



# The UK Economic Outlook

...and the EU referendum sideshow

Current Issues in Pensions

20 April 2016

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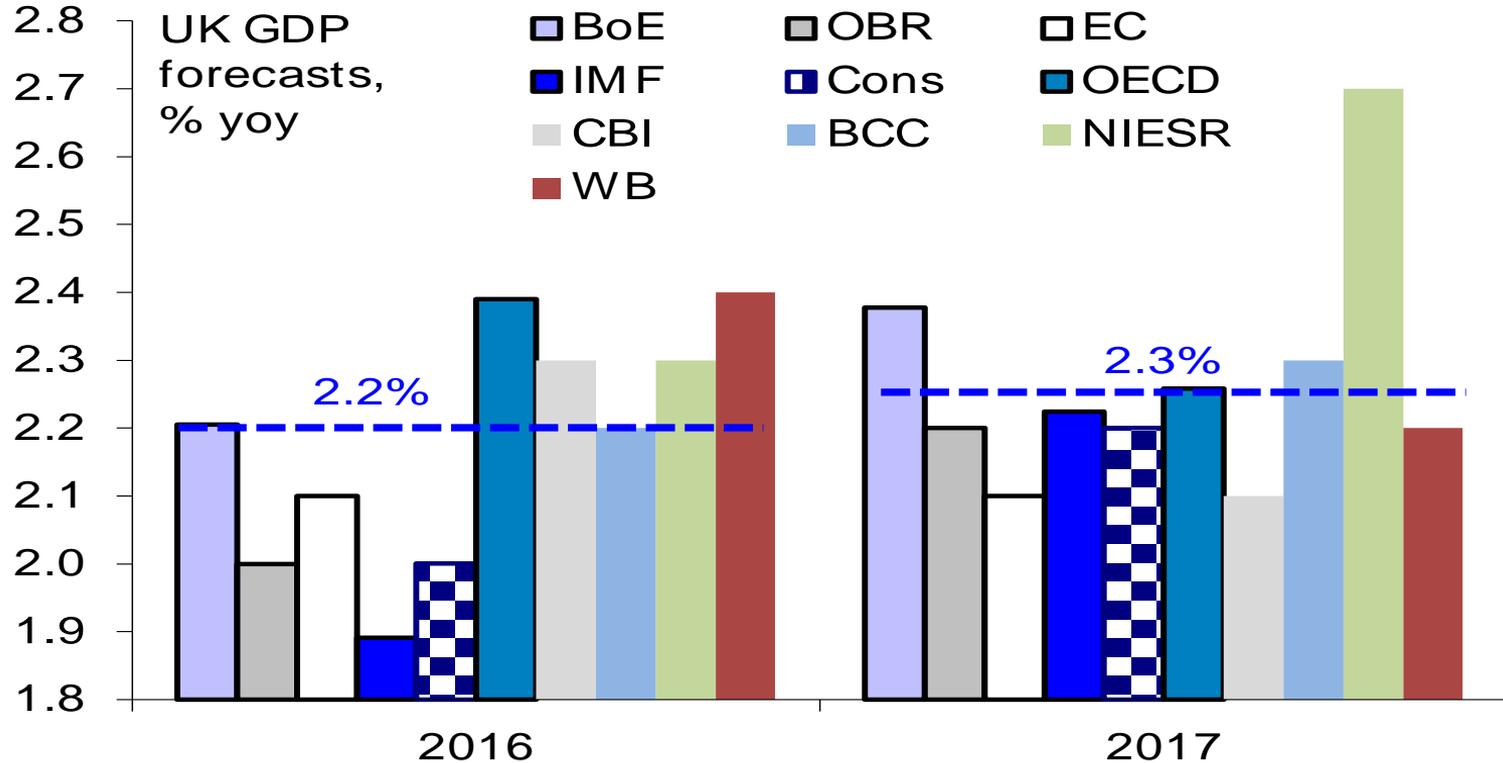
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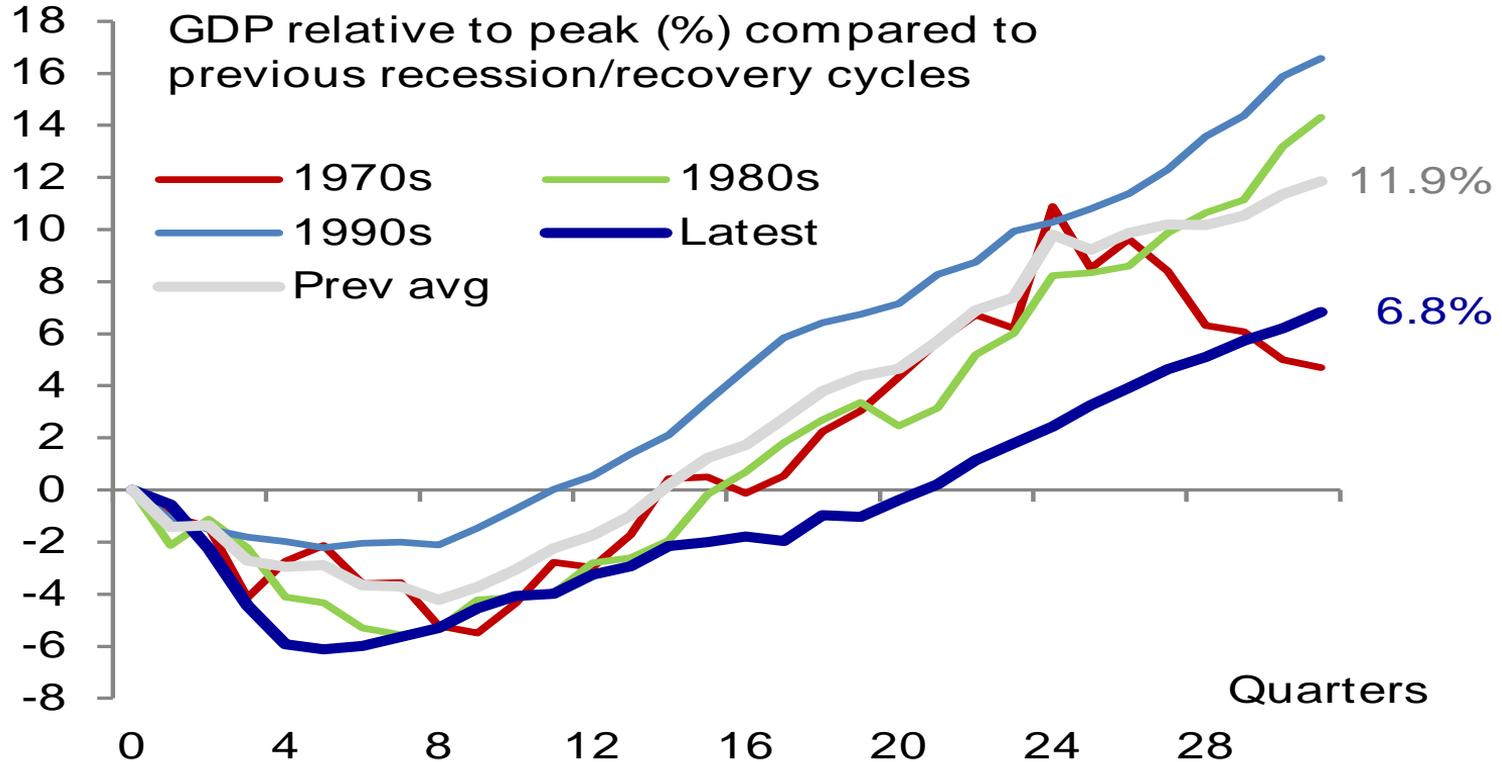
Just for a  
moment,  
imagine there  
was no  
referendum

