CENTRE FOR EUROPEAN REFORM
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Press release

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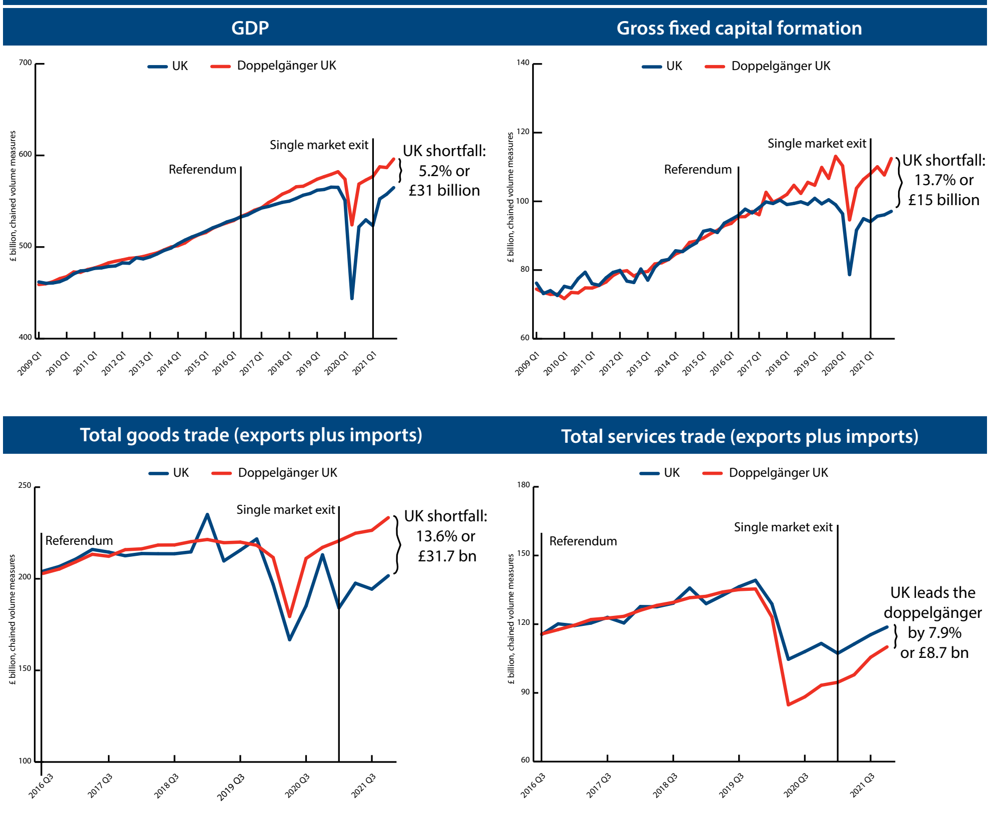
Brexit and Covid-19 have reduced UK GDP by 5.2 per cent, according to new Centre for European Reform analysis.

Covid-19 made it hard to isolate the impact of Brexit on the UK economy. But now that the most advanced economies have re-opened and have surpassed their pre-pandemic level of output, we can compare their performance to that of the UK. In a new report, '[What can we know about the cost of Brexit so far?](#)', John Springford of the Centre for European Reform has estimated '*doppelgängers*' – baskets of rich countries with the most similar economic characteristics to the UK – to estimate how far Britain is lagging behind.

In the final quarter of 2021, UK GDP was 5.2 per cent smaller than the modelled, *doppelgänger* UK; investment down by 13.7 per cent; and goods trade by 13.6 per cent.

Chart 1: The cost of Brexit and Covid



Source: CER analysis of UK Office of National Statistics and OECD data. See appendix for details for the methodology.

Not all of the weakness in GDP can be ascribed to Brexit, but most of it can. Britain had an exceptionally large recession in 2020. But the UK's early vaccination campaign meant its restrictions ended sooner than in many peer economies. And the downward trend had already begun between the referendum vote and the pandemic, with the UK's GDP lagging 2.9 per cent behind the *doppelgänger*'s by the end of 2019. By contrast, the hit to investment is obviously the result of Brexit: it clearly began at the point of the referendum. And goods trade fell back when the UK left the single market and has trailed the *doppelgänger* since then.

John uses a similar model to his widely-cited monthly estimates of the impact of Brexit on goods trade. An algorithm selects baskets of countries whose economic performance closely matched the UK's from the first quarter of 2009 to the Brexit referendum of 2016 (in the case of GDP and investment) and the end of the transition period in December 2020 (in the case of goods and services trade).

Commenting, John Springford said:

"Brexit is the main reason why Rishi Sunak is raising taxes to their highest share of GDP since the 1960s. While the Chancellor says increased national insurance contributions will fund the health service and social care, these tax rises would not have been needed if the UK had stayed in the EU.

"It is difficult to disentangle the impacts of Brexit and Covid on the UK economy with precision. But it is hard to avoid the conclusion that Brexit has severely curtailed GDP, investment and goods trade. Perhaps the most concerning estimate is the 13.7 per cent shortfall in investment since the referendum. If the government can't find a way to nurture investment across the economy, UK living standards will continue to stagnate."

Note for editors:
For further information on the new research and to request an interview with deputy director of the CER, John Springford @JohnSpringford please contact Rosie Giorgi in the CER press office on pressoffice@cer.eu or +44 (0) 20 7233 1199.

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