

BREXIT & THE ECONOMY

Measuring the Economic Cost of Leaving the Single Market

Brexit's cost runs through four channels of the balance of payments — goods, services, investment and income — each adjusting at a different speed. On the latest evidence, UK GDP sits 6 to 8 per cent below its no-Brexit path.

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Executive Summary

Brexit has affected the UK economy through four channels of the balance of payments, each operating at a different speed. On goods, Brexit cut UK imports from the EU by 25% relative to the rest of the world (Freeman et al., 2022). UK goods exports to the EU remain 18% below their 2017–19 average in 2025, and nearly sixty points below their no-Brexit trajectory. The number of micro and small exporters to the EU fell by 31% and 22% respectively between 2019 and 2024, while the largest firms were unaffected. Food prices rose by 6% (£210 per household), with the poorest decile bearing a cost 52% greater than the wealthiest.

On services, the deterioration predates Brexit. UK services exports to the EU were already falling by 5.7% a year between 2016 and 2019 (Du and Shepotylo, 2022), a shortfall of £18.5 billion a year. Financial services exports grew in absolute terms (+56% to the EU by 2024) but the EU's share in UK exports fell from 40% to 30%, with the United States overtaking the EU as London's top market. Around £900 billion in bank assets, 10% of the UK system, have been transferred or redirected to the EU since 2016.

On investment, the overall stock of inward EU FDI in the United Kingdom continued to increase. This aggregate trend nevertheless masks substantial differences across Member States. German FDI declined from €70 billion (2015) to €59 billion (2024). UK outward FDI to the EU appears to have fallen by approximately €166 billion. The net direct investment position, in surplus in the mid-2010s, turned negative from 2017 and reached a deficit of €346 billion in 2022.

According to Bloom et al. (2025), UK GDP in 2025 is 6 to 8 per cent below its no-Brexit counterfactual: larger and more persistent than most pre-referendum forecasts.

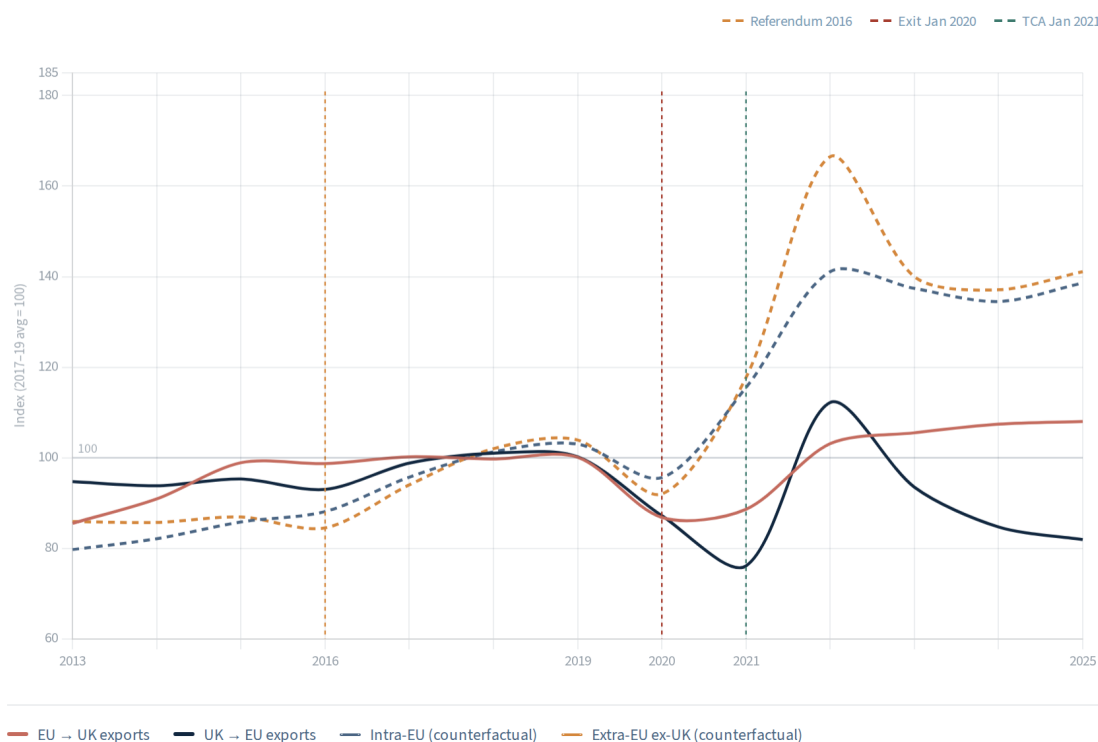
Introduction

Brexit is the first case in which the dismantling of deep economic integration can be observed. It is on goods that the shock is sharpest and best dated (Freeman, Manova, Prayer and Sampson, 2022). Drawing on UK customs data, these authors show that the UK's effective exit from the EU Single Market and Customs Union with the entry into force of the TCA cut UK imports from the EU by 25%, relative to the rest of the world. The fall is sudden and it lasts. According to them, the effect on exports, by contrast, is weaker and temporary. Their analysis therefore suggests that Brexit has primarily affected the UK's ability to source goods from the European Union rather than its ability to sell goods into the EU market.