# Forecasts for UK growth around long-run trend



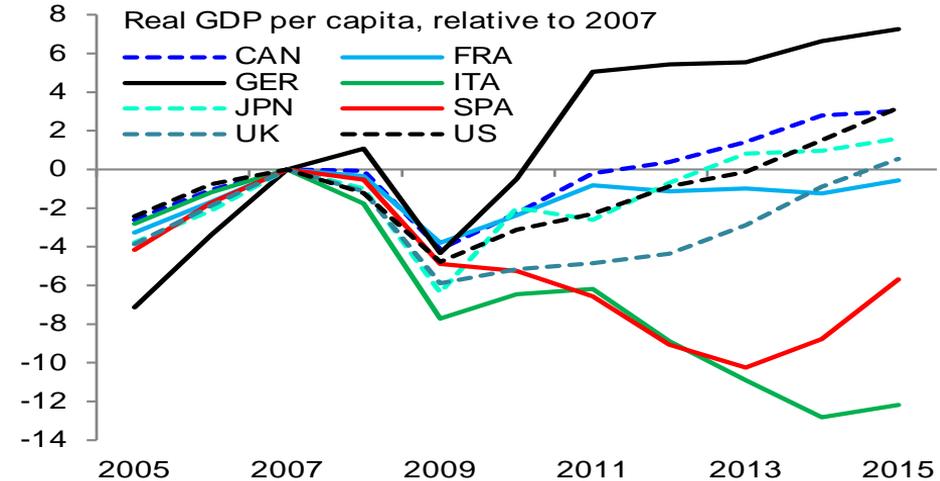
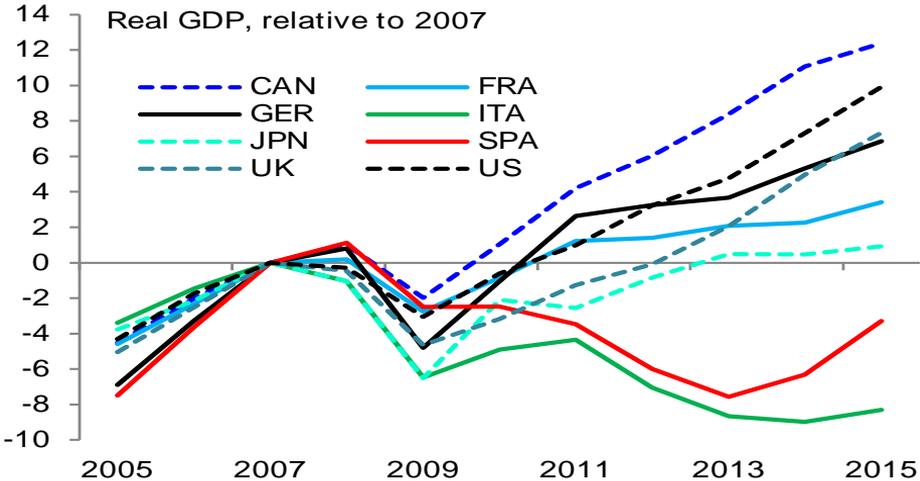
Sources: BoE, OBR, European Commission, IMF, Consensus Forecasts, OECD, CBI, BCC, NIESR, World Bank, Deutsche Bank

