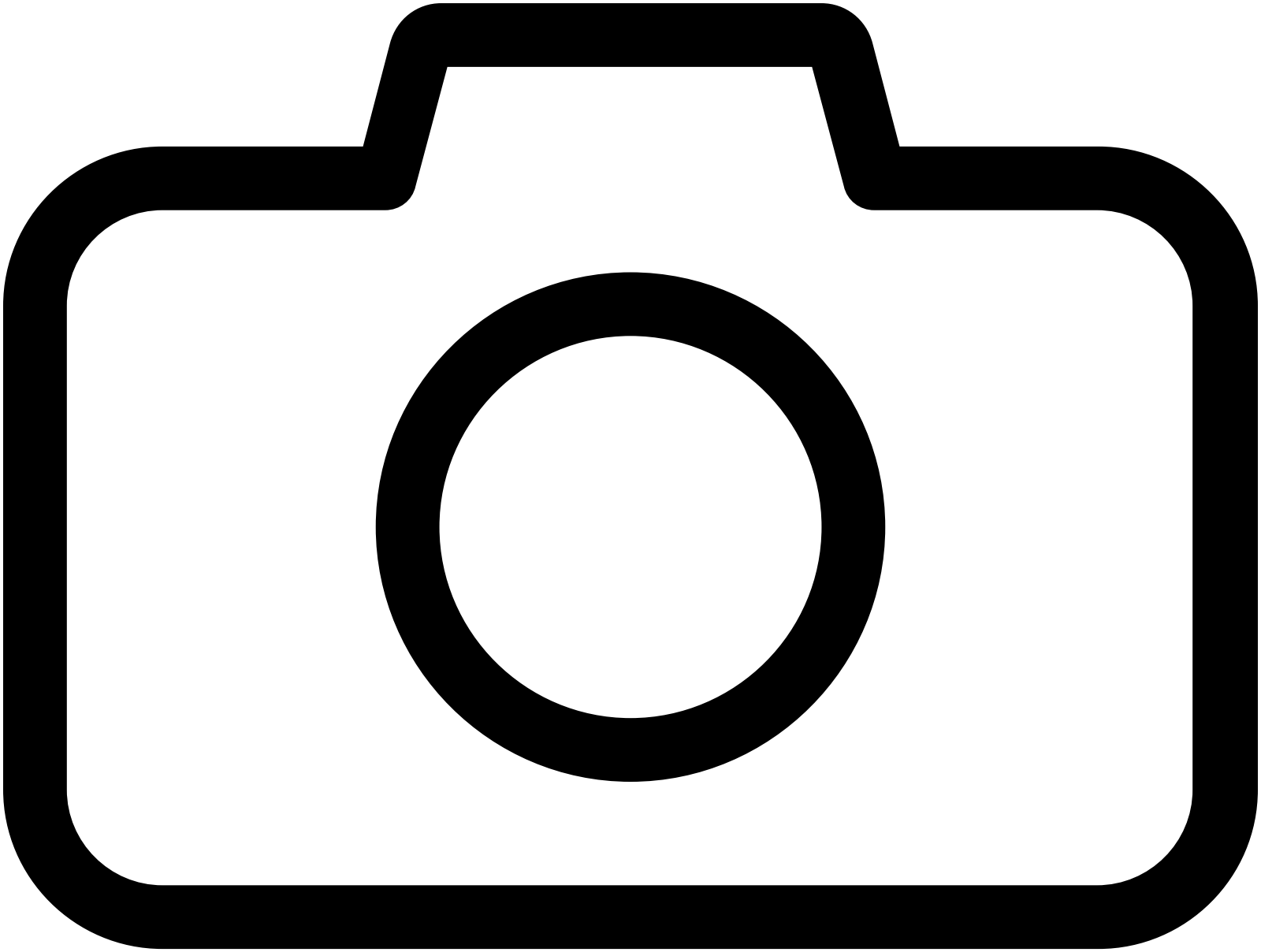
Großbritannien und Nordirland auf einem 20-Euro-Schein, daneben eine 1-Euro-Münze. Foto zum Artikel "'Brexit' könnte teuer werden - vor allem für Großbritannien" vom 27. April 2015.