These findings, however, depend on the benchmark used to measure the effects of Brexit. Freeman et al. compare the evolution of UK-EU trade with the evolution of UK trade with non-EU countries through a difference-in-differences approach, which nets out shocks common to all trading partners, such as the pandemic and the 2022 energy price surge. In other words, they ask whether trade with the European Union performed differently from trade with the rest of the world after Brexit. An alternative approach consists in comparing actual UK-EU trade flows with the trajectory they would likely have followed in the absence of Brexit, based on pre-2016 trends. This second approach leads to a somewhat different interpretation of the data.

When UK-EU trade flows are compared with their pre-Brexit trajectory rather than with UK trade with the rest of the world, the picture becomes more nuanced.

EU–UK Goods Flows with Counterfactuals



Source: Eurostat COMEXT DS-018995 - Annual - Current prices - May 2026

Up to 2020, the flows track their reference scenarios, that is, the level of trade that would have been expected had pre-Brexit trends continued unchanged. Indexed to their 2017-2019 average (=100), UK exports to the Union stay between 95 and 100. Then, with the end of the transition period and the entry into force of the TCA, from 2021 they fall to 76, nearly forty points below references that, for their part, keep rising. Data show a 2022 rebound, around 112, but an analysis of UK export posts that year shows that this rebound originates mainly in the surge of energy prices. UK fuel exports jumped by about 82% in value that year, on price effects alone. The ONS volume data, which strip out the effects of inflation, therefore offer a more realistic assessment of the situation. Once the price effect is removed, the 2022 rebound fades and signals no real recovery in trade. The series falls back to 82 in 2025, 18% below the 2017-2019 average and nearly sixty points below references now close to 140. Imports from the EU prove more resilient, reaching 108 in 2025, but they still remain around thirty points below their reference trajectory.

This difference with Freeman et al. should not be interpreted as a contradiction. The two approaches rely on different counterfactuals. Freeman et al. measure UK-EU trade performance relative to UK trade with the rest of the world, whereas Figure 1 compares observed trade flows with a continuation of pre-Brexit trends. Several additional factors further complicate the interpretation of the data. The United Kingdom delayed the implementation of some import controls on EU goods until 2024-2025. This temporarily mitigated the impact of the new customs barriers on imports from the European Union. In addition, changes introduced by the ONS to its customs data collection methodology in January 2021 created a break in the statistical series.

Nevertheless, the broader conclusion remains unchanged. Regardless of the methodology employed or the counterfactual selected, both approaches indicate that UK-EU goods trade remains materially below its estimated no-Brexit path. The debate is therefore less about the existence of a Brexit effect than about its precise magnitude and distribution between imports and exports. More than five years after the end of the transition period, the available evidence suggests that the costs associated with new customs formalities, regulatory divergence and rules-of-origin requirements continue to weigh on trade flows. Rather than fading over time, the gap between observed trade and its estimated counterfactual trajectory appears largely persistent.

The persistence of a trade gap relative to the no-Brexit counterfactual is only part of the story. Aggregate trade values are often a poor guide to the underlying adjustment taking place within the trading economy. Brexit may have altered the number of firms engaged in international trade, the range of products exported and the distribution of trade across businesses. Examining these margins provides a clearer picture of the microeconomic effects of the new UK-EU trading relationship.

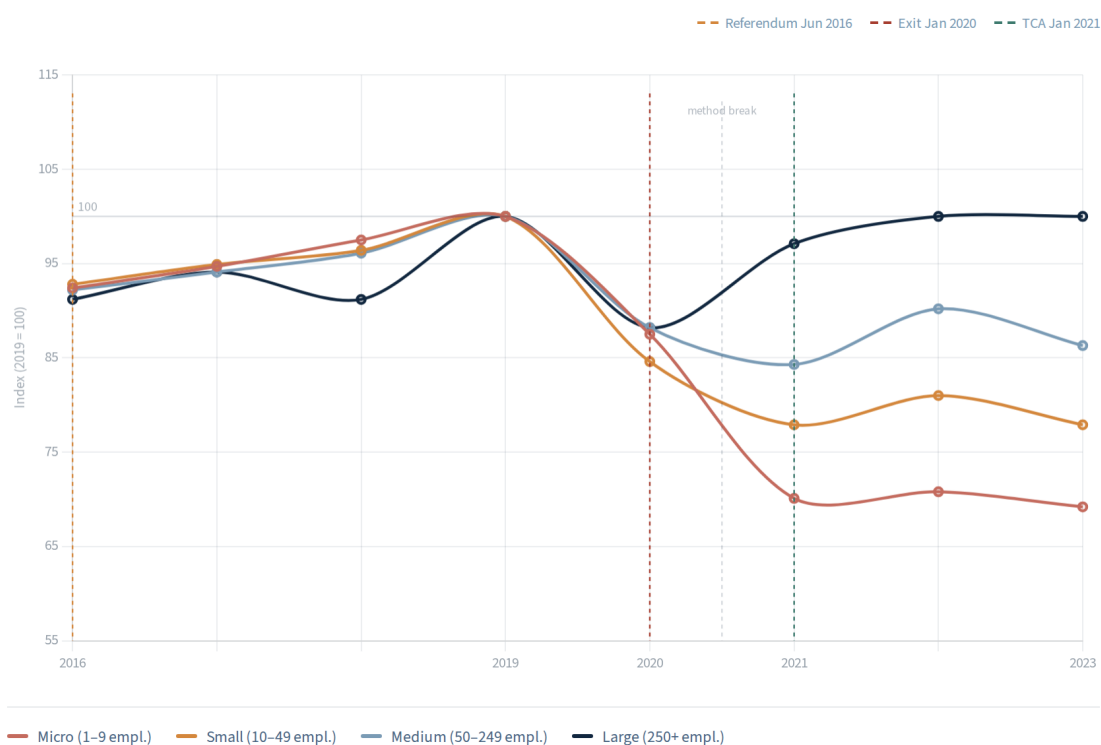
Aggregate trade figures mask what is arguably the most significant adjustment: a reduction in the number of exporting firms and a decline in the range of products traded. According to Freeman et al. (2022), Brexit cut by about 30% the number of product-destination pairs exported to the EU each quarter, meaning that many individual products ceased to be exported to specific EU markets, largely by eliminating smaller trade flows. The relative resilience of aggregate trade values should therefore not be interpreted as evidence that Brexit had little effect on trade.

