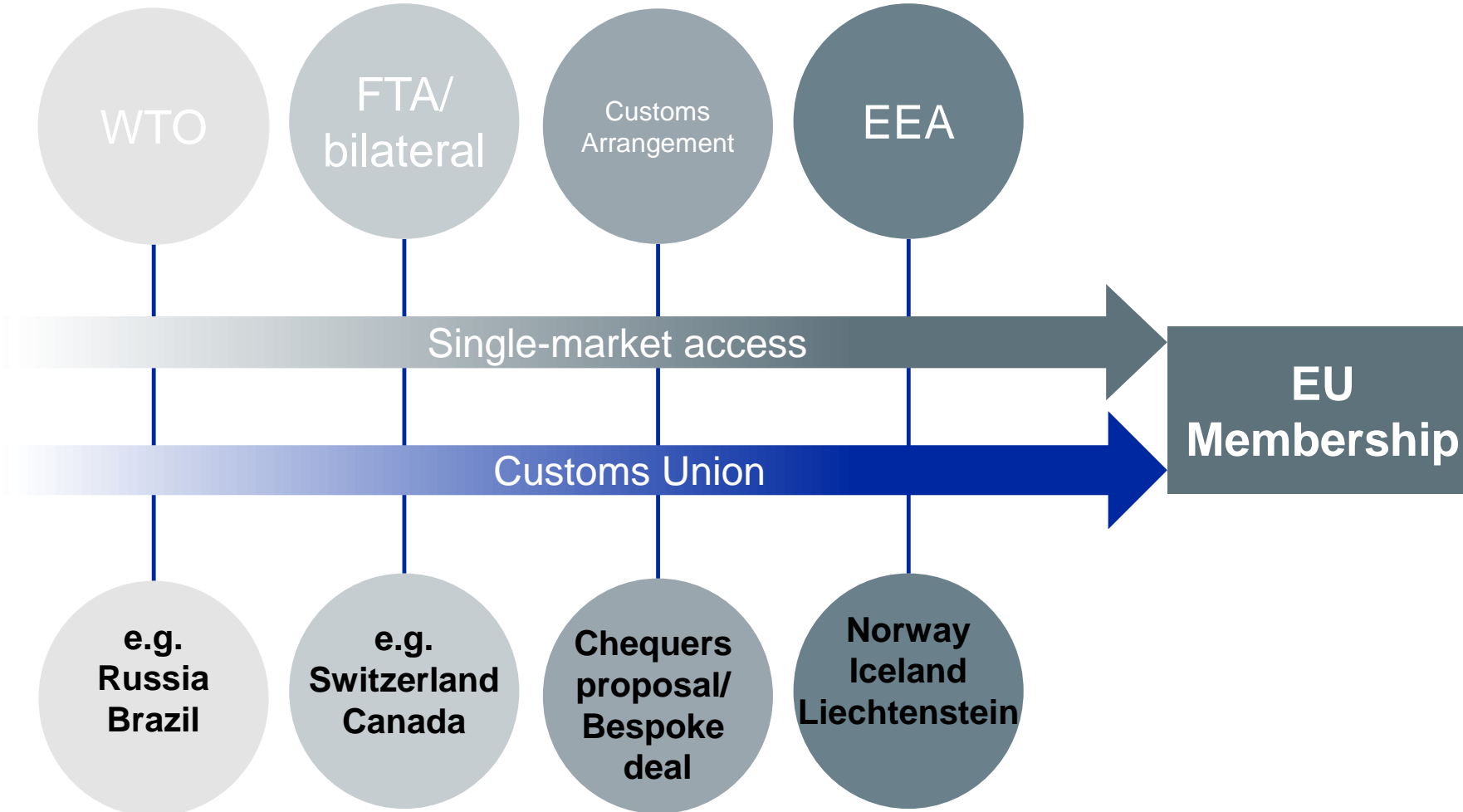
Sources: Baker, Bloom and Davis, Moody's Analytics