# The recovery has disappointed



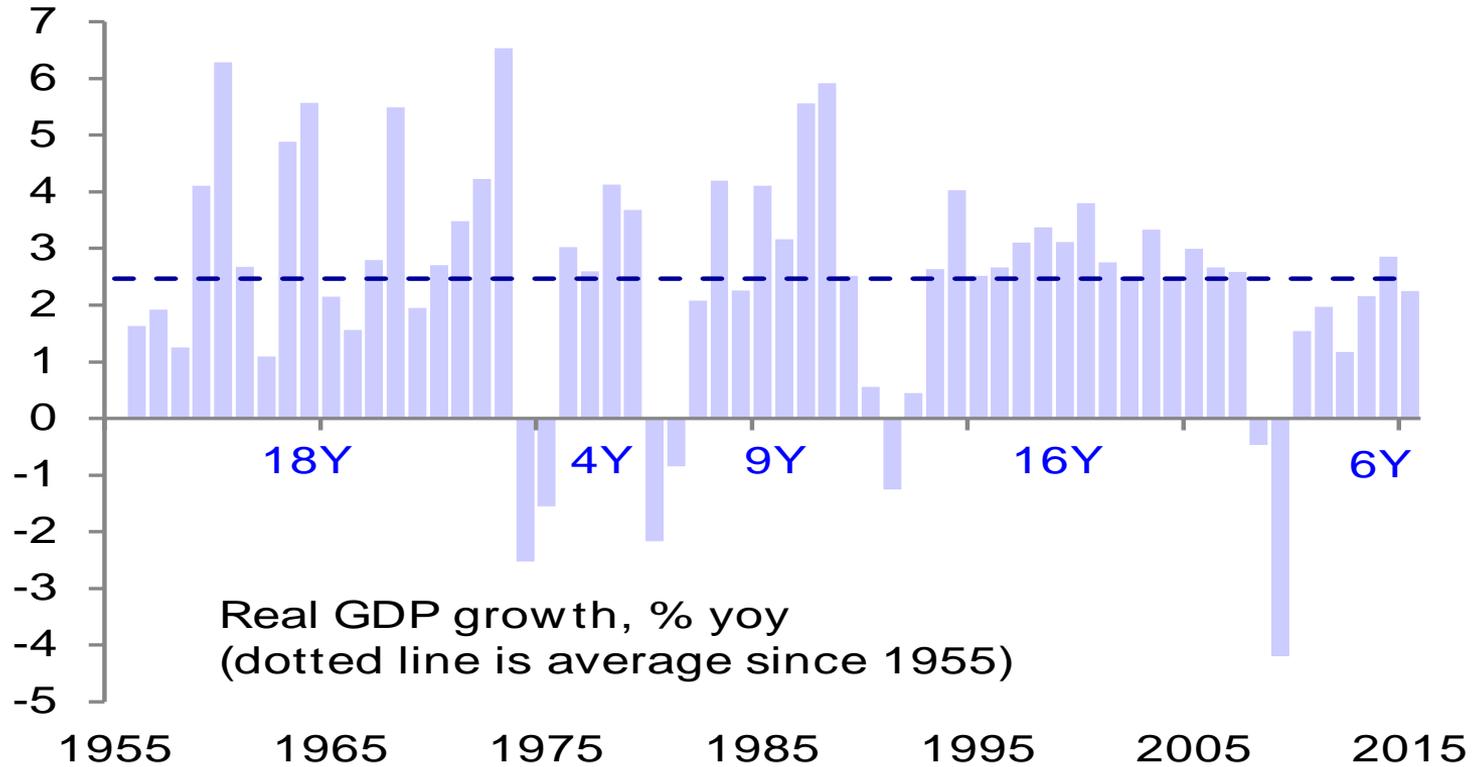
Sources: ONS, Haver Analytics, Deutsche Bank