The disappearance of many small trade flows is not merely a statistical curiosity. Firm-level evidence confirms that Brexit has altered the composition of UK-EU trade by disproportionately affecting smaller businesses. Freeman et al. (2025) show that the largest exporters and importers have largely weathered the shock, while smaller firms struggle to remain active in EU markets. Our analysis of ONS data on trade by firm characteristics leads to a similar conclusion: the number of micro and small firms exporting to the European Union declined

sharply after 2021, while larger firms broadly maintained their presence in EU markets. These findings provide further evidence, based on new data, that the effects of Brexit have differed according to firm size.

In all, UK goods exports to the world fall by 6.4% and imports by 3.1%, with buyers turning in part to suppliers outside the EU (Freeman et al., 2025). However, when this differentiated impact by firm size is considered, it becomes apparent that the number of UK firms exporting to the EU fell by around 31% for micro-firms and 22% for small firms between 2019 and 2024, by 14% for medium firms, while the largest firms were essentially unaffected ($\approx 0\%$). Smaller firms account for the vast majority of exporters by count but only a small share of export value, so aggregate value held up even as the base of active exporters narrowed sharply. Trade has thus not so much shrunk as narrowed onto large firms, the only ones able to absorb the fixed cost of the new formalities. Crowley, Exton and Han (2018) had foreseen this mechanism, the mere threat of higher barriers discouraging exporters from entering and weakening those that remain, the smallest first.

UK Exporters to the EU by Firm Size



Source: HMRC OTS-IDBR · Annual releases 2020, 2022, 2023 · May 2026

As a consequence, Brexit appears to have weighed most heavily on firms least able to absorb the fixed costs associated with new customs procedures, new rules-of-origin requirements and new regulatory compliance demonstrations. Taken together, these new procedures increased the cost of UK-EU trade. While the TCA cushioned part of the adjustment by preserving tariff- and quota-free trade in goods, a traditional free trade agreement like the TCA can only partially mitigate the broader increase in trade costs arising from non-tariff barriers.

Looking beyond firms, the effects of Brexit also varied significantly across sectors. The nature and intensity of the shock depends on the specific barriers facing each industry, ranging from rules-of-origin requirements to

regulatory issues.

The sectoral breakdown indeed shows a highly uneven impact across sectors. Textiles and clothing fall in both directions, by about 37% on exports and 30% on imports. This is a sector particularly exposed to rules of origin. Cars and machinery display a form of asymmetry. UK imports still rise by 7% while exports to the EU drop by 21%, a gap that points to the TCA rules of origin, whose requirements are particularly demanding in the automotive sector. Agri-food offers the mirror image. UK exports fall by 3%, having become subject from 2021 to EU sanitary and phytosanitary controls, while imports from the EU stay high, rising by 28%, because equivalent UK sanitary and phytosanitary checks were introduced only gradually under the Border Target Operating Model (BTOM), with the first controls entering into force in January 2024 and the full regime being phased in throughout 2024.

EU–UK Goods Trade by Sector — HS2 Heatmap

SECTOR	HS	INTRA-EU BENCHMARK	SITC	CHANGE VS 2017–19	GAP VS BENCHMARK
►Agri-food & Beverages	HS01–24	+35.2%	SITC 0+1+4	+28.0%	-7.2 pp
Minerals & Energy	HS25–27	+85.9%	SITC 3	+33.0%	-52.9 pp
►Chemicals & Pharma	HS28–38	+39.5%	SITC 5	+13.1%	-26.4 pp
Plastics & Rubber	HS39–40	+25.0%	SITC 6 sub	-0.5%	-25.5 pp
Wood & Furniture	HS44–46, 94	+15.0%	SITC 6 sub	+11.7%	-3.3 pp
Paper & Printing	HS47–49	+10.0%	SITC 6 sub	-2.1%	-12.1 pp
Textiles & Apparel	HS50–63	+12.0%	SITC 6+8	-30.3%	-42.3 pp
Precious stones & Jewellery	HS71	+18.0%	SITC 6 sub	+91.1%	+73.1 pp
Metals & Metal products	HS72–83	+25.0%	SITC 6 sub	+5.8%	-19.2 pp
►Machinery & Vehicles	HS84–87	+21.0%	SITC 7 sub	+7.2%	-13.8 pp
Aircraft & Vessels	HS88–89	+15.0%	SITC 7 sub	+17.5%	+2.5 pp
Instruments & Optics	HS90–92	+26.0%	SITC 8 sub	+24.7%	-1.3 pp
Misc. manufactured goods	HS93, 95–97	+18.0%	SITC 8 sub	+23.8%	+5.8 pp

