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BrexitAnd Its Economic Effects On Economy Of U.K. And Europe

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Abstract
BrexitWas A Name Derived After The British Exited From The E.U., An Economic Union Created By European Countries Where The U.K. Was One Of The Member Countries Since 1973. On June 23rd In 2016, Everything Changed After The U.K. Decided To Exit European Union. The Exit Was That Citizens Decided That The Advantages Of Trading Freely Were Not Enough To Offset The Cost Of Free Movement. According To Votes Cast, 17.4 Million People Voted In Favor Of Leaving The Union Compared To 16.1 Million Who Voted For Britain To Continue Its Membership In The Union. Therefore, BrexitHappened Because Working-Class Citizens Of England Were Old, And They Feared That Citizens Of Those Developing Countries In The Union Could Take Their Jobs. Another Reason Is That The European Union Fees Frustrated Small Businesses. Others Felt That Departing From The E.U. Would Create Some Job Opportunities, While Some Thought The U.K. Offered Extra To The Union Than It Obtained.

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I. Introduction

Brexit's most significant impact was the damage it caused to the economy's growth in the U.K. This is because of the uncertainties that surrounded the outcome. The economy slowed as many of the businesses located in the U.K. transferred their headquarters to countries in the European Union. The impact mostly was on growth and jobs. These uncertainties made the Growth rate fall from 2.5% in 2015 to 1.0% in 2019. The estimation maide by the U.K. government is that the growth rate slowed down up to 6.7 percent for more than 15 years. On currency, the British sterling pound was reduced from 1.48 on the referendum to 1.36 on the following day (Erken et al, 2018). This helped in the exportation of products but increased the prices of importation. The effect on jobs is that young workers from Britain were mainly affected by Brexit. For example, in Germany by 2030, it was projected that there would be a shortage of 3 million skilled workers, but these opportunities will not be there for U.K. workers after Brexit. Moreover, employers in the U.K. were having a hard time finding new employees because, after Brexit, the E.U. member countries employees left the U.K., where their figures reduced by 95 percent.

The membership of the U.K. in the E.U. contributed to their economic prosperity. Uncertainties concerning the referendum results began to weaken the growth and development of the economy in the U.K. A British exit would have a significant destructive impact on the U.K. economy and affect the rest of the OECD. (Organization for Economic Cooperation and Development (OECD). Therefore, Brexit caused taxation on the GDP, imposition of the tax, and rising cost could not have occurred if the U.K. remained in the union. If the U.K. continued its membership, the effect would be conveyed through ways that would change with time. Soon the U.K. economy would be stroke by a tight financial state and low confidence after exiting from the European Union with trade barriers and labor restrictions being implemented (Pettifor& Ann, 2017). Statistics on the economy showed that by 2020 GDP would be over 3% lower than otherwise if they lasted with E.U. membership. Brexitwould grip back GDP in other European economies because Brexit created uncertainty about the future of Europe.

Due to Brexit, the European Union decided to put several red tapes. This included ruling out the U.K. from participating in the E.U. market. This is by selecting certain rights such as free labor mobility, where the U.K. government accepted the conditions. Brexit also made uncertainty in London's status as a world financial center, which boosted the United States. One day after the British exit vote, the currency-based markets changed. Euro with 2 % to 1.11 while the pound reduced to 1.36, which brings about 8%. All these led to an increase in the value of the dollar. This made American shares expensive in the stock exchange markets, especially for foreign investors. As a result of the weak pound, the exports to the U.K. became expensive. Statistics show that in 2019, United States products they exported to the U.K. were 147.4billion, from 141billion in 2018 (Sampson & Thomas, 2017). This means there was a 21.8 billion trade surplus while imports were only a 125.6billion. Brexit slowed down the development of organizations that operated in Europe. United States had invested 851.4 billion in the U.K. in the year 2019. Most investments were based on the financial sector, insurance sectors, and manufacturing and non-banking holding companies.

Analysis conducted at Stanford University and the University of Nottingham approximated that the British exit reduced investment in the business by six percent and caused a decrease in employment by 1.5 percent. This means that those who had skills were rendered jobless; hence, they could not- afford the lifestyle they wanted, knowing the effects caused by the outbreak of the Covid 19 pandemic (Bloom et al, 2019). The analysis made in2019 found that British organizations increased offshoring to the E.U. after the British exit referendum. At the same time, on the other side, European organizations decreased new investments in the U.K. short term forecasts made by macroeconomists showed the central bank of England and other banks what might happen though they were too pessimistic.