# How the UK recovery compares to elsewhere



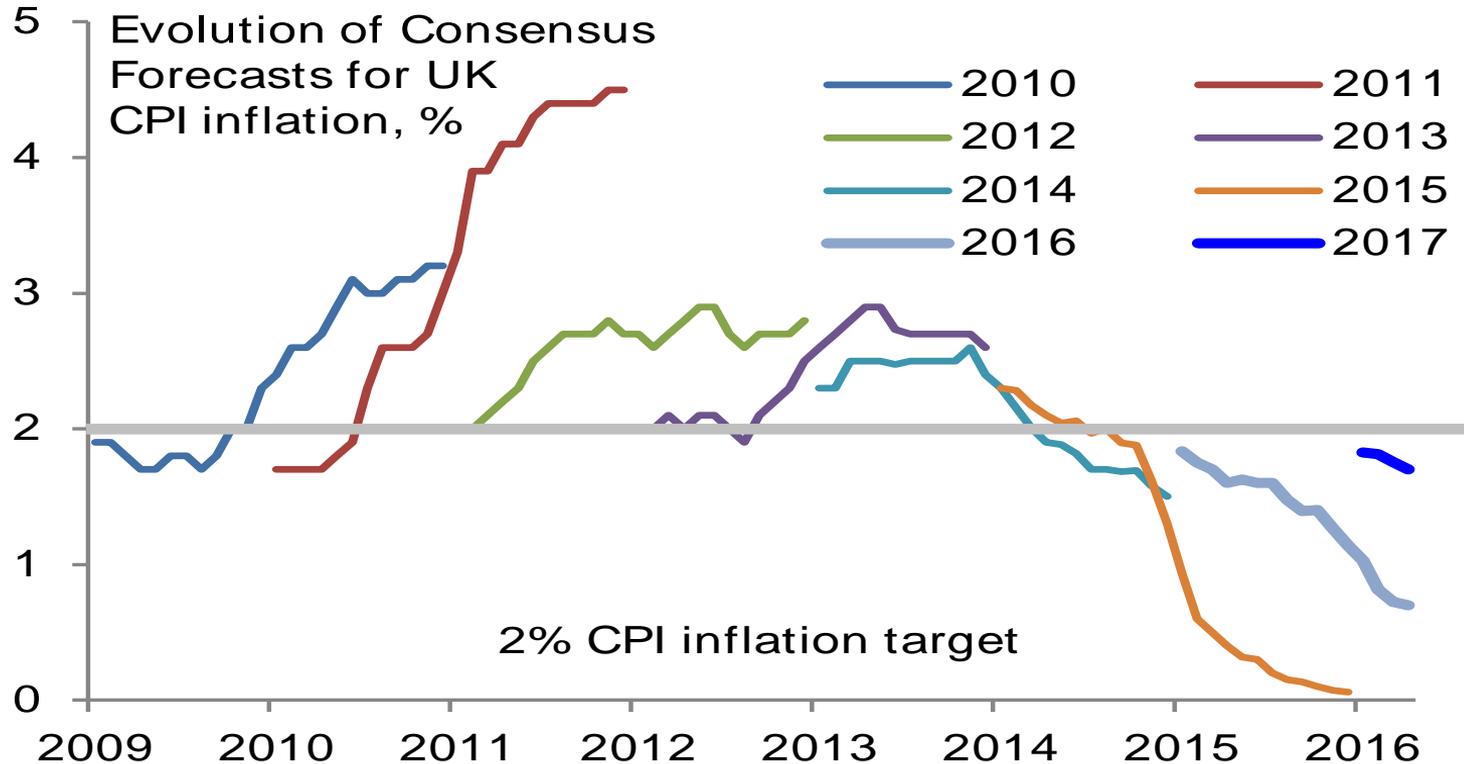
Sources: IMF, Haver Analytics, Deutsche Bank

# How long can the cycle last?



Sources: ONS, Haver Analytics, Deutsche Bank

# What it all means for monetary policy



Sources: Consensus Forecasts, Haver Analytics, Deutsche Bank



Take one economy,  
add a good  
measure of EU  
referendum, and stir  
well

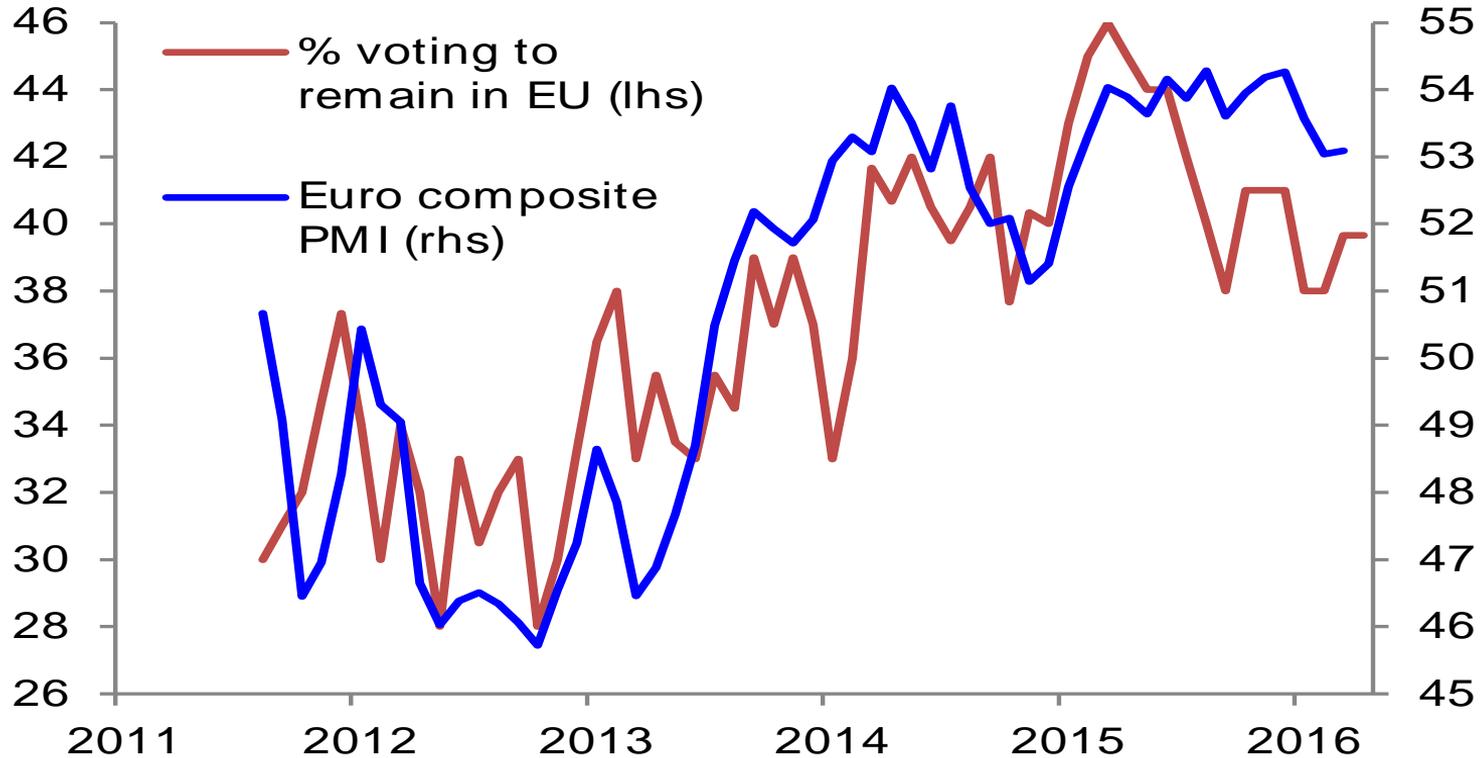
# “Euromyths”