Gap vs intra-EU benchmark: Below -50 pp -35 to -50 -20 to -35 -5 to -20 -5 to +5 Above +5 Intra-EU benchmark

Source: Eurostat COMEXT DS-018995 + ext_it_intratrd - May 2026

Two items warrant particular caution when interpreting the data: precious stones, where gold and re-exports dominate, and energy, where trade values are heavily influenced by price fluctuations. Taken in isolation, these indicators are of limited relevance for assessing the structural changes that have taken place in trade between the United Kingdom and the European Union.

The intra-EU reference scenario is based on the assumption that UK–EU trade would have expanded at the same pace as intra-EU trade (+36.8%). This benchmark should nevertheless be treated with caution, as it is expressed in current values and therefore conflates three distinct factors: the underlying growth of European trade, the inflationary surge of 2021–2023, and the Brexit-specific effect that the analysis seeks to identify. A negative gap for a given sector therefore signals underperformance relative to this composite benchmark, not a precise measure of the Brexit shock alone.

Beyond their effects on trade flows, the additional costs associated with the post-Brexit trading relationship are ultimately borne, at least in part, by consumers. Assessing their impact is therefore an important dimension of

any evaluation of Brexit. According to Bakker et al. (2022), the rise in non-tariff barriers raised UK food prices by 6% over two years, that is £210 per household and £5.84bn in total, with a pass-through of 50 to 80% to retail prices. The distributional consequences are also significant. The poorest decile experienced an increase in its cost of living approximately 52% greater than that faced by the most affluent households.

This order of magnitude is consistent with estimates placing the cost of Brexit non-tariff barriers at around 8% on average (with the TCA), rising to 12% or 13% once customs formalities and rules-of-origin requirements are included, with food products among the most heavily affected sectors. Several signs suggest that Brexit played a significant role in generating these price increases. The timing coincides closely with the end of the transition period in January 2021. No comparable effect is observed in trade with third countries, and the increases are concentrated in product categories for which the UK is most dependent on imports from the EU, without tracking the common macroeconomic shocks (Bakker et al. 2022). Post-pandemic inflation and the fall in sterling played their part, the latter having had its own effect on living standards (Breinlich et al. 2022). However, neither factor explains why this increase coincided with the end of the transition period, nor why its strongest effects were concentrated in the sectors most exposed to the trade frictions generated by Brexit.

1. Services: the earliest rupture

The picture is different for services, which are particularly important for the United Kingdom given that they account for most of its external trade surplus. Here, the Brexit shock appears both earlier and, in some respects, more significant than in goods trade.

Du and Shepotylo (2022, 2024) find that the deterioration in trade in services between the EU and the UK predates Brexit. Comparing the United Kingdom with a set of control countries, they estimate that its services exports were already falling by about 5.7% a year between 2016 and 2019, a shortfall of around £18.5bn a year, and by 6.2% for trade with the EU alone.

Over the same period, Ireland experienced growth in services exports of nearly 15 per cent per year. This divergence suggests that part of the activity previously carried out from the United Kingdom may have been relocated to other EU-based business centres, particularly Dublin. Crucially, these effects emerged before any formal change in the trading relationship. The evidence therefore points to anticipation and uncertainty as important drivers of adjustment, as firms reacted to the prospect of future barriers and regulatory divergence. This mechanism had been anticipated by Crowley, Exton and Han (2018), who argued that the expectation of higher trade costs could itself affect firms' behaviour well before new rules entered into force.

