

## Twitter Thread by Anton Spisak



**Anton Spisak**

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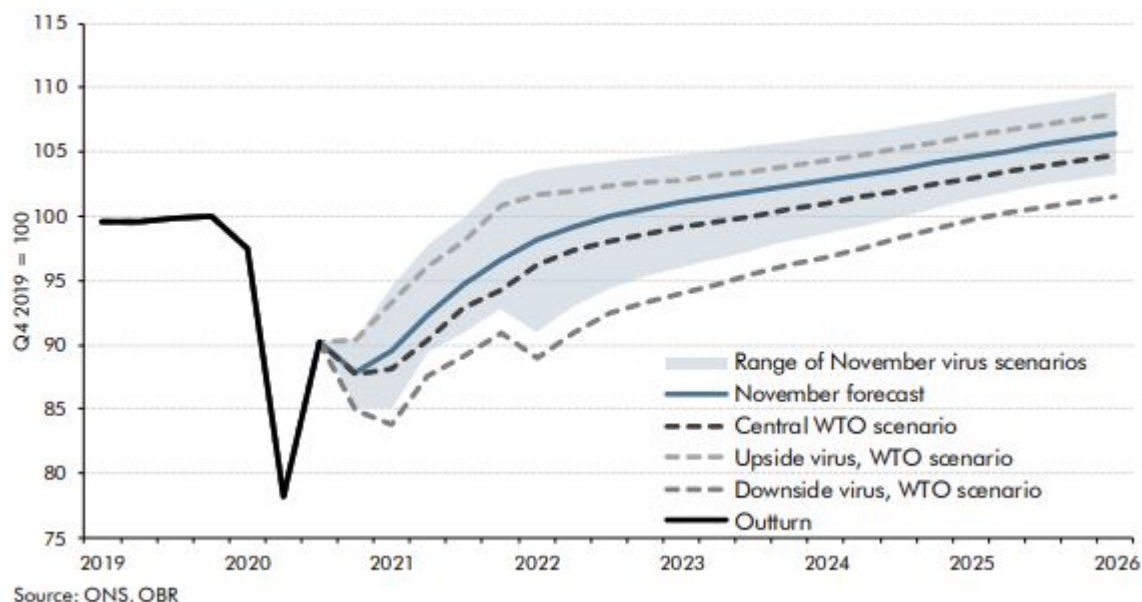
**Amid all the announcements today, it's easy to overlook that the OBR has updated its scenario on a no-deal Brexit. It exposes an undeniably hard reality for the Govt that claims that the UK would "prosper mightily" under no-deal next year.**

### (Short thread)

1. Key chart: a no-deal/WTO/Australia-style Brexit would delay the point at which econ output regains its pre-virus peak by "almost a year to the third quarter of 2023."

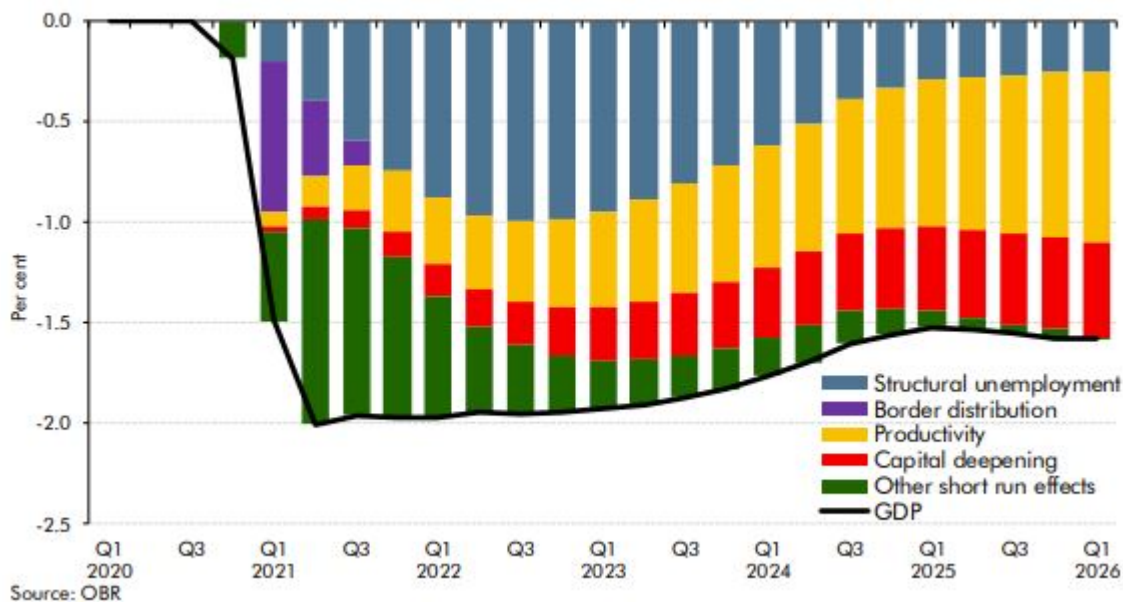
In the upside scenario, this cross-over point could be at the start of 2022; in the downside, in 2025. Grim.