Fabian Wachsmuth / Bertelsmann Stiftung

Press Release, 27/04/2015, : BREXIT could be expensive – especially for the United Kingdom…

Exiting the EU could cost the United Kingdom more than €300 billion. The remaining EU member states would only experience minor economic losses from an exit. But elections in the British House of Commons could set a course for a bitter economic and above all political setback for the entire EU.

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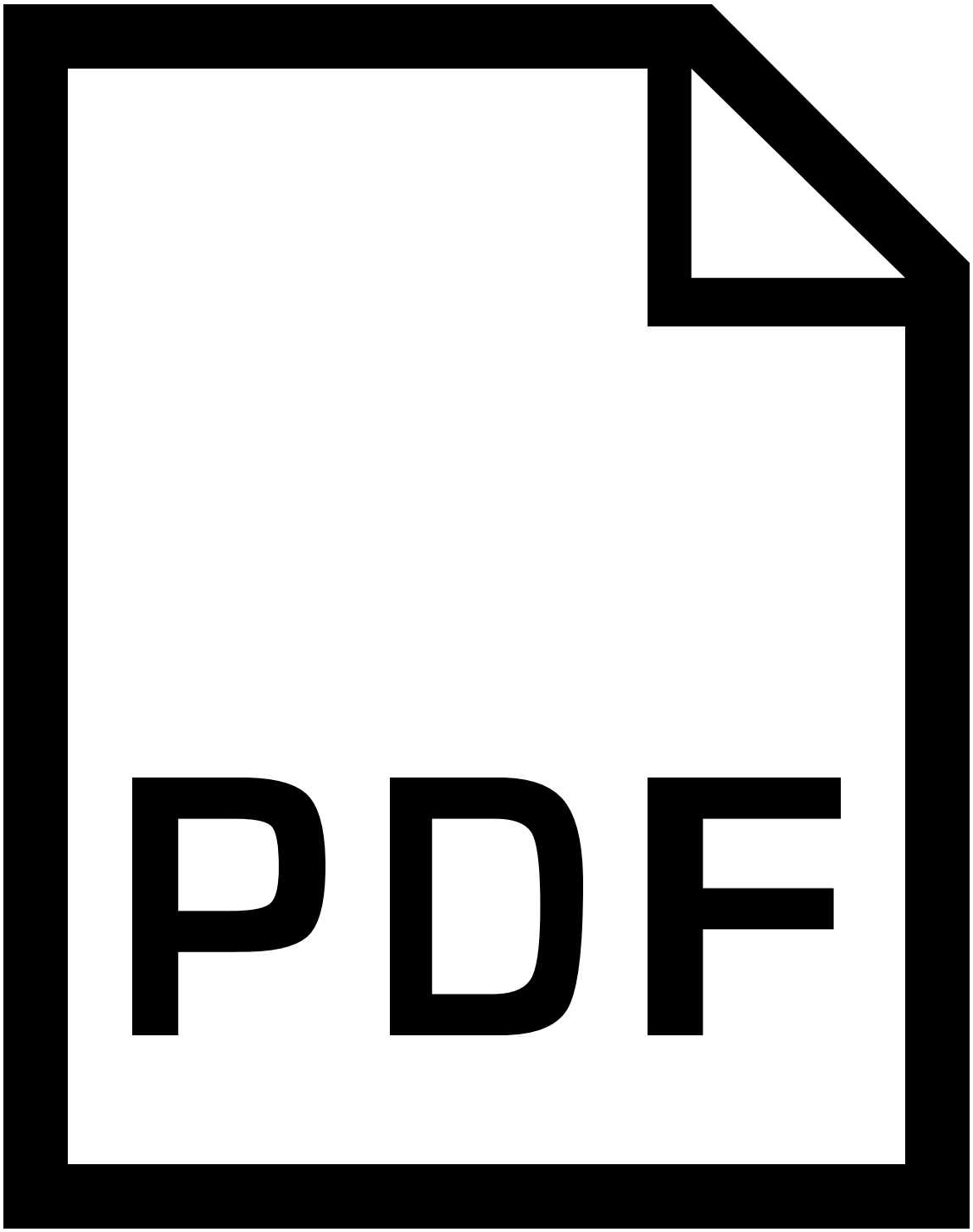

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Ansprechpartner

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Dr. Ulrich Schoof

Gütersloh, April 27, 2015. If the United Kingdom exits the EU in 2018, as a consequence of the House of Commons elections on May 7, 2015 and a subsequent referendum on leaving the EU, this would have long-term negative consequences for the country's growth dynamic and economic vitality. By contrast, the economic losses for Germany and the remaining EU member states would be significantly smaller. But the bottom line is that everyone involved would lose economically and politically from the UK leaving the EU (BREXIT). This is the conclusion reached by a current Bertelsmann Stiftung study in collaboration with the ifo Institute in Munich. It is the first study that examines the consequences of a UK exit from the EU not only for the United Kingdom, but for all the other EU countries as well.