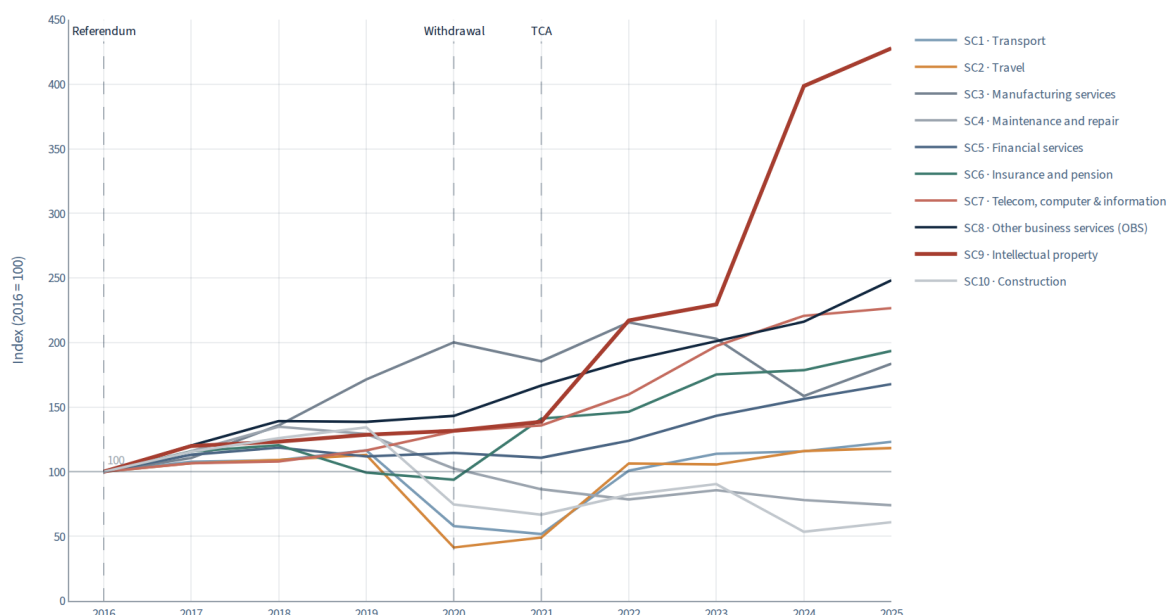
Behind the relative stability of aggregate services exports lies a profound sectoral recomposition. The categories that expanded most are those that can be delivered remotely, without the cross-border movement of goods or people, and which are therefore least exposed to the frictions created by Brexit: intellectual-property services exports rose almost fourfold (index 399 in 2024, base 2016=100), other business services exports more than doubled (216), and IT and telecoms services exports reached 221. Their strong performance reflects both the global expansion of digital services and the United Kingdom's comparative advantage in these activities.

By contrast, the categories tied to physical presence or on-site activity are the only ones to have declined: maintenance and repair services exports fell to 78 and construction services exports to 54, well below their 2016 level. These are precisely services that depend on the temporary cross-border movement of workers, which Brexit has brought to an end. Travel and transport services exports, for their part, collapsed in 2020 and have

only recovered to around 116 by 2024, a pattern driven primarily by the Covid-19 pandemic rather than by changes in the UK-EU trading relationship.

UK services exports to the EU-27, by EBOPS category

Index, 2016 = 100 · exports at nominal value (£) · 2016–2025



Source — ONS, UK trade in services by partner country (2025 Q4 edition) · £m nominal, 2016 = 100 · UK reporter, EU-27 partner. Markers: referendum 2016, withdrawal 2020, TCA 2021. Nominal values, not deflated (2022–2024 inflation and ONS methodological revisions, notably SC9/SC8). Stylized facts, no causal identification.

Relative to their control scenario, Du and Shepotylo identify transport, travel, insurance, telecommunications and intellectual property services among the sectors most affected by Brexit. This ranking only partially corresponds to the picture emerging from our index levels, where telecommunication services appear on the contrary among the strongest-performing sectors. This apparent discrepancy reflects differences in methodology rather than a contradiction in the results. While a control-scenario approach measures performance relative to an estimated no-Brexit counterfactual, an index level simply records observed outcomes. Moreover, because the estimated effect also extends to UK exports to non-EU markets, the adjustment cannot be viewed as a purely bilateral UK-EU phenomenon.

As noted earlier, two factors may help explain the patterns observed in the foregoing analysis. First, the end of free movement has restricted the temporary cross-border mobility of professionals, a mode of supply of services referred to in WTO terminology as “Mode 4”. This appears to have weighed particularly heavily on UK exports in sectors such as construction and personal services, whose performance has lagged behind broader global trends. Second, part of the adjustment may reflect a shift from cross-border service provision towards local establishment within the European Union through subsidiaries. Rather than supplying clients remotely from the United Kingdom, some firms may have chosen to relocate part of their activities inside the Single Market in order to preserve market access. This hypothesis is plausible and consistent with the evidence presented above, but it remains difficult to verify empirically. Doing so would require detailed data on the activities of foreign affiliates, which are not captured by existing statistics on modes of services supply (Breinlich and Magli 2024).

Financial services, one of the country’s flagship sectors, appear to constitute a distinct case. UK financial-services exports to the EU rose to an index of 156 in 2024 (+56% on 2016). The question is therefore not one of

decline but of counterfactual: whether this growth matches what would have occurred under continued Single Market access. Relative to a no-Brexit control scenario, Du and Shepotylo identify financial and insurance services among the sectors where UK exports underperform their estimated trajectory: a shortfall in relative terms that coexists with growth in absolute terms.

At the global level, however, the picture is one of remarkable resilience. The United Kingdom remains the world's largest net exporter of financial services, and its surplus, far from shrinking, has reached a record, on the order of \$98bn in 2023 and close to \$127bn in 2024. This resilience highlights the enduring strengths of the City of London, including its deep capital markets, legal infrastructure, concentration of expertise and global networks.

Brexit therefore appears less as a collapse of UK financial services exports than as a gradual geographical reorientation of those exports. The most striking change concerns the relative importance of the European market. The share of UK financial services exports destined for the EU fell from around 40 per cent in 2019 to roughly 30 per cent in 2023. Over the same period, the United States overtook the European Union to become the United Kingdom's largest market for financial services exports.