Chart B.3: Real GDP



2. Next year, a no deal Brexit would reduce real GDP by around a further 2% - as a result of immediate disruption to the border and uncertainty facing businesses. That's on top of the Covid-related contraction.

Chart B.2: Difference in real GDP to central forecast



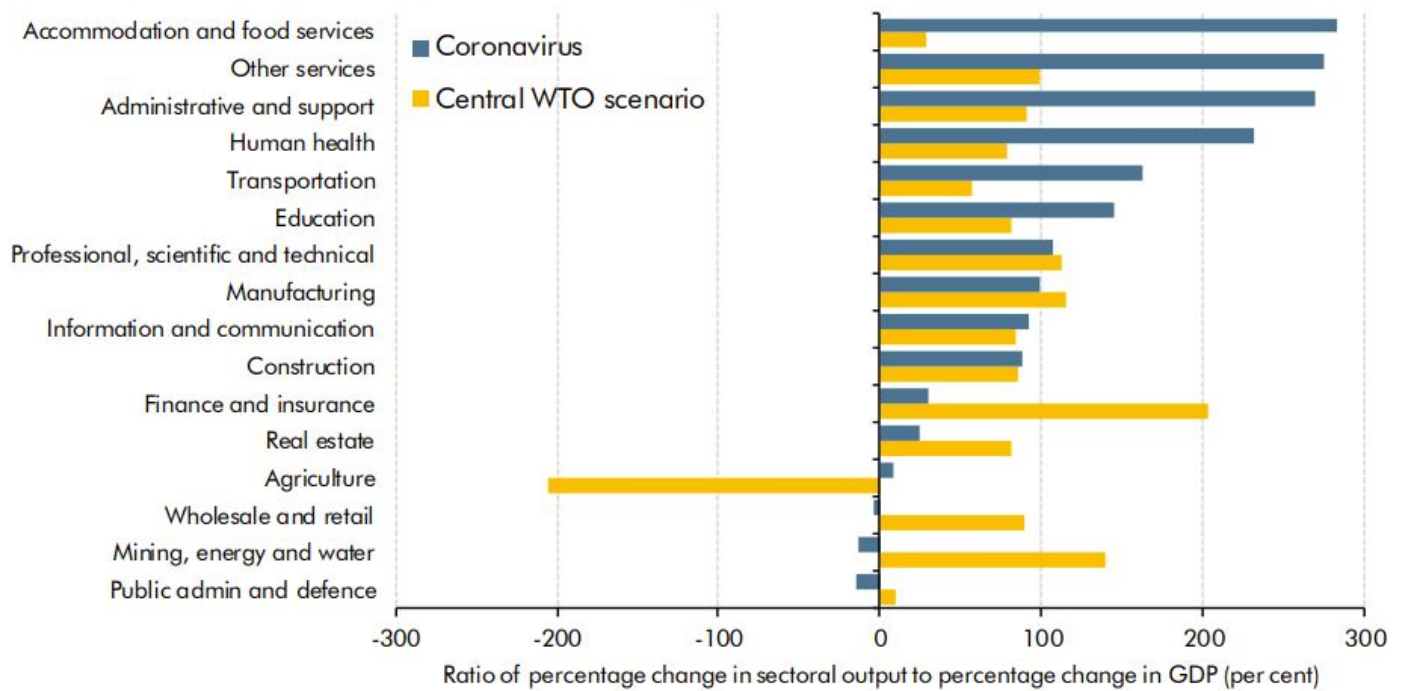
3. While there's some short-term border disruption, most of the costs come in the medium term: from lost employment; productivity losses; lower business investment.

