Twitter Thread by David Henig

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The first working day of the new UK-EU relationship. We're going to hear a lot this year from all sides (remain and Brexit in UK, EU, etc) using any possible scrap of evidence. But what we need to look for is trends, over time, so a few to think about in this thread... 1/

Obvious disruption or reduction to UK-EU trade flow. Here we may be thinking e.g. of a permanent 10% fall in traffic, or regular queues, or indeed no change. And apart from goods, the same with individual travel, for work, residence etc... 2/

As a reminder we're not expecting permanent scenes like those of the week before Christmas when borders were closed. But 5-10% reductions in UK-EU traffic would not seem to be out of line with economic forecasts of a hit to the UK economy. 3/

Then we'll need to look at whether UK-EU trade is being substituted by UK-non EU trade. This probably should happen to a degree, and in theory efficiencies could come this way. But its also possible that all UK trade falls, with the UK no longer an EU entry point. 4/

Inward investment is another key post-Brexit indicator. There isn't a single obvious data set here, but the impression of the last four years has been a fall off in manufacturing, but not in services, particularly tech. Continuation would suggest economy tilting to services. 5/

The some policy indicators. The first is UK regulatory divergence. There's a clear link between this and EU market access, see for example our emergency data adequacy while we don't change our rules. Financial services equivalence. So diverge or not? 6/

We'll hear a lot about Free Trade Agreements, but numbers are not a useful indicator. Better to ask what UK economic activity is facilitated that was not previously happening, or vice versa, what is now closed. So far we are heavily net negative because of Europe. 7/

In trade policy generally, another useful indicator is being able to do something difficult. There was talk before Christmas of a deal with the US to end their penalty tariffs on Scotch. Would have been an impressive win against the odds. Didn't happen. 8/

Doubtless folk will look at GDP, but that's going to be hard this year because of covid recovery, and I already have doubts over the interaction between this and financial services (not as bad as Ireland, but even so). But some of the detail of course interesting. 9/

Look, lorry queue! new investment announced 6 times over! will be a more fun game to play. But the reality is the UK economy is likely to change as a result of rising trade barriers to Europe, but how is unclear. Question of trying to read that. 10/ end