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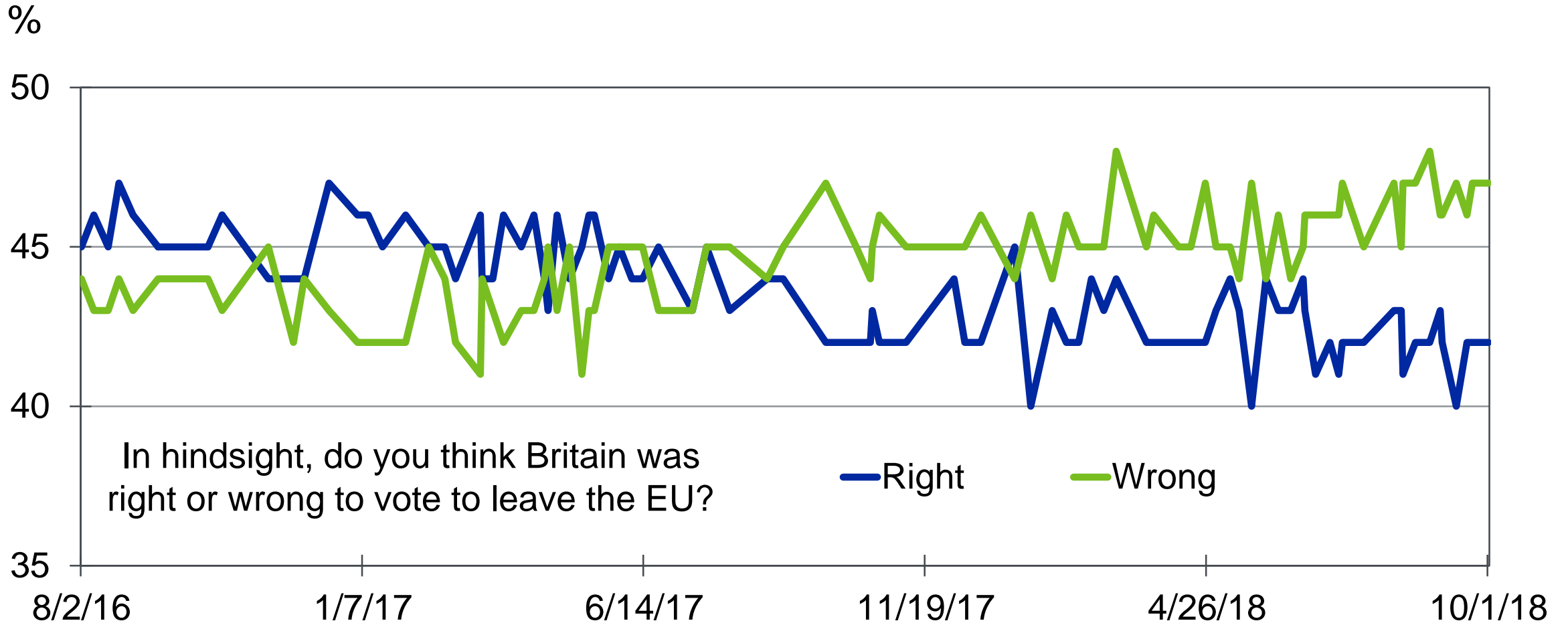
Brexit Scenarios



# Many Possible Brexit Deals...



# ...As British Sentiment for Brexit Wanes...



Sources: YouGov, Moody's Analytics

## ...Resulting in Numerous Brexit Scenarios

Scenario	Probability	Goods trade	Services trade	Immigration	Jurisdiction of ECJ	Payments to EU Budget
Baseline	50%	Free trade of goods	Bespoke deals for each sector	U.K. regains control but accepts free movement of skilled labour	Only in regards to goods trade	Yes, but limited
Soft Brexit	20%	Free trade of goods	Free trade of services	Free flow of people	No, EFTA court	Yes
No Brexit	5%	Free trade of goods	Free trade of services	Free flow of people	Yes	Yes
Hard Brexit	20%	Leaves the customs union, borders are implemented	Bespoke deals for each sector	Regains control	No	No
No Deal	5%	Defaults to WTO rules, borders implemented from March 30, 2019	No deal	Regains control	No	No