Exactly the opposite of what the Chancellor said to [@AndrewMarr9](#) on Sunday. <https://t.co/2FEroyGUwL>

4. Underneath these numbers, output would fall \*below\* the Covid levels for several key sectors: Manufacturing, professional services, financial services, retail, energy.

All trade intensive sectors that have been spared the same drop in output as the non-tradables this year.

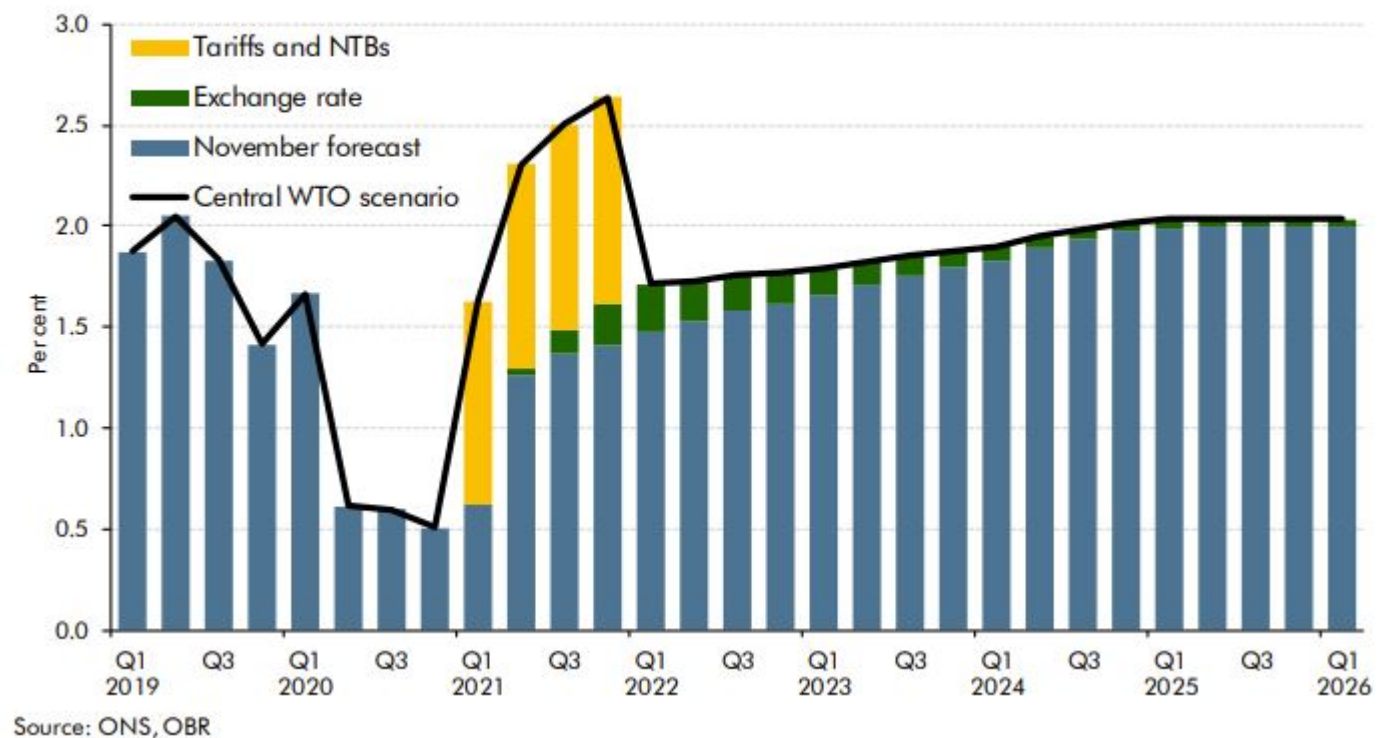
Chart B.1: Relative intensity of sectoral output hits: virus versus WTO scenario



Note: Coronavirus sector bars are the per cent change in each sectors output relative to the per cent change in GDP between February and September 2020. The central WTO scenario bars are an average of the per cent change in sectors output from studies IMF Nov 2019 and Felbermayr et al Mar 2020, from moving to WTO rules from a FTA, relative to our 2 per cent long run GDP assumption.  
Source: Felbermayr, Gröschl and Steininger, Brexit through the Lens of New Quantitative Trade Theory, March 2018, IMF, ONS, OBR

