



Focus on Brexit: Timeline, negotiation process and economic implications

December 2018

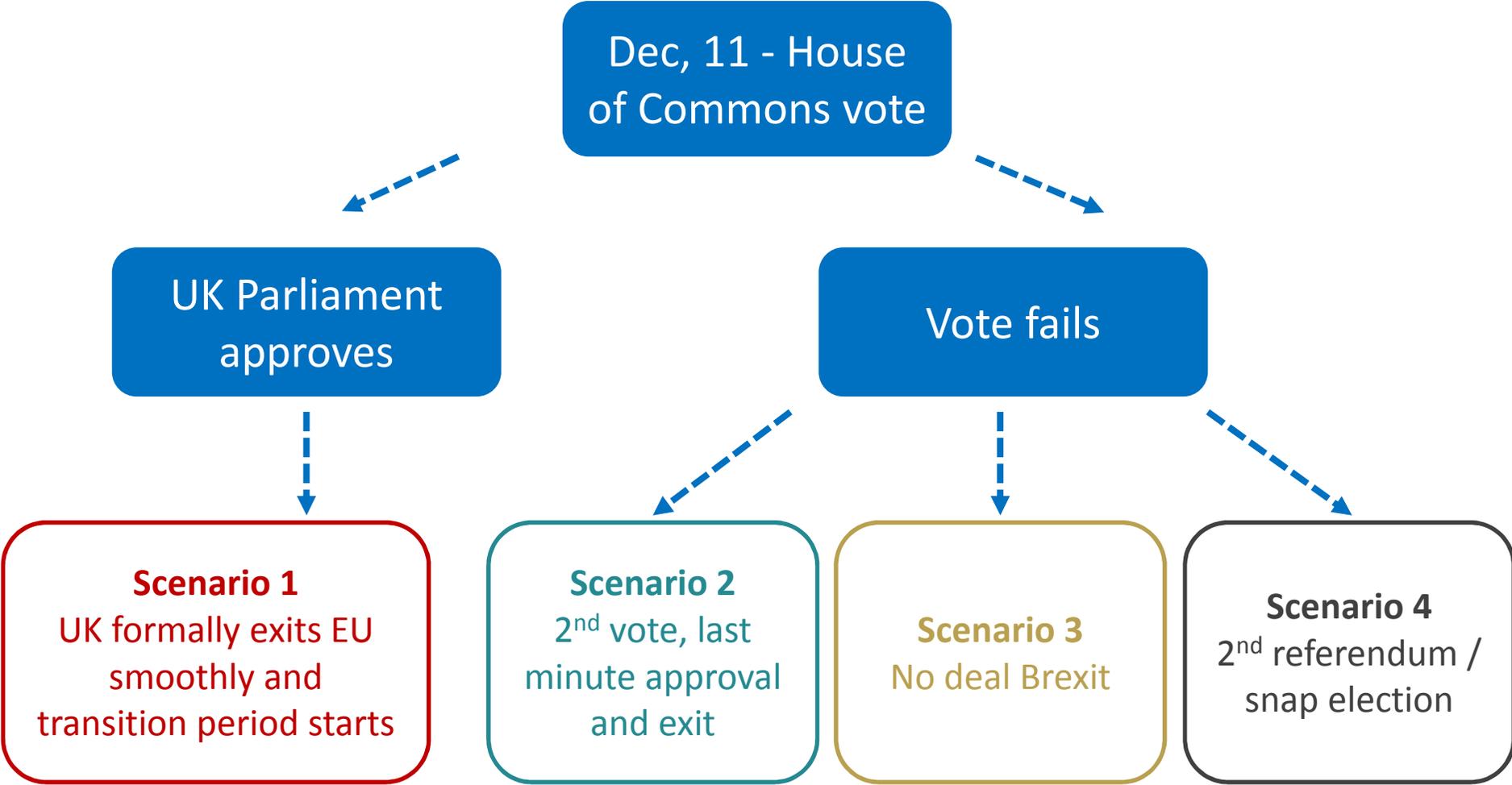


Focus on Brexit

Timeline

- **November 25, 2018** : Draft withdrawal agreement and political declaration were approved on four key areas:
 - The future status of residents in one another's countries
 - Payment obligations by the UK to the EU (~ 40-45bn €)
 - Agreement on the future UK/EU relationship (to be negotiated during the March 30, 2019 to Dec. 31, 2020 transition period)
 - Irish backstop, involving the relationship between Northern Ireland, Great Britain and the EU.
- **December 11, 2018**: House of Commons vote
- **December 13-14, 2018**: EU summit
- **March 29, 2019**: Brexit day
- **From March 30, 2019 to December 2020**: transition period (extendable if request before Summer 2020)

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Negotiation process



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Economic implications depending on Brexit issue

- Except for a disorderly / hard Brexit scenario, there will be a transition period for implementation up to Dec. 2020, suggesting a strong ability to engineer a rather smooth Brexit process
- An orderly / soft Brexit would imply limited tariff protection.
- In a disorderly Brexit, consequences would be much more negative, with a time-sequenced scenario:
