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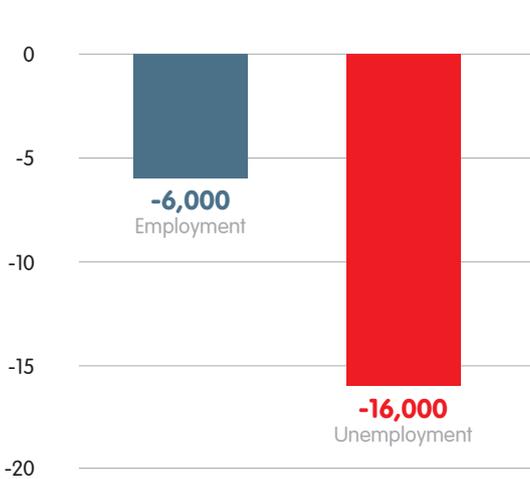
# The facts about Brexit

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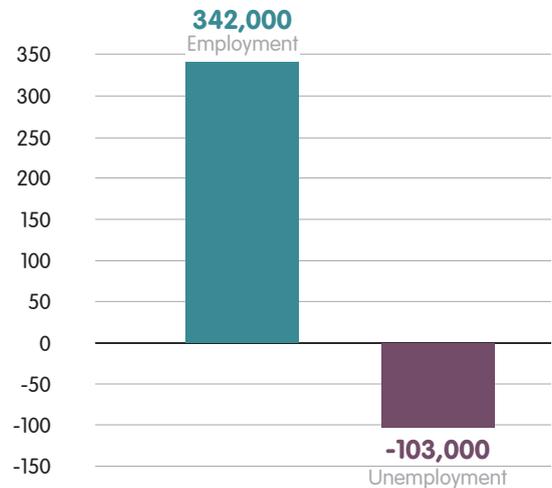
December 2016

# Economic impact

UK Labour Market quarterly change:



UK Labour Market annual change:



## Hiring & Employment

For the first time in over a year the number of people employed in the UK fell, although the unemployment rate remained at 4.8%, an 11-year low. Unemployment was 16,000 lower in the three months to October 2016 but it did not affect the rate.

"The UK labour market continued to show resilience in October...however, some cracks could potentially be appearing," **Barclays Economists Andrzej Szczepaniak and Fabrice Montagne** wrote in a note to clients.

In the recruitment market APSCO (The Association of Professional Staffing Companies) reported that professional staffing remained slow with the number of permanent vacancies unchanged from a year ago. Despite overall stagnation they did report movements in certain sectors:

- Financial services: +3%
- Marketing: +14%
- IT: -6%
- Engineering: -6%

"There is no doubt that the economy has been more resilient in the months since the Brexit vote than many commentators were expecting" said **Ann Swain, Chief Executive of APSCO**.

"However, as our latest data illustrates, the uncertain nature and timing of Brexit

is now beginning to take its toll as we approach 2017. According to a recent survey of more than 1,000 firms by the Centre for Economic and Business Research, companies have abandoned plans for £65bn of investment since the Brexit vote."

A more positive view was provided by the Recruitment and Employment Confederation (REC) which reported on intentions for November. Permanent hiring rose at the fastest pace since February whilst the acquisition of temporary staff also increased.

"In all parts of the UK recruiters are reporting increasing demand, so clearly businesses continue to seek growth in their workforces," **REC Chief Executive, Kevin Green, said**.

## Price Rises

The impact of the falling value in the pound in the wake of the decision to leave the EU is starting to affect prices of goods in the UK.

Following the furore around the decision by Unilever to increase the price of Marmite in October, Lego is the latest retailer to discuss the impact of higher costs. From 2017 the Danish toy firm will increase prices by 5% in the UK. It said this was 'a direct result of the continued devaluing of the UK pound'.

According to an open letter signed by 30 food and drink industry bodies suggests

these rises will continue unless the government ensures EU citizens can work in the UK after Brexit.

The letter, published in the Guardian, says: "Workers from the European Union, some of whom are already leaving the UK, play a significant role in delivering affordable and high-quality food and drink." It says they provide "an essential reservoir of skilled, semi-skilled and unskilled labour."