- EC to ban noisy toys, Jan 1996
- Traditional barrister’s wig to be scrapped, Apr 2002
- Bombay mix to be renamed Mumbai mix, Jul 2006
- Giving a dog a bone is to be banned, May 2004
- Traditional trucker’s fry-ups to be banned, Sep 2001
- Village church bells silenced by EU, Oct 2002
- Circus performers required to wear hard hats, Jul 2003
- Mountains must display height warning signs for climbers, Mar 2004
- EU is forcing cows to wear nappies, Oct 2014
- Fireman’s pole to be axed by European law, Jun 2002
- Kent now part of France, Sep 2006
- EU to ban lollipop ladies’ sticks, Jul 1999
- Trafalgar Square and Waterloo Station to be renamed
- Children will be banned from milk-rounds due to EU directive, Aug 1998
- EU to rename mince pies, Oct 2002
- Commission to outlaw mushy peas, Aug 1995
- Bagpipes to be quietened by and edict from Brussels, Apr 2008
- Shellfish must be given rest breaks whilst on journeys, Jan 2006
- Euro-loo to replace British toilets, May 1999

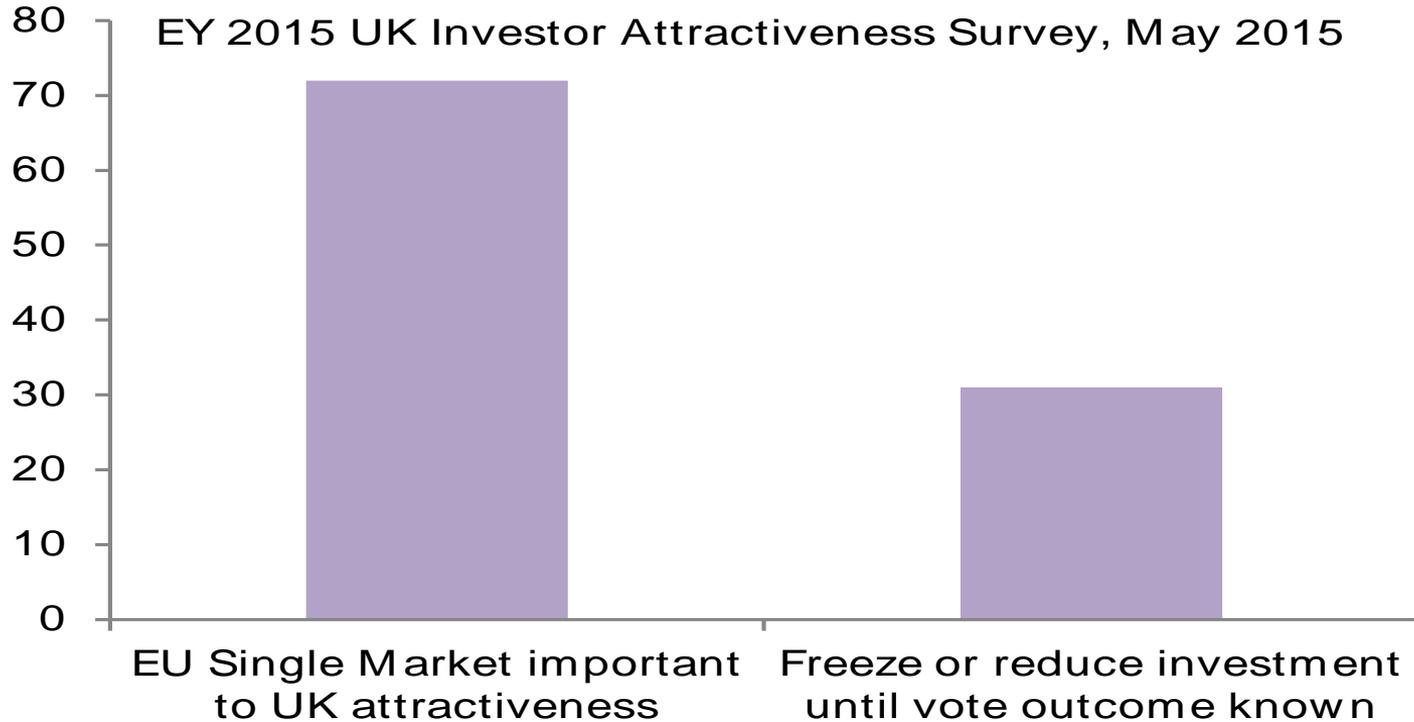
Sources: *European Commission, Deutsche Bank*