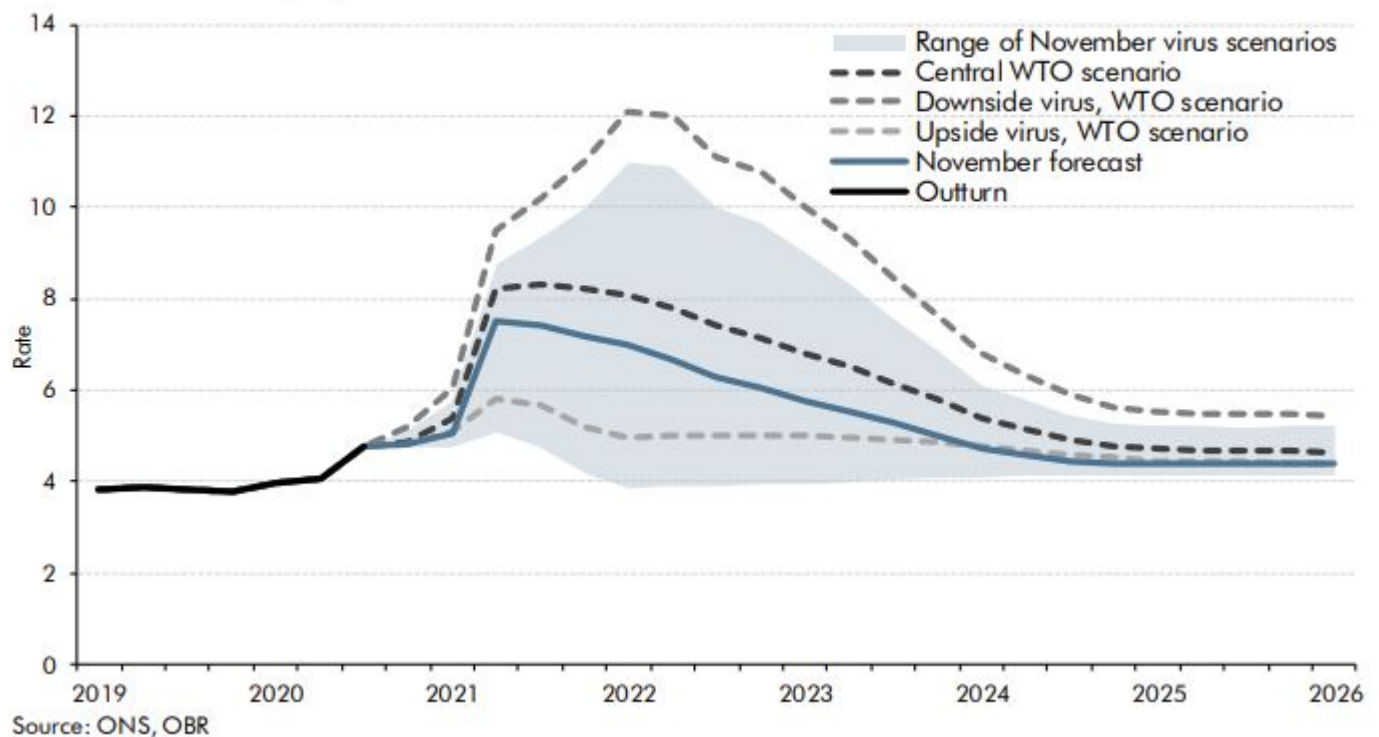
5. Crucially, the OBR notes, no-deal would have additive effects to the hit by Covid, not replace it (contrary to the popular, but non-sensical narrative in Govt recently). It's a recipe for screwing the outward-facing side of the economy - which has been its engine during Covid
  
6. Under no-deal, the OBR also expect the inflation to rise by 1% next year - caused by new tariffs and regulatory and customs barriers with the EU.

Chart B.4: CPI inflation



7. The unemployment numbers are also expected to rise up to 8.3% next year (under the central scenario).

Chart B.5: Unemployment rate



8. By the way, these numbers assume that the lockdown ends on 2 Dec; the test-and-trace system is "partly effective" and the vaccination programme begins next year with "medium-high" success rate. A lot of big assumptions.

9. If there's one undeniable fact from the OBR figures, it's that the UK will not "prosper mightily" under no-deal, as the Prime Minister likes to claim.

It'd be more than an act of self-harm to not agree a trade deal with the EU. It would be a full-blown economic suicide

(End)