These developments suggest that the City has, at least in part, compensated for weaker growth in European business by strengthening its position in global markets. Yet this adjustment should not be interpreted as evidence that Brexit has had no effect on the sector. Rather, it points to a redistribution of activity across markets. The EU has become relatively less important for the United Kingdom's financial services industry, while non-European markets, and most notably the United States, have assumed a larger role in sustaining the sector's growth.

Moreover, the resilience of trade flows should not be confused with institutional continuity. Beneath relatively stable export figures, a significant relocation of assets, legal entities and business functions has taken place since Brexit. According to Hall (2022) and the New Financial tracker, about £900bn of bank assets, or 10% of the UK system, have been transferred or redirected to the EU. A further £100bn in insurance and asset management has also moved, involving more than 440 firms.

The drivers of this adjustment are well understood. Upon leaving the Single Market, UK-based financial institutions lost the passporting rights that had previously allowed them to serve clients throughout the European Union from a London base. Unlike goods, financial services were largely excluded from the TCA. Access to the EU market for UK-based financial firms now depends on unilateral equivalence decisions granted at the discretion of the European Commission, which remain limited in scope and can be withdrawn at any time. A Memorandum of Understanding signed in June 2023 established a framework for regulatory dialogue between the EU and the UK, but it did not restore either passporting rights or meaningful market-access guarantees.

2. A product-level analysis of financial services trade

In the clearing of euro interest-rate derivatives, the London clearing house LCH still held about 80% of the global market at the end of 2023. Similarly, London remained the leading centre for foreign-exchange trading, handling close to 42 per cent of euro transactions in 2022. In other segments, however, Brexit has led to a redistribution of activity. Amsterdam overtook London as Europe's largest share-trading venue as early as 2021, while part of the derivatives business migrated not to continental Europe but to New York.

In this sense, Brexit has not produced a straightforward transfer of financial activity from London to a single European rival. Rather, it has contributed to the fragmentation of activities across several centres. The City has preserved many of its traditional advantages, but it has lost part of its position as the EU's undisputed financial

services hub. The main long-term beneficiary of this reorganisation may ultimately prove to be New York rather than an individual EU financial centre.

The principal risk for London is therefore no longer that of a sudden rupture, much of which has already occurred, but rather that of gradual erosion. Regulatory divergence, the continued development of EU-based financial capacity and the Union's broader pursuit of strategic and financial autonomy could progressively weaken London's position over time, even in the absence of any dramatic disruption.

3. From investment to income: the cumulative channel

Foreign direct investment provides another important lens through which to assess Brexit's economic effects, linking trade, productivity and future income generation. Here too, the adjustment appears to have begun well before the end of the transition period.

Breinlich, Leromain, Novy and Sampson (2020) show, using transaction data, that the 2016 vote triggered a reorientation of investment flows. UK firms increased their investment within the European Union, while European investors reduced their investment in the United Kingdom, suggesting an early effort by firms on both sides to adapt to the prospect of future trade and regulatory frictions. Dhingra and Sampson (2022) attribute much of this adjustment to uncertainty. Before any formal change in market access conditions, firms were already responding to the possibility of future barriers by reconsidering the location of production, investment and corporate activity.

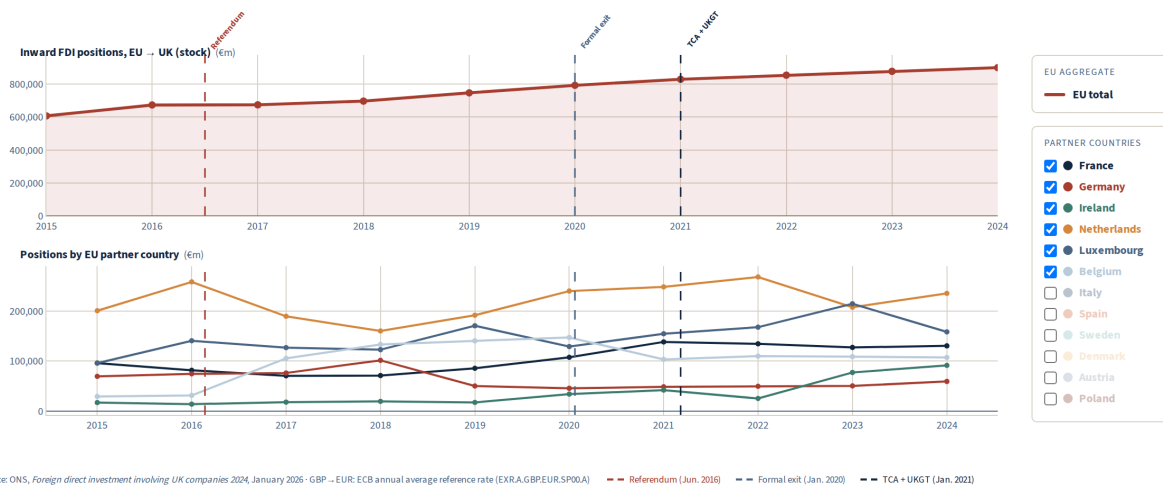
It is this channel that Bloom et al. (2025) place first among the four through which Brexit reduced GDP.