Calculating the economic effects of an EU exit is associated with many uncertainties and must take into account potential transitional periods. Three scenarios were developed to estimate the range of possible effects. In the most favorable case, the UK receives a status similar to Switzerland and still has a trade agreement with the EU. In the least favorable scenario, the country would lose all trade privileges arising from EU membership and its free trade agreements. In the year 2030 – 12 years after a possible BREXIT – we can assume that the negative effects will have shown their full impact.

Depending on the extent of the UK's trade policy isolation, its real gross domestic product (GDP) per capita would be between 0.6% and 3% lower in the year 2030 than if the country remained in the EU. If the percentual losses are based on values from 2014, this would mean a real GDP per capita that is €220 lower in the most favorable scenario for the UK. With more severe isolation, the lost GDP could come in at €1025 per capita. If trade economic as well as dynamic economic consequences – such as the weakening of both innovative power as well as London as a financial center – are taken into account together, the GDP losses in the unfavorable scenario could reach 14 percent. If these percentual losses are then based on values from 2014, this would correspond to a GDP that is around €313 billion lower for the entire national economy, or lower by around €4850 per capita. Possible savings such as the canceling of EU budget payments that currently total around 0.5 percent of the British GDP could not compensate for economic losses, even in the best case scenario.

Above all, exiting the EU would increase the costs of trade between the UK and EU and reduce trade activities. The severity of the impact will differ for individual British industries. For the important area of financial services, anticipated losses in added value reach around 5 percent in the unfavorable scenario. The chemicals, mechanical engineering and automotive industries will also see steep losses in added value because they are heavily incorporated in European value chains. The chemicals industry will face the greatest drop – nearly 11 percent.

By contrast, the economic deadweight welfare losses from a BREXIT would be significantly smaller for Germany and the remaining EU states. Depending on the extent of the UK's trade policy isolation, Germany's real gross domestic product (GDP) per capita when considering trade effects alone would only be between 0.1% and 0.3% lower in the year 2030 than if the country remained in the EU. Based on the GDP from 2014, this corresponds to a lower GDP per capita of €30-€115. Individual industries would be impacted differently by lower export levels to the UK. The automotive industry would see the greatest drop with a decline of up to 2%. In addition to the automotive industry, the electronics, metal production and food industries would all see negative cuts as well. Taking the dynamic consequences into account, Germany's estimated GDP losses would come in between 0.3% and 2%. In terms of 2014 GDP levels, this would be around €100 per capita (or €8.7 billion for the entire economy) for a low level of UK isolation and about €700 per capita (or almost €58 billion for the entire economy) for a loss of all UK trade privileges.

European countries that would have to absorb above average losses due to a BREXIT are led by Ireland, followed by Luxembourg, Belgium, Sweden, Malta and Cyprus.

In addition to the economic growth losses, the remaining EU countries would have to adjust to higher expenditures for the EU budget. For example, to compensate for the loss of the UK's financial contribution, Germany would need to pay an additional €2.5 billion annually as the biggest net contributor.

For Aart De Geus, Chairman and CEO of the Bertelsmann Stiftung, the study underscores the need to advocate strongly for the United Kingdom to remain in the EU: "A BREXIT is a losing game for everyone in Europe from an economic perspective alone – particularly for the UK. But aside from the economic consequences, it would be an especially bitter setback for European integration as well as Europe's role in the world. Setting the course for a BREXIT in the House of Commons elections would weaken the EU."

