Potential GDP losses from a Brexit

in Euros

The study measures the GDP losses that could arise from the United Kingdom's exit from the European Union (EU). The term "GDP losses" describes the difference (expressed in percentages) between the observed real GDP in 2014 and the simulated value for a situation in which the United Kingdom is not an EU member. Trade policy measures take ten to twelve years to reach full effect after they are introduced. Should a Brexit occur in 2018, the complete effects would be fully felt by 2030.

In order to get a better understanding of these potential losses expressed in absolute value (Euros) we apply the percentage reduction to the macroeconomic indicators of the year 2014. The resulting GDP losses per capita in the United Kingdom (UK) and Germany are presented in Fig.1, the resulting GPD losses not divided by the population are shown in Fig. 2.

Fig. 1: Losses in real GDP per capita for different Brexit scenarios

in percent and Euros

		Static losses		Dynamic losses	
	Value in 2014	Soft exit	Isolation of UK	Soft exit	Isolation of UK
UK		0.63 %	2.98 %	2.0 %	14.1 %
Germany		0.08 %	0.33 %	0.3 %	2.0 %
UK	34,400 €	217 €	1,025 €	688 €	4,850 €
Germany	35,200 €	28 €	116 €	106 €	704 €

Fig. 2: Losses in real GDP for the entire economy for different Brexit scenarios

in percent and billion Euros

		Static losses		Dynamic losses	
	Value in 2014	Soft exit	Isolation of UK	Soft exit	Isolation of UK
UK		0.63 %	2.98 %	2.0 %	14.1 %
Germany		0.08 %	0.33 %	0.3 %	2.0 %
UK	2,222.4 bn €	14.0 bn €	66.2 bn €	44.4 bn €	313.4 bn €
Germany	2,903.8 bn €	2.3 bn €	9.6 bn €	8.7 bn €	58.1 bn €

Source: GDP data for 2014 (absolute and per capita): Eurostat, other data: calculations by the ifo Institute.