Investment stocks recorded in the United Kingdom confirm this adjustment, while also highlighting its complexity. At first sight, they do not point to a collapse in European investment in the United Kingdom. The stock of EU direct investment continued to increase across the post-Brexit period, rising from about €747bn in 2019 to €878bn in 2023 and €900bn in 2024. There is therefore no aggregate retrenchment: in level terms, European capital kept building up in the UK.

However, national trajectories are considerably more contrasted. The Irish stock of investment in the United Kingdom multiplied more than fivefold between 2015 and 2024, from about €17bn to €91bn, with most of the rise occurring in 2023 and 2024. The Dutch stock, very volatile, remained substantially above its pre-referendum level, standing at around €201bn in 2015 and €236bn in 2024, with a peak close to €268bn in 2022. By contrast, the German stock did not grow. After peaking near €102bn in 2018, it fell back to around €59bn in 2024, below its 2015 level of roughly €70bn.

Inward FDI — European Union → United Kingdom (2015–2024)

Foreign direct investment by EU companies in the United Kingdom · GBP → EUR: ECB annual average rate



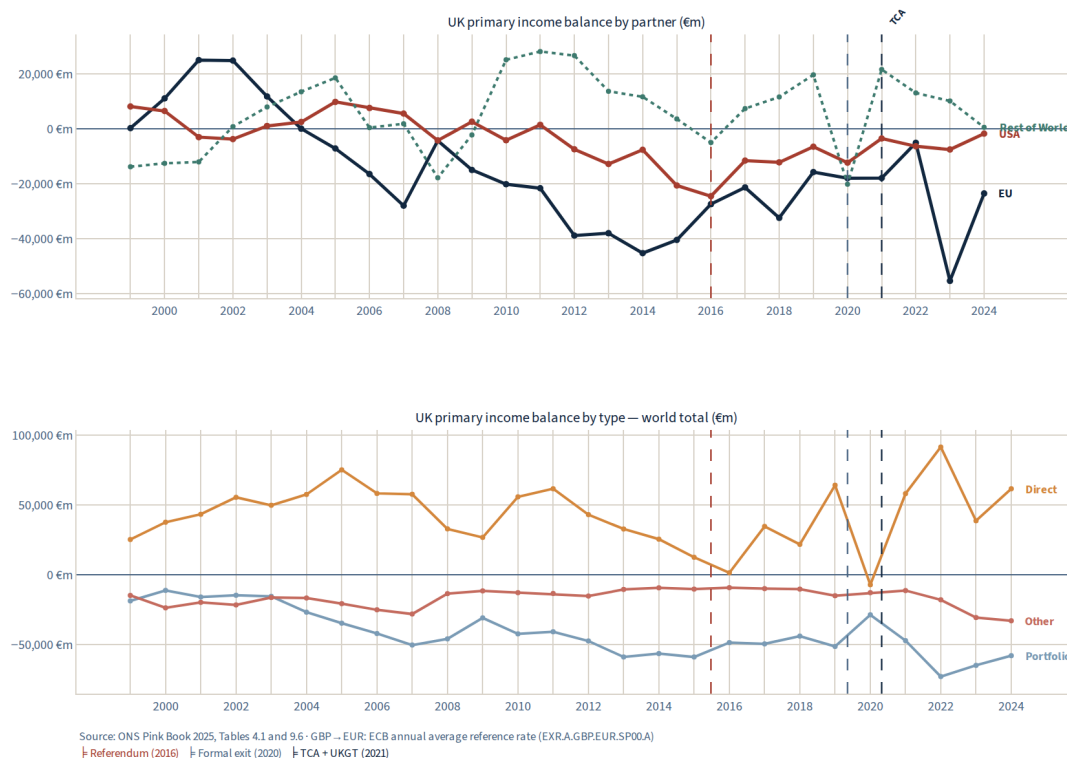
These findings should be interpreted with caution. A significant share of international investment flows passes through holding companies and financial vehicles that do not necessarily correspond to underlying productive activity.

The picture is more revealing when examining UK investment abroad. According to provisional ONS data for 2024, the European Union appears to be the only major region where the stock of UK outward direct investment has declined, falling by approximately €166 billion since Brexit. If this trend were to persist in the years ahead, it would point to a structural retrenchment potentially attributable to Brexit.

The regional distribution of investment within the United Kingdom also offers a more nuanced picture than is sometimes assumed. London's share of inward investment remained broadly stable, increasing only marginally from 48.9 per cent to 49.7 per cent over the period. However, the apparent concentration of investment in the capital reflects less a growing attractiveness of London than the relative weakening of other regions.