 - Initially, significant disruptions in supply chains with complex custom / inspection / administrative bottlenecks; trade diversion / production relocation would accelerate.
 - In the longer-run, consequences are highly dependent on industries, the UK potential flexibility (regulation, tax, currency, other trade agreements), and the exact implications for financial / related services.

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Economic implications depending on Brexit issue

- According to different analysis, the economic fallout will be felt far more acutely in Britain than in the EU.
- Economic impact for UK :

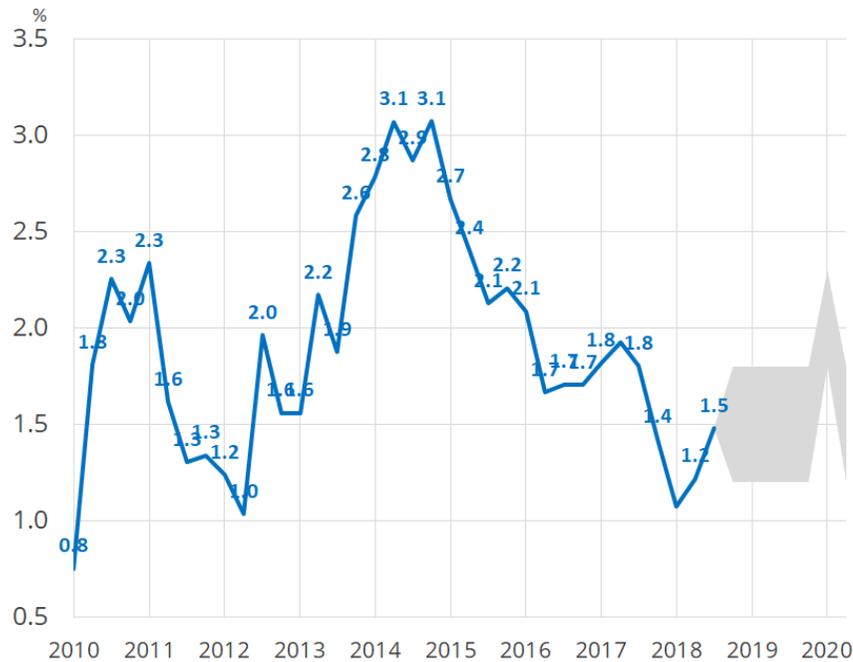
	No Brexit	Brexit Deal	No Deal
GDP	≈	+/-	--/-
GBP/EUR	-/≈	≈	--
Market volatility	+	≈	+
BOE action	+	+	-

- But global economic slowdown in 2019 likely to weigh down on UK economic “catch-up”, reflecting BOE inability to normalize monetary policy

Focus on Brexit

UK economic perspectives (with Brexit deal in base case)

UK Real GDP growth (% y/y)



Sources: Datastream, TAC ECONOMICS

GBP/EUR exchange rate



Sources: Datastream, TAC ECONOMICS



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The answers to these requests will be made through emails, conference calls, face-to-face meetings or “ad hoc” notes.

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