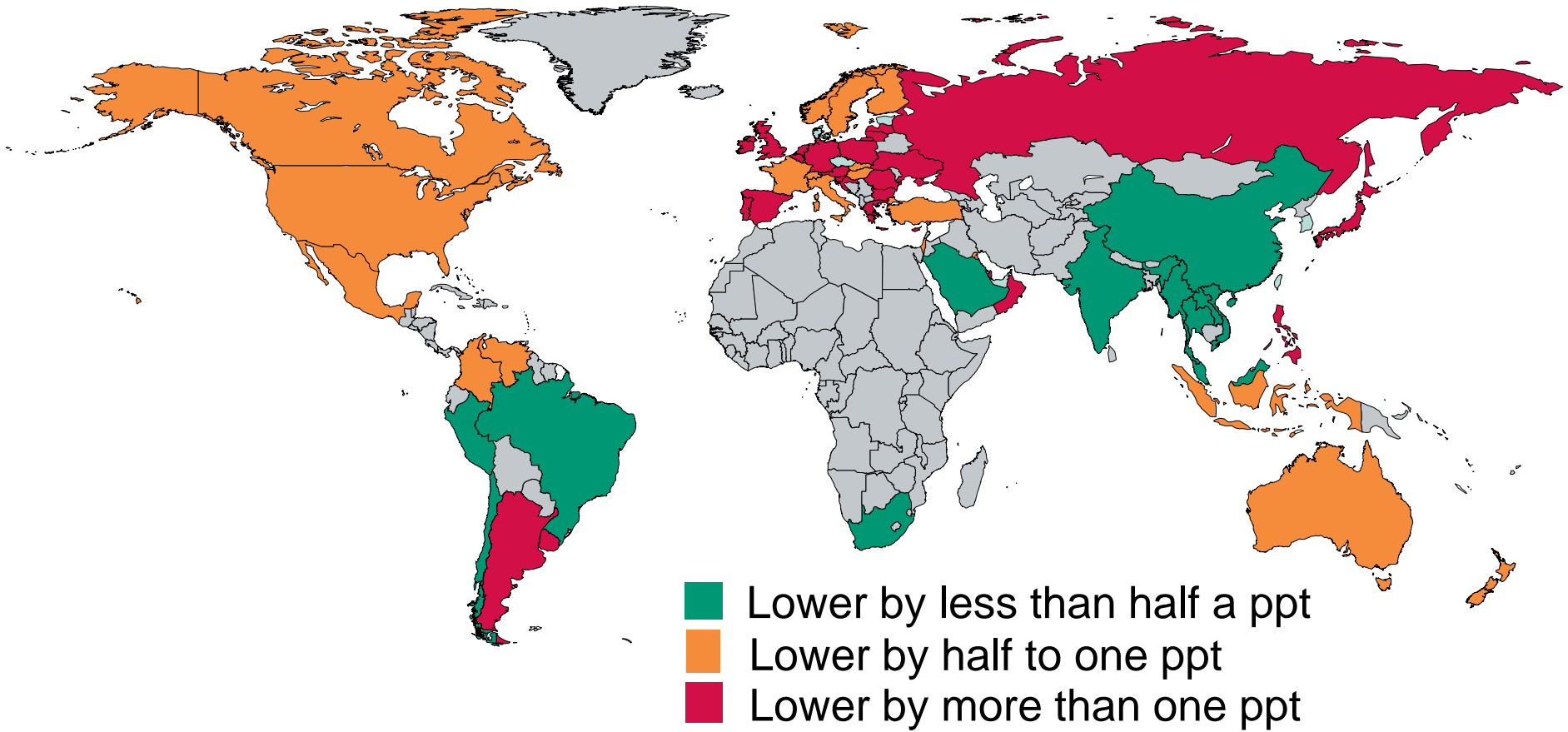
Source: Moody's Analytics

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Global Economic Impact

# No Deal Brexit Hurts Global Economy...

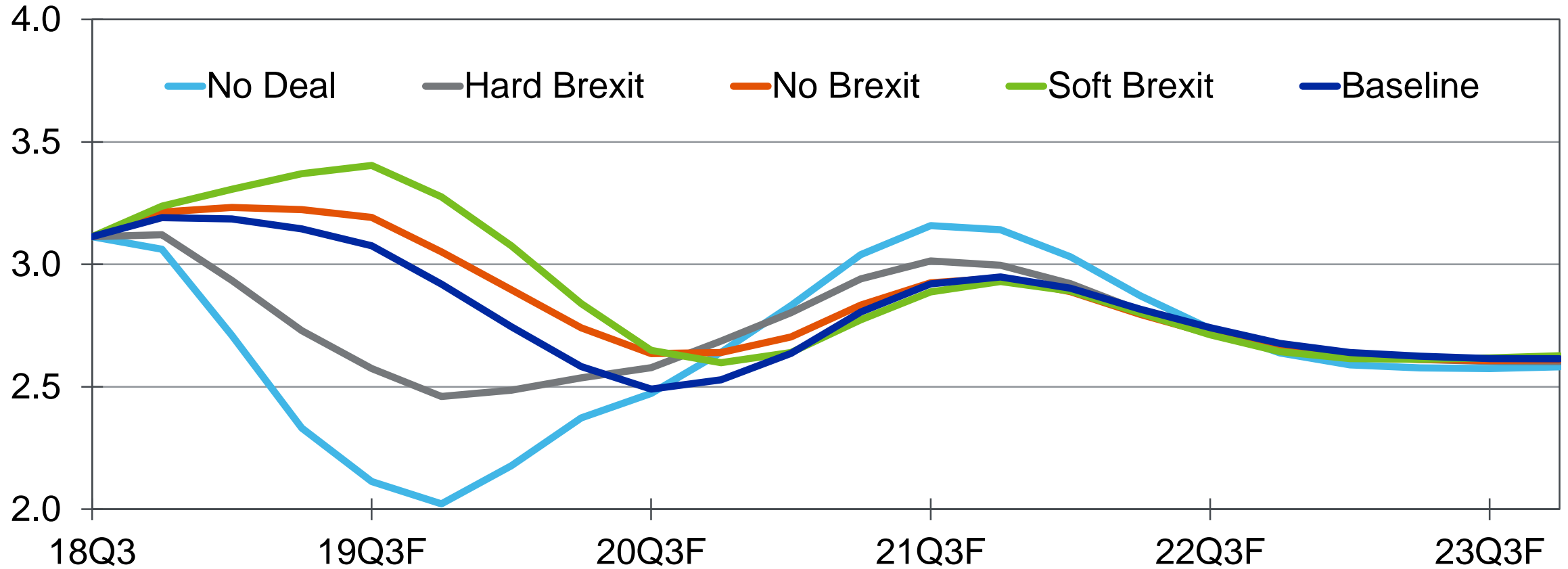