UK investment income: EU bilateral & world type decomposition (1999–2024)

Primary income balance (credits minus debits) · €m · ONS Pink Book 2025 · GBP → EUR: ECB annual average rate



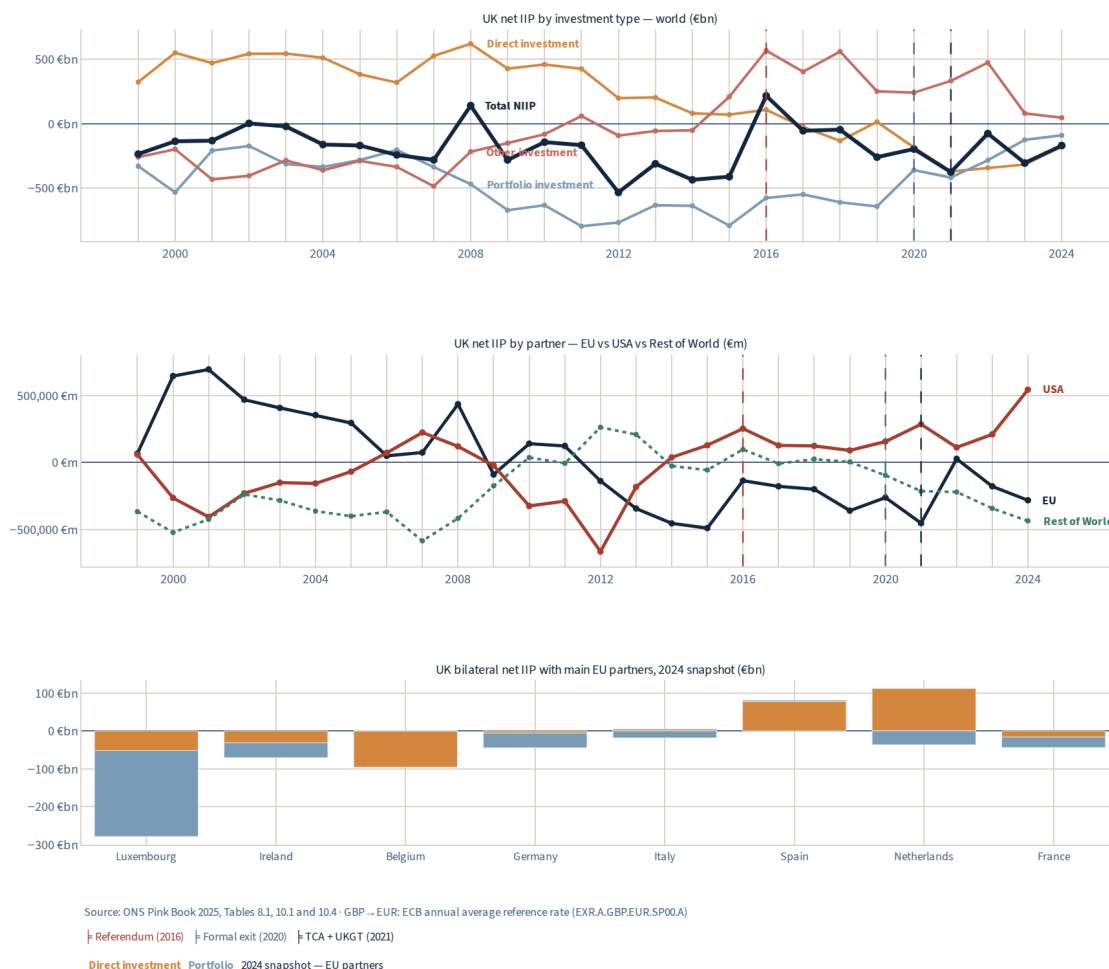
The investment income channel is both the slowest to materialise and the hardest to assess. Unlike trade or investment flows, changes in the income generated by foreign assets and liabilities can take many years to appear, reflecting past investment decisions rather than current economic conditions.

To date, the available evidence remains inconclusive. The investment income balance with the EU stays negative across the whole period, but unstable and without a clear direction. The deficit swings between €45bn in 2014 and €5bn in 2022, then €24bn in 2024. These movements suggest considerable volatility but do not, at this stage, point to a systematic deterioration in the United Kingdom's income position vis-à-vis the European Union.

The picture is hardly clearer when turning to the rest of the world, where investment income balances display even greater instability. The limitations of the available data also complicate the interpretation of the results. While the composition of investment income can be studied by type of investment at the global level, no comparable public data are available for UK-EU relations alone. As a result, any assessment of Brexit's impact on investment income must, for now, remain cautious.

UK Net International Investment Position (NIIP) — 1999–2024

Balance sheet valuation · €bn/€m · ONS Pink Book 2025 · GBP → EUR: ECB annual average rate



4. A cumulative effect that may still be unfolding

The net international investment position provides a possible explanation for how Brexit's effects could become cumulative over time. The net balance of direct investment, in surplus by some €70 to €80bn in the mid-2010s, turns negative from 2017, reaches a deficit of €346bn in 2022, then recovers to €181bn in 2024.

These fluctuations should be interpreted with caution, as they are influenced not only by investment flows but also by changes in asset valuations and exchange rates. The large improvement recorded after 2022 therefore does not necessarily signal a reversal of the underlying trend.

Nevertheless, the broader movement remains significant. A deterioration in the net stock of direct investment implies a reduction in the United Kingdom's net foreign wealth. Over time, a smaller stock of foreign assets relative to foreign liabilities may translate into lower future investment income, even if such an effect is not yet visible in current income flows.

It is this mechanism that underpins the idea of a cumulative Brexit shock, in which the consequences of weaker investment accumulate gradually and may only become apparent over a much longer horizon. At present, however, this remains a hypothesis rather than an established fact. The available data neither confirm nor

refute such a development, while the sensitivity of the net investment position to fluctuations in asset prices requires particular caution in interpretation.

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