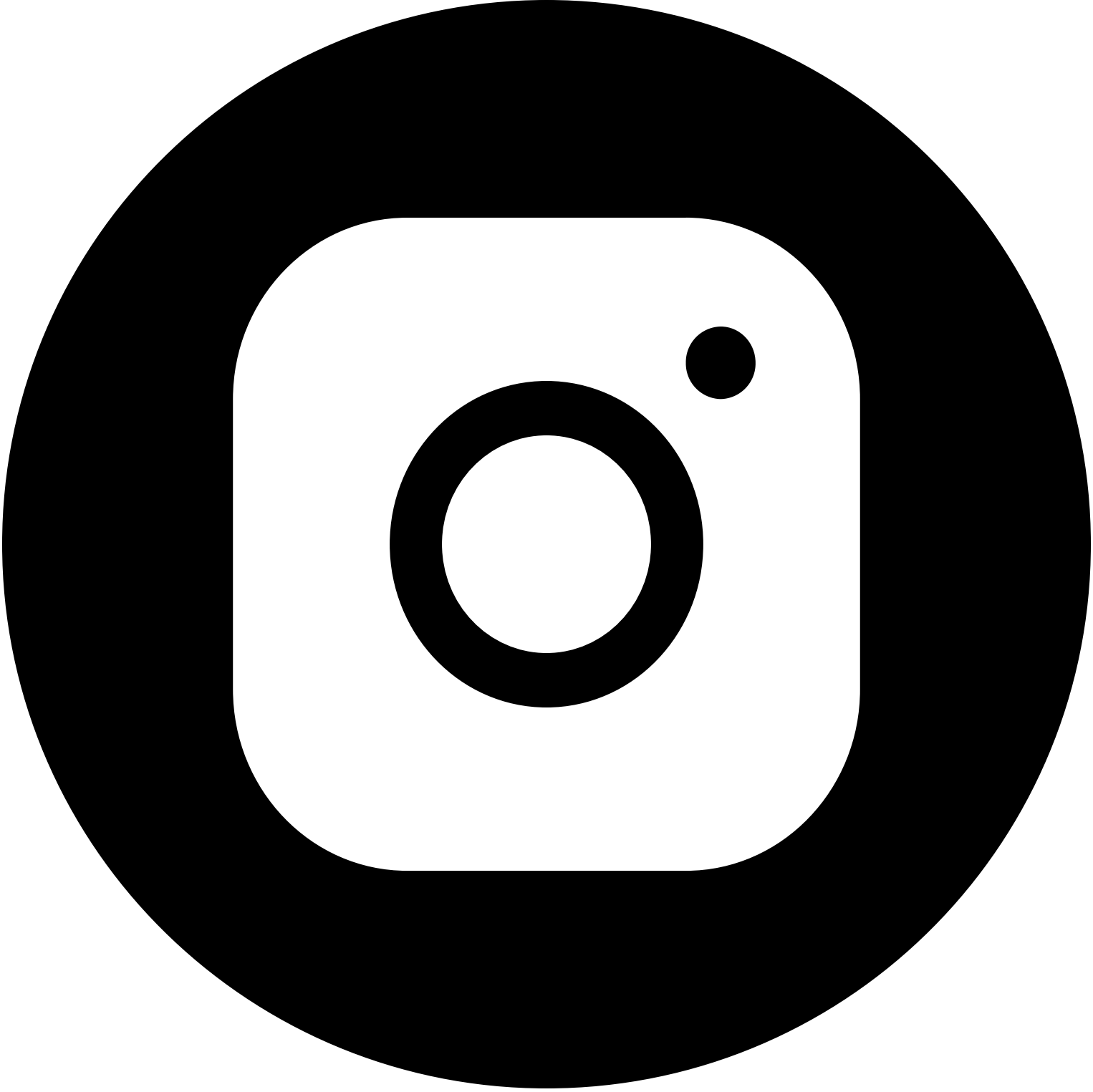
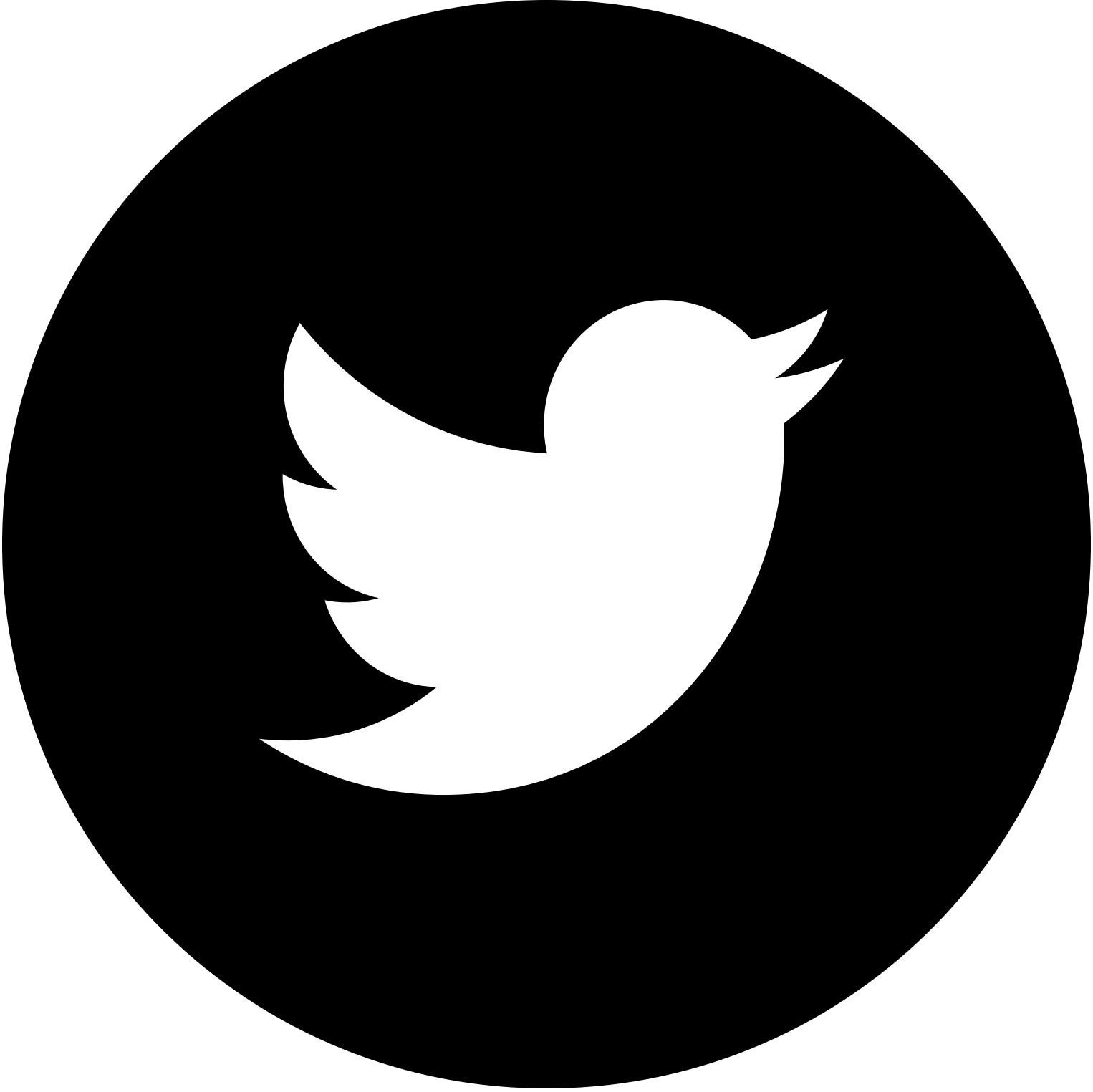
About the study: "BREXIT – potential economic consequences if the UK exits the EU"

This study examines the economic consequences of the UK's exit from the EU and thus from the European common market. It is the first study that examines and calculates the economic consequences not only for the United Kingdom, but for the remaining EU-27 member states as well. The study calculates the GDP losses that could arise from the UK's exit from the EU. The term "GDP losses" describes the difference expressed in percentages between the observed real GDP in the base year (2014) and the simulated (counterfactual) value for a situation in which the United Kingdom is no longer an EU member. Trade policy measures take ten to twelve years after they are introduced to reach full effect. If a BREXIT occurs in 2018, the highlighted effects would be fully felt by 2030. With its Global Economic Dynamics project, the Bertelsmann Stiftung analyzes the causes, correlations and effects of complex economic developments. In particular, it examines developments in existing and emerging international trade areas. Previous studies ("Globalization Report 2014" and "20 Years of the European Single Market") have already considered in detail the effects of international trade integration such as through trade agreements (e.g., TTIP).

Links

- Policy Brief: Brexit – potential economic consequences if the UK exits the EU
- Paper: Potential GDP losses from a Brexit
- Chart: Change in real GDP per capita in 2030 for different Brexit scenarios
- Chart: Additional gross payments to the EU budget after a Brexit

Projects

- Global Economic Dynamics (GED)

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