

## New 'Brexit Index' reveals UK-EU economic relationship has already declined by 12% since referendum

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### Significant drops in flow of inward investment and people from EU to UK

A new 'Brexit Index' that measures the strength of the economic relationship between the EU and UK - based on the movement of people, goods, services and investment – has dropped 12% before Brexit has even happened, according to global independent advisory firm, Accuracy.

The 'Brexit Index' by Accuracy tracks trends in the flows between the UK and EU under each of the four freedoms of the European Single Market (full methodology below). Each of the four measures of the UK/European economic relationship were at an all-time high shortly prior to the EU referendum.

Accuracy's Brexit Index stood at 88 at the end of the first quarter of 2019, down from a base of 100 at the end of the second quarter of 2016, just after the EU referendum. This decline has been driven in large part by a significant fall in Foreign Direct Investment (FDI) into the UK from the EU since the referendum.

The value of FDI from EU investors into the UK has fallen to 6.6% of EU GDP in March 2019, down from 7.6% of EU GDP in June 2016.

Accuracy says that uncertainty over the UK's trading relationships worsened in recent months as the prospect of a no-deal Brexit grew. Concern among investors over increased customs barriers and tariffs leading to reduced return on investment is likely to have turned some more cautious on investing in the UK.

The decline in the UK-EU economic relationship has also in part been driven by a decreased flow of people from the EU to the UK. Net migration of European citizens to the UK has dropped since the June 2016 vote, from 189,000 per year in March 2016 to 59,000 per year by March 2019.

Accuracy says that migration flows are partly affected by people's long-term decisions concerning the socio-economic prospects of the destination country. The decline in migration reveals a lack of confidence in the British economy, with a weak pound making the UK less attractive to foreign workers.

Some European workers are also likely to be concerned about their visa status in the UK in the coming years, incentivising them to leave the country for other countries with more stable immigration regimes.

Daniel Nassar, Associate at Accuracy, comments: "Before Brexit has actually taken place, the UK-EU economic relationship has already sustained significant damage."

"These figures show that the impact of Brexit on the UK economy is not just speculation. The effects are already apparent."

Charles Mazé, Analyst at Accuracy, adds: "While the trading relationships between the UK, EU and the rest of the world have not actually changed yet, the effect of Brexit on investor sentiment has already seen FDI decline sharply."

Methodology for the Brexit Index:

- Trade in goods: imports and exports of goods between the UK and the EU, as a percentage of EU GDP excluding the UK
- Trade in services: imports and exports of services between the UK and the EU, as a percentage of EU GDP excluding the UK
- Direct foreign investment: DFI stocks held by EU agents in the UK, as a percentage of EU GDP excluding the UK
- Migration flows: immigration of European citizens to the UK as a percentage of total migration flows entering the UK

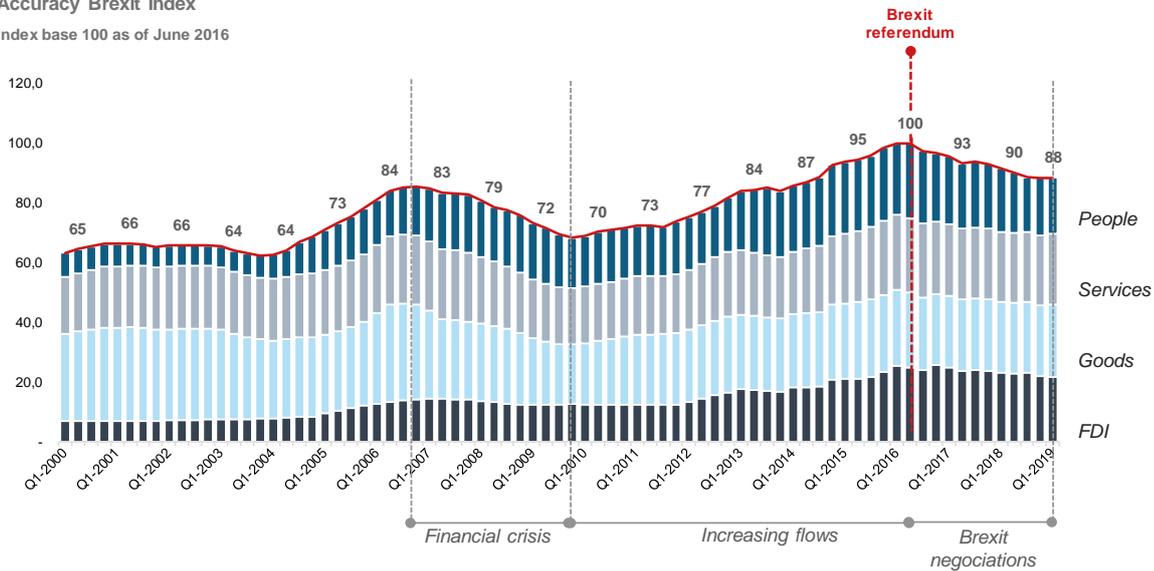
\* Year end March 31 2019. Source: Department for International Trade



## Relations between the United Kingdom and the European Union have already deteriorated by 12% since June 2016

### Accuracy Brexit Index

Index base 100 as of June 2016



Sources: European Central Bank (ECB), OECD, ONS, Eurostat, Accuracy analysis

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### About Accuracy:

Accuracy is a wholly independent international consulting firm providing advice to company management and shareholders for their strategic or critical decisions, notably in transactions, disputes and crises.

Accuracy's strength is to connect strategy, facts and figures. Accuracy's teams are international and multicultural, combining various skills to provide bespoke services to our clients. We recruit consultants from the best.

Accuracy is present in 13 countries in Europe, North America, Asia, Middle East and Africa and leads engagements all over the world.

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