# The timing of the vote could be crucial



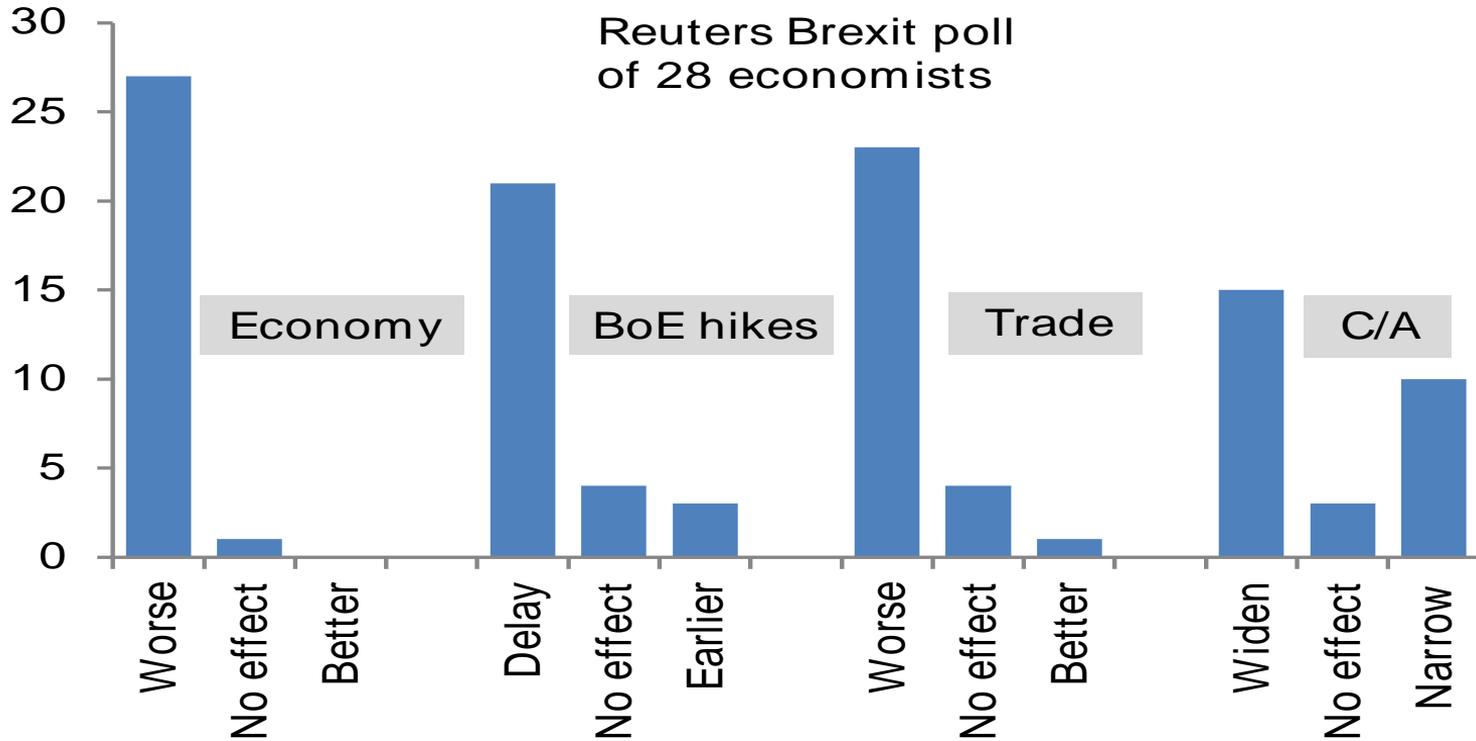
Sources: YouGov, Markit, Haver Analytics, Deutsche Bank

