



## Brexit and services: How deep can the UK-EU relationship go?

by Sam Lowe  
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British financial services exports to the European Union could plunge by more than half if Theresa May follows through on plans for the UK to leave the single market as a result of Brexit, new analysis '[Brexit and services: How deep can the UK-EU relationship go?](#)' by the Centre for European Reform shows.

Even if the UK entered into an ambitious and comprehensive free trade agreement with the EU –including advanced provisions on investment, the recognition of qualifications and the temporary movement of people – leaving the single market would mean new restrictions which would trigger a sea change in the composition of UK services exports to the EU, according to the CER research.

Once outside the single market, fewer services would be provided cross-border from the UK, and more would be provided via the establishment of a commercial presence within the EU-27. This would inevitably lead to some well paid jobs migrating to the EU-27 from the UK and lower British tax receipts. As the UK will be likely to conduct services trade with the EU on similar terms as it does with the rest of world, leaving the single market could lead to a drop in exports of financial services (minus insurance and pensions) to the EU of up to 59 per cent, and declines of up to 19 per cent in insurance and pensions services, and 10 per cent in business services (including law, accountancy and professional services).

*"Services have largely been side-lined in the Brexit debate although they account for 45 per cent of total UK exports. Any deal short of single market membership would see UK-based services exporters to the EU facing new barriers. This will lead to businesses moving operations to within the EU, taking high-skilled jobs and tax revenue with them,"* said Sam Lowe a senior research fellow at the CER, and author of the new analysis.

The impact of leaving the single market would vary by sector, with more regulated industries, such as financial and insurance services, most affected. Business services would suffer less because of the nature of the sector where face-to-face contact is often a necessity. Many of the UK's big professional services firms would be insulated as they already operate out of entities established in the EU member-states they sell to.

In 2017, services accounted for 45 per cent of total UK exports, or £277 billion. Unlike goods, where it runs a deficit, the UK ran a total trade surplus in services of £112 billion. The EU received 40 per cent of [British services exports, the highest proportion of any trading partner](#).

**Note to editors:** For further information on the new research and to request an interview with Sam Lowe, please contact Nick Winning in the CER press office on [pressoffice@cer.eu](mailto:pressoffice@cer.eu) or +44 (0) 20 7233 1199 and +44 (0) 7714 256 241. Twitter: [@CER\\_EU](#) [@SamuelMarcLowe](#)  
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