

# ECONOMIC PULSE

## UNITED KINGDOM: LIKE A BOOMERANG...

Military parades, outdoor concerts and a pudding competition: whilst the UK prepares its lavish celebrations of Queen Elizabeth II’s platinum jubilee, marking her 70 years on the throne, her Prime Minister, Boris Johnson, faces a less glorious present. Weakened by the so-called ‘Partygate’ affair (relating to “recreational get-togethers” held at 10 Downing Street during lockdown), the PM has seen his popularity collapse in lockstep with that of Brexit, whose supposed benefits have yet to materialise. One year after the UK’s effective withdrawal from the EU Single Market, the balance of opinions about the country’s new solo adventure has never been so negative (50% of the population believe that it was a bad decision; only 38% think the opposite, with 12% not offering an opinion<sup>1</sup>).

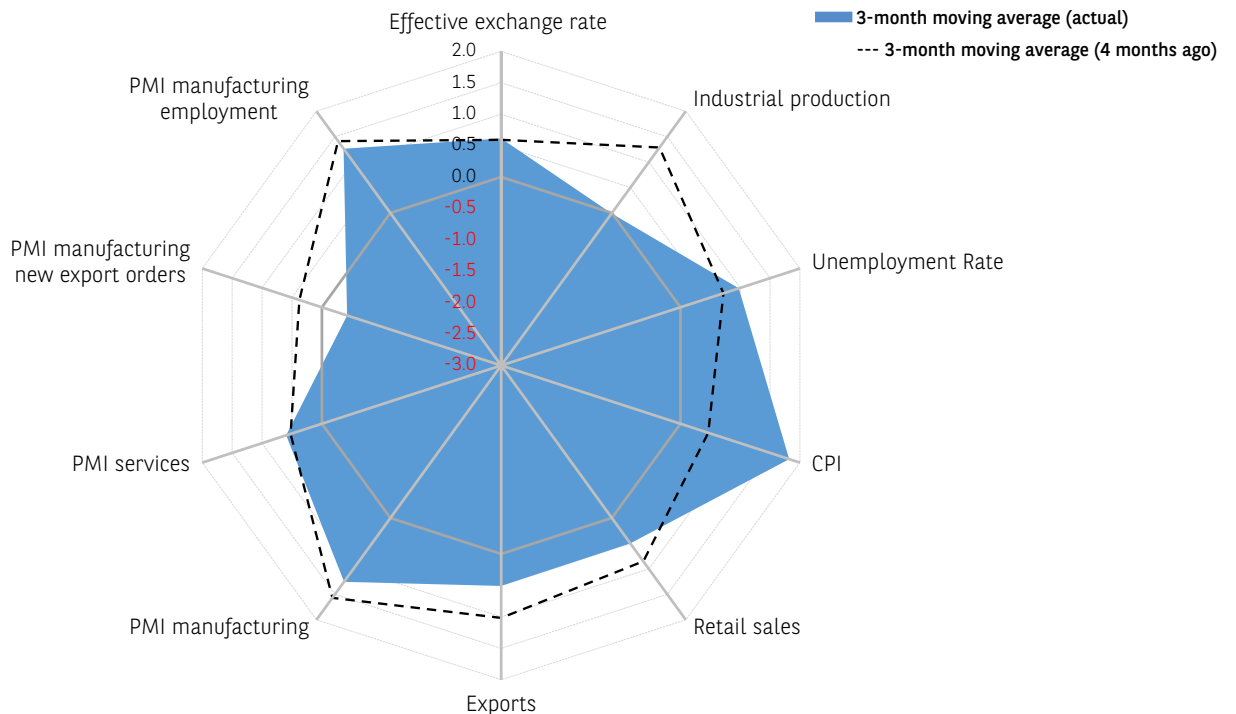
Although the shock of the Covid-19 pandemic makes analysis harder, the costs of Brexit are clear in a number of trends, starting with figures for international trade. Compared to pre-pandemic levels, trade volumes have fallen by far more than in any other advanced economy. Whilst Eurozone trade has pretty much returned to Q4 2019 levels, the UK’s exports of goods and services at constant prices are still down 21%<sup>2</sup>. Unsurprisingly, it has been trade with the European Union, where border formalities have been reintroduced (VAT declarations, sanitary checks and so forth), that has taken the biggest hit.

Nor indeed is inward direct investment what it once was. In anticipation of Brexit, many foreign banks, particularly those from the US, reallocated their portfolios towards the Eurozone<sup>3</sup>. Without completely inverting, net direct investment flows, which the UK traditionally attracted, were cut by eight since the Leave vote in 2016<sup>4</sup>. There is no sign of Mr Johnson’s much vaunted ‘Global Britain’ in the numbers.

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1. Source: NatCen Social Research, 7 January 2022.  
 2. Based on national accounting data available to the third quarter of 2021.  
 3. Choulet C. (2021), USA: reallocation of bank portfolios towards the euro zone since Brexit, BNP Paribas, Chart of the week, November.  
 4. Over the five years from 2017 to 2021 (third quarter), net inward direct investment in the UK was GBP 51 billion, compared to GBP 425 billion in the five years from 2012 to 2016. Source: Office for National Statistics.

### UK: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into ‘z-scores’ (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +2. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.