Difference in Real GDP in 2020Q4



Source: Moody's Analytics

# ...Causing a Growth Recession

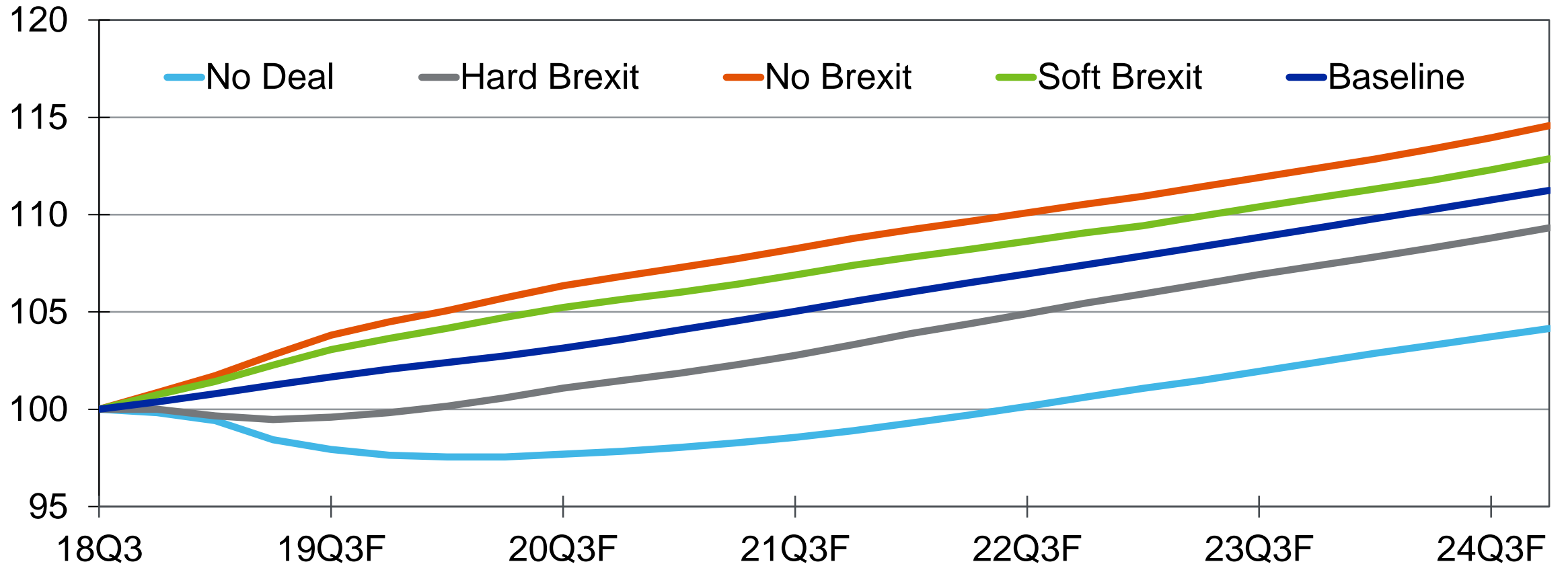
World real GDP, % change yr ago



Source: Moody's Analytics

