

The Road Ahead

As the dust settles on the UK's EU referendum result, we speak to **Mark Gregory**, Chief Economist for the UK & Ireland at EY, and take a look at EY ITEM Club's Summer Forecast





This post-Brexit period is an understandably busy time for economists. The public, business leaders and politicians are looking to them for answers. We caught up with **Mark Gregory**, EY's Chief Economist for the UK & Ireland to take a look at the road ahead.

"There is no previous event for us to compare Brexit to," Mark says. "While there is currently a great deal of noise about what the UK can and can't do, and what the impact of Brexit might be, the reality is that no-one can be sure."

Here are some of the key points on what post-Brexit Britain will look like, according to EY's ITEM Club [Summer Forecast](#):

Uncertainty will Continue

According to business leaders, a number of transactions were put on hold in the lead up to the EU referendum. Now the vote has been cast to leave, this uncertainty will continue.

This will likely hold back consumer spending and business investment. The new forecast sees business investment falling by 0.9 per cent this year and by 2 per cent in 2017. This could also result in a rise in unemployment.

Even when Article 50 is triggered, negotiations are expected to take up to two years (or longer) and it could take until 2030 for the UK to completely adjust.

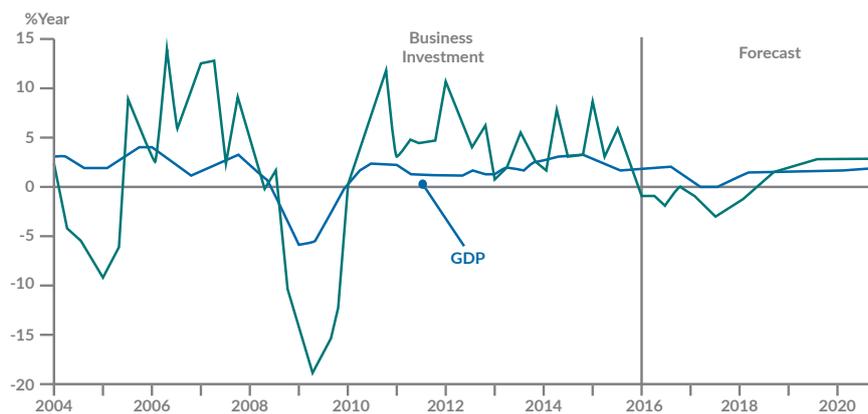
The Economy is Expected to Lose Momentum

The economy was already slowing down when the UK went into the referendum and this is expected to continue.

The EY ITEM Club expects CPI Inflation to climb sharply rising above the 2 per cent target at the end of 2016, averaging

2.5 per cent in 2017 before slowing to 1.6 per cent in 2018. GDP growth will sit at 1.9 per cent this year, down from >

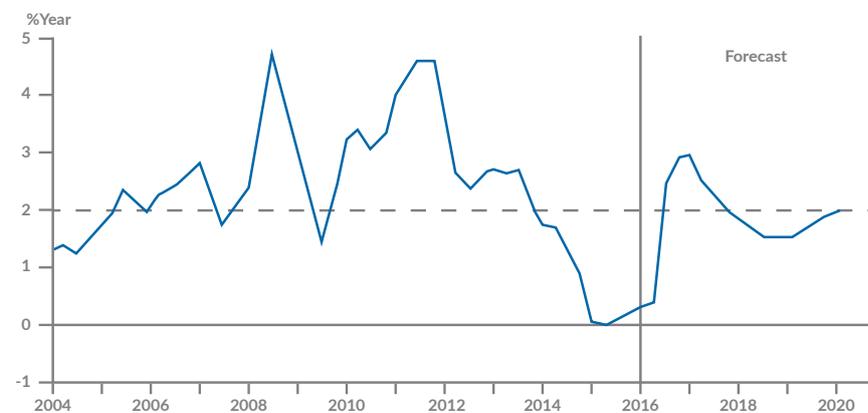
UK: Business Investment & GDP



Source: EY ITEM Club

According to EY's Item Club Summer Forecast, business development will fall by 0.9% this year and 2% in 2017

UK: CPI Inflation



Source: EY ITEM Club



the 2.3 per cent that the EY ITEM Club forecast in April.

There is a Bright Spot

Weak home markets mean that exports are expected to increase, especially to emerging markets.

The EY ITEM Club predicts that exports will increase by 3.4 per cent in 2017 while imports will fall by 0.3 per cent. In light of this, it's expected that net exports will add 1.1 per cent to GDP next year, the strongest contribution from this source in six years.

The UK's new status will provide opportunities to do things differently; leaders need to embrace this and strengthen the UK's competitive position. Trade and domestic agendas need to be developed in parallel with skills and infrastructure.

While uncertainty prevails, the onus will be on leaders – in business as well

**2017
UK Forecast**

Exports will rise
3.4%

Imports will fall
0.3%

as politics – to assess the situation, risk and opportunities, and take informed decisions going forward.

“Brexit is a major shock and there is significant uncertainty about the immediate outlook for the UK economy. However, the picture is becoming clearer as the new administration finds its feet

and senior level meetings with other European leaders take place,” adds Mark.

“Despite the short-term uncertainty, we can begin to paint a picture of some of the likely long-term developments around trade, industrial policy and other policy initiatives.

These do lead to potential opportunities, which look different to the short-term market signs. There is clearly risk attached to any long-term strategy but moving now to create future options is worthy of consideration.” ■

Stay up-to-date on Brexit developments with Mark Gregory's blog [here](#).

Or find a collection of our Brexit-related insights [here](#).



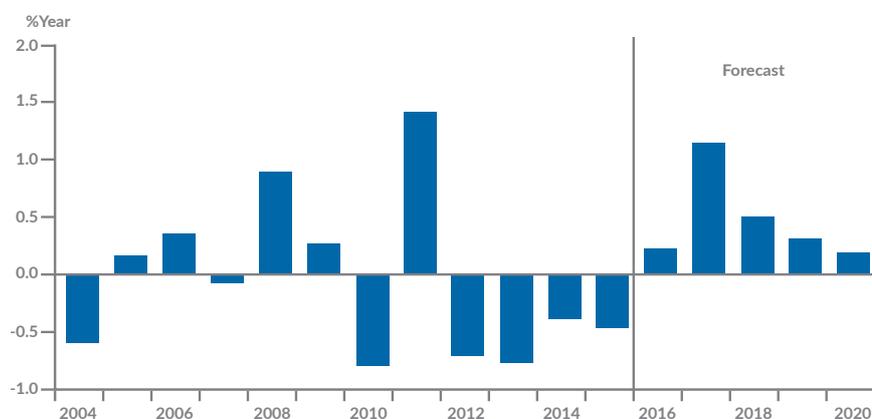
Mark Gregory
Chief Economist
UK & Ireland
EY

Mark is a business economist with over 25 years' experience in more than 40 countries. He leads EY's Economics for Business programme helping businesses understand the economic environments in which they operate.

EY works with both the private and public sectors, facilitating the debate between business and government, supporting economic development, growth and regeneration and helping our clients use economic analysis to build a better working world.

Contact Mark through:
www.criticaleye.com

UK: Contribution of Net Exports to GDP Growth



Source: EY ITEM Club