## Impact on Companies

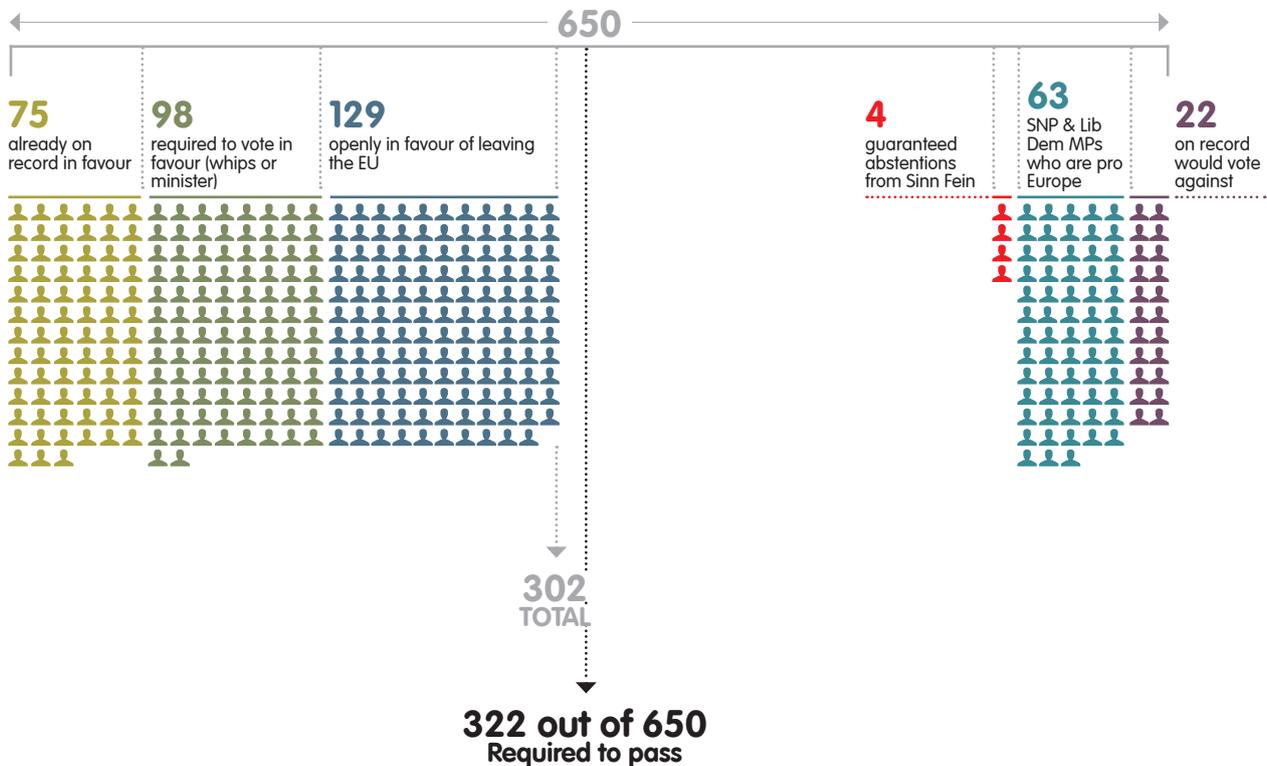
Two companies saw very specific business impacts from the Brexit situation during December.

Consultancy firm Deloitte announced it would withdraw from Government contracts worth millions after a leaked memo suggested the Prime Minister had no plan for the negotiations. It also identified "well over 500 projects" being undertaken by Whitehall departments to implement Brexit, creating the need for up to 30,000 extra civil servants.

At the same time fast food company McDonald's has decided to move its international base, for non-US operations, from Luxembourg to London. The company says it is a post-Brexit vote of confidence. Some commentators have suggested that the move is politically motivated as the company has been scrutinised over its tax arrangements by the EU. Either way it represents an increase in employment and tax revenue for the UK.

# Legal proceedings

## Numbers:



### The UK Supreme Court

December 2016 saw all 11 judges in the UK's final court of appeal sit to hear arguments on whether the government has the right to trigger Article 50 or whether parliament would have to vote on the issue. This follows a 3-0 defeat for the government in the High Court during November 2016.

At the time of writing a decision has not been received, it is expected later in January.

The case closed with a reminder from its president Lord Neuberger, that it will not 'overturn the result of the EU referendum'. This went after a comment by the Attorney General that the justices should ensure their decisions are not political.

The Government has argued that it has the power to trigger Brexit under the 'royal prerogative' – an executive power formerly belonging to the royalty but now resting

with parliament. **James Eadie QC, First Treasury Counsel**, argued that treaties are an exception governed by this power and as ministers negotiated it they have the power to withdraw from it.

This is on top of the fact that the referendum empowers them to do so.

In response **David (Lord) Pannick QC** argued that no clear demonstration has been made that this power was handed to ministers and that the complexity of the situation necessitates an act of parliament.

**Dominic Chambers QC** also argued that ministers had lost the power to overturn executive acts of parliament, as long ago as the 17th Century. This is despite Jeremy Wright QC calling it a 'fundamental pillar of our constitutional state'.

**Manjit Gill QC** suggested that only an act of parliament can enact decisions to remove the rights of British citizens

as Brexit would do, especially for those currently living in the EU.

Research published by news agency Reuters suggests that the House of Commons would be likely to vote in favour of triggering Article 50 even if the case was lost.

### Further Cases?

The UK government may face further legal challenges in the areas even after a verdict from the Supreme Court – specifically with respect to removing the UK from the single market.

The Sunday Times reported that campaigners were planning legal action in the High Court saying that the referendum did not give that power to the government. **Nicola Sturgeon, First Minister of Scotland**, has said that she will hold a referendum on separation from the UK unless it can remain.

# Transition period



Without increasing levels of clarity regarding any future post-Brexit economy there is a growing feeling that some form of transition arrangement/period will be required.

Theresa May has intimated that she would be open to the idea and Chancellor Philip Hammond recently said that it would what 'thoughtful politicians' would be in favour of.

A House of Lords EU Financial Affairs Sub-Committee called it vital – in order to avoid an exodus of FinTech firms from the UK. They said it should be agreed early on to avoid a worst case scenario.

**Former Conservative minister Anna Soubry** has suggested that such an arrangement could 'go on for years' and should be 'as long as business needs'.

**Former Trade Secretary Peter Lilley**, now a Brexit backing Tory backbencher, said a transitional period would be acceptable only if it was to implement changes that had already been decided.

In a submission to the Treasury, prepared by law firms Linklaters, Freshfields and Clifford Chance, large financial institutions have requested to remain subject to European Union laws for up to five years after Britain leaves the union.

With the Institute of Export warning that a new settlement with the World Trade Organisation (WTO) could be blocked, over settlement disputes with countries such as Argentina and Spain, the importance of a transition arrangement only increases.

Ultimately, this may become a necessity before his resignation Britain's EU Ambassador Sir Ivan Rogers warned that a trade deal might not be concluded within the next 10 years.