# 1. Pre-referendum impact – the investment channel



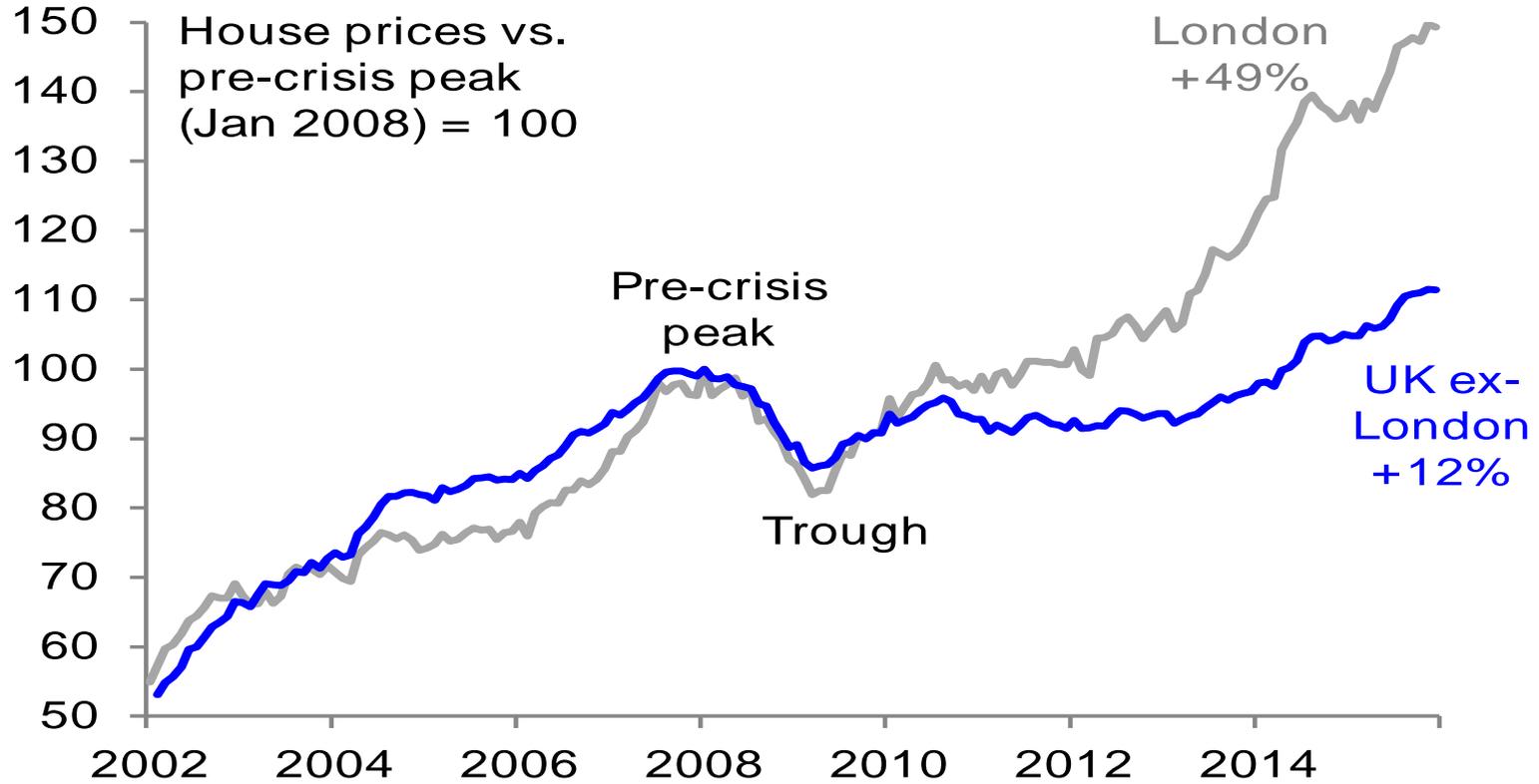
Sources: Ernst & Young, Deutsche Bank

## 2. Post-referendum impact – economist views



Sources: Reuters, Deutsche Bank

## 2. Post-referendum impact – uncertainty reigns



Sources: ONS, Haver Analytics, Deutsche Bank

### 3. Long-run impact: Adjusting to life outside the EU



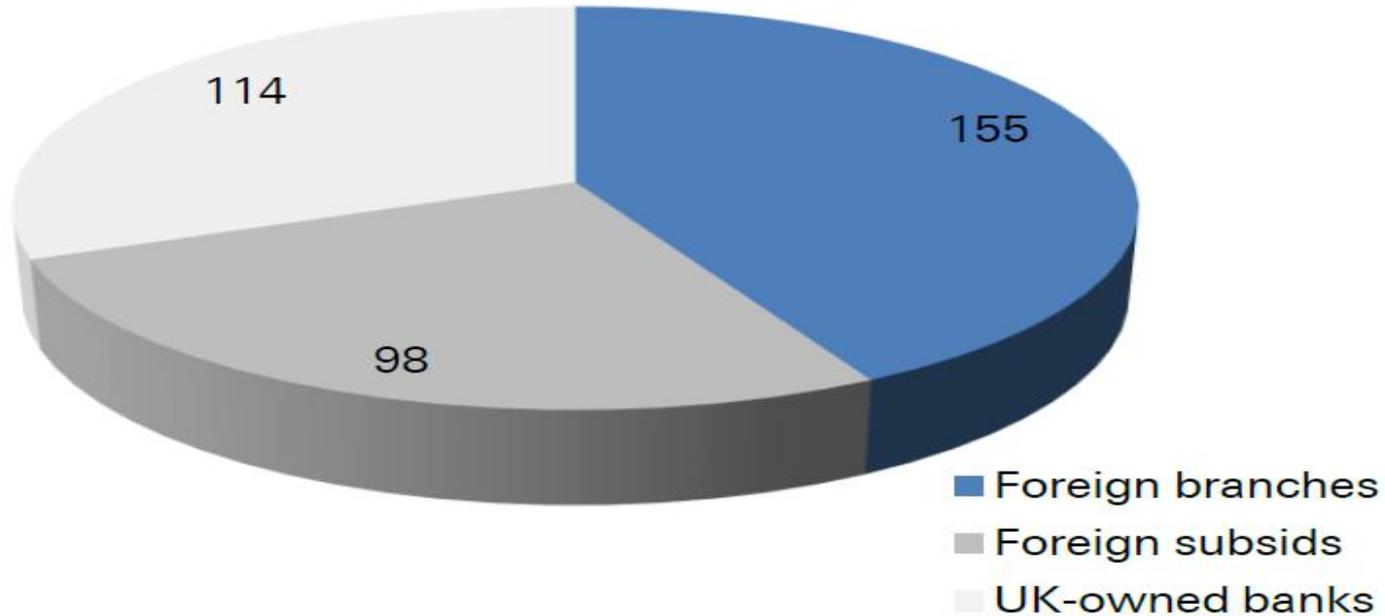
Authors	Impact on GDP level of EU membership
Campos, Coricelli & Moretti (2004)	+20%
CEP (2014)	+2.2% to +9.5%
CBI (2013)	+4% to +5%
Mansfield (2014)	-1.1% to +2.6%
Pain & Young (2004)	+2.25%
Open Europe (2015)	-1.6% to +2.2%
US Intl Trade Commission (2000)	+0.02%
IoD (2000)	-1.75%
IEA (2005)	-3.2% to -3.7%
Civitas (2004)	-4.0%
UKIP (2010)	-5.0%

Sources: Bank of England, Deutsche Bank

# Financial “passporting” and the City of London

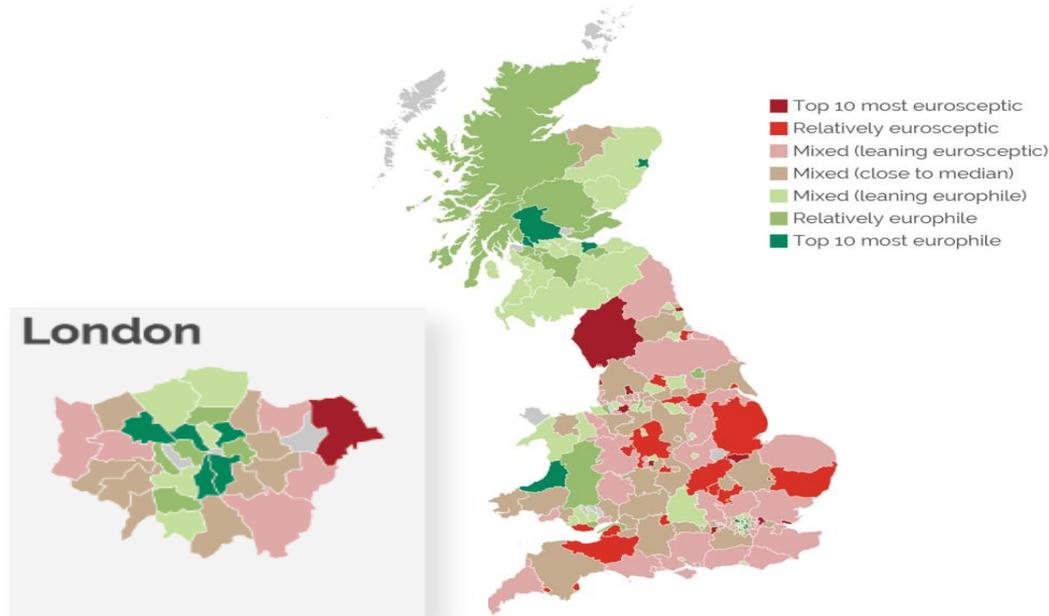


Number of UK-resident banks by ownership



Sources: Bank of England, Deutsche Bank

# Is a second referendum possible?



## Five ways another referendum could be triggered

- **OUT:** EU counter offer
- **OUT:** Vote too close
- **OUT:** Scotland independence
- **OUT:** Vote on exit deal
- **IN:** EP rejects deal

Sources: YouGov, Deutsche Bank



# Questions



# Appendix 1

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#### About

George Buckley is Deutsche Bank's Chief UK Economist, also covering Scandinavia and Switzerland. He has 17 years experience as an analyst at Deutsche Bank having joined in 1998, following a PhD at the University of Bristol (housing & mortgage markets). While at Bristol George lectured and taught tutorials in macroeconomics and econometrics. He holds an MSc in Economics and Finance, also from the University of Bristol, and a BA in Economics from the University of Wales, Bangor. George is a published author (What You Need to Know About Economics, Capstone, 2011) and won the Society of Business Economists' annual essay prize on the topic of spare capacity.





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