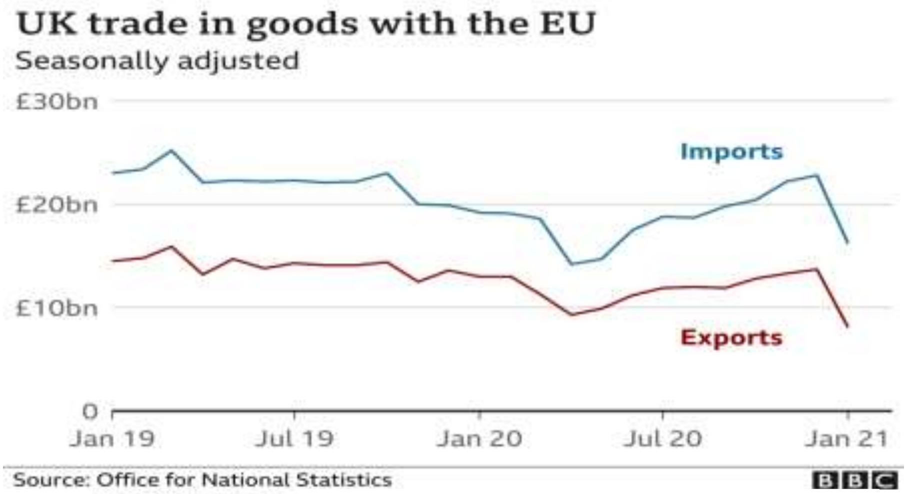
They assumed that a referendum might create more significant uncertainty in the market, reducing consumers' confidence more than expected. Surveys of economists showed overwhelming agreement that Brexit was likely to reduce the U.K.'s absolute per capita income level. Also, research showed the gross domestic product (GDP) had a loss with a rate from 1.2% to 4.5% for the United Kingdom. Plus, a cost ranges from 1 percent to 10 percent of the U.K. per capita income (Clarke et al, 2017). One-quarter of the businesses in the United Kingdom faced high trade barriers and other export tariffs, which were made high to them. According to Paul Krugman, Brexit assertion about leaving single market and customs union on United Kingdom’s exports would be increased. He considered costs of Brexit might be around 2 percent of gross domestic product (GDP).

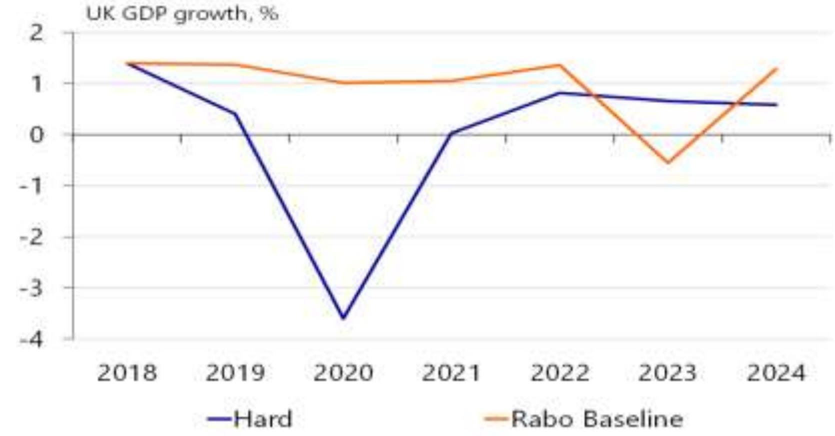
The Brexit also impacted the International Monetary Fund (IMF). They alerted that the U.K. would undergo economic damage, equal to the loss of at least two to three years of average development by the end of 2021. Therefore, increased trade barriers immediately impacted U.K. domestic and foreign demand. The IMF also said that the European economy would suffer too, though not more than the U.K., facing a prospected 0.5 percent hit to gross domestic product (GDP). British exit also contributed to the slow growth of other economies to the countries with the same free trading area. The costs of goods increased because of transport costs which increased the cost of trading (Chang et al, 2018, 2351). Other countries added tariffs as a result of Brexit. Goods exported to other countries by the U.K. were taxed highly, making other countries purchase cheaper goods from European Union member countries.

Regulations were implemented as a result of Brexit. The domestic regulations impacted how cost-effective businesses used their workers, capital, and technology in production. There were border regulations that barred smooth trade flows. Many regulations were set at the E.U. level, and this means that after Brexit, the British would suffer from the new set of regulations that were not on their favor (Tetlow et al 2018, 32). On productivity, workers left the U.K. after Brexit, which means there was a shortage of skilled labor in Britain. By moving levels of trade, FDI, and migration, Brexit also affected the intensity and development rate of output in the U.K. for many reasons. This was because of trade barriers that were imposed on trade.

II. Conclusion

Since the referendum about Brexit was announced even before the voting day, economic effects started to be felt in the U.K. therefore, and it can be termed a losing deal for everybody. Because of measuring economic impacts, it was hard to know the outcome after Brexit. This made investors fear investing large sums of money. The topic on pre-election of the U.K. concluded that Brexit would cause more economic damage for the United Kingdom than benefits it could accrue to them. Additionally, the rest of Europe would suffer from the low economic growth rate. Also, increment in the price for exports led to low economic growth in Britain. Separately from economic shortcomings, Brexit would result in political damage, which would weaken Europe's geopolitical. Hence Brexit could be evaded because it created no winners, only losers.





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