

[The Economic Consequences of the Brexit Vote](#)

CFM-DP2017-39

Benjamin Born^{1,3}, Gernot J. Müller^{1,5}, Moritz Schularick^{1,3} and Petr Sedláček^{1,2,4}

¹Centre For Economic Policy Research, ²Centre For Macroeconomics, ³University of Bonn, ⁴University of Oxford, ⁵University of Tübingen

On June 23, 2016 the UK electorate voted to leave the European Union. What are the costs, if any, of the Brexit vote? Existing estimates vary by a confusingly wide margin, because they rely on different assumptions about Britain's future "deal" with the European Union and other countries.

In this paper, we take a different approach and introduce a data-driven, transparent, and unbiased method to determine the economic costs of this Brexit vote for the UK economy. Specifically, we first generate a clone, an "economic no-Brexit doppelgänger", of the growth path of UK GDP. This is achieved by letting a matching algorithm select a set of comparison economies such that their weighted average best resembles the growth path of the UK economy before the referendum. The economic cost of the Brexit vote is then simply the difference in output between the actual behavior of the UK economy and the behavior of the no-Brexit doppelgänger that has emerged since then.

We show that, contrary to public perception, by the third quarter of 2017 the costs of the Brexit vote already amount to 1.3% of GDP, or close to 300 million pounds per week since the vote took place. The cumulative costs are expected to grow to more than 60 billion pounds by end-2018. We provide evidence that heightened policy uncertainty has already taken a toll on investment and consumption.