# U.K. Economy Suffers Badly With No Deal...

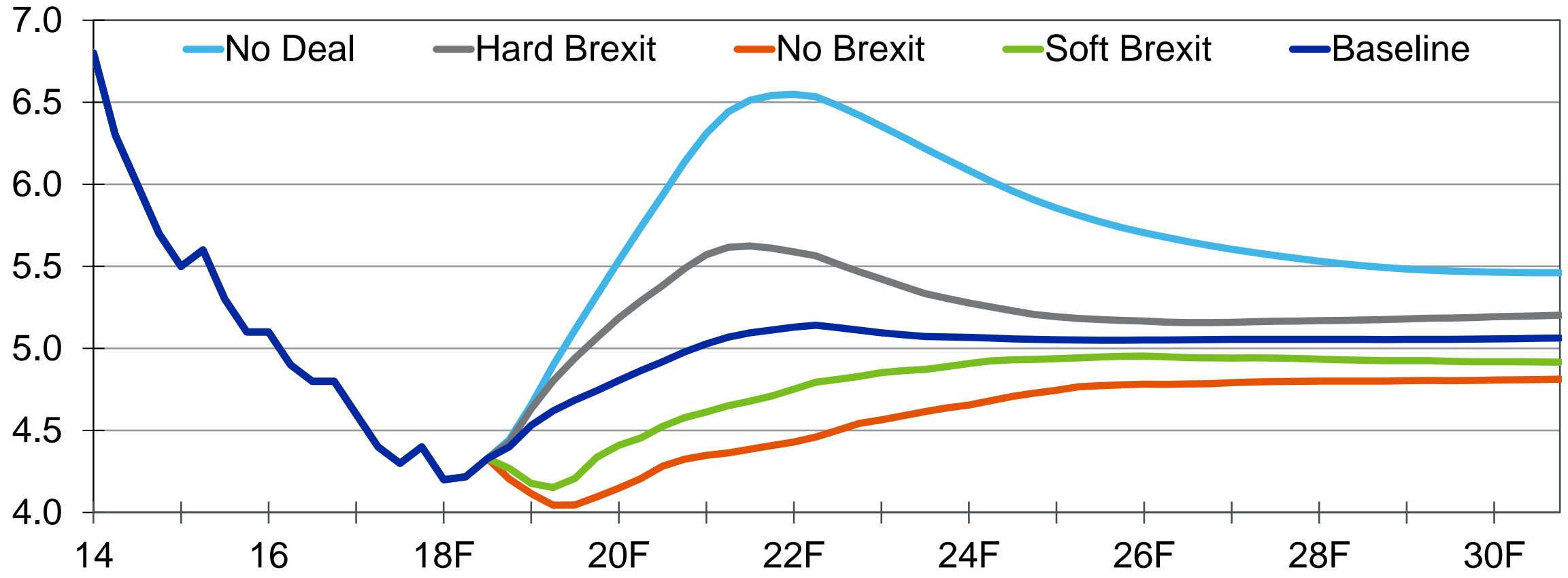
Real GDP, 2018Q3=100



Sources: ONS, Moody's Analytics

# ...Pushing Unemployment Permanently Higher...

Unemployment rate, %

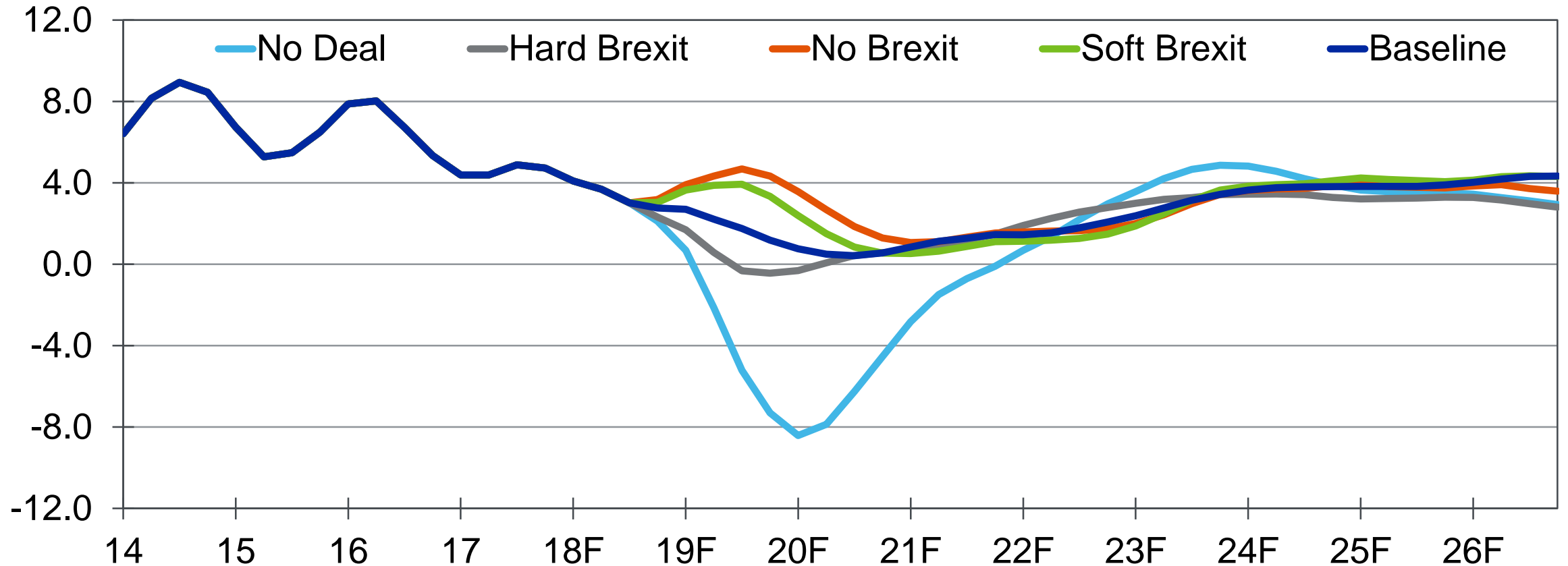


Sources: ONS, Moody's Analytics



# ...House Prices Lower...

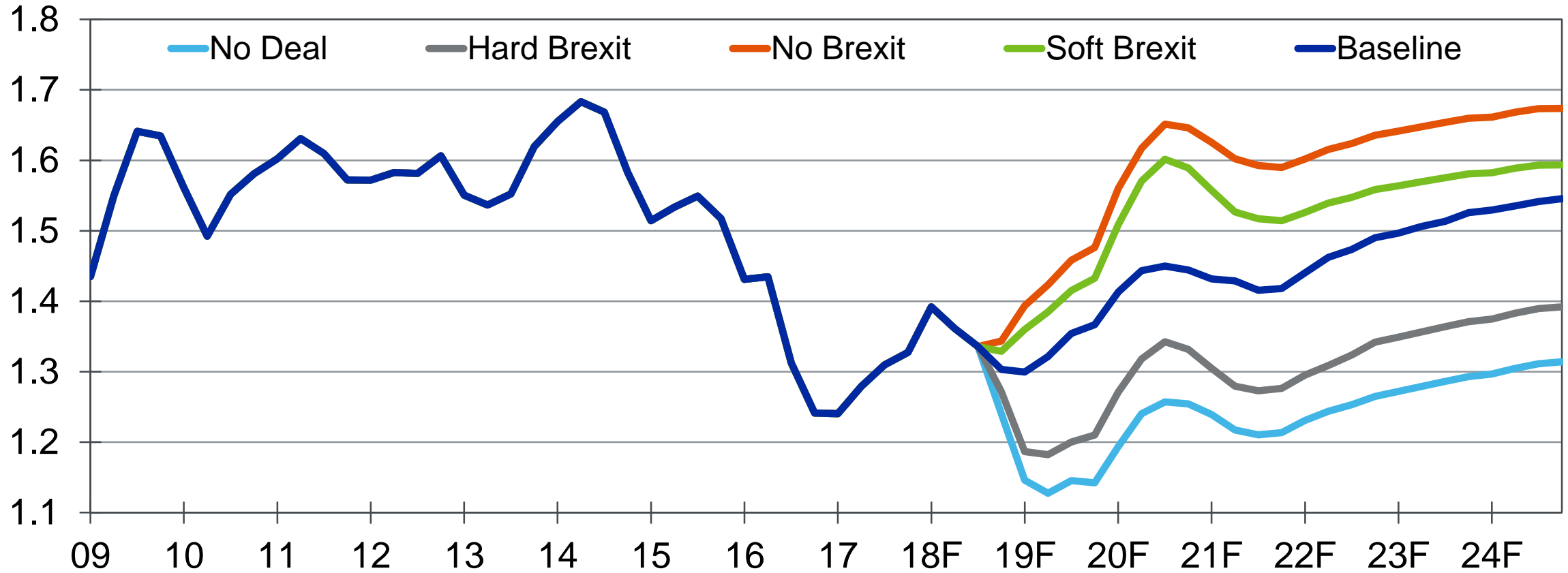
Avg house prices, % change yr ago



Sources: ONS, Moody's Analytics

# ...and Weighing Heavily on the Pound

Exchange rates, £/\$



Sources: U.S. Board of Governors of the Federal Reserve System, Moody's Analytics

# Q&A

Additional questions?

Send an email to [help@economy.com](mailto:help@economy.com).

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